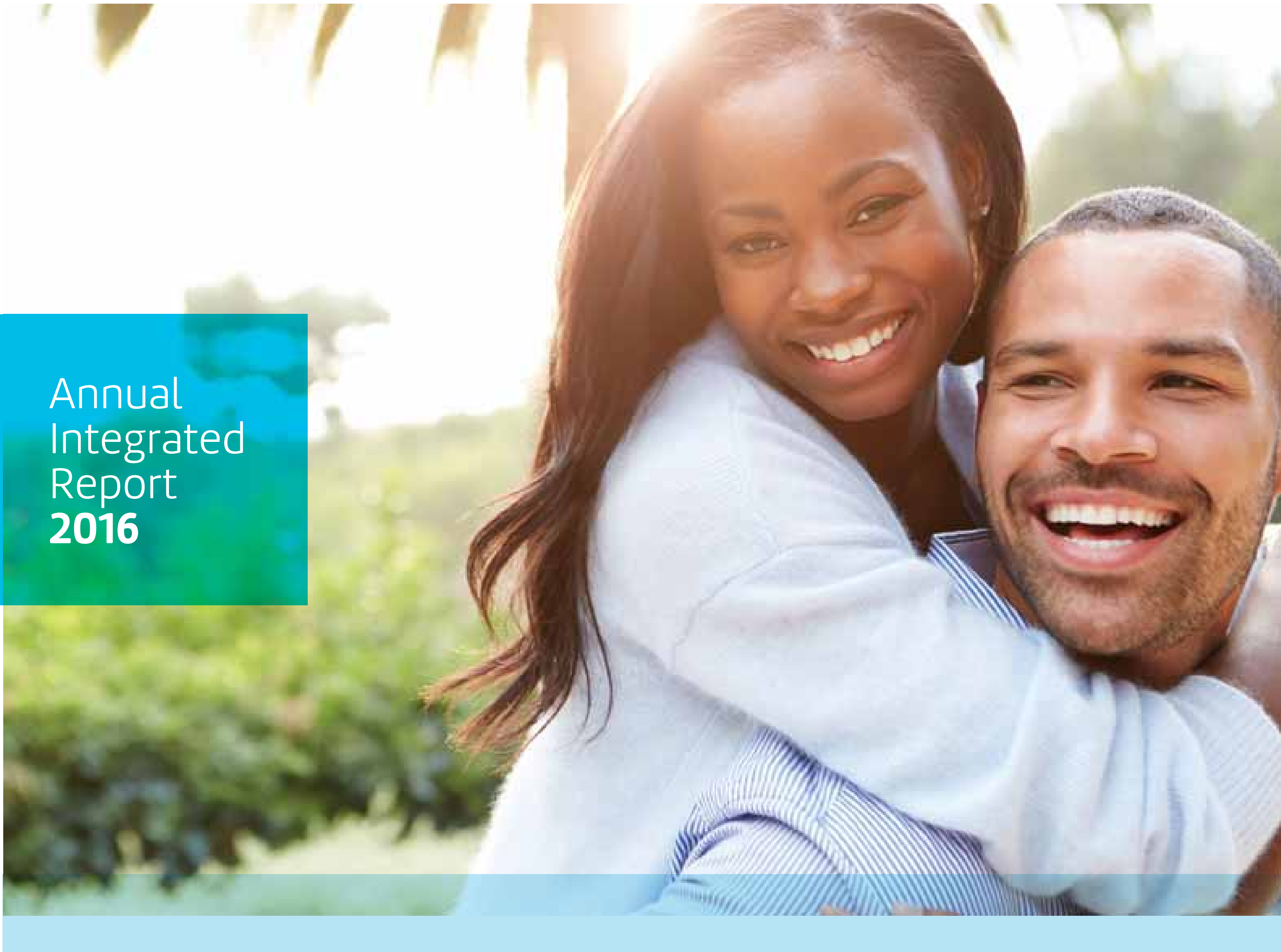
lenmed

Embrace every day



Annual Integrated Report **2016**

ABOUT this report

Lenmed Investments Limited's ("the Group" or "Lenmed") Annual Integrated Report covers the financial year 1 March 2015 to 29 February 2016. In this report, we share the collective thinking applied to material issues impacting on our ability to create long-term value. Throughout the report we address the challenges faced by the Group, and opportunities and external drivers influencing Lenmed's strategy.

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

The information provided in this Annual Integrated Report has been guided by local and international requirements.

These include the:

- South African Companies Act 71 of 2008, as amended (Companies Act)
- King III Code of Governance reporting principles (the King III Code)
- International Integrated Reporting Council's (IIRC) <IR> framework
- International Financial Reporting Standards (IFRS).

Since the release of Lenmed's 2015 Annual Integrated Report, there has been no material change to the structure, ownership or products and services of the Group.

Disclosure and assurance

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

The financial information included in this report has been prepared in accordance with IFRS. PKF Durban has independently assured the annual financial statements.

Non-financial information was not independently assured.

Board responsibility

This report was approved by the Lenmed Investments Limited Board of Directors ("the Board") on 9 June 2016. The Board acknowledges its responsibility in ensuring the accuracy of this 2016 Annual Integrated Report. The Board has applied its collective expertise to this report and, in its opinion, this report addresses all material issues and presents an integrated view of the Group's performance in the year under review.

Forward-looking statements

Certain statements in this document are forward-looking. These relate to, among other things, the plans, objectives, goals, strategies, future operations and performance of Lenmed Investments Limited, its subsidiaries and its investments. Words such as "anticipates", "estimates", "expects", "projects", "believes", "intends", "plans", "may", "will" and "should" and similar expressions are typically indicative of a forward-looking statement. These statements are not guarantees of Lenmed's future operating, financial or other results and involve certain risks, uncertainties and assumptions. Accordingly, actual results and outcomes may differ materially from those expressed or implied by such statements. Lenmed makes no representations or warranty, express or implied, that the operating, financial or other results anticipated by such forward-looking statements will be achieved and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. Due to the point in time nature of this Annual Integrated Report, Lenmed cannot undertake to continuously update the historical information or forward-looking statements in this document.

Feedback on report

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

CONTENTS

The nuts and bolts of what makes up Lenmed.

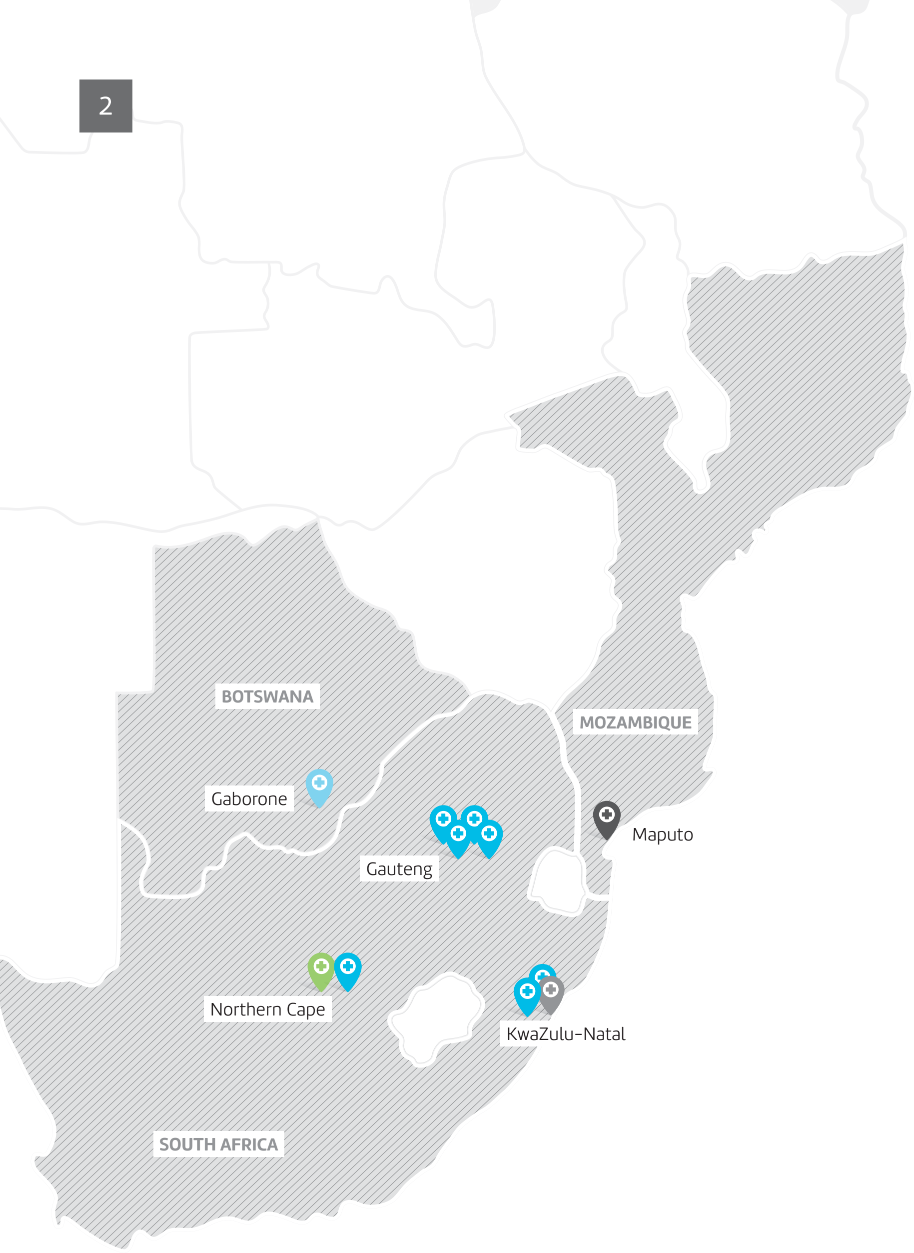
Lenmed's performance this past year and how it creates value.

How Lenmed's operations impacted the Group and broader society.

Managing Lenmed according to best practice governance and ethics

MORE INFORMATION CAN BE FOUND ELSEWHERE IN THIS REPORT

MORE INFORMATION CAN BE FOUND ONLINE AT WWW.LENMED.COM



1984

Lenmed's roots reach back to 1984 when, in response to Lenasia's growing healthcare needs, Lenmed founded a 48-bed facility in the community. This was the founding hospital of the Group as it exists today, embracing nine hospitals in South Africa, one in Botswana and another in Mozambique, offering a combined total of 1 687 (2015: 1 532) registered beds.

OWNERSHIP

100%

	Ahmed Kathrada Private Hospital (formerly Lenmed Private Hospital) *Lenasia, Gauteng*	Zamokuhle Private Hospital *Tembisa, Gauteng*	Daxina Private Hospital *Lenasia South, Gauteng*	Randfontein Private Hospital *Randfontein, Gauteng*	La Verna Private Hospital *Ladysmith, KwaZulu-Natal*
Beds	254	94	64	174	138

LENMED at a glance

HIGHLIGHTS OF THE LAST SIX YEARS

2011

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

2012

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

2013

Lenmed acquired a 40% equity stake in Ethekwini Hospital and Heart Centre, situated in Durban, KwaZulu-Natal, which is a 258-bed, high-technology hospital administered through digital systems that have eliminated the need for paper forms. It is one of the few facilities in the country where heart, lung and kidney transplants are performed. Ethekwini Hospital and Heart Centre was granted an additional 66-bed licence to increase its total number of registered beds to 324.

2014

A sizable portion of land is acquired in Tembisa adjacent to the Zamokuhle Private Hospital to expand the facility from 36 to 94 beds. Construction commenced in October 2014, with the original hospital building to be demolished and an entirely new facility built.

2015

The Kathu Private Hospital became a Lenmed asset from 7 May 2015, as the tenth hospital to enter the Lenmed stable. The hospital has a 25-bed capacity at present and planned upgrades include 30 additional beds, an ICU and emergency unit.

Lenmed began construction of the two-storey 30 500 m², 100-bed Royal Hospital and Heart Centre in Kimberley. Its facilities will include major and minor theatres, delivery rooms, and an oncology bunker, as well as a catheterisation laboratory (cathlab), casualty unit, resuscitation room, maternity, paediatric, intensive care, medical and surgical wards. The hospital is expected to be completed at the end of February 2017.

In this period, Lenmed moved its head office from the Ahmed Kathrada Private Hospital to a corporate office park with the capacity to house the shared services division being instituted across the Group.

2016

The expanded Zamokuhle Private Hospital in Tembisa opened in May 2016. This hospital contains a paediatric, maternity, day, medical and surgical wards, as well as a state-of-the-art intensive care and high-care unit.

Zamokuhle offers 24-hour assistance through its accident and emergency unit. Surgeries are performed in four impressive theatres, including a laminar flow theatre.

70% 67% 60% 40%

Shifa Private Hospital
Durban, KwaZulu-Natal
179

Royal Hospital and Heart Centre
Kimberley, Northern Cape
100

Bokamoso Private Hospital
Gaborone, Botswana
200

Kathu Private Hospital
Kathu, Northern Cape
55
(including bed licence granted in 2015/16

Maputo Private Hospital
Maputo, Mozambique
105

Ethekwini Hospital and Heart Centre
Durban, KwaZulu-Natal
324

How we CREATE VALUE

Lenmed creates value for our shareholders and other stakeholders through a business model based on an intensive knowledge of the health industry. Lenmed's management features a well-balanced mix of deeply experienced health practitioners and younger, highly qualified professionals that together manage exceptional medical facilities across southern Africa.

Inputs

1 Financial Capital

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

- Working capital
- Loans
- Operational and capital expenditure

2 Manufactured Capital

The hospital facilities and general infrastructure which enables Lenmed to procure, deliver and sell our services.

- Number of hospitals
- Number of beds
- Number of specialist units
- Equipment
- Vehicles

3 Human Capital

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

- Number of employees
- Number of nurses
- Training
- Remuneration and policies
- Agency agreements

4 Social and Relationship Capital

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

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

5 Intellectual Capital

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

- Quality policies, procedures and standards
- Systems and analysis models
- Alternative reimbursement pricing models
- Legal and statutory compliance requirements

6 Natural Capital

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

- Energy
- Water
- Land use

Our business model

The Lenmed Board and management are adept in identifying “greenfields” and “brownfields” opportunities in high-potential areas that competing healthcare groups haven’t entered.

Value is created by restoring underperforming medical facilities to healthy cash flows, or by building compact and efficient hospitals in underserved areas. These facilities are then expanded in response to demand, offering additional specialities and growing revenue streams.

Values
“Embrace every day”
All Lenmed business is conducted within the culture of caring, dedication and community behind the founding of the Group. Our core values are affordability, efficiency and quality, backed by excellent management, motivated staff and world-class facilities.

Mission and vision
Lenmed was established in 1984 by the Lenasia community to construct and operate a much needed hospital for the region. Although Lenmed has expanded into three southern African countries, we remain true to our original community ethos of providing world-class medical facilities to areas sorely lacking these.

Opportunities and risks
Lenmed’s leadership continually looks out for development or turnaround opportunities in the southern African health sector. Identified opportunities are carefully assessed against the Group’s selection criteria and risk appetite. Only the best qualifiers will be taken on in terms of our growth strategy.

Strategy
The Group acquires, builds and/or manages hospitals in high-potential areas, with the medium-term goal of operating 20 hospitals by 2020.

We attract highly reputable specialists in various medical disciplines to our facilities, so that they in turn bring in their patients. Doctors practice at our hospitals due to top quality medical equipment and theatres, well-furnished wards and dedicated nursing and administrative staff.

Resource allocation
Resources flow through Lenmed in the form of the six capitals, being our financial, human, intellectual, social and relationship, natural and manufactured capitals. Management prioritises the mix and quantities of these capitals allocated to ongoing operations and new projects.

Business activities and services
These are the day-to-day activities that enable Lenmed to function and attract medical personnel and patients to our hospitals. In over 30 years under stable and expert management, Lenmed has developed an enviable reputation for healthcare, supported by standard operating procedures that enable smooth and efficient operations.

Governance
Good corporate governance is the foundation upon which Lenmed stands. Although still a non-listed company, Lenmed governs itself in accordance with the King III code and reports to shareholders and stakeholders using the international integrated reporting <IR> framework.

Outcomes

1 Financial Capital

R1 379.2 million revenue

R152.4 million headline earnings

Refer to the Chief Financial Officer’s Report on page 30.

2 Manufactured Capital

- **11** hospitals
- **1 687** registered beds
- **Operational efficiencies**

3 Human Capital

- **Qualified, experienced** and **motivated** workforce
- **2 647 employees** in the Group
- **1 536 nurses** employed in the Group

4 Social Capital

- **118 free** cataract surgeries
- Excellent **customer satisfaction results** shown in surveys
- **B-BBEE level** certification

5 Intellectual Capital

- **Trust** and **confidence**
- **Performance improvement**
- **Quality standards** maintained and improved

6 Natural Capital

- **Energy savings** and **reduction**
- **Waste** and **water treatment initiatives**

GROUP structure

LENMED INVESTMENTS LTD

100% Lenmed Health (Pty) Ltd

100%

- **Lenmed** Health Randfontein Private Hospital (Pty) Ltd
- **Lenmed** Health Daxina Private Hospital (Pty) Ltd
- **Lenmed** Health Management Company (Pty) Ltd
- **Lenmed** Health Lenasia (Pty) Ltd
- **Lenmed** Health La Verna (Pty) Ltd
- **Lenmed** Health Shifa (Pty) Ltd
- **Lenmed** Health Zamokuhle (Pty) Ltd
- **Lenmed** Management Services (Pty) Ltd
- **Ladysmith** Hospital Holdings (Pty) Ltd
- **Ladysmith** Hospital Properties (Pty) Ltd
- **Clear Creek Trading 117** (Pty) Ltd

67%

- **Lenmed** Health Kathu Private Hospital (Pty) Ltd

60%

- **Maputo** Private Hospital SA
- **Lenmed** Health Kathu Properties (Pty) Ltd

40%

- **Ethekwini** Hospital and Heart Centre (Pty) Ltd

30%

- **Lenasia** Renal Centre (Pty) Ltd

100% Lenmed Health Africa (Pty) Ltd

70%

- **Lenmed** Health Bokamoso Private Hospital (Pty) Ltd

VISION

TO BE RECOGNISED AS A **RELEVANT PROVIDER OF ACCESSIBLE, QUALITY PATIENT CARE**

OPERATING 20 HOSPITALS BY 2020

MISSION

We strive to deliver:

A WORLD-CLASS HOSPITAL ENVIRONMENT
to facilitate accurate diagnosis and internationally recognised treatment protocols

THE FINEST QUALITY HEALTHCARE
in the most cost-effective way, through innovative leadership and teamwork

EXCELLENCE IN PATIENT CARE
by constantly upgrading our technology, facilities and nursing standards

A STRONG FINANCIAL POSITION
and acceptable profits, earned in an ethical manner

AN IMPROVED QUALITY OF LIFE
for our employees, patients and communities, and to safeguard the environment in which we operate

We believe that superior healthcare is delivered through unparalleled quality and clinical excellence and must be accurately focused on the real needs of our patients and their families.

Affordability, efficiency and a sense of community are Lenmed attributes 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, are behind Lenmed's consistent results.

HIGHLIGHTS

Lenmed now lists its annual highlights in line with the "six capitals" integrated reporting concept recommended by King III.

FINANCIAL CAPITAL

Record turnover and **operating profits** achieved

Ongoing capital expenditure at Zamokuhle and Kimberley hospitals confirms our confidence in Lenmed's future

Cash generated by **operating activities** increased by 55%

Obtained a R500 million composite facility from FNB for ongoing expansion

Financial Capital is discussed further in the Chief Financial Officer's and Sustainability reports

MANUFACTURED CAPITAL

Commenced construction on Royal Hospital and Heart Centre in Kimberley

Acquired **Kathu Private Hospital**

Expanded Zamokuhle Private Hospital from **36 to 94 beds** (post year-end)

Ahmed Kathrada Private Hospital catheterisation lab and theatre upgrade

New ICU, with new equipment at Ahmed Kathrada Private Hospital

Manufactured Capital is discussed further in the Chief Operating Officer's report

HUMAN CAPITAL

Strengthened **head office executive capacity**

New hospital manager appointments at five hospitals

Nursing college commissioned in Lenasia, but not yet opened

Shifa Private Hospital recognised as **one of the top 25 training facilities in South Africa**

Establishment and implementation of a shared services centre to improve efficiencies

Human Capital is discussed further in the Sustainability report

SOCIAL AND RELATIONSHIP CAPITAL

Adopted an electronic patient satisfaction survey, providing **real-time feedback**

Implemented the **international standard HCAHPS-based post-care survey**

Ahmed Kathrada Private Hospital attained a 96% COHSASA accreditation score

Finalised Lenmed's **CSI policy,** with specific focus areas.

Qualifying personnel received **equity shares**

Social and Relationship Capital is discussed further in the Sustainability report

INTELLECTUAL CAPITAL

Rebranding and new logo

Lenmed won an award at the **National Nurse Educators (NEC)** conference for research on a **Surgical Pause programme, which ensures patient safety**

Implementing the Kronos workforce management system at all our South African hospitals

Intellectual Capital is discussed further in the Sustainability report

NATURAL CAPITAL

Zamokuhle Private Hospital is Lenmed's first facility designed as a **"green building"** from the outset

All new hospital buildings and expansions were designed for **"future proofing"** and incorporate energy-saving technology.

Laundry for Lenmed's Gauteng facilities is outsourced to one location, **saving energy and water**

Our hospitals in Maputo and Kimberley are designed to recycle **"grey water".**

Natural Capital is discussed further in the Sustainability report

Five-year review
in Rand

	2016	2015	2014	2013	2012
REVENUE	**1 379 225 009** *five-year CAGR 34%*	1 230 247 232	1 130 649 995	662 782 596	433 612 240
HEADLINE EARNINGS	**152 384 673** *five-year CAGR 19%*	127 707 493	123 826 463	91 441 470	75 750 037
NORMALISED EBITDA	**211 604 948** *five-year CAGR 20%*	176 441 215	190 860 730	131 966 110	102 878 429
TOTAL ASSETS	**2 431 361 206** *five-year CAGR 34%*	1 835 537 909	1 710 400 919	1 482 981 237	754 123 064
TOTAL INTEREST-BEARING DEBT	**491 451 527** *five-year CAGR 23%*	335 682 448	385 034 860	403 976 561	215 717 692
CASH FLOW FROM OPERATIONS	**208 324 563** *five-year CAGR 23%*	134 224 059	133 754 959	82 660 194	92 421 537

Strategy and resource allocation

Lenmed is an established South African hospital group providing private patient healthcare in selected African countries through owning and/or managing hospitals and other related health services.

EXPANSION AND ACQUISITION STRATEGY

Our business model provides the flexibility to own and manage hospitals, or to manage these for third parties. The ownership of the land and buildings that accommodate the hospitals is not material to the model. The Ahmed Kathrada Private Hospital in Lenasia and our hospital in Maputo, Mozambique, were our only greenfields projects until the announcement of the new Kimberley hospital, which is scheduled to open during 2017.

Our greatest successes are with hospitals that were under performing before we acquired them. Each new venture requires a different and flexible strategy to suit the conditions of the hospital. Some will improve almost immediately, while others may require concerted effort before achieving a sustainable turnaround.

The rest of Africa offers great potential due to the vigorous growth of its economies, but Lenmed will approach opportunities there with the experience of having already invested in two other African states. The lessons we learnt are to be cautious and conservative in our evaluation of these opportunities.

We prefer to be "asset light" when investing outside South Africa, which means forging partnerships with local and international groups. Our investment strategy is to rent rather than acquire facilities. Separating operational management from property ownership is well recognised in our industry. Where funding is required for cross-border acquisitions, we raise it in the most appropriate international currency for that country to optimise the currency hedge, subject to local exchange control regulations and financing instruments available in that country.

In this light, the allocation of capital resources substantially favours investments in South Africa. We obtain all our funding in South African Rand to avoid exchange risks. Appropriate forward cover for material equipment purchases is done. The closer proximity to our local operations is also an advantage.

South Africa offers various growth strategies. We can:

- Improve efficiencies and capacity at our existing hospitals to negotiate better medical aid tariffs to bring them on a par with the bigger three hospital groups
- Add hospitals and other related health services into Gauteng and KwaZulu-Natal where the bulk of our operations are
- Expand our footprint across South Africa's other provinces, where we are underrepresented, which would enhance our standing with investors and medical schemes
- Identify hospital sites outside of the currently well-served urban communities.

Lenmed is aiming at operating at least 20 hospitals by 2020, therefore we are considering numerous opportunities, inside and outside of South Africa

QUALITY

Our primary strategy is to equip the Group with appropriately qualified staff at senior levels who align with the Lenmed vision.

We aim to continue attracting quality medical practitioners to make use of and recommend our facilities to their patients. In South Africa, regulation requires that medical practitioners are independent of hospitals, while in other African countries, hospitals are free to employ doctors. Both systems require us to provide state-of-the-art medical and nursing equipment, well-equipped operating theatres, dedicated nursing teams, top standard ward facilities and efficient administration.

BROWNFIELDS

Acquire underperforming facilities and restore to healthy cash flows

Acquire small facilities in high-potential areas for upgrading/expanding

Tembisa, Randfontein, Ladysmith, Durban, Kathu, Daxina (Lenasia South)

GREENFIELDS

Identifies strategic sites in underserved communities and builds compact, efficient hospitals with expansion potential

Ahmed Kathrada (Lenasia), Maputo, Kimberley

MANAGEMENT CONTRACTS

Will manage facilities for third parties

May take shareholding

Owning the property outright isn't essential

Maputo, Gaborone, Ethekwini (Durban)

OPPORTUNITIES
and Risks

Although Gauteng, KZN and the Western Cape are well covered in terms of private healthcare, South Africa's other provinces, as well as the rest of Africa, are underserved. Lenmed evaluates opportunities in those regions and also expands organically by adding new beds and medical specialities to our existing facilities.

Lenmed's private sector community health niche is underpinned by:

- Gaps between public and private health facilities
- Lack of specialised medical units in local communities
- Huge demand in southern Africa for efficient medical care
- Lenmed's proven ability to develop and/or operate these hospitals.

OPPORTUNITIES

Lenmed can choose from a range of development or management opportunities due to the chronic shortage of quality medical facilities in southern Africa.

Lenmed operates hospitals in Gauteng, KwaZulu-Natal, the Northern Cape, Botswana and Mozambique. We are looking to expand into other South African provinces while adding further value, facilities and beds to our current hospitals. We evaluate each opportunity on its merits. Our Botswana and Mozambique operations have shown that an informed and cautious approach is required to unlock the potential in these opportunities. Nevertheless, these hospitals are beginning to deliver promising results.

As Africa's middle classes expand, establishing hospitals closer to non-urban communities makes business sense. In Gauteng's Tembisa, we have expanded our Zamokuhle Private Hospital from 36 to 94 beds. We have also chosen to grow our footprint in smaller towns and cities. Accordingly, at our recently acquired Kathu Private Hospital in the Northern Cape, we will be adding 30 beds to raise its capacity to 55 beds.

Expansion beyond South Africa will be in countries selected for their potential, economic stability, and local demand for excellent private healthcare. Healthcare services can be offered either from hospitals or stand-alone facilities such as eye clinics, oncology centres and renal units.

The healthcare industry has prioritised training schools for nurses. Establishing such a training institute is vital to Lenmed securing a sustainable supply of high-calibre nursing professionals.

We were awarded a nursing college licence last year and have commissioned a training facility in Lenasia. Unfortunately, training has been delayed due to the proposed curriculum not yet being approved by the Department of Health (DoH). In the interim, our hospitals support student nurse training at existing institutions.

Expanding our current hospitals to meet unfulfilled demand remains a priority, but is subject to the DoH granting licences for additional beds.

We are currently borrowing well below our risk ratios and have sufficient facilities to complete all capital commitments of R268 million. During the year under review, cash generated by operating activities increased to R208.3 million (2015: R134.2 million)

Opportunities already being pursued

- Lenmed has established a nursing college in Lenasia
- All our recent new bed licences are being converted into actual beds in hospitals
- Lenmed is presently building a 100-bed hospital in Kimberley, to be opened in 2017
- Where feasible, we are establishing day clinics in close proximity to our current hospitals
- We are actively growing our network of primary healthcare and renal care facilities
- All new hospitals are being constructed as "eco-friendly" buildings with energy- and water-saving features.

