MEDICLINIC
INTERNATIONAL

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2017

REPORT PROFILE

SCOPE, BOUNDARY AND REPORTING CYCLE

This Annual Report and Financial Statements ("**Annual Report**") of Mediclinic International plc (the "**Company**" or "**Mediclinic**") presents the financial results, and the economic, social and environmental performance of the Mediclinic Group for the financial year ended 31 March 2017 (the "**reporting period**"), and covers the Company's operations in Southern Africa, Switzerland and the United Arab Emirates (the "**Group**").

REPORTING PRINCIPLES

The information in this Annual Report is deemed to be useful and relevant to our stakeholders, with due regard to our stakeholders' expectations through continuous engagement, or that the Board believes may influence the perception or decision-making of our stakeholders. The information provided aims to provide our stakeholders with an understanding of the Group's financial, social, environmental and economic impacts to enable them to evaluate the ability of Mediclinic to create and sustain value for our stakeholders.

This Annual Report was prepared in accordance with the International Financial Reporting Standards, the LSE Listing Rules, the JSE Listings Requirements, the UK Corporate Governance Code, and the UK Companies Act (including the recently promulgated Companies, Partnerships and Group (Accounts and Non-Financial Reporting) Regulations 2016) aimed at improving the transparency of companies regarding non-financial and diversity information, where relevant. The Company applied the majority of the principles contained in the UK Corporate Governance Code. Principles not applied are explained in the **Corporate Governance Statement**, included in this Annual Report. The Company's reporting on sustainable development included in this report, supplemented by the **Sustainable Development Report** available on the Company's website at **www.mediclinic.com**, was done in accordance with the GRI Sustainability Reporting Standards 2016 and the Non-Financial Reporting Regulations 2016 referred to above.

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SDR

EXTERNAL AUDIT AND ASSURANCE

The Company's annual financial statements and the Group's consolidated annual financial statements were audited by the Group's independent external auditors, PricewaterhouseCoopers LLP, in accordance with International Standards of Auditing (UK and Ireland).

The Group follows various other voluntary external accreditation, certification and assurance initiatives, complementing the Group's combined assurance model, as reported on in the **Risk Management** section of this report The Group believes that this adds to the transparency and reliability of information reported to our stakeholders.

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GLOSSARY

Please refer to the glossary of terms used in this report on pages 234 to 235.

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CONTENTS

FURTHER INFORMATION

This Annual Report is published as part of a set of reports, as listed below. The icons below are used as a cross-referencing tool to refer to the relevant pages of these reports or within this Annual Report.

- AR **Annual Report and Financial Statements 2017**
- CSR **Clinical Services Report 2017**
- SDR **Sustainable Development Report 2017**
- AGM **Notice of Annual General Meeting 2017**

These reports are available on the Company's website at **www.mediclinic.com** from the date of distribution of this Annual Report and the Company's Notice of Annual General Meeting by no later than 23 June 2017.

APPROVAL OF ANNUAL REPORT

This Annual Report and Financial Statements, including the Strategic Report herein, were approved by the Disclosure Committee, duly authorised by the Board, on 23 May 2017.

Edwin Hertzog
Non-executive Chairman
23 May 2017

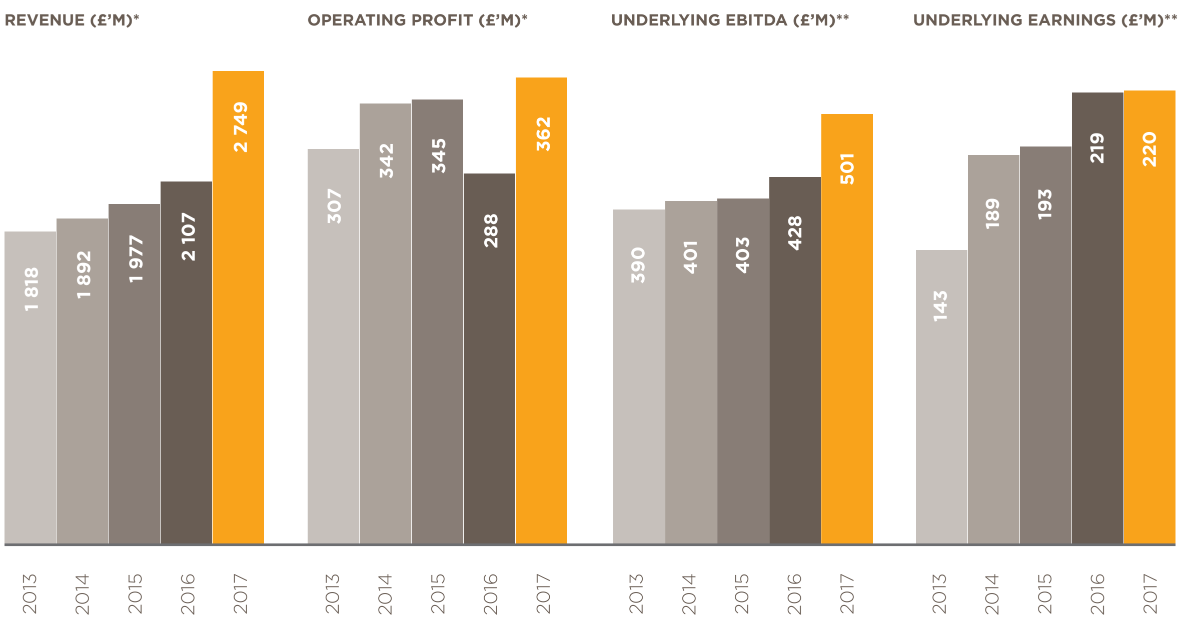
STRATEGIC REPORT
PERFORMANCE HIGHLIGHTS

GROUP FINANCIAL RESULTS

- Revenue up 30% to £2 749m; up 15% compared to *pro forma* FY16 revenue including Al Noor (£2 391m)
- Underlying EBITDA up 17% to £501m; underlying EBITDA margin decreased to 18.2% from 20.4%
- Operating profit up 26% to £362m
- Underlying earnings per share down 19% to 29.8 pence
- In constant currency, revenue and underlying EBITDA increased by 15% and 3% respectively
- Cash flow conversion at 101% of underlying EBITDA
- Total dividend of 7.90 pence per share; in line with dividend policy

OPERATING PERFORMANCE

- Hirslanden revenue up 3% to CHF1 704m; underlying EBITDA up 5% to CHF340m; underlying EBITDA margin of 20.0%
- Southern Africa revenue up 7% to ZAR14 367m; underlying EBITDA up 6% to ZAR3 049m; underlying EBITDA margin of 21.2%
- Middle East revenue up 72% to AED3 109m; revenue down 8% versus *pro forma* for the Al Noor combination; underlying EBITDA down 5% to AED364m; underlying EBITDA margin of 11.7%



* *IFRS measure*
** *Non-IFRS measure*

See the reconciliations between the statutory and underlying (non-IFRS) measures on pages 16 to 17.

KEY PERFORMANCE INDICATORS

FINANCIAL		2017	2016	% change
Revenue	£'m	**2 749**	2 107	30%
EBITDA[1]	£'m	**509**	382	33%
Underlying EBITDA[1]	£'m	**501**	428	17%
Operating profit	£'m	**362**	288	26%
Earnings[2]	£'m	**229**	177	29%
Underlying earnings[1]	£'m	**220**	219	0%
Basic earnings per share	pence	**31.0**	29.6	5%
Underlying basic earnings per share[1]	pence	**29.8**	36.7	(19%)
Total dividend per share[3]	pence	**7.90**	7.90	–
Net debt at the year end	£'m	**1 669**	1 536	9%
Capital expenditure on projects, new equipment and replacement of equipment	£'m	**249**	186	34%
Southern Africa	£'m	**72**	52	38%
Switzerland	£'m	**127**	98	30%
United Arab Emirates	£'m	**50**	36	39%

Notes

[1] *The Group uses underlying income statement reporting as non-IFRS measures in evaluating performance and as a method to provide shareholders with clear and consistent reporting. See the reconciliations between the statutory and the non-IFRS measures in the* ***Financial Review*** *on pages 16 to 17.*

[2] *Earnings refer to profit attributable to equity holders.*

[3] *The total dividend per share for the year ended 31 March 2017 in British pound comprises the proposed final dividend of 4.70 pence per share (2016: 5.24 pence) and the interim dividend of 3.20 pence per share, paid in December 2016 (2016: 2.66 pence).*

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Group results are subject to movements in foreign currency exchange rates. Refer to page 15 for exchange rates used to convert the operating platforms' results to pound sterling.

