



# Annual Integrated Report 2022





# Contents

## 1 INTRODUCTION

- 01 About this report
- 02 Our vision and values
- 03 Highlights

## 2 WHO WE ARE

- 04 How we create value
- 05 Our value creation journey
- 06 Our operating footprint
- 08 Corporate governance excellence
- 12 Our sustainable business model

## 3 OUR OPERATING ENVIRONMENT

- 14 Letter from our Chairman
- 18 Our business environment
- 20 Listening to our stakeholders

## 4 OUR STRATEGIC RESPONSE

- 22 Message from our CEO
- 26 Our material matters
- 31 Our value creating strategy

## 5 OUR PERFORMANCE

- 32 Message from the CFO
- 36 Our Clinical governance
- 44 Our sustainable performance
- 44 Our people
- 49 Our relationships
- 53 Our intellectual resources
- 55 Our planet

## 6 TRANSPARENCY AND ACCOUNTABILITY

- 58 Corporate governance
- 59 King IV™ overview
- 60 Board committees

## 7 ANNUAL FINANCIAL STATEMENTS

- 75 Annual financial statements

## 8 SHAREHOLDER INFORMATION

- 124 Notice of annual general meeting
- 129 Form of proxy
- 131 Company information

## About this report

The Lenmed Investment Limited (Lenmed or the Group)'s 2022 annual integrated report (AIR) spans the financial year 1 March 2021 to 28 February 2022. We share the collective thinking applied to material matters impacting our ability to create long-term value. Throughout the AIR, we address the challenges faced by the Group, and the opportunities and external drivers influencing Lenmed's strategy.

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

The information provided in this AIR is guided by local and international requirements, including the:

- + South African Companies Act, 71 of 2008, as amended (Companies Act)
- + King IV™ Report on Governance for South Africa<sup>1</sup> (King IV)
- + Value Reporting Foundation <IR> Framework (the Framework)
- + International Financial Reporting Standards (IFRS).

1. Copyright and trademarks are owned by the Institute of Directors in South Africa and all of its rights are reserved.

## Materiality

This AIR was prepared on the basis of materiality. The process for determining and prioritising material matters, and our disclosure of these, is discussed on page 26.

## Disclosure and assurance

Lenmed aims to achieve the highest standards for all disclosures included in this AIR, to provide meaningful, accurate, complete, transparent and balanced information to stakeholders. The Board, its committees and management were involved in finalising disclosures made in this AIR and assume responsibility for the information contained herein. The financial information included in this AIR was prepared in accordance with IFRS, with PKF Durban independently assuring the consolidated financial statements.

## Board responsibility

The Board approved the AIR on 26 May 2022 and acknowledges its responsibility for the accuracy thereof. It has applied its collective expertise, and, in its opinion, this AIR addresses all material issues and presents an integrated view of the Group's performance for the year under review in terms of the Framework.

## Forward-looking statements

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

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

### Feedback on AIR

We welcome your feedback on this AIR. Please email your comments to [Fredré Meiring](mailto:fredre.meiring@lenmed.com).

 Back
  Previous page
  Contents
  Next page
  Print

 More information in this report
  More information online

## Our vision and values



### PURPOSE

To build healthier and prosperous communities by providing healthcare services in Africa, through ownership and/or management models, across the continuum of care

### VISION

To be the leading healthcare group in Africa

### VALUES

Together we make Lenmed great

- + We work as a team and hold ourselves and each other accountable for our actions
- + We strive to exceed the expectations of our patients, visitors and doctors
- + We aim for perfection in all that we do
- + We always act with compassion and empathy

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

### The six capitals

- 1 FC** Financial capital
- 2 MC** Manufactured capital
- 3 SRC** Social and relationship capital
- 4 IC** Intellectual capital
- 5 HC** Human capital
- 6 NC** Natural capital

### Our strategic themes

- Key stakeholder engagement
- Continuous learning
- Clinical and operational excellence
- Digital transformation and innovation
- Environmental, social and governance (ESG)
- Growth strategy

### Our stakeholders

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

## Highlights



Group revenue  
**R3 386.1 million**  
(FY21: R2 837.2 million)

Normalised EBITDA<sup>1</sup>  
**R533.7 million**  
(FY21: R243.3 million)

Share price at year end  
**R2.00**  
(FY21: R1.20)



**2 735 employees**  
(FY21: 2 751)

**80%** female representation  
(FY21: 81%)

**92%** Black: African, Coloured and Indian employees  
(FY21: 92%)



**13 hospitals** owned and/or managed  
(FY21: 11)

**1 914 beds** owned and/or managed  
(FY21: 1 756)

**Orthopaedic MAKO SmartRobotics™ surgical robot** installed at Lenmed Ethekwini Hospital and Heart Centre



**Level 1 B-BBEE<sup>2</sup>**  
**114 free cataract surgeries**  
(FY21: 59)

**R16.3 million** discounted hospital services to financially distressed patients  
(FY21: R15.3 million)



**Lenmed Ethekwini Hospital and Heart Centre awarded Chest Pain Centre Accreditation** with Primary Percutaneous Coronary Intervention by the American College of Cardiology

**R2.6 million** skills development spend  
(FY21: R1.2 million)



**Conducting a baseline audit**  
**Establishing environmental committees for each hospital**

Lenmed launched programme for nurses in specialist areas, such as adult, paediatric, and neonatal intensive care unit (ICU) training

**The Royal Hospital and Heart Centre** remains the only hospital in the Northern Cape that offers cardiology, cardiothoracic surgery and radiation oncology

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

1. EBITDA: Earnings before interest, tax, depreciation and amortisation.  
2. B-BBEE: Broad-based black economic empowerment



## Who we are

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



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



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



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



**ARROWS RADIATING OUTWARDS** show our commitment to continuous growth and expansion into Africa.



Our **COLOURS** are vibrant and alive, representing health, growth, tranquility and connects us to our past.

## How we create value

Our strategy for becoming the leading healthcare group in Africa is founded on three pillars:

1

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

2

Attracting quality medical practitioners

3

Acquiring, developing and/or managing hospitals across Africa

## Our value creation journey

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



### WHO WE ARE

Our core purpose, vision and values

[PAGE 04](#)



### OPERATING CONTEXT

Our environment and related risk and opportunity it presents

[PAGE 18](#)



### MATERIAL MATTERS

The issues that affect our ongoing sustainability

[PAGE 26](#)



### STRATEGY

How we intend to get where we want to go

[PAGE 31](#)



### VALUE CREATION

The outcomes we aim to achieve

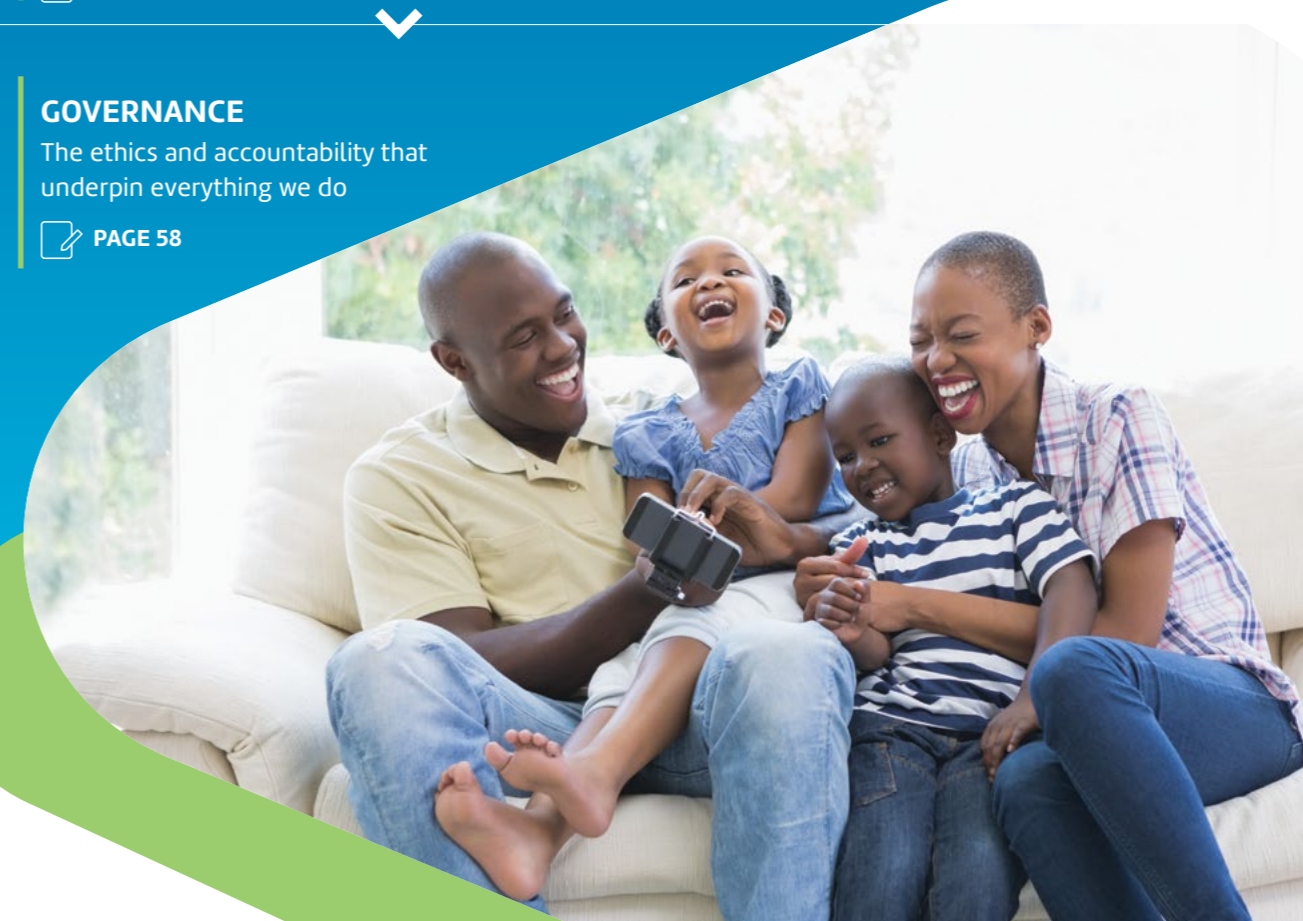
[PAGE 05](#)



### GOVERNANCE

The ethics and accountability that underpin everything we do

[PAGE 58](#)



## Our operating footprint

### SOUTH AFRICA



#### GAUTENG

<b>Ahmed Kathrada Private Hospital</b> Lenasia	264 BEDS
Ownership	100%

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

<b>Daxina Private Hospital</b> Lenasia South	64 BEDS
Ownership	100%

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

<b>Randfontein Private Hospital</b> Randfontein	177 BEDS
Ownership	100%

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

<b>Zamokuhle Private Hospital</b> Tembisa	99 BEDS
Ownership	100%

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



#### KwaZulu-Natal

<b>Ethekwini Hospital and Heart Centre</b> Durban	373 BEDS
Ownership	77%

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

<b>Shifa Private Hospital</b> Durban	115 BEDS
Ownership	100%

- SERVICES:
- + 24-hour accident and emergency unit
  - + Surgical Centre of Excellence

<b>La Verna Private Hospital</b> Ladysmith	124 BEDS
Ownership	93%

- SERVICES:
- + 24-hour accident and emergency unit

<b>Howick Private Hospital</b> Howick	46 BEDS
Ownership	99%

- SERVICES:
- + 24-hour accident and emergency unit



#### Northern Cape

<b>Kathu Private Hospital</b> Kathu	55 BEDS
Ownership	67%

- SERVICES:
- + 24-hour accident and emergency unit

<b>Royal Hospital and Heart Centre</b> Kimberley	177 BEDS
Ownership	100%

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



#### BOTSWANA

<b>Bokamoso Private Hospital</b> Gaborone	235 BEDS
Ownership	70%

- SERVICES:
- + 24-hour accident and emergency unit
  - + Cancer centre (chemotherapy and nuclear medicine)
  - + Cardiac catheterisation laboratory
  - + Physical rehabilitation centre
  - + Dialysis renal care unit
  - + Laboratory services
  - + Radiology services



#### MOZAMBIQUE

<b>Maputo Private Hospital</b> Maputo	125 BEDS
Ownership	100%

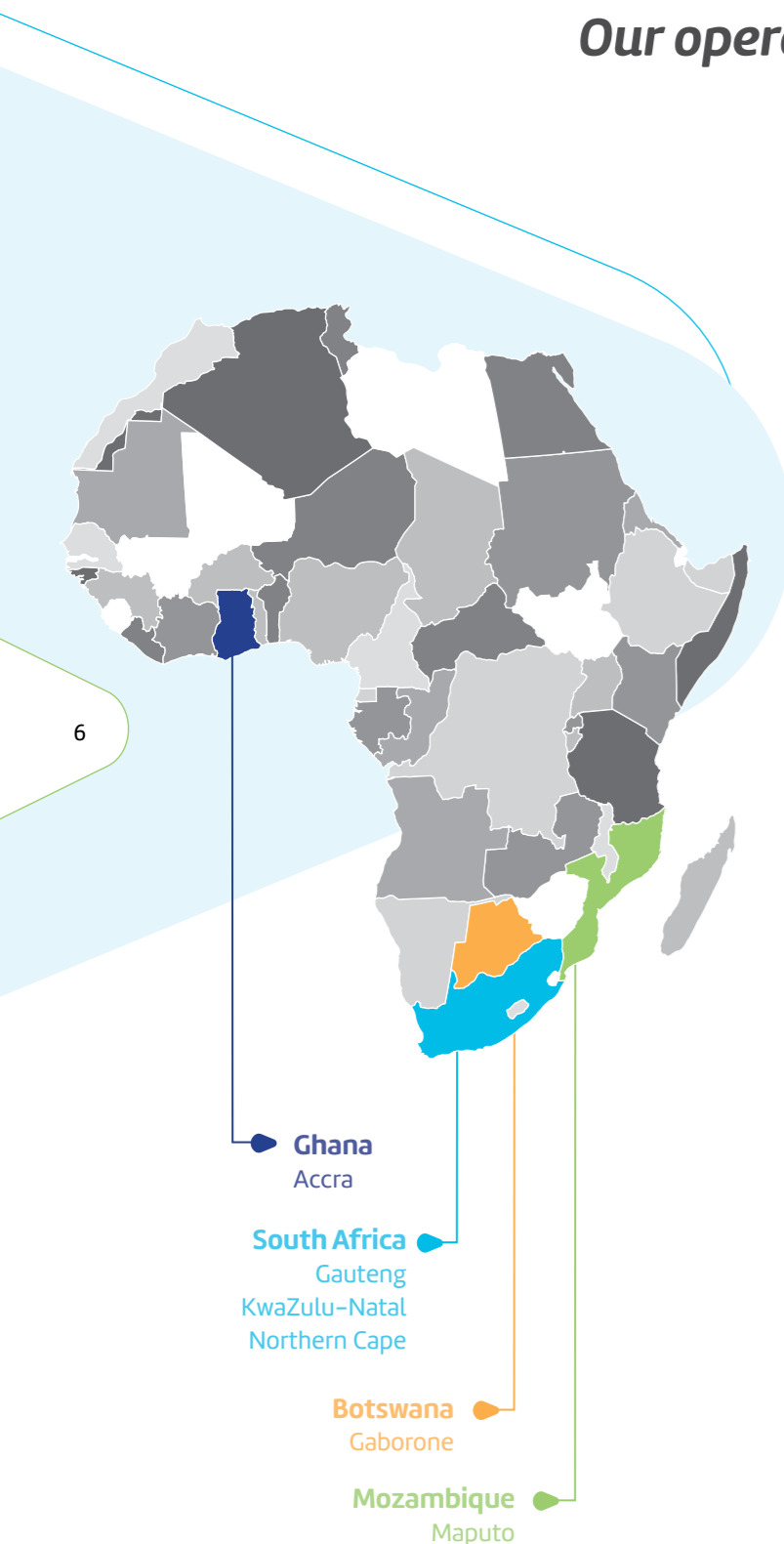
- SERVICES:
- + 24-hour accident and emergency unit
  - + Digestive endoscopy unit
  - + Physiotherapy unit
  - + Laboratory services – the only private hospital with a microbiology lab and the only private lab in Mozambique that performs molecular biology
  - + Dialysis renal care unit



#### GHANA

<b>The Bank Hospital</b> Accra	60 BEDS
Ownership: Bank of Ghana	

- SERVICES:
- + 24-hour accident and emergency unit
  - + Dialysis renal care unit
  - + Diet therapy unit
  - + Pathology laboratory
  - + Physiotherapy unit
  - + Radiology unit



## Corporate governance excellence

### Governance philosophy

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

### Our Board of directors

#### Executive



**PRAKASH DEVCHAND**  
(68)  
Chairman  
CA(SA)

Prakash Devchand is a qualified Chartered Accountant with over 36 years of experience in the healthcare industry. He was appointed to the Board in 1986 and elected as Chairman and Chief Executive Officer (CEO) in 1998. Under his leadership, Lenmed has seen significant growth in its local operations and the inception of the Group's African strategy. On 1 March 2020, Prakash stepped down as CEO of the Lenmed Group but remains Chairman and a Board member.



**AMIL DEVCHAND**  
(38)  
Chief Executive Officer  
CA(SA)

Amil Devchand joined the Group in 2011 and has held numerous positions within Lenmed, most notably, Chief Financial Officer (CFO), Chief Operations Officer (COO) and Deputy CEO. Amil is a Chartered Accountant with extensive industry experience, as past Chairman and current director of the National Hospital Network (NHN) and current director of the Hospital Association of South Africa (HASA).

He is also an alumnus of the Harvard Business School. Amil was appointed CEO of the Lenmed Group on 1 March 2020.



**FREDRÉ MEIRING**  
(47)  
Chief Financial Officer  
CA(SA)

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

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

### Non-executive



**MIKE MEEHAN** (75)  
Independent Non-executive Director and Lead Independent Director  
CA(SA)

Mike Meehan was appointed to the Board in 2010. He has served as an executive director and as an independent Non-executive Director on a number of companies listed on the Johannesburg Stock Exchange (JSE).

Mike consults to various companies and associations on strategic planning, financial administration and corporate management. He is a member of the Institute of Directors in South Africa.



**BHARTI HARIE** (51)  
Independent Non-executive Director  
BA LLB (Natal),  
LLM (Wits)

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



**NOMAHLUBI SIMAMANE** (63)  
Independent Non-executive Director  
BSc (Honours)  
(University of Botswana and Swaziland)

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



**PROF BHASKAR GOOLAB** (74)  
Non-executive Director  
MBBS (Bombay),  
FRCOG (London)

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



**DR GUNVANT GOOLAB** (60)  
Independent Non-executive Director  
MBA (University of Cape Town),  
MBBCh (Wits)

Dr Gunvant Goolab was appointed to the Board in August 2020. Dr Goolab is a qualified medical practitioner with extensive executive experience. Before joining Lenmed, he served as Principal Officer of GEMS from 2013 to 2020. He was also CEO of AstraZeneca SA (Pty) Limited in South Africa and sub-Saharan Africa from 2004 to 2013. Dr Goolab is currently Director of Lunar Capital (Pty) Limited, as well as Chairperson and Director of HiGain Investments (Pty) Limited. In 2011, he obtained the designation of Certified Director with the Institute of Directors in South Africa.



**VAUGHAN FIRMAN** (59)  
Non-executive Director  
MB.Acc, CA(SA),  
H.Dip Tax Law (Wits),  
M.A. and M.Phil  
(both in USA)

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

#### Legend

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



## Our management team



**DR NILESH PATEL**  
Group Chief Medical Officer



**MARK BISHOP**  
Group Chief Commercial Officer



**ASHLEY STRYDOM**  
Group Chief Information Officer



**JAYESH PARSHOTAM**  
Head: Group Operations



**DR AUGUSTA DORNING**  
Head: Africa Business



**NAMEETHA PANDAY**  
Group Chief Digital Transformation Officer



**NAUSHAD GANY**  
Group Financial Manager



**MICHELLE NAIDOO**  
Group Marketing Manager



**BHAVANI JEENA**  
Group Human Resources Manager



**DEENA NAIDOO**  
Group Clinical Governance Manager



**GAVIN HARRISON**  
Head: Funder Relations



**URSULA MARITZ**  
Group Shared Services Manager



**GAVIN KNELL**  
Group Managed Care Manager



**SAMANTHA HALL**  
Group Quality Systems Development Specialist



**LIZ DOS SANTOS**  
Group Stakeholder Relations Manager



**FASIE SMITH**  
Group Nursing Manager



**DHIREN GARACH**  
Group Pharmacy Manager



## Hospital managers



**NIRESH BECHAN**  
Ethekwini Hospital and Heart Centre



**SAGRAN SUKHESSAN**  
Ahmed Kathrada Private Hospital and Daxina Private Hospital



**JOE VAN DER WALT**  
Bokamoso Private Hospital



**HECTOR MACKAY**  
Royal Hospital and Heart Centre



**MARIETHA VAN VUUREN**  
Randfontein Private Hospital



**JAN SCHEEPERS**  
La Verna Private Hospital



**ABDOOL GAFFAR AMOD**  
Shifa Private Hospital



**RUBEN NAIDOO**  
Maputo Private Hospital



**PHIL RHYNEVELDT**  
Kathu Private Hospital



**MAHLATSE MATEBULA**  
Zamokuhle Private Hospital



**INGA VERMEULEN**  
Howick Private Hospital



**INDRAN POOVAN**  
The Bank Hospital

## Our sustainable business model

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

### PRIMARY

#### PATIENT IMPACT

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

#### OUR FOCUS

- + Preventive healthcare
- + Promoting health and wellness
- + Rehabilitation

#### SUPPORT

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

#### HEALTHCARE PROVIDERS

- + General practitioners

### SECONDARY

#### PATIENT IMPACT

- + Specialist care
- + Acute or emergency hospitalisation

#### OUR FOCUS

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

#### HEALTHCARE PROVIDERS

- + Medical specialists
- + Speech and occupational therapists
- + Physiotherapists
- + Radiology

### TERTIARY

#### PATIENT IMPACT

- + High level of care
- + Complex medical procedures
- + Terminal care

#### OUR FOCUS

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

#### HEALTHCARE PROVIDERS

- + Specialist consultants

## SUSTAINING VALUE CREATION THROUGH THE SIX CAPITALS

### INPUTS

- + Working capital: **R402.5 million**
- + Non-current liabilities: **R1 448.1 million**
- + Operational expenditure: **R2 122.7 million**
- + Capital expenditure: **R175.4 million**

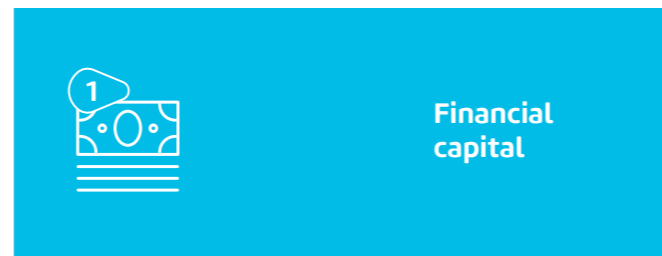
- + New and current hospital portfolio
- + Hospital management contracts with third parties
- + Technology

- + **2 735 employees**
- + Fair remuneration for fair work
- + Agency agreements
- + Health and wellness benefits

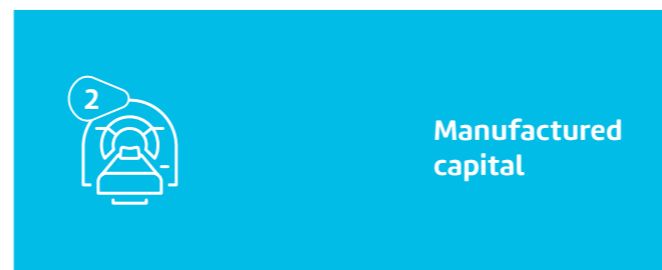
- + Relationships with key stakeholders:
- + A new stakeholder engagement framework

- + Training spend: **R2.6 million**
- + SAP Enterprise Resource Planning (ERP) system
- + Incident management systems (CIMS)
- + Infection control system
- + Cyber-security


- + Energy
- + Water
- + Smart Utilities Management



**Financial capital**



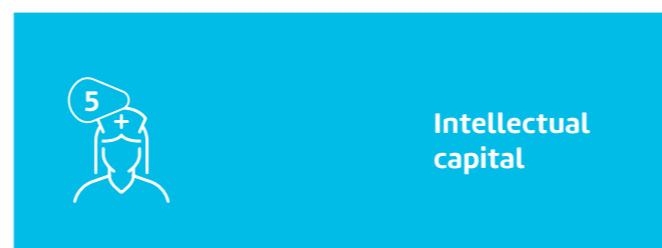
**Manufactured capital**



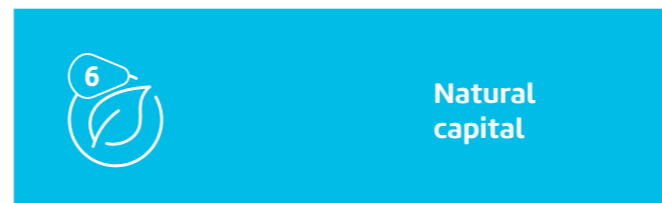
**Human capital**



**Social and relationship capital**



**Intellectual capital**



**Natural capital**

### OUTPUTS

- + **R3 386.1 million** revenue
- + **R221.2 million** headline earnings

- + **13 hospitals under management**
- + **1 854 licenced beds owned**
- + **23 additional high care beds** at the Ethekwini Hospital and Heart Centre, as well as **44 additional beds** at Bokamoso Private Hospital

- + Qualified, experienced and motivated workforce looking after our patients
- + Female representation: **80%**
- + Black: representation: **92%**

- + Excellent customer satisfaction survey results
- + Website visitor numbers grew by **8%** and social media increased by **22%**
- + Discounts to financially disadvantaged patients: **R16.3 million**
- + **B-BBEE Level 1 status**
- + **114 cataract surgeries**
- + Procurement spend on B-BBEE contractors and workers: **R768,3 million**

- + No data security breaches
- + Point of Care Billing project
- + Predictive data analytics capabilities

- + Cost savings and reduced consumption of fossil-fuel generated energy by investing in technology updates and solar energy
- + Waste and water treatment initiatives

### OUTCOMES

- + A healthy cash conversion ratio: **124%**
- + A return to sustainable EBITDA margins: **R533.7 million**
- + Deleveraged debt: **3%** reduction in debt
- + Successful management of working capital
- + Group profit: **R247.7 million**

- + Our hospitals generate cash flows that fund developments, repay debt and provide a return to our shareholders
- + New developments support long-term revenue generation and capital growth through a growing portfolio
- + A geographically diversified portfolio of quality private hospitals in underserved areas

- + Decreased employee turnover: **2.0%** (FY21: 2.1%)
- + Skills attraction and retention
- + Skilled workforce
- + Alignment to our company values and habits

- + Positive feedback from stakeholders, especially shareholders, about the level of engagement with them
- + Long-term value for our community through corporate social investment (CSI) initiatives

- + Automation through technology, including speedier and more accurate billing
- + Improved responses to changing consumer needs through data mining initiatives
- + Enhanced digital admissions process

- + Water and electricity efficiencies
- + Resilience in the face of water and electricity interruptions

THE THREE PILLARS OF HEALTHCARE



# Our operating environment

## Letter from our Chairman



PRAKASH DEVCHAND

When Lenmed first started in 1984, with a small 48-bed hospital in Lenasia, our specific purpose at the time was to meet the health and wellness needs of disenfranchised patients. Today, Lenmed has grown into one of the largest healthcare groups in South Africa, but our mission has not changed – it has just expanded. We remain absolutely committed to serving our communities and prioritising their health through exceptional patient care.

The COVID-19 pandemic served as a reminder of the importance of that vision and purpose, and the value that Lenmed offers the communities we serve. Our growth over the past nearly four decades has been phenomenal. Now that the pandemic is hopefully subsiding, we see clearly how important it is for us to continue actively driving that growth to expand Lenmed's effectiveness, reach and positive social impact.

### Growing our market share

The health and sustainability of our business is inextricably linked to the broader economic climate in South Africa. This is particularly true in terms of employment creation. The more jobs that are created, the higher the number of people and families that will be able to join medical aid schemes and access quality private healthcare. While COVID-19 and the lockdown responses resulted in quite significant job losses, the sad reality is that most of these were experienced by lower-income groups, where medical aid membership is typically not prevalent. We have been fortunate that medical aid scheme membership numbers remained relatively resilient throughout the pandemic.

Growth remains a fundamental part of our strategy. The Group continues to explore various avenues to improve market share through organic and acquisitive growth, both locally and into the rest of the continent. We are also ensuring that we increase diversification of earnings through expansion into new geographies, and investments along the continuum of care. Lenmed has seen excellent progress achieved over the last financial year, with further details shared in the CEO report on page 22.

### Navigating an uncertain political environment

Political uncertainty is still a predominant characteristic of the South African landscape – our biggest market – and we recognise needing to take steps to actively mitigate the resulting developments. The most significant of these for the healthcare sector at present is the proposed National Health Insurance (NHI) Bill. While we fully support the concept of universal healthcare and enhanced access to medical benefits for all South Africans, we don't believe that the country's fiscus can afford the type of broad-based NHI that has been proposed. This is particularly true given the additional financial burden of demands for a basic income grant.

At the same time, we are aware of the growing number of people who can no longer afford private healthcare. Approximately 14 million formally employed South Africans remain medically uninsured. For us, providing access to trusted and reliable healthcare is both a moral responsibility and business imperative.

A growing concern for the long-term sustainability of the sector remains the shortage of qualified medical professionals to care for the population. South Africa, specifically, remains a concern due to the continued regulatory delays in relation to

the new nursing training regime, which has resulted in no new specialised nurses being trained over the past few years. We are furthermore dismayed at the removal of medical skills from the national critical skills list, which will significantly reduce the industry's ability to attract foreign nurses to alleviate the current shortages.

The bottom line is that uncertainty in South African healthcare is likely to remain the order of the day for some time to come. We remain focused on moving steadily forward towards achieving our vision, while remaining committed to collaborating with government and other stakeholders, to deliver universal health coverage that is effective, fair and sustainable. Now is the time for all stakeholders to work together to craft innovative and outcomes-driven solutions to address this need.

### Our other African operations

Lenmed's southern African operations continue to be a tale of two halves. Our Mozambique operation performed relatively well in the past few years. As the only true multi-disciplinary hospital in the country, the hospital was able to deliver a full range of in-demand services through the pandemic lockdowns. The strength and sustainability of our operations during COVID-19 also positioned us superbly as a sought-after medical services partner to a growing number of corporates in the country. We will leverage and build on these relationships as the pandemic continues to subside.

Lenmed's operations in Botswana were heavily impacted by COVID-19, as its government opted to prioritise COVID-19 treatment delivery in public facilities and only incorporate private hospitals once those public facilities were at capacity. Despite this challenge, our Botswana operation acquitted itself with great merit in caring for its communities. We are also seeing increasing competition from new entrants in the private healthcare space, but are confident that our strong partnerships built up over the years, particularly with the Ministry of Health, will ensure Lenmed's continued success and growth in Botswana. We are also working to introduce more specialised disciplines into the country and making these available to citizens previously unable to access these. Taking this approach will add impetus to retaining and growing market share in Botswana.

