



Annual Integrated Report

2021



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About this report

Lenmed Investment Limited's (Lenmed or the Group) 2021 annual integrated report (AIR) covers the financial year 1 March 2020 to 28 February 2021. We share the collective thinking applied to material matters impacting on our ability to create long-term value. Throughout the AIR, we address the challenges faced by the Group, and the opportunities and external drivers influencing Lenmed's strategy.

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

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

- ♦ South African Companies Act, 71 of 2008, as amended (Companies Act).
- ♦ King IV™* Report on Governance for South Africa (King IV Code).
- ♦ Value Reporting Foundation (formerly the International Integrated Reporting Council) <IR> Framework.
- ♦ International Financial Reporting Standards (IFRS).

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Materiality

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

Disclosure and assurance

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

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

Board responsibility

The Board approved the AIR on 27 May 2021 and acknowledges its responsibility for the accuracy thereof. It has applied its collective expertise, and, in its opinion, this AIR addresses all material issues and presents an integrated view of the Group's performance for the year under review.

Forward-looking statements

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

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



Feedback on AIR

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





Who we are

PURPOSE

Lenmed was founded for, and remains committed to, the health of our communities.

OUR VISION AND VALUES

VISION

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

When Lenmed started with 48 beds in Lenasia in 1984, in the midst of Apartheid, Lenmed's mission was to provide for the health needs of private patients in disenfranchised non-white communities whilst giving doctors of all races an opportunity to practice. Despite the change in the political situation today, and while Lenmed has grown to one of the biggest healthcare groups in South Africa, we remain steadfast in our purpose of serving our communities regardless of their location or demographic.

Our drive to care for and support our communities in an inclusive way is expanding in two ways:

1

Toward more holistic healthcare and wellness, beyond the hospital walls, to support individuals with mental and physical health.

2

Geographically northward into the rest of Africa, building on our footprint in South Africa, Botswana, and Mozambique to reach further.

VALUES

Lenmed's core values are fundamental to achieving the sustainability of the business. The spirit of caring, dedication and community involvement that characterised the first Lenmed hospital has become the Group's hallmark. We believe that delivering superior healthcare is achieved by combining unparalleled quality and clinical excellence, underpinned by a community focus on the personal needs of our patients and their families.

*Together we
make
Lenmed
great*

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

We strive to exceed the expectations of our patients, visitors and doctors

We aim for perfection in all that we do

We always act with compassion and empathy

Our vision and values in action

We support our communities and live our values, which will ultimately grow us into a leading healthcare group on the continent, in the following three ways:

1

AFFORDABILITY

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

2

EFFICIENCY

As Lenmed acquires or builds more hospitals, in parallel with introducing additional facilities within our existing regions, we aim to manage these efficiently and cost-effectively. At Group level, we have also recruited experienced professionals to manage shared services for human resources, business development, information technology (IT), marketing and procurement. Our digitisation strategy is also well on track, already providing Lenmed with benefits in efficiency and cost-savings.

3

QUALITY

Private healthcare in South Africa is highly competitive, which makes quality of service a key differentiator between healthcare providers. Service quality is a core Lenmed value and we continuously review our internal systems to ensure this.



Our value creation journey

Lenmed undertakes to embed integrated thinking throughout our organisation. The steps taken to create long-term value for all our stakeholders are outlined in this report to providing an in-depth understanding of the factors impacting our ability to create sustainable value. Integrated thinking enables us to remain agile and flexible in an ever-changing environment.



WHO WE ARE

Our core purpose, vision and values



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02



OPERATING CONTEXT

Our environment, with risk and opportunity



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The resources we rely on



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Our stakeholders



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MATERIAL MATTERS

The issues that affect our ongoing sustainability



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STRATEGY

How we intend to get where we want to go



VALUE CREATION

How we performed in transforming resources into value for our stakeholders



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Governance

The ethics and accountability that underpin everything we do



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Celebrating OUR FRONT LINE

THEY ARE OUR HEROES – our first line of defense;

the people putting their lives on the line to defend citizens from the COVID-19 virus.

They are our healthcare workers – the doctors, nurses, and other healthcare staff who stand against COVID-19. Every life saved is a victory.

WE SALUTE YOU!

“We acknowledge those behind the scenes – the management and staff who shaped a new way of work and worked tirelessly to ensure that we respond as swiftly and safely as possible.
Thank you. ”

We also mourn the ones we have lost. Our hearts go out to their colleagues, family, and friends.

Aletta Clements
Enrolled Nurse

Ahmed Kathrada Private Hospital
3 August 2020

Dr Avesh Ramnarain
Orthopaedic Surgeon

Ethekwini Hospital
and Heart Centre
3 January 2021

Dr Neels Venter
Gynaecologist

Randfontein Private Hospital
24 July 2020

Nelly Mlambo
Enrolled Nurse

Ahmed Kathrada Private Hospital
29 January 2021

Sr Olga Sompetha
Registered Nurse

Ethekwini Hospital and Heart Centre
26 December 2020

Hendrika (Adri) van Zyl
Porter

La Verna Private Hospital
13 January 2021

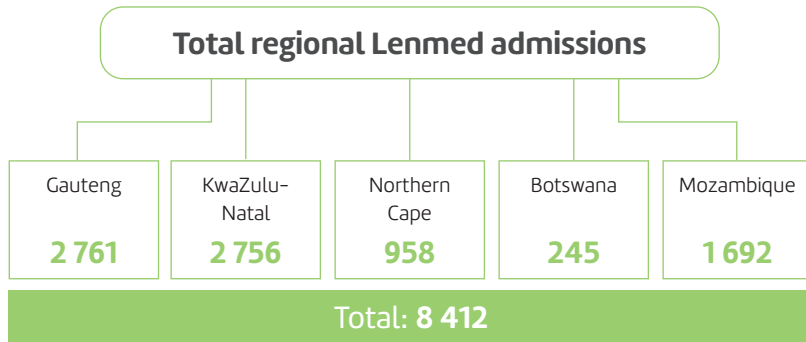


28 629 safety training interventions



over 90 new policies, procedures and associated visuals

OUR RESPONSE IN NUMBERS



Some of our hospitals treated the most COVID-19 patients in their respective regions:

1
#1 private hospital in Gauteng and South Africa:
Ahmed Kathrada Private Hospital

2
#2 private hospital in Northern Cape:
Royal Hospital and Heart Centre

7
#7 private hospital in KwaZulu-Natal:
Ethekwini Hospital and Heart Centre





Celebrating OUR FRONT LINE

continued

Celebrating Lenmed's nurses

OUR PATIENTS' LOVED ONES

Ahmed Kathrada Hospital

"As a family, we would like to extend our heartfelt gratitude to the Lenmed team. My dad stayed at Ahmed Kathrada Hospital for over four weeks at the height of the pandemic. Visitors were not allowed to access the hospital and we were dependent on the nurses and doctors for feedback. We were really concerned as our dad was not doing too well. As a hospital, we believe that you have excelled in terms of service delivery:

- ◆ Your communication and interactions have been really amazing. You have introduced video calling for families to stay in touch with loved ones.
- ◆ Charlotte Foley, your customer relations officer, goes above and beyond to interact with the family. She is always responsive and accommodating.
- ◆ The team of doctors, under the leadership of Dr Ahmed Rashid have been phenomenal. As it stands, there are 6 specialists treating our dad, they have worked as a team and have done their best to treat him.
- ◆ His ICU nurse provided great feedback and was really involved in caretaking as well as keeping our dad comfortable.
- ◆ Your COVID-19 protocols are world class and you have great measures in place on site to deal with this disease and ensure the safety of your patients.

I grew up in Lenasia and moved away when I was 33 years old. We used Lenmed often and all I can say is that the hospital is growing from strength to strength and are really offering a great experience for patients and family."

Shaila Juan

Shifa Private Hospital

"I would like to commend your institution on the excellent and caring service we received from Shifa Private Hospital when my husband called to enquire about our relative in the COVID-19 ICU. He was greeted by a bubbly, articulate switchboard operator and put through to the sister in charge, who was gracious, informative and compassionate when she spoke about the patient. The next time he called, he spoke to Sr Magwaza, who was the epitome of a caring frontline worker. She was kind, compassionate and informative. Her voice showed how concerned she was about her patient. It was such a refreshing, reassuring voice, that we felt comforted and confident that our relative was in the best of hands.

So to Mr Abdool Amod and Mrs Lorna Rashid, well done on cultivating such a spirit of love, compassion and caring. Your attitude and attention to detail has paid off and I applaud your hard work and effort."

Radha Mannie

OUR PATIENTS

La Verna Private Hospital

"I was rushed to the 24 Hour Accident and Emergency Unit at midnight on a Sunday, about 42 kilometres away from Ladysmith. The duty nurse at the unit was incredible and the duty doctor was very kind. Both the day and night staff were very kind. I need to make special mention of Nurse Zaidha who was incredible, caring, compassionate and extremely helpful. Dr Nkosi, the Urologist, was very professional and caring. A very special heartfelt thank you to him. Thank you to Dr Drew for the care you took when you put me to sleep whilst I was in agony."

Stephen Maritz

Zamokuhle Private Hospital

"Thank you for your exceptional service. I was in the maternity unit and had out-of-control blood pressure. If it wasn't for Sister Tsidi, Rosina and Charmaine, I probably would have died and my baby would not have survived either. You guys rock! You are my heroes! I felt really loved."

Patience Vhareta

Maputo Private Hospital

"I really enjoyed the care your hospital gave me. The service you gave me was a 5-star service. Each staff member worked with passion, they all helped me a lot. The ones that stood out the most were Ana Paula Santos, Neika Oviedo, Celina Maguague, Amurane Aligy, Jacobe Simone, Balire Allen and Valetim. I also liked your food and the cleaning staff. The cleanliness is of a high level in this hospital."

Sergio Fernandes



STORIES FROM THE FRONT LINE

“Initially I was scared, nervous and anxious as this virus was something new to all of us. We kept hearing of people losing their lives every day. My very first COVID-19 patient was actually a paramedic and I thought to myself, “Imagine if that was your father, brother or anyone you love, what would you do?” and then I knew what I had to do.

We also received so much guidance and training from our teams at the hospital and everything they did for us helped us every day.

My advice to the community during this time is that we should all make an effort to understand what we are up against and not become complacent. There is so much to learn and the more we educate ourselves the better we are together. Let us not stigmatise those who are sick, they also deserve to be loved and cared for. If we follow the right safety protocols, we can beat this. If we make a choice to fall apart together the whole world falls apart. Let’s keep doing our best.

At home my children know all the rules to stay safe. Correct hand hygiene, carrying sanitiser, wearing masks and practicing social distancing when they have to leave the house. They are not allowed to share anything of theirs with anyone under any circumstances.

I’ve been a nurse for 8 years now, and after a hard day at work I enjoy taking a nice hot long shower followed by supper with the family so I can spend time with them, then straight to bed. It may sound very simple, but it works for me. I also try to exercise whenever I can to keep my body and mind fit and healthy. I also spend my spare time studying towards my Registered Nurse Qualification.

The best part of my job is watching a person who has come to the hospital go home happy and with a smile on their face. It’s just the best feeling! Knowing that by God’s grace I will be serving my patients daily and helping them get better. God is always there for us and with him guiding us we can never fail.

At Lenmed teamwork is so important. If you work alone, you can never prosper – we need each other to make things better. Especially in my unit, it is very different. There is something new every single day to learn, so we help others and ask for the same, so that we can do better for those who come through our doors. Respect is very important to me. Respect for our patients, and respect for ourselves and our loved ones. For me it is one of the many principles I love about nursing.”

Sr Mpho Nkuna



Reflections from our CHAIRMAN

Lenmed and the healthcare industry have transformed during my nearly four decades in healthcare. Lenmed has expanded its services and markets, evolved with technological and regulatory changes, and adapted in the face of external challenges.

At each turn, we have demonstrated flexibility and embraced change to emerge stronger, playing a more significant role in the healthcare industry. Now, as we navigate the unprecedented challenges of a global pandemic, we are drawing on that legacy of adaptability and dedication.

To describe the year under review as extraordinary would be an understatement. The world is experiencing the most remarkable of times and witnessing events that none of us would have predicted or imagined. The World Health Organisation's (WHO) decision to declare the COVID-19 outbreak a pandemic in March 2020 was a deeply sobering moment for everyone. More than ever, we have realised that what we do matters, to the patients we serve, and to the communities in which we operate.

The Board and I are extremely proud of the way everyone across Lenmed has responded to the challenge of COVID-19. Throughout the year, our front-line staff have put their lives at stake to help our patients, and everyone at Lenmed worked tirelessly to fight the pandemic. The Board and I extend our heartfelt gratitude to all in the Lenmed family for the hard work, commitment, and support.

Our response to COVID-19

Taking care of our patients

Our greatest priority during this year was, and remains, the health and safety of our patients. At the onset of the pandemic, we rapidly implemented stringent cleaning regimes, ensured an ongoing supply of personal protective equipment (PPE), and trained more of our nurses on the use of specialised equipment used to support COVID-19 patients. To ensure the health, safety and comfort of our patients, we focused on maintaining our clinical governance standards while implementing new policies and communication around COVID-19.



Prakash Deuchand

Protecting the health and safety of our people

Our clinical teams experienced extreme levels of stress and anxiety during the initial lockdown periods, exacerbated by fake news and media hype. We responded by keeping doctors and nurses accurately informed of the actual ramifications of the crisis through webinars, debriefings on events, and by regularly circulating updated learnings. Our employee wellness facilities, helplines and support systems were strengthened and made readily available to our people.

Team spirit subsequently rose to incredible heights throughout the organisation. Improved levels of cooperation led to quick decision making, an awareness of essential cost control, a determination to ensure resilience in completely abnormal times, and an exceptionally low staff turnover. This team spirit enabled Lenmed to contribute to the medical community by sharing our learnings with others. Lenmed participated energetically in workstreams with state officials, raising the profile of private healthcare providers in these circles. Lenmed became one of the 'go-to' sources for information and advice, so much so that the National Institute for Communicable Diseases (NICD) adopted many of our policies in their recommendations to the industry.

We are proud and grateful to report that, in absolute terms, it appears that Lenmed suffered the lowest concentration of COVID-19 related deaths in patients and front-line workers when compared with our peers. This is particularly noteworthy considering that the Ahmed Kathrada Hospital dealt with the highest number of COVID-19 cases nationally. At the same time, we extend our deepest sympathies all who have been personally affected by the pandemic.

Prudent financial management

It is often assumed that our hospitals would have flourished during the pandemic. With each new wave the media reported how full the hospitals were. In fact, we lost substantial revenue during this time. People were afraid to leave their homes and elective surgeries were cancelled. The theatres were closed and many of our hospitals were almost empty, especially during the first few months of the pandemic reaching South Africa.

The diversified nature of Lenmed, both in terms of services and geography, helped us to curtail our losses, however it remained a difficult year. Group revenue decreased to R2 837.2 million (2020: R3 026.2 million) and earnings before

interest and taxation, depreciation, and amortisation (EBITDA) declined to R243.3 million from R579.6 million in 2020.

We implemented various measures aimed at conserving cash flow, including suspending all non-essential capital expenditure and a vigorous focus on reducing outstanding debtors. We negotiated discounted or deferred payments for key service contracts, renegotiated Group debt facilities and deferred certain management payments. We did secure an attractive investment by acquiring a controlling stake of the Howick Private Hospital in KwaZulu-Natal without raising any further debt.

Another factor that supported us during the year was the impact of the economic downturn and rising unemployment on medical aid membership. It transpired that people prioritised healthcare by dipping into their savings after being entrenched, rather than giving up their medical aid benefits.

Delivering effectively through these turbulent times is testament to Lenmed's resilience. We actively manage our financial position to ensure that Lenmed remains financially strong and sustainable for the future.

Strengthening relationships during uncertain times

A crisis can bring out the best in people, and I certainly believe this is true of our Board and executive management. Engagements between the Board and management increased substantially during this period, further strengthening working relationships across the Group. The Board supported the leadership team fully and oversaw Lenmed's response to the pandemic, particularly around risk management, operational resilience and patient support.

In 2020, Lenmed collaborated with government, regulators, and the private sector to support a united COVID-19 response. We discussed how best to align our efforts to ensure that the country's healthcare infrastructure could meet higher patient volumes and maintain time-critical services for vulnerable patients. We believe that partnerships between healthcare providers and government are critical in finding solutions for the challenges currently facing our industry.

In South Africa, discussions between government and business in preparation for the pandemic's peak showed pleasing cooperation, boding well for continuing consultation around



introducing universal healthcare in South Africa. The private sector's insights, research, data analysis, and promotion of practical health policies designed workable solutions to serve the country as we battle the pandemic and its wider impacts. Going forward, pragmatism and cooperation will need to be at the centre of both the National Health Insurance (NHI) legislative processes expected to continue in 2021 and plans to rebuild our economy and transform our society.

The collective response to the COVID-19 pandemic has strengthened Lenmed's relationship with all stakeholders in the healthcare sector, both at local and national levels, having also received much positive feedback. Lenmed has been a leader among private healthcare providers in support of public health in Botswana, Mozambique and South Africa. I am extremely proud of the critical role played by our people in traversing the first year of the COVID-19 pandemic.

The pandemic was a major source of distress for medical specialists, doctors and patients due to non-essential procedures being placed on hold during the 2020 peak. We worked hard to ensure that our medical professional partners were fully engaged and could interact at any time. Several of the COVID-19 committees that we launched at each of our hospitals are chaired by our contracted specialists, who also assist with day-to-day planning and ethics.

Governance focus areas

Over the past year, the Board's agenda was primarily focused on managing the unfolding COVID-19 crisis. Additional strategic planning meetings took place outside the normal Board timetable to ensure safe and compliant operations, while simultaneously ensuring the growth of the business in a fiscally conservative manner.

We reviewed the implementation of our 2020 strategic plans and adapted these to the realities of our operating environment. While we believe that Lenmed's core strategy remains sound in the current context, certain capital-intensive growth initiatives were postponed in favour of adapting to a 'new normal' and a post-COVID-19 world.

Despite market uncertainty, Lenmed remains cautiously optimistic and is actively seeking new growth opportunities. To this end, we concluded a revised funding package with our

primary lender to provide sufficient headroom for operational needs and incremental growth.

Our vision of being the leading healthcare group in Africa is core to all that we deliver. This extends to our commitment to compliance and good corporate citizenship wherever we are present. We continually monitor regulatory compliance across the three countries in which the Group operates.

Succession planning continues to be prioritised on the Board's agenda, with the Group making constructive leadership changes during the year. We bolstered our intellectual capital by welcoming Dr Gunvant Goolab to the Board on 1 August 2020. Dr Goolab, former Principal Officer of the Government Employees Medical Scheme (GEMS), has extensive executive experience, augmented by sound public and private healthcare understanding garnered over three decades. We also strengthened our executive management levels with the addition of Ashley Strydom as new Chief Information Officer (CIO), Jayesh Parshotam as Head of Operations, and Mark Bishop as Chief Commercial Officer (CCO).

Prospects

Public vaccination has had a slow start in Southern Africa and it is clear that the pace of the rollout will vary across countries. Unfortunately, COVID-19 will continue to negatively impact economies, health systems, and Lenmed's turnover of elective medical procedures the longer the vaccination rollout process takes.

Lenmed's Ahmed Kathrada Private Hospital is proud to join the first group of private hospitals nominated by the Department of Health (DoH) to be a vaccination site. The facility was chosen based on its performance in the private hospital sector: it treated the most COVID-19 patients in South Africa and achieved the lowest mortality rate.

As part of the national vaccination rollout strategy implemented by the DoH, Ahmed Kathrada Private Hospital has vaccinated its own healthcare workers and those of two defined private facilities in its immediate vicinity. Due to the limited quantity of vaccines available, healthcare workers who worked on the frontline in COVID-19 areas of the hospital, or performed high risk procedures, were prioritised.

The pandemic has also accelerated opportunities in our markets. Customers are increasingly focused on their health and wellbeing. Patients and clinicians are now more willing to use telehealth services, which presents opportunities for healthcare companies that can adapt to these trends. COVID-19 drove new thinking in terms of online consultations and related benefits. The traditional healthcare model effectively rewards pharmaceutical companies, hospitals, and healthcare professionals for patients being sick. This outdated model needs to pivot to rewarding healthcare providers for preventing ill health and maintaining the holistic health of the population.

Our underlying financial strength, proven resilience in a crisis, and diversification between countries and regions places Lenmed in a prime position to address forthcoming challenges and opportunities posed by the pandemic. We are developing our new strategy with a continued focus on excellence for customers, innovation, transformation, and sustainability. I am confident that we will end the year with increased momentum in all these areas.

Given the uncertainty regarding the possible duration and outcomes of the pandemic, the Board took the prudent decision to cancel this financial year's dividend to shareholders. Although Lenmed's balance sheet is robust, cash flow fell compared to the previous year. The Board will consider dividend payments in line with the restrictions of the new restructured RMB finance deal once the economic environment and Lenmed's business returns to normality. At the time of writing, Lenmed's share price did not yet reflect the intrinsic value offered by the Group. Any shareholder or investor who thoroughly examines this annual integrated report will acknowledge the real value and long-term potential of a healthcare group that has proved resilient in the toughest of times.

Thanks

I take this opportunity to again express how extremely grateful I am for the ongoing commitment of all our stakeholders during this turbulent year. To our senior management and my fellow Board members, thank you for your unwavering commitment – as evidenced by the many extra hours you contributed this past year. You have done us proud, and I am honoured to have been a part of this dynamic team.

To our front-line medical staff, nurses, doctors, healthcare specialists, support services and suppliers – thank you for upholding Lenmed as a preserver of life in the throes of a global pandemic.

Looking further afield, I thank the national governments of South Africa, Mozambique, and Botswana for their support, and our scientific community for challenging government policies where needed. Together, we will ensure that we continue to live the spirit of the Lenmed purpose and vision and deliver superior healthcare in our communities.



Prakash Deuchand
Chairman



Our operating footprint



TOTAL NUMBER OF LICENCED BEDS:

1756



GAUTENG

100% Ownership

Ahmed Kathrada Private Hospital
Lenasia


 **254 BEDS**

SERVICES:

- + 24-hour accident and emergency unit
- + Trauma unit
- + Cancer institute (chemotherapy, radiology and nuclear medicine)
- + Cardiac catheterisation laboratory
- + Clinical trial centre
- + Stroke Centre of Excellence
- + Sports medicine centre

100% Ownership

Daxina Private Hospital
Lenasia South

 **64 BEDS**

SERVICES:

- + 24-hour accident and emergency unit
- + Wellness unit

100% Ownership

Randfontein Private Hospital
Randfontein


 **177 BEDS**

SERVICES:

- + 24-hour accident and emergency unit
- + Wellness Unit

100% Ownership

Zamokuhle Private Hospital
Tembisa

 **94 BEDS**

SERVICES:

- + 24-hour accident and emergency unit
- + Cancer centre (chemotherapy and nuclear medicine)
- + HIV wellness clinic

 KWAZULU-NATAL

77%

Ethekwini Hospital and Heart Centre

Durban



373
BEDS

SERVICES:

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

Ownership

93%

La Verna Private Hospital

Ladysmith



107
BEDS

SERVICES:

- + 24-hour accident and emergency unit

Ownership

100%

Shifa Private Hospital

Durban



115
BEDS

SERVICES:

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

Ownership



 BOTSWANA

70%

Bokamoso Private Hospital

Gaborone



235
BEDS

SERVICES:

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

Ownership

 NORTHERN CAPE

67%

Kathu Private Hospital

Kathu



55
BEDS

SERVICES:

- + 24-hour accident and emergency unit

Ownership

100%

Royal Hospital and Heart Centre

Kimberley



177
BEDS

SERVICES:

- + 24-hour accident and emergency unit
- + Cancer centre (chemotherapy and radiotherapy)
- + Cardiac centre
- + Cardiac catheterisation laboratory
- + Head and neck centre

Ownership

 MOZAMBIQUE

100%

Maputo Private Hospital

Maputo



105
BEDS

SERVICES:

- + 24-hour accident and emergency unit
- + Digestive endoscopy unit
- + Physiotherapy unit
- + Laboratory services – the only private hospital with a microbiology lab and the only private lab in Mozambique that does molecular biology
- + Dialysis renal care unit

Ownership



Corporate governance excellence

Governance philosophy

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



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For more insights into our corporate governance practices.

Our Board of directors

Executive



PRAKASH DEVCHAND (67)
Chairman

CA(SA)

Prakash Devchand is a qualified Chartered Accountant with over 35 years of experience in the healthcare industry. He was appointed to the Board in 1986 and elected as Chairman, and Chief Executive Officer (CEO) in 1998.

Under his leadership, Lenmed has seen significant growth in its local operations and the inception of the Group's African strategy. On 1 March 2020, Prakash stepped down as CEO of the Lenmed Group but remains Chairman and a board member.



AMIL DEVCHAND (36)
Chief Executive Officer

CA(SA)

Amil Devchand joined the Group in 2011 and has held numerous positions within Lenmed, most notably, Chief Financial Officer (CFO), Chief Operations Officer and Deputy CEO. Amil is a Chartered Accountant with extensive industry experience, as past Chairman of the National Hospital Network (NHN) and current director of the Hospital Association of South Africa (HASA). He is also an alumnus of the Harvard Business School. Amil was appointed CEO of the Lenmed Group on 1 March 2020.



FREDRÉ MEIRING (46)
Chief Financial Officer

CA(SA)

Fredré Meiring was appointed as Chief Financial Officer in 2019. A qualified Chartered Accountant, Fredré was previously Partner and Chief Operating Officer of the Financial Advisory Division at Deloitte Africa.

He has over 20 years of investment banking experience, largely focused on debt and capital structuring and advisory across various industries. He is associated with the South African Institute of Chartered Accountants (SAICA), Association of Corporate Treasurers and the South African Institute of Financial Markets.

Non-executive



MIKE MEEHAN (74)

■ ■ *

Independent Non-executive Director and Lead Independent Director

CA(SA)

Mike Meehan was appointed to the Board in 2010. He has served as executive director and as an independent non-executive director on a number of JSE (Johannesburg Stock Exchange) –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 in South Africa and the Audit Committee Forum.



BHARTI HARIE (50)

■ * ■

Independent Non-executive Director

BA LLB (Natal), LLM (Wits)

Bharti Harie was appointed to the Board in 2010. She is an admitted attorney, notary and conveyancer. Bharti currently serves as a member of the Audit and Risk Committee and is the Chairman of the Remuneration and Nominations Committee. She is an independent non-executive director on the boards of EOH Limited, Ascendis Health Limited and Stefanutti Stocks Limited. She is also a non-executive director of Bell Equipment Sales South Africa and is the vice-chair of Saint David's Marist Inanda School.



NOMAHLUBI SIMAMANE (62)

■ ■ *

Independent Non-executive Director

BSc (Honours) (University of Botswana and Swaziland)

Nomahlubi Simamane was appointed to the Board in 2012. Ms Simamane is the CEO of Zanusi Brand Solutions (Pty) Limited, a brand consultancy firm. She sits on the boards of Hollard as well as JSE-listed Oceana and The Foschini Group. Ms Simamane was the 2009 winner of the Top Businesswoman of the Year Award in the National Business Awards managed by Topco Media and named the Businesswoman of the Year at the 2009 Black Business Awards run by BBQ.



PROF BHASKAR GOOLAB (73)

■ ■ *

Non-executive Director

MBBS (Bombay), FRCOG (London)

Professor Bhaskar Goolab was appointed to the Board in 1999. 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.



DR GUNVANT GOOLAB (59)

■

Independent Non-executive Director

MBA (University of Cape Town), MBBCh (University of Witwatersrand)

Dr Gunvant Goolab was appointed to the Board in August 2020. Dr Goolab is a qualified medical practitioner with extensive executive experience. Before joining Lenmed, he served as Principal Officer of GEMS from 2013 to 2020. He was also CEO of AstraZeneca SA (Pty) Ltd in South Africa and sub-Saharan Africa from 2004 to 2013. Dr Goolab is currently Director of Lunar Capital (Pty) Ltd, as well as Chairperson and Director of HiGain Investments (Pty) Ltd.

Legend

- Remuneration and Nominations Committee
- Audit and Risk Committee
- Social and Ethics Committee
- Clinical Governance Committee
- * Chair



Our management team



DR NILESH PATEL
Group Chief Medical Officer



MR MARK BISHOP
Group Commercial Officer



MR JAYESH PARSHOTAM
Head: Group Operations



DR AUGUSTA DORNING
Head: Africa Business



MR ASHLEY STRYDOM
Group Chief Information Officer



MR NAUSHAD GANY
Group Financial Manager



MS MICHELLE NAIDOO
Group Marketing Manager



MR MOHAMED BERA
Group Procurement and Engineering Manager



MS BHAVANI JEENA
Group Human Resources Manager



MR DEENA NAIDOO
Group Clinical Governance Manager



MR GAVIN HARRISON
Head: Funder Relations



MS URSULA MARITZ
Group Shared Services Manager



MR GAVIN KNELL
Group Managed Care Manager



MS SAMANTHA HALL
Group Quality Systems Development Specialist



MS LIZ DOS SANTOS
Group Stakeholder Relations Manager



MR FASIE SMITH
Group Nursing Manager

Hospital managers



MR RUDI CLARKE
Group Efficiency Manager



MR NIRESH BECHAN
Ethekewini Hospital and
Heart Centre



MR RODNEY NAICKER
Ahmed Kathrada
Private Hospital



MR JOE VAN DER WALT
Bokamoso Private Hospital



MR DHIREN GARACH
Group Pharmacy Manager



MR HECTOR MACKAY
Royal Hospital and Heart Centre



**MS MARIETHA VAN
VUUREN**
Randfontein Private Hospital



MR JAN SCHEEPERS
La Verna Private Hospital



DR LIEZL BALFOUR
Group Nursing
Standards Manager



MR ABDOOL GAFFAR AMOD
Shifa Private Hospital



MR RUBEN NAIDOO
Maputo Private Hospital



MR PHIL RHYNEVELDT
Kathu Private Hospital



MS BETHANY PIETERSE
Group Information
Technology Manager



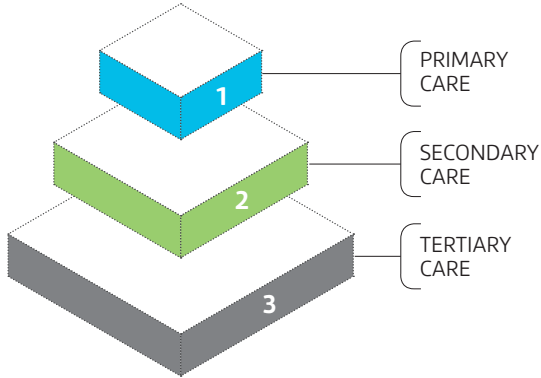
MS NONTUTUZELO NJEZA
Zamokuhle Private Hospital



Our sustainable business model

How we create value

Our business activities include healthcare in three tiers:



1 The 'gatekeeper' or first point of medical consultation. Our focus here is on preventative healthcare, promoting health and wellness, and rehabilitation. This is the broadest scope of healthcare, including maintaining optimal health for patients with acute and chronic medical conditions.

