



LENMED INVESTMENTS LIMITED AND ITS SUBSIDIARIES

**(Registration Number 1980/003108/06)
Consolidated Annual Financial Statements
for the year ended 29 February 2020**



right people, right size, right solutions

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LEVEL OF ASSURANCE

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

PREPARER

These financial statements were prepared and supervised by:
Mr N Gany CA (SA)

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DIRECTORS' RESPONSIBILITIES AND APPROVAL

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

The consolidated annual financial statements have been audited by the independent auditing firm, PKF Durban, who was given unrestricted access to all financial records and related data, including minutes of all meetings of the shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditor during the audit were valid and appropriate. The external auditor's unqualified audit report is presented on pages 4 and 5.

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

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

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

The directors are of the opinion, based on the information and explanations given by management 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, but not absolute, assurance against misstatement or loss.

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

The consolidated annual financial statements of the Group as set out on pages 6 to 51, which have been prepared on the going concern basis, were approved by the board of directors on 19 June 2020 and were signed on its behalf by:



Mr A Devchand



Mr F Meiring

PKF

Chartered accountants
& business advisers

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REPORT OF THE AUDIT COMMITTEE

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

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

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

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

- The going concern basis of reporting is appropriate.
- The consolidated annual financial statements comply in all material respects with statutory 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
19 June 2020

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STATEMENT OF COMPLIANCE BY THE COMPANY SECRETARY

In terms of section 88(2) of the Companies Act No 71 of 2008, as amended, I, W. SOMERVILLE, the under signed, being the Company Secretary of Lenmed Investments Limited, certify that, to the best of my knowledge and belief, the Company has lodged with the Companies and Intellectual Property Commission, for the financial year 29 February 2020, all such returns required by a public company in terms of the Companies Act No 71 of 2008, as amended, and that all such returns are true, correct and up to date.



Mr. W. SOMERVILLE

Company Secretary

19 June 2020

Independent Auditor's Report



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To the Shareholders of Lenmed Investments Limited

Opinion

We have audited the consolidated financial statements of Lenmed Investments Limited and its subsidiaries set out on pages 10 to 51, which comprise the consolidated statement of financial position as at 29 February 2020, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Lenmed Investments Limited and its subsidiaries as at 29 February 2020, and its consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis of 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 sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter: COVID-19

We draw attention to note 35 in the consolidated financial statements, which deals with events after the reporting period and specifically the effects of COVID-19 on the Group's performance and cashflows. Our opinion is not modified in respect of this matter.

Other information

The Lenmed Investments Limited and its subsidiaries accounting authority is responsible for the other information. The other information comprises the information included in the Annual Report, as well as the Directors' Report, the Report of the Audit Committee and the Statement of Compliance by the Company Secretary, as required by the Companies Act of South Africa, which we obtained prior to the date of this report. Other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance or 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 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 on the other information obtained prior to the date of the auditor's report, 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.

PKF Durban

(formerly David Strachan & Tayler)

Chartered Accountants (SA) Registered Auditors

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Partners: AE Paruk (Managing Partner) RC Boule MK Brokensha KJ Dall PS Gering K Gertenbach A Harriparsad RJ Kelly TC Marti-Warren N McHardy K Moodley GJ Morgan G-J Nijhuis H Paruk M Schroeder RL Speed BD Van Dyk

PKF Durban is a member firm of the PKF South Africa Inc. family of legally independent firms within South Africa. PKF South Africa Inc. is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms. PKF in South Africa practise as separate legal entities in Eastern Cape, Free State, Gauteng, KwaZulu-Natal and Western Cape.

Responsibilities of the Directors for the Consolidated Financial Statements

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

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

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

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


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

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



PKF Durban

Partner: K. Gertenbach CA (SA)

Registered Auditor

Durban

19 June 2020

PKF

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Directors' Report

The directors present their report for the year ended 29 February 2020.

1. Review of activities

Main business and operations

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

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

THE LENMED INVESTMENTS GROUP INCLUDES THE FOLLOWING MATERIAL ENTITIES

SUBSIDIARIES

Direct

Lenmed Health (Pty) Ltd	100%	Reg. No. 2005/022423/07
Lenmed Health Africa (Pty) Ltd	100%	Reg. No. 2011/130484/07
Lenmed Health Finance Company (Pty) Ltd	100%	Reg. No. 2018/433855/07

Indirect

Ahmed Kathrada Private Hospital (Pty) Ltd	100%	Reg. No. 2006/002764/07
Lenmed Health Shifa (Pty) Ltd	100%	Reg. No. 2000/006080/07
Lenmed Health Zamokuhle (Pty) Ltd	100%	Reg. No. 2005/017980/07
Lenmed Health Daxina Private Hospital (Pty) Ltd	100%	Reg. No. 2006/021573/07
Lenmed Health Randfontein Private Hospital (Pty) Ltd	100%	Reg. No. 2012/006706/07
Lenmed Health Management Company (Pty) Ltd	100%	Reg. No. 2010/004046/07
Royal Hospital and Heart Centre (Pty) Ltd	100%	Reg. No. 2009/011218/07
Maputo Private Hospital Limitada	100%	Reg. No. 17682
Nu-Yale Trust	100%	IT 29/1996
Lenmed Health Properties (Pty) Ltd	100%	Reg. No. 2012/103789/07
Lenmed Health Laverna (Pty) Ltd	95%	Reg. No. 1988/004487/07
Lenmed Ethekwini Hospital and Heart Centre (Pty) Ltd	77%	Reg. No. 2002/002222/07
Lenmed Health Bokamoso Private Hospital (Pty) Ltd	70%	Reg. No. CO2011/4403
Lenmed Health Kathu Private Hospital (Pty) Ltd	67%	Reg. No. 2013/229376/07
Lenmed Health Kathu Properties (Pty) Ltd	60%	Reg. No. 2013/146831/07
Mozambique Private Laboratory Limited	100%	Reg No. 101103242

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

ASSOCIATE COMPANIES

Renal Care Holdings (Pty) Ltd	40%	Reg. No. 2016/027042/07
Lenasia Renal Centre (Pty) Ltd	30%	Reg. No. 1999/028225/07

There has been no significant changes to investments during the year.

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Directors' Report

2. Group Financial Results

The Group's earnings before interest, taxation, depreciation and amortisation (EBITDA) amounted to R579,588,135 (2019: R446,471,496).

The Group's profit before taxation for the year amounted to R323,674,277 (2019: R228,737,976) before deducting taxation of R85,827,449 (2019: R53,242,689), resulting in profit after taxation for the year of R237,846,828 (2019: R175,495,286).

The full results of the Group are set out in the attached consolidated annual financial statements. The annual financial statements of the company are presented separately from the consolidated annual financial statements and were approved by the directors on 19 June 2020, the same date as the consolidated annual financial statements. The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards.

3. Statement of responsibility

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

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 Group other than those detailed in these annual financial statements and the notes to these annual financial statements.

4. 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. (2019: Nil)

Full details of authorised and issued share capital of the Group is contained in note 18 of these consolidated annual financial statements.

5. Borrowings

On behalf of the Group, the directors have established credit facilities with various financial institutions for use by the Company and its subsidiary companies.

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

6. Dividends

The company's policy is to pay dividends at the discretion of the directors. No dividends were declared nor paid to ordinary shareholders of Lenmed Investment Limited during the year under review (2019: nil).