Lenmed gained a foothold in West Africa in the form of a management contract with the Central Bank of Ghana to run The Bank Hospital. This is a prime opportunity for us, giving us an opportunity to acquaint ourselves with the market without, for now, having to commit the large capital investment required to acquire the facility.

## Staying steadfast in our good governance commitment

Throughout the pandemic, the primary focus of the Lenmed Board has been on leveraging its well-established good governance principles and practices to enhance the resilience of Lenmed's operations and ensure that our services to patients and communities remains effective. That Lenmed's governance ecosystem withstood the significant stress tests caused by COVID-19 has affirmed it as being relevant and highly robust. As such, the past financial year was largely business as usual from a governance perspective, although further refinements to our governance framework were made. Despite being an unlisted entity, Lenmed remains fully committed to aligning with the principles of King IV, along with prioritising the highest levels of transparency and ethical behaviour.

Over the past year, we took steps to further enhance our governance structures, where necessary, to ensure they continue supporting the Group's strategic priorities. We have strengthened the capabilities of our Clinical Governance Committee and introduced an Innovation and Disruption Committee to provide guidance and oversight to Lenmed's digital innovation imperative. We also welcome Vaughan Firman onto the Board as a new director. Vaughan, in addition to being the previous CFO of Lenmed, has vast experience within the finance and healthcare arenas, having fulfilled the CFO role in several leading international healthcare companies in both developed and emerging markets.

We also focused intently on enhancing our communications with our stakeholders in the period under review, including our shareholders, and received highly positive feedback on the value this upscaled communication initiative is adding to these relationships.

## Intensifying our focus on environmental sustainability

The world is at a tipping point in terms of climate change, and every sector, industry and organisation has a clear responsibility to act as a positive driver of sustainable environmental and social development. While healthcare has always contributed heavily from a social development standpoint, the industry has been slow to prioritise environmental sustainability due to the relatively low-emission footprint of hospitals and related medical infrastructure. This approach has changed dramatically in recent years as the healthcare industry increasingly embraces the part it can, and must, play in climate change mitigation and adaptation.

For Lenmed, sound environmental stewardship has long been a strategic imperative. Apart from the moral responsibility we have towards environmental protection, prioritising care for our environment also makes us more investable through lower utility input costs that saves money over the long term. For this reason, Lenmed has earmarked approximately R20 million in the coming financial period for energy investing in efficiency and reliability, water saving, and other operational greening initiatives.

## Growing shareholder value

While our patients and communities are the reason for Lenmed's existence, the support and investment of our shareholders enables our effectiveness and underpins our growth. Given the more stable operating environment compared to the previous financial reporting period, we are pleased to have implemented a dividend policy and will be paying a dividend of 3.5c per share this year. We thank shareholders for their patience and commitment since the last declaration, and are confident that the significant investments made over this time will continue to yield exceptional returns to shareholders for a long time to come. The Group remains fully committed to delivering tangible shareholder value – the implementation of a formal dividend policy is one such step towards this goal.

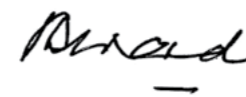
We have received advice from several reputable investment banks, who confirm that we need to continue on the path of growth and to build scale, in order to unlock the full value of our shares. The recent acquisition of the Matlosana Medical Health Group is aligned to this goal, and will undoubtedly enhance the sustained and growing value Lenmed offers our shareholders.

## Thanks

On behalf of the Lenmed Board, I express our heartfelt thanks to all our stakeholders for your continued support over the past financial year. A special word of thanks to our senior management and my fellow Board members for the unwavering loyalty and commitment you have shown, not only in the past 12 months, but throughout the challenging pandemic years.

**And thank you, most of all, to each and every Lenmed person whose courage, dedication and passion for your work is a daily inspiration to all of us.**

As we continue to emerge from the COVID-19 pandemic, I look forward to the opportunity of working alongside all of you as we take Lenmed on to actualising our shared vision to be the leading healthcare group in Africa.



**Prakash Deuchand**  
Chairman

## CASE STUDY



## Baby David's life-saving surgery at Lenmed Ethekwini Hospital and Heart Centre

At only 12 days old, David Burrows, the eldest of triplet boys born in Saudi Arabia in November 2020, was discovered to have been born with a heart defect (VSD). In February 2021, David experienced heart failure and was admitted to ICU. His family, however, was unable to find a doctor or hospital in Saudi Arabia to perform the necessary life-saving surgery.

After several months of searching for a solution, David's mother, Natasha Burrows, told her story on the Mammahood Natal Facebook group. She received an overwhelming response recommending Drs Dama and Reddy, cardiologists at the Lenmed Ethekwini Hospital and Heart Centre.

Natasha reached out to Dr Dama, who responded immediately with an offer to perform the surgery, whereupon Natasha travelled to Durban with the triplets. Despite social unrest breaking out in KwaZulu-Natal soon after their arrival, Dr Dama met with them and scheduled the surgery for the following week.

Natasha says that getting David the surgery was the best decision they ever made. "We've had such a journey, it's been rough. But the quality of care we would have gotten in Saudi wouldn't have been anything close to what we've received at the Ethekwini Hospital and Heart Centre. It's amazing. We're just so grateful. And Dr Dama and Dr Reddy are absolutely amazing. Thank you so much.

"David is now a new child completely; he has more energy and is more active, and is like a newborn now. Our family is even more delighted that he is on no meds at all.

"Simple tasks such as tummy time previously left little David exhausted taking over 30 minutes to recover but now it is such a pleasure watching him meet even more milestones in his journey."



## Our business environment

In this period the healthcare sector remained under siege from the COVID-19 pandemic, with elective surgeries again disrupted by lockdowns during peak waves of infections. However, we foresee that the pandemic is now waning in severity, as long as new variants of the virus continue the trend of significantly lower fatalities and hospitalisation rates.

## Our economic environment

Our revenues are directly affected by the financial welfare of the countries where we operate. South Africa's economy is expected to grow just 2.1% in 2022, markedly lower than the projected global average of 3.2%. This is due to the COVID-19's lingering impacts of COVID-19 and continued power interruptions across the country. South Africa's unemployment rate rose to 35.3% by the last quarter of 2021, with a youth unemployment rate of 66.5%, the highest since 2008. The country's credit rating fluctuated between stable and negative, indicating significant underlying structural and economic issues.

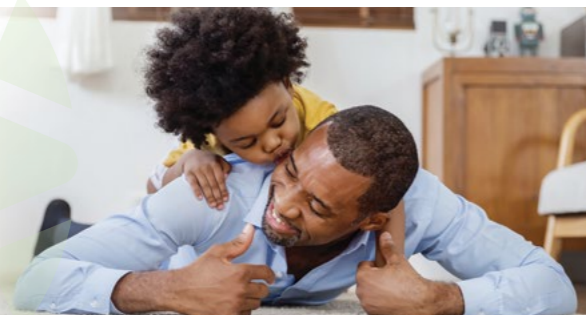
Economic growth projections for the Group's other geographies appear more optimistic. Botswana's economic growth rebounded by an estimated 12.1% during 2021, with the World Bank projecting 4.1% growth for the country in 2022. Mozambique remains relatively stable, economically, despite the ongoing unrest, with a growth forecast of 4.8%.

## Technology and health



Over the last two years, we have seen the growth of digital solutions like telehealth, remote care, online and mobile health applications, artificial intelligence (AI) and big data. Patients are demanding greater convenience and personalisation from their health service providers, while wearable and smart devices carry a wealth of data for service providers to potentially tap into.

Increased digitalisation does carry increased risk. The protection of personal information and digital systems against cyberattack becomes ever more important as organisations mine the data of their patients and consumers.

Medical technology too evolving quickly in the pursuit of enhanced patient testing and treatment.



### CAPITALS AFFECTED

-  Financial capital
-  Social and relationship capital



### STAKEHOLDERS INVOLVED

- + Patients
- + Government and regulatory bodies
- + Medical aid funders
- + Shareholders, future investors

### STRATEGIC THEMES

- + Growth strategy

### CAPITALS AFFECTED

-  Manufacturing capital
-  Intellectual capital

### STAKEHOLDERS INVOLVED

- + Patients
- + Service providers and suppliers
- + Regulatory bodies

### STRATEGIC THEMES

- + Continuous learning
- + Clinical and operational excellence
- + Digital transformation and innovation

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

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

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

## Skill shortages across the globe

There is a worldwide shortage of skilled healthcare workers, which is particularly pronounced in low- and middle-income countries where poor remuneration and working conditions often result in a 'brain drain' to more developed economies. In a recent statement, the South African Minister of Health pegged the current doctor-to-patient ratio in the country at 0.32 to 1 000 (or 1: 3 198), down from 0.79 doctors per 1 000 patients in 2019. This phenomenon affects both nurses and doctors, and the World Health Organization (WHO) expects the trend to escalate over the next decade, driven by the evolution of new diseases and technologies.

## Access to private healthcare in South Africa



Approximately nine million South Africans are covered by a medical aid plan. Membership numbers proved resilient throughout the pandemic, although some have opted for cheaper networks and hospital plans over full-cover medical aid plans. However, medical aid funders (MAFs) are no longer experiencing growth in demand for the services currently offered.

Many are seeking alternative solutions, including unsecured lending, insurance products, self-insurance, limited benefit and other schemes. The employed but uninsured market is estimated at 15 million, substantially higher than the insured group. There may be opportunity for healthcare groups to access this market if they can find innovative solutions to engage them.

## Health sector legislation

The debate over the South African government's proposed NHI legislation continues to be contested, with sceptics arguing that the pandemic displayed the national healthcare system's inability to cope, while proponents counter that the legislation is designed to ensure everyone can access quality medical care, regardless of economic status. For the time being, however, this issue takes a back seat to discussions around the extended COVID-19 relief grant provided to the unemployed and the future of a universal income grant in South Africa.

### CAPITALS AFFECTED

-  Financial capital
-  Social and relationship capital


### STAKEHOLDERS INVOLVED

- + Patients
- + Partners
- + Governments

### STRATEGIC THEMES

- + Key stakeholder engagement
- + Continuous learning

### CAPITALS AFFECTED

-  Intellectual capital


### STAKEHOLDERS INVOLVED

- + Institutions of higher learning
- + Medical practitioners and allied services

### STRATEGIC THEMES

- + Continuous learning

### CAPITALS AFFECTED

-  Social and relationship capital



### STAKEHOLDERS INVOLVED

- + Patients
- + Medical aid funders

### STRATEGIC THEMES

- + Key stakeholder engagement

### CAPITALS AFFECTED

-  Financial capital
-  Social and relationship capital

### STAKEHOLDERS INVOLVED

- + Governments and regulatory bodies
- + Service providers and suppliers
- + Patients
- + Medical aid schemes
- + Medical practitioners and allied services

### STRATEGIC THEMES

- + Key stakeholder engagement

## Listening to our stakeholders

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

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

During the year under review, Lenmed conducted a renewed stakeholder analysis that informed a new stakeholder communication strategy. Each stakeholder group is allocated a relationship owner to ensure constructive two-way dialogue with the people who matter to us.



**MEDICAL SPECIALISTS**  
**GENERAL PRACTITIONERS**  
**ALLIED SERVICES**  
**EMERGENCY MEDICAL SERVICES**  
**MEDICAL SCHOOL/UNIVERSITIES**  
**INDUSTRY AUTHORITIES**

### What is important to them

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

### Our response

- + Consistent two-way communication between Lenmed's Chief Medical Officer (CMO) and our resident medical professionals, as well as our hospital managers and medical practitioners
- + Regular hospital-based meetings: physician advisory boards, morbidity and mortality meetings, and continuing professional development (CPD) training sessions
- + Executive roadshow to all hospitals, headed up by the Group CEO



**EMPLOYEES**

### What is important to them

- + Fair remuneration for fair work
- + Reward and recognition for high-quality performance
- + Training and career development, including leadership development for line managers and senior leaders in the Group
- + Employee engagement and employee experience

### Our response

- + Offering competitive remuneration as benchmarked against industry standards
- + Communicating openly and transparently
- + Maintaining employee physical and mental health programmes and campaigns
- + Ongoing leadership development programmes



**PATIENTS**  
**COMMUNITIES**  
**THE MEDIA**

### What is important to them

- + Infection rates and clinical outcomes
- + Cost of healthcare
- + Hospital experiences
- + Ease of admission, billing and discharge
- + Timely and efficient service
- + Quality nursing and pharmacy care

### Our response

- + We monitor patient experience at every touch-point through questionnaires and surveys to improve our service
- + We offer special rates and payment arrangements to patients who do not have medical aid.
- + We communicate to the public and our patients via:
  - Community outreach initiatives
  - Our online platforms
  - Media statements
- + Participates in community events by sponsoring events, including sport tournaments, that promote healthy living



**OUTSOURCED SERVICES**  
**CONTRACTORS AND SUPPLIERS**  
**CLINICAL PROCUREMENT**

### What is important to them

- + Fair and transparent tender and pricing processes
- + Fair payment terms

### Our response

- + A standardised tender process overseen by our engineering, procurement and pharmaceutical departments to ensure fair competition and equal opportunities
- + Oversight of the procurement process by the Group's financial and legal teams to ensure clarity and fairness



**SHAREHOLDERS, FUTURE**  
**INVESTORS AND FUNDERS**

### What is important to them

- + Receiving regular, quality financial information
- + Group financial and non-financial performance
- + Return on investment
- + Share price performance and ability to transact in company shares at market-related prices

### Our response

- + Timely, balanced, clear and transparent communication through our:
  - Annual integrated and interim results reports
  - Letters to shareholders
  - Regular shareholder engagement through AGM and other meetings
- + Meeting our financial covenants consistently
- + Implementing a new dividend policy
- + Investing in sustainable growth, including high acuity care and accreditation at our hospitals



**MEDICAL AID SCHEMES**  
**MEDICAL INSURANCE PROVIDERS**  
**ROAD ACCIDENT FUND (RAF)**  
**COMPENSATION FOR**  
**OCCUPATIONAL INJURIES AND**  
**DISEASES (COID)**

### What is important to them

- + Cost-effective medical services
- + Efficient case management, billing and payment
- + Providing high-quality patient care
- + On-site case management
- + Guarding against fraud, abuse of the system and inappropriate admissions

### Our response

- + Lenmed engages with medical aid and insurance funds regularly through:
  - Meetings
  - Opportunities to present to the Board
- + Updates on patient treatment and clinical outcomes
- + Compliance with relevant standards
- + International accreditations, including Ethekwini Hospital and Heart Centre's Chest Pain Centre Accreditation



**INDUSTRY AND REGULATORY**  
**BODIES**  
**GOVERNMENT**

### What is important to them

- + Legislative and regulatory compliance
- + Excellent clinical outcomes supported by good patient and employee experience
- + Access to cost-effective healthcare
- + Alignment to transformation imperatives
- + Critical skills shortages in the industry

### Our response

- + Quality patient care and high employee engagement
- + Engaging industry and regulatory bodies through the proper channels and relevant forums
- + Engaging with government through the HASA
- + Rigorously complying with legislation and promoting the highest ethical standards





# Our strategic response to the operating environment

## Message from our CEO

AMIL DEVCHAND



While further COVID-19 waves are still likely, we are confident that the worst of the pandemic is now behind us. Its impacts are now better understood and governments have updated their stances on how to handle it. Lenmed's ability to weather the pandemic storm over the past two years is a testament to the strength of our business foundations, the veracity of our strategy and the commitment of our leadership, management and staff.

Importantly, those strong foundations have enabled Lenmed to recover quickly from the economic and operational challenges that COVID-19 created and our business is firmly back on track, as shown by the financial and non-financial information provided in this report. We fully expect to continue on this robust growth path into the future, provided that further national or international shocks do not occur.

### Continuing on our journey of growth

After almost two years of focusing predominantly on serving and supporting our communities through their COVID-19 challenges, the past year became an opportunity to once again turn our attention to growing our business. Fortunately, Lenmed's strong fundamentals meant that this recovery to our pre-COVID-19 growth trajectory happened relatively quickly, and we have been largely able to pick up where we left off when the pandemic first struck.

The Group achieved some notable highlights over the past financial year. We increased our stake in the Howick Private Hospital, from the 50.04% that we originally acquired from Mediclinic in the previous financial year, to just a few basis points shy of 100%.

We also heightened our focus on beyond South Africa by successfully acquiring a management contract for a key hospital in Accra, in Ghana. Our client in this contract is the Central Bank of Ghana, which makes this a significant strategic transaction featuring minimal financial risk and good earning potential. What's more, this management contract allows us to establish ourselves, at low capital cost, in this economically important part of West Africa, familiarise ourselves with the region, and identify any other opportunities that may exist to expand our presence. The six-year contract also gives Lenmed the right of first refusal, should the asset be put up for sale during this period. This deal remains subject to one final regulatory approval, which we do not expect any issues in obtaining.

More recently and most notably, we are proud to announce the 100% acquisition of Matlosana Medical Health Services (MMHS), a well-established hospital group located in Klerksdorp, in the North-West Province, comprising the following facilities:

-  **WILMED PARK HOSPITAL**  
185-bed acute hospital
-  **SUNNINGDALE HOSPITAL**  
33-bed acute hospital
-  **PARKMED NEURO CLINIC**  
50-bed dedicated psychiatric hospital
-  **DALESIDE DAY HOSPITAL**  
20-bed, two theatre day hospital

This significant transaction aligns to our strategic imperatives of continuing to build scale as a Group, providing a foothold in a new geography, as well as bolstering our diversification efforts through the psychiatric and day hospital businesses. The acquisition also presents numerous growth and synergistic opportunities, the planning and execution of which will occur in a responsible and sustainable manner post takeover. This transaction remains subject to the approval from the Competition Commission of South Africa, which we expect to gain before the end of the first half of this financial year.

### A strategy for sustainable success and growth

Our more optimistic outlook on the operating environment motivated us to expend time and expertise into fine-tuning our strategy for delivery of our growth aspirations in the coming years. We have identified specific strategic levers as being integral to this steady and sustainable growth.

A key lever is our ability to increase the utilisation of all the facilities and resources that we already have at our disposal. The Group has intensified its focus on driving steady organic growth across our business. Coupled to this, we continue to prioritise various expansion possibilities available in many of our existing facilities, especially in the area of high-acuity specialist disciplines.

As mentioned previously, diversification is another key strategic lever. Again, this has a two-pronged outcome. Firstly it ensures that we expand the services and value we offer to our patients; and secondly, it creates additional revenue streams for our business, which will enhance our resilience and sustainability. We have a number of opportunities and are advancing discussions to take a more substantial commercial interest in various complementary healthcare services, across our hospital ecosystem.

Another vital strategic focus area for Lenmed over the past year, and in coming years, is ongoing investment into digitisation, innovation and data optimisation. The healthcare sector did not escape the impacts of the rapid and widespread consumer digitisation adoption brought about by COVID-19. More than ever before, we need to ensure that we are putting our patients at the centre of every decision and action we take. Digital transformation and disruption of every possible aspect of our business is central to our ability to deliver on this requirement.

In the past financial year, we implemented two internally developed solutions aimed at digitally enhancing key aspects of our operations. An electronic, automated billing system is already enhancing our billing accuracy, reducing stock losses and lowering the amount of working capital previously required. In addition, an innovative automated staffing tool has also been put in place to optimise our resource utilisation and management processes, helping to ensure that we have the correct staffing mix to better serve our patients.



### Message from CEO continued

We have also embarked on a three-year data strategy to transition the organisation from its current nascent data usage capabilities to a fully-fledged data-mature business. This will positively contribute towards improving our operational efficiencies, quality of care, and provide the insights necessary to develop alternate reimbursement modelling and deliver new revenue generation capabilities.

To give effect to our entire digital strategy, we invested heavily in onboarding the necessary skills and talent required, including the appointment of a Chief Digital Transformation Officer who, together with our Chief Information Officer, are forging ahead. With the infrastructure and people in place, we intend adding further impetus to our digital transformation journey in the coming months and years. I look forward to reporting next year on steady progress across various innovation projects currently in the planning phase.

Last, and certainly not least, we pride ourselves in providing world-class care and strive to be market leaders in this regard. We anticipate clinical outcomes and overall quality to play a more meaningful role, as patient consumerism and data transparency improves, with a significant potential competitive advantage to be garnered by facilities offering above-average care. As part of our overall clinical strategy, we have identified international accreditations in key disciplines as a cornerstone of ensuring improved and sustained clinical excellence. During the year, the Group's Ethekewini Hospital and Heart Centre achieved a cardiac accreditation through the American College of Cardiology, the first such accreditation by a hospital on the African Continent.

### Investing in our biggest asset – our people

While the immediate threat of COVID-19 to our frontline workers has subsided considerably, we remain committed to protecting our front line and all our employees supporting them. Healthcare can be an immensely stressful and high-pressure work environment, even outside of a pandemic – we value the contributions of our staff and their steadfast commitment to our patients and our business.

Our commitment to developing our people, and to being a learning organisation is a responsibility that we take extremely seriously. The Group has a proud history and track-record of investing in training and upskilling our employees, with approximately R2.6 million spent in this regard over the course of the last year. Various leadership and management development initiatives were introduced across the business over the last 24 months, aimed at fostering a culture of being a service oriented, entrepreneurial and results driven organisation. It is also exciting to note that we have, in partnership with the Henley Africa Business School, crafted a customised leadership development programme termed Lenmed Lead: Higher Certificate in Management Practice aimed at developing the middle management layer within the

organisation and creating a pipeline of future leaders for our business. The programme will commence in July 2022 with the first cohort of 25 participants.

Over the past 18 months, we were proud to recognise 70 graduates from our nursing college, who have completed our short learning programmes in areas of critical nursing demand. Despite the ongoing challenges they faced in the workplaces, these dedicated professionals completed various skills development training courses that will enhance their effectiveness within the workplace. They are now equipped with the knowledge and skills they need to function in high acuity wards. There is a dire shortage of nurses in this category and we intend training a further 100 nurses over the course of the next 12 months to absorb into our business and to increase the numbers of nurses available to the nation. Lenmed is hopeful that we will soon get approval from the Department of Higher Education and Training to formally open our nurse training facilities to the healthcare industry in general.

As part of our visible leadership project, the executive team visited all Lenmed's facilities and met with employees, doctors and senior medical staff to hear their input, concerns and suggestions. This process provided a range of invaluable insights that will inform our operational decisions going forward.

### Looking ahead

As Lenmed, we are extremely proud of our history, and our ability to be a force for transformation within the healthcare sector. The Group was founded in the height of Apartheid, and our first facility, Lenmed Clinic as it what then known, represented a beacon of hope for the time, providing care to all people, irrespective of race, religion or creed during what was an extremely divisive period. This spirit of solidarity and community, driving the social imperatives of the countries in which we operate, is more relevant than ever, and continues to inspire us in our mission to create healthier and more prosperous communities.

The Group remains in a favourable position, with a strong financial footing, an excellent management team, potential for market share expansion and exciting growth opportunities on the horizon. Much of the competition to Lenmed is likely to come from the alternative care segment, with healthcare affordability concerns driving a stronger focus on digital healthcare offerings and lower cost of care settings such as day hospitals and outpatient facilities. As a consequence of the fragile economic environment in South Africa, we expect to see a continuation of the trend towards the adoption of lower cost options by medical aid members, and cost containment efforts from medical aids and other funders in the form of restrictive tariff increases and expansion of preferred provider hospital networks. We are confident in our ability to withstand and even benefit from the potential opportunities that these market dynamics present.

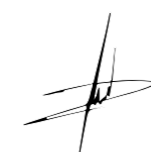
At the same time, we have no intention of compromising on our commitment providing top-quality healthcare services. The premier quality of the services we offer, and the ethos putting the patient first, remains one of Lenmed's strongest differentiators in an increasingly competitive environment. We will continue honing our skills and capabilities, while pursuing international accreditation in more complex medical disciplines like trauma, stroke and cardiology treatment.

### Thanks

I would like to thank all our Lenmed employees and doctors for the invaluable contributions you made to our success over the past financial year. We are aware that the lingering challenges of COVID-19 added to the complexity of your jobs, and we appreciate your commitment to always going beyond the average in looking after our patients.

Thank you to the Chairman and our Board of directors for your valuable guidance, and to my leadership team for your ongoing support.

**Lastly, thank you to our patients for the trust that you place in us every time you walk through the doors of one of our facilities. We exist to serve you, and we assure you of our continued commitment to your health and wellbeing.**



**Amil Deuchand**  
Chief Executive Officer





## Our material matters

### How we determine our material matters

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



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

26



### 1 Identify and assess

**Matters are brought to light by:**

- + Stakeholders, including patients, shareholders, regulators and funders (see page 20) for our stakeholder engagement model)
- + Internal deliberations and/or independent research
- + Trends from our external environment

In 2022, the Lenmed executive committee (EXCO) determined the Group's material matters through an externally-facilitated materiality assessment workshop.



### 2 Prioritise

**We consider material matters within the context of:**

- + Our vision to be the leading healthcare group in Africa
- + Our values, leadership culture and leadership charter
- + Our strategy, business model and the risks associated with our business model
- + The operating environment challenges and priorities
- + Our risk and capital management framework

Based on these factors, we ranked our material matters based on each matter's prominence in relation to profit, people and planet.



### 3 Respond and monitor

**We decide on specific actions to respond appropriately.**

The consequences of our responses are monitored by our EXCO, Board and the various Board sub-committees in accordance with their terms of reference.

## Lenmed's material matters

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

### THE QUALITY AND INNOVATION OF OUR DELIVERY MODEL

Good clinical governance, with quality processes and outcomes, is the foundation of the service we provide. By focusing on value-based care through a patient-focused approach, we differentiate ourselves in the market.

We aim to entrench and maintain this quality of care as we pursue innovation in our delivery model by exploring revenue opportunities along the continuum of care. These include providing viable and well-functioning day clinic psychiatric wards, mental health facilities and rehabilitation facilities, co-located in established hospitals with a view to eventually establishing standalone facilities.

A high standard of clinical governance also supports our focus on high-acuity work. We foresee that highly specialised or acute care – such as ophthalmology, gastroenterology, chemotherapy and nephrology – will support our long-term hospital strategy, even as other primary healthcare elements shift to digital or alternate care settings.

#### CAPITALS AFFECTED



#### STAKEHOLDERS INVOLVED

- + Patients
- + Employees
- + Medical aid funders
- + Government
- + Shareholders, future investors
- + Medical specialists

#### STRATEGIC THEMES

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

For more information about our clinical governance

[PAGE 36](#)

### ORGANISATIONAL GROWTH

As part of our vision to becoming Africa's leading healthcare group, we aim to diversify geographically while expanding our footprint in the countries where we already have a presence.

Our industry-leading experience in hospital management opens both organic and acquisitive growth opportunities up to us. Facilities design, consulting and hospital management contracts are some of the high-return, capital-light options available as we strengthen our brand on the continent.

#### CAPITALS AFFECTED



#### STAKEHOLDERS INVOLVED

- + Patients
- + Employees
- + Medical aid funders
- + Government
- + Shareholders, future investors
- + Communities

#### STRATEGIC THEMES

- + Key stakeholder engagement
- + Clinical and operational excellence
- + Digital transformation and innovation
- + Growth strategy

For more about our growth strategy [PAGE 31](#)

27

**Lenmed's material matters continued**

**DIGITAL DISRUPTION IN HEALTHCARE**

The Fourth Industrial Revolution impacts every sector. The healthcare industry is evolving in response to changing consumer preferences and potential efficiency gains.

Patients are increasingly aware of and knowledgeable about their health. They expect astute, high-quality and personalised services. The drive for better patient care is also supported by medical aid funders (MAFs) – the future of hospital care will likely involve remuneration based on quality outcomes, rather than service outputs.

Hospitals that can leverage business intelligence and information technology to optimise processes while advancing the quality of patient care will likely benefit from this trend.

However, Industry 4.0 also carries cyber-risk – an acute threat to any organisation with a digital strategy.

**CAPITALS AFFECTED**



**STAKEHOLDERS INVOLVED**

- + Patients
- + Employees
- + Medical aid funders
- + Shareholders, future investors
- + Medical specialists

**STRATEGIC THEMES**

- + Clinical and operational excellence
- + Digital transformation and innovation
- + Growth strategy

For more about our digital innovation [PAGE 53](#)

**CAPITALS AFFECTED**

**STAKEHOLDERS INVOLVED**

- + Patients
- + Employees
- + Medical aid funders
- + Governments and regulators
- + Shareholders, future investors
- + Medical specialists
- + Medical school/universities

**STRATEGIC THEMES**

- + Key stakeholder engagement
- + Continuous learning
- + Clinical and operational excellence
- + Growth strategy

For more about our people initiatives [PAGE 44](#)

**CAPITALS AFFECTED**



**STAKEHOLDERS INVOLVED**

- + Patients
- + Medical aid funders
- + Shareholders, future investors

**STRATEGIC THEMES**

- + Key stakeholder engagement
- + Clinical and operational excellence
- + Digital transformation and innovation
- + Growth strategy

For more information about our financial capital management [PAGE 32](#)

**ATTRACTING AND MAINTAINING QUALITY SKILLS**

The growing scarcity of healthcare skills is a global phenomenon, so that hospitals are not just competing locally to attract nurses, doctors and theatre staff, but with international counterparts, while an insufficient number of medical graduates enter the system.

Lenmed's doctors generally serve on a contract basis, so that the Group necessarily takes extra care to invest in leadership development and professional skills development through initiatives such as its Nursing Academy. We also provide pleasant working conditions within well equipped, modern infrastructure.

**FUNDER RELATIONS**

MAFs play a significant role in the private healthcare sector. The healthcare service providers who are part of their designated service provider (DSP) networks access a great pool of patients and revenues.

Using their financial influence, the medical aid funders promote and drive certain trends for healthcare groups that include the move towards alternate care settings and more patient-centric healthcare linked to value-based reimbursement. Lenmed continuously builds on its relationships with the medical aid funders, positioning the Group to provide more services to its members, which not only increases Lenmed's revenue, but also provides financial benefit for the scheme.

In future, the healthcare service providers providing the highest quality care stand to attract more revenue.



**RENEWED ESG FOCUS**

Globally, the spotlight is on businesses to do good, with environmental, social and governance (ESG) issues taking centre stage. Successful business contributes to national economic imperatives, and healthcare facilities have a special role to play by employing local community members, supporting small businesses, and bolstering community welfare.

Lenmed subscribes to the concept of business as a force for good. We are proud of our contribution to the Children's Cardiac Foundation of Africa, as well as our Level 1 B-BBEE status and the approximately R200 million spent to support small businesses. We are monitoring our electricity and water use, with R20 million ring-fenced for renewable energy and water initiatives in 2022.

**CAPITALS AFFECTED**



**STAKEHOLDERS INVOLVED**

- + Patients
- + Employees
- + Medical aid funders
- + Governments and regulators
- + Shareholders, future investors
- + Communities
- + Contractors and suppliers
- + Clinical procurement

**STRATEGIC THEMES**

- + Key stakeholder engagement
- + Clinical and operational excellence
- + Digital transformation and innovation
- + ESG

For more about our ESG initiatives [PAGE 44](#)  
 For more about our social initiatives [PAGE 49](#)  
 For more about our natural capital [PAGE 55](#)

**MACROECONOMIC FACTORS**

Economies the world over were negatively impacted by COVID-19. Although many African economies, including South Africa, rebounded to an extent in 2021, uncertainty persists in 2022. For healthcare in particular, much damage was done by the lockdown-related restrictions that hampered elective surgeries during each consecutive wave of the pandemic.