2

- The medical specialists, including cardiologists, urologists, specialty physicians and other healthcare professionals who provide services to patients referred to them.
- Hospital or acute care for patients admitted to hospital or visiting the emergency room, as well as assistance with childbirth, medical imaging and intensive care unit attendance.
- Physiotherapists, speech therapists and occupational therapists.

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

These business activities are underpinned by the following support functions:

People management	Facilities management	Technology and data management
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Our ability to fulfil our purpose responsibly and efficiently are supported by:

- Good corporate governance practices
- Robust risk management

Sustaining value creation through the six capitals

FINANCIAL CAPITAL

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

MANUFACTURED CAPITAL

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

HUMAN CAPITAL

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

SOCIAL AND RELATIONSHIP CAPITAL

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

INTELLECTUAL CAPITAL

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

NATURAL CAPITAL

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

INPUTS	OUTPUTS	OUTCOMES	 PAGE
<ul style="list-style-type: none"> ➔ Working capital ➔ Loans and shareholder funds ➔ Operational and capital expenditure 	<ul style="list-style-type: none"> ➔ R2 837.2 million revenue ➔ R15 million headline earnings 	<ul style="list-style-type: none"> ➔ A healthy balance sheet and sufficient working capital to fund our operations supports long-term sustainability 	38
<ul style="list-style-type: none"> ➔ Acquiring new hospitals ➔ Enhancing established hospitals ➔ Managing hospitals for third parties ➔ Head office equipment ➔ Technology 	<ul style="list-style-type: none"> ➔ 11 hospitals ➔ 1 756 registered beds ➔ Operational efficiencies 	<ul style="list-style-type: none"> ➔ Our hospitals generate cash flows that fund developments, repay debt and provide a return to our shareholders ➔ New developments support long-term revenue generation and capital growth through a growing portfolio ➔ A geographically diversified portfolio of quality private hospitals in underserved areas 	14 and 40
<ul style="list-style-type: none"> ➔ 2 715 employees ➔ Training ➔ Remuneration and policies ➔ Agency agreements 	<ul style="list-style-type: none"> ➔ Qualified, experienced and motivated workforce looking after our patients ➔ Ongoing skills development 	<ul style="list-style-type: none"> ➔ Motivated our people to deliver our strategy ➔ Skills attraction and retention ➔ Skilled workforce ➔ Alignment to our company values and habits ➔ Diversity 	46
<ul style="list-style-type: none"> ➔ Relationships <ul style="list-style-type: none"> ◆ Patients ◆ Investors ◆ Communities ◆ Doctors and nurses ◆ Medical funders ◆ Suppliers ◆ Government 	<ul style="list-style-type: none"> ➔ 59 free cataract surgeries for community members ➔ Excellent customer satisfaction results shown in surveys ➔ Discounts to financially disadvantaged patients of over R15.3 million ➔ B-BBEE Level 2 status 	<ul style="list-style-type: none"> ➔ Brand reinforcement as well as clear and consistent messaging and market communication ➔ Constructive interaction with all stakeholders ➔ Sustained reputation among all stakeholders ➔ B-BBEE contractors and workers to transform the industry ➔ Long-term value for our community through corporate social investment (CSI) initiatives 	28 and 45
<ul style="list-style-type: none"> ➔ Quality policies, procedures and standards ➔ Systems and analysis models, i.e. SAP ➔ Alternative reimbursement pricing models ➔ Legal and statutory compliance requirements ➔ Cyber-security 	<ul style="list-style-type: none"> ➔ Trust and confidence ➔ Performance improvement ➔ Quality standards maintained and improved 	<ul style="list-style-type: none"> ➔ Improved responses to changing consumer needs ➔ Effective controls and processes ➔ Recognition and enhanced reputation ➔ Automation through technology ➔ Communication interfaces 	52
<ul style="list-style-type: none"> ➔ Energy ➔ Water ➔ Land use 	<ul style="list-style-type: none"> ➔ Cost savings and reduced consumption of fossil generated energy through technology updates and solar energy ➔ Waste and water treatment initiatives 	<ul style="list-style-type: none"> ➔ Reduction of resources consumed and waste generated ➔ Lower cost of ownership and occupation of our buildings ➔ The ability to operate with constrained water and electricity supply 	55



Message from our CEO

Overview

Anniversaries are frequently times of celebration. Others are more sobering points of reflection, an opportunity to look back on the journey we have been on – and to look ahead. April 2021 marked a turning point – a full year since the Ahmed Kathrada Private Hospital in Lenasia, Gauteng, confirmed that it had admitted its first COVID-19 patient.

That moment changed us all. For the past 12 months, our healthcare workers, governments, business leaders, and scientists have pulled together to protect our people, heal our patients, and support our communities in extraordinary ways. It has been a year of unprecedented service and impact.

It has been tiring at times, and fraught with challenges. For all the hard times, though, we are heartened by the progress we made towards our long-term vision of being a relevant and growing healthcare group. Lenmed continued championing exceptional patient experience and clinical outcomes, while remaining true to the communities and people we serve.

Responsible operations during the crisis

Safety and compliance

Lenmed's first priority when COVID-19 hit was to provide safe environments for our employees and other medical personnel. Through a block exemption granted by the Competition Commission of South Africa, we were able to contribute to the collaborative efforts of the entire healthcare industry, developing protocols and sharing expertise with the aim of creating the safest working environment possible. This was a dynamic and innovative process that required constant attention and refinement based on real-time learnings.

Our second priority was to comply with the guidelines of the National Departments of Health in each of our regions. COVID-19 was an unknown and no one really knew how to manage it. We underwent a steep learning curve as medical professionals and administrators felt out the way forward. Requirements set by various government entities, or even how those guidelines were interpreted by the various levels of government, were often contradictory. At times we had to think on our feet to remain compliant.



Amil Deuchand

Lastly, we needed to manage patient anxiety and reassure stakeholders that being admitted to hospital was relatively safe. Media hype around the pandemic had painted hospitals as dangerous epicentres of the deadly disease. Although this stigma has prevented patient numbers from fully recovering, we are seeing this false perception gradually subside.

Preserving liquidity

The pandemic was, of course, not just a threat to personal health. While securing staff and patient safety, we also had to manage the general economic downturn and collapsing patient volumes. The month of April was particularly difficult, as our bed occupancies plummeted, with the following May and June an uphill struggle to regain momentum. Preserving liquidity was paramount, resulting in the deferral of non-essential capex, which impacted overall Group strategy. We received tremendous support from Rand Merchant Bank, providing us with a refinanced facility incorporating sufficient headroom to see out the worst of the storm.

Our strategy going forward – taking advantage of the opportunities on the other side of risk

Lenmed swiftly regained equilibrium as the country, the health sector, and our teams adjusted to the new reality. Lenmed was well prepared for South Africa's second wave, which had a lesser impact on our operations and patient numbers. This crisis also brought Lenmed's entrepreneurial spirit to the fore, with the Group acquiring a 50.04% stake in the Howick Private Hospital. The challenging economic environment may continue presenting opportunities for further mergers and acquisitions, which we will evaluate individually as they arise.

Africa beyond South Africa's borders offers major opportunities. Gaining a physical and digital foothold in countries in addition to South Africa, Botswana, and Mozambique is a key part of our strategy going forward.

Stronger industry collaborations

The pandemic also forced a new level of collaboration between the private and public sectors as everyone converged around the same goal – improving care, treating COVID-19 patients, and assisting with vaccinations. This makes for a stronger health sector and it is our intention to build on these collaborations in

future. Internally, the fight against the coronavirus also brought us into closer contact with our doctors and communities. It is our responsibility to further strengthen these relationships.

Changing consumer needs

The need to move to a more patient-centric and holistic model of care has been highlighted by this pandemic. As it stands, the medical industry usually relies on the ill consumer to approach us – the future of healthcare will be about us leveraging technology to provide care beyond the walls of our physical facilities. COVID-19 fast-tracked the opportunities provided by virtual consultations and home care, all of which represent a potential disruption to Lenmed's business model.

Advances in technology underpin all the elements of our strategy – expanding along the continuum of care, building deeper into the rest of Africa, and cultivating the quality of our services. Technology opens new markets for us and allows us to serve our current markets better. We started rolling out telehealth initiatives in Mozambique and Botswana, albeit slowly due to regulatory engagements.

Our digitalisation initiatives remain a core component of our strategy, and we will look to accelerate the execution thereof going forward.

While the medical aid funders (MAFs) have been most supportive during this time as we work together to treat their clients, their longer-term vision leans more toward the creation of centres of excellence, increasing utilisation of day hospitals, and supporting alternative lower cost care settings. This approach places low to moderate acuity hospital admissions at risk and further supports our strategy to continue diversifying along the continuum of care. Entering into primary healthcare will provide access for the approximately 11 million uninsured South Africans, as well as countless others on the rest of the continent, who need these services.

Building our top-end services

Quality remains our biggest differentiator in what remains a competitive space, with MAFs promoting healthcare providers that are already part of their networks. Lenmed is focusing on more complex services, with a major drive toward third-party international accreditation for conditions such as trauma, stroke, and cardiology. We hope to attain American Heart Association accreditation for our Ethekwini Hospital and Heart Centre soon, which will distinguish Lenmed as the first Group in Africa to attain



this certification. Bokamoso Private Hospital retained its accreditation from the Council for Health Service Accreditation of Southern Africa, and remains the only facility in Botswana to hold this status.

Performance

Lenmed's financial performance, in line with industry experience, declined materially, particularly due to elective surgeries being put on hold or patients postponing their treatments to avoid the hospital environment. The immediate increased costs and utilisation of PPE and sanitising materials also had a substantial negative impact. Nevertheless, Lenmed's built-in resilience shone through our results, with the balance sheet remaining stable.

The lower activity gave us an opportunity to revisit our fixed costs and trim unnecessary expenditure out of the system. Our geographical diversity also helped significantly, as being operational in three different countries (and in provinces across South Africa), meant encountering COVID-19 waves at different times. As any one region went into tight lockdown, others would open up. Our Maputo Private Hospital did exceedingly well during this time due to inherent competitive advantages that came to the fore. At the same time, Botswana's onerous travel restrictions persisted for much of the year, which reduced the patient pipeline from Gaborone's surrounding areas.

We are proud to have shown up as a standard setter for treating COVID-19 patients. In the Northern Cape and Mozambique, we treated more COVID-19 patients than all our peers, and three of our KwaZulu-Natal facilities made the top 10 in that province. Ahmed Kathrada Private Hospital treated the most COVID-19 patients of all private facilities in Gauteng, with exceptional patient outcomes noted. The Group contributed heavily to the NICD's guidelines for dealing with hospital outbreaks.

Outlook

The success of the COVID-19 vaccines rollout will determine how well and soon our countries of operation exit the pandemic. While we are continuing to implement our growth strategy, each wave of the pandemic interrupts our business strategy.

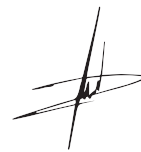
Our fundamental strategy for the next three years remains Lenmed's evolution and growth. Lenmed's strategic priorities at this junction are: building scale in South Africa; diversification along the health continuum; renewed focus on the rest of Africa; innovation in terms of our health technologies; and digitisation of our systems. Our three-year plan for 'future-proofing' Lenmed's business remains on track.

Thanks

Our thanks, first and foremost, have to go to our doctors, nurses and other frontline staff. While we all face potential tragedy and our lives have been disrupted to a greater or lesser degree, they confront COVID-19 day after day. We are proud of how they, in tandem with our management teams and supporting staff, were up for the challenge. A special vote of thanks goes to our specialists and those who chaired our COVID-19 committees, superbly guiding Lenmed's clinical governance. We also mourn the loss of some of our own. On behalf of Lenmed and our teams, our condolences and hearts go out to the families, friends and colleagues of the staff and doctors who passed on.

We thank the national governments in South Africa, Mozambique, and Botswana for their leadership during this time. Finding the balance between preserving the physical and economic health of their citizens could not have been easy. We also salute the scientists and health professionals who helped guide political leadership in their decision-making, especially during the initial frenzy to understand and combat the virus.

The future remains uncertain, but together we can defeat COVID-19 and come out on top, for the good health of nations the world over.



Amil Deuchand
Chief Executive Officer



Our business environment

COVID-19 pandemic

The healthcare industry finds itself front and centre in coping with the global COVID-19 pandemic. As governments and communities battle with consecutive waves of the virus, doctors, nurses and other healthcare professionals provide the first line of defence.

IMPACT ON THE HEALTH SECTOR

The most obvious result of the COVID-19 pandemic is the higher mortality rate – by the middle of May 2021, more than 55 000 COVID-19-related deaths have been recorded in South Africa, with approximately 830 in Mozambique and 750 in Botswana. South Africa maintains the highest level of cumulative COVID-19 cases and deaths in Africa.

National governments and the healthcare sector needed to manage the increase in patients requiring intensive care. The South African government implemented a lockdown on movement, and periodic bans on alcohol helped to reduce the number of emergency patients at hospital, freeing up beds for COVID-19 patients. During the first few weeks of lockdown, elective surgeries were halted completely, resulting in declining revenues for many healthcare facilities.

Thereafter, it was each hospital's prerogative whether to continue with elective surgeries or not. However, many patients chose to avoid health facilities altogether, afraid of contracting the virus. The long-term effects of patients postponing treatment for life-threatening health conditions like diabetes, hypertension, tuberculosis and HIV/AIDS remains to be seen. Approximately 41 million people globally succumb to these and other non-communicable diseases (NCDs) every year, and delays in treatment for chronic conditions may lead to further harm to the patient.

As the pandemic spread to every corner of the planet, the global supply chain for PPE, medicine, and other medical necessities was interrupted just when demand skyrocketed. It did not help that the virus had started in China, an epicentre of surgical equipment and drug processing.

At the same time, front-line staff faced longer hours and heavier workloads. Physical and mental exhaustion soon followed. The fear of contracting the disease and spreading it to friends and family added to the emotional toll, along with worry around financial security.

IMPACT ON THE ECONOMY

In the past, the healthcare sector remained relatively steady during and after recessions, considering that the need for medical care continued even during economic turbulence. Those with medical aid or health insurance are usually still able to obtain medical assistance when needed.

However, COVID-19 brought the economic downturn to the health sector's doorstep. As elective surgeries paused, hospitals and specialists earned less. South Africa's economy, which was already in trouble before the pandemic, suffered severely. The official unemployment rate for the country, now at 32.5%, is higher than it has been since 2008, and economists expect only modest growth in 2021. The International Monetary Fund (IMF) revised the 2021 growth prospects for South Africa up to 3.1%, from 2.8% previously, due to a stronger than expected global recovery, while the South African Reserve Bank and the National Treasury are slightly more optimistic (projecting 3.3% and 3.8% growth respectively). However, all the major international credit ratings agencies have downgraded South Africa to below investment grade, indicating significant underlying structural and economic issues. Growth is expected to slow in 2021, largely due to periodic electricity outages across the country.

Botswana's national government implemented particularly severe lockdown restrictions during COVID-19, resulting in 7.9% contraction in the economy. It is expected to recover and expand by 6.2% in 2021.

Mozambique's gross domestic product (GDP) experienced a 0.5% contraction in 2021. The escalating conflict in northern Mozambique is slowing down foreign investment, especially in the oil and gas sector that are expected to accelerate the country's economy.

The dire economic outlook is not limited to Southern Africa – the global economy is likely to recover slowly.

COVID-19 IN THE FUTURE

Much of the trajectory in global economic recovery and COVID-19 recovery statistics will be determined by the efficient and successful roll-out of COVID-19 vaccines. It is a race against time to distribute effective vaccines as variants of the virus spring up all over the world.

However, the indirect impacts of the pandemic are yet to be seen. A major concern is the potential resurgence of deadly NCDs. Many individuals engage in less physical activity during lockdown, increasing their chances for obesity, hypertension, cardiorespiratory and various mental disorders. All of these may have repercussions long after the pandemic subsides. At the same time, the stigma of COVID-19 keeps people away from healthcare facilities and the backlog of healthcare procedures grows. These procedures may be caught up later, but many of these patients will suffer health consequences from having delayed their procedures.

Technology and health

The Fourth Industrial Revolution is changing the world, and the healthcare sector is not excluded. If anything, COVID-19 provided a solid business case for many digital solutions like telehealth, remote care, online and mobile health applications, artificial intelligence (AI), and big data. Several countries introduced mobile phone location trackers to monitor the spread of COVID-19 and alert citizens when they have potentially been exposed to the virus. Patients are increasingly demanding greater convenience and personalisation from their health service providers, while wearable and smart devices carry a wealth of data for service providers to potentially tap into.

Increased digitalisation does carry increased risk. The protection of personal information and digital systems against cyber-attack becomes ever more important as organisations mine the data of their patients and consumers. The risk of digitalisation needs to be weighed against the opportunity cost of not investing in these solutions. Healthcare institutions that remain exclusively tied to their medical premises may find themselves side-lined in favour of cheaper digital health platforms.

The long-term effects of an aging population: the shift toward holistic wellness and wellbeing

The healthcare sector has slowly been shifting away from an exclusive focus on patients already in need of care to implementing broader wellness initiatives as preventative measures. This trend is driven by a longer life expectancy in many countries. As the prevalence of obesity and other chronic conditions increase, the cost of care over the patient's lifetime rises, putting pressure on the public healthcare system while private companies find their profit margins squeezed.

Behavioural and mental health is also a rising trend. Studies showed that those with behavioural health challenges, such as extreme stress and anxiety, are likely to spend four times more on healthcare (excluding direct mental health spending) than those who do not.

COVID-19 amplified the need for broader behavioural and wellness treatment. Under lockdown, physical exercise was constrained while stress levels increased. Service providers offering home care to patients will benefit from this health trend.

Shortage across the globe

There is a world-wide shortage of skilled healthcare workers which is particularly pronounced in low- and middle-income countries where poor remuneration and working conditions often result in a 'brain drain' to more developed economies. This is the case with both nurses and doctors, and the WHO expects this trend to become ever more severe over the next decade, driven by the evolution of new diseases and technologies.

Access to private healthcare in South Africa

Approximately 9.4 million of South Africa's almost 60 million citizens are covered by a medical aid plan. Some analysts expected the medical aid membership numbers to decline severely following the pandemic and the subsequent job losses and economic impact, but it turned out that many maintained their medical aid even after being retrenched during the pandemic. Some of those that do have medical aid have opted for cheaper networks and hospital plans over full-cover medical aid plans.

However, the reality is that most South Africans rely on the ailing public healthcare system.

Health sector legislation

While no mention of the South African government's proposed NHI legislation was made in the 2021 national budget speech by the Minister of Finance, the NHI Bill remains on the table for future implementation.

COVID-19 polarised the two approaches to the NHI – those who are for it and those who are against – even further. While sceptics argue that the pandemic put the public health system's inability to cope with large demand on display, proponents of the Bill say that the legislation is designed for exactly times like these when the most vulnerable need access to quality care. For the moment, it appears that this discussion has taken a back seat in Parliament while the national government combats the pandemic.

All the same, health facilities across the globe that are re-opening to treat non-COVID-19 cases find themselves doing so in an even more strictly regulated environment – both with governments imposing restrictions and with increasingly stringent internal processes designed to help protect patients and staff from the virus.



Listening to our stakeholders

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

By establishing good lines of communication with our various stakeholders and maintaining constructive relationships, we are better equipped to identify opportunities and risks early on and address these timeously. Our material stakeholders are those with a significant level of influence on our business or those who are heavily impacted by our presence. We engage with them regularly and our strategies and business planning are heavily influenced by understanding our stakeholders' concerns and expectations.



Medical practitioners



Employees



Patients and communities



Suppliers



Medical aids



Government



Shareholders and investment community



STAKEHOLDER CONCERNS

- ▶ Access to professional teams
- ▶ Competitive, high-quality and well-maintained hospital facilities
- ▶ Latest technology and equipment
- ▶ Marketing practices and specialties
- ▶ Communication regarding Group achievements and updates

- ▶ Fair remuneration for fair work
- ▶ Training and development/career development
- ▶ Reward and recognition for high-quality performance
- ▶ Employee engagement

- ▶ Low infection rates and good clinical outcomes
- ▶ Cost of healthcare
- ▶ Positive hospital experiences
- ▶ Ease of admission, billing and discharge
- ▶ Timely and efficient service
- ▶ Quality nursing and pharmacy care

- ▶ Fair and transparent tender and pricing processes

- ▶ Cost-effective medical services
- ▶ Efficient case management, billing and payment
- ▶ Good patient experience
- ▶ On-site case management
- ▶ Control of fraud, abuse and inappropriate admissions

- ▶ Compliance with laws and regulations
- ▶ Access to cost-effective healthcare
- ▶ Alignment to transformation imperatives
- ▶ Critical skills shortages in the industry
- ▶ Development of appropriate healthcare regulation

- ▶ Group financial and non-financial performance
- ▶ Dividend feedback
- ▶ Share price performance

OUR RESPONSE

- ▶ Ongoing two-way communication between Lenmed's Chief Medical Officer (CMO) and our resident medical professionals to make Lenmed facilities conducive working environments for nurses, doctors and specialists
- ▶ Two-way communication between our hospital managers and medical practitioners
- ▶ Hospital-based meetings – physician advisory boards, morbidity and mortality meetings, and continuing professional development (CPD) training meetings.
- ▶ Doctor newsletters
- ▶ Stakeholder relations team
- ▶ Proactive and reactive updates and communication when required.

- ▶ The Group Nursing Services Manager ensures attention is given to the needs and motivation of our nursing staff
- ▶ Local, regional and Group-wide human resources personnel are available to support all staff members
- ▶ Consistent communication via varied channels
- ▶ Newsletters
- ▶ Employee engagement programme
- ▶ Employee wellness programme

- ▶ Active, mature patient experience system. Patient feedback is channelled through regular questionnaires and surveys. We aim to continuously upgrade our offerings in response to these inputs. The patient journey is monitored at each touch point. All complaints are investigated and acted on.
- ▶ We endeavour to keep our hospital fees affordable for more patients to access private quality healthcare
- ▶ Special rates and payment arrangements are available for non-medical aid patients.
- ▶ We provide health information via hospitals, outreach, website and social media
- ▶ Lenmed regularly participates in community events such as co-sponsored fun runs, and sports tournaments when lockdown conditions are not in place

- ▶ Our Group Procurement and Engineering Manager oversees our standardised tender process to ensure fair competition and equal opportunities

- ▶ Lenmed liaises with MAFs through our NHN membership, and works diligently to operate efficiently and keep medical schemes updated on patient treatment

- ▶ Lenmed engages with government through HASA. We rigorously comply with legislation and maintain the highest ethical standards
- ▶ The Group is participating in the Competition Commission's market inquiry into the cost of private healthcare

- ▶ Communication with shareholders and investors is based on the principles of timely, balanced, clear and transparent information. These are reflected in the consistent publication of the annual integrated report and the six month half yearly report on the company's website.
- ▶ Share price performance is available on the trading website which can be accessed from www.lenmed.co.za.





Our material matters

How we determine our material matters

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

We follow a three-step process to determine which matters materially impact our ability to create value:

IDENTIFY AND ASSESS

1

Matters are brought to light:

- ♦ by stakeholders, including insights from patient through day-to-day engagement, or communications with regulators
- ♦ through internal deliberations and/or independent research
- ♦ by continuously monitoring the external environment for trends

PRIORITISE

2

Using our vision and values as a lens, we consider material matters within the context of:

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

RESPOND AND MONITOR

3

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

Lenmed's material matters

COVID-19 PANDEMIC

As the first line of defence against the COVID-19 pandemic, the healthcare sector was one of the most severely impacted industries globally.

Lenmed was no exception. The increased regulation and lockdown across all our geographies interrupted operations and the medical supply chain. Our staff faced exhaustion and burnout as the work piled on. While patients avoided hospitals for fear of contracting the disease, doctors postponed elective surgeries, resulting in a loss of revenues. April 2020, when the South African government enforced the most stringent part of lockdown, was the toughest – our occupancy rate fell to 20%.

Lenmed was able to adapt swiftly to new regulations to keep our employees and patients safe, and although our revenues were impacted, our underlying performance shows resilience.

The difficult environment also means that there may be opportunity for bringing smaller healthcare service providers into our stable, expanding our reach in the long run. While our greatest gains over the years have come from organic growth and by increasing turnover, these expansion opportunities may provide us with ways to grow along the continuum of care.

However, the effects of the pandemic are bound to be felt for a long time to come. While Lenmed has a comprehensive strategy in place to ensure long term resilience, the stop/start nature of lockdown regulations in our markets remains a challenge.

Risks

- ♦ Infection of staff
- ♦ Economic downturn
- ♦ Increased regulation, both internal and external
- ♦ Income loss as hospitals maintain lower occupancy rates, deferring elective surgery, in preparation for further waves in COVID-19 patients
- ♦ Long-term health risks to patients deferring treatment
- ♦ Loss of staff morale, burnout, and potential mental and emotional challenges

Opportunities

- ♦ Building Lenmed's reputation as a responsible healthcare institution
- ♦ Venturing into telehealth and at-home healthcare
- ♦ Stronger working relationships between the private and public sector
- ♦ Building our clinical excellence and preparedness for similar scenarios in future.

STATE OF THE ECONOMY

The impact of macro-economic circumstances on our business model cannot be denied. Although the need for healthcare does not change, the private healthcare sector is more defensive in nature to economic downturns.

The economy in Southern Africa, especially in our home market, was under pressure before the pandemic arrived. COVID-19 depressed the situation even further. The World Bank estimates that the region experienced negative growth of 2.0% in 2020. The IMF predicts that the sub-Saharan economy is expected to grow 3.4% in 2021, although this is significantly lower than pre-COVID-19 growth projections. The depreciating rand was a particular challenge given that much of the increasingly expensive equipment we require is imported.

Lenmed maintained dialogue with key stakeholders, including government and MAFs, to plot the best way forward while maintaining a high standard of healthcare that ensures patients trust us with their care. We remain circumspect in terms of our investments and retain a defensive position with higher cash levels, while hedging our interest rates.

Risks

- ♦ Credit risk
- ♦ Working capital risk
- ♦ Liquidity risk

Opportunities

- ♦ Acquisition opportunities
- ♦ Develop industry leading hospital management services, including services such as:
 - Facilities design
 - Commissioning
 - Overseeing of construction
 - Consulting
 - Hospital management
 - Health-tech systems for Africa expansion



EXPANDING ALONG THE CONTINUUM OF CARE IN RESPONSE TO CHANGING CONSUMER PREFERENCES

As the global population ages and health conditions such as obesity need to be managed over longer lifespans, the healthcare sector shifts away from a reactive approach that only seeks to take care of people once they get ill, to proactively assisting with mental and physical health as preventative measures against disease.

Lenmed must respond to this fundamental shift away from a purely traditional hospital approach if we are to remain sustainable in the long term. This requires a disruption to our business model toward a consumer-centric model that includes wellness, ultimately converting to a full-spectrum healthcare provider. We are also positioning our offering as more than just treatment of acute conditions, and we are evaluating the entire multidisciplinary healthcare chain to identify opportunities that complement our main business of hospital care. However, Lenmed is cautious and thorough in our approach to this adjustment, taking care not to compromise our operations as we transition.

Risks

- ◆ Reputation risk, which will always remain a major risk considering the dynamic nature of the healthcare industry

Opportunities

- ◆ Accessing new revenue streams
- ◆ Promoting an environment of clinical excellence
- ◆ Partnering with industry leaders to create centres of healthcare and wellbeing excellence
- ◆ Providing viable and well-functioning day clinic psychiatric wards, mental health facilities and rehabilitation facilities, co-located in established hospitals, but with a view to eventually pursuing standalone facilities.

DIGITISATION

In many respects, COVID-19 accelerated the Fourth Industrial Revolution which was already changing how consumers engage with service providers. Necessity forced healthcare providers to engage with patients virtually as far as possible, ensuring ongoing monitoring and treatment without putting either the patients or the doctors at risk. Today's patients are more knowledgeable about conditions, research their symptoms before visiting healthcare practitioners, and expect astute, high-quality, personalised service.

It also showed the immense opportunities that are available to us to accumulate and tap into big data for better analytics, while AI has the potential to revolutionise the sector. Medical technology is evolving exponentially, and breakthrough innovations can play a significant role in reducing the cost of healthcare. Lenmed must remain acutely aware of the developing technologies and equipment that could provide our wards or operating systems with a cutting-edge advantage.