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Directors' Report

7. Directorate

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

Executive directors

Mr P Devchand

Mr A Devchand

Mr F Meiring (appointed 01/10/2019)

Mr V Firman (resigned 02/09/2019)

Non-executive directors

Ms B Harie

Ms N V Simamane

Prof B D Goolab

Mr M G Meehan

8. Events after reporting date

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

Subsequent to year-end, as a result of a local and global coronavirus COVID-19 infectious disease pandemic, a national state of disaster was declared in South Africa on 15 March 2020. As a preventative measure, except for certain essential services, a strictly regulated five week nationwide stay-at-home lockdown was implemented from 26 March 2020 to 30 April 2020.

As part of a gradual and phased recovery of economic activity and an easing of the lockdown restrictions, a 5 level coronavirus alert approach was adopted by the government on 1 May 2020, where level 5 means only designated essential services can operate and level 1 means that most activities can resume. The alert level is determined by the government and is based on its assessment of the infection rate and the capacity of the country's health system.

As at the date of this report, the country is at alert level 3, however as the Group's operations have been designated a level 5 essential service, the Group has been permitted to trade in this very difficult period.

The lockdown and the phased recovery of economic activity, has had a negative impact on the Group's business and cashflow. The short to medium term financial effect and the impact on the profitability of the Group remains uncertain and cannot be estimated at this time. The Group will generate positive returns for shareholders and have sufficient liquidity to trade. The Group has taken the following actions to contain costs and enhance liquidity within the Group:

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

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Directors' Report

Prior to 29 February 2020, the Group entered into an interest rate swap derivative. This derivative fixed the interest rate payable on R750 million worth of term loans outstanding with RMB until 31 May 2022. It been recognised in the statement of financial position at year end as derivative financial liabilities. Subsequent to year end, short term interest rates decreased by 250 basis points. Due to the interest rate swap, the future benefit from these reductions in interest rates are limited to the unhedged portion of the term loans and the overdraft facilities. The interest rate swap was R35 million out-of-the-money at the date of approval of the financial statements, based on the mark-to-market value.

9. Special resolutions

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

Annual general meeting of shareholders

- Approval of financial assistance in terms of section 44 and 45 of the Companies Act.
- Non-executive director fees for the 12 months following the annual general meeting.

10. 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 the operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

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

11. Foreign currency translation reserve

The Group's gain on foreign currency translation for the current year was R61,148,648 (2019: R76,181,963). This arose as a result of the Rand depreciating against the Botswana Pula and US dollar. The functional currency of Maputo Private Hospital Limitada and Mozambique Private Laboratory Limited is US dollars.

12. Secretaries

Mr W. Somerville served as company secretary for the year under review with Singular Systems (Pty) Ltd serving as transfer secretaries.

13. Independent Auditors

PKF Durban Chartered Accountants (SA), 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. Kevin Gertenbach will be the individual registered auditor who will undertake the audit.

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Statement of Comprehensive Income

Figures in R '000	Note	Group	
		2020	2019
Profit and Loss			
Revenue	5	3,026,171	2,546,127
Cost of sales		(859,829)	(715,256)
Gross profit		2,166,342	1,830,871
Other income		91,667	80,563
Operating costs		(1,797,107)	(1,547,764)
Profit before interest and taxation	4	460,902	363,670
Share of profit from associates	12	2,310	1,850
Investment income	6	2,896	4,422
Finance costs	7	(142,433)	(141,206)
Profit before taxation		323,675	228,736
Taxation	8	(85,826)	(53,242)
Profit for the year		237,849	175,494
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Foreign currency translation reserve		61,149	76,182
Cash flow hedging reserve for interest rate hedging instrument		(3,319)	-
Total other comprehensive income		57,830	76,182
Total comprehensive income		295,679	251,676
Profit for the year attributable to:			
Non-controlling interests		38,300	32,735
Lenmed Investments Ltd equity holders		199,549	142,759
		237,849	175,494
Total comprehensive income attributable to:			
Non-controlling interests		42,013	35,577
Lenmed Investments Ltd equity holders		253,666	216,099
		295,679	251,676

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Statement of Financial Position

Figures in R '000	Note	Group	
		2020	2019
Assets			
Non-Current Assets			
Property, plant and equipment	10	2,828,714	2,738,129
Goodwill	9	312,888	312,888
Intangible assets	11	26,282	26,573
Investment in associates	12	4,108	4,497
Right-of-use assets	13	222,273	-
Deferred taxation	14	72,538	67,208
		3,466,803	3,149,295
Current Assets			
Inventory	15	70,568	63,749
Trade and other receivables	16	1,035,888	666,519
Current tax assets		28,584	22,454
Cash and cash equivalents	17	36,696	70,874
		1,171,736	823,596
Total Assets		4,638,539	3,972,891
Equity and Liabilities			
Equity and Reserves			
Stated capital	18	426,006	426,006
Other Reserves	19	195,184	141,067
Accumulated profits		1,438,447	1,240,261
Non-controlling interest	20	213,817	169,746
		2,273,454	1,977,080
Non-Current Liabilities			
Long term liabilities	21	1,052,401	1,017,651
Loans from minorities	22	41,908	42,496
Derivative financial liabilities	23	2,562	-
Lease Liability	24	221,113	-
Deferred taxation	14	254,416	236,520
		1,572,400	1,296,667
Current Liabilities			
Trade and other payables	25	457,112	359,687
Current portion of long term liabilities	21	113,893	150,349
Current portion of lease liability	24	10,458	-
Provisions	26	65,910	56,646
Current tax liabilities		31,581	12,065
Current portion of derivative financial liabilities	23	2,047	-
Bank overdraft	17	111,684	120,397
		792,685	699,144
Total Equity and Liabilities		4,638,539	3,972,891

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Statement of Changes in Equity

Figures in R '000	Stated capital	Cash flow hedging reserve	Foreign currency translation reserve	Share-based payment reserve	Accumulated profits	Equity attributable to Group	Non-controlling interest	Total
Balance at 1 March 2018	426,006	-	67,727	5,413	1,111,540	1,610,686	135,434	1,746,120
Profit for the year	-	-	-	-	142,759	142,759	32,735	175,494
Other comprehensive income	-	-	73,340	-	-	73,340	2,842	76,182
Dividends	-	-	-	-	-	-	(305)	(305)
IFRS 9 transition adjustment	-	-	-	-	(10,831)	(10,831)	-	(10,831)
Share-based payment reversal	-	-	-	(5,413)	-	(5,413)	-	(5,413)
Subsidiary share buy-back	-	-	-	-	(3,207)	(3,207)	(960)	(4,167)
Balance at 1 March 2019 as restated	426,006	-	141,067	-	1,240,261	1,807,334	169,746	1,977,080
Profit for the year	-	-	-	-	199,549	199,549	38,300	237,849
Other comprehensive income	-	(3,319)	57,436	-	-	54,117	3,713	57,830
Dividends	-	-	-	-	-	-	(806)	(806)
IFRS 16 transition adjustment	-	-	-	-	(705)	(705)	-	(705)
Subsidiary share buy-back	-	-	-	-	(658)	(658)	(196)	(854)
Change in non-controlling interest	-	-	-	-	-	-	3,060	3,060
Balance at 29 February 2020	426,006	(3,319)	198,503	-	1,438,447	2,059,637	213,817	2,273,454