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OPERATIONAL	2017	2016
Number of hospitals in operation	**74**	73
Southern Africa	**52**	52
Switzerland	**16**	16
United Arab Emirates	**6**	5
Number of clinics in operation	**37**	45
Southern Africa	**2**	2
Switzerland	**4**	4
United Arab Emirates	**31**	39
Number of licensed/registered beds (including day facility beds)	**10 486**	10 415
Southern Africa	**8 095**	8 017
Switzerland	**1 677**	1 677
United Arab Emirates	**714**	721
Number of licensed/registered theatres (including day facility theatres)	**400**	387
Southern Africa	**278**	270
Switzerland	**97**	92
United Arab Emirates	**25**	25

KEY PERFORMANCE INDICATORS (continued)

SDR

SOCIAL, ENVIRONMENTAL AND OTHER		2017	2016
Included in RobecoSAM Dow Jones Sustainability Index		**Yes**	Yes
Number of employees		**32 625**	32 884
Southern Africa		**16 848**	16 832
Switzerland		**9 402**	9 120
United Arab Emirates		**6 375**	6 932
Staff turnover rate			
Southern Africa		**6.3%**	6.8%
Switzerland		**7.2%**	5.2%
United Arab Emirates		**19.8%**	12.4%
Training spend as approximate percentage of payroll			
Southern Africa		**3.2%**	3.6%
Switzerland		**4.8%**	5.0%
United Arab Emirates		**0.1%**	0.3%
Corporate social investment spend			
Southern Africa*	R'm	**12.3**	11.8
Switzerland	CHF'm	**2.5**	2.5
United Arab Emirates	AED'm	**1.0**	0.8
Transformation (South Africa only)			
Percentage black employees		**71.2%**	70.5%
Percentage black management employees		**27.7%**	25.7%
Total energy usage (gigajoules/bed day)		**1.792**	1.652
Southern Africa**		**0.327**	0.333
Switzerland (per calendar year)		**0.474**	0.477
United Arab Emirates (hospitals only)**		**0.991**	0.842
Ranking in CDP Climate Disclosure Leadership Index (per calendar year)**		**Included in the Global A List for performance (CDP 2017)**	Included in the Global A List for performance (CDP 2016)

Notes

* *The corporate social investment of Mediclinic Southern Africa excludes the significant financial support to academic institutions in the amount of R9.7m (2016: R8.0m) during the year.*

** *The environmental data of Mediclinic Southern Africa and Mediclinic Middle East is for the 2016 calendar year, while the comparative data is for the financial year ended 31 March 2016. The environmental data relating to Hirslanden was also reported on a calendar year basis in previous reports.*

AT A GLANCE

WHO WE ARE

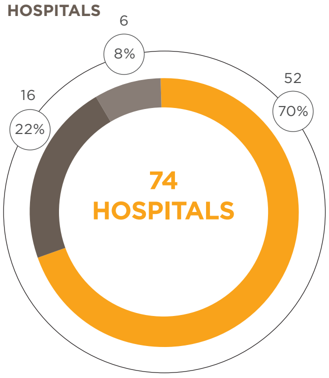
Mediclinic is an international private healthcare group founded in 1983, with operations in Southern Africa (South Africa and Namibia), Switzerland and the United Arab Emirates. The Company's primary listing is on the LSE in the United Kingdom, with secondary listings on the JSE in South Africa and the NSX in Namibia. The Group's registered office is in London, United Kingdom. Mediclinic also holds a 29.9% interest in Spire Healthcare Group plc, a LSE-listed private healthcare group based in the United Kingdom.

Mediclinic is focused on providing acute care, specialist-orientated, multi-disciplinary healthcare services. Our core purpose is to enhance the quality of life of our patients by providing comprehensive, high-quality healthcare services in such a way that the Group will be regarded as the most respected and trusted provider of healthcare services by patients, doctors and funders of healthcare in each of its markets.

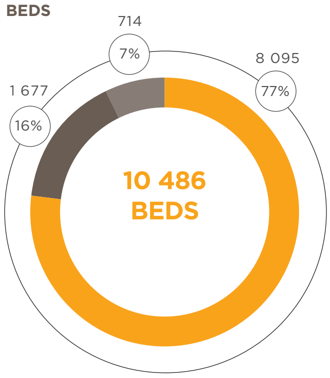
During February 2016, the Combination of the Company (previously named Al Noor Hospitals Group plc), with operations mainly in Abu Dhabi in the United Arab Emirates, and Mediclinic International Limited was completed. Mediclinic International Limited was a South African-based international private healthcare group founded in 1983 and listed on the JSE, the South African stock exchange, since 1986, with operations in South Africa, Namibia, Switzerland and the United Arab Emirates (mainly in Dubai). The combination resulted in the renaming of the Company to Mediclinic International plc.

At year end, the Mediclinic Group comprised 74 hospitals and 37 clinics. Mediclinic Southern Africa operates 49 hospitals and two day clinics throughout South Africa and three hospitals in Namibia with more than 8 000 inpatient beds in total; Hirslanden operates 16 private acute care facilities and four clinics in Switzerland with more than 1 600 inpatient beds; and Mediclinic Middle East operates six hospitals and 31 clinics with more than 700 inpatient beds in the United Arab Emirates.

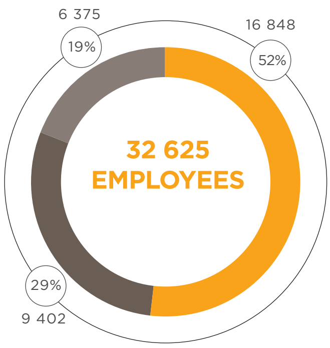
DISTRIBUTION OF THE GROUP'S HOSPITALS



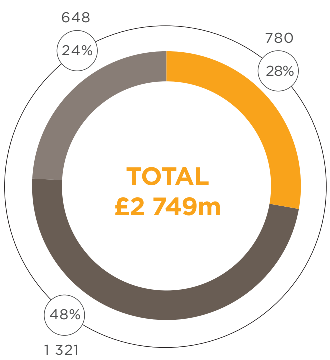
DISTRIBUTION OF THE GROUP'S BEDS



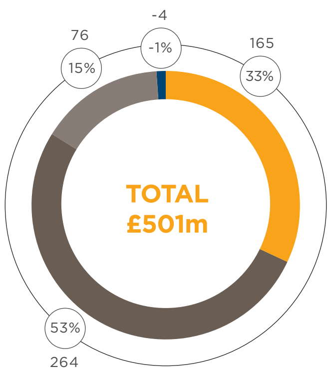
DISTRIBUTION OF THE GROUP'S EMPLOYEES



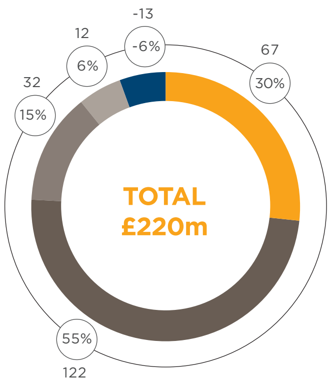
CONTRIBUTION TO GROUP UNDERLYING REVENUE (£'M)



CONTRIBUTION TO GROUP UNDERLYING EBITDA (£'M)



CONTRIBUTION TO GROUP UNDERLYING EARNINGS (£'M)