The South African healthcare sector is also vulnerable to the country's mood. The fear and uncertainty inspired by the pandemic, July 2021's civil unrest, and the floods of April 2022 affect both patient numbers and the performance of healthcare professionals. The psychological stress of the last few years contributed directly to the loss of specialised skills, with many medical practitioners leaving South Africa altogether.

While Lenmed's influence over these external factors is often small, we are optimistic about the future. The Group will continue contributing to the economic and social health of our geographies by maintaining high-quality clinical governance, remaining financially sustainable, and supporting community and environmental initiatives. In particular, Lenmed seeks to uplift the communities around its hospitals with targeted procurement and health initiatives.

**CAPITALS AFFECTED**



**STAKEHOLDERS INVOLVED**

- + Patients
- + Employees
- + Medical aid funders
- + Governments and regulators
- + Shareholders, future investors
- + Communities

**STRATEGIC THEMES**

- + Key stakeholder engagement
- + ESG

For more about our digital innovation [PAGE 53](#)





### Our strategic imperatives

To be the leading healthcare group in Africa that:

- + Invests in its people and is recognised as an **employer of choice** across the continent
- + Is a **learning organisation** that is service orientated, entrepreneurial and results focused
- + Drives **clinical and operational excellence** to ensure market-leading outcomes
- + Commits to **digital transformation and innovation**, harnessing the power of technology and data, to drive customer centricity, growth and sustainability
- + Minimises its impact on the **environment**. Maintains the highest levels of **governance**. Makes a meaningful contribution to the **social** imperatives in all the countries in which it operates
- + Enhances shareholder value through its **growth strategy** aimed at becoming a diversified provider of services across the healthcare system focused primarily in Africa, generating an EBITDA of R1.5 billion

## Our value creating strategy

### Overview

With over 37 years in challenging African markets, proven resilience and a sound balance sheet, Lenmed is an affordable and quality alternative in the private healthcare market. While managing the effects of COVID-19 received much of the Group's attention over the last two years, we both refined and expanded our corporate strategy in 2021 in preparation for accelerated growth in the short, medium and long term.

#### Stakeholder priorities



##### Key stakeholder engagement

Build stronger, mutually beneficial relationships with funders

Be an employer of choice with generous remuneration and good working conditions

Create shareholder value



##### Continuous learning

Leadership and professional skills development  
Nursing College



##### Clinical and operational excellence

Focus on high-acuity work

Optimise the balance sheet

Provide value-based care and quality outcomes



##### Digital transformation and innovation

Invest in data and predictive analytics

Implement digital processes and systems

Protect against cyber-risk and attacks



##### ESG

Environmental

Social

Governance



##### Growth strategy

Execute high-return, capital-light organic growth opportunities and initiatives

Search for attractive and viable opportunities across Africa

Diversify revenue streams across the continuum of care



## Our performance

### Message from our CFO

FREDRÉ MEIRING

FY22 saw Lenmed returning to profitability after last year's loss caused by the disruptions of the COVID-19 pandemic. FY22 was also the year in which the Board approved a dividend policy that should provide shareholders with a cash return alongside the capital growth resulting from our growth strategy and pursuit for scale.

Our bed occupancies increased, as evidenced by growth in per patient day costs (PPD), while revenue per patient day (RPPD) remained strong and well in excess of pre-COVID levels.

Maputo Private Hospital (MPH) continued to perform well during a year featuring several waves of COVID-19 infections. Its exemplary performance is partially due to the high volumes of COVID-19 testing in our laboratory and the dedicated health care solutions MPH entered with corporate clients. Our Royal Hospital and Heart Centre (RHHC) built on its steady growth since founding to reach the point where we are considering expanding the facility.

Our focus on controlling operational and capital expenditure, managing working capital and collecting the long outstanding Road Accident Fund (RAF) book, resulted in higher cash inflows. This in turn allowed the balance sheet to deleverage as net debt reduced.

#### KEY METRICS

	2022	2021	2020
EBITDA (R'000)	<b>533 671</b>	243 267	579 588
EBITDA margin (%)	<b>15.8</b>	9.0	19.2
HEPS (cents per share)	<b>31.18</b>	2.11	28.1
Total net debt to EBITDA ratio, debt covenant is <3.5 time	<b>1.83</b>	4.53	2.14
Senior debt service cover ratio, debt covenant is >1.1 times	<b>3.50</b>	1.47	1.36
Interest cover ratio, debt covenant is >2.5 times	<b>4.12</b>	1.9	4.15
Debt to equity ratio, debt covenant is <80%	<b>39</b>	52	55

When tracking our key metrics over the past three years, it is clear that Lenmed has regained its financial momentum. Our growth strategy has resumed with the addition of 23 additional high care beds at the Ethekewini Hospital and Heart Centre near Durban, as well as 44 additional beds at Bokamoso Private Hospital in Gaborone, Botswana. We have integrated the 46 bed Howick Private Hospital that we acquired from Mediclinic into the Group, with the turnaround of this facility gaining momentum as specialists take up rooms at the hospital. In October 2021, Lenmed acquired all the shares in Halcom Management Services (HMS), our consortium partner in the management contract for the Bank Hospital in Accra, Ghana.

We are pleased with our return to profitability and well positioned to take advantage of the opportunities that will present as pent-up demand for healthcare services resumes.

#### Statement of comprehensive income

Lenmed's FY22 financial year is a story of two halves. The financial year started strong as the tail-end of the second COVID-19 wave caused an increase in PPDs. This trend continued throughout most of the first half of the financial year, with the Delta variant causing high admissions during the South African winter. As a result, PPDs for the first half of the financial year were 27.7% higher than the first half of the previous year.

This growth slowed during the second half of the financial year, particularly as the riots in KwaZulu-Natal appeared lower

admission rates in that region. Later that year, the highly infectious but less severe Omicron variant ignited South Africa's fourth wave. This wave caused reduced admissions towards the end of the calendar 2021 as customers decided to postpone elective procedures. As a result, PPDs for the second half were only 8.3% higher than the previous year, resulting in annual PPD growth of 17.6%, assisted slightly by a 1.3% portion emanating from the acquisition of the Howick Private Hospital. However, PPD's were still came in at 2.9% below the pre-COVID-19 year (FY20).

With an average tariff increase of 4.2%, case mix negatively impacted the RPPD for the year. RPPD for the year grew by only 1.5%, but was 15.2% higher than in the pre-COVID-19 period. This outcome resulted from two years of tariff increases for inflation and an average higher occupancy in the higher acuity wards relative to the general wards.

We expect that pent-up demand due to the deferral of health care will drive an increase in general occupancies. These anticipated occupancy increases will most probably be skewed towards general wards, which remained subdued during COVID-19 waves. A disproportionate increase in the occupancy of general wards relative to higher acuity beds should reduce the average RPPD.

RHHC, Bokamoso, Daxina and Kathu Private Hospital all grew revenue in excess of 30% during the financial year. While RHHC continued its growth of the last three years, having grown revenues by 7.4% during FY21, Bokamoso, Daxina and Kathu were impacted the most in the prior year, so their recovery is most pleasing.



### Message from CFO continued

Continuing from the prior year, Maputo Private Hospital resumed dedicated health care solutions for numerous corporate clients in Mozambique, causing a significant increase in its other income. Most of these contracts are either reducing in scope or ending, which will reduce our income from that source. We are however hopeful that the relationships fostered by these contracts will position Lenmed well for future opportunities.

Lenmed's cost of sales and operational costs were well controlled during the year, increasing by 12% while revenue increased by more than 19%. This operational leverage bodes well for our return to higher occupancies.

The consumption and cost of personal protection equipment (PPE) remained higher than the pre-COVID period, although it reduced during the period under review. Structures are in place to ensure adequate PPE is available for the protection of our patients, staff, healthcare and service providers, while ensuring our consumption of PPE remains well controlled.

As a result, Lenmed achieved EBITDA of R534 million (FY21: R243 million) at a margin of 15.8%. Although this margin compares well with those of our listed peers, it remains below pre-COVID-19 levels. We expect margins to increase as occupancies recover further.

### Statement of cash flows

Cash generated from operating activities equated to R663 million (FY21: R311 million), or 124% of EBITDA, in line with 128% in 2021. We focus rigorously on working capital management while enhancing credit controls and collecting the long outstanding RAF book. The Group also resumed its regular asset maintenance and replacement plans, cautiously committing to several expansionary capital projects, most notably the addition of 23 new high care beds at Ethekewini Hospital and Heart Centre and 44 additional beds at Bokamoso. We anticipate that these additional high acuity beds will support our growth aspirations.

### Statement of financial position

The significant cash generated during the year as a result of our prudent control of operational and capital expenditure strengthened the balance sheet. As a result, net debt reduced to R939 million (or 1.83 times EBITDA) from R1.21 billion at the end of the prior year (or 4.53 times EBITDA). Sufficient head room remains available for future funding of the Group's growth strategy.

Lenmed integrated the acquisition of 50.04% of the Howick Private Hospital Holdings (Pty) Ltd (HPH) (effective 1 March 2021) into the Group. To increase Lenmed's shareholding in HPH, Lenmed made a consequent offer to the minorities, resulting in Lenmed's stake increasing to 88%. Following this offer, shareholders were approached to recapitalise the business through a rights issue, which allowed Lenmed to increase its stake in HPH to 99%. Most of the proceeds from the rights offer was used to settle Lenmed's inter-company loan to HPH, while the remaining proceeds are

earmarked for future expansion at the hospital. Lenmed also acquired 100% of the shares in HMS, our consortium partner in the management contract of the Bank Hospital in Accra, Ghana. This is Lenmed's first foray into West Africa and we are excited to be involved in this opportunity to learn the local market while partnering with the Central Bank of Ghana.

### Events after the reporting date

During May 2022, Lenmed entered into an agreement to acquire 100% of Matlosana Medical Health Services (Pty) Ltd (MMHS), a Klerksdorp based group of hospitals. MMHS consists of two acute facilities (218 beds), a day hospital (20 beds) and a mental health facility (50 beds).

The acquisition aligns well with our strategy to diversify across geographies as well as revenue streams, while expanding our presence into the North West province of South Africa. We anticipate this acquisition to add an initial 12% to group EBITDA, with solid potential to expand profitability and growth going forward.

At the time of writing, this transaction was still conditional upon various approvals, including the approval by the Completion Commission.

### Outlook

Overall, we are confident that we will continue offering shareholders long-term value and are cautiously optimistic about FY23. Should Lenmed continue its strong recovery from COVID-19, we will most likely accelerate the Group's growth strategy.



**Fredré Meiring**  
Chief Financial Officer

## Five-year review

	2021	2020	2019	2018
<b>2022</b>	Five-year CAGR 17%			
<b>REVENUE (R'000)</b>	2021	2020	2019	2018
<b>3 386 123</b>	2 837 153	3 026 171	2 546 127	2 220 764
<b>HEADLINES EARNINGS (R'000)</b>	Five-year CAGR 4%			
<b>221 247</b>	2021	2020	2019	2018
<b>14 956</b>	199 131	143 246	158 680	
<b>NORMALISED EBITDA (R'000)</b>	Five-year CAGR 14%			
<b>533 671</b>	2021	2020	2019	2018
<b>243 267</b>	579 148	445 234	399 160	
<b>TOTAL INTEREST-BEARING DEBT (R'000)</b>	Five-year CAGR 8%			
<b>1 377 030</b>	2021	2020	2019	2018
<b>1 505 290</b>	1 309 383	1 317 044	1 295 444	
<b>CASHFLOW FROM OPERATIONS (R'000)</b>	Five-year CAGR 21%			
<b>662 962</b>	2021	2020	2019	2018
<b>311 434</b>	327 233	423 625	360 825	





## Our clinical governance

### Reflection on the year under review

On 4 April 2022, the South African government announced the end of the National State of Disaster in the country, two years after its implementation. Despite the country experiencing the third and fourth waves of the pandemic in this year, we renewed our focus on what matters most: **continuously improving our patient experience, safety and clinical outcomes. During this year, we successfully implemented and achieved:**

- + Chest Pain Centre and Primary PCI (percutaneous coronary intervention) accreditation of Lenmed Ethekwini Hospital and Heart Centre by the American College of Cardiology
- + The introduction of MAKO robotic joint surgery at Lenmed Ethekwini Hospital and Heart Centre
- + Repositioning our clinical and quality scorecard reporting in accordance with a drive to continuously achieve market-leading clinical outcomes
- + Introducing regional clinical performance reviews, in which Group representatives and hospitals engage on scorecard trends and events, learnings and improvement initiatives
- + Developing the Lenmed Clinician Portal to help us understand our clinicians and their specific qualifications, skills and experience, while managing medico-legal risk
- + Automating the hospital internal compliance audit process and moving to self-assessments
- + Revisiting our risk assessment methodology and expanding the details
- + Expanding the Lenmed Incident Reporting System (LenIRS) suite of services

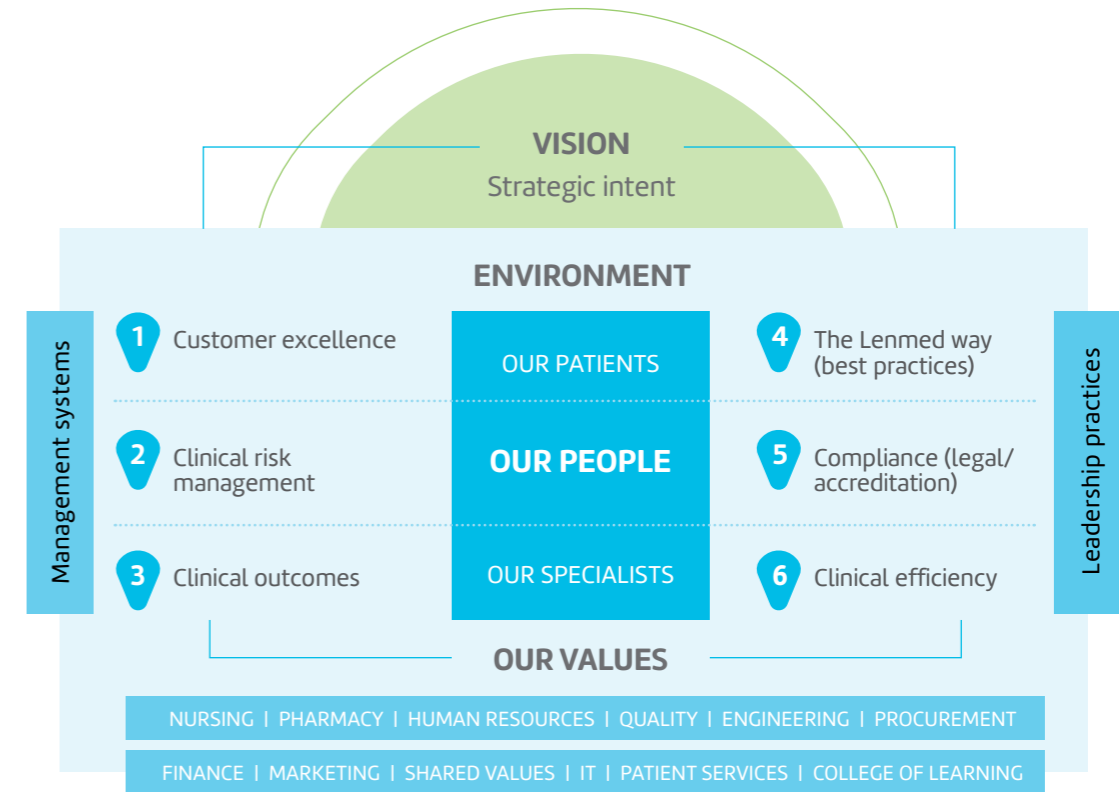
### Clinical Governance Committee and framework

It has been four years since Lenmed's clinical governance framework was adopted and, as COVID-19 declines, it was reviewed and realigned to drive the delivery of market-leading clinical outcomes and to differentiate between driving execution and supporting strategic priorities.

By factoring in one of the positive lessons learnt from COVID-19 – commonality and togetherness – the strategic role of the Group Clinical Governance Committee was renewed.

We realigned our clinical governance framework (our quality management system) and focused on execution while supporting our hospital management teams through the latter part of the pandemic and National State of Disaster. The strategic role of the Group's Clinical Governance Committee involved:

- + Industry trends and their impact on market-leading clinical outcomes
- + Journey to the implementation of a Lenmed clinical system
- + Entrenching cost-per-event and clinician efficiency
- + Differentiating Lenmed through accreditation and Centres of Excellence and the appropriate clinical programmes
- + Entrenching clinical performance reviews and our learnings



### 1 Customer excellence

In 2021, we saw a steady increase in every customer experience score category, from our healthcare professionals to cleanliness and quietness. We were able to relax some COVID-19 restrictions, in line with national guidelines, to improve the experience of our patients and visitors.



### 2 Clinical risk management

#### Risk assessment and management

Another lesson learnt from the COVID-19 pandemic is the management of risk in manageable pieces. Risk assessments were introduced during the pandemic, through which teams focused on specific COVID-19-related risks or threats such as the transmission of the virus. Building on this lesson, we improved our approach to clinical risk management. Risk management is about identifying, assessing, and controlling clinical and quality threats to a hospital – being those threats that affect patient experience, safety and clinical outcomes. Lenmed's improved risk assessment methodology resulted in function risk assessments being co-created (e.g., specific nursing, infection prevention, pharmacy, facilities and safety, health, environment and quality (SHEQ) risk assessment templates), while hospital departments and head office functions collaborated on the development of risk assessment templates. These introduced greater detail surrounding the processes and tasks performed by hospitals.

We have embedded the complex processes behind a risk assessment methodology for Lenmed hospitals in the four years since it was introduced.



### Clinical performance reviews

Building on the management of hospital clinical and quality risks, regional clinical performance reviews (CPRs) were introduced during the period under review. As a healthcare organisation, we remain focused on our responsibility for the delivery of safe, effective care and clinical outcomes. Regional CPRs require hospital management teams to focus on opportunities for improvement; to understand these opportunities. Hospitals must review their clinical and quality scorecards and identify those outcomes which deviate from target or the internal norm, for example a hospital's patient incident rate could be higher than Group target and would represent a deviation. These deviations are presented, discussed, and dissected during CPRs to identify root causes and learnings, the ultimate objective being to drive improved patient experience, safety and care delivery.

### Lenmed Clinician Portal

The period under review saw the development and testing of the Lenmed Clinician Portal, which is set for implementation in the early part of the new financial year. The benefits realised from this portal extend to:

- + **Practice marketing** – understanding clinicians' specific qualifications, skills, experience and special interests
- + **Patient library** – auto-access to a patient education library to assist our specialists with patient engagement around informed consent
- + **Staying updated** – sharing current information and news from the Group and respective hospitals
- + **Useful reminders** – auto-reminders about important annual updates
- + **Single repository** – Group clinical policies and hospital clinical governance related documentation and information can now be accessed from a single repository
- + **Simpler, better, smarter** – access from any device extending to access for clinician practice staff
- + **Secure and private** – confidentiality and privacy

### 3 Clinical outcomes

Achieving our strategic imperative of market-leading clinical outcomes required Lenmed to reposition its clinical and quality scorecard reporting. Industry benchmarking is conducted annually, incorporating a review of both local and international clinical and quality best practices. This review contributes to a process of continuous improvement in remaining relevant and focused on the most appropriate measures to improve patient experiences, safety and outcomes. The new

financial year sees a specific focus on outcomes related to our specialised critical care units and the introduction of an overall hospital quality rating.

Periodically, external reporting requirements may either be revised or introduced, as was the case in this financial year – we realigned our clinical and scorecard methodology and reporting with that of one of South Africa's largest funders. External reporting for COVID-19 has reduced significantly since the end of the National State of Disaster.

### 4 The Lenmed Way – our best practises

#### Education and training

During the year under review, we initiated Lenmed Learn, a new e-learning platform that will allow our employees and doctors to upskill in small bursts at their convenience. Gone are the days where employees learnt in a classroom. With Lenmed Learn, employees, and especially our frontline managers, will be exposed to short, crisp learning opportunities which are purposed specifically for online learning. Examples of this training could be how to recognise safety risks in a unit or location, how to conduct a fire drill, how to identify clinical and quality scorecard deviations, what constitutes preventative action, and the like. Lenmed Learn provides exciting learning opportunities in bite-sized chunks with built in competency assessments after each short module.

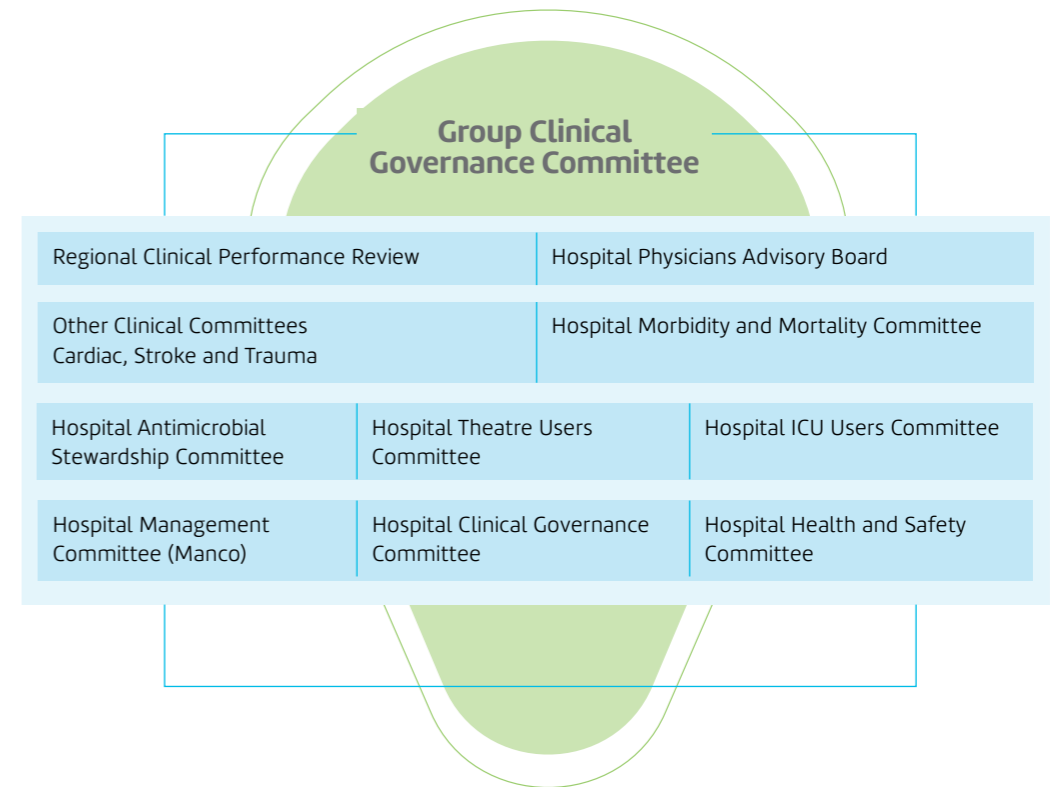
Lead Lenmed is also a new leadership training initiative developed and launched to train our frontline managers, together with Henley Business School. Frontline managers' leadership and management responsibility falls within four broad categories – quality and safety, relationship building, staffing and financial management. Further information on Lead Lenmed will unfold in the next reporting period, however we are excited for the first cohort of frontline managers who have been selected for this programme.

For more about these initiatives [PAGE 47](#)

#### Clinical governance structures

With the increasing requirements of COVID-19, clinical governance and the supporting governance structures were critical in influencing and managing through the pandemic. It also meant that we had to be even closer to our specialists and allied clinicians to assist in collectively delivering high-quality clinical services to our patients that were measurable and effective, to ensure patients were consistently and safely cared for, to constantly improve on patient experience and outcomes and to continuously assess, monitor and report on clinical risks.

The clinical governance structures illustrated below represent the ideal for a Lenmed hospital, given the number of beds, clinical processes and services and expert clinicians. Hospital clinical and quality scorecard and outcomes reviews are performed at various levels, dependent on the purpose of the governance structure and its core members. For example, at the recently introduced regional CPRs, hospital managers present their solutions for scorecard deviations and trends to the Group Chief Medical Officer and Group Head of Operations and gain inputs from participating clinical and quality Group managers.



### 5 Compliance

#### American College of Cardiology accreditation for Lenmed Ethekwini Hospital and Heart Centre

In December 2021, Lenmed Ethekwini Hospital and Heart Centre received the prestigious Chest Pain Centre and Primary PCI accreditation from the American College of Cardiology – a first in Africa. This accreditation means that Ethekwini Hospital and Heart Centre has demonstrated expertise and commitment in treating patients who present with heart attacks. It is a ground-breaking milestone for our organisation. Accreditation is based on a rigorous appraisal of the hospital team's ability to evaluate, diagnose and treat patients who may be experiencing a heart attack. Being awarded this accreditation contributes to our vision of market-leading clinical outcomes and shows the community our commitment to offering exceptional cardiac care. It also enhances Ethekwini Hospital and Heart Centre's status as a preferred provider of cardiovascular care that offers early and accurate diagnosis and treatment, with enhanced quality outcomes.

#### Clinical programmes

At Lenmed, differentiation is a strategic imperative. As with the chest pain accreditation achieved at Ethekwini Hospital and Heart Centre, we are focusing on implementing clinical programmes and international best practices at key hospitals for stroke, trauma, and other specialised areas. It is proven that patients who follow a predetermined journey (or clinical pathway) within specific time parameters, with the entire clinical team focusing on the most appropriate interventions, have better outcomes and a safer experience.

#### Internal clinical and quality compliance audits

During the pandemic, physical on-site internal clinical and quality compliance audits were set aside to reduce any risk of COVID-19 transmission and employee exposures, all the while ramping up the COVID-19 compliance checks to ensure the appropriate preventive measures were in place.

During this period, we took the opportunity to revisit our hospital compliance audit methodology, which was largely a manual process. Capitalising on our internal

LenIRS capability, we developed and implemented an automated compliance audit tool. Gone are the days when a team of Group managers spent the better part of a week at a hospital conducting a physical compliance audit of function processes and systems. Our hospitals now conduct self-assessments, using the automated compliance audit tool, with validation by Group managers. For example, nursing managers at Lenmed hospitals would conduct their own self-assessment against criteria determined by Group Nursing, which included uploading supporting evidence to demonstrate compliance. Once nursing self-assessments were completed online, the Group nursing manager would receive a system notification and would review the completed nursing self-assessment online, validating all answers and considering all evidence provided. After validation, nursing managers would receive a system notification of their percentage score and confirmation of the number of findings (whether these findings were non-compliances or critical non-compliances). These findings would be closed out on the automated tool and corrective action assessed for effectiveness. By conducting our compliance audits in this manner, it increased the ownership at hospital level and accountability at Group level. The previous manual audit approach has been successfully phased out.

### Protection of Personal Information Act (POPIA) compliance

LenIRS, being a user-friendly system, allowed for hospitals to assess their compliance with POPIA requirements, for which a second compliance audit was conducted for the period under review. This important legislation ensures that we comply with patient confidentiality requirements. Once again, hospitals were required to assess compliance against predetermined criteria and to upload supporting evidence.

### Office of Health Standards Compliance (OHSC)

The OHSC, in consultation with HASA and its members, determines a set of standards specific to private hospitals, which provides for quality requirements and standards in respect of health services provided by private health establishments. The main objective of the standards is to promote and protect the health and safety of the users of health services and contribute to improved outcomes and improved population health. During this year the OHSC released draft standards for review and comment during a consultation process. To ensure that our hospitals met the minimum OHSC requirements, hospitals were required to assess their compliance to these standards using the LenIRS automated compliance audit tool. Hospitals conducted a self-assessment against 31 standards.

6

## Clinical efficiency

### LenIRS suite of services – driving efficiencies through automation

LenIRS is an internal Lenmed system designed by the Clinical Governance team. Initially this system focused on automating a manual alert and incident reporting process. Alerts (or near misses) can be captured by all Lenmed employees, our clinicians and outsourced service providers, where safety risks are identified before an incident occurs. By using any device, user codes (employee number or mobile number) can be used to access the alert system and to raise an alert against a specific location and safety category.

If an incident does occur, hospital line managers register incidents on LenIRS and capture pertinent incident information as well as corrective action. LenIRS interfaces with our hospital information management system (SAP), which populates patient and employee data into an incident form, reducing the amount of manual capturing required.

Since introducing LenIRS in 2018, the suite of services has expanded. During the coming year, this suite of services will be expanded to automate our many checklists and forms, to include medico-legal reporting and to enable greater use of the compliance audit tool. Access to data provides Lenmed with the opportunity to be more efficient and to provide a higher quality of care that is safer and better than our competitors.





## Looking into the future

For the future, balancing execution with strategic imperatives translates into:

### Focusing on current initiatives

- + Entrenching current clinical governance initiatives
- + Driving additional clinical process and outcomes measures
- + Cementing functioning and productive CPRs, and other governance structures
- + Driving differentiation by continuing our focus on the most appropriate clinical programs and accreditation

### Broader industry focus

- + Aligning and preparing for the requirement to report outcomes externally
- + Engaging with funders on initiatives, outcomes and related metrics and how these align to our objective of achieving market-leading clinical outcomes (improved patient experience, safety and care delivery)

### Systems focus

- + Successfully launching and supporting the Lenmed Clinician Portal
- + Leveraging LenIRS and expanding our suite of services to automate cumbersome manual processes for our employees and frontline leaders
- + Lenmed clinical system – defining the initial steps to the journey to introducing a clinical system



## MAKO SmartRobotics™ robot at Lenmed EtheKwini Hospital and Heart Centre

In October 2021, Lenmed EtheKwini Hospital and Heart Centre acquired a new MAKO SmartRobotics™ orthopedic surgical robot – a first for KwaZulu-Natal – to be used in performing hip and knee replacement surgery.

The robot is unique in that it uses 3D CT-based scanning technology to map the patient's unique physical structure, while Accustop™ haptic technology helps to guide the surgery for greater accuracy and safety. The robot's data analytics capability also provides the surgeon with a steady stream of real-time information around the patient's movement and ligament tension.

Altogether, the MAKO SmartRobotics™ robot helps to protect soft tissue during surgery, reduce early post-operative pain, and prevent complications. Incorporating the robot into orthopaedic surgeries already shows improved patient outcomes with improved patient satisfaction.



