Annual Integrated Report 2023

lenmed
Embrace every day

Contents

About this report

This Annual Integrated Report (AIR) outlines the performance of Lenmed Investment Limited (Lenmed or the Group) for the financial year ended 28 February 2023, within the context of our operating environment and the risks and opportunities therein, our key stakeholders, our overall strategy, and our internal operations and governance. We share the collective thinking applied to the material matters impacting 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. It includes information about Lenmed's strategies for growth, efficiency, quality, sustainability, corporate governance and accountability.

Reporting frameworks

Our AIR and annual financial statements are guided by various reporting frameworks, codes and legislation, as depicted alongside. Lenmed reporting is guided by the Integrated Reporting Framework, as updated in January 2021.

Report	International <IR> Framework (2021)	South African Companies Act No. 71 of 2008 (Companies Act)	International Financial Reporting Standards (IFRS)	King IV™ Report on Corporate Governance for South Africa 2016 (King IV)
AIR	✓	✓		✓
Annual financial statements		✓	✓	✓

Materiality

During the year, we enhanced our materiality determination process by adopting a double materiality approach to identify and prioritise material matters. By adopting this approach, we acknowledge that we must manage, and take responsibility for, the actual and potential adverse impacts our decisions could have on people, society and the environment. Material matters are prioritised based on their potential to impact our ability to create value over the short, medium and long term, as well as their impact on society, communities and the environment. This includes both qualitative and quantitative matters that affect our various stakeholders in their assessment of the value we add.

Further information on our material matters can be found on page 29.

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 consolidated financial statements.

Board responsibility

The Board approved the AIR on 12 June 2023 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 in terms of the Integrating Reporting Framework.

Forward-looking statements

This report contains certain forward-looking statements with respect to Lenmed's plans and expectations relating to its future financial condition, performance, operations and results. These statements and forecasts involve risk and uncertainty as they relate to events and depend on circumstances that occur in the future. They are neither guarantees nor predictions of future performance. There are various factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. Factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, regulatory delays or changes, conditions in the operating environment, pandemics, civil unrest and natural disasters. Lenmed does not undertake to update or otherwise revise any of these forward-looking statements publicly, whether reflecting on new information or future events or otherwise. The forward-looking statements have not been reviewed or reported on by our external auditors. Lenmed, therefore, advises readers to use caution and their judgement in their interpretation.

Feedback on the AIR

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

The following icons are used to connect information throughout the AIR:

The six capitals

- FC Financial capital
- IC Intellectual capital
- MC Manufactured capital
- HC Human capital
- SRC Social and relationship capital
- NC Natural capital

Our strategic themes

- Key stakeholder engagement
- Digital transformation and innovation
- Continuous learning
- ESG
- Clinical and operational excellence
- Growth strategy

Our stakeholders

- Medical practitioners and allied services
- Employees
- Patients
- Service providers and suppliers
- Medical aid funders
- Government and regulatory bodies
- Shareholders, future investors

Our value-creating strategy

Lenmed aims to be a leading African healthcare group

To build **healthier** and **prosperous** communities by providing healthcare services in **attractive global markets** through ownership and/or management models, across the continuum of care.

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

Strengthen the Core

Continue to deliver the current acute services with exceptional excellence and efficiency

Expand the Footprint

Organically and inorganically expand our existing businesses

Diversify the Business

Drive new business opportunities, broadening the Group's healthcare service offering into the future

Our values

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 always
act with compassion and empathy

We aim
for perfection in all that we do

Highlights

FC Financial capital

Group revenue
R3 972.2 million
(FY22: R3 386.1 million)

Normalised EBITDA[1]
R635.0 million
(FY22: R533.7 million)

MC Manufactured capital

18 hospitals
owned and/or managed at the date of this report
(FY22: 13)

2 318 beds
owned and/or managed at the date of this report
(FY22: 1 914)

Acquisition of Matlosana Medical Health Services Group (MMHS)
MMHS consists of four hospitals in Klerksdorp, South Africa:
- Wilmed Park Private Hospital (185 beds)
- Sunningdale Private Hospital (33 beds)
- Daleside Day Hospital (20 beds)
- Parkmed Neuro Clinic (50 beds).

Post year-end: Acquisition of majority stake in Beira Private Hospital (60 beds) in Beira, Mozambique

IC Intellectual capital

- **Lenmed** launched a programme for nurses in specialist areas, such as adult, paediatric and neonatal intensive care unit (ICU) training
- Various Lenmed hospitals achieved Best Performer awards in the Discovery Health Hospital Care Rating 2022
- Trauma Society of South Africa (TSSA) Trauma Level II accreditation for Randfontein Private Hospital
- Lenmed Ethekwini Hospital and Heart Centre celebrated its 100th MAKO Smart Robotics knee and hip replacement surgery
- World Stroke Organisation Gold status award for Ethekwini Hospital and Heart Centre (first private hospital in South Africa)
- Transaortic Value Implantation (TAVI) programme commenced at Lenmed Ethekwini Hospital and Heart Centre, with the first procedure conducted in September 2022
- Cardiac offering at Lenmed Bokamoso Private Hospital has expanded to include paediatric cardiology, which allows the hospital to offer a more comprehensive cardiac service without the necessity to transfer patients to South Africa
- Recognition of Ethekwini Hospital and Heart Centre for its quick turnaround times in the treatment of heart attacks by the American College of Cardiology.

HC Human capital

3 353 employees
(FY22: 2 735)

76%
female representation
(FY22: 80%)

89%
Black (African, Coloured and Indian) employees
(FY22: 92%)

53
medical specialists recruited during the year

SRC Social and relationship capital

R21.1 million
discounted hospital services to financially distressed patients, a **29%** increase on the prior year
(FY22: R16.3 million)

R25 million
Total CSI[2] spend, a **20%** increase on the prior year
(FY22: R20 million)

91
free cataract surgeries
(FY22: 114)

Lenmed remains a proud supporter of the Children's Cardiac Foundation of Africa, who performed **23** lifesaving operations during the year.

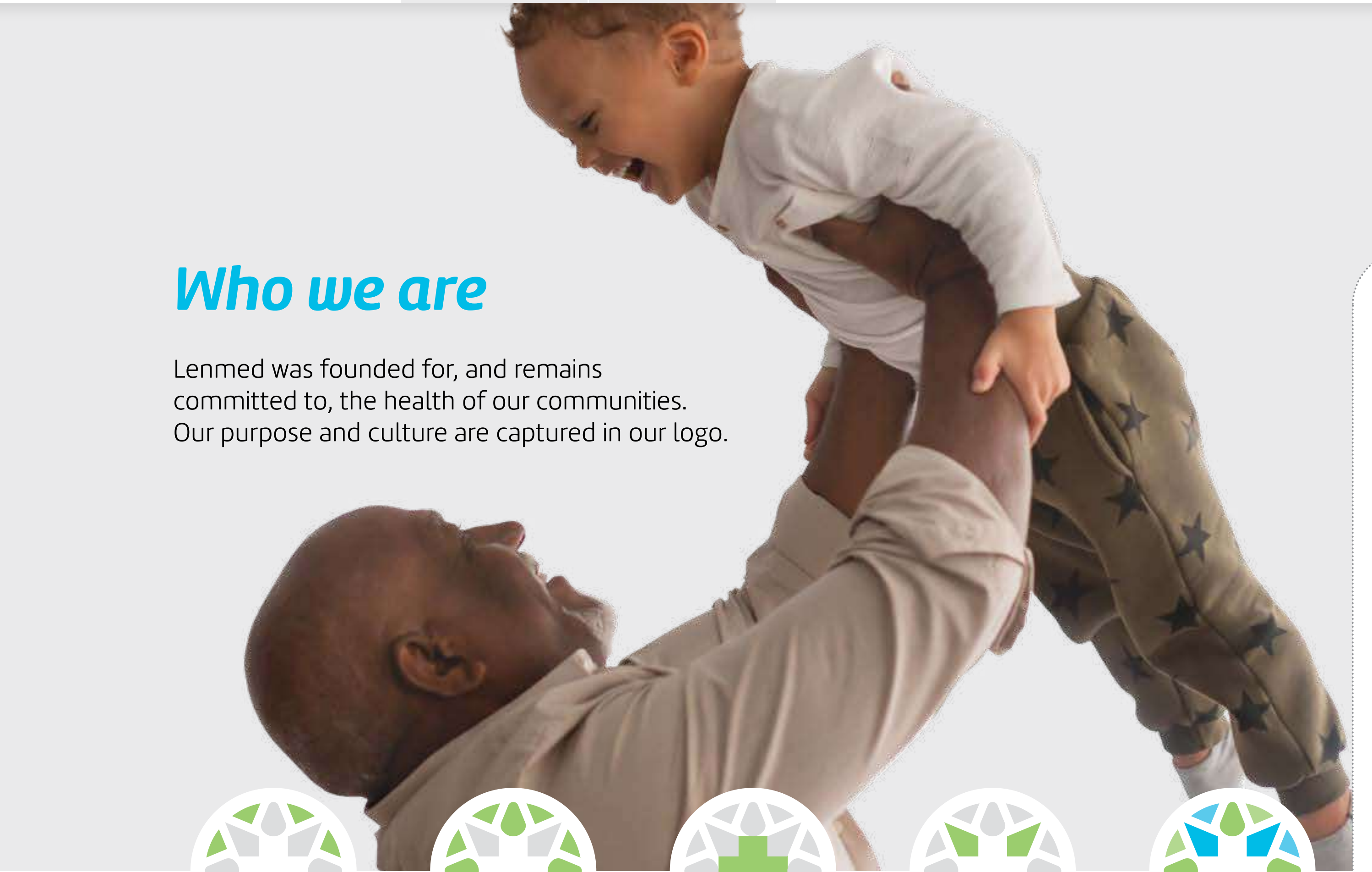
NC Natural capital

Conducting a **baseline audit**

Establishing **environmental committees** for each hospital

Realigning our environmental policy to the Sustainable Environmental Management Programme (SEMP)

1. *EBITDA: Earnings before interest, tax, depreciation and amortisation*
2. *CSI: Corporate social investment*



Who we are

Lenmed was founded for, and remains committed to, the health of our communities. Our purpose and culture are captured in our logo.

The **CIRCLE OF LIFE** represents the life journey from beginning to end – a constant reminder to embrace every day.

The **PEOPLE HOLDING HANDS** show our strong connection to our surrounding communities.

We provide **HEALTHCARE** services in attractive global markets through ownership/ management models across the continuum of care.

ARROWS RADIATING OUTWARDS show our commitment to continuous growth and expansion into Africa and other global markets.

Our **COLOURS** are vibrant and alive, representing health, growth, tranquillity and links to our past.

How we create value

Our strategy for becoming a leading African Healthcare Group is founded on three pillars:

One Providing state-of-the-art medical care focusing on excellence in nursing, technology and equipment

Two Attracting quality medical practitioners

Three Acquiring, developing and/or managing hospitals across Africa and other attractive markets

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 provide detail about 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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Operating context

Our environment and related risk and opportunity it presents

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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

Page 4

Value creation

The outcomes we aim to achieve

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Governance

The ethics and accountability that underpin everything we do

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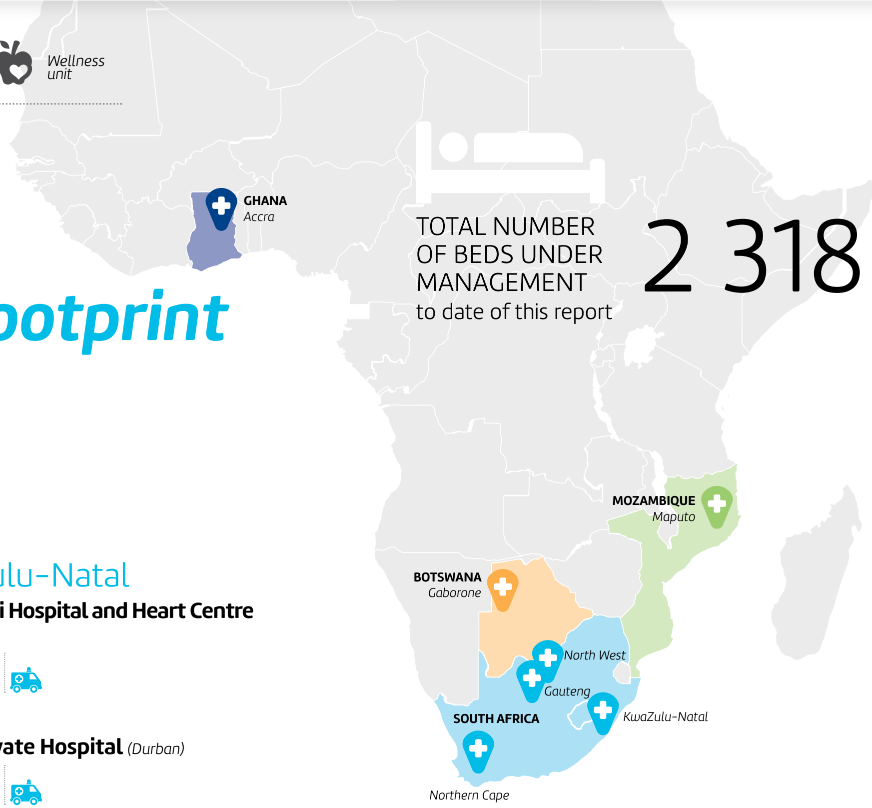
Beds *Ownership* *24-hour accident and emergency unit* *Wellness unit*

Our operating footprint



TOTAL NUMBER OF BEDS UNDER MANAGEMENT to date of this report **2 318**

South Africa

Gauteng

Ahmed Kathrada Private Hospital *(Lenasia)*
268 beds | 100% | 24-hour accident and emergency unit

Daxina Private Hospital *(Lenasia South)*
64 beds | 100% | 24-hour accident and emergency unit | Wellness unit

Randfontein Private Hospital *(Randfontein)*
177 beds | 100% | 24-hour accident and emergency unit | Wellness unit

Zamokuhle Private Hospital *(Tembisa)*
101 beds | 100% | 24-hour accident and emergency unit | Wellness unit HIV

KwaZulu-Natal

Ethekwini Hospital and Heart Centre *(Durban)*
377 beds | 77% | 24-hour accident and emergency unit

Shifa Private Hospital *(Durban)*
127 beds | 100% | 24-hour accident and emergency unit

- Surgical Centre of Excellence

La Verna Private Hospital *(Ladysmith)*
149 beds | 93% | 24-hour accident and emergency unit

Howick Private Hospital *(Howick)*
46 beds | 99% | 24-hour accident and emergency unit

Northern Cape

Kathu Private Hospital *(Kathu)*
55 beds | 67% | 24-hour accident and emergency unit

Royal Hospital and Heart Centre *(Kimberley)*
186 beds | 100% | 24-hour accident and emergency unit

North West

Wilmed *(Klerksdorp)*
185 beds | 100% | 24-hour accident and emergency unit

Sunningdale *(Klerksdorp)*
33 beds | 100% | 24-hour accident and emergency unit

Parkmed *(Klerksdorp)*
50 beds | 64%

- Mental health

Daleside *(Klerksdorp)*
20 beds | 51%

Botswana

Bokamoso Private Hospital *(Gaborone)*
235 beds | 70% | 24-hour accident and emergency unit

Ghana

The Bank Hospital *(Accra)*
60 beds | Bank of Ghana | 24-hour accident and emergency unit

Mozambique

Maputo Private Hospital *(Maputo)*
125 beds | 100% | 24-hour accident and emergency unit

Beira Private Hospital *(Beira)*
(as from 15 March 2023)
60 beds | 60% | 24-hour accident and emergency unit | Wellness unit

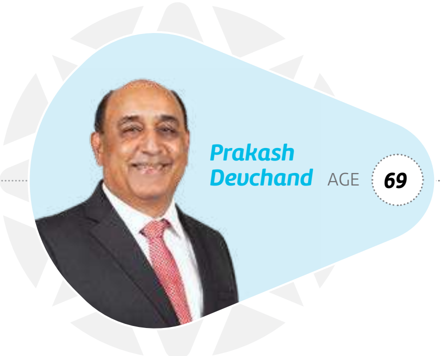
Corporate governance excellence

Governance philosophy

Lenmed is guided by a robust corporate governance philosophy that is centred on transparency, accountability, fairness, responsibility and ethical behaviour. By adhering to these principles, we build trust with our stakeholders, maintain a good reputation, and operate ethically and sustainably to deliver long-term value to all our stakeholders.

Our Board of directors

Executive



Chairman

CA(SA)

Prakash Devchand is a qualified chartered accountant with over 37 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 growth strategy. On 1 March 2020, Prakash stepped down as CEO of the Lenmed Group but remains Chairman and a Board member.

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 (COO) and Deputy CEO. Amil is a chartered accountant with extensive industry experience, as past chairman and current director of the National Hospital Network (NHN) and former director of the Hospital Association of South Africa (HASA). He is an alumnus of the Harvard Business School. Amil was appointed CEO of the Lenmed Group on 1 March 2020.

Chief Financial Officer

CA(SA)

Fredré Meiring was appointed as CFO in 2019. A qualified chartered accountant, Fredré was previously partner and COO 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.

Our Board of directors *continued*

Non-executive

Mike Meehan AGE **76**

Independent non-executive director and lead independent director

CA(SA)

Mike Meehan was appointed to the Board in 2010. He has served as an executive director and as an independent non-executive director on a number of companies listed on the JSE. 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.

Bharti Harie AGE **52**

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 a non-executive director of Bell Equipment Sales South Africa, is the vice-chair of Saint David's Marist Inanda School and serves on the Marist Schools Council.

Nomahlubi Simamane AGE **64**

Independent non-executive director

BSc (Honours)
(University of Botswana and Swaziland)

Nomahlubi Simamane was appointed to the Board in 2012. Nomahlubi 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. She was the 2009 winner of the Top Businesswoman of the Year Award in the National Business Awards managed by Topco Media and was named the Businesswoman of the Year at the 2009 Black Business Awards run by BBQ.

Legend

Remuneration and Nominations Committee | *Audit and Risk Committee* | *Social and Ethics Committee*
Clinical Governance Committee | *Innovation and Disruption Committee* | * *Chair*

Our Board of directors *continued*

Non-executive

Prof Bhaskar Goolab AGE **75**

Non-executive director

MBBS (Bombay),
FRCOG (London)

Professor Bhaskar Goolab was appointed to the Board in 1999. He is in private practice and is attached to the University of the Witwatersrand (Wits), 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 AGE **61**

Independent non-executive director

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

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 CEO of AstraZeneca SA (Pty) Limited in South Africa and sub-Saharan Africa from 2004 to 2013. Dr Goolab is currently director of Lunar Capital (Pty) Limited, as well as chairperson and director of HiGain Investments (Pty) Limited. In 2021, he obtained the designation of Certified Director with the Institute of Directors in South Africa.

Vaughan Firman AGE **60**

Independent non-executive director

MBAcc, CA(SA), HDip Tax Law (Wits),
MA and MPhil (both in USA)

Vaughan Firman is a qualified chartered accountant with over 20 years' experience in the healthcare industry. His comprehensive experience as a financial director includes serving as both an executive as well as an independent non-executive director on numerous Johannesburg Stock Exchange (JSE) – and non-JSE-listed companies. His expertise includes mergers and acquisitions, operational efficiencies, internal audit implementation, execution of enterprise resource planning (ERP) systems and international taxation structuring. Vaughan was awarded the Healthcare CFO of the Year in 2021 and the Best Emerging Markets CFO in Healthcare for 2020 in the Global CFO Excellent Awards category.

Legend
Remuneration and Nominations Committee | *Audit and Risk Committee* | *Social and Ethics Committee*
Clinical Governance Committee | *Innovation and Disruption Committee* | * *Chair*

Our sustainable business model

Lenmed's business activities are focused around the three pillars of healthcare.

The three pillars of healthcare

Primary

PATIENT IMPACT
- First point of consultation
- Healthcare for acute conditions
- Chronic condition management

HEALTHCARE PROVIDERS
- General practitioners

OUR FOCUS
- Preventive healthcare
- Promoting health and wellness
- Rehabilitation

SUPPORT
- People management
- Facilities management
- Technology and data management
- Excellent corporate governance
- Robust risk management

Secondary

PATIENT IMPACT
- Specialist care
- Acute or emergency hospitalisation

HEALTHCARE PROVIDERS
- Medical specialists
- Speech and occupational therapists
- Physiotherapists
- Radiology

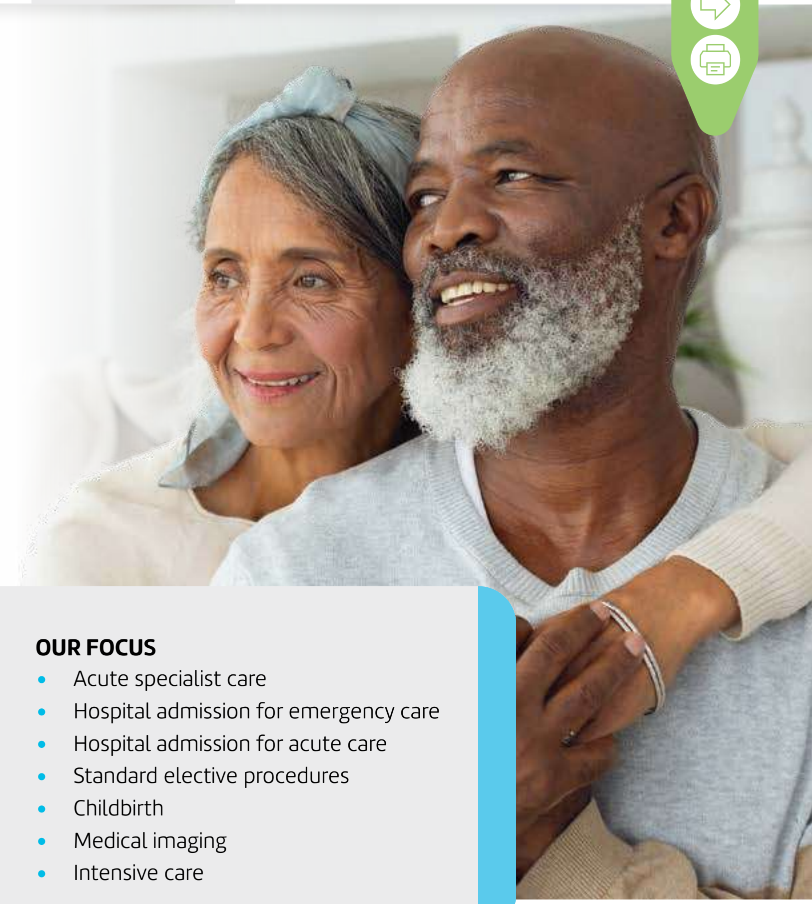
OUR FOCUS
- Acute specialist care
- Hospital admission for emergency care
- Hospital admission for acute care
- Standard elective procedures
- Childbirth
- Medical imaging
- Intensive care

Tertiary

PATIENT IMPACT
- High level of care
- Complex medical procedures
- Terminal care

HEALTHCARE PROVIDERS
- Specialist consultants

OUR FOCUS
- Terminal disease management
- Burn wound care
- Plastic surgery
- Neurosurgery
- Other complex medical procedures



Sustaining value creation through the six capitals

Capital	Inputs	Outputs
FC **Financial**	Working capital: R693 million Non-current liabilities: R1 943.8 million Operational expenditure: R2 424.8 million Capital expenditure: R200.1 million	R3 972.2 million revenue R212.8 million headline earnings
MC **Manufactured**	New and current hospital portfolio Hospital management contracts with third parties Technology	18 hospitals and 2 318 beds under management at the date of this report 4 hospitals acquired as part of the MMHS acquisition comprising of 288 beds
HC **Human**	3 353 employees Fair remuneration for fair work Agency agreements Health and wellness benefits	Qualified, experienced and motivated workforce looking after our patients Female representation: 76% Black representation: 89% 53 new specialists added to the Lenmed fold in FY23
SRC **Social and relationship**	Relationships with key stakeholders: A new stakeholder engagement framework	Website visitor numbers grew by 101% and social media reach increased by 23% Discounts to financially disadvantaged patients: R21.1 million 91 cataract surgeries
IC **Intellectual**	Training spend: R4.8 million SAP ERP system Centralised Incident Management Systems (CIMS) Infection control system Cybersecurity	No data security breaches Point of Care Billing project Predictive data analytics capabilities
NC **Natural**	Energy Water Smart utilities management	Cost savings and reduced consumption of fossil fuel-generated energy by investing in technology updates and solar energy Waste and water treatment initiatives

Sustaining value creation through the six capitals *continued*

Capital	Outcomes			Risk	Material Matters	
FC *Financial*	A healthy cash conversion ratio: 84% EBITDA growth: R635.0 million, increase of 19%	Successful management of working capital Group profit after tax: R260.6 million		• Our economic environment • Long-term effects of an ageing population • Health Sector legislation	• Quality and innovation of our delivery model • Organisational growth • Digital disruption in healthcare • Attracting and Maintaining Quality Skills • Funder relations • Embedding ESG focus • Macroeconomic factors	Page 33
MC *Manufactured*	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 underserviced areas	• Technological advancements and healthcare	• Digital disruption in healthcare • Macroeconomic factors	Page 9
HC *Human*	Skills attraction and retention	Skilled workforce	Alignment with our company values and habits	• Global skills shortage	• Quality and innovation of our delivery model • Organisational growth • Attracting and maintaining quality skills • Funder relation • Macroeconomic factors	Page 43
SRC *Social and relationship*	Positive feedback from stakeholders, especially shareholders, about the level of engagement with them	Long-term value for our community through CSI initiatives		• Our economic environment • Long-term effects of an ageing population • Access to private healthcare in South Africa	• Funder relations • Embedding ESG focus	Page 51
IC *Intellectual*	Automation through technology, including speedier and more accurate billing	Improved responses to changing consumer needs through data mining initiatives	Enhanced digital admissions process	• Technological advancements and healthcare • Global skills shortages	• Quality and Innovation of our delivery model • Organisational growth Attracting and maintaining quality skills Funder relations • Macroeconomic factors	Page 55
NC *Natural*	Water and electricity efficiencies	Resilience in the face of water and electricity interruptions		• Our economic environment	• Embedding ESG focus	Page 57

Prakash Devchand

Letter from our chairman

The present economic climate in our markets is testing, especially in South Africa, which features high unemployment rates, unsustainable social inequality, and frequent power outages that are constraining its economy and causing social tension.

Despite these challenges, the Lenmed Group posted pleasing results last year and remains an attractive investment opportunity. We have refined our strategy to focus on growth as our central theme, condensed into three key strategic actions: strengthening the core, expanding our footprint, and diversifying the business.

Our growth strategy is progressing as planned and a significant milestone in this regard was the successful acquisition of MMHS, effective 1 August 2022. This acquisition has further strengthened our position and expanded our capabilities, positioning us for continued growth and success in the future.

In the year under review, the Group successfully navigated an uncertain regulatory environment by maintaining strategic relationships, supported by a robust risk management framework and revamped stakeholder engagement strategy. We noted a marked improvement in our shareholder engagement, with several official engagements including investor roadshows and results presentations held during the year. This enabled us to remain at pace with the priorities and interests of our shareholders. The Group paid a dividend of 3.5 cents per share in July 2022, consistent with our policy of sharing annually at least 10% of headline earnings to shareholders. We also engaged with providers of capital and potential investors to ensure their continued support.

In addition to our engagement with our shareholders, we prioritised engaging more closely with doctor communities to enhance clinical outcomes and patient satisfaction. This effort resulted in five out of eight qualifying Lenmed hospitals ranking above average in Discovery's ranking system. The ranking considers patient satisfaction, outcomes and clinical efficiency. We are proud of this achievement and will continue to build on it into the future.

At Lenmed, environmental stewardship has always been a strategic priority. We recognise our moral responsibility to protect the environment and understand that prioritising environmental care can make us more attractive to investors through long-term cost savings. To this end, we have allocated approximately R20 million in the upcoming financial period to invest in energy efficiency and reliability, water conservation and other green initiatives to ensure a sustainable future. During 2022, we accelerated our commitment to protecting the environment by establishing an environment committee at executive level. We launched several ESG initiatives, including installing solar panels at some of our health facilities, as detailed on page 57.

From a governance perspective, Lenmed continues to uphold the highest standards of ethical leadership, transparency and accountability. In addition, we established internal governance and execution structures to track progress, allocate capital and monitor execution capacity across the Group. Our investments in good governance, employee wellbeing and sustainability are starting to yield results, and we are optimistic about the future. I believe the Group's dedicated management team, strong organisational culture and committed workforce will enable it to successfully navigate the current operating environment and deliver on its strategic objectives.

Acknowledgement

On behalf of the Lenmed Board, I express our sincere gratitude to all our stakeholders for their ongoing support throughout the past fiscal year. We extend a special thanks to our senior management and fellow Board members for their unwavering commitment and loyalty, not only over the past year, but during the challenging pandemic period. Most importantly, we take this opportunity to thank every Lenmed employee whose dedication, courage and passion for their work is an inspiration to us all. I look forward to our continued partnership in our hospitals and facilities as we work to create our shared vision of becoming a leading African Healthcare Group.

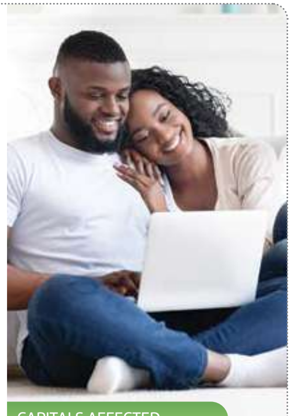
Prakash Devchand
Chairman

Our business environment

Our economic environment

The financial performance of our operations is directly impacted by the economic health of the countries where we operate. According to Statistics South Africa, the South African economy grew for a second consecutive year, expanding by 2.0% between 2021 and 2022, from R4.50 trillion to R4.60 trillion. Although gross domestic product (GDP) reached an all-time high in 2022, the economy has grown by only 0.3% from the 2019 pre-pandemic level of R4.58 trillion. South Africa's ongoing power outages are the primary factor behind shrinking performances in most economic sectors, from agriculture to mining.

In contrast, the economic growth forecasts for our other geographical areas appear more encouraging. Botswana experienced moderate GDP growth of 4.2% in 2022, supported by the continued pickup in economic activity and diamond prices, a successful COVID-19 vaccine rollout, and full implementation of its governmental Economic Recovery and Transformation Plan (ERTP). Similarly, despite the ongoing unrest, Mozambique remains relatively stable economically, with a GDP growth of 4.1% in 2022. Its growth was driven by good performances in the services and agriculture sectors, thanks to the full resumption of mobility and higher agricultural productivity. Economic growth in Mozambique is expected to accelerate in the medium term to average 5.7% between 2022 and 2024. As demand recovers, the economy will benefit further from the 2022 start of liquid natural gas (LNG) production at the offshore Coral project and the expected resumption of larger LNG projects.



CAPITALS AFFECTED
FC SRC NC

STAKEHOLDERS INVOLVED

STRATEGIC THEMES

Technological advancements and healthcare

In the past few years, there has been a surge in the development of digital solutions such as telehealth, remote care, online and mobile health applications, as well as the use of artificial intelligence (AI) and big data in the healthcare industry. Patients now expect their healthcare providers to offer greater convenience and personalisation, and wearable and smart devices assist healthcare providers with an abundance of data to analyse. However, as the level of digitalisation increases, so too do associated risks. It is imperative that personal information and digital systems are safeguarded against cyberattacks, especially as healthcare organisations mine the data of their patients and consumers.

CAPITALS AFFECTED
MC IC

STAKEHOLDERS INVOLVED

STRATEGIC THEMES

Global skill shortages

The scarcity of skilled healthcare workers is a global issue, with a particularly notable impact on low- and middle-income countries, where inadequate pay and working conditions often lead to a 'brain drain' of workers to more affluent economies. According to a report published in May 2022, South Africa currently has a doctor-to-patient ratio of 1 to 3 198 (0.32 to 1 000). In 2019, the country had 0.79 doctors per 1 000 patients (1 to 1 266); already dismal when compared with the United Kingdom (3.03) and India (0.93). The World Health Organisation (WHO) predicts this trend will continue to worsen in the next 10 years.