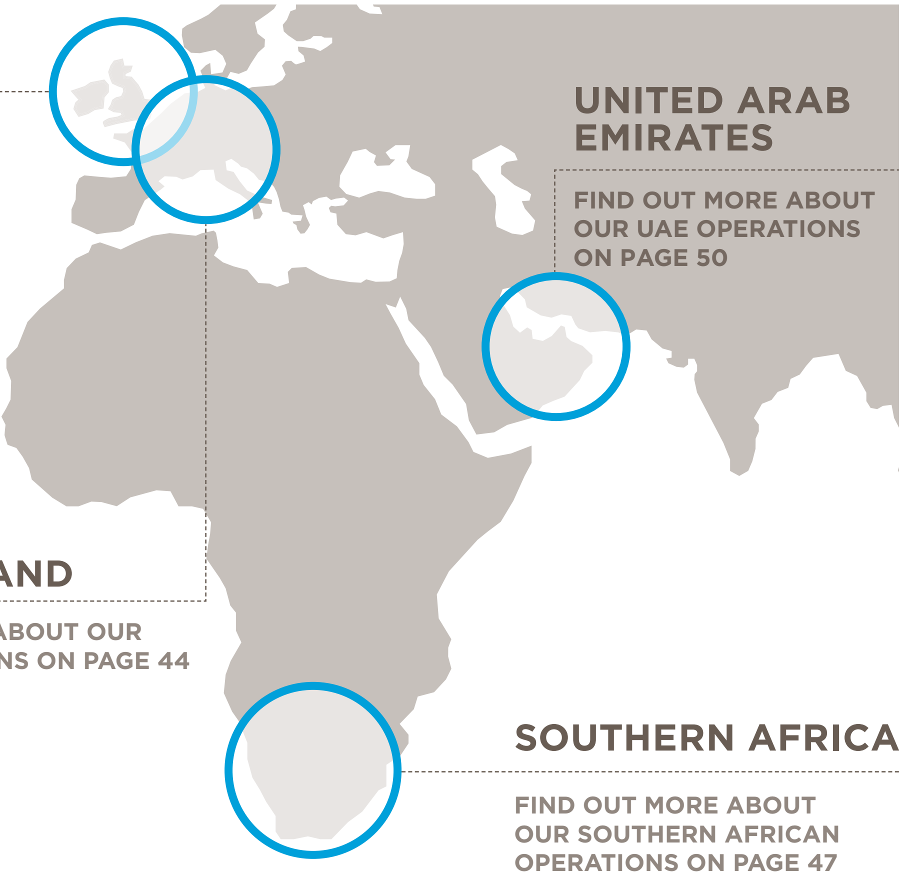
Southern Africa · Switzerland · UAE · UK · Corporate

HOLDING COMPANY: MEDICLINIC INTERNATIONAL PLC

MEDICLINIC INTERNATIONAL

OPERATING PLATFORMS

	MEDICLINIC SOUTHERN AFRICA	HIRSLANDEN	MEDICLINIC MIDDLE EAST
COUNTRIES OF OPERATION	South Africa and Namibia	Switzerland	United Arab Emirates
BRANDS	MEDICLINIC MEDICAL INNOVATIONS ER24 084 124 MHR	HIRSLANDEN	ميديكلينيك MEDICLINIC
WEBSITES	**www.mediclinic.co.za** **www.mhr.co.za** **www.medicalinnovations.co.za** **www.er24.co.za**	**www.hirslanden.ch**	**www.mediclinic.ae** **www.alnoorhospital.com**
HOSPITALS AND CLINICS IN OPERATION	Operates 49 acute care private hospitals and two day clinics throughout South Africa and three hospitals in Namibia, with 8 095 beds in total. ER24 offers emergency transportation services from its 58 branches throughout South Africa.	Operates 16 acute care private hospitals with 1 677 beds and four clinics in Switzerland.	Mediclinic Middle East operates six acute care private hospitals and 31 clinics mainly in Abu Dhabi and Dubai, UAE with 714 beds in total.
NUMBER OF EMPLOYEES	16 848 (20 349 full-time equivalents, which includes 3 501 agency staff) (16 347 permanent and 501 non-permanent)	9 402 permanent employees (which includes full-time and part-time permanent employees) (6 722 full-time equivalents)	6 375 full-time employees/ full-time equivalents
NATURE OF OWNERSHIP	Mediclinic Southern Africa (Pty) Ltd, a company registered in South Africa, is the holding company of the Group's operating platform in Southern Africa. It is 100% owned through wholly-owned subsidiaries (with most group operating companies partly owned and doctor shareholding in hospital investment companies).	Hirslanden AG, a company registered in Switzerland, is the holding company of the Group's operating platform in Switzerland. It is 100% owned through wholly-owned subsidiaries.	The holding company for the Mediclinic Middle East operations is Emirates Healthcare Holdings Ltd, a company registered in the British Virgin Islands, which is 100% owned through wholly-owned subsidiaries. The holding companies for the Al Noor operations are Al Noor Holdings Cayman Limited and ANMC Management Limited. These companies are registered in the Cayman Islands, which are 100% owned by the Company.



UNITED KINGDOM

29.9% INVESTMENT IN SPIRE HEALTHCARE

UNITED ARAB EMIRATES

FIND OUT MORE ABOUT OUR UAE OPERATIONS ON PAGE 50

SWITZERLAND

FIND OUT MORE ABOUT OUR SWISS OPERATIONS ON PAGE 44

SOUTHERN AFRICA

FIND OUT MORE ABOUT OUR SOUTHERN AFRICAN OPERATIONS ON PAGE 47

CHAIRMAN'S STATEMENT

Dr Edwin Hertzog
Non-executive Chairman

Last year I reported on the consistent growth of Mediclinic over the past 30 years, for which we are thankful. However, for the past financial period, the first full year following the Company's listing on the London Stock Exchange, the Group was unable to deliver its consistent growth in underlying earnings per share achieved in the past, largely due to challenges in our Middle East platform.

Our expansion into Abu Dhabi, effectively doubling the size of the Middle East business following the Al Noor Combination, has not met our original expectations. Our growth forecasts for the Abu Dhabi operations were significantly impacted in the short term due to unforeseen changes in the regulatory environment and a greater need to align Al Noor with the sustainable business and operational practices of the Mediclinic Group. As a result, revenue and underlying EBITDA margins during the year were lower than expected in the Middle East. Despite the challenges in Abu Dhabi, our established Dubai operations continued to perform well. The new Mediclinic City Hospital North Wing opened in the third quarter of the year and patient volumes have been encouraging. I remain confident in our approach to expansion in the region, and that it will deliver the required longer-term growth and returns for the Group.

In Switzerland and Southern Africa, our largest two operating platforms, we have seen good trading performances this year. The key metrics of patient admissions, theatre hours sold and revenue per bed day have all been positive. As I have stated before, this indicates positive trends in patient choice and shows that we are attracting and retaining sufficient doctors to support the business. This enables us to continue to focus on enhancing operational efficiencies. In the UK, our 29.9% investment in Spire Healthcare remained stable and continues to give us exposure to the UK private healthcare market.

Overall, the Group remains in a solid financial position. Group revenue for the year was up 30% at £2 749m (2016: £2 107m) and underlying EBITDA was up 17% at £501m (2016: £428m), both benefiting from the translation effect of weaker Sterling and the addition of the Al Noor business to the Group. However, underlying earnings were flat at £220m (2016: £219m) while underlying earnings per share were down 19% at 29.8 pence (2016: 36.7 pence), both affected by the increase in finance costs and poor performance of

"I firmly believe that we have the right strategy and people in place to enable us to consistently grow in the future as we have done over so many years."

the Abu Dhabi business. Earnings per share were further impacted by the effect of additional shares issued for the Spire and Al Noor transactions.

In view of the financial results and following the review last year of the Group's dividend policy to target a pay-out ratio of 25% to 30% of underlying earnings, the Board recommended a final dividend of 4.70 pence per share, bringing the total payment for the year to 7.90 pence per share.

During the year under review, the clinical performance of the business was satisfactory across all operating platforms, and most patient safety and clinical effectiveness indicators showed improvement. In addition, many initiatives in support of clinical performance and quality improvement were launched and completed during the year. Highlights include:

- the strengthening of clinical services leadership at hospital and corporate level in Mediclinic Southern Africa;
- close collaboration between Mediclinic Southern Africa and supporting doctors in certain disciplines;
- the launch of patient reported outcomes after large joint surgery in Hirslanden;
- progress on the implementation of an integrated care model in Hirslanden;
- the establishment of a comprehensive cancer centre in Mediclinic Middle East; and
- the selection of a new electronic health record system in Mediclinic Middle East.

Much of the progress can be attributed to a strong collaborative effort between the clinical services teams of the respective platforms.

REGULATORY LANDSCAPE

The healthcare industry has always been highly regulated with continuous changes. We have always managed this successfully, thanks to the well-informed and responsible leadership of our management teams. However, this year has been particularly tough in all three of our operating platforms.