Notes



chartered accountants & business advisers

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Statement of Cash Flows

Group

Figures in R '000	Notes	2020	2019
Cash flows from operating activities			
Profit for the year		237,849	175,494
Finance costs	7	142,433	141,206
Income tax	8	85,826	53,242
Depreciation and amortisation	4	118,688	82,798
Interest income	6	(2,896)	(4,422)
(Profit)/Loss on disposal of property, plant and equipment	4	(540)	684
Share-based payment (reversal)/accrual	25	-	(5,413)
Income from associates	12	390	1,110
Foreign currency translation adjustments		41,412	(6,025)
Operating cash flow before working capital changes		623,162	438,674
<i>Working capital changes</i>			
(Increase)/decrease in inventory		(5,458)	4,551
Increase in trade and other receivables		(353,045)	(51,770)
Increase in trade and other payables and accruals		62,574	32,170
Cash generated by operating activities		327,233	423,625
Interest income	6	2,896	4,422
Finance costs	7	(142,433)	(141,206)
Income tax paid	27	(59,248)	(42,611)
Net cash from operating activities		128,448	244,230
Net cash from operating activities		128,448	244,230
Cash flows from investing activities			
Property, plant and equipment acquired		(121,899)	(169,331)
- to maintain operating capacity		(77,349)	(80,981)
- to expand operating capacity		(53,006)	(127,885)
- Instalment sale agreements (non-cash)		8,456	39,535
Intangible assets acquired	11	(7,743)	(12,538)
Proceeds on disposals of property, plant and equipment		4,129	5
Business combination effected		-	(3,550)
Net cash utilised in investing activities		(125,513)	(185,414)
Cash flows from financing activities			
Net loans (repaid) / raised		(14,350)	(72,064)
Loans raised		46,275	60,243
Loans paid		(60,625)	(132,307)
Lease liability paid		(12,894)	-
Non-controlling interests share buy-back		(854)	(4,167)
Dividends paid		(806)	(306)
Net cash utilised in financing activities		(28,904)	(76,537)
Decrease in cash and cash equivalents		(25,969)	(17,721)
Translation movement		504	(2,082)
Cash and cash equivalents at beginning of the year		(49,523)	(29,720)
Cash and cash equivalents at end of the year	17	(74,988)	(49,523)

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ACCOUNTING POLICIES

1. Basis of preparation

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

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

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

The financial statements are presented in South African Rand (ZAR), 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:

	29/02/2020		28/02/2019	
	BWP Pula	USD Dollar	BWP Pula	USD Dollar
Closing rate	R1.41	R15.66	R1.34	R14.08
Average rate	R1.35	R14.59	R1.30	R13.87

Adoption of new and revised accounting standards

The Group has adopted the following accounting standard in the preparation of the consolidated financial statements which is effective for financial years beginning after 1 January 2019.

- IFRS 16 Leases
- IFRIC 23

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ACCOUNTING POLICIES

Basis of preparation continued...

Standards in issue, not yet effective

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

Standard	Annual Periods
IFRS 3 Business combinations	1 January 2020
IFRS 7 Financial Instruments: Disclosures	1 January 2020
IAS 1 Presentation of Financial Statements	1 January 2020
IAS 8 Accounting Policies, Change in Accounting Estimates and Errors	1 January 2020
IAS 39 Financial Instruments: Recognition and Measurement	1 January 2020

The directors have considered the impact of the standards above and believe the impact to be immaterial.

2. Critical accounting estimates and judgements

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

Key sources of estimation uncertainty

2.1 Deferred tax

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

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

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

2.2 Financial instruments

Impairment of financial assets

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

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

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ACCOUNTING POLICIES

Critical accounting estimates and judgements continued...

Measurement and recognition of expected credit losses

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

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

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

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

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.

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

Buildings

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

Plant and equipment

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

Motor vehicles

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

2.4 Goodwill

Goodwill is tested for impairment at each statement of financial position date. The recoverable amounts of each subsidiary (cash generating units) have been estimated based on value in use calculations. Value in use calculations have been based on a subjective pre tax discount rate. Based on these calculations, no impairment loss is recognised. Further stress tests were conducted by changing the pre tax discount rate as well as expected future cash flow. These tests reached the same conclusion that no impairment loss is required. Refer to note 9 for further information.

2.5 Share-based payments

The fair value is calculated using the Black Scholes option pricing model. Please refer to note 25 for assumptions used in the model.

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ACCOUNTING POLICIES

Critical accounting estimates and judgements continued...

2.6 Control over subsidiaries

An assessment of control was performed by the Group based on whether the Group has the practical ability to direct the relevant activities unilaterally. In making the judgement, the relative size and dispersion of other vote holders, potential voting rights held by them or others, rights from other contractual arrangements were considered. The Group concluded on control based on it having the dominant voting interest to direct the relevant activities of the subsidiaries.

2.7 Significant influence over an associate

Renal Care Holdings (Pty) Ltd is an associate of the Group as described in note 12. Significant influence arises from the Group's 40% interest.

Lenasia Renal Centre (Pty) Ltd is an associate of the Group as described in note 12. Significant influence arises from the Group's 30% interest.

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.

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ACCOUNTING POLICIES

3. Accounting policies

The accounting policies have been consistently applied to all years presented, unless otherwise stated.

The Group changed its accounting policy for the lessee accounting in terms of IFRS 16. The change in accounting policy has been accounted for in the current year. Refer to note 31 for further information.

Accounting policies for which no choice is permitted in terms of International Financial Reporting Standards have been included only if management concluded that the disclosure would assist users in understanding the financial statements as a whole, and taking into account materiality of the item being discussed. Accounting policies which are not applicable from time to time, have been removed, but will be included if the type of transaction occurs in future or becomes material.

3.1 Basis of consolidation

These financial statements are consolidated 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.

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

Subsidiaries

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

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

Non-controlling interests in subsidiaries are presented in the consolidated statement of financial position separately from the equity attributable to equity owners of the parent company. Non-controlling shareholders' interest may initially be measured at fair value or the non-controlling shareholders' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made 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, and for any impairment in value (equity method), except when the investment is classified as held-for sale in accordance with IFRS 5 Non-current assets held-for-sale and discontinued operations. 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.

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ACCOUNTING POLICIES

Accounting policies continued...

3.2 Revenue

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

Revenue from accommodation, equipment rental, theatre, professional and ward fees is recognised when the service is rendered (tariff). Revenue from ethicals and medical consumables is recognised when consumed (non-tariff). No element of financing is deemed present as revenue is made with credit terms of between 30 and 60 days which is consistent with market practice.

3.3 Other income

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

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

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

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

3.4 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.

3.5 Inventory

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.

3.6 Taxation

Current tax

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

Deferred tax

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

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ACCOUNTING POLICIES

Accounting policies continued...

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

3.7 Leases

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

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

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

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

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

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

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

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

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

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

3.8 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.

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ACCOUNTING POLICIES

Accounting policies continued...

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.

3.9 Property, plant and equipment

Property, plant and equipment is 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 & Equipment	5-20 years
Motor vehicles	5 years
Computer Equipment	3-8 years
Office Equipment	10-20 years
Furniture & Fittings	10-20 years

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

3.10 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 reflects 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.

3.11 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 reflects current market assumptions of the time value of money and are risk specific where appropriate.

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ACCOUNTING POLICIES

Accounting policies continued...

3.12 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.

Retirement benefits

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

3.13 Financial Instruments

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

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

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

Cash and cash equivalents

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

Working capital balances

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

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

Trade and other receivables

Trade and loans receivable are subsequently measured at amortised cost using the effective interest rate method and reduced by impairment losses.