CAPITALS AFFECTED
IC HC

STAKEHOLDERS INVOLVED
Institutions of higher learning

STRATEGIC THEMES

CAPITALS AFFECTED: FC Financial, MC Manufactured, SRC Social and relationship, IC Intellectual, HC Human, NC Natural

STRATEGIC THEMES: Key stakeholder engagement, Continuous learning, Clinical and operational excellence, Digital transformation and innovation, ESG, Growth strategy

STAKEHOLDERS INVOLVED: Medical practitioners and allied services, Employees, Patients, Service providers and suppliers, Medical aid funders, Government and regulatory bodies, Shareholders, future investors

The long-term effects of an ageing population: the shift towards holistic wellness and wellbeing

CAPITALS AFFECTED: FC SRC

STAKEHOLDERS INVOLVED: Partners

STRATEGIC THEMES

The healthcare industry observed a major shift towards holistic wellness and wellbeing in healthcare. With an increasing number of elderly individuals, there is a growing need to provide care that is not just focused on treating illnesses, but also on promoting overall health and wellbeing. The shift towards holistic wellness is driven by the desire to enhance the quality of life for older individuals, allowing them to remain active and independent for longer. There is a recognition that preventative measures – such as exercise, healthy eating and mental health support – can have a significant impact on overall health outcomes. The rising cost of healthcare associated with chronic conditions, such as heart disease, diabetes and dementia disproportionately affects older individuals. By promoting holistic wellness, healthcare providers can help prevent or manage these conditions more effectively, potentially reducing the burden on the healthcare system. The shift towards holistic wellness and wellbeing in healthcare represents a positive step on the path to better health outcomes for ageing populations. It highlights the importance of preventative care and recognises the potential impact of social, environmental and behavioural factors on overall healing.

Access to private healthcare in South Africa

CAPITALS AFFECTED: SRC

STAKEHOLDERS INVOLVED

STRATEGIC THEMES

Around nine million individuals in South Africa have medical aid coverage. Membership numbers have remained relatively stable in the past two years, with some individuals opting for more affordable hospital plans and networks instead of full-cover medical aid plans. However, medical aid funders (MAF) are no longer seeing an increase in demand for their current services. As a result, many are exploring other options such as unsecured lending, insurance products, self-insurance and limited benefit schemes. The uninsured but employed population is estimated to be around 15 million, which is significantly higher than the insured group. Healthcare groups may be able to tap into this market if they can develop innovative solutions to engage with uninsured individuals. Younger professionals who enter the workspace do not view having medical aid cover as a priority.

Health sector legislation

CAPITALS AFFECTED: FC SRC

STAKEHOLDERS INVOLVED

STRATEGIC THEMES

The passing of South Africa's National Health Insurance (NHI) legislation by the country's Parliament on 13 June 2023 caused a backlash by opposition parties and some industry organisations. The NHI Bill, as it is called, aims to allow equitable access to private healthcare facilities by providing universal health insurance to all the country's citizens, irrespective of their economic status.

However, critics argue that the COVID-19 pandemic exposed the limitations of the national healthcare system to handle such crises and that the proposed model may lead to an accelerated exodus of medical professionals to other countries as the state negotiates lower service rates. The details of the Bill itself is also under contention. During 2022, state legal advisers highlighted a host of potential constitutional traps in the current composition of the NHI Bill, including some inconsistencies in wording, attributing the incorrect powers to ministers, as well as instances where people's rights to access healthcare are under threat. In addition, the Bill's wording restricts what private insurance and medical aid are able to fund and makes no provision for what people should do if they opt not to use the NHI.

Lenmed remains in dialogue with government stakeholders, alongside others in the healthcare sector, to ensure a favourable outcome for everyone concerned – especially South Africa's citizens.

CAPITALS AFFECTED: FC Financial | MC Manufactured | SRC Social and relationship | IC Intellectual | HC Human | NC Natural

STRATEGIC THEMES: Key stakeholder engagement | Continuous learning | Clinical and operational excellence | Digital transformation and innovation | ESG | Growth strategy

STAKEHOLDERS INVOLVED: Medical practitioners and allied services | Employees | Patients | Service providers and suppliers | Medical aid funders | Government and regulatory bodies | Shareholders, future investors

Listening to our stakeholders

Our capacity to create value is inextricably linked to the value we create for our stakeholders, society and the broader environment. We aim to unlock the full potential of each of our relationships, particularly where stakeholder insight and perspectives might help us innovate in support of our core purpose.

Our regular engagement with stakeholders assists the Board and executive management to understand their needs and expectations and, therefore, to identify material matters that inform our strategy and decision-making. Lenmed fully appreciates such engagements are central to the Group's value-creation processes and sustainability.

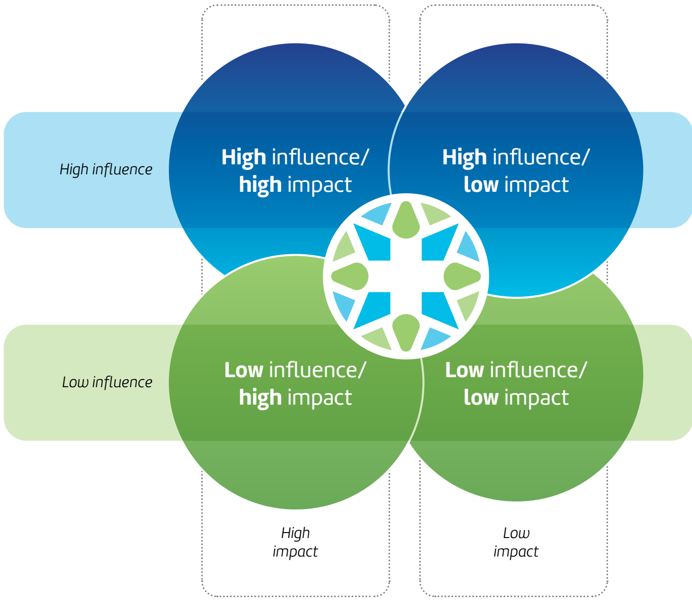
Our approach to stakeholder engagement

During 2022, Lenmed conducted an extensive stakeholder mapping and analysis exercise to identify and prioritise stakeholders and use this analysis to develop our stakeholder engagement strategy. Grounded in our vision and strategic objectives, the strategy aims to facilitate partnerships that benefit both the Group and our stakeholders. It is underpinned by principles of inclusivity, trust and mutual benefit.

Stakeholder analysis matrix

The stakeholder mapping and analysis exercise applied a two-dimensional grid matrix to help the Group in identifying and prioritising our stakeholders. The first axis represents the extent to which stakeholders are impacted by the Group's operations, while the second axis represents the level of influence each stakeholder group has on Lenmed's ability to create sustainable value. **Stakeholders** are then placed into one of **four quadrants**.

Stakeholders who fall into the high influence/high impact quadrant are considered key stakeholders and require our utmost attention and resources. These stakeholders are often decision-makers or influencers and can significantly impact the success of the Group. We understand maintaining a positive, high quality relationship with them is critical to achieving our goals, and we prioritise their needs and expectations in our decision-making processes.



Stakeholders in the high influence/low impact quadrant may not have a direct impact on the Group's success, but we believe their dissatisfaction could have an impact. Therefore, we keep them informed and engaged, and we proactively seek their input and feedback to avoid any negative consequences. Similarly, while stakeholders in the low influence/high impact quadrant may not have much influence over the Group, their opinions and support are valuable to us. We consider their perspectives and ideas when making decisions that could affect them, and we strive to build positive relationships with them.

The final category of stakeholders in the low influence/low impact quadrant may not require much attention, but we believe they still deserve to be informed and engaged.

We recognise every stakeholder has a role to play in the Group's success, and we are committed to treating all stakeholders with respect and transparency. By prioritising stakeholder engagement and using a structured approach to identify and understand their needs and interests, we are better positioned to build trust, foster collaboration and create value for all our stakeholders.

Stakeholder priorities

Key stakeholder engagement	Build stronger, mutually beneficial relationships with funders	Be an employer of choice with generous remuneration and good working conditions	Create shareholder value
Continuous learning	Leadership and professional skills development		
Clinical and operational excellence	Focus on high-acuity work	Optimise the balance sheet	Provide value-based care and quality outcomes
Digital transformation and innovation	Invest in data and predictive analytics	Implement digital processes and systems	Protect against cyber risk and attacks
ESG	Environmental	Social	Governance
Growth strategy	Execute high-return, capital-light organic growth opportunities and initiatives	Search for attractive and viable opportunities in growth markets	Diversify revenue streams across the continuum of care

CAPITALS AFFECTED: FC Financial | MC Manufactured | SRC Social and relationship | IC Intellectual | HC Human | NC Natural

STRATEGIC THEMES: Key stakeholder engagement | Continuous learning | Clinical and operational excellence | Digital transformation and innovation | ESG | Growth strategy

STAKEHOLDERS INVOLVED: Medical practitioners and allied services | Employees | Patients | Service providers and suppliers | Medical aid funders | Government and regulatory bodies | Shareholders, future investors

Stakeholder priorities *continued*

Stakeholder	Contribution to value creation		How we engaged
Shareholders	*Our shareholders contribute to value creation through strategic financial partnerships, guidance and oversight.*		We engaged through periodic reporting, payment of dividends, growth in net asset value per share and through scheduled and ad hoc meetings including the AGM. We maintained a culture of good governance and ethical leadership supported by a highly skilled management team and workforce.
	Needs and expectations	• Predictable yields and revenues • Regular communication from management • Ethical culture underpinned by transparency, accountability and legal and regulatory compliance • Integration of ESG considerations into overall strategy • Disciplined strategic execution	
Board	*Our Board contributes to value creation by providing strategic direction and oversight, ensuring alignment with organisational goals and objectives. Additionally, the Board plays a crucial role in governance, risk management, and decision-making processes, fostering transparency and accountability, which ultimately enhances stakeholder confidence and drives long-term sustainable growth.*		We maintained a culture of good governance and ethical leadership supported by a highly skilled management team and workforce. We engaged through Board meetings, periodic reports and one-on-one engagements, as required.
	Needs and expectations	• Regular communication from management • Ethical culture underpinned by transparency, accountability and legal and regulatory compliance • Integration of ESG considerations into overall strategy • Disciplined strategic execution	
Investors	*Investors contribute to value creation through strategic financial partnerships and through their industry knowledge and expertise.*		We published annual and periodic reports and engaged with investors on a one-on-one basis, as required.
	Needs and expectations	• Regular communication from management • Ethical culture underpinned by transparency and accountability • Financial value creation • Predictable yields and revenues	
Debt providers	*Debt providers contribute to value creation by providing the capital that funds the Group's growth ambitions.*		We published annual and periodic reports and engaged with major debt providers on a one-on-one basis, as required. We also conduct annual roadshows.
	Needs and expectations	• Regular communication • Transparency around the material governance, strategic, financial and non-financial matters of the Group • Uniform reporting on key metrics, as required by the lending agreement	

Stakeholder priorities *continued*

Stakeholder	Contribution to value creation		How we engaged
Funders, including medical aid schemes, insurance funders, the Road Accident Fund (RAF) and the Compensation for Occupational Injuries and Diseases on Duty (COID)	*Funders cover patients' healthcare services and drive Lenmed's clinical and operational excellence to ensure market-leading outcomes for their members or beneficiaries.*		Depending on the funder, Lenmed engages through formalised communication, annual tariff presentations, and signed contractual agreements.
	Needs and expectations	• Cost-effective medical services • Efficient case management, billing and payment • Billing and payment • Excellent patient experience and clinical outcomes • On-site case management • Control of fraud, abuse and inappropriate admissions	
Patients	*Patients contribute by paying for healthcare services, providing valuable feedback and providing the Group with a social licence to operate.*		We published annual and periodic reports and engaged with patients on a one-on-one basis, as required. This included provision of healthcare services, surveys, as well as in-hospital collateral and SMS campaigns.
	Needs and expectations	• Low infection rates and excellent clinical outcomes • Affordable and quality healthcare that takes the needs of patients and their loved ones into account • Ease of admission, billing and discharge; timeous and efficient service • Quality nursing and pharmacy care • Appropriate communication • Excellent patient experience	
Communities	*Communities contribute to value creation for the Group through awareness of the Group's services, facilities and healthcare expertise, thereby attracting patients and establishing trust within the community. Additionally, active community engagement allows the Group to understand and address the specific healthcare needs of the community, leading to the development of tailored services and programmes that add value to the overall healthcare experience.*		We engaged with communities through various initiatives, including as health education programmes, free health services, and community outreach events, fostering a proactive approach to promote health and wellbeing. We also implemented our structured CSI programme, as detailed on page 54 of this report. Provision of health and doctor-related information.
	Needs and expectations	• Regular communication from management and other relevant stakeholders • Ethical culture underpinned by transparency, accountability and legal and regulatory compliance • Integration of ESG considerations • Corporate social investments • Digital marketing communication	

Stakeholder priorities *continued*

Stakeholder	Contribution to value creation		How we engaged
Media (traditional and digital)	*Media contributes to value creation for the Group by providing a platform to disseminate information about the Group's medical services, expertise and advancements, effectively reaching a wider audience and attracting patients. Additionally, media coverage helps build credibility and trust, enhancing the Group's reputation and positioning it as a reliable and leading healthcare provider in the industry.*		We published annual and periodic reports and engaged with media on a one-on-one basis, as required.
	Needs and expectations	• Regular communication from management and other relevant stakeholders • Openness and transparency • Ethical practice both in the operations of the business and interactions with media	
Workforce	*Our employees lie at the heart of our operations. They contribute the skills, experience, diversity and productivity needed to achieve our objectives and fulfil our mandate.*		Our human capital strategy is designed to meet our specific needs in line with our strategic objectives. This enables us to establish strong policies and procedures. During the year, we implemented several employee engagement initiatives, which included a wellness day for employees and a team-building event to foster stronger relationships and improve collaboration among team members.
	Needs and expectations	• Competitive remuneration and benefits • Employee engagement and positive employee experience • Recognition • Career development and advancement opportunities	
Unions, the Health and Welfare Sector Education and Training Authority (HWSETA), and the Department of Employment and Labour of South Africa (DOL)	*These bodies support Lenmed's working environment, training efforts, and legislative compliance.*		Lenmed engages with unions through bilateral meetings at unionised hospitals, wage negotiations, and consultative forum meetings. HWSETA helps to fill Lenmed's learnerships and bursary openings, while the DOL engages with Lenmed's employment equity plan and reports.
	Needs and expectations	• Employee experience • Compliance with laws and regulations • Alignment with transformation imperatives • Fair and equitable work environment and remuneration	

Stakeholder priorities *continued*

Stakeholder	Contribution to value creation	How we engaged
Industry and regulatory authorities.	*Industry and regulatory authorities including the NHN, the HASA, the national and provincial Departments of Health, the Office of Health Standards Compliance (OHSC), the Health Professions Council of South Africa (HPCSA), the South African Nursing Council (SANC), the South African Pharmacy Council (SAPC), and the Ministries of Health in Botswana and Mozambique. provide us with the regulatory and policy framework required for value creation.* **Needs and expectations** • Legal and regulatory compliance • Transparent reporting and disclosures • Active participation in and contribution to policy development and best practice	Legal and regulatory compliance facilitated by regular direct engagement with relevant authorities on strategic matters. We formalised and updated our policies and operating procedures informed by regulatory and policy framework.
Medical specialists, who may not be directly employed by Lenmed but partner with us to provide specialised services to patients ***Specialist bodies***	*Our specialists contribute to Lenmed's strategic imperatives and help to drive the Group's growth.* *Specialist bodies collaborate with Lenmed towards progressive healthcare delivery models and drive clinical and operational excellence for market-leading outcomes.* **Needs and expectations** • Access to professional teams • Competitive, high-quality and well-maintained hospital facilities • Communication regarding Group news and updates	Lenmed treasures its relationships with our partner specialists. Our hospital managers are empowered to engage with them as needed, while hospital governance committee meetings, network events, Exco roadshows and network events serve as relational and informational contact points. Over and above special ad hoc meetings, specialist bodies receive general Lenmed updates and engage with us at conference exhibits.
General practitioners (GPs) and allied healthcare professionals, who may not be directly employed by Lenmed but partner with us and refer patients to us for care ***GP bodies***	*Our GPs contribute to Lenmed's strategic imperatives and help to drive the Group's growth.* *GP bodies collaborate with Lenmed towards progressive healthcare delivery models and new healthcare delivery systems.* **Needs and expectations** • Quality patient experience and clinical outcomes • Funder networks • Relationships with specialists • Ease of referral	Lenmed conducts bi-monthly practice visits to our referring GPs and engages with them through quarterly meetings and regional newsletters. Over and above special ad hoc meetings, GP bodies receive general Lenmed updates and engage with us at conference exhibits.

Stakeholder priorities *continued*

Stakeholder	Contribution to value creation		How we engaged
Specialised service partners: emergency services, radiology, dialysis, wound care, and pathology	*These partnerships drive Lenmed's growth and quality strategic imperatives.*		Depending on the partner, Lenmed engages through monthly or quarterly meetings and network events.
	Needs and expectations	• Facility ability • Open communication	
Medical schools and universities	*Tertiary education institutions provide a pool of specialist graduates and advances the sector's talent.*		Lenmed acts as sponsor for network events that support the next generation of medical professionals in their careers. Monthly meetings with medical schools and universities also serve to enhance these important relationships.
	Needs and expectations	• Relationships and networks	
Outsourced services, including pharmaceutical and non-pharmaceutical services, contractors and suppliers	*Our suppliers and contractors contribute the skills, experience, diversity and productivity needed to achieve our objectives and fulfil our mandate.*		We engaged with relevant stakeholders on a one-on-one basis, including meetings, presentations and surveys. We offered opportunities for learning and development to support career advancement.
	Needs and expectations	• Fair and transparent tender processes • Fair remuneration • Safe and congenial working environment • Transparent reporting and disclosures • Active participation in and contribution to policy development and best practice	

Amil Devchand

Message from our CEO

Lenmed delivered an overall solid performance over the past year, in line with the improved outlook we indicated in our half-year results presentation. While the Group recorded an increase of 19% in EBITDA as compared to the prior period, this increases to 28% on a core basis, which accounts for the impact of extraordinary profits realised in Mozambique in the prior period, once-off transaction-related costs and increased expenditure related directly to the load shedding and the KwaZulu-Natal riots. It is extremely pleasing to note all metrics have exceeded pre-COVID-19 levels, despite a difficult and disruptive operating environment, which again underscores the strength and resilience of the underlying business.

Continuing our strategy for growth

Lenmed aims to be a leading African Healthcare Group, and during the year, has broadened its view to include opportunities in other commercially attractive global markets. To fulfil this ambition, we have refined our growth strategy to focus on the key themes of strengthening our core, expanding our footprint, and diversifying the business to achieve our growth target of R1.5 billion EBITDA by FY2028. Through disciplined strategic execution, we will continue to deliver acute services with exceptional excellence and efficiency, organically and acquisitively expand our existing businesses and lastly, we aim to be future fit by driving new business opportunities that broaden the range of our healthcare service offering.

In line with this strategy, we successfully concluded the acquisition of MMHS, effective 1 August 2022. This acquisition added 288 beds to the Group's base. The four facilities are performing well, with business integration progressing appropriately. We have several exciting initiatives planned for this acquisition and have lodged a license application to the provincial Department of Health (DoH), the outcome of which we expect shortly.

Post-year end, the Group acquired a 60% stake in the operating company of a 60-bed private hospital and outpatient clinic in Beira, continuing to build scale and presence in Mozambique. Beira is the second largest port in Mozambique and is home to the second largest urban population.

The hospital has considerable opportunity for growth as it is currently underutilised. We are hopeful of improving utilisation and profitability in the short to medium term. In addition, we are exploring the feasibility of a further day and outpatient clinic in Pemba, which is another port north of the country. Both Pemba and Beira serve the personnel of the gas fields off the northern coast of Mozambique. As per the Beira model, we are following an asset-light policy and envisage leasing the premises. The overall outlook for the country has improved considerably over the last six months, with most multinational oil companies resuming their commercial activities. The total expenditure on these new ventures is expected to be in the region of R80 million.

The growth of Lenmed's market share through increasing facility utilisation and expansion of existing hospitals, as well as leveraging operational efficiencies, remains key to our goal of increasing returns on investments made. Over the past year, we have recruited 53 new specialists to work across our hospitals. Furthermore, Lenmed has been appointed as preferred providers to the bulk of new network arrangements tendered through RFP processes, by the Government Employees Medical Aid Scheme, Bonitas and Polmed. This has increased patient volumes and complements Lenmed's growth strategy.

We have completed the construction of a further 10 high care beds in Royal Hospital and Heart Centre in Kimberley; these are expected to become functional from 1 June 2023. We have received our license approval to expand the Ahmed Kathrada Private Hospital in Lenasia with the construction of a 20-bed ICU, together with the expansion of our trauma unit, both aligned with our high-acuity strategy, expected to be completed by the end of the calendar year. We are also undertaking an expansion of the Ethekwini Hospital and Heart Centre, with the construction of a 41-bed rehabilitation unit and a 30-bed medical/oncology ward in progress. Once completed, this facility will boast just under 450 operational beds, making it one of the largest hospitals in the country. In addition to our pending license application submitted for MMHS, we are awaiting the outcome of a license application submitted to expand our Kathu Private Hospital.

These projects represent significant commercial potential, with the Group committing an estimated R200 million capital expenditure over the next 24 months to execute upon these opportunities.

Our revenue diversification efforts are tracking well, with an additional annualised benefit of between R20 million to R25 million expected in the next 12 months. It is important for Lenmed to build a sustainable business by considering what an attractive portfolio will be for a future investor, accounting for market trends and developments, the impact and opportunity of technology in our business and the alternative care delivery platforms to acute hospital care. As part of our digitalisation programme, we have committed to the centralisation and structuring of vast amounts of data generated in our hospitals. We are creating data lakes through this process and will have a fully integrated and accessible data repository by the middle of this financial year. This will materially improve our ability to access, analyse and utilise our data meaningfully, better inform decision-making processes and identify new potential areas for growth and efficiency.

Quality and clinical outcomes

Lenmed was honoured to have five of its eight qualifying hospitals categorised in the top category in the Discovery Hospital Care rating index. The Discovery Hospital Care rating comprises of a series of clinical quality measures, indicating the level of clinical outcomes achieved at the hospital, as well as the rating of the patient experience at the facility.

In addition to being the first hospital in Africa to receive accreditation by the American College of Cardiology, Ethekwini Hospital and Heart Centre once again made history by becoming the first hospital in South Africa to be awarded Platinum Status by the World Stroke Organisation, in recognition of its world-class stroke programme.

Randfontein Private Hospital (RPH) became the first independent hospital in South Africa to receive a formal accreditation by the TSSA. This process forms part of a broader trauma strategy for the Group, where we plan to have all our facilities accredited and recognised as prominent trauma centres in the regions in which they operate.

Lastly, Ahmed Kathrada Private Hospital has been formally accredited to provide bariatric surgery with the facility undergoing several upgrades to accommodate this new service.

In addition to the above, we have a host of other quality improvement projects and international accreditation exercises underway. We do not embark upon these initiatives because we have to, we do so because it is the absolute right thing to do as we strive to constantly improve our service levels. This affirms Lenmed's commitment to the provision of world-class care to all our patients during their time of need and using clinical quality as a key strategic differentiator to that of our competitors.

Investing in our people and culture

At Lenmed, we recognise the importance of people and culture. During 2022, we created a dedicated People and Culture function with a seat at the executive level. This will enable us to drive, understand and respond to the interests of our people. We engaged our employees extensively through various methods, including one-on-one meetings, surveys and town hall meetings. Our goal was to understand their needs and priorities and use this feedback to enhance our employee value proposition and overall organisational culture. Learning and education remains a key component of our people strategy. We have trained and upskilled over 150 nurses within our business since the inception of our nursing college, in our internally developed six-month course to close the skills gap in areas of critical scarcity. We also launched our Lenmed Lead: Higher Certificate in Management Practice Programme in partnership with Henley Business School. This initiative aims to train and nurture our high-potential people in the business and create the leadership pipeline for the future. I believe the investment in our people and culture function will contribute to increased speed of strategy implementation and will improve project alignment, resource allocation and operational excellence across the Group and our hospitals, while supporting Lenmed's growth ambitions as envisaged in our strategy.

Comment on the NHI Bill

We at Lenmed support the principle of Universal Healthcare. South Africa has a history of inequitable healthcare and too many of the country's citizens remain unable to access quality care when they need it most. Ensuring the good health and wellbeing of every person, regardless of their income or status, must be prioritised by both government and society.

Based on statements made by National Department of Health representatives, it may still be 10 to 15 years before the NHI can be fully implemented – we are reassured by the knowledge that everyone who is part of this process understands the excellence of the private healthcare sector and the need to ensure its long-term sustainability. Lenmed, both as a Group and through our HASA membership, will continue engaging in dialogue on this matter and, in the meantime, keep providing excellent quality care to our patients.

Outlook

Despite the challenging economic environment and a subdued growth outlook for the sector, Lenmed is positioned to take advantage of planned growth initiatives. We remain committed to executing our growth strategy in a responsible and sustainable manner, actively seeking to increase our market share, acquire attractive businesses, and diversify our revenue streams, all with the ultimate aim of unlocking shareholder value.

We are delighted with our accomplishments so far and are optimistic about the future as the positive momentum from 2022 carries over into the next financial year. Our various initiatives are gaining traction and we anticipate these will contribute positively to our business over the short to medium term.

Acknowledgements

I would like to express my gratitude to all the employees and doctors of Lenmed for their invaluable contributions to our success in the past financial year. We understand the ongoing challenges in our operating environment have made your jobs more complex and we appreciate your unwavering dedication to providing exceptional care to our patients. I would also like to extend my thanks to the Chairman and the Board for their valuable guidance, and to my leadership team for their continued support.

Lastly, a heartfelt thank you to our patients for entrusting us with your care every time you visit one of our facilities. We are here to serve you and remain committed to your health and wellbeing.

Amil Devchand
Chief Executive Officer

Lenmed's material matters

How we determine our material matters

Lenmed's material priorities are those factors most likely to influence the decisions of our stakeholders when assessing our ability to preserve and create sustainable value over time.

Lenmed's material priorities are those factors most likely to influence the decisions of our stakeholders when assessing our ability to preserve and create sustainable. This integrated review focuses on those factors we can control, within the context of our dynamic operating environment. These include opportunities and challenges that impact materially on the six capitals and the ability to be a sustainable business, which consistently creates, protects and minimises the erosion of value for our shareholder and other stakeholders.

Identifying our material matters is a company-wide responsibility and requires input from all areas of business. This exercise includes an assessment of the risks and opportunities in our operating environment, along with careful consideration of the needs and priorities of all our stakeholders. Our material matters, as detailed on page 30 of this review, influences our strategy, informs our business model and long-term business strategy, as well as our short, medium and long term targets.

During 2022, we enhanced our materiality determination process by adopting a double materiality approach to identify and prioritise matters based on their impact on our ability to create value (inward focused), as well as their impact on society, communities and the environment (outward focused). The process was informed by various international standards and guidelines, including the JSE's sustainability disclosure guidelines, the Sustainability Accounting Standards Board (SASB) guidelines and the Global Reporting Initiative (GRI).

Material matter determination process

	INPUTS	PROCESS
Identify	Identify relevant matters for inclusion in the AIR based on industry and market trends, internal documentation and external stakeholder engagement.	We take an integrated approach to identify material matters that could affect our ability to preserve or create value in the short, medium and long term. This entails an analysis of our operating environment and business context including feedback from our stakeholders as well as benchmarking against industry peers.
Assess	Evaluate the internal and external impacts of Lenmed's actions.	Each material theme is assessed across a range of factors including its impact on our ability to create value (inward focused), along with its impact on society, communities and the environment (outward focused).
Prioritise	Prioritise material matters based on their importance.	Leadership prioritises material matters based on their importance. This is then reviewed by the Board.
Apply and validate	Ensure consistency with strategic objectives, six capitals and KPIs.	Material matters are integrated into our strategy by contextualising them into strategic priorities that guide our integrated approach to strategic decision-making.

Lenmed's material matters

The following material matters describe pertinent external threats and opportunities, incorporating Lenmed's strategic response to create maximum value for all our stakeholders.

The quality and innovation of our delivery model

Our commitment to good clinical governance, ensuring quality processes and outcomes, is at the core of our service. We differentiate ourselves in the market by prioritising value-based care and a patient-centred approach. We are continuously striving to maintain and entrench this level of care while pursuing innovation in our delivery model. Lenmed is exploring revenue opportunities along the continuum of care, including the establishment of viable and well-equipped day clinics, psychiatric wards, mental health facilities and rehabilitation facilities. Our long-term hospital strategy is to focus on highly specialised or acute care – such as ophthalmology, gastroenterology, chemotherapy and nephrology – which will be supported by our high standard of clinical governance. We recognise the shift in primary healthcare elements to digital or alternate care settings but remain committed to providing exceptional care in traditional hospital settings.

CAPITALS AFFECTED: IC HC FC

STRATEGIC THEMES

STAKEHOLDERS INVOLVED: Medical specialists

Further information on our clinical governance can be found on page 37 of this report.

Organisational growth

In pursuit of our goal to be a leading African Healthcare Group, we plan to expand our presence in the countries where we already operate, while diversifying geographically. In leveraging our specialised experience in hospital management, both organic and acquisitive growth opportunities become available to us. Through facilities design, consulting and hospital management contracts, Lenmed has the ability to be profitable yet capital-light where opportunities can reinforce our brand across the continent.

CAPITALS AFFECTED: IC HC FC

STRATEGIC THEMES

STAKEHOLDERS INVOLVED: Communities

Further information on our growth strategy can be found on page 4 of this report.

CAPITALS AFFECTED: FC Financial | MC Manufactured | SRC Social and relationship | IC Intellectual | HC Human | NC Natural

STRATEGIC THEMES: Key stakeholder engagement | Continuous learning | Clinical and operational excellence | Digital transformation and innovation | ESG | Growth strategy

STAKEHOLDERS INVOLVED: Medical practitioners and allied services | Employees | Patients | Service providers and suppliers | Medical aid funders | Government and regulatory bodies | Shareholders, future investors

Digital disruption in healthcare

CAPITALS AFFECTED: IC MC HC FC

The Fourth Industrial Revolution has a profound impact on all sectors, including healthcare. This industry is adapting to changing consumer preferences and the potential for greater efficiency. Patients are more informed and expect personalised, high-quality care. This need for better care is supported by medical aid funders, who are likely to shift towards paying for quality outcomes rather than service outputs. Hospitals that can effectively leverage business intelligence and information technology to improve processes and patient care will likely thrive in this environment.

STRATEGIC THEMES

STAKEHOLDERS INVOLVED

Medical specialists

Further information on our digital innovation can be found on page 55 of this report.

Attracting and maintaining quality skills

CAPITALS AFFECTED: IC HC FC

The scarcity of healthcare skills is a global challenge, resulting in South African hospitals competing not only locally, but internationally to attract nurses, doctors and related healthcare staff. This problem is compounded by a shortage of medical graduates entering the system. To address this, Lenmed invests in leadership development and professional skills through initiatives like the Nursing Academy. Additionally, the Group provides modern infrastructure and pleasant working conditions to support doctors who generally work on a contract basis.

STRATEGIC THEMES

STAKEHOLDERS INVOLVED

Medical specialists

Medical school/ universities

Further information on our people initiatives can be found on page 43 of this report.

Funder relations

CAPITALS AFFECTED: FC IC HC SRC

MAFs have a significant impact on the private healthcare sector. Those healthcare service providers within their designated service provider networks gain access to a large pool of patients and revenue. MAFs use their financial influence to promote certain trends, such as the shift towards alternate care settings and patient-centred care linked to value-based reimbursement. Lenmed places great importance on building and maintaining relationships with MAFs, which enables the Group to provide more services to its members and ultimately increases revenue for both Lenmed and the scheme. In the future, healthcare service providers that offer the highest quality care will likely attract more revenue.

STRATEGIC THEMES

STAKEHOLDERS INVOLVED

Further information on our financial capital management can be found on page 33 of this report.

Embedding ESG focus

The world is increasingly expecting businesses to prioritise ESG. In addition to contributing to the national economy, healthcare institutions have a unique responsibility to assist local communities by creating job opportunities, supporting small businesses and improving community welfare. At Lenmed, we believe in the concept of businesses as agents of positive change.

We are proud of our contributions to the Children's Cardiac Foundation of Africa and our investment of around R200 million to support small businesses. We are closely monitoring our water and electricity consumption, and allocated R20 million to renewable energy and water initiatives in 2022.

CAPITALS AFFECTED FC IC SRC

STRATEGIC THEMES

STAKEHOLDERS INVOLVED

Communities | Contractors and suppliers | Clinical procurement

Further information on our ESG initiatives can be found on page 51, Lenmed's corporate governance on page 59 of this report.

Further information on our social initiatives can be found on page 54 of this report.

Further information on our natural capital can be found on page 57 of this report.

Macroeconomic factors

Macroeconomic factors have a significant impact on healthcare companies. Economic conditions, such as recessions or inflation, can affect the affordability and accessibility of healthcare for individuals and governments alike. This may result in reduced demand for healthcare services, lower revenue for healthcare providers, and increased financial pressures on healthcare systems. A weaker rand results in an increased cost of imported goods used in our hospitals. Government policies related to healthcare spending and regulation could significantly impact the operations and profitability of Lenmed's business. Overall, macroeconomic factors create both opportunities and challenges for the healthcare sector. It is therefore essential for us at Lenmed to closely monitor and adapt to changing economic conditions to ensure our long-term success.

