ANNUAL INTEGRATED REPORT 2015

LENMED INVESTMENTS LIMITED

LENMED HEALTH

GROWING THE GROUP • GROWING HEALTHCARE

ABOUT THIS REPORT

Lenmed Investments Limited's (the Group or Lenmed) Annual Integrated Report covers the financial year 1 March 2014 to 28 February 2015. In this report, we share the collective thinking applied to material issues impacting on our ability to create long-term value. Throughout the report we address the challenges faced by the Group, and opportunities and external drivers influencing the Group's strategy.

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

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

These include the:

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

Since the release of the Group's 2014 Integrated Report, there has been no material change to the structure, ownership or products and services of the organisation, except for the disposal of Pharmed Pharmaceuticals (Pty) Ltd, as noted in last year's Integrated Report.

DISCLOSURE AND ASSURANCE

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

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

Non-financial information was not independently assured.

BOARD RESPONSIBILITY

This report was approved by the Lenmed Investments Limited Board of Directors (the Board) on 11 June 2015. The Board acknowledges its responsibility in ensuring the accuracy of this 2015 Annual Integrated Report. The Board has applied its collective expertise to this report and, in its opinion, this report addresses all material issues and presents an integrated view of the Group's performance in the year under review.

FEEDBACK ON REPORT

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

FORWARD LOOKING STATEMENTS

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

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ⓘ More information can be found elsewhere **in this report**

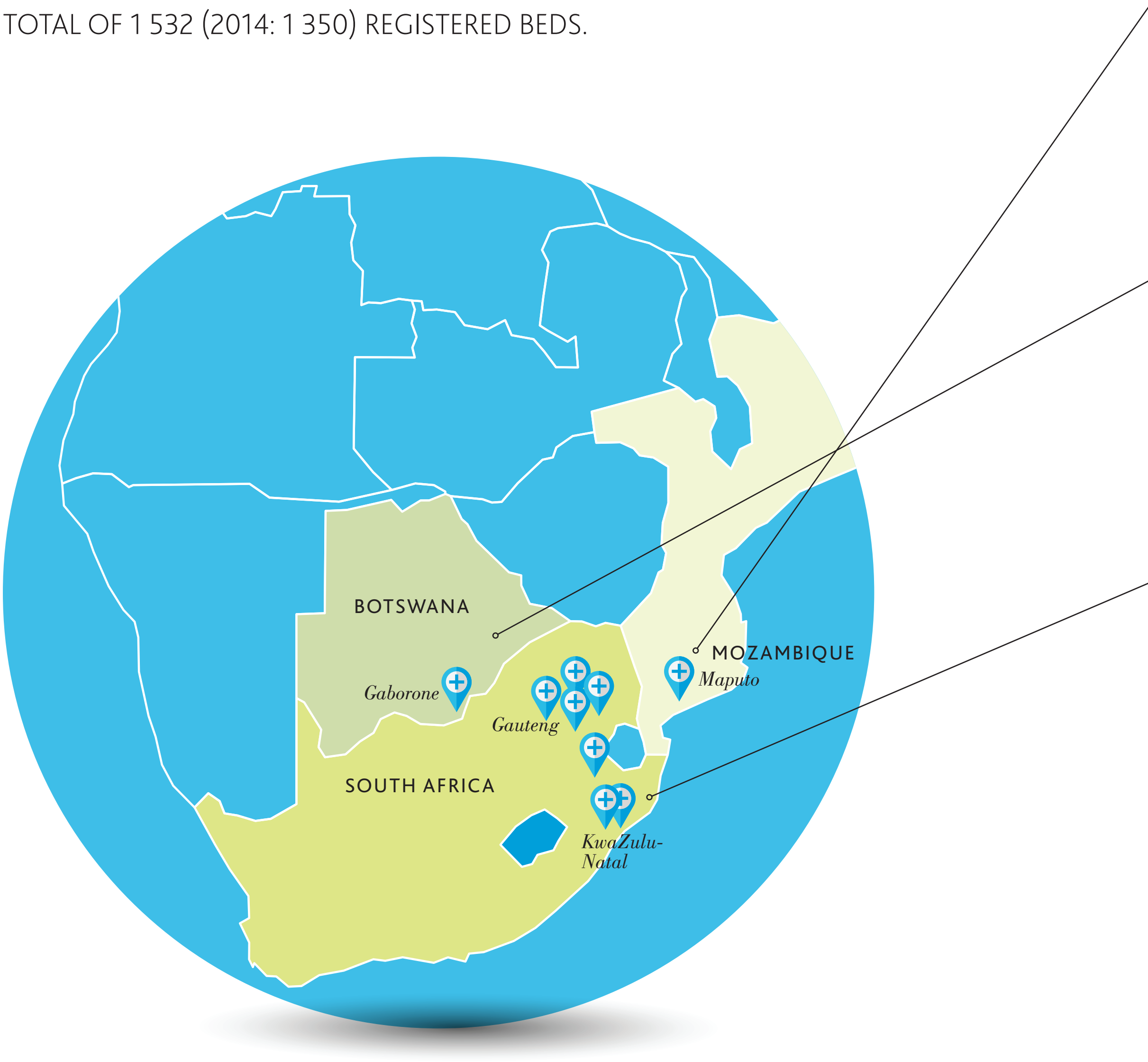
🖱 More information can be found online at **www.lenmedhealth.com**

01 LENMED AT A GLANCE

GROUP DEVELOPMENT

1984

LENMED'S ROOTS REACH BACK TO 1984 WHEN, IN RESPONSE TO LENASIA'S GROWING HEALTHCARE NEEDS, LENMED FOUNDED A 48-BED FACILITY IN THE COMMUNITY. THIS WAS THE FOUNDING HOSPITAL OF THE GROUP AS IT EXISTS TODAY, EMBRACING EIGHT HOSPITALS IN SOUTH AFRICA, ONE IN BOTSWANA AND ANOTHER IN MOZAMBIQUE, OFFERING A COMBINED TOTAL OF 1 532 (2014: 1 350) REGISTERED BEDS.



2011

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

2012

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

2013

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

🏥	🛏	OWNERSHIP
Ahmed Kathrada Private Hospital (formerly Lenmed Private Hospital) **LENASIA** **GAUTENG**	254 (including 12 additional bed licences granted during the current year)	100%
Zamokuhle Private Hospital **TEMBISA** **GAUTENG**	94 (including 58 additional bed licences granted for the expansion project)	100%
Daxina Private Hospital **LENASIA SOUTH** **GAUTENG**	64	100%
Randfontein Private Hospital **RANDFONTEIN** **GAUTENG**	174	100%
La Verna Private Hospital **LADYSMITH** **KWAZULU-NATAL**	138	100%
Shifa Private Hospital **DURBAN** **KWAZULU-NATAL**	179 (including 46 additional bed licences granted during the current year)	100%
Ethekwini Hospital and Heart Centre **DURBAN** **KWAZULU-NATAL**	324 (including 66 additional bed licences granted during the current year)	40%
Maputo Private Hospital **MAPUTO** **MOZAMBIQUE**	105	60%
Bokamoso Private Hospital **GABORONE** **BOTSWANA**	200	70%

VISION

To be recognised as a

RELEVANT PROVIDER OF ACCESSIBLE, QUALITY PATIENT CARE

OPERATING 20 HOSPITALS BY 2020.

MISSION

We strive to deliver:

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

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

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

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

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

CORE VALUES

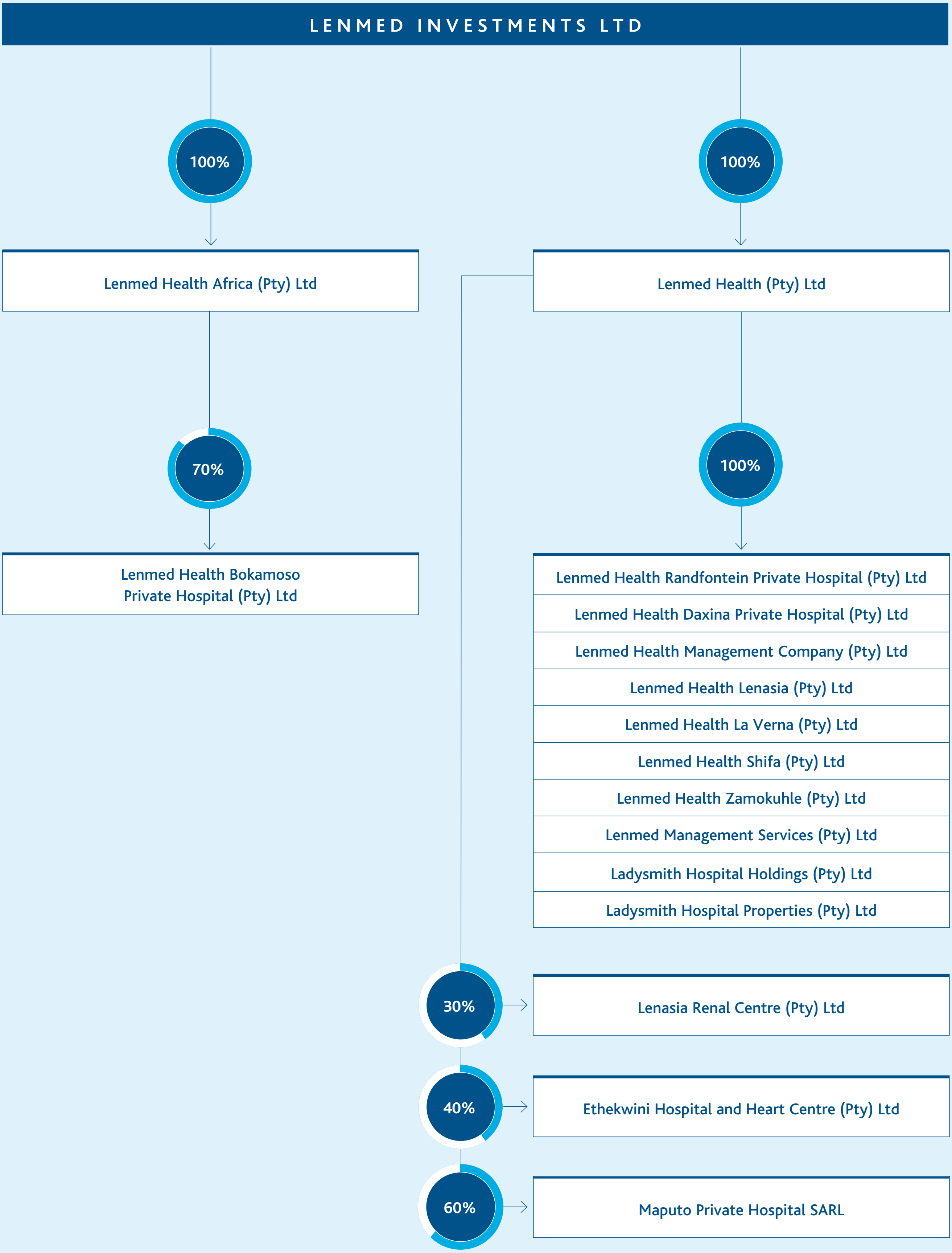
"We always care"

THE SPIRIT OF CARING, DEDICATION AND COMMUNITY INVOLVEMENT THAT CHARACTERISED OUR FIRST HOSPITAL IN LENASIA IS THE HALLMARK OF THE LENMED GROUP.

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

Affordability, efficiency and a sense of community are Lenmed attributes that set us apart from other private healthcare facilities. Personal service in a caring and comfortable environment provides patients with good value, quality healthcare, advanced technology and professional nursing. These core values, backed by sound operational and financial management, are behind Lenmed's consistent results.

GROUP STRUCTURE



02 THE YEAR IN REVIEW

FINANCIAL HIGHLIGHTS

↑ 9%

REVENUE
at R1.23 billion, achieving a 9% increase

↑ 3%

HEADLINE EARNINGS
at R128 million, achieving a 3% increase

↑ 71%

CASH ON HAND
of R122 million, achieving a 71% increase

HEALTHCARE HIGHLIGHTS

01 Lenmed Health celebrates its **30th anniversary**

02 Our founding and **flagship hospital in Lenasia is renamed** Ahmed Kathrada Private Hospital

03 The granting of **additional bed licences** by the Department of Health for our brownfield operations

04 Construction underway on the **expansion of Zamokuhle Private Hospita**l in Tembisa, Ekurhuleni, Gauteng

05 **State-of-the-art paediatric ward** opened in Ahmed Kathrada Private Hospital

06 Commissioning of a **new renal dialysis centre** at Ahmed Kathrada Private Hospital

07 Two Lenmed facilities are in the process of obtaining internationally recognised **COHSASA* accreditation**

08 Opening of **new primary care centre in Bridge City,** KwaMashu, in Durban

09 **Acquisition of Kathu Private Hospital** on 1 March 2015 (post year-end), the 10th Lenmed facility and first in the Northern Cape

10 The announcement (post year-end) of a **new 100-bed hospital in Kimberley** to be constructed and commissioned in early 2017

** Council for Health Service Accreditation of Southern Africa*

OUR BUSINESS MODEL PROVIDES THE FLEXIBILITY TO OWN AND MANAGE HOSPITALS, OR TO MANAGE THESE FOR THIRD PARTIES.

03 BUSINESS MODEL

OUR BUSINESS MODEL IN BRIEF

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

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

Our business model provides the flexibility to own and manage hospitals, or to manage these for third parties. The ownership of the land and buildings that accommodate the hospitals is not material to the model. The Ahmed Kathrada Private Hospital in Lenasia and our hospital in Maputo, Mozambique, were our only greenfield projects until the announcement of the new Kimberley hospital, which is scheduled to open before the end of 2016.

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

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OPPORTUNITIES AND RISK

OPPORTUNITIES

Lenmed is in the fortunate position of having a surplus of opportunities to consider.

At present the Group operates in Gauteng, KwaZulu-Natal and the Northern Cape (post year-end) in South Africa. We are looking to expand into further provinces while adding further value, facilities and beds to our current hospitals.

As more South Africans enter the middle class, establishing hospitals closer to non-urban communities is an exciting option that makes economic sense. These opportunities could support government's National Health Insurance (NHI) proposals. We are therefore expanding our Zamokuhle Private Hospital in Tembisa from 36 to 94 beds, following the acquisition of a sizable portion of land adjacent to the present hospital. Construction commenced in October 2014, and is scheduled for completion in early 2016. Both the Tembisa community and medical practitioners in the region have welcomed this much anticipated facility.

Expansion outside of South Africa will in all likelihood focus on regions where we are already established, namely Botswana and Mozambique, as well as other strategic countries. As African countries grow their GDP (Gross Domestic Product), a swelling middle class is demanding medical aid services and quality hospitals. Healthcare services can be offered from hospitals or stand-alone facilities such as eye clinics, oncology centres and renal units.

The healthcare industry has prioritised training schools for nurses. Establishing or acquiring such a training institute is vital to Lenmed securing a sustainable supply of high calibre nursing professionals for our facilities. We have been awarded a nursing college licence this year, and expect to commission a training facility in Lenasia by mid-2016. Premises have been identified, but the curriculum pends government approval. In the interim, our hospitals support student nurse training at existing institutions.

Expanding our current hospitals to meet unfulfilled demand remains a priority, but is subject to the Department of Health (DoH) granting licenses for additional beds.

In 2014, we elected to exit from our investment in Pharmed Pharmaceuticals, as this business is no longer core to our current strategy. The funds of approximately R102 million, including interest released from this sale will be better utilised in higher yielding hospital investments in due course.

We are currently borrowing well below our risk ratios, and continue to bolster unutilised capacity through repayment of debt. During the year under review, cash on hand increased by 71%, indicating that Lenmed generates cash and that the existing debt levels of R308 million (excluding shareholder loans) are comfortably manageable.

Opportunities being leveraged

- We have obtained a licence for the operation of a nursing college in Lenasia
- Capitalising on the new bed licences granted to our brownfield operations
- After the year-end, we successfully negotiated a licence for a 100-bed hospital to be developed in Kimberley
- Where feasible, we intend on establishing Day Clinics in close proximity to our current hospitals
- We are actively looking at growing our network of primary healthcare and renal care facilities
- All new hospitals are to be constructed as "eco-friendly" buildings with energy and water saving features.

TOP RISKS

- Industry regulations
- Quality patient care
- Shortage of experienced doctors and medical personnel as well as a challenging labour relations environment
- Availability of utilities, especially electricity
- Medical aid tariffs and arrangements that are unfavourable to smaller hospital groups.

Industry regulations

Possible changes in the regulation of the healthcare industry might have significant impacts. These include:

- Competition Commission market inquiry
- Medical Aid Funder consolidation
- Alternative reimbursement models
- NHI and Office for Health Standards Compliance.

Care is a simple word,

BUT IN THE CONTEXT OF HOSPITAL MANAGEMENT,
IT IS ONE THAT CARRIES MUCH GRAVITAS

Mitigating factors

- Support for and continuous strengthening of the National Hospital Network (NHN) to enhance the negotiating power of the smaller, independent hospitals
- Actuarial support to develop innovative offerings to medical schemes
- Hospital efficiency drive to reduce cost per admission
- Ongoing monitoring, including required submissions to the Department of Health.

Quality patient care

Lenmed strives to provide the best and safest care by standardising service levels through rigorous clinical governance and well defined clinical protocols.

Mitigating factors

- Staff training programmes implemented
- Appointment of a Chief Medical Officer to drive excellent service levels and oversee new healthcare technology
- Appointment of top quality doctors
- Maintenance of infrastructure to highest operational levels
- Continual upgrade and expansion of hospitals
- Active responses to patient feedback and analysis of all complaints.

Shortage of experienced doctors and medical personnel as well as a challenging labour relations environment

Skilled medical personnel including doctors and nurses are in short supply, with experienced theatre and Intensive Care Unit (ICU) nursing staff being particularly scarce.

Mitigating factors

- Specialised training programmes
- The Group strives to maintain strong relationships with doctors through regular interaction
- Building relationships with universities through existing doctors and networking
- Urgent shortages addressed through nursing agencies
- Establish or acquire a nursing college
- Implementing a foreign recruitment programme
- Competitive remuneration, especially for pharmacists
- Share scheme in place for long-service employees
- Offering employee assistance programmes.

Availability of utilities such as electricity and water

Lenmed operates 24 hours per day, 365 days per year. Our operations depend on reliable electricity and water supplies. Eskom's current difficulties are a risk, with the national water supply becoming a growing concern.

Mitigating factors

- A business continuity programme is in place
- The Chief Operating Officer (COO) has oversight of monitoring mechanisms
- All hospitals have protocols to deal with electricity outages
- Sufficient generator capacity has been installed at our facilities
- Water tanks are installed at the larger hospitals.

Medical aid tariffs and arrangements regarding Designated Service Providers

Designated Service Providers (DSPs) are unfavourable to smaller hospital groups, despite our negotiations through the National Hospital Network (NHN). This situation is likely to continue until regulatory intervention or Lenmed reaches sufficient critical mass.

Mitigating factors

- Negotiation through the NHN continues
- Medical Aid Funder consolidation
- Alternative reimbursement models
- The appointment of skilled personnel internally to address the issue
- The appointment of an external consultant for expert advice.

RISK APPETITE

Determination of risk appetite

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

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

Enterprise risks

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

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

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

Responses to enterprise risk

- Maintain a neutral position toward government
- Ensure a culture of compliance at all levels
- Ensure that adequate due diligence and reviews are conducted prior to new investments being made.

Operational risks

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

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

Lenmed pursues strategies that will:

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

Financial risks

Excessive financial risk can destroy an enterprise in adverse economic conditions, while avoiding all financial risk can prevent the enterprise from reaching its true potential.

Lenmed has a prudent appetite for financial risk, with the intention of rewarding shareholders with an above average return, while providing lenders with sufficient comfort to loans funds without excessive security.

Lenmed follows strategies that:

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

Reputational risks

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

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

The Group adopts strategies to ensure:

- Compliance with the highest healthcare, safety and health performance standards
- Recruitment of high calibre doctors
- Compliance with the highest ethical standards
- Open and transparent dealings with all stakeholders
- Compliance with all regulatory authorities and legislation
- Accurate, complete and timely reporting to shareholders
- Fierce advancement and protection of the Lenmed brand
- Sufficient resources to engage in new projects.

05

STRATEGY AND RESOURCE ALLOCATION

LENMED IS AIMING AT OPERATING **20 HOSPITALS BY 2020,** THEREFORE WE ARE CONSIDERING NUMEROUS OPPORTUNITIES, INSIDE AND OUTSIDE OF SOUTH AFRICA.

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

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

In this light, the allocation of capital resources substantially favours investments in South Africa. We would obtain the majority of our funding in South African Rand and avoid exchange risks. The closer proximity to our local operations is also an advantage.

South Africa offers various growth strategies. We can:

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

A primary strategy is to equip ourselves with the right people to fill the expertise gaps in our organisation. Filling these senior positions appropriately will improve performance and help identify the opportunities that align best with our community orientated culture.

06 CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REPORT

I can look back on a year of consolidation. Headline earnings improved marginally and operating profits reduced due to bedding down new acquisitions. Our sale of Pharmed brought in a useful cash reserve for future investments, but had the effect of diluting earnings. Looking forward, Lenmed remains firmly on track to progress steadily along the path we have chosen.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER :: **MR PRAKASH DEVCHAND**

HIGHLIGHTS

This year, with gratitude and joy, we celebrated Lenmed Health's 30th anniversary. From our humble roots as a Lenasia community hospital, Lenmed continues to grow into a leading name in Africa's healthcare.

At a ceremony held in August 2014, we were delighted to rename our founding hospital in Lenasia as the Ahmed Kathrada Private Hospital in honour of a great son of South Africa.

Two months later in October 2014, we broke ground for a massive expansion of our Zamokuhle Private Hospital in Tembisa, Gauteng. The current hospital has just 36 beds and the ultra-modern 94-bed facility to be commissioned in April 2016 will be a much improved asset for an underserved community. The redundant building will be demolished to provide ample parking space.