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

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

Trade and other payables

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

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Accounting policies continued...

Hedge accounting

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

- 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 hedged ratio is designated based on actual quantities of the hedged item and the hedged instrument.

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

3.14 Intangible assets

Intangible assets are initially recognised at cost.

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

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

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

The assumptions regarding estimated useful lives for the 2020 financial year were as follows:

Computer software	5 years
Licences	Indefinite

3.15 Share capital

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

3.16 Contingencies and commitments

Transactions are classified as contingent liabilities where the Group's obligations depend on uncertain events and principally consist of contract specific third party obligations underwritten by banking institutions. Items are classified as commitments where the group commits itself to future transactions, particularly in the acquisition of property, plant and equipment. Contingent liabilities are not recognised.

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Accounting policies continued...

3.17 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.

3.18 Translation of foreign currencies

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

Foreign currency transactions

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

Foreign operations

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

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

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

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

3.19 Borrowing costs

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

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

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Figures in R '000	2020	2019
4. Profit before interest and taxation		
Profit before interest and taxation is arrived at after taking into account the following items:		
<i>Income</i>		
Profit on disposal of property, plant and equipment	540	-
Profit on foreign currency transactions	3,140	4,396
Rental Income	64,431	39,786
<i>Expenditure</i>		
Loss on disposal of property, plant and equipment	-	684
Depreciation and amortisation on intangible assets, plant and equipment	96,015	82,798
Depreciation on right-of-use assets	22,673	-
Secretarial fees	951	775
Employee costs	845,595	767,482
<i>Short term leases, low value leases and leases that do not depend on an index or rate</i>		
Property	17,214	37,677
Equipment	7,934	10,083
Other	10,393	2,578
	35,541	50,338
5. Revenue		
Revenue from accommodation, equipment rental, theatre, professional and ward fees is recognised when the service is rendered (Tariff). Revenue from ethicals and medical consumables is recognised when consumed (Non tariff). No element of financing is deemed present as revenue is made with credit terms of between 30 and 60 days which is consistent with market practice.		
An analysis of revenue is as follows:		
<i>Private healthcare services:</i>		
Tariff	2,206,373	1,893,369
Non tariff	819,798	652,758
	3,026,171	2,546,127
6. Investment income		
Interest received	2,896	4,422
	2,896	4,422
7. Finance costs		
Long-term loans	104,446	120,853
Bank overdrafts	22,846	20,353
Lease liability - IFRS 16	15,141	-
	142,433	141,206

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8. Taxation		
<i>Current taxation</i>	73,123	43,331
Underprovision in prior year	112	156
<i>Deferred taxation</i>		
Current year temporary differences	11,972	8,717
Underprovision in prior year	619	1,038
Taxation for the year	85,826	53,242
<i>Reconciliation of rate of taxation</i>	%	%
South African normal tax rate	28.00	28.00
<i>Adjusted for:</i>		
Underprovision in prior year	0.20	0.66
Disallowed expenditure	0.00	0.22
Income not taxable	0.03	(0.54)
Lower foreign tax rate	(1.72)	(5.09)
Effective rate of taxation	26.51	23.25

The current tax charge for the year has been reduced by R14,688 million (2019: R5,041 million) as a result of the prior year tax loss of R52,457 million (2019: R18,003 million) utilised in the Group.

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9. Goodwill

	Cost	Accumulated amortisation	2020 Carrying value
Carrying amount at end of the year	312,888	-	312,888
	Cost	Accumulated amortisation	2019 Carrying value
Carrying amount at end of the year	312,888	-	312,888

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

Lenmed Health Laverna (Pty) Ltd	5,125	5,125
Lenmed Health Shifa (Pty) Ltd	17,282	17,282
Lenmed Health Kathu Private Hospital (Pty) Ltd	10,378	10,378
Lenmed Ethekwini Hospital and Heart Centre (Pty) Ltd	280,103	280,103
	312,888	312,888

An annual impairment test is conducted on goodwill. Management determines the recoverable amounts of cash generating units as being the higher of net selling price or value in use. In the absence of 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 10 year period.

Assumptions used in the calculation of the discount rate are as follows:

- R186 rate was yielding 8% as at 29 February 2020 (2019: 8.71%)
- A market risk premium of 6% (2019: 6%) given the unlisted nature of the Group.
- Beta of 0.8 is appropriate based on the defensive nature of the Group.

The net present value of these forecasts support the value of goodwill indicated above.

Management has based their assumptions on past experience and external sources of information.

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2020 2019

10. Property, plant and equipment

Group	Cost	Accumulated depreciation	2020	Cost	Accumulated depreciation	2019
			Carrying value			Carrying value
Buildings	2,086,367	16,805	2,069,562	2,020,820	15,060	2,005,760
Land	298,690	-	298,690	288,872	-	288,872
Plant and equipment	765,603	389,105	376,498	693,047	321,617	371,430
Motor vehicles	3,903	2,773	1,130	3,916	2,440	1,476
Furniture and fittings	100,306	44,131	56,175	93,087	43,431	49,656
Leasehold improvements	7,632	6,984	648	7,736	5,616	2,120
Office equipment	10,218	8,201	2,017	13,390	10,245	3,145
Computer equipment	82,629	58,635	23,994	71,932	56,262	15,670
	3,355,348	526,634	2,828,714	3,192,800	454,671	2,738,129

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

2020	Carrying value at beginning of year	Additions	Disposals / Transfers	Depreciation	FCTR Adjustment	2020 Carrying value at end of year
Buildings	2,005,760	40,243	-	(8,149)	31,708	2,069,562
Land	288,872	922	-	-	8,896	298,690
Plant and equipment	371,430	63,584	(2,699)	(63,443)	7,626	376,498
Motor vehicles	1,476	-	(121)	(231)	6	1,130
Furniture and fittings	49,656	9,429	(284)	(6,447)	3,821	56,175
Leasehold improvement	2,120	-	(74)	(1,398)	-	648
Office equipment	3,145	678	(1,056)	(750)	-	2,017
Computer equipment	15,670	15,499	-	(7,563)	388	23,994
	2,738,129	130,355	(4,234)	(87,981)	52,445	2,828,714

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Property, plant and equipment continued...

2019	Carrying value	Additions	Disposals	Depreciation	FCTR	2019 Carrying
	at beginning of year					
Buildings	1,903,574	54,511	-	(7,779)	55,454	2,005,760
Land	214,811	60,018	-	-	14,043	288,872
Plant and equipment	328,932	80,459	(1,130)	(50,011)	13,180	371,430
Motor vehicles	2,379	235	(355)	(797)	14	1,476
Furniture and fittings	43,523	8,667	552	(5,581)	2,495	49,656
Leasehold improvement	3,440	304	-	(1,624)	-	2,120
Office equipment	4,733	11	(102)	(1,497)	-	3,145
IT equipment	20,816	4,660	346	(10,577)	425	15,670
	2,522,208	208,865	(689)	(77,866)	85,611	2,738,129

11. Intangible assets

	2020		2020 Carrying value
	Cost	Accumulated amortisation	
Computer Software	36,547	12,744	23,803
Licences	2,479	-	2,479
	39,026	12,744	26,282

	2019		2019 Carrying value
	Cost	Accumulated amortisation	
Computer Software	29,028	4,934	24,094
Licences	2,479	-	2,479
	31,507	4,934	26,573

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Intangible assets continued...