In Switzerland, there was the proposed levy in the Canton of Zurich, which the Cantonal Parliament voted not to approve in March 2017. National outpatient tariffs (TARMED) remain under revision and the Federal Government has proposed adjustments as a transitional solution until the healthcare providers and funders agree on a revised tariff structure. The Federal Government is also preparing a framework for the outmigration of services (shift of basic medical treatments from the inpatient to the outpatient sector) across Switzerland.

In Southern Africa, we continue to engage with the South African Competition Commission in relation to the Health Market Inquiry which is undertaking a review of the private healthcare sector to understand whether there are features of the sector that prevent, distort or restrict competition, and how competition in the sector can be promoted. Over the longer term, the government in South Africa is hoping to address the shortcomings of the public healthcare system through the phased introduction of a National Health Insurance system over a 14-year period.

Finally, in the Middle East, we saw the introduction in July 2016 of a 20% co-payment for Thiqa patients (those covered by health insurance for UAE Nationals or others of similar status in Abu Dhabi) using private facilities. This had a material impact on patient volumes and the financial performance of the business in Abu Dhabi. In April 2017, the co-payment in Abu Dhabi was waived with immediate effect.

BOARD ACTIVITY AND CHANGES

Following the Mediclinic and Al Noor Combination and the Group's listing on the London Stock Exchange in 2016, I last year reported a number of Board changes. I am pleased to say that the new Board structure operated efficiently throughout the year. We continue to look at how to improve the composition and functioning of the Board.

In April 2016, Jannie Durand, a Non-executive Director of the Company and the Chief Executive Officer of Remgro Limited, our major shareholder, appointed Pieter Uys as his alternate. Since 2013, Pieter has held the position of Head of Strategic Investment at Remgro Limited.

Jurgens Myburgh was appointed as the CFO of the Group on 1 August 2016, replacing Craig Tingle, who retired as announced in 2016. Prior to joining Mediclinic, Jurgens served as CFO at Datatec from June 2014, and before that at The Standard Bank of South Africa as Executive Vice President of Investment Banking, where he was involved in several major Mediclinic corporate transactions. Since joining the Board, Jurgens has made a number of significant contributions to the business.

On 21 February 2017, Ian Tyler, the Company's Senior Independent Director, resigned as a Director of the Company. Ian was previously Chairman of Al Noor, and we were delighted that he agreed to continue on the Board following the Combination in February 2016. However, Ian is a Board member of several LSE-listed companies and believed that it would be in the best interest of all parties to reduce his responsibilities. I would like to thank Ian for his important contribution to the Board during a very busy year for him. Desmond Smith was appointed as the new Senior Independent Director. He was appointed an Independent Non-executive Director of Mediclinic International Limited in 2008 and was the Lead Independent Director from 2010 until the Al Noor Combination took place.

PROSPECTS

This year has highlighted, once again, the continued challenges and changing regulatory landscape in which we operate. Competition from the public and private sector means we must focus on continually improving the quality of our services while demonstrating value in the healthcare services we provide to patients, funders and governments alike. Despite these challenges, we operate in an industry where demand continues to grow for our services. The Board remains focused on creating long-term value for stakeholders and maintaining Mediclinic's leading position in the international healthcare market.

Having the services available of high-quality clinical, operational and support staff is crucial to the long-term success of the business. Furthermore, by closely monitoring key indicators and gathering information, we continue to position the Group for sensible future growth.

Mediclinic has been providing private healthcare services since 1983, and we have always taken a long-term view when we make investment decisions. The fundamentals of the healthcare industry remain positive, and I firmly believe that we have the right people and strategy in place to enable us to consistently grow in the future as we have done over so many years.

APPRECIATING YOUR CONTINUED SUPPORT

As ever, I want to express my sincere thanks to everyone who contributed to Mediclinic's continued success, including our Directors, management, doctors, nurses and support staff. In particular, the support of patients and medical professionals is absolutely vital to the sustainability of our business, and we deeply appreciate that they have chosen Mediclinic as their preferred healthcare partner.

Finally, I would like to extend a special thank you to all our shareholders for their confidence in us.

Dr Edwin Hertzog
Non-executive Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW

Danie Meintjes
Chief Executive Officer

DURING A CHALLENGING YEAR, WHAT HAVE BEEN THE KEY HIGHLIGHTS FOR YOU?

Having been with the Group for some 30 years, it is fair to say that this past year was one of the most challenging. Despite the difficult trading environment, a key highlight was the Swiss, Southern African and Dubai businesses all performing relatively well. We continue to see growing demand for quality healthcare services, which is why we place such an emphasis on our *Patients First* strategy and continue to invest in our facilities and people. This will assist us to maintain our leading position in all our international markets. The key challenge globally is to keep healthcare affordable and to demonstrate cost-efficient service delivery.

Whilst the Middle East platform performed below expectations during the year, largely resulting from issues with the Al Noor business in Abu Dhabi, there were several highlights in the region. In September 2016, we opened the new comprehensive cancer unit, based in the North Wing of the Mediclinic City Hospital, which has performed very well. When I look at the new services not previously offered by Mediclinic Middle East, the number of lives we are changing through our new radiotherapy and PET scan services each month is encouraging. In April 2017, the unit treated the first cancer patient with a revolutionary form of radiotherapy called stereotactic body radiotherapy. This was delivered using Mediclinic's True Beam Varian linear accelerator, the only one of its kind in the UAE. In Al Ain, the Mediclinic Al Jowhara Hospital had its first full month of trading in January 2017 and is ramping up. It is well positioned to serve the higher end of the market in the region. I believe the rebranding of the Al Noor business to Mediclinic is an important milestone and underlines our commitment to deliver exceptional levels of private healthcare service in the region. Rebranding and marketing work commenced and will continue through the year ahead. I am pleased that the co-payment that was introduced in Abu Dhabi in July 2016 was waived with immediate effect on 26 April 2017 following our ongoing dialogue with the relevant stakeholders in the region.

"We are determined to meet and exceed the expectations of our patients in every market we operate."

WHY DO YOU BELIEVE REGULATORY MATTERS PLAYED SUCH A PROMINENT ROLE THIS YEAR?

Access to healthcare is a basic human right. It is therefore understandable that governments will have an interest in their particular healthcare system to ensure that it is efficient, accessible and fair to its citizens. Healthcare delivery models vary widely between countries with different degrees of participation by the private healthcare sector. However, the cost of delivering healthcare around the world is increasing. The reality is that this is largely driven by increased consumption from an ageing and growing disease-burdened population, and new technology.

We have a joint responsibility, working with governments, funders and patients, to offer affordable and cost-efficient services to ensure the long-term sustainability of healthcare provision in the countries in which we operate. The private sector can make a meaningful, cost-efficient contribution towards healthcare delivery. We believe that governments and the private healthcare sector should constructively co-operate to find a dual system of care delivery which is in the best interest of the broader community.

In Switzerland, as the Federal Government and cantons reviewed their budgets and expenditure on healthcare, we saw several regulatory announcements during the year. Firstly, the Canton of Zurich in mid-2016 proposed a levy based on the proportion of privately insured patients treated in listed hospitals. The Hirslanden management team committed significant time and resources to engaging with the relevant public authorities to raise concerns regarding the process, fairness and the impact of the proposed levy specifically on Klinik Hirslanden. I am pleased to report that in March 2017 the Cantonal Parliament voted not to approve the proposed levy. Secondly, there have been ongoing national outpatient tariff (TARMED) negotiations between healthcare providers and funders. The Swiss Federal Government released proposed adjustments to TARMED, as a transitional solution while negotiations continue to find agreement on a revised tariff structure. And finally, the Zurich Cantonal Parliament approved an amendment to the cantonal hospital law, providing a legal basis to create a list of interventions that in future should generally be treated as outpatient rather than inpatient services. Continued dialogue and engagement with the relevant public authorities remains key to ensuring that private healthcare plays a meaningful role in the broader healthcare delivery system.

In South Africa, the cost of private healthcare is being examined by the Competition Commission through the Health Market Inquiry ("**HMI**"). Towards the end of 2016, the HMI published a timetable reflecting the proposed events for 2017. We will continue to engage with the HMI as we progress towards the publication of the final reports which they have indicated will be by the end of 2017.