## Our sustainable performance

### 1 Our people

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

#### Clinical governance

Preventing infection and maintaining



PAGE 37

The Lenmed way



PAGE 38

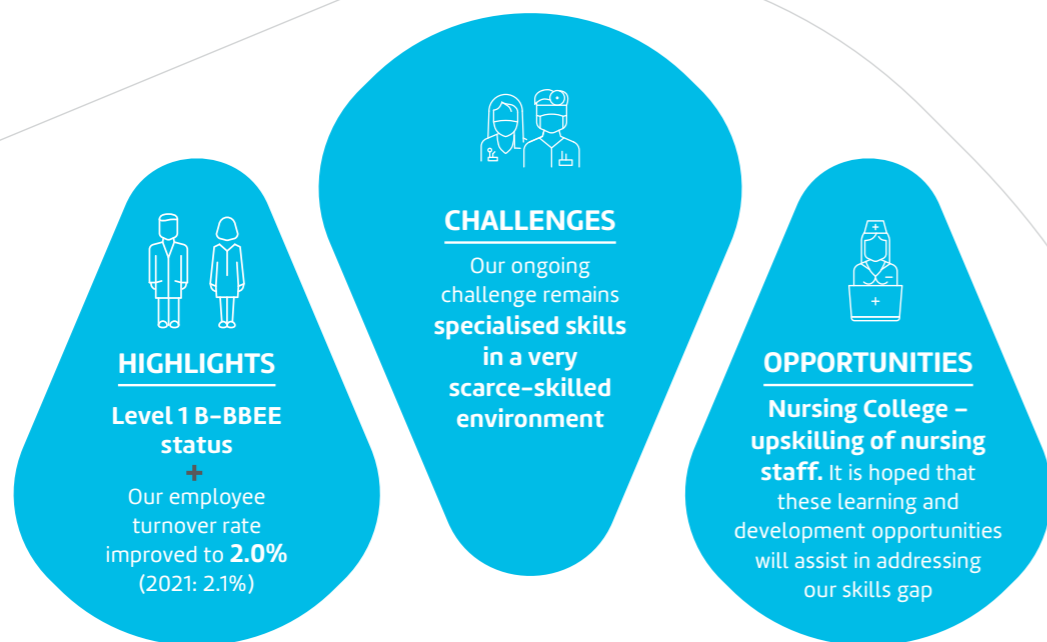
Supporting our frontline workers and staff



PAGE 38

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

#### At a glance



#### Our employees: the foundation of our success

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

#### Employee headcount as at 28 February 2022



Ethekwini Hospital and Heart Centre	535
Ahmed Kathrada Private Hospital	368
Shifa Private Hospital	186
Royal Hospital and Heart Centre	183
Zamokuhle Private Hospital	158
La Verna Private Hospital	152
Randfontein Private Hospital	121
Lenmed Health Management	67
Kathu Private Hospital	61
Daxina Private Hospital	53
Howick Private Hospital	44
Lenmed Health Nursing College	2
Maputo Private Hospital	359
Bokamoso Private Hospital	446
<b>Total</b>	<b>2 735</b>

#### Corporate culture

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

#### Employee engagement

Our customer experience journey starts long before the patient arrives at our facility. Our doctors have a crucial role in ensuring positive patient experiences that contribute to the success of our business. It is therefore important that we treat our doctors and employees as equally valued customers to our patients. This became especially critical during the pandemic, when anxiety and fear of the unknown was prevalent. We held weekly appreciation drives across our sites, supported by our 'Celebrate' initiative.

Various awareness drives within the Group have increased employee participation in our motivation and recognition initiatives. Over the years, more employees have been rewarded through the Celebrate tool and all hospitals have implemented the Employee of the Month initiative, with a wall of fame installed at each facility.

#### Labour relations

Lenmed recognises the right of our employees to join trade unions. Of our **1 930 permanent staff across South Africa, approximately 22.7% are part of the National Education, Health and Allied Workers' Union (NEHAWU)**. Lenmed continues to build relationships with union representatives, resulting in successful wage negotiations across our unionised facilities. We are pleased that no labour disputes needed the intervention of external bodies such as the Commission for Conciliation, Mediation and Arbitration (CCMA) during the annual wage negotiations.





## Employment equity

One of Lenmed's major highlights during the financial year was achieving a Level 1 B-BBEE score. Lenmed was partly founded to help provide work opportunities in the Apartheid years for professional health staff of all races. This legacy remains as a core part of our identity.

### Lenmed South Africa hospitals

Occupational level	Female					Male					Disability	Foreign	Grand total
	A	C	I	W	Total	A	C	I	W	Total			
Top management			1		1			3	3	6			7
Senior management			5	6	11	1	1	7	4	13	2		26
Professional qualified and experienced specialists and middle management	3	5	21	16	45	5	2	5	6	18		2	65
Skilled and qualified workers, junior management, supervisors, foremen, support	477	70	139	39	725	105	19	57	7	188	7	36	956
Semi-skilled and discretionary decision-making	339	64	175	56	634	59	2	26	11	97	11	2	745
Unskilled and defined decision-making	70	2	9	1	82	46	1	2		49		2	133
<b>Grand Total</b>	<b>889</b>	<b>141</b>	<b>350</b>	<b>118</b>	<b>1 498</b>	<b>216</b>	<b>25</b>	<b>100</b>	<b>31</b>	<b>371</b>	<b>20</b>	<b>42</b>	<b>1 930</b>

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



**80 %**  
Female employees



**92 %**  
Black, Coloured, and Indian employees

## Skills development

### INTERNSHIPS: HUMAN RESOURCES

**2 learners –  
12 months  
R166 320 in funding**

The interns are allocated to Ethekewini Hospital and Heart Centre and Shifa Private Hospital

### BURSARIES

**20 learners  
R600 000 in funding**

Allocated to Frontline Leadership Development Programmes

### TVET WORK EXPERIENCE

**2 learners  
R141 750 in funding**

The work experience learners are allocated to qualifying hospitals

### LEARNERSHIPS

**Pharmacist assistant –  
(8 learners)**

**Post-basic pharmacist assistant  
(6 learners)  
R324 900 in funding**

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



**Total funding  
R1 069 650**

### Lenmed Learn: an e-learning platform

The life of a healthcare professional is busy, stressful and unpredictable, with long working shifts. With the e-learning initiative, healthcare personnel are not tied down to learning at a certain time. E-learning offers flexibility, making it easier for those in healthcare professions to receive the training they need when it fits their schedules. Once implemented, e-learning can be deployed to any number of learners when they need it. Training topics may include:

- + On-boarding for a hospital system with both general and role-based content
- + Scenario-based compliance training where learners experience the impact of their decisions
- + Updates on company policies and procedures

### Lenmed COVID-19 vaccination drive and boosters

Our rollout of the vaccine commenced in March 2021. We have successfully completed a 90% vaccination rate across our healthcare workers and are currently driving the booster vaccine among our employees, which will allow the Group to achieve herd immunity.

### Lenmed Wellness Day

Non-communicable diseases are increasingly becoming a global challenge that governments, businesses and communities grapple with. These are diseases of lifestyle that can be largely prevented if poor lifestyle behaviours are changed.

Individuals spend approximately one third of their adult life at work, so we as employers have a key role to play in influencing employee wellbeing. Lenmed understands the importance of employee wellbeing for the benefit of both the individual and our organisation.

The Health Check is a range of five screening tests done at the annual Wellness Day. It helps to identify possible health concerns early and determine risks for lifestyle-related chronic illnesses.

We undertook our wellness events across all our hospitals in October 2021, as we do every year. This was particularly important post-COVID-19, as many of our staff have been fighting the pandemic alongside our patients and needed opportunities to look after their own wellbeing. At the last wellness screening event, 1 600 members of our permanent staff, or 81% of Lenmed's workforce, were screened for lifestyle risk factors and chronic diseases, with referrals for further treatment where needed.

The data from the Wellness Day events also help to inform our internal communication to flag high-risk factors among our staff that can be addressed through awareness campaigns. We encourage our employees to undergo regular check-ups and engage with our health partners throughout the year. During the year, Lenmed also conducted a wellness (mental, emotional and financial) survey via the SMS platform to gauge the specific focus areas.

### Strengthening our leaders

As part of our leadership journey, we have embarked on several projects to transform our business and improve the experience of all our stakeholders.

#### Practical management training

One of these projects, the Lenmed Practical Management Programme, invited each of the hospitals to select a challenge within their environment, formulate a strategy to overcome it and work as a team to implement the plan. The work was supported by industry experts as well as head office Group managers who offered guidance throughout.



Late in 2021 each hospital presented their project, plan and outcomes to judges drawn from Lenmed's Executive team. A winner was chosen for each region – Ahmed Kathrada Private Hospital and Daxina Private Hospital, Shifa Private Hospital and Bokamoso Private Hospital from the Gauteng, KwaZulu-Natal and Northern Cape/Botswana regions respectively.

The Practical Management Training journey spanned over eleven-weeks, where each hospital was invited to attend workshops facilitated by our leadership partners, Multiplex. During these workshops individual coaching sessions were held with each hospital's Manco team where they were presented with prescribed topics. Each team was allocated 2-3 coaches to assist with planning and implementation of the various initiatives in relation to their chosen topics.

The three finalists were invited to attend and present their projects at a Grand Finale on 25 January 2022 to the Lenmed EXCO.

The EXCO team was impressed by the work done, passion demonstrated and what was achieved by the hospitals, but mostly by how the Groups worked together as a team, making the best of each other's skills and experience to achieve their goals. In the end, and after much deliberation, Shifa Private Hospital was announced as the Grand Winner by Lenmed CEO, Amil Devchand.

Regional and the grand winners received a cash reward to be used for the benefit of the respective hospital staff.

The learnings from Lenmed Practical Management Project presentations proved invaluable to all that partook in the projects and will go down in Lenmed's history as a great milestone.

#### Leadership and change management

Building on the success of the first leadership programme on practical management, the programme was extended to include Group Managers and Hospital Managers. Teams have already attended modules centred on Lenmed's Leadership Charter. This module looked at how best to socialise and embed the charter, and to touch on themes of leading change and unlocking talent. Designed as group coaching rather than formal training, these interactive sessions were divided into two mixed groups to facilitate discussion. This process also included two one-hour-long sessions with a Multiplex coach – one before and one after the programme. These reflected on what the themes of these workshops meant for attendees, hospitals and functions.

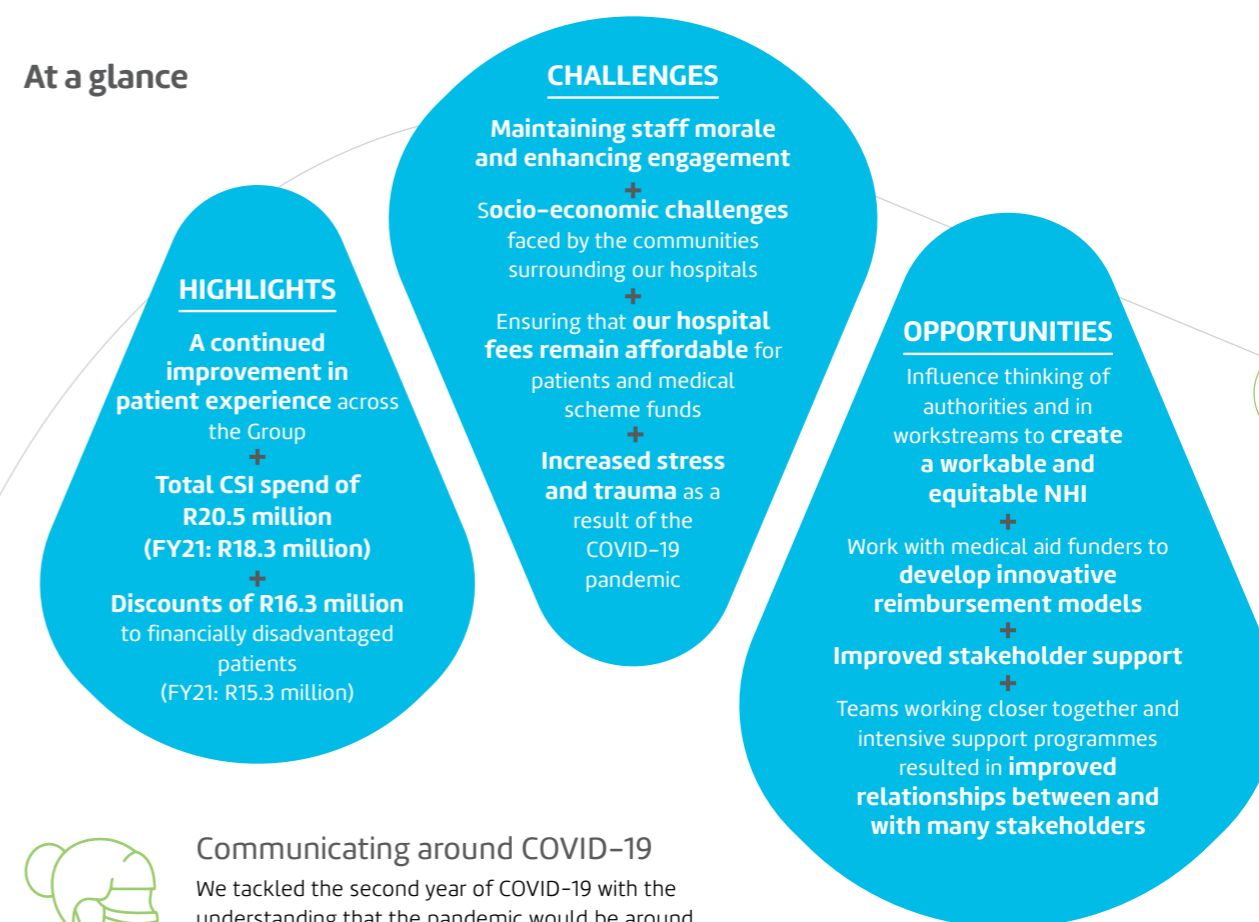
#### Line ownership and accountability

Following on from the efforts by our hospital and Manco teams by showcasing their presentations, the leadership journey was extended into a module focused on supporting with tools to unlock team performance. Designed as group coaching rather than formal training, these interactive sessions with hospitals in each region were held via Microsoft Teams. This process also included a coaching session per hospital at the end of the process to tie the learnings together.

## 2 Our relationships

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

### At a glance



#### Communicating around COVID-19

We tackled the second year of COVID-19 with the understanding that the pandemic would be around for the foreseeable future. This meant ensuring the ongoing management of both COVID-19 patients and the safe treatment of non-COVID-19 patients through targeted communication campaigns around:

- + Updated procedures and protocols
- + Vaccinations. We opened vaccination sites at some of our hospitals
- + New variants of the virus
- + The basic prevention of infection protocols (hand hygiene, social distancing and mask wearing)

As hospital visitations remained limited, we continued to help maintain contact with loved ones through:

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



## Communication and marketing

The Lenmed marketing function is made up of four main components:

**1**

**COMMUNICATION STRATEGY**

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

**2**

**MARKETING**

The management of our marketing and activities:

- + Digital
- + Traditional

**3**

**AESTHETICS**

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

**4**

**CUSTOMER EXPERIENCE**

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



Internal Customer Experience Management (CEM) system **best performer 2021**  
**Zamokuhle Private Hospital with an average composite score of 73%**

**Best performer for 2021** for the Discovery Mesh  
**Zamokuhle Private Hospital with a Mesh composite score of 68%**

### Customer experience

As COVID-19 normalises, we were able to improve the experience of our patients and visitors by relaxing some restrictions, such as introducing controlled visitation. Due to the continued adherence to safety protocols and our commitment to our communities throughout the pandemic, the trust of our communities in our ability to treat and care for them and their loved ones has been cemented.

#### Surveys and other customer experience measures

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

Composite score category	Lenmed's performance (YoY <sup>1</sup> change)
<b>Overall hospital score</b>	<b>0.1%</b>
Nurses	1%
Doctors	1%
Responsiveness	1%
Cleanliness	1%
Quietness	1%
Medication information	1%
Post-discharge information	1%
Pain management	1%

1. YoY: year-on-year

### Communication to patients

Our customer experience team works to enhance information available to patients – a need identified by our internal EVERYS system. To date, a library of discharge and diagnosis-related information is available in hard copy and online. Additionally, Lenmed has in place an agreement with an external provider to provide patients with diagnoses and/or procedure-specific information approved by appropriate specialists.

### Corporate social investment

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

### Community involvement

The COVID-19 pandemic continued to limit our community initiatives and events as lockdown constrained gatherings and close interactions with others. However, the need for providing accurate and up-to-date information about COVID-19 was an opportunity to keep engaging our communities. We communicated information on the latest developments, on keeping oneself and loved ones safe, mental health, and vetted advice on surviving the pandemic. We mainly disseminated our messaging through social media as well as through community groups and database initiatives.

Lenmed continued to provide free cataract surgeries for elderly community members who have no means to pay, and increased access to healthcare through reducing co-payments on medical aid plans where feasible. During the year under review, we performed 114 free cataract surgeries, and provided discounts of over R16.3 million to financially disadvantaged patients. Special rates and payment arrangements are available for non-medical aid patients.

### CASE STUDY



## TIBA Services for the Blind Partnership

Lenmed Group has a long standing Corporate Social Responsibility partnership with TIBA, a non-profit organisation (NPO) that provides services for the blind. Established in 1977, TIBA makes a significant contribution in providing services for the visually impaired within the communities that Lenmed Group serves in the Lenasia, Soweto, Ennerdale, Eldorado Park and surrounds, including the growing informal settlements in these areas. Lenmed Group's contribution includes providing free cataract procedures to the needy in these communities. The contribution covers the theatre procedure, ward fees, drugs and consumables required, as well as the surgeons and anaesthetist fees for the procedure.

### Children's Cardiac Foundation of Africa

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

As a public-private collaborative initiative, we make use of excess capacity at Ethekwini Hospital and Heart Centre to facilitate surgery for indigent patients with the assistance of outside donor funding. In the past year we are proud to report that the Foundation completed 25 successful surgeries of children on the waiting list from the state sector to the total value of R5.7 million. These children were treated on an elective basis and their heart condition resolved, at least for several years or even decades, with one operation or intervention, making a huge difference to their lives as they grow.

### Learnership programme

Lenmed partnered with LearnMe, an accredited service provider, to offer a fully paid, 12-month learnership programme in Business Administration Services to 75 disabled learners from the Carolina community, Mpumalanga, the Steelpoort community, Limpopo, and Centurion, Gauteng.

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

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

### Clinical excellence

The clinical team has made great strides in improving the quality of care and the patient experience at all Lenmed hospitals. This includes seeking accreditation by international bodies, the most recent being the accreditation by the American Cardiac Association of the Ethekwini Hospital and Heart Centre, the first in Africa. Lenmed has an extensive programme of accreditation with the goal to improve its quality standards, deliver patient-centric care and improve health outcomes. Areas of focus for accreditation include cardiac, stroke, trauma and bariatric surgery.

We consider the Lenmed accreditation programme a key part of how these can be linked to contracting with medical schemes who are seeking value-based contracting as the next step in reimbursement for healthcare providers and hospitals.



### Looking ahead

In 2022, the Group's communication strategy has two main objectives:



To support the Group's employer of choice strategy

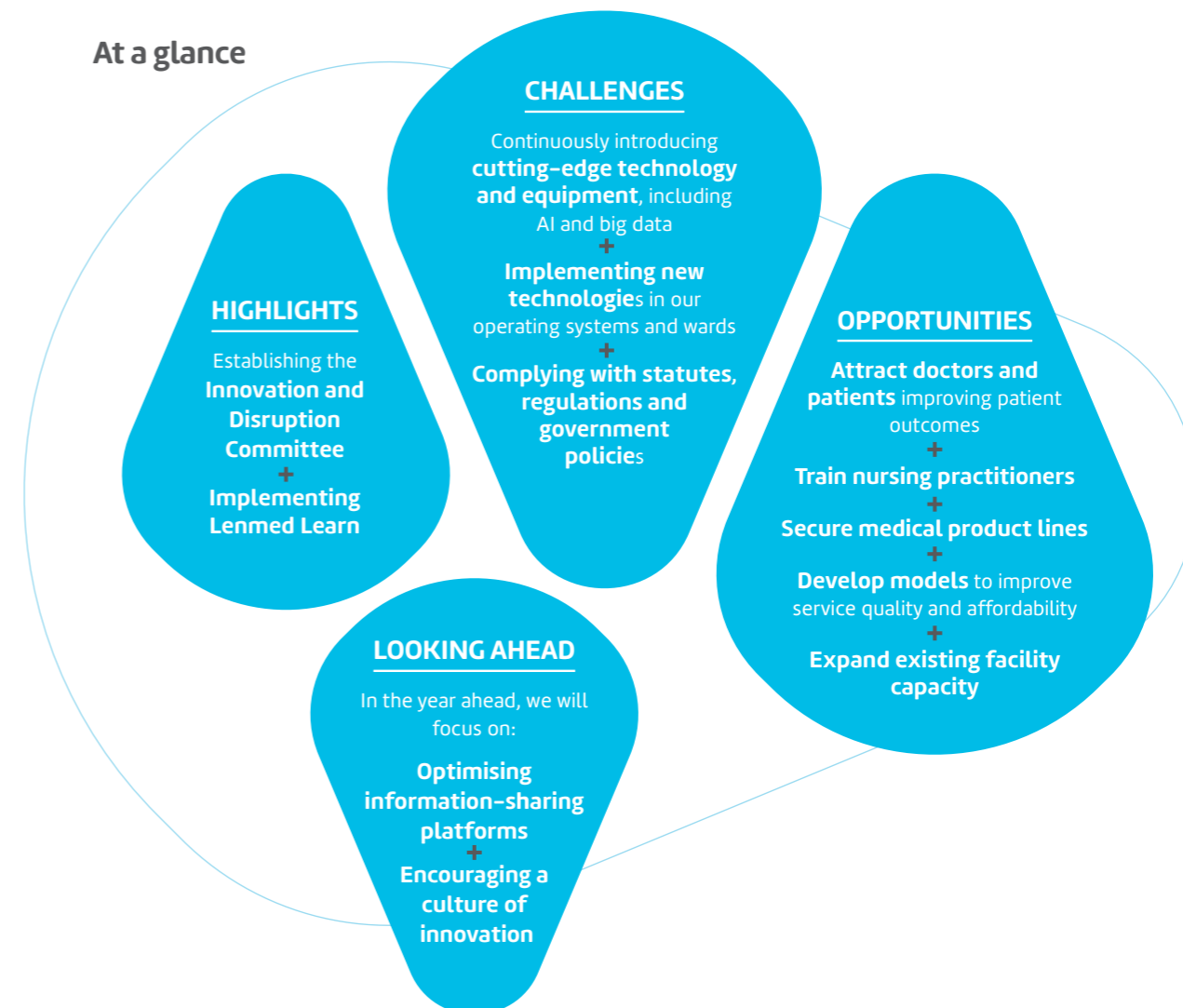
To build brand awareness and reputation

### Some of the initiatives underway to support the achievement of these objectives include:

- + Lenmed Learn: we set up and are developing content for our very own e-learning platform. The platform will provide our employees, doctors and outsourced providers with key learning in bite-size chunks to be consumed when and where suits them
- + Face of Change campaign: the Group is embarking on a campaign to help manage the change and ensure every one of our people belongs and understands their contribution to this great organisation
- + Enhanced communication strategy: a strategy to advance both our internal and external communication and engagement with all of our stakeholders, as well as support the Group and function's projects and objectives
- + Stakeholder mapping and engagement: supporting and overseeing the management of all stakeholder engagement
- + Augmented online marketing strategy and tactics: expanding and advancing our current online marketing
- + Ongoing customer journey mapping: assisting in the understanding of our three major customers: our employees, patients and doctors. Developing strategies to close gaps in each one's experience
- + Developing and expanding our brand into the rest of Africa
- + Assisting the Children's Cardiac Foundation of Africa Trust to facilitate surgery for indigent patients

## 3 Our intellectual resources

### At a glance



### Institutional knowledge

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

For more information about how we upskilled our employees during 2021 [PAGE 47](#)

### Leveraging technology

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

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

### Our digital journey

Lenmed's SAP ERP system is fully operational and provides volumes of useable data that enables Lenmed to compete more keenly in customer experience and clinical outcomes. Our SAP installation supports efficient patient processing, simpler and more productive administration, and the ability to access information quickly. All information captured is stored securely in accordance with local legislation and global best practices.


Through our incident management system (CIMS), powered by Britehouse, we are developing an automated hospital self-audit process. This online application minimises manual and paper-based processes, providing readily



available information to spot trends quickly and implement the necessary preventative or corrective actions. Lenmed's infection control system, powered by Bluebird, is also a major asset - it integrates the location, laboratory and prescribing data on all patients with possible infections so that clinicians can focus on at-risk patients.

### Innovation and Disruption Committee

The Innovation and Disruption Committee was established at the end of the 2021 financial year. It is chaired by Dr Guni Goolab and supported by the Chief Commercial Officer, Mark Bishop. The committee has three main areas of oversight:

-  Revenue diversification and extending the continuum of care
-  Lenmed Digitisation programme
-  Lenmed Digital Transformation Journey

The committee serves as a think-tank for the EXCO and Board to consider current business efficiencies and new business opportunities. It evaluates digitisation efforts to improve current business processes and critically assesses digital transformation opportunities, with the aim of increasing access to more patients.

54

The Board is strongly behind to this committee, with some Non-executive Directors voluntarily attending its meetings pro bono to support the executive thinking and initiatives underpinning the Group strategy.

### Revenue diversification and optimisation

The Innovation and Disruption Committee also reviews and tracks the performance of the Company as it transitions its various lines of service to improve efficiencies and expand our case mix of patients. Diversification opportunities geographically in South Africa and the Rest of Africa (ROA) are considered with the aim to improving on patient access, increasing the case mix at all sites by attracting different clinical disciplines, and utilising current capacity.

The Group is continually presented with opportunities for 'greenfield' sites in South Africa and ROA. The committee evaluates these together with 'brownfield' options where community needs are already proven. Since the advent of COVID-19, the general need for mental healthcare services has increased dramatically. Lenmed is considering investing in additional facilities and beds to meet mental healthcare needs.

### Fast follower

Lenmed has adopted a 'fast follower' approach to new trends and developments. To this end, the committee spends time on detailed competitor analyses and reviews. Each review considers the plans and initiatives undertaken by traditional local competitors (other hospital groups) and those of international providers. We also examine the initiatives of

non-traditional competitors, most notably where funders are entering the provision of care space, such as Hospital at Home programmes. These are assessed from both risk and opportunity perspectives.

### Digitisation programme

The committee reviewed various Lenmed initiatives supporting the digitisation of our current business processes. The first project being rolled out is Point of Care Billing, which automates multiple nursing and pharmacy functions to ensure speedier and more accurate billing. Another major initiative supports the human resources function by aligning daily nursing staffing requirements with the needs of patients, resulting in significant productivity gains.

Lenmed is currently planning the end-to-end digitisation of all our patient-related processes from pre-admission to discharge.

### Digital transformation

This committee also oversees the Lenmed digital transformation journey, including the development of new service lines on digital platforms. Digital transformation is a primary focus as we consider how to bring the patient closer to the choice of care, how to access the care they need when they need it, as well as linking all providers in the Lenmed ecosystem; including specialists, general practitioners (GPs) and other relevant providers. These stakeholders represent the five Ps of healthcare: patients, providers, payers, policymakers, and pharmaceutical companies. Each is a recipient and driver of value, innovation, and digital transformation. Our commitment to an automated patient and stakeholder-centric model will drive the relevant transformation initiatives across the organisation and its value chain partners. Engaging, educating and supporting doctors along this new paradigm will be a key element in successfully delivering the digitalised Lenmed 2.0.

The use of predictive data analytics, and its management thereof is intrinsic to driving sustainable new business ideas, new products, and services.

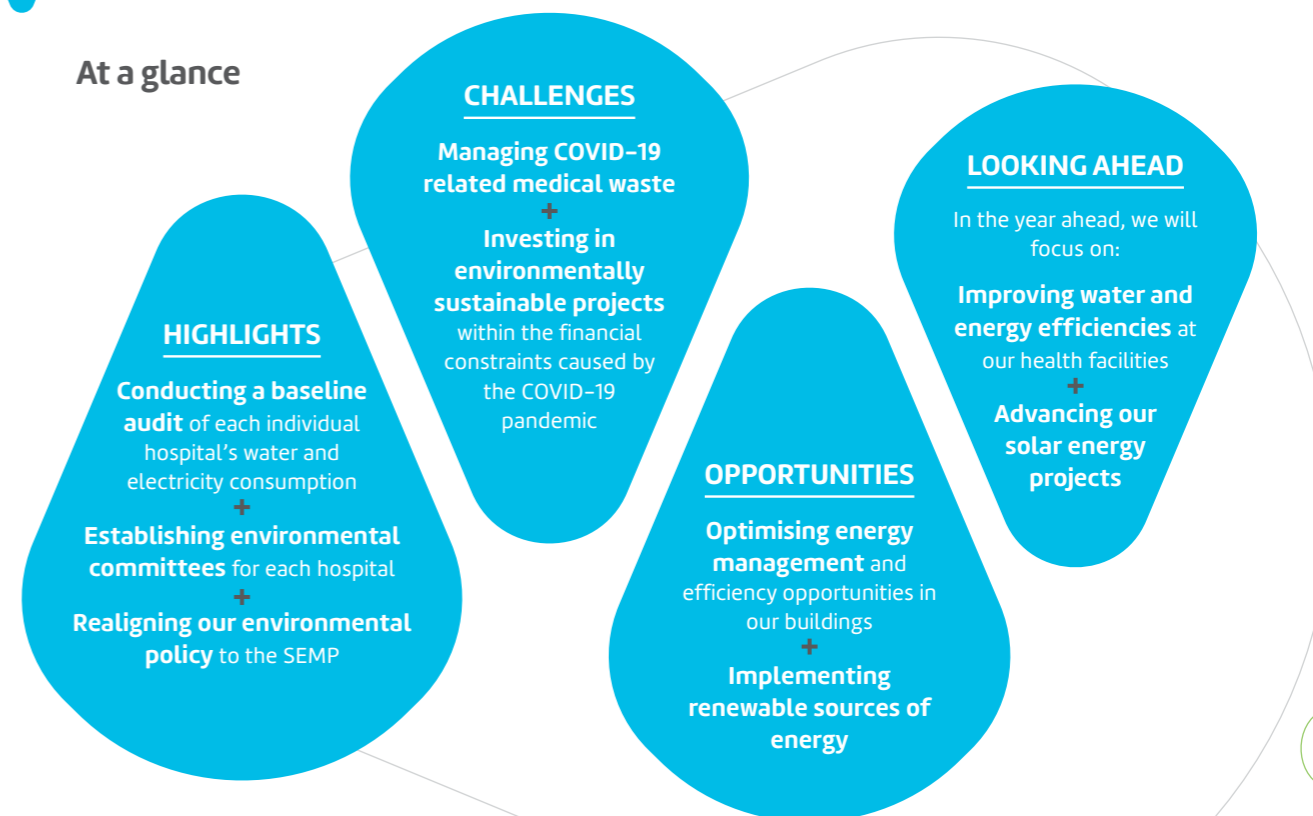
Creating and embedding new ways of working to align to the pace of the transformation in the healthcare sector will create the canvas upon which we will innovate and operate as a future-fit health care business.

### Prioritisation

In the post-COVID-19 era, the Lenmed Group faces many opportunities, both externally generated through industry developments and internally through continuous business improvement initiatives. The Innovation and Disruption Committee provides oversight and serves to guide the executive on the allocation of these limited resources.