On 1 March 2015, we acquired Kathu Private Hospital, our first holding in the Northern Cape and the 10th Lenmed hospital. Kathu Private Hospital is situated between Upington and Vryburg and near the Kumba iron ore mine. The hospital's 25 beds will be extended to a capacity of 55 beds in the medium term.

Our second facility in the Northern Cape was announced in May 2015 (post year-end) when we acquired a licence and an appropriate site in Kimberley for a new hospital. We have broken ground on this development and the new 100-bed facility is expected to be commissioned in early 2017. It will offer a cardiac catheterisation laboratory, a cardiac unit, and an oncology centre with radiotherapy facilities. We are currently recruiting medical experts for the hospital and look forward to developing it over the next few years.

In essence, this has been a year of laying the groundwork for sustainable growth and expansion. We have identified further sites with the right potential for private healthcare offerings. Lenmed intends growing our footprint across all provinces in South Africa, based on a prudent combination of debt and internally generated funding.

DISAPPOINTMENTS

In this year there were some setbacks, but none that can't be resolved, or will significantly hinder Lenmed's progress. Slow approval processes have prevented us from adding new units and additional beds to hospitals that are running at maximum capacity. Fortunately, these licences have now been granted, so we anticipate significant upscaling at our existing facilities in the forthcoming year.

Our Randfontein Private Hospital performed well below expectations due to the knock-on effects of labour unrest in the area's mines. We had budgeted for a significant number of mine employee admissions, but the mines decided to save costs by treating all but the most serious injuries or illnesses at their own facilities. Lenmed responded by downscaling certain facilities at the hospital and reorientating its services for more general admissions. Despite these setbacks, the Randfontein Private Hospital is now breaking even and we expect it to be profitable in the 2016 financial year.

THE SOUTH AFRICAN HEALTHCARE ENVIRONMENT

Healthcare in South Africa ranges from traditional healing remedies to highly sophisticated hospital care. Government provides free or subsidised public health facilities, while more affluent patients will pay for private health care. More private hospitals are opening as Africa's middle class expands. However, each African state has instituted its own healthcare system, each with its own challenges and risks. There is no one system or model that can be applied uniformly across Africa.

The South African private hospital sector is dominated by three major listed healthcare groups. Apart from these three, most private healthcare providers are registered with the National Hospital Network (NHN). The NHN's major role is to negotiate tariffs with the medical aid funds for medical procedures and services. Presently, there is no avenue of appeal to any higher authority in the event of private hospitals being dissatisfied with a particular negotiation.

REGULATORY ENVIRONMENT

The South African government regulates almost every aspect of the medical industry. This authority is exercised at all levels of government. Licences for new hospitals or extensions with new beds are not easy to obtain, which inhibits entry into the health care sector and restricts the pace of growth.

Government's seemingly negative attitude towards private healthcare may cause skewed future legislation. We believe that health care regulation should be applied to private and government facilities in equal measure. Private hospitals are tightly regulated while public hospitals struggle to provide basic services.

Government's consultation with stakeholders has been inadequate, as evidenced by the legal challenges now underway. One of these was the 'Certificate of Need', which would have required all health care practitioners, including dentists and GPs, to apply for licences. This was set aside by the Constitutional Court due to proper processes not being followed.

The Competition Commission has launched a pricing inquiry into the perceived high cost of private healthcare. Lenmed is participating in this exercise through the NHN. This inquiry has been delayed and we await a revised timetable in this regard.

Lenmed has often been marginalised by the bigger industry players, who receive greater benefits and more contracts. The Competition Commission inquiry is an opportunity to advance the cause of smaller industry players, which have a major role in achieving affordable health care objectives.

NATIONAL HEALTH INSURANCE

The healthcare landscape in South Africa will change due to government's intention to introduce a National Health Insurance (NHI) system.

NHI is a proposed financing system that will ensure all South Africans are provided with essential healthcare, regardless of their employment status and ability to financially contribute. Lenmed fully agrees that South Africans should have access to health care at affordable prices. However, while management and the Board supports the NHI initiative in principle, we question how the private sector will partner with the public sector in implementing NHI. We are hopeful that the soon to be released NHI White Paper will address these concerns.

LENMED'S COMPETITIVE ADVANTAGES

Our patients' well-being is Lenmed's highest priority. To this end, our employees are fully committed to providing that extra degree of compassion and warmth. This personal attention is what sets Lenmed apart from its competitors.

As our hospitals are community orientated, they take local cultural preferences into consideration. Food and recreational offerings, such as TV choices, are matched to local interests from hospital to hospital. We respect price sensitivity in less affluent communities and offer lower rates and reduced deposits where possible.

We care and differentiate ourselves by putting the patient before the bottom line. This is a driver in Group decisions.

JSE LISTING

I am often asked when Lenmed intends listing on the Johannesburg Stock Exchange (JSE). At present investors buy into Lenmed through over-the-counter (OTC) shares offered by Equity Express. The fundamental solidity and prospects of the Group don't require an expensive JSE listing at this time. Lenmed presently has about 800 shareholders, some being third or fourth generation investors from the same family. Private equity and institutional investors are showing keen interest. We have already adopted

OUR PATIENTS' WELL-BEING IS LENMED'S HIGHEST PRIORITY. TO THIS END, OUR EMPLOYEES ARE FULLY COMMITTED TO PROVIDING THAT EXTRA DEGREE OF COMPASSION AND WARMTH. THIS PERSONAL ATTENTION IS WHAT SETS LENMED APART FROM ITS COMPETITORS.

Mr A Kathrada cutting the ribbon, formerly marking the renaming.

King III Corporate Governance practices and this report is a further step along the globally recognised integrated reporting journey, which aims at material and transparent communications with our stakeholders. We will consider a JSE listing when that course will clearly further the prospects of Lenmed and our shareholders.

DIVIDENDS

Lenmed is in a high growth phase that requires internal funding. The Board is intent on building sustainable and longer term value for shareholders while so many solid opportunities for expansion are available. As such, we believe that we are acting in shareholder interests by not yet declaring dividends and retaining the cash for growing Lenmed and its share value. The Lenmed share price has risen from the rights issues price of 60 cents in 2013 to R2.60 at 28 February 2015, which represents a 333% gain.

LOOKING FORWARD

We are highly positive about the year ahead, largely due to the strong pipeline of additional beds and specialised facilities, complemented by the opening of the significantly expanded and revamped Zamokuhle Private Hospital and the new Royal Hospital and Heart Centre in Kimberley by the end of the 2017 financial year. At the same time, we are examining further opportunities to extend the pipeline.

There are challenges, which include the sluggish South African economy that is doubtlessly slowing the uptake of private healthcare. From a regulatory perspective, the Competition Commission market inquiry will be a significant focus for 2016 and may absorb significant management time.

Nevertheless, Lenmed continues plotting a steady course in finding and leveraging opportunities to expand. Private and quality healthcare in Africa remains a scarce and highly desired community resource. Based on our founding ethos of "We always care", Lenmed will continue rising, as we always have, to meet Africa's need of affordable, quality healthcare.

IN CLOSING

On behalf of the Board and executive management, I convey my sincere appreciation for all who have contributed to Lenmed's continuing success.

In particular, I thank the Board of Directors for your seasoned and wise guidance in keeping us aligned to our set objectives. Our expanded and reorganised executive team has been exemplary in driving the strategy and introducing a heightened sense of efficiency in our operations.

I thank our shareholders and funders for understanding the journey that Lenmed is on. Your ongoing support makes it all possible.

In the frontline are the doctors who practice at our facilities and uphold the Lenmed name through their skills, dedication and real caring for each patient who passes through our doors.

Day by day, our workforce holds it all together and make the Lenmed promise a reality. Your professionalism and willingness to go the extra mile for our patients is the bedrock that Lenmed is building on.

Thank you again, one and all, for making this another great chapter in the Lenmed story.

MR PRAKASH DEVCHAND
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Official renaming of Lenmed Private Hospital to Ahmed Kathrada Private Hospital. Lenmed Health CEO, Mr P Devchand, Lenmed Health CMO, Dr A Manning and guest of honor, Mr A Kathrada.

07 CHIEF OPERATING OFFICER'S REPORT

BUSINESS ENVIRONMENT

The healthcare environment in South Africa has become increasingly challenging. Medical aid membership has slowed as much of its growth in previous years was attributed to the expansion of the Government Employees Medical Scheme (GEMS), which by all indications, is beginning to stagnate. The South African economy's woes are expected to continue, caused primarily by an unreliable electricity supply, labour strife and lack of policy certainty. The International Monetary Fund (IMF) has slashed the country's expected growth in Gross Domestic Product (GDP) to 2.1% for 2015 and 2.5% for 2016.

CHIEF OPERATING OFFICER :: **MR AMIL DEVCHAND**

Consolidation within the medical schemes industry continues, with larger funders increasing their market share. The four largest schemes are estimated to cover 61% of total beneficiaries, largely due to the introduction of GEMS in 2006 and the above average growth of Discovery, the single largest medical aid scheme.

The medical scheme industry remains financially stable, with total accumulated reserves increasing to R38.3 billion over this period. Healthcare affordability is a key consideration, with medical aid premiums being driven up due to factors such as an ageing insured population, a quadruple burden of disease, as well as prospective younger members opting for cheaper hospital cash plans. Consumers are under increased financial pressure due to weak economic fundamentals, with many opting to downgrade to lower medical aid options, some of which result in lower reimbursement rates to service providers.

Human resources, specifically the availability of skilled specialists and nursing staff, remains a key challenge. We are pleased to advise that the Group has been granted a licence to commission our first nursing college, with the first intake envisaged for mid-2016. In addition, we are exploring other acquisition opportunities in this field. Lenmed remains competitive in attracting and retaining quality specialists. We are encouraged by government's commitment to increasing capacity at medical schools and look forward to further engagement in respect of how Lenmed can assist in this area.

Lenmed, through the National Hospital Network (NHN), has made a detailed submission to the Competition Commission in respect of the pricing inquiry. Due to the complexity of the healthcare industry, further information from stakeholders has been requested. The scheduled public hearings have been delayed until all new data has been reviewed.

During the period under review, government has maintained its commitment to achieving universal healthcare coverage for all through a National Health Insurance (NHI) system. The exact mechanics and funding of the proposed system is yet to be determined, with the White Paper on this subject yet to be released for comment. We continue to monitor this space for any new developments.

OPERATIONAL REVIEW

On a Group basis, revenue has increased by 9%, driven by a 1.5% increase in bed days sold and a 7.2% increase in average revenue per bed day. The Earnings Before Interest, Taxes, Depreciation, and Amortisation (EBITDA) margin for the Group's South African hospitals was 19% (2014: 20%), with the slight decrease mainly attributable to the Group's newer hospitals accounting for a larger proportion of total revenue without the correlating increase in EBITDA. Other impacts were increased repairs and maintenance aimed at enhancing the patient and visitor experience, as well as higher municipal charges, most notably in rates and electricity. The EBITDA margin achieved for the rest of the African operations was 9% (2014: 12%). This decrease was driven largely by increased rental paid to the hospital landlord, in terms of the lease agreement, at Bokamoso Private Hospital, offset to a degree by the improved operating performance of Maputo Private Hospital.

The issues facing the healthcare industry today highlight the need for facilities to operate as efficiently as possible to ensure margins are maintained and improved over time. Management is focusing on all areas of the business, to extract additional value where possible. The following initiatives will be undertaken in the short to medium term:

- The establishment of a shared services centre, aimed at streamlining administrative processes
- A review of our staffing model, to ensure that an optimum staff mix is achieved at our hospitals
- More focus on procurement to leverage the Group's buying power to negotiate reduced prices
- A revision of our patient administration practices aimed at improving billing accuracy, stock control and debt collection.

Patient overall experience, as measured through the Group's internal patient satisfaction questionnaire, scored slightly better than the prior year. We strive to continually improve our service and have embarked on a pilot project to introduce a new patient feedback system that provides more flexible and real-time reporting.

Official ground breaking of the expansion of ***Zamokuhle Private Hospital*** *in Tembisa. Dr A Manning, counciller T Nohlangu (MMC Roads and Transport), Group consultant Dr F Kaka and Zamokuhle Private Hospital manager Ms P Ndlala.*

Ahmed Kathrada Private Hospital, Lenasia

Formerly known as Lenmed Private Hospital, the flagship facility of the Group has maintained solid operational performance, underpinned by high utilisation and excellent specialist cover. The year under review saw the commissioning of new world-class paediatric and medical wards, which have been well received by patients and specialists alike. These projects did not increase the capacity of the facility, but were a relocation of existing wards into new areas, aimed at improving the patient experience. A licence for a 12-bed specialist Intensive Care Unit (ICU) has been granted, with completion of this project anticipated during Q3 2015. In addition, a new bed licence application has been lodged with the Department of Health (DoH), with feedback expected during the second quarter of 2015. The latter part of the year also saw the commissioning of a new 30-unit renal dialysis centre, one of the largest of its kind in Gauteng. We are excited by this joint venture initiative and have begun rolling out the model to other facilities within the Group.

Zamokuhle Private Hospital, Tembisa

We are pleased to advise the construction of the new hospital is progressing well, with commissioning expected by April 2016. There have been high levels of interest in the project, both from a doctor and patient perspective. The new hospital promises to transform the area and highlights Lenmed's ability to bring quality healthcare to previously disadvantaged areas.

Daxina Private Hospital, Lenasia South

The financial turnaround of the facility was completed, with the hospital trading firmly in the black. The DoH has approved the reallocation of 11 existing beds to psychiatry, with work on a new ward well under way. In addition, strategies to penetrate into untapped markets have been initiated, aimed at increasing referrals to the hospital. Doctor recruitment and capitalising on potential synergies with Ahmed Kathrada Private Hospital are areas that continue to receive focus.

Randfontein Private Hospital, Randfontein

The hospital has shown encouraging revenue growth, with an increasing number of medical aid and private patients being treated at the facility. A comprehensive operational analysis was conducted during the year, the result of which culminated in the retrenchment of 112 staff across the business, with an estimated annual pre-tax saving of R28 million expected going forward. Management's primary focus remains the attraction of quality specialists to the facility, with a new ophthalmologist and physician joining the hospital. We expect the financial turnaround of the facility to be completed during the next financial year.

La Verna Private Hospital, Ladysmith

La Verna Private Hospital has produced a solid performance, with profitability and utilisation increasing. This has been achieved by attracting several full-time specialists to the facility, coupled with investment in new and existing infrastructure. As part of the growth strategy of the facility, an additional 18 beds will come on stream at the start of the new financial year, with further growth capacity available for the future.

Shifa Private Hospital, Durban

The hospital continues to be a strong cash generator for the Group, with the facility running at capacity. A licence for an additional 46 beds was granted during the year and planning is underway to determine how best to utilise this capacity. A new primary healthcare centre was opened in Bridge City, KwaMashu, aimed at creating a referral base from the area to the hospital. The results from this initiative have been encouraging and we expect to gain further traction in the year ahead.

Ethekwini Hospital and Heart Centre, Durban

This facility has performed exceptionally well over the past financial year, with utilisation of the hospital reaching an all-time high. Cardiac services continue to drive revenue, although other specialist disciplines are becoming more prominent, resulting in a more balanced and diversified revenue mix. Due to high demand, a R120 million expansion project is underway comprising 74 beds, additional consulting suites and parking. Provision has also been made for future growth requirements. All licence approvals are in place, with project completion expected in Q1 2016.

LENMED IS **CONSIDERING MANY ATTRACTIVE GROWTH OPPORTUNITIES,** PRIMARILY THROUGH EXPANDING EXISTING LENMED FACILITIES OR BY BUILDING NEW HOSPITALS.

Maputo Private Hospital, Maputo

Maputo Private Hospital continues to demonstrate positive revenue and profitability growth, with the EBITDA margin improving to 10% (2014: 9%). Although this hospital has grown its revenue year on year since being commissioned, our progress has been slower than expected due to issues around the slow uptake of medical insurance by the general public, the challenging business and regulatory environment and the negative perception of local healthcare in the country. We are working tirelessly to overcome these problems, and are confident that the true potential of this facility will be realised.

Bokamoso Private Hospital, Gaborone

The hospital has performed well, with above inflation revenue growth noted, driven by improved utilisation. Newly introduced specialist disciplines such as neuro and paediatric surgery have shown good growth, and we expect these to improve even further in the new year. The hospital has a number of other business development initiatives planned, with much focus being placed on cardiac surgery and the commissioning of a rehabilitation centre at the hospital.

BUSINESS DEVELOPMENT

Lenmed is considering many attractive growth opportunities, primarily through expanding existing Lenmed facilities or by building new hospitals.

Lenmed acquired a 67% stake in Kathu Private Hospital, Northern Cape, with effect from 1 March 2015. This 25-bed facility in the only private hospital within a 200km radius and has good potential for expansion due to the demand from surrounding communities.

We are delighted to announce that the Group is developing a new 100-bed hospital in Kimberley, Northern Cape. This facility will boast cutting-edge technology and feature comprehensive cardiac and oncology services, the first of their kind in the province. This hospital is expected to open its doors in early 2017.

ACCREDITATION

As part of the Group's commitment to ensuring top quality patient care, two of our facilities (Ahmed Kathrada Private Hospital and Bokamoso Private Hospital) are currently undergoing an accreditation process through the Council for Health Service Accreditation of Southern Africa (COHSASA). We envisage having all existing facilities in the Group accredited by 2018.

NEW MANAGEMENT STRUCTURE

In this period we broadened Lenmed's executive management structure to meet the increasing demands of our growing healthcare Group. As a result, I was appointed as the Group's first Chief Operating Officer (COO) and Mr VE Firman was brought in as the new Chief Financial Officer (CFO). The management team is further strengthened by confirming Dr A Manning as Chief Medical Officer (CMO). In addition, all other senior management vacancies were filled, which augurs well for achieving our objectives set for the next financial year. As part of this process, administrative functions such as human resources, finance and procurement are being centralised for better control and cost efficiencies. Hospital management teams are therefore able to focus on their operations and service standards.

CONCLUSION

Despite the numerous challenges facing the private health care industry, many opportunities are available. We will continue making strides in our quest to be operating 20 hospitals by 2020 that are universally recognised for accessible, quality patient care.

MR AMIL DEVCHAND
CHIEF OPERATING OFFICER

08

CHIEF FINANCIAL OFFICER'S REPORT

ⓘ This report must be read in conjunction with the Group annual financial statements on pages 49 to 83 of this Annual Integrated Report.

Lenmed uses headline earnings and the concept of normalised Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA), as measures to provide shareholders with consistent and comparable reporting tools. Normalised EBITDA is based on reportable EBITDA, excluding once-off and non-core items, while headline earnings are calculated in terms of accounting standards.

CHIEF FINANCIAL OFFICER : : **MR VAUGHAN FIRMAN**

STATEMENT OF COMPREHENSIVE INCOME

The Group performed satisfactorily in tough trading conditions. The year was earmarked by the bedding down of a number of the recent acquisitions and more focus on operational matters. Revenue increased by 8.9% to R1 230.2 million from R1 130.6 million in 2014, driven by a marginal increase in paid patient days and an improvement in overall mix.

Normalised earnings

Rand	2015	2014
Profit for the year attributable to Lenmed	**123 080 739**	127 086 279
Add: Net effect after tax on Pharmed sale (includes CGT of R8 195 157)	**6 098 219**	–
Less: Profit of disposal of assets net of tax	**(2 861)**	(186 025)
Less: Profit on acquisition of stock and debtors net of taxation and minorities	**(151 418)**	(3 073 791)
Less: Bargain purchase price on acquisition of associate	**(1 317 186)**	–
Headline earnings	**127 707 493**	123 826 463
Variance	**3.1%**	
Weighted average number of shares in issue	**644 820 725**	644 246 000

Normalised EBITDA reconciliation

Rand	2015	2014
EBITDA	**180 136 635**	196 876 134
Less: Profit on disposal on Pharmed sale	**(2 096 938)**	–
Less: Profit on acquisition of stock and debtors	**(277 322)**	(5 629 654)
Less: Profit on disposal of assets	**(3 974)**	(385 750)
Less: Bargain purchase price on acquisition of associate	**(1 317 186)**	–
Normalised EBITDA	**176 441 215**	190 860 730
Variance	**(7.6%)**	

The Group's normalised EBITDA at R176.4 million decreased by 7.6% compared to R190.9 million in 2014. The results were impacted by delays in the opening of upgraded facilities at Ahmed Kathrada Private Hospital and La Verna Private Hospital, as well as a substantial increase in the rental payable at Bokamoso Private Hospital in Botswana, in line with the agreement with the landlord.

Headline earnings at R127.7 million increased by 3.1% against the prior year. This was attributable to increased interest income due to higher cash balances and a reduction in the taxation rate, offset by lower earnings from operations, as well as reduced earnings from associates. The reduced earnings from associates was due to the disposal of Pharmed Pharmaceuticals (Pharmed). The overall net effect was an approximate R10 million reduction in earnings in the current year. However, this sale generated cash of R96.4 million, which will enable the Group to undertake considerable capital expenditure in the current and next financial year. In this period, a portion of this cash was invested into the new infrastructure being developed at Zamokuhle Private Hospital, as well as into other hospitals. The reduced taxation rate resulted from a deferred taxation asset arising from the tax loss in Randfontein Private Hospital, offset by the capital gain on the disposal of Pharmed of R8.2 million. The Randfontein Private Hospital has started generating taxable earnings and the Group's accounting policy, supported by IFRS accounting standards, outlines this accounting treatment as correct.

The Group's equity earnings in Ethekwini Hospital and Heart Centre amounted to R31.9 million compared to R23.5 million in the prior year, representing a 36% increase. This improvement reflects the continued strong performance from this hospital. During the year, the Group acquired a 30% stake in Lenasia Renal Centre (Pty) Ltd for an immaterial amount. Equity accounted share of profits amounted to R0.1 million.