RISK APPETITE

Determination of risk appetite

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

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

Enterprise Risks

Risks under this heading are often environmental, over which the Group has limited control.

Lenmed has no appetite for enterprise risk and we keep informed on risk topics such as:

- National and/or international opinion on the private healthcare industry
- Environmental concerns or thinking that could impact on hospital locations and the disposal of medical waste
- Social, health and political policies of national and regional government
- Competitor activities and strategies
- Technological and industry changes in surgery, hospital design and infrastructure, and healthcare in general
- Patient, medical aid and medical practitioner opinions, behaviour and concerns as they relate to the industry and the use of the Lenmed facilities
- Key industry challenges facing the overall health sector.

Responses to Enterprise Risk

- Maintain a neutral position toward government
- Ensure a culture of compliance at all levels
- Perform adequate due diligence and review exercises before making new investments.

Operational Risks

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

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

Lenmed pursues strategies that will:

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

Financial Risks

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

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

Lenmed deploys strategies that:

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

Reputational Risks

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

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

The Group adopts strategies to ensure:

- compliance with the highest healthcare, safety and health performance standards
- recruitment of high-calibre doctors
- compliance with the highest ethical standards
- open and transparent dealings with all stakeholders
- compliance with all regulatory authorities and legislation
- accurate, complete and timely reporting to shareholders
- fierce advancement and protection of the Lenmed brand
- sufficient resources to engage in new projects.

Top risks

Country risk

South Africa and Mozambique face a loss of confidence in government policies. The risk of downgrade to credit ratings in both countries is a real possibility, while Mozambique received a number of downgrades over the past year. The financial implications are a significantly weaker exchange rate and higher interest rates, which has already been felt in both countries due to large commodity-based projects being postponed. In addition, the drop in commodity prices has influenced the balance of payments, and reduced both countries' creditworthiness. A decline in southern African economic realities could delay Lenmed's expansion policy.

Mitigation

- Constant monitoring of the situation
- Evaluate growth opportunities more conservatively
- Increase our internal Weighted Average Cost of Capital (WACC) and only invest in the most risk-free projects.

Industry regulations

Aspects of the healthcare industry being examined by the DoH may negatively impact private hospitals in South Africa. These include:

- *The Competition Commission inquiry into healthcare*
- *Delays in obtaining of licences for hospitals, beds and training facilities*
- *The proposed National Health Insurance (NHI) and Office for Health Standards Compliance*
- *Certificate of Need.*

Mitigation

- Strategy on negotiating through the National Health Network (NHN)
- Hospital efficiency drive to reduce costs per admission
- Ongoing monitoring includes submissions required by the DoH.

Hostile healthcare funder regime

Medical schemes work to drive hospital tariffs lower and influence the manner in which hospitals operate. Profit margin erosion and/or operational changes can impact on Lenmed. Aspects of these include:

- *Discovery and GEMS dominance of the medical scheme sector*
- *Medical scheme consolidation*
- *Alternative reimbursement models.*

Mitigation

- Lenmed is part of the collective negotiating through NHN
- Actuarial support to develop innovative offerings to medical schemes
- Hospital efficiency drives to reduce costs per admission.

Medical practitioners

In terms of South Africa's law, Lenmed's doctors are not employed by the Group and may terminate their association with us at any time. Competition for medical practitioners is steep, as not nearly enough doctors and specialists are being trained to meet the healthcare requirements of southern African countries. There also appears to be a growing resistance in the public sector to doctors working in both the public and private sectors.

Mitigation

- Lenmed works constantly to maintain strong relationships with its doctors
- Investment in infrastructure and modern equipment to attract and retain sought-after medical personnel
- Building relationships with universities for access to new graduates
- Recruit expatriate doctors for our hospitals in Botswana and Maputo
- Marketing initiatives aimed specifically at recruiting doctors and specialists.

Expansion risk through new hospitals

Lenmed has expanded rapidly in the past three years, with three significant projects presently underway. These are the Kathu Private Hospital (Northern Cape), Zamokuhle Private Hospital (Tembisa) and the Royal Hospital and Heart Centre (Kimberley).

Developments of this magnitude require tight management control.

Mitigation

- Constantly monitor cash flows to maintain liquidity and solvency
- Capital funding is arranged with financial institutions and shareholders
- Limit the number of start-ups or acquisitions at any one stage
- Utilise an independent and highly experienced mergers and acquisitions advisor for these transactions.

Lenmed's Breast Cancer Centre

at the Ahmed Kathrada Private Hospital

Breast cancer is the most frequently occurring cancer in South African women, with approximately one in every 35 local women developing breast cancer during her lifetime. (CANSA statistics)

Approximately 98% of women can be cured from breast cancer, if identified early enough. Nearly 85% of women diagnosed with breast cancer do not have an obvious history of it in earlier generations of their families, therefore all women should schedule mammograms and breast examinations at regular intervals.

The Breast Cancer Centre at the Ahmed Kathrada Private Hospital provides a warm, healing and supportive environment, staffed by dedicated breast and cancer specialists. This facility offers a multi-disciplinary approach to breast conditions, with experts from various disciplines working as a team to reach the best outcomes.

This centre is equipped with advanced screening and diagnostic technologies.

It is undoubtedly a Gauteng facility of choice for diagnosing all breast problems and providing information, referral and support to women concerned about their breast health.

CASE
STUDY

Material matters

This Annual Integrated Report only includes those matters relevant to shareholders and stakeholders to enable them to make fully informed decisions about the short-, medium- and long-term prospects of the business. All supporting information is provided through other platforms, such as the Group's website or supplementary publications.

In this way, the reader is only presented with succinct, relevant information to evaluate the business's performance and prospects, with the opportunity to examine ancillary information at their convenience through other sources.

Deciding on what information gets published in this Annual Integrated Report is the responsibility of the Board and executive management.

Accordingly, the Board and executive management have chosen to report on the following issues, which they presently consider material to Lenmed.

01 A wealth of opportunities, but insufficient funding to access these fully

After 30 years of steady growth, Lenmed has accumulated the management experience and capacity to take on several opportunities for opening new hospitals and specialised medical units. Lenmed's existing capital resources are already allocated to current expansion projects. Lenmed is, therefore seeking additional funding of up to R600 million to take advantage of growth opportunities that fit our strategy.

We are aiming to establish or acquire at least three further hospitals outside of South Africa in the next five years. These will preferably be with carefully selected local partners.

02 A stagnant South African economy, along with slowing GDP growth in Mozambique

South Africa's economy is limping along and may be slowed further by potential credit downgrades in the coming months, while GDP growth elsewhere in Africa has slipped back, largely due to falling oil and other commodity prices. These factors may slow the growth of our target fee-paying, medically insured patient population. Mozambique's political and economic risks heightened considerably over the past year.

Nevertheless, the medium- and long-term prospects are good as there is significant growing demand across sub-Saharan Africa for quality and affordable healthcare.

03 The impact of bureaucracy and possible regulatory changes

Africa is notorious for its complex and slow-moving bureaucracies, and the three countries where we operate are no different. In South Africa, obtaining the necessary permissions for medical facilities, hospital beds and training institutes is a drawn-out process that hampers Lenmed's growth.

04 Lenmed hospitals as "centres of excellence"

Certain of our hospitals are recognised as leaders in particular medical fields. Ethekwini in Durban is renowned for its cardiology unit, while our new hospital being constructed in Kimberley will have world-class oncology and cardiology facilities.

We intend uplifting our other hospitals into centres of excellence by building in specialised medical disciplines appropriate to the needs of the communities surrounding the respective hospitals. We aim for each hospital to have at least one speciality.

We aim to develop day clinics, rehabilitation centres and psychiatric facilities at or near our hospitals as complementary service offerings.

In this way we will add further value to Lenmed's corporate citizenship, grow Lenmed's brand profile and attract more specialists and doctors we want operating from our facilities.

05 Strengthen relationships with doctors and their representative bodies

The best doctors are in great demand, therefore Lenmed is considering incentives to attract and retain top performers. We consult with doctor professional associations in order to enquire about appropriate facilities and incentives, as well as setting up strategic partnerships for lobbying for mutual interests in the medical industry.

This exercise will also assist us in setting up frameworks of best practices at our hospitals to guide doctors, nurses and support staff.

Mr Prakash Devchand

Chairman and Chief Executive Officer

Construction of our new

100-bed hospital

in Kimberley is well underway and scheduled to be completed in 2017.

CHAIRMAN'S and CHIEF EXECUTIVE OFFICER'S report

I am pleased to report a 20% increase on normalised EBITDA for the year under review. Lenmed delivered record turnover and operating profits, based on improved performances from almost all our hospitals.

Especially pleasing was the exceptional growth in revenue from our Bokamoso Private Hospital in Gaborone, Botswana and the sharp upturn in our Randfontein facility's performance, which returned to healthy profitability after recording a substantial loss last year following labour unrest and falling commodity prices in the mining industry. The Lenmed business strategy of taking over underperforming medical facilities and revitalising them has been confirmed at Bokamoso.

In this financial year, Lenmed continued delivering steady growth against our medium-term expansion strategy and completed the rebuild of our Zamokuhle Private Hospital in Tembisa, Gauteng. Construction of our new 100-bed hospital in Kimberley is well underway and is scheduled to be operational by 2017.

MACRO-ECONOMIC AND HEALTHCARE ENVIRONMENT IN SOUTHERN AFRICA

The South African economy is stagnant and the Rand has fallen against major currencies. In this context, Lenmed's major socio-economic challenge in the region is rising unemployment. When people lose their jobs, they lose their medical aid cover, obviously to the detriment of private healthcare providers.

South Africa's medical aid population has seemingly reached a plateau, while medical aid is still growing off a low base in other southern African countries. South Africans under financial pressure are considering cheaper schemes with fewer benefits, which can reduce bed occupancy rates in our hospitals.

More positively, South Africa's medical aid population is growing older and statistically they are having to utilise their hospital benefits more frequently.

New hospitals are being opened around South Africa, and competition for private health patients is increasing. Even so, there is much pent-up demand for quality healthcare in underserviced areas, which are Lenmed's primary focus.

The healthcare environment is less competitive in Botswana and Mozambique, but there we are challenged by a lack of local medical skills. Private healthcare is still a new concept in Mozambique and the current patient universe remains small and elite, but is growing. Private sector healthcare in Mozambique offers great potential over the medium term. Botswana's private healthcare sector is structured similarly to South Africa, but medical aid benefits aren't as innovative. Healthcare in emerging African economies each present their own unique mixes of challenges.

LENMED'S BUSINESS MODEL – FILLING THE HEALTHCARE GAPS

We locate our hospitals primarily in underserviced areas and close to previously disadvantaged populations, which would not typically be serviced by the larger hospital groups. These areas are assessed for sufficient demand to ensure that hospitals fill to capacity quickly, so that we can add additional beds and specialist medical services.

A primary example is the recently expanded Zamokuhle Private Hospital in Tembisa, a developed, predominantly black township of 400 000 people. Before Zamokuhle arrived on their doorstep, local residents would have to travel over 20 kms to receive similar care.

Lenmed originated as a sorely needed community hospital in Lenasia and we have kept that ethos at the heart of our business. We build close relationships with the communities where our facilities are sited and are compassionate to those patients with limited means.

Lenmed has developed the critical mass to offer superior medical services, expertise and technology, but remains small and community orientated enough to genuinely care. While shareholders can expect returns, Lenmed prioritises people and service delivery before profit. Lenmed's longstanding shareholders have seen their contributions accumulate into a worthy investment over the years. Lenmed is fortunate to be supported by mature investors who seek long-term and sustainable share value.

THE ROAD TO AFFORDABLE HEALTHCARE FOR ALL

The current Minister of Health is energetically driving the National Health Insurance (NHI) process, but we believe there is still a long way to go before it can be finalised and implemented. Another major impact will be the Competition Commission's findings on healthcare costs in South Africa. We anticipate that this enquiry should rightly debunk several myths regarding private healthcare pricing.

Private hospitals in general are suspected of making exorbitant profits, which is fundamentally incorrect. Developing quality private healthcare facilities requires major capital investment. Lenmed can prove how we calculate our costs and the ethical fundamentals of our healthcare offering.

We encourage the authorities to holistically examine the entire healthcare delivery landscape, especially as certain medical aids may be sidestepping their responsibilities for prescribed minimum benefits. The Competition Commission needs to dig down to the actual causes of medical costs.

Lenmed supports a fair and transparent industry inquiry process in collaboration with the other independent and smaller healthcare groups that nevertheless perform the vital function of offering medical facilities to underserved communities.

While we stand fully behind the principle of quality healthcare for all, South Africa's economic ability to fund the NHI must be realistically evaluated. We commit to working with government and other healthcare groups to arrive at workable and affordable outcomes.

RISING INPUT COSTS AND THE IMPACT OF DROUGHT

The volatile pricing of the Rand affects the import prices of specialised medical equipment and many pharmaceutical products.

Electricity outages and dwindling water supply in parts of southern Africa increase the cost of doing business. Hospitals have to invest in generators and support systems, to ensure they can operate 24/7, as people's lives are literally at stake. Running a hospital's critical systems on diesel during power failures is highly expensive, while South Africa's electricity costs have again increased sharply. Rates and taxes in our areas of operation have increased exponentially over the last three years and above the inflation rate.

A severe drought across southern Africa caused our hospitals in Botswana and KwaZulu-Natal to undergo severe water shortages. Boreholes were drilled at our Botswana hospital to mitigate future water shortage impacts and Lenmed is evaluating solar energy, boreholes and other energy- and natural resource-saving measures to take better control over our future energy and utility needs.

STRATEGY, OPPORTUNITIES AND RISK

In South Africa, Gauteng, KwaZulu-Natal and the Western Cape are relatively well covered by private healthcare providers, but its other provinces are underserved, as is most of southern Africa. These areas are where our potential new hospitals lie, as well as the organic growth of new specialised medical facilities and services based on our existing hospitals.

Even so, operating in the rest of Africa has its risks, due to a general lack of infrastructure, laborious red tape that often leads to corruption, and a severe lack of experienced and competent medical staff.

In South Africa, a current risk is the apparent negative sentiment of government towards private healthcare, which may reverse when the true status of healthcare costs is evaluated by the Competition Commission.

At this time, Lenmed's growth is still being impeded by delays in obtaining new facility and bed licences from the DoH. At the end of the day, this bureaucratic shortfall deprives ordinary people of healthcare and Lenmed's investors of the opportunity to invest more in southern Africa's health.

IMPLEMENTING STRATEGY OVER PAST YEAR

Lenmed expanded into the Northern Cape by acquiring the 25-bed Kathu Private Hospital and commencing the construction of our new 100-bed Royal Hospital and Heart Centre in Kimberley. At Kathu we are adding 30 new beds.

In most of our other hospitals we added beds and new services in response to demand. As Lenmed grows, we are improving our operational efficiencies by introducing shared services at head office and IT systems such as SAP and Kronos to manage standardised services at all Lenmed facilities. Our growing size unlocks improved buying power and the ability to plan for economies of scale.

We are utilising a R500 million bank facility to fund the development of the Kimberley hospital and the recently completed Zamokuhle Private Hospital in Tembisa. New developments or acquisitions will require additional funding.

SHORTAGE OF SKILLS IN AFRICAN HEALTHCARE

In South Africa, universities and colleges don't graduate enough healthcare professionals to meet demand, and sadly, the most talented African medical graduates are often poached by the developing economies.

Lenmed's first nursing college is physically set up and ready, but is waiting for its curriculum to be approved by government. We have had to put our first-year training on hold, which is a major concern, given that skilled nursing resources are scarce in South Africa. We would much prefer training nurses locally than having to go into other markets such as India to recruit them.

Specialist doctors are in short supply, as universities are not training in sufficient numbers each year. Many of the current specialists are close to retirement, while others are emigrating. The private sector remains ready to assist government with the training of specialists as we have the skills and infrastructure to do so. While training and equipment at public hospitals is in short supply, training rotations can be done through private hospitals.

Private medical universities are common in the rest of the world, but are not yet an option in South Africa. South Africa's medical schools receive many more applications than there are places available. One report states that South Africa needs approximately 3 000 newly qualified doctors per year, yet it only graduates 1 300 annually, leaving an unacceptable shortfall of 1 700 doctors per annum. There is clearly a massive demand for private medical instruction, but policy makers will have to be persuaded to allow the private sector to assist.

NATIONAL HOSPITAL NETWORK

The National Hospital Network (NHN) represents about 20% of private sector beds in South Africa, which includes the Lenmed group. We believe our relationship with the NHN is worthwhile and Lenmed's submission to the Competition Commission was channelled through the NHN.

SYSTEM UPGRADES AND ACCREDITATION

We are in final negotiations with SAP to introduce its class-leading business suite for enterprise and customer management. Implementation will begin early in 2017 and is scheduled to be completed within the next three years.

In this period, Lenmed successfully implemented the Kronos HR and Payroll system to standardise human capital management at our various facilities.

These will support the shared services that are being rolled out at head office to improve operational efficiencies and coordination, while also eliminating duplication and misalignment between facilities.

The Ahmed Kathrada Private Hospital has received full COHSASA accreditation and the Bokamoso Private Hospital in Botswana is being readied for accreditation in the next financial year.

REBRANDING OF LENMED

All these systems are being implemented to boost our operating and cost efficiencies, while also preparing Lenmed for a bigger and bolder future. In this process we had realised that our logo and branding was as old as our first hospital – 31 years – and had become outdated.

Lenmed's marketing department accordingly led us through a process to re-evaluate what drives Lenmed and to rebrand more appropriately around the Group's core values. This vibrant new corporate identity is being implemented steadily across the Group and promises to represent our commitment to patients, visitors, doctors, staff and communities, as well as our vision.

DIVIDENDS AND CORPORATE GOVERNANCE

As Lenmed is utilising a R500 million facility from FNB to finance further expansion, the Board decided to not declare a dividend for this year. We are confident that our shareholders and investors will be amply rewarded through a rising share value.

In recent years, Lenmed took huge strides in bringing corporate governance up to King III and JSE listing recommendations, although we remain an unlisted Company. With corporate governance well up to par and a settled and well-balanced Board in place, there were no significant management or governance changes to report this year.

LOOKING FORWARD

We remain positive about Lenmed's medium- and long-term future, though mindful of the economic storm clouds gathering over South Africa and slowing GDP growth across the rest of Africa. There is an overwhelming need for affordable, community-facing and quality private healthcare across Africa, which is a niche made for Lenmed. We have been addressing the demand from underserved areas since 1984 and will continue doing so. This is our calling and at the heart of a business model that remains proven and successful over more than 30 years.

IN APPRECIATION

Such a robust financial performance would have been impossible to achieve without everyone at Lenmed pulling together as a team and focused on the goals we had set.

As Lenmed grows, new personalities and expertise are swelling our numbers and capacity to oversee a vigorously growing hospital group. You are all welcome to add your individuality and energy, while learning the values and culture that makes Lenmed such a sought-after community asset.

Lenmed has reached where we are through the years of dedication of many people. One such person is Dr Mohuddin Khan, who is retiring after many years of exemplary service at La Verna Private Hospital. We wish Dr Khan the very best for his golden years.

Again, I can look back with pride on our collective achievements, with the confidence that these are merely more foundation stones for the future that we together are about to build.

Mr Prakash Devchand
Chairman and Chief Executive Officer

REBRANDING AND REPOSITIONING LENMED

The Lenmed Group has been working on creating a fresh and exciting new identity, which is being rolled out across each hospital. The rebranding better represents our vibrancy, commitment to our patients, visitors, doctors, staff and communities and our vision.

Circle of life

A symbolic representation of the journey from beginning to end – a constant reminder to embrace every day.

Colour

The Lenmed colours are vibrant and alive. Green represents health, growth and tranquillity. Blue links back to our past.

Dynamic

Arrows radiating outwards – our continuous growth as a company and expansion into Africa.

People-centric

People come together holding hands – our strong connection to the surrounding communities and our proud belonging to the Lenmed family.

Healthcare

The hospital symbol in the negative space – at our core is healthcare.

Mr Amil Devchand

Chief Operating Officer

CHIEF OPERATING OFFICER'S report

BUSINESS ENVIRONMENT

The healthcare environment in South Africa is becoming increasingly challenging. Medical aid membership has slowed – a large portion of growth in previous years attributed to the growth in the Government Employees Medical Aid Scheme (GEMS), has stagnated.

The weakness in the South African economy persists, caused primarily by political instability, labour strife and lack of policy certainty.

Consolidation within the medical schemes industry continues, with administrators increasing their market share. It is estimated that Discovery and Medscheme cover over 60% of total beneficiaries. Medical schemes remain financially stable, with the average industry solvency ratio remaining stable at 33%, which is well above the 25% requirement. The affordability of healthcare remains a key consideration, with medical aid premiums being driven up due to factors such as an ageing insured population, prospective younger members opting for cheaper hospital cash plans and South Africa's evident quadruple burden of disease made up of HIV/Aids, chronic diseases related to unhealthy lifestyles, injuries and underdevelopment. Due to weak economic fundamentals, consumers are under increased financial pressure, with many opting to downgrade to lower medical aid options, some of which result in lower reimbursement rates to service providers.

Human capital, specifically the availability of skilled specialists and nursing staff, remains a key challenge. Lenmed is competitive in attracting and retaining quality specialists. We are encouraged by government's commitment to increasing capacity at medical schools and look forward to further engagement in respect of how Lenmed can assist in this area. The Group has already funded and established a nursing college, which only requires DoH approval of its curriculum before it can start recruiting and training aspirant nurses.

Lenmed, through the National Hospital Network (NHN), has made detailed submissions and presentations to the Competition Commission in regard to the Healthcare Market Inquiry. We expect to make further representations in due course.

During the period under review, government has maintained its commitment to achieving universal healthcare coverage for all through a National Health Insurance (NHI) system with the release of its NHI White Paper. The Hospital Association of South Africa has been tasked by the industry to engage government in this regard.

OPERATIONAL REVIEW

(including manufactured capital)

The business has delivered pleasing results for the year ended 29 February 2016. On a Group basis, revenue has increased by 12.1%, driven by a 6.1% Increase in bed days sold, and a 5.7% Increase in average revenue per bed day.

Theatre occupancy grew 8% from the prior year. Despite the increase in utilisation, overhead expenses were well controlled. The overall normalised EBITDA margin achieved for the Group is 15% (2015: 14%), driven by improved operational performance in Randfontein and Bokamoso Private Hospitals, offset by a reduction in earnings of management fees and related incentives from Ethekwini Hospital and Heart Centre of R12.4 million, due to the expiration of the contract.

On a segmental basis, **the EBITDA margin for South African hospitals remains strong at 20%** (2015: 19%), while **the EBITDA margin achieved for the rest of the African operations is 12%** (2015: 9%)

Management continues to focus on streamlining and restructuring business processes to improve quality and efficiencies. The Group shared services centre has been established, resulting in an improved control environment in South Africa as well as providing the necessary administration capacity to accommodate future growth. Procurement initiatives aimed at maximising the Group's buying power were implemented, with excellent savings achieved to date. Business heads have been empowered to drive innovation and new thinking throughout the business, aimed at extracting additional value where possible. Staffing levels and associated costs remain a core focus area of the Group. Ensuring that we have staff levels and expertise commensurate with occupancy levels and acuities remain key in maintaining and improving profitability. The Group's nursing and human resource functions are working closely together to refine the current staffing models in place.

At Lenmed, patient care and satisfaction is at the core of what we do. We have introduced a new patient experience management system, allowing us to obtain feedback in real-time through various communication portals. Any issues identified are resolved immediately, with trend and root cause analyses performed on all complaints to ensure the identification and rectification of process deficiencies.

The Group has strengthened its engineering and technical departments aimed at the effective management of hospital buildings and other assets. An environmental sustainability strategy is being developed, focusing on green building initiatives and renewable energy projects. Meters have been installed at key hospitals to establish accurate baselines for measuring, verifying and reporting energy reductions. We anticipate commencing with photovoltaic installations at some of our bigger hospitals in 2016. The business also recognises interruptions to water supply as a risk to delivery of our services going forward and is in the process of formulating a strategy to mitigate this risk.

There are many attractive growth opportunities in South Africa, including the expansion of existing hospitals, development of new acute and day hospitals and the establishment of psychiatric facilities. Investment decisions are made based on demand-driven models scrutinised internally and by third parties. The Group seeks to optimise its existing capacity across its hospitals, converting beds from low demand disciplines to higher demand specialities. We continue to seek opportunities in underserviced areas, as well as focusing on growing our existing facilities through the introduction of new services and strengthening of existing disciplines. Despite the highly competitive environment, the Group continues to find promising opportunities on which to capitalise.

Zamokuhle Private Hospital

The new hospital was commissioned during May 2016. Interest from the specialist community servicing the area has exceeded expectations. The utilisation of the new facility has been encouraging to date, with this project continuing to receive significant attention from Group senior management to ensure its potential is realised as quickly as possible.

Ahmed Kathrada Private Hospital

The flagship facility of the Group has delivered an impressive operational performance, underpinned by improved utilisation and excellent specialist cover. A new four-bed paediatric ICU was commissioned in November 2015, and was favourably received by the resident paediatricians. The construction of a new R20 million 18-bed ICU, undertaken during the year, was completed in April 2016. This unit boasts the latest designs and technology, aimed at improving clinical outcomes of critically ill patients. A new cardiac catherisation laboratory was installed during the year, at a cost of R10 million, giving the resident cardiologists at the facility the tools needed to provide a superior service to their patients. Planning has begun on the construction of a comprehensive oncology treatment centre, including radiotherapy, which is earmarked for completion in early 2017. In addition, a new bed licence application will be lodged with the Department of Health (DoH) to meet the increased demand currently experienced at this facility.

Daxina Private Hospital

A management restructure of this hospital has been completed, with the manager of Ahmed Kathrada Private Hospital being tasked with oversight of this facility. A closer working relationship between these two facilities will be forged, with sharing of staff, doctors and resources planned. During the year, a new 11-bed psychiatric unit was introduced (reallocation of existing beds). In addition, a renovation of the paediatric ward was completed, reducing the size of the unit to more closely match the demand experienced for those services.

Randfontein Private Hospital

The hospital has completed its financial turnaround, posting a strong performance for the year. The management team has focused on building relationships with the specialists in the area with good success achieved in this regard. New revenue streams were introduced with impressive results. A new 29-bed psychiatric ward was commissioned in April 2016, and has already experienced strong utilisation. These beds were a reallocation of existing adult beds.

La Verna Private Hospital

La Verna has delivered a good operational performance, with profitability and utilisation increasing. This has been achieved by attracting a number of full-time specialists to the facility coupled with investment in new and existing infrastructure. We anticipate investing in the upgrade of the theatre complex and casualty department during the course of this financial year, to further enhance the service offering to our specialists and patients alike.

Shifa Private Hospital

The hospital continues to be a strong cash generator for the Group, with the facility enjoying high utilisation. The expansion of the hospital to capitalise on the additional 46-bed licence is being planned, with work estimated to begin during the latter part of 2016. The facility has also seen the commissioning of 12 new consulting rooms during the year, which will house new and existing specialists.

Ethekwini Hospital and Heart Centre

The facility was impacted by the opening of a competitor facility in the region, with the loss of three key specialists negatively impacting on the performance compared to the prior year. Encouragingly, management have been able to recruit additional specialists in these areas, which has now mitigated these losses. The R120 million expansion project is progressing as planned, with an additional 74 beds expected to be commissioned during August 2016.

Maputo Private Hospital

Maputo Private Hospital continues to demonstrate steady growth with the EBITDA margin improving to 14% compared to 10% in the prior year. Although growth has been experienced annually since the commissioning of the hospital, progress has been slower than expected due to issues around the slow uptake of medical insurance by the general public, the challenging business and regulatory environment and the negative perception of local healthcare in the country. The Group has prioritised this facility and has accordingly, redeployed once of its most experienced managers, Mr Ruben Naidoo, from his post as hospital manager of Bokamoso Private Hospital, to take charge of Maputo Private Hospital.