	Carrying value at beginning of year	Additions	Amortisation	2020 Carrying value at end of the year
2020				
Computer Software	24,094	7,743	(8,034)	23,803
Licences	2,479	-	-	2,479
	26,573	7,743	(8,034)	26,282
	Carrying value at beginning of year	Additions	Amortisation	2019 Carrying value at end of the year
2019				
Computer Software	16,490	12,538	(4,934)	24,094
Licences	2,479	-	-	2,479
	18,969	12,538	(4,934)	26,573

Intangibles are valued as per note 3.14. All intangibles are tested annually for impairment. The estimation of the indefinite useful life of licences is based on historic performance as well as expectations about future use. Software relates to the Group's deployment of SAP software at its various facilities.

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

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12. Investment in associates

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

Lenasia Renal Centre (Pty) Ltd.

The Group owns 30% of Lenasia Renal Care Centre (Pty) Ltd, a renal dialysis unit situated adjacent to Ahmed Kathrada Private Hospital.

Opening balance	2,571	4,420
Share of associate earnings	295	551
Dividends received	(900)	(2,400)
Closing balance	<u>1,966</u>	<u>2,571</u>

Renal Care Holdings (Pty) Ltd

The Group owns 40% of Renal Care Holdings (Pty) Ltd, a renal dialysis holding company.

Opening balance	1,926	1,187
Share of associate earnings	2,015	1,299
Dividends received	(1,800)	(560)
Closing balance	<u>2,141</u>	<u>1,926</u>

Total Investment in associates	<u>4,108</u>	<u>4,497</u>
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The directors are of the opinion that the fair value of the above investments exceeds its carrying value.

13. Right-of-use assets

Right-of-use assets	222,273	-
<i>Reconciliation of right-of-use assets:</i>		
Opening carrying value	252,481	-
Accumulated depreciation	30,208	-
Carrying value	<u>222,273</u>	<u>-</u>

Right-of-use-assets relate to various property and equipment leases.

Right-of-use-assets represent the present value of future minimum lease payments discounted at a rate of between 6.5% and 9.5% after taking the lease term ranging between 1 and 19 years into account.

Right-of-use-assets is depreciated over the lease term ranging between 1 and 19 years.

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14. Deferred taxation		
<i>Deferred tax asset</i>		
Balance at beginning of year	67,208	60,352
<i>Movements consisting of:</i>		
Property, plant and equipment	(6,668)	412
Provisions	14,788	(5,974)
Assessed losses	(5,301)	13,166
Share-based payment accrual	(341)	(717)
Cash flow hedging reserve	1,291	-
Lease liability	2,332	-
Prepaid expenses	(771)	(31)
Balance at end of year	72,538	67,208
<i>The balance comprises of:</i>		
Property, plant and equipment	(6,263)	405
Provisions	20,668	5,880
Lease liability	2,332	-
Assessed losses	54,597	59,898
Share-based payment accrual	715	1,056
Cash flow hedging reserve	1,291	-
Prepaid expenses	(802)	(31)
Balance at end of year	72,538	67,208
<i>Deferred tax liability</i>		
Balance at beginning of year	236,520	220,765
<i>Movements consisting of:</i>		
Property, plant and equipment	9,890	27,153
Provisions	820	(9,449)
Income received in advance	-	18
Lease smoothing adjustment	1,246	74
Lease liability	177	-
Prepaid expenses	(2,032)	2,128
Assessed loss	4,932	(6,647)
Prior year adjustment	546	(312)
Foreign currency translation adjustment	2,602	2,102
Foreign currency translation on loan	(285)	688
Balance at end of year	254,416	236,520

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Deferred taxation continued...		
<i>The balance comprises of:</i>		
Property, plant and equipment	218,447	205,955
Provisions	(14,115)	(15,481)
Investment in associate	46,866	46,866
Lease smoothing adjustment	1,728	482
Prepaid expenses	1,127	3,159
Assessed loss	(2,431)	(7,363)
Lease liability	177	-
Foreign currency translation on loan	2,617	2,902
Balance at end of year	254,416	236,520

Unused tax losses are recognised as deferred tax assets as management consider it probable that future taxable profits will be available against which they will be utilised. The probable utilisation of the loss is based on budgets and forecast of within two to five years depending on the stability of the subsidiary business. The estimated tax loss available for set off against future taxable income is R200,112 million (2019: R200,093 million).

15. Inventory

Medical supplies and consumables	70,568	63,749
Allowance for obsolete stock		
Balance at beginning of year	1,134	1,362
Current year allowance	(807)	(228)
Balance at end of year	327	1,134

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16. Trade and other receivables		
Trade receivables	1,082,614	660,858
Other receivables	71,759	48,370
Prepayments	24,988	25,017
Deposits	4,184	3,287
Value Added Tax	257	11,387
	<u>1,183,802</u>	<u>748,919</u>
Allowance for expected credit losses	(147,914)	(82,400)
	<u>1,035,888</u>	<u>666,519</u>
<i>Allowance for expected credit losses:</i>		
Balance at beginning of the year	(82,400)	(56,146)
IFRS 9 transition adjustment through retained earnings	-	(13,305)
Impairment charged to profit and loss	(65,514)	(12,949)
	<u>(147,914)</u>	<u>(82,400)</u>
<i>Allowance for expected credit losses:</i>		
Less than 30 days	12,796	6,416
30-59 days	9,150	2,775
60-89 days	5,159	1,479
90-119 days	5,092	1,515
120 days and over	115,717	70,215
	<u>147,914</u>	<u>82,400</u>
<i>Allowance for expected credit losses rate:</i>		
Less than 30 days	5 %	3 %
30-59 days	7 %	4 %
60-89 days	7 %	3 %
90-119 days	7 %	4 %
120 days and over	27 %	27 %
	<u>15 %</u>	<u>13 %</u>

During the year the Group wrote off bad debts amounting to R30.023 million (2019: R15.288 million) terms of the bad debt policy.

The factors considered in determining the amount and the impairment of trade receivables were based on historical data adjusted by forward-looking information such as the credit control performance of each hospital, discussions with significant medical aid funders, the impact of macro and micro economic factors on debtors, improvement to credit control and employment of more skilled resources.

The majority of gross trade receivables at the reporting date by type and customer were made up of Medical Aid funders and Government. Other trade receivables include Workmens Compensation and Private patients.

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17. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents, included in the statements of cash flows, comprise the following amounts:

Favourable cash balances

Cash on hand	946	119
Bank balances	35,750	70,755
	<u>36,696</u>	<u>70,874</u>

Overdraft

Bank overdraft	<u>111,684</u>	<u>120,397</u>
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Net cash and cash equivalents	<u>(74,988)</u>	<u>(49,523)</u>
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Favourable cash balances to the value of R26,757 million (2019: R36,231 million) have been ceded to Rand Merchant Bank as security for facilities provided.

18. Stated capital

Authorised

1,000,000,000 (2019: 1,000,000,000) ordinary shares at no par value

Issued

709,533,909 ordinary shares at no par value (2019: 709,533,909 ordinary shares)	<u>426,006</u>	<u>426,006</u>
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Share reconciliation

	<i>No of Shares</i>		
Balance at the beginning of the year	709,534	426,006	426,006
Balance at the end of the year	<u>709,534</u>	<u>426,006</u>	<u>426,006</u>

No new shares were issued during the year (2019: Nil)

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.