Risks

- ◆ Failure to keep pace with IT advances could lead to outdated IT systems and processes, and low-quality data – impacting on business management.
- ◆ Cyber risk and IT system vulnerabilities, with cyber-attack resulting in financial and reputational losses

Opportunities

- ◆ Increased business intelligence (BI) and technology
- ◆ Achieving a competitive advantage through effective IT and BI
- ◆ Using our unblemished reputation regarding cyber-security to leverage our intellectual property in the rest of Africa

THE SCARCITY OF HEALTHCARE SKILLS

The scarcity of healthcare skills has been an ongoing concern for many years. Part of it is the intellectual exodus from countries like South Africa to more developed economies, which has a direct impact on the availability of doctors and nurses to Lenmed. However, this is a global issue. Tertiary education institutions are not keeping up with the demand for these skills.

Attracting and retaining competent medical professionals is vital to Lenmed's sustainability. Lenmed is focused on providing good working conditions for doctors, nurses, and specialists, always mindful that our doctors are not directly employed by Lenmed and therefore can leave more easily for opportunities elsewhere if they wish to.

We also offer generous packages to suitable medical professionals and we prioritise internal skills development. We recently received government licensing for our nursing academy which will deliver a much-needed pipeline of excellent nurses into our own facilities and the broader industry.

Risks

- ◆ Inability to offer comprehensive treatment across all medical disciplines may lead to patients seeking care from our competitors

Opportunities

- ◆ Maintaining strong relationships with excellent doctors that boost our reputation
- ◆ Employing initiatives to retain our doctors
- ◆ Continued investment in infrastructure and modern equipment enhances our appeal and help us retain skills

FUNDER RELATIONS

In South Africa, medical health scheme membership is unattainable by approximately 85% of the population. Medical scheme claims have risen sharply, while imported medical equipment and medication is becoming more expensive due to a weakening and more volatile South African currency. Shrinking disposable incomes across the South African population are also limiting growth in the numbers of new medical scheme members, while many existing members are choosing to downgrade to cheaper schemes. The MAFs find their income constrained by increasing claims and the rising costs of healthcare. They are seeking cheaper options on the long run.

One change required is the interface between acute care and alternative care settings in traditional day hospitals or rehabilitation centres. Certain specialities, such as ophthalmology, gastroenterology, chemotherapy and nephrology (especially dialysis), use relatively short procedures that do not require prolonged hospital stays. Lenmed's refocusing on providing these services through day healthcare centres will not only help to address rising patient expenses, but also reduce operational costs for the service providers.

As MAFs establish agreements with healthcare facilities that become part of their designated service provider (DSP) networks, the private healthcare providers that are excluded risk loss of income. Private groups like Lenmed need to implement more service discounts to win contracts. By forging stronger, mutually beneficial relationships with funders, we are positioning ourselves to provide services for more of their members, which ultimately equates to savings for the scheme as a whole. Of course, we also benefit by increasing our revenue, but at a lower cost to the scheme – which is the most beneficial scenario for all parties.

At the same time, we are ensuring that we differentiate ourselves and our offering from other independent hospitals or groups. We recognise that the most constructive actions we can take to defend our market share are committing to ongoing innovation and improved efficiencies. We constantly evaluate how to improve our customer service, enhance the experience we offer medical professionals, reduce our costs and add competitive differentiators.

Funders are increasingly taking longer to pay, primarily due to inaccurate or delayed billing. The fact that, outside of South Africa, funder payments are largely not regulated, adds to the challenge. It affects the Group's liquidity and ability to settle debts on time. To address this, we are driving continuous response in case management, billings and working capital management, while also engaging funders for a shorter payment cycle.

Risks

- ♦ Being side-lined by clients if Lenmed is not included in their DSP network
- ♦ Liquidity risk

Opportunities

- ♦ Differentiating ourselves with quality care
- ♦ Building stronger, mutually beneficial relationships with MAFs and providing more cost-effective care to MAF members
- ♦ Building stronger case management, billings and working capital management, and operational efficiencies
- ♦ Increasing our bed utilisation by working closely with funders
- ♦ Developing and rolling out Alternative Revenue Models (ARMs) that are attractive to MAFs that, when effectively managed, have the potential to deliver better performance and outcomes. Success will depend on negotiations with specialists and surgeons around lowering their rates, with a view to benefiting from larger contractual patient volumes. Savings of approximately 30% could be realised on some procedures, by incorporating radiology and pathology for MAFs while enhancing our utilisation and profit margins.

COMPLEXITY OF HEALTHCARE REGULATION

When dealing directly with people's lives and physical wellbeing, regulations are necessarily more stringent and complex. South Africa's healthcare industry is heavily regulated by a plethora of Acts including: the National Health Act, 61 of 2003 (being amended); the Occupational Health and Safety Act, 85 of 1993; the Labour Relations Act, 66 of 1995; the Broad-Based Black Economic Empowerment Act, 53 of 2013 (B-BBEE Act); the Protection of Personal Information Act, 4 of 2013 (POPI); the Pharmacy Act, 53 of 1974; and various environmental laws. The sector is also characterised by varying levels of uncertainty over likely additional legislation in the future.

This was exacerbated by the pandemic, which required increased regulation to safeguard staff and patients against the virus. Lenmed's own internal policies were adjusted, with several new procedures introduced to safeguard operations in a pandemic environment.

Uncertainty regarding healthcare regulation impacts on our ability to provide quality services, develop new facilities and invest in skills development. Poorly designed regulations can prevent efficient healthcare and dissuade new investment. To ensure that we have insights into such legislation, and play a part in helping to shape it, we engage with the relevant authorities via various industry associations around potential regulatory changes, including the NHI discussions.

The NHI Bill in South Africa appears to be on hold for the moment. Should government implement the Bill, it may offer an opportunity for Lenmed to work with the public sector to catch up the backlog of elective surgeries and other procedures that built up during the pandemic.

Risks

- ♦ Potential closure of facilities in the event of non-compliance with legislation
- ♦ Reputation risk if Lenmed fails in its compliance with legislation
- ♦ Poorly designed regulation may prevent efficient healthcare and dissuade investment

Opportunities

- ♦ Contributing to the discussions around new and existing regulations utilisation and profit margins.



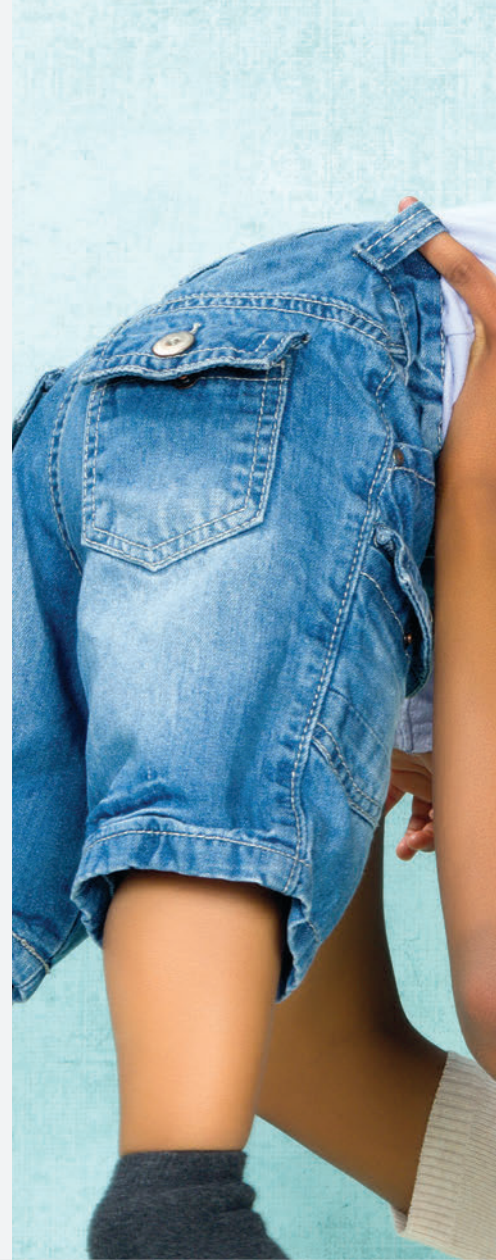
Our value-creation strategy

Our strategy is to continuously refine the Lenmed reputation as an affordable and quality alternative in the private healthcare market. With over 30 years in challenging African markets, proven resilience and a sound balance sheet, Lenmed aims to emerge as a prime contender in the swiftly changing healthcare sector. Although COVID-19 affected the implementation of some of our strategic goals, fast-tracking some of the shifts in focus, the strategy itself remains sound.

Our development strategy encompasses acquiring, developing and/or managing hospitals in underserved communities in Southern Africa. In principle, we avoid developing greenfield hospitals or entering mature urban markets, except for appropriate opportunities fitting the Lenmed business model.

Lenmed has nurtured a reputation for acquiring and/or managing underperforming assets and returning these to healthy profitability. We will continue creating a strong value proposition for MAFs by consistently implementing the Lenmed strategy of driving efficiencies, patient satisfaction and quality going forward.

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



Strategic objectives

BUILD CRITICAL MASS

- ▶ Determining the critical mass of infrastructure and staff required for optimum growth while reducing debt risk
- ▶ Identifying potential acquisition targets that fit our risk appetite and expansion parameters
- ▶ Ensuring Lenmed has the brand awareness and status to underpin our expansion
- ▶ Pursuing recognition as providers of centres of excellence in select spheres, i.e. diabetes, HIV, hypertension and asthma
- ▶ Aligning the Group's strategy and resources with NHI objectives
- ▶ Identifying the professionals who will best guide and assist the Lenmed Board to deliver against our goals
- ▶ Constantly align growth programmes to investment criteria.

OPERATE EFFICIENTLY

- ▶ Regularly improving cost management at our facilities
- ▶ Implementing cutting-edge technology and equipment, including AI and robotic processing, in our operating systems and wards
- ▶ Establishing an integrated business and clinical process operating platform
- ▶ Utilising data analytics for BI and system improvements
- ▶ Developing alternative revenue models to attract MAFs and manage these to achieve a better performance and outcome
- ▶ Securing additional doctors and specialists in in-demand and profitable disciplines
- ▶ Following agile strategies that allow us to be flexible in this time of uncertainty and unexpected events.



GROW AND EXPAND

- Improving clinical governance, patient outcomes and service standards to attract doctors and patients
- Maintaining and improving our B-BBEE scores
- Supporting a loyal and enthusiastic staff base, reinforced by expert and experienced doctors
- Expanding our footprint in locations that will attract MAFs and investors
- Marketing medical tourism to foreign tourists and establishing additional facilities where demand is identified
- Seeking out those features that will make Lenmed truly distinctive
- Acquiring brownfield facilities for revitalising in the Lenmed way.

Looking ahead

To gain competitive advantage we aim to differentiate Lenmed in the following ways:

- ◆ Maintaining our growth momentum, although COVID-19 somewhat hampered our growth strategy and disrupted operations
- ◆ Being recognised as agile and dynamic decisionmakers
- ◆ Our market positioning showing up well in the Healthcare Market enquiry (HMI) report
- ◆ Being acknowledged by the MAFs for our improvement in outcomes, focus and B-BEEE status
- ◆ Having access to capital – both equity and loan funding
- ◆ We and our doctors having a community-centric consciousness
- ◆ Showing a success story of African expansion, while we continue looking for opportunities across the rest of Africa
- ◆ Assembling a skilled management team and Board through a 37-year legacy of resilient excellence and growth
- ◆ A dynamic, innovative, ethical and transparent company culture, strengthened throughout the organisation. To our benefit, government policy ahead of the introduction of NHI seems to have restricted the expansion of the listed healthcare groups, providing us with more opportunities. In implementing the 2021 strategic plan, we have introduced activities which will impact positively on the business of the Company in the forthcoming year.
- ◆ Implementing programmes to build a value proposition that will attract and retain doctors, ensure their competence and professionalism, maintain standards as recognised centres of excellence and satisfy MAFs and patients
- ◆ Additional bed licences have been received, centres of excellence have been implemented and the case mix has been improved with additional specialities; all of which should enhance our future results
- ◆ Commencing the process of bolstering our culture from the top down to achieve accountability, high-performance, innovation and learning across the organisation.



Trade-offs

As Lenmed grows and expands, we are faced with choices and trade-offs. Our decisions are guided by our African vision, the values that make up our collective identity, and our strategy. Below are some of the trade-offs we are making to remain sustainable.

COVID-19: Keeping staff and patients safe vs conserving capital and energy

When it comes to financial capital, the choice was always obvious: we needed to guard the lives of our patients and our people. The financial cost of additional PPE and cleaning materials was steep, but our first priority was to keep our people safe. We made sure that we adhered to government's guidelines, while preserving liquidity by deferring optional capex as much as possible.

However, other nuances soon came into play. How would we balance the working hours required by our medical staff to treat our patients optimally, while limiting staff

burnout and exhaustion? Which - and how many - elective surgeries do we postpone, to the potential detriment to the health of those patients, to reserve beds for potential COVID-19 cases?

No one, especially at the start of the pandemic and lockdown, knew exactly how things would turn out and what the best way forward was, but we are proud of how we managed the often-difficult decisions we needed to make. The lessons learnt will help us in future.

Maintaining a traditional hospital model vs offering holistic wellness and home care services

Lenmed is historically deeply invested in the real estate and infrastructure of our hospitals, especially in acute care. We have built a high standard of clinical governance and acute care skill that sets us apart from many of our competitors. This model continues to serve us well, but as consumer needs and preferences change, driven by costs, an ageing population, and the Fourth Industrial Revolution, we must reconsider our way of work.

Our future planning includes expanding our services along the continuum of care, strengthening our primary healthcare and building into home care, digital service offering, and wellness. As we transition, we must be careful to maintain our high standards of operations while ensuring future sustainability. Every move is considered thoroughly before being implemented.

Shorter-term financial expenditure for the long-term benefit of people and planet

The drive towards environmental sustainability affects the health sector, particularly in the area of medical waste. The COVID-19 pandemic resulted in more medical waste leaving our hospitals in the form of PPE and sanitisation materials. We are hopeful that this increase will be temporary in nature, soon to decline as we overcome the pandemic. In the meantime, we have put procedures in place to limit waste where possible.

Renewable energy is another opportunity for us to decrease our carbon footprint. While the investment into green energy will require a major investment in the short term, it carries a long-term benefit for the planet as a whole and can help to reduce costs on the long term. With the liquidity pressures that COVID-19 brought, some of these investments needed to be postponed, but these remain an ongoing focus at Lenmed.

Allowing hospital visits while adhering to COVID-19 regulations

One of the many restrictions caused by COVID-19 was the limiting or suspending of visiting hours. While these measures were necessary to avoid the potential spread of the virus to the family and friends of patients, it also resulted in significant loneliness and anxiety for them many of whom were already experiencing the trauma of surgery or illness. Loved ones were similarly affected, being unable to personally see how the patient was doing.

Our solution was the introduction of a new virtual visitation offering called Kopano, or 'Unity', which allowed family and friends to schedule virtual visitations with those under our care. We also introduced new feedback mechanisms to keep loved ones up to date with progress. These innovations will probably serve to strengthen our processes and offering on the long run, while presenting a poignant example of how the pandemic taught us useful lessons.



Our financial performance

Letter from our CFO

Lenmed started 2020 with the momentum gained from the previous financial year and we were ready to roll out further growth strategies to continue this trajectory. This all changed when the COVID-19 pandemic caused South Africa to go into a hard lockdown at the end of March 2020. Due to the uncertainty of the potential impact on our business, we went on the defensive and negotiated interest and capital holidays, covenant waivers and additional temporary liquidity facilities with our funders.

At the same time, we limited capital expenditure to critical replacements and dedicated resources to focus on short-term liquidity and working capital, while negotiating discounts and payment deferrals with our suppliers. We prepared for an anticipated surge in patient numbers from the pandemic and secured critical PPE and medicines, despite the sudden global shortage of these items.

As a consequence, FY2021 was a difficult year in general and a tricky one for Lenmed's financial performance. The unprecedented costs of PPE and sanitisation materials cut into our profit margins, while the simultaneous postponement of elective surgeries caused a revenue decline. These factors impacted Lenmed most severely in April 2020, when the South African lockdown was at its strictest.



Fredré Meiring

Key matrix

	2021	2020	2019
EBITDA (R'000)	243 267	579 588	446 471
EBITDA margin (%)	9.0	19.2	17.5
Headline earnings per share (HEPS) (cents per share)	0.02	28.1	20.1
Total net debt to EBITDA ratio, debt covenant is <3.5 times*	4.53	2.14	2.73
Senior debt service cover ratio, debt covenant is >1.1 times*	1.47	1.36	1.60
Interest cover ratio, debt covenant is >2.5 times*	1.90	4.15	3.16
Debt to equity ratio, debt covenant is <80%*	52	55	62

* Debt covenant has been waived by RMB for FY 2021.

Nevertheless, our key metrics over the past three years show clearly that Lenmed is building financial momentum. We had built a robust balance sheet going into the pandemic. COVID-19 slowed our momentum substantially. Still, Lenmed's resilience shows through the underlying results. Our revenues, although not stellar, were solid considering the pandemic and a decline in Road Accident Fund (RAF) revenue. When looking beyond the unusual, and hopefully short term, costs of COVID-19, Lenmed did well – and within the context of the pandemic, it was actually a good year for the Group

Statement of comprehensive income

The initial lockdowns in South Africa and Botswana had the desired effect of containing the virus, but resulted in significantly reduced patient numbers. This caused Group revenue to decline by 6.1% from the prior year. Paid patient days (PPD) decreased by 17.4% due to reduced patient numbers. However, revenue per paid patient day (RPPD) increased by 13.7%, resulting from a 4.8% tariff hike and an overall 8.9% lift due to the higher value spread of cases ('case mix' in healthcare terms).

Despite the COVID-19 pandemic, the Maputo Private Hospital recorded significant growth in revenue of 59.8%, driven by a >450% increase in revenues from the laboratory services. The Maputo Private Hospital was one of only a few providers of COVID-19-testing services in Mozambique and benefitted from the increased testing requirements that most multinational organisations enforced on their staff. The demand for tests declined after the armed insurrection in the north of the country in early March 2021, and we do not anticipate that testing volumes will return to those extraordinary levels. The Royal Hospital and Heart Centre in Kimberley increased revenues by 7.4% on its journey to reach sustainable capacity, but was unable to maintain margins due to pandemic-driven costs.

As revenue fell, we were unable to reduce our cost base to the same extent, which pressured our margins for most of the year. Elective and non-COVID-19 procedures started returning after the first wave, but it was clear that hospital occupancies would not return to 2019 levels in the near future, prompting us to re-assess our cost base to ensure alignment with operating levels.

Acquiring comprehensive stocks of PPE for the Group cost more than R84 million in unanticipated expenditure, particularly as the prices of these stock items increased dramatically as the pandemic arrived. The Group also spent over R34 million on other COVID-19 related costs, including additional cleaning, screening and specialised personnel. As a result, Lenmed achieved EBITDA of R243 million (FY2020: R580 million) at a margin of 9% (FY2020: 19%).

Due to the subdued economic environment, Lenmed was required to impair goodwill relating to our Shifa Hospital (R10.3 million), as well as the impairment of assets at the Daxina Hospital (R15.8 million). In addition, we impaired the Maputo Private Hospital property by R65.9 million due to the devaluation of the Mozambican metical to the US dollar and the outlook for the Mozambique property market. Our total impairments for the year under review amounted to R92 million.

All these factors contributed to an overall loss of R69 million for the financial year. Given the extraordinary circumstances in 2020, we do not anticipate a similar loss in coming years.

Statement of cash flows

Cash generated from operating activities equated to R311 million (FY2020 restated: R334 million), or 128% of EBITDA as compared to 58% in FY2020. We worked diligently to shorten our working capital cycle by reducing the public sector patient intake and engaging with medical schemes to enhance their payment run frequencies. The Group also limited capital expenditure to critical replacements and conserved sufficient liquidity for operational purposes.

Statement of financial position

Lenmed maintained a robust balance sheet throughout the year. The economic crisis brought rare opportunities, resulting in Lenmed successfully concluding the management contract and acquisition of a majority shareholding in the Howick Private Hospital Holdings (Pty) Ltd, with effect from 1 March 2021. Furthermore, we negotiated interest and capital holidays, covenant waivers and additional temporary liquidity facilities with our funders. The executive placed a significant focus on reducing working capital by managing stock levels, reducing debtors and managing creditors responsibly.

Events after the reporting date

Lenmed restructured its debt facilities with effect from April 2021 to align financial covenants with operating levels and allow for limited capital repayments in the following year. This will create additional headroom to focus on accelerating operations to normalised levels.

Outlook

Overall, the Group remains confident that we will continue offering shareholders long-term value. We view the FY2021 as an 'outlier year', with many lessons learnt, but we are cautiously optimistic about FY2022, when Lenmed's growth strategy should regain its impetus.



Fredré Meiring
Chief Financial Officer



Our clinical governance

Reflection on the year that was

On 5 March 2020, the first positive case of COVID-19 was announced by the South African Minister of Health.

By this time, we had watched the virus spreading through other countries, most notably in Europe. When the South African government brought the Disaster Management regulations into effect on 26 March 2020, many South Africans were in denial about how our lives would change. How would we overcome the many restrictions placed on society? How would we interact and engage with each other and navigate the world of work?

Now, a year later, COVID-19 is still with us as the conversation turns to the vaccination process, with healthcare services and healthcare workers remaining at the centre of the pandemic.

Our approach to the COVID-19 pandemic

As a frenzy of information, and misinformation, ensued with the arrival of COVID-19, Lenmed had to simultaneously adjust our processes and align our communication to this new situation.

For both the clinical governance team and the Group as a whole, the following objectives defined our response for the first wave and we communicated these messages consistently:

- ▶ The **safety** of our patients, employees, doctors and community members is our first priority. This would always be the number one consideration in everything we do.
- ▶ Our staff and facilities are **prepared** for the COVID-19 outbreak.
- ▶ Our procedures were aligned with published **NICD and NDOH guidelines**.

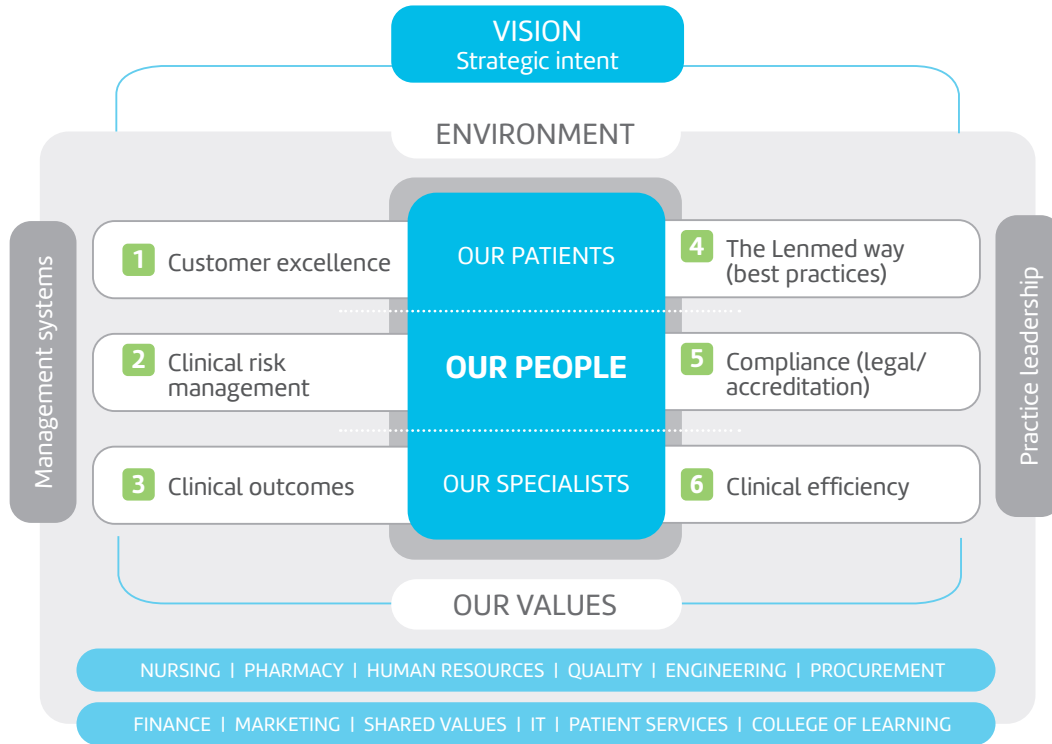
As COVID-19 numbers declined around the middle of the financial year and our attention turned to restarting elective surgeries, our key messages changed:

- ▶ Lenmed hospitals are **responsibly operational**.
- ▶ We are **prepared** to safely treat all medical and surgical conditions.
- ▶ We remain **vigilant**, with all safety protocols in place.

This helped us to both focus our internal energies on the things that mattered and reassure external stakeholders that our hospitals were safe. We developed COVID-19 policies, procedures, guidelines and training, which we ingrained into all our employees and associated personnel, including clinical and non-clinical outsourced services such as catering, cleaning, security, radiology, pathology and emergency department practices. Regular stakeholder meetings, communication groups and engagement through Health and Safety Committees contributed to the integration of our various initiatives in managing the pandemic.

Clinical governance framework and COVID-19 processes

COVID-19 reaffirmed something that we always knew: we cannot sustain our processes and systems without the commitment and solidarity of our management team and our employees, and we are proud of how the entire Group pulled together to make our response to COVID-19 work. We remained focused on our governance framework while driving implementation of COVID-19 processes under each pillar of our Clinical Governance Framework and ensuring ongoing communication and engagement with our key stakeholders.



Below we have highlighted, under each pillar, our collective efforts in managing the COVID-19 pandemic.

1 Customer excellence

For all our patients, the stress of going to hospital was amplified by the presence of COVID-19 in our markets. We introduced several new systems to enhance the patient experience during this time, and are proud to say that our overall customer experience management score did not drop during the year – it even lifted slightly. For more information about how we communicated to patients and other stakeholders during this time, refer to

Listening to our stakeholders  PAGE 28

2 Clinical risk management

Access control and new procedural pathways

As part of the South African lockdown regulations, almost every company in South Africa needed to introduce new access control and screening measures at their entrances, and our facilities were no different. Before any person (including our employees and healthcare workers) entered our hospitals, we screened them for signs and symptoms typical of the virus and checked whether they had been exposed to suspected or confirmed COVID-19 positive persons or persons suspected of being positive for the virus. We erected screening tents or designated areas outside our entrances, manned by registered nurses or competent personnel wearing the appropriate PPE, in line with the latest guidelines and regulations. Initially, this screening was a manual, paper-based process, but we soon introduced a mobile screening application that allowed for the pre-screening of our employees and healthcare workers, a more efficient and time-effective process.

The screenings formed part of the new pathways we developed to help clinical frontline staff to identify and direct all individuals with possible COVID-19 related symptoms to specified healthcare services. All our facilities had demarcated COVID-19 wards and units to limit the spread of the virus to other parts of the hospital, including our theatre complexes, maternity, paediatric, medical and surgical units, and emergency departments. Patients were accommodated in different zones: red zones for COVID-19 positive patients, amber zones for persons under investigation (PUI), and green zones for patients with no suspicion of COVID-19 infection. The NDOH guidelines provided the criteria for admitting patients to green and amber zones.

The new pathways also included procedures for escalating oxygen therapy for persons with respiratory symptoms. We extended the pathways to maternity patients and those who came in for time-sensitive surgical procedures.

Access control meant introducing a risk adjusted strategy that restricted visitation – physical visitation was suspended entirely for those patients who were positive for the virus and considered high risk.



Preventing infection and maintaining safety

Throughout this period, we focused on preparing our facilities to accommodate COVID-19 patients and to maintain basic precautions. Even before the first wave of the pandemic hit South Africa, we developed and implemented a hospital readiness and preparedness checklist based on the recommendations of the NDOH and WHO. This helped hospital teams to prepare for the anticipated influx of COVID-19 patients. When the country was bracing for the second wave, we repeated our preparedness checks to include lessons learned from the previous wave and applied the same process for a potential third wave.

To maintain awareness of and ensure compliance with the new guidelines among our staff, we conducted monthly refresher training on the basic principles of infection prevention at all our facilities. We also increased the frequency of our routine cleaning and the terminal cleaning of high-risk areas, in consultation with our outsourced cleaning services.

The availability and correct use of PPE is a major factor in the fight against the virus. We used the guidelines provided by the South African NDOH and NICD to revise our PPE practices, and conducted monthly training on the safe putting on, taking off and disposal of PPE across all our facilities. We also developed and implemented COVID-19-specific guidelines in all our hospitals, customised for each facility's level of risk. Our measures became increasingly stringent as the number of COVID-19 cases climbed – we reduced the number of persons allowed in staff communal areas such as kitchens, tearooms and dining areas, prevented crowding in staff change rooms and bathrooms and at clock machines, and we mandated the continuous wearing of face masks that was later legislated.

Aside from weekly COVID-19 safety checks conducted by our hospitals, all our facilities completed a COVID-19 facility and workplace safety risk assessment as legislated by the South African Department of Employment and Labour (DOL), in conjunction with the NDOH. We were also required to document a workplace plan for our headquarters, confirming that we met certain safety requirements posed by the DOL and allowing for a staggered and safe return to office, before many of our employees returned to work. Our head office officially reopened in June 2020.

Managing exposure

We developed a post exposure risk management process based on published NICD guidelines which, when followed by our hospitals, provided them with a step-by-step process to manage exposures.

At the same time, we continued to reinforce safety behaviours, including hand hygiene, the wearing of appropriate PPE, and social distancing, which were effective in preventing workplace exposure. We also continued screening our employees daily when they arrive at work, diverting them away from the hospital for a COVID-19 test if they showed symptoms. Should they test positive, they were placed in self-isolation in accordance with NICD guidelines.