## 4 Our planet

### At a glance



55

### Sustainable Environmental Management Programme (SEMP)

Before the advent of COVID-19, Lenmed rolled out a smart metering system across its hospitals to deliver real-time analyses, insights and visualisations of its water and energy usage. While the COVID-19 pandemic slowed down the project to an extent while the Group focused on saving the lives of patients and staff, 2021 saw the Group conducting baseline audits of each of our hospitals' utility usage as part of SEMP.

Armed with this data, the Group established hospital-specific targets to maximise energy and water efficiencies. The environmental agenda is driven by hospital managers, supported by each hospital's environmental committee and designated environmental champion, with progress updates from monthly meetings feeding into the quarterly Social and Ethics Committee meetings for a coordinated, Group-wide response.







## CASE STUDY

### Saving water during COVID-19

As COVID-19 cases climbed, the increased usage of our oxygen tanks required more frequent de-icing, which involves washing down the tanks with large amounts of water. Where possible, Lenmed implemented a water recycling system to catch and re-use the water.

### Randfontein water heating system

As part of its legacy infrastructure, Randfontein Private Hospital's water heating system involved 36 hot water geysers across the hospital. In 2021, Lenmed centralised the Hospital's water heating system into a single heat pump plant. We estimated that this has resulted in an 80% decline in electricity consumption in water heating.

#### Looking ahead

**In 2022, the Group has allocated R20 million to invest in renewable energy and water projects, including:**

- + Installing solar panels at our Ahmed Kathrada, Zamokuhle and Bokamoso Private Hospitals
- + Actively manage water and electricity usage in order to reduce resources used per patient compared to the baseline information.
- + Install saving measures such as smart lighting and water saving faucets and shower heads.
- + Build on the success of the centralised water heating project by implementing similar interventions at other suitable hospitals.
- + Install water recycling system at large onsite laundries.





## Transparency and accountability

### Lenmed's corporate governance

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



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

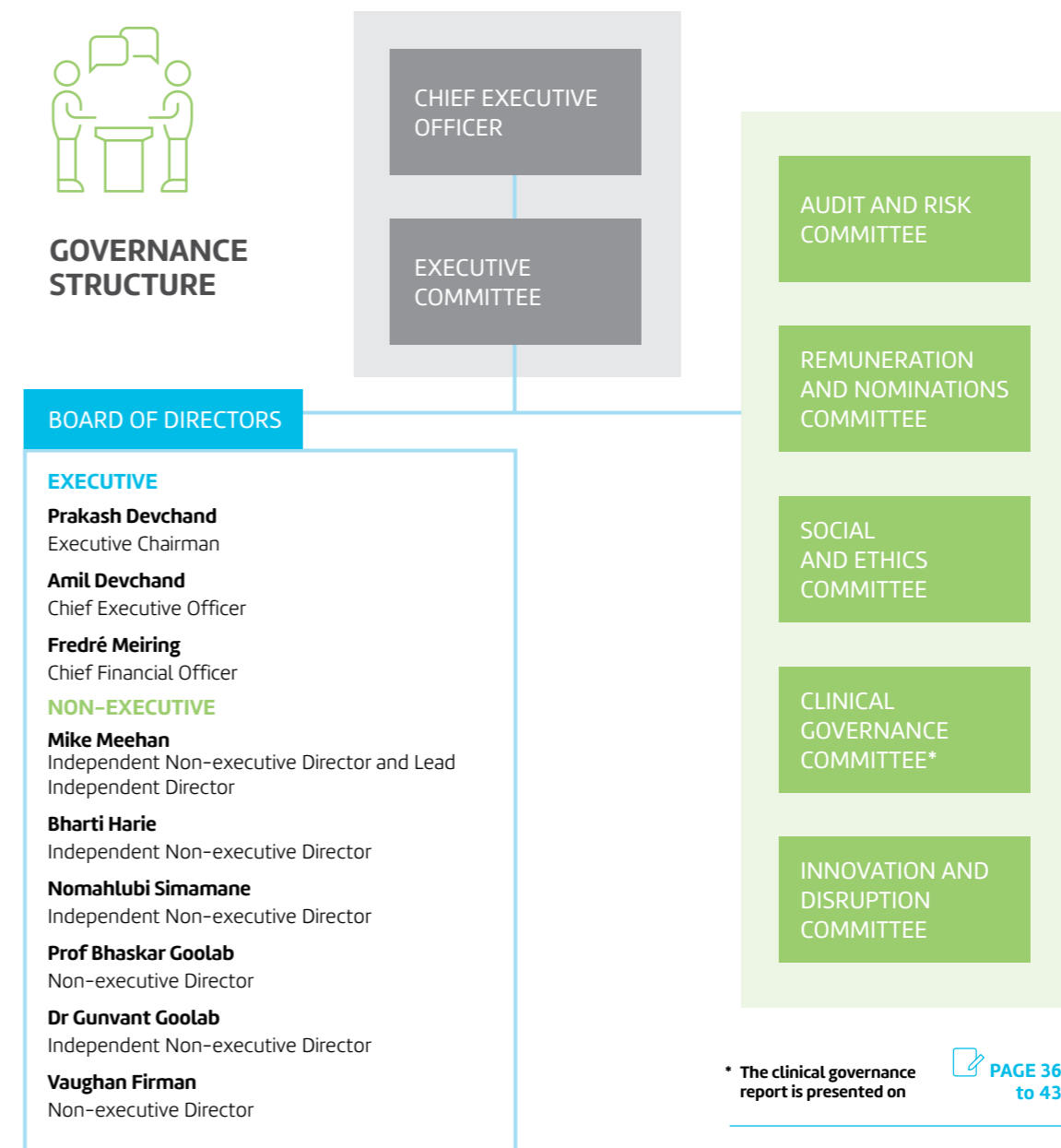
- + Extensive stakeholder engagement, including employees, medical professionals and shareholders. The engagement with shareholders included newsletters, virtual meetings and presentations
- + Formulating a dividend policy
- + Review of various alternatives to unlock value in the shares of Lenmed
- + Crafting a new vision: 'To be the leading healthcare group in Africa'
- + Approving an environmental policy and strategy
- + Formalising the Innovation and Disruption Committee to oversee Lenmed's digitisation journey

### King IV™ overview

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



#### GOVERNANCE STRUCTURE



\* The clinical governance report is presented on

[PAGE 36 to 43](#)

Refer to the respective reports of these committees for details.

[PAGE 61 to 73](#)

### Attendance at Board and committee meetings

Member	Board	Remco/ Nomco	Audit and Risk	Social and Ethics	Clinical Governance	Innovation and Disruption
<b>Total meetings</b>	<b>4</b>	<b>3</b>	<b>6</b>	<b>3</b>	<b>3</b>	<b>3</b>
P Devchand	4/4 (C)	3/3 (i)	-	-	-	-
A Devchand	4/4	3/3 (i)	6/6 (i)	-	3/3	3/3
B Harie	4/4	3/3 (C)	6/6	-	-	3/3 (i)
Prof B Goolab	3/4	3/3	-	-	3/3 (C)	3/3 (i)
M Meehan	4/4	3/3	6/6 (C)	-	-	3/3 (i)
N Simamane	4/4	-	5/6	3/3 (C)	-	3/3 (i)
F Meiring	4/4	3/3 (i)	6/6 (i)	-	3/3	3/3 (i)
Dr G Goolab	4/4	-	-	3/3	-	3/3 (C)
N Bechan	N/A	-	-	3/3	-	-
Dr N Patel	N/A	-	-	3/3	3/3	-
M Bishop	N/A	-	-	-	-	3/3

Key: (C) chairman (i) invitee

## Board committees

### Innovation and Disruption Committee

This committee was established on 18 February 2021, and its report is included for the first time.

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

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

The three main pillars under the committee are:

- + Revenue diversification
- + Digital transformation
- + IT platforms and digitalisation

For more information about Lenmed's digital initiatives  PAGE 53

### Audit and Risk Committee report

The Audit and Risk Committee is a statutory committee of the Board of directors charged with the responsibility of overseeing audit and risk matters. It is structured in accordance with the requirements of the Companies Act and King IV and consists of three independent Non-executive Directors, approved by the shareholders at the annual general meeting (AGM). The CFO and the Company Advisor, Dino Theodorou (CA)SA are permanent invitees, as are the external auditors and the outsourced internal auditors. Other members of the executive management, including the Chief Information Officer, are invited as expedient. All Non-executive Directors are free to attend any meeting of the committee on a voluntary, nonvoting basis.

The Chairman of the committee is a Chartered Accountant; the other members being qualified in law, business administration, and marketing, and through experience on the audit committees of other listed companies. The members provide a spread of disciplines as well as a diversity of knowledge, experience, race and gender. Since the year end, Mr Vaughan Firman, the ex-CFO has been appointed to the committee, adding to the CA(SA) quotient.

As the COVID-19 virus, as well as the June rioting and looting in KwaZulu-Natal and Gauteng continued to disrupt business and the economy, the committee remained alert to the impacts on risk, asset values, controls, operations and opportunities. The committee met six times during the 12 months to the date of this report and enjoyed full attendance at all meetings.

The committee is conscious of the need for continuing education of its members and the need to stay abreast of current events that effect the work of audit committees. With the focus on the above, this program was limited and should be re-introduced in 2023. The individual members were however, exposed to extensive educational webinars and other virtual presentations on a host of topics of interest which enhanced the discussions on committee matters.

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

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

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

Despite the impact of COVID-19, the finance division continued to function seamlessly, enforcing controls and producing reports on time, all of which provided the committee considerable confidence in the performance of the CFO and the finance function.

### Audit committee

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

#### In respect of external audit:

- + Received and reviewed assurances on the independence of the external auditors, PKF Durban, and specifically the nominated partner Rob Boule. The Chairman also met with the managing partners of PKF Durban to test the audit practice policies on independence, partner succession planning, the quality of the audit team and the robustness of the audit. The committee concluded that it is satisfied with the independence of the external auditors.
- + Agreed the terms of engagement of the external auditors and recommended their appointment as external auditors as well as the designated audit partner, for shareholder consideration and approval at the AGM to be held on 4 August 2022.



### Board committees continued

- + Reviewed the work program of the external auditors.
- + Reviewed and monitored a policy relating to non-audit services provided by PKF Durban, pre-approving such services where required.
- + Reviewed the reports of the external auditors to management and to the shareholders, engaged with the external auditors on key audit matters and recommended action where necessary.
- + Expressed its satisfaction with the competence of the external auditors and the quality of the audit.
- + Made further enhancements to Lenmed's combined assurance model, arising from improved controls and technology and improved cooperation between external and internal audit.
- + Held separate discussions with the external auditors and determined that:
  - there were no matters of concern
  - there were no inspection reports issued by audit regulators relevant to the Company over the review period.
- + Approved the fees to be paid to PKF Durban for audit and non-audit matters.

The partner of PKF Durban responsible for the audit is Rob Boule. PKF Durban has been in office for 14 years and will be required to withdraw as external auditors in 2024 in terms of the Independent Regulatory Board for Auditors (IRBA) demands for mandatory audit firm rotation. The committee considers the implications of rotation on a regular basis, is in discussions with alternative external audit firms on potential engagements for the future but does not recommend an earlier rotation at this time.

#### In respect of internal audit:

- + Approved the Internal Audit (IA) Charter.
- + Worked closely with PwC as outsourced internal auditors and approved their work programmes. The risk register is made available to the internal auditors as is the strategic plan. These assist the internal auditors in designing their work plan and priorities.
- + Encouraged the internal auditors to work closely with the external auditors to ensure quality assurance on controls and identified improvements in this relationship.
- + Reviewed the reports and recommendations of the internal auditors and where necessary made recommendations to management thereon.
- + Received no reports of fraud which lead to material financial loss.
- + Received assurances from management and the internal auditors on the systems of internal control, which lead the committee to conclude that the controls are satisfactory. The Company regularly reviews and upgrades its control systems based on the changing dynamics of the industry and reports received. These serve as the standards on which the internal audit program is based.

- + While some breaches in internal control were identified during the year, the impact on the Company has been negligible and the control systems were reinforced.
- + Held separate discussions with the internal auditors and determined that there were no matters of concern.
- + Reviewed the conclusions reached by the internal auditors in their quarterly reports to the committee. These gave the committee satisfaction that the work had been completed in accordance with the work program and that the performance of the internal auditors was satisfactory.

The committee is reviewing steps to ensure that the internal audit is as robust, effective and conclusive as the committee would like.

#### In respect of IT:

- + Approved the terms of the IT Charter and reviewed the work of the IT Governance Committee.
- + Reviewed the IT risk register and made recommendations where appropriate.
- + Reviewed the steps being taken to enhance protections against ongoing cyber-security threats. The current political and economic climate is more conducive than ever to cyber-attacks and one of our peer groups has already experienced such an attack. Experts in this field warn that attacks are inevitable. Consequently, Group management continues to upgrade protective measures to remain abreast of such threats and to enhance recovery programs. While no system can guarantee there will be no penetration from attack, our records show that we have been able to ward off such attacks, which occur almost daily.
- + Agreed with the decision of management to insure against cyber-risk.
- + Reviewed the three-year strategic plan for IT and digitalisation. This plan encourages the implementation of digitalisation, robotic processing, the development of eco-platforms and the use of AI throughout the Group. These new systems will provide an opportunity for real-time processing and internal auditing of a much wider field of transactions than can be achieved in traditional business and internal auditing processes, thus enhancing efficiency and potential meaningful cost savings.
- + Considered the adequacy of the back-up and cloud arrangements to avoid business interruption.

#### In respect of accounting, finance and reporting matters:

- + Reviewed and recommended to the Board the audited annual financial statements and AIR.
- + Reviewed and recommended to the Board the Company's solvency and liquidity position and going concern status, specifically in the light of challenging operating conditions as a result of the impact of COVID-19 on Lenmed's facilities.
- + Reviewed and recommended to the Board the accounting conclusions under IFRS 9, which was adopted in the previous year.

- + Reviewed the annual budget from a reasonableness perspective and considered the assumptions presented by management in the budget.
- + Considered quarterly financial reports and noted the variances and the reasons for these.
- + Reviewed the five-year profit and cashflow forecast.
- + Considered tax reports and feedback from management on significant tax matters.
- + Received no reports or complaints directly from third parties from within or outside the Group relating to:
  - accounting practices
  - content or auditing practices of financial statements
  - internal financial controls of the Group
  - any related matters.
- + Expressed its satisfaction with the competence and effectiveness of the CFO, Fredré Meiring.
- + Expressed its satisfaction with the competence, expertise and experience of the finance function that supports the CFO.
- + Expressed its satisfaction with the competence of the internal audit function.
- + Reviewed the performance of the Company against its loan covenants on a quarterly basis.
- + Monitored the performance of the committee against the requirements of King IV and recommended actions to close any gaps identified.
- + Reviewed and recommended to the Board for approval, all announcements to shareholders.
- + Concurred with the views of management that the adoption of the going concern premise in the preparation of the financial results is appropriate.
- + The process of evaluation of the committee is completed every second year and will be undertaken again in 2022.

#### Matters of importance addressed by the committee included:

- + External audit rotation: described earlier.
- + The impact of COVID-19 on the results and asset valuations:
  - **Goodwill:** The committee reviewed management's assessment of goodwill and the need for impairment based on the market value of subsidiaries at the balance sheet date. In determining the value of the underlying investments in subsidiaries and the resultant goodwill as reflected on the Group balance sheet, management used the discounted cash flow (DCF) method as a primary valuation method. The DCF method utilises the weighted average cost of capital (WACC) to discount future expected cash flows. The WACC used in management's valuation was determined at year end, based on comparative market observable information at the balance sheet date. The methodology applied by management was consistent with prior years. Despite this,

the committee recognising the extraordinary economic and geo-political conditions robustly interrogated management on the assumptions made in assessing future cash flows and in applying these methodologies. Based on these reviews and the calculations tabled, the committee agreed with recommendations of management that there was no requirement for any further impairment in goodwill.

- **Valuation of intangibles:** The tests and procedures used in the valuation of goodwill were also applied to intangibles. No impairment was necessary.
- **Valuation of properties:** An independent valuation of the value of Ethekwini Heart Hospital was based on replacement costs adjusted for amortisation while the assumptions applied to the valuation of goodwill and intangibles were used to assess that no impairment of value of all other properties was necessary. A professional valuation for all properties will be made in 2023.
- **IFRS 9 and the determination of expected credit losses:** The development of more empirical credit loss history, together with a more intensive analysis of the debtor categories led to more sophisticated determination of expected credit losses and an increase in the amount provided in this year.
- **Going concern:** The committee reviewed the forward estimates and the assumptions on which these were based and confirmed that they were consistent with the data used in assessing asset impairment. The committee concurred with the views of management that the Group fulfilled the criteria to be recognised as a going concern.
- + King IV gap analysis: The committee does not consider it necessary to recommend the appointment of third-party consultants to advise the Board of the sustainability of the Company. The Group is aware of the risks to its sustainability and makes plans to combat these through regular strategic planning sessions of executive management and the Board.
- + The committee has recommended to the Board that an external evaluation of the internal audit function is not required as the internal audit function is outsourced to PwC.
- + Key audit matters - there were no key audit matters reported by PKF which required action from the committee.

#### Other matters:

- + Monitored compliance with applicable laws and regulations. This included an analysis of Lenmed's legal risk register by an external legal advisor.
- + Considered an effectiveness evaluation report on the committee. Overall, the outcome was positive with only minor areas for improvement.
- + Considered Lenmed's approach to ESG, noting that this will primarily be lead by the Social and Ethics Committee.
- + Reviewed and approved the annual work plan of the committee.

### Board committees continued

- + Considered the following King IV Guidance Papers: Corporate failures and lessons learnt, Climate change and Stakeholders in the context of remuneration.
- + Considered the Companies Amendment Bill.
- + Considered sustainability reporting and inputs in this regard from the Social and Ethics Committee as well as reports from the Clinical Governance Committee.

### Risk committee

The committee plays an oversight role in respect of risk-management:

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

The Strategic Planning Meeting, which is usually held in January each year, was brought forward to November 2021 in order to re-address the risks prevailing because of COVID-19 and to plan strategy accordingly. Prior to that meeting and since the outbreak of the pandemic at the commencement of the financial year, management had acquitted themselves exceptionally well in keeping the operations of the hospitals functioning without any drop in standards, while ensuring the safety of staff and patients. The financial results and the statistics relating to outcomes of treatment of COVID-19 patients speak to themselves and the performance of management during this exceptionally stressful period.

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

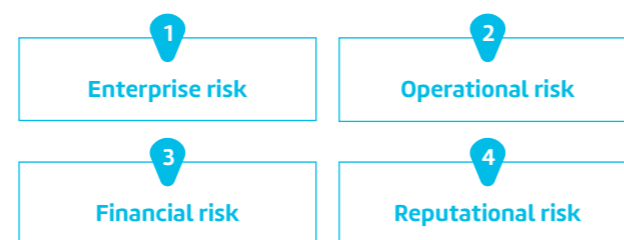
It became obvious that the Group enjoyed a resilient balance sheet. The most significant risk that the Group faced during COVID-19 was the potential liquidity crunch through lower economic activity, inability of debtors to pay, and consequent breaches of loan covenants. The resilience of the balance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

The most important risks are recorded in the Company's risk register, which is debated by the management EXCO, while the top ten are debated by the Risk Committee and the Board quarterly, with a view to controlling or eliminating these risks. The Chief Medical Officer in conjunction with the Clinical Risk Committee has further enhanced the clinical controls in the

Group. Adequate provision has been made for the medico-legal claims which have arisen, while the report on clinical outcomes and risks is dealt with in the report of the Clinical Risk Committee.

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

The Company identifies risks under the headings of:



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

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

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

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

- + strain the solvency and liquidity of the Company, with reference to the five-year forecasts
- + cause a breach of bank and loan covenants
- + cause a breach of the prudent financial ratios under which the Company operates.

The appointed insurance broker, Marsh, provides additional assurance on risk management through regular discussions with management and an annual presentation to the Risk Committee. At this presentation, the committee considers the



insurance arrangements to ensure that Lenmed has appropriate cover in place for all material risks. The committee also considers the quality of the underwriters recommended by Marsh.

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

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

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

In keeping with a policy of recognising business processing through technology as part of the business itself, a considerable proportion of IT management and IT operations which were previously outsourced are now being brought in-house. Where third parties are engaged, the performance of

the outsourced services against service level agreements is reviewed annually by the IT Steering Committee. During the year, the systems were tested by benign hacking programs. Any shortcomings found were the subject of additional program safeguards, controls and further system tests.

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

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

### Conclusion

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



## Board committees continued

## Remuneration and Nominations Committee report

### Background statement

The year 2022 proved to be more predictable, yet challenging for most remuneration committees in the healthcare space. Patient care had to once again be balanced with the well-being of frontline healthcare staff, better occupancy levels and the remaining cost of PPE.

The voting results at the previous AGM (held on 5 August 2021) were each 72.4% in favour of the Remuneration Policy and the Implementation Report.

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

Following careful discussion and debate, management was awarded average increases in basic salaries of 4.5% for the FY23, in line with inflation-linked increases across the Group. However, the increase for the CEO was adjusted to take into account that his salary had fallen well below market by virtue of his zero increase in FY21. Remco is satisfied that it was independent and objective in awarding these increases.

In addition to its regular activities of bedding down its policies and procedures and aiming for consistent standards across the Group, the committee was involved in the oversight of the strengthening of the corporate organisation structure to support the expansion of the Group. Three significant management appointments were made, namely Jayesh Parshotam as Head: Group Operations, Ashley Strydom as Chief Information Officer, and Nameetha Panday joined as Chief Digital Transformation Officer to focus on innovation and disruption. Her role will include being a change agent for digitalisation and building Lenmed into a digital business in Africa. Please refer to the management team profiles for the complete management list. In addition, former Lenmed CFO, Vaughan Firman was appointed as a Non-executive Director, effective 1 March 2022. Remco also continued its focus on King IV where there has been further progress, with Lenmed now at a 95% compliance level. Succession planning at the hospital manager level, our concern around the recruitment of scarce health care skills and cost containment still remain focus areas. Remco is satisfied that the remuneration policy achieved its stated objectives for the year.

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

### Board governance

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

- + Lead in the absence of the Chair

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

### Remuneration governance

Remco is now in its eleventh full year of operation and has an established forward plan of agenda items. In addition, as the Group grows and seeks to implement further employee benefits, these are tabled, debated and approved on an ongoing basis. Remco is chaired by Bharti Harie, with the other permanent members being Mike Meehan (Lead Independent Non-executive) and Prof Bashkar Goolab (Non-executive). Prakash Devchand (Board Chairman); Fredré Meiring (CFO), Nilesh Patel (Chief Medical Officer); Amil Devchand (CEO); Bhavani Jeena (HR Manager) and the Lenmed Corporate Advisor (formerly from shareholder GFS Holdings (Pty) Ltd), Dino Theodorou, are also invited to attend the meetings.

Remco operates within terms of reference, which were last approved by the Board on 29 July 2021. The terms of reference are benchmarked against King IV. On the whole, Remco has fulfilled its responsibilities according to the terms of reference. All outstanding items from the previous year which were to have been added to the annual workplan were attended to.

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

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

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

- + Ongoing monitoring of Covid vaccination levels and infection rates of outsourced staff, doctors and Lenmed employees.
- + Review of service contracts for the Executive Chairman, CEO, CFO, Chief Commercial Officer and Chief Medical Officer and their respective letters of appointment. For FY22, an addendum to the contracts was included, taking POPIA into account.

- + Review of Board, Remco, Social and Ethics, Innovation and Disruption, Clinical Governance and Audit and Risk Committee composition. Lenmed's committees comply with all relevant legislation and codes and members have the requisite skills, knowledge and experience. Vaughan Firman's membership at the Audit and Risk Committee will help to bolster the number of Chartered Accountant members.
- + Review of directors up for re-election at the AGM.
- + Review of director independence and a discussion around the factors determining independence and number of years on the Board
- + Approval of the executive annual bonus payments for the financial year ended February 2021.
- + Approval of the executive annual remuneration increases effective 1 March 2022.
- + Oversight and discussion of the hospital managers' and Group functional heads' annual remuneration increases effective 1 March 2022.
- + Biennial performance discussion by the lead independent director with the Chairman, as per King IV requirements. The lead independent director canvassed views from Board members and invitees using a specific set of criteria. There was a unanimous view that the Chairman remains objective and leads the Board effectively.
- + Review of Non-executive Director fees. Please refer to the section marked Non-executive Directors, for a breakdown of Non-executive Director fees.
- + The Company Secretary performance was assessed at a Board level. The outcome was satisfactory, and feedback was given to the Company Secretary. The Company Secretary's fees were not reviewed/increased in 2021, with a review to be conducted in 2022.
- + Revision of the long service and share scheme awards. No revisions were effected in the current year.
- + Review and discussion around the Lenmed organogram. This assisted in the oversight of the appointment of various vacancies within the approved organogram and certain changes to the organogram based on the changes in the Lenmed business model. In line with creating efficiencies in the Group and for planning for future growth, the CEO proposed certain changes to the organogram, which was debated and accepted by Remco. In an effort to control costs, strict controls have been put in place for any new head office appointments.
- + Review and discussion of executive and senior management succession planning.
- + The Share Appreciations Rights (SARS) scheme was reviewed with no major amendments made. As such, annual awards were made under the scheme.
- + Feedback from human resources (HR) on a full review of staff members who are covered by medical aid (and how many remain without any cover), together with a review of the employer contribution to the scheme.
- + Director Training: as per the previous year, various industry specialists were invited to address the directors at the

annual strategy planning meeting earlier this year. This provided valuable insight and context into the healthcare environment. Due to COVID-19 no physical hospital visits were scheduled. However, directors attended various online training courses and discussion forum provided in the healthcare and auditing space.

- + Noting and approval of the appointment of the CEO to the HASA and NHN boards.
- + Review of staff pension fund and funeral arrangements.
- + Considered the King IV Guidance Paper "Effective stakeholder engagement within the context of remuneration."

### Remuneration Policy

In the context of the South African healthcare sector, where there is a shortage of staff generally, and a dire need to retain talented and higher level staff, it is the task of Remco to recommend strategies to attract, motivate, reward and retain staff of the highest calibre, while still being mindful of managing costs. This is especially critical to the healthcare setting where South African skills, in both clinical and managerial capacities, are in high demand internationally. Remco considers the remuneration packages of its executive directors and hospital managers, based on current role/responsibilities, individual performance, and current market levels of similar job profiles. Lenmed's remuneration philosophy is to pay a fair salary in exchange for fair work done. We believe that we pay a fair salary within industry norms and, where the business case demands, we are prepared to compete for scarce skills. Once in our employ, we extend the 'We Do Care' policy to our staff, where we aim to retain and motivate staff using the various benefits discussed below. In doing so, we believe that we promote positive outcomes, and an ethical culture and responsible corporate citizenship.

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

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

### Board committees continued

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

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

### Remuneration package formulation

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

### Guaranteed portion of package

The increase in remuneration packages of Lenmed executives was considered at the 15 February 2022 Remco meeting for implementation on 1 March 2022. In considering the new remuneration packages, Remco took the tough trading conditions into account, together with the need for cost containment. It noted that an average increase across the Group was 4.5% which matched the tariff increase afforded to Lenmed by the medical aid funders. As such, a similar increase was applied to management. Cognisance was also taken of the benchmarking exercise conducted for Remco by an outsourced specialist firm in 2021. The benchmark revealed that the cost to company remuneration is below industry norms. However, this 'shortfall' is made up by the upside afforded by the short-term incentive scheme. This is in line with the Lenmed remuneration policy set out above.

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

Lenmed executives and other key staff are incentivised by way of a short-term bonus scheme. On an annual basis, it is the responsibility of Remco to review and approve the executive annual bonus scheme. Remco also notes the principles behind the hospital managers' and Group functional heads' annual bonus scheme. The key performance areas in both these schemes measure specific individual targets, align shareholder and individual goals based on a headline earnings per share (HEPS) target and also include a measure of the performance of the Group as a whole. If the key performance areas are achieved, identified staff could earn bonuses linked to their individual packages, where the maximum targets are determined by respective job levels. Remco has also had oversight of the implementation of the long term incentive scheme (LTIS) which is now in its ninth year of operation. The scheme is based on a share appreciation rights (SARS) and a performance share scheme. Guidelines or practice notes recorded as amendments are made to the scheme. These notes then form an annexure to the original policy.

For the current reporting period, no further adjustments were effected to the rules. The following are the salient features of the LTIS:

#### Scheme Concept

- + Up to 10% of Lenmed's issued share capital will be set aside for purposes of the scheme.
- + Based on the liquidity and the price of the shares on the over-the-counter (OTC) market, Remco will have the right to use the OTC price or to determine a price itself.
- + The allocation of LTIS shares will be considered by Remco annually as part of its forward plan.
- + When employees resign, their respective SARS revert into the pool.
- + The LTIS will apply to the following levels
  - Category 1 – CEO
  - Category 2 – Direct reports to category 1
  - Category 3 – Direct reports to category 2

#### Scheme rules:

In addition to the above:

- The performance criteria for the SARS is a minimum 50% average achievement of the participant's short-term incentive bonus over the three years prior to vesting.
- Settlement is in cash or shares, at the discretion of Remco.
- Participants are not entitled to any dividends and have no voting rights.
- The strike price will remain static for the respective financial year.
- + The following performance measures apply: If performance achieved is consumer price index (CPI) and 2% or less, then only 50% of the shares will vest; if CPI + 3% to +6% is achieved, then 100% of the shares will vest and if CPI + 6% and above is achieved, then 125% of the shares will vest.
- + 100% of the shares will vest at the end of year three.
- + At its July 2021 meeting, (for the financial year ended February 2021), the sixth set of SARS were also issued at R2.77, per Remco's discretion not to apply the average OTC price for this period, due to the shares being illiquid. Remco applied its discretion to a price of R2.77 per share based on a presentation from our corporate advisor who conducted a high-level indicative valuation of Lenmed using different valuation methodologies. The internal valuation methodologies included forward price earnings, discounted cash flow and forward EBITDA multiples.
- + The following SARS awards were allocated to executive management on 1 August 2021 for the financial year ended February 2022:
  - Amil Devchand: 2 500 000
  - Fredré Meiring: 1 500 000
  - Nilesh Patel: 1 000 000
  - Mark Bishop: 1 000 000

The above SARS will vest on 31 July 2024.

### Long service award scheme

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

- + A cash award payable six monthly, to staff members who have worked for longer than 10 years; and
- + A share award, to staff members who have worked longer than 15 years.

Under this scheme, employees are entitled to receive, on a once-off basis, R50 000 (pre-tax), either in cash or shares, once they have attained a service record of 15 years as at December 2021. For the current year, only the cash-settled option was offered, considering the lower share price. This benefit is in addition to the cash award referred to above.

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

### Other benefits

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

### Non-executive Directors

Two independent Non-executive Directors and one Non-executive Director continue to hold office since their appointment in September 2010. Ms Noma Simamane, Dr Gunvant Goolab and Mr Vaughan Firman were appointed October 2012, August 2020 and March 2022 respectively. They are paid an annual retainer, plus attendance fees per meeting. These directors' fees are confirmed by shareholders at the Lenmed AGM. It is important to note that Non-executive Directors do not receive any payment related to performance of the Group and do not participate in any bonus arrangements. Non-executive Director fees are reviewed annually by management.