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19. Other Reserves		
Cash flow hedging reserve	(3,319)	-
Foreign currency translation reserve	198,503	141,067
	195,184	141,067
<i>Cash flow hedging reserve</i>		
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 9 for further information.		
<i>Foreign currency translation reserve</i>		
This reserve exists due to exchange differences arising on translation of assets and liabilities of the Group's foreign subsidiaries, Lenmed Health Bokamoso Private Hospital (Pty) Ltd, Maputo Private Hospital SA and Mozambique Private Laboratory Limited. The foreign currency translation reserve has been valued as stated in note 3.18.		
20. Non-controlling interests		
Non-controlling interests relate to outside shareholders of Lenmed Health Bokamoso Private Hospital (Pty) Ltd (30% Non-controlling interest), Lenmed Health Kathu Private Hospital (Pty) Ltd (33% Non-controlling interest), Lenmed Health Kathu Properties (Pty) Ltd (40% Non-controlling interest), Lenmed Health Laverna (Pty) Ltd (4.42% Non-controlling interest) and Lenmed Ethekewini Hospital and Heart Centre (Pty) Ltd (22.99% Non-controlling interest) and are made up as follows:		
Opening balance	169,746	135,434
Dividends	(806)	(305)
Additional investment in subsidiary	(196)	(960)
Profit for the year	38,300	32,735
Foreign currency translation	3,713	2,842
Issue of shares to minorities	3,060	-
Closing balance	213,817	169,746
<i>Summary of financial information for Lenmed Ethekewini Hospital and Heart Centre (Pty) Ltd</i>		
Non-current assets	861,741	830,122
Current assets	139,343	120,514
Non-current liabilities	269,980	372,247
Current liabilities	71,028	58,977
Revenue	718,407	647,117
Profit after taxation	82,541	87,104
<i>Summary of financial information for other non controlling interests</i>		
Non-current assets	431,929	223,215
Current assets	393,935	273,865
Non-current liabilities	376,128	166,499
Current liabilities	194,206	143,980

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21. Long term liabilities

21.1 Mortgage bonds

Loans Payable to vendors

These loans bear interest at 15.25% (2019: 15.25%) per annum and are secured over land and buildings, the cession of the Shifa hospital licence and general notarial bond over the movable assets of Lenmed Health Shifa (Pty) Ltd. Repayable in monthly instalments of R0,125 million (2019: R0,125 million)

First National Bank Limited

These loans from First National Bank are secured by land and buildings with a carrying amount of R81,723 million (2019: R88,914 million) (refer to note 10). Interest has been charged at rates linked to prime. This loan is repayable in monthly instalments of R1,548 million (2019: R1,080 million).

Rand Merchant Bank

These loans are secured by a first ranking mortgage bond over the Group's land and buildings with a carrying amount of R1,522 billion (2019: R1,405 billion) and a notarial bond of movable assets with a carrying value of R366,443 million (2019: R250,943 million). Interest has been charged at rates linked to JIBAR. The loan is split in 4 facilities. Facility A is a 5 year term loan and with a balance outstanding of R240 million. Interest repayable quarterly and capital repayable every 6 months. Facility B is a 5 year term loan and with a balance outstanding of R700 million. Interest is payable quarterly with no capital repayments until the end of the term where the full capital is meant to be repaid. Facility C is a 3 year term loan and with a balance outstanding of R75 million. Interest is payable quarterly with no capital repayments until the end of the term where the full capital is meant to be repaid. Facility D is USD denominated loan with interest payable quarterly and a capital moratorium up until November 2019. Thereafter the loan is repayable over the remaining 41 months with capital payments every 6 months. The USD balance outstanding as at 29 February 2020 is USD4,545 million (2019: USD5,050 million).

Subsequent to year end, the Group has negotiated capital and interest repayment holidays with respect to facilities A, B and C. The capital instalments on Facility A originally due in May 2020 and November 2020 will now be spread evenly over the remainder of the loan term from May 2021. The interest payments on Facilities A, B and C originally due in May 2020 and August 2020, are now only due at the end of February 2021

	2020	2019
	1,137,384	1,101,631
	1,181	2,416
	49,626	58,719
	1,086,189	1,040,496

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<i>Long term liabilities continued...</i>		
21.2 Instalment sales	28,910	66,369
<i>Nedbank Limited</i>		913
Repayable in monthly instalments of Nil (2019: R0,731 million). Interest has been charged at rates of interest linked to the prime lending rate.		
<i>Wesbank, a division of FirstRand Bank Ltd</i>	24,399	51,653
Repayable in monthly instalments of R2,827 million (2019: R2,989 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 R56,803 million (2019: R76,918 million).		
<i>Centrafin (Pty) Ltd</i>	3,161	10,689
Repayable in monthly instalments of R0,281 million (2019: R0,895 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 R10,546 million (2019: R21,279 million).		
<i>Philips Healthcare</i>	639	3,114
Repayable in monthly instalments of R0,656 million (2019: R0,656 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 R4,686 million (2019: R5,964 million).		
	1,166,294	1,168,000
Repayable within one year, transferred to current liabilities	(113,893)	(150,349)
	1,052,401	1,017,651
22. Loans from minorities		
<i>Board of Public Officers Medical Aid Scheme (BPOMAS)</i>	9,331	13,079
This loan is unsecured, bears interest at rates linked to prime in Botswana and is repayable within 7 years from inception, subject to the availability of funds at Lenmed Health Bokamoso Private Hospital (Pty) Ltd. The Pula balance payable at year end is P6,599 million (2019: P9,599 million).		
<i>ATM Healthcare (Pty) Ltd</i>	17,465	15,568
The loan is unsecured, has no fixed terms of repayment and bears interest at prime rate.		
<i>Lenmed Ethekekwini Hospital and Heart Centre (Pty) Ltd non-controlling shareholders</i>	15,112	13,849
These loans are unsecured, have no fixed terms of repayment and bear no interest.		
	41,908	42,496

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23. Derivative financial liabilities		
Derivatives designated as hedging instruments		
Interest rate swaps - cash flow hedge	4,609	-
	4,609	-
<i>Current and non-current</i>		
Current	2,047	-
Non-current	2,562	-
	4,609	-

The Group manages its cash-flow interest rate risk by using fixed interest rate swaps as its interest rate hedging instrument. Gains and losses recognised in the cash flow hedging reserve in equity on the interest rate swap as at 29 February 2020 will be released to the consolidated statement of comprehensive income as the related interest expense is recognised. The interest rate swap expires on 31 May 2022 and relate to R750 million worth of borrowings with the 3 month JIBAR fixed at an average rate of 6.55%.

Subsequent to year end, short term interest rates decreased by 250 basis points. Due to the interest rate swap, the future benefit from these reductions in interest rates are limited to the unhedged portion of the term loans and the overdraft facilities. The interest rate swap was R35 million out-of-the-money at the date of approval of the financial statements, based on the mark-to-market value.