Bokamoso Private Hospital

The hospital has performed well, with excellent revenue and profitability growth noted. This has been driven primarily by higher end disciplines and key referral relationships being established. Management are focused on introducing specialities not available in the country, with the first cardiothoracic surgery case earmarked for middle 2016. A new hospital manager, Mr André Ackerman, has been appointed at this facility. The Group is confident that André's skillset and experience will elevate this hospital to the next level.

Kathu Private Hospital

Lenmed took over this facility on 7 May 2015 and it has performed well in its first year under the Group's management. This hospital serves a catchment area of 200 kms, with a high demand for private healthcare services. A project to expand the hospital to 55 beds, introduce an additional theatre and more comprehensive hospital-related services is underway, with completion expected by August 2016.

The Royal Hospital and Heart Centre

The construction of Lenmed's newest facility, based in Kimberley, is progressing as planned, with completion expected in April 2017. This facility will boast the only cardiology and radiotherapy facilities in the Northern Cape. We remain encouraged by the level of interest, both from a public and specialist perspective, and will prepare tirelessly to ensure the successful commissioning of this facility.

ACCREDITATION

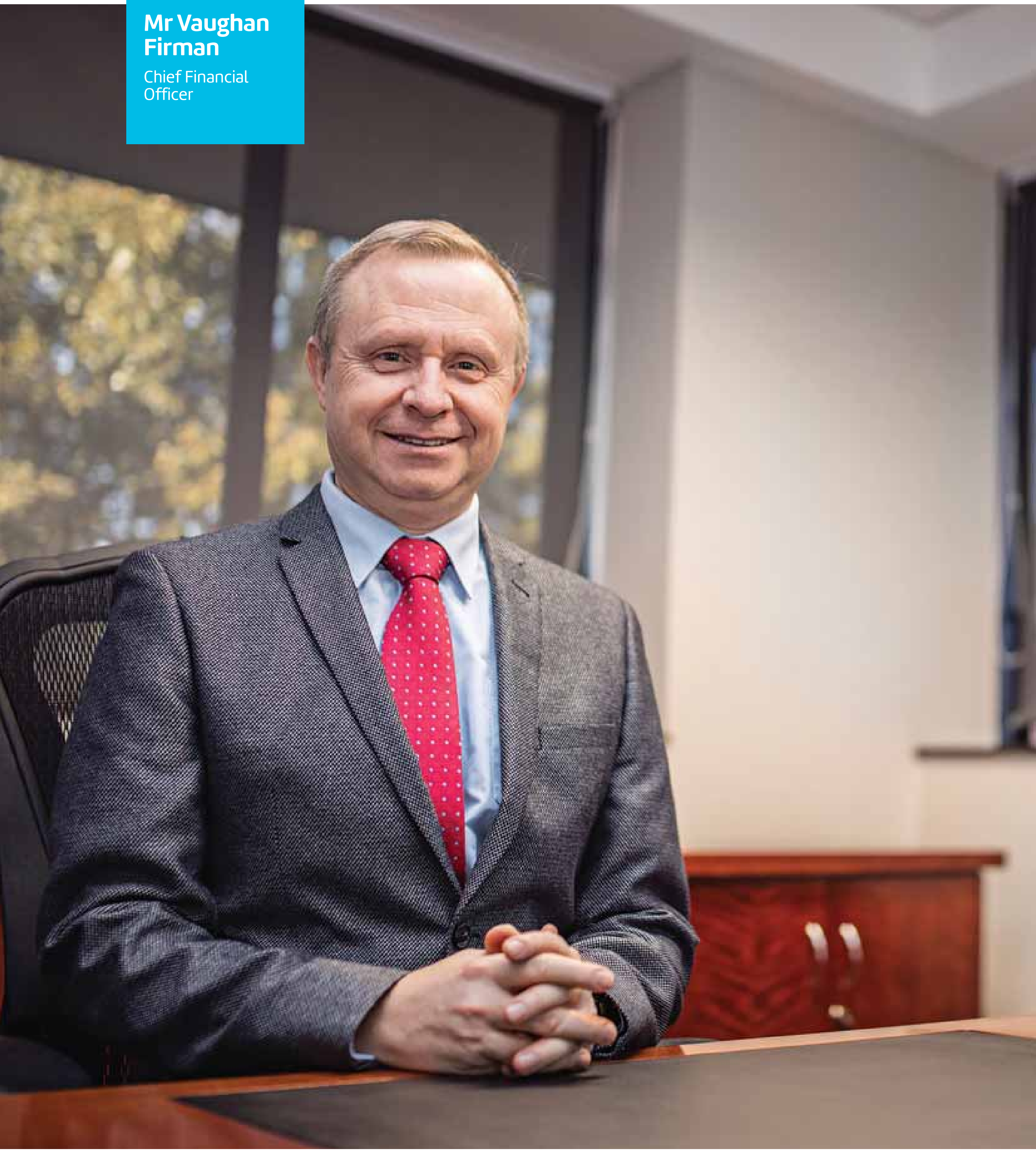
As part of the Group's commitment to ensure the provision of top quality patient care, we envisage having all hospitals in the Group accredited by the Council for Health Service Accreditation of southern Africa (COHSASA), by 2018. During the year, Ahmed Kathrada Private Hospital became the first facility in the Group to obtain this accreditation, achieving a final score in excess of 90%.

CONCLUSION

Despite the numerous challenges facing the private healthcare industry, there are many opportunities that are available. The Group will continue making strides in its quest to be recognised as a relevant provider of accessible, quality patient care, operating 20 hospitals by 2020.

Mr Amil Devchand
Chief Operating Officer

Mr Vaughan Firman
Chief Financial Officer



CHIEF FINANCIAL OFFICER'S report

This report must be read in conjunction with the Group annual financial statements commencing from page 69 of this Annual Integrated Report.

The Group continues to use the concept of normalised earnings before interest, taxation, depreciation and amortisation (EBITDA), as well as headline earnings, as measures to provide shareholders with consistent and comparable reporting tools. Normalised EBITDA is based on reportable EBITDA, excluding once-off and non-core items, while headline earnings are calculated in terms of accounting standards.

Statement of Comprehensive Income

The Group performed pleasingly with the majority of the hospitals achieving an increase in earnings. The Group's revenue increased by 12.1% to R1 379.2 million (2015: R1 230.2 million), with the majority of the hospitals producing double-digit growth. The new hospital in Kathu as well as the turnaround at Randfontein Private Hospital, in particular, increased turnover.

The Group's normalised EBITDA at

R211.6 million

increased by **19.9%** (2015: R176.4 million).

Headline earnings at

R152.4 million

increased by **19.3%** against the prior year.

Normalised EBITDA reconciliation

	2016	2015
EBITDA	**233 989 125**	180 136 636
Less: Profit on disposal on Pharmed sale	–	(2 096 938)
Less: Profit on acquisition of stock and debtors	–	(277 322)
Less: Profit of disposal of assets	(236 077)	(3 974)
Less: Bargain purchase price on acquisition of associate	–	(1 317 186)
Currency gains due to depreciation of the Rand	(22 148 103)	-
	211 604 945	176 441 216
Variance	19.9%	

The Group's normalised EBITDA at R211.6 million increased by 19.9% (2015: R176.4 million). The results were achieved due to a turnaround in the Randfontein Private Hospital, as well as a strong performance from Bokamoso Private Hospital in Botswana. Currency gains of R22.1 million arising due to the strength of the Pula and the US Dollar have been stripped out of the normalised earnings calculation. The functional currency of the Maputo Private Hospital is the US Dollar. This was offset by a reduction in management fees and incentives from associate companies.

Headline earnings

	2016	2015
Profit for the year attributable to Lenmed	**152 523 867**	123 080 739
Add: Net effect after tax on Pharmed sale (includes CGT of R8 195 157)	–	6 098 219
Less: Profit of disposal of assets net of tax	(139 194)	(2 861)
Less: Profit on acquisition of stock and debtors net of taxation and minorities	–	(151 418)
Less: Bargain purchase price on acquisition of associate	–	(1 317 186)
	152 384 673	127 707 493
Variance	19.3%	

Headline earnings at R152.4 million increased by 19.3% against the prior year. This was attributable to the strong performance by the majority of the hospitals. Particularly pleasing were the results from Randfontein and Bokamoso.

The associate companies achieved satisfactory earnings. The Group's equity earnings in Ethekwini Hospital and Heart Centre (Ethekwini) amounted to R28.5 million compared to R32.1 million in the prior year, representing a 11.2% decrease. This was largely attributable to a weak first half of the year resulting from several specialist doctors leaving that facility. These doctors have since been replaced. Lenasia Renal Centre contributed R0.6 million to earnings.

Interest expense amounted to R16.7 million, which was lower than the previous year. The Group continues to invest heavily in the future of the business, with R290.7 million spent on capital expenditure. The interest on the majority of these loans is still being capitalised to the property of the current projects, in line with IAS 23 "Borrowing Costs", as well as the Group's accounting policy. R11.1 million was capitalised due to interest incurred on the capital spend at the new hospital in Kimberley and at Zamokuhle Private Hospital, which opened in May 2016.

The effective tax rate of 22.2% was slightly higher than last year's rate of 21.4%. The Group benefited from higher trading profits in Bokamoso and currency gains in Mozambique. Both countries have lower taxation rates than South Africa. Last year, the Group benefited from a reduced tax rate due to a deferred taxation asset arising from the tax loss in Randfontein.

"Non-controlling interests" reflected the minority share of profits in Kathu, Bokamoso and Maputo. The sizeable increase in non-controlling interests is due to the increased earnings at Bokamoso.

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

Statement of Cash Flows

The Group generated R203.9 million from operating activities before working capital changes (2015: R180.8 million), reflecting improved cash management during the current year. The Group's cash generated by operating activities as a percentage of normalised EBITDA is at 89%, which is above last year's rate of 75%. This is a strong result, approaching the Group's target of 90%. Maintenance of working capital levels remain a critical area within the Group. Two hospitals have elevated debtor levels, namely Maputo and Bokamoso. This remains a focus area of the Group. The recently established credit control shared services centre should improve cash collection during the next year.

The Group continues to invest in its operations and spent R263.2 million in capital expenditure. This capital was mainly spent on the rebuild of the Zamokuhle Private Hospital (R95.3 million) and the new hospital in Kimberley (R76.1 million). The Kathu hospital acquisition cost R34.2 million, which is reflected separately in the cash flow. Capital expenditure on brownfields projects included a new catheterisation laboratory and state-of-the-art ICU ward at the Ahmed Kathrada Private Hospital. The Group will continue to invest in its hospitals in 2016 and beyond. Its capital commitment of R268.4 million as stated in note 32 is substantially higher than last year.

This Group increased borrowings by R143.8 million during the year to fund the capital expenditure programme. Net cash and cash equivalents increased to R106.4 million from R93.0 million.

Statement of Financial Position

ASSETS

The Group's property, plant, equipment, furniture, fittings and vehicles increased in value to R1 620.9 million (2015: R1 134.0 million). These increases are mainly because of the previously mentioned expansion projects, as well as foreign currency adjustments to the Group's assets held in Mozambique and Botswana. The Group also revalued its property portfolio in line with its accounting policy.

Investment in associates have grown by R16.7 million due to the accrual of equity accounting earnings in Ethekwini and Lenasia Renal Centre.

EQUITY

Equity attributable to the Group increased from R1 155.4 million to R1 462.1 million. In addition to profits for the year of R152.5 million, equity also increased by R154.7 million. This increase is attributable to R53.9 million gained on a revaluation of our properties in line with our Group accounting policies, which require a re-evaluation every three years. In addition, the Group benefited from foreign currency translation gains of R107.5 million. Group assets in Mozambique are valued in US Dollar terms, while our facility in Botswana is valued in Botswana Pula.

DEBT MANAGEMENT

During the financial year under review, Lenmed obtained a R500 million composite facility from First National Bank (FNB) to allow it to continue its expansion projects. Interest-bearing borrowings (excluding shareholder loans) increased by R148.5 million to R456.8 million (2015: R308.3 million). This increase is further broken down as follows:

- South African-based debt increased by R164.0 million
- The Deutsche Investitions-und Entwicklungsgesellschaft (DEG) debt decreased by US$1.3 million in US Dollar terms to US$6.7 million. Due to the Rand's depreciation against the US Dollar in the year, the Rand value of the loan increased from R92.4 million to R108.0 million.

Lenmed's total interest-bearing debt to equity ratio (excluding loans from minorities) has increased to 30.6% (2015: 26.3%), while net interest-bearing debt to equity has increased to 21.2% (2015: 15.9%). The interest ratio coverage has strengthened to 14.4 (2015: 9.0), with cash flow from operations to net interest expense improving from 11.4 times to 15.6 times. These ratios demonstrate that the Group's finances are still conservatively managed, in spite of the large capital expenditure programme.

RISK MANAGEMENT

As mentioned earlier, the Group obtained a composite facility of R500 million from FNB which will allow it to complete the current capital expenditure programme on all committed projects. Any further projects or acquisitions will necessitate increased funding. This will be addressed should the occasion arise.

Currently, Dollar receipts from patients in Mozambique are sufficient to meet the DEG loan obligations. The Group continues to explore alternative funding instruments in Mozambique.

Lenmed's shares are traded on the Equity Express platform under a temporary exemption from the FSB. The Group intends assessing all available options regarding its share trading platform and will inform shareholders of any new developments.

Mr Vaughan Firman
Chief Financial Officer

SUSTAINABILITY report

CORE VALUES

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

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

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

Our core values **align our initiatives with these imperatives** to remain a corporate citizen **of exceptional standard**

Financial capital

WHAT IT IS

The pool of funds that is:

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

In pursuit of adding value to the Group, Lenmed:

- continually investigates potential investment opportunities, both locally and elsewhere
- engages with various parties within the industry with a view to forming strategic alliances that will benefit the business
- monitors and reviews all processes to ensure that efficiencies are maximised, resulting in greater profitability
- introduces innovative methods, policies and processes to differentiate us from our competitors
- pursues governance in accordance with this report
- stays abreast of technological developments
- models its facilities on world-class standards
- closely monitors events likely to impact the industry, such as government's NHI proposals and the Competition Commission Investigation into the cost of private healthcare
- complies with legislation and pays due taxes and levies
- maintains a strict code of ethics throughout the organisation
- conducts itself in accordance with the principles and practices set out in this report to ensure sustainable profitability.

Human capital

WHAT IT IS

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

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

STAFF

Our people are our most important asset. We maintain sound working relationships with our staff, employees and medical professionals through well-established communications channels.

The scarcity of professional nursing skills in the healthcare industry is a worldwide problem. Lenmed works continuously to attract experienced staff and have established a nursing training facility, which will open when it is awarded the necessary accreditation.

DOCTORS

Experienced and reputable doctors are essential to Lenmed's growth and sustainability. Recruiting high-calibre doctors is a constant challenge, particularly in rural areas and broader Africa.

Lenmed's well-equipped hospitals are often venues of choice for medical professionals in semi-rural areas.

Employees

2 647

2015: 2 445

Male	Female
511	2 136
2015: 503	2015: 1 942

Nurses

1 536

2015: 1 459

Employee attraction and retention

Lenmed benchmarks our remuneration levels to accepted industry standards to ensure that the Group remains competitive in respect of basic pay, benefits and incentives. Staff incentives include participation in profits and monthly recognition awards. In addition, a long service scheme awards Lenmed shares to employees reaching 15 years of unbroken service.

We regularly engage with our employees to ascertain their needs. Matters raised are responded to promptly and adequately.

Transformation and equal opportunity

Back in the 1980s, Lenmed was founded and staffed by a historically disadvantaged community, therefore has been a "transformed" organisation from the outset. We set rigorous employment equity targets to maintain that proud tradition.

As a consequence, Lenmed is widely recognised for providing opportunities to suitably qualified, previously disadvantaged individuals in the healthcare sector.

Following Lenmed's most recent B-BBEE assessment, the Group's BEE rating improved to Level 2 from Level 3, with effect from April 2015. An audit is currently underway, with assessment results expected in July 2016.

Training and development

Staff training and development programmes are made available to advance the careers of our employees within the Group. We emphasise upgrading of nursing skills in ICU, theatre technique, trauma, maternity and neonatal ICU. Shifa Private Hospital has been recognised as one of the top 25 training facilities nationally, in terms of training, by the Health and Welfare Sector Education and Training Authority (HWSETA).

Employee wellness

All our employees, together with their families, have access to a full range of support and counselling services provided by an external service provider. This agency also organises "wellness days" at which the staff can undergo physical examinations and have their blood pressure, cholesterol and glucose levels checked. Our employees are members of various medical aid schemes.

Occupational health and safety

Regular in-service training is undertaken to educate employees on safety and welfare issues, and how to identify and mitigate risk. Health and safety teams have been established at all hospitals. Regular evacuation drills are held, ensuring adequate preparation in the event of an actual emergency.

The Health and Safety Committee, together with its employee representatives, ensures that all policies and procedures relating to safety are in place, updated and implemented. They also investigate and report on all incidents and ensure that risks are mitigated.

Social and relationship capital

HIGHLIGHTS

Adopted an electronic **patient satisfaction survey,** providing real-time feedback

Implemented the international standard hcahps-based post-care survey

A **patient and visitor handbook** was made available to download from Lenmed's website as well as in hardcopy

Ahmed Kathrada Private Hospital attained a 96% COHSASA accreditation score

Finalised Lenmed's CSI policy, with specific focus areas

WHAT IT IS

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

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

THE VALUE OF LENMED'S STAKEHOLDERS

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

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

COMMUNICATION WITH OUR STAKEHOLDERS

Reputation and trust are vital intangible assets. Managing our brand and reputation is of prime concern in today's global business environment, in which stakeholders are increasingly well-informed and assertive. Lenmed makes every effort to establish close and informative relationships with our stakeholders.

As part of its management and shared services capacity building, Lenmed created a marketing and stakeholder relationship executive post, with the responsibility to ensure meaningful and productive interaction with key stakeholders. One of the new executive's first tasks was to implement a digital and real-time patient communications and complaint system, which enables Lenmed to react swiftly to hospital patient issues, preferably while the patient is still in the hospital. Information gained from this patient interaction is fed back into staff briefings and operational procedures.

Investors

The Annual Integrated Report, Annual General Meeting (AGM) and Lenmed's website are our prime methods of communication with shareholders.

Medical practitioners

Ongoing communication between Lenmed's Chief Medical Officer and our medical professionals support Lenmed's endeavours to make our hospitals an attractive choice for nurses, doctors and specialists.

EMPLOYEES

To ensure optimum attention to the needs and motivation of our nursing staff, we employ a Group Nursing Services Manager to support all hospitals in the Group. Local, regional and group-wide HR personnel are available to support all staff members.

Patients and communities

Feedback from patients is facilitated by regular questionnaires and surveys. We continuously upgrade our facilities and make additions to our services in response to the suggestions and recommendations of our patients. All complaints are sent to head office, where they are investigated and appropriate action is taken.

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

We regularly engage with our communities by participating in community events such as co-sponsored fun runs, sports tournaments and community wellness days.

Suppliers

Lenmed holds regular meetings with our suppliers and has appointed a Group Procurement and Engineering Manager. A tender process was implemented to ensure fair competition and equal opportunities.

Medical aids

Ongoing liaison with medical aids is ensured by Lenmed's National Hospital Network (NHN) membership. The Group makes every effort to operate efficiently and to keep medical aids informed and updated on patient treatment. Lenmed is implementing an alternative reimbursement model to the major medical aid schemes.

Government

Engagement with government takes place through the Hospital Association of South Africa (HASA). Lenmed's policy is to comply with all legislation and maintain the highest ethical standards. The Group is participating in the Competition Commission's Market Inquiry into the cost of private healthcare through the NHN.

CARING FOR OUR PATIENTS

Our patients are the reason for Lenmed's existence

We endeavour to provide quality and cost-effective medical care to all population groups by introducing the latest medical technologies and enlisting the services of high-calibre specialists and trained staff across all disciplines. During the year, we further expanded our range of clinical services and facilities to meet the ever-increasing needs of our patients.

Through the implementation of the "Best Care Always" programme, we have ensured that all quality indicators relating to our patients' safety are adequately implemented and monitored. As a matter of course, we maintain stringent hygiene levels across all facilities to prevent infections.

We conduct regular surveys to monitor how satisfied our patients are with our services. These help identify the needs of our patients, so that we can respond accordingly.

In October 2015, Lenmed launched a new electronic patient satisfaction survey, ensuring real-time reporting and faster responses to problems. The EYERYS® customer experience management system measures patient satisfaction levels at various hospital points, including admissions, casualty and patient rooms. The system generates data without influence from medical staff and visitors are encouraged to provide anonymous feedback by making use of a Quick Response (QR) or Unstructured Supplementary Service Data (USSD) code. Any low ratings or complaints are auto-escalated for immediate attention.

Customer Relations Officers (CROs) conduct daily ward rounds to inspect equipment and interact with patients. They identify problem areas and provide electronic feedback entered into tablets. This data is monitored and analysed, improving our ability to provide a better customer experience while patients are in our care.

In addition, Lenmed has adopted the Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) post-care patient survey. The intent of the HCAHPS initiative is to provide a standardised survey instrument and data collection methodology for measuring patients' perspectives on hospital care. HCAHPS is an internationally aligned survey that allows objective and meaningful data comparisons between hospitals.

Patient surveys show a demand for more information about what to expect before and after a hospital admission. Lenmed has recently made these guidelines accessible on the website, with a patient handbook and maternity brochure available for download. We are currently working on a series of post-discharge guidelines that will be uploaded to the website.

We continuously upgrade or add services in response to patients' requests. Where needs exist, Lenmed will improve or broaden the specialities available to patients.

Lenmed is working to obtain international accreditation through the Council for Health Service Accreditation of southern Africa (COHSASA) at all our facilities over the next three years.

This process is already complete at the Ahmed Kathrada Private Hospital, which scored a 96% rating. Accreditation is presently underway at Bokamoso Private Hospital in Gaborone, Botswana. COHSASA provides independent assurance to our patients that Lenmed hospitals operate to world-class standards.

Giving the elderly a gift of sight

In celebration of Cataract Awareness Week 2015, Lenmed's Randfontein Private Hospital provided free cataract surgery to seven elderly people who couldn't afford to pay for the procedure.

Cataract Awareness Week was founded as part of Vision 20/20, a global avoidable blindness initiative supported by the World Health Organisation (WHO) and the International Agency for the Prevention of Blindness (IAPB).

Lenmed's drive towards better vision for the elderly is not limited to its Randfontein Hospital. In July 2002, Ahmed Kathrada Private Hospital introduced a "Right to Sight" cataract campaign in conjunction with TIBA. Lenmed has since rolled out this initiative to its other hospitals so that more communities can benefit.

Over the past year, Lenmed performed 118 free cataract surgeries on financially disadvantaged individuals to the value of R1.3 million. In the previous year, 109 free surgeries were conducted at a value of R1.1 million. These are in addition to the R2.25 million worth of medical discounts awarded over the past two years to people genuinely lacking the finances to pay.

Cataracts are the major cause of limited vision or blindness in South Africa, affecting an estimated 160 000 people at this time. Cataracts usually develop over the course of years and, therefore mostly affect the elderly, although people of any age can develop cataracts through disease, trauma or drugs. Most less fortunate South Africans cannot afford the surgery, with many not even aware that corrective surgery exists.

The cataract removal and replacement procedure is quick, pain-free and highly successful. An ophthalmologist removes the cataract-affected lens and replaces it with an intraocular lens that restores clear sight to patients. The procedure is typically performed within an hour at all an outpatient basis and does not require an overnight stay. The recipient's vision improves from the next day and usually continues to do so right up to when a revised spectacles prescription is fulfilled, normally about a month after the surgery.

Clear vision restores confidence, particularly for the elderly. People can see their way to getting or retaining jobs, and participating again in social activities, hobbies and community life.

Lenmed helps restore the sparkle to many people's lives.

CASE
STUDY

118
free cataract surgeries

(2015: 109), to the value of R1.3 million (2015: R1.1 million)

In total

R1.25 million

worth of discounts were awarded to patients who genuinely lacked the funds to pay their full fees (2015: R1 million)

CARING FOR OUR COMMUNITY

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

During the year, Lenmed refocused its CSI policy, on specific areas relevant to our communities:

Primary Focus

CATARACT SURGERIES

Providing free surgery for members of the community who require cataract surgery but cannot afford it

Secondary Focus

COMMUNITY INVOLVEMENT, IMPROVEMENT AND DEVELOPMENT

Projects focus on improving the general health of the community (wellness days, health education, youth and aged health support and emergency education campaigns)

DISCOUNTS/PAYMENT ASSISTANCE FOR PROCEDURES

Hospitals are encouraged to give priority to non-industry-related initiatives (community upliftment projects and educational development projects)

SPECIFIC PRO-BONO CARE

Discounts for patients who cannot afford procedures

Tertiary Focus

SUPPORT OF EXTERNAL PROJECTS THAT REQUIRE MEDICAL SPECIFIC ASSISTANCE

Sponsorships (independent community project support – fun walks/runs/community shows)

During the past year, the Group performed 118 free cataract surgeries (2015: 109), to the value of R1.3 million (2015: R1.1 million) and assisted other financially disadvantaged individuals by offering discounted hospital services. In total, R1.25 million worth of discounts were awarded to patients who genuinely lacked the funds to pay their full fees (2015: R1 million).

Over and above the focus on providing free cataract surgeries and discounted services to deserving patients, the hospitals have also been involved in community-based initiatives:

- Ahmed Kathrada Private Hospital sponsored wellness testing for the Lenasia Ghandi Walk
- Shifa Private Hospital continues to host monthly diabetic wellness days
- Randfontein Private Hospital provides educational wellness information to local schools and business
- La Verna Private Hospital offered wellness screening and support at the Arthur Cresswell Marathon.

Intellectual capital

WHAT IT IS

Organisational, knowledge-based intangibles, including:

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

LENMED'S CULTURE AND CORE VALUES

Lenmed's core values are fundamental to our ongoing sustainability. The spirit of caring, dedication and community involvement that characterised the first Lenmed hospital has become the hallmark of the Group.

We believe delivery of superior healthcare is achieved through **combining unparalleled quality and clinical excellence along with an empathetic focus** on the personal needs of our patients and their families

Affordability, efficiency and a sense of community set us apart from other private healthcare facilities. Personal service in a caring and comfortable environment provides patients with good value and quality healthcare, supported by advanced technology and professional nursing. These core values, backed by sound operational and financial management are the foundation of Lenmed's long-term sustainability.

INSTITUTIONAL KNOWLEDGE

Healthcare is a knowledge intensive industry. Medical research evolves quickly and people expect best practice, yet affordable, healthcare.

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

During the year, we expanded our range of clinical services and facilities to meet ever-increasing community demand. Lenmed's new hospital in Kimberley, Northern Cape, will boast cutting-edge technology and feature comprehensive cardiac and oncology services, the first of their kind in the province.

All new hospital buildings and expansions are designed for "future proofing" and incorporate energy-saving technology. Lenmed's new hospital building in Tembisa is our first facility designed from the outset as a "green building", with a reinforced and sloped roof for solar panels.

Our excellent service levels and new healthcare technologies are overseen by the Chief Medical Officer, Dr Arthur Manning. Lenmed's clinical governance is managed through four main pillars:

- Quality of care
- Training and development
- Clinical risk management
- Clinical review.

Our clinical governance report is available on page 46.

LEVERAGING TECHNOLOGY

Lenmed is implementing a new workforce management system at all our South African hospitals. This advanced HR platform has already gone live in Durban and Gauteng, but will ultimately monitor and manage the entire employee base, presently totalling about 1 500 people.

A particular challenge is that medical staff, especially nurses, do not work regular hours. They may be required for extra shifts as patient needs dictate, or they may migrate between various hospitals within the Group. By replacing our manual system with a world-class digital upgrade, we will reduce management time and effort, improve statistical accuracy and integrate our employee data more seamlessly into management reporting.

Employees log into this system biometrically, thus enabling accurate records of hours worked by each employee. Management gains an accurate, consolidated view of employee productivity, allowing them to identify trends and activities within each medical speciality. Lenmed employees will be trained to manage some of their employer relationships online, such as applying for leave.

Monitoring technology is also in place to measure water and energy efficiency at our facilities and readings are being taken to establish baselines through which Lenmed can drive informed cost savings.

WHAT IT IS

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

- air, water, land, minerals and forests
- biodiversity and eco-system health.