3 Clinical outcomes

Extensive regulatory reporting

COVID-19 is a notifiable medical condition. In every positive case, a detailed notification report (along with a list of names, contact details and addresses of recent contacts) was documented and reported to the DOH district office, the NDOH and NICD representatives responsible for monitoring COVID-19 surveillance and community contact tracing. We also provide daily and weekly reports to the NDOH, the provincial departments of health, and the NICD. We report on:

- ♦ The number of COVID-19 positive and PUI patients admitted per facility. This report contains data related to the demographic information of each patient, their clinical status, and level of care required (e.g., intensive care, high care, or general ward).
- ♦ Patient deaths related to COVID-19, along with clinical reports (including morbidity and mortality reports, and radiology and pathology reports) once a patient passes on.
- ♦ The number of healthcare workers infected and self-isolated per facility, their clinical status and outcomes. Contact tracing for infected healthcare workers is conducted at facility level and submitted to the provincial departments and NICD for follow-up within 48 hours of an employee testing positive for COVID-19. The number of staff trained in COVID-19 related safety behaviours are also communicated.
- ♦ The availability of appropriate PPE stocks per facility.

COVID-19 positive admissions FY2021

Hospitals	Admissions	ICU/ventilated	High Care	Ward
Ahmed Kathrada Private	1 472	158	190	124
Ethekwini Hospital and Heart Centre	1 042	78	179	785
La Verna Private	994	48	69	877
Randfontein Private	815	24	50	741
Shifa Private	720	25	97	598
Royal Hospital and Heart Centre	605	71	58	476
Zamokuhle Private	365	30	98	237
Kathu Private	353	0	7	346
Daxina Private	109	1	13	95
Bokamoso Private*	245	63	61	121
Maputo Private*	1 692	177	190	1 325
Lenmed Group	8 412	675	1 012	6 725

* Lenmed Africa hospitals (Bokamoso Private and Maputo Private): COVID-19 patients were initially only admitted to government facilities. Private admissions commenced in July 2020. This contributed to the lower number of admissions in Botswana, although our Maputo hospital admissions increased dramatically thereafter.

Total admissions per province/region

Province	Total provincial/ regional admissions	Total Lenmed admissions	% Lenmed admissions
Gauteng	35 094	2 761	7.87
KwaZulu-Natal	26 624	2 756	10.35
Northern Cape	2 154	958	44.48
Botswana	45 855	245	0.5
Mozambique	69 437	1 692	2.44
Total	179 164	8 412	13.13

We are pleased with the performance by our hospitals. Ahmed Kathrada Private Hospital in particular achieved some of the best outcomes nationally, in terms of COVID-19 patients treated and a low mortality rate.

**Ahmed Kathrada Private Hospital
No. 1 in Gauteng**

**Ethekwini Hospital and Heart Centre
No. 7 in KwaZulu-Natal**

**Royal Hospital and Heart Centre
No. 2 in Northern Cape**

Lenmed employee exposure statistics

With many of our employees working so close to the front line of the pandemic, it was unavoidable that some would be exposed to COVID-19, both in their communities and at work. A total of 654 employees tested positive, comprising 22% of our total workforce. This is in line with industry norms and most of the cases were during the first wave of the pandemic. Sadly, we lost four of our healthcare workers to the virus during the financial year.

Statistics	Total
YTD COVID-19 positive employees	654
COVID-19 positive employees as a % of headcount	22.2%
Number of staff deceased	4
Number of staff per Lenmed site who received trauma counselling sessions	745

4 The Lenmed way – our best practices

Employee COVID-19 and safety behaviour training

During the period under review, Lenmed completed 28 629 safety training interventions – all our employees and on-site non-employees completed numerous training programmes. A large percentage of this was specifically related to COVID-19 safety measures and protocols.

COVID-19 training interventions	Attendance
Hand hygiene training, with competency assessment	6 430
Level 1 PPE training, with competency assessment	3 157
Level 2 PPE training, with competency assessment	3 428
Level 3 PPE training, with competency assessment	5 587
Five things employees must know about COVID-19	2 770
Basic infection prevention and management	1 895
Healthcare risk waste management for COVID-19	1 453
Post exposure process management	1 784
Basic oxygen therapy and mechanical ventilation training (for experienced registered nurses)	963
COVID-19 Policy	1 162
Total	28 629



Employee handbook

In addition to the various employee clinical and safety training programmes, Lenmed developed a COVID-19 Employee Handbook, which was distributed to all employees and on-site non-employees. We used this information to periodically communicate bite-size safety messages to our employees. It also informed the numerous safety posters visible throughout our facilities.

Clinical training

In preparation for the first wave, the focus of our clinical training was to ensure the safe management of COVID-19 patients in tandem with the safety of our healthcare workers. As mentioned, we conducted extensive training on the safe donning and doffing of PPE and the clear demarcation of COVID-19 zones in each Lenmed facility. We also introduced additional safety measures when performing aerosol-generating procedures. Furthermore, we trained our general ward nurses in specialised oxygen therapy such as high-flow nasal oxygen therapy and non-invasive ventilation, in case of such a dramatic increase in demand that the critical care units overflowed. With the arrival of the second wave, we had already established and entrenched our processes. The number of associated healthcare worker exposures and infections decreased significantly.

As the healthcare worker vaccination programmes started rolling out, we trained vaccinators throughout the Group and established a vaccination site at Ahmed Kathrada Private. We have vaccinated 3 957 healthcare workers as at 15 June 2021:



1 771

LENMED EMPLOYEES
AND ON-SITE
NON-EMPLOYEES

2 186

HEALTHCARE WORKERS
FROM OTHER
INSTITUTIONS

5 Compliance

Occupational health and safety gap assessment

We engaged the services of an Occupational Health Consultant who reviewed all employee and workplace safety measures implemented under the COVID-19 pandemic and ensured we aligned with all relevant regulations. This review took place in the middle of 2020.

Lenmed COVID-19 policy

We developed a COVID-19 policy based on international and local infection prevention and occupational hygiene practices and recommendations. It outlined our approach to the COVID-19 pandemic.

COVID-19 roles and responsibilities

Lenmed's existing internal health and safety structures were critical in responding effectively to the pandemic and resultant regulations.

The DOL required the appointment of a COVID-19 Compliance Officer, and the Group's Chief Medical Officer was duly appointed as such by the CEO, supported by all our hospital managers in South Africa who were appointed to assist as Responsible Managers. The Compliance Officer reviewed the effectiveness of the workplace plan periodically, with the support of the head office health and safety committee.

Our health and safety committees are constituted and functioning at all our facilities, including at our headquarters. The committees met monthly, more frequently than the quarterly meetings required by law and Lenmed policy due to the seriousness of employee and workplace safety.



The standard meeting agenda covered:

- ♦ COVID-19 exposure incidents among patients, employees, and doctors.
- ♦ Lessons learnt from exposure incidents, and corrective actions to be taken.
- ♦ Progress on safety training and statistics.
- ♦ Hospital COVID-19 risk assessments and preventative actions.
- ♦ On-site employer risk assessments and preventative actions.
- ♦ Vulnerable employees and how we manage exposure.
- ♦ Healthcare risk waste management in line with regulatory protocols for managing COVID-19-specific waste.

In turn, appointed health and safety representatives identified and escalated hazards to the health and safety committees. They were also expected to contribute to a safer environment by helping to create safety awareness within their responsible locations (such as PPE, hand hygiene, and basic infection prevention). Our outsourced and clinical support services' appointed representatives supported this function by forming part of the health and safety committees.

On-site employer compliance

Many of the people who use Lenmed's facilities are employers themselves, including doctor and dialysis practices, emergency unit practices, radiology, pathology and the likes of catering, cleaning, and security. We provided guidance with their obligations to meet the requirements of the regulations. We also developed a weekly checklist where we monitored these providers and their progress towards completing the necessary legal requirements.

6 Clinical efficiency: pharmacy stock and PPE

Due to the pandemic, pharmaceutical stock was in high demand, particularly COVID-19 specific drugs and PPE. We experienced drug shortages as suppliers either ran out of stock or rationed distribution to ensure that all healthcare stakeholders had fair access to medications. PPE items were in short supply too, on an international scale, resulting in predatory pricing. We needed to resort to unprecedented procurement strategies, including sourcing directly from local and international distributors and exporters, or sourcing container loads directly from the manufacturers. During the first wave of the pandemic in South Africa, we purchased items from pharma and non-pharma suppliers alike, and initiated bulk orders alongside other healthcare users.

Local production has since increased and we have a steady supply of PPE without stockpiling, although prices remain inflated and availability constrained. Ethical drug and surgical supplies have also stabilised.

Stakeholder awareness, communication, engagement and support

Supporting our front-line workers and staff

Besides the communication to our external stakeholders, our employees were one of our most critical audiences during the pandemic. COVID-19 support and care initiatives implemented during the various levels of lockdown, and which remain ongoing at all our sites, include:

- ♦ Walkabouts by hospital leadership teams to ensure ongoing engagement with staff.
- ♦ Safety training to reinforce the appropriate safety protocols.
- ♦ Regular information and wellness tips distributed to employees via email and mobile phone.
- ♦ Appreciation drives where tokens of appreciation and acknowledgement were shared.
- ♦ Stringent screening to ensure the safety of our staff and patients.
- ♦ Providing staff with access to appropriate accommodation while in self-quarantine and self-isolation, and providing staff meals.
- ♦ Check-ins with COVID-19 positive staff to ensure they were getting the help they needed and taking care of themselves during their self-quarantine or isolation period. Care packages for these employees included a thermometer, self-assessment tool, masks, and information guidelines.
- ♦ Trauma counselling and debriefing sessions for COVID-19 positive staff, and staff and management at all Lenmed sites.

To cater for employees who are at high risk during the pandemic, including those with underlying medical conditions, Lenmed distributed an electronic employee wellness survey to identify these vulnerable employees. Our hospitals were required to ensure that these employees avoided high risk areas and exposure.

Read more about our stakeholder relationships.



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As part of our two-way dialogue with employees, we asked them to tell us whether they believed Lenmed facilities were safe places to work during the pandemic through an electronic employee safety risk survey. We received a 32% response rate, with a 97% positive response overall to our question on training, PPE, personal wellbeing and emergency response. All safety concerns raised by our employees were tabled at health and safety committees for further action.

The second wave of the pandemic was a particularly busy time for us. We needed to recall our employees from their annual leave over the December period as our hospitals filled to capacity with COVID-19 positive admissions. Securing additional staff to manage the influx of patients was a challenge, but we were able to mobilise healthcare workers to care for patients during this peak time while supporting them with several initiatives to aid the ones infected and affected by the pandemic, while taking care of everyone's wellness. We also appointed paramedics on fixed term contracts to assist with the care and treatment of patients and to address resource challenges.

Other communication and engagement opportunities and channels

We invested time in supporting our professional doctors during this time:

- ♦ CEO communication sessions with specialist groups.
- ♦ CPD sessions with doctors.
- ♦ Engagement sessions with community general practitioners on maintaining referral pathways.
- ♦ Doctor COVID-19 committees supporting hospital management teams in the early stages of the pandemic. Later, once the volumes of admissions increased, Doctor Ethics Committees were established to support clinicians with a clear process for dealing with ethical dilemmas.

Refocusing on our strategic objectives

Management of the COVID-19 pandemic and ensuring the safety of our patients, employees and other stakeholders became our highest priority during this financial year. However, we did not lose sight of the initiatives that would have a positive effect on the delivery of quality patient care, especially in the long term. We needed to ensure that our hospitals can continue elective patient care in parallel with providing services for patients with COVID-19, all while guarding the safety of all our patients, employees, doctors and community members.

Antimicrobial stewardship

During the COVID pandemic, physical access to patients was severely restricted and clinical interventions by the Pharmacy team was curtailed. However, alternative approaches such as prescription reviews and remote support were used to maintain a minimum level of stewardship and clinical input, where appropriate, at some facilities. The basic administrative structures and processes will be reconstituted now that the teams are able to interact with clinicians and patients directly again.

Nursing education, training and competence

The arrival of COVID-19 and increased demand for nursing staff in the hospital led to the temporary postponement of the six-month learning programme for registered nurses in adult ICU. However, the programme was concluded in November 2021 and 20 registered nurses passed the final examinations.

The roll-out of additional short learning programmes, such as emergency department nursing and neonatal ICU, will commence internally in the new financial year. COVID-19 taught us how to use virtual classrooms and online instruction, and we will use these tools going forward.

Recruiting specialist nurses remained a priority, with a strong focus on retaining specialised nurses we already have at our facilities.



Our sustainable performance

Our people

How we managed and supported our human resources during the year that passed was strongly influenced by the COVID-19 pandemic. Training, staffing, and our internal communication all adjusted to the new reality of being on the front lines of fighting the novel coronavirus. As such, much of the information about our human resources management can be found in the Clinical governance section of this report:

Clinical governance

Preventing infection and maintaining safety

Lenmed employee exposure statistics

The Lenmed way

Supporting our front-line workers and staff



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This section covers our corporate culture, employment equity and labour statistics, and skills development.

Our employees: the foundation of our success

We are proud of how each of our employees responded to the COVID-19 pandemic. We have over 2 700 employees who helped make the fight possible.

Corporate culture

Company culture is the undercurrent that drives performance and conduct. It can be a powerful asset, or hamper growth. We are building on a corporate culture that is ethical, dynamic, innovative and transparent. The Lenmed Board checks in on how management at every level demonstrates and communicates Lenmed values, to embed this culture throughout our organisation. Our 'Celebrate' initiative, launched in 2019, enables employees to acknowledge colleagues who are living the Lenmed values.

Employee engagement

We know that our customer experience journey starts long before the patient arrives at our facility. Our doctors have a crucial role in ensuring positive patient experiences that contribute to the success of our business. It is therefore important that we treat our doctors and employees as valued customers too. This became especially critical during the pandemic when stress levels were high. We held weekly appreciation drives across our sites, supported by our "Celebrate" initiative.

Labour relations

Lenmed also recognises the right of our employees to join trade unions. Of our 1 856 permanent staff across South Africa, approximately 28% are part of the National Education, Health and Allied Workers' Union (NEHAWU).

Our Shifa Private Hospital underwent a Section 189 process from October to December 2020, largely due to the impact of COVID-19. Although we managed to transfer seven of our employees to Ethekwini Hospital and Heart Centre, we unfortunately needed to retrench 20 staff members, of which two were voluntary retrenchments.



Employment equity

One of Lenmed's major highlights during the financial year was achieving a Level 2 B-BBEE score. Lenmed was partly founded to help provide work opportunities for professional health staff of every race during the Apartheid years, and this continues to form a core part of our identity.

Lenmed South Africa Hospitals

Occupational Level	Female					Male					Disability	Foreign	Grand Total
	A	C	I	W	Female Total	A	C	I	W	Male Total			
Top management	-	-	-	1	1	-	-	2	2	4			5
Senior management	1	-	5	5	11	0	1	8	3	12	1		24
Professional qualified and experienced specialists and middle management	3	6	17	14	40	3	2	4	6	15		2	57
Skilled and qualified workers, junior management, supervisors, foremen, support	316	62	157	48	583	46	2	21	10	79	8	39	709
Semi-skilled and discretionary decision-making	476	69	152	40	737	92	13	55	5	165	10	3	915
Unskilled and defined decision-making	70	3	12	1	86	52	1	5	0	58		2	146
Grand Total	866	140	343	109	1 458	193	19	95	26	333	19	46	1 856

81% female employees

92% black, coloured, and Indian employees

A - African
C - Coloured
I - Indian
W - White

Skills development

2019/2020 Learnerships, bursaries and internships

Internships



Human resources
3 learners
12 months
R196 176 in funding

The interns are allocated to Randfontein Private Hospital, Ethekwini Hospital and Heart Centre and Head Office.

Leaderships



NC: Pharmacy assistant
4 learners
R68 000 in funding

Total funding R264 176

2020/2021 Learnerships and internships

Internships



Human resources
2 learners
12 months
R166 309 in funding

The interns are allocated to Shifa Private Hospital and Ethekwini Hospital and Heart Centre.

Leaderships



NC: Pharmacy assistant
6 learners
R102 000 in funding

Total funding R268 309





Lenmed Wellness Day



As we do every year, we undertook our wellness events across all our hospitals in October 2020. This was particularly important during 2020, as many of our staff have been fighting the pandemic alongside our patients, and needed opportunities to look after their own wellbeing. At wellness days, 1 354 members of our permanent staff, or 71% of Lenmed's workforce, were screened for lifestyle risk factors and chronic diseases, with referrals for further treatment when needed.

The data from the Wellness Day events also help to inform our internal communication to flag high risk factors among our staff that can be addressed through awareness campaigns. We encourage our employees to undergo regular check-ups and engage with our health partners throughout the year.

Welcoming Howick Private Hospital

Although our official engagement with Howick only commenced in the new financial year on 1 March 2021, our management team arranged a physical 'meet-and-greet' with all the hospital staff on 10 December 2020. It was a festive occasion. It also laid the groundwork for our future collaboration and included presentations by our executive team, Discovery Health, as well as medical aid and pension fund brokers. The month of January was dedicated to providing the Howick staff with two orientation and onboarding sessions to incorporate them into the Lenmed way of work.

Our relationships

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.

At a glance

HIGHLIGHTS

A **continued improvement** in patient experience across the Group

Total **CSI spend of R18.3 million** (FY2020: R27.6 million)

Discounts of R15.3 million to financially disadvantaged patients (FY2020: R24.8 million)

59 free cataract surgeries performed (FY2020: 77)

CHALLENGES

- ▶ Maintaining staff morale and enhancing engagement
- ▶ Socioeconomic challenges faced by the communities surrounding our hospitals
- ▶ Ensuring that our hospital fees remain affordable for patients and medical scheme funds
- ▶ Increased stress and trauma as a result of the COVID-19 pandemic

OPPORTUNITIES

- ▶ Influence thinking of authorities and in workstreams to create a workable and equitable NHI
- ▶ Work with MAFs to develop innovative reimbursement models
- ▶ Improved stakeholder support
- ▶ Teams working closer together and intensive support programmes resulted in improved relationships between and with many stakeholders

HOW WE TACKLED COVID-19



One of the many challenges COVID-19 presented to us was the overload of information available. This information was often even false and misleading. Lenmed saw this as an opportunity to develop easy-to-understand, relevant communication targeted at and designed for certain stakeholders. We explored and used the best channels for communication internally and externally to communicate, often in the forms of signage and posters:

- ▶ Employee and patient/community COVID-19 guidelines – detailed and practical information on COVID-19
- ▶ Safety precautions, visitation, what to do when diagnosed with COVID-19, and PPE

Lockdown also meant that families could not visit their loved ones in hospital or engage directly with hospital staff the way they normally would. To relieve the anxiety, we implemented three core solutions:

- ▶ Our virtual visitation platform, Kopano
- ▶ A dedicated customer experience phone line, giving our communities immediate access to assistance should it be required
- ▶ A system which monitored patients and ensured that loved ones received regular feedback

Acknowledging the fluidity of the situation and being willing and able to adapt constantly has been crucial in dealing with the pandemic.

LOOKING AHEAD

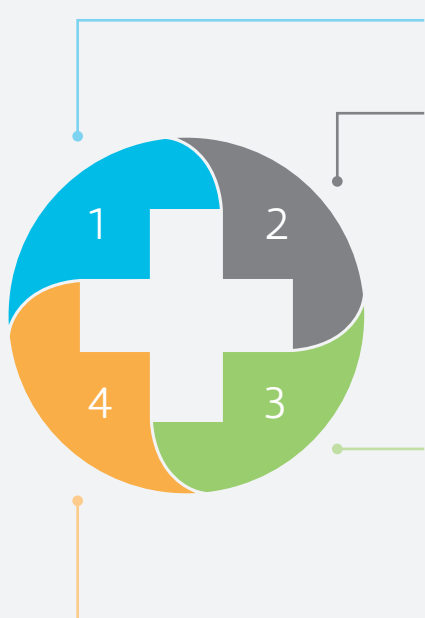
In the year ahead, we will focus on:

- ▶ Further improving the patient experience across our hospitals
- ▶ Intensifying online communication and marketing efforts, including localised content
- ▶ Maintaining and improve our CSI spend to assist our communities surrounding our hospitals
- ▶ Assisting the Children's Cardiac Foundation of Africa Trust to facilitate surgery for indigent patients



Communication and marketing

The Lenmed marketing function is made up of four main components



Communication strategy

The management of both reactive and proactive communication to all of our stakeholders.

Marketing

The management of our marketing and activities:

- Digital
- Traditional

Although we still make limited use of traditional media in the communities in which our hospitals operated, social and online media has proved to be more effective in engaging with our external stakeholders. It is fully targeted, measurable, cost effective and adaptable. In 2020, we saw an increase of just over 8% in visitors to our website and an increase of 16% in our followers on social media. In the year ahead, we hope to develop and implement more focussed campaigns for each hospital.

Aesthetics

Our appearance is critical to building credibility with our audience. We are entrusted with our patients' lives – we therefore dress the part and our hospitals look the part. Every interaction with our brand, whether by means of a pamphlet, employee, our website or social media, should provide our stakeholders with a sense of quality, reliability and consistency.

Customer experience

Marketing of the Lenmed brand is as much about creating awareness and an affinity towards the brand in the communities in which we operate, as managing the reputation of the business. The most effective way to inspire positive word of mouth and reputation of the Group and its hospitals is to create a great customer experience.



INTERNAL CUSTOMER EXPERIENCE MANAGEMENT (CEM) SYSTEM

BEST PERFORMER 2020

Randfontein Private Hospital and Zamokuhle Private Hospital with an average composite score of

73%

BEST PERFORMER FOR 2020 FOR THE DISCOVERY MESH

Ethekwini Hospital and Heart Centre with an average mesh composite score of

63%

Customer experience

During the pandemic, Lenmed gave priority to ensuring the safety of our patients, employees, doctors and community members. In addition to our customer experience effort, we ensure that our communities were aware and informed with regard to COVID-19 and that all those entering our premises were protected as much as possible through appropriate PPE, hygiene, distancing and masking measures.

Surveys and other customer experience measures

Lenmed conducts internal scoring assessments that allow patients and their families to give feedback on their experiences via our electronic customer experience management system. This helps us to resolve issues in real time and to monitor and track customer satisfaction trends. We implement the same methodology as the Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS)'s international standard survey:

Composite score category	Lenmed's performance (YoY change)	
Overall hospital score	↑	0.06% change
Nurses	↑	2% change
Doctors	↑	1% change
Responsiveness	↓	6% change
Cleanliness	↓	2% change
Quietness	↑	4% change
Medication information	↑	1% change
Post-discharge information	↑	4% change
Pain management	↑	4% change



While the Discovery Limited annual customer experience survey results were not shared in 2020 due to COVID-19, we remain proud that, of the **four** eligible Lenmed hospitals, Ethekwini Hospital and Heart Centre and Shifa Private Hospital **were rated in the Discovery Top 20 hospitals in 2019.**

Communication to patients

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

- Patient information brochure
- Maternity pre-hospital information brochure
- General discharge brochure
- Surgical discharge brochure
- Maternity discharge brochure
- Stroke information brochure
- Stroke discharge brochure
- Cardiac pamphlet.

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

Corporate social investment

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

Community involvement

The COVID-19 pandemic greatly limited our community initiatives and events as lockdown constrained gatherings and close interactions with others. However, the need

for providing accurate and up-to-date information about COVID-19 was an opportunity to keep engaging our communities. We communicated information on the latest developments, on keeping self and loved ones safe, mental health, and vetted advice on surviving the pandemic. We mainly disseminated our messaging through social media, as well as through community groups and database initiatives.

Children's Cardiac Foundation of Africa

Each year, an estimated 3 000 South African children die or remain disabled from diagnosed and treatable congenital heart disease (CHD) while awaiting treatment from public hospitals. Lenmed is a proud supporter of the Children's Cardiac Foundation of Africa. Founded by world-renowned paediatric cardiac surgeon, Prof Robin Kinsley, the Children's Cardiac Foundation of Africa Trust was registered in January 2019. We assisted in establishing the foundation by virtue of a seeding donation of R1 million. Its mission is to save the lives and improve the health of children born with CHD in Africa by raising funds for heart surgeries and by training specialists and support staff in paediatric cardiac care.

As a public-private collaborative initiative, we utilise excess capacity at Ethekwini Hospital and Heart Centre to facilitate surgery for indigent patients with the assistance of outside donor funding. In the past year we are proud to report that the Foundation completed 16 successful surgeries of children on the waiting list from the state sector to the total value of R1.1 million. These children

were treated on an elective basis and their heart condition resolved, at least for several years or even decades, with one operation or intervention and basically making a huge difference to their lives as they grow.

Learnership programme

Lenmed partnered with LearnMe, an accredited service provider, to offer a fully paid, 12-month learnership programme in Business Administration Services to 91 disabled learners from the Carolina community, Mpumalanga.

Learners were selected from both rural and urban areas. Learnerships are structured, work-based learning programmes that lead to a full-registered National Qualifications Framework (NQF) qualification, relating directly to an occupation, managed by Sector Education and Training Authorities. With their new competence in the administration function across all sectors and additional life skills, learners have a greater chance of entering the job market. They also receive assistance in crafting a resume and participating in interviews.

This partnership benefits Lenmed as well, with skills development as a priority element of the B-BBEE scorecard.



Intellectual resources

At a glance

HIGHLIGHTS

Implementing the **Kopano virtual visitation** offering for our patients

Enabling **work from home** for employees

CHALLENGES

- ▶ Continuously introducing cutting-edge technology and equipment, including AI and big data
- ▶ Implementation of new technologies in operating systems and the wards
- ▶ Compliance with statutes, regulations and government policies

OPPORTUNITIES

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

LOOKING AHEAD

In the year ahead, we will focus on:

- ▶ Optimising information-sharing platforms
- ▶ Encouraging a culture of innovation
- ▶ Introducing the Sukraa clinical system

Institutional knowledge

Healthcare is a knowledge-intensive industry. During the pandemic, our knowledge and expertise helped us to continue providing high quality healthcare to our patients, and we retained high-calibre specialists and experienced employees across all disciplines, supported by the latest medical technologies.

Read more about our response to COVID-19



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Leveraging technology

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

We also introduced new monitoring and feedback systems to help keep those close to our patients updated on their progress and wellbeing.

Our digital journey

Our SAP Enterprise Resource Planning (ERP) system is fully operational, with minimal disruption to hospital operations. SAP enables Lenmed to compete more keenly in customer experiences and clinical outcomes by allowing us access and interpret the considerable volumes of data that SAP delivers. It enables efficient patient processing, simpler and more productive administration, and the ability to access information quickly. All information captured is stored securely, in accordance with local legislation and global best practices.

Through our incident management system (CIMS), powered by Britehouse, we are developing an electronic hospital self-audit process as Lenmed's automated internal compliance audit tool. This online application minimises manual and paper-based processes, providing readily available information to spot trends quickly and implement preventative or corrective actions.

Lenmed's Bluebird application is also a major asset, providing information on infection control and antimicrobial stewardship within our hospitals. It integrates the location, laboratory and prescribing data on all patients with possible infections, helping clinicians to focus on at-risk patients.

Digital admissions

We have implemented a fully digital admission procedure. This process has digitised all admission-related documents, which creates efficiencies and cuts costs on printing and document management. This procedure reduces patient admission time and more than halves its administrative burden.

Working from home

With the arrival of COVID-19 in all our markets, we transitioned to virtual workspaces for all the employees that could do so, including our administrative staff. We enabled virtual meetings for all our employees and provided those working from home with internet access and VPN solutions. It is likely that government lockdown restrictions will be present for a long time.



Our sustainable performance continued



Our planet

At a glance

HIGHLIGHTS

Formalising our environmental policy

Implementing a **Smart Utilities Monitoring System** that enables the Group to collect electricity consumption data in real time that will inform investment decisions on environmental projects.

CHALLENGES

- ▶ Managing COVID-19 related medical waste
- ▶ Investing in environmentally sustainable projects within the financial constraints caused by the COVID-19 pandemic

OPPORTUNITIES

- ▶ Optimising energy management and efficiency opportunities in our buildings
- ▶ Establishing a framework of potential energy interventions for prioritisation at each hospital
- ▶ Improved stakeholder support
- ▶ Implementing renewable sources of energy

LOOKING AHEAD

In the year ahead, we will focus on:

- ▶ Short- and long-term energy intervention project planning
- ▶ Integrating water consumption into the utilities awareness system



Environmental report

The advent of the COVID-19 pandemic put Lenmed and our counterparts in the healthcare sector on the front line of the war against the virus. With our focus squarely on saving the lives of our patients while keeping our staff safe and maintaining the liquidity of the Group, many of our environmental ambitions were placed on the backburner.

We worked to keep our environmental impact low, although the new regulations mandating the wearing of PPE and more frequent cleaning regimes necessarily raised our waste and water outputs. COVID-19-related medical waste was managed as a separate workstream, in compliance with regulation. Medical waste volumes increased substantially as all waste produced by patients in the COVID-19 red zones was classified as medical waste.

Our environmental management system is being formalised, which will allow us to gain better insight into our environmental impact so that we can mitigate it. Our environmental policy is already addressing working protocols, while our smart metres at each hospital provides us with instant and up-to-date information around our utility consumption. In the long run, this will allow for energy optimisation and efficiency planning, with the next step being to incorporate our water consumption into the monitoring system.

We still recognise that power and water shortages are an ongoing reality in Southern Africa and will continue evaluating alternative sources to reduce our carbon and environmental footprint. We remain committed to being good corporate citizens. Our energy mix will be tailored to our various operating environments to potentially include gas turbines, solar and wind power, ICE banks, and geothermal solutions.