CAPITALS AFFECTED FC IC HC NC

STRATEGIC THEMES

STAKEHOLDERS INVOLVED

Communities

Further information on our business environment can be found on page 17 of this report.

Fredré Meiring

Message from our CFO

Lenmed has successfully transitioned to a more normalised trading environment as the COVID-19 pandemic has gradually dissipated. Consequently, patient volumes have increased consistently, and the case mix has returned to pre-COVID-19 levels. The impact of the pandemic seems to have worked its way through the system, as COVID-19-related patient per day (PPD) figures have been replaced by non-COVID-19 PPDs. While this is positive for long-term growth and sustainability, it also means the extraordinary revenue generated from COVID-19 testing in our pathology business in Mozambique has significantly declined as local travel restrictions were lifted. We do not anticipate being able to replace this lost revenue in the future.

Occupancy levels have increased, as evidenced by the rise in PPDs, while the revenue per patient day (RPPD) remains strong and well above pre-pandemic levels.

Our growth projects at Ethekwini Hospital and Heart Centre (23 beds) and Bokamoso Private Hospital (44 beds), which were completed in the previous financial year, are starting to yield positive results with a steady increase in bed utilisation. We anticipate further growth in utilisation from these expansion projects in the coming period. We have continued to invest in our growth strategy by acquiring MMHS, which added 288 beds and marked our entry into the North West province. Expansion projects at Ahmed Kathrada Private Hospital and Royal Hospital and Heart Centre have also begun during the year and are expected to be completed early in the next financial year.

	2023	2022	2021	2020
EBITDA (R'000)	**635 001**	533 671	243 267	579 148
EBITDA margin (%)	**15.9**	15.8	9.0	19.2
HEPS (cents per share)	**29.99**	31.18	12.11	28.1
Total net debt to EBITDA ratio, debt covenant is <3.5 times	**2.08**	1.83	4.53	2.14
Senior debt service cover ratio, debt covenant is >1.1 times	**1.77**	3.50	1.47	1.36
Interest cover ratio, debt covenant is >2.5 times	**4.43**	4.12	1.9	4.15
Debt to equity ratio, debt covenant is <80%	**46**	39	52	55

We have maintained a strong focus on controlling operational and capital expenditure, managing working capital, and collecting outstanding accounts from the RAF, which has resulted in high cash conversion and a robust balance sheet. This, in turn, has allowed the Group to maintain sufficient funding headroom throughout the year and position itself to capitalise on future growth opportunities.

Over the past five years, Lenmed has successfully regained financial momentum, as evidenced by our key metrics. Our growth strategy is on track, highlighted by the acquisition of MMHS, which became effective on 1 August 2022. Additionally, expansion projects have commenced at Ahmed Kathrada Private Hospital and Royal Hospital and Heart Centre. We are excited about the potential increase in bed utilisation resulting from these expansions in the upcoming year.

We are pleased with the normalisation of our operations and the establishment of a more stable operating environment. We remain committed to driving efficiencies and achieving higher occupancies across the entire Group.

Statement of comprehensive income

The Group's strong performance in the first half of the year continued despite the challenges posed by a disruptive environment and the impact of flooding in KwaZulu-Natal. Despite these floods in April and disruptions caused by the riots in the comparative period, revenue at the Ethekweni Hospital and Heart Centre has normalised and surpassed pre-disruption levels.

Group revenue showed significant improvement, with a 17% increase Ito R3 972.2 million compared to R3 386.1 million in the previous year. This growth can be attributed to a 21.5% increase in PPD – 10.5% excluding MMHS – and a marginal 2.9% decrease in the revenue per patient day (RPPD) – 0% excluding MMHS. The increase in PPDs is primarily driven by a 32.7% rise in total admissions (19.4% excluding MMHS) compared to the previous period. Notably, the significant number of COVID-19-related PPDs in the first half of the comparative period has been largely replaced by non-COVID-19 PPDs, indicating a return to normal operations for the Group.

Occupancy levels have also recovered to pre-pandemic levels. Given the high occupancy levels at Ethekwini Hospital and Heart Centre and Royal Hospital and Heart Centre, further expansion plans for these facilities are outlined in the CEO report for the upcoming financial year. The RPPD for the year saw a decrease of 2.9% (0% excluding MMHS). Despite an average tariff increase of 4.5%, the normalisation of the case mix had a negative impact on the RPPD for the year. Furthermore, the RPPD or MMHS is slightly lower than the Group average owing to differing tariff structures at Daleside Day Hospital and Parkmed Neuro Clinic, which collectively represent 24% of the beds at MMHS.

The growth in revenue was supported by the recruitment of additional doctors and specialists to our facilities, as well as the expansion of bed capacity at Ethekweni Hospital and Heart Centre, and Bokamoso Private Hospital over the past two years. Most of our facilities experienced revenue growth of more than 10%, with the exception of La Verna Private Hospital, Shifa Private Hospital and Randfontein Private Hospital. The high revenue earning facilities experienced significant COVID-19 admissions during the comparative period, when the third wave resulted in exceptional volumes of higher acuity cases, particularly in Gauteng and the Northern Cape.

In an effort to enhance its services and attract higher acuity cases, Howick Private Hospital expanded its emergency unit and added more ICU and high-care beds, which resulted in its PPDs increasing by 57% and revenue rising by almost 26%. However, delays in the expansion works have prevented the hospital from reaching its full potential.

During the financial year, Maputo Private Hospital witnessed a notable decline in other income owing to the conclusion of dedicated healthcare solutions provided to various corporate clients in Mozambique, resulting in reduced revenue from these sources. However, with the region stabilising after the insurgency in the north of the country, many of these corporate clients are returning to Mozambique, and we remain hopeful the relationships developed during these contracts will present future opportunities. These relationships – along with the anticipated growth in the region – align with our commitment and growth aspirations for Mozambique, evidenced by our acquisition of a majority stake in Beira Private Hospital in March 2023.

Despite an increase in cost of sales and operational costs of 14.5%, the revenue growth of over 17% indicates well-controlled expenses, reflecting operational leverage that supports our growth strategy and the continued return to higher occupancies. EBITDA improved by 19% to R635 million from R533.7 million in 2022 (14% excluding MMHS), with management estimating the disruptions caused by the flooding in KwaZulu-Natal during the period cost the Group a further 1-2% of EBITDA growth.

Although the EBITDA margin of 15.9% was in line with what was achieved for FY22, it was negatively impacted this year by:

- Disruptions caused by the flooding in KwaZulu-Natal during April 2022
- Once-off transaction and legal costs relating to the MMHS transaction
- A 22% increase in insurance costs following COVID-19, July 2021 riots and April 2022 floods in KwaZulu-Natal
- A 78% increase in diesel costs to generate power during load shedding
- An increase of 45% in legal costs attending to medical legal matters.

However, it is pleasing to note that EBITDA from core operations increased by 28.7% to R646 million from R521.8 million in 2022 (24.2% excluding MMHS). EBITDA from core operations excludes:

- Extraordinary profits achieved in the comparative period at our Mozambique operations from COVID-19 testing in the pathology business
- High margin corporate contracts in Mozambique during the comparative period, relating specifically to COVID-19 solutions, which have come to an end early in the current financial year
- Once-off transaction costs relating to Howick and MMHS acquisitions/ transactions
- Once-off business development costs relating to primary care centres in Mozambique.

Despite the increased cost and complexity of doing business in South Africa, we remain committed to achieving our strategic objectives and delivering market-related returns for our shareholders. We are actively driving efficiencies throughout our operations, particularly in the newly acquired facilities, which we anticipate will lead to improved margins in the medium term.

The net interest expense rose to R130.2 million (2022: R123.5 million) driven by/due to investments made for growth and the acquisition of MMHS. Additionally, the tax expense increased significantly as the assessed loss of Maputo Private Hospital was fully utilised at the end of December 2021. Going forward, our earnings in Mozambique will be subject to a 32% tax rate.

Although EBITDA saw a 19% increase compared to the previous year, there was a decrease of 4% in both basic and diluted earnings per share (EPS). This decline can be attributed largely to the higher finance costs, increased tax expenses resulting from the utilisation of the assessed loss of Maputo Private Hospital in the previous year, and an increased depreciation charge for the year.

In line with our commitment to shareholders, the Group paid a dividend of 3.5 cents per share in July 2022. This dividend aligns with our dividend policy of distributing at least 10% of headline earnings attributable to shareholders annually.

Statement of cash flows

Cash generated from operating activities equated to R535.6 million (R663.0 million for 2022), or 84% of EBITDA (124% in 2022). Our trade receivables days outstanding reduced by 5% during the year as a result of our continued and dedicated focus on working capital management with enhancements in credit control and collecting the long outstanding RAF book. Owing to the significant increase in revenue of 17% and the resultant growth in the size of the trade receivables book compared to the prior year, coupled with the significant cash collections of the prior two years, we were unable to generate cash from operating activities within our target range of 90–95% of EBITDA.

We continued our regular asset maintenance and replacement plans to maintain our operating capacity, allowing for the best possible clinical outcomes. We successfully concluded the acquisition of MMHS with effect from 1 August 2022 for a net acquisition cost of R419.4 million (acquisition price less cash acquired). This was funded through internally generated cash and the restructuring of inter-group funding. In support of our growth aspirations, additional funding facilities were raised with MB to retain our funding headroom at similar levels than before the MMHS acquisition.

Statement of financial position

The Group invested R458.6 million during the financial year (R91.5 million in FY22) towards our growth strategy. Of this, R39.2 million was allocated to internal growth initiatives while the remaining R419.4 million was allocated to the acquisition of MMHS. This acquisition led to the recognition of additional goodwill of R238 million on the Group's balance sheet. We believe this goodwill is justified by the potential future sustainable profitability of MMHS. In addition to investing in our growth, we invested in the upkeep and modernisation of our facilities. Most notable is the commencement of multiyear upgrades at Ahmed Kathrada Private Hospital, Kathu Private Hospital and Shifa Private Hospital, enabling expansion projects at some of these facilities.

This MMHS acquisition, together with the investment in assets to maintain and expand our operations, was funded through a combination of internally generated cash and the drawdown of our banking facilities. As a result, net debt increased to R1.26 billion (or 2.04 times EBITDA) from R939 million at the end of the prior year (or 1.83 times EBITDA). The Group remained well within its debt covenants, with sufficient headroom available for future funding of the Group's growth strategy.

Events after the reporting date

On 15 March 2023, Lenmed acquired 60% of Beira Private Hospital Limitada for R59.5 million. It is a 46-bed facility and outpatient clinic in the town of Beira, which is Mozambique's second largest port and population. The acquisition aligns with our strategy to scale and expand our presence in Mozambique and we are hopeful to benefit from the increased population as a result of the significant gas developments regaining momentum in the growth of this country. This acquisition was funded through internally generated cash.

During June 2023, Lenmed entered into an agreement to acquire up to 100% of MooiMed Operating Company (Pty) Ltd (MooiMed), an 87-bed acute private hospital in Potchefstroom. This aligns with our strategies of growth and diversification across geographies. It is our second acquisition in the North West province of South Africa. The Group anticipates this acquisition to initially add an additional 2.8% to group EBITDA. At the date of this report, the transaction was still conditional upon various approvals, including the approval by the Competition Commission.

Outlook

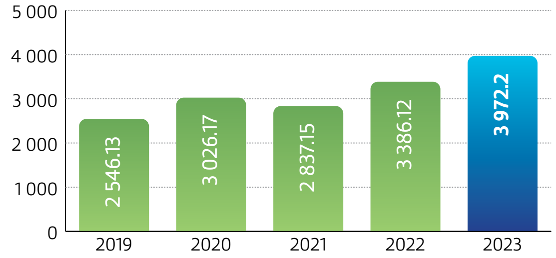
Despite the challenging economic environment characterised by power disruptions and global shortages of healthcare workers, Lenmed's operating platform has achieved stability and is poised for growth. The Group's ongoing initiatives are gaining momentum and there is optimism that they will have a positive impact on case mix, revenue growth and profitability in the short to medium term.

Lenmed is strategically positioned to capitalise on carefully planned growth initiatives. The Group remains committed to executing its growth strategy responsibly and sustainably. This includes actively pursuing opportunities to expand market share, acquire promising businesses and diversify the revenue base. By pursuing these measures, Lenmed aims to enhance its overall performance and contribute to the long-term success of the organisation.

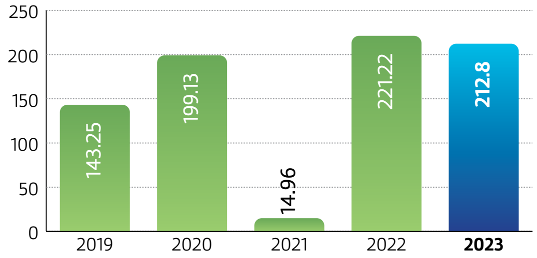
Fredré Meiring
Chief Financial Officer

Five-year review

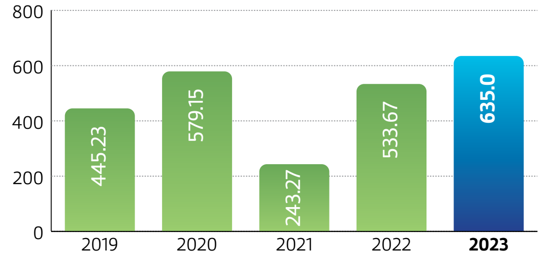
Revenue – CAGR = ↑12.3%
(R million)



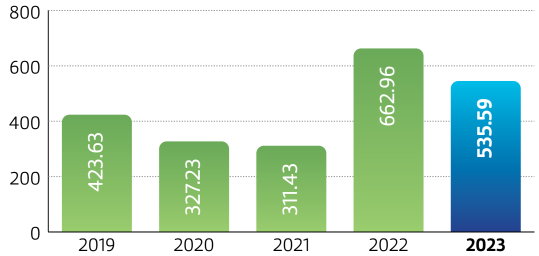
Headline earnings – CAGR = ↑6%
(R million)



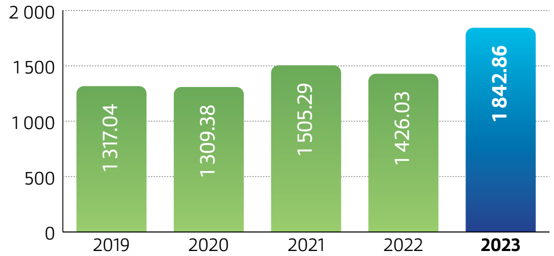
Normalised EBITDA – CAGR = ↑9.7%
(R million)



Cash flow from operations – CAGR = ↑8.2%
(R million)



Interest bearing debt – CAGR = ↑7.3%
(R million)



CAGR = Compound annual growth rate

Our clinical governance

Reflection on the year under review

As we enter FY2024, there is a renewed sense of enthusiasm and drive at Lenmed and within its clinical governance team as we recommit ourselves to strengthening the systems and processes that underpin our hospitals and improve the experience, safety and clinical outcomes of our stakeholders.

Reflecting on the past year and the pandemic, COVID-19 has highlighted the importance of infection control practices in healthcare settings. Thanks to the success of the national vaccination campaign, Lenmed has not seen a significant rise in severely ill COVID-19 patients requiring hospitalisation. Consequently, we have integrated COVID-19 infection control measures into our overall infection control practices – rigorous cleaning, monitoring of infection rates, staff training, and strategies to minimise the spread of infectious diseases – which includes screening patients with respiratory symptoms. We continue to encourage all our stakeholders to get vaccinated and receive booster shots as advised by the National Department of Health (DOH) while maintaining good hand hygiene and respiratory etiquette. Our doctors are urged to screen and test patients appropriately for elective admissions, and we will continue to enforce our infection prevention and control policies and isolation protocols.

This year, we take pride in celebrating our numerous accomplishments and successes, including various Lenmed hospitals receiving Best Performer awards in the 2022 Discovery Health Hospital Care Rating. Randfontein Private Hospital obtained Trauma Society of South Africa (TSSA) Trauma Level II accreditation, and Lenmed Ethekwini Hospital and Heart Centre made headlines by inserting the world's smallest leadless pacemaker into a patient's heart, as well as celebrating its 100th MAKO Smart Robotics joint replacement surgery. The hospital was awarded the prestigious World Stroke Organisation Gold status, a first for a private hospital in South Africa. Moreover, the TAVI programme was launched at Lenmed Ethekwini Hospital and Heart Centre, with the first procedure successfully conducted in September 2022.

In addition, Lenmed Bokamoso Private Hospital expanded its cardiac offering to include paediatric cardiology, providing a more comprehensive service to patients without the need to transfer them to South Africa. Ahmed Kathrada Private and Bokamoso Private hospitals both maintained their Council for Health Services Accreditation of Southern Africa (COHSASA) accreditation. We also expanded our suite of clinical risk management services on LenIRS while entrenching clinical performance reviews.

Clinical governance committee and framework

After five years of continuous effort, our clinical governance journey has undergone a significant transformation.

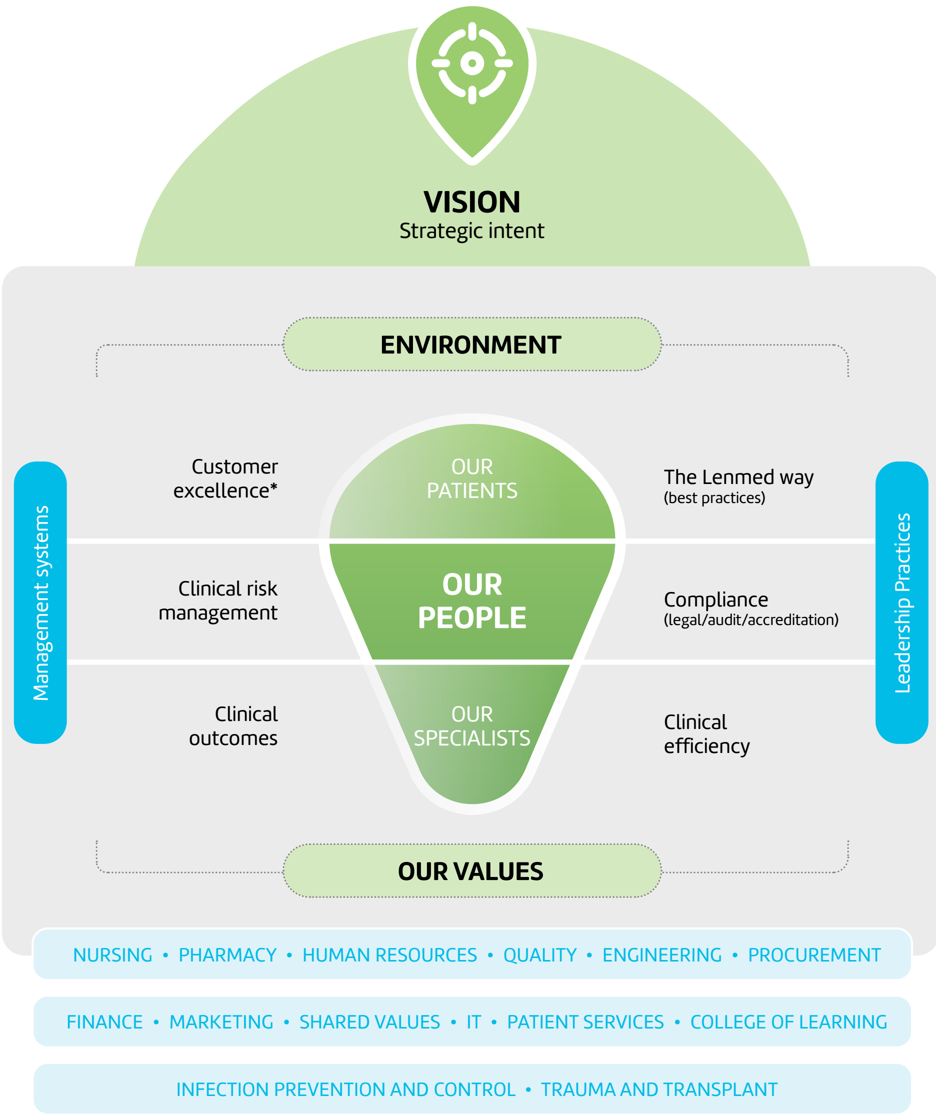
With a robust clinical foundation already in place and multiple initiatives successfully implemented, we can take advantage of this opportunity to:

- Initiate strategic projects to strengthen clinical governance
- Place equal emphasis on driving clinical performance as well as financial performance
- Engage with clinicians to promote clinical performance reviews and cost of care
- Continuously assess the effectiveness of our clinical programmes and clinical differentiation to maintain world-class care
- Refine and enhance existing clinical risk management, employee health and safety, and compliance measures
- Engage with funders and other stakeholders to foster support for our clinical governance journey

In order to accomplish this, the Clinical Governance Committee has adopted a strategic role that involves:

- Placing equal importance on driving clinical performance as well as financial performance
- Monitoring and aligning with industry trends, both locally and internationally
- Establishing clinical priorities across stakeholders and promoting clinical differentiation
- Identifying clinical mentorship, fellowship and proctorship opportunities for clinicians
- Encouraging clinical performance reviews and efficiency management
- Determining the path towards a clinical system.

The Lenmed clinical governance framework encompasses all activities aimed at maintaining and improving high standards of patient care. It ensures patient care is safer and delivers the best experience and outcomes, ultimately improving the health and wellbeing of our patients and communities. Over the last five years, we have established a strong foundation that has been reinforced by several new initiatives, with clinical performance at its core. We continue to drive improvements through our hospital management teams to promote better patient outcomes.



* *For more information about how Lenmed managed customer excellence in FY23, please refer to page 52.*

Clinical risk management

Risk assessment and management
Over the past five years, our clinical risk management system, LenIRS, has evolved to become a user-friendly and adaptable solution. The clinical risk management system aims to assess compliance with legal, industry and company standards and identify safety risks that could negatively impact patients and employees. Looking ahead, the Group will introduce risk assessment and medicolegal modules to enhance the system's capabilities.

Clinical performance reviews
In the latter part of 2021, we introduced clinical performance reviews, which have since been fully embedded. These reviews aim to enhance our engagement with hospital management teams with the objective of improving clinical performance and outcomes. Hospital managers lead the effort, promoting collaboration between hospitals and Group functions in identifying clinical risks, clinical scorecard deviations and trends, and serious adverse events. The reviews also focus on understanding the root causes of adverse events, learning from them, and identifying opportunities for improvement. Improving clinical performance and outcomes should be the primary objective of all committees, serving as an invisible thread that connects our clinician communities. Engaging clinicians in these conversations will remain a priority for us in the future.

Lenmed Clinician Portal
During the latter part of FY23, we launched the Lenmed Clinician Portal to enhance communication and engagement with our clinicians. This system will unlock numerous benefits, including supporting clinicians in marketing their practices, providing seamless access to a patient information library for improved informed consent, sending reminders for insurance and professional registration updates, and providing a single repository for information and documentation.

Reducing readmissions
Reducing readmissions is a key focus in the healthcare system globally. This focus is driven by the association between reduced readmissions, higher patient satisfaction and improved outcomes. At Lenmed, our clinical programmes – such as cardiac and stroke programmes – place greater emphasis on early identification of patients at risk of readmission, using a readmission risk tool. We ensure these patients are adequately informed, prepared for, and understand the requirements upon discharge from the hospital.

Clinical outcomes

Discovery Health Hospital Care Rating

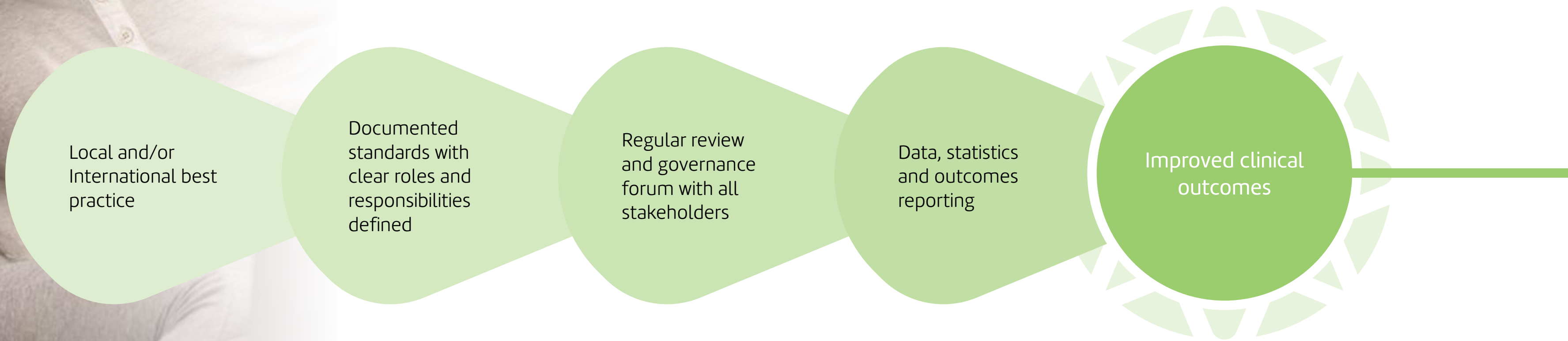
In the period under review, seven Lenmed hospitals were recognised as Best Performers for 2022 by the Discovery Health Hospital Care Rating. Five hospitals received a 'better than expected' rating and two received 'on par/as expected' ratings. This is based on four measures: re-admissions, mortality rates for specific conditions, patient experience, and hospital efficiency. The overall rating compares hospitals' performance to that of other similar hospitals where Discovery members are admitted. Achieving Best Performer status for these seven Lenmed hospitals indicates they have performed exceptionally across all four measures and are providing high-quality care to patients.

Evolving our clinical quality scorecard metrics

Lenmed constantly reviews the best practices and systems of international and local healthcare to ensure our clinical quality scorecard metrics remain relevant and up to date. Our focus on driving clinical quality performance as hard as financial performance necessitates this approach. The Lenmed clinical quality scorecard serves as a shared and clear vision of our goals, aiding in improving communication, engagement and alignment across hospitals, departments and Group functions. It comprises 130 metrics across 16 categories, providing a holistic view of the clinical quality health status of each hospital and the Lenmed Group as a whole.

Clinical programme and accreditation

Lenmed hospitals are committed to implementing best practices with a particular emphasis on clinical differentiation, which includes programmes for cardiac, stroke, trauma and bariatric care. Differentiation is a strategic priority for Lenmed, as research has demonstrated that patients who receive care following a predetermined clinical pathway within a set timeframe – with all stakeholders focusing on the most effective interventions – experience better outcomes and safer care. To ensure the implementation and sustainability of these programmes, Lenmed has developed a comprehensive approach, as outlined below.



Chest pain and primary PCI accreditation for Ethekwini Hospital and Heart Centre

Ethekwini Hospital and Heart Centre has successfully maintained its chest pain and primary PCI accreditation for several years in a row by meeting the strict requirements of the American College of Cardiology. This achievement reflects the hospital's unwavering commitment and expertise in treating patients with chest pain. The accreditation has also elevated the hospital's status as a leading provider of cardiovascular care, which delivers accurate and timely diagnosis and treatment, resulting in improved quality outcomes. Moreover, the American College of Cardiology is set to recognise the hospital's primary Emergency Medical Services (EMS) partner by awarding EMS Partner in Care status in the upcoming months.

Stroke programme at Ethekwini Hospital and Heart Centre and Ahmed Kathrada Private Hospital

Several research studies have demonstrated that when healthcare professionals work collaboratively across disciplines, they can provide superior quality care and achieve better patient outcomes. This positive impact of teamwork is evident in all areas of healthcare, but it is particularly critical in emergency situations such as a stroke, when time is of the essence. The 'time is brain' principle lies at the core of the Lenmed stroke programme. The Ethekwini Hospital and Heart Centre was the first private healthcare facility in South Africa to attain the World Stroke Organisation Gold status. In the near future, the Lenmed stroke programme will be implemented across other hospitals within the Lenmed network.

Bariatric programme at Ahmed Kathrada Private Hospital

Ahmed Kathrada Private Hospital is on the cusp of achieving Proventi hospital accreditation for bariatric surgery. Research has shown that accreditation in bariatric surgery is associated primarily with a reduction in mortality and has a secondary benefit of improving outcomes for morbidly obese patients.

Lenmed trauma programme

The TSSA promotes the prevention and mitigation of trauma owing to all forms of injury (penetrating, blunt and burns) through the propagation of quality treatment and management at appropriate centres of care. The society aims to fulfil the goals of WHO declaration on emergency care for the injured through the accreditation of trauma centres in southern Africa. The Group supports this vision and has commenced the accreditation process of all our hospitals as part of our bigger vision to improve standards and patient outcomes. Lenmed Randfontein was accredited as a Level II Trauma Centre in July 2022, and two other hospitals are awaiting their accreditation. This addresses Lenmed's vision of providing quality healthcare and making a tangible difference in the communities we serve.

Lenmed transplant programme

Lenmed transplant division was established in 2022 by appointing a dedicated heart-lung coordinator and renal coordinator. The team is complemented by staff from Bone SA, which shares our offices. A full-time in-house psychologist joined our team in November 2022 and provides psychological assessment and support pre-and post-transplant to donor families, recipients, as well as members of the transplant team. We have performed two successful heart transplants since July 2022. Lenmed Bokamoso Hospital received approval from Botswana Ministry of Health to perform living-related kidney transplants in Botswana. The Bank Hospital in Ghana will also perform living-related kidney transplants. Extensive training and preparation have been done at both these facilities, with these transplants to start in the next few months. In addition, Lenmed transplant division supports the Organ Donor Foundation, South African Transplant Society and Hero777, all of which work towards organ and tissue donation awareness and enlarging our donor referrals.

Internal function compliance audits and OHSC

In 2021, we introduced an automated compliance audit tool module to LenIRS, our clinical risk management system, which allowed hospitals to conduct self-assessments online with validation from Group functions. The automated compliance audits have become an annual benchmark for hospitals to assess their compliance with legal, industry and company requirements. In preparation for formal inspections by the OHSC – an independent regulatory body responsible for monitoring the quality of healthcare services rendered in all health establishments – we incorporated the OHSC inspection tool criteria into this year's audit. The LenIRS compliance audit tool is being used more widely to assess both readiness and compliance with clinical and other programmes.

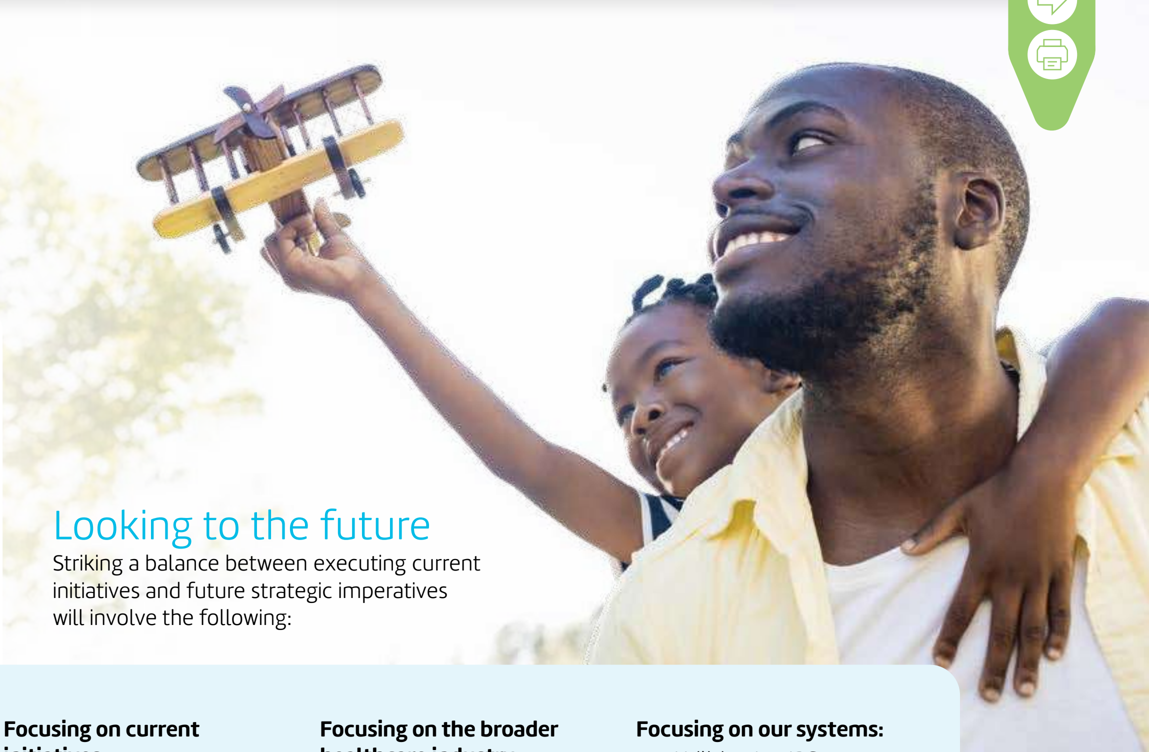
The Lenmed Way – our best practices

Education and training

As the clinical governance team, we understand our employees' primary focus is to provide excellent customer service. We, in turn, serve our employees, who serve our customers. We recognise the time constraints and conflicting priorities our employees face. Therefore, the way we engage with them on various clinical governance initiatives is crucial. Taking inspiration from the COVID-19 pandemic, we use the Teams platform to engage and coach employees. We believe it is more effective to meet employees where they are and provide them with bite-sized training messages and short coaching sessions, rather than trying to get them into a classroom. We have found this approach to be successful in spreading our message to a wider audience.