As I mentioned previously, from 1 July 2016, the Abu Dhabi authorities introduced a 20% co-payment for Emiratis who are members of the Thiqa insurance option, when they make use of private healthcare providers. This had a material impact on our Abu Dhabi business, affecting the volume of Thiqa patients visiting our facilities. We are focused on growing our patient numbers from the Thiqa and enhanced insurance market. This strategy is supported by the new business and operational practices, the ongoing upgrade and investment programmes across our facilities, and the rebranding of the business to Mediclinic. The waiving of the co-payment in Abu Dhabi from late April 2017 will help to support our anticipated gradual improvement in Middle East performance as we move through the coming financial year.

WHAT ARE THE BENEFITS OF MEDICLINIC BEING A GLOBAL HEALTHCARE PROVIDER?

We have built a diversified portfolio of operating platforms in Switzerland, Southern Africa, and the Middle East and in the UK we have our 29.9% investment in Spire Healthcare. Combined with our strong market position in our operating regions, Mediclinic benefits from a pool of skilled, knowledgeable and experienced employees.

Group initiatives to simplify, standardise and centralise key business support processes are ongoing. Using our international scale, we are beginning to deliver meaningful synergies and cost savings. During the year, our central procurement function and ICT department made excellent progress in some key contract negotiations that will benefit the future profitability of the Group.

Although clinical models differ from country to country, the basic principles are similar, and it is useful to compare and share clinical experience and learnings among our operating platforms. The breadth of intellectual property across the Group is vast. We strive to nurture the combined knowledge, skills and experience from our diverse group of people to improve the Group's clinical performance and growth opportunities.

It is vital that we share best practice at an international level, as this will ensure we continue to deliver high-quality, cost-efficient services to our patients. The comprehensive cancer centre in Dubai is an example of how we tapped into the clinical experience and knowledge of the Hirslanden team in Switzerland to assist with the design, building and opening of our first comprehensive cancer centre in the Middle East. Having access to such valuable sources of knowledge and skills lowers the risk of venturing into new complex clinical service lines.

WHAT ARE YOUR PRIORITIES AND OPPORTUNITIES FOR THE YEAR AHEAD AND BEYOND?

Our Group focus on *Patients First* will continue to be our top priority. We are determined to meet and exceed the expectations of our patients in every market in which we operate. To assist us in identifying areas for improvement, we implemented a standardised international Patient Experience Index ("**PEI**") measurement system, provided by Press Ganey. The PEI system is well embedded in our Southern Africa and Dubai businesses, and is being rolled out in the Hirslanden and Abu Dhabi businesses, the results of which are referenced to in the **Sustainable Development Highlights** on page 57. We continue to focus on providing superior clinical performance in a safe clinical environment while moving towards a better integrated healthcare delivery model.

As I have mentioned, the acquisition of the Al Noor business in Abu Dhabi has proved to be challenging. While significant progress has been made, we continue to focus on resolving these matters and stabilising performance; this will remain a priority. Our confidence in the long-term growth opportunities of the Middle East region remains strong, and we expect performance to improve gradually as we progress through the year ahead. A key focus is to establish the Mediclinic brand as a trusted and preferred provider of clinical services to the Abu Dhabi community.

Another priority is the continued improvement in operational efficiencies, using our combined international intellectual property. We will continue to focus on finding ways to simplify our business and to standardise processes and structures. This will allow us to use our scale to unlock further synergies in areas such as procurement, information and communications technology, clinical services, human resources and marketing.

Finally, we will look to grow the Group at existing platform levels by attracting more patients, adding further capacity to existing facilities, adding new service lines, and identifying bolt-on acquisition opportunities. In addition, we will evaluate potential new opportunities for further valued added growth. In the Middle East, the building of the Mediclinic Parkview Hospital in Dubai with some 170 beds has commenced. We approved the development of a comprehensive cancer unit at the Mediclinic Airport Road Hospital in Abu Dhabi, where work is expected to start soon.

I would like to thank all the doctors, nurses, support staff and management for their dedication and commitment to the Group and what we stand for. I am confident that the year ahead will be successful.

Danie Meintjes
Chief Executive Officer

FINANCIAL REVIEW

Jurgens Myburgh
Chief Financial Officer

UNDERLYING NON-IFRS FINANCIAL MEASURES

The Group uses underlying income statement reporting as non-IFRS measures in evaluating performance and as a method to provide shareholders with clear and consistent reporting. The underlying measures are intended to remove volatility associated with certain types of one-off income and charges from reported earnings. Historically EBITDA and underlying EBITDA were disclosed as supplemental non-IFRS financial performance measures because they are regarded as useful metrics to analyse the performance of the business from period to period. Measures like underlying EBITDA are used by analysts and investors in assessing performance.

The rationale for using non-IFRS measures:

- it tracks the underlying operational performance of the Group and its operating segments by separating out one-off and exceptional items;
- non-IFRS measures are used by management for budgeting, planning and monthly financial reporting; and
- non-IFRS measures are used by management in presentations and discussions with investment analysts.

The Group's policy is to adjust, *inter alia*, the following types of income and charges from the reported IFRS measures to present underlying results:

- restructuring costs;
- profit/loss on sale of significant assets;
- past service cost charges/credits in relation to pension fund conversion rate changes;
- significant prior year tax and deferred tax adjustments;
- accelerated IFRS 2 charges;
- accelerated amortisation charges;
- mark-to-market fair value gains/losses, relating to ineffective interest rate swaps;
- significant impairment charges;
- significant insurance proceeds; and
- significant transaction costs incurred during acquisitions.

EBITDA is defined as operating profit before depreciation and amortisation, excluding other gains and losses.

Non-IFRS financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with IFRS. The underlying measures used by the Group are not necessarily comparable with those used by other entities.

The Group has consistently applied this definition of underlying measures as it has reported on its financial performance in the past as the Directors believe this additional information is important to allow shareholders to better understand the Group's trading performance for the reporting period. It is the Group's intention to continue to consistently apply this definition in the future.

GROUP FINANCIAL PERFORMANCE

Group revenue increased by 30% to £2 749m (2016: £2 107m) for the reporting period.

Underlying operating profit before interest, tax, depreciation and amortisation ("**underlying EBITDA**") was 17% higher at £501m (2016: £428m), underlying margins declined from 20.4% to 18.2%, and basic underlying earnings per share were 19% lower at 29.8 pence (2016: 36.7 pence).

During the reporting period, the following exceptional and one-off items were adjusted for in determining underlying earnings:

- £13m (£10m after tax) mark-to-market fair value gain, relating to the ineffective Swiss interest rate swaps. The Group uses floating-to-fixed interest rate swaps on certain loan agreements to hedge against interest movements which have the economic effect of converting floating rate borrowings to fixed rate borrowings. The Group applies hedge accounting and therefore fair value adjustments are booked to the consolidated statement of comprehensive income.

  With the removal of the Swiss franc/euro peg during January 2015 and the advent of negative interest rates in Switzerland, the Swiss interest rate hedges became ineffective once Libor moved below zero as bank funding at Libor plus relevant margins is subject to a zero rate Libor floor. Effective from 1 October 2014, the mark-to-market movements are charged to the income statement. As these are non-cash flow items and to provide balanced operational reporting, the Group excluded the charge in the measurement of underlying performance in the 2015 financial year and consistently excludes the gain arising this year. The swaps expire in 2017 and 2018.
- A past-service cost credit of £13m (£10m after tax) arising in the main Hirslanden pension fund. This relates to a change in the pension fund conversion rate advised by an independent professional. The underlying income statement has been adjusted as the credit is not related to the current year underlying performance of the Swiss hospital operations.
- Accelerated amortisation of £7m relating to the Al Noor trade name.
- Restructuring costs of £5m relating to the integration of the Al Noor operations. Consistent with last year's treatment, the underlying income statement has been adjusted for these costs following the combination in 2016. Currently, no further restructuring costs associated with this transaction are expected to be adjusted beyond 31 March 2017.
- £1m gain on the mark-to-market of a put option.

SPIRE HEALTHCARE GROUP

Mediclinic has a 29.9% investment in Spire. The investment in Spire is accounted for on an equity basis recognising the reported profit of £53.6m for the 12 months to 31 December 2016 ("**Spire's FY16**"). The equity accounted share of profit from Spire recognised by Mediclinic during the period under review was £12m (2016: £6m) after adjusting for the amortisation of intangible assets recognised in the notional purchase price allocation for the Group's acquisition of its equity investment.