Transparency and accountability

Lenmed's corporate governance

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

During the past financial year, further corporate governance improvements were achieved, including:

- ♦ The formation of an Innovation and Disruption Committee.
- ♦ An evaluation of the effectiveness of the Lenmed Board and committees.
- ♦ A review by Internal Audit (IA) of its work done relative to the requirements of the IA charter.
- ♦ An analysis of Lenmed's legal risk register by an external legal advisor.
- ♦ A review by PricewaterhouseCoopers (PwC) of Lenmed's governance, risk and compliance. The outcome was positive with no major cause for concern.
- ♦ A review by PwC into Lenmed's cyber-security.
- ♦ Enhancing the work of IA and external audit with the aim of improved efficiency and improved combined assurance.

King IV Code overview

The King IV Code compliance register is available to view on our website, www.lenmed.com. The register provides an overview of Lenmed's application of the principles contained in King IV Code. The register should be read in conjunction with Lenmed's AIR, including the individual reports of the Board committees.

GOVERNANCE STRUCTURE



BOARD OF DIRECTORS

EXECUTIVE

Prakash Devchand

Executive Chairman – CA(SA)

Amil Devchand

Chief Executive Officer – CA(SA)

Fredré Meiring

Chief Financial Officer – CA(SA)

NON-EXECUTIVE

Mike Meehan

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

Bharti Harie

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

Nomahlubi Simamane

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

Prof Bhaskar Goolab

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

Dr Guvant Goolab

Independent Non-executive Director – MBA (University of Cape Town), MBBCh (University of Witwatersrand)

CHIEF EXECUTIVE OFFICER

EXECUTIVE COMMITTEE

AUDIT AND RISK COMMITTEE

REMUNERATIONS AND NOMINATIONS COMMITTEE

SOCIAL AND ETHICS COMMITTEE

CLINICAL GOVERNANCE COMMITTEE*

DISRUPTION AND INNOVATION COMMITTEE

* The clinical governance report is presented on pages 40 to 45 of this report.

Refer to the respective reports of these committees for details.



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Attendance at board and committee meetings

Board meetings

Director	19 Jun 20	9 Jul 20	23 Jul 20	17 Sep 20	27 Nov 20	18 Feb 21	Number
P Devchand	✓ (c)	✓ (c)	✓ (c)	✓ (c)	✓ (c)	✓ (c)	6/6
A Devchand	✓	✓	✓	✓	✓	✓	6/6
B Harie	✓	✓	✓	✓	✓	✓	6/6
Prof B Goolab	✓	✓	✓	✓	✓	✓	6/6
M Meehan	✓	✓	✓	✓	✓	✓	6/6
N Simamane	✓	✓	✓	✓	✓	✓	6/6
F Meiring	✓	✓	✓	✓	✓	✓	6/6
Dr G Goolab				✓	✓	✓	3/3

Audit and Risk meetings

Director	10 Jun 20	11 Jun 20	23 Jun 20	15 Jul 20	16 Sep 20	26 Nov 20	17 Feb 21	Number
M Meehan	✓ (c)	✓ (c)	✓ (c)	✓ (c)	✓ (c)	✓ (c)	✓ (c)	7/7
B Harie	✓	✓	✓	✓	✓	✓	✓	7/7
A Devchand	✓ (i)	✓ (i)	✓ (i)	✓ (i)	✓ (i)	✓ (i)	✓ (i)	7/7
N Simamane	✓	✓	✓	✓	✓	✓	✓	7/7
F Meiring	✓ (i)	✓ (i)	✓ (i)	✓ (i)	✓ (i)	✓ (i)	✓ (i)	7/7

Clinical Governance Committee meetings

Director	10 Jun 20	11 Jun 20	23 Jun 20	15 Jul 20	16 Sep 20	26 Nov 20	17 Feb 21	Number
M Meehan	✓ (c)	✓ (c)	✓ (c)	✓ (c)	✓ (c)	✓ (c)	✓ (c)	7/7
B Harie	✓	✓	✓	✓	✓	✓	✓	7/7
N Simamane	✓	✓	✓	✓	✓	✓	✓	7/7
A Devchand	✓ (i)	✓ (i)	✓ (i)	✓ (i)	✓ (i)	✓ (i)	✓ (i)	7/7
F Meiring	✓ (i)	✓ (i)	✓ (i)	✓ (i)	✓ (i)	✓ (i)	✓ (i)	7/7

Remuneration and Nomination Committee meetings

Director	17 Jun 20	23 Nov	10 Feb 21	Number
N Simamane	✓ (c)	✓ (c)	✓ (c)	3/3
N Bechan	✓	✓	✓	2/3
Dr N Patel	✓	✓	✓	3/3
Dr G Goolab			✓	1/1

Social and Ethics Committee meetings

Director	15 Jun 20	23 Nov 20	11 Feb 21	Number
Prof B Goolab	✓ (c)	✓ (c)	✓ (c)	3/3
A Devchand	✓	✓	✓	3/3
Dr N Patel	✓	✓	✓	3/3
F Meiring	✓	✓	✓	3/3

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

Board committees

Innovation and Disruption Committee

Since this committee was only established on 18 February 2021, no report is included in the FY2021 IAR.

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 and King IV and consists of three independent non-executive directors, approved by the shareholders at the annual general meeting. The CFO and the Company Advisor, Dino Theodorou (CA)SA are permanent invitees, as are the external auditors and the outsourced internal auditors. The Chief Medical Officer and Chief Commercial Officer are permanent invitees. Other members of the executive management, including the Information Technology Manager, are invited as expedient. All non-executive directors are free to attend any meeting of the committee on a voluntary, non-voting basis.

The Chairman of the Committee is a Chartered Accountant; the other members being qualified in law, business administration, and marketing, and through experience on the audit committees of other listed companies. The members provide a spread of disciplines as well as a diversity of knowledge, experience, race and gender.

In a year disrupted by the COVID-19 virus, the Committee was able to conduct its affairs and responsibilities by using technology for virtual meetings. This led to a number of ad-hoc meetings to consider the impacts of the fluid circumstances on risk, asset values, controls, operations and opportunities. The Committee met seven times during the year, four of which were in accordance with its formal program, and enjoyed full attendance at all meetings.

The Committee is conscious of the need for continuing education of its members and the need to stay abreast of current events that effect the work of audit committees. While in a normal year, the Audit Committee meeting agenda often includes addresses and presentations on subjects such as changes in legislation, taxation, insurance, IFRS, cyber-security etc, it was not possible to embrace such a program during the financial year. The individual members were fortunate in being exposed to extensive educational webinars and other virtual presentations on a host of topics of interest which enhanced the discussions on Committee matters.

The Committee reviewed the charter of the Audit and Risk Committee to ensure that it is consistent with industry best practice and recommended this for approval by the Board.

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

The transition of the role of CFO to Fredré Meiring, which commenced shortly before the beginning of the 2021 financial year, continued effortlessly throughout the year. Despite the impact of COVID-19, the finance division continued to function seamlessly, enforcing controls and producing reports on time, all of which provided the Committee considerable confidence in the performance of the CFO and the finance function.

The Committee very much regrets to record the death of the nominated audit partner, Kevin Gertenbach, from COVID-19 related complications. This came as a shock to all who knew Kevin and our thoughts remain with his family and work colleagues.

Audit Committee

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

In respect of external audit:

- ♦ Engaged with the senior partners of the external auditors, PKF Durban on the appointment of Rob Boule as the nominated partner to replace Kevin Gertenbach. The transition was completed smoothly during the year.
- ♦ Received and reviewed assurances on the independence of the external auditors, PKF Durban, and specifically the nominated partner Rob Boule. The Chairman also met with the managing partners of PKF Durban to test the audit practice policies on independence, partner succession planning, the quality of the audit team and the robustness of the audit. The Committee concluded that it is satisfied with the independence of the external auditors.
- ♦ Agreed the terms of engagement of the external auditors and recommended their appointment as external auditors as well as the designated audit partner, for shareholder consideration and approval at the annual general meeting (AGM) to be held on 5 August 2021.
- ♦ Reviewed the work program of the external auditors
- ♦ Determined and monitored a policy relating to non-audit services provided by PKF Durban, pre-approving such services where required.
- ♦ Reviewed the reports of the external auditors to management and to the shareholders and recommended action where necessary.
- ♦ Expressed its satisfaction with the competence of the external auditors and the quality of the audit.
- ♦ Made further enhancements to Lenmed's combined assurance model, arising from improved controls and technology and improved cooperation between external and internal audit.
- ♦ Held separate discussions with the external auditors and determined that:
 - there were no matters of concern
 - there were no inspection reports issued by audit regulators relevant to the Company over the review period.
- ♦ Approved the fees to be paid to PKF Durban for audit and non-audit matters.

The partner of PKF Durban responsible for the audit is Rob Boule, who has been appointed to this position this year. PKF Durban has been in office for 13 years and will be required to withdraw as external auditors in 2024 in terms of the IRBA demands for mandatory audit firm rotation. The Committee considers the implications of rotation on a regular basis and does not recommend an earlier rotation at this time.

In respect of internal audit:

- ♦ Approved the IA Charter.
- ♦ Worked closely with PwC as outsourced internal auditors and approved their work programmes. The risk register is made available to the internal auditors as is the strategic plan. These assist the internal auditors in designing their work plan and priorities.
- ♦ Encouraged the internal auditors to work closely with the external auditors to ensure quality assurance on controls and identified improvements in this relationship.
- ♦ Reviewed the reports and recommendations of the internal auditor and where necessary made recommendations to management thereon.
- ♦ Received no reports of fraud which lead to material financial loss.
- ♦ Received assurances from management and the internal auditors on the systems of internal control, which lead the Committee to



conclude that the controls are satisfactory. The Company regularly reviews and upgrades its control systems based on the changing dynamics of the industry and reports received. These serve as the standards on which the internal audit program is based.

- ♦ While some breaches in internal control were identified during the year, the impact on the Company has been negligible and the control systems were reinforced.
- ♦ Held separate discussions with the internal auditors and determined that there were no matters of concern.
- ♦ Expressed satisfaction on the performance of the internal auditors and that the internal audit is robust and effective.
- ♦ Considered a review by PwC of its work done relative to the requirements of the internal audit charter.

In respect of IT:

- ♦ Approved the terms of the IT charter and reviewed the work of the IT governance committee.
- ♦ Reviewed the IT risk register and made recommendations where appropriate.
- ♦ Received presentations on cyber-security threats and reviewed management’s recommendations on how to counter these. The current climate is more conducive than ever to cyber-attacks. The Group management continues to monitor these and has introduced several additional controls to provide a defence against such attacks. While no system can guarantee there will be no penetration from attack, our records show that we have been able to ward off such attacks, which occur almost daily. In addition, the Committee received a report from PwC covering a review into Lenmed’s cyber-security risks.
- ♦ Agreed with the decision of management to insure against cyber risk.
- ♦ Encouraged the implementation of robotic processing and the use of AI in the internal auditing of purchasing and other systems in the Group. These new systems will provide an opportunity for real-time internal auditing of a much wider field of transactions than can be achieved in traditional internal auditing processes.
- ♦ Considered the adequacy of the back-up and cloud arrangements to avoid business interruption.

In respect of accounting, finance and reporting matters:

- ♦ Reviewed and recommended to the Board the audited annual financial statements and AIR.
- ♦ Reviewed and recommended to the Board the company’s solvency and liquidity position and going concern status, specifically in the light of challenging operating conditions as a result of the impact of COVID-19 on Lenmed’s facilities.
- ♦ Reviewed and recommended to the Board the accounting policies and the consequences of IFRS 9.
- ♦ Reviewed the annual budget from a reasonableness perspective and considered the assumptions presented by management in the budget.
- ♦ Considered quarterly financial reports and noted the variances and the reasons for these.
- ♦ Reviewed the five-year profit and cashflow forecast.
- ♦ Considered tax reports and feedback from management on significant tax matters.
- ♦ Received no reports or complaints directly from third parties from within or outside the Group relating to
 - accounting practices
 - content or auditing practices of financial statements
 - internal financial controls of the Group
 - any related matters.
- ♦ Expressed its satisfaction with the competence and effectiveness of the CFO, Fredré Meiring.



- ♦ Expressed its satisfaction with the competence, expertise and experience of the finance function that supports the CFO.
- ♦ Expressed its satisfaction with the competence of the internal audit function.
- ♦ Reviewed the performance of the company against its loan covenants on a quarterly basis.
- ♦ Monitored the performance of the Committee against the requirements of King IV and recommended actions to close any gaps identified.
- ♦ Reviewed and recommended to the Board for approval, all announcements to shareholders.
- ♦ Concurred with the views of management that the adoption of the going concern premise in the preparation of the financial results is appropriate.
- ♦ The process of evaluation of the Committee is completed every second year and will be undertaken again in 2022.

Matters of importance addressed by the Committee included:

- ♦ External audit rotation: Described earlier.
- ♦ The impact of COVID-19 on the results and asset valuations:
 - General: The Committee had previously adopted the recommendations of SAICA issued in April 2020 on the application of IAS 10 in respect of subsequent events.
 - Goodwill: The Committee reviewed management’s assessment of goodwill and the need for impairment based on the market value of subsidiaries at the balance sheet date. In determining the value of the underlying investments in subsidiaries and the resultant goodwill as reflected on the Group balance sheet, management used the discounted cash flow (DCF) method as a primary valuation method. The DCF method utilises the weighted average cost of capital (WACC) to discount future expected cash flows. The WACC used in management’s valuation was determined at year end, based on comparative market observable information at the balance sheet date. The methodology applied by management was consistent with prior years. Based on these calculations, an impairment of R10.3 million to the value of goodwill carried in Shifa Private Hospital was made at the half year. When applying these same standards and practices at year end, the Committee agreed with recommendations of management that there was no requirement for any further impairment in goodwill.



- Valuation of Intangibles: The tests and procedures used in the valuation of Goodwill were also applied to Intangibles. No impairment was necessary.
- Valuation of properties: The same estimates were used to assess the need for impairment of properties in Daxina and Maputo.
- IFRS 9 and the determination of expected credit losses: The development of more empirical credit loss history led to more sophisticated determination of expected credit losses and an increase in the amount provided in this year.
- Going concern: The Committee reviewed the forward estimates and the assumptions on which these were based and confirmed that they were consistent with the data used in assessing asset impairment. The Committee concurred with the views of management that the Group fulfilled the criteria to be recognised as a going concern.
- ♦ King IV gap analysis: The Committee does not consider it necessary to recommend the appointment of third-party consultants to advise the Board of the sustainability of the Company. The Group is aware of the risks to its sustainability and makes plans to combat these through regular strategic planning sessions of executive management and the Board.
- ♦ The Committee received a report from PwC covering a review of Lenmed’s governance, risk and compliance. Overall, the outcome was positive with no major cause for concern.
- ♦ The Committee has recommended to the Board that an external evaluation of the internal audit function is not required as the internal audit function is outsourced to PwC.
- ♦ Key Audit Matters - there were no Key Audit Matters reported by PKF which required action from the Committee.

Other matters:

- ♦ Monitored compliance with applicable laws and regulations. This included an analysis of Lenmed’s legal risk register by an external legal advisor.
- ♦ Considered sustainability reporting and inputs in this regard from the Social and Ethics Committee as well as the Clinical Governance Committee.

Risk Committee

The Committee plays an oversight role in respect of risk management:

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

The Strategic Planning Meeting, which is usually held in January each year, was brought forward to November 2020 in order to re-address the risks prevailing because of COVID-19 and to plan strategy accordingly. Prior to that meeting and since the outbreak of the pandemic at the commencement of the financial year, management had acquitted themselves exceptionally well in keeping the operations of the hospitals functioning without any drop in standards, while ensuring the safety of staff and patients. The financial results and the statistics relating to outcomes of treatment of COVID-19 patients speak to themselves and the performance of management during this exceptionally stressful period.

Management kept the Board informed on a regular basis during the crisis and allowed the Committee to feel confident that teamwork within the organisation and with peer groups was operating to ensure the sustainability of the Group. While clinical risk was at the forefront of operational management’s concerns, the financial risks were also the close focus of the finance team.

It became obvious that the Group enjoyed a resilient balance sheet. The most significant risk that the Group faced during COVID-19 was the potential liquidity crunch through lower economic activity, inability of debtors to pay, and consequent breaches of loan covenants. The resilience of the balance sheet and the relationship with our bankers enabled management to keep a very tight control on liquidity and to renegotiate loan terms with improved covenants, which should continue to stand the Group in good stead over this period and the future.

The most important risks are recorded in the Company’s risk register, which is debated by the management executive committee, while the top ten are debated by the Risk Committee and the Board quarterly, with a view to controlling or eliminating these risks. The Chief Medical Officer in conjunction with the Clinical Risk Committee has further enhanced the clinical controls in the Group. Adequate provision has been made for the medico-legal claims which have arisen, while the report on clinical outcomes and risks is dealt with in the report of the Clinical Risk Committee.

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

The Company identifies risks under the headings of:

- | | | | |
|---|------------------|---|-------------------|
| 1 | Enterprise risk | 3 | Financial risk |
| 2 | Operational risk | 4 | Reputational risk |



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

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

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

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

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

The appointed insurance broker, Marsh, provides additional assurance on risk management through regular discussions with management and an annual presentation to the Risk Committee. At this presentation, the Committee considers the insurance arrangements to ensure that Lenmed has appropriate cover in place for all material risks. The Committee also considers the quality of the underwriters recommended by Marsh.

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

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

The Audit and Risk Committee received the reports of the IT Steering Committee. The IT executive attends the deliberations of the Audit and Risk Committee when invited and makes presentations to the Committee on progress on the implementation of SAP and data mining from the new systems; other technological systems such as robotic processing and artificial intelligence; and cyber-crime and IT policies. In addition, consideration is given to the planning and management of disaster-recovery as well as sustainability. A considerable proportion of IT management and IT operations are outsourced to ensure state of the art performance and to diversify risk. The performance of the outsourced services against service level agreements is reviewed annually by the IT committee. During the year, the systems were tested by benign hacking programs.

Any shortcomings found were the subject of additional program safeguards, controls and further system tests.

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

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

Conclusion

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

Signed on behalf of the Audit and Risk Committee



M G Meehan
Chairman





Remuneration and Nominations Committee report

Background statement

2021 proved a challenging year for most Remuneration Committees, more so in the context of a healthcare group where patient care had to be balanced with those of frontline healthcare staff, low occupancy levels and the additional cost of PPE. While all staff were challenged to perform at their best, this did not translate into profit and difficult decisions had to be made around salary sacrifices and bonus payments taking affordability and cashflow constraints into account. We also acknowledge the passing of four staff members (across the Group) due to COVID-19.

The voting results at the previous AGM (held on 10 September 2020) on the Remuneration Policy and the Implementation Report were 98.83% each for both. The Remuneration Committee (Remco) took the positive results into account and did not consider it necessary to engage shareholders on the matter.

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

Following careful discussion and debate, management were awarded average increases of 4% for the FY2021, in line with inflation-linked increases across the Group. The CEO proposed not to take an increase based on where the Group is currently placed. Remco considered and accepted this proposal. Remco is satisfied that it was independent and objective in awarding these increases.

Due to financial impact of COVID-19, especially in April 2020, management took the lead to initiate salary cuts for staff above Level D1 on a graded basis depending on the respective staff levels. The cut was for the three month period May to July 2020. This was also included as part of Lenmed's TERS application to the Unemployment Insurance Fund. These forfeited salaries were repaid to affected staff at the end of September. In addition, a pension holiday was also implemented to cushion the impact on staff take home pay over the COVID-19 period.

In addition to its regular activities of bedding down its policies and procedures and aiming for consistent standards across the Group, two significant appointments were made. Mark Bishop was appointed Chief Commercial Officer on 1 October 2020. Dr Guvant Goolab joined the Board as an independent non-executive director on 1 August 2020. Remco also continued its focus on King IV where there has been further progress since May 2019, with Lenmed now at a 90% compliance level. Succession planning at the hospital manager level, our concern around the recruitment of scarce healthcare skills and cost containment still remain focus areas. Remco is satisfied that the remuneration policy achieved its stated objectives for the year.

Board governance

The Chairman of the Board is Prakash Devchand with Mike Meehan as the lead independent director. Mike's role as Lead Independent is to, amongst others:

- Lead in the absence of the Chair
- Serve as a sounding Board for the Chair
- Act as an intermediary as between the Chair and other Board members, if necessary
- Deal with shareholder concerns where contact through normal channels has failed to resolve concerns, or where such contact is inappropriate
- To strengthen independence on the Board
- To chair discussions and decision making by the Board on matters where the Chair has a conflict of interest
- To lead the performance appraisal of the Chair.

Remuneration governance

Remco is now in its tenth 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 (Board Chairman); Fredré Meiring (CFO), Nilesh Patel (Chief Medical Officer); Amil Devchand (CEO); Bhavani Jeena (HR Manager) and the advisor from shareholder GFS Holdings (Pty) Ltd, Dino Theodorou, are also invited to attend the meetings.

Remco operates within a terms of reference, which was last approved by the Board on 19 June 2020. The terms of reference are benchmarked against King IV. On the whole, Remco has fulfilled its responsibilities according to the terms of reference. All outstanding items from the previous year which were to have been added to the annual workplan were attended to.



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

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

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

- ♦ Oversight of the establishment of the Innovation and Disruption Committee, to be chaired by Dr G Goolab. This is in line with a new strategy led by the CEO.
- ♦ Review of executive service contracts for the CEO, CFO, Chief Commercial Officer and Chief Medical Officer and their respective letters of appointment.
- ♦ Review of Board, Remco, Social and Ethics, Innovation and Disruption, Clinical Governance and Audit & Risk Committee membership.
- ♦ Review of directors up for re-election at the AGM.
- ♦ Review of director independence and a discussion around the factors determining independence and number of years on the Board.
- ♦ Approval of the executive annual bonus payments for the financial year ended February 2020. It is important to note that while incentive bonuses are typically paid to participants in the June/July after the financial year end, Remco approved the bonus awards but deferred the actual payment thereof until February 2021 in order to ensure affordability and that cashflows permitted these payments.
- ♦ Approval of the executive annual remuneration increases effective 1 March 2021.
- ♦ Oversight and discussion of the hospital managers' and Group functional heads' annual remuneration increases effective 1 March 2021.
- ♦ Annual performance discussion by the lead independent director with the Chairman, as per King IV requirements. The lead independent director canvassed views from Board members and invitees using a specific set of criteria. There was a unanimous view that the Chairman remains objective and leads the Board effectively.
- ♦ Review of non-executive director fees. Please refer to the section marked Non-executive directors, for a breakdown of non-executive director fees.
- ♦ Review of the Company Secretary's fees, which were considered appropriate. The Company Secretary performance was assessed at a Board level. The outcome was satisfactory, and feedback was given to the Company Secretary.
- ♦ Revision of the long service and share scheme awards. No revisions were effected in the current year.
- ♦ Review and discussion around the Lenmed organogram. This assisted in 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. In line with creating efficiencies in the Group and for planning for future growth, the CEO proposed certain changes to the organogram, which was debated and accepted by Remco. In

an effort to control costs, strict controls have been put in place for any new head office appointments.

- ♦ Review and discussion of executive and senior management succession planning. In the current year, Remco had oversight over the appointment of the Chief Commercial Officer and noted the appointment of the new Head of Operations, the Chief Information Officer and the Head of Digital Transformation. The roles of Group Nursing Education Manager and Group Infection Prevention Manager are also envisaged going forward.
- ♦ The Share Appreciations Rights (SARS) scheme was reviewed with no major amendments made. As such, annual awards were made under the scheme.
- ♦ Feedback from HR on a full review of staff members who are covered by medical aid (and how many remain without any cover), together with a review of the employer contribution to the scheme.
- ♦ Director Training: As per the previous year, various industry specialists were invited to address the directors at the annual strategy planning meeting earlier this year. This provided valuable insight and context into the healthcare environment. Due to COVID-19 no physical hospital visits were scheduled. However, directors attended various online training courses and discussion forum provided in the healthcare and auditing space.
- ♦ Review of staff pension fund and funeral arrangements.

Remuneration policy

In the context of the South African healthcare sector, where there is a shortage of staff generally, and a dire need to retain talented and higher level staff, it is the task of Remco to recommend strategies to attract, motivate, reward and retain staff of the highest calibre, whilst still being mindful of managing costs. Remco considers the remuneration packages of its executive directors and hospital managers, based on current role/responsibilities, individual performance, and current market levels of similar job profiles.

Lenmed's remuneration philosophy is to pay a fair salary in exchange for fair work done. We believe that we pay a fair salary within industry norms and, where the business case demands, we are prepared to compete for scarce skills. Once in our employ, we extend the 'We Do Care' policy to our staff, where we aim to retain and motivate staff using the various benefits discussed below. In doing so, we believe that we promote positive outcomes, and an ethical culture and responsible corporate citizenship.

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

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

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

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

Remuneration package formulation

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

Guaranteed portion of package

The increase in remuneration packages of Lenmed executives was considered at the 16 February 2021 Remco meeting for implementation on 1 March 2021. In considering the new remuneration packages, Remco took the tough trading conditions into account, together with the need for cost containment. It noted that an average increase across the Group was 4% and so a similar increase was applied to management. Cognisance was also taken of the benchmarking exercise conducted for Remco by an outsourced specialist firm. The benchmark revealed that the cost to company remuneration is below industry norms. However, this 'shortfall' is made up by the upside afforded by the short-term incentive scheme. This is in line with the Lenmed remuneration policy set out above.

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 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 linked to their individual packages, where the maximum targets are determined by respective job levels.

Remco has also had oversight of the implementation of the long-term incentive scheme (LTIS) which is now in its eighth year of operation. The scheme is based on a SARS and a performance share scheme. Guidelines or practice notes are recorded as amendments are made to the scheme. These notes then form an annexure to the original policy.

For the current reporting period no further adjustments were effected to the rules. 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
 - Category 1 – CEO
 - Category 2 – Direct reports to category 1
 - Category 3 – Direct reports to category 2

Scheme Rules: In addition to the above:

- The performance criteria for the SARS is a minimum 50% average achievement of the participant's short-term incentive bonus over the three years prior to vesting.
- Settlement is in cash or shares, at the discretion of Remco.
- Participants are not entitled to any dividends and have no voting rights.
- The strike price will remain static for the respective financial year.
- ♦ The following performance measures apply: If performance achieved is CPI and 2% or less, then only 50% of the shares will vest; if CPI + 3% to +6% is achieved, then 100% of the shares will vest and if CPI + 6% and above is achieved, then 125% of the shares will vest.
- ♦ 100% of the shares will vest at the end of year three.
- ♦ At its September 2020 meeting, (for the financial year ended February 2021), the fifth set of SARS were also issued at R2.73, per Remco's discretion not to apply the average OTC price for this period, due to the shares being illiquid. Remco applied its discretion to a price of R2.73 per share based on a presentation from our advisor who conducted a high-level indicative valuation of Lenmed using different valuation methodologies. The internal valuation methodologies included forward price earnings, discounted cash flow and forward EBITDA multiples.
- ♦ The following SARS awards were allocated to executive management on 1 August 2020 for the financial year ended February 2021:
 - Amil Devchand: 2 500 000
 - Fredré Meiring: 1 000 000
 - Nilesh Patel: 1 000 000
 - Mark Bishop: 1 000 000
 The above SARS will vest on 31 July 2023.

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; and
- ♦ A share award, to staff who have worked longer than 15 years. Under this scheme, employees are entitled to receive, on a once-off basis, R50 000 (pre-tax), either in cash or shares, once they have attained a service record of 15 years as at December 2020. For the current year, only the cash settled option was offered, considering the lower share price. This benefit is in addition to the cash award referred to above.

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

Other benefits

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



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). Dr Guvvant Goolab was appointed to the board on 1 August 2020. They are paid an annual retainer, plus attendance fees per meeting. These directors' fees are confirmed by shareholders at the Lenmed AGM. It is important to note that non-executive directors do not receive any payment related to performance of the Group and do not participate in any bonus arrangements.

Non-executive director fees are reviewed annually by management. For the 2021 AGM, there remains a focus on cost containment within the Group and considering the economic climate, it is proposed that the fees payable for the period from the 2021 to the 2022 AGM be increased by 4%, this being the general increase approved for management and staff. As such, it is appropriate for non-executive director fees to be increased by a similar percentage. The non-executive director fee proposal is set out in the following table:

Name	Retainer fee	Meeting fee per meeting	Chairman fee
Mike Meehan	R233 000	R18 050	R18 050
Bharti Harie	R233 000	R18 050	R18 050
Nomahlubi Simamane	R233 000	R18 050	R18 050
Prof Bashkar Goolab	R233 000	R18 050	R18 050
Dr Guvvant Goolab	R233 000	R18 050	R18 050

Implementation report

For total remuneration awarded to and realised by Executive management during the financial year please refer to Note 27.2 Compensation paid to directors and prescribed officers (Directors' Emoluments) of the Annual Financial Statements, which covers – for this and the prior year – total remuneration paid to directors, including the annual package, short-term bonuses and the fair value of shares that have vested under SARS. Prakash Devchand does not receive any further SARS due to his retirement as CEO on 29 February 2020.

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

Please note that the awards that vested on 31 July 2020 were awarded at R3.39 per share in 2017. As the 2021 strike price was confirmed at R2.73, no cash settlement was made on this particular set of SARS, due to these SARS being 'under water'.

SARS allocations	No of options	Strike price at issue date	Fair value as at February 2021	Vesting/expiry date
1 August 2018	9 600 000	R3.56	R899	31 July 2021
1 August 2019	9 950 000	R3.71	R81 760	31 July 2022
1 August 2020	10 400 000	R2.73	R868 214	31 July 2023

FY2020 short-term bonuses

Based on the computation model for the short-term target and the FY2020 financial results, the key performance indicators for headline earnings and return on equity were achieved and in fact exceeded the threshold. The Strategy Action Plan had also been incorporated into the KPA's and most of these were also achieved. Please note that the FY2020 bonus payments were held back and only made in February 2021.