In July 2021, management commissioned 21st Century to conduct a benchmark on Lenmed's non-executive Director fees, taking into account its size, financials and operations (not compared to the three large listed healthcare groups) and including a benchmark per role. The outcome was that Lenmed's fees to its Non-executive Directors are between the lower quartile to median.

In line with the above, for the 2022 AGM, it is proposed that the fees payable for the period from the 2022 to the 2023 AGM be increased to allow a stepped, partial catchup to the median, with a further catchup proposed for the 2023 AGM. The Non-executive Director fee proposal is set out in the following table:

Name	Retainer fee	Meeting fee per meeting	Chairman fee
Mike Meehan	R235 000	R22 500	R22 500
Bharti Harie	R235 000	R22 500	R22 500
Nomahlubi Simamane	R235 000	R22 500	R22 500
Prof Bashkar Goolab	R235 000	R22 500	R22 500
Vaughan Firman	R235 000	R22 500	R22 500
Dr Gunvant Goolab	R235 000	R22 500	R22 500



**Board committees continued****Implementation Report**

For total remuneration awarded to and realised by Executive management during the financial year please refer to Note 27.2 Compensation paid to directors and prescribed officers (directors' emoluments) of the annual financial statements, which covers – for this and the prior year – total remuneration paid to directors, including the annual package, short-term bonuses and the fair value of shares that have vested under SARS. Remco has this year decided to align the reporting of payment of short-term bonuses with the corresponding financial year in which they were earned. Typically short-term bonuses earned for FY22 would be reported in the FY23 annual financial statements – as they would have been paid out in FY23. Accordingly, the short-term bonuses earned by management for FY22 and paid out in FY23 as well as FY22 performance achieved by management is contained below.

SARS allocations	No of options	Strike price at issue date	Fair value as at February 2022	Vesting/expiry date
1 August 2019	5 600 000	R3.71	R35 955	31 July 2022
1 August 2020	9 250 000	R2.73	R1 752 749	31 July 2023
1 August 2021	11 200 000	R2.77	R1 220 181	31 July 2024

**EXCO performance review and bonus approvals against agreed FY21 and FY22 key performance areas (KPA's)**

The FY21 bonus approvals were paid out in the FY22 year. FY21 had been an extremely difficult year with the Company having recorded a loss as a result of the impact of Covid 19 on the business. Consequently, the KPAs based on headline earnings, return on equity (ROE) and EBITDA were not achieved.

Remco has a discretion to assess performance against other non-financial KPAs. The committee were of the opinion that:

- + Management had performed exceptionally throughout the pandemic
- + Despite severe cash flow restraints and losses being incurred through a significant reduction in elective surgery the Group was able to renegotiate loan-funding to ensure the sustainability of the Group
- + Staff and particularly frontline nursing and administration teams were motivated to give exceptional service
- + Two significant acquisitions were achieved viz: Howick Private Hospital and Bank of Ghana Hospital;
- + The business was re-structured to trim costs and to operate as a leaner and fitter outfit.

Taking all of the above into account and after extensive debate and deliberation, Remco resolved to award 30% of the respective maximum achievable bonus to the management team. This was also extended to all eligible staff levels below EXCO.

**Exco FY22 and FY23 SARS**

Prakash Devchand does not receive any further SARS due to his retirement as CEO on 29 February 2020. However he is entitled to any SARS payments which would have vested in his favour due to his continued employment at the Company.

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

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

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

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

The following table shows short-term bonuses earned by management for the years ended February 2021 and 2022:

	CEO	CFO	CMO	CCO
FY2021 Percentage achieved	30%	30%	30%	N/A
FY2021 Bonus achieved	R1 410 000	R1 075 000	R901 500	N/A
FY2022 Percentage achieved	95%	93.75%	85%	85%
FY2022 Bonus achieved	R4 465 000	R3 495 375	R2 851 820	R2 917 200

**Focus areas for 2023**

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

- + Overseeing the structuring and populating of the senior team organogram to execute on the agreed strategy
- + Overseeing an internal e-learning platform on leadership development for key staff members
- + Recommending strategies to position Lenmed as an employer of choice
- + Standardise staff benefits and policies across the Group

- + Oversight over the implementation of the Group's new leadership culture, as well as change management initiatives across the organisation.
- + Recommending strategies to position Lenmed as an employer of choice
- + Standardise staff benefits and policies across the Group
- + Oversight over the implementation of the Group's new leadership culture, as well as change management initiatives across the organisation.

**Social and Ethics Committee report****Report to shareholders**

The Social and Ethics Committee is pleased to present its report for the financial year ended 28 February 2022 to the shareholders of Lenmed Investments Limited.

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

**Committee mandate**

The mandate of the committee is threefold:

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

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

**Composition of the committee**

The committee comprises suitably skilled and experienced members appointed by the Board. Ms N V Simamane, who is an independent Non-executive Director, chairs the committee. Committee members include Mr N Bechan, the Hospital Manager for Ethekwini Hospital and Heart Centre, and Dr N Patel, the Chief Medical Officer. Dr G Goolab was appointed to the committee at the end of November 2020.



Key information providers include senior managers in the areas of Human Resources, Finance, Marketing and Internal Audit, currently undertaken by PwC. The Group Company Secretary acts as the secretary of the committee.

**The committee charter and work plan**

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

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

**Board committees continued****The committee's role and responsibilities****Role**

The committee has an independent role with accountability to the Board. The committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management. The overall role of the committee is to assist the Board with the governance of social, ethical and transformation matters relating to the Company.

**Responsibilities**

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

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

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

**Policy review**

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

**Summary report**

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

**Social and economic development****Human rights practices within the Company**

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

**Labour and employment practices**

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

The committee reviewed the International Labour Organisation protocol on decent working conditions principles and included these in the Employee Relations Policy and Human Rights Policy. The committee reviewed the human resources reports including employee headcount, progress of employment initiatives undertaken during the year, employment equity reporting, skills development reporting and legislative updates. Reports on Employment Equity were submitted to the Department of Labour (DOL) timely.

**Transformation**

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

The action plans implemented yielded great results as the Group achieved Level 1 from a rating of Level 2 in the previous year.

**Environmental, Social and Governance (ESG)**

Considered Lenmed's approach to ESG, noting that this will primarily be under the ambit of the Social and Ethics Committee.

**Corporate citizenship****Corporate social investment**

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

**Anti-corruption, ethics and compliance**

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

**Labour relations**

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

**Safety, health and environment****Environment, Health and Public Safety**

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

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

The committee considered the King IV Guidance Paper on climate change.

**Stakeholder relations**

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

**Compliance with CPA, TCF, POPI, PAIA**

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

**Customer relationships**

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

**Employee engagement and wellness**

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

**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 FY21 and found the results to be satisfactory. The committee Chairman updates the Board bi-annually on the work done by the committee.

**Report to shareholders**

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

The agenda for the Company's 2022 AGM includes a report by the committee Chairman to shareholders.







## Annual Financial Statements

### Contents

	Page
Directors' responsibilities and approval	76
Report of the Audit Committee	77
Statement of compliance by the Company secretary	77
Independent auditor's report	78
Directors' report	80
Statement of Profit or Loss and Other Comprehensive Income	82
Statement of Financial Position	83
Statement of Cash Flows	84
Statement of Changes in Equity	85
Accounting Policies	86
Notes to the consolidated annual financial statements	94

### Level of assurance

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

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

## Directors' responsibilities and approval

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

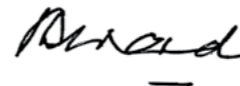
The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors set standards for internal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

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

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

The consolidated annual financial statements have been audited by the independent auditing firm, PKF Durban, who have been given unrestricted access to all financial records and related data, including minutes of all meetings of the shareholders, the directors and committees of the directors. The directors believe that all representations made to the independent auditor during the audit were valid and appropriate. The external auditor's unqualified audit report is presented on pages 78 to 79.

The consolidated annual financial statements set out on pages 82 to 123 which have been prepared on the going concern basis, were approved by the directors and were signed on 26 May 2022 on their behalf by:



**Amil Deuchand**  
Chief Executive Officer



**Fredré Meiring**  
Chief Financial Officer

## Report of the Audit Committee

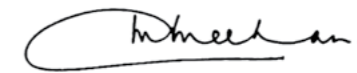
### Report of the Audit Committee in terms of section 94(7)(f) of the Companies Act

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

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

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

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



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

26 May 2022

## Statement of compliance by the Company secretary

I hereby certify, in my capacity as Company Secretary of Lenmed Investments Limited and its subsidiaries, that for the financial year ended 28 February 2022, the Company has filed all required returns and notices in terms of the Companies Act of South Africa, with the Companies and Intellectual Property Commission and that all such returns and notices appear to the best of my knowledge and believe to be true, correct and up to date.



**W R Somerville**  
Company Secretary

26 May 2022



## Independent auditor's report

### To the Shareholders of Lenmed Investments Limited

#### Report on the Audit of the Consolidated Financial Statements

##### Opinion

We have audited the consolidated financial statements of Lenmed Investments Limited and its subsidiaries (the Group) set out on pages 82 to 123, which comprise the consolidated statement of financial position as at 28 February 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Lenmed Investments Limited and its subsidiaries as at 28 February 2022, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

##### Basis for Opinion

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

##### Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Lenmed Investments Limited and its subsidiaries Consolidated Annual Financial Statements for the year ended 28 February 2022" and in the document titled "Lenmed Investments Limited Separate Annual Financial Statements for the year ended 28 February 2022", which

includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the document titled "Lenmed Investments Limited Annual Integrated Report 2022", which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's reports thereon.

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

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

#### Responsibilities of the Directors for the Consolidated Financial Statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

### Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PKF Durban has been the auditor of Lenmed Investments Limited for 14 years.



**PKF Durban**

Partner: R.C. Boule

Registered Auditor Durban

Date: 27 May 2022

## Directors' report

The directors present their report for the year ended 28 February 2022.

### Review of financial results and activities

#### Main business and operations

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

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

#### Group financial results

The Group's earnings before interest, taxation, depreciation and amortisation (EBITDA) amounted to R533.671 million (2021: R243.267 million).

Group's profit before taxation for the year amounted to R281.618 million (2021: (loss) R96.490 million) before taking into account taxation of R33.926 million (2021: (credit) R27.086 million), resulting in profit after taxation for the year of R247.692 million (2021: (loss) R69.404 million).

The results of the Group are set out in the attached consolidated annual financial statements. The separate annual financial statements of the Company are presented apart from the consolidated annual financial statements and were approved by the directors on 26 May 2022, the same date as consolidated annual financial statements. The consolidated annual financial statements have been prepared in accordance with IFRS.

#### Authorised and issued share capital

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

#### Borrowings

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

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

#### Dividend

The Company revised its dividend policy during the year:

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

#### Headline earnings

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

#### Directors

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

##### Mr P Devchand

Executive Chairman

##### Mr A Devchand

Executive director and Chief Executive Officer

##### Mr F J Meiring

Executive director and Chief Financial Officer

##### Mr M G Meehan

Lead independent Non-executive Director

##### Ms B Harie

Independent Non-executive Director

##### Ms N V Simamane

Independent Non-executive Director

##### Dr G Goolab

Independent Non-executive Director

##### Prof B D Goolab

Non-executive Director

##### Mr V E Firman (appointed 1 March 2022)

Non-executive Director

#### Company Secretary

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

#### Independent auditors

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

#### Events after reporting date

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

During May 2022, the Group entered into an agreement to acquire 100% of Matlosana Medical Health Services (Pty) Ltd (MMHS), a Klerksdorp based group of hospitals. MMHS consists of 2 acute facilities (218 beds), a day hospital (20 beds) and a mental health facility (50 beds). The acquisition aligns well with our strategy to diversify across geographies as well as revenue streams and will be our first acquisition into the North West province of South Africa. The Group anticipates this acquisition to initially add an additional 12% to Group EBITDA. At the date of this report the transaction was still conditional upon various approvals, including the approval by the Competition Commission.

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

#### Going concern

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

#### Special resolutions

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

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





## Statement of Profit or Loss and Other Comprehensive Income

Figures in R'000	Notes	GROUP	
		2022	2021
Revenue	4	3 386 123	2 837 153
Cost of sales		(1 064 916)	(941 057)
<b>GROSS PROFIT</b>		<b>2 321 207</b>	1 896 096
Other income		203 131	114 904
Operating costs		(2 122 736)	(1 892 992)
<b>PROFIT FROM OPERATING ACTIVITIES</b>	5	<b>401 602</b>	118 008
Impairment of non financial assets		–	(92 074)
Interest income	6	2 482	2 054
Finance costs	7	(126 019)	(127 334)
Share of profit from equity accounted investments		3 553	2 856
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>281 618</b>	(96 490)
Income tax (expense)/credit	8	(33 926)	27 086
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b>247 692</b>	(69 404)
<b>Other comprehensive income net of tax</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation reserve		3 778	(41 347)
Cash flow hedging reserve for interest rate hedging instrument		14 375	(14 195)
<b>Total other comprehensive income/(loss)</b>		<b>18 153</b>	(55 542)
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>		<b>265 845</b>	(124 946)
<b>Profit/(loss) for the year attributable to:</b>			
Owners of parent		221 223	(73 324)
Non-controlling interests		26 469	3 920
		<b>247 692</b>	(69 404)
<b>Total comprehensive income/(loss) attributable to:</b>			
Owners of parent		241 484	(127 727)
Non-controlling interests		24 361	2 781
		<b>265 845</b>	(124 946)
<b>Earnings per share attributable to owners of the parent during the year</b>			
Basic and diluted earnings/(loss) per share (cents)	9	31.18	(10.33)

82

## Statement of Financial Position

Figures in R'000	Notes	GROUP	
		2022	2021
<b>Assets</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	2 846 080	2 733 660
Right-of-use assets	14	185 168	197 458
Goodwill	10	308 528	302 545
Intangible assets	12	43 758	20 659
Investment in subsidiaries and associates	13	9 896	6 344
Deferred tax assets	15	80 691	77 206
		<b>3 474 121</b>	3 337 872
<b>CURRENT ASSETS</b>			
Inventories	16	73 582	76 617
Trade and other receivables	17	892 460	974 162
Current tax assets		10 782	17 574
Cash and cash equivalents	18	201 279	52 797
		<b>1 178 103</b>	1 121 150
<b>TOTAL ASSETS</b>		<b>4 652 224</b>	4 459 022
<b>Equity and liabilities</b>			
<b>EQUITY</b>			
Stated capital	19	426 006	426 006
Accumulated profits		1 596 857	1 365 123
Other reserves	20	161 042	140 781
Non-controlling interests		244 563	216 292
<b>TOTAL EQUITY</b>		<b>2 428 468</b>	2 148 202
<b>Liabilities</b>			
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	15	230 491	221 454
Derivative financial liabilities	23	–	5 681
Lease liabilities	14	205 970	210 911
Long-term liabilities	21	989 763	1 021 167
Loans from non-controlling interests	22	21 921	18 782
		<b>1 448 145</b>	1 477 995
<b>CURRENT LIABILITIES</b>			
Provisions	25	104 574	83 402
Trade and other payables	24	491 936	455 150
Current tax liabilities		2 830	6 088
Current portion of derivative financial liabilities	23	4 358	18 643
Current portion of lease liabilities	14	10 697	9 324
Current portion of long-term liabilities	21	111 294	112 844
Loans from non-controlling interests	22	10 762	15 112
Bank overdraft	18	39 160	132 262
		<b>775 611</b>	832 825
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4 652 224</b>	4 459 022

83

## Statement of Cash Flows

		GROUP	
Figures in R'000		2022	2021
	Notes		
<b>Cash flows from operations</b>			
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b>247 692</b>	(69 404)
Income tax		<b>33 926</b>	(27 086)
Interest income		<b>(2 482)</b>	(2 054)
Finance costs		<b>126 019</b>	127 333
Depreciation and amortisation		<b>132 069</b>	125 259
Impairment losses recognised in profit or loss		-	92 074
Income from associates		<b>(3 553)</b>	(2 236)
Loss on disposal of plant and equipment		<b>33</b>	953
<i>Working capital changes:</i>			
Decrease/(increase) in inventories		<b>8 638</b>	(6 509)
Decrease in trade and other receivables		<b>84 271</b>	52 101
Increase in trade and other payables		<b>36 349</b>	21 003
<b>NET CASH FLOWS FROM OPERATIONS</b>		<b>662 962</b>	311 434
Finance costs		<b>(124 654)</b>	(127 333)
Interest income		<b>2 482</b>	2 054
Income taxes paid	26	<b>(22 949)</b>	(20 839)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>517 841</b>	165 316
<b>Cash flows used in investing activities</b>			
Cash flows used in obtaining control of subsidiaries or other businesses	29.2	<b>(50 300)</b>	-
Proceeds from sales of property, plant and equipment		<b>231</b>	382
Purchase of property, plant and equipment		<b>(150 127)</b>	(91 730)
- to maintain operating capacity		<b>(124 709)</b>	(107 645)
- to expand operating capacity		<b>(41 198)</b>	(7 605)
- instalment sale agreements (non-cash)		<b>15 780</b>	23 520
Purchase of intangible assets		<b>(9 487)</b>	(4 368)
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>(209 683)</b>	(95 716)
<b>Cash flows used in financing activities</b>			
Loans paid		<b>(59 198)</b>	(61 777)
Lease liabilities		<b>(10 348)</b>	(10 766)
Dividend paid to non-controlling interests		<b>(306)</b>	(306)
Non controlling interests rights issue		<b>453</b>	-
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>		<b>(69 399)</b>	(72 849)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES</b>		<b>238 759</b>	(3 249)
Effect of exchange rate changes on cash and cash equivalents		<b>2 825</b>	(1 228)
Cash and cash equivalents at beginning of the year		<b>(79 465)</b>	(74 988)
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	18	<b>162 119</b>	(79 465)

## Statement of Changes in Equity

Figures in R'000		Foreign currency translation reserve	Cash flow hedging reserve	Accumulated profits	Attributable to owners of the parent	Non-controlling interests	Total	
	Notes	Stated capital						
<b>BALANCE AT 1 MARCH 2020</b>		426 006	198 503	(3 319)	1 438 447	2 059 637	213 817	<b>2 273 454</b>
(Loss)/profit for the year		-	-	-	(73 324)	(73 324)	3 920	<b>(69 404)</b>
Other comprehensive loss		-	(40 208)	(14 195)	-	(54 403)	(1 139)	<b>(55 542)</b>
Dividends paid to non-controlling interests		-	-	-	-	-	(306)	<b>(306)</b>
<b>BALANCE AT 1 MARCH 2021</b>		426 006	158 295	(17 514)	1 365 123	1 931 910	216 292	<b>2 148 202</b>
Profit for the year		-	-	-	221 223	221 223	26 469	<b>247 692</b>
Other comprehensive income/(loss)		-	5 886	14 375	-	20 261	(2 108)	<b>18 153</b>
Dividends		-	-	-	-	-	(306)	<b>(306)</b>
Acquisition of Howick Private Hospital Holdings (Pty) Ltd		-	-	-	-	-	14 295	<b>14 295</b>
Changes in ownership interests without loss of control		-	-	-	10 511	10 511	(10 079)	<b>432</b>
<b>BALANCE AT 28 FEBRUARY 2022</b>		426 006	164 181	(3 139)	1 596 857	2 183 905	244 563	<b>2 428 468</b>
	Notes		19					



## Accounting policies

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

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

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

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

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

	28 February 2022		28 February 2021	
	BWP Pula	USD Dollar	BWP Pula	USD Dollar
Closing rate	<b>R1.33</b>	<b>R15.40</b>	R1.39	R15.12
Average rate	<b>R1.33</b>	<b>R14.86</b>	R1.43	R16.50

#### 1.1 Basis of consolidation

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

##### Subsidiaries

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

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

##### Associates

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

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

#### 1.2 Revenue from contracts with customers

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

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

#### 1.3 Other income

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

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

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

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

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

#### 1.4 Cost of sales

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

#### 1.5 Inventories

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

#### 1.6 Tax

##### Current tax

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

##### Deferred tax

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

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

#### 1.7 Leases

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

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

*continued*

### 1.7 Leases *continued*

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

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

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

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

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

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

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

Right-of-use assets are depreciated over the shorter period of lease term (ranging between one and 19 years) and useful life of the underlying asset (see note 1.9). If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation is recorded from the commencement date of the lease.

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

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

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

### 1.8 Goodwill

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

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

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

### 1.9 Property, plant and equipment

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

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

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

The following are the current estimated useful lives:

Land	Indefinite
Buildings	50 years
Leasehold improvements	Written off over the period of lease
Plant and equipment	5–20 years
Motor vehicles	5 years
Computer equipment	3–8 years
Office equipment	10–20 years
Furniture and fittings	10–20 years

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

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

*continued*

### 1.10 Impairment of a non-financial asset

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

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

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

### 1.11 Provisions

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

### 1.12 Employee benefits

#### Short-term employee benefits

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

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

The expected cost of profit-sharing and bonus payments is recognised when there is a present legal or constructive obligation to make such payments as a result of past

events, and a reliable estimate of the obligation can be made. A present obligation exists when there is no realistic alternative but to make the payments.

#### Retirement benefits

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

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

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

### 1.13 Financial instruments

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

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

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

#### Cash and cash equivalents

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

#### Working capital balances

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

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



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

### 1.13 Financial instruments *continued*

#### Trade and other receivables

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

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

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

#### Trade and other payables

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

#### Hedge accounting

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

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

#### Cash flow hedges

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

#### Borrowings

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

### 1.14 Intangible assets

Intangible assets are initially recognised at cost.

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

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

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

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

The assumptions regarding estimated useful lives for the 2022 financial year were as follows:

Computer software	5 years
Management agreement	61 months
Hospital licences	Indefinite

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

### 1.15 Contingencies and commitments

Contingent liabilities are a possible obligation whose existence will be confirmed by a future event or a present obligation which cannot be recognised because the probability of an outflow is remote or the amount cannot be measured reliably. Items are classified as commitments where the Group commits itself to future transactions, particularly in the acquisition of property, plant and equipment. Contingent liabilities are not recognised.

### 1.16 Share incentive scheme

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

### 1.17 Foreign currency translation

Items included in the financial results of each entity are translated using the functional currency of that entity.

#### Foreign currency transactions

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

#### Foreign operations

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

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

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

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

### 1.18 Earnings per share

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

### 1.19 Headline earnings per share

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

## 2. Critical accounting estimates and judgements

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

## 2. Critical accounting estimates and judgements *continued*

### Key sources of estimation uncertainty

#### 2.1 Deferred tax

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

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

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

#### 2.2 Financial instruments

##### Impairment of financial assets

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

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

##### Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information such as:

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

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

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

#### 2.3 Determination of lease terms for determining lease liability

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

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

##### Buildings

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

##### Plant and equipment

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

#### 2.5 Goodwill

Goodwill is tested for impairment at each statement of financial position date. The recoverable amounts of cash generating units have been estimated based on value-in-use calculations.

#### 2.6 Share-based payments

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

## 2. Critical accounting estimates and judgements *continued*

#### 2.7 Control over subsidiaries

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

#### 2.8 Fair value measurements and valuation processes

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

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

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

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

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

## 3. Changes in accounting policies and disclosures

### Standards and interpretations effective and adopted in the current year

No relevant new, revised or amended standards were implemented during the financial reporting period ended 28 February 2022.

### Standards and interpretations effective not yet adopted

At the date of authorisation of these consolidated annual financial statements, the following relevant standards and interpretations were in issue but not yet effective. The directors have considered the impact of the below standards and interpretations and believe their effect to be immaterial.

Standard	Annual financial period ending applicable to Lenmed:
IFRS 3 – Reference to the Conceptual Framework	28 February 2023
IFRS 9 – Annual Improvements to IFRS Standards 2018–2020	28 February 2023
IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use	28 February 2023
IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract	28 February 2023
IAS 8 – Definition of accounting estimates	29 February 2024
IAS 1 – Classification of Liabilities as Current or Non-Current and disclosure of accounting policies	29 February 2024



## Notes to the Consolidated Annual Financial Statements

	GROUP	
	2022	2021
Figures in R'000		
<b>4. Revenue</b>		
An analysis of revenue is as follows:		
<b>Private healthcare services</b>		
Non-tariff	1 001 803	692 871
Tariff	2 384 320	2 144 282
<b>TOTAL REVENUE</b>	<b>3 386 123</b>	<b>2 837 153</b>
There were no outstanding performance obligations at year end.		
<b>5. Profit before interest and taxation</b>		
<b>Income</b>		
Outpatient services income	40 320	21 501
Rental income	65 566	51 841
(Loss)/profit on foreign currency transactions	(4 909)	1 843
<b>Expenses</b>		
Depreciation and amortisation on intangible assets, plant and equipment	112 244	102 164
Depreciation on right-of-use assets	19 825	23 095
Employee benefit expenses	1 122 936	893 157
Loss on disposal of property, plant and equipment	33	953
<b>Short-term leases, low value leases and leases that do not depend on an index or rate</b>		
Property	25 399	22 303
Equipment	23 370	12 568
Other	7 928	14 335
	<b>56 697</b>	<b>49 206</b>
<b>6. Interest income</b>		
Interest received	2 482	2 054
<b>7. Finance costs</b>		
Long-term loans	94 330	92 704
Lease liabilities	14 160	16 019
Instalment sales agreements	117	562
Bank overdraft	17 412	18 049
<b>TOTAL FINANCE COSTS</b>	<b>126 019</b>	<b>127 334</b>

	GROUP	
	2022	2021
Figures in R'000		
<b>8. Income tax expense/(credit)</b>		
<b>8.1 Income tax recognised in profit or loss:</b>		
<b>Current tax</b>		
Current year	29 179	6 025
Prior year adjustment	(2 877)	-
<b>TOTAL CURRENT TAX</b>	<b>26 302</b>	<b>6 025</b>
<b>Deferred tax</b>		
Originating and reversing temporary differences	16 443	(30 988)
Arising from prior period adjustments	(8 819)	(2 123)
<b>TOTAL DEFERRED TAX</b>	<b>7 624</b>	<b>(33 111)</b>
<b>TOTAL INCOME TAX EXPENSE/(CREDIT)</b>	<b>33 926</b>	<b>(27 086)</b>
<b>8.2 The income tax for the year can be reconciled to accounting profit/(loss) as follows:</b>		
Income tax calculated at 28.0%	28.00%	28.00%
<b>Tax effect of</b>		
Under provision in prior year	(4.15%)	(2.20%)
Disallowed expenditure	0.35%	0.71%
Income not taxable	(0.38%)	(1.89%)
Lower foreign tax rate	(0.79%)	(0.60%)
Unrecognised deferred tax asset	(10.98%)	(18.07%)
Impairment	0.00%	22.12%
<b>EFFECTIVE TAX RATE</b>	<b>12.05%</b>	<b>28.07%</b>
<b>8.3 Estimated tax losses</b>		
Utilised in the deferred tax balance	351 928	340 659
Not recognised as a deferred tax asset	-	110 457
Unused tax losses available for set-off against future taxable income	351 928	451 116

	GROUP	
	2022	2021
<b>9. Earnings/(loss) per share</b>		
<b>9.1 Basic earnings/(loss) per share</b>		
<b>The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:</b>		
Profit/(loss) for the year attributable to owners of the Company for continuing operations	221 223	(73 324)
<b>Weighted average number of ordinary shares used in the calculation of basic earnings per share</b>	<b>709 534</b>	709 534
Basic and diluted earnings/(loss) per share (cents)	31.18	(10.33)
<b>9.2 Headline earnings per share</b>		
<b>Headline earnings is calculated as follows:</b>		
Profit for the year attributable to owners of the Company from continuing operations	221 223	(73 324)
<i>Adjusted for:</i>		
Loss on disposal of property, plant and equipment	33	953
Impairment of goodwill	–	10 343
Impairment of buildings	–	81 731
Total tax effects of adjustments	(9)	(4 747)
<b>Headline earnings from continuing operations</b>	<b>221 247</b>	14 956
<b>Weighted average number of ordinary shares used in the calculation of headline earnings per share</b>	<b>709 534</b>	709 534
Headline earnings per share (cents)	31.18	2.11

Figures in R'000	Goodwill
<b>10. Goodwill</b>	
<b>10.1 Reconciliation of changes in goodwill</b>	
<b>Reconciliation for the year ended 28 February 2022</b>	
<b>BALANCE AT 1 MARCH 2021</b>	
At cost	312 888
Accumulated impairment	(10 343)
<b>NET BOOK VALUE</b>	<b>302 545</b>
<b>Movements for the year ended 28 February 2022</b>	
Acquisitions through business combinations – Howick (refer to note 29)	5 983
<b>GOODWILL AT THE END OF THE YEAR</b>	<b>308 528</b>
<b>Closing balance at 28 February 2022</b>	
At cost	318 871
Accumulated impairment	(10 343)
<b>NET BOOK VALUE</b>	<b>308 528</b>
<b>Reconciliation for the year ended 28 February 2021</b>	
At cost	312 888
<b>Movements for the year ended 28 February 2021</b>	
Impairment loss recognised in profit or loss	(10 343)
<b>GOODWILL AT THE END OF THE YEAR</b>	<b>302 545</b>

## 10. Goodwill *continued*

### 10.1 Reconciliation of changes in goodwill *continued*

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

	GROUP	
	2022	2021
Figures in R'000		
Lenmed Health Laverna	5 125	5 125
Lenmed Health Shifa	6 939	6 939
Lenmed Health Kathu Private Hospital	10 378	10 378
Lenmed Ethekwini Hospital and Heart Centre	280 103	280 103
Howick Private Hospital	5 983	–
	<b>308 528</b>	302 545

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

Key assumptions used in the calculation of the discount rate:

- R213 rate was yielding 9.88% as at 28 February 2022 (R186 rate – 2021: 7.31%).
- A market risk premium of 7.2% (2021: 10%), given the unlisted nature of the Group.
- Beta of 0.7 (2021: 0.7) is appropriate in the current environment and based on the defensive nature of the Group.

Value-in-use calculations have been based on a subjective pre-tax discount rate of between 13% and 17.5% (2021: 15.9% and 18.3%).

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

#### Sensitivity

The Group has made estimates and assumptions in respect of impairment testing of cash generating units as detailed above.

#### Discount rate:

Had the pre-tax discount rate been increased by 1%, the recoverable amounts of the goodwill of any the cash generating units would still exceed the carrying value.