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

STATEMENT OF CASH FLOWS

Overall cash balances improved pleasingly from R71.5 million to R121.9 million. This increase was due to cash flow from operations and from various capital transactions.

The Group generated R134.2 million from operating activities (2014: R133.8 million), reflecting the lower absorption of EBITDA into working capital. Cash generated after working capital changes as a percentage of normalised EBITDA was at 75%, which is slightly lower than the internal hurdle rate of 80%. This remains a focus area of the Group as absorption of cash into working capital remains at elevated levels. Stock and debtor levels are monitored consistently. All hospitals have set targets to reduce stock levels during the 2016 year. Debtor levels are similarly reviewed weekly and pleasingly all local hospitals, with the exception of one, have maintained acceptable debtor levels. Debtors in our Botswana operation grew during the course of 2015. The appointment of an expert as well as ongoing discussions with the schemes is ongoing which has resulted in progress, albeit limited, being made since year end.

The Group continues to invest in its operations and spent R79.4 million in capital expenditure. This capital was expended mainly on expansion projects at the Ahmed Kathrada Private Hospital, La Verna Private Hospital and Zamokuhle Private Hospital. Expenditure at Ahmed Kathrada Private Hospital was for a new state-of-the-art paediatric and medical ward, while La Verna Private Hospital gained a new maternity and general ward. The Zamokuhle Private Hospital is undergoing significant expansion. The Group will continue to invest in its hospitals in 2016 and beyond, as evidenced by capital commitments of R113.6 million stated in note 32.3 of the Group annual financial statements. This commitment is substantially higher than the previous year.

The Group received substantial inflows of cash due to the proceeds from the sale of Pharmed Pharmaceuticals of R96.4 million and the repayment of the shareholder loan from Ethekwini Hospital and Heart Centre of R14.5 million. This allowed the Group to repay a net R47.8 million in borrowings and increase its cash balances by R51.8 million.

STATEMENT OF FINANCIAL POSITION

Assets

At 28 February 2015, property, plant, equipment, furniture, fittings and vehicles had increased by R73.4 million to R1 134 million (2014: R1 060.6 million). These increases are mainly as a result of the previously mentioned expansion projects and foreign currency adjustments to the Group's assets held in Mozambique and Botswana.

THE GROUP'S TOTAL INTEREST BEARING DEBT TO EQUITY RATIO HAS **IMPROVED TO 26.3% FROM THE PRIOR YEAR LEVEL OF 35.1%,** WHILE NET INTEREST BEARING DEBT TO EQUITY HAS **IMPROVED TO 15.9% FROM 28.1%.**

Investment in associates grew by R22.2 million due to the accrual of equity accounting earnings in Ethekwini Hospital and Heart Centre and the acquisition of 30% in Lenasia Renal Centre.

The Group entered into an agreement to purchase the land, buildings and hospital operations of the private hospital in Kathu from Mediclinic. This transaction was made in conjunction with property development group, the ATM Group (ATMG), with Lenmed acquiring 67% of the hospital operations and 60% of the land and buildings. Lenmed paid Mediclinic R9.8 million prior to year end, which is reflected as a prepayment.

DEBT MANAGEMENT

During the financial year under review, Lenmed's interest bearing borrowings (excluding shareholder loans) decreased by R49.2 million to R308.3 million (2013: R357.5 million). This decrease is further broken down as follows:

- South African based debt decreased by R44.6 million
- Offshore debt in respect of the Deutsche Investitions-und Entwicklungsgesellschaft (DEG), decreased in US Dollar terms by US$1.1 million. This debt, however, decreased in Rand terms by R4.6 million due to the Rand's depreciation against the US Dollar over the period.

The Group's total interest bearing debt to equity ratio has improved to 26.3% from the prior year level of 35.1%, while net interest bearing debt to equity has improved to 15.9% from 28.1%. The interest ratio coverage has strengthened to 9.0 (2014: 7.0), with cash flow from operations to net interest expense improving from 7.5 times to 11.4 times. These ratios allow the Group to meet its capital commitments of R113.6 million without stretching balance sheet ratios.

The Group constantly evaluates alternate funding mechanisms to reduce liquidity risk by matching cash flows with debt and interest repayments. This ensures that the Group does not suffer from excessive repayments in growth phases, but has sufficient flexibility to repay borrowings when cash flows are strong. In addition, the Group regularly investigates alternate funding instruments to reduce its rate on borrowings.

RISK MANAGEMENT

Lenmed has sufficient cash reserves, as well as prudent gearing and liquidity ratios. Since year end the Group has been considering additional facilities for the purpose of reacting quickly to promising expansion opportunities that may arise.

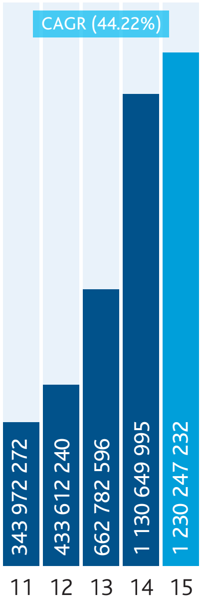
Lenmed plans to replace the DEG loan with a loan denominated in Mozambique local currency, either through an exchange rate swap or through a bank that offers local currency debt. This transaction will reduce the exchange rate risk of this loan.

Lenmed is engaging with the Financial Services Board (FSB) to resolve the current lack of clarity in trading over-the-counter shares, as trading is presently conducted in terms of a temporary FSB exemption. The Group intends resolving the matter during the 2016 financial year to the satisfaction of all stakeholders.

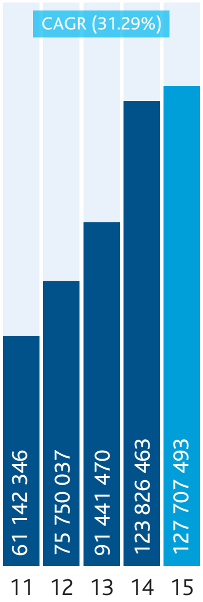
MR VAUGHAN FIRMAN
CHIEF FINANCIAL OFFICER

09 FIVE YEAR REVIEW

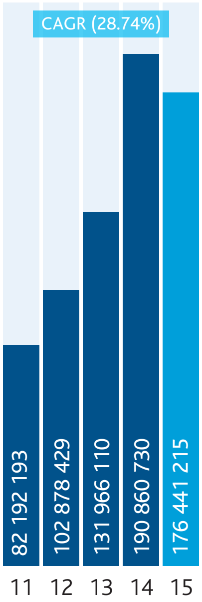
Revenue (R)



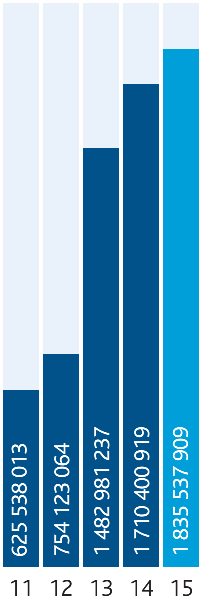
Headline earnings (R)



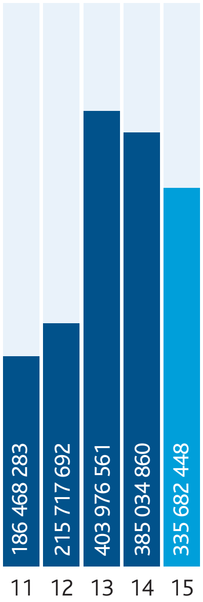
Normalised EBITDA (R)



Total assets



Total interest bearing debt (R)



Cash flow from operations (R)

10 THE BOARD

EXECUTIVE

MR PRAKASH DEVCHAND : : *Chairman and Chief Executive Officer – CA (SA)*

Prakash Devchand is a qualified chartered accountant with 27 years of experience in the healthcare industry. He was appointed to the Board in 1986 and elected as Chairman and Chief Executive Officer in 1998. Under his leadership, Lenmed has seen significant growth in its local operations and the inception of the Group's African strategy.

MR AMIL DEVCHAND : : *Chief Operating Officer – CA (SA)*

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

MR VAUGHAN FIRMAN : : *Chief Financial Officer – CA (SA)*

Vaughan Firman is a qualified chartered accountant with 11 years experience in the healthcare industry. His comprehensive experience as a financial director includes that of having served as both an executive as well as an independent non-executive director on numerous JSE and non-JSE listed companies. Vaughan's speciality is debt and property financing as well as mergers and acquisitions, of which he has extensive global experience. He was appointed to the Board in October 2014.

NON-EXECUTIVE

MR MIKE MEEHAN : : *Independent Non-executive Director and Lead Independent Director – CA (SA)*

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

MS BHARTI HARIE : : *Independent Non-executive Director – BA LLB (Natal), LLM (Wits)*

Bharti Harie was appointed to the Lenmed Investments Limited Board in 2010. She currently serves as a member of the Audit and Risk Committee and is the Chairman of the Remuneration and Nominations Committee. She is an independent non-executive director on the boards of Bell Equipment, Ascendis Health Limited and the Mineworkers Investment Company (MIC).

MS NOMAHLUBI SIMAMANE : : *Independent Non-executive Director – BSc (Honours) (University of Botswana & Swaziland)*

Nomahlubi Simamane was appointed to the Lenmed Investments Limited Board in 2012. She serves on the Audit and Risk Committee and is the Chairman of the Social and Ethics Committee. Ms Simamane is the chief executive officer of Zanusi Brand Solutions (Pty) Limited, a brand consultancy firm. She sits on the boards of JSE-listed Cashbuild, Oceana and The Foschini Group. Ms Simamane was the 2009 winner of the Top Businesswoman of the Year Award in the National Business Awards managed by Topco Media, and named the Businesswoman of the Year at the 2009 Black Business Awards run by BBQ. More recently, she was named the 2013 Enterprising Women of the Year Winner in Fort Lauderdale, Florida, USA.

PROF BHASKAR GOOLAB : : *Non-executive Director – MBBS (Bombay), FRCOG (London)*

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

11

THE MANAGEMENT TEAM

DR ARTHUR MANNING
Chief Medical Officer

MR EBRAHIM ASMAL
Group Regional Manager

MR NAUSHAD GANY
Group Financial Manager

MR SHAFIQ PARKER
Group IT Manager

MS BHAVANI JEENA
Group HR Manager

MS ELSA BENADE
Hospital Manager: Ahmed Kathrada Private Hospital

MS PULE NDLALA
Hospital Manager: Zamokuhle Private Hospital

MR RODNEY NAICKER
Hospital Manager: Daxina Private Hospital

MS LEONI BEAURAIN
Hospital Manager: Randfontein Private Hospital

DR AHMED FAROUK KAKA
Director: Bokamoso Private Hospital and Maputo Private Hospital

MR FAZEL ABRAM
Group Internal Audit Manager

MR MOHAMED BERA
Group Procurement and Engineering Manager

MS MICHELLE HIPNER
Group Marketing Manager

MS SHAMEEMA BUCKUS
Group Pharmacist

MR DEENA NAIDOO
Group Nursing Services Manager

MR AHMED DOCRAT
Hospital Manager: Shifa Private Hospital

DR AHMED SULEMAN
Director: Shifa Private Hospital

DR MOHUDDIN KHAN
Chief Executive Officer: La Verna Private Hospital

MR NIRESH BECHAN
Hospital Manager: Ethekwini Hospital and Heart Centre

MR RUBENDREN NAIDOO
Hospital Manager: Bokamoso Private Hospital

12 STAKEHOLDER ENGAGEMENT

INVESTORS AND STAKEHOLDERS

Lenmed's original shareholders were drawn from the local Lenasia community, who contributed from their scarce savings to establish an essential healthcare facility for the benefit of the community. Many of those original investors remain on the share register today. Lenmed is a public but unlisted company with more than 800 registered shareholders.

We are working to establish even closer and more informative relationships with our stakeholders. The Annual Integrated Report and the Annual General Meeting remain the prime methods of communication. In addition, an interim report will be published on the website from financial year 2017 to further enhance communication. Investors are always welcome to contact us.

Stakeholder issues and our responses

The following table lists our key stakeholder groupings, and our methods and frequency of engagement, including the brief issues dealt with, which have not fundamentally changed from the previous year.

Stakeholder	Engagement method	Frequency	Stakeholder issues	Our response
Investors	• Lenmed website • Annual Integrated Report • Annual General Meeting • Open dialogue • Over the Counter (OTC) shares trading platform	Continuous Annual Annual As requested Daily	• Share price performance • Enterprise development • Sustainability of earnings • Delivering on expectations • Confidence in leadership • Exceptional FICA requirements for share trading	Provide updates on Lenmed's strategy and how material issues are being addressed.
Employees	• Line management • Notice boards • Meetings • Reports	Ongoing Ongoing Ongoing As required	• Fair reward and benefits • Recognition and rewards • Mentorship • Personal and career development • Work-life balance • Communication • Occupational health and safety	To ensure optimum attention to the needs and motivation of our nursing staff, we employ a Group Nursing Services manager to support all hospitals in the Group.
Medical practitioners	Communication through the Chief Medical Officer	Ongoing	• Investment in latest technology • Regular meetings • Reputation of hospitals • Hospital capacity • Remuneration from medical aids	Lenmed keeps abreast of modern technologies and strives to make our hospitals an attractive choice for high calibre medical professionals.

Stakeholder	Engagement method	Frequency	Stakeholder issues	Our response
Government	Engagement via the Hospital Association of South Africa	Ongoing	• Cost effective healthcare • Accessible quality medical care • Ethical business conduct • Compliance with legislation	Lenmed policy is to comply with all legislation and maintain the highest ethical standards. The Group is participating in a market inquiry into the cost of private health care through the NHN.
Patients and communities	• Questionnaires and surveys • Community events such as CANSA fun runs, sports tournaments and community wellness days	Regular	• Affordable, quality healthcare • Delivering on expectations • Communication • Ease of access • Job creation • Reasonable payment terms • Corporate social responsibility projects	We continuously upgrade our facilities and make additions to our services in response to the suggestions and recommendations of our patients. Willing to invest significantly to improve our patients' experience. Ensure that our hospital fees remain competitive and non-medical aid patients are offered special rates and payment arrangements. All complaints are sent to head office and all are investigated and appropriate action taken. Adopted the Patients' Rights Charter and the Batho Pele principles. All quality indicators relating to patients' safety are adequately implemented and monitored. High levels of hygiene maintained.
Medical aids	NHN membership	Ongoing	• Quality healthcare • Facility utilisation • Cost per admission • Efficient administration • Accurate and fair case management • Timeous authorisations • Open lines of communication	The Group's COO chairs the NHN. Lenmed strives to operate efficiently and to keep medical aids informed and updated on patient treatment. The Group is implementing an alternative reimbursement model to the major medical aid schemes, for the benefit of all parties.
Suppliers	Meetings	Regular	• Fair competition • Suitable payment terms • Timeous payments • Equal opportunities	Tenders, contracts and agreements. Lenmed has appointed a Group Procurement and Engineering manager. A tender process has been implemented.

13 SUSTAINABILITY REPORT

CORE VALUES

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

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

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

Sustainability is built on three cardinal components, namely **PEOPLE, PLANET AND PROFIT.** Our core values align our initiatives with these imperatives to remain a corporate citizen of exceptional standard.

PEOPLE

Patients

OUR PATIENTS ARE OUR BUSINESS AND THE REASON FOR OUR EXISTENCE.

We strive to provide quality and cost-effective medical care to all population groups by making use of the latest developments in technology and enlisting the services of high calibre specialists and trained staff across all disciplines. During the year, we expanded our range of clinical services and facilities to meet the ongoing and ever-increasing needs of our communities.

We have adopted the Patients' Rights Charter and the Batho Pele principles. Through the implementation of the 'Best Care Always' programme, we have also ensured that all quality indicators relating to our patients' safety are adequately implemented and monitored. As a matter of course, high levels of hygiene are maintained across all facilities to curb the prevention and spread of infections. Furthermore, the Group has undertaken to obtain international accreditation through the Council for Health Service Accreditation of Southern Africa (COHSASA) at all its facilities over the next three years. This process is already underway at the Ahmed Kathrada Private Hospital and Bokamoso Private Hospital. This initiative will provide independent assurance to our patients that Lenmed Hospitals operate at world-class standards.

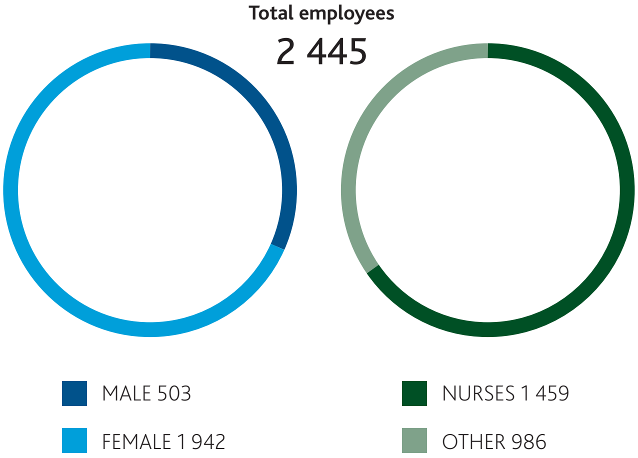
We conduct regular surveys to monitor the satisfaction levels of our patients. This enables us to identify the needs of our patients and respond accordingly. We continuously upgrade our facilities and make additions to our services in response to the suggestions and recommendations of our patients; and we are willing to invest significantly to improve our patients' experience.

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

Staff

The scarcity of professional nursing skills in the healthcare industry is a worldwide problem. Lenmed recognises our people (human capital) are our most important asset. Good working relationships with staff are maintained formally through proven communication platforms.

Employee distribution:



Employee attraction and retention

We benchmark the remuneration levels to accepted industry standards, ensuring that the Group remains competitive in respect of basic pay, benefits and incentives. Staff incentives include participation in profits and monthly recognition awards. In addition, a long-service award scheme has been implemented that awards Lenmed shares to employees reaching 15 years of unbroken service.

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

Transformation and equal opportunity

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

As a consequence, Lenmed is widely recognised for providing opportunities to suitably qualified, previously disadvantaged individuals in the healthcare sector. Following Lenmed's most recent BBBEE assessment, the Group's BEE rating improved to Level 2 from Level 3, with effect from April 2015.

Training and development

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

Employee wellness

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

Occupational health and safety

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

The health and safety committee, together with its employee representatives, form the basis of the organisation that ensures that all policies and procedures relating to safety are in place, updated and implemented. They also investigate and report on all incidents and ensure that risks are mitigated.

Doctors

Doctors who are trained and possess the expertise to provide quality care to our patients are essential to our success and sustainability. We strive to make these hospitals attractive and well equipped to be the facility of choice for professionals.

Community

Our credo "We Always Care" was adopted with the establishment of the first Lenmed hospital in 1984. This care does not relate to the patient only but extends to all our stakeholders and includes the environment (our planet) and the community (the people).

Contributing and giving back to the communities in which we operate has formed the corner stone of our corporate social investment (CSI) policy.

The Group has instituted and participates in a range of CSI initiatives and outreach programmes that assist the local community.

Providing emergency care to indigent patients

Lenmed's hospital emergency units across the Group provide free assistance to indigent patients. This includes administering emergency care and stabilisation to patients presenting with life-threatening conditions, who are unable to pay for this service. If these patients are too unstable to be transferred to public hospitals, they are admitted to hospital. At times, the unavailability of beds in the public sector also results in patients being admitted to Lenmed's facilities until they are stable enough to be transferred or discharged.

Initiative to improve access to healthcare

Ahmed Kathrada Private Hospital introduced its 'Right to Sight' cataract campaign in conjunction with TIBA (Transvaal India Blind Association Services) for the Blind, in July 2002. During the past year, the Group has rolled out this initiative to its other facilities for the benefit of the communities in which they operate, with 109 operations performed over this period to the value of R1.1 million. These patients are financially disadvantaged and, under normal circumstances, would be unable to afford such a procedure. During the year, Lenmed assisted other financially disadvantaged individuals by providing free surgery to a patient who requested assistance via Talk 702 and offering discounts for treatment at our neonatal intensive care unit at the Maputo Private Hospital. In total, R1 million worth of discounts were awarded to patients who genuinely lacked the funds to pay their full fees.

Community health and welfare sponsorship

The Group oversees a number of welfare initiatives to assist those less fortunate:

- **Feeding campaign:** management and staff regularly conduct drives to collect items for food parcels, which are then distributed through welfare organisations that care for the poor and hungry
- **What to do in an emergency campaign:** emergency advice and information collateral was distributed, as well as first aid kits to business and schools
- **Nelson Mandela Day – Random Acts of Kindness campaign:** motivating staff and community to perform random acts of kindness in and around specific hospitals.
- **Local community involvement:** we undertake various activities at our hospitals and emergency units to attend to the needs of the community, including:
  - Providing free treatment to children living in local homes and orphanages
  - Medical and financial support to homes, orphanages, special schools and other non-governmental organisations (NGOs)
- Volunteering the services of our emergency unit and also those of our nurses, pharmacists and administrative staff as standby medical personnel at special events, such as the annual Ghandi Walk in Lenasia. The Ahmed Kathrada Private Hospital sponsors the walk and provides medical assistance for the event
- The Randfontein Private Hospital supports the Randfontein Show by offering medical assistance for the event and providing free health screening and testing to the community

- The La Verna Private Hospital planned and executed a 5km fun walk and shavathon in collaboration with CANSA
- Shifa Private Hospital participates in Diabetes Days. The hospital provides access to diabetic advice from specialists to the general public on specific days.

Community healthcare education

General wellness days and activations are held at hospitals, businesses, retirement homes and schools. We conduct screenings, health checks and offer medical advice.

Activations take place in public spaces, such as shopping malls. We invite members of the public to receive free health screenings and tests and offer medical advice and information on Lenmed and our services.

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

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

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

PLANET

As a responsible corporate citizen, Lenmed conducts its business in an environmentally proactive manner. We are actively seeking to reduce our carbon footprint and consumption of natural resources.