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

As a responsible corporate citizen, Lenmed conducts its business in an environmentally proactive manner. We are actively seeking to reduce our carbon footprint and consumption of natural resources. In the light of limited power and water shortages in southern Africa, the Group is evaluating solar energy, boreholes and other measures to make our usage of natural capital more climate friendly and cost efficient.

ENERGY SAVING AND REDUCTION

Lenmed is phasing in tighter controls over energy monitoring and usage. This project is designed to reduce Lenmed's environmental impacts and mitigate the soaring costs of power and water. The Group's energy and water efficiency plan has several aspects, including the installation of our own meters for checking readings. With monitoring instruments in place, we are taking the readings that will establish the baselines through which Lenmed can drive informed cost savings. For example, at the Ahmed Kathrada Private Hospital, each ward generates data regarding its own specific energy use.

The laundry functions are now being outsourced to a dedicated and more resource efficient service provider. All laundry for our Gauteng facilities is now done at one location, saving energy and water. We are also considering outsourcing our kitchens to off-site facilities for further energy efficiencies.

All new hospital buildings and expansions are designed for "future proofing" and incorporate energy-saving technology. Lenmed's new hospital building in Tembisa (Zamokuhle) is our first facility designed from the outset as a "green building", with a reinforced and sloped roof for solar panels. Energy-saving installations include heat pumps, solar geysers and energy-saving lighting wherever feasible, including in operating theatres. The facilities include energy efficient air conditioning and a grey water system for flushing toilets.

The solar panels will be phased in as occupancy levels rise. Our Kimberley hospital is being built with grey water systems, energy efficient air conditioning and low cost lighting. The roofs will be ready to support solar panelling.

A solar pilot project is currently underway at the Ahmed Kathrada Private Hospital, with a 600 Kw system being installed on the roof. The supplier has guaranteed savings, with Eskom electricity usage expected to reduce by 50%. Although still on the grid, on sunny days the solar panels should produce more energy than the hospital needs.

WATER

Lenmed hospitals draw water from municipal supplies. We are working to reduce consumption by installing specialised shower heads and moving laundry services off-site to more water efficient service providers.

A drought across southern Africa, which may be linked to climate change, has negatively impacted several of our hospitals. Boreholes were drilled at our Botswana hospital to mitigate water shortage impacts in future. A possible borehole water source has been identified for the Shifa Private Hospital.

The Maputo and Kimberley hospitals were designed to recycle "grey water" for further use.

WASTE

The disposal of medical or biological waste is a specialised area of waste management that poses a major risk. In line with regulations, we have designed and implemented various policies to mitigate risks associated with hazardous waste.

All separation of waste and its disposal is carried out in a manner that reduces the risk of infection. During the reporting period, a new stainless steel "red bin" strategy was adopted to improve waste sorting and reduce waste disposal costs.

Lenmed's waste disposal is outsourced to service providers with the required permits for transporting bio-waste. They measure the waste removed per hospital.

General waste, such as paper, presents an opportunity for recycling and a compacting option is being considered at the Ahmed Kathrada Private Hospital. This will be a pilot project with potential for roll out across the entire Group.

The Group is revising all its waste disposal contracts to allow for tighter controls. Modern separation processes and advanced recyclable technology are employed wherever possible to reduce the volume of waste generated. A waste dehydrating process is currently being investigated, which may limit the need for incineration in future.

CLINICAL
governance report

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

QUALITY OF CARE

Patient care quality at Lenmed facilities is of an exceptionally high standard and is managed through key clinical indicators.

Lenmed's hospitals have performed well against all indicators. These results show that our hospitals perform better than industry benchmarks, confirming the high level of quality care being provided to our patients.

Key results for 2016:

MEASURE	BENCHMARK	2015	2016
Ventilator Associated Pneumonia	0.65 – per 1 000 ventilated days	0.07	**0.51**
Surgical Site Infection	1.30 – per 1 000 theatre cases	0.37	**0.25**
Central Line Associated Blood Stream Infection	2.00 per 1 000 central line days	0.10	**0.56**
Catheter Associated Urinary Tract Infection	2.25 – per 1 000 catheter days	0.54	**1.06**

The increase in average outcomes is attributed to better reporting, and there has been an increase in the number of critical care patients treated by our hospitals. Despite the increases, these remain below industry benchmarks.

We pride ourselves on offering experienced and skilled specialists, as well as cutting-edge technologies. These include minimally invasive (pin-hole) surgery in most surgical disciplines, especially in gynaecology. Our gastro-enterology offering is a centre of special skills, and new endoscopic technologies such as pill endoscopy have been introduced at our larger facilities.

TRAINING AND DEVELOPMENT

The quality of our service delivery is enhanced by ongoing in-service training, and selecting staff for further education and training. We recognise the importance of keeping our staff updated with current medical trends and in up-skilling them to meet the demands of new treatment modalities and technologies.

To this end, we actively manage a Continuing Professional Development (CPD) programme for all doctors and nurses working in our hospitals. Monthly training is well attended.

Skills development for nursing staff occurs externally in association with accredited nursing schools and universities, and internally, through in-service updates. Highlights include sending nursing staff on training courses to specialise in the fields of ICU care, theatre technique and neonatal care. Through these programmes, nurses are kept abreast of standard operating procedures to ensure high-quality and consistent nursing care. This is reflected in our patients' satisfaction with nursing care, and the low rates of adverse events.

During this financial year, 44 nursing personnel received further formal training, including 17 who qualified as registered professional nurses, and three in advanced theatre techniques.

Continuous training and updates in Basic Life Support (BLS) also ensures that our staff are well-prepared in the event of emergency resuscitation of a patient, giving the patient the best chance of recovery from a serious clinical event. BLS training certificates are valid for two years, and hospital compliancy varies dependent on when training commenced.

In-service nursing training is conducted weekly, and focuses on topics highlighted as areas requiring improvement by hospital audits and from patient satisfaction surveys.

Lenmed is planning to introduce Adult Basic Education Training (ABET) programmes for functionally illiterate employees.

Attracting and retaining skilled employees

Lenmed has made a special effort to attract experienced staff into our facilities. We have embarked on a recruitment drive outside the country to attract scarce nursing skills. Lenmed approaches doctors individually or at conferences and may offer them opportunities to work at our hospitals.

There are incentive programmes in place to motivate staff. We recognise service excellence with monthly excellence awards for staff commended by patients. These are bolstered by quarterly awards and special annual awards which include monetary incentives.

CLINICAL RISK MANAGEMENT

- We ensure that all our doctors and nurses are competent in their specialties and properly registered and accredited by their professional bodies.
- Lenmed is continually on the alert for the possible outbreak of infectious diseases. Hospital disaster plans are in place for potential medical crises.
- All our hospitals have sufficient generator capacity to ensure that power outages do not affect our critical areas, such as theatres and intensive care.

CLINICAL REVIEW

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

Doctor-related events are monitored through a peer review process. The hospital manager, a specialist clinician and the Chief Medical Officer are involved in the review system, which results in firm recommendations for follow-up action by the hospital manager. During the year, four peer reviews were held. This low number indicates high levels of clinical accuracy by our clinicians. Hospital Acquired Infections (HAI) and antimicrobial stewardship are of particular importance as we strive to keep our hospitals free of organisms that are multi-drug resistant to antibiotics.

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

A monthly audit of all resistant organisms is conducted and reviewed by a microbiologist. If areas of concern are identified, a remedial plan is implemented.

Antimicrobial Stewardship (the appropriate use of antibiotics) programmes are progressing well, which is rationalising the use of antibiotics.

OTHER MATTERS ATTENDED TO DURING THE YEAR INCLUDE:

Lenmed patient satisfaction

Patient satisfaction remains central to our activities at Lenmed Health, to ensure we get brand loyalty from our patients. The overall patient experience, as measured by our internal customer experience questionnaire, shows that most patients remain happy with our service.

The levels of satisfaction are similar to the previous financial year. We have changed the system of measurement during October 2015, ensuring more real-time reporting of satisfaction through electronic media, and faster responses to problems. The new system improves our ability to give a better customer experience while they are in hospital.

In order to improve the customer experience, we ensure that frontline staff know the policies and procedures to give a good customer experience, and aspects of caring are a recurrent theme in our interaction with nurses during their in-service training sessions and meetings. The customer experience measurement tool has been improved, and customer experience interventions are being planned.

Complaints received

We have an established complaints management system to ensure that all complaints are handled sensitively and effectively. Upon discharge, all patients are asked to provide us with feedback on their experience.

The Group received more complaints during 2015 than in 2014. This was a result of introducing additional channels for complaints, supported by a direct contact number for head office. The majority of complaints related to staff and/or doctor behaviour, followed by communication problems.

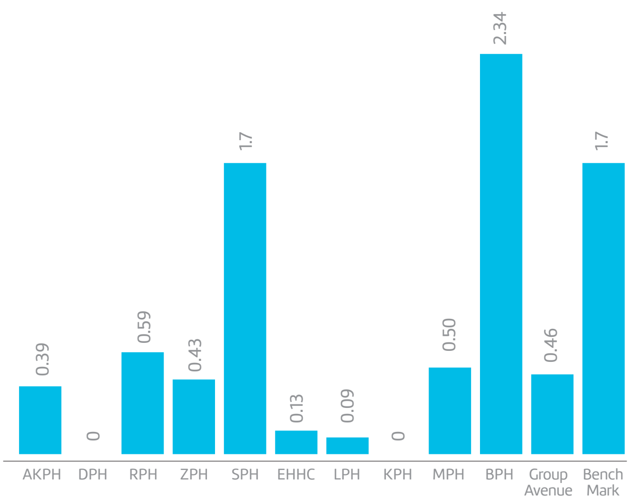
An industry benchmark is not available, but when surveying social media, Lenmed appears to receive fewer complaints than our competitors do.

Infection control

Infection control is a top priority in all our hospitals, and dedicated personnel are in place to monitor daily for potential outbreaks. Our infection rates are below projected benchmarks for the industry in the majority of our hospitals. When infections do occur, immediate risk mitigation steps are taken to control its possible spread.

The following graph, measuring hospital acquired infections, demonstrates good infection control practices, which translates to better patient safety.

HAI Rate*



* per 1 000 in-patient days

Medical waste

Our medical waste is managed by outsourced and accredited waste disposal service providers. They are required to provide proof of their registrations and licences, as well as proof of their expertise. We audit these service providers annually to ensure that they comply with waste disposal legislation. Service providers must submit proof of adequate safe disposal of waste collected from our sites.

COHSASA accreditation

Lenmed has embarked on the COHSASA accreditation programme to measure our services against international benchmarks. We are implementing the accreditation process at one hospital at a time, with the Ahmed Kathrada Private Hospital being the first candidate. COHSASA's final assessment of the Ahmed Kathrada Private Hospital delivered an excellent result. The COHSASA process is currently underway at Bokamoso Private Hospital.

Malpractice and reputational impact

A code of conduct for our professional staff is in place. Doctors alleged to be in breach of this code are called to formal meetings with senior management. Any sanctions imposed will depend on the nature of the transgression. Lenmed's operations and risk are comprehensively insured on an annual basis.

Overall patient satisfaction remains pleasing, with doctor and nursing care satisfaction levels comfortably exceeding benchmarks. Hospital managers are paying greater attention to non-clinical services, or the "hotel aspect", and we expect the results from this area to continue to improve.

Controlling the per capita cost of healthcare

The non-tariff items (medication and consumables) are receiving attention as we work to source quality products at better prices through innovative deals with companies. We started this initiative by evaluating specific surgical procedures, and will implement new processes in the new year.

Protection of Personal Information (POPI) Act

The POPI Act holds serious consequences for breach. We have extensively trained relevant staff on requirements for compliance, and introduced new guidelines to give staff direction in relation to dealing with patient information.

GENERAL HEALTH AND SAFETY MATTERS

HIGHLIGHTS

Lenmed scored an award at the National Nurse Educators (Nec) Conference for a research poster on a surgical pause programme, which ensures patient safety.

Two further poster presentations on antibiotic hang time and surgical prophylaxis were also presented.

New systems or procedures implemented to improve patient safety

Patient safety is a priority, with many risk mitigating factors already in place. These include backup generators to ensure continuity of care during power failures, to regular disaster drills in the event of fire or some external disaster.

We introduced compulsory screening of patients transferred from other healthcare facilities like nursing homes, to ensure that new resistant organisms are not introduced into our facilities. These patients are isolated until they are found to be non-infectious.

Collaboration within and across divisions regarding clinical governance

Clinical governance is driven from a central office and monthly reports are obtained from hospitals. These are collated and hospital comparisons are done to ensure that the quality of patient outcomes meet benchmarks.

Disaster plans

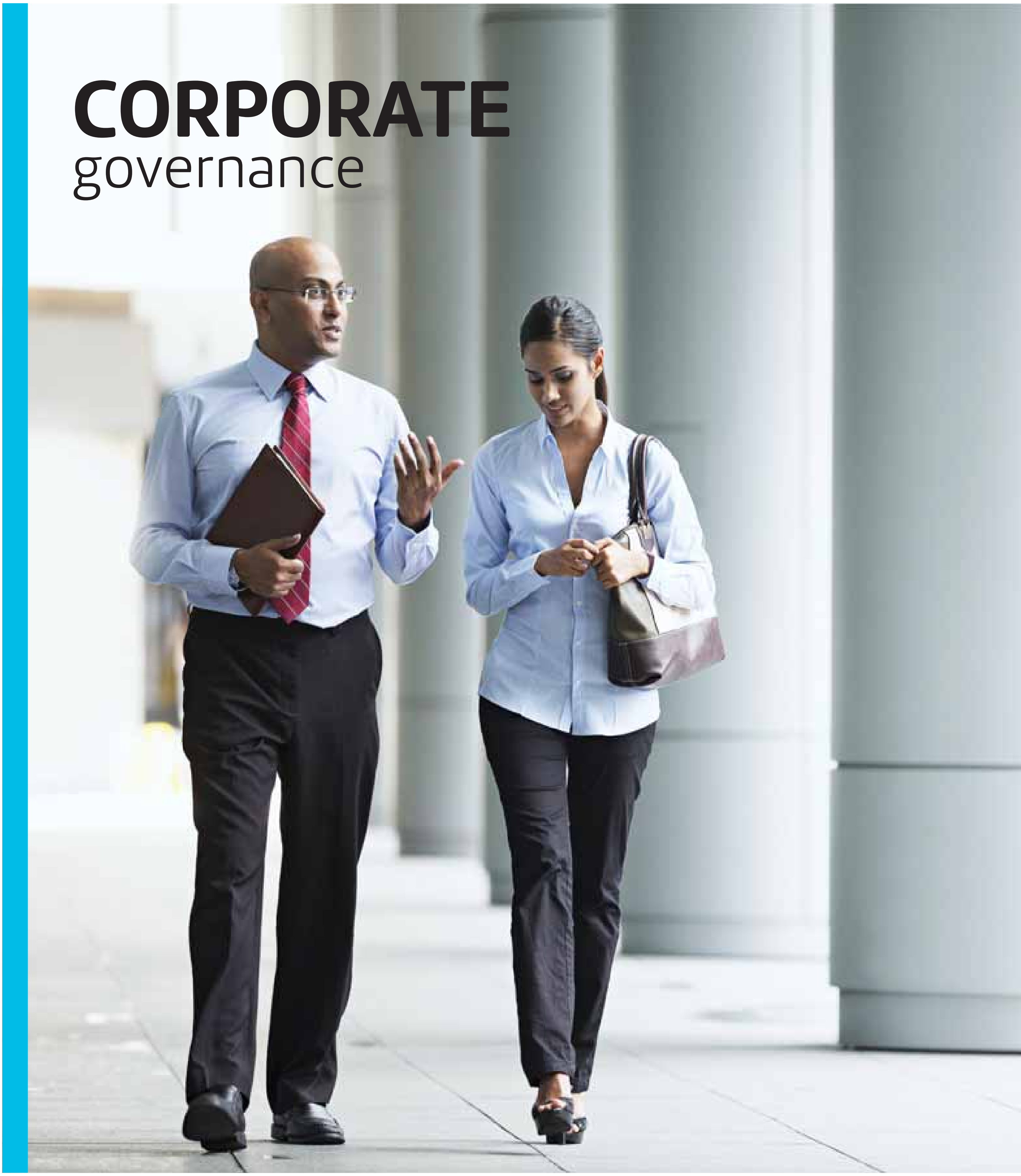
Monthly disaster drills continue to ensure that staff are prepared for internal or external disasters. External consultants have conducted fire safety audits on our hospitals.

Environmental safety

The internal and external environment is assessed monthly for possible risks to operations or people. Monthly reports are received at Health and Safety Committee meetings. The introduction of a Group human resources manager will provide more formal reporting on this aspect.

Dr Arthur Manning
Chief Medical Officer

CORPORATE governance



The Board of Directors is committed and subscribes to the values of good corporate governance, as contained in the King III Code of Corporate Practices and Conduct.

We adhere to the strict principles contained in the Code and continually seek opportunities to deliver shareholder value.

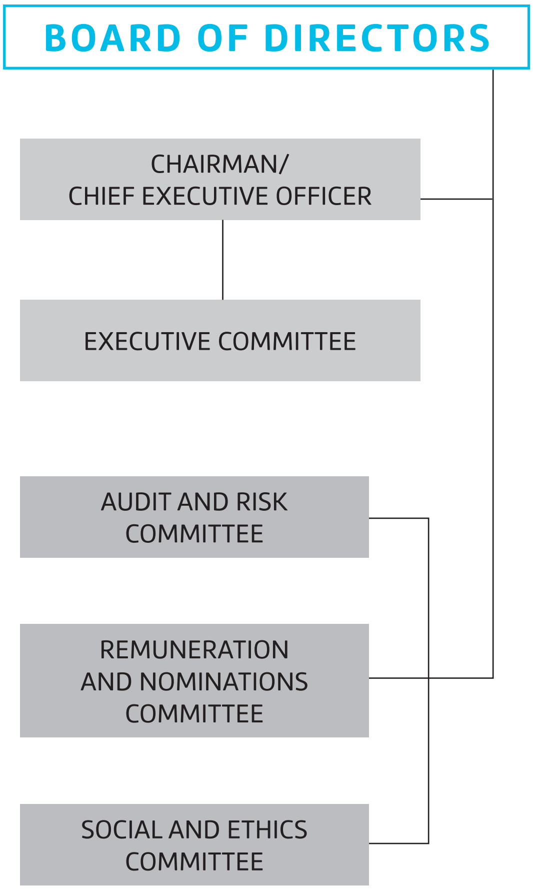
During the past financial year, further improvements have been achieved, moving the Group closer to its goal of full compliance to the King III Code. Some of these developments are highlighted below:

- Approval of a revised mission and vision for the Group
- Introduction of various new policies in the areas of risk management, information technology and human resources
- A revised work plan for the Audit and Risk Committee, in terms of which each meeting has a key theme, where most of the committee's time and energy is focused
- Development of a policy register
- Implementation of a director training programme where directors attended a four-day course on Directors' Duties and Responsibilities presented by the Institute of Directors in southern Africa (IoDSA)
- Further refinements and improvements to board and committee papers
- Improvements to the Annual Integrated Report taking account of market practices.

This discloses that the only matters of non-compliance are as follows:

- The Chairman, who is also the CEO, is not independent. This is a historical arrangement arising from the control structure. This shortcoming is addressed through the appointment of a lead independent non-executive director.
- The Group has not utilised independent assurance to assess the competence and independence of internal audit and IT. These are relatively new departments and, until they have matured, no such assurance will be sought. In addition, the Annual Integrated Report is not subject to external assurance, other than assurance provided by the external and internal auditors. The current level of assurance is deemed appropriate for Lenmed, but is monitored.
- The Group does not have a formal system of determining whether it complies fully with every detail of the recent plethora of legislation, although progress has been made with the implementation of a formal process to evaluate the relevant laws and regulations affecting Lenmed.

Governance structure



The Group's King III Compliance Report is available on the Lenmed website, www.lenmed.com

Our Board

EXECUTIVE

1 | Prakash Devchand

Chairman and Chief Executive Officer – CA(SA)

Prakash Devchand is a qualified chartered accountant with 31 years of experience in the healthcare industry. He was appointed to the Board in 1986 and elected as Chairman and Chief Executive Officer in 1998. Under his leadership, Lenmed has seen significant growth in its local operations and the inception of the Group's African strategy.

2 | Vaughan Firman

Chief Financial Officer – CA(SA)

Vaughan Firman is a qualified chartered accountant with 12 years' experience in the healthcare industry. His comprehensive experience as a financial director includes that of having served as both an executive as well as an independent non-executive director on numerous JSE- and non-JSE-listed companies. Vaughan's speciality is debt and property financing as well as mergers and acquisitions, of which he has extensive global experience. He was appointed to the Board in October 2014.

3 | Amil Devchand

Chief Operating Officer – CA(SA)

Amil Devchand was appointed to the Lenmed Investments Limited Board in 2012. He is a qualified chartered accountant and joined the Group from Ernst & Young. Amil serves on the Board of Lenmed's associate investment, Ethekwini Hospital and Heart Centre. He is the Chairman of the National Hospital Network (NHN) and is a director of the Hospital Association of South Africa (HASA).

NON-EXECUTIVE

4 | Mike Meehan

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

Mike Meehan was appointed to the Board in 2010. He currently serves as a member of the Remuneration and Nominations Committee, and is Chairman of the Audit and Risk Committee. He has served as executive director and as an independent non-executive director on a number of JSE-listed companies. Mike consults to various companies and associations on strategic planning, financial administration and corporate management. He is a member of the Institute of Directors (IoD) and the Audit Committee forum.

5 | Bharti 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 Chairman of the Remuneration and Nominations Committee. She is an independent non-executive director on the boards of Bell Equipment, Ascendis Health Limited and the Mineworkers Investment Company (MIC).

6 | Nomahlubi Simamane

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

Nomahlubi Simamane was appointed to the Lenmed Investments Limited Board in 2012. She serves on the Audit and Risk Committee and is the Chairman of the Social and Ethics Committee. Ms Simamane is the Chief Executive Officer of Zanusi Brand Solutions (Pty) Limited, a brand consultancy firm. She sits on the boards of JSE-listed Cashbuild, Oceana and The Foschini Group. Ms Simamane was the 2009 winner of the Top Businesswoman of the Year Award in the National Business Awards managed by Topco Media, and named the Businesswoman of the Year at the 2009 Black Business Awards run by BBQ.

7 | Prof Bhaskar Goolab

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

Professor Bhaskar Goolab was appointed to the Board in 1999. He currently serves as a member of the Remuneration and Nominations Committee. He is in private practice and is also attached to the University of the Witwatersrand, where he is the head of the Department of Gynaecology and Endoscopy. In January 2012, Prof Goolab was elected President of the South African Society of Obstetrics and Gynaecology, and he currently serves on the Board of the International Society of Gynaecology and Endoscopy. He is also the Chairman of its training council for developing countries.

Our Management Team

Dr Arthur Manning
Chief Medical Officer

Mr Ebrahim Asmal
Group Regional Manager

Mr Naushad Gany
Group Financial Manager

Mr Shafiq Parker
Group IT Manager

Ms Bhavani Jeena
Group HR Manager

Mr Fazel Abram
Group Internal Audit Manager

Mr Mohamed Bera
Group Procurement and Engineering Manager

Ms Michelle Hipner
Group Marketing Manager

Ms Ursula Maritz
Group Shared Services Manager

Mr Deena Naidoo
Group Nursing Services Manager

Ms Elsa Benade
Hospital Manager:
Ahmed Kathrada Private Hospital
and Daxina Private Hospital

Mr Rudi Clarke
Hospital Manager:
La Verna Private Hospital

Mr Rodney Naicker
Hospital Manager:
Zamokuhle Private Hospital

Ms Leoni Beaurain
Hospital Manager:
Randfontein Private Hospital

Mr André Ackerman
Hospital Manager:
Bokamoso Private Hospital

Mr Gavin Harrison
Group Patient Services
Manager

Dr Ahmed Suleman
Director: Shifa Private Hospital

Mr Johan Britz
Hospital Manager:
Kathu Private Hospital

Mr Rubendren Naidoo
Hospital Manager:
Maputo Private Hospital

The Board of Directors

COMPOSITION, INDEPENDENCE AND SKILLS OF THE BOARD

The Board is based on a unitary structure and exercises full and effective control over the Group. It comprises seven members: an executive Chairman who also assumes the role of Chief Executive Officer (CEO), three independent non-executive directors, one non-executive director and two executive directors: the Chief Operating Officer (COO) and Chief Financial Officer (CFO). The role of Chairman and CEO remains combined, as per the agreement with the Board. Any potential conflict has been addressed through the appointment of a lead independent director, Mr MG Meehan. The non-executive director and independent non-executive directors provide objective knowledge and experience to the Board's deliberations. The independence of the non-executive directors is assessed annually and was confirmed by the Remuneration and Nominations Committee (Remco), based on the independence requirements of King III.

The Board

The Board's composition is reviewed annually to identify any gaps and ensure that the relevant skills, experience and competencies are in place. Each Board member offers a wide range of skills, knowledge and experience that allows them to exercise independent judgement on Board deliberations and decision-making. At the date of this report, the directors were:

- Mr P Devchand*
- Mr A Devchand*
- Mr VE Firman*
- Mr MG Meehan^
- Prof BD Goolab#
- Ms B Harie^
- Ms NV Simamane^

** executive*
^ independent non-executive
 # non-executive

A brief curriculum vitae for each Board member is set out on pages 52 and 53 of this Annual Integrated Report.

The CEO is responsible for implementing the Group's strategy and decisions in respect of operational issues. He is assisted in this regard by the COO and CFO.

Directors' attendance at Board and committee meetings

The following meetings were held in the last financial year:

Board meetings

Director	11 June 2015	10 Sep 2015	3 Dec 2015	16 Feb 2016
Mr P Devchand	✓ (c)	✓ (c)	✓ (c)	✓ (c)
Mr A Devchand	✓	✓	✓	✓
Mr VE Firman	✓	✓	✓	✓
Ms B Harie	✓	✓	✓	✓
Prof BD Goolab	✓	A	✓	✓
Mr MG Meehan	✓	✓	✓	✓
Ms N Simamane	✓	✓	✓	✓

Remuneration and Nominations Committee meetings

Director	28 May 2015	7 Sep 2015	1 Dec 2015	11 Feb 2016
Ms B Harie	✓ (c)	✓ (c)	✓ (c)	✓ (c)
Mr P Devchand	✓ (i)	✓ (i)	✓ (i)	✓ (i)
Mr A Devchand	✓ (i)	✓ (i)	✓ (i)	✓ (i)
Mr VE Firman	N/A	✓ (i)	A (i)	✓ (i)
Prof BD Goolab	A	✓	✓	✓
Mr MG Meehan	✓	✓	✓	✓

Audit and Risk Committee meetings

Director	29 May 2015	9 Sep 2015	26 Nov 2014	15 Feb 2016
Mr MG Meehan	✓ (c)	✓ (c)	✓ (c)	✓ (c)
Ms B Harie	✓	✓	✓	✓
Mr P Devchand	NP (i)	NP (i)	NP (i)	NP (i)
Mr A Devchand	NP (i)	NP (i)	NP (i)	NP (i)
Mr VE Firman	✓ (i)	✓ (i)	✓ (i)	✓ (i)
Ms NV Simamane	✓	✓	✓	✓

Social and Ethics Committee meetings

Director	12 Mar 2015	22 May 2015	16 Nov 2015
Ms NV Simamane	✓ (c)	✓ (c)	✓ (c)
Mr E Asmal	✓	✓	✓
Dr A Manning	✓	✓	✓

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

Rotation and tenure

Directors are appointed through a formal process led by the Remuneration and Nominations Committee. In terms of the memorandum of incorporation, one-third of the Board (other than the executive directors) are subject to retirement and re-election by rotation annually. The appointment of directors appointed at the previous Annual General Meeting (AGM) are confirmed at the subsequent AGM.

The directors retiring and offering themselves for re-election at the 2016 AGM can be found in the notice of AGM commencing on page 112 of this Annual Integrated Report.

Induction and training

New Board members are provided with an induction and orientation programme on appointment. This covers key policies, terms of reference, charters, engagements with management and visits to hospitals. In addition, the Audit and Risk Committee meets at least once annually at one of the hospitals, which will include a tour of the facility and an introduction to the management team. Ongoing training was further enhanced when directors attended a four-day course on Directors' Duties and Responsibilities presented by the Institute of Directors in Southern Africa (IoDSA).