## 11. Property, plant and equipment

### Balances at year end and movements for the year

Figures in R'000	Land	Buildings	Leasehold improvements	Plant and equipment	Motor vehicles	Furniture and fittings	Office equipment	Computer equipment	Total
<b>Reconciliation for the year ended 28 February 2022</b>									
<b>CARRYING VALUE AT 1 MARCH 2021</b>	<b>298 487</b>	<b>1 976 405</b>	<b>217</b>	<b>376 526</b>	<b>1 662</b>	<b>50 517</b>	<b>1 385</b>	<b>28 461</b>	<b>2 733 660</b>
<b>Movements for the year ended 28 February 2022</b>									
Additions from acquisitions	-	41 664	-	104 579	1 284	9 448	945	7 987	165 908
Acquisitions through business combinations	1 500	21 070	-	6 276	-	450	155	9	29 460
Increase (decrease) through net exchange differences	1 435	4 233	-	7 593	16	437	(76)	(498)	13 140
Depreciation	-	(9 713)	(15)	(71 625)	(482)	(7 639)	(309)	(6 073)	(95 856)
Disposals	-	(26)	-	(71)	-	(134)	-	-	(231)
<b>PROPERTY, PLANT AND EQUIPMENT AT THE END OF THE YEAR</b>	<b>301 422</b>	<b>2 033 633</b>	<b>202</b>	<b>423 278</b>	<b>2 480</b>	<b>53 079</b>	<b>2 100</b>	<b>29 886</b>	<b>2 846 080</b>
<b>Closing balance at 28 February 2022</b>									
At cost	301 422	2 135 836	7 670	945 798	4 880	111 515	5 033	94 532	3 606 686
Accumulated depreciation and impairment	-	(102 203)	(7 468)	(522 520)	(2 400)	(58 436)	(2 933)	(64 646)	(760 606)
<b>NET BOOK VALUE</b>	<b>301 422</b>	<b>2 033 633</b>	<b>202</b>	<b>423 278</b>	<b>2 480</b>	<b>53 079</b>	<b>2 100</b>	<b>29 886</b>	<b>2 846 080</b>
<b>Reconciliation for the year ended 28 February 2021</b>									
<b>CARRYING VALUE AT 1 MARCH 2020</b>	298 690	2 069 562	648	376 498	1 130	56 175	2 017	23 994	2 828 714
<b>Movements for the year ended 28 February 2021</b>									
Additions from acquisitions	2 935	12 598	39	76 542	1 286	4 859	66	13 848	112 172
Decrease through net exchange differences	(3 138)	(15 796)	-	(9 192)	(94)	(3 353)	-	(415)	(31 988)
Depreciation	-	(8 228)	(470)	(66 057)	(660)	(7 094)	(698)	(8 966)	(92 173)
Impairment loss recognised in profit or loss	-	(81 731)	-	-	-	-	-	-	(81 731)
Disposals	-	-	-	(1 265)	-	(70)	-	-	(1 335)
<b>PROPERTY, PLANT AND EQUIPMENT AT THE END OF THE YEAR</b>	<b>298 487</b>	<b>1 976 405</b>	<b>217</b>	<b>376 526</b>	<b>1 662</b>	<b>50 517</b>	<b>1 385</b>	<b>28 461</b>	<b>2 733 660</b>
<b>Closing balance at 28 February 2021</b>									
At cost	298 487	2 085 676	7 670	804 600	4 673	101 576	10 256	94 887	3 407 825
Accumulated depreciation and impairment	-	(109 271)	(7 453)	(428 074)	(3 011)	(51 059)	(8 871)	(66 426)	(674 165)
<b>NET BOOK VALUE</b>	<b>298 487</b>	<b>1 976 405</b>	<b>217</b>	<b>376 526</b>	<b>1 662</b>	<b>50 517</b>	<b>1 385</b>	<b>28 461</b>	<b>2 733 660</b>

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

## 12. Intangible assets

### Reconciliation of changes in intangible assets

Figures in R'000	Computer software	Hospital licences	Management agreement	Total
<b>Reconciliation for the year ended 28 February 2022</b>				
<b>CARRYING VALUE AS AT 1 MARCH 2021</b>	<b>18 180</b>	<b>2 479</b>	<b>-</b>	<b>20 659</b>
<b>Movements for the year ended 28 February 2022</b>				
Additions other than through business combinations	9 487	-	-	9 487
Acquisitions through business combinations	-	-	30 000	30 000
Amortisation	(13 438)	-	(2 950)	(16 388)
<b>INTANGIBLE ASSETS AT THE END OF THE YEAR</b>	<b>14 229</b>	<b>2 479</b>	<b>27 050</b>	<b>43 758</b>
<b>Closing balance at 28 February 2022</b>				
At cost	50 402	2 479	30 000	82 881
Accumulated amortisation	(36 173)	-	(2 950)	(39 123)
<b>NET BOOK VALUE</b>	<b>14 229</b>	<b>2 479</b>	<b>27 050</b>	<b>43 758</b>
<b>Reconciliation for the year ended 28 February 2021</b>				
<b>CARRYING VALUE AS AT 1 MARCH 2020</b>	23 803	2 479	-	26 282
<b>Movements for the year ended 28 February 2021</b>				
Additions	4 368	-	-	4 368
Amortisation	(9 991)	-	-	(9 991)
<b>INTANGIBLE ASSETS AT THE END OF THE YEAR</b>	<b>18 180</b>	<b>2 479</b>	<b>-</b>	<b>20 659</b>
<b>Closing balance at 28 February 2021</b>				
At cost	40 915	2 479	-	43 394
Accumulated amortisation	(22 735)	-	-	(22 735)
<b>NET BOOK VALUE</b>	<b>18 180</b>	<b>2 479</b>	<b>-</b>	<b>20 659</b>

Intangibles are valued as per note 1.14. All intangibles are tested annually for impairment. The estimation of the indefinite useful life of hospital licences is based on historic performance as well as expectations about future use. Software relates to the Group's deployment of SAP software at its various facilities. Management agreement relates to a hospital management agreement acquired in the new business combination with Halcom Management Services Limited.

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

## 13. Investment in subsidiaries and associates

### 13.1 Composition of the Group

Information about the incorporation of the Group is as follows:

Name of subsidiary	% shareholding
<b>Direct</b>	
Lenmed Health (Pty) Ltd	100%
Lenmed Health Africa (Pty) Ltd	100%
Lenmed Health Finance Company (Pty) Ltd	100%
<b>Indirect</b>	
Ahmed Kathrada Private Hospital (Pty) Ltd	100%
Lenmed Health Daxina Private Hospital (Pty) Ltd	100%
Lenmed Health Management Company (Pty) Ltd	100%
Lenmed Health Nursing College (Pty) Ltd	100%
Lenmed Health Properties (Pty) Ltd	100%
Lenmed Health Randfontein Private Hospital (Pty) Ltd	100%
Lenmed Health Shifa (Pty) Ltd	100%
Lenmed Health Zamokuhle (Pty) Ltd	100%
Maputo Private Hospital Limitada	100%
Mozambique Private Laboratory Limitada	100%
LMPH Real Estate, Lda	100%
Nu-Yale Trust	100%
Royal Hospital and Heart Centre (Pty) Ltd	100%
Halcom Management Services Limited	100%
Lenmed Howick Pharmacy (Pty) Ltd	100%
Howick Private Hospital Holdings (Pty) Ltd	99%
Howick Private Hospital (Pty) Ltd	99%
Lenmed Health Laverna (Pty) Ltd	93%
Lenmed Ethekewini Hospital and Heart Centre (Pty) Ltd	77%
Lenmed Health Bokamoso Private Hospital (Pty) Ltd	70%
Lenmed Health Kathu Private Hospital (Pty) Ltd	67%
Lenmed Health Kathu Properties (Pty) Ltd	60%

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



### 13. Investment in subsidiaries and associates *continued*

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

	Lenmed Ethekewini Hospital and Heart Centre (Pty) Ltd	Lenmed Health Bokamoso Private Hospital (Pty) Ltd
Figures in R'000		
<b>% of interest and voting rights held by non-controlling interests</b>	<b>23%</b>	<b>30%</b>
<b>At 28 February 2022</b>		
<b>Extract from statement of financial position</b>		
Non-current assets	879 572	235 699
Current assets	157 404	419 570
Non-current liabilities	(179 867)	(197 334)
Current liabilities	(112 912)	(235 716)
Accumulated non-controlling interests at the end of the reporting period	(172 504)	(68 523)
<b>Extract from statement of comprehensive income</b>		
Revenue	731 788	523 421
Profit or loss	76 962	38 405
Profit for the year allocated to non-controlling interests	17 701	11 522
<b>Extract from statement of cash flows</b>		
Cash inflow from operating activities	111 415	53 396
Cash outflow from investing activities	(43 248)	(19 879)
Cash (outflow)/inflow from financing activities	(39 083)	2 627
<b>NET CASH INFLOW</b>	<b>29 084</b>	<b>36 144</b>
<b>At 28 February 2021</b>		
<b>Extract from statement of financial position</b>		
Non-current assets	848 053	261 996
Current assets	137 432	316 194
Non-current liabilities	(197 225)	(204 425)
Current liabilities	(121 548)	(182 226)
Accumulated non-controlling interests at the end of the reporting period	(154 812)	(59 142)
<b>Extract from statement of comprehensive income</b>		
Revenue	591 707	433 023
Profit or loss	25 722	(4 843)
Profit for the year allocated to non-controlling interests	5 913	(1 453)
<b>Extract from statement of cash flows</b>		
Cash inflow from operating activities	63 111	78 593
Cash outflow from investing activities	(28 513)	(29 348)
Cash outflow from financing activities	(35 480)	(37 532)
<b>NET CASH (OUTFLOW)/INFLOW</b>	<b>(882)</b>	<b>11 713</b>

### 13. Investment in subsidiaries and associates *continued*

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

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

	<b>GROUP</b>	
Figures in R'000	2022	2021
<b>Lenasia Renal Centre (Pty) Ltd</b>		
The Group owns 30% of Lenasia Renal Care Centre (Pty) Ltd, a renal dialysis unit situated adjacent to Ahmed Kathrada Private Hospital.		
Opening balance	2 036	1 966
Share of associate earnings	677	370
Dividends received	–	(300)
<b>CLOSING BALANCE</b>	<b>2 713</b>	<b>2 036</b>
<b>Renal Care Holdings (Pty) Ltd</b>		
The Group owns 40% of Renal Care Holdings (Pty) Ltd, a renal dialysis holding company.		
Opening balance	4 308	2 142
Share of associate earnings	2 876	2 486
Dividends received	–	(320)
<b>CLOSING BALANCE</b>	<b>7 184</b>	<b>4 308</b>
<b>INVESTMENT IN ASSOCIATES</b>	<b>9 897</b>	<b>6 344</b>
The directors are of the opinion that the fair value of the above investments exceeds its carrying value.		

Figures in R'000	GROUP	
	2022	2021
<b>14. Lease liabilities</b>		
<b>14.1 Amounts recognised in the statement of financial position</b>		
<b>Right-of-use assets</b>		
Buildings	185 168	197 458
<i>Reconciliation of right-of-use asset:</i>		
Opening carrying value	197 458	222 273
Additions	14 821	3 595
Depreciation	(19 825)	(23 095)
Reassessment of lease contract	-	(1 730)
Foreign currency exchange difference	(7 286)	(3 585)
<b>CARRYING VALUE</b>	<b>185 168</b>	<b>197 458</b>
Right-of-use assets represent the present value of future minimum lease payments discounted at a rate of between 6.5% and 9.5% (2021: 6.5% and 9.5%) after taking the lease term ranging between one and 19 years into account.		
<b>Lease liabilities</b>		
Non-current lease liability	205 970	210 911
Current portion of lease liability	10 697	9 324
	<b>216 667</b>	<b>220 235</b>
<i>Maturity analysis of future lease payments outstanding at the reporting date:</i>		
<b>Total</b>	<b>216 667</b>	<b>220 235</b>
<b>Total future lease payments</b>	<b>335 975</b>	<b>356 596</b>
Due within 1 year	24 939	22 562
Due between 2 and 5 years	95 786	110 517
Greater than 5 years	215 250	223 517
<b>Total future finance costs</b>	<b>119 308</b>	<b>136 361</b>
Due within 1 year	14 242	14 249
Due between 2 and 5 years	46 764	61 238
Greater than 5 years	58 302	60 874
<b>Total lease liability</b>	<b>216 667</b>	<b>220 235</b>
Due within 1 year	10 697	8 313
Due between 2 and 5 years	49 022	49 279
Greater than 5 years	156 948	162 643
<i>Reconciliation of lease liabilities</i>		
Opening carrying value	220 235	231 571
Additions	14 821	3 595
Lease payments	(10 348)	(10 766)
Foreign currency exchange difference	(8 041)	(4 165)
<b>CARRYING VALUE</b>	<b>216 667</b>	<b>220 235</b>

Figures in R'000	GROUP	
	2022	2021
<b>14. Lease liabilities continued</b>		
<b>14.2 Amounts recognised in the statement of profit or loss and other comprehensive income</b>		
<b>Depreciation</b>		
Buildings	19 825	23 095
<b>Other expenses and gains</b>		
Interest expense	14 160	16 019
Short-term lease expenses	56 701	49 206
<b>14.3 Amounts recognised in the statement of cash flows</b>		
<b>Cash flow from operations</b>		
- Interest paid	(14 160)	(16 019)
<b>Cash flow from financing activities</b>		
- Lease liabilities	(10 348)	(10 766)
<b>15. Deferred tax</b>		
<b>15.1 The analysis of deferred tax assets and deferred tax liabilities is as follows:</b>		
<b>Deferred tax assets:</b>		
- Deferred tax assets to be recovered	80 691	77 206
<b>Deferred tax liabilities:</b>		
- Deferred tax liability to be recovered	(230 491)	(221 454)
<b>NET DEFERRED TAX LIABILITIES</b>	<b>(149 800)</b>	<b>(144 248)</b>



15. Deferred tax *continued*

## 15.2 Reconciliation of deferred tax asset

	Property, plant and equipment	Provisions	Assessed losses	Other*	Lease liability	Prepaid expense	Cash flow hedging reserve	Total
<b>Opening balance at 1 March 2021</b>	<b>(39 527)</b>	<b>25 352</b>	<b>82 544</b>	<b>266</b>	<b>4 970</b>	<b>(3 210)</b>	<b>6 811</b>	<b>77 206</b>
(Charged)/credited to profit or loss	<b>(25 299)</b>	<b>22 317</b>	<b>18 423</b>	<b>(14 642)</b>	<b>2 052</b>	<b>(1 438)</b>	-	<b>1 413</b>
Credited to other comprehensive income	-	-	-	-	-	-	<b>(5 591)</b>	<b>(5 591)</b>
Acquisition of subsidiary	<b>(3 426)</b>	<b>413</b>	<b>9 007</b>	-	-	-	-	<b>5 994</b>
Exchange difference	-	-	<b>1 669</b>	-	-	-	-	<b>1 669</b>
<b>CLOSING BALANCE AT 28 FEBRUARY 2022</b>	<b>(68 252)</b>	<b>48 082</b>	<b>111 643</b>	<b>(14 376)</b>	<b>7 022</b>	<b>(4 648)</b>	<b>1 220</b>	<b>80 691</b>
<b>Opening balance at 1 March 2020</b>	(6 263)	20 668	54 597	715	2 332	(802)	1 291	72 538
(Charged)/credited to profit or loss	(33 264)	4 684	28 948	(449)	2 638	(2 408)	-	149
Credited to other comprehensive income	-	-	-	-	-	-	5 520	5 520
Exchange difference	-	-	(1 001)	-	-	-	-	(1 001)
<b>CLOSING BALANCE AT 28 FEBRUARY 2021</b>	<b>(39 527)</b>	<b>25 352</b>	<b>82 544</b>	<b>266</b>	<b>4 970</b>	<b>(3 210)</b>	<b>6 811</b>	<b>77 206</b>

## Reconciliation of deferred tax liability

	Property, plant and equipment	Provisions	FV in Step acquisition	Lease smoothing adjustment	Assessed loss	Prepaid expense	Other*	Total
<b>Opening balance at 1 March 2021</b>	<b>(192 554)</b>	<b>6 362</b>	<b>(46 866)</b>	<b>(1 657)</b>	<b>18 993</b>	<b>(1 489)</b>	<b>(4 243)</b>	<b>(221 454)</b>
(Charged)/credited to profit or loss	<b>(9 992)</b>	<b>5 649</b>	<b>49</b>	<b>1 657</b>	<b>(8 845)</b>	<b>564</b>	<b>1 881</b>	<b>(9 037)</b>
<b>CLOSING BALANCE AT 28 FEBRUARY 2022</b>	<b>(202 546)</b>	<b>12 011</b>	<b>(46 817)</b>	<b>-</b>	<b>10 148</b>	<b>(925)</b>	<b>(2 362)</b>	<b>(230 491)</b>
<b>Opening balance at 1 March 2020</b>	(218 447)	14 115	(46 866)	(1 728)	2 431	(1 127)	(2 794)	(254 416)
Credited/(charged) to profit or loss	25 893	(7 753)	-	71	16 562	(362)	(1 449)	32 962
<b>CLOSING BALANCE AT 28 FEBRUARY 2021</b>	<b>(192 554)</b>	<b>6 362</b>	<b>(46 866)</b>	<b>(1 657)</b>	<b>18 993</b>	<b>(1 489)</b>	<b>(4 243)</b>	<b>(221 454)</b>

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

## GROUP

Figures in R'000	2022	2021
<b>15.3 Deferred tax assets where utilisation is dependent on future taxable profits</b>		
Amount of the deferred tax asset raised where utilisation is dependent on future taxable profits	<b>98 540</b>	96 073

Deferred tax assets not recognised because of uncertainty of availability of future taxable profits amounts to nil (2021: R30.928 million)

Figures in R'000	GROUP	
	2022	2021
<b>16. Inventories</b>		
<b>Inventories comprise:</b>		
Merchandise	74 636	93 599
Allowance for obsolete stock	(1 054)	(16 982)
	<b>73 582</b>	<b>76 617</b>
<b>Allowance for obsolete stock</b>		
Balance at beginning of year	16 982	327
Allowance raised	–	16 655
Stock written off	(15 928)	–
<b>BALANCE AT END OF YEAR</b>	<b>1 054</b>	<b>16 982</b>
<b>17. Trade and other receivables</b>		
<b>17.1 Trade and other receivables comprise:</b>		
Trade receivables	1 006 036	1 015 414
Allowance for expected credit loss	(230 773)	(177 671)
<b>Trade receivables – net</b>	<b>775 263</b>	<b>837 743</b>
Sundry debtors	53 457	57 040
Doctors rental	22 389	22 494
Allowance for expected credit loss	(23 102)	(13 937)
<b>Sundry debtors – net</b>	<b>52 744</b>	<b>65 597</b>
RAF prefunding	36 660	45 698
Allowance for expected credit loss	(5 512)	(8 739)
<b>RAF prefunding – net</b>	<b>31 148</b>	<b>36 959</b>
Prepaid expenses	20 581	18 890
Deposits	12 724	11 042
Value added tax	–	3 931
<b>TOTAL TRADE AND OTHER RECEIVABLES</b>	<b>892 460</b>	<b>974 162</b>

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

Figures in R'000	GROUP	
	2022	2021
<b>17. Trade and other receivables</b> <i>continued</i>		
<b>17.2 Movements in allowance for expected credit loss</b>		
At the beginning of the year	200 347	147 914
Impairment raised	94 526	76 160
Written off during the year	(35 486)	(23 727)
<b>AT THE END OF THE YEAR</b>	<b>259 387</b>	<b>200 347</b>
The Group determines the trade receivables and RAF prefunding ECL allowance using the provision matrix approach. The provision rates are based on days past due for groupings of various customer categories with similar loss patterns (mainly by customer type). The customer types are Medical Aid funders, Government, Workmen's Compensation, Private patients and the Road Accident Fund. Credit risk per category is determined using past information and experience with debtors as well as expectations of the future recoverability of amounts due from debtors. Trade and other receivables are written off when there is no reasonable expectation of recovery. Debtors written off are subject to enforcement activities under the Group's debtor collection procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss. The loss allowance is summarised as:		
<b>Group</b>		
<i>Allowance for ECLs for trade receivables and RAF prefunding:</i>		
Less than 30 days	8 834	5 725
30–59 days	5 640	8 132
60–89 days	6 308	8 148
90–119 days	6 341	7 155
120 days and over	209 162	157 250
	<b>236 285</b>	<b>186 410</b>
<i>Weighted average allowance for ECLs rate for trade receivables and RAF prefunding:</i>		
Less than 30 days	3%	3%
30–59 days	8%	11%
60–89 days	9%	14%
90–119 days	13%	16%
120 days and over	44%	55%
	<b>24%</b>	<b>20%</b>

During the year, the method of analysing historical data used in the estimation of ECLs for trade receivables and RAF prefunding was refined. This change in estimate resulted in a R3.971 million increase in the allowance for ECL.



Figures in R'000	GROUP	
	2022	2021
<b>18. Cash and cash equivalents</b>		
<b>18.1 Cash and cash equivalents included in current assets:</b>		
<b>Cash</b>		
Cash on hand	1 297	2 402
Balances with banks	199 982	50 395
	<b>201 279</b>	52 797
<b>18.2 Overdrawn cash and cash equivalents included in current liabilities</b>		
Bank overdrafts	(39 160)	(132 262)
Current assets	201 279	52 797
Current liabilities	(39 160)	(132 262)
	<b>162 119</b>	(79 465)
Favourable cash balances to the value of R55.762 million (2021: R29.682 million) have been ceded to Rand Merchant Bank as security for facilities provided.		
<b>19. Issued capital</b>		
<b>Authorised and issued share capital</b>		
<b>Authorised</b>		
1 000 000 000 (2021: 1 000 000 000) ordinary shares at no par value.		
<b>Issued</b>		
709 533 909 ordinary shares at no par value (2021: 709 533 909 ordinary shares)	426 006	426 006
The directors are authorised, in terms of the Company's Memorandum of Incorporation, to issue and allot any of the unissued share capital for any purpose and upon such terms and conditions as they deem fit.		
<b>20. Reserves</b>		
Cash flow hedging reserve	(3 139)	(17 514)
Foreign currency translation reserve	164 181	158 295
<b>TOTAL RESERVES</b>	<b>161 042</b>	140 781
<b>Cash flow hedging reserve</b>		
The effective portion of gains and losses on interest rate swaps used to manage cash flow interest rate risk are recognised in other comprehensive income and accumulated in the cash flow hedging reserve. Refer to note 23 for further information.		
<b>Foreign currency translation reserve</b>		
This reserve exists due to exchange differences arising on translation of assets and liabilities of the Group's foreign subsidiaries. Refer to note 13.1 for the list of foreign subsidiaries.		

Figures in R'000	GROUP	
	2022	2021
<b>21. Long term liabilities</b>		
<b>21.1 Mortgage bonds</b>		
<b>Rand Merchant Bank</b>	<b>1 044 561</b>	1 067 690
These loans are secured by a first ranking mortgage bond over the Group's land and buildings with a carrying amount of R1.910 billion (2021: R1.863 billion) and a notarial bond of movable assets with a carrying value of R449.083 million (2021: R389.777 million). Interest has been charged at rates linked to JIBAR. The loan is split in four facilities. Facility A is a five-year term loan with four years remaining and with a balance outstanding of R300 million. Interest repayable quarterly and capital repayable every six months. Facility B is a five-year term loan with four years remaining and with a balance outstanding of R650 million. Interest is payable quarterly with no capital repayments until the end of the term where the full capital is meant to be repaid. Facility C is a five-year term loan with four years remaining and with a balance outstanding of R65 million. Interest is payable quarterly with no capital repayments until the end of the term where the full capital is meant to be repaid. Facility D is USD denominated loan with interest payable quarterly. The loan is repayable in three months. The USD balance outstanding as at 28 February 2022 is USD1.919 million (2021: USD3.485 million). The Group hedges a portion of its interest rate risk by using interest rate swaps exchanging variable rate interest for fixed rate interest – refer to note 23.		
<b>First National Bank Limited</b>	<b>27 972</b>	34 999
These loans from First National Bank are secured by land and buildings with a carrying amount of R87.216 million (2021: R87.052 million) (refer to note 11). Interest has been charged at rates linked to prime. This loan is repayable in monthly instalments of R1.198 million (2021: R1 million).		
	<b>1 072 533</b>	1 102 689
Non-current portion of long term liabilities	<b>967 972</b>	1 008 753
Current portion of long term liabilities	<b>104 561</b>	93 936
	<b>1 072 533</b>	1 102 689
<b>21.2 Instalment sales agreements</b>		
<b>Wesbank, a division of FirstRand Bank Ltd</b>	<b>28 524</b>	31 322
Repayable in monthly instalments of R1.265 million (2021: R1.339 million). Interest has been charged at rates of interest linked to the prime lending rate. Secured by plant and equipment with a book value of R45.974 million (2021: R54.368 million).		
	<b>28 524</b>	31 322
Non-current portion of instalment sales agreements	<b>21 791</b>	12 414
Current portion of instalment sales agreements	<b>6 733</b>	18 908
	<b>28 524</b>	31 322

Figures in R'000	GROUP	
	2022	2021
<b>22. Loans from non-controlling interests</b>		
<b>Loans from non-controlling interests comprise:</b>		
<b>ATM Healthcare (Pty) Ltd</b>	<b>20 146</b>	18 782
The loan is unsecured, has no fixed terms of repayment but will not be paid within the next 12 months and bears interest at prime rate.		
<b>Howick Private Hospital Holdings (Pty) Ltd non-controlling shareholders</b>	<b>1 775</b>	-
The loan is unsecured, has no fixed terms of repayment but will not be paid within the next 12 months and bears no interest.		
<b>Lenmed Ethekwini Hospital and Heart Centre (Pty) Ltd non-controlling shareholders</b>	<b>10 762</b>	15 112
These loans are unsecured, bears no interest and are expected to be repaid within 12 months.		
	<b>32 683</b>	33 894
Non-current liabilities	<b>21 921</b>	18 782
Current liabilities	<b>10 762</b>	15 112
	<b>32 683</b>	33 894
<b>23. Derivative financial liabilities</b>		
<b>Derivates designated as hedging instruments</b>		
Interest rate swaps – cash flow hedge	<b>4 358</b>	24 324
<b>Reconciliation of interest rate swaps</b>		
Opening balance	<b>24 324</b>	4 609
Fair value through other comprehensive income	<b>(14 375)</b>	14 195
Deferred tax on fair value adjustment	<b>(5 591)</b>	5 520
<b>CLOSING BALANCE</b>	<b>4 358</b>	24 324
Non-current portion of derivative financial liabilities	-	5 681
Current portion of derivative financial liabilities	<b>4 358</b>	18 643
	<b>4 358</b>	24 324
The Group manages a portion of its cash flow interest rate risk by using variable to fixed interest rate swaps. Gains and losses recognised in the cash flow hedging reserve in equity on interest rate swap contracts as at 28 February 2022 will be released to profit and loss as the related interest expense is recognised. The interest rate swaps expire on 31 May 2022 and relate to a notional amount of R750 million worth of borrowings from Rand Merchant Bank with the three-month JIBAR fixed at an average rate of 6.55%. The three-month JIBAR rate at year end was 3.97% (2021: 3.34%).		

Figures in R'000	GROUP		
	2022	2021	
<b>24. Trade and other payables</b>			
<b>Trade and other payables comprise:</b>			
Trade creditors	<b>467 721</b>	414 841	
Cash-settled share-based payments	<b>3 009</b>	951	
Other payables	<b>11 110</b>	18 708	
Value-added tax	<b>10 096</b>	20 650	
<b>TOTAL TRADE AND OTHER PAYABLES</b>	<b>491 936</b>	455 150	
<b>Cash-settled share-based payments</b>			
This is made up of three allocations of share appreciation rights (SARs):			
<b>1) Nil (2021: 7.700 million) SARs</b>			
9.600 million SARs were issued on 1st of August 2018 to three executive directors and fifteen members of senior management, at a price of R3.56 each. As at 28 February 2022, the rights had vested (2021: 7.700 million SARs were in issue).			
<b>2) 5.600 million SARs (2021: 8.750 million) SARs</b>			
9.800 million SARs were issued on 1st of August 2019 to three executive directors and sixteen members of senior management, at a price of R3.71 each. As at 28 February 2022, 5 600 million (2021: 8.750 million) SARs were in issue. The reduction from the prior is due to the senior management attrition during the year.			
<b>3) 9.250 million SARs (2021: 9.650 million) SARs</b>			
9.650 million SARs were issued on 1st of August 2020 to two executive directors and twenty two members of senior management, at a price of R2.73 each. As at 28 February 2022, 9.250 million (2021: 9.650 million) SARs were in issue. The reduction from the prior is due to the senior management attrition during the year.			
<b>4) 11.200 million SARs</b>			
11.200 million SARs were issued on 1st of August 2021 to two executive directors and twenty three members of senior management, at a price of R2.77 each.			
The Group has determined that the allocation should be accounted for as a cash-settled share-based payment transaction. The fair value of the SARs was calculated using the Black Scholes option pricing model. The amount recognised in the annual financial statements for the current year, in accordance with IFRS 2: Share-based payments, is an expense accrual of R2.057 million (2021: (R1.549 million – expense reversal)).			
The assumptions used in determining the fair value of the SARs granted are summarised below:			
	2	3	4
Last determined price as at 28 February 2022	R2.77	R2.77	R2.77
Last determined price as at 28 February 2021	R2.94	R2.94	R2.94
Risk-free rate	7.88%	7.88%	7.88%
Volatility	37%	37%	37%
Dividend yield	0%	0%	0%
Long-term inflation	6%	6%	6%
The risk-free rate of 7.88% (2021: 7.31%) has been assumed based on the prevailing return on a five-year RSA Government Bond as at year end.			
The volatility of 37% (2021: 13%) was determined based on the historic volatility of the Group's share price over the previous year.			
The carrying value of trade and other payables approximated their fair value due to the short-term nature of these payables.			



GROUP				
Figures in R'000				
	2022		2021	
<b>25. Provisions</b>				
<b>25.1 Provisions comprise:</b>				
Provisions for employee benefits	97 165		66 846	
Other provisions	7 409		16 556	
	<b>104 574</b>		<b>83 402</b>	
<b>25.2 Reconciliation for provisions</b>				
	Leave pay provision	Bonus Provision	Other provisions	Total
<b>Balance at 1 March 2021</b>	<b>41 882</b>	<b>24 964</b>	<b>16 556</b>	<b>83 402</b>
Increase in existing provisions	6 263	47 164	6 054	59 481
Provisions utilised	(6 870)	(15 750)	(15 171)	(37 791)
Decrease through net exchange differences	(353)	(135)	(30)	(518)
<b>BALANCE AT 28 FEBRUARY 2022</b>	<b>40 922</b>	<b>56 243</b>	<b>7 409</b>	<b>104 574</b>
<b>Balance at 1 March 2020</b>	23 342	21 651	20 917	65 910
Increase in existing provisions	36 272	24 194	-	60 466
Provisions utilised	(17 732)	(20 881)	(4 361)	(42 974)
<b>BALANCE AT 28 FEBRUARY 2021</b>	<b>41 882</b>	<b>24 964</b>	<b>16 556</b>	<b>83 402</b>

GROUP				
Figures in R'000				
	2022		2021	
<b>26. Income tax paid</b>				
Amounts receivable/(payable) at the beginning of the year	11 486		(2 997)	
Amounts receivable at the end of the year	(7 952)		(11 486)	
Taxation (expense)/credit	(33 926)		27 086	
Less deferred tax included in taxation expense	7 624		(33 111)	
Foreign exchange movements	(181)		(331)	
	<b>(22 949)</b>		<b>(20 839)</b>	

## 27. Related parties

### 27.1 Related parties transactions

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

The Group paid rentals to a non-subsidiary related party property company amounting to R2.017 million (2021: R1.811 million).