Energy Saving and Reduction

Lenmed has launched a project to institute tight controls over energy monitoring and usage. This project is designed to reduce Lenmed's environmental impacts and to mitigate the soaring costs of power and water. The incoming energy and water efficiency plan has several aspects, with internal check meters now being installed for electricity and water. The monitoring technology is also in place and readings are being taken to establish baselines through which Lenmed can drive informed cost savings.

High energy operations such as the laundry function are being moved out of hospitals to more energy efficient outsourced facilities. We are also considering outsourcing our kitchens to off-site facilities for further energy efficiencies.

All new hospital buildings and expansions are being designed for 'future proofing' and incorporate energy-saving technology. Lenmed's new hospital in Tembisa will be our first facility designed from the outset as a 'green building', with a reinforced and sloped roof for solar panels. Energy saving installations include heat pumps, solar geysers and energy saving lighting where ever feasible, including in operating theatres.

Water

All water is drawn from municipal supplies and consumption will be reduced by rolling out low water showers and moving laundry services off-site. At Maputo Private Hospital, waste water including sewage water is purified. This water is then either utilised in the hospital gardens or released into the city of Maputo's drainage system. This reduces the burden on the city's purification plants.

Waste

The disposal of medical or biological waste is a specialised area of waste management that poses a major risk. We have designed and implemented various policies, in accordance with legislation, to mitigate the risk posed by hazardous waste.

All separation of waste and its disposal is carried out in a manner to reduce the risk of infection. Modern separation processes and advanced recyclable technology are employed wherever possible to reduce the volume of waste generated.

PROFIT

In pursuit of adding value to the Group, Lenmed:

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

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CLINICAL GOVERNANCE REPORT

Lenmed's Clinical Governance is managed through four main pillars:

QUALITY OF CARE

Quality is managed through the measurement of key clinical indicators. One set of measures is the 'Best Care Always' campaign. Lenmed's hospitals have performed well against all indicators. These results show that our hospitals perform better than industry benchmarks, confirming the high level of quality care being provided to our patients.

TRAINING AND DEVELOPMENT

We recognise the importance of keeping our staff updated with current medical trends and in up-skilling them to meet the demands of new treatment modalities and technologies.

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

Skills development for nursing staff occurs externally in association with accredited nursing schools and universities, and internally, through in-service updates. Through these programmes, nurses are kept abreast of standard operating procedures to ensure a high quality and consistency of nursing care. This is reflected in our patients' satisfaction with nursing care, and the low rates of adverse events.

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

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

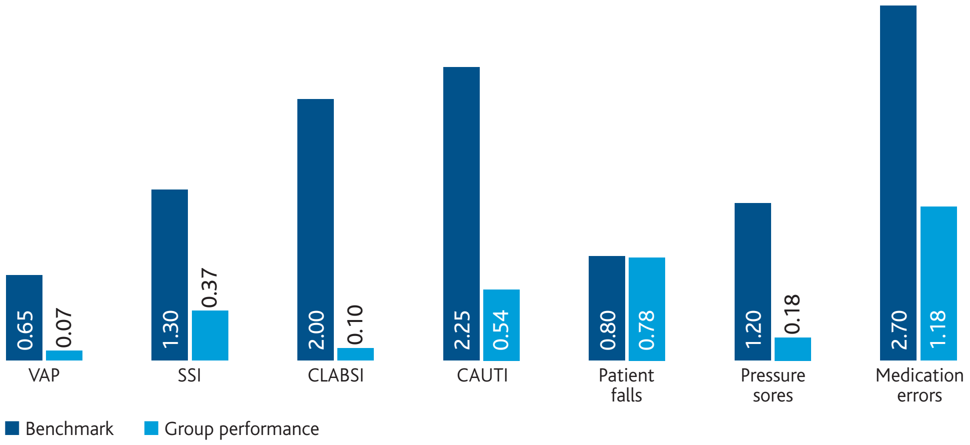
Lenmed is planning to introduce ABET programmes for functionally illiterate employees.

CLINICAL RISK MANAGEMENT

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

Group Results

The following graph shows that Lenmed's results are pleasing and our hospitals are performing better than industry benchmarks.



VAP: Ventilator Associated Pneumonia – per 1 000 ventilated days
SSI: Surgical Site Infections – per 1 000 theatre cases
CLABSI: Central Line Associated Bloodstream Infection's – per 1 000 central lines
CAUTI: Catheter-associated Urinary Tract Infections – per 1 000 catheter days

CLINICAL REVIEW

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

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

The risk of acquiring an infection while in hospital is mitigated through standard surveillance processes and proactive nursing steps. Dedicated infection control sisters monitor infection reports. There is also a close collaboration with microbiologists to keep hospital doctors informed and updated on changing infection trends and antibiotic resistance information. A monthly audit of all resistant organisms is conducted and reviewed by a microbiologist. If areas of concern are identified, a remedial plan is implemented.

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

OTHER MATTERS THAT WERE ATTENDED TO DURING THE YEAR INCLUDE:

Lenmed patient satisfaction

The Lenmed Group prides itself in living up to its credo "We Always Care". We have an established complaints management system to ensure that all complaints are handled sensitively and effectively. Upon discharge, all patients are asked to provide us with feedback on their experience. We are pleased with the feedback results, with doctor care exceeding 90% satisfaction, while nursing care follows a close second at 85% to 90%. These results are comparable to our competitors. Dissatisfaction with food quality or choices are addressed by changing menus or personnel or service providers. We aim to exceed patient expectations for catering.

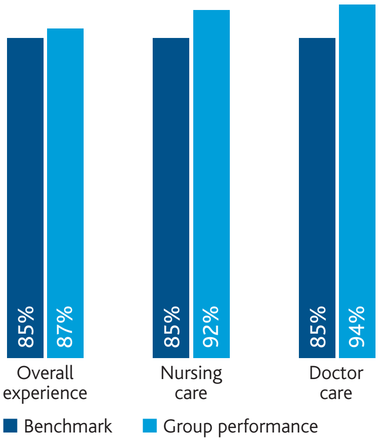
Complaints received

The Group received more complaints during 2015 than in 2014. This was a result of introducing additional channels for complaints, supported by a direct contact number for head office. The majority of complaints related to staff and/or doctor behaviour, followed by communication problems. An industry benchmark is not available, but when surveying social media, Lenmed appears to receive fewer complaints than our competitors do.

Infection control

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

Patient satisfaction



Medical waste

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

COHSASA accreditation

Lenmed has embarked on the COHSASA accreditation programme to measure our services against international benchmarks. We are implementing the accreditation process at one hospital at a time, with the Ahmed Kathrada Private Hospital being the first candidate. COHSASA's initial benchmark assessment delivered an excellent result. A final inspection is scheduled for the latter half of 2015. The COHSASA process is also underway at Bokamoso Private Hospital.

Malpractice and reputational impact

A code of conduct for our professional staff is in place. Doctors alleged to be in breach of this code are called to formal meetings with senior management. Any sanctions imposed will depend on the nature of the transgression.

Lenmed's operations and risk are comprehensively insured on an annual basis.

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

GENERAL HEALTH AND SAFETY MATTERS

Disaster plans

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

Environmental safety

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

DR ARTHUR MANNING
Chief Medical Officer

15 | CORPORATE GOVERNANCE

The Board of Directors is committed and subscribes to the values of good corporate governance, as contained in the King III Code of Corporate Practices and Conduct. We adhere to the strict principles contained in the Code and continually seek opportunities to deliver shareholder value.

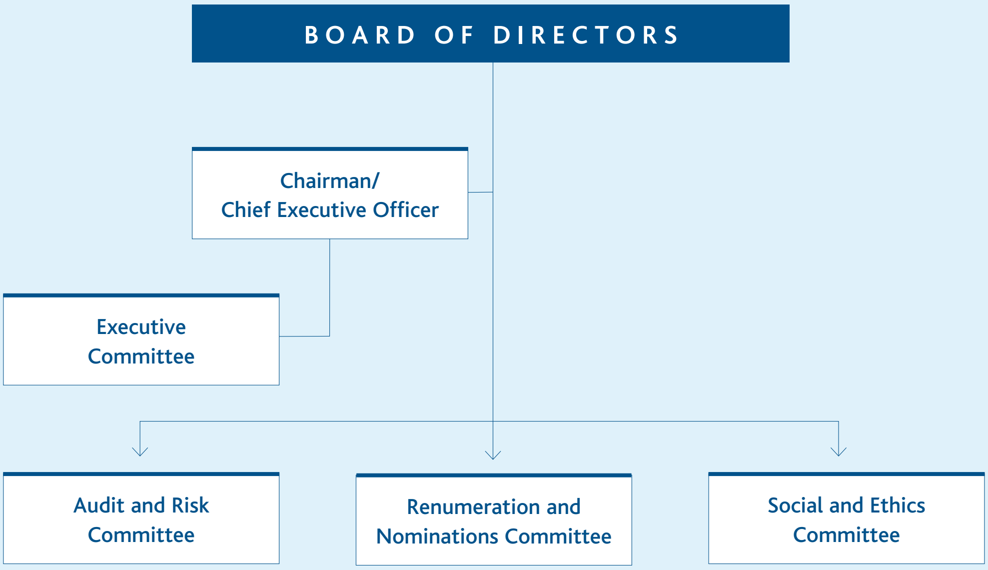
During the past financial year, several improvements have been achieved, moving the Group closer to its goal of full compliance to the King III Code. Some of these developments are highlighted below:

- Inclusion of risk as a specific aspect for consideration at the annual Board strategy session, as well as setting risk tolerance and risk appetite levels
- Introduction of a director training programme
- Implementation of a formal process to evaluate the relevant laws and regulations affecting Lenmed
- Further improvements to the process of evaluating Board and committee performance
- Strengthening of the composition and supporting processes of the Social and Ethics Committee.

The Group's King III compliance report is available on the Lenmed website, **www.lenmedhealth.com**. This discloses that the only matters of non-compliance are as follows:

- The chairman, who is also the CEO, is not independent. This is a historical arrangement arising from the control structure. This shortcoming is addressed through the appointment of a lead independent non-executive director
- The Group has not utilised independent assurance to assess the competence and independence of internal audit and IT. These are relatively new departments and, until they have matured, no such assurance will be sought
- The Group does not have a formal system of determining whether it complies fully with every detail of the recent plethora of legislation, although progress has been made with the implementation of a formal process to evaluate the relevant laws and regulations affecting Lenmed.

GOVERNANCE STRUCTURE



Lenmed is committed to compliance in all its activities. It has embarked on a process of determining an assessment of its legal compliance through its legal advisors and the Council for Health Service Accreditation of Southern Africa (COHSASA), which is expected to be completed in the coming months.

BOARD OF DIRECTORS

Composition

The Board is based on a unitary structure and exercises full and effective control over the Group. It comprises seven members: an executive chairman who also assumes the role of Chief Executive Officer, three independent non-executive directors, one non-executive director and two executive directors. The role of chairman and CEO remains combined, as per agreement with the Board. Any potential conflict has been addressed through the appointment of a lead independent director, Mr MG Meehan. The non-executive director and independent non-executive directors provide objective knowledge and experience to the Board's deliberations.

The Board composition is reviewed annually to identify any gaps and ensure that the relevant skills, experience and competencies are in place.

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

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

Directors' attendance at Board meetings

The following meetings were held in the last financial year:

Director	12 June 2014	28 Aug 2014	27 Nov 2014	26 Feb 2015
Mr P Devchand	✓(c)	✓(c)	✓(c)	✓(c)
Mr A Devchand	✓	✓	✓	✓
Mr VE Firman	N/A	✓(i)	✓	✓
Ms B Harie	✓	✓	✓	✓
Prof BD Goolab	✓	A	✓	✓
Mr MG Meehan	✓	✓	✓	✓
Ms NV Simamane	✓	✓	✓	✓

(c) Chairman
(i) Invitee
N/A Not applicable
A Apologies

Board procedures

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

The Company Secretary is Mr W Somerville, aged 58, who holds an ACIS and ACMA qualification, as well as a Diploma in Corporate Law. He is a qualified Chartered Secretary with extensive experience in the company secretarial and corporate governance arenas. The Board has considered and is satisfied with the competence, qualifications, independence and experience of the Company Secretary. The Board is also satisfied that an arms-length relationship exists between the Company Secretary and the Board of Directors, as the Company Secretary is not an employee of the company and provides services on an outsourced basis.

A Board Charter has been put in place and outlines the responsibilities of the Board as follows:

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

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

Board committees

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

The Board has the following sub-committees in place:

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

The chairman of each Board committee reports at each scheduled meeting of the Board and minutes of Board committee meetings are provided to the Board. All the members of the Audit and Risk Committee are non-executive directors. Each Board committee functions in accordance with the provisions of the Committee Charter as approved by the Board and reviewed on an annual basis.

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

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

AUDIT AND RISK COMMITTEE REPORT

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

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

The composition of the Audit and Risk Committee as approved by the shareholders at the most recent Annual General Meeting is as follows:

Name	Qualifications	Date appointed	Position
Mr MG Meehan	CA (SA)	1 November 2010	Independent non-executive director
Ms B Harie	BA, LLB, LLM	1 November 2010	Independent non-executive director
Ms NV Simamane	Bsc (Hons)	1 October 2012	Independent non-executive director

The committee met on five occasions during the year and was quorate at all meetings.

Director	29 May 2014	30 May 2014	27 Aug 2014	26 Nov 2014	24 Feb 2015
Mr MG Meehan	✓(c)	✓(c)	✓(c)	✓(c)	✓(c)
Ms B Harie	✓	✓	✓	✓	✓
Mr A Devchand	✓(i)	✓(i)	✓(i)	✓(i)	NP
Mr VE Firman	N/A	N/A	✓(i)	✓(i)	✓(i)
Ms NV Simamane	A	A	✓	✓	✓

A	*Apologies*
(c)	*Chairman*
(i)	*Invitee*
N/A	*Not applicable*
NP	*Not present, but may be invited to attend certain aspects of the meeting*

Audit Committee

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

- Reviewed and received assurances on the independence of the external auditors, PKF Durban and specifically the nominated partner Tania Marti-Warren
- Reviewed the work programme of the external auditors
- Agreed the terms of engagement of the external auditors and recommended their re-appointment at the Annual General Meeting
- Approved the fees to be paid to PKF Durban
- Determined and monitored a policy relating to non-audit services provided by PKF Durban and, where applicable, pre-approved such services
- Reviewed the report of the external auditors to management and to the shareholders and recommended action where necessary
- Expressed its satisfaction with the competence of the external auditors
- Held separate discussions with the external auditors and determined that there were no matters of concern
- Received assurances from management and internal audit on the systems of internal control
- Received no reports of breakdowns in internal controls
- Received no reports of fraud and theft
- Reviewed the charters of the Audit and Risk Committee, Internal Audit and IT Committee
- Approved the work programmes of the internal auditor and the IT Committee
- Reviewed the reports and recommendations of the internal auditor and IT Committee and where necessary made recommendations to management thereon
- Reviewed the IT risk register and made recommendations where appropriate
- Received presentations on cyber-security threats and reviewed management's recommendations on how to counter these
- Gave guidance on the accounting treatment of significant matters
- Expressed its satisfaction with the competence of the Chief Financial Officer, Mr A Devchand and his successor, Mr VE Firman
- Reviewed the performance of the Group against its loan covenants
- Monitored the performance of the Group against the requirements of King III and recommended actions to close any gaps identified
- Concurred with the views of management that the adoption of the going concern premise in the preparation of the financial results is appropriate
- Approved the final results for the 2015 financial year and recommended them for acceptance by the Board
- Conducted a self-assessment of the committee and its members.

Matters of importance addressed by the committee included:

Chief Financial Officer

During the course of the year the incumbent Chief Financial Officer (CFO), Amil Devchand was promoted to the position of Chief Operating Officer (COO). Amil had played a very significant role in upskilling the accounting teams and standards to meet the demands of significant Group growth. The committee was directly involved in the selection process of his replacement, and in Vaughan Firman we have a CFO who brings a wealth of industry experience and skills to the Group.

Internal Audit

The internal audit executive and his team are now playing an invaluable role in the organisation, providing a second level of assurance which has not been available in the past. This has provided a considerable level of comfort to the committee and the Board. In addition, the external auditors have been able to place greater reliance on internal controls and adapt their work programmes accordingly. The team is now being expanded to be able to fulfil a role in matters other than financial.

External Audit

Dhangee Puran who had been the partner of PKF Durban responsible for the audit for the past six years retired, and was replaced by Tania Marti-Warren, who is also the technical and training partner for the firm.

King III gap analysis

The committee has not considered it necessary to recommend the appointment of third party consultants to advise the Board of the sustainability of the Company at this stage. Over and above the fact that the Group is still developing sustainability reporting, it is aware of the risks to its sustainability through regular strategic planning sessions of executive management and the Board.

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

Risk Committee

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

The Group identifies risks under the headings of:

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

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

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

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

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

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

Conclusion

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

REMUNERATION AND NOMINATIONS COMMITTEE REPORT

In the past year Lenmed's Remuneration Committee (Remco) has witnessed many changes in the Group. This is in keeping with where Lenmed is in its growth path. In essence, key vacancies have been filled, new and existing policies have been introduced and improved upon and a retrenchment plan had to be effected at Randfontein Private Hospital.

Remco is now in its fourth full year of operation and has an established forward plan of agenda items. In addition, as the Group grows and seeks to implement further employee benefits, these are tabled, debated and approved on an ongoing basis. Remco is chaired by Ms B Harie, with the other permanent members being Mr MG Meehan (lead independent, non-executive) and Prof BD Goolab (non-executive). The Executive Chairman (Mr P Devchand), Chief Financial Officer (Mr VE Firman), Chief Operating Officer (Mr A Devchand), Human Resources Manager (Ms B Jeena) and the Financial Advisor from Grindrod Bank (Mr D Theodorou) are also invited to attend the meetings.

Four meetings were held prior to year end. All permanent members attended these meetings, except for one meeting for which Professor Goolab tendered his apologies.

Name	29 May 2014	26 Aug 2014	25 Nov 2014	24 Feb 2015
Ms B Harie	✓(c)	✓(c)	✓(c)	✓(c)
Mr P Devchand	✓(i)	✓(i)	✓(i)	✓(i)
Mr A Devchand	✓(i)	✓(i)	✓(i)	✓(i)
Mr VE Firman	N/A	✓(i)	✓(i)	✓(i)
Prof BD Goolab	✓	A	✓	✓
Mr MG Meehan	✓	✓	✓	✓
Ms B Jeena	N/A	N/A	N/A	✓(i)

A Apologies
(c) Chairman
(i) Invitee
N/A Not applicable

Remco operates within a Terms of Reference, which was last approved by the Board on 12 June 2014. The Terms of Reference were benchmarked against King III, discussed and reviewed by Remco on 25 February 2015, and were presented at the next Board meeting. Remco's main purpose is to provide an independent and objective body that will:

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

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

- Review of Exco service contracts for the CEO and CFO and letters of appointment.
- Review of Board, Social and Ethics and Audit Committee membership.
- Approval of the Executive Annual Bonus Scheme for the financial year ending February 2016.
- Approval of the Executive Annual Bonus payments for the financial year ended February 2014.
- Approval of the Executive Annual Remuneration increases effective 1 March 2015.
- Oversight and discussion of the hospital managers' and Group functional heads' annual remuneration increases effective 1 March 2015.
- Approval of the principles of the hospital managers' bonus scheme for the financial year ended February 2016.
- Review of non-executive director fees: non-executive director fees were approved with no increase at the 2014 Annual General Meeting.
- For the 2015 Annual General Meeting it is proposed that the fees payable for the period from the 2015 to the 2016 Annual General Meeting be amended as follows:
  - Independent non-executive director:
    - Annual retainer – increased to R174 000
    - Per meeting fee – increased to R11 000 per meeting
  - Non-executive director: a similar/proportional increase will be applied as above.
- Discussion and agreement in principle of the COO's job description and KPAs.
- Performance review of the Board and its sub-committees. On an annual basis, questionnaires are sent out to Board members by the Company Secretary, who then collects, analyses and reviews the results. These results are then presented to the Board and its sub-committees. The last set of these results proved satisfactory. In addition, constructive verbal feedback on the Board's effectiveness was also given by the CFO, the Company Secretary and the newly appointed COO.
- As per the previous year, a performance review of the Company Secretary was conducted by Board members. The outcome was satisfactory and feedback was given to the Company Secretary with recommendations that a Service Level Agreement (SLA) be put in place to address turnaround times for agendas, minutes etc.
- Revision of the long-service and share scheme awards. Both schemes were revised, as discussed under the Remuneration Policy below.
- Dr AF Kaka continued to serve Lenmed in a consulting role. Over the period his contract was renewed for two periods of six months, the latest being January 2015.
- Review and discussion around the Lenmed organogram, where cognisance is taken of the blueprint (desired state) and actual structure. This assisted in the oversight of the appointment of various vacancies within the approved organogram and certain changes to the organogram based on the changes in the Lenmed business model. The following roles were discussed and approved:
  - Dr A Manning to assume the role of Chief Medical Officer
  - Mr A Devchand to assume the role of Chief Operating Officer
  - The appointment of Mr VE Firman to the role of Chief Financial Officer
  - Appointment of Ms B Jeena to the role of Group Human Resources Manager and Mr D Naidoo to the role of Group Nursing Services Manager.
- Review and discussion of executive and senior management succession planning.
- Oversight of the implementation of the long-term incentive scheme and various revisions to the scheme. Further awards were made under the Share Appreciation Rights Scheme (SARs). Details can be found under the Remuneration Policy discussion below. As new rules around SARs are developed through discussions at Remco, these are recorded by way of a set of Practice Notes, which are read together with the original policy document.