Focus areas for 2022

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

- 1 Latest trends in remuneration governance
- 2 Managing staff health and safety during the COVID-19 pandemic, together with the current vaccine roll-out to staff
- 3 Monitoring the skills shortage in the sector and efforts to improve this
- 4 Cost containment across the Group, especially Head Office costs
- 5 Standardise staff benefits and policies across the Group.



Social and Ethics Committee report

Report to shareholders

The Social and Ethics Committee is pleased to present its report for the financial year ended 28 February 2021 to the shareholders of Lenmed Investments Limited.

This report is prepared in accordance with the requirements of the Companies Act, and describes how the Committee has discharged its statutory duties in terms of the Companies Act and its additional duties assigned to it by the Board.

Committee mandate

The mandate of the Committee is threefold:

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

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

Composition of the Committee

The Committee comprises suitably skilled and experienced members appointed by the Board. Ms N V Simamane, who is an independent non-executive director, chairs the committee. Committee members include Mr N Bechan, the Hospital Manager for Ethekwini Hospital and Heart Centre, and Dr N Patel, the Chief Medical Officer. Dr G Goolab was appointed to the Committee at the end of November 2020. Key information providers include senior managers in the areas of Human Resources, Finance, Marketing and Internal Audit, currently undertaken by PwC. The Group Company Secretary acts as the secretary of the Committee.

The Committee charter and work plan

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

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

The Committee's role and responsibilities

Role

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

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



Responsibilities

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

In fulfilling its statutory duties and performing its functions as delegated by the Board, the Committee considers and evaluates the sustainability of the Group in the following areas:

- ♦ Ethical culture and values
- ♦ Approach to compliance
- ♦ Commitment to transformation and B-BBEE
- ♦ Health and public safety, which includes occupational health and safety as well as the clinical quality of the Group's services and waste management
- ♦ Environmental matters
- ♦ Patient satisfaction
- ♦ Labour relations
- ♦ Corporate citizenship.

Policy review

The Committee is responsible for developing and reviewing the Group's policies with regard to the commitment, governance and reporting of the Group's sustainable development performance and for making recommendations to management and/or the Board in this regard. During the year, the Committee reviewed various policies including the following: Human Rights, CSI, Employee Equity, Employee Wellness and Chronic Illness, Environmental, Legal Ethical and Tax Ethical.



Summary report

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

The report shows the impact of the COVID-19 pandemic on the operations of the business and how this affected the social and ethics activities. Overall, everything that was in the work plan was undertaken with a skew towards focusing on the employees as front-line workers.

Social and economic development

Human Rights practices within the Company

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

Labour and employment practices

Regarding the ten principles of United Nations Global Compact, the Committee reviewed and acknowledged progress made in the areas of improvement identified in the gap analysis undertaken in the prior year.

The Committee reviewed the International Labour Organisation protocol on decent working conditions principles and included these in the Employee Relations Policy and Human Rights Policy.

The Committee reviewed the human resources reports including employee headcount, progress of employment initiatives undertaken during the year, employment equity reporting, skills development reporting and legislative updates. Reports on Employment Equity were submitted to the DOL timely.

Transformation

The Committee reviewed the Company's performance against the B-BBEE codes including Ownership, Skills development, Preferential Procurement, Management Control/Employment Equity, Supplier development, Enterprise development and Socioeconomic development.

The action plans implemented yielded great results as the Group achieved Level 2 from a rating of Level 4 in the previous year.

Corporate citizenship

Corporate social investment

The Company's CSI expenditure and its progress against planned initiatives during the year was assessed and found to be satisfactory, although some of the activities were somewhat curtailed due to COVID-19.

Anti-corruption, ethics and compliance

During the year, the Committee received various reports on ethics and compliance. It was further noted that relevant information on the Anti-corruption policy, Business Conduct policy and related legislation continued to be communicated to all employees. There were no incidents of fraudulent activities during this reporting period and no incidents of unethical or corrupt activities were raised via the whistle-blower hotline.

Labour relations

The labour relations climate is healthy, demonstrated by the few Commission for Conciliation, Mediation and Arbitration (CCMA) active cases, coupled with acceptable relations with trade unions.

Safety, health and environment

Environment, Health and Public Safety

The Environmental, Health and Safety Report that covered environment matters, disaster management, waste management and safety of patients and staff was reviewed. It was noted that there are appropriate processes in place covering health and safety and that this was actively managed. Comprehensive reports were received including updates on Clinical Governance with a particular focus on the response to COVID-19 and how Lenmed responded to circumstances as they changed. Reviews were undertaken on the communication and collateral developed for COVID-19, post exposure management, employee safety awareness and training, as well as addressing employee anxiety and concerns. The staff vaccination plan was shared with the Committee. It was further noted that infection control measures were in place and well under control.

An energy project framework was developed, highlighting the various available technologies to Lenmed. The environmental project to install water and electricity meters at all hospitals progressed well.

Stakeholder relations

An analysis of Lenmed's stakeholders was undertaken and strategies formulated following the understanding of their concerns and expectations.

Compliance with CPA, TCF, POPI, PAIA

The Group has committed to comply with all these Acts. Understanding of the requirements for each was undertaken in the prior year, and work continued on the action plans derived from the gap analysis.

Customer relationships

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

Employee engagement and wellness

The bulk of employee engagement revolved around ensuring their wellness as front-line workers during the COVID-19 pandemic. Enhanced tools were developed by Discovery Healthy Company. These included the wellness calendar, workshops and training to aid the understanding of COVID-19, as well as the provision of wellness advisors who gave support to employees.

Legislation

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

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

Committee self-assessment

The Committee assessed its performance and effectiveness and reported the results of this self-assessment to the Board for its consideration. The Board reviewed the self-assessment results in FY2021 and found the results to be satisfactory. The Committee Chairman updates the Board bi-annually on the work done by the Committee.

Report to shareholders

The Committee has reviewed and was satisfied with the content in the integrated report that is relevant to the activities and responsibilities of the Committee.

The agenda for the Company's 2021 AGM includes a report by the Committee Chairman to shareholders.







Annual Financial Statements

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Level of assurance

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

These financial statements were:
Prepared by – S R Mugova CA(SA)
Supervised by – N Gany CA(SA)



DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required by the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the consolidated annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated annual financial statements satisfy the International Financial Reporting Standards with regards to form and content, and present fairly the consolidated statement of financial position, results of operations and business of the Group, and explain the transactions and financial position of the business of the Group at the end of the financial year. The consolidated annual financial statements are based upon appropriate accounting policies consistently applied throughout the Group and supported by reasonable and prudent judgements and estimates.

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

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

The directors are of the opinion, based on the information and explanations given by management and the internal auditors, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss. The going concern basis has been adopted in preparing the financial statements. Based on forecasts and available cash resources the directors have no reason to believe that the Group will not be a going concern in the foreseeable future. The consolidated financial statements support the viability of the Group.

The consolidated annual financial statements have been audited by the independent auditing firm, PKF Durban, who have been given unrestricted access to all financial records and related data, including minutes of all meetings of the shareholders, the directors and committees of the directors. The directors believe that all representations made to the independent auditor during the audit were valid and appropriate. The external auditor's unqualified audit report is presented on pages 74 to 75.

The consolidated annual financial statements set out on pages 78 to 115, which have been prepared on the going concern basis, were approved by the directors and were signed on 27 May 2021 on their behalf by:



Mr A Deuchand
Chief Executive Officer



Mr F Meiring
Chief Financial Officer

REPORT OF THE AUDIT COMMITTEE

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

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

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

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

- The going concern basis of reporting is appropriate.
- The consolidated annual financial statements comply in all material respects with statutory and International Financial Reporting Standards disclosure requirements.
- The consolidated annual financial statements should be approved by the board and circulated to shareholders.



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

27 May 2021

STATEMENT OF COMPLIANCE BY THE COMPANY SECRETARY

I hereby confirm, in my capacity as company secretary of Lenmed Investments Limited and its subsidiaries, that for the financial year ended 28 February 2021, the company has filed all required returns and notices in terms of the Companies Act of South Africa, with the Companies and Intellectual Property Commission and that all such returns and notices are to the best of my knowledge and belief true, correct and up to date.



W Somerville
Company Secretary

27 May 2021



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Lenmed Investments Limited and its subsidiaries

Opinion

We have audited the consolidated financial statements of Lenmed Investments Limited and its subsidiaries (the Group) set out on pages 78 to 115, which comprise the consolidated statement of financial position as at 28 February 2021, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Lenmed Investments Limited and its subsidiaries as at 28 February 2021, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Lenmed Investments Limited Annual Integrated Report 2021" and in the document titled "Lenmed Investments Limited Consolidated Annual Financial Statements for the year ended 28 February 2021", which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as per required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual Integrated Report which is expected to be made available to us after the date. The other information does not include the consolidated or separate financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Consolidated Financial Statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting

from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PKF Durban has been the auditor of Lenmed Investments Limited for 13 years.



PKF Durban
Partner: R C Boule
Registered Auditor
Durban

Date: 27 May 2021



DIRECTORS' REPORT

The directors present their report for the year ended 28 February 2021.

Review of financial results and activities

Main business and operations

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

The operating results and consolidated statement of financial position of the Group are fully set out in the attached financial statements and further amplified in this report.

Group Financial Results

The Group's earnings before interest, taxation, depreciation and amortisation (EBITDA) amounted to R243.267 million (2020: R579.588 million).

Group's loss before taxation for the year amounted to R96.490 million (2020: (profit) R323.675 million) before taking into account a taxation credit of R27.086 million (2020: (expense) R85.826 million), resulting in loss after taxation for the year of R69.404 million (2020: (profit) R237.849 million).

The results of the Group are set out in the attached consolidated annual financial statements. The separate annual financial statements of the company are presented apart from the consolidated annual financial statements and were approved by the directors on 27 May 2021, the same date as the consolidated annual financial statements. The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards.

Impact of COVID-19

Since the emergence of COVID-19 in South Africa in early March 2020, trading circumstances have changed dramatically, resulting in increased levels of uncertainty prevalent in the global and domestic economies, with the healthcare sector and the Group not being spared. This has had a negative impact on the Group's trading activity with the reduction in both elective surgeries and non-COVID-19 in-patient admissions compared to the prior year. This heightened

uncertainty has predicated the Group to undertake the following actions to contain costs and enhance liquidity within the Group:

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

Refer to note 34 for the details of the impact of COVID-19.

The effects of the COVID-19 pandemic continue to impact the Group's business, profitability and cash flow.

Authorised and issued share capital

No changes were approved or made to the authorised or issued share capital of the company during the year under review.

Borrowings

In terms of the Memorandum of Incorporation of the company, the directors may exercise all the powers of the company to borrow money, as they consider appropriate.

The directors did not exceed any authorised levels of borrowings as required in the Memorandum of incorporation or the Companies Act during the year under review.

Dividend

The company's policy is to pay dividends at the discretion of the directors. No dividends were declared nor paid to ordinary shareholders of Lenmed Investments Limited during the year under review (2020: nil).

Directors

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

Mr P Devchand
Mr A Devchand
Mr F Meiring
Mr M G Meehan
Ms B Harie
Ms N V Simamane
Prof B D Goolab
Dr G Goolab (Appointed 1 August 2020)

Executive Chairman
Executive director and Chief Executive Officer
Executive director and Chief Financial Officer
Lead independent non-executive director
Independent non-executive director
Independent non-executive director
Non-executive director
Independent non-executive director

Company Secretary

The Group's designated company secretary is Mr W Somerville.

Independent auditors

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

Events after reporting date

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

The Group acquired 50.04% in Howick Private Hospital Holdings (Pty) Ltd from Mediclinic Southern Africa effective 1 March 2021. The hospital is a 46-bed facility situated in KwaZulu Natal. The Group is excited to be expanding its footprint in the province and for the opportunity to engage and work with the local medical community to bring Lenmed's compassionate and warm philosophy of healthcare to the community of Howick.

The Group finalised the restructure of its debt facility with Rand Merchant Bank in April 2021. The objective of the restructure was to create additional headroom and liquidity by deferring capital repayments to commence 12 months after restructure and to align the financial covenants to current operating performance. The undrawn facility for the Group at signature date of this report was approximately R300 million.

The directors are not aware of any matter, circumstance, results or cash flow arising since the end of the financial year to the date of this report that could have a material effect on the financial position of the Group, other than described above.

Going concern

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

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

Special resolutions

The following special resolutions were passed during the course of the year:

Annual general meeting of shareholders

- Approval of financial assistance in terms of section 44 and 45 of the Companies Act.
- Non-executive director fees for the 12 months following the annual general meeting.
- General authority to approve the acquisition of shares in the company.



STATEMENT OF COMPREHENSIVE INCOME

Figures in R'000	Notes	GROUP	
		2021	2020
Revenue	4	2 837 153	3 026 171
Cost of sales		(941 057)	(859 829)
GROSS PROFIT		1 896 096	2 166 342
Other income		114 904	91 667
Operating costs		(1 892 992)	(1 797 107)
PROFIT FROM OPERATING ACTIVITIES		118 008	460 902
Impairment of non financial assets	5	(92 074)	-
Interest income	6	2 054	2 896
Finance costs	7	(127 334)	(142 433)
Share of profit from equity accounted investments		2 856	2 310
(LOSS)/PROFIT BEFORE TAX		(96 490)	323 675
Income tax credit/(expense)	8	27 086	(85 826)
(LOSS)/PROFIT FOR THE YEAR		(69 404)	237 849
Other comprehensive income net of tax			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation reserve		(41 347)	61 149
Cash flow hedging reserve for interest rate hedging instrument		(14 195)	(3 319)
Total other comprehensive (loss)/income		(55 542)	57 830
TOTAL COMPREHENSIVE (LOSS)/INCOME		(124 946)	295 679
(Loss)/profit for the year attributable to:			
Owners of parent		(73 324)	199 549
Non-controlling interests		3 920	38 300
		(69 404)	237 849
Total comprehensive (loss)/income attributable to:			
Owners of parent		(127 727)	253 666
Non-controlling interests		2 781	42 013
		(124 946)	295 679
Earnings per share attributable to owners of the parent during the year			
Basic and diluted (loss)/earnings per share (cents)	9	(10.33)	28.12

STATEMENT OF FINANCIAL POSITION

Figures in R'000	Notes	GROUP	
		2021	2020
Assets			
Non-current assets			
Property, plant and equipment	11	2 733 660	2 828 714
Right-of-use assets	14	197 458	222 273
Goodwill	10	302 545	312 888
Intangible assets	12	20 659	26 282
Investments in subsidiaries and associates	13	6 344	4 108
Deferred tax assets	15	77 206	72 538
		3 337 872	3 466 803
Current assets			
Inventories	16	76 617	70 568
Trade and other receivables	17	988 099	1 035 888
Current tax assets		17 574	28 584
Cash and cash equivalents	18	52 797	36 696
		1 135 087	1 171 736
TOTAL ASSETS		4 472 959	4 638 539
Equity and liabilities			
Equity			
Stated capital	19	426 006	426 006
Accumulated profits		1 365 123	1 438 447
Other reserves	20	140 781	195 184
Non-controlling interests		216 292	213 817
TOTAL EQUITY		2 148 202	2 273 454
Liabilities			
Non-current liabilities			
Deferred tax liabilities	15	221 454	254 416
Derivative financial liabilities	23	5 681	2 562
Lease liabilities	14	210 911	221 113
Long-term liabilities	21	1 021 167	1 051 302
Loans from minorities	22	18 782	26 796
		1 477 995	1 556 189
Current liabilities			
Provisions	25	83 402	65 910
Trade and other payables	24	469 087	458 211
Current tax liabilities		6 088	31 581
Current portion of derivative financial liabilities	23	18 643	2 047
Current portion of lease liabilities	14	9 324	10 458
Current portion of long-term liabilities	21	112 844	113 893
Loans from minorities	22	15 112	15 112
Bank overdraft	18	132 262	111 684
		846 762	808 896
TOTAL EQUITY AND LIABILITIES		4 472 959	4 638 539



STATEMENT OF CASH FLOWS

Figures in R'000	Notes	GROUP	
		2021	2020 Restated
Cash flows from operations			
(Loss)/profit for the year		(69 404)	237 849
Income tax		(27 086)	85 826
Interest income		(2 054)	(2 896)
Finance costs		127 333	142 433
Depreciation and amortisation		125 259	118 688
Impairment losses recognised in profit or loss		92 074	-
Income from associates		(2 236)	390
Loss/(profit) on disposal of plant and equipment		953	(540)
<i>Working capital changes:</i>			
Increase in inventories		(6 509)	(5 331)
Decrease/(increase) in trade and other receivables		38 164	(339 307)
Increase in trade and other payables		34 940	96 506
NET CASH FLOWS FROM OPERATIONS		311 434	333 618
Finance costs		(127 333)	(142 433)
Interest income		2 054	2 896
Income taxes paid	26	(20 839)	(59 248)
NET CASH FLOWS FROM OPERATING ACTIVITIES		165 316	134 833
Cash flows used in investing activities			
Proceeds from sales of property, plant and equipment		382	4 129
Purchase of property, plant and equipment		(91 730)	(121 899)
- to maintain operating capacity		(107 645)	(77 349)
- to expand operating capacity		(7 605)	(53 006)
- instalment sale agreements (non-cash)		23 520	8 456
Purchase of intangible assets		(4 368)	(7 743)
CASH FLOWS USED IN INVESTING ACTIVITIES		(95 716)	(125 513)
Cash flows used in financing activities			
Net loans repaid		(61 777)	(22 278)
Loans raised		-	46 275
Loans paid		(61 777)	(68 553)
Lease liabilities		(10 766)	(12 894)
Dividend paid		(306)	(806)
Non-controlling interests share buy back		-	(854)
CASH FLOWS USED IN FINANCING ACTIVITIES		(72 849)	(36 832)
NET DECREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		(3 249)	(27 512)
Effect of exchange rate changes on cash and cash equivalents		(1 228)	2 047
Cash and cash equivalents at beginning of the year		(74 988)	(49 523)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	18	(79 465)	(74 988)

STATEMENT OF CHANGES IN EQUITY

Figures in R'000	Stated capital	Foreign currency translation reserve	Cash flow hedging reserve	Accumulated profits	Attributable to owners of the parent	Non-controlling interests	Total
BALANCE AT 1 MARCH 2019	426 006	141 067	-	1 240 261	1 807 334	169 746	1 977 080
Profit for the year	-	-	-	199 549	199 549	38 300	237 849
Other comprehensive income	-	57 436	(3 319)	-	54 117	3 713	57 830
Change in non-controlling interests	-	-	-	-	-	3 060	3 060
Dividends	-	-	-	-	-	(806)	(806)
IFRS 16 transition adjustment	-	-	-	(705)	(705)	-	(705)
Subsidiary share buy back	-	-	-	(658)	(658)	(196)	(854)
BALANCE AT 1 MARCH 2020	426 006	198 503	(3 319)	1 438 447	2 059 637	213 817	2 273 454
(Loss)/profit for the year	-	-	-	(73 324)	(73 324)	3 920	(69 404)
Other comprehensive loss	-	(40 208)	(14 195)	-	(54 403)	(1 139)	(55 542)
Dividends	-	-	-	-	-	(306)	(306)
BALANCE AT 28 FEBRUARY 2021	426 006	158 295	(17 514)	1 365 123	1 931 910	216 292	2 148 202
Notes	19						



ACCOUNTING POLICIES

1. Basis of preparation and summary of significant accounting policies

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

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

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

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

	28 FEBRUARY 2021		29 FEBRUARY 2020	
	BWP Pula	USD Dollar	BWP Pula	USD Dollar
Closing rate	R1.39	R15.12	R1.41	R15.66
Average rate	R1.43	R16.50	R1.35	R14.59

1.1 Basis of consolidation

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

Subsidiaries

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

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

Non-controlling interests in subsidiaries are presented in the consolidated statement of financial position separately from the equity attributable to equity owners of the parent company. Non-controlling shareholders' interest may initially be measured at fair value or the non-controlling shareholders' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made individually for each acquisition. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling having a deficit balance.

Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The investment in an associate is initially recognised at cost and adjusted for the Group's share in the net assets of the investee after the date of acquisition. If the Group's share of losses of an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses.

1. Basis of preparation and summary of significant accounting policies continued

1.2 Revenue from contracts with customers

Revenue for the services rendered and medical consumables sold in the ordinary course of business is recognised at the consideration received or receivable in terms of the contract with the patient net of indirect taxes and trade discounts. Revenue comprises the amounts charged for accommodation, equipment, ethicals, theatre fees, medical consumables and where the Group employs doctors, their fees related to professional services rendered. Revenue within the Group is eliminated on consolidation.

Revenue from accommodation, equipment rental, theatre, professional and ward fees is recognised over time when the service is rendered. Revenue from ethicals and medical consumables is recognised at a point in time when consumed. No element of financing is deemed present as revenue is made with credit terms of less than 365 days.

1.3 Other income

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

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

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

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

1.4 Cost of sales

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

1.5 Inventories

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

1.6 Tax

Current tax

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

Deferred tax

Deferred tax is provided on the liability method and is computed as the difference between the tax base and carrying amounts of assets and liabilities. Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for deductible temporary differences as well as unused tax losses to the extent that it is probable that taxable profits will be available against which the deductible temporary difference can be utilised. The probability of taxable profits are calculated based on business plans which includes estimates and assumptions regarding economic growth, interest and competitive forecasts. The carrying amount of the deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

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

1.7 Leases

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

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

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

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

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

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

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



ACCOUNTING POLICIES continued

1. Basis of preparation and summary of significant accounting policies continued

1.7 Leases continued

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

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation is recorded from the commencement date of the lease.

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

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

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

1.8 Goodwill

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

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

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.

1.9 Property, plant and equipment

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

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

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

The following are the current estimated useful lives:

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

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

1.10 Impairment of a non-financial asset

The carrying amounts of the assets other than deferred tax assets, inventory and financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount is estimated as the higher of the net selling price and value-in-use. For goodwill and intangible assets that have an indefinite useful life the recoverable amount is estimated at least annually.

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

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

1.11 Provisions

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

1.12 Employee benefits

Short-term employee benefits

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

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

1. Basis of preparation and summary of significant accounting policies continued

1.12 Employee benefits continued

The expected cost of profit-sharing and bonus payments is recognised when there is a present legal or constructive obligation to make such payments as a result of past events, and a reliable estimate of the obligation can be made. A present obligation exists when there is no realistic alternative but to make the payments.

Retirement benefits

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

When an employee has rendered service to an entity during a period, the contribution payable to a defined contribution plan in exchange for that service is recognised:

- As a liability, after deducting any contribution already paid. Where the contribution already paid exceeds the contribution due for service before the end of the reporting period, the excess is recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.
- As an expense, except where the amount is allowed as an inclusion in the cost of an asset.

1.13 Financial instruments

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

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

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

Cash and cash equivalents

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

Working capital balances

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

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

Trade and other receivables

Trade receivables are initially recognised at the transaction price and subsequently measured at amortised cost using the effective interest rate method and reduced by impairment losses.

The Group recognises lifetime Expected Credit Losses "ECL" for trade and other receivables. Under the simplified approach, the loss allowance is calculated over the lifetime of the asset. Trade receivables is disaggregated into major categories and the credit risk is assessed for each category. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Loss allowances are reviewed at the end of each reporting period.

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

Trade and other payables

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

Hedge accounting

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

- The hedging relationship consists only of eligible hedging instruments and eligible hedged items.
- At the inception of the hedge there is a formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge;
- The hedge relationship meets all of the hedge effectiveness requirements including that an economic relationship exists between the hedged item and the hedging instrument, the credit risk effect does not dominate the value changes, and the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

Cash flow hedges

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

Borrowings

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



ACCOUNTING POLICIES continued

1. Basis of preparation and summary of significant accounting policies continued

1.14 Intangible assets

Intangible assets are initially recognised at cost.

Intangible assets are considered for impairment if there is any reason to believe that impairment may be necessary. Factors taken into consideration include the economic viability of the asset itself and where it is a component of a larger cash-generating unit, the viability of the unit.

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

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

The assumptions regarding estimated useful lives for the 2021 financial year were as follows:

Computer software	5 years
Hospital licences	Indefinite

1.15 Contingencies and commitments

Contingent liabilities are a possible obligation whose existence will be confirmed by a future event or a present obligation which cannot be recognised because the probability of an outflow is remote or the amount cannot be measured reliably. 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.

1.16 Share incentive scheme

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

1.17 Foreign currency translation

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

Foreign currency transactions

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

Foreign operations

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

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

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

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

1.18 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.

1.19 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders by the weighted average number of outstanding shares during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the dilutive effect of all share options granted to employees.

2. Critical accounting estimates and judgements

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

Key sources of estimation uncertainty

2.1 Deferred tax

A deferred tax asset is recognised on unused tax losses adjusted for the current year to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. The Group considered the following criteria in assessing the probability that taxable profit will be available against which the unused tax losses can be utilised:

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

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

2.2 Financial instruments

Impairment of financial assets

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

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

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information such as:

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

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

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

2.3 Determination of lease terms for determining lease liability

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

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

Buildings

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

Plant and equipment

Due to the specialised nature of the Group's plant and equipment, the residual value attached to these assets has been estimated to be nil with useful lives of between 3 and 20 years.

Motor vehicles

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

2.5 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 between 15.9% and 18.3%. Based on these calculations, an impairment loss of R10.343 million was recognised. Refer to note 10 for further information.



ACCOUNTING POLICIES continued

2. Critical accounting estimates and judgements continued

2.6 Share-based payments

The fair value is calculated using the Black Scholes option pricing model. Please refer to note 24 for assumptions used in the model.

2.7 Control over subsidiaries

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

2.8 Significant influence over an associate

Renal Care Holdings (Pty) Ltd is an associate of the Group as described in note 13. Significant influence arises from the Group's 40% interest.

Lenasia Renal Centre (Pty) Ltd is an associate of the Group as described in note 13. Significant influence arises from the Group's 30% interest.

2.9 Fair value measurements and valuation processes

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

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

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

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

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

3. Changes in accounting policies and disclosures

Standards and interpretations effective and adopted in the current year

No new, revised or amended standards were implemented during the financial reporting period ended 28 February 2021.

Standards and interpretations effective not yet adopted

At the date of authorisation of these consolidated annual 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.

Standard	Annual periods beginning
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16)	01 January 2021
IFRS 3 – Reference to the Conceptual Framework	01 January 2022
IFRS 9 – Annual Improvements to IFRS Standards 2018–2020	01 January 2022
IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use	01 January 2022
IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract	01 January 2022
IAS 8 – Definition of accounting estimates	01 January 2023
IAS 1 – Classification of Liabilities as Current or Non-Current and disclosure of accounting policies	01 January 2023

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

Figures in R'000	GROUP	
	2021	2020
4. Revenue		
Revenue from accommodation, equipment rental, theatre, professional and ward fees is recognised when the service is rendered (Tariff). Revenue from ethicals and medical consumables is recognised when consumed (Non-tariff). There were no outstanding performance obligations at year end. No element of financing is deemed present as revenue is made with credit terms of less than 365 days.		
An analysis of revenue is as follows:		
Private healthcare services		
Non-tariff	692 871	819 798
Tariff	2 144 282	2 206 373
TOTAL REVENUE	2 837 153	3 026 171
5. Profit before interest and taxation		
Income		
Rental income	51 841	64 431
Profit on foreign currency transactions	1 843	3 140
Profit on disposal of property, plant and equipment	–	540
Expenses		
Depreciation and amortisation on intangible assets, plant and equipment	102 164	96 015
Depreciation on right-of-use assets	23 095	22 673
Employee benefit expenses	893 157	845 595
Impairment loss on non-financial assets*	92 074	–
Loss on disposal of property, plant and equipment	953	–
<i>* Impairment loss relates to goodwill and buildings – refer to notes 10 and 11.</i>		
Short-term leases, low value leases and leases that do not depend on an index or rate		
Property	22 303	17 214
Equipment	12 568	7 934
Other	14 335	10 393
	49 206	35 541
6. Interest income		
Interest received	2 054	2 896
7. Finance costs		
Long-term loans	92 704	102 081
Lease liabilities	16 019	15 141
Instalment sales agreements	562	2 365
Bank overdraft	18 049	22 846
TOTAL FINANCE COSTS	127 334	142 433



NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

Figures in R'000	GROUP	
	2021	2020
8. Income tax (credit)/expense		
8.1 Income tax recognised in profit or loss:		
Current tax		
Current year	6 025	73 123
Prior year adjustment	-	112
TOTAL CURRENT TAX	6 025	73 235
Deferred tax		
Originating and reversing temporary differences	(30 988)	11 972
Arising from prior period adjustments	(2 123)	619
TOTAL DEFERRED TAX	(33 111)	12 591
TOTAL INCOME TAX (CREDIT)/EXPENSE	(27 086)	85 826
8.2 The income tax for the year can be reconciled to accounting (loss)/profit as follows:		
Income tax calculated at 28.0%	28.00%	28.00%
Tax effect of:		
Under provision in prior year	(2.20%)	0.20%
Disallowed expenditure	0.71%	0.00%
Tax loss utilised	(22.70%)	0.00%
Income not taxable	(1.89%)	0.03%
Lower foreign tax rate	(0.60%)	(1.72%)
Unrecognised deferred tax asset	4.63%	0.00%
Impairment	22.12%	0.00%
EFFECTIVE TAX RATE	28.07%	26.51%
8.3 Estimated tax losses		
Utilised in the deferred tax balance	340 659	201 112
Not recognised as a deferred tax asset	15 955	-
UNUSED TAX LOSSES AVAILABLE FOR SET-OFF AGAINST FUTURE TAXABLE INCOME	356 614	201 112
9. Loss/earnings per share		
Basic earnings per share		
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:		
(Loss)/profit for the year attributable to owners of the company for continuing operations	(73 324)	199 549
Weighted average number of ordinary shares used in the calculation of basic earnings per share	709 534	709 534
Basic and diluted (loss)/earnings per share (cents)	(10.33)	28.12

Figures in R'000	Goodwill
10. Goodwill	
10.1 Reconciliation of changes in goodwill	
Reconciliation for the year ended 28 February 2021	
At cost	312 888
Movements for the year ended 28 February 2021	
Impairment loss recognised in profit or loss	(10 343)
GOODWILL AT THE END OF THE YEAR	302 545
Closing balance at 28 February 2021	
At cost	312 888
Accumulated impairment	(10 343)
NET BOOK VALUE	302 545
Reconciliation for the year ended 29 February 2020	
At cost	312 888

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

Figures in R'000	GROUP	
	2021	2020
Lenmed Health Laverna	5 125	5 125
Lenmed Health Shifa	6 939	17 282
Lenmed Health Kathu Private Hospital	10 378	10 378
Lenmed Ethekwini Hospital and Heart Centre	280 103	280 103
	302 545	312 888

An annual impairment test is conducted on goodwill. Management determines the recoverable amounts of cash-generating units as being the higher of net selling price or value-in-use. In the absence of active market, value-in-use is used to determine the recoverable amount. A traditional method of discounting management's best estimate of future cash flows attributable to the cash-generating unit has been applied to determine the value-in-use. A growth rate has been applied to the cash flow streams to take into account the effect of inflation. Management has based its cash flow projections covering a 5 year period.