For our frontline managers, the first cohort of the Lead Lenmed Front Line Leader programme is nearing graduation. This leadership training initiative was developed in collaboration with Henley Business School and launched to provide our frontline managers with training across four key areas of responsibility: quality and safety, relationship building, staffing, and financial management.

Further information can be found in the people section on page 43 of this report.



Looking to the future

Striking a balance between executing current initiatives and future strategic imperatives will involve the following:

Focusing on current initiatives:

- Strengthening clinical governance initiatives
- Prioritising clinical performance and outcomes alongside financial performance
- Ensuring the effectiveness of clinical performance reviews and other governance structures
- Achieving differentiation through a continued focus on appropriate clinical programmes and accreditation.

Focusing on the broader healthcare industry:

- Preparing to report outcomes externally and aligning with industry requirements
- Engaging with funders to discuss initiatives, outcomes and related metrics, in alignment with our objective of improving patient experience, safety and care delivery.

Focusing on our systems:

- Utilising LenIRS to automate manual processes and expand our suite of services for employees and frontline leaders
- Defining initial steps for the introduction of the Lenmed clinical system.

1 Our people

Our employees are the cornerstone of our business. They are the driving force that enables us to meet our mandate and the needs and priorities of our stakeholders. By embracing our values and contributing to our organisational culture, they serve as ambassadors for our company, shaping our reputation and allowing us to fulfil our obligations as a responsible corporate citizen.

Lenmed's people strategy is centred on building a workforce equipped to thrive in a dynamic operating environment and adapt to the changing world of work. We believe investing in our workforce means investing in leadership skills, streamlining our human capital and culture processes and systems, enriching our employees' experience and enhancing community experience. Through this approach, we not only support the growth and development of our employees, but also achieve our vision of becoming an employer of choice across the continent.

Lenmed People and Culture Strategy Framework

OUR PEOPLE AND CULTURE VISION

to become the Employer of Choice across the continent

Critical success factor

One – Better leaders and managers

- Formal and ad hoc leadership development entrenching The Leadership Charter including leaders developing leaders
- Management operating model including driving line ownership of the Leadership Charter and Value Chain
- Talent management (succession planning, creating career pathways)

Two – Streamline people and culture Processes and Systems

- Streamline people and culture processes, tools and systems across the Leadership Value Chain
- Improve people data and analytics
- Digital enablement and innovation

Three – Enhance Employee Experience

- Internal two-way communication and change management
- Employee well being
- Wellness (basic necessities)
- Rewards and recognition
- Improved attraction and retention
- Training e-learning and capability building

Four – Enhance Community Experience

- Improved communications
- Identifying key stakeholders
- Upskilling (e-learning and training)
- Community development and leadership

People and culture strategic advisory and consulting

Sustainability and future proofing (remaining relevant)

Diversity and transformation (inclusiveness and EE)

People governance and risk management (compensation and benefits)

Business operational alignment

It is essential to have the appropriate centres of excellence and subject matter experts in place to effectively drive all people and culture initiatives and activities.

This is a key component of our People and Culture Strategy. Recently, we have expanded our team by introducing two critical positions that will play an integral role in achieving our goals:

One

Organisational development specialist: We recruited an organisational development specialist in February 2023, who will focus on optimising people workflow processes and exploring more efficient and effective ways of working. This role will work in close partnership with the business to refresh, align and embed various processes that underpin the Leadership Value Chain, ensuring they meet key business priorities. This includes providing innovation and direction to optimise our talent landscape, managing People and Culture projects, and developing, refining and embedding the operating model with senior leaders.

Two

Employee experience coordinator: In September 2022, we appointed an employee experience coordinator from within the organisation. The primary function of this role is to ensure the successful planning, coordination and execution of initiatives, projects and deliverables related to the People and Culture agenda, with a particular focus on ensuring employees have a positive experience from the moment they are hired until the end of their tenure.

To be the LEADING African healthcare group

Our VISION

WHAT success looks like

Our LEADERSHIP CULTURE

the environment we create to get things done

SERVICE
We anticipate and meet customers' needs.

ENTREPRENEURIAL
We champion innovation and responsible risk-taking.

LEARNING
We overcome challenges, learn and win together.

RESULTS-FOCUSED
We take accountability for delivering results.

Our MISSION

Our purpose – WHY we exist

To build **healthier** and **prosperous** communities.

Our VALUES

WHO we embrace everyday

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 ALWAYS ACT with compassion and empathy

WE AIM for perfection in all that we do

Our LEADERSHIP CHARTER

WHO we strive to be as leaders

- I go out of my way to provide **exceptional customer** service.
- I hold myself and others **jointly accountable** for results.
- I set collective priorities, simplify work and **deliver on time**.
- I look for **new opportunities** and drive better ways of doing things.
- I commit to learning from mistakes and **continuously developing** myself and others.
- I commit to **listening**, collaborating and sharing knowledge.
- I encourage openness and transparency and have the **courage** and **integrity** to **engage freely** and constructively.
- I treat **everyone** with humility, respect, kindness and dignity.

OUR EMPLOYEES:
THE FOUNDATION OF OUR SUCCESS

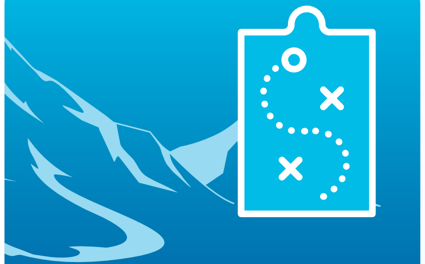
AT A GLANCE

Highlights

Our employee turnover rate remains consistent at a 2% average as at February 2023

Challenges

Our ongoing challenge remains having access to specialised skills in a very scarce-skilled environment



Opportunities

Nursing College – upskilling of nursing staff. It is hoped these learning and development opportunities will assist in addressing our skills gap

Corporate culture

The culture of a company plays a vital role in influencing its performance and behaviour. It can either act as a catalyst for growth or become a hindrance to progress. At Lenmed, we are dedicated to establishing a corporate culture that is ethical, dynamic, innovative and transparent. The Lenmed Board has oversight as to how management at every level demonstrates and communicates Lenmed values, while embedding this culture throughout our organisation. Aligning with our leadership culture is key to what we wish to create across the Group.

Employee engagement

We recognise the pivotal role our doctors play in ensuring positive patient experiences that contribute to the success of our business. Hence, it is crucial that we treat our doctors and employees as equally valued stakeholders. This became particularly important during the pandemic, when anxiety and fear were prevalent. To encourage employees to acknowledge their colleagues who are embodying the Lenmed values, we launched the Celebrate rewards and recognition initiative in 2022. During this period, we held weekly appreciation drives across all our sites, supported by our Celebrate initiative. Through various awareness drives within the Group, we have been successful in increasing employee participation in our motivation and recognition initiatives. In addition, all our hospitals implemented the Celebrity of the Month initiative, with a wall of fame installed at each facility.

EMPLOYEE HEADCOUNT

as at 28 February 2023

Ahmed Kathrada Private Hospital	412
Bokamoso Private Hospital	491
Daleside Day Hospital	23
Daxina Private Hospital	50
Ethekwini Hospital and Heart Centre	546
Howick Private Hospital	47
Kathu Private Hospital	71
La Verna Private Hospital	149
Lenmed Health Management	89
Lenmed Health Nursing College	3
Maputo Private Hospital	314
Parkmed Neuro Clinic	41
Randfontein Private Hospital	141
Royal Hospital and Heart Centre	228
Shifa Private Hospital	202
Sunningdale Private Hospital	46
Wilmed Park Private Hospital	341
Zamokuhle Private Hospital	159
TOTAL	**3 353**

Labour relations

Lenmed acknowledges and respects the right of its employees to join trade unions. Currently, around 18.6% of our permanent staff members in South Africa are affiliated with the National Education, Health and Allied Workers' Union (NEHAWU). We strive to foster positive relationships with union representatives, and as a result, we have successfully negotiated wages at our unionised facilities. We are pleased to report there were no labour disputes during the annual wage negotiations that required intervention from external entities such as the Commission for Conciliation, Mediation and Arbitration (CCMA). This demonstrates that Lenmed and its employees are able to work collaboratively and achieve mutually beneficial outcomes. In summary, Lenmed values its employees and is committed to maintaining a harmonious working environment through effective communication and negotiation.

Employment equity

Lenmed was founded to help provide work opportunities for professional health staff of all races during apartheid. This legacy remains as a core part of our identity. The table below shows a breakdown of employment equity including permanent, contract and locum employees.

Lenmed South Africa hospitals

Female employees

79%

African, Coloured and Indian employees

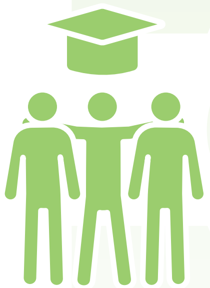
(male and female)

86%

Occupational level	Female					Male							
	African	Coloured	Indian	White	**Total**	African	Coloured	Indian	White	**Total**	Disability	Foreign	**Grand total**
Top management	–	–	2	1	**3**	–	–	4	3	**7**	–	–	**10**
Senior management	–	1	8	8	**17**	2	1	8	4	**15**	1	–	**33**
Professional qualified and experienced specialists and middle management	9	4	12	35	**60**	5	3	5	12	**25**	1	3	**86**
Skilled and qualified workers, junior management, supervisors, foremen, support staff	414	77	196	144	**831**	64	2	21	12	**99**	9	56	**939**
Semi-skilled and discretionary decision-making	635	84	136	109	**964**	135	27	53	13	**228**	18	4	**1210**
Unskilled and defined decision-making	111	9	8	4	**132**	80	7	2	3	**92**	46	2	**270**
Grand total	**1 169**	**175**	**362**	**301**	**2 007**	**286**	**40**	**93**	**47**	**466**	**75**	**65**	**2 548**

Skills development

1 991 employees attended training during FY23 and completed 39 536 training hours. **Total spend on training and skills development** for the period was **R4.8 million**



Bursaries

20 learners received
R600 000
in funding

Allocated to frontline leadership development programmes

Tvet work experience

Two learners received
R141 750
in funding

The work experience learners are allocated to qualifying hospitals

Learnerships

Pharmacist assistant (eight learners) and

post-basic pharmacist assistant (six learners) received
R 327 900
in funding

This initiative assists in the development of creating a pipeline for future vacancies

Lenmed wellness day

Non-communicable diseases pose a significant global challenge, and individuals, governments and businesses alike are grappling with how to address them. These diseases are often preventable through lifestyle changes, making it all the more relevant for employers to take an active role in promoting employee wellbeing. At Lenmed, we understand the importance of supporting employee health and wellness, for the benefit of our employees, and the overall success and sustainability of our organisation.

To this end, we offer an annual Wellness Day in which we provide a range of five screening tests – known as the Health Check – to identify potential health concerns and determine risks for lifestyle-related chronic illnesses. In September and October 2022, we held our wellness events across all of our hospitals; an especially crucial undertaking given the ongoing impact of COVID-19. We recognised that many of our people have been on the front lines of the pandemic and needed the opportunity to prioritise their own health and wellbeing. As part of this effort, we screened 1 500 of our permanent staff members. Those identified as having high-risk factors or chronic illnesses were referred for treatment.

The data from these events informed our internal communication strategies, allowing us to flag high-risk factors among our staff and address them through awareness campaigns. We encouraged our employees to undergo regular check-ups and engage with our health partners throughout the year. By investing in our employees' health and wellbeing, we not only supported their individual health outcomes, but also contributed to the long-term sustainability of our organisation.

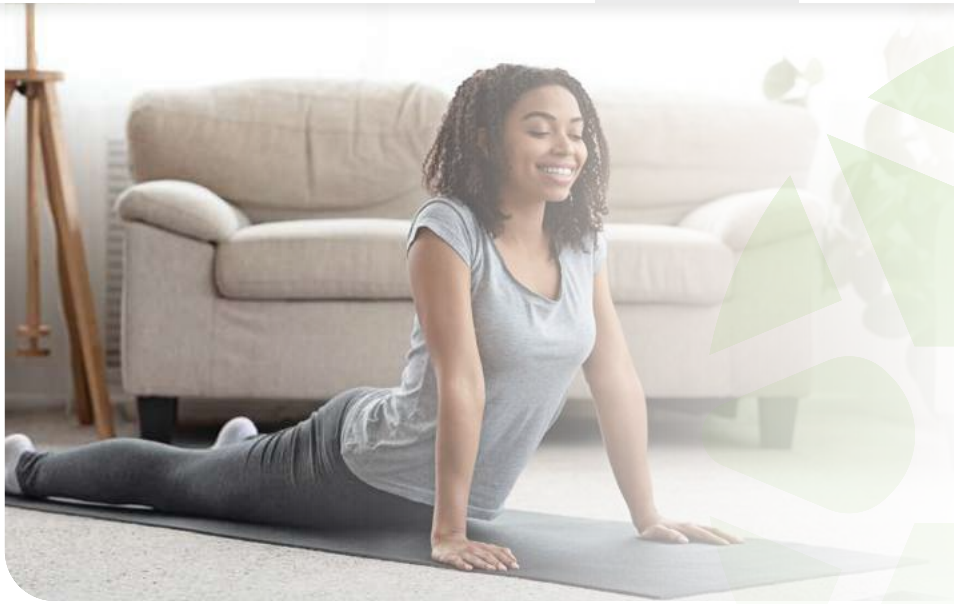
Strengthening our leaders

Lenmed is committed to becoming a leading African Healthcare Group. To achieve this vision, we believe equipping our management teams with the necessary skills and attributes is crucial. Leadership at all levels plays a critical role in instilling the organisation's leadership culture and behaviours such as service, entrepreneurship, learning and being results-focused. It is therefore imperative that we provide our managers with the tools and skills they need to effect their roles.

During 2022, Lenmed partnered with Henley Business School of Africa to develop a customised leadership development programme called Lenmed Lead: Higher Certificate in Management Practice. The programme focuses on changing the mindsets of Lenmed leaders to unlock their full potential as business unit owners. This intensive one-year programme covers various skills – from people skills to financial attributes – tailored to Lenmed's context. The first group of 25 participants from Lenmed hospitals across South Africa and Africa commenced with the programme on 1 July 2022.

As the programme nears its end, these 25 leaders will demonstrate their learnings by putting them into practice in the form of action learning projects (ALP), which combine academic rigour with the reality of the business world. The ALP focuses on specific challenges or opportunities, both within Lenmed and the external operating environment, and guides the formulation of the projects. The students presented their final projects at an action learning event in April 2023.

Positive feedback from the first cohort has led to the approval of a second cohort commencing their Lenmed lead journey in May 2023. Twenty-three Lenmed students have been selected to represent different Lenmed hospitals across the Group. Lenmed has proudly sponsored two senior leaders from the DoH in the North West province. Throughout the year, student mentors, Group managers and executive members will continue to play a pivotal role in imparting their wealth of knowledge and wisdom, resulting in another successful year of learning and self-development.



Employee value proposition

In a world in which attracting and retaining talent is crucial, a positive employee experience is a key competitive differentiator. At Lenmed, the employee story is at the heart of the organisation's success, and the employee value proposition (EVP) is a key element of this. This proposition includes both monetary and non-monetary benefits, creating an ecosystem of support, recognition and values that enable employees to reach their full potential and improve stakeholder engagement. The strategic priority placed on employee experience reflects the importance of valuing and investing in our people. During 2022, we reviewed our EVP, taking into account feedback from all relevant stakeholders. In the year ahead, we will launch our new EVP and embed it across all our employee communication channels.

Automating recruitment processes

During 2022, we automated our recruitment authorisation process. Prior to this, the manual process of requesting approval for a replacement position was tedious and time-consuming and adversely affected the recruitment process.

The automated process has significantly improved the process, taking only up to 72 hours to be approved across all levels. The system saves all approved, rejected and expired recruitment authorisations for up to 12 months, allowing for easier tracking and management.

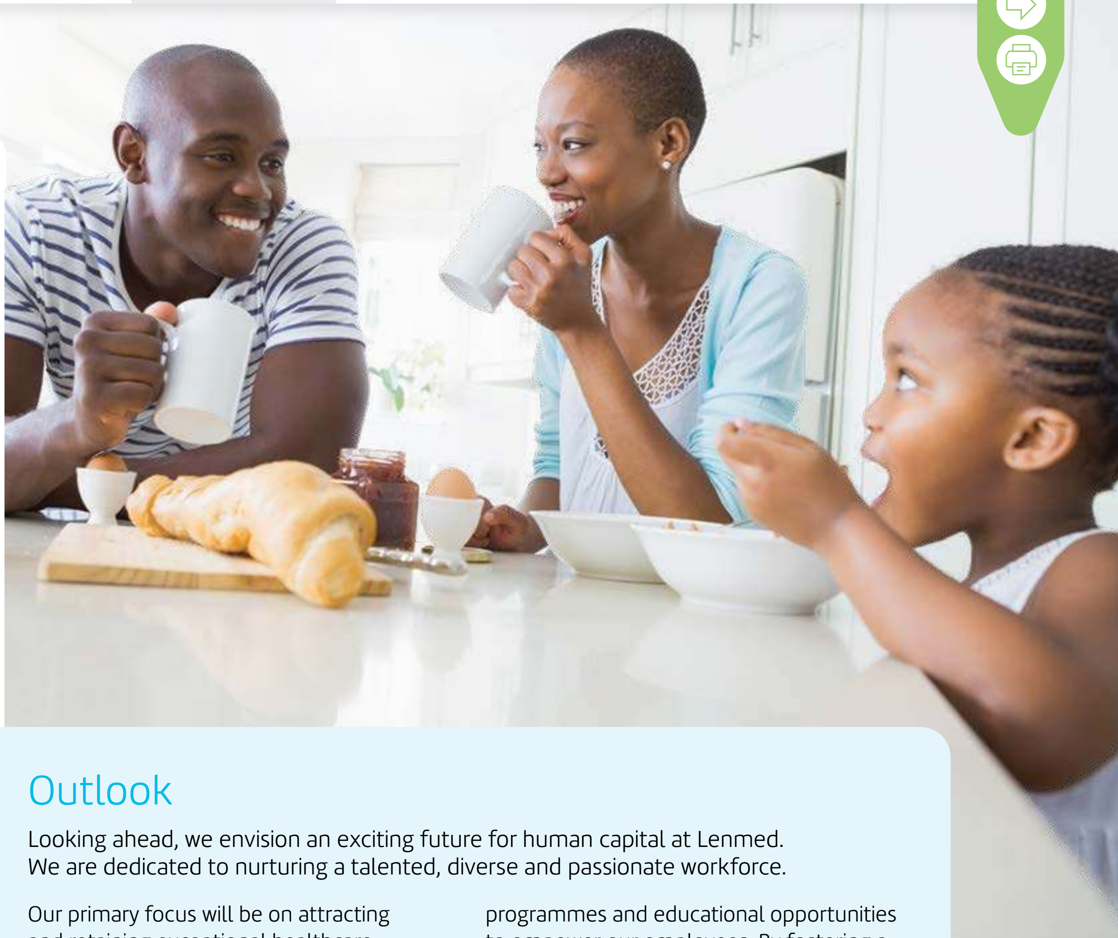
Talent management

Talent management is essential for a thriving organisation that seeks to cultivate its most valuable resource: its employees. Talent management involves developing a productive workforce that remains with the company throughout their careers. This process aims to enhance overall business performance, ensuring competitiveness and creating career pathways for top talent. Our partnership with an external service provider has enabled us to undertake assessments for employees at the middle management level and above, establishing growth and development pipelines within the organisation. We are currently finalising line manager assessments and conducting feedback sessions between employees and their line managers. This approach will equip employees with knowledge regarding developmental areas and we will hold sessions for line managers and their teams to start the Personal Leadership Journey process, commonly known as the Individual Development Plan process.

Onboarding talent

To improve our employee experience, we need to understand the employee experience life cycle and engage with employees throughout each stage of the cycle. This enables us to attract the right candidates and optimise employee experience. The first day at work is momentous in any employee's life, as it sets the rhythm for their entire experience within the organisation. This makes appropriate onboarding an important stage in the employee experience life cycle. Done correctly, onboarding can help new employees acclimate to their new work environment and seamlessly integrate into the company culture. It also demonstrates that the workplace is supportive and encourages professional development.

In line with this belief, we have developed an onboarding process that focuses on 'Moments that matter'. This project was piloted at Lenmed head office, and Ethekwini Hospital and Heart Centre. Having received positive feedback, the onboarding process was extended to the rest of the Group effective from 1 March 2023.



Accelerated transformation initiatives

South Africa's Employment Equity Act defines designated groups as black people (African, Indian and Coloured), females, and disabled people. The aim is to achieve sustainable and responsible progress at all occupational levels (grades) and ensure our workforce is representative of the national economically active population (EAP) targets, while supporting the recruitment of people with disabilities.

To address the imbalances of adequate representation at the management level, several measures have been put in place effective from 1 June 2022, including:

Disability awareness training for all managers held in July 2022, aimed at educating and creating awareness among managers in the workplace

Development of transformation targets in alignment with EAP targets and shared with the business

Development of a transformation policy and updating of the existing employment equity policy in support of Lenmed's accelerated transformation initiatives.

New pension fund adviser

In order to align with industry best practices and enhance the employee experience, Lenmed recently appointed a new employee benefits consultant. The associated tender process was facilitated by an external independent consultant and was open to both existing and prospective partners.

NMG was appointed as Lenmed's employee benefits consultant. Its benefit structure, service options and cost components were found to be the most favourable among the other tender applicants. We are confident NMG's expertise and offerings will provide our employees with the required support and resources to best serve them both professionally and personally.

Outlook

Looking ahead, we envision an exciting future for human capital at Lenmed. We are dedicated to nurturing a talented, diverse and passionate workforce.

Our primary focus will be on attracting and retaining exceptional healthcare professionals who share our commitment to excellence and improving patient care. We intend implementing a robust talent acquisition strategy to ensure we attract highly skilled individuals from varied backgrounds. Moreover, we are committed to ongoing professional development, offering comprehensive training programmes and educational opportunities to empower our employees. By fostering a culture of continuous learning and growth, we aim to keep our workforce at the forefront of medical advancements and best practices. Our focus on human capital development is important in the road map for success in an ever-evolving healthcare industry.

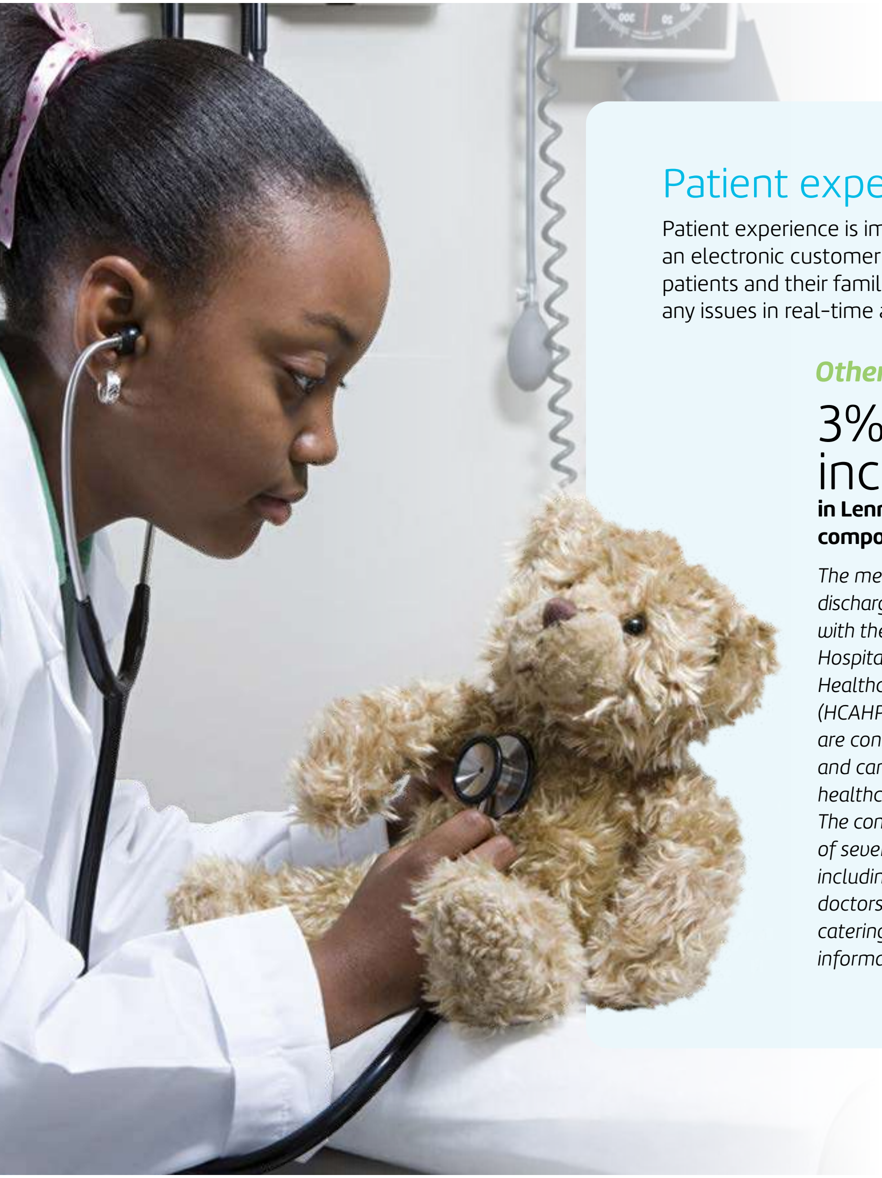
2 Our relationships

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

Highlights during FY2023

- We have focused on enhancing the patient experience throughout their journey, including their interaction with loved ones. Our efforts were rewarded when five of our hospitals received the highest Discovery Hospital Care Score, which combines quality and patient experience scores. We have also communicated our alignment with international best practices through accreditation programmes in cardiac, trauma and stroke management.
- During 2023, we undertook a project to improve our stakeholder management tool. This involved re-mapping all our stakeholders – meeting with each owner to understand their respective needs and expectations – and defining metrics to measure engagement success. Quarterly updates from each owner enable us to track and monitor engagement progress.
- To keep up with the growing trend of people conducting health-related searches online and using social media for news and information, our team has prioritised online marketing and communication. We have seen significant growth in website visits and social media followers, and we have a dedicated partner and evolving strategy in place to continue this progress.
- Recognising the value of appropriate communication, we have appointed a communications manager to support Group marketing and focus on internal and external communication strategies.
- Our communication strategy is aligned with our online marketing strategy. During 2022, we shared our clinical successes and strides through regular posts and video content. Search engine optimisation efforts were particularly fruitful in driving traffic to our website.
- Our ongoing customer journey mapping initiative has enabled us to deepen our understanding of the surgical patient journey at a large hospital, following on from the work previously done on the doctor journey.
- We continued with the development and expansion of our brand into the rest of Africa and beyond.
- Supported efforts to become an employer of choice.

Brand awareness and reputation initiatives continued to be a priority for Lenmed, with a **focus on showcasing clinical successes and achievements and telling the Lenmed story.**



Patient experience

Patient experience is important to us. Our internal scoring assessments involve using an electronic customer experience management system, EYERY, to gather feedback from patients and their families about their experiences. This feedback allows us to address any issues in real-time and to monitor and track customer satisfaction trends.

Other highlights:

3% increase
in Lenmed's post-discharge composite score

The methodology used for the post-discharge feedback assessment is aligned with the international standard survey, Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS). This ensures our assessments are consistent with global best practices and can be compared with other healthcare providers across the world. The composite score is a weighted average of several aspects of the patient journey including overall hospital rating, nursing, doctors, responsiveness, cleanliness, catering, pain management, medication information and discharge information.

6% increase
in Lenmed's emergency department score

This score is based on patients rating their time in our emergency units, requested via SMS to the patient

INTERNAL CUSTOMER EXPERIENCE MANAGEMENT (CEM) SYSTEM BEST PERFORMER 2022
Shifa Private Hospital with a composite score of 72%

BEST PERFORMER FOR 2022 FOR THE DISCOVERY MESH
Ethekwini Hospital and Heart Centre and Randfontein Private Hospital with a composite score of 68%

Communication and marketing

The Lenmed marketing function is made up of **five components.**

One

Brand management

The overall management of the perception of the brand and the organisation.

Two

Communication management

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

Three

Marketing management

The tactical management of our marketing and activities:

- Digital channels
- Traditional channels.

Four

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.

Five

Patient experience

Marketing 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.

Communication to patients

Our customer experience team works to enhance information available to patients, a need identified by our internal EYERYS system. As such, library of discharge and diagnosis-related information has been made available.

Lenmed recognises the importance of providing patients with accurate information to support their healthcare journey.

In light of this, Lenmed has secured an external provider to provide patients with diagnoses and/or procedure-specific information approved by appropriate specialists. This partnership allows us to ensure patients have access to reliable information to help them better understand their health condition and treatment options. The customer experience team continues to monitor feedback from patients to identify opportunities to improve the availability and accessibility of health-related information.

Lenmed further communicates with the community and patients through its online and social media platforms, SMS on admission and through various feedback channels when admitted to a Lenmed facility.

Corporate social investment

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

Community involvement

Lenmed recognises the importance of community development and understands that our long-term sustainability is closely linked to the wellbeing of the communities surrounding our hospitals. We strive to increase access to healthcare by reducing co-payments on medical aid plans where possible, and we continue to provide free cataract surgeries for the elderly who cannot afford to pay. In the past year, we have provided discounts of over R21 million to financially disadvantaged patients, a 28% increase on FY22 as well as performing 91 free cataract surgeries. In addition, we offered discounted rates and payment arrangements for non-medical aid patients. These initiatives reflect our commitment to making quality healthcare services more accessible and affordable to our communities.

Children's cardiac foundation of Africa

We are delighted to share that the Children's Cardiac Foundation of Africa has successfully carried out 23 lifesaving operations on children who were on the waiting list at the Inkosi Albert Luthuli Hospital in Durban during the financial year. This achievement is made possible through the dedicated efforts of the foundation's trustees and our exceptional specialist medical teams at Lenmed Ethekwini Hospital and Heart Centre's paediatric cardiac unit. Looking ahead to the new financial year, we are optimistic that the foundation, with the support of our generous donors – including Lenmed as a significant contributor – will be able to accomplish even more in terms of helping children in need. Our collective commitment to this cause remains unwavering, and we are grateful for the opportunity to make a meaningful difference in the lives of these young patients and their families.

Learnership programme

Lenmed is committed to South Africa's transformative and developmental objectives, recognising the importance of BBBEE in achieving these goals. We acknowledge the need to contribute meaningfully to the realisation of BBBEE objectives and aim to integrate our core business operations with successful BBBEE initiatives for sustainable growth and macroeconomic transformation. In the 2023 financial year, we implemented various initiatives aligned with our transformation goals.

Lenmed Youth Employment Service (YES) programme

Lenmed launched the 12-month Lenmed YES programme in February 2023. This initiative aims to provide real-world experience to unemployed youth, helping them increase their employability. All candidates in the programme are designated as previously disadvantaged. Lenmed has appointed 35 YES candidates, comprising 20 females and 15 males, who have been placed across 11 hospitals in South Africa. These placements are made in human resources, finance, administration, facilities and maintenance, and information technology departments. Upon successful completion of the programme, Lenmed hopes to permanently employ a minimum of two candidates.

Learnership for people with disabilities

Lenmed implemented a learnership programme designed specifically for individuals living with a medical disability. The programme has been accredited by the South African Qualifications Authority (SAQA). A total of 43 previously disadvantaged individuals (24 females and 19 males) are participating in the learnership. The primary objective of the programme is to enhance the educational levels of people with disabilities, thereby increasing their employability. The learnership began on 9 January 2023, and will span a 12-month period. Each candidate will be required to successfully complete a portfolio of evidence, which will be assessed and moderated by the relevant Sector Education and Training Authority (SETA). Upon completion, each successful candidate will be awarded a National Certificate with 130 SAQA credits.