- Formal interview process for the position of Chief Financial Officer. After interviewing both internal and external candidates, Remco recommended the appointment of Vaughan Firman to the Board for this position. Vaughan comes with significant industry experience and officially started on 1 October 2014. He has already contributed greatly to the team.
- Received feedback on the retrenchment process at Randfontein Private Hospital.
- Reviewed and discussed of the staff medical aid arrangements with a view to streamlining these schemes. These discussions are ongoing.
- Established the need for job profiling and grading of hospital level staff.
- Retained a third party, 21st Century Consultants, to conduct an independent salary benchmarking exercise for various key positions. The outcomes were useful in salary increase discussions during the February 2015 review.
- Identified the need for director and Audit Committee member training. This will be conducted over the course of the year.

Remuneration Policy

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

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

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

Having conducted a salary benchmarking exercise in this financial year and understanding what these medians are, we aim to use a period of about two years to bring our key staff in line with the above policy.

Remuneration package formulation

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

Guaranteed portion of package

The increase in remuneration packages of Lenmed executives was considered at the 25 February 2015 Remco meeting for implementation on 1 March 2015. In considering the new remuneration packages, Remco took into account the following factors:

- Comparison against the benchmark
- Individual performance
- High level comparisons made with similar positions within the sector and also with companies of a similar size
- Affordability.

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

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

Executive directors	Total short-term bonus
Mr P Devchand	R2 356 200 (85%)
Mr A Devchand	R1 044 000 (87%)

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

The following are the salient features of the LTIS:

Scheme concept:

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

Category	Share allocation
– Category 1 – CEO	1.5 million to 2.5 million shares
– Category 2 – Direct reports to category 1	750 000 to 1.5 million shares
– Category 3 – Direct reports to category 2	250 000 to 1 million shares

Scheme rules:

- The performance criteria for the SARs is a minimum 50% average achievement of the participant's short-term incentive bonus over three years prior to vesting.
- The hurdle rate calculation for the financial year ending February 2015 is CPI plus 4%, to be reviewed annually by Remco.
- Vesting will be one third on the third anniversary of the allocation date (fourth year from allocation), one third on the fourth anniversary of the allocation date (fifth year from allocation) and one third on the fifth anniversary of the allocation date (sixth year from allocation).

- Settlement is in cash or shares, at the discretion of Remco.
- Participants are not entitled to any dividends and have no voting rights.
- For the financial year ended February 2015, the second set of SARs were issued at R2.52, based on the 60-day Volume Weighted Average Price as at 1 August 2014 (per Remco's discretion not to apply the average OTC price for this period, due to the shares being illiquid). The date of the award was 1 August 2014, where a hurdle rate of CPI plus 4% was required to have been achieved.
- The following SARs awards were made to executive management:

– Mr P Devchand:	2 500 000
– Mr A Devchand:	1 000 000
– Dr A Manning:	750 000
– Mr VE Firman:	500 000

Long-service award scheme:

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

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

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

Other benefits

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

Independent non-executive directors

The three independent non-executive directors and one non-executive director continue to hold office since their appointment in September 2010 (Ms Simamane, since October 2012). They are paid an annual retainer, plus attendance fees per meeting. These directors' fees are confirmed by shareholders at the Lenmed Annual General Meeting. 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.

Directors' and prescribed officer's remuneration

Name	Executive/ Non-executive	Annual package 2015 R'million	Annual package 2016 R'million	Retainer fee per annum R'000	Fee per meeting R'000
Mr P Devchand	Executive	3.050	3.420	–	–
Mr VE Firman*	Executive	1.806	1.900	–	–
Mr A Devchand	Executive	1.320	1.750	–	–
Dr A Manning	Prescribed officer	1.400	1.600	–	–
Mrs MG Meehan	Non-executive	–	–	162	10.25
Ms B Harie	Non-executive	–	–	162	10.25
Ms NV Simamane	Non-executive	–	–	162	10.25
Prof BD Goolab	Non-executive	–	–	147	9.7

* *Appointed in October 2014.*

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

SOCIAL AND ETHICS COMMITTEE REPORT

This report by the Social and Ethics Committee (the committee) is prepared in accordance with the requirements of the Companies Act No. 71 of 2008, as amended (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 in respect of the financial year ended 28 February 2015. The committee has in the three years since its establishment carried out its mandate and statutory obligation to direct and oversee the Company's activities as they relate to social and economic development, good corporate citizenship, the environment, health and safety, and labour and employment.

Composition of the committee

The committee comprises three suitably skilled and experienced members appointed by the Board. Ms NV Simamane, who is an independent non-executive director, chairs the committee. Committee members include Dr A Manning, the Chief Medical Officer and Mr E Asmal, the Regional Manager.

The Committee Charter and work plan

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

In terms of the committee's mandate, at least two meetings should be held annually. Attendance at the committee meetings during the period under review was as follows:

Attendance

Committee member	Role	18 June	29 October
Ms NV Simamane	Chairman	✓	✓
Dr A Manning	Chief Medical Officer	✓	✓
Mr E Asmal	Regional Manager	✓	✓
Mr VE Firman (i)	Chief Financial Officer	N/A	✓

(i) Invitee
N/A Not applicable

Committee self-assessment

The committee assessed its performance and effectiveness and reported the results of this self-assessment to the Board for its consideration. The Board reviewed the self-assessment results in May 2015. The committee chairman updates the Board bi-annually on the work done by the committee.

The committee's role and responsibilities

Role

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

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

Responsibilities

The committee performs all the functions as 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 with reference to the Company's:

- 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
- Labour Relations
- Corporate citizenship.

Policy review

The committee is responsible for developing and reviewing the Group's policies with regard to the commitment, governance and reporting of the Group's sustainable development performance and for making recommendations to management and/or the Board in this regard. During the year, the committee reviewed the Group's Code of Business Conduct and Ethics, Anti-corruption Policy including guidelines on Gifts, CSI Policy, Health and Safety Policy and HIV/Aids Policy.

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

- *Human rights practices within the Group*

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

- *Labour and employment practices*

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

- *Transformation*

  The committee reviewed the Group's performance against the dti's BBBEE scorecard relating to ownership, management control, employment equity, skills development, preferential procurement, enterprise development and socioeconomic development, as well as the results of the annual independent BBBEE audit.

- *Corporate Social Investment (CSI)*

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

- *Anti-corruption, ethics and compliance*

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

- *Environment, health and public safety*

  The environment, health and safety report that covered environment matters, disaster management, waste management and safety of patients and staff was reviewed. It was noted that there are appropriate processes in place covering health and safety and that this was actively managed.

- *Customer relationships*

  The committee received and reviewed reports on the Group's advertising and public relations activities and stakeholder relations.

Report to shareholders

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

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CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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

LEVEL OF ASSURANCE

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

PREPARER

These annual financial statements were prepared and supervised by:

MR N GANY (CA) SA

MR J BHANA (CA) SA

DIRECTORS' RESPONSIBILITIES AND APPROVAL

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

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

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

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

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

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

The directors believe that the Group will be a going concern in the foreseeable future based on forecasts and available cash and cash equivalents.

The annual financial statements of the Group as set out on pages 49 to 83, which have been prepared on the going concern basis, were approved by the Board of Directors on 11 June 2015 and were signed on its behalf by:

MR P DEVCHAND

MR VE FIRMAN

REPORT OF THE AUDIT COMMITTEE

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

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

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

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

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

For further information on the composition and activities of the Audit Committee, please see page 39 of the annual integrated report.

M Meehan.

MR MG MEEHAN CA (SA)
Chairman of the Audit Committee

29 May 2015

STATEMENT OF COMPLIANCE BY THE COMPANY SECRETARY

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

MR W SOMERVILLE
Company Secretary

11 June 2015

REPORT OF THE INDEPENDENT AUDITORS

To the shareholders of Lenmed Investments Limited and its subsidiaries

We have audited the consolidated and separate financial statements of Lenmed Investments Limited and its subsidiaries, as set out on pages 51 to 83, which comprise the consolidated and separate statements of financial position as at 28 February 2015, and the consolidated and separate statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

AUDIT OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Lenmed Investments Limited as at 28 February 2015, and its consolidated and separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate financial statements for the year ended 28 February 2015, we have read the directors' report, the Audit Committee's report and the statement of the Company Secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the directors. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PKF Durban

PKF DURBAN
Registered Auditors
Practice number: 906352E

PARTNER: TC MARTI-WARREN RA CA (SA)

Durban

11 June 2015

REPORT OF THE DIRECTORS

NATURE OF BUSINESS

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

The Lenmed Investments Group includes the following entities:

Subsidiaries	
Lenmed Health (Pty) Ltd	Reg. No. 2005/022423/07
Lenmed Health Lenasia (Pty) Ltd	Reg. No. 2006/002764/07
Lenmed Health Laverna (Pty) Ltd	Reg. No. 1988/004487/07
Lenmed Health Shifa (Pty) Ltd	Reg. No. 2000/006080/07
Lenmed Health Zamokuhle (Pty) Ltd	Reg. No. 2005/017980/07
Lenmed Health Daxina Private Hospital (Pty) Ltd	Reg. No. 2006/021573/07
Lenmed Health Randfontein Private Hospital (Pty) Ltd	Reg. No. 2012/006706/07
Lenmed Management Services (Pty) Ltd	Reg. No. 2000/021905/07
Ladysmith Hospital Properties (Pty) Ltd	Reg. No. 1988/004497/07
Ladysmith Hospital Holdings (Pty) Ltd	Reg. No. 1992/003153/07
Lenmed Health Management Company (Pty) Ltd	Reg. No. 2010/004046/07
Lenmed Health Africa (Pty) Ltd	Reg. No. 2011/130484/07
Lenmed Health Bokamoso Private Hospital (Pty) Ltd	Reg. No. CO2011/4403
Maputo Private Hospital SARL	Reg. No. 17682
Nu-Yale Trust	IT 29/1996
Associate Companies	
Ethekwini Hospital and Heart Centre (Pty) Ltd	Reg. No. 2002/002222/07
Lenasia Renal Centre (Pty) Ltd	Reg. No. 1999/028225/07

STATE OF AFFAIRS

The Group's earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) amounted to R180 136 635 (2014: R196 876 134).

The Group's profit before taxation for the year amounted to R159 647 781 (2014: R176 853 876) before deducting taxation of R34 165 370 (2014: R44 389 357), resulting in profit after taxation for the year of R125 482 411 (2014: R132 464 519).

STATEMENT OF RESPONSIBILITY

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

FINANCIAL RESULTS

The results of the Group are set out in the attached financial statements. For further commentary please refer to the other reports detailed in the annual integrated report.

DIVIDENDS

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

No dividends were declared nor paid to ordinary shareholders during the year under review (2014: nil).

DIRECTORSHIP

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

- Mr P Devchand
- Mr A Devchand
- Mr MG Meehan
- Prof BD Goolab
- Ms B Harie
- Ms NV Simamane
- Mr VE Firman (Appointed 1 October 2014)

REPORT OF THE DIRECTORS
continued

SECRETARIES

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

The Transfer Secretary of the Company is Singular Systems (Pty) Ltd t/a Equity Express.

SHARE CAPITAL

During the year under review, 76 925 (2014: 574 725) shares were issued to employees in terms of the long-service award plan. The Group awards employees who have achieved 15 years of employment with the Group, with shares to the value of R40 000 for no consideration. During the reporting period, five (2014: 25) employees qualified for this award and were issued 15 385 (2014: 22 989) shares each. Each share was valued at R2.60 (2014: R1.74), representing the last traded price per share on the over-the-counter share trading platform as at 28 February 2015. The expense recognised in the annual financial statements, related to this award, amounted to R200 000 (2014: R1 000 000).

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

AUDITORS

PKF Durban are the Group's external auditors.

MANAGEMENT BY THIRD PARTIES

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

CORPORATE GOVERNANCE

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

PROPERTY, PLANT AND EQUIPMENT

During the year the Group acquired property, plant and equipment to the amount of R79 381 652 (2014: R71 977 402).

ACQUISITIONS

The Group acquired 30% of Lenasia Renal Centre (Pty) Ltd, a renal dialysis unit situated adjacent to the Lenmed Health Ahmed Kathrada Private Hospital for R1 370 614. The unit was acquired on 1 August 2014.

The Group acquired 1 491 ordinary shares and a loan account at a cost of R1 789 200 on 2 July 2014 and a further 174 ordinary shares and a loan account at a cost of R208 800 on 1 February 2015 in Ethekwini Hospital and Heart Centre (Pty) Ltd. As at year end the Group owns 40.02% of Ethekwini Hospital and Heart Centre (Pty) Ltd.

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

SUBSEQUENT EVENTS

The Board of Directors is not aware of any other matter or circumstance arising since the end of the financial year, besides the following:

- The Group acquired a private hospital in Kathu from Mediclinic, comprising the land and buildings and hospital operations on 1 March 2015. The operations were acquired with a local property development group (ATMG), with Lenmed acquiring 67% of the hospital operations and 60% of the land and buildings.
- The Group entered into an agreement to purchase land and a hospital licence in Kimberley, Northern Cape, for an amount of R23 million on 7 May 2015. The hospital is expected to open in the 2017 financial year.

Refer to note 33 in these annual financial statements for further information.

STATEMENTS OF FINANCIAL POSITION

Rand		*GROUP*		*COMPANY*	
	Notes	**2015**	2014	**2015**	2014
ASSETS					
Non-current assets					
Property, plant and equipment	3	**1 133 985 417**	1 060 588 371	**–**	–
Goodwill	4	**22 406 819**	22 406 819	**–**	–
Investment in subsidiaries	5	**–**	–	**5 524 169**	1 511 473
Investment in associates	6	**190 626 548**	168 353 827	**–**	–
Loans receivable	15	**–**	–	**278 294 657**	300 581 093
Deferred taxation	17	**27 488 212**	11 921 810	**27 216**	–
		1 374 506 996	1 263 270 827	**283 846 042**	302 092 566
Current assets					
Inventory	7	**31 771 295**	31 529 019	**–**	–
Trade and other receivables	9	**307 063 791**	249 436 489	**680 931**	846 523
Taxation		**262 709**	385 957	**–**	270 907
Investment held for sale	8	**–**	94 314 863	**–**	–
Cash and cash equivalents	10	**121 933 118**	71 463 764	**48 034 861**	21 862 992
		461 030 913	447 130 092	**48 715 792**	22 980 422
TOTAL ASSETS		**1 835 537 909**	1 710 400 919	**332 561 834**	325 072 988
EQUITY AND LIABILITIES					
Equity and reserves					
Stated capital	11	**219 483 313**	219 283 313	**219 483 313**	219 283 313
Other reserves	12	**257 936 365**	236 060 528	**4 323 969**	511 273
Accumulated profits		**677 988 621**	554 907 882	**107 981 273**	104 932 837
Non-controlling interest	13	**18 389 737**	15 281 111	**–**	–
		1 173 798 036	1 025 532 834	**331 788 555**	324 727 423
Non-current liabilities					
Long-term liabilities	16	**175 926 742**	240 862 655	**–**	–
Loans from minorities	14	**93 683 360**	81 726 412	**–**	–
Deferred taxation	17	**91 360 033**	88 041 549	**–**	–
		360 970 135	410 630 616	**–**	–
Current liabilities					
Trade and other payables	19	**144 007 746**	133 164 555	**732 448**	345 565
Current portion of long-term liabilities	16	**92 426 709**	75 277 544	**–**	–
Short-term loan	20	**11 000 000**	11 000 000	**–**	–
Provisions	18	**20 339 722**	19 932 414	**–**	–
Taxation		**4 014 299**	4 590 916	**40 831**	–
Bank overdraft	10	**28 981 262**	30 272 040	**–**	–
		300 769 738	274 237 469	**773 279**	345 565
TOTAL EQUITY AND LIABILITIES		**1 835 537 909**	1 710 400 919	**332 561 834**	325 072 988

STATEMENTS OF COMPREHENSIVE INCOME

Rand		*GROUP*		*COMPANY*	
	Notes	2015	2014	2015	2014
PROFIT AND LOSS					
Revenue		**1 230 247 232**	1 130 649 995	**–**	–
Cost of sales		**(363 703 469)**	(316 201 561)	**–**	–
Gross profit		**866 543 763**	814 448 434	**–**	–
Other income		**37 696 107**	48 919 220	**1 675 375**	1 254 483
Operating costs		**(760 691 690)**	(699 858 303)	**(1 589 810)**	(1 447 486)
Profit before interest and taxation	21	**143 548 180**	163 509 351	**85 565**	(193 003)
Investment income	22	**45 318 539**	44 096 654	**4 116 640**	1 758 484
Finance costs	23	**(29 218 938)**	(30 752 129)	**–**	–
Profit before taxation		**159 647 781**	176 853 876	**4 202 205**	1 565 481
Taxation	24	**(34 165 370)**	(44 389 357)	**(1 153 769)**	(436 571)
PROFIT FOR THE YEAR		**125 482 411**	132 464 519	**3 048 436**	1 128 910
OTHER COMPREHENSIVE INCOME					
Items that may be reclassified subsequently to profit and loss					
Foreign currency translation reserve		**18 770 096**	37 494 327	**–**	–
TOTAL OTHER COMPREHENSIVE INCOME		**18 770 096**	37 494 327	**–**	–
TOTAL COMPREHENSIVE INCOME		**144 252 507**	169 958 846	**3 048 436**	1 128 910
PROFIT FOR THE YEAR ATTRIBUTABLE TO:					
Non-controlling interests		**2 401 672**	5 378 240	**–**	–
Lenmed Investments Ltd equity holders		**123 080 739**	127 086 279	**–**	–
		125 482 411	132 464 519	**–**	–
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Non-controlling interests		**3 108 626**	6 839 707	**–**	–
Lenmed Investments Ltd equity holders		**141 143 881**	163 119 139	**–**	–
		144 252 507	169 958 846	**–**	–

STATEMENTS OF CASH FLOWS

Rand		*GROUP*		*COMPANY*	
	Notes	**2015**	2014	**2015**	2014
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit for the year		**125 482 411**	132 464 519	**3 048 436**	1 128 910
Finance costs		**29 218 938**	30 752 129	**–**	–
Income tax		**34 165 370**	44 389 357	**1 153 769**	436 571
Depreciation and amortisation	3	**36 588 456**	33 366 783	**–**	–
Interest income	22	**(13 256 878)**	(7 285 849)	**(4 116 640)**	(1 758 484)
Loss/(profit) on disposal of property, plant and equipment		**3 974**	(385 749)	**–**	–
Profit on disposal of investment		**(2 096 938)**	(6 300)	**–**	(6 300)
Capital issued in respect of long-service awards		**200 000**	1 000 000	**200 000**	1 000 000
Share-based payment accrual		**3 812 696**	511 273	**3 812 696**	511 273
Income from associates		**(33 378 847)**	(33 809 988)	**–**	–
Foreign currency translation adjustments		**(11 852 992)**	(35 744 947)	**–**	–
Increase in loan from minorities		**11 956 948**	11 231 964	**–**	–
OPERATING CASH FLOW BEFORE WORKING CAPITAL CHANGES		**180 843 138**	176 483 192	**4 098 261**	1 311 970
Working capital changes					
Increase in inventory		**(242 276)**	(165 989)	**–**	–
(Increase)/decrease in trade and other receivables		**(57 627 302)**	(96 710 822)	**165 592**	80 074
Increase/(decrease) in trade and other payables and accruals		**11 250 499**	54 148 578	**386 883**	(350 628)
CASH GENERATED BY OPERATING ACTIVITIES		**134 224 059**	133 754 959	**4 650 736**	1 041 416
Interest income		**13 256 878**	7 285 849	**4 116 640**	1 758 484
Finance costs		**(29 218 938)**	(30 752 129)	**–**	–
Income tax paid	25	**(46 866 657)**	(36 283 426)	**(869 247)**	(376 371)
NET CASH FROM OPERATING ACTIVITIES		**71 395 342**	74 005 253	**7 898 129**	2 423 529
CASH FLOWS FROM INVESTING ACTIVITIES					
Property, plant and equipment acquired	3	**(79 381 652)**	(71 977 402)	**–**	–
– to maintain operating capacity		**(33 008 554)**	(38 861 473)	**–**	–
– to expand operating capacity		**(46 373 098)**	(33 115 929)	**–**	–
Proceeds on disposals of property, plant and equipment		**15 264**	1 025 690	**–**	–
Proceeds on disposals of short-term investment		**–**	2 201 000	**–**	2 201 000
Proceeds on disposal of associate		**96 411 801**	–	**–**	–
Decrease in loan to associate		**14 474 740**	10 096 091	**–**	–
Increase in investment in associates		**(3 368 615)**	–	**–**	–
Increase in investment in subsidiaries		**–**	–	**(4 012 696)**	(1 511 273)
NET CASH GENERATED BY/(UTILISED IN) INVESTING ACTIVITIES		**28 151 538**	(58 654 621)	**(4 012 696)**	689 727
CASH FLOWS FROM FINANCING ACTIVITIES					
Net loans (repaid)/raised		**(47 786 748)**	(32 327 078)	**22 286 436**	(9 265 392)
Loans raised		**6 324 410**	2 265 589	**22 186 436**	–
Loans paid		**(54 111 158)**	(34 592 667)	**–**	(9 265 392)
NET CASH UTILISED IN FINANCING ACTIVITIES		**(47 786 748)**	(32 327 078)	**22 286 436**	(9 265 392)
Increase/(decrease) in cash and cash equivalents		**51 760 132**	(16 976 446)	**26 171 869**	(6 152 136)
Cash and cash equivalents at beginning of the year		**41 191 724**	58 168 170	**21 862 992**	28 015 128
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	10	**92 951 856**	41 191 724	**48 034 861**	21 862 992

STATEMENTS OF CHANGES IN EQUITY

Rand	*GROUP*			
	Stated capital	Revaluation reserve	Foreign currency translation reserve	Share-based payment reserve
Balance at 1 March 2013	218 283 313	176 544 490	22 971 905	–
Profit for the year	–	–	–	–
Other comprehensive income	–	–	36 032 860	–
Share-based payment accrual	–	–	–	511 273
Issue of share capital	1 000 000	–	–	–
Balance at 1 March 2014	219 283 313	176 544 490	59 004 765	511 273
Profit for the year	–	–	–	–
Other comprehensive income	–	–	18 063 141	–
Share-based payment accrual	–	–	–	3 812 696
Issue of share capital	200 000	–	–	–
BALANCE AT 28 FEBRUARY 2015	219 483 313	176 544 490	77 067 906	4 323 969
NOTES	11	12	12	12

Rand	*COMPANY*			
	Stated capital	Share-based payment reserve	Retained earnings	**Total**
Balance at 1 March 2013	218 283 313	–	103 803 927	**322 087 240**
Profit for the year	–	–	1 128 910	**1 128 910**
Share-based payment accrual	–	511 273	–	**511 273**
Issue of share capital	1 000 000	–	–	**1 000 000**
Balance at 1 March 2014	219 283 313	511 273	104 932 837	**324 727 423**
Profit for the year	–	–	3 048 436	**3 048 436**
Share-based payment accrual	–	3 812 696	–	**3 812 696**
Issue of share capital	200 000	–	–	**200 000**
BALANCE AT 28 FEBRUARY 2015	219 483 313	4 323 969	107 981 273	**331 788 555**
NOTES	11	12		

GROUP			
Accumulated profits	Equity attributable to Group	Non-controlling interest	**Total**
427 821 603	845 621 311	8 441 404	**854 062 715**
127 086 279	127 086 279	5 378 240	**132 464 519**
–	36 032 860	1 461 467	**37 494 327**
–	511 273	–	**511 273**
–	1 000 000	–	**1 000 000**
554 907 882	1 010 251 723	15 281 111	**1 025 532 834**
123 080 739	123 080 739	2 401 672	**125 482 411**
–	18 063 141	706 954	**18 770 095**
–	3 812 696	–	**3 812 696**
–	200 000	–	**200 000**
677 988 621	1 155 408 299	18 389 737	**1 173 798 036**
		13	

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

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

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

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

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

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

Standard	Details of amendment	Annual periods
IFRS 10: *Consolidated Financial Statements*	Exception to the principle is that subsidiaries must be consolidated. Entities meeting the definition of 'Investment Entities' must account for investments in subsidiaries at fair value under IFRS 9: *Financial Instruments*, or IAS 39: *Financial Instruments: Recognition and Measurement*.	Applicable to annual periods beginning on or after 1 January 2014
IAS 36: *Impairment of Assets*	Amendments address the disclosure of information about the recoverable amount of impaired assets if the amount is based on fair value less costs of disposal.	Applicable to annual periods beginning on or after 1 January 2014

1.2 Standards in issue, but not yet effective

At the date of authorisation of these financial statements, the following standards and interpretations were in issue, but not yet effective.