BOARD PROCEDURES

Board meetings

The Board met four times this year. In addition, a one-day strategy session was held. Directors are provided with all necessary information in advance, including a detailed Board pack, to enable them to discharge their responsibilities. A work plan is approved by the Board annually, setting out matters for each meeting and specific matters for certain meetings. The Board agenda and meeting structure focuses on strategy, business performance monitoring and governance matters. The Board's meeting attendance is set out above.

Company Secretary

Directors have access to the advice and services of the Company Secretary who plays an active role in the corporate governance of the Group. They are entitled, at the Group's expense, to seek independent professional advice about the affairs of the Group regarding the execution of their duties as directors. The Company Secretary is Mr W Somerville, aged 59, who holds an FCIS and ACMA qualification, as well as a Diploma in Corporate Law. He is a qualified Chartered Secretary with extensive experience in the company secretarial and corporate governance arenas. The Board has considered and is satisfied with the competence, qualifications, independence and experience of the Company Secretary. The Board is also satisfied that an arm's-length relationship exists between the Company Secretary and the Board of Directors, as the Company Secretary is not an employee of the company and provides services on an outsourced basis.

Board Charter

A Board Charter has been in place for a number of years and outlines the responsibilities of the Board as follows:

> Retain full and effective control of the Group
> Give strategic direction to the Group
> Monitor management in implementing plans and strategies as approved by the Board
> Appoint the Chief Executive Officer
> Ensure that succession is planned
> Identify and regularly monitor key risk areas and key performance indicators of the business
> Ensure that the Group complies with relevant laws, regulations and codes of business practice
> Ensure that the Group communicates with shareowners and relevant stakeholders openly and promptly
> Identify and monitor relevant non-financial matters
> Establish a formal and transparent procedure for appointment to the Board, as well as a formal orientation programme for incoming directors
> Regularly review processes and procedures to ensure effectiveness of internal systems of control and accept responsibility for the total process of risk management
> Assess the performance of the Board, its committees and its individual members on a regular basis.

The Charter also addresses issues such as the composition and size of the Board, Board procedures, matters reserved for Board decision and the frequency and proceedings of Board meetings. The Charter is reviewed annually by the Board.

Board and committee effectiveness evaluations

An effectiveness review of the Board and the committees was conducted during the year to assess the performance of the Board and committees. This review was led by the Company Secretary and a report summarising the outcomes was tabled at the Board and relevant committees. Areas for further improvement have been identified and will be addressed as required.

Succession planning

Remco annually reviews the succession plan for the Chairman/CEO, Board of Directors and senior management, and makes recommendations to the Board as required.

BOARD COMMITTEES

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

The Board has the following sub-committees in place:

- Audit and Risk Committee
- Remuneration and Nominations Committee
- Social and Ethics Committee.

The Chairman of each Board committee provides feedback at each scheduled meeting of the Board and minutes of Board committee meetings are provided to the Board. All the members of the Audit and Risk Committee are independent non-executive directors. The Remuneration and Nominations Committee has a majority of independent non-executive directors and is chaired by an independent non-executive director. The Social and Ethics Committee is chaired by an independent non-executive director. Each Board committee functions in accordance with the provisions of its own charter, as annually reviewed and recommended by the relevant committee and approved by the Board. The charters set out the purpose, membership, duties and reporting procedures of the various Board committees.

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

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

Further details of the committees can be found in the respective committee reports.

INFORMATION TECHNOLOGY (IT) GOVERNANCE

An IT Steering Committee is in place, chaired by Mr VE Firman. The committee meets regularly to discuss Lenmed's IT governance and evaluate potential or ongoing projects. An IT Charter is in place and the Board and Audit Committee are regularly apprised of committee discussions.

ETHICAL CONDUCT

The Group does not engage in or accept unethical conduct or unfair business practices in the conduct of its business. A zero tolerance approach has been adopted. A whistleblowing facility is in place and is administered by Tip-offs Anonymous, which guarantees the anonymity of the complainant. Reports are provided to the Group Internal Audit Manager and a summary is provided to the Audit and Risk Committee.

ANNUAL GENERAL MEETING (AGM)

The AGM will be held on 4 August 2016. Information relating to the AGM is contained in the notice commencing on page 112 of the Annual Integrated Report. The chairpersons of the Board committees as well as the external auditors will be available at the AGM.

Audit and Risk Committee report

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

The Charter of the Audit and Risk Committee is reviewed and updated by the committee and approved by the Board annually.

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

Name	Qualifications	Date of first appointment	Position
Mr MG Meehan	CA(SA)	1 November 2010	Independent Non-executive Director
Ms B Harie	BA LLB, LLM	1 November 2010	Independent Non-executive Director
Ms NV Simamane	BSc (Hons)	1 October 2012	Independent Non-executive Director

AUDIT COMMITTEE

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

> Reviewed and received assurances on the independence of the external auditors, PKF Durban and specifically the nominated partner Tania Marti-Warren
> Reviewed the work programme of the external auditors
> Agreed the terms of engagement of the external auditors
> Approved the fees to be paid to PKF Durban
> Determined and monitored a policy relating to non-audit services provided by PKF Durban and where applicable pre-approved such services
> Reviewed the reports of the external auditors to management and to the shareholders and recommended action where necessary
> Expressed its satisfaction with the competence of the external auditors
> Held separate discussions with the external auditors and determined that there were no matters of concern
> Received assurances from management and internal audit on the systems of internal control
> Received one report of a breakdown in internal controls, which was of limited materiality and which has been dealt with appropriately
> Received one report of fraud and theft, which had limited materiality and was dealt with appropriately
> Reviewed the charters of the Audit and Risk Committee, Internal Audit and the IT Committee
> Approved the work programmes of the internal auditor and the IT Committee
> Reviewed the reports and recommendations of the internal auditor and IT Committee and where necessary made recommendations to management thereon
> Reviewed the IT risk register and made recommendations where appropriate
> Received presentations on cyber-security threats and reviewed management's recommendations on how to counter these
> Gave guidance on the accounting treatment of significant matters
> Expressed its satisfaction with the competence of the Chief Financial Officer, Vaughan Firman
> Reviewed the performance of the Group against its loan covenants
> Monitored the performance of the Group against the requirements of King III and recommended actions to close any gaps identified
> Concurred with the views of management that the adoption of the going-concern premise in the preparation of the financial results is appropriate
> Approved the final results for the 2016 financial year and recommended them for acceptance by the Board
> Conducted a self-assessment of the committee and its members and included responses from invitees.

Matters of importance addressed by the committee included:

> Fraud and theft: the Audit Committee conducted a robust interrogation of management following the only incident arising during this year. The internal auditor was satisfied that the loss did not arise as a result of a breakdown in controls, but through some collusion and the involvement of third parties. Management has responded appropriately to avoid a recurrence and made significant financial recoveries
> External audit: The partner of PKF Durban responsible for the audit is Tania Marti-Warren, who has been in this position for only two years, thus there are no rotational requirements at this stage
> Debtors: Management has made prudent provisions for non-recovery and embarked on revised strategies and internal practices to reduce this exposure

- King III gap analysis: The committee has not considered it necessary to recommend the appointment of third-party consultants to advise the Board of the sustainability of the company at this stage. The Group is aware of the risks to its sustainability and makes plans to combat these through regular strategic planning sessions of executive management and the Board.

  The committee has not recommended to the Board that an external evaluation of the internal audit function should be conducted, it being of the view that at this stage the function needs to be given time to develop prior to such assessment.

RISK COMMITTEE

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

The Group identifies risks under the headings of:

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

The Group has an appetite for risk which is consistent with the operation of private hospitals in the healthcare industry in which it operates in South Africa, Mozambique and Botswana. It manages that risk by remaining compliant with legislation and statutory requirements such as the terms under which its licences are granted. The Group has zero tolerance for risk to the enterprise and its reputation but is willing to take on risks at manageable levels for operations and finance, recognising that reward and opportunities flow from the acceptance of risk.

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

The Group operates in a field in which risk is ever present and is a fundamental part of business strategy. Accordingly, the Group adopts practices and procedures, which address risk in all facets of the business model. Hospital management and staff are made aware of the risks inherent in their roles and they accept responsibility for managing risk within their scope. The risk register is built up from the hospitals and business units and is reviewed quarterly by the executive and management. The Risk Committee reviews the Group risk register quarterly and makes recommendations to management and the Board.

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

Progress has been made by the Group in identifying and assessing the extent of compliance with the numerous pieces of legislation that affect it. This is being tackled both by the in-house legal resource and by completion of the requirements of COHSASA.

CONCLUSION

The committee confirms that it has fulfilled its responsibilities in accordance with its Charter for the year and has recommended the Annual Integrated Report to the Board for distribution to members.

Remuneration and Nominations Committee report

Lenmed's Remuneration Committee ("Remco") applied the past year to bedding down its policies and procedures. In addition, with the assistance of a dedicated HR manager, we have been able to achieve consistency of policies and benefits across the Group, which is vital as we grow the numbers of our hospitals and staff.

In essence, Group-wide medical scheme arrangements have been introduced, job profiles have been pegged to objective grading systems and general staff benefits have been considered and enhanced.

Remco is now in its fifth full year of operation and has an established forward plan of agenda items. In addition, as the Group grows and seeks to implement further employee benefits, these are tabled, debated and approved on an ongoing basis. Remco is chaired by Bharti Harie, with the other permanent members being Mike Meehan (lead independent, non-executive) and Prof Bashkar Goolab (non-executive). Prakash Devchand (CEO); Vaughan Firman (CFO), Amil Devchand (COO); Arthur Manning (CMO), Bhavani Jeena (HR Manager) and the Financial Advisor from Grindrod Bank, Dino Theodorou, are also invited to attend the meetings. Four meetings were held prior to year-end and all of the permanent members attended these meetings, except for two separate meetings for which Prof Goolab and Vaughan Firman tendered their apologies.

Remco operates within a Terms of Reference, which was last approved by the Board on 11 June 2015. The Terms of Reference were benchmarked against King III, discussed and reviewed by Remco on 11 February 2016, with a view to being presented to the next Board meeting.

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

> make recommendations on the remuneration policies, practices and philosophies for the executive directors, senior management at Lenmed and its subsidiaries in general
> make recommendations on the composition of the Board and Board Committees and to ensure that the Board of Directors consists of individuals who are equipped to fulfil the role of directors of Lenmed
> make recommendations on the nominations of new directors, having gone through the appropriate interview processes
> review and report to the Board on its operating effectiveness and performance at least annually, by means of a self-evaluation questionnaire.

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

> Review of Exco service contracts for the CEO, CFO, CMO and COO and their respective letters of appointment
> Review of Board, Social and Ethics and Audit Committee membership
> Review of directors up for re-election at the AGM
> Review of director independence and a discussion around the factors determining independence and number of years on the Board
> Approval of the Executive Annual Bonus Scheme for the financial year ending February 2017. Adjustments made to individual targets are discussed later in this report under the "Risk Portion" heading
> Approval of the Executive Annual Bonus payments for the financial year ended February 2015
> Approval of the Executive Annual Remuneration increases effective 1 March 2016
> Oversight and discussion of the hospital managers' and Group functional heads' annual remuneration increases effective 1 March 2016
> Approval of the principles of the hospital managers' bonus scheme for the financial year ended February 2017
> Review of non-executive director fees: For the 2016 AGM it is proposed that the fees payable for the period from the 2016 to the 2017 AGM be amended as follows:
  - Independent non-executive director:
    - Annual retainer – unchanged at R174 000 per annum
    - Per meeting fee – increased to R12 000 per meeting
  - Non-executive director: Non-executive director fees to match the fees of the independent non-executive directors
    - Chairman of Board Committee fee – R12 000 per meeting over and above the meeting fee
> Performance review of the Board and its sub-committees. On an annual basis questionnaires are sent out to Board members by the Company Secretary, who then collects, analyses and reviews the results. These results are then presented to the Board and its sub-committees. The last set of these results proved satisfactory.

As per the previous year, a performance review of the Company Secretary was conducted by Board members.

> The outcome was satisfactory and feedback was given to the Company Secretary. A Service Level Agreement (SLA) was put in place to address turnaround times for agendas, minutes, etc. and the Company Secretary met with the CFO to discuss his performance against the agreed service levels.
> Revision of the long service and share scheme awards. Both schemes were revised, as discussed under the Remuneration Policy below.
> Dr Kaka continued to serve Lenmed in a consulting role. His contract was renewed until June 2016 to allow for a smooth handover to a new business development manager who is soon to join the Group.

- Review and discussion around the Lenmed organogram, where cognisance is taken of the blueprint (desired state) and actual structure. This assisted in the oversight of the appointment of various vacancies within the approved organogram and certain changes to the organogram based on the changes in the Lenmed business model. The following roles were discussed and approved:
  - The role of business development manager was approved and relevant job descriptions were set for the recruitment process.
- Review and discussion of executive and senior management succession planning.

Oversight of the implementation of the long-term incentive scheme and various revisions to the scheme. Further awards were made under the Share Appreciation Rights (SARs) scheme.

- Details can be found under the Remuneration Policy discussion below. As new rules around SARs are developed through discussions at Remco, these are recorded by way of a set of Practice Notes, which are read together with the original policy document.
- Streamlining of the staff medical aid arrangements with a review of eligibility for medical aid benefits.
- Established job profiling and grading of hospital level staff according to Paterson Grades.
- Discussion around the need for an independent salary benchmarking exercise for various key positions. This exercise will be conducted every two years, with the next one scheduled at the end of 2016 for consideration at the 2017 salary discussions.
- Director training: most directors attended a four-day Altx Director Training programme run by the Institute of Directors of South Africa (IoDSA). The feedback on the course was positive. As per the previous year, an industry specialist was invited to address the directors at the annual strategy planning meeting. This year we received good insight into medical aids.
- First review of staff pension fund arrangements, to be reviewed annually going forward.
- Review of the draft Remuneration and Benefits Policy. This is an all-encompassing policy setting out the fundamentals of the Group's remunerations and benefits. This particular policy goes a long way towards entrenching a single policy across the Group.

REMUNERATION POLICY

Remco recommends strategies to attract and retain staff of the highest calibre, while still being mindful of managing costs. This is done in the context of the South African healthcare sector, where there is a shortage of staff generally, and a dire need to retain talented and higher level staff.

Remco considers the remuneration packages of its executive directors and hospital managers, based on current role/ responsibilities, individual performance, and current market levels of similar job profiles.

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

Lenmed's policy on remuneration is that the guaranteed portions of our staff packages are targeted to be at least on the median, or slightly below the median. Conversely, as regards the "risk portion" of the package, our policy is that this should target to be equal to or higher than the median.

Having conducted a salary benchmarking exercise in the previous financial year and having identified these medians, we are in the process of bringing our key staff in line with the above policy.

REMUNERATION PACKAGE FORMULATION

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

GUARANTEED PORTION OF PACKAGE

The increase in remuneration packages of Lenmed executives was considered at the 11 February 2016 Remco meeting for implementation on 1 March 2016. In considering the new remuneration packages, Remco took into account the following factors:

- comparison against the benchmark
- individual performance
- high-level comparisons made with similar positions within the sector and also with companies of a similar size affordability.

RISK PORTION OF PACKAGE – SHORT-TERM AND LONG-TERM BENEFITS

Lenmed executives and other key staff are incentivised by way of a short-term bonus scheme. On an annual basis, it is the responsibility of Remco to review and approve the Executive Annual Bonus Scheme. Remco also notes the principles behind the hospital managers' and Group functional heads' Annual Bonus Scheme. The key performance areas in both these schemes measure specific individual targets, align shareholder and individual goals based on a headline earnings per share (HEPS) target and also include a measure of the performance of the Group as a whole. If the key performance areas are achieved, identified staff could earn bonuses ranging between a maximum of 25% and 100% of their individual packages, where the maximum thresholds are determined by job levels.

In the past year, the short-term targets were adjusted as follows:

- Hard/measurable targets counted for 70% of the total weighting
- Targets that were more difficult to measure counted for 20% of the total weighting
- A discretionary target of 10% was applied (this weighting was unchanged from previous years).

Targets were also customised around what Remco considered to be specific priority performance areas for each executive so as to encourage delivery in these areas.

The following short-term bonuses, relating to last year's results, were earned by executive directors in the financial year:

Mr P Devchand	**R915 000**	**(27%)**
Mr A Devchand	**R528 000**	**(30%)**
Dr A Manning	**R385 000**	**(24%)**

Remco has also had oversight of the implementation of the Long-term Incentive Scheme ("LTIS") which is now in its third year of operation. The scheme is based on a Share Appreciation Rights (SARs) scheme and a Performance Share scheme. Last year, it was agreed that guidelines or practice notes be recorded as amendments are made to the scheme. These notes then form an annexure to the original policy.

The following are the salient features of the LTIS:

Scheme concept:

- Up to 10% of Lenmed's issued share capital will be set aside for purposes of the scheme.
- Based on the liquidity and the price of the shares on the over-the-counter (OTC) market, Remco will have the right to use the OTC price or to determine a price itself.
- The allocation of LTIS shares will be considered by Remco annually as part of its forward plan.
- The LTIS will apply to the following levels, with the corresponding band of share allocations:

Category 1 – CEO	**1.5m to 2.5m shares**
Category 2 – Direct reports to category 1	**750 000 to 1.5m shares**
Category 3 – Direct reports to category 2	**250 000 to 1m shares**

Scheme rules:

- The performance criteria for the SARs is a minimum 50% average achievement of the participant's short-term incentive bonus over the three years prior to vesting
- The hurdle rate calculation for the financial year ending February 2016 is CPI plus 4%, to be reviewed annually by Remco
- Vesting will be one-third on the third anniversary of the allocation date (fourth year from allocation), one-third on fourth anniversary of the allocation date (fifth year from allocation) and one-third on fifth anniversary of the allocation date (sixth year from allocation)
- Settlement is in cash or shares, at the discretion of Remco
- Participants are not entitled to any dividends and have no voting rights
- For the financial year ended February 2016, the third set of SARs were issued at R2.78, based on the 60-day volume weighted average price as at 1 August 2015 (per Remco's discretion not to apply the average OTC price for this period, due to the shares being illiquid). The date of the award was 1 August 2015, where a hurdle rate of CPI plus 4% was required to have been achieved
- The following SARs awards were made to executive management:

Mr P Devchand	**2 500 000**
Mr A Devchand	**1 000 000**
Dr A Manning	**1 000 000**
Mr VE Firman	**1 000 000**

Long service award scheme:

Remco continued the oversight of the implementation of a long service award scheme for all staff. The scheme comprises two parts, namely:

- a cash award payable six-monthly, to staff who have worked for longer than 10 years
- a share award, to staff who have worked longer than 15 years. Under this scheme, employees are entitled to receive R40 000 worth of shares, once they have attained a service record of 15 years. These shares are priced along the same principles as the SARs scheme. For the period ended December 2015, a total of nine staff were awarded this benefit. This benefit is in addition to the cash award referred to earlier.

Lenmed will use its discretion to extend the above scheme to long serving staff at recently acquired hospitals, after these facilities have been under Lenmed management for three years.

OTHER BENEFITS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

The three independent non-executive directors and one non-executive director continue to hold office since their appointment in September 2010 (Ms Simamane, since October 2012). They are paid an annual retainer, plus attendance fees per meeting. These directors' fees are confirmed by shareholders at the Lenmed AGM. It is important to note that non-executive directors do not receive any payment related to performance of the Group and do not participate in any bonus arrangements. Details of the directors' fees are as follows:

DIRECTORS' REMUNERATION

Name	Executive/ Non-executive	Annual package FY2016	Annual package FY2017	Retainer fee	Meeting fee per meeting	Chairman fee
Mr P Devchand	Executive	**R3.42m**	R3.8m	–	–	–
Mr VE Firman	Executive	**R1.9m**	R2.4m	–	–	–
Mr A Devchand	Executive	**R1.75m**	R2.3m	–	–	–
Dr A Manning	Executive	**R1.6m**	R1.9m	–	–	–
Mr MG Meehan	Non-executive	**–**	–	R174 000	R12 000	R12 000
Ms B Harie	Non-executive	**–**	–	R174 000	R12 000	R12 000
Ms NV Simamane	Non-executive	**–**	–	R174 000	R12 000	R12 000
Prof BD Goolab	Non-executive	**–**	–	R174 000	R12 000	R12 000

The value of total remuneration awarded to and realised by executive directors during the financial year may be found in Note 26 to the annual financial statements.

Social and Ethics Committee report

This report by the Social, Ethics and Transformation Committee (the "committee") is prepared in accordance with the requirements of the Companies Act No 71 of 2008, as amended ("Companies Act"). It describes how the committee has discharged its statutory duties for the financial year ended 29 February 2016 in terms of the Companies Act and its additional duties assigned to it by the Board.

In the four years since its establishment, the committee has diligently carried out its mandate and statutory obligation to direct and oversee Lenmed's activities relating to social and economic development, good corporate citizenship, the environment, health and safety, and labour and employment issues.

COMPOSITION OF THE COMMITTEE

The committee comprises three suitably skilled and experienced members appointed by the Board. Mrs NV Simamane, who is an independent non-executive director, chairs the committee. Committee members include Dr A Manning (the Chief Medical Officer) and Mr E Asmal (the Regional Manager). Invitees include senior managers in the areas of human resources, finance, marketing and internal audit. The Group Company Secretary acts as the secretary of the committee.

THE COMMITTEE CHARTER AND WORK PLAN

The Board approved the committee charter and work plan, which details the role, responsibilities and mandate of the committee. In terms of the committee's mandate, at least two meetings should be held annually. Attendance at the committee meetings during the period under review was as follows:

THE COMMITTEE'S ROLE AND RESPONSIBILITIES

Role

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

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

Responsibilities

The committee performs all functions necessary to fulfil its statutory duties and other roles as stated above.

In fulfilling its statutory duties and delegated responsibilities, the committee considers and evaluates the sustainability of the Group with reference to its:

> ethical culture and values
> approach to compliance

- commitment to transformation and B-BBEE
- health and public safety, which includes occupational health and safety as well as the clinical quality of the Group's services and waste management
- labour relations
- corporate citizenship.

Policy review

The committee is responsible for developing and reviewing the Group's policies with regard to the commitment, governance and reporting of the Group's sustainable development performance and for making recommendations to management and/or the Board in this regard. During the year, the committee reviewed the proposed Business Integrity Policy, which is being restructured to incorporate a Code of Ethics, an Anti-corruption Policy (including guidelines on gifts), Whistleblowing Policy and Lenmed's Values. CSI, Health and Safety, as well as HIV/Aids Policies, were also reviewed.

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

Human rights practices within the Group

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

Labour and employment practices

The committee reviewed the employee headcount, progress of employment initiatives undertaken during the year, employment equity reporting, skills development reporting and legislative updates. Reports on employment equity were submitted to the Department of Labour timely.

Transformation

The committee reviewed Lenmed's performance against the dti's B-BBEE scorecard relating to ownership, management control, employment equity, skills development, preferential procurement, enterprise development and socio-economic development, as well as the results of the annual independent B-BBEE audit. The committee also reviewed the likely impact of the new codes on Lenmed's B-BBEE rating and highlighted areas that will require focus.

Corporate Social Investment ("CSI")

The company's CSI expenditure and its progress against planned initiatives during the year was assessed and found to be satisfactory.

Anti-corruption, ethics and compliance

During the year, the committee received various reports on ethics and compliance. It was further noted that relevant information on the Anti-corruption Policy, Business Conduct Policy and related legislation was communicated to all employees.

Environment, health and public safety

The environmental, health and safety report that covered environment matters, disaster management, waste management and safety of patients and staff was reviewed. It was noted that there are appropriate processes in place covering health and safety and that this was actively managed. It was further noted that infection control measures were in place and well under control.

Customer relationships

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

The Group's Sustainability report, which reflects more detail relating to the company's activities can be found on page 34 of this report.

COMMITTEE SELF-ASSESSMENT

The committee assessed its performance and effectiveness and reported the results of this self-assessment to the Board for its consideration. The Board reviewed the self-assessment results in May 2016 and found the results to be compliant with set standards. The committee Chairman updates the Board bi-annually on the work done by the committee.

REPORT TO SHAREHOLDERS

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

Bringing specialised cardiac care to Kimberley

The Royal Hospital and Heart Centre presently under construction will contain the Northern Cape's first specialised heart centre, as well as offering an oncology unit and full array of multi-disciplinary specialists.

Its cardiac centre will provide an extensive range of cardiac treatments, including open-heart surgery facilities, while its oncology unit will offer advanced options such as radiotherapy.

Besides its cardiac and oncology specialities, the 100-bed Royal Hospital and Heart Centre will contain major and minor theatres, delivery rooms, a catheterisation laboratory, casualty unit, resuscitation room, maternity, paediatric, intensive care, medical and surgical wards. A total of 105 parking bays are planned.

This advanced hospital facility will attract health professionals to the Northern Cape and be a jobs pipeline for nurses training at the nearby Henrietta Stockdale Nursing College.

Mr Prakash Devchand, Lenmed's CEO, turned the first soil on 10 June 2015 and is due to open its doors in early 2017.

CASE STUDY

CONTENTS

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

LEVEL OF ASSURANCE

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

PREPARER

These annual financial statements were prepared and supervised by:

Mr N Gany (CA)SA
Mr H Nieuwoudt (CA)SA

Directors' responsibilities and approval

The directors are required by the South African Companies Act 71 of 2008 (Companies Act) to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements of Lenmed Investments Limited and its subsidiaries and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Company and the Group as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards. The auditors are engaged to express an independent opinion on the annual financial statements.

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

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

The directors acknowledge that they are ultimately responsible for the system of internal financial controls established by the Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board of Directors has established a system of internal financial controls aimed at reducing the risk of error or loss in a cost-effective manner. These controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The directors believe that the Group will be a going concern in the foreseeable future based on forecasts and available cash and cash equivalents. The consolidated financial statements support the viability of the Group.

The annual financial statements of the Group as set out on pages 73 to 108, which have been prepared on the going-concern basis, were approved by the Board of Directors on 9 June 2016 and were signed on its behalf by:

Mr P Devchand

Mr VE Firman

Report of the Audit Committee

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

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

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

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

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

For further information on the composition and activities of the Audit Committee, please see page 59 of the Annual Integrated Report.

Mr MG Meehan CA(SA)
Chairman of the Audit Committee

25 May 2016

Statement of compliance by the Company Secretary

I, W Somerville, the undersigned, being the Company Secretary of Lenmed Investments Limited, certify that all returns required by a public company in terms of the Companies Act of South Africa have, in respect of the financial year under review, been lodged with the Companies and Intellectual Properties Commission (CIPC), and that all such returns are true, correct and up-to-date.

Mr W Somerville
Company Secretary

9 June 2016

Report of the Independent Auditor

To the shareholders of Lenmed Investments Limited and its subsidiaries

We have audited the consolidated and separate financial statements of Lenmed Investments Limited and its subsidiaries, as set out on pages 75 to 108, which comprise the statements of financial position as at 29 February 2016, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

AUDIT OPINION

In our opinion, the consolidated and separate financial statements fairly present, in all material respects, the consolidated and separate financial position of Lenmed Investments Limited as at 29 February 2016, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate financial statements for the year ended 29 February 2016, we have read the Directors' Report, the Audit Committee's Report and the Statement of the Company Secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

AUDIT TENURE

In terms of the IRBA rule published in Government Gazette number 39475 dated 4 December 2015, we report that PKF Durban has been the auditor of Lenmed Investments Limited for 8 years.

