



lenmed
Embrace every day

Interim results
for the six months
ended 31 August
2019

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Performance review

Group Revenue grew by 17% increasing to R1 496.8 million compared to R1 274.7 million in 2018. The increase relates to both an increase in Paid Patient Days (PPDs) (7%) and Rand per Patient Day (RPPD) (10%).

The Group has adopted IFRS 16 Leases from 01 March 2019 but has not restated comparatives for the 2019 reporting period as permitted under the modified retrospective approach in the standard. On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases. The lease liability is initially measured at the present value of the contractual lease payments, discounted using the rate implicit in the lease. The remaining liability at the end of each reporting date is the present value of the remaining lease payments. The corresponding right-of-use assets have been recognised on the balance sheet based on the corresponding lease liability. The right-of-use assets are depreciated over the remaining lease terms. The change in accounting policy has had the following effect on results for the first 6 months of the year:

- Increase in EBITDA of R19 million
- Increase in depreciation of R8.7 million
- Increase in Interest paid of R14.9 million
- Decrease in profit after tax of R3.2 million
- Increase in Property Plant and equipment of R264.8 million
- Increase in long term lease liability of R279.2 million

After the implementation of IFRS 16, normalised EBITDA increased by 28% to R296.9 million (2019: R231.4 million) while net profit after tax increased by 37% to R119.7 million (2019: R87.8 million). If we exclude the impact of IFRS 16, normalised EBITDA has increased by 20% on a like for like basis.

The EBITDA margin improved to 20% from 18% in the prior year. The 2% margin improvement can be attributed to the IFRS 16 implementation (1%), the significant increase in revenue and as well as the cost containment measures introduced in the Group during the year.

The Group's hospitals reported mostly improved results for the first 6 months of the financial year, where greater than average performance growth was noted in both revenue and normalised EBITDA.

Net Interest expense amounted to R64.7 million (2018: R68.8 million) for the first half of the year. This decrease is due to improved rates on the renegotiated RMB facility in the current year.

The Group's property, plant and equipment increased in value to R3 146 million (2018: R3 077 million). The increase relates to a new paediatric ward and adult high care unit at EHHHC as well as general replacement and growth capex at all facilities.

Trade debtors have increased during the first half of the year due to the increased work for the Ministry of Health in Botswana and other state related work with longer payment cycles than the medical aid funds. Working capital management is however managed actively through our dedicated working capital management team and we are satisfied that the book (net of provisions) is collectable.

Prospects

The Group expects real growth in earnings, but at a slower rate than the first half. This is in line with the seasonal nature of the industry.

The first half of the year has been an extremely busy and fruitful period for Lenmed. We would like to convey our appreciation for all who have contributed to Lenmed's continuing success.

Statements of comprehensive income

	Group		
	Unaudited six months ended 31 August 2019	Unaudited six months ended 31 August 2018	Audited year ended 28 February 2019
Figures in R'000			
Profit and Loss			
Revenue	1 496 768	1 270 701	2 546 127
Cost of sales	(427 807)	(358 656)	(715 256)
GROSS PROFIT	1 068 961	912 045	1 830 871
Other income	37 446	34 423	80 563
Operating costs	(869 389)	(761 295)	(1 547 764)
PROFIT BEFORE INTEREST AND TAXATION	237 018	185 173	363 670
Share of profit from associates	1 184	916	1 850
Investment income	1 671	1 404	4 422
Finance costs	(81 208)	(70 222)	(141 206)
PROFIT BEFORE TAXATION	158 665	117 271	228 736
Taxation	(38 943)	(29 480)	(53 242)
PROFIT FOR THE PERIOD	119 722	87 791	175 494
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Foreign currency translation reserve	40 194	95 030	76 182
Total other comprehensive income for the period	40 194	95 030	76 182
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	159 916	182 821	251 676
Profit for the period attributable to:			
Non-controlling interests	22 925	15 012	32 735
Lenmed Investments Ltd equity holders	96 798	72 779	142 759
	119 723	87 791	175 494
Total comprehensive income for the period attributable to:			
Non-controlling interests	24 759	18 164	35 577
Lenmed Investments Ltd equity holders	135 157	164 657	216 099
	159 916	182 821	251 676