Standard	Details of amendment	Annual periods
IFRS 2: *Share-Based Payment*	***Annual Improvements 2010 – 2012 Cycle:*** Amendments added the definitions of performance conditions and service conditions and amended the definitions of vesting conditions and market conditions.	Applicable to annual periods beginning on or after 1 July 2014
IFRS 3: *Business Combinations*	***Annual Improvements 2010 – 2012 Cycle:*** Amendments to the measurement requirements for all contingent consideration assets and liabilities including those accounted for under IAS 39.	Applicable to annual periods beginning on or after 1 July 2014
	Annual Improvements 2011 – 2013 Cycle: Amendments to the scope paragraph for the formation of a joint arrangement.	

Standard	Details of amendment	Annual Periods
IFRS 9: *Financial Instruments*. (A finalised version of IFRS 9 has been issued, which replaces IAS 39: *Financial Instruments: Recognition and Measurement)*	***Annual Improvements 2010 – 2012 Cycle:*** Amended the measurement requirements for all contingent consideration assets and liabilities.	Applicable to annual periods beginning on or after 1 July 2014
	The completed standard comprises guidance on classification and measurement, impairment, hedge accounting and derecognition: → Introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held, and its cash flow characteristics. The new business model allows for certain financial assets to be categorised as 'fair value through other comprehensive income' in certain circumstances. The requirements for financial liabilities are mostly carried forward from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk. → The new model introduces a single impairment model being applied to all financial instruments, as well as an "expected credit loss" model for the measurement of financial instruments. → The new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity, in addition enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements. → The standard carries forward the derecognition requirements of financial assets from IAS 39.	Applicable to annual periods beginning on or after 1 January 2018
IFRS 13: *Fair Value Measurement*	***Annual Improvements 2010 – 2012 Cycle:*** Amendment clarifies the measurement requirements for short-term receivables and payables.	Applicable to annual periods beginning on or after 1 July 2014
	Annual Improvements 2011 – 2013 Cycle: Amendment clarifies that the portfolio exception applies to all contracts within the scope of, and accounted for in accordance with IAS 39 of IFRS 9.	
IFRS 15: *Revenue from Contracts from Customers*	The new standard requires the application of a five-step methodology to all contracts with customers to recognise revenue. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. This standard supersedes IAS 11. (a) IAS 11: *Construction Contracts* (b) IAS 18: *Revenue* (c) IFRIC 13: *Customer Loyalty Programmes* (d) IFRIC 15: *Agreements for the Construction of Real Estate* (e) IFRIC 18: *Transfer of Assets from Customers* (f) SIC-31: *Revenue-Barter Transactions involving Advertising Services*	Applicable to annual periods beginning on or after 1 January 2017

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

continued

1 BASIS OF PREPARATION continued

1.2 Standards in issue, but not yet effective continued

Standard	Details of amendment	Annual periods
IAS 24: *Related Party Disclosures*	***Annual improvements 2010 – 2012 Cycle:*** Amendments to the definitions and disclosure requirements for key management personnel.	Applicable to annual periods beginning on or after 1 July 2014
IAS 27: *Consolidated and Separate Financial Statements*	Amendments allowing entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.	Applicable to annual periods beginning on or after 1 January 2016

The directors anticipate that the new standards, amendments and interpretations will be adopted in the Group's consolidated financial statements when they become effective. The directors do not believe that these amendments will have any financial effect on the Group, but additional disclosure may be required.

2 ACCOUNTING POLICIES

2.1 Revenue

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

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

2.2 Other income

Rental income from operating leases is recognised as it is earned over the term of the relevant lease.

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

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

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

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

2.3 Cost of sales

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

2.4 Inventory

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

2.5 Taxation

Current tax

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

Deferred tax

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

The Group does not recognise deferred tax liabilities, or deferred tax assets, on temporary differences associated with investments in subsidiaries, joint ventures and associates when it is not considered probable that the temporary differences will reverse in the foreseeable future.

2.6 Operating leases

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

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

2.7 Finance lease

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

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

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

2.8 Goodwill

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

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

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

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

2.9 Property, plant and equipment

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between the depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

The following are the current estimated useful lives

Land	Indefinite
Buildings	40 years
Leasehold improvements	Written off over the period of lease
Plant and equipment	10 years
Motor vehicles	5 years
Computer equipment	3 years
Office equipment	10 years
Furniture and fittings	10 years

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

2.10 Impairment

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

In assessing value in use, the expected future cash flows are discounted to present value using pre-tax discount rates that 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.

2.11 Provisions

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

2.12 Basis of consolidation

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
continued

2 ACCOUNTING POLICIES continued

2.12 Basis of consolidation continued

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

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

Subsidiaries

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

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

Associates

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

2.13 Employee benefits

Short-term employee benefits

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

The provisions for employee entitlements to wages, salaries and annual leave represent the amount which the 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.

Retirement benefits

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

2.14 Borrowings

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

2.15 Financial instruments

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

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

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

Long- and short-term investments

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

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

Working capital balances

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

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

Trade and other receivables

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

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

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

Trade and other payables

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

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

2.16 Investments

Investments in subsidiaries are initially recorded at cost on the effective date of acquisition. They are subsequently carried at cost less any provision for impairment.

2.17 Share capital

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

2.18 Related party transactions

All subsidiaries and associated companies of the Group are related parties. A list of the major subsidiaries and associated companies are included in the report of the directors. All transactions entered into with subsidiaries and associated companies were under terms no more favourable than those with third parties and have been eliminated in the consolidated Group accounts. Directors' emoluments are set out in note 26. Balances with other related parties are set out in note 28. There were no other material contracts with related parties.

2.19 Contingencies and commitments

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

2.20 Share incentive scheme

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

2.21 Translation of foreign currencies

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

Foreign currency transactions

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

Foreign operations

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

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

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

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

2.22 Borrowing costs

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

All other borrowing costs are expensed in the period in which they are incurred.

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			2015			2014
Rand	Cost/ valuation	Accumulated depreciation	**Carrying value**	Cost/ valuation	Accumulated depreciation	**Carrying value**
3 PROPERTY, PLANT AND EQUIPMENT						
Group						
Land and buildings	915 981 993	–	**915 981 993**	838 552 702	–	**838 552 702**
Plant and equipment	277 780 523	105 218 697	**172 561 826**	254 983 942	79 398 414	**175 585 528**
Motor vehicles	2 324 955	1 298 148	**1 026 807**	2 293 422	895 797	**1 397 625**
Furniture and fittings	44 171 784	17 560 944	**26 610 840**	40 001 755	12 873 230	**27 128 525**
Leasehold improvements	2 862 049	182 489	**2 679 560**	–	–	**–**
Office equipment	13 730 357	6 798 384	**6 931 973**	13 345 073	5 558 189	**7 786 884**
IT equipment	24 279 291	16 086 873	**8 192 418**	20 293 999	10 156 892	**10 137 107**
	1 281 130 952	147 145 535	**1 133 985 417**	1 169 470 893	108 882 522	**1 060 588 371**

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

	2015					
	Carrying value at beginning of year	Additions	Disposals	Depreciation	FCTR adjustment	**Carrying value at end of year**
Land and buildings	838 552 702	51 851 525	–	–	25 577 766	**915 981 993**
Plant and equipment	175 585 528	17 028 798	–	(24 111 990)	4 059 490	**172 561 826**
Motor vehicles	1 397 625	35 848	–	(403 833)	(2 833)	**1 026 807**
Furniture and fittings	27 128 525	2 825 710	–	(4 373 659)	1 030 264	**26 610 840**
Leasehold improvements	–	2 862 049	–	(182 489)	–	**2 679 560**
Office equipment	7 786 884	385 283	–	(1 240 194)	–	**6 931 973**
IT equipment	10 137 107	4 392 439	(19 238)	(6 276 291)	(41 599)	**8 192 418**
	1 060 588 371	79 381 652	(19 238)	(36 588 456)	30 623 088	**1 133 985 417**

	2014					
	Carrying value at beginning of year	Additions	Disposals	Depreciation	FCTR adjustment	**Carrying value at end of year**
Land and buildings	743 933 996	40 538 935	–	–	54 079 771	**838 552 702**
Plant and equipment	158 249 434	25 490 237	(639 941)	(22 998 746)	15 484 544	**175 585 528**
Motor vehicles	1 173 357	539 462	–	(353 471)	38 277	**1 397 625**
Furniture and fittings	25 283 295	2 388 762	–	(3 334 783)	2 791 251	**27 128 525**
Office equipment	8 828 082	205 832	–	(1 247 030)	–	**7 786 884**
IT equipment	11 910 255	2 814 174	–	(5 432 753)	845 431	**10 137 107**
	949 378 419	71 977 402	(639 941)	(33 366 783)	73 239 274	**1 060 588 371**

Certain assets are encumbered as security for liabilities of the Group (refer to note 16). A register of land and buildings is available for inspection at the registered office of the Company.

Land and buildings to the value of R28 million (2014: R28 million) have not been transferred to the Group as at year end and relate to the acquisition of the Randfontein Private Hospital. Subsequent to year end, land and buildings were transferred to the Group. The registration date of the transfer was 13 March 2015. The guarantee of R20 million issued to the vendor at year end has fallen away.

Rand	*GROUP*		*COMPANY*	
	2015	**2014**	**2015**	**2014**
4 GOODWILL				
Carrying amount at beginning and end of the year	**22 406 819**	22 406 819	**–**	–
Goodwill relates to the excess of the purchase price consideration over the fair value of the assets and the liabilities of Ladysmith Hospital Holdings (Pty) Ltd and Lenmed Health Shifa (Pty) Ltd on acquisition. Management determines the recoverable amounts of cash generating units as being the higher of net selling price or value in use. In the absence of an active market, value in use is used to determine the recoverable amount. A traditional method of discounting management's best estimate of future cash flows attributable to the cash generating unit has been applied to determine the value in use. A growth rate has been applied to the cash flow streams to take into account the effect of inflation. Assumptions used in the calculation of the discount rate are as follows: – R204 rate was yielding 6.8% as at 26 February 2015 – A market risk premium of 6% given the unlisted nature of the Group. CPI growth for 2016 is forecast to be 6% – Beta of 0.8 is appropriate based on the defensive nature of the Group. The net present value of these forecasts support the value of goodwill indicated above.				
5 INVESTMENT IN SUBSIDIARIES				
Lenmed Health Africa (Pty) Ltd	**–**	–	**100**	100
Lenmed Health (Pty) Ltd	**–**	–	**5 524 069**	1 511 373
	–	–	**5 524 169**	1 511 473

Investment in Lenmed Health (Pty) Ltd increased during the reporting period by R4 012 696 (2014: R1 511 273) due to the following:

Long-service share award: R200 000 (2014: R1 000 000)
Share-based payment: R3 812 696 (2014: R511 273)

Please refer to note 12 for further information.

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6 INVESTMENT IN ASSOCIATES

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

Rand	*GROUP*		*COMPANY*	
	2015	2014	**2015**	2014
Pharmed Pharmaceuticals (Pty) Ltd				
Opening balance	**94 314 863**	83 960 883	**–**	–
Share of associate's earnings	**–**	13 354 796	**–**	–
Disposal of investment	**(94 314 863)**			
Reallocation of dividends received	**–**	(3 000 816)	**–**	–
CLOSING BALANCE	**–**	94 314 863	**–**	–
Reclassified to current assets	**–**	(94 314 863)	**–**	–
Ethekwini Hospital and Heart Centre (Pty) Ltd				
Opening balance	**168 353 827**	154 993 909	**–**	–
Acquisition of shares	**1 273 778**	–	**–**	–
Increase in loan	**724 222**	–	**–**	–
Repayment of loan account	**(14 474 740)**	(10 096 091)	**–**	–
Share of associate's earnings	**31 913 305**	23 456 009	**–**	–
Share of associate's other comprehensive income	**–**	–	**–**	–
CLOSING BALANCE	**187 790 392**	168 353 827	**–**	–
During the year the Group acquired a further 1 665 ordinary shares for R1 273 827 as well as a loan account to the value of R724 222.				
Summary of financial information				
Non-current assets	***435 142 433***	*437 537 839*	**–**	–
Current assets	***141 621 456***	*79 725 030*	**–**	–
Non-current liabilities	***295 585 931***	*324 170 766*	**–**	–
Current liabilities	***57 650 102***	*53 936 400*	**–**	–
Revenue	***474 623 960***	*423 815 331*	**–**	–
Profit after taxation	***79 378 529***	*58 333 770*	**–**	–
Lenasia Renal Centre (Pty) Ltd				
Opening balance	**–**	–	**–**	–
Acquisition	**1 370 614**	–	**–**	–
Share of associate's earnings	**148 356**	–	**–**	–
Bargain purchase price	**1 317 186**	–	**–**	–
CLOSING BALANCE	**2 836 156**	–	**–**	–
During the year the Group acquired 30% of Lenasia Renal Centre (Pty) Ltd, a renal dialysis unit situated adjacent to the Ahmed Kathrada Private Hospital for R1 370 614. The bargain purchase price arose due to the difference between the fair value of assets acquired against the purchase price.				
Summary of financial information				
Current assets	***1 997 638***	–	**–**	–
Current liabilities	***4 951 667***	–	**–**	–
Revenue	***21 278 918***	–	**–**	–
Profit after taxation	***1 981 417***	–	**–**	–
TOTAL INVESTMENT IN ASSOCIATES	**190 626 548**	168 353 827	**–**	–

Rand	*GROUP*		*COMPANY*	
	2015	2014	**2015**	2014
6 INVESTMENT IN ASSOCIATES continued				
The directors are of the opinion that the fair value of the above investment exceeds its carrying value.				
The investment in Ethekwini Hospital and Heart Centre (Pty) Ltd has been encumbered as security for the liabilities of the Group (refer to note 16).				
7 INVENTORY				
Medical supplies and consumables	**31 771 295**	31 529 019	**–**	–
Inventory has been valued as per policy outlined in note 2.4.				
8 INVESTMENT HELD FOR SALE				
Pharmed Pharmaceuticals (Pty) Ltd	**–**	94 314 863	**–**	–
Refer to note 6 for further information.				
9 TRADE AND OTHER RECEIVABLES				
Trade receivables	**312 498 036**	263 771 460	**–**	–
Other receivables	**31 918 512**	14 080 429	**680 931**	846 523
Advance payment for investment	**9 791 399**	–	**–**	–
	354 207 947	277 851 889	**680 931**	846 523
Provision for bad debts	**(47 144 156)**	(28 415 400)	**–**	–
	307 063 791	249 436 489	**680 931**	846 523
The advance payment relates to payment for the purchase of the Mediclinic Kathu which was acquired on 1 March 2015. Refer to note 33 for further information.				
Provision for bad debts				
Opening balance	**(28 415 400)**	(13 418 451)	**–**	–
Increase in provision recognised in profit and loss	**(18 728 756)**	(14 996 949)	**–**	–
CLOSING BALANCE	**(47 144 156)**	(28 415 400)	**–**	–
The carrying value of trade and other receivables approximates its fair value due to their short-term nature.				
Trade receivables past due but not impaired				
– 1 month past due	**28 107 882**	25 235 183	**–**	–
– 2 months past due	**13 405 309**	19 314 261	**–**	–
– 3 months past due and over past due	**56 452 272**	23 880 271	**–**	–
	97 965 463	68 429 715	**–**	–

Trade receivables to the value of R99 965 702 (2014: R87 989 446) have been ceded as security to First National Bank and Nedbank for various bank facilities granted, including long-term liabilities (note 16).

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Rand	*GROUP*		*COMPANY*	
	2015	2014	**2015**	2014
10 CASH AND CASH EQUIVALENTS				
Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents, included in the statements of cash flows, comprise the following amounts:				
Favourable cash balances				
Cash on hand	**54 997**	145 203	**–**	–
Bank balances	**121 878 121**	71 318 561	**48 034 861**	21 862 992
	121 933 118	71 463 764	**48 034 861**	21 862 992
R20 million of the cash and cash equivalents is pledged in favour of First National Bank (refer to note 3). Subsequent to year end this amount has been released.				
Overdraft				
Bank overdraft	**28 981 262**	30 272 040	**–**	–
Net cash and cash equivalents	**92 951 856**	41 191 724	**48 034 861**	21 862 992

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

Rand		*GROUP*		*COMPANY*	
	No of shares	**2015**	2014	**2015**	2014
11 STATED CAPITAL					
Authorised					
1 000 000 000 ordinary shares at no par value (2014: 1 000 000 000 ordinary shares)					
Issued					
644 897 650 ordinary shares at no par value (2014: 644 820 725 ordinary shares)		**219 483 313**	219 283 313	**219 483 313**	219 283 313
Share reconciliation					
Balance at the beginning of the year	644 820 725	**219 283 313**	218 283 313	**219 283 313**	218 283 313
Ordinary shares issued during the year	76 925	**200 000**	1 000 000	**200 000**	1 000 000
	644 897 650	**219 483 313**	219 283 313	**219 483 313**	219 283 313

During the year under review, 76 925 (2014: 574 725) shares were issued to employees in terms of the long-service award plan. The Group awards employees who have achieved 15 years of employment with the Group, with shares to the value of R40 000 for no consideration. During the reporting period, 5 (2014: 25) employees qualified for this award and were issued 15 385 (2014: 22 989) shares each. Each share was valued at R2.60 (2014: R1.74), representing the last traded price per share on the over-the-counter share trading platform as at 28 February 2015. The expense recognised in the annual financial statements, related to this award, amounted to R200 000 (2014: R1 000 000).

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

Rand	GROUP		COMPANY	
	2015	2014	**2015**	2014
12 OTHER RESERVES				
Revaluation reserve	**176 544 490**	176 544 490	**–**	–
Foreign currency translation reserve	**77 067 906**	59 004 765	**–**	–
Share-based payment reserve	**4 323 969**	511 273	**4 323 969**	511 273
	257 936 365	236 060 528	**4 323 969**	511 273

Revaluation reserve

Revaluation reserve is disclosed net of deferred tax. Land and buildings were revalued by a qualified independent valuator during the 2013 financial year. They will be subsequently revalued in the 2016 financial year.

Foreign currency translation reserve

This reserve exists due to exchange differences arising on translation of assets and liabilities of the Group's foreign subsidiaries, Lenmed Health Bokamoso Private Hospital (Pty) Ltd and Maputo Private Hospital SARL. The foreign currency translation reserve has been valued as stated in note 2.21.

Share-based payment reserve

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

1) 7 050 000 (2014: 7 300 000) SARs

7 300 000 SARs were issued on 15 October 2013 to two executive directors and nine members of senior management, at a price of R1.31 each. As at 28 February 2015, 7 050 000 (2014: 7 300 000) SARs were in issue. This reduction from the prior period is due to the resignation of one member of senior management from the Group thereby forfeiting the allocation.

2) 7 750 000 SARs

7 750 000 SARs were issued on 1 August 2014 to three executive directors and nine members of senior management, at a price of R2.52 each.

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

The Group has determined that the allocation should be accounted for as an equity-settled share-based payment transaction. The fair value of the SARs was calculated using the Black-Scholes option pricing model. The expense recognised in the annual financial statements, in accordance with IFRS 2: *Share-Based Payments*, is R3 812 696 (2014: R511 273).