Spire's FY16 saw solid growth with adjusted revenue up 5.8%, adjusted EBITDA up 5.4% and comparable EPS (excluding exceptionals and tax one-offs) up 4.9%. Total patient admissions grew 2.3% driven by self-pay and NHS volume growth. After adjusting for St Anthony's and prior year disposals, Spire's adjusted EBITDA margin remained stable at 18.2%, while EBITDA conversion to operating cash flow increased to 115% before exceptional items and tax.

FOREIGN EXCHANGE RATES

Although the Group reports its results in British pound, the operating segments profits are generated in Swiss franc, UAE dirham and the South African rand. Consequently, movement in exchange rates affected the reported earnings and reported balances in the statement of financial position.

Foreign exchange rate sensitivity:

- The impact of a 10% change in the GBP/CHF exchange rate for a sustained period of one year is that profit for the year would increase/decrease by £14m (2016: increase/decrease by £11m) due to exposure to the GBP/CHF exchange rate.
- The impact of a 10% change in the GBP/ZAR exchange rate for a sustained period of one year is that profit for the year would increase/decrease by £8m (2016: increase/decrease by £7m) due to exposure to the GBP/ZAR exchange rate.
- The impact of a 10% change in the GBP/AED exchange rate for a sustained period of one year is that profit for the year would increase/decrease by £2m (2016: increase/decrease by £6m) due to exposure to the GBP/AED exchange rate.

During the period under review, the average and closing exchange rates were the following:

	2017	2016	Variance %
Average rates:			
GBP/CHF	**1.29**	1.47	(12%)
GBP/AED	**4.80**	5.54	(13%)
GBP/ZAR	**18.41**	20.73	(11%)
Period end rates:			
GBP/CHF	**1.25**	1.38	(9%)
GBP/AED	**4.59**	5.28	(13%)
GBP/ZAR	**16.74**	21.21	(21%)

CASH FLOW

The Group continued to deliver strong cash flow converting 101% (2016: 96%) of underlying EBITDA into cash generated from operations. Cash and cash equivalents increased from £305m to £361m.

INTEREST-BEARING BORROWINGS

Interest-bearing borrowings increased from £1 841m at 31 March 2016 to £2 030m at 31 March 2017. This increase is mainly as a result of the change in the closing exchange rates, offset by a loan amortisation payment. During the reporting period, the bridge facility was repaid using additional financing facilities in South Africa and the Middle East.

	2017 £'m	2016 £'m
Interest-bearing	**2 030**	1 841
Less: cash and cash equivalents	**(361)**	(305)
Net debt	**1 669**	1 536
Total equity	**4 164**	3 570
Debt-to-equity capital ratio	**0.4**	0.4

ASSETS

Property, equipment and vehicles increased from £3 199m at 31 March 2016 to £3 703m at 31 March 2017. This increase is mainly as a result of additions as well as the change in closing exchange rates.

Intangible assets increased from £1 941m at 31 March 2016 to £2 156m mainly because of the change in closing exchange rates.

INCOME TAX

The Group's effective tax rate decreased from 22.4% in the prior year to 20.8% for period under review predominantly due to the following:

- the tax rate decreased by 4.2% in respect of prior year one-off non-deductible expenses which were not incurred in the period under review. This was related to Al Noor transaction costs as well as an accelerated IFRS 2 charge; and
- the tax rate increased by 3.0% due to a reduced contribution by Middle East to earnings.

EARNINGS RECONCILIATIONS

2017 STATUTORY RESULTS	Total £'m	Switzerland £'m	Southern Africa £'m	Middle East £'m	United Kingdom £'m	Corporate £'m
Revenue	**2 749**	1 321	780	648	–	–
Operating profit	**362**	201	140	28	–	(7)
Profit attributable to equity holders*	**229**	141	67	22	12	(13)
RECONCILIATIONS						
Operating profit	**362**	201	140	28	–	(7)
Add back:						
– Other gains and losses	**2**	–	–	(1)	–	3
– Depreciation and amortisation	**145**	76	25	44	–	–
EBITDA	**509**	277	165	71	–	(4)
One-off and exceptional items:						
Past service cost credit	**(13)**	(13)	–	–	–	–
Restructuring costs	**5**	–	–	5	–	–
Underlying EBITDA	**501**	264	165	76	–	(4)
Profit attributable to equity holders*	**229**	141	67	22	12	(13)
One-off and exceptional items:						
Past service cost credit	**(13)**	(13)	–	–	–	–
Restructuring costs	**5**	–	–	5	–	–
Fair value gains on ineffective cash flow hedges	**(13)**	(13)	–	–	–	–
Other gains and losses	**(1)**	–	–	(1)	–	–
Accelerated amortisation	**7**	–	–	7	–	–
Tax on one-off and exceptional items	**6**	6	–	–	–	–
Underlying earnings	**220**	121	67	33	12	(13)
Weighted average number of shares (millions)	**736.9**					
Underlying earnings per share (pence)	**29.8**					

* *Profit attributable to equity holders in Switzerland is shown after the elimination of inter-company loan interest of £16m.*

EARNINGS RECONCILIATIONS (continued)

2016 STATUTORY RESULTS	Total £'m	Switzerland £'m	Southern Africa £'m	Middle East £'m	United Kingdom £'m	Corporate £'m
Revenue	**2 107**	1 130	649	328	–	–
Operating profit	**288**	165	109	58	–	(44)
Profit attributable to equity holders*	**177**	113	53	55	6	(50)
RECONCILIATIONS						
Revenue	**2 107**	1 130	649	328	–	–
Pre-acquisition Swiss tariff provision release	**(7)**	(7)	–	–	–	–
Underlying revenue	**2 100**	1 123	649	328	–	–
Operating profit	**288**	165	109	58	–	(44)
Add back:						
– Other gains and losses	**1**	–	–	–	–	1
– Depreciation and amortisation	**93**	63	20	10	–	–
EBITDA	**382**	228	129	68	–	(43)
One-off and exceptional items:						
Transaction cost (Al Noor acquisition)	**41**	–	–	–	–	41
Accelerated share-based payment charges	**10**	–	10	–	–	–
Pre-acquisition Swiss tariff provision release	**(7)**	(7)	–	–	–	–
Restructuring costs	**2**	–	–	2	–	–
Underlying EBITDA	**428**	221	139	70	–	(2)
Profit attributable to equity holders*	**177**	113	53	55	6	(50)
One-off and exceptional items:						
Transaction cost (Al Noor acquisition)	**41**	–	–	–	–	41
Accelerated share-based payment charges	**10**	–	10	–	–	–
Pre-acquisition Swiss tariff provision release	**(7)**	(7)	–	–	–	–
Restructuring costs	**2**	–	–	2	–	–
Fair value gains on ineffective cash flow hedges	**(8)**	(8)	–	–	–	–
Other gains and losses	**1**	–	–	–	–	1
Tax on one-off and exceptional items	**3**	3	–	–	–	–
Underlying earnings	**219**	101	63	57	6	(8)
Weighted average number of shares (millions)	**598.4**					
Underlying earnings per share (pence)	**36.7**					

* *Profit attributable to equity holders in Switzerland is shown after the elimination of inter-company loan interest of £17m.*

TAX STRATEGY

The Group is committed to conduct its tax affairs consistent with the following objectives:

- comply with relevant laws, rules, regulations, and reporting and disclosure requirements in whichever jurisdiction it operates; and
- maintain mutual trust and respect in dealings with all tax authorities in the jurisdictions the Group does business.

Whilst the Group aims to maximise the tax efficiency of its business transactions, it does not use structures in its tax planning that are contrary to the intentions of the relevant legislature. The Group interprets relevant tax laws in a reasonable way and ensures that transactions are structured in a way that is consistent with a relationship of co-operative compliance with tax authorities. It also actively considers the implications of any planning for the Group's wider corporate reputation.

In order to meet these objectives, various procedures are implemented. The Audit and Risk Committee has reviewed the Group's tax strategy and related corporate tax matters.