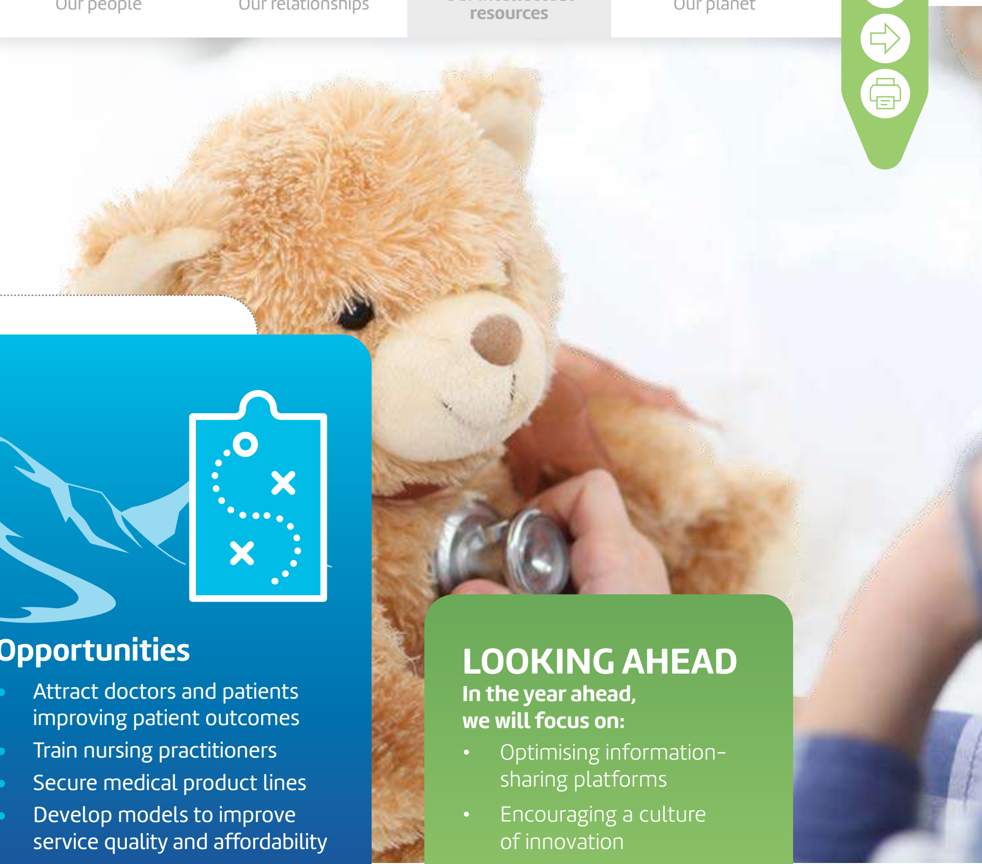
Outlook

Our goals and objectives for the year ahead are as follows:

- Build credibility and trust by demonstrating transparency, accountability and responsible business practices
- Understand stakeholder needs and expectations and engage with them in a meaningful way
- Foster a positive reputation through effective communication, ethical behaviour and corporate social responsibility initiatives
- Create shared value by aligning the interests of the organisation with those of its stakeholders and identifying ways to create economic, social and environmental value
- Manage risk and conflict by identifying potential sources of conflict and working to address them in a timely and effective manner
- Ensure long-term sustainability by identifying ways to create value that is economically, socially and environmentally sustainable over the long term.

To achieve these objectives, we will establish effective communication channels and engage with stakeholders in a collaborative and open manner. We will prioritise stakeholder engagement and integrate their feedback into our decision-making processes. We will continue to identify and address potential sources of conflict and manage risk effectively. Additionally, we will focus on creating economic, social and environmental value through our business practices and will remain committed to ethical behaviour and corporate social responsibility initiatives. Overall, our goal is to build a positive reputation and long-term sustainability for our organisation by creating shared value with our stakeholders.

3 Our intellectual resources



AT A GLANCE

Highlights

- Innovation and Disruption Committee
- Implementing Lenmed Learn

Challenges

- Continuously introducing cutting-edge technology and equipment, including AI and big data
- Implementing new technologies in our operating systems and wards
- Complying with statutes, regulations and government policies

Opportunities

- Attract doctors and patients improving patient outcomes
- Train nursing practitioners
- Secure medical product lines
- Develop models to improve service quality and affordability
- Expand existing facility capacity

LOOKING AHEAD

In the year ahead, we will focus on:

- Optimising information-sharing platforms
- Encouraging a culture of innovation

Leveraging technology

Data management

Technology growth within the healthcare sector has been accelerating at an unprecedented pace in recent years. The healthcare sector is poised for continued growth in technology, with opportunities for innovation resulting in improved patient outcomes, increased efficiency, and reduced healthcare costs. During the financial year, Lenmed has invested in and embarked on the implementation of a data lake, which represents a significant step forward in our data management strategy. With this investment, we are creating a centralised repository for all data sources, allowing us to store, manage and analyse large volumes of data in real-time. The data lake will further provide the company with a scalable and flexible platform that will accommodate the rapid growth of our data and the changing needs of our business. We will be able to extract valuable insight from our data in a faster and more efficient manner, which will enable us to make better-informed business decisions. Our investment in a data lake underscores our commitment to leveraging the power of data to drive our business forward.

Using technology to improve patient care

Lenmed has deployed a real-time ward and theatre charging solution to accurately track and charge patients for the medical services and supplies they receive during their hospital stay. This system uses technology such as barcoding and leverages the current ERP solution to accurately capture the items and services provided to each patient, and immediately update the patient's account. This is all being underpinned by the robust cybersecurity controls that have been implemented.

Cybersecurity

We take cybersecurity very seriously, and our top priority is to protect our assets from potential cyberthreats. Lenmed has invested heavily in the latest technologies and has implemented various security measures to safeguard our systems and data. Our commitment to cybersecurity is an ongoing effort, and we continuously monitor and improve our systems to ensure we remain protected against ever-evolving cyberthreats. From an ongoing technology perspective, Lenmed continues to advance automation and improve digital dexterity.

Innovation and Disruption Committee

The Innovation and Disruption Committee is pleased to present its report for the financial year ended 28 February 2023 to the shareholders of Lenmed.

Committee purpose and objectives

The committee provides oversight and guidance on the development and implementation of expansions to the business model of Lenmed, ensuring future sustainability in a changing business environment and in line with the Board-approved strategy. This includes the adoption of a culture of innovation and collaboration with key stakeholders, leveraging digital and virtualisation as well as the diversification of revenue streams and the expansion of services.

Composition of the committee

The committee is appointed by the Board. Dr Gunvant Goolab, who is an independent non-executive director, chairs the committee. The committee members include Amil Devchand, the CEO of Lenmed and Mark Bishop, the COO. The committee, which meets three times a year, facilitates feedback and participation from all executives and members of the Board who join the meetings on a voluntary basis.

The committee charter and work plan

The committee is governed by a formal charter approved by the Board, which guides the committee in terms of its objectives, authority and responsibilities.

The committee's responsibilities and duties

Oversight and governance on behalf of the Board in the following areas:

- The diversification of revenue streams across the continuum of care
- Leveraging technology and innovation to reduce the cost of provision while improving outcomes
- Leveraging data analytics and digital capabilities with both in-house and external sources
- The shift by medical funders to value-based care and increasing network-based benefit arrangements.

Summary of highlights from committee meetings

- Overview of the Cascade tool implementation for the Lenmed strategy implementation and execution was shared by management
- Programme and project management capacity and capability has been strengthened within the organisation
- Geographic diversification within South Africa and the rest of Africa is progressing at pace
- Therapeutic diversification, increasing acuity and progress on new areas of business opportunities were presented by management
- Implementation of data strategy to integrate multiple data sets into a single integrated data lake for management reporting and data-driven decision-making, using state-of-the-art global software capabilities
- Progress on the implementation of two key productivity tools – acuity-based safe staffing (ABSS) management system and point of care (POC) billing solution – were presented
- An end-to-end digitisation of Lenmed processes from admission to discharge with a business-led plan for implementation is underway
- Innovative pilot lighthouse project to address care coordination and referral pathways in South Africa and the rest of Africa and will form the initial basis of the Lenmed digital health transformation journey
- A programme to foster a culture of innovation with Lenmed employees was launched, recognising that improvements need to be led by those closest to the point of change
- Progress on an innovative waste management initiative supporting the Lenmed ESG journey was presented by management. The committee further refined its role and function to align to Lenmed's revised strategy.

The committee is tasked with understanding new and emerging technology and innovation trends in healthcare locally and internationally and assisting the business in ensuring effective strategies are in place to mitigate and leverage any impact through innovation, collaboration, data analytics, digitalisation of existing processes and healthcare transformation through the utilisation of digital solutions and, ultimately, the development of a care delivery ecosystem.

4 Our planet

AT A GLANCE

Highlights

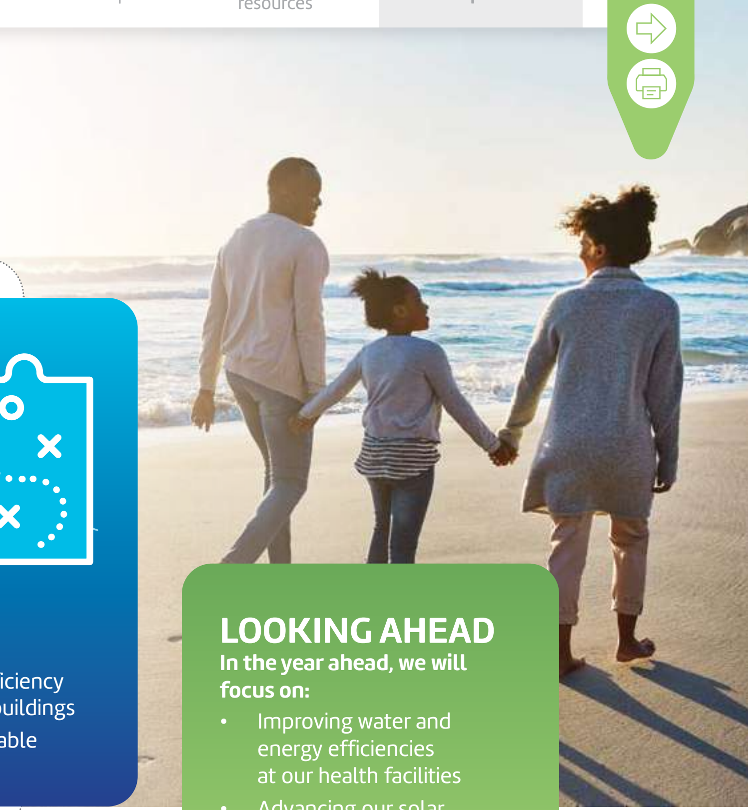
- Installing solar panels at our Ahmed Kathrada, Zamokuhle and Bokamoso private hospitals
- Actively managing water and electricity usage to reduce resources used per patient compared to the baseline information
- Installing saving measures such as smart lighting and water-saving faucets and shower heads

Challenges

- The impact of load shedding on our operations
- Investing in environmentally sustainable projects and infrastructure

Opportunities

- Optimising energy management and efficiency opportunities in our buildings
- Implementing renewable sources of energy



LOOKING AHEAD

In the year ahead, we will focus on:

- Improving water and energy efficiencies at our health facilities
- Advancing our solar energy projects

At Lenmed, we are committed to environmental stewardship and recognise our responsibility to minimise our ecological footprint. In line with our core values, we have implemented various initiatives and strategies to promote sustainability across our operations.

Energy efficiency

We have continued to prioritise energy efficiency measures to reduce our consumption and lower greenhouse gas emissions. By investing in energy-efficient technologies and optimising our facilities, we aim to minimise our carbon footprint and contribute to the global efforts to combat climate change.

Waste management

Proper waste management is a crucial aspect of our environmental commitment. We have implemented comprehensive waste management programmes that focus on reducing, reusing and recycling. Our aim is to minimise the amount of waste generated and divert as much as possible from landfills through responsible disposal methods.

Water conservation

Recognising the importance of water as a precious resource, we have implemented water conservation strategies across our facilities. Through efficient water management practices – such as monitoring usage, implementing water-saving fixtures, and promoting awareness among our employees – we strive to minimise water consumption and protect this vital resource.

Monitoring and reporting

We remain dedicated to monitoring and measuring our environmental performance. Through robust data collection and analysis, we assess our progress towards our sustainability goals. This information enables us to identify areas for improvement and drive continuous environmental performance.

Sustainable environmental management programme (SEMP)

Lenmed has demonstrated a strong commitment to responsible management of healthcare risk waste (HCRW) generated within our facilities. The implementation of comprehensive policies and procedures ensures the safe collection, treatment and disposal of HCRW.

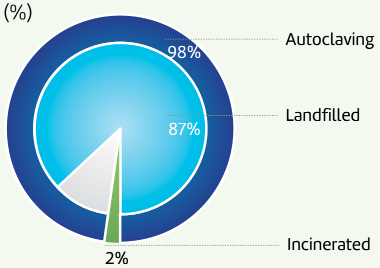
Each hospital has a dedicated team comprising members from various departments – such as quality, infection prevention, nursing, facilities and cleaning – who oversee waste management activities and receive appropriate training on handling and disposal. Respective hospitals have site-specific waste management plans that outline the proper handling and disposal methods for different types of waste, along with roles and responsibilities of staff involved.

To prevent accidental mixing, Lenmed adopts the SANS-approved colour-coding system, which enables effective segregation of healthcare risk waste from regular hospital waste. This waste is clearly labelled for identification purposes. The clinical quality scorecard is utilised to monitor waste tonnage generated and the progress of waste management activities. This monitoring ensures continuous improvement and addresses any areas requiring attention.

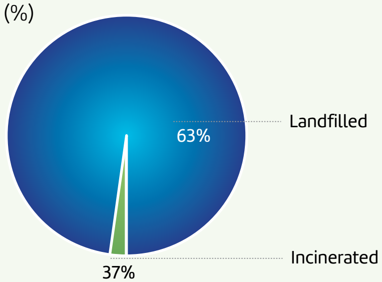
Lenmed actively conducts awareness and education sessions to inform patients, visitors and employees members about the importance of proper disposal of healthcare risk waste. These initiatives encourage individuals to report any unsafe practices observed, fostering a culture of responsible waste management.

In 2023, Lenmed's total medical waste amounted to 729.16 metric tonnes. The waste breakdown by treatment methods was as follows: 2% incinerated, 98% treated via autoclaving. Anatomical waste was incinerated at permitted incinerator sites, while sharps and infectious waste undergo treatment via Compass autoclaves. The treated waste was then sent to permitted landfills.

Total medical waste breakdown by treatment method
(%)



Hazardous pharmaceutical waste breakdown by treatment method
(%)

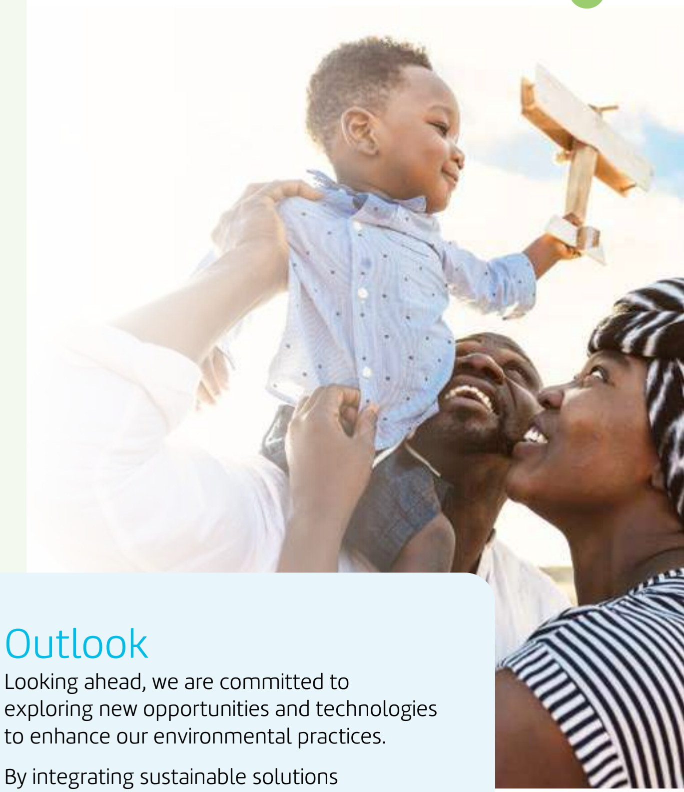


Regarding sharps waste, Lenmed has implemented a recycling solution for single-use sharps containers through Compass Waste. This solution has been successfully implemented in KwaZulu-Natal and is being expanded to other regions. Daniels Sharpsmarts containers, which are reusable, allow only treated sharps waste to be landfilled after undergoing a sanitisation process. These initiatives contributed to reducing the environmental impact of sharps waste.

Hazardous pharmaceutical waste amounted to 3.32 metric tonnes, with 63% incinerated and 37% landfilled. Owing to legislative restrictions, pharmaceutical waste cannot be recycled.

Lenmed's collaboration with Compass Waste has resulted in the certification of our 'green range' single-use sharps containers by SABS. This range, made from a mix of recycled and virgin plastic, prioritises environmental sustainability. Additionally, Compass Waste products supplied to Lenmed, including box sets and bags, are consciously manufactured with recycled materials, further reducing their environmental impact.

These initiatives highlight our commitment to responsible waste management and sustainability, aligning with the company's environmental goals.



Outlook

Looking ahead, we are committed to exploring new opportunities and technologies to enhance our environmental practices.

By integrating sustainable solutions into our operations, we aim to contribute positively to the wellbeing of the planet while providing exceptional healthcare services to our patients.

As we move forward, we will continue to embed environmental sustainability as an integral part of our corporate strategy, striving to create a greener and more sustainable future for generations to come.

Lenmed's corporate governance

The Board of directors is committed to high standards of corporate governance and endorses the four governance outcomes set out in King IV: an ethical culture, good performance, effective control and legitimacy. The Board maintains its independence while engaging with management to gain a deep understanding of the business through investigation, monitoring and communication on multiple levels.

Along with the two executive Board members, other Group Exco members participate in strategy sessions and attend Board and committee meetings as necessary. The Board adheres to a carefully planned agenda, which is agreed upon in advance by the Chairman, CEO and Company Secretary. CEO updates are provided to the Board on operational performance and other relevant developments within the Group. The CEO promptly communicates any other relevant, urgent and important information that arises between scheduled meetings. At each meeting, the chairs of various Board committees deliver verbal reports on their respective committees' actions. Occasionally, the Board meets privately to address specific matters, which are led by either the Chairman or lead independent director (LID). Feedback from these closed sessions is provided by the Chairman or LID, as needed.

Corporate governance improvements

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

- Appointed Mazars as internal auditors in place of PwC, who had served in this role since 2017
- Progressed the Group's ESG initiatives on various fronts following a gap analysis conducted by PwC
- Conducted a Board skills analysis and advanced discussions on non-executive director succession planning
- Commenced planning for the replacement of PKF as external auditors; the company is required to step down after the February 2024 audit in terms of the mandatory audit firm rotation rules
- Formalised a stakeholder engagement framework and strategy
- Rearranged the format and content of the Clinical Governance Committee agenda and meetings to be more strategic
- Aligned the role and function of the Innovation and Disruption Committee with Lenmed's revised strategy.

King IV™ overview

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

Attendance at Board and committee meetings

Member	Board	Remco/ Nomco	Audit and Risk	Social and Ethics	Clinical Governance	Innovation and Disruption
Total meetings	3	3	5	3	4	2
P Devchand	3/3 (c)	3/3 (i)	–	3/3	–	0/0 (i)
A Devchand	3/3	3/3 (i)	5/5 (i)	–	3/4	2/2
B Harie	3/3	3/3 (c)	5/5	–	–	2/2 (i)
Prof. B Goolab	3/3	3/3	–	–	4/4 (c)	1/2 (i)
M Meehan	3/3	3/3	5/5 (c)	–	–	2/2 (i)
N Simamane	3/3	–	5/5	3/3 (c)	–	1/2 (i)
F Meiring	3/3	3/3 (i)	5/5 (i)	–	1/2	2/2 (i)
Dr G Goolab	3/3	–	–	3/3	–	2/2 (c)
N Bechan	N/A	–	–	3/3	–	–
Dr N Patel	N/A	–	–	3/3	4/4	–
M Bishop	N/A	–	–	–	–	2/2
V Firman	3/3	N/A	5/5	N/A	N/A	1/2 (i)

Key: (c) chairman (i) invitee

Governance structure

BOARD OF DIRECTORS

Executive

Prakash Devchand
Executive Chairman

Amil Devchand
Chief Executive Officer

Fredré Meiring
Chief Financial Officer

Non-executive

Mike Meehan
Independent non-executive director and lead independent director

Bharti Harie
Independent non-executive director

Nomahlubi Simamane
Independent non-executive director

Prof Bhaskar Goolab
Non-executive director

Dr Gunvant Goolab
Independent non-executive director

Vaughan Firman
Independent non-executive director

Chief Executive Officer

Executive committee

Committees

Audit and Risk

Remuneration and Nominations

Social and Ethics

Clinical Governance*

Innovation and Disruption**

** The clinical governance report is presented on page 37.*

*** Innovation and disruption report is presented on page 56.*

Refer to the respective reports of these committees for details.

Board committees

Audit and Risk Committee report

The Audit and Risk Committee is a statutory committee of the Board of Directors charged with the responsibility for overseeing audit and risk matters.

It is structured in accordance with the requirements of the Companies Act and King IV and consists of four independent non-executive directors, approved by the shareholders at the AGM. The CFO and the Company Adviser, Dino Theodorou CA(SA) are permanent invitees, as are the external auditors and the outsourced internal auditors. Other members of the executive management, including the Chief Information Officer (CIO) are invited as expedient. All non-executive directors are free to attend any meeting of the committee on a voluntary, non-voting basis.

Two of the members, including the Chairman of the committee are chartered accountants; 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.

The committee is conscious of the needs for continuity and for succession planning in its members. Mike Meehan has been Chairman of this committee since 2010, while two other directors will, in November 2023, have been members for 13 and 11 years respectively. As a first step in addressing succession and subject to the election of non-executive directors to the Audit and Risk Committee by the shareholders at the forthcoming AGM, Mike Meehan shall remain a member but relinquish the position of Chairman to Vaughan Firman. Thereafter, Mike Meehan expects to retire from the committee at the 2024 AGM.

While the concerns of COVID-19 and the rioting and looting – which took place in 2021 in KwaZulu-Natal and Gauteng – were not as prevalent this year, the committee remained alert to the impacts on risk, asset values, controls, operations and opportunities. The committee met five times during the 12 months to the date of this report 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 affect the work of audit committees. The individual members were exposed to educational webinars and other virtual presentations on a host of topics of interest that enhanced the discussions on committee matters. In addition, the committee enjoyed a presentation by the risk team in a group of hospitals in Bangladesh and was able to assess our performance as being equivalent.

The Company Secretary compares the Committee Charter to the requirements of best practice on an ongoing basis and recommends amendments and updates to the charter for the committee's review and thereafter for approval by the Board.

The Company Secretary prepares and monitors an annual work programme for the committee based on the charter and the requirements of the Companies Act as well as the principles of King IV. The agenda for the quarterly and additional meetings are framed to cover all aspects of this work programme.

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. However, this opportunity is available to the auditors at every meeting. 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 the combined assurance model is effective.

The finance division was boosted during the year with additional analytical resources and 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.

Audit Committee

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

- Received and reviewed assurances on the independence of the external auditors, PKF Durban, and specifically the nominated partner Rob Boulle. The Chairman 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 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 AGM to be held on 3 August 2023.
- Reviewed the work programme of the external auditors.
- Reviewed 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, engaged with the external auditors on key audit matters, and recommended action where necessary.
- Expressed its satisfaction with the competence of the external auditors and the quality of the audit.
- Made 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 Boulle. PKF Durban has been in office for 15 years and will be required to withdraw as external auditors in 2024 in terms of the IRBA requirements for mandatory audit firm rotation. The committee considers the implications of rotation on a regular basis and is in discussions with an alternative external audit firm to ensure a seamless rotation at that time. PKF will be responsible for the audit for the financial year ending 29 February 2024.
- Considered reports provided by BDO, Kreston and Rademeyer, which firms act as external auditors for Botswana Private Hospital, Maputo Private Hospital and MMHS respectively.

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 documents 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 auditors and, where necessary, made recommendations to management thereon.
- Received no reports of fraud that led to material financial loss.
- Received assurances from management and the internal auditors on the systems of internal control, which led the committee to conclude the controls are satisfactory. The company regularly reviews and upgrades its control systems based on the changing dynamics of the industry and reports received. These serve as the standards on which the internal audit programme is based.
- While some breaches in internal control were identified during the year, the impact on the company has been negligible and management reinforced the control systems where necessary.
- Held separate discussions with the internal auditors and determined there were no matters of concern.
- Reviewed the conclusions reached by the internal auditors in their quarterly reports to the committee. These gave the committee satisfaction the work had been completed in accordance with the work programme and the performance of the internal auditors was satisfactory. The committee regularly reviews the discipline of internal audit to ensure the internal audit is as robust, effective and conclusive as the committee would like.
- PwC has served and provided assurance as the company's outsourced internal audit provider since 2017.
- In order to achieve the benefits of internal audit rotation and increase the scope of the internal audit programme, the committee and management have elected to replace PwC with Mazars from May 2023.

In respect of IT:

- Approved the terms of the IT charter.
- Undertook a deep dive into the structure, policies and objectives of the IT function and expressed its satisfaction with the activities in addressing these. In addition, the reporting of IT matters to the ARC was reviewed and enhanced.
- Reviewed the IT risk register and made recommendations where appropriate.
- Reviewed the steps taken to enhance protections against ongoing cybersecurity threats. The current political and economic climate is more conducive than ever to cyber-attacks. Experts in this field warn that attacks are inevitable. Consequently, management continues to upgrade protective measures to remain abreast of such threats and to enhance recovery programmes. While no system can guarantee there will be no penetration from attack, our records show we have this far been able to ward off such attacks, which occur almost daily.
- Agreed with the decision of management to insure against cyber risk.
- Reviewed the three-year strategic plan for IT and digitalisation. This plan encourages the implementation of digitalisation, robotic processing, the development of eco-platforms and the use of AI throughout the Group. These new systems will provide an opportunity for real-time processing and internal auditing of a much wider field of transactions than can be achieved in traditional business and internal auditing processes, thus enhancing efficiency.
- 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.
- Reviewed the solvency and liquidity status following the recommended dividend for the financial years ended 28 February 2022 and 28 February 2023.
- Reviewed the accounting treatment of the MMHS acquisition.
- 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 cash flow forecast.
- Considered tax reports and feedback from management on significant tax matters.
- Received no reports or complaints directly from third parties from within or outside the Group relating to
  - 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.
- 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, the interim results for release 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 2024.

Matters of importance addressed by the committee included:

- External audit rotation: described earlier.
- Asset valuations:
  - **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. Despite this, the committee – recognising the extraordinary economic and geopolitical conditions – robustly interrogated management on the assumptions made in assessing future cash flows and in applying these methodologies. Based on these reviews and the calculations tabled, the committee agreed with recommendations of management that there was no requirement for any impairment in goodwill.
  - **Valuation of intangibles:** The tests and procedures used in the valuation of goodwill were applied to intangibles. No impairment was necessary.
  - **Valuation of properties:** An independent valuation of the value of all of the company's properties was performed during February 2023 by Mills Fitchet. Based on these valuations, management and the Board concluded no impairment to the value of our properties was necessary.
  - **IFRS 9 and the determination of expected credit losses:** The development of more empirical credit loss history, together with a more intensive analysis of the debtor categories, led to more sophisticated determination of expected credit losses. Where a provision of 100% had been made against receivables, those receivables were written off in the year and the provision for doubtful debts released. The impact on the income statement was therefore nil. The statement of financial position reflects equivalent reductions in receivables and provisions for non-recovery for a more appropriate disclosure. Despite these accounting procedures, management will continue its efforts to collect such receivables. The methodology for determining the expected credit losses was consistent with the prior year and is now embedded in the accounting systems.
  - **Going concern:** The committee reviewed the forward estimates and the assumptions on which these were based and confirmed 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 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 professional internal auditors.
  - **Key audit matters:** There were no key audit matters reported by PKF that required action from the committee.

Other matters:

- Monitored compliance with applicable laws and regulations.
- Reviewed and approved the annual work plan of the committee.
- Considered Lenmed's approach to ESG, noting this will be led primarily by the Social and Ethics Committee.
- Considered sustainability reporting and inputs in this regard from the Social and Ethics Committee as well as reports from the Clinical Governance Committee.
- Considered the JSE guidelines on sustainability and ESG reporting as well as exposure drafts on ESG reporting.

Risk Committee

The committee plays an oversight role in respect of risk management.

The first matter on agendas of the Risk Committee 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 arising from that risk.

At the annual Board strategic planning meeting, the Board and senior management consider risk by debating factors that 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 Group has a resilient balance sheet. This and the strong relationship with our bankers enabled management to keep a tight control on liquidity, to renegotiate loan terms with improved covenants and to raise additional funding for acquisitions, 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 umbrella risks and top 10 risks are debated quarterly by the Risk Committee and the Board, with a view to controlling or eliminating these risks.

Following discussions on oversight with the Clinical Risk Committee, the Chief Medical Officer (CMO) has further enhanced the clinical controls in the Group.

Based on discussions with our legal advisers and the CMO, adequate provision has been made for the medico-legal claims that have arisen.

The report on clinical outcomes and risks is dealt with in the report of the Clinical Risk Committee.

The company has an appetite for risk that is consistent with the operation of private hospitals in the healthcare industry in which it operates in South Africa, Ghana, 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 involved in conducting medical research or practising 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 a fundamental part of business strategy. Accordingly, the company adopts practices and procedures that address risk in all facets of the business. Hospital management and employees are made aware of the risks inherent in their roles and they accept responsibility for managing risk within their scope.

The **company identifies risks** under the headings of:

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

The company has not set a loss limit it is willing to accept on any transaction as this will always be dependent on the activity on hand. In evaluating any project, including reviews of underperforming assets, the company gives considerable attention to ensuring 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 (Willis Tower Watson) 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 Lenmed has appropriate cover in place for all material risks. The committee considers the quality of the recommended underwriters.

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 not deemed it necessary to seek independent third-party assurance on its governance of risk, except to the extent that it receives assurance from the insurance industry on insured and uninsured risks on assets and liabilities and it engages with its attorneys and other professional advisers prior to entering into significant contracts or commitments. However, to improve the coordination of risk and to maintain consistency with the management and reporting of risks in clinical governance, the responsibilities of the CMO have been extended to manage the risk register, the monitoring of risk at all levels of the organisation, the reporting of these to the Group Executive and the Risk Committee.

The Audit and Risk Committee received the reports from the Group CIO. The Group CIO attends the deliberations of the Audit and Risk Committee when invited and makes presentations to the committee on progress on the implementation of digitalisation, platform development, SAP and data mining from the new systems; other technological systems such as robotic processing and artificial intelligence; and cybercrime and IT policies. In addition, consideration is given to the planning and management of disaster-recovery as well as sustainability.

In keeping with a policy of recognising business processing through technology as part of the business, a considerable proportion of IT management and IT operations – which were previously outsourced – are now being brought in-house. Where third parties are engaged, the performance of the outsourced services against service level agreements is reviewed annually by the IT division. During the year, the systems were tested by benign hacking programs. Any shortcomings found were the subject of additional program safeguards, controls and 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 businesses in South Africa, Botswana, Ghana and Mozambique. In this, the company receives guidance from its outsourced legal advisers.

Conclusion

The committee confirms it has fulfilled its responsibilities in accordance with all material aspects of its charter for the year and has recommended the annual financial statements and AIR to the Board for distribution to shareholders.

Remuneration and Nominations Committee report

The financial year 2023 proved to be a more predictable and somewhat normalised post-COVID-19 for the Lenmed Remuneration and Nominations Committee (Remco).

We were able to oversee the implementation of most of the FY22 focus areas, especially in positioning Lenmed as an employer of choice.

The voting results at the previous AGM held on 4 August 2022 were each 84% in favour of the remuneration policy and the implementation report.

Key areas of focus and key decisions taken by Remco during the reporting period are to be found under the Remuneration Governance section on page 68. There were no substantial changes to the remuneration policy.

Following careful discussion and debate, management was awarded average increases on basic salaries of 6.6% for the FY24, in line with inflation-linked increases across the Group. In order for packages to remain relevant and comparable to market, Lenmed engaged a specialist third party to conduct a benchmarking exercise. They produced a detailed study, which compared key roles at Lenmed with the market on the basis of guaranteed package, plus short- and long-term incentives. The committee used this document to debate management increases and took into account the scarcity of skills locally and the need to retain skills considering the rate of emigration. The study revealed some roles that were well below the median and Remco adjusted these packages accordingly. Remco is satisfied it was independent and objective in awarding these increases.

In addition to its regular activities of bedding down its policies and procedures and aiming for consistent standards across the Group, the committee was involved in the oversight of the strengthening of the organisation structure to support the expansion of the Group. In line with its focus on people and growing talent, Bhavani Jeena was promoted to the role of Head: People and Culture effective 1 September 2022, which is an Exco role. Remco is pleased this is an internal appointment and that this increases the number of women at Exco. Please refer to the management team profiles for the complete management list. Sadly, Remco noted the sudden passing of our financial operations manager Siyabonga Ngubane owing to natural causes.