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

	1	2
Weighted average OTC share price as at 28 February 2014	R1.74	–
Last traded price as at 28 February 2015	–	R2.60
Risk-free rate	8.25%	8.25%
Volatility	40%	40%
Dividend yield	0%	0%
Long-term inflation	6%	6%

The risk-free rate of 8.25% has been assumed based on the prevailing return on a five-year RSA Government Retail Bond as at year end.

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Rand	*GROUP*		*COMPANY*	
	2015	2014	**2015**	2014
13 NON-CONTROLLING INTERESTS				
Non-controlling interests relate to outside shareholders of Lenmed Health Bokamoso Private Hospital (Pty) Ltd (30% non-controlling interest) and Maputo Private Hospital SARL (40% non-controlling interest) and are made up as follows:				
Opening balance	**15 281 111**	8 441 404	**–**	–
Accumulated profit	**2 401 672**	5 378 246	**–**	–
Foreign currency translation	**706 954**	1 461 461	**–**	–
CLOSING BALANCE	**18 389 737**	15 281 111	**–**	–
Summary of financial information				
Non-current assets	**474 745 688**	458 887 574		
Current assets	**214 170 784**	176 948 694		
Non-current liabilities	**472 500 343**	460 729 924		
Current liabilities	**164 002 239**	131 401 838		
14 LOANS FROM MINORITIES				
Board of Public Officers' Medical Aid Scheme (BPOMAS) This loan is unsecured, bears interest at rates linked to prime in Botswana and is repayable over seven years from inception, subject to the availability of funds at Lenmed Health Bokamoso Private Hospital (Pty) Ltd. The Pula balance payable at year end is P23 099 700 (2014: P23 099 700).	**27 347 735**	27 622 621	**–**	–
Invalco Limitada The loan is unsecured, interest free and has no fixed terms of repayment. The US Dollar balance is payable to Invalco Limitada at the reporting period end is US$5 054 256 (2014: US$5 054 256).	**66 335 625**	54 103 791	**–**	–
	93 683 360	81 726 412	**–**	–
15 LOANS RECEIVABLE				
Lenmed Health (Pty) Ltd	**–**	–	**246 546 535**	271 039 776
Lenmed Health Africa (Pty) Ltd	**–**	–	**31 748 122**	29 541 317
	–	–	**278 294 657**	300 581 093

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

Rand	*GROUP*		*COMPANY*	
	2015	**2014**	**2015**	**2014**
16 LONG-TERM LIABILITIES				
16.1 Mortgage bonds	**234 433 023**	280 126 759	–	–
Nedbank Limited Repayable in monthly instalments of R139 879 (2014: R139 266). Interest has been charged at rates of interest linked to the prime lending rate. Secured by a mortgage on freehold land and buildings.	**3 797 613**	5 078 322	–	–
Loans payable to vendors These loans bear interest at 15.25% (2014: 15.25%) per annum and are secured over land and buildings, the cession of the hospital licence and general notarial bond over the movable assets of Lenmed Health Shifa (Pty) Ltd. Repayable in monthly instalments of R125 000 (2014: R125 000).	**5 721 027**	6 299 753	–	–
First National Bank Limited Loan from First National Bank secured by a first ranking covering bond on Erven 7688, 7689, 7690, Lenasia, Extension 8 Township, first general covering bond on Erven 1681, 1682, cession and pledge of the loan to Ethekwini Hospital and Heart Centre (Pty) Ltd and general notarial bond over the movable assets. The carrying amount of land and buildings secured is R247 million (refer to note 3). Interest has been charged at rates of interest linked to prime. This loan is repayable in monthly instalments of R4 351 139 (2014: R4 334 430).	**132 466 465**	171 747 168	–	–
Deutsche Investitions-und Entwicklungsgesellschaft MBH (DEG) This loan is secured by a first ranking mortgage bond over Maputo Private Hospital's property, plant and equipment, movable assets and a pledge of Lenmed's shares in the entity. The loan bears interest at six months Libor plus 4.3% per annum. The US Dollar balance at reporting period end is $7 984 999 (2014: US$9 061 666). Repayable in bi-annual instalments over a period of six years with the last payment of US$326 666 on 15 August 2020.	**92 447 918**	97 001 516	–	–

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16 LONG-TERM LIABILITIES continued

Rand	*GROUP*		*COMPANY*	
	2015	2014	**2015**	2014
16.2 Instalment sales	**13 920 428**	16 013 440	**–**	–
Nedbank Limited Repayable in monthly instalments of R175 880 (2014: R373 085). Interest has been charged at rates of interest linked to the prime lending rate. Secured by plant and equipment with a book value of R6 070 522.	**2 492 956**	5 004 836	**–**	–
WesBank, a division of FirstRand Bank Limited Repayable in monthly instalments of R535 587 (2014: R469 053). Interest has been charged at rates of interest linked to the prime lending rate. Secured by plant and equipment with a book value of R14 167 235.	**11 427 472**	11 008 604	**–**	–
16.3 Other loans	**20 000 000**	20 000 000	**–**	–
Randfontein Estates Limited This loan relates to the acquisition of Lenmed Health Randfontein Private Hospital (Pty) Ltd. This loan bears interest at prime less 2% due monthly in arrears. This loan has been settled subsequent to year end as the property was legally transferred to Lenmed on 13 March 2015. The guarantee in the amount of R20 million issued by Lenmed has fallen away.	**20 000 000**	20 000 000	**–**	–
	268 353 451	316 140 199	**–**	–
Repayable within one year transferred to current liabilities	**(92 426 709)**	(75 277 544)	**–**	–
	175 926 742	240 862 655	**–**	–

17 DEFERRED TAXATION

Rand	*GROUP*		*COMPANY*	
	2015	2014	**2015**	2014
Deferred tax asset				
Balance at the beginning of the year	**11 921 810**	7 621 762	**–**	–
Movements consisting of:				
Property, plant and equipment	**(1 063 226)**	(214 213)	**–**	–
Provisions	**1 962 057**	708 686	**27 216**	–
Leases	**39 995**	–		
Assessed leases	**13 095 706**	2 060 127	**–**	–
Share-based payment accrual	**959 261**	123 546	**–**	–
Prior year over provision	**–**	261 249	**–**	–
Foreign currency translation adjustment	**572 609**	1 360 653	**–**	–
BALANCE AT THE END OF THE YEAR	**27 488 212**	11 921 810	**27 216**	–
The balance comprises:				
Property, plant and equipment	**(1 456 081)**	(392 855)	**–**	–
Provisions	**4 309 430**	2 347 373	**27 216**	–
Leases	**39 995**	–	**–**	–
Assessed loss	**21 578 799**	8 483 093	**–**	–
Share-based payment accrual	**1 082 807**	123 546	**–**	–
Foreign currency translation adjustment	**1 933 262**	1 360 653	**–**	–
BALANCE AT THE END OF THE YEAR	**27 488 212**	11 921 810	**27 216**	–

Rand	*GROUP*		*COMPANY*	
	2015	2014	**2015**	2014
17 DEFERRED TAXATION continued				
Deferred tax liability				
Balance at the beginning of the year	**88 041 549**	79 522 452	**–**	–
Movements consisting of:				
Property, plant and equipment	**4 173 553**	5 532 455	**–**	–
Provisions	**(1 505 481)**	(670 708)	**–**	–
Income received in advance	**(1 383)**	(1 575)	**–**	–
Lease smoothing adjustment	**(28 087)**	(79 372)	**–**	–
Share-based payment accrual	**(103 391)**	(14 708)	**–**	–
Prepaid expenses	**72 986**	(153 923)	**–**	–
Foreign currency translation adjustment	**959 310**	2 256 304	**–**	–
Foreign currency translation on loan	**(249 023)**	1 650 624	**–**	–
BALANCE AT THE END OF THE YEAR	**91 360 033**	88 041 549	**–**	–
The balance comprises:				
Property, plant and equipment	**91 715 481**	87 541 928	**–**	–
Provisions	**(5 004 993)**	(3 499 512)	**–**	–
Income received in advance	**(14 584)**	(13 201)	**–**	–
Lease smoothing adjustment	**23 835**	51 922	**–**	–
Share-based payment accrual	**(118 099)**	(14 708)	**–**	–
Prepaid expenses	**141 178**	68 192	**–**	–
Foreign currency translation adjustment	**3 215 614**	2 256 304	**–**	–
Foreign currency translation on loan	**1 401 601**	1 650 624	**–**	–
BALANCE AT THE END OF THE YEAR	**91 360 033**	88 041 549	**–**	–
18 PROVISIONS				
Leave pay and bonus provision			**–**	–
Carrying amount at the beginning of the year	**19 932 414**	11 541 080	**–**	–
Increase in accrual	**407 308**	8 391 334	**–**	–
	20 339 722	19 932 414	**–**	–
19 TRADE AND OTHER PAYABLES				
Trade payables	**63 765 148**	71 150 417	**–**	–
Other payables	**80 242 598**	62 014 138	**732 448**	345 565
	144 007 746	133 164 555	**732 448**	345 565
The carrying value of trade and other payables approximated their fair value due to the short-term nature of these payables.				
20 SHORT-TERM LOAN				
This loan is unsecured and bears interest at rates linked to prime. This loan will be repaid on 30 June 2015.	**11 000 000**	11 000 000	**–**	–

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Rand	*GROUP*		*COMPANY*	
	2015	2014	**2015**	2014
21 OPERATING PROFIT				
Operating profit is arrived at after taking into account the following items:				
Income				
Profit on disposal of property, plant and equipment	**–**	385 749	**–**	–
Exchange rate profits on foreign exchange	**–**	6 088 134		
Profit on disposal of associate	**2 096 938**	–	**–**	–
Loss on disposal of property, plant and equipment	**3 974**	–	**–**	–
Exchange rate losses on foreign exchange	**889 366**	–	**–**	–
Expenses				
Depreciation	**36 588 456**	33 366 783	**–**	–
Plant and equipment	**24 111 990**	22 998 746	**–**	–
Motor vehicles	**403 833**	353 471	**–**	–
Furniture and fittings	**4 373 659**	3 334 783	**–**	–
Leasehold improvements	**182 489**	–	**–**	–
Office equipment	**1 240 194**	1 247 030	**–**	–
Computer equipment	**6 276 291**	5 432 753	**–**	–
Secretarial fees	**455 410**	489 212	**258 820**	274 199
Employee costs	**431 998 687**	396 704 902	**–**	–
Lease rentals	**33 392 675**	22 519 751	**–**	–
Property	**30 333 613**	21 261 583	**–**	–
Equipment	**2 652 870**	1 258 168	**–**	–
Other	**406 192**	–	**–**	–
22 INVESTMENT INCOME				
Interest received	**13 256 878**	7 285 849	**4 116 640**	1 758 484
Share of associate profits	**32 061 661**	36 810 805	**–**	–
	45 318 539	44 096 654	**4 116 640**	1 758 484

Rand	*GROUP*		*COMPANY*	
	2015	2014	2015	2014
23 FINANCE COSTS				
Long-term loans	**24 710 386**	25 616 991	**–**	–
Bank overdrafts	**4 508 552**	5 135 138	**–**	–
	29 218 938	30 752 129	**–**	–
24 TAXATION				
Current taxation				
Current tax	**46 642 391**	41 072 871	**1 180 985**	436 571
Underprovision/(overprovision) in prior year	**157 599**	(6 915)	**–**	–
Deferred taxation				
Current year temporary differences	**(11 924 419)**	3 584 650	**(4 368)**	–
Overprovision in prior year	**(710 201)**	(261 249)	**(22 848)**	–
TAXATION FOR THE YEAR	**34 165 370**	44 389 357	**1 153 769**	436 571
Reconciliation of rate of taxation	**%**	%	**%**	%
South African normal tax rate	**28.00**	28.00	**28.00**	28.00
Adjusted for:				
Prior year (overprovision)/underprovision	**(0.42)**	(0.16)	**(0.54)**	0.00
Disallowed expenditure	**1.95**	1.14	**0.00**	0.00
Income not taxable	**0.00**	(2.02)	**0.00**	0.00
Lower foreign tax rate	**(0.55)**	(0.69)	**0.00**	0.00
Assessed loss	**(5.01)**	(1.17)	**0.00**	0.00
Capital gains tax	**(2.57)**	–	**0.00**	0.00
EFFECTIVE RATE OF TAXATION	**21.40**	25.10	**27.46**	28.00
The tax charge for the current year has been reduced by R925 322 as a result of a tax loss utilised at Maputo Private Hospital.				
25 INCOME TAX PAID				
Receivable/(payable) at the beginning of the year	**(4 204 959)**	(318 077)	**270 907**	331 107
Expense for the year	**(34 165 370)**	(44 389 357)	**(1 153 769)**	(436 571)
Adjustment for deferred tax	**(12 634 620)**	3 323 401	**(27 216)**	–
Deferred tax foreign currency translation adjustments	**386 702**	895 648	**–**	–
Payable at the end of year	**3 751 590**	4 204 959	**40 831**	(270 907)
	(46 866 657)	(36 283 426)	**(869 247)**	(376 371)

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26 DIRECTORS' EMOLUMENTS

Rand	For services as Directors	For other services	Bonuses	Total
2015				
Mr P Devchand	**–**	**3 050 000**	**2 356 200**	**5 406 200**
Mr A Devchand	**–**	**1 320 000**	**1 044 000**	**2 364 000**
Mr VE Firman (A)	**–**	**828 825**	**–**	**828 825**
Prof BD Goolab	**185 800**	**–**	**–**	**185 800**
Mr MG Meehan	**305 500**	**–**	**–**	**305 500**
Ms B Harie	**305 500**	**–**	**–**	**305 500**
Ms NV Simamane	**264 500**	**–**	**–**	**264 500**
Dr A Suleman*	**111 132**	**–**	**–**	**111 132**
Dr M Khan*	**–**	**1 150 000**	**136 890**	**1 286 890**
Dr T Matome*	**196 185**	**–**	**–**	**196 185**
Mr R Morapedi*	**199 752**	**–**	**–**	**199 752**
Mr R Naidoo*	**–**	**1 169 525**	**317 463**	**1 486 988**
Ms I Faztudo*	**258 597**	**–**	**–**	**258 597**
	1 826 966	**7 518 350**	**3 854 553**	**13 199 869**
2014				
Mr P Devchand	–	2 772 000	2 341 584	**5 113 584**
Mr A Devchand	–	1 200 000	877 500	**2 077 500**
Dr AF Kaka (R)	–	1 815 000	2 435 055	**4 250 055**
Prof BD Goolab	196 500	–	–	**196 500**
Mr MG Meehan	283 750	–	–	**283 750**
Ms B Harie	293 250	–	–	**293 250**
Ms NV Simamane	263 250	–	–	**263 250**
Dr A Latib^	10 100	–	–	**10 100**
Mr K Daya^	10 100	–	–	**10 100**
Dr R Saloojee^	10 100	–	–	**10 100**
Dr A Suleman*	110 480	–	–	**110 480**
Dr M Khan*	–	1 053 000	107 250	**1 160 250**
Dr T Matome*	36 132	180 660	–	**216 792**
Mr R Morapedi*	57 209	144 528	–	**201 737**
Mr R Naidoo*	–	1 045 419	325 188	**1 370 607**
Ms I Faztudo*	219 888	–	–	**219 888**
	1 490 759	8 210 607	6 086 577	**15 787 943**

* *Director of subsidiary company.*
^ *Retired as Director of subsidiary company on 28 February 2014.*
(R) *Retired as Director of Lenmed Investments Limited on 31 December 2013.*
(A) *Appointed on 1 October 2014.*

27 CONTINGENT LIABILITIES

Certain Compensation for Occupational Injuries and Diseases (COID) debtors are factored between 83% and 84% of their original value. The factoring houses have recourse to this amount should they not be able to recover the debt. The total funds received but still open to recourse amounted to R12 248 126 as at reporting date (2014: R5 091 801).

28 RELATED PARTY TRANSACTIONS

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

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

	COMPANY					
					Amounts owed by/(to) the related party at year end	
Name	**Relationship**	**Transaction**	**2015**	**2014**	**2015**	**2014**
Lenmed Health (Pty) Ltd	Subsidiary		**–**	–	**246 546 535**	271 039 776
Lenmed Health Africa (Pty) Ltd	Subsidiary		**–**	–	**31 748 122**	29 541 317
Lenvestco Investments (Pty) Ltd	Shareholder		**–**	–	**(30 683)**	(83 972)
Lenmed Health Management Company (Pty) Ltd	Subsidiary	Management fees received	**1 675 375**	1 248 183	**–**	–

29 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Key sources of estimation uncertainty

29.1 Deferred tax

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

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

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

29.2 Trade receivables

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

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29 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS continued

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

Buildings

The Group estimates that the useful life of buildings is 40 years. The residual value of buildings is determined by management taking into account significant judgements applied to various factors and external information available.

Plant and equipment

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

Motor vehicles

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

29.4 Goodwill

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

29.5 Share-based payments

The fair value is calculated using the Black-Scholes option pricing model. Please refer to note 12 for assumptions used in the model.

29.6 Control over subsidiaries

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

29.7 Significant influence over an associate

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

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

29.8 Fair value measurements and valuation processes

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

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

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

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

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

30 FINANCIAL RISK MANAGEMENT

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

30.1 Interest rate risk

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

Interest risk table

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

Rand	*GROUP*		*COMPANY*	
	2015	2014	**2015**	2014
Group				
Interest-bearing loans payable	**292 780 758**	338 749 380	**–**	–
Instalment sale liabilities	**13 920 428**	16 013 440	**–**	–
Bank overdraft	**28 981 262**	30 272 040	**–**	–
	335 682 448	385 034 860	**–**	–
Sensitivity analysis				
Increase of 100 basis points would result in a reduction in profit before tax of	**(3 356 824)**	(3 850 349)	**–**	–
Decrease of 100 basis points would result in an improvement in profit before tax of	**3 356 824**	3 850 349	**–**	–

30.2 Credit risk

The Group trades where possible with recognised, creditworthy third parties. Where patients are without medical insurance, risk is limited by the collection of a deposit. The amount of the deposit is determined by the expected treatment plan envisaged for the patient. Actual billings are tracked against the deposit on a daily basis and further funds are collected from the patient where necessary. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debt is not significant. The maximum exposure is the carrying amount as disclosed in note 9.

30.3 Liquidity risk

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are available. In addition, the Group maintains a strong business relationship with its bankers. The table summarises the maturity profile of the financial liabilities as at 28 February 2015, based on contractual undiscounted payments:

	2015	2014	**2015**	2014
	Less than 1 year	Between 1 and 5 years	Less than 1 year	Between 1 and 5 years
Maturity analysis – 2015				
Borrowings	**132 407 971**	**190 795 008**	**–**	**–**
Trade and other payables	**133 968 696**	**–**	**659 039**	**–**
	266 376 667	**190 795 008**	**659 039**	**–**
Maturity analysis – 2014				
Borrowings	116 549 584	203 772 520	–	–
Trade and other payables	122 590 482	–	345 565	
	239 140 066	203 772 520	345 565	–

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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30 FINANCIAL RISK MANAGEMENT continued

30.3 Liquidity risk continued

Long-term liabilities and shareholders' loans

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

Capital management

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

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

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

30.4 Foreign currency risk

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

31 FINANCIAL INSTRUMENTS

31.1 Categories of financial instruments

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

Rand	2014					
	GROUP			*COMPANY*		
	Loans and receivables	Assets at fair value through profit and loss	Available for sale	Loans and receivables	Assets at fair value through profit and loss	Available for sale
Financial assets per statements of financial position						
Investments in associates	–	–	168 353 827	–	–	–
Investments in subsidiaries	–	–	–	–	–	1 511 473
Loans receivable	–	–	–	300 581 093	–	–
Trade and other receivables	249 440 245	–	–	850 279	–	–
Cash and cash equivalents	71 463 764	–	–	21 862 992	–	–
Investments held for sale	–	–	94 314 863	–	–	–

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
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31 FINANCIAL INSTRUMENTS continued

31.1 Categories of financial instruments continued

Rand	**2015**					
	GROUP			*COMPANY*		
	Loans and payables	Financial liabilities measured at amortised cost	Derivatives used for hedging	Loans and payables	Financial liabilities measured at amortised cost	Derivatives used for hedging
Financial liabilities per statement of financial position						
Long-term liabilities	–	**175 926 742**	–	–	–	–
Loans from minorities	–	**93 683 360**	–	–	–	–
Trade and other payables	–	**133 968 696**	–	–	**659 039**	–
Current portion of long-term liabilities	–	**92 426 709**	–	–	–	–
Short-term loan	–	**11 000 000**	–	–	–	–
Provisions	–	**20 339 722**	–	–	–	–
Bank overdraft	–	**28 981 262**	–	–	–	–

Rand	2014					
	GROUP			*COMPANY*		
	Loans and payables	Financial liabilities measured at amortised cost	Derivatives used for hedging	Loans and payables	Financial liabilities measured at amortised cost	Derivatives used for hedging
Financial liabilities per statement of financial position						
Long-term liabilities	–	240 862 655	–	–	–	–
Loans from minorities	–	81 726 412	–	–	–	–
Trade and other payables	–	122 590 482	–	–	345 565	–
Current portion of long-term liabilities	–	75 277 544	–	–	–	–
Short-term loan	–	11 000 000	–	–	–	–
Provisions	–	19 932 414	–	–	–	–
Bank overdraft	–	30 272 040	–	–	–	–

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

31 FINANCIAL INSTRUMENTS continued

31.2 Fair value hierarchy and measurements

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

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

	Fair value at 28 February 2014			
	Level 1	Level 2	Level 3	Total
Financial assets				
Loans and receivables				
– Trade and other receivables	–	–	249 440 245	249 440 245
– Cash and cash equivalents	–	71 463 764		71 463 764
Financial liabilities				
Financial liabilities held at amortised cost				
– Long-term liabilities	–	235 141 630	5 721 025	240 862 655
– Loans from minorities	–	–	81 726 412	81 726 412
– Trade and other payables	–	–	122 590 482	122 590 482
– Current portion of long-term liabilities	–	54 698 816	20 578 728	75 277 544
– Short-term loan	–	–	11 000 000	11 000 000
– Provisions	–	–	19 932 414	19 932 414
– Bank overdraft	–	30 272 040	–	30 272 040

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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31 FINANCIAL INSTRUMENTS continued

31.2 Fair value hierarchy and measurements continued

Rand	*COMPANY*			
	Fair value at 28 February 2015			
	Level 1	Level 2	Level 3	Total
Financial assets				
Loans and receivables				
– Loan receivable	**–**	**–**	**278 294 657**	**278 294 657**
– Trade and other receivables	**–**	**–**	**680 931**	**680 931**
– Cash and cash equivalents	**–**	**48 034 861**	**–**	**48 034 861**
Financial liabilities				
Financial liabilities held at amortised cost				
– Trade and other payables	**–**	**–**	**659 039**	**659 039**

	Fair value at 28 February 2014			
	Level 1	Level 2	Level 3	Total
Financial assets				
Loans and receivables				
– Loan receivable	–	–	300 581 093	300 581 093
– Trade and other receivables	–	–	850 279	850 279
– Cash and cash equivalents	–	21 862 992	–	21 862 992
Financial liabilities				
Financial liabilities held at amortised cost				
– Trade and other payables	–		345 565	345 565

The fair value of assets and liabilities disclosed under level 3 have been determined in accordance with generally accepted pricing models. All the above financial instruments are short-term in nature and their fair value approximates their carrying value. There were no transactions between level 1 and level 2 during the year.