OUTLOOK

The Group's main strategic focus remains to ensure high-quality care and optimal patient experience. To this end, Mediclinic continues to invest in its people, patient facilities and the technology within the facilities. The Group's growing international scale also enables it to unlock further value through promoting collaboration and best practice between its operating platforms and to extract further synergies and cost-efficiencies. The Group is well-positioned to deliver long-term value to its shareholders with a well-balanced portfolio of global operations, a leading position across all four attractive healthcare markets and a platform for future growth.

Demand for Mediclinic's services across its platforms remains robust, underpinned by an ageing population, growing disease burden and technological innovation. However, the increase in demand across the platforms is impacted by lower economic growth and greater competition. In addition, there is an increased focus on the affordability of delivering healthcare which is resulting in changing care delivery models and greater regulatory oversight.

The Group provides the following guidance for the financial year ending 31 March 2018 ("**FY18**"):

- Hirslanden: Given the already high occupancy rates and stable bed numbers the Group anticipates modest revenue growth. The underlying EBITDA margin is expected to be lower. This is due to the tariff and regulatory environment including the impact from the proposed national TARMED adjustment and outmigration framework coming in the fourth quarter FY18, increasing costs relating to several major projects including Hirslanden 2020 and assumes no further tariff provision releases that benefited FY17. The impacts of these will partially be offset by ongoing efficiency gains.
- Mediclinic Southern Africa: The Group expects revenue growth in line with inflation despite the challenging macro-economic environment, greater competition and funder constraints. Despite cost inflation running above tariff increases, the underlying EBITDA margin is expected to remain broadly stable through increased efficiencies.
- Mediclinic Southern Africa and Hirslanden business days will be impacted by two Easter holiday periods in the current year.
- Mediclinic Middle East: The Dubai operating performance is expected to remain stable despite the competitive landscape. A gradual improvement is expected in the Abu Dhabi business over the next couple of years. As a result, the Group expects only a marginal improvement in Middle East revenues for the full year and a more gradual improvement in underlying EBITDA margins over time, including the impact associated with the opening of new facilities. First half FY18 Middle East performance versus the prior year comparator is expected to be lower largely due to the higher patient volumes and revenues in Abu Dhabi prior to the regulatory changes, asset sales and business and operational alignment initiatives during FY17.
- The Group's budgeted capital expenditure is £281m in constant currency. This comprises £118m in Hirslanden, £71m in Mediclinic Southern Africa and £92m in Mediclinic Middle East.

DIVIDEND POLICY AND PROPOSED DIVIDEND

The Group's dividend policy is to target a pay-out ratio of between 25% and 30% of underlying earnings. The Board may revise the policy at its discretion.

The Board proposes a final dividend of 4.70 pence per ordinary share for the year ended 31 March 2017 for approval by the Company's shareholders at the annual general meeting on Tuesday, 25 July 2017. Together with the interim dividend of 3.20 pence per ordinary share for the six months ended 30 September 2016 (paid on 12 December 2016), the total final proposed dividend reflects a 27% distribution of underlying Group earnings attributable to ordinary shareholders.

Shareholders on the South African register will be paid the ZAR cash equivalent of 80.60500 cents (64.48400 cents net of dividend withholding tax) per share. A dividend withholding tax of 20% will be applicable to all shareholders on the South African register who are not exempt therefrom. The ZAR cash equivalent has been calculated using the following exchange rate: £1:ZAR17.15, being the five-day average ZAR/GBP exchange rate on Friday, 19 May 2017 at 3:00pm GMT Bloomberg.

FIVE-YEAR SUMMARY

The Five-year Summary is presented in British pound, rounded to the nearest million. Financial information of 2013 to 2015 was reported in South African rand and has been translated to British pound using the procedures outlined below:

- assets and liabilities were translated at the closing British pound rates;
- income and expenses were translated at average British pound exchange rates; and
- differences resulting from re-translation have been recognised in the foreign currency translation reserve.

INCOME STATEMENT	**2017 £'m**	2016 £'m	2015 £'m	2014 £'m	2013 £'m
Revenue	**2 749**	2 107	1 977	1 892	1 818
Operating profit	**362**	288	345	342	307
Profit after tax	**243**	190	254	223	(63)
Underlying revenue	**2 749**	2 100	1 977	1 892	1 829
Underlying EBITDA	**501**	428	403	401	390
Underlying earnings	**220**	219	193	189	143

EARNINGS PER SHARE	**2017 pence**	2016 pence	2015 pence	2014 pence	2013 pence
Basic earnings basis	**31.0**	29.6	44.6	41.4	(17.7)
Diluted earnings basis	**31.0**	29.5	43.8	40.5	(17.2)
Basic underlying earnings basis	**29.8**	36.7	35.8	37.3	30.9
Diluted underlying earnings basis	**29.8**	36.7	35.1	36.5	30.0
Dividends declared per share	**7.90**	7.90	9.33	8.90	9.62

STATEMENTS OF FINANCIAL POSITION	**2017 £'m**	2016 £'m	2015 £'m	2014 £'m	2013 £'m
ASSETS					
Non-current assets	**6 353**	5 604	3 654	3 369	3 405
Current assets	**1 069**	945	742	638	630
Total assets	**7 422**	6 549	4 396	4 006	4 034
EQUITY					
Owners of the parent	**4 086**	3 509	1 779	1 390	1 223
Non-controlling interest	**78**	61	61	52	57
Total equity	**4 164**	3 570	1 840	1 442	1 280
LIABILITIES					
Non-current liabilities	**2 668**	2 192	2 114	2 096	2 324
Current liabilities	**590**	787	442	468	430
Total liabilities	**3 258**	2 979	2 556	2 564	2 754
Total equity and liabilities	**7 422**	6 549	4 396	4 006	4 034

INVESTMENT CASE

Mediclinic seeks to achieve long-term value creation through sustainable operating practices and returns-driven capital allocation. This is summarised as follows:

COMMITMENT TO QUALITY CARE

- As a healthcare services provider, the Group is invested in a positive outcome for patients and their families.
- Continuous focus on patient safety and excellence in clinical performance.

POSITIVE GROWTH

- Technological advances, ageing population, consumerism, the burden of disease and public funding limitations drive the growth in private healthcare globally.

STRONG TRACK RECORD

- Led by an experienced Board and management team with an average corporate level tenure of over 20 years.
- Long-term commitment since inception from Remgro, Mediclinic's founding shareholder.

LEADING INTERNATIONAL PRESENCE

- Diversified portfolio of operating platforms and investments: Southern Africa, Switzerland, the Middle East and the United Kingdom.
- Strong market positions in all regions.

GLOBAL PRIVATE HEALTHCARE GROUP BENEFITS

- Scale of operations leads to efficiencies in procurement, information technology and clinical services.
- Breadth of intellectual property applied across the Group.
- Trusted provider of hospital services in developed and developing markets.

INVESTMENT IN INFRASTRUCTURE

- Extensive property ownership provides valuable operational flexibility and asset underpin to the business.
- Infrastructure is maintained through a process of continuous evaluation and investment.

INVESTMENT IN GROWTH

- Opportunities for further growth exist in all platforms and new territories.
- Capital allocation driven by strategy and evaluated on a risk-adjusted returns basis.

FINANCIAL CONTROL

- Maintaining high standards of cost-efficiency and financial discipline.
- Strong cash flow generation.
- Targeted dividend pay-out ratio of 25% to 30% of underlying earnings per share.