The directors deem this rental to be market-related.

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

Entity name	Relationship	Transaction	2022	2021
Central City Investments (Pty) Ltd	Common director	Rental paid	2 017	1 811

### 27.2 Compensation paid to or receivable by directors and prescribed officers

Name	Fees paid	Salaries and guaranteed remuneration	Bonuses	Total remuneration
<b>2022</b>				
Mr P Devchand	-	2 080	-	2 080
Mr A Devchand	-	4 700	4 465	9 165
Mr F J Meiring	-	3 728	3 495	7 223
Mr M G Meehan	582	-	-	582
Ms B Harie	546	-	-	546
Ms N V Simamane	548	-	-	548
Prof B D Goolab	493	-	-	493
Dr G Goolab	496	-	-	496
<b>TOTAL COMPENSATION PAID TO OR RECEIVABLE BY DIRECTORS AND PRESCRIBED OFFICERS</b>	<b>2 665</b>	<b>10 508</b>	<b>7 960*</b>	<b>21 133</b>
<b>2021</b>				
Mr P Devchand	-	2 000	-	2 000
Mr A Devchand	-	4 700	1 410	6 110
Mr F J Meiring	-	3 585	1 076	4 661
Mr M G Meehan	509	-	-	509
Ms B Harie	492	-	-	492
Ms N V Simamane	492	-	-	492
Prof B D Goolab	474	-	-	474
Dr G Goolab**	234	-	-	234
<b>TOTAL COMPENSATION PAID TO OR RECEIVABLE BY DIRECTORS AND PRESCRIBED OFFICERS</b>	<b>2 201</b>	<b>10 285</b>	<b>2 486*</b>	<b>14 972</b>

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

# The bonuses disclosed are based on the performance for the period ended 28 February 2021 but paid after the financial year end.

\*\* Dr G Goolab was appointed on the 1st of August 2020.

## 28. Contingent liabilities

Certain Compensation for Occupational Injuries and Diseases (COID) debtors are factored between 83% and 84% of their original value. The factoring houses have recourse should they not be able to recover the debt. The total funds received but still open to recourse amounted to R10.040 million as at reporting date (2021: R14.559 million).

Within the framework of the annual review of contingent liabilities, medical malpractice contingent liabilities for a total amount of R17.220 million (2021: R8.800 million) have been identified at 28 February 2022. The Group does not recognise contingent liabilities in the statement of financial position until future events indicate that it is probable that an outflow of resources will take place and a reliable estimate can be made, at which time a provision is raised. A provision has been created of R4.556 million (2021: R7.200 million) for current and pending legal cases and reflected within other provisions (note 25). The Group is not aware of any other current or pending legal cases that would have a material adverse effect on the Group.

## 29. Business combinations

### 29.1 Details of acquisition

Name of acquiree	Principal activity	Date of acquisition	Proportion of voting equity interests acquired %
Howick Private Hospital Holdings (Pty) Limited	Hospital	01 March 2021	50.04
Halcom Management Services Limited	Management services	01 September 2021	100.00

The primary reasons for acquiring Howick Private Hospital Holdings (Pty) Limited and Halcom Management Services Limited were to expand the Group's footprint in KwaZulu Natal and in Africa outside of South Africa respectively. Control was obtained by holding a majority shareholding in each company.

The Group subsequently acquired an additional 49.28% shares during the 2022 financial year increasing the shareholding in Howick Private Hospital Holdings to 99.32%.

### 29.2 Consideration transferred

	Howick Private Hospital Holdings (Pty) Limited	Halcom Management Services Limited	Total
Cash transferred	20 300	30 000	50 300

## 29. Business combinations *continued*

### 29.3 Assets acquired and liabilities recognised at the date of acquisition

	Howick Private Hospital Holdings (Pty) Limited	Halcom Management Services Limited	Total
<b>Non-current assets</b>			
Property, plant and equipment	29 460	-	29 460
Intangible assets	-	30 000	30 000
Deferred tax assets	5 994	-	5 994
<b>Current assets</b>			
Other current financial assets	153	-	153
<b>Non-current liabilities</b>			
Other non-current financial liabilities	(6 995)	-	(6 995)
<b>ASSETS ACQUIRED AND LIABILITIES RECOGNISED AT THE DATE OF ACQUISITION</b>	<b>28 612</b>	<b>30 000</b>	<b>58 612</b>

### 29.4 Goodwill arising on acquisition

Consideration transferred	20 300	30 000	50 300
Plus non-controlling interest	14 295	-	14 295
Less fair value of net assets acquired	(28 612)	(30 000)	(58 612)
<b>GOODWILL ARISING ON ACQUISITION</b>	<b>5 983</b>	<b>-</b>	<b>5 983</b>

The goodwill of R5.983 million is attributable to the potential high profitability of the acquired business. It will not be deductible for tax purposes.

### 29.5 Non-controlling interests

Non-controlling interest recognised at acquisition date	14 295	-	14 295
---	--------	---	--------

For the non-controlling interests in Howick, the Group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets.

### 29.6 Impact of acquisitions on the results of the Group

Revenue since acquisition included in results	36 292	13 893	
Profit or loss since acquisition included in results	(10 651)	6 578	
Group revenue had the business combination been included for the full year	3 386 123	3 400 016	
Group profit or loss had the business combination been included for the full year	247 692	254 270	



## 30. Financial risk management

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

The Group's financial liabilities comprise long-term liabilities, short-term liabilities, trade and other payables and bank overdrafts. 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. The Group is exposed to interest rate risk through its commitments in interest bearing borrowings, lease liabilities, cash and cash equivalents and instalment sale agreements. The Group enters into derivative interest rate swap instruments in order to mitigate a portion of its interest rate risk and applies hedge accounting where the effectiveness criteria are met.

#### Interest risk table

The following table demonstrates the sensitivity of profit before tax (through the impact on floating rate borrowings) to a possible change in interest rates, with all other variables held constant and without taking into account the hedging benefits of the interest rate swap referred to in note 23:

Figures in R'000	GROUP	
	2022	2021
Interest bearing loans payable	1 072 533	1 102 689
Instalment sale liabilities	28 524	31 322
Lease liabilities	216 667	220 235
Loans from non-controlling interests	20 146	18 782
Bank overdraft	39 160	132 262
	<b>1 377 030</b>	<b>1 505 290</b>
<b>Sensitivity analysis</b>		
Increase of 100 basis points would result in a reduction in profit before tax of	<b>(13 770)</b>	(15 053)
Decrease of 100 basis points would result in an improvement in profit before tax of	<b>13 770</b>	15 053

### 30.2 Credit risk

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

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

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

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

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

## 30. Financial risk management *continued*

### 30.3 Liquidity risk

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

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

#### 30.3.1 Maturities of financial liabilities

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

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

#### Contractual maturities of financial liabilities

Figures in R'000	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total contractual cash flows	Carrying amount
<b>Year ended 28 February 2022</b>					
Trade and other payables excluding non-financial liabilities (Note 24)	481 840	–	–	481 840	481 840
Derivatives (Note 23)	4 358	–	–	4 358	4 358
Lease liabilities (Note 14)	24 939	95 786	215 250	335 975	216 667
Mortgage bonds (Note 21)	170 645	164 408	977 157	1 312 210	1 072 533
Instalment sale agreements	6 733	23 816	–	30 549	28 524
Loans from non-controlling interests (Note 22)	10 762	23 432	–	34 194	32 683
Bank overdraft (Note 18)	39 160	–	–	39 160	39 160
<b>TOTAL</b>	<b>738 437</b>	<b>307 442</b>	<b>1 192 407</b>	<b>2 238 287</b>	<b>1 875 765</b>
<b>Year ended 28 February 2021</b>					
Trade and other payables excluding non-financial liabilities (Note 24)	434 500	–	–	434 500	434 500
Derivatives (Note 23)	18 643	–	5 681	24 324	24 324
Lease liabilities (Note 14)	22 562	110 517	223 517	356 596	220 235
Mortgage bonds (Note 21)	169 204	239 683	828 157	1 237 044	1 102 689
Instalment sale agreements	18 908	–	14 148	33 056	31 322
Loans from non-controlling interests (Note 22)	15 112	–	20 097	35 209	33 894
Bank overdraft (Note 18)	132 262	–	–	132 262	168 013
<b>TOTAL</b>	<b>811 191</b>	<b>350 200</b>	<b>1 091 600</b>	<b>2 252 991</b>	<b>2 014 977</b>

## 30. Financial risk management *continued*

### 30.4 Capital management

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

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

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

Figures in R'000	GROUP	
	2022	2021
The debt to capital ratio at year end is as follows:		
Mortgage bonds	1 072 533	1 102 689
Instalment sale agreements	28 524	31 322
Total interest bearing debt	1 101 057	1 134 011
Cash and cash equivalents	(162 119)	79 465
<b>NET INTEREST BEARING DEBT</b>	<b>938 938</b>	<b>1 213 476</b>
<b>TOTAL CAPITAL</b>	<b>2 428 468</b>	<b>2 148 202</b>
<b>DEBT TO CAPITAL RATIO</b>	<b>39%</b>	<b>56%</b>

### 30.5 Foreign currency risk

The Group is exposed to foreign currency risk through its offshore subsidiaries, Maputo Private Hospital SA (Maputo hospital), Lenmed Health Bokamoso Private Hospital (Pty) Ltd (Bokamoso hospital) and Halcom Management Services Limited (HMS) which have different functional currencies. A US dollar denominated long term loan exists at Maputo hospital, however revenue at the hospital is partially US dollar denominated, thus forming a natural hedge. The net working capital at Maputo hospital is denominated in Mozambican Meticais. This amount is considered immaterial and no hedging takes place. To date, the Group has not suffered any material currency loss. Revenue at the Bokamoso 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.

#### Foreign Currency Translation Reserve

Refer to Note 1 for the exchange rates used to translate its foreign operations.

#### Rand Merchant Bank USD denominated loan facility at year end was:

##### Loan

Valued in USD	1 919	3 485
Valued in Rands	29 561	52 698
<b>Sensitivity analysis</b>		
If the Rand weakened by 10%, it would result in a decrease of profit before tax of:	(2 956)	(5 270)
If the Rand strengthened by 10%, it would result in an increase of profit before tax of:	2 956	5 270

## 31. Financial assets

### 31.1 Carrying amount of financial assets by category

	At amortised cost	Total
<b>Year ended 28 February 2022</b>		
Trade and other receivables excluding non-financial assets (Note 17)	871 879	871 879
Cash and cash equivalents (Note 18)	201 279	201 279
	<b>1 073 158</b>	<b>1 073 158</b>
<b>Year ended 28 February 2021</b>		
Trade and other receivables excluding non-financial assets (Note 17)	955 272	955 272
Cash and cash equivalents (Note 18)	52 797	52 797
	<b>1 008 069</b>	<b>1 008 069</b>

## 32. Financial liabilities

### 32.1 Carrying amount of financial liabilities by category

	Fair value through other comprehensive	At amortised income cost	Total
<b>Year ended 28 February 2022</b>			
Derivatives (Note 23)	4 358	-	4 358
Lease liabilities (Note 14)	-	216 667	216 667
Mortgage bonds (Note 21)	-	1 072 533	1 072 533
Instalment sale agreements	-	28 524	28 524
Loans from non-controlling interests (Note 22)	-	32 683	32 683
Trade and other payables excluding non-financial liabilities (Note 24)	-	481 789	481 789
Bank overdraft (Note 18)	-	39 160	39 160
	<b>4 358</b>	<b>1 871 356</b>	<b>1 875 714</b>
<b>Year ended 28 February 2021</b>			
Derivatives (Note 23)	24 324	-	24 324
Lease liabilities (Note 14)	-	220 235	220 235
Mortgage bonds (Note 21)	-	1 102 689	1 102 689
Instalment sale agreements	-	31 322	31 322
Loans from non-controlling interests (Note 22)	-	33 894	33 894
Trade and other payables excluding non-financial liabilities (Note 24)	-	434 500	434 500
Bank overdraft (Note 18)	-	132 262	132 262
	<b>24 324</b>	<b>1 954 902</b>	<b>1 979 226</b>



## 32. Financial liabilities *continued*

### 32.2 Fair value hierarchy

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

Group	Level 2
<b>Year ended 28 February 2022</b>	
Derivatives (Note 23)	<b>4 358</b>
<b>Year ended 28 February 2021</b>	
Derivatives (Note 23)	24 324

## 33. Comparative figures

Certain comparative figures have been reclassified in the Statement of Financial Position to correctly account for the treatment of the estimated credit loss allowance on the sundry debtors that was previously disclosed as trade and other payables instead of being netted off against the sundry debtors.

	GROUP	
Figures in R'000	2022	2021
The effects of the reclassification are as follows:		
<b>Statement of Financial Position</b>		
Trade and other payables	-	13 937
Trade and other receivables	-	(13 937)

## 34. Commitments

### Capital commitments

The construction, renovation and upgrading of hospital buildings	<b>20 891</b>	640
The acquisition of plant and equipment	<b>33 236</b>	8 689
Software development	<b>2 556</b>	-
Acquisition of shares in Howick Private Hospital Holdings (Pty) Ltd	-	22 600
	<b>56 683</b>	31 929

## 35. Segment information

### 35.1 General information

Consistent with the Group's internal reporting, the chief operating decision maker, being the EXCO, views the Group's operating results as a single segment and makes decisions about resources to be allocated and assesses performance accordingly.

The IFRS 8 required information about the Group as a single segment for the profit or loss, including specified revenues and expenses, and assets and liabilities have already been disclosed elsewhere in these consolidated annual financial statements.

The revenue from external customers for groups of similar products and services are disclosed in note 4.

The following geographical information is reported on:

	GROUP	
Figures in R'000	2022	2021
<b>Revenues from external customers</b>		
South Africa	<b>(2 409 564)</b>	(1 964 226)
Outside of South Africa	<b>(976 559)</b>	(872 927)
<b>GROUP TOTAL REVENUES FROM EXTERNAL CUSTOMERS</b>	<b>(3 386 123)</b>	(2 837 153)
<b>Non-current assets other than financial instruments and deferred tax assets</b>		
South Africa	<b>2 750 677</b>	2 613 055
Outside of South Africa	<b>666 398</b>	647 611
<b>GROUP TOTAL NON-CURRENT ASSETS OTHER THAN FINANCIAL INSTRUMENTS AND DEFERRED TAX ASSETS</b>	<b>3 417 075</b>	3 260 666

## 36. Events after the reporting date

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

During May 2022, the Group entered into an agreement to acquire 100% of Matlosana Medical Health Services (Pty) Ltd ("MMHS"), a Klerksdorp based group of hospitals. MMHS consists of 2 acute facilities (218 beds), a day hospital (20 beds) and a mental health facility (50 beds). The acquisition aligns well with our strategy to diversify across geographies as well as revenue streams and will be our first acquisition into the North West province of South Africa. The Group anticipates this acquisition to initially add an additional 12% to group EBITDA. At the date of this report the transaction was still conditional upon various approvals, including the approval by the Competition Commission.

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

# Notice of annual general meeting

## LENMED INVESTMENTS LIMITED

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

Notice is hereby given to the Shareholders that the Fortieth Annual General Meeting (“AGM”) of Lenmed Investments Limited (“the Company” or “Lenmed”) in respect of the financial year ended 28 February 2022 will be held on Thursday, 4 August 2022 at 15:00, entirely through electronic communication as permitted by the Companies Act, 71 of 2008 (as amended), for the purposes of passing, with or without modification, the ordinary and special resolutions set out below.

Shareholders will need to register, by latest on **Tuesday, 2 August 2022**, to participate in the AGM. Details are set out in Annexure A to this Notice of AGM.

References in this notice of AGM, to the “Companies Act” means the Companies Act, number 71 of 2008 (as amended).

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

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

## Ordinary resolutions

### Ordinary resolution number 1: Annual financial statements

“RESOLVED THAT the annual financial statements of the Company for the year ended 28 February 2022, including the directors’ report and the report of the Audit and Risk Committee, be and are hereby received.”

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

**Retirement by rotation of directors – In terms of the Memorandum of Incorporation (MOI) of the Company, one third of the directors shall retire from office at the AGM.**

### Ordinary resolution number 2: Re-election of director

“RESOLVED THAT Mr F Meiring be and is hereby re-elected as a director of the Company.”

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

### Ordinary resolution number 3: Re-election of director

“RESOLVED THAT Dr G Goolab be and is hereby re-elected as a director of the Company.”

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

Profiles of the above directors are set out on page 08. The Board has recommended their re-election.

### Ordinary resolution number 4: Confirmation of re-election of director

The board appointed Mr V Firman as a director of the Company with effect from 1 March 2022. Such director holds office from the date of appointment until the date of first next annual general meeting following the appointment, and then is subject to retirement at that AGM. The board has recommended that Mr Firman be re-elected as a director of the Company.

“RESOLVED THAT Mr V 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.*

Profiles of the above directors are set out on page 09. The board has recommended their re-election.

### Ordinary resolutions numbers 5, 6, 7 and 8: Appointment of Audit and Risk Committee members

It is proposed that the members of the Company’s Audit and Risk Committee, set out below, be appointed. The membership as proposed by the Board of Directors is Ms B Harie, Mr M G Meehan, Ms N V Simamane and Mr V Firman. It is recorded that Mr M G Meehan is Chairman of the Audit and Risk Committee and that the committee consists of three independent Non-executive Directors as prescribed by the Companies Act.

### Ordinary resolution number 5

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

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

### Ordinary resolution number 6

“RESOLVED THAT Mr M G Meehan be and is hereby appointed as a member of the Audit and Risk Committee.”

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

### Ordinary resolution number 7

“RESOLVED THAT Ms N V Simamane be and is hereby appointed as a member of the Audit and Risk Committee.”

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

### Ordinary resolution number 8

“RESOLVED THAT Mr V Firman be and is hereby appointed as a member of the Audit and Risk Committee, subject to his appointment as a director in ordinary resolution number 4.

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

### Ordinary resolution number 9 Re-appointment of external auditors of the Company

“RESOLVED THAT the re-appointment of PKF Durban as the external registered auditors of the Company, and being independent from the Company, be and is hereby approved and Mr R Boule (IRBA number 373 427) be and is hereby appointed as the designated audit partner for the financial year ending 28 February 2023.”

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

### Ordinary resolution number 10.1: Non-binding advisory vote on the Company’s remuneration policy

“To endorse on a non-binding advisory basis, the Company’s Remuneration Policy (excluding the remuneration of the Non-executive Directors for the services as directors and members of Board committees).”

The Company’s Remuneration Policy and related information appears in the Annual Integrated Report.

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

### Ordinary resolution number 10.2: Non-binding advisory vote on the Company’s remuneration implementation report

“To endorse on a non-binding advisory basis, the Company’s Remuneration Implementation Report.”

The Company’s Remuneration Implementation Report and related information appears in the Annual Integrated Report.

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

### Notes to ordinary resolution numbers 10.1 and 10.2:

Principle 14 and sub-practice 37 of King IV™ recommends that companies table their Remuneration Policy and Implementation Report every year to shareholders for a non-binding advisory vote at the Company’s AGM. This vote enables shareholders to express their views on the remuneration policies adopted and on their implementation.

These resolutions are of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing arrangements. However, the Board of Directors of the Company will take the outcome of the vote into consideration when considering the Company’s Remuneration Policy.

## Special resolutions

### Special resolution number 1: Approval of financial assistance

“RESOLVED THAT to the extent required by the Companies Act, the Board of Directors of the Company may, subject to compliance with the requirements of the Company’s MOI and the Companies Act, each as presently constituted and as amended from time to time, authorise the Company to provide direct or indirect financial assistance by way of loan, guarantee, the provision of security or otherwise, to any of its present or future subsidiaries and/or any other company or entity that is or becomes related or inter-related to the Company or any of its subsidiaries, and/or to any member of such subsidiary or related or inter-related company or entity, all as contemplated in sections 44 and/or 45 of the Companies Act, for such amounts and on such terms and conditions as the directors of the Company may determine, such authority to endure until the AGM of the Company for the year ended 28 February 2023.”

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



**Motivation for special resolution number 1**

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

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

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

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

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

**Special resolution number 2: Future directors' fees**

"RESOLVED THAT the Non-executive Directors be paid the following fees for services as directors for the period from the date of this AGM to the date of the next AGM:

	Fees per meeting Rand	Retainer (per annum) Rand
Non-executive Director/ Independent Non-executive Director	22 500	235 000

Committees (Remuneration and Nominations Committee, Social and Ethics Committee, Audit and Risk Committee, Clinical Governance Committee, Innovation and Disruption Committee or any other committees to be formed)

- Committee chairman R22 500 (in addition to committee member fee) per meeting
- Committee member R22 500 per meeting

Fee for work not specified above R22 500 (per meeting rate)

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

**Motivation for special resolution number 2**

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

**Special resolution number 3: To approve the acquisition of shares in the Company**

"RESOLVED THAT, subject to the provisions of the Companies Act, 2008 (specifically section 46 dealing with solvency and liquidity) and the Company memorandum of incorporation, the Company or any subsidiary of the Company is authorised, by way of a general authority, to acquire ordinary shares in the share capital of the Company from any person."

**Motivation for special resolution number 3**

The reason for special resolution 3 is to enable the Company or any subsidiary of the Company to acquire shares issued by the Company. The effect of the special resolution is that, if approved by the shareholders at the AGM, authority will be given for the acquisition of such shares.

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

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

**Voting and proxies**

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

In terms of the Company's MOI (clause 3.10.1), a shareholder of the Company may not appoint two or more persons concurrently as proxies.

In terms of the Company's MOI (clause 3.10.3), a copy of the instrument appointing a proxy must be delivered to the registered office of the Company, marked for the attention of the Company secretary (or to be delivered to such other location and/or person on behalf of the Company as may be specified in the notice convening the meeting), to be received by the Company not less than 48 hours before the appointed time for the beginning of the meeting or, if the meeting is adjourned the appointed time for the resumption of the adjourned meeting.

By order of the Board



**W R Somerville**  
Company Secretary

30 June 2022

**Registered Office**

Lenmed Investments Limited  
2nd Floor Fountainview House,  
Constantia Office Park,  
Corner 14th Avenue and Hendrik Potgieter Road,  
Constantia Kloof, Johannesburg, 1709

**Rights in terms of section 58 of the Companies Act, 2008**

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

1. At any time, a shareholder of a company is entitled to appoint any individual, including an individual who is not a shareholder of that company, as a proxy to participate in, speak and vote at a shareholders meeting on behalf of the shareholder.
2. A proxy appointment must be in writing, dated and signed by the relevant shareholder.
3. Except to the extent that the MOI of a company provides otherwise:
  - 3.1. a shareholder of the relevant company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by such shareholder (a); and
  - 3.2. a copy of the instrument appointing a proxy must be delivered to the relevant company, or to any other person on behalf of the relevant company, before the proxy exercises any rights of the shareholder at a shareholders meeting (b).

**Notes**

- a) In respect of item 3.1, in terms of the Company's MOI (clause 3.10.1), a shareholder of the Company may not appoint two or more persons concurrently as proxies.
  - b) In respect of item 3.2, in terms of the Company's MOI (clause 3.10.3) a copy of the instrument appointing a proxy must be delivered to the registered office of the Company, marked for the attention of the Company Secretary (or to be delivered to such other location and/or person on behalf of the Company as may be specified in the notice convening the meeting), to be received by the Company not less than 48 hours before the appointed time for the beginning of the meeting or, if the meeting is adjourned the appointed time for the resumption of the adjourned meeting.
4. Irrespective of the form of instrument used to appoint a proxy:
    - 4.1. the appointment of the proxy is suspended at any time and to the extent that the shareholder who appointed that proxy chooses to act directly and in person in the exercise of any rights as a shareholder of the relevant company; and
    - 4.2. should the instrument used to appoint a proxy be revocable, a shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and the relevant company.

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

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



## Form of proxy

### LENMED INVESTMENTS LIMITED

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

For use at the 40th Annual General Meeting (AGM) of the Company to be held by electronic communication on Thursday, 4 August 2022 at 15:00 and at any adjournment thereof

I/We \_\_\_\_\_ (full name in block letters)

of \_\_\_\_\_ (address)

ID number or registration number (if a company or a trust) \_\_\_\_\_

email address \_\_\_\_\_

cellphone number or telephone number with dialling code \_\_\_\_\_

being a shareholder(s) of the Company and holding \_\_\_\_\_ ordinary shares in the Company,

hereby appoint \_\_\_\_\_ of \_\_\_\_\_, or

failing him/her \_\_\_\_\_ of \_\_\_\_\_, or

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

	Number of votes		
	For	Against	Abstain
<b>Ordinary resolutions</b>			
1. To receive the annual financial statements of the Company for the year ended 28 February 2022, including the directors' report and the report of the Audit and Risk Committee.			
2. To re-elect Mr F Meiring as a director of the Company.			
3. To re-elect Dr G Goolab as a director of the Company.			
4. To confirm the re-election of Mr V Firman as a director of the Company.			
5. To appoint Ms B Harie as a member of the Audit and Risk Committee.			
6. To appoint Mr M G Meehan as a member of the Audit and Risk Committee.			
7. To appoint Ms N V Simamane as a member of the Audit and Risk Committee.			
8. To appoint Mr V Firman as a member of the Audit and Risk Committee.			
9. To re-appoint the external auditors of the Company, PKF Durban, and to appoint Mr R Boule as the designated audit partner.			
10.1 Non-binding advisory vote on the Company's Remuneration Policy.			
10.2 Non-binding advisory vote on the Company's Remuneration Implementation Report.			
<b>Special resolutions</b>			
1. Approval of financial assistance.			
2. Approval of the future fees of Non-executive Directors.			
3. Approval of the acquisition of shares in the Company.			

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

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2022

Shareholder's signature (if applicable) \_\_\_\_\_ assisted by \_\_\_\_\_



## NOTES TO FORM OF PROXY

- At any time, a shareholder may in respect of shares held in the Company by that shareholder, appoint any individual, including an individual who is not a shareholder of the Company to participate in, speak and, on a poll, vote in place of that shareholder at the AGM. Meeting participants will be required to provide satisfactory identification before being allowed to participate in the meeting.
- A shareholder wishing to appoint a proxy must do so in writing by inserting the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided on the form of proxy, with or without deleting "the Chairman of the AGM". The person whose name stands first on the form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow.
- A shareholder's instructions to the proxy must be indicated on the form of proxy by the insertion of the relevant number of votes exercisable by that member in the appropriate box(es) provided. Failure to comply with the above will be deemed to authorise the Chairman of the AGM, if the Chairman is the authorised proxy, to vote in favour of the ordinary and special resolutions at the AGM, or any other proxy to vote or to abstain from voting at the AGM as he/she deems fit, in respect of all the shareholder's votes exercisable thereat.
- 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.
- Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the Company's transfer office or waived by the Chairman of the AGM.
- The Chairman of the AGM may reject or accept any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.
- Any alterations or corrections to this form of proxy must be initialled by the signatory(ies).
- The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
- 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.
- 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.
- Any proxy appointment made in terms of this form of proxy remains valid until the end of the AGM, unless revoked earlier.
- In terms of the Company's MOI (clause 3.10.3) a copy of the instrument appointing a proxy must be delivered to the registered office of the Company, marked for the attention of the Company secretary (or to delivered to such other location and/or person on behalf of the Company as may be specified in the notice convening the meeting), to be received by the Company not less than 48 hours before the appointed time for the beginning of the meeting or, if the meeting is adjourned the appointed time for the resumption of the adjourned meeting.

### Registered Office

Lenmed Investments Limited  
2nd Floor Fountainview House,  
Constantia Office Park,  
Corner 14th Avenue and Hendrik Potgieter Road,  
Constantia Kloof, Johannesburg, 1709

- If during the AGM you wish to change your vote on any particular resolution, indicate this to the chairman, and your revised vote will be recorded as such.
- Should you wish to dial in to the AGM, please register by completing and lodging your proxy form by no later than Tuesday, 2 August 2022.
- If you have any queries, please contact Naushad Gany (082 359 7007) or William Somerville (082 464 3673).

**Please note:** Participants will be responsible for their own network arrangements and charges for participation in and voting at the AGM. Any such charges will not be for the account of the Company and the Company will not be held accountable for in the case of loss or interruption of network connectivity or other network failure for any reason which prevents any participant from participating in and/or voting at the AGM. The participant holds the Company harmless against any loss, injury, damage, penalty or claim arising from the use of the telecommunication lines to participate in the AGM.

## Company information

### Country of incorporation

South Africa

### Nature of business

The provision of private patient healthcare, through management and ownership of hospitals and other related health services

### Executive directors

Mr P Devchand  
Mr A Devchand  
Mr F J Meiring

### Non-executive Directors

Mr M G Meehan (lead independent)  
Ms B Harie (independent)  
Ms N V Simamane (independent)  
Mr V Firman  
Prof B D Goolab  
Dr G Goolab (independent)

### Registered address

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

### Postal address

PO Box 855  
Lenasia, Johannesburg, 1820

### Auditors

PKF Durban, Chartered Accountants (SA)

### Registered Auditors

Practice number - 906352E  
2nd Floor, 12 on Palm Boulevard  
Gateway, KwaZulu-Natal, 4319

### Company secretary

Mr W Somerville  
Bryanston Gate  
Block 4  
1st Floor  
Homestead Avenue  
Bryanston 2191

### Registration number

1980/003108/06

### Bankers

Rand Merchant Bank

### Transfer secretary

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

## OUR HOSPITALS

### Ahmed Kathrada Private Hospital

K43 Highway, Extension 8, Lenasia Gauteng

### Bokamoso Private Hospital

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

### Daxina Private Hospital

1682 Impala Street, Lenasia South, Gauteng

### Ethekwini Hospital and Heart Centre

11 Riverhorse Drive, Riverhorse Valley Business Estate,  
Queen Nandi Drive, Durban, KwaZulu-Natal

### Kathu Private Hospital

Frikkie Meyer Street, Kathu

### La Verna Private Hospital

1 Convent Road, Ladysmith, KwaZulu-Natal

### Maputo Private Hospital

Rua do Rio Inhamiara, Sommerschild II, Maputo, Mozambique

### Randfontein Private Hospital

Lister Road, Lower Ward Street Extension, Randfontein

### Shifa Private Hospital

482 Randles Road, Sydenham, Durban, KwaZulu-Natal

### Zamokuhle Private Hospital

128 Flint Mazibuko Street, Hospital View, Tembisa, Gauteng

### Royal Hospital and Heart Centre

Corner Welgevonden and Jacobus Smit Street,  
Royldene, Kimberley

### Howick Private Hospital

107 Main Street, Howick, 3290

## Annexure A

### Arrangements for electronic participation at the Lenmed Investments Limited annual general meeting (AGM)

Shareholders are advised that the AGM, will only be accessible through electronic participation, as permitted in terms of Lenmed's MOI and the Companies Act.

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

- Send an email by no later than Tuesday, 2 August 2022 to Naushad Gany (naushad.gany@lenmedlimited.com) and William Somerville (somerville@lenmedlimited.com), indicating your intention to attend the AGM electronically.
- In the same email, attach your completed proxy form.
- Prior to the AGM, you will receive an email with a link to the AGM via Microsoft Teams. To enter the meeting, you simply click on the link.