Headline earnings

	Group		
	Unaudited six months ended 31 August 2019	Unaudited six months ended 31 August 2018	Audited year ended 28 February 2019
Figures in R'000			
Profit for the period attributable to Lenmed	96 798	72 779	142 759
Less: Profit on disposal of assets net of tax	–	–	487
Less: currencies losses and gains	(977)	–	(690)
	95 821	72 779	142 556

Normalised EBITDA

	Group		
	Unaudited six months ended 31 August 2019	Unaudited six months ended 31 August 2018	Audited year ended 28 February 2019
Figures in R'000			
EBITDA	296 976	231 489	446 471
Loss/(profit) on disposal of assets	–	–	684
Currencies (losses) and gains	(1 357)	(4 807)	(1 921)
	295 619	226 682	445 234

Statements of financial position

	Group		
	Unaudited six months ended 31 August 2019	Unaudited six months ended 31 August 2018	Audited year ended 28 February 2019
Figures in R'000			
Assets			
Non-Current Assets			
Property, plant and equipment	2 806 816	2 696 532	2 738 129
Lease Assets	264 825	–	–
Goodwill	312 888	312 888	312 888
Intangible assets	26 573	18 969	26 573
Investment in associates	3 881	6 523	4 497
Deferred taxation	77 343	56 294	67 208
	3 492 326	3 091 206	3 149 295
Current Assets			
Inventory	67 694	71 593	63 749
Trade and other receivables	816 981	614 020	666 519
Taxation	26 058	24 087	22 454
Cash and cash equivalents	50 807	63 509	70 874
	961 540	773 209	823 596
TOTAL ASSETS	4 453 866	3 864 415	3 972 891
Equity and Liabilities			
Equity and Reserves			
Stated capital	426 006	426 006	426 006
Other Reserves	179 427	165 018	141 067
Accumulated profits	1 329 306	1 183 899	1 240 261
Non-controlling interests	193 504	153 598	169 746
	2 128 243	1 928 521	1 977 080
Non-Current Liabilities			
Long term liabilities	1 088 592	1 053 743	1 017 651
Loans from minorities	39 488	54 145	42 496
Lease liabilities	279 201		
Deferred taxation	260 526	229 422	236 520
	1 667 807	1 337 310	1 296 667
Current Liabilities			
Trade payables, other payables and provisions	448 212	427 362	418 333
Current portion of long term liabilities	131 107	122 689	150 349
Taxation	18 452	2 661	12 065
Bank overdraft	60 045	45 872	120 397
	657 816	598 584	699 144
TOTAL EQUITY AND LIABILITIES	4 453 866	3 864 415	3 972 891

Statement of changes in equity

	Group						
Figures in R	Stated capital	Foreign currency translation reserve	Share-based payment reserve	Accumulated profits	Equity attributable to Group	Non-controlling interest	Total
BALANCE AT 31 AUGUST 2018	426 006	159 605	5 413	1 183 899	1 774 922	153 598	1 928 521
Profit for the period	-	-	-	59 568	59 568	17 723	77 291
Other comprehensive income	-	(18 537)	-	-	(18 537)	(310)	(18 847)
Share-based payment accrual	-	-	(5 413)	-	(5 413)	-	(5 413)
Increase in investment related to non-controlling interests share buy-back	-	-	-	(3 207)	(3 207)	(960)	(4 167)
Dividends	-	-	-	-	-	(305)	(305)
BALANCE AT 28 FEBRUARY 2019	426 006	141 068	-	1 240 260	1 807 333	169 746	1 977 080
Profit for the period	-	-	-	96 798	96 798	22 925	119 722
Other comprehensive income	-	38 359	-	-	38 359	1 834	40 194
IFRS 16 transitional adjustment	-	-	-	(5 144)	(5 144)	(1 945)	(7 089)
Dividends	-	-	-	-	-	(806)	(806)
Increase in investment related to non-controlling interests share buy-back	-	-	-	(661)	(661)	(196)	(858)
BALANCE AT 31 AUGUST 2019	426 006	179 427	-	1 331 253	1 936 685	191 558	2 128 243