24. Lease Liability

Non-current lease liability excluding finance costs	221,113	-
Current portion of lease liability excluding finance costs	10,458	-
	231,571	-

Maturity analysis of future lease payments outstanding at the reporting date:

For the year ended 29 February 2020	231,571	-
Total future lease payments	383,650	-
Due within 1 year	26,386	-
Due between 2 and 5 years	87,029	-
Greater than 5 years	270,235	-
Total future finance costs	152,079	-
Due within 1 year	15,063	-
Due between 2 and 5 years	53,537	-
Greater than 5 years	83,479	-
Total lease liability	231,571	-
Due within 1 year	11,323	-
Due between 2 and 5 years	33,492	-
Greater than 5 years	186,756	-

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25. Trade and other payables		
Trade payables	406,436	252,487
Other payables	28,466	80,999
Value Added Tax	19,656	22,468
Cash-settled share based payments	2,554	3,733
	457,112	359,687

Cash-settled share based payments

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

1) Nil (2019: 7,250 million) SARs

9,000 million SARs were issued on 1st of August 2016 to three executive directors and fifteen members of senior management, at a price of R3.00 each. During the current year 7,250 million SARs were settled in full at a cost of R5,147 million.

2) 6,950 million (2019: 8,100 million) SARs

8,600 million SARs were issued on 1st of August 2017 to three executive directors and sixteen members of senior management, at a price of R3.39 each. As at 29 February 2020, 6,950 million (2019: 8,100 million) SARs were in issue. The reduction from the prior is due to the senior management attrition during the year.

3) 8,450 million SARs (2019: 9,600 million) SARs

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 29 February 2020, 8,450 million (2019: 9,600 million) SARs were in issue. The reduction from the prior is due to the senior management attrition during the year.

4) 9,800 million SARs

9,800 million SARs were issued on 1st of August 2019 to two executive directors and twenty members of senior management, at a price of R3.71 each.

The Group has determined that the allocation should be accounted for as an cash-settled share-based payment transaction. The fair value of the SARs was calculated using the Black Scholes option pricing model. The amount recognised in the annual financial statements for the current year, in accordance with IFRS 2: Share-based payments, is an expense reversal of R1,219 million (2019: R1,680 million - expense reversal).

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

	2	3	4
Last traded price as at 29 February 2020	R 3.74	R 3.74	R 3.74
Last traded price as at 28 February 2019	R 3.56	R 3.56	R 3.56
Risk-free rate	8.05%	8.05%	8.05%
Volatility	10 %	10 %	10 %
Dividend yield	0 %	0 %	0 %
Long term inflation	6 %	6 %	6 %

The risk-free rate of 8.05% (2019: 8.71%) has been assumed based on the prevailing return on a five-year RSA Government Retail Bond as at year end.

The volatility of 10% (2019: 9%) was determined based on the historic volatility of the Group's share price over the previous year.

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26. Provisions		
Carrying amount at the beginning of the year	56,646	47,666
Increase in provisions	9,264	8,980
Carrying amount at end of the year	<u>65,910</u>	<u>56,646</u>
Provisions are made up as follows:		
Bonus Provision	21,651	13,225
Leave pay provision	23,342	27,202
Other provisions	20,917	16,219
	<u>65,910</u>	<u>56,646</u>
27. Income tax paid		
Receivable at beginning of the year	10,389	13,350
Expense for the year	(85,826)	(53,242)
Adjustment for deferred tax	12,591	9,755
Foreign currency translation adjustments	601	(2,085)
Payable/ (Receivable) at end of year	2,997	(10,389)
	<u>(59,248)</u>	<u>(42,611)</u>

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28. Directors' emoluments

2020

Mr P Devchand
Mr A Devchand
Mr F Meiring (A)
Mr V E Firman (R)
Prof B D Goolab
Mr M G Meehan
Ms B Harie
Ms N V Simamane

	FOR SERVICES AS DIRECTORS	SHORT TERM EMPLOYEE BENEFITS	BONUSES	LONG TERM INCENTIVE BONUS	TOTAL
Mr P Devchand	-	4,331	1,640	1,775	7,746
Mr A Devchand	-	3,375	1,325	710	5,410
Mr F Meiring (A)	-	1,458	-	-	1,458
Mr V E Firman (R)	-	1,690	1,590	710	3,990
Prof B D Goolab	478	-	-	-	478
Mr M G Meehan	478	-	-	-	478
Ms B Harie	461	-	-	-	461
Ms N V Simamane	463	-	-	-	463
	1,880	10,854	4,555	3,195	20,484

2019

Mr P Devchand
Mr A Devchand
Mr V E Firman (R)
Prof B D Goolab
Mr M G Meehan
Ms B Harie
Ms N V Simamane

	FOR SERVICES AS DIRECTORS	SHORT TERM EMPLOYEE BENEFITS	BONUSES	LONG TERM INCENTIVE BONUS	TOTAL
Mr P Devchand	-	4,100	2,255	3,016	9,371
Mr A Devchand	-	3,180	1,885	1,206	6,271
Mr V E Firman (R)	-	3,186	1,950	780	5,916
Prof B D Goolab	421	-	-	-	421
Mr M G Meehan	447	-	-	-	447
Ms B Harie	431	-	-	-	431
Ms N V Simamane	436	-	-	-	436
	1,735	10,466	6,090	5,002	23,293

(A) - Appointed as Director of Lenmed Investments Limited on 01/10/2019

(R) - Resigned as Director of Lenmed Investments Limited on 02/09/2019

The remuneration of the directors as per the above schedule was determined by the Remuneration Committee.

29. 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 R17,246 million as at reporting date (2019: R12,239 million).

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30. Related party transactions

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

The Group paid rentals to a non-subsidiary related party property company amounting to R1,618 million (2019: R1,560 million). The directors deem this rental to be market-related.

The remuneration and benefits received by the directors are disclosed in note 28.

Name	Relationship	Transaction	2020	2019
Central City Investments (Pty) Ltd	Common director	Rental paid	1,618	1,560

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31. Change in accounting policy

IFRS 16 Leases

Right of use Asset and lease liability

Effective 01 March 2019, the Group adopted IFRS 16 using the modified retrospective approach and, accordingly, the information in 2019 has not been restated and remains as previously reported under IAS17 Leases and retained interpretation. As part of the modified retrospective transition approach, the Group has elected to use a single discount rate, applied to a portfolio with similar characteristics and used the transition practical expedient that allowed the Group to apply the standard to contracts that were previously identified as leases under IAS17 Leases and related interpretations at the date of initial application. The Group also elected to use the recognition exemption and not to recognise the right-of-use assets and liabilities for short term leases less than twelve months or low value assets as allowed by the standard.

On initial application the Group recognised the lease liability on the present value of the future obligations under the leases, reversed the prior period straight line lease provision recognised under IAS 17, the right-of-use-assets at being the depreciated value of the asset as if the lease had been capitalised at the start of the lease and the balance adjusted against opening reserves in the statement of change in equity.

The change in accounting policy has been accounted for in the current period by restating the opening retained earnings of the current period.

Decrease in rental expense	7,769	-
Increase in depreciation	(1,682)	-
Increase in interest paid	(6,788)	-
Adjustment to retained earnings	(701)	-

The change in accounting policy has been accounted for in the current period and has had the following effect on the Group's profit and loss:

Decrease in rental expense	27,642	-
Increase in depreciation	(22,673)	-
Increase in interest paid	(15,141)	-
	(10,172)	-

Total Right of use asset recognised under IFRS 16 at 01 March 2019	241,941	-
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Total lease liabilities recognised under IFRS 16 at 01 March 2019	(242,642)	-
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32. Financial Risk Management

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

32.1 Interest rate risk

Interest rate risk is the risk that changes in the interest rate will affect the Group's income or value of its financial instruments, namely its cash and cash equivalents and interest-bearing borrowings. The Group is exposed to interest rate risk through its commitments in interest bearing borrowings, cash and cash equivalents and instalment sale agreements. The Group made use of interest rate swaps to achieve the desired interest rate profile in the current year. Although the board accepts that this policy neither protects the Group entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with variability in interest payments, it considers that it achieves an appropriate balance of exposure to these risks.

