



lenmed

Embrace every day

Unaudited  
interim  
results

for the six  
months ended  
31 August

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2018



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## WHERE WE OPERATE





## OWNERSHIP



## HOSPITAL



## BEDS

100%

Ahmed Kathrada Private Hospital, Lenasia,  
**GAUTENG**

268

Zamokuhle Private Hospital, Tembisa,  
**GAUTENG**

94

Daxina Private Hospital, Lenasia South,  
**GAUTENG**

64

Randfontein Private Hospital, Randfontein,  
**GAUTENG**

174

Shifa Private Hospital, Durban,  
**KWAZULU-NATAL**

179

Maputo Private Hospital, Maputo,  
**MOZAMBIQUE**

105

Royal Hospital and Heart Centre, Kimberley,  
**NORTHERN CAPE**

177

95%

La Verna Private Hospital, Ladysmith,  
**KWAZULU-NATAL**

149

77%

Ethekwini Hospital and Heart Centre, Durban,  
**KWAZULU-NATAL**

345

70%

Bokamoso Private Hospital, Gaborone,  
**BOTSWANA**

235

67%

Kathu Private Hospital, Kathu,  
**NORTHERN CAPE**

55

## COMMENTARY

### Performance review

Group Revenue grew by 15% increasing to R1 270.7 million compared to R1 099.5 million in 2017. The Group's performance for the six months ended 31 August 2018 includes our new facility in Kimberley, Royal Hospital and Heart Centre (RHHC), for the full 6 months of the financial year for the first time. RHHC opened its doors with 64 beds in late July 2017 with the first patient admitted on 23 July 2017. During the current financial year, the hospital operated with 104 beds for the 6 months, generating R74.5 million in revenue versus R5.5 million in the prior year.

The Group continues to use the concept of normalised earning before interest, taxation, depreciation and amortisation (EBITDA), as well as normalised headline earning, as measures to provide shareholders with consistent and comparable reporting tools.

Normalised EBITDA increased by 6% to R231.5 million (2017: R217.5 million). The EBITDA margin declined to 18% from 20% in the prior year. The margin decline can be attributed to RHHC's first full year of trading included in the results. We expect the margin to improve once the hospital has fully matured.

The Group's hospitals reported mixed results for the first 6 months of the financial year. Ethekeini Hospital and Heart Centre (EHHHC), Randfontein Private Hospital (RPH), Maputo Private Hospital (MPH), Bokamoso Private Hospital (BPH) and Kathu Private Hospital (KPH) experienced much improved performance in both revenue and normalised EBITDA. The other hospitals were met with declining revenues and margins related to increased competition as well as the economic environment in their geographical location.

RHHC in Kimberley has performed encouragingly with a positive EBITDA earned for the first 6 months of the financial year. We look forward to its continued growth trajectory as part of the other successful start-up hospitals in the Lenmed Group.

The Group's associate earnings increased by 33% to R916k (2017: R687k). The increase relates to opening of new renal centres at EHHHC, RHHC and Zamokuhle Private Hospital (ZPH). Lenmed owns 45% in Renal Care Holdings.

Net interest expense amounted to R68.8 million (2017: R31.7 million) for the first half of the year. This is due to increased borrowings to fund the recent capital expenditure requirements as well as the interest capitalised in the prior year of R21.4 million compared to nil in the current year.

The Group's property, plant and equipment increased in value to R3 001 million (2017: R2 763 million). This increase relates to the build and commissioning of RHHC as well as new land acquired adjacent to Ahmed Kathrada Private Hospital (AKPH) and Shifa Private Hospital (SPH).

### Prospects

Operational earnings are anticipated to grow but at a slower rate than the first half of the year. This is in line with the seasonal nature of the healthcare industry.

A heartfelt thank you and appreciation to all our stakeholders for your ongoing contribution and support to the Lenmed story.

# CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	GROUP		
Rand'000	Unaudited Six months ended 31 August 2018	Unaudited Six months ended 31 August 2017	Audited Year ended 28 February 2018
<b>Profit and Loss</b>			
Revenue	1 270 701	1 099 486	2 220 764
Cost of sales	(358 656)	(312 282)	(642 592)
<b>Gross profit</b>	<b>912 045</b>	787 204	1 578 172
Other income	34 423	38 691	77 729
Operating costs	(761 295)	(645 253)	(1 316 972)
<b>Profit before interest and taxation</b>	<b>185 173</b>	180 642	338 929
Share of profit from associates	916	688	1 628
Investment income	1 404	4 897	8 680
Finance costs	(70 222)	(36 588)	(105 205)
<b>Profit before taxation</b>	<b>117 271</b>	149 639	244 032
Taxation	(29 480)	(31 758)	(54 063)
<b>PROFIT FOR THE PERIOD</b>	<b>87 791</b>	117 881	189 969
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Foreign currency translation reserve	95 030	4 798	(37 920)
<b>TOTAL OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>95 030</b>	4 798	(37 920)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>182 821</b>	122 679	152 049
<b>Profit for the period attributable to:</b>			
Non-controlling interests	15 012	18 120	32 571
Lenmed Investments Ltd equity holders	72 779	99 761	157 398
<b>PROFIT FOR THE PERIOD</b>	<b>87 791</b>	117 881	189 969
<b>Total comprehensive income for the period attributable to:</b>			
Non-controlling interests	18 164	19 662	32 091
Lenmed Investments Ltd equity holders	164 657	103 017	119 958
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>182 821</b>	122 679	152 049