With the aim of investing in employees and taking them along the journey to 'Lenmed 2.0: 25 of Lenmed's front-line managers were registered onto a leadership development programme through Henley Business School (NQF level 5). With positive feedback received from the learners and management teams, Lenmed has approved a second cohort of 23 line managers from various hospitals to commence their Lenmed lead journey as from May 2023. In an effort to forge better ties, two members of the North West DoH were invited by Lenmed to join the programme.

Remco continued its focus on King IV where there has been progress, with Lenmed now at a 92.7% compliance level. With regard to succession planning at the hospital manager level, our concerns about the recruitment of scarce healthcare skills and cost containment remain focus areas. Remco is satisfied the remuneration policy achieved its stated objectives for the year.

The Board has approved the information provided by the committee in this report and accepted its recommendations.

Board governance

The Chairman of the Board is Prakash Devchand with Mike Meehan as the lead independent director. The role of the lead independent is to, among 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 12th full year of operation and has an established forward plan of agenda items. In addition, as the Group grows and seeks to implement additional 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). Executive members are invited to attend the meetings as requested.

Remco operates within terms of reference, which were last approved by the Board on 28 July 2022. The terms of reference are benchmarked against King IV. On the whole, Remco has fulfilled its responsibilities according to the terms of reference.

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 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:

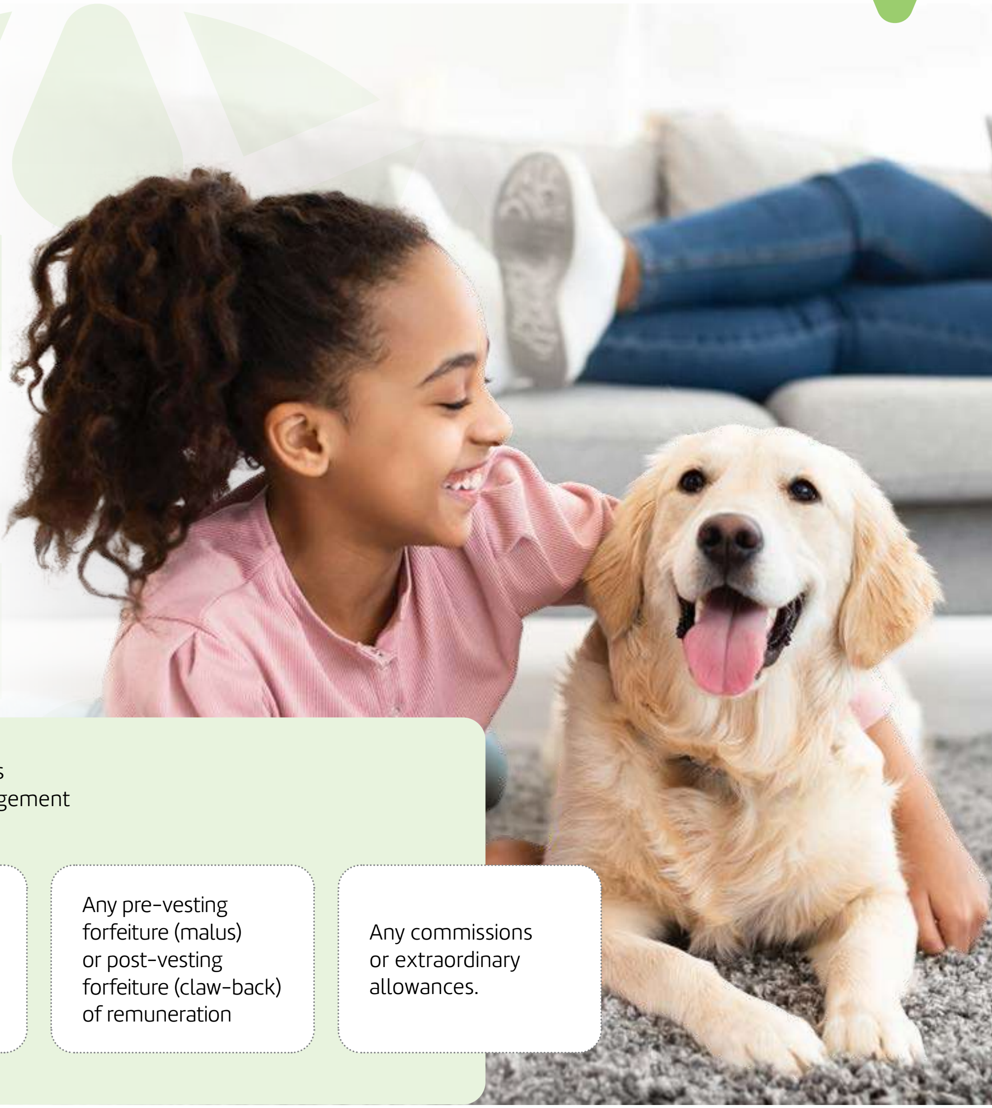
- Review of service contracts for the Executive Chairman, CEO, CFO, Chief Commercial Officer and CMO and their respective letters of appointment.
- Review of Board, Remco, Social and Ethics, Innovation and Disruption, Clinical Governance and Audit and Risk committee composition. Lenmed's committees comply with all relevant legislation and codes and members have the requisite skills, knowledge and experience.
- Review of directors up for re-election at the AGM. A skills gap matrix was conducted by the Company Secretary, which was useful in determining what skills are required when appointing future non-executive directors.
- 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 2022.
- Oversight over executive management key performance areas (KPA) for the year ended February 2023, where non-financial KPAs were broadened.
- Approval of the executive annual remuneration increases effective 1 March 2023.
- Oversight and discussion of the hospital managers' and Group functional heads' annual remuneration increases effective 1 March 2023.
- Biennial performance discussion by the lead independent director with the Chairman, as per King IV requirements. This was conducted in FY22 and so will be continued in FY24.
- Review of non-executive director fees. Please refer to page 71 the section marked Non-executive Directors, for a breakdown of non-executive director fees. In line with the third-party external benchmarking exercise conducted for management, a similar benchmarking exercise by the same entity was conducted for non-executive directors in April 2023, such that both exercises are conducted in similar three-year cycles.
- 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 being a dynamic document guided by design and strategy.
- Review and discussion of executive and senior management succession planning.
- The share appreciations rights (SAR) scheme was reviewed with no major amendments made. As such, annual awards were made under the scheme.
- Feedback from human resources (HR) on a full review of staff members covered by medical aid (and how many remain without any cover), together with a review of the employer contribution to the scheme.
- Director training: Over the course of the year, directors were exposed to the workings of audit committees in Bangladesh, which provided valuable context and comparison. The annual strategy planning meeting this year focused on the digital environment and the Lenmed journey. Directors attended various online training courses and discussion forums provided in the healthcare and auditing space.
- Review of staff pension fund and funeral arrangements. A new pension fund adviser was appointed to cover South Africa and the other African countries in which Lenmed operates.
- Oversight of the remuneration and benefits policy.
- Oversight over minimum wages paid.

Remuneration policy

In the context of the South African healthcare sector, where there is a shortage of employees generally, and a dire need to retain talented and senior employees, it is the task of Remco to recommend strategies to attract, motivate, reward and retain people of the highest calibre, while still being mindful of managing costs. This is especially critical to the healthcare setting where South African skills – in both clinical and managerial capacities – are in high demand internationally. 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 we pay a fair salary within industry norms and, where the business case demands, 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 we promote positive outcomes and an ethical culture and responsible corporate citizenship.

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

Remco is confident the remuneration policy addresses fair and responsible remuneration for management in the context of overall employee remuneration. Remco and management are committed to ethical culture and responsible corporate citizenship. In its deliberations, Remco has considered that management, relative to staff, assumes far greater responsibilities and accountability. Remco is cognisant of the wage gap between management and staff and, having oversight of both management and staff salary increases, deliberates and challenges these gaps to ensure fair remuneration. For example, while management and senior staff enjoy short-term incentive bonuses, general staff enjoy long service awards, not linked to any targets. Remco considers what the minimum salary is of the lowest paid worker to ensure employees are paid a fair and living wage.



In considering the remuneration policy, Remco confirms that none of the following have been included in management employment contracts:

- Any benefits on termination of office
- Any sign-on, retention or restraint benefits (exceptions are made as the market dictates)
- Any pre-vesting forfeiture (malus) or post-vesting forfeiture (claw-back) of remuneration
- Any commissions or extraordinary allowances.

Remuneration package formulation

Packages for all key employees (executives, directors and hospital managers) are apportioned; the guaranteed portion is the annual package, and the risk portion is 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 2 March 2023 Remco meeting for implementation on 1 March 2023. 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 6.6% accordingly a similar increase was applied to management. Cognisance was also taken of the benchmarking exercise conducted for Remco by an outsourced specialist firm in February 2023. The benchmark revealed that the cost to company remuneration for certain roles is below industry norms. Remco took this into account in making once-off adjustments to bring these packages in line with the median.

Risk portion of package – short-term and long-term benefits

Lenmed executives and other key employees 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 notes the principles behind the hospital managers' and Group functional heads' annual bonus scheme. The key performance areas in both these schemes measure specific individual targets, align shareholder and individual goals based on a headline earnings per share (HEPS) target and 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 had oversight of the implementation of the long-term incentive scheme (LTIS) which is now in its 10th year of operation. The scheme is based on a share appreciation rights (SAR) 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
- When employees resign, their respective SARs revert into the pool
- 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
- Shares will vest at the end of year three
- At its July 2022 meeting, (for the financial year ended February 2022), the seventh set of SARs were issued at R3.18, per Remco's discretion not to apply the average OTC price for this period, owing to the shares being illiquid. Remco applied its discretion to a price of R3.18 per share based on a presentation from our corporate adviser 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 2022 for the financial year ended February 2022:
  - Amil Devchand: 2 500 000
  - Fredré Meiring: 1 500 000

The above SARs will vest on 31 July 2025.

Long service award scheme

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

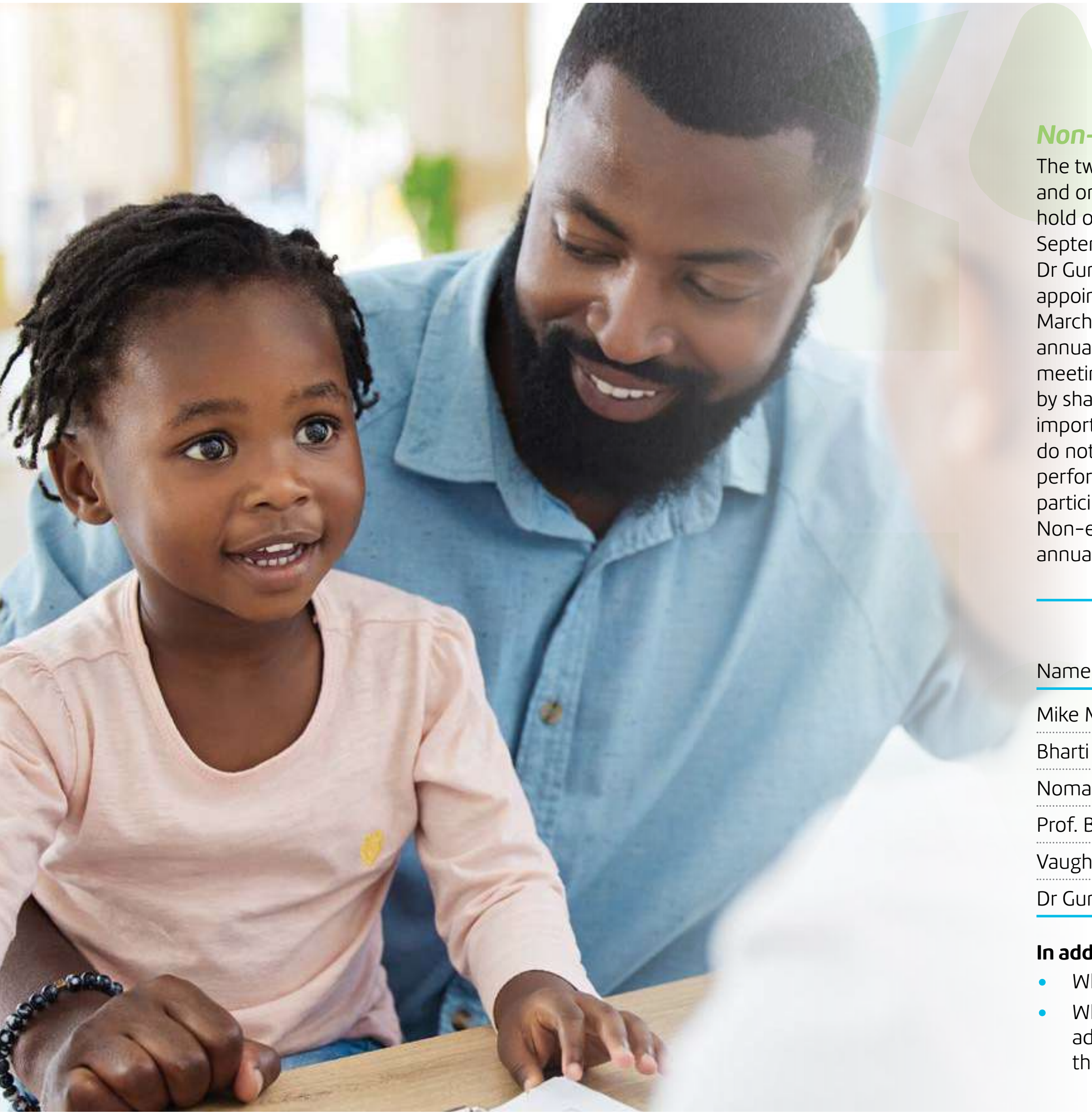
- A cash award payable six monthly, to employees who have worked for longer than 10 years
- A share award, to employees who have worked longer than 15 years.

Under this scheme, employees are entitled to receive, on a one-off basis, R50 000 (pre-tax), either in cash or shares, once they have attained a service record of 15 years as at December 2022. 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 employees 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 two independent non-executive directors and one non-executive director continue to hold office since their appointment in September 2010. Nomahlubi Simamane, Dr Gunvant Goolab and Vaughan Firman were appointed October 2012, August 2020 and March 2022 respectively. 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.

In April 2023 management commissioned 21st Century to conduct a benchmark on Lenmed's non-executive director fees, considering its size, financials and operations (not compared to the three large listed healthcare groups) and including a benchmark per role. The outcome was that Lenmed's fees to its non-executive directors are on the median.

In line with the above, for the 2023 AGM, it is proposed that the fees payable for the period from the 2023 to the 2024 AGM be increased. The non-executive director fee proposal is set out in the following table:

Name	Retainer fee	Meeting fee per meeting	Chairman fee
Mike Meehan	R254 000	R24 200	R24 200
Bharti Harie	R254 000	R24 200	R24 200
Nomahlubi Simamane	R254 000	R24 200	R24 200
Prof. Bashkar Goolab	R254 000	R24 200	R24 200
Vaughan Firman	R254 000	R24 200	R24 200
Dr Gunvant Goolab	R254 000	R24 200	R24 200

In addition to the above:

- Where special meetings are scheduled, these will be paid for at the approved meeting rate
- Where a particular non-executive director is commissioned to conduct a specific piece of work, additional fees will be paid; such fees will be agreed between the director and the CFO, prior to the work being conducted.

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 or receivable by directors and prescribed officers 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. In the 2022 financial year, Remco decided to align the reporting of payment of short-term bonuses with the corresponding financial year in which they were earned. Typically, short-term bonuses earned for FY22 would have been reported in the FY23 annual financial statements as they would have been paid out in FY23. Accordingly, the short-term bonuses earned by management for FY23 and paid out in FY24, as well as the previous FY22 performance (for comparison) achieved by management, is contained below.

Exco FY22 and FY23 SARs

Prakash Devchand does not receive any further SARs owing to his retirement as CEO on 29 February 2020. However, he is entitled to any SARs payments, which would have vested in his favour as a result of his continued employment at the company.

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 vested on 1 August 2018 were awarded at R3.56 per share in 2018. As the 2021 strike price was confirmed at R2.77, no cash settlement was made on this particular set of SARs, owing to these SARs being 'under water'.

SARS allocations	No. of options	Strike price at issue date	Fair value as at February 2023	Vesting/ expiry date
1 August 2020	8 350 000	R2.73	R5 101 792	31 July 2023
1 August 2021	9 900 000	R2.77	R4 717 094	31 July 2024
1 August 2022	13 300 000	R3.18	R2 120 468	31 July 2025

At its May 2022 meeting, Remco noted that the SARs had been 'under water' for FY20, FY21 and FY22. This was owing to a variety of reasons, most importantly poor financial performance as a result of COVID-19. Remco acknowledges that the main purpose of SARs is the attraction and retention of key employees, with a non-payment under the long-term scheme being a disincentive to this. Accordingly and on Remco's recommendation, on 28 July 2022, the Board approved a special award of SARs of R7 150 000 to 16 employees. This was in line with its previous payment of a discretionary short-term bonus to management for FY21.

The retention award consisted of one SARs award at R1 per SAR, provided that management met the criteria under the SARs rules had the SARs been 'under water'. The award was made in cash, per Remco's discretion not to apply an OTC-linked price, owing to the shares being illiquid.

In arriving at its decision above, Remco considered the latest Remco trends in the market on methods of attraction and retention, including a curated report from an independent remuneration specialist who considered both the Lenmed SARs and market trends.

EXCO performance review and bonus approvals against agreed FY21 and FY22 KPAs

Each year, profit after tax is calculated after providing fully for bonuses for that financial year. These bonuses are paid only after the audited annual financial statements have been approved by the Board. For FY22, the bonuses paid out were lower than the allocated profit provision.

Management's short-term targets for the year ended February 2023 included soft and hard targets where the majority weighting was based on growth in HEPS and ROE, so aligning with shareholder values. Targets were customised around what Remco considered to be specific priority performance areas for each executive, so as to encourage delivery in these areas. The short-term targets for the year ending February 2024 should be similar to the previous year. The following table shows short-term bonuses earned by management for the year ended February 2022 (previously reported and for comparison) and February 2023.

	CEO	CFO
February 2022		
Percentage achieved	95%	95%
Bonus achieved	R4 465 000	R3 495 375
February 2023		
Percentage achieved	75.8%	75.8%
Bonus achieved	R4 131 100	R2 956 200

Focus areas for FY2024

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

- Non-executive director succession planning
- Overseeing the structuring and populating of the senior team organogram to execute on the agreed FY24 strategy
- Aligning the Remco workplan to the new Lenmed strategy
- Non-executive director succession planning for the financial year ending 2025, with regard to the skills gap matrix
- Recommending strategies to position Lenmed as an employer of choice
- Oversight of the implementation of the Group's new leadership culture, as well as change management initiatives across the organisation.

Nominations Committee matters

Non-executive director succession planning

During the year, the committee conducted a Board skills analysis and furthered discussions on non-executive director succession planning. This is a focus area for 2023.

With regard to ARC succession planning, see extract of ARC Report: The committee is conscious of the needs for continuity and for succession planning in its members. Mike Meehan has been Chairman of this committee since 2010, while two other directors will, in November 2023, have been members for 13 and 11 years respectively. As a first step in addressing succession and subject to the election of non-executive directors to the Audit and Risk Committee by the shareholders at the forthcoming AGM, Mike will remain a member but relinquish the position of Chairman to Vaughan Firman. Thereafter, Mike expects to retire off the Board at the 2024 AGM.

Non-executive director independence

The committee annually assesses the independence of the non-executive directors against the King IV criteria on director independence and makes a recommendation to the Board. The following directors were determined as being independent: Bharti Harie, Mike Meehan, Vaughan Firman, Dr Guvant Goolab and Nomahlubi Simamane.

Other matters

Other matters dealt with by the Nominations Committee included:

- Review of composition of the Board and committees
- Recommending the re-election of directors retiring by rotation at the AGM
- Director training and development.

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 2023 to the shareholders of Lenmed Health Group.

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 Social and Ethics Committee has **three main functions:**

One
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.

Two
To draw matters within its mandate to the attention of the Board as required.

Three
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, 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. Nomahlubi Simamane, who is an independent non-executive director, chairs the committee. Committee members include Dr Gunvant Goolab, an independent non-executive director, Niresh Bechan, the CEO of Ethekwini, and Dr Nilesh Patel, the Group CMO. Key information providers include senior managers in the areas of human resources, finance, marketing and internal audit, which was 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.

In terms of the committee's mandate, at least two meetings should be held annually. During this financial year, the committee held three meetings.

The committee's role and responsibilities

Role

The committee has an independent role with accountability to the Board. The 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 BBBEE
- 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
- ESG.

Policy review

The committee is responsible for developing and reviewing the Group's policies regarding 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. The following were reviewed, and no changes made: CSI; employee wellness and critical illness; human rights; environmental; strategy, legal ethical, and tax ethical policies.

Summary

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

ESG

A review was undertaken to gain insights into the Group's approach in terms of responding to ESG matters, highlighting strengths and improvement areas in the parameters of strategy, governance, management, performance and reporting. This expanded on the business strategy to include site metrics and targets and extending the responsibility of ESG to all employees.

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

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 timeously submitted to the Department of Labour.

The Group has partnered with the Discovery Healthy Company, which encourages employees to participate in wellness days, with particular focus on the improvement of staff health in areas of diabetes and hypertension.

Transformation

The committee reviewed the company's performance against the BBBEE Codes including ownership, skills development, preferential procurement, management control/employment equity, supplier development, enterprise development and socio-economic development. The Group achieved a Level 2 BBBEE rating which is amongst the best in the industry. The one area that requires improvement is Preferential Procurement and specific plans have been put in place to focus on correcting this going forward including Lenmed's participation in the YES (Youth Development Services) Programme, additional employment from local communities in the cleaning, catering and security areas, and a disabled learnership programme. There is also a focus on skills development via learnerships and bursaries.

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, noting an increase in community engagements. The focus was on impacting the lives of communities where Lenmed operates through increased cataract surgery projects, Cardiac surgery treatment for children and waiver of co-payment to give access to poorer communities and enable them to have good quality healthcare.

Anti-corruption, ethics and compliance

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

Labour relations

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

Safety, health, and environment

Environment, health and public safety

The Environmental Committee meets on a quarterly basis and reports on energy, water, laundry and kitchen. Overall, there has been a reduction in kilowatt hours and water usage in the Group. Two large solar projects are planned, one at Royal Hospital and Heart Centre (Kimberley) and one at Zamokuhle Private Hospital (Tembisa). The ROI on all energy, water and related projects will be measured approximately a year after the implementation of the project. During load shedding, the plan is for 60% of the electricity to be generated from solar and the balance from generators. This will reduce diesel consumption and lead to longer generator life.

Comprehensive clinical governance reports were received, covering infection rates, group alerts, incidents, improvement initiatives and learnings, and healthcare waste disposal.

Stakeholder relations

The stakeholder engagement strategic plan for Lenmed was reviewed and updated, focusing on understanding all the stakeholders, their needs, the Group's response, and actions to be taken were revisited. Key communications messages were crafted for each stakeholder grouping that has an owner, together with a monitoring tool created through the scorecard. The stakeholder framework is mapped back to Lenmed's strategic pillars.

Compliance with CPA, TCF, POPI, PAIA

The Group has committed to comply with all these acts. An assessment by an external party revealed the Group was largely in compliance with POPI.

Customer relationships

The committee received and reviewed reports on the company's advertising and public relations activities and stakeholder relations including patient satisfaction levels, driven at hospital level. A Group-wide customer experience campaign was implemented.

Employee engagement and wellness

The employment equity policy was enhanced, focusing on transformation initiatives, including commitment and targets. The Group continues to focus on improving disability statistics. The mandatory training continues and there is more emphasis on leadership development, focusing on frontline leaders at a middle management level. The first 25 learners were selected to enter a formal 12-month accredited training programme with Henley Business School of Africa. Its success will be measured by the impact they bring back from the training programme to the business.

Legislation

Legislative compliance continues to be monitored in South Africa, Mozambique and Botswana. Ghana will be the next focus.

The company's Sustainable Development Report – which reflects more detail relating to the company's activities – can be found on the company's website, www.lenmed.co.za.

Committee self-assessment

The committee's performance and effectiveness are undertaken every two years and the next one will be done in 2024. The committee Chairman updates the Board at every Board meeting regarding the work done by the committee.

Report to shareholders

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

The agenda for the company's AGM to be held on 3 August 2023 includes a report by the committee chairman to shareholders.

Annual Financial Statements

Contents

Company information

Country of incorporation
South Africa

Registered address
2nd Floor Fountain View House,
Constantia Office Park,
Corner 14th Avenue and
Hendrik Potgieter Road,
Constantia Kloof, Johannesburg, 1709

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: THS Miya 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 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 Group 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 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 consolidated annual 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 annual financial statements support the viability of the Group.

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 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 80 to 81.

The consolidated annual financial statements set out on pages 84 to 112 which have been prepared on the going concern basis, were approved by the directors and were signed on 12 June 2023 on their behalf by:

Mr A Devchand
Chief Executive Officer

Mr F J 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 five occasions to carry out its function for the financial year and held further discussions with the external and internal auditors and management. 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 accounting practices and 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

12 June 2023

Statement of Compliance by the Company Secretary

I hereby certify, in my capacity as Company Secretary of Lenmed Investments Limited and its subsidiaries, that for the financial year ended 28 February 2023, 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 appear to the best of my knowledge and believe to be true, correct and up to date.

Mr W.R. Somerville
Company Secretary

12 June 2023

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 84 to 112, which comprise the consolidated statements of financial position as at 28 February 2023, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements 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 2023, 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 and its subsidiaries Consolidated Annual Financial Statements for the year ended 28 February 2023" and the document title "Lenmed Investments Limited Separate Annual Financial Statements for the year ended 28 February 2023", which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the document titled "Lenmed Investments Limited Annual Integrated Report 2023" which is expected to be made available to us after that date. The other information does not include the consolidated or the 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.

Independent Auditor's Report *continued*

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.

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 15 years.

PKF Durban
Partner: R.C. Boulle
Registered Auditor
Durban

13 June 2023

Directors' Report

The directors present their report for the year ended 28 February 2023.

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 care 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 R635.001 million (2022: R533.671 million).

Group's profit before taxation for the year amounted to R345.956 million (2022: R281.618 million) before taking into account taxation of R85.363 million (2022: R33.926 million), resulting in profit after taxation for the year of R260.593 million (2022: R247.692 million).

Despite the significant increase in EBITDA for the year (19%), headline earnings per share, as more fully disclosed in note 9, reduced to 29,99 cents from 31,18 cents in the previous year. This is primarily attributable to increased finance cost resulting from investment in growth, with the return on these investments not yet materialising within the current year and the increased tax expense resulting from the expiry of the assessed loss at our Mozambican operations.

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 12 June 2023, the same date as the consolidated annual financial statements. The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards.

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 Group increased its debt during the year to maintain funding and liquidity headroom following the acquisition of the Matlosana Medical Health Group herein after referred to as MMHS. The committed undrawn facility for the Group at signature date of this report was approximately R385 million.

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

A final gross cash dividend of 3,5 cents per share was declared by the Board on 26 May 2022 from profits accrued during the financial year ended 28 February 2022. The total cash dividend declared amounted to 3,5 cents per share. The dividend was paid on 7 July 2022 to shareholders who were on the register on 30 June 2022. This final dividend paid to shareholders amounted to R24.834 million.

The company's dividend policy remained unchanged during the year:

a. A dividend of no less than 10% of headline earnings attributable to Lenmed shareholders will be declared annually.
b. Basis of dividend:
    - Only a final dividend will be declared and no interim dividend is to be paid
    - The final dividend will be declared after the board has approved the audited consolidated annual financial statements for the year – normally in May in respect of the February financial year-end
    - Payment of the dividend will be made by EFT, prior to the Annual General Meeting, which is usually held in August
    - The declaration and payment of the dividend is subject to the Board completing the solvency and liquidity tests required in terms of Section 4 of the Companies Act and the approval of Lenmed's bankers in accordance with the debt funding terms and conditions.
c. The Dividend policy shall be reviewed at least annually.

Headline earnings

Headline earnings are determined in accordance with the Headline Earnings Circular issued by the South African Institute of Chartered Accountants from time to time and effective as at year end.

Directors' Report *continued*

Directors

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

Mr P Devchand
Executive Chairman

Mr A Devchand
Executive director and Chief Executive Officer

Mr F J Meiring
Executive director and Chief Financial Officer

Mr M G Meehan
Lead independent non-executive director

Ms B Harie
Independent non-executive director

Ms N V Simamane
Independent non-executive director

Dr G Goolab
Independent non-executive director

Prof B D Goolab
Non-executive director

Mr V E Firman (Appointed 1 March 2022)
Independent non-executive director

Acquisition of subsidiary

During the current year, the Group acquired 100% of MMHS, a Klerksdorp based group of hospitals. MMHS consists of 2 acute facilities (218 beds), a day hospital (20 beds) and a mental health facility (50 beds). The acquisition aligns well with our strategy to diversify across geographies as well as revenue streams and is our first acquisition into the North West province of South Africa.

Company Secretary

The group's designated company secretary is Mr. W.R. Somerville.

Independent auditors

PKF Durban, Registered Auditors, will continue in office as external auditors of the company in accordance with section 90(1) of the Companies Act of South Africa, subject to shareholder approval at the upcoming Annual General Meeting. R.C. Boulle 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 International Financial Reporting Standards require adjustment or disclosure have been adjusted or disclosed.

The Group acquired 60% in Beira Private Hospital Limitada in the town of Beira in Mozambique effective 15 March 2023 for R59.460m. The hospital comprises a 60-bed facility and an outpatient clinic. The acquisition of this stake aligns with our strategy of expanding our group's footprint in Mozambique. With this acquisition, we are confident that we can enhance our presence in the healthcare sector in Mozambique and provide quality healthcare services. Refer to notes 33 and 35 for further information.

During June 2023, the Group entered into an agreement to acquire up to 100% of MooiMed Operating Company (Pty) Ltd (MooiMed), an 87 bed acute private hospital in Potchefstroom. This aligns with our strategies of growth and diversification across geographies. It is our second acquisition in the North West province of South Africa. The Group anticipates this acquisition to initially add an additional 2,8% to group EBITDA. At the date of this report, the transaction was still conditional upon various approvals, including the approval by the Competition Commission.

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.

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.