PKF Durban

PKF Durban
Partner: TC Marti-Warren RA CA(SA)
Registered Auditor
Durban

9 June 2016

Report of the directors

NATURE OF BUSINESS

The principal activities of the Group 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:

	% holding	
Subsidiaries		
Lenmed Health (Pty) Ltd	100%	Reg. No. 2005/022423/07
Lenmed Health Lenasia (Pty) Ltd	100%	Reg. No. 2006/002764/07
Lenmed Health Laverna (Pty) Ltd	100%	Reg. No. 1988/004487/07
Lenmed Health Shifa (Pty) Ltd	100%	Reg. No. 2000/006080/07
Lenmed Health Zamokuhle (Pty) Ltd	100%	Reg. No. 2005/017980/07
Lenmed Health Daxina Private Hospital (Pty) Ltd	100%	Reg. No. 2006/021573/07
Lenmed Health Randfontein Private Hospital (Pty) Ltd	100%	Reg. No. 2012/006706/07
Lenmed Management Services (Pty) Ltd	100%	Reg. No. 2000/021905/07
Ladysmith Hospital Properties (Pty) Ltd	100%	Reg. No. 1988/004497/07
Ladysmith Hospital Holdings (Pty) Ltd	100%	Reg. No. 1992/003153/07
Lenmed Health Management Company (Pty) Ltd	100%	Reg. No. 2010/004046/07
Lenmed Health Africa (Pty) Ltd	100%	Reg. No. 2011/130484/07
Lenmed Health Bokamoso Private Hospital (Pty) Ltd	70%	Reg. No. C02011/4403
Maputo Private Hospital SA	60%	Reg. No. 17682
Nu-Yale Trust	100%	IT 29/1996
Lenmed Health Kathu Properties (Pty) Ltd	60%	Reg. No. 2013/146831/07
Lenmed Health Kathu Private Hospital (Pty) Ltd	67%	Reg. No. 2013/229376/07
Clear Creek Trading 117 (Pty) Ltd	100%	Reg. No. 2009/011218/07
All the subsidiaries have a place of business within the Republic of South Africa except for Lenmed Health Bokamoso Private Hospital (Pty) Ltd (Incorporated in Botswana) and Maputo Private Hospital SA (Incorporated in Mozambique).		
Associate companies		
Ethekwini Private Hospital and Heart Centre (Pty) Ltd		Reg. No. 2002/002222/07
Lenasia Renal Centre (Pty) Ltd		Reg. No. 1999/028225/07

STATE OF AFFAIRS

The Group's earnings before interest, taxation, depreciation and amortisation (EBITDA) amounted to R233 989 125 (2015: R180 136 636).

The Group's profit before taxation for the year amounted to R204 111 913 (2015: R159 647 781) before deducting taxation of R45 397 244 (2015: R34 165 370), resulting in profit after taxation for the year of R158 714 669 (2015: R125 482 411).

Lenmed Investment Ltd's share of aggregate profits after tax from subsidiaries is R152 523 867 (2015: R123 080 739).

STATEMENT OF RESPONSIBILITY

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

FINANCIAL RESULTS

The results of the Group are set out in the attached financial statements. For further commentary please refer to the other reports detailed in the Annual Integrated Report.

DIVIDENDS

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

No dividends were declared nor paid to ordinary shareholders during the year under review (2015: nil).

DIRECTORSHIP

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

Executive directors

Mr P Devchand
Mr A Devchand
Mr VE Firman

Non-executive directors

Mr MG Meehan
Prof BD Goolab
Ms B Harie
Ms NV Simamane

Report of the directors continued

SECRETARIES

The Company Secretary, Mr W Somerville, was appointed by the Board.

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

SHARE CAPITAL

During the year under review, 183 672 (2015: 76 925) shares were issued to employees in terms of the long service award plan. The Group awards employees who have achieved 15 years of employment with the Group, with shares to the value of R40 000 for no consideration. During the reporting period, 9 (2015: 5) employees qualified for this award and were issued 20 408 (2015: 15 385) shares each. Each share was valued at R1.96 (2015: R2.60), representing the last traded price per share on the over-the-counter share trading platform as at 29 February 2016. The expense recognised in the annual financial statements, related to this award, amounted to R360 000 (2015: R200 000).

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

AUDITORS

PKF Durban will continue in office as auditors of the company in accordance with section 90(1) of the Companies Act of South Africa, subject to shareholder approval at the upcoming Annual General Meeting.

MANAGEMENT BY THIRD PARTIES

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

CORPORATE GOVERNANCE

The directors acknowledge and subscribe to the values of good corporate governance as set out in the King III Report on Governance for South Africa with effect from 1 March 2011. By supporting this Code of Corporate Practices and Conduct, the directors conduct the business of the Group with integrity and in accordance with generally accepted best corporate governance practices.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment to the amount of R290 651 073 (2015: R79 381 652).

In addition, the Group revalued land and buildings in the current financial year as part of the Group's accounting policy. Land and buildings increased by R71 442 217 as a result of the revaluation.

ACQUISITIONS

Subsidiaries

The Group acquired a private hospital in Kathu from Mediclinic, comprising the land and buildings and hospital operations on 1 March 2015. The operations were acquired with a local property development group (ATMG). Lenmed acquired 67% of the hospital operations (Lenmed Health Kathu Private Hospital) and 60% (Lenmed Health Kathu Properties) of the land and buildings.

The Group purchased 100% of Clear Creek Trading 117 (Pty) Ltd, for the purposes of the construction of the Group's latest greenfields hospital, Royal Hospital and Heart Centre in Kimberley, Northern Cape.

Associates

During the year, the Group acquired a further 1481 ordinary shares for R1 779 390 as well as a loan account to the value of R452 910 in Ethekwini Hospital and Heart Centre (Pty) Ltd. As at year-end, the Group owns 40.36% of Ethekwini Hospital and Heart Centre (Pty) Ltd.

Refer to note 6 in these annual financial statements, for further information.

FOREIGN CURRENCY TRANSLATION RESERVE

The Group incurred a foreign currency translation gain of R107 504 157 (2015: R18 770 096). This arose as a result of the Rand depreciating against the Botswana Pula and the US Dollar. The functional currency of Lenmed Health Bokamoso Private Hospital (Pty) Ltd is the Botswana Pula. The functional currency of Maputo Private Hospital SA is the US Dollar.

BORROWINGS

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

GOING CONCERN

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

Statements of financial position

Rand	Notes	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
ASSETS					
Non-current assets					
Property, plant and equipment	3	1 620 905 603	1 133 985 417	–	–
Goodwill	4	29 935 259	22 406 819	–	–
Investment in subsidiaries	5	–	–	4 974 398	5 524 169
Investment in associates	6	206 888 475	190 626 548	–	–
Loans receivable	14	–	–	269 176 277	278 294 657
Deferred taxation	16	27 841 121	27 488 212	29 120	27 216
		1 885 570 458	1 374 506 996	274 179 795	283 846 042
Current assets					
Inventory	7	27 160 427	31 771 295	–	–
Trade and other receivables	8	375 782 224	307 063 791	808 412	680 931
Taxation		2 822 215	262 709	157 877	–
Cash and cash equivalents	9	140 025 882	121 933 118	57 732 824	48 034 861
		545 790 748	461 030 913	58 699 113	48 715 792
TOTAL ASSETS		2 431 361 206	1 835 537 909	332 878 908	332 561 834
EQUITY AND LIABILITIES					
Equity and reserves					
Stated capital	10	219 843 313	219 483 313	219 843 313	219 483 313
Other reserves	11	411 749 185	257 936 365	3 414 198	4 323 969
Accumulated profits		830 512 488	677 988 621	109 220 760	107 981 273
Non-controlling interests	12	31 303 784	18 389 737	–	–
		1 493 408 770	1 173 798 036	332 478 271	331 788 555
Non-current liabilities					
Long-term liabilities	15	354 755 129	175 926 742	–	–
Loans from minorities	13	127 169 407	93 683 360	–	–
Deferred taxation	16	116 014 510	91 360 033	–	–
		597 939 046	360 970 135	–	–
Current liabilities					
Trade and other payables	18	203 964 203	144 007 746	400 637	732 448
Current portion of long-term liabilities	15	68 380 576	92 426 709	–	–
Short-term loan	19	–	11 000 000	–	–
Provisions	17	29 782 170	20 339 722	–	–
Taxation		4 256 216	4 014 299	–	40 831
Bank overdraft	9	33 630 225	28 981 262	–	–
		340 013 390	300 769 738	400 637	773 279
TOTAL EQUITY AND LIABILITIES		2 431 361 206	1 835 537 909	332 878 908	332 561 834

Statements of comprehensive income

Rand	Notes	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
PROFIT AND LOSS					
Revenue		1 379 225 009	1 230 247 232	–	–
Cost of sales		(374 861 351)	(363 703 469)	–	–
Gross profit		1 004 363 658	866 543 763	–	–
Other income		48 072 482	37 696 107	2 140 500	1 675 375
Operating costs		(863 785 539)	(760 691 690)	(1 845 461)	(1 589 810)
Profit before interest and taxation	21	188 650 601	143 548 180	295 039	85 565
Share of profit from associates	6	28 516 547	32 061 661	–	–
Investment income	22	3 644 387	13 256 878	1 504 249	4 116 640
Finance costs	23	(16 699 622)	(29 218 938)	–	–
Profit before taxation		204 111 913	159 647 781	1 799 288	4 202 205
Taxation	24	(45 397 244)	(34 165 370)	(559 801)	(1 153 769)
PROFIT FOR THE YEAR		158 714 669	125 482 411	1 239 487	3 048 436
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit and loss					
Gain on property revaluation		53 941 439	–	–	–
Gross property revaluation		71 442 217	–	–	–
Tax effect on property revaluation		(17 500 778)	–	–	–
Items that may be reclassified subsequently to profit and loss					
Foreign currency translation reserve	11	107 504 157	18 770 096	–	–
TOTAL OTHER COMPREHENSIVE INCOME		161 445 596	18 770 096	–	–
TOTAL COMPREHENSIVE INCOME		320 160 265	144 252 507	1 239 487	3 048 436
PROFIT FOR THE YEAR ATTRIBUTABLE TO:					
Non-controlling interests		6 190 802	2 401 672	–	–
Lenmed Investments Ltd equity holders		152 523 867	123 080 739	–	–
		158 714 669	125 482 411	–	–
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Non-controlling interests		12 913 807	3 108 626	–	–
Lenmed Investments Ltd equity holders		307 246 458	141 143 881	–	–
		320 160 265	144 252 507	–	–

Statements of cash flows

Rand	Notes	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
Cash flows from operating activities					
Profit for the year		158 714 669	125 482 411	1 239 487	3 048 436
Finance costs		16 699 622	29 218 938	–	–
Income tax		45 397 244	34 165 370	559 801	1 153 769
Depreciation and amortisation	3	45 338 524	36 588 456	–	–
Interest income	22	(3 644 387)	(13 256 878)	(1 504 249)	(4 116 640)
(Profit)/loss on disposal of property, plant and equipment		(236 077)	3 974	–	–
Profit on disposal of investment		–	(2 096 938)	–	–
Capital issued in respect of long service awards		360 000	200 000	360 000	200 000
Share-based payment (reversal)/accrual		(909 771)	3 812 696	(909 771)	3 812 696
Income from associates	6	(28 516 547)	(33 378 847)	–	–
Foreign currency translation adjustments		(29 350 951)	103 956	–	–
Operating cash flow before working capital changes		203 852 326	180 843 138	(254 732)	4 098 261
Working capital changes					
(Increase)/decrease in inventory		4 610 868	(242 276)	–	–
(Increase)/decrease in trade and other receivables		(68 718 433)	(57 627 302)	(127 481)	165 592
Increase/(decrease) in trade and other payables and accruals		68 579 802	11 250 499	(331 811)	386 883
Cash generated by operating activities		208 324 563	134 224 059	(714 024)	4 650 736
Interest income		3 644 387	13 256 878	1 504 249	4 116 640
Finance costs		(16 699 622)	(29 218 938)	–	–
Income tax paid	25	(40 914 044)	(46 866 657)	(760 413)	(869 247)
NET CASH FROM OPERATING ACTIVITIES		154 355 284	71 395 342	29 812	7 898 129
Cash flows from investing activities					
Property, plant and equipment acquired	3	(263 189 747)	(79 381 652)	–	–
– to maintain operating capacity		(33 080 093)	(33 008 554)	–	–
– to expand operating capacity		(230 109 654)	(46 373 098)	–	–
Proceeds on disposals of property, plant and equipment		411 812	15 264	–	–
Proceeds on disposal of associate	6	–	96 411 801	–	–
Decrease in loan to associate		14 486 920	14 474 740	–	–
(Increase)/decrease in investment in associates		(2 232 300)	(3 368 615)	549 771	(4 012 696)
Business combination effected	20	(34 170 663)	–	–	–
NET CASH (UTILISED IN)/GENERATED BY INVESTING ACTIVITIES		(284 693 978)	28 151 538	549 771	(4 012 696)
Cash flows from financing activities					
Net loans (repaid)/raised		143 782 255	(47 786 748)	9 118 380	22 286 436
Loans raised		214 484 209	6 324 410	9 118 380	22 286 436
Loans paid		(70 701 954)	(54 111 158)	–	–
Issue of shares to minorities		240	–	–	–
NET CASH GENERATED BY/(UTILISED IN) FINANCING ACTIVITIES		143 782 495	(47 786 748)	9 118 380	22 286 436
Increase in cash and cash equivalents		13 443 801	51 760 132	9 697 963	26 171 869
Cash and cash equivalents at beginning of the year		92 951 856	41 191 724	48 034 861	21 862 992
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	9	106 395 657	92 951 856	57 732 824	48 034 861

Statements of changes in equity

Rand	Stated capital	Revaluation reserve	Foreign currency translation reserve	Share-based payment reserve
GROUP				
Balance at 1 March 2014	219 283 313	176 544 490	59 004 765	511 273
Profit for the year	–	–	–	–
Other comprehensive income	–	–	18 063 141	–
Share-based payment accrual	–	–	–	3 812 696
Issue of share capital	200 000	–	–	–
Balance at 1 March 2015	219 483 313	176 544 490	77 067 906	4 323 969
Increase in minority on acquisition of shares	–	–	–	–
Profit for the year	–	–	–	–
Other comprehensive income	–	53 714 916	101 007 675	–
Share-based payment reversal	–	–	–	(909 771)
Issue of share capital	360 000	–	–	–
Balance at 29 February 2016	219 843 313	230 259 406	178 075 581	3 414 198
Notes	10	11	11	11

Rand	Stated capital	Share-based payment reserve	Retained earnings	Total
COMPANY				
Balance at 1 March 2014	219 283 313	511 273	104 932 837	**324 727 423**
Profit for the year	–	–	3 048 436	**3 048 436**
Share-based payment accrual	–	3 812 696	–	**3 812 696**
Issue of share capital	200 000	–	–	**200 000**
Balance at 1 March 2015	219 483 313	4 323 969	107 981 273	**331 788 555**
Profit for the year	–	–	1 239 487	**1 239 487**
Share-based payment reversal	–	(909 771)	–	**(909 771)**
Issue of share capital	360 000	–	–	**360 000**
Balance at 29 February 2016	219 843 313	3 414 198	109 220 760	**332 478 271**
Notes	10	11		

Accumulated profits	Equity attributable to Group	Non-controlling interest	Total
554 907 882	1 010 251 723	15 281 111	**1 025 532 834**
123 080 739	123 808 739	2 401 672	**125 482 411**
–	18 063 141	706 954	**18 770 095**
–	3 812 696	–	**3 812 696**
–	200 000	–	**200 000**
677 988 621	1 155 408 299	18 389 737	**1 173 798 036**
–	–	240	**240**
152 523 867	152 523 867	6 190 802	**158 714 669**
–	154 722 591	6 723 005	**161 445 596**
–	(909 771)	–	**(909 771)**
–	360 000	–	**360 000**
830 512 488	1 462 104 986	31 303 784	**1 493 408 770**
		12	

Notes to the consolidated annual financial statements

1. BASIS OF PREPARATION

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

The annual financial statements have been prepared on the historical cost basis except for the revalued land and buildings and incorporate the principal accounting policies listed below.

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

1.1 Standards and interpretations adopted with no effect on the financial statements

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

Standard	Details of amendment	Annual periods
IFRS 2: *Share-based Payments*	***Annual Improvements 2010 – 2012 Cycle:*** Amendments added the definitions of performance conditions and service conditions and amended the definitions of vesting conditions and market conditions.	1 July 2014
IFRS 13: *Fair Value Measurement*	***Annual Improvements 2010 – 2012 Cycle:*** Amendments to clarify the measurement requirements for those short-term receivables and payables. ***Annual Improvements 2011 – 2013 Cycle:*** Amendments to clarify that the portfolio exception applies to all contracts within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9.	1 July 2014
IAS 16: *Property, Plant and Equipment*	***Annual Improvements 2010 – 2012 Cycle:*** Amendments to the Revaluation method – proportionate restatement of accumulated depreciation.	1 July 2014
IAS 24: *Related Party Disclosures*	***Annual Improvements 2010 – 2012 Cycle:*** Amendments to the definitions and disclosure requirements for key management personnel.	1 July 2014
IAS 38: *Intangible Assets*	***Annual Improvements 2010 – 2012 Cycle:*** Amendments to the Revaluation method – proportionate restatement of accumulated depreciation.	1 July 2014

1.2 Standards in issue, not yet effective

At the date of authorisation of these financial statements, the following standards and interpretations were in issue, but not yet effective. The directors have considered the impact of the below standards and interpretations and believe their effect to be immaterial. However, the impact of IFRS 16 is still being assessed.

Standard	Details of amendment	Annual periods
IFRS 7: *Financial Instruments: Disclosures*	***Annual Improvements 2012 – 2014 Cycle:*** Amendments clarifying under what circumstances an entity will have continuing involvement in a transferred asset as a result of servicing contracts.	1 January 2016
IFRS 9: *Financial Instruments*	A finalised version of IFRS 9 has been issued which replaces IAS 39: *Financial Instruments: Recognition and Measurement*. The completed standard comprises guidance on Classification and Measurement, Impairment Hedge Accounting and Derecognition: a) IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and its cash flow characteristics. A new business model was introduced which does allow certain financial assets to be categorised as "fair value through other comprehensive income" in certain circumstances. The requirements for financial liabilities are mostly carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk. b) The new model introduces a single impairment model being applied to all financial instruments, as well as an "expected credit loss" model for the measurement of financial assets. c) IFRS 9 contains a new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity; in addition, enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements. d) IFRS 9 carries forward the derecognition requirements of financial assets and liabilities from IAS 39.	1 January 2018
IFRS 15: *Revenue from Contracts with Customers*	New standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five-step methodology that is required to be applied to all contracts with customers. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. The new standard supersedes IAS 11: *Construction Contracts*, IAS 18: *Revenue*, IFRIC 13: *Customer Loyalty Programmes*, IFRIC 15: *Agreements for the Construction of Real Estate*, IFRIC 18: *Transfers of Assets from Customers* and SIC-31. Revenue-Barter Transactions Involving Advertising Services.	1 January 2018
IAS 38: *Intangible Assets*	Amendments to IAS 16 and IAS 38 to clarify the basis for the calculation of depreciation and amortisation, as being the expected pattern of consumption of the future economic benefits of an asset. Clarifying that revenue is generally presumed to be an inappropriate basis for measuring the consumption of economic benefits in such assets.	1 January 2016

Notes to the consolidated annual financial statements continued

1. BASIS OF PREPARATION *continued*

1.2 Standards in issue, not yet effective *continued*

Standard	Details of amendment	Annual Periods
IFRS 16: *Leases*	New standard that introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7: *Statement of Cash Flows*. IFRS 16 contains expanded disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. IFRS 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. IFRS 16 supersedes the following standards and interpretations: a) IAS 17: *Leases*; b) IFRIC 4: *Determining whether an Arrangement contains a Lease*; c) SIC-15: *Operating Leases-Incentives*; and d) SIC-27: *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.	1 January 2019
IAS 1: *Presentation of Financial Statements*	Disclosure initiative: Amendments designed to encourage entities to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of the financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that entities should use professional judgement in determining where and in what order information is presented in the financial disclosures.	1 January 2016
IAS 16: *Property, Plant and Equipment*	Amendment to both IAS 16 and IAS 38 establishing the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. Clarifying that revenue is generally presumed to be an inappropriate basis for measuring the consumption of economic benefits in such assets.	1 January 2016

2. ACCOUNTING POLICIES

2.1 Revenue

Revenue is recognised at the fair value of the consideration received or receivable net of indirect taxes and trade discounts. Revenue comprises the amounts charged for accommodation, equipment, ethicals, theatre fees, medical consumables and where the Group employs doctors, their fees related to professional services rendered. Revenue within the Group is eliminated on consolidation.

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

2.2 Other income

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Dividends are recognised when the shareholders' right to receive payment is established.

Management fees are recognised on the accrual basis in accordance with the substance of the relevant contracts.

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

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

2.3 Cost of sales

Cost of sales includes all costs of purchase. Inventory write-downs are included in cost of sales when recognised. Trade discounts and similar costs are deducted in determining the costs of purchases. Where the Group employs doctors and recognises revenue on their professional services rendered, the cost of employing these doctors is recognised as a cost of sale.

2.4 Inventory

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

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 when it is not considered probable that the temporary differences will reverse in the foreseeable future.

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.

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

2.7 Finance leases

Assets held under finance leases are recognised as assets of the Group at the fair value at the inception of the lease or if lower, at the present value of the minimum lease payments. The related liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between interest expenses and capital redemption of the liability. Interest is recognised immediately in profit or loss, unless attributable to qualifying assets in which case they are capitalised to the cost of those assets.

Contingent rentals are recognised as expenses in the periods in which they are incurred.

2.8 Goodwill

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

Goodwill is recognised when the costs of the acquisition exceed the fair value of the Group's interest in the net identifiable assets of the entity acquired. Goodwill on acquisition of associates is included in the investments in associates and is tested for impairment as part of the overall balance. Goodwill is not amortised and is subject to an annual impairment test. Any impairment is recognised in profit and loss immediately and will not be subsequently reversed.

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

Notes to the consolidated annual financial statements *continued*

2. ACCOUNTING POLICIES *continued*

2.8 Goodwill *continued*

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

2.9 Property, plant and equipment

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

The following are the current estimated useful lives:

Land	Indefinite
Buildings	50 years
Leasehold improvements	Written off over the period of lease
Plant and equipment	10 years
Motor vehicles	5 years
Computer equipment	3 years
Office equipment	10 years
Furniture and fittings	10 years

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

2.10 Impairment

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

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

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

2.11 Provisions

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

2.12 Basis of consolidation

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

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

- contractual arrangements with other vote holders;
- rights from other contractual arrangements that indicate that the Group has a current ability to direct the relevant activities of the investee;
- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of other vote holders; or
- potential voting rights held by the Group that are substantive.

2.12 Basis of consolidation *continued*

Subsidiaries

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

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

Associates

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

2.13 Employee benefits

Short-term employee benefits

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

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

Retirement benefits

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

2.14 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.

2.15 Financial instruments

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

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

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

Long- and short-term investments

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

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

Working capital balances

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

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

Trade and other receivables

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

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

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

Notes to the consolidated annual financial statements continued

2. ACCOUNTING POLICIES *continued*

2.15 Financial instruments *continued*

Trade and other payables

Trade and loans payables are subsequently measured at their amortised cost using the effective interest rate method.

If a legally enforceable right exists to set-off recognised amounts of financial assets and liabilities and the company intends to settle on a net basis or to realise the asset and liability simultaneously, all related financial effects are netted.

2.16 Investments

Investments in subsidiaries and associates are initially recorded at cost on the effective date of acquisition. They 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 26. Balances with other related parties are set out in note 28. There were no other material contracts with related parties.

2.19 Contingencies and commitments

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

2.20 Share incentive scheme

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

2.21 Translation of foreign currencies

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

Foreign currency transactions

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

Foreign operations

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

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

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

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

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.

3. PROPERTY, PLANT AND EQUIPMENT

Rand	Cost/ valuation	Accumulated depreciation	2016 Carrying value	Cost/ valuation	Accumulated depreciation	2015 Carrying value
Group						
Buildings*	1 124 739 897	1 832 438	**1 122 907 459**	766 249 367	–	766 248 367
Land*	237 771 699	–	**237 771 699**	149 732 626	–	149 732 626
Plant and equipment	334 062 502	124 549 846	**209 512 656**	277 780 523	105 218 697	172 561 826
Motor vehicles	2 700 772	1 627 149	**1 073 623**	2 324 955	1 298 148	1 026 807
Furniture and fittings	55 089 075	23 716 577	**31 372 498**	44 171 784	17 560 944	26 610 840
Leasehold improvements	2 862 049	1 019 088	**1 842 961**	2 862 049	182 489	2 679 560
Office equipment	13 609 797	7 652 331	**5 957 466**	13 730 357	6 798 384	6 931 973
IT equipment	32 195 911	21 728 670	**10 467 241**	24 279 291	16 086 873	8 192 418
	1 803 031 702	182 126 099	**1 620 905 603**	1 281 130 952	147 145 535	1 133 985 417

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

Rand	Carrying value at beginning of year	Additions	Disposals	Depreciation	FCTR adjustment	Revaluation	Carrying value at end of year
Group							
2016							
Buildings*	766 249 367	230 211 791	–	(1 832 438)	99 349 954	28 928 785	**1 122 907 459**
Land*	149 732 626	9 823 817	–	–	35 701 824	42 513 432	**237 771 699**
Plant and equipment	172 561 826	35 641 385	(166 298)	(28 712 913)	30 188 656	–	**209 512 656**
Motor vehicles	1 026 807	454 168	–	(445 228)	37 876	–	**1 073 623**
Furniture and fittings	26 610 840	4 876 526	(93)	(4 985 592)	4 870 817	–	**31 372 498**
Leasehold improvement	2 679 560	–	–	(836 599)	–	–	**1 842 961**
Office equipment	6 931 973	284 743	(15)	(1 259 235)	–	–	**5 957 466**
IT equipment	8 192 418	9 358 643	(9 329)	(7 266 519)	192 028	–	**10 467 241**
	1 133 985 417	290 651 073	(175 735)	(45 338 524)	170 341 155	71 442 217	**1 620 905 603**

* *Land and buildings were previously aggregated.*

Rand	Carrying value at beginning of year	Additions	Disposals	Depreciation	FCTR adjustment	Revaluation	Carrying value at end of year
Group							
2015							
Buildings*	696 173 067	51 808 345	–	–	18 267 955	–	766 249 367
Land*	142 379 635	43 180	–	–	7 309 811	–	149 732 626
Plant and equipment	175 585 528	17 028 798	–	(24 111 990)	4 059 490	–	172 561 826
Motor vehicles	1 397 625	35 848	–	(403 833)	(2 833)	–	1 026 807
Furniture and fittings	27 128 525	2 825 710	–	(4 373 659)	1 030 264	–	26 610 840
Leasehold improvement	–	2 862 049	–	(182 489)	–	–	2 679 560
Office equipment	7 786 884	385 283	–	(1 240 194)	–	–	6 931 973
IT equipment	10 137 107	4 392 439	(19 238)	(6 276 291)	(41 599)	–	8 192 418
	1 060 588 371	79 381 652	(19 238)	(36 588 456)	30 623 088	–	1 133 985 417

* *Land and buildings were previously aggregated.*

Notes to the consolidated annual financial statements continued

3. PROPERTY, PLANT AND EQUIPMENT *continued*

The fair value of properties is determined every three years and updated annually by an independent professionally qualified valuator, Valquest Property Valuers & Consultants (S.A.C.V.P. No. 5047). The fair values were determined as at 30 November 2015. When performing the valuations, the valuator referred to current market conditions, recent sales transactions of similar properties in similar geographical locations and the present value of future rental income expected to be earned in respect of the properties in their current condition. The cash flows were estimated based on external evidence of current rentals for similar properties in similar locations. In estimating the fair value of the properties, the highest and best use of the property is their current use. There has been no change in the valuation technique used during the year. The fair value hierarchy of investment property has been determined to be a level 3 input. There were no transfers between fair value levels 1, 2 or 3 during the year.

If the cost model had been applied, the carrying value of land would have been R102 316 707 (2015: R78 801 791) and the buildings would have been R809 047 082 (2015: R580 611 197).

Interest has been capitalised on qualifying assets to the amount of R11 092 680 in terms of the Group's accounting policy note 2.22.

Included in additions is an amount of R27 461 037 relating to the business combination as per note 20. The breakdown of these additions is as follows:

	GROUP		COMPANY	
Rand	**2016**	2015	**2016**	2015
Buildings	**14 876 184**	–	**–**	–
Land	**9 823 816**	–	**–**	–
Plant and equipment	**2 761 037**	–	**–**	–
	27 461 037	–	**–**	–

Certain assets are encumbered as security for liabilities of the Group (refer to note 15). A register of land and buildings is available for inspection at the registered office of the company.