## HEADLINE EARNINGS

Rand'000	Unaudited Six months ended 31 August 2018	Unaudited Six months ended 31 August 2017	Audited Year ended 28 February 2018
Profit for the period attributable to Lenmed	72 779	99 761	157 398
Less: Profit on disposal of assets net of tax	–	–	439
Less: currencies losses and gains	–	–	4 753
	<b>72 779</b>	99 761	162 590

## NORMALISED EBITDA

Rand'000	Unaudited Six months ended 31 August 2018	Unaudited Six months ended 31 August 2017	Audited Year ended 28 February 2018
EBITDA	231 489	217 499	393 598
Loss/(profit) on disposal of assets	–	–	732
Currencies (losses) and gains	(4 807)	1 560	4 830
	<b>226 682</b>	219 059	399 160

# CONDENSED STATEMENT OF FINANCIAL POSITION

	GROUP		
Rand'000	Unaudited Six months ended 31 August 2018	Unaudited Six months ended 31 August 2017	Audited Year ended 28 February 2018
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	3 000 696	2 762 688	2 825 788
Goodwill	312 888	315 052	312 888
Intangible assets	18 969	–	18 969
Investment in associates	6 523	5 117	5 607
Deferred taxation	56 295	45 099	50 077
	<b>3 395 371</b>	<b>3 127 956</b>	<b>3 213 329</b>
<b>Current Assets</b>			
Inventory	71 593	57 905	62 398
Trade and other receivables	614 020	504 723	600 693
Taxation	24 087	18 017	17 571
Cash and cash equivalents	63 509	148 913	65 270
	<b>773 209</b>	<b>729 558</b>	<b>745 932</b>
<b>TOTAL ASSETS</b>	<b>4 168 580</b>	<b>3 857 514</b>	<b>3 959 261</b>
<b>Equity and Liabilities</b>			
<b>Equity and Reserves</b>			
Stated capital	426 006	422 407	426 006
Other Reserves	395 277	345 416	303 399
Accumulated profits	1 181 884	1 057 160	1 109 105
Non-controlling interests	153 788	123 195	135 624
	<b>2 156 955</b>	<b>1 948 178</b>	<b>1 974 134</b>
<b>Non-Current Liabilities</b>			
Long term liabilities	1 053 743	1 137 481	1 054 930
Loans from minorities	54 145	64 521	63 832
Deferred taxation	305 153	283 736	286 056
	<b>1 413 041</b>	<b>1 485 738</b>	<b>1 404 818</b>
<b>Current Liabilities</b>			
Trade payables, other payables and provisions	427 362	327 601	368 587
Current portion of long term liabilities	122 689	61 677	112 511
Taxation	2 661	11 785	4 221
Bank overdraft	45 872	22 535	94 990
	<b>598 584</b>	<b>423 598</b>	<b>580 309</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>4 168 580</b>	<b>3 857 514</b>	<b>3 959 261</b>

## CONDENSED STATEMENT OF CHANGES IN EQUITY

Rand'000	Stated capital	Revaluation reserve	Foreign currency translation reserve	Share-based payment reserve	Accumulated profits	Equity attributable to Group	Non-controlling interest	Total
<b>Group</b>								
<b>Balance at 31 August 2017</b>	422 407	230 259	108 423	6 734	1 057 160	1 824 983	123 195	<b>1 948 178</b>
Profit for the period	-	-	-	-	57 637	57 637	14 452	<b>72 089</b>
Other comprehensive income for the period	-	-	(40 696)	-	-	(40 696)	(2 023)	<b>(42 719)</b>
Share-based payment accrual	-	-	-	(1 321)	-	(1 321)	-	<b>(1 321)</b>
Acquisition of subsidiary	-	-	-	-	(5 692)	(5 692)	-	<b>(5 692)</b>
Issue of share capital	3 599	-	-	-	-	3 599	-	<b>3 599</b>
<b>Balance at 28 February 2018</b>	426 006	230 259	67 727	5 413	1 109 105	1 838 510	135 624	<b>1 974 134</b>
Profit for the period	-	-	-	-	72 779	72 779	15 012	<b>87 791</b>
Other comprehensive income for the period	-	-	91 878	-	-	91 878	3 152	<b>95 030</b>
<b>Balance at 31 August 2018</b>	426 006	230 259	159 605	5 413	1 181 884	2 003 167	153 788	<b>2 156 955</b>