Rand	*GROUP*		*COMPANY*	
	2015	**2014**	**2015**	**2014**
32 COMMITMENTS				
32.1 Operating lease commitment – lessee				
Future minimum lease payments under non-cancellable operating leases are as follows:				
– Within one year	**13 275 805**	11 958 000	**–**	–
– Due thereafter but not later than five years	**27 904 345**	30 891 500	**–**	–
	41 180 150	42 849 500	**–**	–
The above lease commitments relate to both Lenmed Health Bokamoso Private Hospital (Pty) Ltd and Lenmed Health Management Company (Pty) Ltd in respect of property rentals payable for premises.				
32.2 Operating lease commitments – lessor				
Future minimum lease receipts under non-cancellable operating leases are as follows:				
– Within one year	**1 371 332**	1 066 251	**–**	–
– Due thereafter but not later than five years	**4 627 452**	379 675	**–**	–
	5 998 784	1 445 926	**–**	–
32.3 Capital commitments				
Construction, renovation and upgrading of hospital buildings	**108 258 757**	13 082 974	**–**	–
Acquisition of property	**–**	11 050 000	**–**	–
Acquisition of plant and equipment	**5 365 881**	203 667	**–**	–
	113 624 638	24 336 641	**–**	–
33 ACQUISITION OF SUBSIDIARY AFTER YEAR END				
33.1 Kathu, Northern Cape				
The Group entered into an agreement to purchase a private hospital in Kathu from Mediclinic, comprising the land and buildings and hospital operations on 1 March 2015. The operations were acquired with a property development group (ATMG), with Lenmed acquiring 67% of the hospital operations and 60% of the land and buildings.				
In terms of the agreement, the total purchase consideration is made up as follows:				
Land and buildings	**24 700 000**	–		
Other assets	**3 391 037**	–		
Goodwill	**6 908 963**	–		
	35 000 000	–		
33.2 Kimberley, Northern Cape				
The Group entered into an agreement to purchase land and a hospital licence in Kimberly, Northern Cape, for an amount of R23 million on 7 May 2015. The hospital is expected to open in 2017 financial year.				
Land	**23 000 000**	–		

ACRONYMS AND GLOSSARY

ACRONYMS

ABET	Adult Basic Education and Training
AGM	Annual General Meeting
BBBEE	Broad-Based Black Economic Empowerment
BLS	Basic Life Support
CA	Chartered Accountant
CMO	Chief Medical Officer
COHSASA	Council for Health Service Accreditation of Southern Africa
COO	Chief Operating Officer
CPD	Continuing Professional Development
CSI	Corporate Social Investment
DoH	Department of Health
DSPs	Designated Service Providers
FICA	Financial Intelligence Centre Act
GDP	Gross Domestic Product
HAI	Hospital Acquired Infections
HWSETA	Health and Welfare Sector Education and Training Authority
ICU	Intensive Care Unit
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IT	Information Technology
JSE	Johannesburg Stock Exchange
KZN	KwaZulu-Natal
MAF	Medical Aid Funder
NGOs	Non-governmental organisations
NHI	National Health Insurance
NHN	National Hospital Network
OTC	Over-the-counter shares
TIBA	Transvaal India Blind Association

GLOSSARY

Antimicrobial stewardship	Optimised use of antimicrobials to prevent the development of resistance and improve patient outcomes
Batho Pele principles	An initiative aiming to enhance the quality and accessibility of government services by improving efficiency and accountability to the recipients of public goods and services
Benchmark	A standard or point of reference against which things may be compared
Carbon footprint	The amount of carbon dioxide released into the atmosphere as a result of the activities of a particular individual, organisation, or community
Catalysis	The acceleration of a chemical reaction by a catalyst
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

GLOSSARY continued

Commissioned	Bring into working condition
Companies Act	South African Companies Act 71 of 2008, as amended
Compliance	Abiding by both industry regulations and government legislation
Curriculum	The subjects comprising a course of study in a school or college
Day Care Centre	A facility that offers professional health care, such as psychiatric care or rehabilitation services, to individuals who require service but are able to return to their homes overnight
Due diligence	An investigation or audit of a potential investment to ensure a certain standard of responsibility
Employment Equity	Promoting equal opportunity and fair treatment in employment through elimination of unfair discrimination and implementing affirmative action measures
Eskom	A South African electricity public utility
Gearing	The ratio of a company's loan capital (debt) to the value of its ordinary shares (equity)
Green buildings	Buildings with energy and water saving features
Greenfield	Previously undeveloped sites for commercial development or exploitation
Grey water	Waste water from baths, sinks, washing machines, and other kitchen appliances
Indigent	Poor, impoverished
Infection control	The discipline concerned with preventing health care-associated infection
Integrated Report	A concise communication about how an organisation's strategy, governance, performance and prospects lead to the creation of value over the short, medium and long term
King III Code	King III Code of Governance reporting principles
Labour relations	Collective relations between the management of an organisation and its employees
Material issues	Issues that a reasonable shareholder would consider important in deciding how to vote their shares or invest their money
Medical aid tariffs	The cost of a service negotiated by a medical fund with a preferred provider, such as doctors and hospitals
Medical schemes	The business of undertaking health service liability in return for a premium or contribution
Medical waste	All waste materials generated at health care facilities, including used needles and syringes, soiled dressings, diagnostic samples, blood, chemicals, pharmaceuticals, medical devices and radioactive materials
Nursing agency	A business that provides nurses and usually health care assistants
Oncology	The study and treatment of tumours
Paediatric	A medical specialty that manages medical conditions affecting babies, children and young people
Patients' Rights Charter	The rights and responsibilities of patients in South Africa
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
Shavathon	Shaving of heads as a symbolic gesture of support for cancer survivors
Talk 702	South African talk radio station
the Group	Lenmed Investments Limited and its subsidiary and its investments
Transformation	Increased access and opportunities for previously disadvantaged South Africans

NOTICE OF ANNUAL GENERAL MEETING

LENMED INVESTMENTS LIMITED

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

Notice is hereby given to the shareholders of the Company that the Thirty Third Annual General Meeting of the Company will be held at Lenmed's Head Office, 2nd Floor, Building 9, Fountain View, Constantia Office Park, Corner 14th Avenue and Hendrik Potgieter Street, Constantia Kloof on **Thursday 10 September 2015 at 15:00** for the purposes of passing, with or without modification, the ordinary and special resolutions set out below.

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

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

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

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

ORDINARY RESOLUTIONS

Ordinary resolution 1: Annual financial statements

"RESOLVED THAT the annual financial statements of the Company for the year ended 28 February 2015, including the directors' report and the report of the Audit and Risk Committee, be and are hereby received."

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

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

Ordinary resolution 2: Confirmation of re-election of director

During the year, the Board appointed Mr VE Firman as a director of the Company. Such director holds office from the date of appointment until the date of the first next Annual General Meeting following the appointment, and then is subject to retirement at that Annual General Meeting. The Board has recommended that Mr VE Firman be re-elected as a director of the Company.

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

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

Ordinary resolution 3: Re-election of director

"RESOLVED THAT Mr A 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 4: Re-election of director

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

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

ℹ Profiles of the above directors are set out in the integrated report.

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

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

Ordinary resolution number 5.1

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

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

Ordinary resolution number 5.2

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

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

Ordinary resolution number 5.3

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

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

ℹ Profiles of the above directors are set out in the integrated report.

Ordinary resolution number 6: Non-binding advisory endorsement on the Company's remuneration policy

"To endorse on a non-binding advisory basis, the Company's remuneration policy (excluding the remuneration of the non-executive directors for the services as directors and members of Board committees)."

The Company's remuneration policy and related information appears in the annual integrated report.

Reason for this resolution

The reason for this resolution is to comply with the recommendations of King III regarding the key elements and guiding principles of the Company's remuneration policy, i.e. to communicate to shareholders, for the purposes of a non-binding advisory vote, how senior executives and especially directors of the Company are remunerated.

Effect of this resolution

The effect of this resolution is that the shareholders will have taken note of the key elements and guiding principles of the Company's remuneration approach and policy and will have given an indication by way of a non-binding advisory resolution whether they have found the aforementioned appropriate.

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

SPECIAL RESOLUTIONS

Special resolution 1: Approval of financial assistance

"RESOLVED THAT to the extent required by the Companies Act, the Board of Directors of the Company may, subject to compliance with the requirements of the Company's Memorandum of Incorporation and the Companies Act, each as presently constituted and as amended from time to time, authorise the Company to provide direct or indirect financial assistance by way of loan, guarantee, the provision of security or otherwise, to:

- any of its present or future subsidiaries and/or any other company or entity that is or becomes related or inter-related to the Company or any of its subsidiaries, and/or to any member of such subsidiary or related or inter-related company or entity, all as contemplated in sections 44 and/or 45 of the Companies Act, for such amounts and on such terms and conditions as the directors of the Company may determine;

such authority to endure until the Annual General Meeting of the Company for the year ended 29 February 2016."

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

Motivation for special resolution number 1

Notwithstanding the title of section 45 of the Companies Act, being "Loans or other financial assistance to directors", on a proper interpretation, the body of the section may also apply to financial assistance provided by a company to related or inter-related companies and other entities, including, *inter alia*, its subsidiaries, associates, joint ventures, partnerships, and collaboration arrangements, for any purpose.

Furthermore, section 44 of the Companies Act may also apply to the financial assistance so provided by a company to related or inter-related companies or other entities, in the event that the financial assistance is provided for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company.

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

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

The Company would like the ability to provide financial assistance, if necessary, also in other circumstances, in accordance with section 45 of the Companies Act. Furthermore, it may be necessary or desirous for the Company to provide financial assistance to related or inter-related companies and entities to acquire or subscribe for options or securities or purchase securities of the Company or another company related or inter-related to it. Under the Companies Act, the Company will, however, require the special resolution referred to above to be adopted. In the circumstances and in order to, *inter alia*, ensure that the Company's subsidiaries and other related and inter-related companies and entities have access to financing and/or financial backing from the Company (as opposed to banks), it is necessary to obtain the approval of shareholders, as set out in special resolution 1.

Special resolution 2: Future directors' fees

"RESOLVED THAT the non-executive directors be paid the following fees for services as directors for the period from the date of this Annual General Meeting to the date of the next Annual General Meeting:

Rand	Fees per meeting	Retainer (per annum)
Non-executive director	10 500	158 000
Independent non-executive director (all-in fee including membership/chairmanship of Board committees)	11 000	174 000
Fee for work not specified above (per meeting rate)	11 000	–

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

Motivation for special resolution 2

The reason for special resolution 2 is to comply with the provisions of the Companies Act. The effect of the special resolution is that, if approved by the shareholders at the Annual General Meeting, the fees payable to non-executive directors until the next Annual General Meeting will be as set out above.

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

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

Appointment of auditors

Shareholders are advised that PKF Durban are deemed to be re-appointed as auditors of the Company at this Annual General Meeting for the ensuing financial year and that the individual registered auditor who will undertake the audit during the financial year ending 29 February 2016 will be Ms Tania Marti-Warren. In this regard, the Lenmed Audit Committee has:

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

Voting and proxies

In terms of the Company's Memorandum of Incorporation, at any time, a shareholder may, in respect of any class of shares held by the shareholder, appoint any individual, including an individual who is not a shareholder of the Company, as a proxy to participate in, and speak and vote, at the Annual General Meeting, on behalf of the shareholder.

In terms of the Company's Memorandum of Incorporation (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 Memorandum of Incorporation (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.

WILLIAM SOMERVILLE
Company Secretary

21 July 2015

Registered Office
Lenmed Investments Limited
2nd Floor, Building 9,
Fountain View, Constantia Office Park,
Corner 14th Avenue and Hendrik Potgieter Street,
Constantia Kloof
1709

RIGHTS IN TERMS OF SECTION 58 OF THE COMPANIES ACT, 2008

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

1. At any time, a shareholder of a company is entitled to appoint any individual, including an individual who is not a shareholder of that company, as a proxy to participate in, speak and vote at a shareholders' meeting on behalf of the shareholder.
2. A proxy appointment must be in writing, dated and signed by the relevant shareholder.
3. Except to the extent that the Memorandum of Incorporation 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 Memorandum of Incorporation (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 Memorandum of Incorporation (clause 3.10.3) a copy of the instrument appointing a proxy must be delivered to the registered office of the Company, marked for the attention of the Company secretary (or to be delivered to such other location and/or person on behalf of the Company as may be specified in the notice convening the meeting), to be received by the Company not less than 48 hours before the appointed time for the beginning of the meeting or, if the meeting is adjourned the appointed time for the resumption of the adjourned meeting.*

4. Irrespective of the form of instrument used to appoint a proxy:
   4.1. the appointment of the proxy is suspended at any time and to the extent that the shareholder who appointed that proxy chooses to act directly and in person in the exercise of any rights as a shareholder of the relevant company; and
   4.2. should the instrument used to appoint a proxy be revocable, a shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and the relevant company.
5. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the relevant shareholder as of the later of the date:
   5.1. stated in the revocation instrument, if any; or
   5.2. upon which the revocation instrument is delivered to the proxy and the relevant company as required in section 58(4)(c)(ii) of the Companies Act.
6. Should the instrument appointing a proxy or proxies have been delivered to the relevant company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the relevant company's memorandum of incorporation to be delivered by such company to the shareholder must be delivered by such company to:
   6.1. the shareholder, or
   6.2. the proxy or proxies if the shareholder has in writing directed the relevant company to do so and has paid any reasonable fee charged by the Company for doing so.
7. A proxy is entitled to exercise, or abstain from exercising, any voting right of the relevant shareholder without direction, except to the extent that the memorandum of incorporation of the relevant company or the instrument appointing the proxy provide otherwise.
8. If a company issues an invitation to shareholders to appoint a person named by such company as a proxy, or supplies a form of instrument for appointing a proxy:
   8.1. such invitation must be sent to every shareholder who is entitled to receive notice of the meeting at which the proxy is intended to be exercised;
   8.2. the Company must not require that the proxy appointment be made irrevocable; and
   8.3. the proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in section 58(5) of the Companies Act.

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

FORM OF PROXY

LENMED INVESTMENTS LIMITED

(Registration number 1980/003108/06)
("the Company")

For use at the Thirty-Third Annual General Meeting of the Company to be held at Lenmed's Head Office, 2nd Floor, Building 9, Fountain View, Constantia Office Park, Corner 14th Avenue and Hendrik Potgieter Street, Constantia Kloof on Thursday 10 September 2015 at 15:00 and at any adjournment thereof.

I/We ______________________________ (Full name in block letters) of

______________________________ (address)

being a shareholder (s) of the Company and holding ______________________________

ordinary shares in the Company,

hereby appoint ______________________________ of ______________________________

failing him/her ______________________________ of ______________________________

failing him/her the Chairman of the Annual General Meeting, as my/our proxy to act for me/us and on my/our behalf at the Annual General Meeting which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions to be proposed thereat and at any adjournment thereof; and to vote for and/or against the ordinary and special resolutions and/or abstain from voting in respect of the Company's ordinary shares registered in my/our name(s), in accordance with the following instructions:

	Number of votes		
	For	Against	Abstain
Ordinary resolutions 1. To receive the annual financial statements of the Company for the year ended 28 February 2015, including the directors' report and the report of the Audit and Risk Committee.			
2. To re-elect Mr VE Firman as a director of the Company.			
3. To re-elect Mr A Devchand as a director of the Company.			
4. To re-elect Ms B Harie as a director of the Company.			
5. To appoint members of the Audit and Risk Committee:			
5.1 To appoint Ms B Harie as a member of the Audit and Risk Committee.			
5.2 To appoint Mr MG Meehan as a member of the Audit and Risk Committee.			
5.3 To appoint Ms NV Simamane as a member of the Audit and Risk Committee.			
6. To endorse the Company's remuneration policy.			
Special resolutions 1. Approval of financial assistance.			
2. Approval of the future fees of non-executive directors.			

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

Signed at ______________________________ (place) on ______________________________ date 2015

Shareholder's signature ______________________________ assisted by ______________________________ (if applicable)

NOTES TO THE FORM OF PROXY

1. At any time, a shareholder may in respect of shares held in the Company by that shareholder, appoint any individual, including an individual who is not a shareholder of the Company) to participate in, speak and, on a poll, vote in place of that shareholder at the Annual General Meeting. Meeting participants will be required to provide satisfactory identification before being allowed to participate in the meeting.
2. A shareholder wishing to appoint a proxy must do so in writing by inserting the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided on the form of proxy, with or without deleting "the Chairman of the Annual General Meeting". The person whose name stands first on the form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
3. A shareholder's instructions to the proxy must be indicated on the form of proxy by the insertion of the relevant number of votes exercisable by that member in the appropriate box(es) provided. Failure to comply with the above will be deemed to authorise the Chairman of the Annual General Meeting, if the Chairman is the authorised proxy, to vote in favour of the ordinary and special resolutions at the Annual General Meeting, or any other proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit, in respect of all the shareholder's votes exercisable thereat.
4. A shareholder or his/her proxy is not obliged to vote in respect of all the ordinary shares held by such shareholder or represented by such proxy, but the total number of votes for or against the ordinary resolutions and in respect of which any abstention is recorded may not exceed the total number of votes to which the shareholder or his/her proxy is entitled.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the Company's transfer office or waived by the Chairman of the Annual General Meeting.
6. The chairman of the Annual General Meeting may reject or accept any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.
7. Any alterations or corrections to this form of proxy must be initialled by the signatory(ies).
8. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
9. A minor must be assisted by his/her parent/guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company.
10. Where there are joint holders of shares (i) any one holder may sign the form or proxy; and (ii) the vote of the senior shareholders (for that purpose seniority will be determined by the order in which the names of the shareholders appear in the Company's register) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholders.
11. Any proxy appointment made in terms of this form of proxy remains valid until the end of the Annual General Meeting, unless revoked earlier.
12. In terms of the Company's Memorandum of Incorporation (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 delivered to such other location and/or person on behalf of the Company as may be specified in the notice convening the meeting), to be received by the Company not less than 48 hours before the appointed time for the beginning of the meeting or, if the meeting is adjourned the appointed time for the resumption of the adjourned meeting.

Registered Office
2nd Floor, Building 9
Fountain View
Constantia Office Park
Corner 14th Avenue and Hendrik Potgieter Street
Constantia Kloof
1709

COMPANY INFORMATION

Country of incorporation: South Africa

Nature of business: The provision of private patient health care, through management and ownership of hospitals and other related health services

Executive directors: Mr P Devchand, Mr A Devchand, Mr VE Firman

Non-executive directors: Mr MG Meehan (lead independent), Ms B Harie (independent), Ms NV Simamane (independent), Prof BD Goolab

Registered address:
2nd Floor, Building 9
Fountain View
Constantia Office Park
Corner 14th Avenue and Hendrik Potgieter Street
Constantia Kloof
1709

Postal address:
PO Box 855
Lenasia
Johannesburg 1820

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

Company secretary:
Mr W Somerville:
2nd Floor, Building 9
Fountain View
Constantia Office Park
Corner 14th Avenue and Hendrik Potgieter Street
Constantia Kloof
1709

Registration number: 1980/003108/06

Bankers: First National Bank Limited

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

STUDIO⑤

OUR HOSPITALS

Ahmed Kathrada Private Hospital
K43 Highway, Extension 8, Lenasia Gauteng
T. +27 11 213 2000 **F.** +27 11 854 1002

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

Daxina Private Hospital
1682 Impala Street, Lenasia South, Gauteng
T. +27 11 213 7000 **F.** +27 11 855 1039

Ethekwini Hospital and Heart Centre
11 Riverhorse Road, Riverhorse Valley Business Estate, Queen Nandi Drive, Durban, KwaZulu-Natal
T. +27 31 581 2400 **F.** +27 31 581 2699

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

La Verna Private Hospital
1 Convent Road, Ladysmith, KwaZulu-Natal
T. +27 36 631 0065 **F.** +27 36 637 4889

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

Randfontein Private Hospital
Ward Street Ext, Randfontein, Gauteng
T. +27 11 411 3000 **F.** +27 11 411 3134

Shifa Private Hospital
482 Randles Road, Sydenham, Durban, KwaZulu-Natal
T. +27 31 240 5000 **F.** +27 86 559 7043

Zamokuhle Private Hospital
128 Flint Mazibuko Street, Hospital View, Tembisa, Gauteng
T. +27 11 924 4888 **F.** +27 11 924 2149