4. GOODWILL

	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
Carrying amount at the beginning of the year	**22 406 819**	22 406 819	**–**	–
Movement for the year – business combination	**7 528 440**	–	**–**	–
Carrying amount at the end of the year	**29 935 259**	22 406 819	**–**	–

Goodwill relates to the excess of the purchase price consideration over the fair value of the assets and liabilities of Ladysmith Hospital Holdings (Pty) Ltd, Lenmed Health Shifa (Pty) Ltd and Lenmed Health Kathu Private Hospital (Pty) Ltd on acquisition. See note 20 for further information on the business combination of Lenmed Health Kathu Private Hospital (Pty) Ltd.

The Group entered into an agreement to purchase a private hospital in Kathu from Mediclinic, comprising the land and buildings and hospital operations on 1 March 2015. The operations were acquired with a property development group (ATMG), with Lenmed acquiring 67% of the company conducting the hospital operations and 60% of the company owning the land and buildings. Refer to note 20 for further information regarding the business combination.

Management determines the recoverable amounts of cash-generating units as being the higher of net selling price or value in use. In the absence of an active market, value in use is used to determine the recoverable amount. A traditional method of discounting management's best estimate of future cash flows attributable to the cash-generating unit has been applied to determine the value in use. A growth rate has been applied to the cash flow streams to take into account the effect of inflation.

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

- R204 rate was yielding 8.62% as at 29 February 2016
- A market risk premium of 6% given the unlisted nature of the Group. CPI growth for 2016 is forecast to be 6%
- Beta of 0.8 is appropriate based on the defensive nature of the Group.

The net present value of these forecasts support the value of goodwill indicated above.

Rand	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
5. INVESTMENT IN SUBSIDIARIES				
Lenmed Health Africa (Pty) Ltd	–	–	100	100
Lenmed Health (Pty) Ltd	–	–	4 974 298	5 524 069
	–	–	4 974 398	5 524 169

Investment in Lenmed Health (Pty) Ltd decreased during the reporting period by R549 771 (2015: (R4 012 696)) due to the following:

Long service share award: R360 000 (2015: R200 000)
Share-based payment: (R909 771) (2015: R3 812 696)

Please refer to note 11 for further information.

6. INVESTMENT IN ASSOCIATES

The Group's investments in Ethekwini Hospital and Heart Centre (Pty) Ltd and Lenasia Renal Care (Pty) Ltd are accounted for under the equity method of accounting. As reported in the previous year, the investment in Pharmed Pharmaceuticals (Pty) Ltd was disposed of on 1 March 2014.

Rand	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
Pharmed Pharmaceuticals (Pty) Ltd				
Opening balance	–	94 314 863	–	–
Share of associate's earnings	–	–	–	–
Disposal of investment	–	(94 314 863)	–	–
Share of associate's other comprehensive income	–	–	–	–
Reallocation of dividends received	–	–	–	–
CLOSING BALANCE	–	–	–	–
Reclassified to current assets	–	–	–	–
Ethekwini Hospital and Heart Centre (Pty) Ltd				
Opening balance	187 790 392	168 353 827	–	–
Acquisition of shares	1 779 390	1 273 778	–	–
Increase in loan	452 910	724 222	–	–
Repayment of loan account	(14 486 920)	(14 474 740)	–	–
Share of associate's earnings	27 958 646	31 913 305	–	–
CLOSING BALANCE	203 494 418	187 790 392	–	–

During the year, the Group acquired a further 1 481 ordinary shares for R1 779 390 as well as a loan account to the value of R452 910.

Rand	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
Summary of financial information				
Non-current assets	*503 066 797*	*435 142 433*	–	–
Current assets	*102 750 003*	*141 612 456*	–	–
Non-current liabilities	*270 932 886*	*295 585 931*	–	–
Current liabilities	*43 008 586*	*57 650 102*	–	–
Revenue	*462 586 685*	*474 623 960*	–	–
Profit after taxation	*69 453 475*	*79 378 529*	–	–

Notes to the consolidated annual financial statements continued

Rand	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
6. INVESTMENT IN ASSOCIATES *continued*				
Lenasia Renal Centre (Pty) Ltd				
Opening balance	2 836 156	–	–	–
Acquisition	–	1 370 614	–	–
Share of associate's earnings	557 901	148 356	–	–
Bargain purchase price	–	1 317 186	–	–
CLOSING BALANCE	3 394 057	2 836 156	–	–
During the previous year, the Group acquired 30% of Lenasia Renal Centre (Pty) Ltd, a renal dialysis unit situated adjacent to the Ahmed Kathrada Private Hospital for R1 370 614. The bargain purchase price arose due to the difference between the fair value of assets acquired against the purchase price.				
Summary of financial information				
Current assets	*7 812 727*	*1 997 638*	–	–
Current liabilities	*2 998 714*	*4 951 667*	–	–
Revenue	*21 601 845*	*21 278 918*	–	–
Profit after taxation	*2 028 435*	*1 981 417*	–	–
TOTAL INVESTMENT IN ASSOCIATES	*206 888 475*	*190 626 548*	–	–

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

The investment in Ethekwini Hospital and Heart Centre (Pty) Ltd has been encumbered as security for the liabilities of the Group (refer to note 15).

7. INVENTORY

Rand	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
Medical supplies and consumables	30 342 719	33 666 599	–	–
Allowance for obsolete stock	(3 182 292)	(1 895 304)		
	27 160 427	31 771 295		
Allowance for obsolete stock				
Balance at beginning of year	1 895 304	1 885 508		
Current year allowance	1 286 988	9 796		
Balance at end of year	3 182 292	1 895 304		

Inventory has been valued as per policy outlined in note 2.4.

Rand	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
8. TRADE AND OTHER RECEIVABLES				
Trade receivables	398 106 165	312 498 036	–	–
Other receivables	39 333 322	31 918 512	808 412	680 931
Advance payment for investment	–	9 791 399	–	–
	437 439 487	354 207 947	808 412	680 931
Provision for bad debts	(61 657 263)	(47 144 156)	–	–
	375 782 224	307 063 791	808 412	680 931
Provision for bad debts				
Opening balance	(47 144 156)	(28 415 400)	–	–
Increase in provision recognised in profit and loss	(14 513 107)	(18 728 756)	–	–
CLOSING BALANCE	(61 657 263)	(47 144 156)	–	–
The carrying value of trade and other receivables approximates its fair value due to their short-term nature.				
Trade receivables past due but not impaired				
– One month past due	21 740 969	28 107 882	–	–
– Two months past due	16 256 666	13 405 309	–	–
– Three months and over past due	63 491 259	56 452 272	–	–
	101 488 894	97 965 463	–	–

Trade receivables to the value of R107 304 548 (2015: R99 965 702) have been ceded as security to First National Bank and Nedbank for various bank facilities granted, including long-term liabilities (note 15).

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

The gross trade receivables at the reporting date by type and customer were spread over Medical Aid, Corporate, Workmen's Compensation, Private and Road Accident Fund.

Notes to the consolidated annual financial statements continued

Rand	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
9. CASH AND CASH EQUIVALENTS				
Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents, included in the statements of cash flows, comprise the following amounts:				
Favourable cash balances				
Cash on hand	31 101	54 997	–	–
Bank balances	139 994 781	121 878 121	57 732 824	48 034 861
Favourable cash balances	140 025 882	121 933 118	57 732 824	48 034 861
Overdraft				
Bank overdraft	33 630 225	28 981 262	–	–
Net cash and cash equivalents	106 395 657	92 951 856	57 732 824	48 034 861

R17 755 540 of the cash and cash equivalents is pledged in favour of First National Bank as a guarantee for the overdraft in Maputo Private Hospital SA.

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

10. STATED CAPITAL

	No of shares	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
Authorised					
1 000 000 000 ordinary shares at no par value (2015: 1000 000 000 ordinary shares)					
Issued					
645 081 322 ordinary shares at no par value (2015: 644 897 650 ordinary shares)		219 843 313	219 483 313	219 843 313	219 483 313
Share reconciliation					
Balance at the beginning of the year	644 897 650	219 483 313	219 283 313	219 483 313	219 283 313
Ordinary shares issued during the year	183 672	360 000	200 000	360 000	200 000
	645 081 322	219 843 313	219 483 313	219 843 313	219 483 313

During the year under review, 183 672 (2015: 76 925) shares were issued to employees in terms of the long service award plan. The Group awards employees who have achieved 15 years of employment with the Group, with shares to the value of R40 000 for no consideration. During the reporting period, nine (2015: five) employees qualified for this award and were issued 20 408 (2015: 15 385) shares each. Each share was valued at R1.96 (2015: R2.60), representing the last traded price per share on the over-the-counter share trading platform as at 29 February 2016. The expense recognised in the annual financial statements, related to this award, amounted to R360 000 (2015: R200 000).

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

Rand	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
11. OTHER RESERVES				
Revaluation reserve	**230 259 406**	176 544 490	**–**	–
Foreign currency translation reserve	**178 075 581**	77 067 906	**–**	–
Share-based payment reserve	**3 414 198**	4 323 969	**3 414 198**	4 323 969
	411 749 185	257 936 365	**3 414 198**	4 323 969

Revaluation reserve

Revaluation reserve is disclosed net of deferred tax. Land and buildings were revalued by a qualified independent valuator during the 2013 financial year and subsequently revalued in the current year.

Foreign currency translation reserve

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

Share-based payment reserve

This reserve is made up of three allocations of Share Appreciation Rights (SARs):

1) 6 800 000 (2015: 7 050 000) SARs

7 300 000 SARs were issued on 15 October 2013 to two executive directors and nine members of senior management, at a price of R1.31 each. As at 29 February 2016, 6 800 000 (2015: 7 050 000) SARs were in issue. This reduction from the prior year is due to the resignation of one member of senior management from the Group thereby forfeiting the allocation.

2) 7 450 000 (2015: 7 750 000) SARs

7 750 000 SARs were issued on 1 August 2014 to three executive directors and nine members of senior management, at a price of R2.52 each. As at 29 February 2016, 7 450 000 (2015: 7 750 000) SARs were in issue. The reduction from the prior year is due to the resignation of one member of senior management from the Group thereby forfeiting the allocation.

3) 9 600 000 SARs

9 600 000 SARs were issued on 1 August 2015 to three executive directors and 12 members of senior management, at a price of R2.78 each.

In terms of this scheme, appreciation of SARs is calculated on the positive growth in the value of the share, in excess of a hurdle rate. The hurdle rate has been defined as inflation per the consumer price index (CPI) plus 4%, which is subject to annual review by the Remuneration Committee. One-third of the SARs allocated vest on the third anniversary of the allocation date, one-third on the fourth anniversary of the allocation date, one-third on the fifth anniversary date.

The Group has determined that the allocation should be accounted for as an equity-settled share-based payment transaction. The fair value of the SARs was calculated using the Black-Scholes option pricing model. The amount recognised in the annual financial statements for the current year, in accordance with IFRS 2: *Share-based Payments*, is R909 971 (reversal of accrual).

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

	1	2	3
Last traded price as at 29 February 2016	R1.96	R1.96	R1.96
Last traded price as at 28 February 2015	R2.60	R2.60	–
Risk-free rate	8.89%	8.89%	8.89%
Volatility	30%	30%	30%
Dividend yield	0%	0%	0%
Long-term inflation	6%	6%	6%

The risk-free rate of 8.89% has been assumed based on the prevailing return on a five-year RSA Government Retail Bond as at year-end.

The volatility of 30% was determined based on the historic volatility of the Group's share price over the year.

Notes to the consolidated annual financial statements continued

Rand	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
12. NON-CONTROLLING INTERESTS				
Non-controlling interests relate to outside shareholders of Lenmed Health Bokamoso Private Hospital (Pty) Ltd (30% Non-controlling interest), Maputo Private Hospital SA (40% Non-controlling interest), Lenmed Health Kathu Private Hospital (Pty) Ltd (33% Non-controlling interest) and Lenmed Health Kathu Properties (Pty) Ltd (40% Non-controlling interest) and are made up as follows:				
Opening balance	18 389 737	15 281 111	–	–
Share capital	240	–	–	–
Accumulated profit	6 190 802	2 401 672	–	–
Foreign currency translation	6 723 005	706 954	–	–
CLOSING BALANCE	31 303 784	18 389 737	–	–
Summary of financial information				
Non-current assets	667 225 953	474 745 688	–	–
Current assets	264 554 606	214 170 784	–	–
Non-current liabilities	680 906 593	472 500 343	–	–
Current liabilities	169 758 079	164 002 239	–	–
13. LOANS FROM MINORITIES				
Board of Public Officers' Medical Aid Scheme (BPOMAS)				
This loan is unsecured, bears interest at rates linked to prime in Botswana and is repayable over seven years from inception, subject to the availability of funds at Lenmed Health Bokamoso Private Hospital (Pty) Ltd. The Pula balance payable at year-end is P20 099 700 (2015: P23 099 700).	28 063 201	27 347 735	–	–
Invalco Limitada				
The loan is unsecured, interest-free and has no fixed terms of repayment. The US Dollar balance payable to Invalco Limitada at the reporting period-end is $5 729 603 (2015: $5 729 603).	92 483 810	66 335 625	–	–
ATMG				
The loan is unsecured, has no fixed terms of repayment and bears interest at prime rate.	6 622 396	–	–	–
	127 169 407	93 683 360	–	–
14. LOANS RECEIVABLE				
Lenmed Health (Pty) Ltd	–	–	247 920 752	246 546 535
Lenmed Health Africa (Pty) Ltd	–	–	21 255 525	31 748 122
	–	–	269 176 277	278 294 657

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

Rand	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
15. LONG-TERM LIABILITIES				
15.1 Mortgage bonds	**389 803 914**	234 433 023	**–**	–
Nedbank Limited Repayable in monthly instalments of R169 147 (2015: R139 879). Interest has been charged at rates of interest linked to the prime lending rate. Secured by a mortgage on freehold land and buildings.	**4 431 019**	3 797 613	**–**	–
Loans payable to vendors These loans bear interest at 15.25% (2015: 15.25%) per annum and are secured over land and buildings, the cession of the hospital licence and general notarial bond over the movable assets of Lenmed Health Shifa (Pty) Ltd. Repayable in monthly instalments of R125 000 (2015: R125 000).	**5 047 600**	5 721 027	**–**	–
First National Bank Limited Loan from First National Bank secured by a first ranking covering bond on Erven 7688, 7689, 7690, Lenasia, Extension 8 Township, first general covering bond on Erven 1681, 1682, first general covering bond on Erven 129, 130 135, 136, 137, 11151, Tembisa extension 1, cession and pledge of the loan to Ethekwini Hospital and Heart Centre (Pty) Ltd and general notarial bond over movable assets. The carrying amount of land and buildings secured is R451 million (refer to note 3). Interest has been charged at rates of interest linked to prime. This loan is repayable in monthly instalments of R4 204 000 (2015: R4 351 139). Included in the loan amount is an amount of R120 million which is under a 24-month capital moratorium.	**272 393 168**	132 466 465	**–**	–
Deutsche Investitions-und Entwicklungsgesellschaft MBH (DEG) This loan is secured by a first ranking mortgage bond over Maputo Private Hospital's property, plant and equipment, movable assets and a pledge of Lenmed's shares in the entity. The loan bears interest at six months Libor plus 4.4% per annum. The US Dollar balance at reporting period-end is $6 686 665 (2015: $7 984 999), repayable in bi-annual instalments over a period of six years with the last payment of $326 666 on 15 August 2020. An amount of $48 000 has at date of signature not been remitted to DEG due to a foreign exchange shortage in Mozambique. It is anticipated that this amount will be remitted during the month of June 2016.	**107 932 127**	92 447 918	**–**	–

Notes to the consolidated annual financial statements *continued*

	GROUP		COMPANY	
Rand	**2016**	2015	**2016**	2015
15. LONG-TERM LIABILITIES *continued*				
15.2 Instalment sales	**33 331 791**	13 920 428	**–**	–
Nedbank Limited Repayable in monthly instalments of R188 700 (2015: R175 880). Interest has been charged at rates of interest linked to the prime lending rate. Secured by plant and equipment with a book value of R5 236 745.	**3 678 028**	2 492 956		
Wesbank, a division of FirstRand Bank Ltd Repayable in monthly instalments of R1 039 324 (2015: R535 587). Interest has been charged at rates of interest linked to the prime lending rate. Secured by plant and equipment with a book value of R31 323 723.	**29 653 763**	11 427 472	**–**	–
15.3 Other loans	**–**	20 000 000	**–**	–
Randfontein Estates Limited This loan relates to the acquisition of Lenmed Health Randfontein Private Hospital (Pty) Ltd. This loan bears interest linked to prime less 2% due monthly in arrears. This loan has been settled subsequent to year-end as the property was legally transferred to Lenmed on 13 March 2015. The guarantee in the amount of R20 million issued by Lenmed has fallen away.	**–**	20 000 000	**–**	–
	423 135 705	268 353 451	**–**	–
Repayable within one year, transferred to current liabilities	**(68 380 576)**	(92 426 709)	**–**	–
	354 755 129	175 926 742	**–**	–

16. DEFERRED TAXATION

	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
Deferred tax asset				
Balance at beginning of year	**27 488 212**	11 921 810	**27 216**	–
Movements consisting of:				
Property, plant and equipment	**(994 559)**	(1 063 226)	**–**	–
Provisions	**3 624 582**	1 962 057	**1 904**	27 216
Leases	**142 151**	39 995		
Assessed losses	**2 490 963**	13 095 706	**–**	–
Share-based payment accrual	**(237 484)**	959 261	**–**	–
Revaluation of land and buildings	**(5 333 375)**	–	**–**	–
Change in capital gains inclusion rate	**787 697**	–	**–**	–
Prior year overprovision	**114 779**	–	**–**	–
Foreign currency translation adjustment	**(241 845)**	572 609	**–**	–
BALANCE AT END OF YEAR	**27 841 121**	27 488 212	**29 120**	27 216
The balance comprises:				
Property, plant and equipment	**(2 335 861)**	(1 456 081)	**–**	–
Provisions	**7 934 012**	4 309 430	**29 120**	27 216
Leases	**182 146**	39 995	**–**	–
Assessed losses	**24 069 762**	21 578 799	**–**	–
Share-based payment accrual	**845 323**	1 082 807	**–**	–
Revaluation of land and buildings	**(4 545 678)**	–	**–**	–
Foreign currency translation adjustment	**1 691 417**	1 933 262		
BALANCE AT END OF YEAR	**27 841 121**	27 488 212	**29 120**	27 216

Rand	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
16. DEFERRED TAXATION *continued*				
Deferred tax liability				
Balance at beginning of year	91 360 033	88 041 549	–	–
Movements consisting of:			–	–
Property, plant and equipment	4 053 958	4 173 553	–	–
Provisions	510 699	(1 505 481)	–	–
Income received in advance	(964)	(1 383)	–	–
Lease smoothing adjustment	108 415	(28 087)	–	–
Share-based payment accrual	17 251	(103 391)	–	–
Revaluation of land and buildings	14 584 414	–	–	–
Change in capital gains inclusion rate	(1 936 566)	–	–	–
Prepaid expenses	54 213	72 986	–	–
Assessed loss	(270 157)	–	–	–
Prior year adjustment	(80 896)	–	–	–
Foreign currency translation adjustment	4 440 484	959 310	–	–
Foreign currency translation on loan	3 173 626	(249 023)	–	–
BALANCE AT END OF YEAR	116 014 510	91 360 033	–	–
The balance comprises:				
Property, plant and equipment	95 769 439	91 715 481	–	–
Provisions	(4 494 294)	(5 004 993)	–	–
Income received in advance	(15 548)	(14 584)	–	–
Lease smoothing adjustment	132 250	23 835	–	–
Share-based payment accrual	(100 848)	(118 099)	–	–
Revaluation of land and buildings	12 647 848	–	–	–
Prepaid expenses	195 391	141 178	–	–
Assessed loss	(270 157)	–	–	–
Prior year adjustment	(80 896)	–	–	–
Foreign currency translation adjustment	7 656 098	3 215 614	–	–
Foreign currency translation on loan	4 575 227	1 401 601	–	–
BALANCE AT END OF YEAR	116 014 510	91 360 033	–	–
The deferred tax rate on land changed during the current year from 18.7% to 22.4%.				
17. PROVISIONS				
Leave pay and bonus provision				
Carrying amount at the beginning of the year	20 339 722	19 932 414	–	–
Increase in accrual	9 442 448	407 308	–	–
Carrying amount at end of the year	29 782 170	20 339 722	–	–
18. TRADE AND OTHER PAYABLES				
Trade payables	112 288 516	63 765 130	–	–
Other payables	91 675 687	80 242 616	400 637	732 448
	203 964 203	144 007 746	400 637	732 448
The carrying value of trade and other payables approximated their fair value due to the short-term nature of these payables.				
19. SHORT-TERM LOAN				
This loan is unsecured and bears interest at rates linked to prime. This loan was repaid on 30 June 2015	–	11 000 000	–	–

Notes to the consolidated annual financial statements continued

20. BUSINESS COMBINATION

The Group entered into an agreement to purchase a private hospital in Kathu from Mediclinic, comprising the land and buildings and hospital operations on 1 March 2015. The operations were acquired with a property development group (ATMG), with Lenmed acquiring 67% of the company conducting the hospital operations and 60% of the company owning the land and buildings.

Lenmed Health Kathu Private Hospital (Pty) Ltd and Lenmed Health Kathu Properties (Pty) Ltd

The acquisition date values of the assets acquired and the liabilities assumed and the consideration transferred were:

	GROUP		COMPANY	
Rand	**2016**	2015	**2016**	2015
Property, plant and equipment	**27 461 037**	–	**–**	–
Petty cash	**289**	–	**–**	–
Leave pay provision	**(819 103)**	–	**–**	–
Goodwill	**7 528 440**	–	**–**	–
Total consideration (cash)	**34 170 663**	–	**–**	–
Acquisition-related costs				
Commission and legal costs	**575 120**	–	**–**	–

21. OPERATING PROFIT

Operating profit is arrived at after taking into account the following items:

	GROUP		COMPANY	
Rand	**2016**	2015	**2016**	2015
Income				
Profit on disposal of property, plant and equipment	**236 077**	–	**–**	–
Exchange rate profits on foreign exchange	**22 148 104**	–	**–**	–
Profit on disposal of associate	**–**	2 096 938	**–**	–
Expenditure				
Loss on disposal of property, plant and equipment	**–**	3 974	**–**	–
Exchange rate losses on foreign exchange	**–**	889 366	**–**	–
Depreciation				
Buildings	**1 832 438**	–	**–**	–
Plant and equipment	**28 712 913**	24 111 990	**–**	–
Motor vehicles	**445 228**	403 833	**–**	–
Furniture and fittings	**4 985 592**	4 373 659	**–**	–
Leasehold improvements	**836 599**	182 489	**–**	182 489
Office equipment	**1 259 235**	1 240 194	**–**	–
Computer equipment	**7 266 519**	6 276 291	**–**	–
	45 338 524	36 588 456	**–**	182 489
Secretarial fees	**770 254**	455 410	**361 108**	258 820
Employee costs	**474 019 759**	431 998 687	**–**	–
Lease rentals				
Property	**39 362 753**	30 333 613	**–**	–
Equipment	**4 296 851**	2 652 870	**–**	–
Other	**533 595**	406 192	**–**	–
	44 193 199	33 392 675	**–**	–

Rand	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
22. INVESTMENT INCOME				
Interest received	3 644 387	13 256 878	1 504 249	4 116 640
	3 644 387	13 256 878	1 504 249	4 116 640
23. FINANCE COSTS				
Long-term loans	13 444 531	24 710 386	–	–
Bank overdrafts	3 255 091	4 508 552	–	–
	16 699 622	29 218 938	–	–
24. TAXATION				
Current taxation				
Current tax	41 262 651	46 642 391	561 705	1 180 985
Underprovision/(overprovision) in prior year	–	157 599	–	–
Deferred taxation				
Current year temporary differences	4 326 804	(11 924 419)	(1 904)	(4 368)
Overprovision in prior year	(192 211)	(710 201)	–	(22 848)
TAXATION FOR THE YEAR	45 397 244	34 165 370	559 801	1 153 769
Reconciliation of rate of taxation	%	%	%	%
South African normal tax rate	28.00	28.00	28.00	28.00
Adjusted for:				
Underprovision/(overprovision) in prior year	(0.10)	(0.42)	0.00	(0.54)
Disallowed expenditure	0.28	1.95	3.11	0.00
Income not taxable	(4.95)	0.00	0.00	0.00
Lower foreign tax rate	(0.99)	(0.55)	0.00	0.00
Capital gains tax	0.00	(2.57)	0.00	0.00
Assessed loss	0.00	(5.01)	0.00	0.00
EFFECTIVE RATE OF TAXATION	22.24	21.40	31.11	27.46

The tax charge for the current year has been reduced by R2 774 327 as a result of the prior year tax loss utilised at Lenmed Health Randfontein Private Hospital (Pty) Ltd and Maputo Private Hospital SA.

Rand	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
25. INCOME TAX PAID				
Receivable/(payable) at beginning of the year	(3 751 590)	(4 204 959)	(40 831)	270 907
Expense for the year	(45 397 244)	(34 165 370)	(559 801)	(1 153 769)
Adjustment for deferred tax	4 134 593	(12 634 620)	(1 904)	(27 216)
Deferred tax foreign currency translation adjustments	2 666 196	386 702	–	–
Payable at end of year	1 434 001	3 751 590	(157 877)	40 831
	(40 914 044)	(46 866 657)	(760 413)	(869 247)

Notes to the consolidated annual financial statements continued

26. DIRECTORS' EMOLUMENTS

	For services as directors	Short-term employee benefits	Bonuses	Total
2016				
Mr P Devchand	–	3 420 000	915 000	4 335 000
Mr A Devchand	–	1 750 000	528 000	2 278 000
Mr VE Firman	–	1 900 000	–	1 900 000
Prof BD Goolab	213 900	–	–	213 900
Mr MG Meehan	306 500	–	–	306 500
Ms B Harie	306 500	–	–	306 500
Ms NV Simamane	295 500	–	–	295 500
Dr A Suleman*	111 657	–	–	111 657
Dr M Khan*	–	1 232 489	138 000	1 370 489
Dr T Matome*	222 283	–	–	222 283
Mr R Morapedi*	213 392	–	–	213 392
Mr R Naidoo*(R)	–	1 052 210	292 373	1 344 583
Mr A Ackerman*(A2)	635 095	–	–	635 095
	2 304 827	9 354 699	1 873 373	13 532 899
2015				
Mr P Devchand	–	3 050 000	2 356 200	5 406 200
Mr A Devchand	–	1 320 000	1 044 000	2 364 000
Mr VE Firman(A1)	–	828 825	–	828 825
Prof BD Goolab	185 800	–	–	185 800
Mr MG Meehan	305 500	–	–	305 500
Ms B Harie	305 500	–	–	305 500
Ms NV Simamane	264 500	–	–	264 500
Dr A Suleman*	111 132	–	–	111 132
Dr M Khan*	–	1 150 000	136 890	1 286 890
Dr T Matome*	196 185	–	–	196 185
Mr R Morapedi*	199 752	–	–	199 752
Mr R Naidoo*	–	1 169 525	317 463	1 486 988
Ms I Faztudo*	258 597	–	–	258 597
	1 826 966	7 518 350	3 854 553	13 199 869

* *Director of subsidiary company.*
(R) *Resigned as director of subsidiary company on 18/11/2015.*
(A1) *Appointed on 01/10/2014.*
(A2) *Appointed to subsidiary company on 18/11/2015.*

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

27. CONTINGENT LIABILITIES

Certain Compensation for Occupational Injuries and Diseases (COID) debtors are factored between 83% and 84% of their original value. The factoring houses have recourse to this amount should they not be able to recover the debt. The total funds received but still open to recourse amounted to R12 044 156 as at reporting date (2015: R12 248 126).