Special resolutions

The following special resolutions were passed during the course of the year at the 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 Profit or Loss and Other Comprehensive Income

		GROUP	
Figures in R'000	Notes	2023	2022
Revenue	4	**3 972 201**	3 386 123
Cost of sales		**(1 224 669)**	(1 064 916)
GROSS PROFIT		**2 747 532**	2 321 207
Other income	5	**150 737**	203 131
Operating costs	5	**(2 424 790)**	(2 122 736)
PROFIT FROM OPERATING ACTIVITIES	5	**473 479**	401 602
Interest income	6	**11 136**	2 482
Finance costs	7	**(141 328)**	(126 019)
Share of profit from equity accounted investments		**2 669**	3 553
PROFIT BEFORE TAX		**345 956**	281 618
Income tax expense	8	**(85 363)**	(33 926)
PROFIT FOR THE YEAR		**260 593**	247 692
Profit for the year attributable to:			
Owners of Parent		**212 297**	221 223
Non-controlling interest		**48 296**	26 469
		260 593	247 692
Other comprehensive income			
PROFIT FOR THE YEAR		**260 593**	247 692
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation reserve		**104 036**	3 778
Cash flow hedging reserve for interest rate hedging instrument		**3 139**	14 375
Total other comprehensive income		**107 175**	18 153
TOTAL COMPREHENSIVE INCOME		**367 768**	265 845
Total comprehensive income attributable to:			
Owners of Parent		**318 106**	241 484
Non-controlling interests		**49 662**	24 361
		367 768	265 845
Earnings per share attributable to owners of the parent during the year			
Basic and diluted earnings per share (cents)	9	**29.92**	31.18

Statements of Financial Position

		GROUP	
Figures in R'000	Notes	2023	2022
Assets			
NON-CURRENT ASSETS			
Property, plant and equipment	11	**3 185 853**	2 846 080
Right-of-use assets	14	**180 960**	185 168
Goodwill	10	**546 895**	308 528
Intangible assets	12	**37 675**	43 758
Investment in associates	13	**12 573**	9 896
Deferred tax assets	15	**73 272**	80 691
		4 037 228	3 474 121
CURRENT ASSETS			
Inventories	16	**98 643**	73 582
Trade and other receivables	17	**1 065 377**	892 460
Current tax assets		**–**	10 782
Cash and cash equivalents	18	**310 512**	201 279
		1 474 532	1 178 103
TOTAL ASSETS		**5 511 760**	4 652 224
Equity and liabilities			
EQUITY			
Stated capital	19	**426 006**	426 006
Accumulated profits		**1 784 320**	1 596 857
Other reserves	20	**266 851**	161 042
Non-controlling interests		**309 298**	244 563
TOTAL EQUITY		**2 786 475**	2 428 468
Liabilities			
NON-CURRENT LIABILITIES			
Deferred tax liabilities	15	**237 145**	230 491
Lease liabilities	14	**212 849**	205 970
Long-term liabilities	21	**1 470 599**	1 038 763
Loans from non-controlling interests	22	**23 206**	21 921
		1 943 799	1 497 145
CURRENT LIABILITIES			
Provisions	25	**111 223**	104 574
Trade and other payables	24	**523 956**	442 936
Current tax liabilities		**2 015**	2 830
Current portion of derivative financial liabilities	23	**–**	4 358
Current portion of lease liabilities	14	**12 599**	10 697
Current portion of long-term liabilities	21	**103 288**	111 294
Loans from non-controlling interests	22	**6 925**	10 762
Bank overdraft	18	**21 480**	39 160
		781 486	726 611
TOTAL EQUITY AND LIABILITIES		**5 511 760**	4 652 224

Statement of Cash Flows

		GROUP	
Figures in R'000	Notes	2023	2022
Cash flows from operations			
PROFIT FOR THE YEAR		**260 593**	247 692
Income tax		**85 363**	33 926
Interest income		**(11 136)**	(2 482)
Finance costs		**141 328**	126 019
Depreciation and amortisation		**161 522**	132 069
Income from associates		**(2 669)**	(3 553)
Loss on disposal of plant and equipment		**690**	33
Working capital changes:			
(Increase)/decrease in inventories		**(3 448)**	8 638
(Increase)/decrease in trade and other receivables		**(148 305)**	84 271
Increase in trade and other payables		**51 654**	36 349
NET CASH FLOWS FROM OPERATIONS		**535 592**	662 962
Finance costs		**(139 431)**	(124 654)
Interest income		**11 136**	2 482
Income taxes paid	26.1	**(64 989)**	(22 949)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**342 308**	517 841
Cash flows used in investing activities			
Cash flows used in obtaining control of subsidiaries or other businesses	29.2	**(419 438)**	(50 300)
Proceeds from sales of property, plant and equipment		**10 326**	231
Purchase of property, plant and equipment		**(161 283)**	(150 127)
– to maintain operating capacity		**(143 529)**	(124 709)
– to expand operating capacity		**(39 162)**	(41 198)
– instalment sale agreements (non-cash)		**21 408**	15 780
Purchase of intangible assets		**(17 419)**	(9 487)
CASH FLOWS USED IN INVESTING ACTIVITIES		**(587 814)**	(209 683)
Cash flows from/(used in) financing activities			
Loans advanced	26.2	**600 000**	–
Loans repaid	26.2	**(208 246)**	(59 198)
Lease liabilities	14.3	**(8 264)**	(10 348)
Dividend paid to non-controlling interests		**(4 302)**	(306)
Dividends paid to shareholders		**(24 834)**	–
Non controlling interests rights issue		**–**	453
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		**354 354**	(69 399)
NET INCREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		**108 848**	238 759
Effect of exchange rate changes on cash and cash equivalents		**18 065**	2 825
Cash and cash equivalents at beginning of the year		**162 119**	(79 465)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	18	**289 032**	162 119

Statement of Changes in Equity

					GROUP		
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 2021	426 006	158 295	(17 514)	1 365 123	1 931 910	216 292	2 148 202
Profit for the year	–	–	–	221 223	221 223	26 469	247 692
Other comprehensive income/(loss)	–	5 886	14 375	–	20 261	(2 108)	18 153
Dividends paid to non-controlling interests	–	–	–	–	–	(306)	(306)
Acquisition of Howick Private Hospital	–	–	–	–	–	14 295	14 295
Changes in ownership interests without loss of control	–	–	–	10 511	10 511	(10 079)	432
BALANCE AT 1 MARCH 2022	426 006	164 181	(3 139)	1 596 857	2 183 905	244 563	2 428 468
Profit for the year	–	–		212 297	212 297	48 296	260 593
Other comprehensive income	–	102 670	3 139	–	105 809	1 366	107 175
Dividend recognised as distributions to shareholders	–	–	–	(24 834)	(24 834)	–	(24 834)
Dividends paid to non-controlling interest	–	–	–	–	–	(4 367)	(4 367)
Acquisition of MMHS	–	–	–	–	–	19 440	19 440
BALANCE AT 28 FEBRUARY 2023	426 006	266 851	–	1 784 320	2 477 177	309 298	2 786 475
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 2023			28 February 2022	
	BWP Pula	**USD Dollar**	**MZN**	BWP Pula	USD Dollar
Closing rate	**R1.37**	**R17.89**	**R0.29**	R1.33	R15.40
Average rate	**R1.33**	**R16.71**	**R0.26**	R1.33	R14.86

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 transferred, shares issued or liabilities assumed at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiaries acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated.

Non-controlling interests in subsidiaries are presented in the consolidated statement of financial position separately from the equity attributable to equity owners of the parent company. Non-controlling shareholders' interest may initially be measured at fair value or the non-controlling shareholders' proportionate share of the fair value of the acquiree's identifiable net assets.

The choice of measurement basis is made on each acquisition individually. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling 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.

1.2 Revenue from contracts with customers

Revenue for hospital and related services rendered and medical consumables sold in the ordinary course of business is recognised at the consideration received or expected to be received for providing the services or goods specified in the contract with the patient net of indirect taxes and trade discounts.

Revenue is categorised into tariff and non-tariff revenue. Tariff revenue is from accommodation, equipment rental, theatre fees, professional and ward fees and is recognised over time when the service is rendered. Non-tariff revenue is from ethicals and medical consumables and is recognised at a point in time when consumed. Invoices raised are payable on presentation.

Accounting policies *continued*

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

1.3 Other income

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

Outpatient services income relates to emergency healthcare services provided which includes vehicle helicopter and air support together with a professional emergency healthcare team. Income is recognised as services are rendered at the consideration receivable in terms of the contract.

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.

Accounting policies continued

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

1.7 Leases *continued*

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

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

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

Right-of-use assets are depreciated over the shorter period of lease term (ranging between 1 and 19 years) and useful life of the underlying asset (see note 1.9). If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group 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 and, subsequently 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.

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	5-20 years
Furniture & Fittings	5-20 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.

Accounting policies *continued*

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

1.10 Impairment of a non-financial asset

The carrying amounts of the non-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 tested for impairment 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.

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.

Accounting policies *continued*

The constituents of the above classes of financial instruments are measured as follows:

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

1.13 Financial instruments *continued*

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.

1.14 Intangible assets

Intangible assets are initially recognised at cost and subsequently less accumulated amortisation and any impairment losses.

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 but they are tested for impairment annually.

Management agreement acquired as part of a business combination are recognised at their fair value at the date of acquisition, and are subsequently amortised on a straight-line based on the timing of projected cash flows of the contracts over the remaining period of the agreement. In other words, they have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

The assumptions regarding estimated useful lives for the 2023 financial year were as follows:

Computer software	5 years
Management agreement	61 months
Hospital licences	Indefinite

Accounting policies *continued*

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

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.

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 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.

1.19 Headline earnings per share

Headline earnings per share are calculated on the headline earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year. Headline earnings are determined in accordance with the Headline Earnings Circular issued by the South African Institute of Chartered Accountants from time to time and effective as at year end.

Accounting policies *continued*

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 forward looking factors that could affect the ability of the debtor in settling their debts.

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 at that location. 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.

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.

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.

3. *Changes in accounting policies and disclosures*

Standards and Interpretations effective and adopted in the current year

No relevant new, revised or amended standards were implemented during the financial period ended 28 February 2023.

Standards and interpretations effective not yet adopted

At the date of authorisation of these consolidated annual financial statements, the following relevant 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 financial period ending applicable to Lenmed:
IFRS 17 – One accounting model for all insurance contracts	29 February 2024
IAS 1 – Disclosure of accounting policies	29 February 2024
IAS 12 – Deferred tax arising from a single transaction	29 February 2024
IAS 8 – Definition of accounting estimates	29 February 2024
IAS 1 – Classification of Liabilities as Current or Non-Current	28 February 2025
IAS 1- Non-current liabilities with covenants	28 February 2025

Notes to the Consolidated Financial Statements

Figures in R'000	GROUP 2023	2022
4. *Revenue*		
An analysis of revenue is as follows:		
Private healthcare services		
Non-tariff	**1 269 620**	1 001 803
Tariff	**2 702 581**	2 384 320
TOTAL REVENUE	**3 972 201**	3 386 123
There were no outstanding performance obligations at year end.		
5. *Profit before interest and taxation*		
Income		
Outpatient services income	**–**	40 320
Short term rental income – hospital space	**84 718**	65 566
Loss on foreign currency transactions	**(749)**	(4 909)
Expenses		
Bad debts written off	**11 005**	2 481
Depreciation and amortisation on intangible assets, plant and equipment	**140 105**	112 244
Depreciation on right-of-use assets	**21 417**	19 825
Employee expenses	**1 314 288**	1 122 890
Employee retirement benefits	**57**	46
Expected credit losses raised	**84 691**	94 526
Loss on disposal of property, plant and equipment	**690**	33
Short-term leases, low value leases and leases that do not depend on an index or rate		
Property	**31 390**	25 399
Equipment	**8 649**	23 370
Other	**7 198**	7 928
	47 237	56 697
6. *Interest income*		
Interest received	**11 136**	2 482
7. *Finance costs*		
Long-term loans	**115 452**	94 330
Lease liabilities	**16 161**	14 160
Instalment sales agreements	**109**	117
Bank overdraft	**9 606**	17 412
TOTAL FINANCE COSTS	**141 328**	126 019

Figures in R'000	GROUP 2023	2022
8. *Income tax expense*		
8.1 Income tax recognised in profit or loss:		
Current tax		
Current year	**68 616**	29 179
Prior year adjustment	**–**	(2 877)
TOTAL CURRENT TAX	**68 616**	26 302
Deferred tax		
Originating and reversing temporary differences	**17 973**	16 443
Arising from prior period adjustments	**(1 226)**	(8 819)
TOTAL DEFERRED TAX	**16 747**	7 624
TOTAL INCOME TAX EXPENSE	**85 363**	33 926
8.2 The income tax for the year can be reconciled to accounting profit/(loss) as follows:		
Income tax calculated at 28.0%	**28,00%**	28,00%
Tax effect of		
Under provision in prior year	**(0,35%)**	(4,15%)
Disallowed expenditure	**1,23%**	0,35%
Tax rate change	**(1,20%)**	0,00%
Income not taxable	**0,00%**	(0,38%)
Foreign tax rate difference	**(2,98%)**	(0,79%)
Unrecognised deferred tax asset	**0,00%**	(10,98%)
EFFECTIVE TAX RATE	**24,70%**	12,05%
8.3 Estimated tax losses		
Utilised in the deferred tax balance	**338 068**	351 928
Unused tax losses available for set-off against future taxable income	**338 068**	351 928

Notes to the Consolidated Financial Statements *continued*

Figures in R'000	GROUP 2023	2022
9. Earnings per share		
9.1 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:		
Profit for the year attributable to owners of the company from continuing operations	**212 297**	221 223
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**709 534**	709 534
Basic and diluted earnings per share (cents)	**29,92**	31,18
9.2 Headline earnings per share		
Headline earnings is calculated as follows:		
Profit for the year attributable to owners of the company from continuing operations	**212 297**	221 223
Adjusted for:		
Loss on disposal of property, plant and equipment	**690**	33
Total tax effects of adjustments	**(193)**	(9)
Headline earnings from continuing operations	**212 794**	221 247
Weighted average number of ordinary shares used in the calculation of headline earnings per share	**709 534**	709 534
Headline earnings per share (cents)	**29,99**	31,18
9.3 Dividends per share		
The dividends and weighted average number of shares used in the calculation of dividends per share are as follows:		
Dividends to shareholders	**24 934**	–
Weighted average number of ordinary shares used in the calculation of dividends per share	**709 534**	709 534
Dividends per share (cents)	**3,5**	–

Figures in R'000	Goodwill
10. Goodwill	
10.1 Reconciliation of changes in goodwill	
Reconciliation for the year ended 28 February 2023	
BALANCE AT 1 MARCH 2022	
At cost	**318 871**
Accumulated impairment	**(10 343)**
NET BOOK VALUE	**308 528**
Movements for the year ended 28 February 2023	
Acquisitions through business combinations – MMHS (refer to note 29)	**238 367**
GOODWILL AT THE END OF THE YEAR	**546 895**
Closing balance at 28 February 2023	
At cost	**557 238**
Accumulated impairment	**(10 343)**
NET BOOK VALUE	**546 895**
Reconciliation for the year ended 28 February 2022	
At cost	312 888
Accumulated impairment	(10 343)
Movements for the year ended 28 February 2022	
Acquisitions through business combinations – Howick Private Hospital	5 983
GOODWILL AT THE END OF THE YEAR	308 528

Notes to the Consolidated Financial Statements *continued*

10. Goodwill *continued*

10.1 Reconciliation of changes in goodwill *continued*

Goodwill relates to the excess of the purchase price consideration over the fair value of the assets and liabilities of the following business acquisitions:

	GROUP	
Figures in R'000	**2023**	2022
Lenmed Health Laverna Private Hospital	**5 125**	5 125
Lenmed Health Shifa Private Hospital	**6 939**	6 939
Lenmed Health Kathu Private Hospital	**10 378**	10 378
Lenmed Ethekwini Hospital and Heart Centre	**280 103**	280 103
Howick Private Hospital	**5 983**	5 983
MMHS	**238 367**	–
	546 895	308 528

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

Key assumptions used in the calculation of the discount rate:

- A risk free rate derived from the R213 SA Government bond which was yielding 10,12% as at 28 February 2023 (2022: 9,88%)
- A market risk premium of 6,7% (2022: 7,2%), given the unlisted nature of the Group
- Beta of 0,72 (2022: 0,70) 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 13,8% and 17,6% depending on the specific business unit (2022: 13% and 17,5%).

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.

Sensitivity

The Group has made estimates and assumptions in respect of impairment testing of cash generating units as detailed above and had the pre-tax discount rate been increased by 1%, the recoverable amounts of the goodwill of any the cash generating units would still exceed the carrying value.

Notes to the Consolidated Financial Statements *continued*

11. *Property, plant and equipment*

Balances at year end and movements for the year

				GROUP					
Figures in R'000	Land	Buildings	Leasehold improvements	Plant and equipment	Motor vehicles	Furniture and fittings	Office equipment	Computer equipment	Total
Reconciliation for the year ended 28 February 2023									
CARRYING VALUE AT 1 MARCH 2022	**301 422**	**2 033 633**	**202**	**423 278**	**2 480**	**53 079**	**2 100**	**29 886**	**2 846 080**
Movements for the year ended 28 February 2023									
Additions from acquisitions	**–**	**58 886**	**92**	**107 990**	**271**	**7 330**	**30**	**8 091**	**182 690**
Acquisitions through business combinations	**–**	**172 046**	**–**	**27 597**	**82**	**898**	**578**	**543**	**201 744**
Increase (decrease) through net exchange differences	**18 236**	**43 192**	**–**	**13 804**	**15**	**8 604**	**800**	**(1 693)**	**82 958**
Depreciation	**–**	**(14 255)**	**(17)**	**(76 200)**	**(459)**	**(12 869)**	**(455)**	**(12 348)**	**(116 603)**
Disposals	**(7 128)**	**(2 288)**	**–**	**(1 467)**	**(1)**	**(87)**	**(16)**	**(29)**	**(11 016)**
PROPERTY, PLANT AND EQUIPMENT AT THE END OF THE YEAR	**312 530**	**2 291 214**	**277**	**495 002**	**2 388**	**56 955**	**3 037**	**24 450**	**3 185 853**
Closing balance at 28 February 2023									
At cost	**312 530**	**2 423 008**	**7 763**	**1 172 835**	**5 411**	**129 530**	**10 848**	**107 719**	**4 169 644**
Accumulated depreciation and impairment	**–**	**(131 794)**	**(7 486)**	**(677 833)**	**(3 023)**	**(72 575)**	**(7 811)**	**(83 269)**	**(983 791)**
NET BOOK VALUE	**312 530**	**2 291 214**	**277**	**495 002**	**2 388**	**56 955**	**3 037**	**24 450**	**3 185 853**
Reconciliation for the year ended 28 February 2022									
CARRYING VALUE AT 1 MARCH 2021	298 487	1 976 405	217	376 526	1 662	50 517	1 385	28 461	2 733 660
Movements for the year ended 28 February 2022									
Additions from acquisitions	–	41 664	–	104 579	1 284	9 448	945	7 987	165 907
Acquisitions through business combinations	1 500	21 070	–	6 276	–	450	155	9	29 460
Increase/(decrease) through net exchange differences	1 435	4 233	–	7 593	16	437	(76)	(498)	13 140
Depreciation	–	(9 713)	(15)	(71 625)	(482)	(7 639)	(309)	(6 073)	(95 856)
Disposals	–	(26)	–	(71)	–	(134)	–	–	(231)
PROPERTY, PLANT AND EQUIPMENT AT THE END OF THE YEAR	301 422	2 033 633	202	423 278	2 480	53 079	2 100	29 886	2 846 080
Closing balance at 28 February 2022									
At cost	301 422	2 135 836	7 670	945 798	4 880	111 515	5 033	94 532	3 606 686
Accumulated depreciation and impairment	–	(102 203)	(7 468)	(522 520)	(2 400)	(58 436)	(2 933)	(64 646)	(760 606)
NET BOOK VALUE	301 422	2 033 633	202	423 278	2 480	53 079	2 100	29 886	2 846 080

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

Notes to the Consolidated Financial Statements *continued*

12. *Intangible assets*

Reconciliation of changes in intangible assets

Figures in R'000	Computer software	Hospital licences	Management agreement	Total
	GROUP			
Reconciliation for the year ended 28 February 2023				
CARRYING VALUE AS AT 1 MARCH 2022	14 229	2 479	27 050	**43 758**
Movements for the year ended 28 February 2023				
Additions	17 419	–	–	**17 419**
Amortisation	(17 600)	–	(5 902)	**(23 502)**
INTANGIBLE ASSETS AT THE END OF THE YEAR	14 048	2 479	21 148	**37 675**
Closing balance at 28 February 2023				
At cost	67 692	2 479	30 000	**100 171**
Accumulated amortisation	(53 644)	–	(8 852)	**(62 496)**
NET BOOK VALUE	14 048	2 479	21 148	**37 675**
Reconciliation for the year ended 28 February 2022				
CARRYING VALUE AS AT 1 MARCH 2021	18 180	2 479	–	**20 659**
Movements for the year ended 28 February 2022				
Additions other than through business combinations	9 487	–	–	**9 487**
Acquisitions through business combinations	–	–	30 000	**30 000**
Amortisation	(13 438)	–	(2 950)	**(16 388)**
INTANGIBLE ASSETS AT THE END OF THE YEAR	14 229	2 479	27 050	**43 758**
Closing balance at 28 February 2022				
At cost	50 402	2 479	30 000	**82 881**
Accumulated amortisation	(36 173)	–	(2 950)	**(39 123)**
NET BOOK VALUE	14 229	2 479	27 050	**43 758**

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. Management agreement relates to a hospital management agreement acquired in the business combination with Halcom Management Services Limited.

The recoverable amount of the hospital licence 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. *Investment in 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 Nursing College (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 Limitada	100
LMPH Real Estate, Lda	100
Nu-Yale Trust	100
Royal Hospital and Heart Centre (Pty) Ltd	100
Halcom Management Services Limited	100
Lenmed Howick Pharmacy (Pty) Ltd	100
Cold Creek Investments 22 (Pty) Ltd	100
Matlosana Medical Health Services (Pty) Ltd	100
MMHS Properties (Pty) Ltd	100
Caerus Nursing School (Pty) Ltd	100
Wilmed Trading Trust	100
Wilmed Property Trust	100
Wilmed Equipment Trust	100
Sunningdale Trust	100
Perlucia (Pty) Ltd	64
Daleside Day Hospital (Pty) Ltd	51
Howick Private Hospital Holdings (Pty) Ltd	99
Howick Private Hospital (Pty) Ltd	99
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), Mozambique Private Laboratory Limitada (Incorporated in Mozambique), LMPH Real Estate, Lda (Incorporated in Mozambique) and Halcom Management Services Limited (Incorporated in Seychelles).

Notes to the Consolidated Financial Statements *continued*

13. *Investment in associates* continued

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

Figures in R'000	Lenmed Ethekwini Hospital and Heart Centre (Pty) Ltd	Lenmed Health Bokamoso Private Hospital (Pty) Ltd
% of interest and voting rights held by non-controlling interests	**23%**	**30%**
At 28 February 2023		
Extract from statement of financial position		
Non-current assets	**909 888**	**257 788**
Current assets	**233 966**	**439 569**
Non-current liabilities	**(183 627)**	**(216 257)**
Current liabilities	**(100 236)**	**(198 066)**
Accumulated non-controlling interests at the end of the reporting period	**(195 740)**	**(89 329)**
Extract from statement of comprehensive income		
Revenue	**822 790**	**625 383**
Profit or loss	**101 025**	**69 354**
Profit for the year allocated to non-controlling interests	**23 236**	**20 806**
Extract from statement of cash flows		
Cash inflow from operating activities	**81 483**	**75 828**
Cash outflow from investing activities	**(30 242)**	**(33 968)**
Cash (outflow)/inflow from financing activities	**(23 992)**	**(7 361)**
NET CASH INFLOW	**27 249**	**34 499**
At 28 February 2022		
Extract from statement of financial position		
Non-current assets	879 572	235 699
Current assets	157 404	419 570
Non-current liabilities	(179 867)	(197 334)
Current liabilities	(112 912)	(235 716)
Accumulated non-controlling interests at the end of the reporting period	(172 504)	(68 523)
Extract from statement of comprehensive income		
Revenue	731 788	523 421
Profit or loss	76 962	38 405
Profit for the year allocated to non-controlling interests	17 701	11 522
Extract from statement of cash flows		
Cash inflow from operating activities	111 415	53 396
Cash outflow from investing activities	(43 248)	(19 879)
Cash outflow from financing activities	(39 083)	2 627
NET CASH (OUTFLOW)/INFLOW	29 084	36 144

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 2023	2022
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	**2 713**	2 036
Share of associate earnings	**442**	677
CLOSING BALANCE	**3 155**	2 713
Renal Care Holdings (Pty) Ltd		
The Group owns 40% of Renal Care Holdings (Pty) Ltd, a renal dialysis holding company.		
Opening balance	**7 184**	4 308
Share of associate earnings	**2 234**	2 876
CLOSING BALANCE	**9 418**	7 184
INVESTMENT IN ASSOCIATES	**12 573**	9 897

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

Notes to the Consolidated Financial Statements *continued*

Figures in R'000	GROUP 2023	2022
14. *Lease liabilities*		
14.1 Amounts recognised in the statements of financial position		
Right-of-use assets		
Buildings	**180 960**	185 168
Reconciliation of right-of-use asset:		
Opening carrying value	**185 168**	197 458
Additions	**12 911**	14 821
Depreciation	**(21 418)**	(19 825)
Reassessment of lease contract	**(248)**	–
Foreign currency exchange difference	**4 547**	(7 286)
CARRYING VALUE	**180 960**	185 168
Right-of-use assets represent the present value of future minimum lease payments discounted at a rate of between 6.5% and 9.5% (2022: 6.5% and 9.5%) after taking the lease term ranging between 1 and 19 years into account.		
Lease liabilities		
Non-current lease liability	**212 849**	205 970
Current portion of lease liability	**12 599**	10 697
	225 448	216 667
Maturity analysis of future lease payments outstanding at the reporting date:		
Total	**225 448**	216 667
Total future lease payments	**343 922**	335 975
Due within 1 year	**27 015**	24 939
Due between 2 and 5 years	**79 373**	95 786
Greater than 5 years	**237 534**	215 250
Total future finance costs	**118 474**	119 308
Due within 1 year	**14 416**	14 242
Due between 2 and 5 years	**38 226**	46 764
Greater than 5 years	**65 832**	58 302
Total lease liability	**225 448**	216 667
Due within 1 year	**12 599**	10 697
Due between 2 and 5 years	**41 147**	49 022
Greater than 5 years	**171 702**	156 948
Reconciliation of lease liabilities		
Opening carrying value	**216 667**	220 235
Additions	**11 351**	14 821
Lease payments	**(8 264)**	(10 348)
Foreign currency exchange difference	**5 694**	(8 041)
CARRYING VALUE	**225 448**	216 667

Figures in R'000	GROUP 2023	2022
14.2 Amounts recognised in the statements of profit or loss and other comprehensive income		
Depreciation		
Buildings	**21 417**	19 825
Other expenses and gains		
Interest expense	**16 161**	14 160
Short-term lease expenses	**48 248**	56 701
14.3 Amounts recognised in the statements of cash flows		
Cash flow from operations		
– Interest paid	**(16 161)**	(14 160)
Cash flow from financing activities		
– Lease liabilities	**(8 264)**	(10 348)
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	**73 272**	80 691
	73 272	80 691
Deferred tax liabilities:		
– Deferred tax liability to be recovered	**(237 145)**	(230 491)
	(237 145)	(230 491)
NET DEFERRED TAX LIABILITIES	**(163 873)**	(149 800)

Notes to the Consolidated Financial Statements *continued*

15. *Deferred tax* *continued*

15.2 Reconciliation of deferred tax asset

R'000	Property, plant and equipment	Provisions	Assessed losses	Other*	Lease liability	Prepaid expense	Cash flow hedging reserve	Total
Opening balance at 1 March 2022	**(68 252)**	**48 082**	**111 643**	**(14 376)**	**7 022**	**(4 648)**	**1 220**	**80 691**
(Charged)/credited to profit or loss	**5 293**	**13 454**	**(30 759)**	**658**	**2 834**	**(1 573)**	**–**	**(10 093)**
Credited to other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**(1 220)**	**(1 220)**
Acquisition of subsidiary	**432**	**193**	**146**	**–**	**–**	**(13)**	**–**	**758**
Exchange difference	**–**	**3 136**	**–**	**–**	**–**	**–**	**–**	**3 136**
CLOSING BALANCE AT 28 FEBRUARY 2023	**(62 527)**	**64 865**	**81 030**	**(13 718)**	**9 856**	**(6 234)**	**–**	**73 272**
Opening balance at 1 March 2021	(39 527)	25 352	82 544	266	4 970	(3 210)	6 811	77 206
(Charged)/credited to profit or loss	(25 299)	22 317	18 423	(14 642)	2 052	(1 438)	–	1 413
Credited to other comprehensive income	–	–	–	–	–	–	(5 591)	(5 591)
Acquisition of subsidiary	(3 426)	413	9 007	–			–	5 994
Exchange difference	–	–	1 669	–	–	–	–	1 669
CLOSING BALANCE AT 28 FEBRUARY 2022	(68 252)	48 082	111 643	(14 376)	7 022	(4 648)	1 220	80 691

Reconciliation of deferred tax liability

	Property, plant and equipment	Provisions	FV in Step acquisition	Lease smoothing adjustment	Assessed loss	Prepaid expense	Other*	Total
Opening balance at 1 March 2022	**(202 546)**	**12 011**	**(46 817)**	**–**	**10 148**	**(925)**	**(2 362)**	**(230 491)**
(Charged)/credited to profit or loss	**(10 480)**	**884**	**–**		**472**	**294**	**2 176**	**(6 654)**
CLOSING BALANCE AT 28 FEBRUARY 2023	**(213 026)**	**12 895**	**(46 817)**	**–**	**10 620**	**(631)**	**(186)**	**(237 145)**
Opening balance at 1 March 2021	(192 554)	6 362	(46 866)	(1 657)	18 993	(1 489)	(4 243)	(221 454)
Credited/(charged) to profit or loss	(9 992)	5 649	49	1 657	(8 845)	564	1 881	(9 037)
CLOSING BALANCE AT 28 FEBRUARY 2022	(202 546)	12 011	(46 817)	–	10 148	(925)	(2 362)	(230 491)

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

Figures in R'000	GROUP 2023	GROUP 2022
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	**91 651**	98 540

Deferred tax assets not recognised because of uncertainty of availability of future taxable profits amounts to nil (2022: nil).

Notes to the Consolidated Financial Statements *continued*

	GROUP	
Figures in R'000	**2023**	2022
16. *Inventories*		
Inventories comprise:		
Merchandise	**99 690**	74 636
Allowance for obsolete stock	**(1 047)**	(1 054)
	98 643	73 582
Allowance for obsolete stock		
Balance at beginning of year	**1 054**	16 982
Allowance raised	**–**	–
Stock written off	**(7)**	(15,928)
BALANCE AT END OF YEAR	**1 047**	1 054

17. *Trade and other receivables*

	GROUP	
Figures in R'000	**2023**	2022
17.1 Trade and other receivables comprise:		
Trade receivables	**1 113 168**	1 006 036
Allowance for expected credit loss	**(190 954)**	(230 773)
TRADE RECEIVABLES – NET	**922 214**	775 263
Sundry debtors	**61 264**	53 457
Doctors rental	**40 033**	22 389
Allowance for expected credit loss	**(23 447)**	(23 102)
SUNDRY DEBTORS – NET	**77 850**	52 744
RAF prefunding	**39 027**	36 660
Allowance for expected credit loss	**(10 879)**	(5 512)
RAF PREFUNDING – NET	**28 148**	31 148
Prepaid expenses	**26 231**	20 581
Deposits	**10 934**	12 724
TOTAL TRADE AND OTHER RECEIVABLES	**1 065 377**	892 460

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

	GROUP	
Figures in R'000	**2023**	2022
17.2 Movements in allowance for expected credit loss		
At the beginning of the year	**259 387**	200 347
Impairment raised	**84 691**	94 526
Written off during the year	**(127 859)**	(35 486)
Acquisition of subsidiary	**9 061**	–
AT THE END OF THE YEAR	**225 280**	259 387

The Group determines the trade receivables and RAF prefunding 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. The Group determines the sundry debtors expected credit loss using the simplified approach. The approach uses historical credit loss experience adjusting for forward looking information. 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.

During the current year, management adopted a more conservative approach in deciding when a trade receivable would have no reasonable expectation of being recovered. This resulted in the bad debts written off amount increasing compared to the prior year. In line with the Group's debtor collection procedures, these debtors written off would continue to be subject to enforcement activities. As these trade receivables had previously been fully provided for, there would no impact on the profit and loss as a result of this more conservative approach.

The loss allowance is summarised as:

Group		
Allowance for expected credit losses for trade receivables and RAF prefunding:		
Less than 30 days	**11 985**	8 834
30-59 days	**7 242**	5 640
60-89 days	**6 922**	6 308
90-119 days	**8 126**	6 341
120 days and over	**167 558**	209 162
	201 833	236 285

Notes to the Consolidated Financial Statements *continued*

Figures in R'000	GROUP 2023	GROUP 2022
17. *Trade and other receivables* continued		
17.2 Movements in allowance for expected credit loss *continued*		
Weighted average allowance for expected credit losses rate for trade receivables and RAF prefunding:		
Less than 30 days	**2%**	3%
30-59 days	**7%**	8%
60-89 days	**8%**	9%
90-119 days	**12%**	13%
120 days and over	**48%**	44%
	18%	24%
18. *Cash and cash equivalents*		
18.1 Cash and cash equivalents included in current assets:		
Cash		
Cash on hand	**1 000**	1 297
Balances with banks	**309 512**	199 982
	310 512	201 279
18.2 Overdrawn cash and cash equivalents included in current liabilities		
Bank overdrafts	**(21 480)**	(39 160)
Current assets	**310 512**	201 279
Current liabilities	**(21 480)**	(39 160)
	289 032	162 119

Favourable cash balances to the value of R100.829 million (2022: R55.762 million) have been ceded to Rand Merchant Bank as security for facilities provided.

Figures in R'000	GROUP 2023	GROUP 2022
19. *Issued capital*		
Authorised and issued share capital		
Authorised		
1 000 000 000 (2022: 1 000 000 000) ordinary shares at no par value.		
Issued		
709 533 909 ordinary shares at no par value (2022: 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.

Figures in R'000	GROUP 2023	GROUP 2022
20. *Reserves*		
Cash flow hedging reserve	**–**	(3 139)
Foreign currency translation reserve	**266 851**	164 181
TOTAL RESERVES	**266 851**	161 042

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. Refer to note 13.1 for the list of foreign subsidiaries.