Assumptions used in the calculation of the discount rate:

- R186 rate was yielding 7.31% as at 28 February 2021 (2020: 8%)
- A market risk premium of 10% (2020: 6%), given the unlisted nature of the Group as well as the economic impact of the COVID-19 pandemic.
- Beta of 0.7 (2020: 0.8) is appropriate in the current environment and based on the defensive nature of the Group.

Value-in-use calculations have been based on a subjective pre-tax discount rate of between 15.9% and 18.3% (2020: 14.1% and 14.9%).

The combination of changes in key assumptions resulted in an impact on the calculation value and as a result an impairment loss of R10.343 million was recognised for Lenmed Health Shifa.

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



NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

11. Property, plant and equipment

Balances at year end and movements for the year

Figures in R'000	Land	Buildings	Leasehold improvements	Plant and equipment
Reconciliation for the year ended 28 February 2021				
CARRYING VALUE AT 1 MARCH 2020	298 690	2 069 562	648	376 498
Movements for the year ended 28 February 2021				
Additions from acquisitions	2 935	12 598	39	76 542
Decrease through net exchange differences	(3 138)	(15 796)	-	(9 192)
Depreciation	-	(8 228)	(470)	(66 057)
Impairment loss recognised in profit or loss	-	(81 731)	-	-
Disposals	-	-	-	(1 265)
PROPERTY, PLANT AND EQUIPMENT AT THE END OF THE YEAR	298 487	1 976 405	217	376 526
Closing balance at 28 February 2021				
At cost	298 487	2 085 676	7 670	804 600
Accumulated depreciation and impairment	-	(109 271)	(7 453)	(428 074)
NET BOOK VALUE	298 487	1 976 405	217	376 526

An impairment loss is recognised to the extent by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs of disposal. During the year, an impairment test was performed for buildings in the Group. Based on the calculation performed the recoverable amount of certain buildings was lower than the carrying value and thus an impairment loss of R81.731 million was recognised.

Reconciliation for the year ended 29 February 2020				
CARRYING VALUE AT 1 MARCH 2019	288 872	2 005 760	2 120	371 430
Movements for the year ended 29 February 2020				
Additions from acquisitions	922	40 243	-	63 584
Increase/(decrease) through net exchange differences	8 896	31 708	-	7 626
Depreciation	-	(8 149)	(1 398)	(63 443)
Disposals	-	-	(74)	(2 699)
PROPERTY, PLANT AND EQUIPMENT AT THE END OF THE YEAR	298 690	2 069 562	648	376 498
Closing balance at 28 February 2020				
At cost	298 690	2 086 367	7 632	765 603
Accumulated depreciation	-	(16 805)	(6 984)	(389 105)
NET BOOK VALUE	298 690	2 069 562	648	376 498

Certain property, plant and equipment have been used as security for financing facilities. Refer to note 21.

Motor vehicles	Furniture and fittings	Office equipment	Computer equipment	Total
1 130	56 175	2 017	23 994	2 828 714
1 286	4 859	66	13 848	112 173
(94)	(3 353)	-	(415)	(31 988)
(660)	(7 094)	(698)	(8 966)	(92 173)
-	-	-	-	(81 731)
-	(70)	-	-	(1 335)
1 662	50 517	1 385	28 461	2 733 660
4 673	101 576	10 256	94 887	3 407 825
(3 011)	(51 059)	(8 871)	(66 426)	(674 165)
1 662	50 517	1 385	28 461	2 733 660
1 476	49 656	3 145	15 670	2 738 129
-	9 429	678	15 499	130 355
6	3 821	-	388	52 445
(231)	(6 447)	(750)	(7 563)	(87 981)
(121)	(284)	(1 056)	-	(4 234)
1 130	56 175	2 017	23 994	2 828 714
3 903	100 306	10 218	82 629	3 355 348
(2 773)	(44 131)	(8 201)	(58 635)	(526 634)
1 130	56 175	2 017	23 994	2 828 714



NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

12. Intangible assets

Reconciliation of changes in intangible assets

Figures in R'000	Computer software	Hospital licences	Total
Reconciliation for the year ended 28 February 2021			
CARRYING VALUE AS AT 1 MARCH 2020	23 803	2 479	26 282
Movements for the year ended 28 February 2021			
Additions	4 368	-	4 368
Amortisation	(9 991)	-	(9 991)
INTANGIBLE ASSETS AT THE END OF THE YEAR	18 180	2 479	20 659
Closing balance at 28 February 2021			
At cost	40 915	2 479	43 394
Accumulated amortisation	(22 735)	-	(22 735)
NET BOOK VALUE	18 180	2 479	20 659
Reconciliation for the year ended 29 February 2020			
CARRYING VALUE AS AT 1 MARCH 2019	24 094	2 479	26 573
Movements for the year ended 29 February 2020			
Additions	7 743	-	7 743
Amortisation	(8 034)	-	(8 034)
INTANGIBLE ASSETS AT THE END OF THE YEAR	23 803	2 479	26 282
Closing balance at 29 February 2020			
At cost	36 547	2 479	39 026
Accumulated amortisation	(12 744)	-	(12 744)
NET BOOK VALUE	23 803	2 479	26 282

Intangibles are valued as per note 1.14. All intangibles are tested annually for impairment. The estimation of the indefinite useful life of hospital licences is based on historic performance as well as expectations about future use. Software relates to the Group's deployment of SAP software at its various facilities.

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

13. Investments in subsidiaries and associates

13.1 Composition of the Group

Information about the incorporation of the Group is as follows:

Name of subsidiary	% shareholding
Direct	
Lenmed Health (Pty) Ltd	100%
Lenmed Health Africa (Pty) Ltd	100%
Lenmed Health Finance Company (Pty) Ltd	100%
Indirect	
Ahmed Kathrada Private Hospital (Pty) Ltd	100%
Lenmed Health Daxina Private Hospital (Pty) Ltd	100%
Lenmed Health Management Company (Pty) Ltd	100%
Lenmed Health Properties (Pty) Ltd	100%
Lenmed Health Randfontein Private Hospital (Pty) Ltd	100%
Lenmed Health Shifa (Pty) Ltd	100%
Lenmed Health Zamokuhle (Pty) Ltd	100%
Maputo Private Hospital Limitada	100%
Mozambique Private Laboratory Limited	100%
Nu-Yale Trust	100%
Royal Hospital and Heart Centre (Pty) Ltd	100%
Lenmed Health Laverna (Pty) Ltd	93%
Lenmed Ethekwini Hospital and Heart Centre (Pty) Ltd	77%
Lenmed Health Bokamoso Private Hospital (Pty) Ltd	70%
Lenmed Health Kathu Private Hospital (Pty) Ltd	67%
Lenmed Health Kathu Properties (Pty) Ltd	60%

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



NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

13. Investments in subsidiaries and associates continued

Summarised financial information for subsidiaries with material non-controlling interests before inter-company eliminations.

	Lenmed Ethekewini Hospital and Heart Centre (Pty) Ltd
Figures in R'000	
% of interest and voting rights held by non-controlling interests	22.99%
At 28 February 2021	
Extract from statement of financial position	
Non-current assets	874 284
Current assets	137 432
Non-current liabilities	(204 371)
Current liabilities	(121 548)
Accumulated non-controlling interests at the end of the reporting period	(154 812)
Extract from statement of comprehensive income	
Revenue	606 121
Profit or loss	25 722
Profit for the year allocated to non-controlling interest	5 913
Extract from statement of cash flows	
Cash inflow from operating activities	46 195
Cash outflow from investing activities	(28 538)
Cash outflow from financing activities	(18 539)
NET CASH OUTFLOW	(882)
At 29 February 2020	
Extract from statement of financial position	
Non-current assets	852 878
Current assets	148 206
Non-current liabilities	(232 846)
Current liabilities	(117 025)
Accumulated non-controlling interests at the end of the reporting period	(148 898)
Extract from statement of comprehensive income	
Revenue	735 139
Profit or loss	82 541
Profit for the year allocated to non-controlling interests	18 979
Extract from statement of cash flows	
Cash inflow from operating activities	89 769
Cash outflow from investing activities	(45 456)
Cash outflow from financing activities	(46 077)
NET CASH OUTFLOW	(1 764)

13. Investments in subsidiaries and associates continued

The Group's investment in Lenasia Renal Care (Pty) Ltd and Renal Care Holdings (Pty) Ltd are accounted for under the equity method of accounting.

Figures in R'000	GROUP	
	2021	2020
Lenasia Renal Centre (Pty) Ltd.		
The Group owns 30% of Lenasia Renal Care Centre (Pty) Ltd, a renal dialysis unit situated adjacent to Ahmed Kathrada Private Hospital.		
Opening balance	1 966	2 571
Share of associate earnings	370	295
Dividends received	(300)	(900)
CLOSING BALANCE	2 036	1 966
Renal Care Holdings (Pty) Ltd		
The Group owns 40% of Renal Care Holdings (Pty) Ltd, a renal dialysis holding company.		
Opening balance	2 141	1 926
Share of associate earnings	2 486	2 016
Dividends received	(320)	(1 800)
CLOSING BALANCE	4 308	2 142
INVESTMENT IN ASSOCIATES	6 344	4 108

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



NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

Figures in R'000	GROUP	
	2021	2020
14. Lease liabilities		
14.1 Amounts recognised in the statement of financial position		
Right-of-use assets		
Buildings	197 458	222 273
<i>Reconciliation of right-of-use asset:</i>		
Opening carrying value	222 273	244 946
Additions	3 595	-
Depreciation	(23 095)	(22 673)
Reassessment of lease contract	(1 730)	-
Foreign currency exchange difference	(3 585)	-
CARRYING VALUE	197 458	222 273
Right-of-use assets relate to various property and equipment leases.		
Right-of-use-assets represent the present value of future minimum lease payments discounted at a rate of between 6.5% and 9.5% after taking the lease term ranging between 1 and 19 years into account.		
Right-of-use-assets is depreciated over the lease term ranging between 1 and 19 years.		
Lease liabilities		
Non-current lease liability	210 911	221 113
Current portion of lease liability	9 324	10 458
	220 235	231 571
<i>Maturity analysis of future lease payments outstanding at the reporting date:</i>		
FOR THE YEAR ENDED 28 FEBRUARY 2021	220 235	231 571
TOTAL FUTURE LEASE PAYMENTS	356 596	383 650
Due within 1 year	22 562	26 386
Due between 2 and 5 years	110 517	87 029
Greater than 5 years	223 517	270 235
TOTAL FUTURE FINANCE COSTS	136 361	152 079
Due within 1 year	14 249	15 063
Due between 2 and 5 years	61 238	53 537
Greater than 5 years	60 874	83 479
TOTAL LEASE LIABILITY	220 235	231 571
Due within 1 year	8 313	11 323
Due between 2 and 5 years	49 279	33 492
Greater than 5 years	162 643	186 756
<i>Reconciliation of lease liabilities</i>		
Opening carrying value	231 571	
Additions	3 595	
Lease payments	(10 766)	
Foreign currency exchange difference	(4 165)	
CARRYING VALUE	220 235	

Figures in R'000	GROUP	
	2021	2020
14. Lease liabilities continued		
14.2 Amounts recognised in the statement of comprehensive income		
Depreciation		
Buildings	23 095	22 675
Other expenses and gains		
Interest expense	16 019	15 141
Short-term lease expenses	49 206	35 541
14.3 Amounts recognised in the statement of cash flows		
Cash flow from operations		
Interest paid	(16 019)	(15 141)
Cash flow from financing activities		
Lease liabilities	(10 766)	(12 894)
15. Deferred tax		
15.1 The analysis of deferred tax assets and deferred tax liabilities is as follows:		
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	77 206	72 538
	77 206	72 538
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	(221 454)	(254 416)
	(221 454)	(254 416)
NET DEFERRED TAX (LIABILITIES)/ASSETS	(144 248)	(181 878)



NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

15. Deferred tax continued

15.2 Reconciliation of deferred tax asset

Figures in R'000	Property, plant and equipment	Provisions	Assessed losses
Opening balance at 1 March 2020	(6 263)	20 668	54 597
(Charged)/credited to profit or loss	(33 264)	4 684	28 948
Credited to other comprehensive income	-	-	-
Exchange difference	-	-	(1 001)
CLOSING BALANCE AT 28 FEBRUARY 2021	(39 527)	25 352	82 544
Opening balance at 1 March 2019	405	5 880	59 898
(Charged)/credited to profit or loss	(6 668)	14 788	(5 301)
Credited to other comprehensive income	-	-	-
CLOSING BALANCE AT 29 FEBRUARY 2020	(6 263)	20 668	54 597

Reconciliation of deferred tax liability

Figures in R'000	Property, plant and equipment	Provisions	FV in Step acquisition
Opening balance at 1 March 2020	(218 447)	14 115	(46 866)
Credited/(charged) to profit or loss	25 893	(7 753)	-
CLOSING BALANCE AT 28 FEBRUARY 2021	(192 554)	6 362	(46 866)
Opening balance at 1 March 2019	(205 955)	15 481	(46 866)
(Charged)/credited to profit or loss	(9 890)	(820)	-
Prior year adjustment	-	(546)	-
Exchange difference	(2 602)	-	-
CLOSING BALANCE AT 29 FEBRUARY 2020	(218 447)	14 115	(46 866)

* Other comprises of lease liability and foreign currency translation on loan.

Share-based payment accrual	Lease liability	Prepaid expense	Cash flow hedging reserve	Total
715	2 332	(802)	1 291	72 538
(449)	2 638	(2 408)	-	149
-	-	-	5 520	5 520
-	-	-	-	(1 001)
266	4 970	(3 210)	6 811	77 206
1 056	-	(31)	-	67 208
(341)	2 332	(771)	-	4 039
-	-	-	1 291	1 291
715	2 332	(802)	1 291	72 538

Lease smoothing adjustment	Assessed loss	Prepaid expense	Other*	Total
(1 728)	2 431	(1 127)	(2 794)	(254 416)
71	16 562	(362)	(1 449)	32 962
(1 657)	18 993	(1 489)	(4 243)	(221 454)
(482)	7 363	(3 159)	(2 902)	(236 520)
(1 246)	(4 932)	2 032	108	(14 748)
-	-	-	-	(546)
-	-	-	-	(2 602)
(1 728)	2 431	(1 127)	(2 794)	(254 416)



NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

Figures in R'000	GROUP	
	2021	2020
15. Deferred tax continued		
15.3 Deferred tax assets where utilisation is dependent on future taxable profits		
Amount of the deferred tax asset raised where utilisation is dependent on future taxable profits	96 073	56 031
Deferred tax assets not recognised because of uncertainty of availability of future taxable profits amounts to R4.467 million (2020: nil).		
16. Inventories		
Inventories comprise:		
Merchandise	93 599	70 895
Allowance for obsolete stock	(16 982)	(327)
	76 617	70 568
Allowance for obsolete stock		
Balance at beginning of year	327	1 134
Allowance raised	16 655	(807)
BALANCE AT END OF YEAR	16 982	327
17. Trade and other receivables		
17.1 Trade and other receivables comprise:		
Trade receivables	1 061 112	1 082 614
Allowance for expected credit loss	(186 410)	(147 914)
TRADE RECEIVABLES – NET	874 702	934 700
Sundry debtors	57 040	49 635
Prepaid expenses	18 890	24 988
Deposits	11 042	4 184
Doctors rental	22 494	22 124
Value added tax	3 931	257
	988 099	1 035 888

The carrying value of trade and other receivables approximated their fair value due to the short-term nature of these receivables.

		GROUP	
		2021	2020
Figures in R'000			
17. Trade and other receivables	continued		
17.2 Movements in allowance for expected credit loss			
At the beginning of the year		147 914	82 400
Impairment raised		62 223	95 537
Written off during the year		(23 727)	(30 023)
AT THE END OF THE YEAR		186 410	147 914
<p>The Group determines the expected credit loss allowance using the provision matrix approach. The provision rates are based on days past due for groupings of various customer categories with similar loss patterns (mainly by customer type). The customer types are Medical Aid funders, Government, Workmen's Compensation, Private patients and the Road Accident Fund. Credit risk per category is determined using past information and experience with debtors as well as expectations of the future recoverability of amounts due from debtors. Trade and other receivables are written off when there is no reasonable expectation of recovery. Debtors written off are subject to enforcement activities under the Group's debtor collection procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.</p> <p>The loss allowance is summarised as:</p>			
Group			
<i>Allowance for expected credit losses:</i>			
Less than 30 days		5 725	12 796
30-59 days		8 132	9 150
60-89 days		8 148	5 159
90-119 days		7 155	5 092
120 days and over		157 250	115 717
		186 410	147 914
<i>Weighted average allowance for expected credit losses rate:</i>			
Less than 30 days		3%	5%
30-59 days		11%	7%
60-89 days		14%	7%
90-119 days		16%	7%
120 days and over		55%	27%
		20%	15%



NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

Figures in R'000	GROUP	
	2021	2020
18. Cash and cash equivalents		
18.1 Cash and cash equivalents included in current assets:		
Cash		
Cash on hand	2 402	946
Balances with banks	50 395	35 750
	52 797	36 696
18.2 Overdrawn cash and cash equivalents included in current liabilities		
Bank overdrafts	(132 262)	(111 684)
Current assets	52 797	36 696
Current liabilities	(132 262)	(111 684)
	(79 465)	(74 988)
Favourable cash balances to the value of R29.682 million (2020: R26.757 million) have been ceded to Rand Merchant Bank as security for facilities provided.		
The carrying value of cash and cash equivalents approximated their fair value due to the short-term nature of these instruments.		
19. Issued capital		
Authorised and issued share capital		
Authorised		
1 000 000 000 (2020: 1 000 000 000) ordinary shares at no par value.		
Issued		
709 533 909 ordinary shares at no par value (2020: 709 533 909 ordinary shares)	426 006	426 006
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.		
20. Reserves		
Cash flow hedging reserve	(17 514)	(3 319)
Foreign currency translation reserve	158 295	198 503
TOTAL RESERVES	140 781	195 184
Cash flow hedging reserve		
The effective portion of gains and losses on interest rate swaps used to manage cash flow interest rate risk are recognised in other comprehensive income and accumulated in the cash flow hedging reserve. Refer to note 23 for further information.		
Foreign currency translation reserve		
This reserve exists due to exchange differences arising on translation of assets and liabilities of the Group's foreign subsidiaries, Lenmed Health Bokamoso Private Hospital (Pty) Ltd, Maputo Private Hospital SA and Mozambique Private Laboratory Limited. The foreign currency translation reserve has been valued as stated in note 1.18.		

Figures in R'000		GROUP	
		2021	2020
21. Long-term liabilities			
21.1 Mortgage bonds			
Rand Merchant Bank	These loans are secured by a first ranking mortgage bond over the Group's land and buildings with a carrying amount of R1.863 billion (2020: R1.522 billion) and a notarial bond of movable assets with a carrying value of R389.777 million (2020: R360.443 million). Interest has been charged at rates linked to JIBAR. The loan is split in 4 facilities. Facility A is a 5 year term loan and with a balance outstanding of R240 million. Interest repayable quarterly and capital repayable every 6 months. Facility B is a 5 year term loan and with a balance outstanding of R700 million. Interest is payable quarterly with no capital repayments until the end of the term where the full capital is meant to be repaid. Facility C is a 3 year term loan and with a balance outstanding of R75 million. Interest is payable quarterly with no capital repayments until the end of the term where the full capital is meant to be repaid. Facility D is USD denominated loan with interest payable quarterly. The loan is repayable over the remaining 15 months with capital payments every 6 months. The USD balance outstanding as at 28 February 2021 is USD3.485 million (2020: USD4.545 million). The Group hedges a portion of its interest rate risk by using interest rate swaps exchanging variable rate interest for fixed rate interest – refer to note 23. Subsequent to year end, the Group renegotiated the terms of those loans – refer to note 37.	1 067 690	1 086 189
First National Bank Limited	These loans from First National Bank are secured by land and buildings with a carrying amount of R87.052 million (2020: R81.723 million) (refer to note 11). Interest has been charged at rates linked to prime. This loan is repayable in monthly instalments of R1 million (2020: R1.548 million).	34 999	49 626
Loans Payable to vendors	These loans did bear interest at 15.25% (2020: 15.25%) per annum and were secured by land and buildings, the cession of the Shifa hospital licence and general notarial bond over the movable assets of Lenmed Health Shifa (Pty) Ltd. Repayable in monthly instalments of nil (2020: R0.125 million)	-	1 181
		1 102 689	1 136 996
Non-current portion of long-term liabilities		1 008 753	1 036 782
Current portion of long-term liabilities		93 936	100 214
		1 102 689	1 136 996
21.2 Instalment sales agreements			
Instalment sales agreements comprise:			
Wesbank, a division of FirstRand Bank Ltd	Repayable in monthly instalments of R1.339 million (2020: R2.827 million). Interest has been charged at rates of interest linked to the prime lending rate. Secured by plant and equipment with a book value of R54.368 million (2020: R56.803 million).	31 322	24 399
Centrafina (Pty) Ltd	Repayable in monthly instalments of nil (2020: R0.281 million). Interest has been charged at rates of interest linked to the prime lending rate. In the prior year, this was secured by plant and equipment with a book value of R10.546 million.	-	3 161
Philips Healthcare	Repayable in monthly instalments of nil (2020: R0.656 million). Interest has been charged at rates of interest linked to the prime lending rate. In the prior year, this was secured by plant and equipment with a book value of R4.686 million.	-	639
		31 322	28 199
Non-current portion of instalment sales agreements		12 414	14 520
Current portion of instalment sales agreements		18 908	13 679
		31 322	28 199



NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

Figures in R'000	GROUP	
	2021	2020
22. Loans from minorities		
Loans from minorities comprise:		
Board of Public Officers Medical Aid Scheme (BPOMAS)	-	9 331
This loan was unsecured, bore interest at rates linked to prime in Botswana and was repayable within 7 years from inception, subject to the availability of funds at Lenmed Health Bokamoso Private Hospital (Pty) Ltd. The Pula balance payable at year end is nil (2020: P6.599 million).		
ATM Healthcare (Pty) Ltd	18 782	17 465
The loan is unsecured, has no fixed terms of repayment and bears interest at prime rate.		
Lenmed Ethekewini Hospital and Heart Centre (Pty) Ltd non-controlling shareholders	15 112	15 112
These loans are unsecured, have no fixed terms of repayment and bear no interest.		
	33 894	41 908
Non-current liabilities	18 782	26 796
Current liabilities	15 112	15 112
	33 894	41 908
23. Derivative financial liabilities		
Derivates designated as hedging instruments		
Interest rate swaps - cash flow hedge	24 324	4 609
Reconciliation of interest rate swaps		
Opening balance	4 609	-
Fair value through other comprehensive income	14 195	3 319
Deferred tax on fair value adjustment	5 520	1 290
CLOSING BALANCE	24 324	4 609
Non-current portion of derivative financial liabilities	5 681	2 562
Current portion of derivative financial liabilities	18 643	2 047
	24 324	4 609

The Group manages its cash flow interest rate risk by using variable to fixed interest rate swaps. Gains and losses recognised in the cash flow hedging reserve in equity on interest rate swap contracts as at 28 February 2021 will be released to profit and loss as the related interest expense is recognised. The interest rate swaps expire on 31 May 2022 and relate to a notional amount of R750 million worth of borrowings from Rand Merchant Bank with the 3 month JIBAR fixed at an average rate of 6.55%. The 3 month JIBAR rate at year end was 3.342%.

Figures in R'000	GROUP	
	2021	2020
24. Trade and other payables		
Trade and other payables comprise:		
Trade creditors	428 778	407 535
Cash settled share based payments	951	2 554
Other payables	18 708	28 466
Value added tax	20 650	19 656
TOTAL TRADE AND OTHER PAYABLES	469 087	458 211

Cash-settled share based payments

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

1) nil (2020: 6.950 million) SARs

8.600 million SARs were issued on 1 August 2017 to three executive directors and sixteen members of senior management, at a price of R3.39 each. As at 28 February 2021, the rights had vested (2020: 6.950 million SARs were in issue).

2) 7.700 million SARs (2020: 8.450 million) SARs

9.600 million SARs were issued on 1 August 2018 to three executive directors and fifteen members of senior management, at a price of R3.56 each. As at 28 February 2021, 7.700 million (2020: 8.450 million) SARs were in issue. The reduction from the prior is due to the senior management attrition during the year.

3) 8.750 million SARs (2020: 9.800 million) SARs

9.800 million SARs were issued on 1 August 2019 to two executive directors and twenty members of senior management, at a price of R3.71 each. As at 28 February 2021, 8.750 million (2020: 9.800 million) SARs were in issue.

4) 9.650 million SARs

9.650 million SARs were issued on 1 August 2020 to two executive directors and twenty two members of senior management, at a price of R2.73 each.

The Group has determined that the allocation should be accounted for as an cash-settled share-based payment transaction. The fair value of the SARs was calculated using the Black Scholes option pricing model. The amount recognised in the annual financial statements for the current year, in accordance with IFRS 2: Share-based payments, is an expense reversal of R1.549 million (2020: R1.219 million).

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

	2	3	4
Last determined price as at 28 February 2021	R2.94	R2.94	R2.94
Last determined price as at 29 February 2020	R3.74	R3.74	R3.74
Risk-free rate	7.31%	7.31%	7.31%
Volatility	13%	13%	13%
Dividend yield	0%	0%	0%
Long-term inflation	4%	4%	4%

The risk-free rate of 7.31% (2020: 8.05%) has been assumed based on the prevailing return on a five-year RSA Government Bond as at year end.

The volatility of 13% (2020: 10%) was determined based on the historic volatility of the Group's share price over the previous year.

The carrying value of trade and other payables approximated their fair value due to the short-term nature of these payables.



NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

Figures in R'000	GROUP	
	2021	2020
25. Provisions		
25.1 Provisions comprise:		
Provisions for employee benefits	66 846	44 993
Other provisions	16 556	20 917
	83 402	65 910

Figures in R'000	Leave pay provision	Bonus provision	Other provision	Total
25.2 Reconciliation for provisions				
Balance at 1 March 2020	23 342	21 651	20 917	65 910
Increase in existing provisions	36 272	24 194	-	60 466
Provisions utilised	(17 732)	(20 881)	(4 361)	(42 974)
BALANCE AT 28 FEBRUARY 2021	41 882	24 964	16 556	83 402
Balance at 1 March 2019	13 225	27 202	16 219	56 646
Increase in existing provisions	30 931	8 671	4 698	44 300
Provisions utilised	(20 814)	(14 222)	-	(35 036)
BALANCE AT 29 FEBRUARY 2020	23 342	21 651	20 917	65 910

Figures in R'000	GROUP	
	2021	2020
26. Income tax paid		
Amounts (payable)/receivable at the beginning of the year	(2 997)	10 389
Amounts (receivable)/payable at the end of the year	(11 486)	2 997
Taxation credit/(expense)	27 086	(85 826)
Less deferred tax included in taxation expense	(33 111)	12 591
Foreign exchange movements	(331)	601
	(20 839)	(59 248)

27. Related parties

27.1 Related parties transactions

Transactions and balances between the Group and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation.

The Group paid rentals to a non-subsidiary related party property company amounting to R1.811 million (2020: R1.618 million). The directors deem this rental to be market-related.

The remuneration and benefits received by the directors are disclosed in note 27.2.

Entity name	Relationship	Transaction	2021	2020
Central City Investments (Pty) Ltd	Common director	Rental paid	1 811	1 618

27.2 Compensation paid to directors and prescribed officers

Name	Fees paid	Salaries, bonuses and performance related payments	Bonuses	Long term incentive bonus	Total remuneration
2021					
Mr P Devchand	-	2 000	4 350*	-	6 350
Mr A Devchand	-	4 700	3 375*	-	8 075
Mr F Meiring	-	3 585	1 458*	-	5 043
Mr M G Meehan	509	-	-	-	509
Ms B Harie	492	-	-	-	492
Ms N V Simamane	492	-	-	-	492
Prof B D Goolab	474	-	-	-	474
Dr G Goolab**	234	-	-	-	234
TOTAL COMPENSATION PAID TO DIRECTORS AND PRESCRIBED OFFICERS	2 201	10 285	9 183	-	21 669
2020					
Mr P Devchand	-	4 331	1 640	1 775	7 746
Mr A Devchand	-	3 375	1 325	710	5 410
Mr F Meiring	-	1 458	-	-	1 458
Mr V E Firman	-	1 690	1 590	710	3 990
Mr M G Meehan	478	-	-	-	478
Ms B Harie	461	-	-	-	461
Ms N V Simamane	463	-	-	-	463
Prof B D Goolab	478	-	-	-	478
TOTAL COMPENSATION PAID TO DIRECTORS AND PRESCRIBED OFFICERS	1 880	10 854	4 555	3 195	20 484

* The bonuses disclosed under 2021 financial year were based on the Group performance in 2020 financial year and only paid out in FY2021. Mr P Devchand stepped down as CEO at the end of February 2020 but remains Chairman and a Board member.