Interest risk table

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

Group

Interest bearing loans payable	1,164,180	1,130,278
Instalment sale liabilities	28,910	66,369
Bank overdraft	111,684	120,397
Derivative financial liabilities	4,609	-
	1,309,383	1,317,044

Sensitivity analysis

Increase of 100 basis points would result in a reduction in profit before tax of	(13,094)	(13,170)
Decrease of 100 basis points would result in an improvement in profit before tax of	13,094	13,170

32.2 Credit risk

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

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of revenue over a period of 12 months before 29 February 2020 or 1 March 2019 respectively and the corresponding historical credit losses experienced within this period. The historical cost rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the patients to settle the receivables. The maximum exposure is the carrying amount as disclosed in note 16.

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Financial Risk Management continued...

32.3 Liquidity risk

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. Subsequent to year end, the Group has negotiated capital and interest repayment holidays with its bankers for the financial year 2021. The capital instalments originally due in May 2020 and November 2020 will now be spread evenly over the remainder of the loan term from May 2021. The interest payments originally due in May 2020 and August 2020, are now only due at the end of February 2021.

	Less than 1 year	Between 1 and 5 years
Maturity analysis - 2020		
Borrowings	113,893	1,094,309
Trade and other payables	457,112	-
Lease liability	10,458	221,113
Derivative financial liabilities	2,047	2,562
	<u>583,510</u>	<u>1,317,984</u>
Maturity analysis - 2019		
Borrowings	150,349	1,060,147
Trade and other payables	337,218	-
	<u>487,567</u>	<u>1,060,147</u>

Long term liabilities and shareholders' loans

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

Capital management

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

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

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

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Financial Risk Management continued...

32.4 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 Mozambique Private Laboratory Limited. 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 Meticaís. This amount is considered immaterial and no hedging takes place. To date the Group has not suffered any material currency loss. There are no long term loans at Bokamoso hospital except for shareholders' loans. These are denominated in Pula. Revenue at the hospital is denominated in Pula, also forming a natural hedge. Revenue and profits generated by this hospital are expected to be sufficient to settle the shareholders' loans over a maximum period of seven years. The Group does not formally hedge its foreign currency risk.

Foreign Currency Translation Reserve	198,503	141,067
Sensitivity analysis		
Increase of 10% in functional currency rate would result in a reduction in reserve of:	(19,850)	(14,107)
Decrease of 10% in functional currency rate would result in an increase in reserve of:	19,850	14,107

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33. Financial Instruments

33.1 Categories of financial instruments

Financial assets per statements of financial position.

Trade and other receivables

Cash and cash equivalents

2020

Group

Amortised cost	Assets at fair value through profit and loss	Asset at Fair value through OCI
1,010,643	-	-
36,696	-	-

2019

Group

Amortised cost	Assets at fair value through profit and loss	Asset at Fair value through OCI
630,115	-	-
70,874	-	-

Financial assets per statements of financial position

Trade and other receivables

Cash and cash equivalents

2020

Group

Loans and payables	Financial liabilities measured at amortised cost	Financial liability at fair value through OCI
-	1,166,294	-
-	41,908	-
-	437,456	-
-	231,571	-
-	-	4,609
-	111,684	-

Financial liabilities per statements of financial position.

Long term liabilities

Loans from minorities

Trade and other payables

Lease Liability

Derivative financial liabilities

Bank overdraft

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Financial Instruments continued...

	2019 Group		
	Loans and payables	Financial liabilities measured at amortised cost	Financial liability at fair value through OCI
Financial liabilities per statements of financial position.			
Long term liabilities	-	1,168,000	-
Loans from minorities	-	42,496	-
Trade and other payables	-	333,486	-
Bank overdraft	-	120,397	-

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

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Financial Instruments continued...

33.2 Fair value hierarchy and measurements

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

Group

	Fair Value at 28 February 2020			
	Level 1	Level 2	Level 3	Total
Financial Assets				
- Trade and other receivables	-	-	1,010,643	1,010,643
- Cash and cash equivalents	-	36,696	-	36,696
Financial liabilities				
- Long term liabilities	-	1,052,401	-	1,052,401
- Loans from minorities	-	-	41,908	41,908
- Trade and other payables	-	-	437,456	437,456
- Current portion of long term liabilities	-	113,893	-	113,893
- Lease liability	-	-	231,571	231,571
- Derivative financial liabilities	4,609	-	-	4,609
- Bank overdraft	-	111,684	-	111,684
Fair Value at 28 February 2019				
	Level 1	Level 2	Level 3	Total
Financial Assets				
- Trade and other receivables	-	-	630,115	630,115
- Cash and cash equivalents	-	70,874	-	70,874
Financial liabilities				
- Long term liabilities	-	1,017,651	-	1,017,651
- Loans from minorities	-	-	42,496	42,496
- Trade and other payables	-	-	333,486	333,486
- Current portion of long term liabilities	-	150,349	-	150,349
- Bank overdraft	-	120,397	-	120,397

The fair value of assets and liabilities disclosed under level 3 have been determined in accordance with generally accepted pricing models. The fair value of the financial instruments approximates their carrying values. There were no transfers between level 1 and 2 during the year.

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	2020	2019
34. Commitments		
34.1 Operating lease commitments - lessor		
Future minimum lease receipts under non cancellable operating leases are as follows:		
- Within 1 year	6,824	6,385
- Due thereafter	36,360	8,770
	<u>43,184</u>	<u>15,155</u>
34.2 Capital Commitments		
The construction, renovation and upgrading of hospital buildings	5,583	26,909
The acquisition of plant and equipment	19,825	11,205
	<u>25,408</u>	<u>38,114</u>

35. Events after reporting date

As noted in the directors report a national state of disaster was declared in South Africa on 15 March 2020, and a strictly regulated 5 week nationwide stay-at-home lockdown was implemented from 26 March 2020 to 30 April 2020.

As part of a gradual and phased recovery of economic activity and an easing of the lockdown restrictions, a 5 level coronavirus alert approach was adopted by the government on 1 May 2020, where level 5 means only designated essential services can operate and level 1 means that most activities can resume. The alert level is determined by the government and is based on its assessment of the infection rate and the capacity of the country's health system.

The lockdown and the phased recovery of economic activity, has had a negative impact on the Group's business and cashflow. The short to medium term financial effect and the impact on the profitability of the Group remains uncertain and cannot be estimated at this time. The Group will generate positive returns for shareholders and have sufficient liquidity to trade. The Group has taken the following actions to contain costs and enhance liquidity within the Group:

- negotiated interest and capital holidays with our bankers (refer to note 21.1);
- negotiated a temporary waiver of the loan covenants;
- temporarily converted undrawn term loan facilities into readily available liquidity facilities;
- temporarily increased overdraft limits;
- limited capital expenditure to only critical replacement projects;
- reduced executive and management remuneration for an initial period of 3 months;
- negotiated discounts and payment deferrals with major suppliers;
- encouraged employees to utilise leave as a result of the lower occupancies observed; and
- delayed the conclusion of potential acquisitions until after the full impact of the pandemic can be assessed.

Apart from the above, the directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.