## CONDENSED STATEMENT OF CASH FLOWS

	GROUP		
Rand'000	Unaudited Six months ended 31 August 2018	Unaudited Six months ended 31 August 2017	Audited Year ended 28 February 2018
<b>Cash flows from operating activities</b>			
<b>Operating cash flow before working capital changes</b>	<b>234 242</b>	227 797	369 155
<i>Working capital changes</i>			
Decrease/(increase) in trade and other receivables	(13 329)	12 992	(88 329)
(Increase)/ decrease in inventory	(5 644)	(19 067)	(13 864)
Increase in trade and other payables	58 766	21 126	93 863
<b>Cash generated by operating activities</b>	<b>274 035</b>	242 848	360 825
Investment income	1 404	4 897	8 680
Finance costs	(70 222)	(36 588)	(103 825)
Income tax paid	(24 674)	(41 474)	(67 590)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>180 543</b>	169 683	198 090
<b>Cash flows from investing activities</b>			
Property, plant and equipment acquired	(114 094)	(193 887)	(337 214)
Acquisition of business	(3 550)	-	(10 404)
<b>NET CASH UTILISED IN INVESTING ACTIVITIES</b>	<b>(117 644)</b>	(193 887)	(347 618)
<b>Cash flows from financing activities</b>			
Proceeds from shares issued	-	-	3 599
Net loans (repaid)/raised	(15 546)	299 277	303 072
Additional investment in subsidiary	-	(276 352)	(316 298)
<b>Net cash generated by financing activities</b>	<b>(15 546)</b>	22 925	(9 627)
Increase/(Decrease) in cash and cash equivalents	<b>47 353</b>	(1 279)	(159 155)
Translation movement	-	-	1 778
Cash and cash equivalents at beginning of the year	<b>(29 716)</b>	127 657	127 657
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>17 637</b>	126 378	(29 720)

# ACCOUNTING POLICIES

## 1. Basis of preparation

The condensed unaudited consolidated interim financial statements for the six months ended 31 August 2018 have been prepared in accordance with the framework concepts and measurement and recognition requirements of International Financial Reporting Standards (IFRS), IAS 34 Interim Financial Reporting Standards, the SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act of South Africa. This report was compiled under the supervision of Vaughan Firman CA (SA). The Board takes full responsibility for the preparation of these financial results.

The accounting policies used in the preparation of these results are in accordance with IFRS and consistent in all material respect with those of the previous annual financial statements, unless otherwise stated. The annual financial statements have been prepared on the historical cost basis except for the revalued land and buildings.

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.

The interim results have not been reviewed or audited by the Group's external independent auditors, PKF Durban.

## 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 14th Avenue and Hendrik Potgieter Road,  
Constantia Kloof, Johannesburg, 1709

### Postal address

PO Box 855  
Lenasia, Johannesburg, 1820

### Auditors

PKF Durban, Chartered Accountants (SA)  
Registered Auditors  
Practice number – 906352E  
2nd Floor,  
12 on Palm Boulevard  
Gateway, KwaZulu-Natal, 4319

### Company secretary

Mr W Somerville  
2nd Floor Fountainview House,  
Constantia Office Park,  
Corner 14th Avenue and Hendrik Potgieter Road,  
Constantia Kloof, Johannesburg, 1709

### Registration number

1980/003108/06

### Bankers

Rand Merchant Bank

### Transfer secretary

Singular Systems (Pty) Ltd t/a Equity Express  
7 Junction Road,  
Bramley, Johannesburg, 2001

## OUR HOSPITALS

### Ahmed Kathrada Private Hospital

K43 Highway, Extension 8, Lenasia Gauteng  
T. +27 87 087 0642 F. +27 11 852 8910

### Bokamoso Private Hospital

Plot 2435, Mmopane Block 1, Gaborone, Botswana  
T. +267 369 4000 F. +267 369 4140

### Daxina Private Hospital

1682 Impala Street, Lenasia South, Gauteng  
T. +27 87 087 0644 F. +27 11 855 1039

### Ethekwini Hospital and Heart Centre

11 Riverhorse Road, Riverhorse Valley Business Estate,  
Queen Nandi Drive, Durban,  
KwaZulu-Natal  
T. +27 31 581 2400 F. +27 31 581 2699

### Kathu Private Hospital

Frikkie Meyer Street, Kathu  
T. +27 53 723 3231 F. +27 53 723 3389

### La Verna Private Hospital

1 Convent Road, Ladysmith, KwaZulu-Natal  
T. +27 87 087 2600 F. +27 36 637 4889

### Maputo Private Hospital

Rua do Rio Inhamiara, Sommerschield II, Maputo, Mozambique  
T. +258 21 48 3905 F. +258 21 49 3680

### Randfontein Private Hospital

Ward Street Ext, Randfontein, Gauteng  
T. +27 87 087 2700 F. +27 11 411 3134

### Shifa Private Hospital

482 Randles Road, Sydenham, Durban, KwaZulu-Natal  
T. +27 87 087 0641 F. +27 86 559 7043

### Zamokuhle Private Hospital

128 Flint Mazibuko Street, Hospital View, Tembisa, Gauteng  
T. +27 87 087 0643 F. +27 11 924 2149

### Royal Hospital and Heart Centre

Corner Welgevonden and Jacobus Smit Street,  
Royldene, Kimberley  
T. +27 53 045 0350 F. +27 86 598 0560



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## Contact details

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