** Dr G Goolab was appointed on 1 August 2020.



NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

28. Contingent liabilities

Certain Compensation for Occupational Injuries and Diseases (COID) debtors are factored between 83% and 84% of their original value. The factoring houses have recourse should they not be able to recover the debt. The total funds received but still open to recourse amounted to R14.559 million as at reporting date (2020: R17.246 million).

Within the framework of the annual review of contingent liabilities, medical malpractice contingent liabilities for a total amount of R8.800 million have been identified at 28 February 2021. The Group does not recognise contingent liabilities in the statement of financial position until future events indicate that it is probable that an outflow of resources will take place and a reliable estimate can be made, at which time a provision is raised. A provision has been created of R7.200 million for current and pending legal cases and reflected within other provisions (note 25). The Group is not aware of any other current or pending legal cases that would have a material adverse effect on the Group.

29. Financial risk management

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

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:

29.1 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. The Group is exposed to interest rate risk through its commitments in interest bearing borrowings, lease liabilities, cash and cash equivalents and instalment sale agreements. The Group enters into derivative interest rate swap instruments in order to mitigate a portion of its interest rate risk and applies hedge accounting where the effectiveness criteria are met.

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 and without taking into account the hedging benefits of the interest rate swap referred to in note 23:

Figures in R'000	GROUP	
	2021	2020
Interest bearing loans payable	1 102 689	1 136 996
Instalment sale liabilities	31 322	28 199
Lease liabilities	220 235	231 571
Loans from minorities	18 782	26 796
Bank overdraft	132 262	111 684
	1 505 290	1 535 246
Sensitivity analysis		
Increase of 100 basis points would result in a reduction in profit before tax of	(15 053)	(15 352)
Decrease of 100 basis points would result in an improvement in profit before tax of	15 053	15 352

29. Financial risk management continued

29.2 Credit risk

Credit risk is the risk of financial loss due to counterparties to financial instruments not meeting their contractual obligations.

The Group deposits surplus cash with major reputable banks with high credit standing and between various financial institutions to limit the exposure to any one counterparty.

The Group evaluates credit risk relating to customers using credit verification and independent rating procedures. Individual risk limits are set for patients without medical aid insurance. Services to customers without medical aid insurance are settled in cash or using major credit cards on discharge date as far as possible.

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

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of revenue over a period of 12 months before 28 February 2021 or 1 March 2020 respectively and the corresponding historical credit losses experienced within this period. The historical cost rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the patients to settle the receivables. The maximum exposure is the carrying amount as disclosed in trade and other receivables note 17.

29.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate un-utilised borrowing facilities are available. In addition, the Group maintains a strong business relationship with its bankers.

Maturities of financial liabilities

The tables below analyse the group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities, and net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

Contractual maturities of financial liabilities

Figures in R'000	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Year ended 28 February 2021						
Trade and other payables excluding non-financial liabilities (Note 24)	448 437	-	-	-	448 437	448 437
Derivatives (Note 23)	18 643	-	5 681	-	24 324	24 324
Lease liabilities (Note 14)	22 562	110 517	223 517	-	356 596	220 235
Mortgage bonds (Note 21)	169 204	239 683	828 157	-	1 237 044	1 102 689
Instalment sale agreements	18 908	-	14 148	-	33 056	31 322
Loans from minorities (Note 22)	15 112	-	20 097	-	35 209	33 894
Bank overdraft (Note 18)	132 262	-	-	-	132 262	132 262
TOTAL NON-DERIVATIVES	825 128	350 200	1 091 600	-	2 266 928	1 993 163
Year ended 29 February 2020						
Trade and other payables excluding non-financial liabilities (Note 24)	438 555	-	-	-	438 555	438 555
Derivatives (Note 23)	2 047	-	-	2 562	4 609	4 609
Lease liabilities (Note 14)	26 386	87 029	270 235	-	383 650	231 571
Mortgage bonds (Note 21)	93 326	170 152	1 068 892	-	1 332 370	1 136 996
Instalment sale agreements	13 679	-	14 520	-	28 199	28 199
Loans from minorities (Note 22)	15 112	-	26 796	-	41 908	41 908
Bank overdraft (Note 18)	111 684	-	-	-	111 684	111 684
TOTAL NON-DERIVATIVES	700 789	257 181	1 380 443	2 562	2 340 975	1 993 522



NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

29. Financial risk management continued

29.4 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 bank interest bearing debt excluding lease liabilities less cash and cash equivalents. Capital comprises all components of equity (i.e. ordinary shares, minority interest, retained earnings and other reserves).

Figures in R'000	GROUP	
	2021	2020
The debt to capital ratio at year end is as follows:		
Mortgage bonds	1 102 689	1 136 996
Instalment sale agreements	31 322	28 199
TOTAL INTEREST BEARING DEBT	1 134 011	1 165 195
Cash and cash equivalents	79 465	74 988
NET INTEREST BEARING DEBT	1 213 476	1 240 183
Total capital	2 148 202	2 273 454
Debt to capital ratio	56%	55%
Foreign Currency Translation Reserve	158 295	198 503
Refer to Note 1 for the exchange rates used to translate its foreign operations.		
Rand Merchant Bank USD-denominated loan facility at year end was:		
Loan		
Valued in USD	3 485	4 545
Valued in Rands	52 698	71 175
Sensitivity analysis		
If the Rand weakened by 10%, it would result in a decrease of profit before tax of:	(5 270)	(7 117)
If the Rand strengthened by 10%, it would result in an increase of profit before tax of:	5 270	7 117

30. Financial assets

30.1 Carrying amount of financial assets by category

Figures in R'000	At amortised cost	Total
Year ended 28 February 2021		
Trade and other receivables excluding non-financial assets (Note 17)	969 209	969 209
Cash and cash equivalents (Note 18)	52 797	52 797
	1 022 006	1 022 006
Year ended 29 February 2020		
Trade and other receivables excluding non-financial assets (Note 17)	1 010 643	1 010 643
Cash and cash equivalents (Note 18)	36 696	36 696
	1 047 339	1 047 339

31. Financial liabilities

31.1 Carrying amount of financial liabilities by category

Figures in R'000	Fair value through other comprehensive income	At amortised cost	Total
Year ended 28 February 2021			
Derivatives (Note 23)	24 324	-	24 324
Lease liabilities (Note 14)	-	220 235	220 235
Mortgage bonds (Note 21)	-	1 102 689	1 102 689
Instalment sale agreements	-	31 322	31 322
Loans from minorities (Note 22)	-	33 894	33 894
Trade and other payables excluding non-financial liabilities (Note 24)	-	448 437	448 437
Bank overdraft (Note 18)	-	132 262	132 262
	24 324	1 968 839	1 993 163
Year ended 29 February 2020			
Derivatives (Note 23)	4 609	-	4 609
Lease liabilities (Note 14)	-	231 571	231 571
Mortgage bonds (Note 21)	-	1 136 996	1 136 996
Instalment sale agreements	-	28 199	28 199
Loans from minorities (Note 22)	-	41 908	41 908
Trade and other payables excluding non-financial liabilities (Note 24)	-	438 555	438 555
Bank overdraft (Note 18)	-	111 684	111 684
	4 609	1 988 913	1 993 522

31.2 Fair value hierarchy

Financial liabilities that are measured at fair value on a recurring basis are as follows:

Figures in R'000	Level 2
Year ended 28 February 2021	
Derivatives (Note 23)	24 324
Year ended 29 February 2020	
Derivatives (Note 23)	4 609



NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

32. Going concern

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

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

33. Comparative figures

Certain comparative figures have been reclassified in the statement of cash flows to correctly account for the effects of the foreign currency translation of foreign operations. No third statement of financial position was required because there was no impact on equity for the earliest period presented.

Figures in R'000	GROUP	
	2021	2020
The effects of the reclassification are as follows:		
Increase in net cash flows from operating activities	-	6 385
Decrease in cash flows used in financing activities	-	(7 928)
Net decrease in cash and cash equivalents before effect of exchange rate changes	-	(1 543)
Effect of exchange rate changes on cash and cash equivalents	-	1 543
34. Impact of COVID-19		
Statement of comprehensive income		
Cost of sales	83 853	-
Operating costs	33 920	-
	117 773	-
The Group incurred additional expenditure, which included personal protective equipment, hospital hygiene and deep-cleaning costs, protective consumables, amongst other costs due to exercising of social distancing, care of patients and trying to curb the spread of the virus. The Group has split the costs between what has been included as cost of sales and operating costs. The cost of sales is an estimate amount and it was based on the incremental cost from the prior year personal protective equipment cost per patient day. The operating costs are actual costs incurred due to COVID-19 and can be separately identified. Included in operating costs is a COVID-19 Temporary Employer Relief Scheme (TERS) benefit amounting to R17.084 million received during the year ended 28 February 2021.		
The effects of the COVID-19 pandemic continue to impact the Group's business, profitability and cash flow, the impact of which remains uncertain.		
35. Commitments		
Capital commitments		
The construction, renovation and upgrading of hospital buildings	640	5 583
The acquisition of plant and equipment	8 689	19 825
Acquisition of shares in Howick Private Hospital Holdings (Pty) Ltd	22 600	-
	31 929	25 408

Figures in R'000	GROUP	
	2021	2020
36. Segment information		
36.1 General information		
Consistent with the Group's internal reporting, the chief operating decision maker, being the Executive Committee, views the Group's operating results as a single segment and makes decisions about resources to be allocated and assesses performance accordingly.		
The IFRS 8 required information about the Group as a single segment for the profit or loss, including specified revenues and expenses, and assets and liabilities have already been disclosed elsewhere in these consolidated annual financial statements.		
The revenue from external customers for groups of similar products and services are disclosed in note 4.		
The following geographical information is reported on:		
Revenues from external customers		
South Africa	(1 964 226)	(2 235 808)
Outside of South Africa	(872 927)	(790 363)
GROUP TOTAL REVENUES FROM EXTERNAL CUSTOMERS	(2 837 153)	(3 026 171)
Non-current assets other than financial instruments and deferred tax assets		
South Africa	2 613 055	2 648 623
Outside of South Africa	647 611	745 641
GROUP TOTAL NON-CURRENT ASSETS OTHER THAN FINANCIAL INSTRUMENTS AND DEFERRED TAX ASSETS	3 260 666	3 394 264

37. Events after the reporting date

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

The Group acquired 50.04% in Howick Private Hospital Holdings (Pty) Ltd from Mediclinic Southern Africa effective 1 March 2021. The hospital is a 46-bed facility situated in KwaZulu Natal. The Group is excited to be expanding its footprint in the province and for the opportunity to engage and work with the local medical community to bring Lenmed's compassionate and warm philosophy of healthcare to the community of Howick.

The Group finalised the restructure of its debt facility with Rand Merchant Bank in April 2021. The objective of the restructure was to create additional headroom and liquidity by deferring capital repayments to only commence after 12 months of the restructure and to align the financial covenants to current operating performance. The committed undrawn facility for the Group at signature date of this report was approximately R300 million.

The directors are not aware of any matter or circumstance arising since the end of the financial year to the date of this report that could have a material effect on the financial position of the company other than described above.



ACRONYMS AND GLOSSARY

Acronyms

ABET	Adult Basic Education and Training
AGM	Annual General Meeting
AI	Artificial intelligence
AIR	Annual integrated report
ARMs	Alternative Revenue Models
B-BBEE	Broad-based Black Economic Empowerment
BI	Business intelligence
CA	Chartered Accountant
CCMA	Commission for Conciliation, Mediation and Arbitration
CCO	Chief Commercial Officer
CEM	Customer experience management
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CHD	Congenital Heart Disease
CIMs	Incident management system
CIO	Chief information officer
CMO	Chief Medical Officer
COID	Compensation for Occupational Injuries and Disease
Companies Act	The South African Companies Act, 71 of 2008, as amended
COO	Chief Operating Officer
CPD	Continuing Professional Development
CSI	Corporate Social Investment
CTG	Cardiotocograph
DCF	Discounted cash flow
DoH	Department of Health
DOL	Department of Employment and Labour
DSP	Designated service provider
EBITDA	Earnings Before Interest, Taxation, Depreciation and Amortisation
ECL	Expected credit losses
EPS	Earnings per share
ERP	Enterprise Resource Planning
GEMS	Government Employees Medical Scheme
GDP	Gross Domestic Product
FY	Full financial year

HASA	Hospital Association of South Africa
HCAHPS	Hospital Consumer Assessment of Healthcare Providers and Systems
HEPS	Headline earnings per share
HMI	Health Market Inquiry
HR	Human Resources
IA	Internal Audit
IASB	International Accounting Standards Board
ICU	Intensive Care Unit
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IMF	International Monetary Fund
IRBA	Independent Regulatory Board for Auditors
IRBA Code	The Code of Professional Conduct for Registered Auditors
ISA	International Standards on Auditing
IT	Information Technology
JIBAR	Johannesburg Inter-Bank Average Rate
JSE	Johannesburg Stock Exchange
LTIs	Long-term incentive scheme
MAFs	Medical Aid Funders
MoI	Memorandum of incorporation
NCDs	Non-communicable diseases
NDOH	National Departments of Health
NHI	National Health Insurance
NHN	National Hospital Network
NICD	National Institute for Communicable Diseases
NQF	National Qualifications Framework
OTC	Over-the-counter shares
POPI	Protection of Personal Information
PPD	Paid patient days
PPE	Personal Protective Equipment
PUI	Persons under investigation
PwC	Pricewaterhouse Coopers Inc.
RAF	Road Accident Fund
RDDP	Revenue per PPD
Remco	Remuneration Committee

SAICA	South African Institute of Chartered Accountants
SARs	Share appreciation rights
SSI	Surgical Site Infection
TB	Tuberculosis
TERS	Temporary Employer Relief Scheme
VPN	Virtual private network
WACC	Weighted Average Cost of Capital
WHO	World Health Organisation
WSP	Workplace Skills Plan
YoY	Year on year
YTD	Year to date



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.
Bluebird	An online clinical decision support system.
Brownfields	Start a project based on prior development or to rebuild a facility from an existing one.
Carbon footprint	The amount of carbon dioxide released into the atmosphere as a result of the activities of a particular individual, organisation, or community.
Cataract	A medical condition in which the lens of the eye becomes progressively opaque, resulting in blurred vision.
Clinical governance	A systematic approach to maintaining and improving the quality of patient care within a health system.
Competition Commission	A statutory body constituted by the South African government, empowered to investigate, control and evaluate restrictive business practices, abuse of dominant positions and mergers in order to achieve equity and efficiency in the South African economy.
Compliance	Abiding by both industry regulations and government legislation.
COVID-19	A disease caused by a new strain of coronavirus. 'CO' stands for corona, 'VI' for virus, and 'D' for disease. Formerly, this disease was referred to as '2019 novel coronavirus' or '2019-nCoV'.
Employment Equity	Promoting equal opportunity and fair treatment in employment through elimination of unfair discrimination and implementing affirmative action measures.
Greenfields	Previously undeveloped sites for commercial development or exploitation.
Infection control	The discipline concerned with preventing healthcare associated infection.
Integrated Report	A concise communication about how an organisation's strategy, governance, performance and prospects lead to the creation of value over the short, medium and long term.
King IV™ Code	King IV™ Code of Governance reporting principles.
Learnership	A work-based learning programme that leads to an NQF registered qualification.
Lockdown	A state of isolation or restricted access instituted as a security measure.
Management contract	An arrangement under which operational control of an enterprise is vested by contract in a separate enterprise that performs the necessary managerial functions in return for a fee.
Material issues	Issues that a reasonable shareholder would consider important in deciding how to vote their shares or invest their money.
Medical aid funders	The business of undertaking health service liabilities.
Medical aid tariffs	The cost of a service negotiated by a medical fund with a preferred provider, such as doctors and hospitals.
Medical schemes	The business of undertaking health service liability in return for a premium or contribution.
Medical waste	All waste materials generated at healthcare facilities, including used needles and syringes, soiled dressings, diagnostic samples, blood, chemicals, pharmaceuticals, medical devices and radioactive materials.
Neonatal	Relating to newborn children
Oncology	The study and treatment of tumours.
Paediatric	A medical specialty that manages medical conditions affecting babies, children and young people.
Pandemic	A disease prevalent over a whole country or the world.
Pharmaceutical	Medicinal drugs, their preparation, use or sale.
Protocols	Official procedure or system of rules.
Radiotherapy	The treatment of disease, especially cancer, using X-rays or similar forms of radiation.
Renal	Relating to the kidneys.
Risk appetite	The amount of risk a company is willing to accept in pursuit of value.
the Group	Lenmed Investments Limited and its subsidiaries.
Transformation	Increased access and opportunities for previously disadvantaged South Africans.
Unlisted company	A company that can have an unlimited number of shareholders to raise capital for any commercial venture.



NOTICE OF ANNUAL GENERAL MEETING

LENMED INVESTMENTS LIMITED

(Registration number 1980/003108/06) (“the Company” or “Lenmed”)

Notice is hereby given to the Shareholders that the Thirty-Ninth Annual General Meeting (“AGM”) of Lenmed Investments Limited (“the Company” or “Lenmed”) in respect of the financial year ended 28 February 2021 will be held on **Thursday, 5 August 2021 at 15:00, entirely through electronic communication** as permitted by the Companies Act, 71 of 2008 (as amended), for the purposes of passing, with or without modification, the ordinary and special resolutions set out below.

Shareholders will need to register, **by latest on Tuesday, 3 August 2021**, to participate in the AGM. Details are set out in Annexure A to this Notice of AGM.

References in this notice of AGM, to the “Companies Act” means the Companies Act, number 71 of 2008 (as amended).

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

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

Ordinary resolutions

ORDINARY RESOLUTION NUMBER 1: ANNUAL FINANCIAL STATEMENTS

“RESOLVED THAT the annual financial statements of the Company for the year ended 28 February 2021, 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 (MOI) of the Company, one third of the directors shall retire from office at the AGM.

ORDINARY RESOLUTION NUMBER 2: RE-ELECTION OF DIRECTOR

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

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

ORDINARY RESOLUTION NUMBER 3: RE-ELECTION OF DIRECTOR

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

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

ORDINARY RESOLUTION NUMBER 4: RE-ELECTION OF DIRECTOR

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

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

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

ORDINARY RESOLUTIONS NUMBERS 5, 6 AND 7: APPOINTMENT OF AUDIT AND RISK COMMITTEE MEMBERS

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

ORDINARY RESOLUTION NUMBER 5

“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 6

“RESOLVED THAT Mr M G Meehan be and is hereby appointed as a member of the Audit and Risk Committee.”

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

ORDINARY RESOLUTION NUMBER 7

“RESOLVED THAT Ms N V Simamane be and is hereby appointed as a member of the Audit and Risk Committee.”

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

ORDINARY RESOLUTION NUMBER 8: RE-APPOINTMENT OF EXTERNAL AUDITORS OF THE COMPANY

“RESOLVED THAT the re-appointment of PKF Durban as the external registered auditors of the Company, and being independent from the Company, be and is hereby approved and Mr R Boule (IRBA number 373 427) be and is hereby appointed as the designated audit partner for the financial year ending 28 February 2022.”

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

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

ORDINARY RESOLUTION NUMBER 9.1: NON-BINDING ADVISORY VOTE ON THE COMPANY’S REMUNERATION POLICY

“To endorse on a non-binding advisory basis, the Company’s Remuneration Policy (excluding the remuneration of the non-executive directors for the services as directors and members of Board committees).”

The Company’s Remuneration Policy and related information appears in the Annual Integrated Report.

ORDINARY RESOLUTION NUMBER 9.2: NON-BINDING ADVISORY VOTE ON THE COMPANY’S REMUNERATION IMPLEMENTATION REPORT

“To endorse on a non-binding advisory basis, the Company’s Remuneration Implementation Report.”

The Company’s Remuneration Implementation Report and related information appears in the Annual Integrated Report.

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

NOTES TO ORDINARY RESOLUTIONS NUMBERS 9.1 AND 9.2:

- Principle 14 and sub-practice 37 of King IV™ recommends that companies table their Remuneration Policy and Implementation Report every year to shareholders for a non-binding advisory vote at the Company's AGM. This vote enables shareholders to express their views on the remuneration policies adopted and on their implementation.
- These resolutions are of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing arrangements. However, the Board of Directors of the Company will take the outcome of the vote into consideration when considering the Company's Remuneration Policy.

Special resolutions

SPECIAL RESOLUTION NUMBER 1: APPROVAL OF FINANCIAL ASSISTANCE

"RESOLVED THAT to the extent required by the Companies Act, the Board of Directors of the Company may, subject to compliance with the requirements of the Company's MOI and the Companies Act, each as presently constituted and as amended from time to time, authorise the Company to provide direct or indirect financial assistance by way of loan, guarantee, the provision of security or otherwise, to any of its present or future subsidiaries and/or any other company or entity that is or becomes related or inter-related to the Company or any of its subsidiaries, and/or to any member of such subsidiary or related or inter-related company or entity, all as contemplated in sections 44 and/or 45 of the Companies Act, for such amounts and on such terms and conditions as the directors of the Company may determine;

such authority to endure until the AGM of the Company for the year ended 28 February 2022."

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

Motivation for special resolution number 1

Notwithstanding the title of section 45 of the Companies Act, being "Loans or other financial assistance to directors", on a proper interpretation, the body of the section may also apply to financial assistance provided by a company to related or inter-related companies and other entities, including, inter alia, its subsidiaries, associates, joint ventures, partnerships, collaboration arrangements, etc for any purpose.

Furthermore, section 44 of the Companies Act may also apply to the financial assistance so provided by a company to related or inter-related companies or other entities, in the event that the financial assistance is provided for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company.

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

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

The Company would like the ability to provide financial assistance, if necessary, also in other circumstances, in accordance with section 45 of the Companies Act. Furthermore, it may be necessary or desirous for the Company to provide financial assistance to related or inter-related companies and entities to acquire or subscribe for options or securities or purchase securities of the Company or another company related or inter-related to it. Under the Companies Act, the Company will, however, require the special resolution referred to above to be adopted. In the circumstances and in order to, inter alia, ensure that the Company's subsidiaries and other related and inter-related companies and entities have access to financing and/or financial backing from the Company (as opposed to banks), it is necessary to obtain the approval of shareholders, as set out in special resolution 1.

SPECIAL RESOLUTION NUMBER 2: FUTURE DIRECTORS' FEES

"RESOLVED THAT the non-executive directors be paid the following fees for services as directors for the period from the date of this AGM to the date of the next AGM:

	Fees per meeting Rand	Retainer (per annum) Rand
Non-executive director/ Independent non-executive director	18 050	233 000

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

- Committee chairman R18 050 (in addition to committee member fee) per meeting
- Committee member 18 050 per meeting

Fee for work not specified above R18 050 (per meeting rate)

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

Motivation for special resolution number 2

The reason for special resolution 2 is to comply with the provisions of the Companies Act. The effect of the special resolution is that, if approved by the shareholders at the AGM, the fees payable to non-executive directors until the next AGM will be as set out above.

SPECIAL RESOLUTION NUMBER 3: TO APPROVE THE ACQUISITION OF SHARES IN THE COMPANY

"RESOLVED THAT, subject to the provisions of the Companies Act, 2008 (specifically Section 46 dealing with solvency and liquidity) and the Company memorandum of incorporation, the Company or any subsidiary of the Company is authorised, by way of a general authority, to acquire ordinary shares in the share capital of the company from any person."

Motivation for special resolution number 3

The reason for special resolution 3 is to enable the Company or any subsidiary of the Company to acquire shares issued by the Company. The effect of the special resolution is that, if approved by the shareholders at the AGM, authority will be given for the acquisition of such shares.



NOTICE OF ANNUAL GENERAL MEETING continued

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

To deal, at the AGM, with any matters raised by shareholders, with or without advance notice to the Company.

Voting and proxies

In terms of the Company's MOI, at any time, a shareholder may, in respect of any class of shares held by the shareholder, appoint any individual, including an individual who is not a shareholder of the Company, as a proxy to participate in, and speak and vote, at the AGM, 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

2 July 2021

Registered Office

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

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

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

1. At any time, a shareholder of a company is entitled to appoint any individual, including an individual who is not a shareholder of that company, as a proxy to participate in, speak and vote at a shareholders meeting on behalf of the shareholder.
2. A proxy appointment must be in writing, dated and signed by the relevant shareholder.
3. Except to the extent that the 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) 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 MOI 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 39th Annual General Meeting (AGM) of the Company to be held by electronic communication on **Thursday, 5 August 2021 at 15:00** and at any adjournment thereof.

I/We _____ (full name in block letters)

of _____ (address)

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

email address _____

cellphone number or telephone number with dialling code _____

being a shareholder(s) of the Company and holding _____ ordinary shares in the Company,

hereby appoint _____ of _____, or

failing him/her _____ of _____, or

failing him/her the Chairman of the AGM, as my/our proxy to act for me/us and on my/our behalf at the AGM which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions to be proposed thereat and at any adjournment thereof; and to vote for and/or against the ordinary and special resolutions and/or abstain from voting in respect of the Company's ordinary shares registered in my/our name(s), in accordance with the following instructions:

	Number of votes		
	For	Against	Abstain
Ordinary resolutions			
1. To receive the annual financial statements of the Company for the year ended 28 February 2021, including the directors' report and the report of the Audit and Risk Committee.			
2. To re-elect Mr P Devchand as a director of the Company.			
3. To re-elect Ms B Harie as a director of the Company.			
4. To re-elect Ms N V Simamane as a director of the Company.			
5. To appoint Ms B Harie as a member of the Audit and Risk Committee.			
6. To appoint Mr M G Meehan as a member of the Audit and Risk Committee.			
7. To appoint Ms N V Simamane as a member of the Audit and Risk Committee.			
8. To re-appoint the external auditors of the Company, PKF Durban, and to appoint Mr R Boule as the designated audit partner.			
9.1 Non-binding advisory vote on the Company's Remuneration Policy.			
9.2 Non-binding advisory vote on the Company's Remuneration Implementation Report.			
Special resolutions			
1. Approval of financial assistance.			
2. Approval of the future fees of non-executive directors.			
3. Approval of the acquisition of shares in the Company.			

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

Signed at _____ on _____ 2021

Shareholder's signature (if applicable) _____ assisted by _____



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 AGM. 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 AGM". The person whose name stands first on the form of proxy and who is present at the AGM 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 AGM, if the Chairman is the authorised proxy, to vote in favour of the ordinary and special resolutions at the AGM, or any other proxy to vote or to abstain from voting at the AGM 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 AGM.
6. The Chairman of the AGM 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 AGM 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 AGM, unless revoked earlier.
12. In terms of the Company's MOI (clause 3.10.3) a copy of the instrument appointing a proxy must be delivered to the registered office of the Company, marked for the attention of the Company secretary (or to delivered to such other location and/or person on behalf of the Company as may be specified in the notice convening the meeting), to be received by the Company not less than 48 hours before the appointed time for the beginning of the meeting or, if the meeting is adjourned the appointed time for the resumption of the adjourned meeting.

Registered Office

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

Annexure A

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

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

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

1. Send an email by no later than **Tuesday, 3 August 2021** to Naushad Gany (naushad.gany@lenmed.co.za) and William Somerville (w.somerville@mweb.co.za), indicating your intention to attend the AGM electronically.
2. In the same email, attach your completed proxy form.
3. Prior to the AGM, you will receive an email with a link to the AGM via Microsoft Teams. To enter the meeting, you simply click on the link.

4. If during the AGM you wish to change your vote on any particular resolution, indicate this to the chairman, and your revised vote will be recorded as such.
5. Should you wish to dial in to the AGM, please register by completing and lodging your proxy form by no later than Tuesday, 3 August 2021.
6. If you have any queries, please contact Naushad Gany (082 359 7007) or William Somerville (082 464 3673).

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

COMPANY INFORMATION

Country of incorporation

South Africa

Nature of business

The provision of private patient healthcare, through management and ownership of hospitals and other related health services

Executive directors

Mr P Devchand

Mr A Devchand

Mr F J Meiring

Non-executive directors

Mr M G Meehan (lead independent)

Ms B Harie (independent)

Ms N V Simamane (independent)

Prof B D Goolab

Dr G Goolab (independent)

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, Block 1, Mmopane, Along the Molepolole Road,
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 Drive, Riverhorse Valley Business Estate,
Queen Nandi Drive, Durban, KwaZulu-Natal

T +27 31 581 2400 F +27 31 581 2699

Kathu Private Hospital

Frikkie Meyer Street, Kathu

T +27 87 158 2700 F +27 53 723 3389

La Verna Private Hospital

1 Convent Road, Ladysmith, KwaZulu-Natal

T +27 87 087 2600 F +27 36 637 4889

Maputo Private Hospital

Rua do Rio Inhamiara, Sommerschield II, Maputo, Mozambique

T +258 21 48 3905 F +258 21 49 3680

Randfontein Private Hospital

Lister Road, Lower Ward Street Extension, Randfontein

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

Howick Private Hospital

107 Main Street, Howick, 3290

T +27 33 330 2456 F +27 33 330 2650

www.lenmed.com