28. RELATED PARTY TRANSACTIONS

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

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

COMPANY

					Amounts owed by/(to) the related party at year-end	
Name	Relationship	Transaction	2016	2015	2016	2015
Lenmed Health (Pty) Ltd	Subsidiary		–	–	247 920 752	246 546 535
Lenmed Health Africa (Pty) Ltd	Subsidiary		–	–	21 255 525	31 748 122
Lenmed Health Management Company (Pty) Ltd	Subsidiary	Management fees received	2 140 500	1 675 375	–	–
Lenvestco Investments (Pty) Ltd	Shareholder		–	–	6 197	(30 683)

29. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Key sources of estimation uncertainty

29.1 Deferred tax

A deferred tax asset is recognised with the carry-forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. The Group considered the following criteria in assessing the probability that taxable profit will be available against which the unused tax losses can be utilised:

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

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

29.2 Trade receivables

Provision is made for doubtful debts based on management's estimate of the prospect of recovering the debt. Where management has determined that the recovery of the debt is doubtful, the amount is provided for immediately.

Notes to the consolidated annual financial statements continued

29. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *continued*

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

Buildings

The Group increased the estimate of the useful life of buildings from 40 years to 50 years due to the specialised nature of the buildings and with reference to the valuations performed as per note 3. The residual value of buildings is determined by management taking into account significant judgements applied to various factors and external information available.

Plant and equipment

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

Motor vehicles

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

29.4 Goodwill

Goodwill is tested for impairment at each statement of financial position date. The recoverable amounts of cash-generating units have been estimated based on value in use calculations. Value in use calculations have been based on a subjective pre-tax discount rate of 19%. Based on these calculations, no impairment loss is recognised. Had the discount rate used been 1% greater or lower than estimated no impairment loss would have been recognised.

29.5 Share-based payments

The fair value is calculated using the Black-Scholes option pricing model. Please refer to note 11 for assumptions used in the model.

29.6 Control over subsidiaries

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

29.7 Significant influence over an associate

Ethekweni Private Hospital and Heart Centre (Pty) Ltd is an associate of the Group as described in note 6. Significant influence arises from the Group's 40% interest.

Lenasia Renal Centre (Pty) Ltd is an associate of the Group as described in note 6. Significant influence arises from the Group's 30% interest.

29.8 Fair value measurements and valuation processes

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

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

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

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

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

30. FINANCIAL RISK MANAGEMENT

The Group's financial liabilities comprise long-term liabilities, short-term liabilities, trade and other payables, taxation payables and bank overdrafts. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as loan accounts, trade receivables and cash and cash equivalents, which arise directly from its operations. The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and foreign currency risk. These risks are managed as follows:

30.1 Interest rate risk

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

Interest risk table

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

	GROUP		COMPANY	
Rand	**2016**	2015	**2016**	2015
Interest-bearing loans payable	**424 489 511**	292 780 758	**–**	–
Instalment sale liabilities	**33 331 791**	13 920 428	**–**	–
Bank overdraft	**33 630 225**	28 981 262	**–**	–
	491 451 527	335 682 448	**–**	–
Sensitivity analysis				
Increase of 100 basis points would result in a reduction in profit before tax of	**(4 914 515)**	(3 356 824)	**–**	–
Decrease of 100 basis points would result in an improvement in profit before tax of	**4 914 515**	3 356 824	**–**	–

30.2 Credit risk

The Group trades where possible with recognised, creditworthy third parties. Where patients are without medical insurance, risk is limited by the collection of a deposit. The amount of the deposit is determined by the expected treatment plan envisaged for the patient. Actual billings are tracked against the deposit on a daily basis and further funds are collected form the patient where necessary. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in note 8.

30.3 Liquidity risk

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are available. In addition, the Group maintains a strong business relationship with its bankers. The table summarises the maturity profile of the financial liabilities as at 29 February 2016, based on contractual undiscounted payments.

Rand	Less than 1 year	Between 1 and 5 years	Less than 1 year	Between 1 and 5 years
Maturity analysis – 2016				
Borrowings	**102 010 801**	**389 440 726**	**–**	**–**
Trade and other payables	**186 006 632**	**–**	**400 637**	**–**
	288 017 433	**389 440 726**	**400 637**	**–**
Maturity analysis – 2015				
Borrowings	132 407 971	190 795 008	–	–
Trade and other payables	133 968 696	–	659 039	–
	266 376 667	190 795 008	659 039	–

Notes to the consolidated annual financial statements *continued*

30. FINANCIAL RISK MANAGEMENT *continued*

30.3 Liquidity risk *continued*

Long-term liabilities and shareholders' loans

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

Capital management

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

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

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

30.4 Foreign currency risk

The Group is exposed to foreign currency risk through its offshore subsidiaries, Maputo Private Hospital and Bokamoso Private Hospital. A US Dollar-denominated long-term loan exists at Maputo Private Hospital. However, revenue at the hospital is partially US Dollar-denominated, thus forming a natural hedge. The Group is also investigating converting part of the loan into local currency, thereby removing any currency fluctuations at Maputo Private Hospital. To date, the Group has not suffered any material currency loss. There are no long-term loans at Bokamoso Private Hospital except for shareholders' loans. These are denominated in Pula. Revenue at the hospital is denominated in Pula, also forming a natural hedge. Revenue and profits generated by this hospital are expected to be sufficient to settle the shareholders' loans over a maximum period of seven years. The Group does not formally hedge its foreign currency risk.

31. FINANCIAL INSTRUMENTS

31.1 Categories of financial instruments

	GROUP			COMPANY		
Rand	Loans and receivables	Assets at fair value through profit and loss	Available-for-sale	Loans and receivables	Assets at fair value through profit and loss	Available-for-sale
2016						
Financial assets per statements of financial position						
Investments in associates	–	–	**206 888 475**	–	–	–
Investments in subsidiaries	–	–	–	–	–	**4 974 398**
Loan receivable	–	–	–	**269 176 277**	–	–
Trade and other receivables	**371 941 380**	–	–	**617 719**	–	–
Cash and cash equivalents	**140 025 882**	–	–	**57 732 824**	–	–

	GROUP			COMPANY		
Rand	Loans and receivables	Assets at fair value through profit and loss	Available-for-sale	Loans and receivables	Assets at fair value through profit and loss	Available-for-sale
2015						
Financial assets per statements of financial position						
Investments in associates	–	–	190 626 548	–	–	–
Investments in subsidiaries	–	–	–	–	–	5 524 169
Loan receivable	–	–	–	278 294 657	–	–
Trade and other receivables	305 747 372	–	–	680 931	–	–
Cash and cash equivalents	121 933 118	–	–	48 034 861	–	–

31. FINANCIAL INSTRUMENTS *continued*

31.1 Categories of financial instruments *continued*

	GROUP			COMPANY		
	Loans and payables	Financial liabilities measured at amortised cost	Derivatives used for hedging	Loans and payables	Financial liabilities measured at amortised cost	Derivatives used for hedging
2016						
Financial liabilities per statements of financial position						
Long-term liabilities	–	**354 755 129**	–	–	–	–
Loans from minorities	–	**127 169 407**	–	–	–	–
Trade and other payables	–	**186 006 632**	–	–	**400 637**	–
Current portion of long-term liabilities	–	**68 380 576**	–	–	–	–
Provisions	–	**29 782 170**	–	–	–	–
Bank overdraft	–	**33 630 225**	–	–	–	–

	GROUP			COMPANY		
	Loans and payables	Financial liabilities measured at amortised cost	Derivatives used for hedging	Loans and payables	Financial liabilities measured at amortised cost	Derivatives used for hedging
2015						
Financial liabilities per statements of financial position						
Long-term liabilities	–	175 926 742	–	–	–	–
Loans from minorities	–	93 683 360	–	–	–	–
Trade and other payables	–	133 968 696	–	–	585 630	–
Current portion of long-term liabilities	–	92 426 709	–	–	–	–
Short-term loan	–	11 000 000	–	–	–	–
Provisions	–	20 339 722	–	–	–	–
Bank overdraft	–	28 981 262	–	–	–	–

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

Notes to the consolidated annual financial statements continued

31. FINANCIAL INSTRUMENTS *continued*

31.2 Fair value hierarchy and measurements

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

	GROUP			
	Fair value at 29 February 2016			
Rand	Level 1	Level 2	Level 3	Total
Financial assets				
Loans and receivables				
– Trade and other receivables	–	–	371 941 380	371 941 380
– Cash and cash equivalents	–	140 025 882	–	140 025 882
Financial liabilities				
Financial liabilities held at amortised cost				
– Long-term liabilities	–	349 707 514	5 047 615	354 755 129
– Loans from minorities	–	–	127 169 407	127 169 407
– Trade and other payables	–	–	186 006 632	186 006 632
– Current portion of long-term liabilities	–	47 707 164	20 673 412	68 380 576
– Provisions	–	–	29 782 170	29 782 170
– Bank overdraft	–	33 630 225	–	33 630 225

	Fair value at 28 February 2015			
Rand	Level 1	Level 2	Level 3	Total
Financial assets				
Loans and receivables				
– Trade and other receivables	-	-	305 747 372	305 747 372
– Cash and cash equivalents	-	121 933 118	-	121 933 118
Financial liabilities				
Financial liabilities held at amortised cost				
– Long-term liabilities	-	170 879 127	5 047 615	175 926 742
– Loans from minorities	-	-	93 683 360	93 683 360
– Trade and other payables	-	-	133 968 696	133 968 696
– Current portion of long-term liabilities	-	71 753 297	20 673 412	92 426 709
– Short-term loan	-	-	11 000 000	11 000 000
– Provisions	-		20 339 722	20 339 722
– Bank overdraft	-	28 981 262	-	28 981 262

31. FINANCIAL INSTRUMENTS *continued*

31.2 Fair value hierarchy and measurements *continued*

COMPANY

Fair value at 29 February 2016

	Level 1	Level 2	Level 3	Total
Financial assets				
Loans and receivables				
– Loan receivable	**–**	**–**	**269 176 277**	**269 176 277**
– Trade and other receivables	**–**	**–**	**617 719**	**617 719**
– Cash and cash equivalents	**–**	**57 732 824**	**–**	**57 732 824**
Financial liabilities				
Financial liabilities held at amortised cost				
– Trade and other payables	**–**	**–**	**400 637**	**400 637**

Fair value at 28 February 2015

	Level 1	Level 2	Level 3	Total
Financial assets				
Loans and receivables				
– Loan receivable	–	–	278 294 657	278 294 657
– Trade and other receivables	–	–	680 931	680 931
– Cash and cash equivalents	–	48 034 861	–	48 034 861
Financial liabilities				
Financial liabilities held at amortised cost				
– Trade and other payables	–	–	659 039	659 039

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

Notes to the consolidated annual financial statements continued

Rand	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
32. COMMITMENTS				
32.1 Operating lease commitments – lessee				
Future minimum lease payments under non-cancellable operating leases are as follows:				
– Within one year	**14 735 069**	13 275 805	**–**	–
– Due thereafter but not later than five years	**11 305 647**	27 904 345	**–**	–
	26 040 716	41 180 150	**–**	–
The above lease commitments relate to both Lenmed Health Bokamoso Private Hospital (Pty) Ltd and Lenmed Health Management Company (Pty) Ltd and are in respect of property rentals payable for premises.				
32.2 Operating lease commitments – lessor				
Future minimum lease receipts under non-cancellable operating leases are as follows:				
– Within one year	**1 162 564**	1 371 332	**–**	–
– Due thereafter but not later than five years	**3 436 857**	4 627 452	**–**	–
	4 599 421	5 998 784	**–**	–
32.3 Capital commitments				
The construction, renovation and upgrading of hospital buildings	**234 380 918**	108 258 757	**–**	–
The acquisition of plant and equipment	**34 051 206**	5 365 881	**–**	–
	268 432 124	113 624 638	**–**	–

Acronyms and glossary

ACRONYMS

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

Acronyms and glossary continued

GLOSSARY

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

Normalised EBITDA	On the balance sheet, earnings adjusted to remove unusual or one-time influences.
Oncology	The study and treatment of tumours.
Paediatric	A medical specialty that manages medical conditions affecting babies, children and young people.
Pharmaceutical	Medicinal drugs, their preparation, use or sale.
Protocols	Official procedure or system of rules.
Quadruple burden of disease	HIV/Aids, underdevelopment, chronic diseases related to unhealthy lifestyles, and injuries.
Radiotherapy	The treatment of disease, especially cancer, using X-rays or similar forms of radiation.
Renal	Relating to the kidneys.
Risk appetite	The amount of risk a company is willing to accept in pursuit of value.
the Group	Lenmed Investments Limited.
Transformation	Increased access and opportunities for previously disadvantaged South Africans.
Unlisted company	A company that can have an unlimited number of shareholders to raise capital for any commercial venture.

Notice of annual general meeting

LENMED INVESTMENTS LIMITED

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

Notice is hereby given to the shareholders of the Company that the 34th Annual General Meeting ("AGM") of the Company will be held at Lenmed's Head Office, 2nd Floor, Fountain View House, Constantia Office Park, Cnr 14th Avenue and Hendrik Potgieter Road, Constantia Kloof, Johannesburg on **Thursday 4 August 2016** 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 licences and passports.

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

ORDINARY RESOLUTIONS

Ordinary resolution 1: Annual financial statements

"RESOLVED THAT the annual financial statements of the Company for the year ended 29 February 2016, including the directors' report and the report of the Audit and Risk Committee, be and are hereby received."

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

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

Ordinary resolution 2: Re-election of director

"RESOLVED THAT 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 3: Re-election of director

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

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

Ordinary resolution 4: Re-election of director

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

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

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

Ordinary resolutions 5.1, 5.2 and 5.3: Appointment of Audit and Risk Committee members

It is proposed that the members of the Company's Audit and Risk Committee set out below be appointed. The membership as proposed by the Board of Directors is Ms B Harie, Mr MG Meehan and Ms NV Simamane, all of whom are independent non-executive directors as prescribed by the Companies Act. It is recorded that Mr MG Meehan is Chairman of the Audit and Risk Committee.

Ordinary resolution number 5.1

"RESOLVED THAT Ms B Harie be and is hereby appointed as a member of the Audit and Risk Committee."

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

Ordinary resolution number 5.2

"RESOLVED THAT Mr MG Meehan be and is hereby appointed as a member of the Audit and Risk Committee."

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

Ordinary resolution number 5.3

"RESOLVED THAT Ms NV Simamane be and is hereby appointed as a member of the Audit and Risk Committee."

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

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

Ordinary resolution number 6: Non-binding advisory endorsement on the Company's remuneration policy

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

The Company's remuneration policy and related information appears on page 61.

Reason for this resolution

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

Effect of this resolution

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

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

SPECIAL RESOLUTIONS

Special resolution 1: Approval of financial assistance

"RESOLVED THAT to the extent required by the Companies Act, the Board of Directors of the Company may, subject to compliance with the requirements of the Company's MOI and the Companies Act, each as presently constituted and as amended from time to time, authorise the Company to provide direct or indirect financial assistance by way of loan, guarantee, the provision of security or otherwise, to:

› any of its present or future subsidiaries and/or any other Company or entity that is or becomes related or inter-related to the Company or any of its subsidiaries, and/or to any member of such subsidiary or related or inter-related company or entity, all as contemplated in sections 44 and/or 45 of the Companies Act, for such amounts and on such terms and conditions as the directors of the Company may determine such authority to endure until the Annual General Meeting of the Company for the year ended 28 February 2017."

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

Motivation for special resolution number 1

Notwithstanding the title of section 45 of the Companies Act, being "Loans or other financial assistance to directors", on a proper interpretation, the body of the section may also apply to financial assistance provided by a company to related or inter-related companies and other entities, including, inter alia, its subsidiaries, associates, joint ventures, partnerships, collaboration arrangements, etc. for any purpose.

Furthermore, section 44 of the Companies Act may also apply to the financial assistance so provided by a company to related or inter-related companies or other entities, in the event that the financial assistance is provided for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company.

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

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

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

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

Special resolution 2: Future directors' fees

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

Rand	Fees per meeting	Retainer (per annum)
Non-executive director/ Independent non-executive director	12 000	174 000
Audit and Risk Committee chairman	12 000 (in addition to meeting fee)	
Audit and Risk Committee member	12 000	
Remuneration and Nominations Committee chairman	12 000 (in addition to meeting fee)	
Remuneration and Nominations Committee member	12 000	
Social and Ethics Committee chairman	12 000 (in addition to meeting fee)	
Social and Ethics Committee member	12 000	
Fee for work not specified above (per meeting rate)	12 000	

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

Motivation for special resolution 2

The reason for special resolution 2 is to comply with the provisions of the Companies Act. The effect of the special resolution is that, if approved by the shareholders at the Annual General Meeting, the fees payable to non-executive directors until the next Annual General Meeting will be as set out above.

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

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

Appointment of auditors

Shareholders are advised that PKF Durban are deemed to be re-appointed as auditors of the Company at this AGM for the ensuing financial year and that the individual registered auditor who will undertake the audit during the financial year ending 28 February 2017 will be Ms Tania Marti-Warren. In this regard, the Lenmed Audit Committee has:

- ensured that PKF Durban are qualified for appointment
- received confirmation that PKF Durban 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 Durban's reappointment
- ensured that there has been no notice received of an intended resolution to appoint some other auditor in place of PKF Durban.

Notice of annual general meeting continued

Voting and proxies

In terms of the Company's MOI, at any time, a shareholder may, in respect of any class of shares held by the shareholder, appoint any individual, including an individual who is not a shareholder of the Company, as a proxy to participate in, and speak and vote, at the Annual General Meeting, on behalf of the shareholder.

In terms of the Company's MOI, (clause 3.10.1), a shareholder of the Company may not appoint two or more persons concurrently as proxies.

In terms of the Company's MOI, (clause 3.10.3), a copy of the instrument appointing a proxy must be delivered to the registered office of the Company, marked for the attention of the Company secretary (or to be delivered to such other location and/or person on behalf of the Company as may be specified in the notice convening the meeting), to be received by the Company not less than 48 hours before the appointed time for the beginning of the meeting or, if the meeting is adjourned, the appointed time for the resumption of the adjourned meeting.

By order of the Board

William Somerville
Company Secretary

5 July 2016

Registered Office
Lenmed Investments Limited
2nd Floor, Fountain View House,
Constantia Office Park,
Cnr 14th Avenue and Hendrik Potgieter Road,
Constantia Kloof,
Johannesburg, 1709

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

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

1. At any time, a shareholder of a company is entitled to appoint any individual, including an individual who is not a shareholder of that company, as a proxy to participate in, speak and vote at a shareholders meeting on behalf of the shareholder.
2. A proxy appointment must be in writing, dated and signed by the relevant shareholder.
3. Except to the extent that the memorandum of incorporation ("MOI") of a company provides otherwise:
   - 3.1. a shareholder of the relevant company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by such shareholder (a); and
   - 3.2. a copy of the instrument appointing a proxy must be delivered to the relevant company, or to any other person on behalf of the relevant company, before the proxy exercises any rights of the shareholder at a shareholders meeting (b).

Notes

(a) In respect of item 3.1, in terms of the Company's MOI (clause 3.10.1), a shareholder of the Company may not appoint two or more persons concurrently as proxies.

(b) In respect of item 3.2, in terms of the Company's MOI (clause 3.10.3) a copy of the instrument appointing a proxy must be delivered to the registered office of the Company, marked for the attention of the Company secretary (or to be delivered to such other location and/or person on behalf of the Company as may be specified in the notice convening the meeting), to be received by the Company not less than 48 hours before the appointed time for the beginning of the meeting or, if the meeting is adjourned the appointed time for the resumption of the adjourned meeting.

4. Irrespective of the form of instrument used to appoint a proxy:
   - 4.1. the appointment of the proxy is suspended at any time and to the extent that the shareholder who appointed that proxy chooses to act directly and in person in the exercise of any rights as a shareholder of the relevant company; and
   - 4.2. should the instrument used to appoint a proxy be revocable, a shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and the relevant company.
5. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the relevant shareholder as of the later of the date:
   - 5.1. stated in the revocation instrument, if any; or
   - 5.2. upon which the revocation instrument is delivered to the proxy and the relevant company as required in section 58(4)(c)(ii) of the Companies Act.
6. Should the instrument appointing a proxy or proxies have been delivered to the relevant company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the relevant company's Memorandum of Incorporation to be delivered by such company to the shareholder must be delivered by such company to:
   - 6.1. the shareholder; or
   - 6.2. the proxy or proxies if the shareholder has in writing directed the relevant company to do so and has paid any reasonable fee charged by the Company for doing so.
7. A proxy is entitled to exercise, or abstain from exercising, any voting right of the relevant shareholder without direction, except to the extent that the Memorandum of Incorporation of the relevant company or the instrument appointing the proxy provide otherwise.
8. If a company issues an invitation to shareholders to appoint a person named by such company as a proxy, or supplies a form of instrument for appointing a proxy:
   - 8.1. such invitation must be sent to every shareholder who is entitled to receive notice of the meeting at which the proxy is intended to be exercised;
   - 8.2. the Company must not require that the proxy appointment be made irrevocable; and
   - 8.3. the proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in section 58(5) of the Companies Act.

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

Form of proxy
LENMED INVESTMENTS LIMITED

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

For use at the 34th Annual General Meeting of the Company to be held at Lenmed's Head Office, 2nd Floor, Fountain View House, Constantia Office Park, Cnr 14th Avenue and Hendrik Potgieter Road, Constantia Kloof, Johannesburg, 1709 on Thursday 4 August 2016 at 15:00 and at any adjournment thereof.

I/We ______________________________ (Full name in block letters) of

______________________________ (address)

being a shareholder (s) of the Company and holding ______________________________

ordinary shares in the Company,

hereby appoint ______________________ of ______________________, or

failing him/her ______________________ of ______________________, or

failing him/her the chairman of the Annual General Meeting, as my/our proxy to act for me/us and on my/our behalf at the Annual General Meeting which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions to be proposed thereat and at any adjournment thereof; and to vote for and/or against the ordinary and special resolutions and/or abstain from voting in respect of the Company's ordinary shares registered in my/our name(s), in accordance with the following instructions:

	Number of votes		
	For	**Against**	**Abstain**
Ordinary resolutions			
1. To receive the annual financial statements of the Company for the year ended 29 February 2016, including the directors' report and the report of the Audit and Risk Committee.			
2. To re-elect Prof BD Goolab as a director of the Company.			
3. To re-elect Mr MG Meehan as a director of the Company.			
4. To re-elect Ms NV Simamane as a director of the Company.			
5. To appoint members of the Audit and Risk Committee:			
5.1 To appoint Ms B Harie as a member of the Audit and Risk Committee.			
5.2 To appoint Mr MG Meehan as a member of the Audit and Risk Committee.			
5.3 To appoint Ms NV Simamane as a member of the Audit and Risk Committee.			
6. To endorse the Company's remuneration policy.			
Special resolutions			
1. Approval of financial assistance.			
2. Approval of the future fees of non-executive directors.			

* 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 ______________________ 2016 (date)

Shareholder's signature ______________________ assisted by ______________________ (if applicable)

Notes to form of proxy

1. At any time, a shareholder may in respect of shares held in the Company by that shareholder, appoint any individual, including an individual who is not a shareholder of the Company) to participate in, speak and, on a poll, vote in place of that shareholder at the Annual General Meeting. Meeting participants will be required to provide satisfactory identification before being allowed to participate in the meeting.
2. A shareholder wishing to appoint a proxy must do so in writing by inserting the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided on the form of proxy, with or without deleting "the chairman of the Annual General Meeting". The person whose name stands first on the form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
3. A shareholder's instructions to the proxy must be indicated on the form of proxy by the insertion of the relevant number of votes exercisable by that member in the appropriate box(es) provided. Failure to comply with the above will be deemed to authorise the chairman of the Annual General Meeting, if the chairman is the authorised proxy, to vote in favour of the ordinary and special resolutions at the Annual General Meeting, or any other proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit, in respect of all the shareholder's votes exercisable thereat.
4. A shareholder or his/her proxy is not obliged to vote in respect of all the ordinary shares held by such shareholder or represented by such proxy, but the total number of votes for or against the ordinary resolutions and in respect of which any abstention is recorded may not exceed the total number of votes to which the shareholder or his/her proxy is entitled.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the Company's transfer office or waived by the chairman of the Annual General Meeting.
6. The chairman of the Annual General Meeting may reject or accept any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.
7. Any alterations or corrections to this form of proxy must be initialled by the signatory(ies).
8. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
9. A minor must be assisted by his/her parent/guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company.
10. Where there are joint holders of shares (i) any one holder may sign the form or proxy; and (ii) the vote of the senior shareholders (for that purpose seniority will be determined by the order in which the names of the shareholders appear in the Company's register) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholders.
11. Any proxy appointment made in terms of this form of proxy remains valid until the end of the Annual General Meeting, unless revoked earlier.
12. In terms of the Company's MOI (clause 3.10.3) a copy of the instrument appointing a proxy must be delivered to the registered office of the Company, marked for the attention of the Company Secretary (or to delivered to such other location and/or person on behalf of the Company as may be specified in the notice convening the meeting), to be received by the Company not less than 48 hours before the appointed time for the beginning of the meeting or, if the meeting is adjourned, the appointed time for the resumption of the adjourned meeting.

REGISTERED ADDRESS

2nd Floor, Fountain View House,
Constantia Office Park,
Cnr 14th Avenue and Hendrik Potgieter Road,
Constantia Kloof,
Johannesburg, 1709

Company information

COUNTRY OF INCORPORATION
South Africa

NATURE OF BUSINESS
The provision of private patient healthcare, through management and ownership of hospitals and other related health services

EXECUTIVE DIRECTORS
Mr P Devchand
Mr A Devchand
Mr VE Firman

NON-EXECUTIVE DIRECTORS
Mr MG Meehan (lead independent)
Ms B Harie (independent)
Ms NV Simamane (independent)
Prof BD Goolab

REGISTERED ADDRESS
2nd Floor Fountainview House,
Constantia Office Park,
Corner Hendrik Potgieter and 14th Avenue,
Constanstia Kloof,
Johannesburg, 1709

POSTAL ADDRESS
PO Box 855,
Lenasia,
Johannesburg, 1820

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

COMPANY SECRETARY
Mr W Somerville:
2nd Floor Fountainview House,
Constantia Office Park,
Corner Hendrik Potgieter and 14th Avenue,
Constantia Kloof,
Johannesburg, 1709

REGISTRATION NUMBER
1980/003108/06

BANKERS
First National Bank Limited

TRANSFER SECRETARY
Singular Systems (Pty) Ltd t/a Equity Express
7 Junction Road,
Bramley,
Johannesburg, 2001

Our hospitals

AHMED KATHRADA PRIVATE HOSPITAL
K43 Highway, Extension 8, Lenasia Gauteng
T. +27 11 213 2000 F. +27 11 854 1002

BOKAMOSO PRIVATE HOSPITAL
Plot 2435, Mmopane Block 1, Gaborone, Botswana
T. +267 369 4000 F. +267 369 4140

DAXINA PRIVATE HOSPITAL
1682 Impala Street, Lenasia South, Gauteng
T. +27 11 213 7000 F. +27 11 855 1039

ETHEKWINI HOSPITAL AND HEART CENTRE
11 Riverhorse Road, Riverhorse Valley Business Estate,
Queen Nandi Drive, Durban,
KwaZulu-Natal
T. +27 31 581 2400 F. +27 31 581 2699

KATHU PRIVATE HOSPITAL
Frikkie Meyer Street, Kathu
T. +27 53 723 3231 F. +27 53 723 3389

LA VERNA PRIVATE HOSPITAL
1 Convent Road, Ladysmith, KwaZulu-Natal
T. +27 36 631 0065 F. +27 36 637 4889

MAPUTO PRIVATE HOSPITAL
Rua do Rio Inhamiara, Sommerschield II, Maputo, Mozambique
T. +258 21 48 3905 F. +258 21 49 3680

RANDFONTEIN PRIVATE HOSPITAL
Ward Street Ext, Randfontein, Gauteng
T. +27 11 411 3000 F. +27 11 411 3134

SHIFA PRIVATE HOSPITAL
482 Randles Road, Sydenham, Durban, KwaZulu-Natal
T. +27 31 240 5000 F. +27 86 559 7043

ZAMOKUHLE PRIVATE HOSPITAL
128 Flint Mazibuko Street, Hospital View, Tembisa, Gauteng
T. +27 11 923 7700 F. +27 11 924 2149

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