Notes to the Consolidated Financial Statements *continued*

Figures in R'000	GROUP 2023	2022
21. *Long term liabilities*		
21.1 Secured loans		
Rand Merchant Bank	**1 470 000**	1 044 561
These loans are secured by a first ranking mortgage bond over the Group's land and buildings with a carrying amount of R1.949 billion (2022: R1.910 billion) and a notarial bond of movable assets with a carrying value of R365.017 million (2022: R449.083 million). Interest has been charged at rates linked to JIBAR. The Group increased its debt during the year to maintain funding and liquidity headroom following the acquisition of MMHS and is split in 4 facilities. Facility A is a 5-year term loan with 3 years remaining and with a balance outstanding of R225 million. Interest repayable quarterly and capital repayable every 6 months. Facility B is a 5-year term loan with 3 years remaining and with a balance outstanding of R650 million. Interest is payable quarterly with no capital repayments until the end of the term where the full capital is due to be repaid. Facility E is a 5-year term loan with 4 years remaining and with a balance outstanding of R95 million. Interest is payable quarterly with no capital repayments until the end of the term where the full capital is due to be repaid. Facility F is an 18-month term loan with its term ending in March 2024 and a balance outstanding of R500 million. Interest is payable quarterly with no capital repayments until the end of the term where the full capital is due to be repaid.		
First National Bank Limited	**15 441**	27 972
These loans from First National Bank are secured by land and buildings with a carrying amount of R90.399 million (2022: R87.216 million) (refer to note 11). Interest has been charged at rates linked to prime. This loan is repayable in monthly instalments of R1.355 million (2022: R1.198 million).		
Aryan Benevolent Home Council	**49 000**	49 000
This loan bears interest at 8.5% per annum and is secured by land and buildings with a book value of R50 million. This loan is repayable in full at a future date when all the residential cottage units on the secured property become vacant which is expected to be in more than 12 months' time. This loan was previously disclosed under trade and other payables in error. It has now been reclassified to long term liabilities. The comparative amounts have been likewise reclassified.		
	1 534 441	1 121 533

Figures in R'000	GROUP 2023	2022
21.2 Instalment sales agreements		
WesBank, a division of FirstRand Bank Ltd	**39 446**	28 524
Repayable in monthly instalments of R2.130 million (2022: R1.265 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 R63.319 million (2022: R45.974 million).		
	39 446	28 524
Non-current portion of long term liabilities	**1 470 599**	1 038 763
Current portion of long term liabilities	**103 288**	111 294
	1 573 887	1 150 057

Figures in R'000	GROUP 2023	2022
22. *Loans from non-controlling interests*		
Loans from non-controlling interests comprise:		
ATM Healthcare (Pty) Ltd	**22 041**	20 146
The loan is unsecured, has no fixed terms of repayment but will not be paid within the next 12 months and bears interest at prime rate.		
Howick Private Hospital	**1 165**	1 775
The loan is unsecured, has no fixed terms of repayment but will not be paid within the next 12 months and bears no interest.		
Lenmed Ethekwini Hospital and Heart Centre (Pty) Ltd non-controlling shareholders	**6 925**	10 762
These loans are unsecured, bear no interest and are expected to be repaid within 12 months.		
	30 131	32 683
Non-current liabilities	**23 206**	21 921
Current liabilities	**6 925**	10 762
	30 131	32 683

Notes to the Consolidated Financial Statements *continued*

	GROUP	
Figures in R'000	2023	2022
23. Derivative financial liabilities		
Derivates designated as hedging instruments		
Interest rate swaps – cash flow hedge	–	4 358
Reconciliation of interest rate swaps		
Opening balance	**4 358**	24 324
Fair value through other comprehensive income	**(3 139)**	(14 375)
Deferred tax on fair value adjustment	**(1 220)**	(5 591)
CLOSING BALANCE	–	4 358

The Group managed a portion of 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 were released to profit and loss as the related interest expense was recognised. The interest rate swaps expired on 31 May 2022 and related 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%.

24. Trade and other payables

	2023	2022
24.1 Trade and other payables comprise:		
Trade creditors	**478 069**	416 022
Cash settled share based payments	**11 939**	3 009
Other payables	**24 129**	13 809
Value added tax	**9 819**	10 096
TOTAL TRADE AND OTHER PAYABLES	**523 956**	442 936

24.2 Cash-settled share based payments

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

1) ***Nil (2022: 5.600 million) SARs***
9.800 million SARs were issued on 1st of August 2019 to three executive directors and sixteen members of senior management, at a price of R3.71 each. As at 28 February 2023, the rights had vested (2022: 5.600 million SARs were in issue).

2) ***8.350 million SARs (2022: 9.250 million) SARs***
9.650 million SARs were issued on 1st of August 2020 to two executive directors and twenty two members of senior management, at a price of R2.73 each. As at 28 February 2023, 8.350 million (2022: 9.250 million) SARs were in issue. The reduction from the prior is due to the senior management attrition during the year.

3) ***9.900 million SARs (2022: 11.200 million) SARs***
11.200 million SARs were issued on 1st of August 2021 to two executive directors and twenty three members of senior management, at a price of R2.77 each. As at 28 February 2023, 9.900 million (2022: 11.200 million) SARs were in issue. The reduction from the prior is due to the senior management attrition during the year.

4) ***13.300 million SARs***
13.300 million SARs were issued on 1st of August 2022 to two executive directors and twenty three members of senior management, at a price of R3.18 each.

The Group has determined that the allocation should be accounted for as a cash-settled share-based payment transaction. The fair value of the SARs was calculated using the Black Scholes option pricing model. The amount recognised in the annual financial statements for the current year, in accordance with IFRS 2: Share-based payments, is an expense accrual of R8.930 million (2022: (R2.057 million — expense accrual)).

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 2023	R3.34	R3.34	R3.34
Last determined price as at 29 February 2022	R2.77	R2.77	R2.77
Risk-free rate	10,11%	10,11%	10,11%
Volatility	17%	17%	17%
Dividend yield	1%	1%	1%
Long-term inflation	6%	6%	6%

The risk-free rate of 10.11% (2022: 7.88%) has been assumed based on the prevailing return on a five-year RSA Government Bond as at year end.

The volatility of 17% (2022: 37%) was determined based on the historic volatility of the Group's share price over the previous year.

24.3 Trade and other payables

A loan of R49million from the Aryan Benevolent Home Council was previously disclosed under trade and other payables in error. It has now been reclassified to long term liabilities. The comparative amounts have been like reclassified.

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 Financial Statements *continued*

Figures in R'000	GROUP 2023	2022
25. Provisions		
25.1 Provisions comprise:		
Provisions for employee benefits	**90 538**	97 165
Other provisions	**20 685**	7 409
	111 223	104 574

25.2 Reconciliation for provisions

	Leave pay provision	Bonus Provision	Other provisions	Total
Balance at 1 March 2022	**40 922**	**56 243**	**7 409**	**104 574**
Increase in existing provisions	**37 234**	**41 173**	**43 999**	**122 406**
Acquisitions through business combinations	**7 507**	**3 199**	**13 492**	**24 198**
Provisions utilised	**(35 027)**	**(60 713)**	**(44 215)**	**(139 955)**
BALANCE AT 28 FEBRUARY 2023	**50 636**	**39 902**	**20 685**	**111 223**
Balance at 1 March 2021	41 882	24 964	16 556	83 402
Increase in existing provisions	6 263	47 164	6 054	59 481
Increase (decrease) through net exchange differences	(353)	(135)	(30)	(518)
Provisions utilised	(6 870)	(15 750)	(15 171)	(37 791)
BALANCE AT 28 FEBRUARY 2022	40 922	56 243	7 409	104 574

Figures in R'000	GROUP 2023	2022
26. Notes to statement of cashflows		
26.1 Income tax paid		
Amounts (payable)/receivable at the beginning of the year	**7 952**	11 486
Amounts (receivable)/payable at the end of the year	**2 015**	(7 952)
Taxation (expense)/credit	**(85 363)**	(33 926)
Acquisition of MMHS	**(4 750)**	–
Less deferred tax included in taxation expense	**16 747**	7 624
Foreign exchange movements	**(1 590)**	(181)
	(64 989)	(22 949)
26.2 Movement in long term loans		
Opening balance	**1 182 740**	1 215 694
Loans advanced	**600 000**	–
Loans repaid	**(208 246)**	(59 198)
Non-cash item	**23 042**	26 244
FCTR	**6 482**	–
Closing balance	**1 604 018**	1 182 740

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 related party property company amounting to R1.675 million (2022: R2.017 million). The directors consider this rental to be market-related.

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

Entity name	Relationship	Transaction	2023	2022
Central City Investments (Pty) Ltd	Common director	Rental paid	**1 675**	2 017

Notes to the Consolidated Financial Statements *continued*

27. *Related parties* continued

27.2 Compensation paid to or receivable by directors and prescribed officers

Name	Fees paid	Salaries and guaranteed remuneration	Bonuses	Share appreciation rights	Consulting fees	Total remune-ration
2023						
Mr P Devchand	**–**	**2 400**	**–**	**2 500**	**–**	**4 900**
Mr A Devchand	**–**	**5 450**	**4 131**	**1 667**	**–**	**11 248**
Mr F J Meiring	**–**	**3 900**	**2 956**	**–**	**–**	**6 856**
Mr M G Meehan	**658**	**–**	**–**	**–**	**–**	**658**
Ms B Harie	**572**	**–**	**–**	**–**	**–**	**572**
Ms N V Simamane	**563**	**–**	**–**	**–**	**–**	**563**
Prof B D Goolab	**513**	**–**	**–**	**–**	**–**	**513**
Mr V Firman	**512**				**113**	**625**
Dr G Goolab	**486**	**–**	**–**	**–**	**–**	**486**
TOTAL COMPENSATION PAID TO OR RECEIVABLE BY DIRECTORS AND PRESCRIBED OFFICERS	**3 304**	**11 750**	**7 087***	**4 167**	**113**	**26 421**
2022						
Mr P Devchand	–	2 080	–	–	–	2 080
Mr A Devchand	–	4 700	4 465	–	–	9 165
Mr F J Meiring	–	3 728	3 495	–	–	7 223
Mr M G Meehan	582	–	–	–	–	582
Ms B Harie	546	–	–	–	–	546
Ms N V Simamane	548	–	–	–	–	548
Prof B D Goolab	493	–	–	–	–	493
Dr G Goolab	496	–	–	–	–	496
TOTAL COMPENSATION PAID TO OR RECEIVABLE BY DIRECTORS AND PRESCRIBED OFFICERS	2 665	10 508	7 960#	–	–	21 133

* *The bonuses disclosed are based on the performance for the period ended 28 February 2023 but paid after the financial year end.*

\# *The bonuses disclosed are based on the performance for the period ended 28 February 2022 but paid after the financial year end.*

28. *Contingent liabilities*

Certain Compensation for Occupational Injuries and Diseases (COID) debtors are factored between 84% and 85% 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 R24.055 million as at reporting date (2022: R10.040 million).

Within the framework of the annual review of contingent liabilities, medical malpractice contingent liabilities for a total amount of R39.223 million (2022: R17.220 million) have been identified at 28 February 2023. 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 R16.687 million (2022: R4.556 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. *Business combinations*

29.1 Details of acquisition

Name of acquiree	Principal activity	Date of acquisition	Proportion of voting equity interests acquired %
MMHS	Hospital group	29/07/2022	100.00

The primary reasons for acquiring MMHS was to extend the Group's footprint to the North West province of South Africa.

Control was obtained by acquiring the majority shareholding of the company.

Notes to the Consolidated Financial Statements *continued*

29. *Business combinations* *continued*

29.2 Assets acquired and liabilities recognised at the date of acquisition

	MMHS
NON-CURRENT ASSETS	**203 017**
Property, plant and equipment	**198 884**
Investment property	**3 897**
Other financial assets	**236**
CURRENT ASSETS	**260 388**
Current inventories	**19 700**
Trade and other current receivables	**63 902**
Other current financial assets	**313**
Cash and cash equivalents	**176 473**
NON-CURRENT LIABILITIES	**2 226**
Loans from shareholders	**1 149**
Instalment sale agreement	**1 077**
CURRENT LIABILITIES	**84 186**
Trade and other current payables	**78 283**
Current tax liabilities	**4 750**
Other current financial liabilities	**1 084**
Other current non-financial liabilities	**69**
ASSETS ACQUIRED AND LIABILITIES RECOGNISED AT THE DATE OF ACQUISITION	**376 993**
Goodwill arising on acquisition	**238 367**
Non-controlling interest	**(19 449)**
Consideration transferred	**595 911**
Cash and cash equivalents at acquisition	**(176 473)**
CASH OUTFLOW ON ACQUISITION	**419 438**
The directors believe that the goodwill of R238.367m is justified by the future potential sustainable profitability of the acquired business.	

29.3 Impact of acquisitions on the results of the group

Revenue since acquisition included in results	**256 366**
Profit or loss since acquisition included in results	**22 998**
Group revenue had the business combination been included for the full year	**4 179 066**
Group profit or loss had the business combination been included for the full year	**247 110**

30. *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 and bank overdrafts. These financial liabilities were used to raise finance for the Group's operations. The Group has various financial assets such as loan accounts, trade receivables and cash and cash equivalents, which arise directly from its operations. The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and foreign currency risk. These risks are managed as follows:

30.1 Interest rate risk

Interest rate risk is the risk that changes in the interest rate will affect the Group's income or value of its financial instruments. 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.

Interest risk table

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

	GROUP	
Figures in R'000	**2023**	2022
Interest bearing secured loans	**1 534 441**	1 121 533
Instalment sale liabilities	**39 446**	28 524
Lease liabilities	**225 448**	216 667
Loans from non-controlling interests	**22 041**	20 146
Bank overdraft	**21 480**	39 160
	1 842 856	1 426 030
Sensitivity analysis		
Increase of 100 basis points would result in a reduction in profit before tax of	**(18 429)**	(14 260)
Decrease of 100 basis points would result in an improvement in profit before tax of	**18 429**	14 260

Notes to the Consolidated Financial Statements *continued*

30. *Financial risk management* *continued*

30.2 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 more than 12 months and the corresponding historical credit losses experienced within the same 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.

30.3 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.

30.3.1 *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	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total contractual cash flows	Carrying amount
Year ended 28 February 2023					
Trade and other payables excluding non-financial liabilities (Note 24)	**514 137**	**–**	**–**	**514 137**	**514 137**
Derivatives (Note 23)	**–**	**–**	**–**	**–**	**–**
Lease liabilities (Note 14)	**27 015**	**79 373**	**237 534**	**343 922**	**225 448**
Secured loans (Note 21)	**222 486**	**726 225**	**917 123**	**1 865 834**	**1 534 441**
Instalment sale agreements	**25 047**	**14 032**	**3 267**	**42 346**	**39 446**
Loans from non-controlling interests (Note 22)	**6 925**	**25 575**	**–**	**32 500**	**30 131**
Bank overdraft (Note 18)	**21 480**	**–**	**–**	**21 480**	**21 480**
TOTAL	**817 090**	**845 205**	**1 157 924**	**2 820 220**	**2 365 083**
Year ended 28 February 2022					
Trade and other payables excluding non-financial liabilities (Note 24)	432 838	–	–	432 838	432 838
Derivatives (Note 23)	4 358	–	–	4 358	4 358
Lease liabilities (Note 14)	24 939	95 786	215 250	335 975	216 667
Secured loans (Note 21)	170 645	164 408	977 157	1 312 210	1 124 234
Instalment sale agreements	6 733	23 816	–	30 549	28 524
Loans from non-controlling interests (Note 22)	10 762	23 432	–	34 194	32 683
Bank overdraft (Note 18)	39 160	–	–	39 160	39 160
TOTAL	689 435	307 442	1 192 407	2 189 285	1 878 464

Notes to the Consolidated Financial Statements *continued*

30. *Financial risk management* *continued*

30.4 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).

The debt to capital ratio at year end is as follows:

	GROUP	
Figures in R'000	**2023**	2022
Secured loans	**1 534 441**	1 121 533
Instalment sale agreements	**39 446**	28 524
Total interest bearing debt	**1 573 887**	1 150 057
Cash and cash equivalents	**(289 032)**	(162 119)
NET INTEREST BEARING DEBT	**1 284 855**	987 938
TOTAL CAPITAL	**2 786 474**	2 428 468
DEBT TO CAPITAL RATIO	**46%**	41%

30.5 Foreign currency risk

The Group is exposed to foreign currency risk through its offshore subsidiaries, Maputo Private Hospital SA (Maputo hospital), Lenmed Health Bokamoso Private Hospital (Pty) Ltd (Bokamoso hospital) and Halcom Management Services Limited (HMS) which have different functional currencies. The Group does not formally hedge its foreign currency risk.		
Foreign Currency Translation Reserve		
Refer to Note 1 for the exchange rates used to translate its foreign operations.	**266 851**	164 181
Rand Merchant Bank USD denominated loan facility at year end was:		
Loan		
Valued in USD	**–**	1 919
Valued in Rands	**–**	29 561
Sensitivity analysis		
If the Rand weakened by 10%, it would result in a decrease of profit before tax of:	**–**	(2 956)
If the Rand strengthened by 10%, it would result in an increase of profit before tax of:	**–**	2 956

31. *Financial assets*

31.1 Carrying amount of financial assets by category

	At amortised cost	**Total**
Year ended 28 February 2023		
Trade and other receivables excluding non-financial assets I (Note 17)	**1 039 146**	**1 039 146**
Cash and cash equivalents (Note 18)	**310 512**	**310 512**
	1 349 658	**1 349 658**
Year ended 28 February 2022		
Trade and other receivables excluding non-financial assets (Note 17)	871 879	871 879
Cash and cash equivalents (Note 18)	201 279	201 279
	1 073 158	1 073 158

32. *Financial liabilities*

Carrying amount of financial liabilities by category

	Fair value through other comprehensive income	At amortised cost	**Total**
Year ended 28 February 2023			
Lease liabilities (Note 14)	**–**	**225 448**	**225 448**
Secured loans (Note 21)	**–**	**1 534 441**	**1 534 441**
Instalment sale agreements	**–**	**39 446**	**39 446**
Loans from non-controlling interests (Note 22)	**–**	**30 131**	**30 131**
Trade and other payables excluding non-financial liabilities (Note 24)	**–**	**514 137**	**514 137**
Bank overdraft (Note 18)	**–**	**21 480**	**21 480**
	–	**2 365 083**	**2 365 083**
Year ended 28 February 2022			
Derivatives (Note 23)	4 358	–	4 358
Lease liabilities (Note 14)	–	216 667	216 667
Secured loans (Note 21)	–	1 124 234	1 124 234
Instalment sale agreements	-	28 524	28 524
Loans from non-controlling interests (Note 22)	-	32 683	32 683
Trade and other payables excluding non-financial liabilities (Note 24)	-	432 789	432 789
Bank overdraft (Note 18)	-	39 160	39 160
	4 358	1 874 057	1 878 415

Notes to the Consolidated Financial Statements *continued*

33. *Commitments*

	GROUP	
Figures in R'000	2023	2022
Capital commitments		
The construction, renovation and upgrading of hospital buildings	**60 824**	20 891
The acquisition of plant and equipment	**65 673**	33 236
Software development	**–**	2 556
Acquisition of Beira Private Hospital Limitada	**59 460**	–
	185 957	56 683

34. *Segment information*

34.1 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:

	GROUP	
Figures in R'000	2023	2022
Revenues from external customers		
South Africa	**(2 906 544)**	(2 409 564)
Outside of South Africa	**(1 065 657)**	(976 559)
GROUP TOTAL REVENUES FROM EXTERNAL CUSTOMERS	**(3 972 201)**	(3 386 123)
Non-current assets other than financial instruments and deferred tax assets		
South Africa	**3 211 160**	2 750 677
Outside of South Africa	**752 796**	666 398
GROUP TOTAL NON-CURRENT ASSETS OTHER THAN FINANCIAL INSTRUMENTS AND DEFERRED TAX ASSETS	**3 963 956**	3 417 075

35. *Events after the reporting date*

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

The Group acquired 60% in Beira Private Hospital Limitada in the town of Beira in Mozambique effective 15 March 2023 for R59.460m. The hospital comprises a 60 bed facility and an outpatient clinic. The acquisition of this stake aligns with our strategy of expanding our group's footprint in Mozambique. With this acquisition, we are confident that we can enhance our presence in the healthcare sector in Mozambique and provide quality healthcare services.

Assets acquired and liabilities recognised at acquisition date:

Figures in R'000	
Non-current assets	
Property, plant and equipment	82 962
Goodwill arising on acquisition	9 683
Less non-controlling interest	(33 185)
CONSIDERATION TRANSFERRED	59 460

During June 2023, the Group entered into an agreement to acquire up to 100% of MooiMed Operating Company (Pty) Ltd (MooiMed), an 87 bed acute private hospital in Potchefstroom. This aligns with our strategies of growth and diversification across geographies. It is our second acquisition in the North West province of South Africa. The Group anticipates this acquisition to initially add an additional 2,8% to group EBITDA. At the date of this report, the transaction was still conditional upon various approvals, including the approval by the Competition Commission.

The directors are not aware of any other 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.

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 41st Annual General Meeting ("AGM") of Lenmed Investments Limited ("the Company" or "Lenmed") in respect of the financial year ended 28 February 2023 will be held on **Thursday, 3 August 2023 at 15:00 (CAT), entirely through electronic communication** as permitted by the South African 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**, **1 August 2023,** 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 South African Companies Act, no 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 licences 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 2023, 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 Mike Meehan be and is hereby re-elected as a director of the Company."

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

ORDINARY RESOLUTION NUMBER 3: RE-ELECTION OF DIRECTOR
"RESOLVED THAT Amil 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 4: RE-ELECTION OF DIRECTOR
"RESOLVED THAT Bharti 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.

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, 7 and 8: APPOINTMENT OF AUDIT AND RISK COMMITTEE MEMBERS
It is proposed that the members of the Company's Audit and Risk Committee, set out as follows, be appointed. The membership as proposed by the Board of Directors is Bharti Harie, Mike Meehan, Nomahlubi Simamane, and Vaughan Firman all of whom are independent non-executive directors as prescribed by the Companies Act. It is noted that Mike Meehan will step down as Chairman of the Audit and Risk Committee at this AGM but will remain a member of the committee. The Board has appointed Vaughan Firman as Chairman of the committee with effect from 3 August 2023. Subject to the passing of ordinary resolution number 8.

ORDINARY RESOLUTION NUMBER 5
"RESOLVED THAT Bharti 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 Mike 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 Nomahlubi 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
"RESOLVED THAT Vaughan Firman 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 9: 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 R Boulle (IRBA number: 373 427) be and is hereby appointed as the designated audit partner for the financial year ending 29 February 2024."

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

ORDINARY RESOLUTIONS NUMBERS 10.1 AND 10.2: NON-BINDING ADVISORY VOTE *REMUNERATION POLICY AND IMPLEMENTATION REPORT ORDINARY RESOLUTION NUMBER 10.1: 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 10.2: 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 10.1 AND 10.2:

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.

ORDINARY RESOLUTION NUMBER 11

"RESOLVED THAT any director of the Company be and is hereby authorised, on behalf of the Company, to do or cause all such things to be done and sign and cause to be signed, all documents, and/or notices (including any amendments thereto), as may be necessary or desirable to give effect to both ordinary and special resolutions, and, insofar as that director has done any of the aforegoing prior to the passing of this resolution, such action/s be and is hereby ratified and approved to the extent permitted by law."

This ordinary resolution needs to be approved by an ordinary resolution, which ordinary resolution shall require the approval of ordinary shareholders who hold at least 50% of all the ordinary shares at the time.

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 Memorandum of Incorporation (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 29 February 2024."

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 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.

Section 44 of the Companies Act may apply to the financial assistance so provided by a company to related or interrelated 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 interrelated 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, 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 interrelated 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	Retainer (per annum)
Non-executive director/independent non-executive director	R24 200	R254 000

Committees include (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 R24 200 (in addition to committee member fee) per meeting
- Committee member R24 200 per meeting
- Fee for work not specified above R24 200 (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.

SPECIAL RESOLUTION NUMBER 4: ISSUING OF SHARES TO DIRECTORS AND MANAGEMENT UNDER THE LIQUIDITY ALIGNMENT PLAN ("LAP")

"RESOLVED THAT the Company be and is hereby authorised to approve the terms of the LAP and the related issue to option holders, which may include executive directors and management, or future executive directors and management, of the company, of up to 100 000 options to subscribe for such number of option shares as will be determined in accordance with a formula set out in the option agreement (with such number being within the maximum limit), and otherwise on the terms set out in the option agreement."

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

Motivation for special resolution number 4

The company recognises the need to unlock value for its shareholders and is working towards a liquidity event, which if structured as planned, has the potential to substantially increase shareholder wealth. This liquidity event, or a series of them, might involve the sale of shares of existing shareholders, probably combined with the issue of new shares to an incoming investor, alternatively a listing on a recognised stock exchange.

The board believes that this process will be brought to fruition more rapidly and efficiently if management is incentivised and aligned with shareholders. It therefore proposes the introduction of a LAP, designed to reward management from the value to be unlocked.

The LAP proposed will allow the existing and/or future executive directors and prescribed officers to participate in the value created above minimum hurdle rates achieved over a base price of R2,50 per share and on the achievement of certain trigger or liquidity events within a 10-year period.

In order to implement the LAP, the Company wishes to enter into various option agreements (Option Agreements) with Option Holders (being, those persons selected by the Company's chief executive officer and approved by the Company's board of directors (Board) or the Remuneration Committee) in terms of which those Option Holders are granted options (Options) to subscribe for ordinary no par value shares in the Company (Option Shares) on the happening of certain events as set out in the Option Agreements.

In this regard, the Board has proposed for consideration by Shareholders a special resolution to approve the LAP and the related issue to Option Holders, which may include existing and/or future executive directors and prescribed officers, of the Company, of up to 100 000 Options to subscribe for such number of Option Shares as will be determined in accordance with a formula set out in the Option Agreement, and otherwise on the terms set out in the Option Agreement. The number of Options Shares, together with any ordinary no par value shares in the Company issued under the existing Share Appreciation Rights Scheme ("SARS"), will not exceed 10% of the Company's issued share capital at any time (Maximum Limit).

These options will only be exercisable if all the conditions for a liquidity event have been concluded and management has achieved the hurdles established to create the value to be unlocked for existing shareholders. These hurdles and potential participation percentages have been set as follows:

	Return achieved on occurrence of a liquidity event	Allocated to shareholders	Allocated to Option Holders
1	***Up to 13,2% (the current weighted average cost of capital of the Company)***	• 100%	• 0%
2	***Between 13,2% and 18,2%***	• 100% of the value per 1 above; plus • 94% of value created between 13,2% and 18,2%.	• 0% of value per 1 above; plus • 6% of value created between 13,2% and 18,2%.
3	***Between 18,2% and 23,2%***	• 100% of the value per 1 above; plus • 94% of value created between 13,2% and 18,2% per 2 above; plus • 89% of value created between 18,2% and 23,2%.	• 0% of value per 1 above; plus • 6% of value created between 13,2% and 18,2% per 2 above; plus • 11% of value created between 18,2% and 23,2%.
4	***Above 23,2%***	• 100% of the value per 1 above; plus • 94% of value created between 13,2% and 18,2% per 2 above; plus • 89% of value created between 18,2% and 23,2% per 3 above; plus • 84% of value created above 23,2%.	• 0% of value per 1 above; plus • 6% of value created between 13,2% and 18,2% per 2 above; plus • 11% of value created between 18,2% and 23,2% per 3 above; plus • 16% of value created above 23,2%.

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

03 July 2023

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 **41st Annual General Meeting** (AGM) of the Company to be held by electronic communication on **Thursday, 3 August 2023 (CAT) 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		
Ordinary resolutions	For	Against	Abstain
1. To receive the annual financial statements of the Company for the year ended 28 February 2023, including the directors' report and the report of the Audit and Risk Committee.			
2. To re-elect Mike Meehan as a director of the Company.			
3. To re-elect Amil Devchand as a director of the Company.			
4. To re-elect Bharti Harie as a director of the Company.			
5. To appoint Bharti Harie as a member of the Audit and Risk Committee.			
6. To appoint Mike Meehan as a member of the Audit and Risk Committee.			
7. To appoint Nomahlubi Simamane as a member of the Audit and Risk Committee.			
8. To appoint Vaughan Firman as a member of the Audit and Risk Committee.			
9. To re-appoint the external auditors of the Company, PKF Durban, and to appoint R Boulle as the designated audit partner.			
10.1 Non-binding advisory vote on the Company's Remuneration Policy.			
10.2 Non-binding advisory vote on the Company's Remuneration Implementation Report.			
11. Authority to act on behalf of the Company.			
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.			
4. Issue of shares under the liquidity alignment plan.			

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 ________________________ 2023

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.

Annexure A

Arrangements for electronic participation at the Lenmed Investments Limited Annual General Meeting (AGM)

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

1. Send an email by no later than Tuesday, 1 August 2023 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, 1 August 2023.
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 Prakash Devchand
- Mr Amil Devchand
- Mr Fredré Meiring

Non-executive Directors

- Mr Mike Meehan *(lead independent)*
- Ms Bharti Harie *(independent)*
- Ms Nomahlubi Simamane *(independent)*
- Mr Vaughan Firman *(independent)*
- Prof Bhaskar Goolab
- Dr Gunvant Goolab *(independent)*

Registered address

2nd Floor Fountain View 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
Bryanston Gate, Block 4, 1st Floor,
Homestead Avenue, Bryanston,
Johannesburg , 2191

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

Beira Private Hospital
Estrada Carlos Pereira, Estoril, **Beira**

T +258 8614 44453

Bokamoso Private Hospital
Plot 2435, Block 1, Mmopane,
Along the Molepolole Road, Gaborone,
Botswana

T +267 369 4000 • F +267 369 4140

Daleside Day Hospital
12 Van Ryneveld Street, Wilkoppies,
Klerksdorp

T +27(0) 18 464 1009

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 2999

Howick Private Hospital
107 Main Street, **Howick**, 3290

T +27 33 330 2456

Kathu Private Hospital
Frikkie Meyer Street,
Kathu

T +27 87 158 2700

La Verna Private Hospital
1 Convent Road, Ladysmith,
KwaZulu-Natal

T +27 87 087 2600

Maputo Private Hospital
Rua do Rio Inhamiara,
Sommerschield II, Maputo,
Mozambique

T +258 84 303 0967-9 • F +258 21 49 3680

Parkmed Neuro Clinic
94 Bishop Desmond Tutu St, Neserhof,
Klerksdorp, 2571

T +27 (0) 18 462 3072

Randfontein Private Hospital
Lister Road, Lower Ward Street Extension,
Randfontein

T +27 87 087 2700

Royal Hospital and Heart Centre
Corner Welgevonden and
Jacobus Smit Street, Royldene,
Kimberley

T +27 53 045 0350

Shifa Private Hospital
482 Randles Road, Sydenham, Durban,
KwaZulu-Natal

T +27 87 087 0641

Sunningdale Private Hospital
12 Van Ryneveld Street, Wilkoppies,
Klerksdorp

T +27(0)18 462 7536

The Bank Hospital
Block F6, Shippi Road,
Cantonments, **Accra**

T +233 302 739 373

Wilmed Park Private Hospital
Cnr Ametis & Marmer Street,
Wilkoppies, 2571

T +27 (0)18 468 7700

Zamokuhle Private Hospital
128 Flint Mazibuko Street,
Hospital View, Tembisa,
Gauteng

T +27 87 087 0643

Acronyms and glossary

Acronyms

AGM	Annual General Meeting
AI	Artificial intelligence
AIR	Annual Integrated Report
BBBEE	Broad-based Black Economic Empowerment
CCMA	Commission for Conciliation, Mediation and Arbitration
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIMs	Incident management system
CIO	Chief Information Officer
CMO	Chief Medical Officer
Companies Act	The South African Companies Act, 71 of 2008, as amended
COO	Chief Operating Officer
CSI	Corporate Social Investment
DCF	Discounted cash flow
DoH	Department of Health
DSP	Designated service provider
EBITDA	Earnings Before Interest, Taxation, Depreciation and Amortisation
EPS	Earnings per share
ERP	Enterprise Resource Planning
FY	Full financial year
GDP	Gross Domestic Product
GEMS	Government Employees Medical Scheme
HASA	Hospital Association of South Africa
HCAHPS	Hospital Consumer Assessment of Healthcare Providers and Systems
HEPS	Headline earnings per share
HR	Human Resources
ICU	Intensive Care Unit
IFRS	International Financial Reporting Standards
IRBA	Independent Regulatory Board for Auditors
IRBA Code	The Code of Professional Conduct for Registered Auditors
IT	Information Technology
JSE	Johannesburg Stock Exchange
LTIs	Long-term incentive scheme
MAF	Medical Aid Funders
MoI	Memorandum of incorporation
NDOH	National Departments of Health
NHI	National Health Insurance
NHN	National Hospital Network
NQF	National Qualifications Framework
OTC	Over-the-counter shares
POPI	Protection of Personal Information
PPD	Paid patient days
PwC	PricewaterhouseCoopers Inc.
RAF	Road Accident Fund
Remco	Remuneration Committee
SAICA	South African Institute of Chartered Accountants
SARs	Share appreciation rights
WACC	Weighted Average Cost of Capital
WHO	World Health Organisation
YoY	Year on year

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.

lenmed

Embrace every day