Statements of cash flows

	Group		
	Unaudited six months ended 31 August 2019	Unaudited six months ended 31 August 2018	Audited year ended 28 February 2019
Figures in R'000			
Cash flows from operating activities			
Operating cash flow before working capital changes	277 240	234 242	438 674
Working capital changes			
Decrease/(increase) in trade and other receivables	(150 466)	(13 329)	(51 770)
(Increase)/ decrease in inventory	(3 945)	(5 644)	4 551
Increase in trade and other payables	31 878	58 766	32 170
Cash generated by operating activities	154 707	274 035	423 625
Investment income	1 671	1 404	4 422
Finance costs	(66 332)	(70 222)	(141 206)
Income tax paid	(19 534)	(24 674)	(42 611)
NET CASH FROM OPERATING ACTIVITIES	70 512	180 543	244 230
Cash flows from investing activities			
Property, plant and equipment acquired	(77 261)	(114 094)	(181 869)
Proceeds on disposal of Property, plant and equipment	–	–	5
Acquisition of business	–	(3 550)	(3 550)
NET CASH UTILISED IN INVESTING ACTIVITIES	(77 261)	(117 644)	(185 414)
Cash flows from financing activities			
Proceeds from shares issued	–	–	–
Net loans (repaid)/raised	48 693	(15 546)	(72 064)
Dividends paid	(806)	–	(306)
Non-controlling interests share buy-back	(854)	–	(4 167)
NET CASH GENERATED BY FINANCING ACTIVITIES	47 033	(15 546)	(76 537)
Increase/(Decrease) in cash and cash equivalents	40 284	47 353	-17 721
Translation movement	–	–	(2 082)
Cash and cash equivalents at beginning of the year	(49 523)	(29 716)	(29 720)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	(9 239)	17 637	(49 523)

Accounting policies

1. Basis of preparation

The condensed unaudited consolidated interim financial statements for the six months ended 31 August 2019 have been prepared in accordance with the framework concepts and measurement and recognition requirements of International Financial Reporting Standards (IFRS), IAS 34 Interim Financial Reporting Standards, the SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act of South Africa. This report was compiled under the supervision of Fredre Meiring CA (SA). The Board takes full responsibility for the preparation of these financial results.

The accounting policies used in the preparation of these results are in accordance with IFRS and consistent in all material respect with those of the previous annual financial statements, except for leases accounted for in accordance with IFRS 16. Comparative information has not been restated as the Group has applied the modified retrospective approach of IFRS 16. The interim financial statements have been prepared on the historical cost basis.

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. The interim results have not been reviewed or audited by the Group's external independent auditors, PKF Durban.

2. Change in Accounting Policy

The financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the addition of the following standard.

The Group has adopted IFRS 16 Leases from 01 March 2019 but has not restated comparatives for the 2019 reporting period as permitted under the modified retrospective approach in the standard. On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases. The lease liability is initially measured at the present value of the contractual lease payments, discounted using the rate implicit in the lease. The remaining liability at the end of each reporting date is the present value of the remaining lease payments. The corresponding right-of-use assets have been recognised on the balance sheet based on the corresponding lease liability. The right-of-use assets are depreciated over the remaining lease terms. The change in accounting policy has had the following effect on results:

	Unaudited six months ended 31 August 2019
Statement of financial position	
Property, Plant and Equipment	264 825
Lease Liabilities	279 201
Retained income (Transitional adjustment)	(7 089)
Profit and Loss	
Depreciation	8 672
Finance costs	14 876

Our hospitals

Ahmed Kathrada Private Hospital

K43 Highway, Extension 8, Lenasia Gauteng

Bokamoso Private Hospital

Plot 2435, Mmopane Block 1, Gaborone, Botswana

Daxina Private Hospital

1682 Impala Street, Lenasia South, Gauteng

Ethekwini Hospital and Heart Centre

11 Riverhorse Road, Riverhorse Valley Business Estate,
Queen Nandi Drive, Durban, KwaZulu-Natal

Kathu Private Hospital

Frikkie Meyer Street, Kathu

La Verna Private Hospital

1 Convent Road, Ladysmith, KwaZulu-Natal

Maputo Private Hospital

Rua do Rio Inhamiara, Sommerschield II, Maputo, Mozambique

Randfontein Private Hospital

Ward Street Ext, Randfontein, Gauteng

Shifa Private Hospital

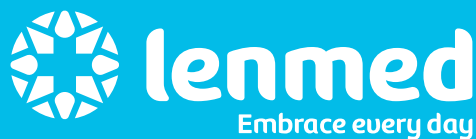
482 Randles Road, Sydenham, Durban, KwaZulu-Natal

Zamokuhle Private Hospital

128 Flint Mazibuko Street, Hospital View, Tembisa, Gauteng

Royal Hospital and Heart Centre

Corner Welgevonden and Jacobus Smit Street,
Rooyldene, Kimberley



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