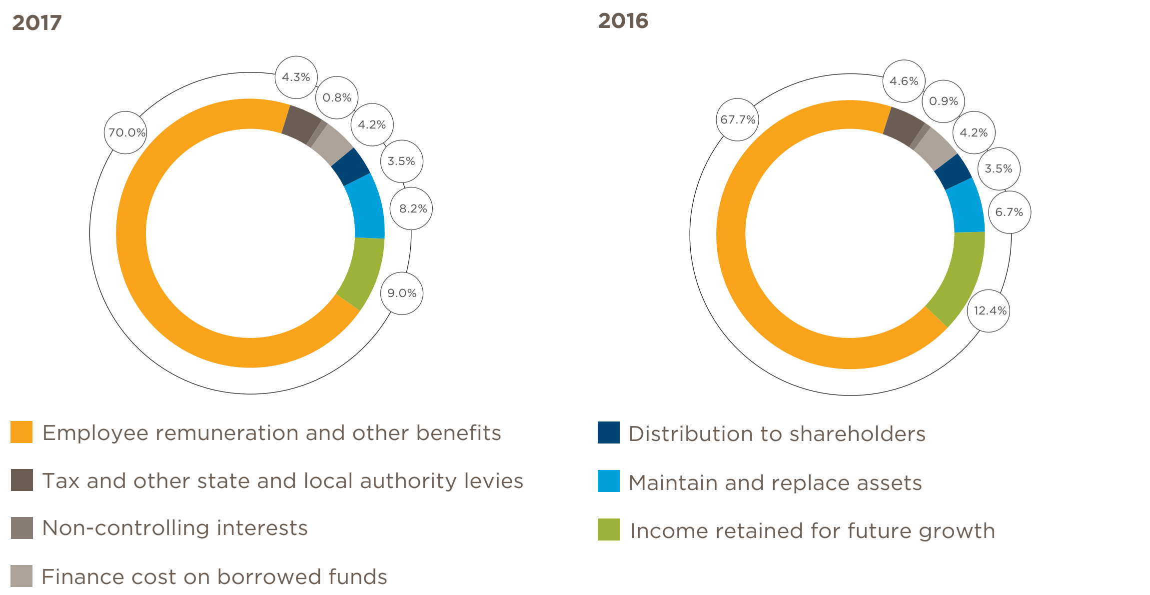
SUSTAINABILITY

- Committed to managing the business in a sustainable way, upholding the highest standards of ethics and corporate governance practices; and value and respect of employees, communities and the environment.
- Focus on integrity to maintain and improve confidence, trust and respect of all stakeholders.

VALUE ADDED STATEMENT

	2017 £'m	2017 %	2016 £'m	2016 %
VALUE CREATED				
Revenue	**2 749**		2 107	
Cost of materials and services	**(997)**		(736)	
Finance income	**7**		9	
	1 759	**100.0**	1 380	100.0
DISTRIBUTION OF VALUE				
To employees as remuneration and other benefits	**1 231**	**70.0**	934	67.7
Tax and other state and local authority levies (excluding VAT)	**75**	**4.3**	63	4.6
To suppliers of capital				
Non-controlling interests	**14**	**0.8**	13	0.9
Finance cost on borrowed funds	**74**	**4.2**	58	4.2
Distribution to shareholders	**62**	**3.5**	48	3.5
	1 456	**82.8**	1 116	80.9
VALUE RETAINED				
To maintain and replace assets	**145**	**8.2**	93	6.7
Income retained for future growth	**158**	**9.0**	171	12.4
	303	**17.2**	264	19.1

DISTRIBUTION OF VALUE



BUSINESS MODEL

Mediclinic's business model has resulted in quality service delivery, manageable risks, and generally a business that sustains growth and creates value for its stakeholders. The business model varies slightly in the three operating platforms. In Mediclinic Southern Africa, operations are supported by specialists who are not employed by the Group, but operate independently. This is a regulatory limitation in terms of the Health Professions Council of South Africa, which prohibits the employment of doctors by private hospitals, although permission has been obtained to appoint doctors in emergency units. In Hirslanden and Mediclinic Middle East, some doctors are employed, while other doctors are independent.

OUR VISION

TO BE RESPECTED INTERNATIONALLY AND PREFERRED LOCALLY

WE WILL BE RESPECTED INTERNATIONALLY FOR:

- delivering measurable quality clinical outcomes
- continuing to grow as a successful international healthcare group
- enforcing good corporate governance
- acting as a responsible corporate citizen

WE WILL BE PREFERRED LOCALLY FOR:

- delivering excellent patient care
- ensuring aligned relationships with doctor communities
- being an employer of choice, appointing and retaining competent staff
- building constructive relationships with all stakeholders
- being a valued member of the community

OUR RELENTLESS FOCUS ON PATIENT NEEDS WILL CREATE LONG-TERM SHAREHOLDER VALUE AND ESTABLISH MEDICLINIC INTERNATIONAL AS A LEADER IN THE GLOBAL HEALTHCARE INDUSTRY.

BUSINESS INPUTS/RESOURCES

FINANCIAL[1]
Mediclinic has a strong financial profile, underpinned by an extensive property portfolio. The Group has good access to capital and invests for growth, generating positive cash flow and a track record of good returns on its capital investments.

MANUFACTURED[2]
Mediclinic has a leading position in the key markets in which it operates. The Group owns, develops and operates 74 high-quality hospitals and 37 clinics, providing over 10 400 beds across three regions, utilising technology of an international standard.

HUMAN
The Group employs over 32 600 employees across its three platforms. During the year, the Group invested 3.2% of Mediclinic Southern Africa's payroll, 4.8% of Hirslanden's payroll, and 0.1% of Mediclinic Middle East's payroll in training across all platforms, including extensive formal nurse training in Southern Africa.

INTELLECTUAL
Mediclinic has an experienced Board and management team with deep industry knowledge. The continued growth of Mediclinic is testament to the strong management team and their ability to execute the Group's strategy. The expertise of the Group's clinical staff is a critical element of its business, allowing it to provide quality healthcare services[2].

SOCIAL AND RELATIONSHIPS[3]
Mediclinic has excellent relationships with key stakeholders, regularly engaging with employees, funders, patients, supporting doctors, suppliers, governments and communities. It has a proven commitment to ensure a high standard of ethics, social responsibility, accountability, cooperation and transparency.

NATURAL[3]
The Group is committed to efficient energy use in all its hospitals and continuously strives to reduce its water consumption and carbon emissions, with an increasing number of its hospitals certified to the ISO 14001 standard.

1 *Please see the* ***Financial Review*** *from page 14.*

2 *Please see the* ***Clinical Services Overview*** *from page 37 and the* ***Clinical Services Report*** *available on the Company's website at* ***www.mediclinic.com****.*

3 *Please see the* ***Sustainable Development Highlights*** *from page 54 and the* ***Sustainable Development Report*** *available on the Company's website at* ***www.mediclinic.com****.*

HOW WE GENERATE VALUE

INVESTING IN

GROWTH AND EXPANSION OF THE GROUP'S WORLD CLASS FACILITIES
The Group has a track record of investing in carefully selected capital projects that deliver satisfactory returns and has demonstrated the ability to integrate and extract value from acquisitions and expansions. Mediclinic builds and continuously improves its facilities across its platforms, investing in medical technology of an international standard to offer the best care possible.

HIGHLY QUALIFIED STAFF
Continuous investment in the training and development of staff creates a highly-trained workforce and talent pipeline. Our Global Reward Centre of Excellence ensures optimal remuneration practices across the Group. Integrated talent strategies are deployed to ensure proactive attraction and retention of scarce skills.

IMPROVING EFFICIENCIES
A relentless focus on extracting efficiencies from key business processes, using resources as effectively as possible and driving cost savings and synergies across the Group, are critical to ensure that it delivers cost-efficient services.

PROVIDING

CARE
The Group's main business activity is caring for patients. Deep operational expertise delivers a seamless patient experience, underpinned by high-quality nursing care.

DELIVERING VALUE TO

PATIENTS
Through superior clinical performance in a safe clinical environment and through providing the best possible patient experience in an increasingly integrated and coordinated manner.

SHAREHOLDERS
Through growth in capitalisation and shareholders returns, with the balance of funds retained for investment in expansion.

BUSINESS OUTCOMES

SHAREHOLDER VALUE
A focus on disciplined cost management and improving efficiencies has delivered a strong track record of growth in revenue and EBITDA with a total dividend to shareholders of 7.90 pence per share (refer to the **Directors' Report** on page 128 for a record of dividends for the year).

QUALITY HEALTHCARE SERVICES
All three platforms have seen an increase in inpatient admissions, benefiting from superior clinical performance through the skill of Mediclinic's staff and supporting doctors and the standard of its facilities, as well as high levels of patient experience. During the year, £303m (2016: £264m) was retained for future growth and to maintain and replace assets.

HIGHLY SKILLED WORKFORCE
During the year, £1 231m (2016: £934m) was paid to employees as remuneration and other benefits, alongside investment in the training and well-being of staff, creating a motivated and engaged workforce, both in clinical and business services.

GOVERNMENT
The Mediclinic Group contributed £75m (2016: £63m) in taxes and other state and local authority levies to the economies where it operates during the year.

SOCIETY
Mediclinic makes an economic and social contribution to the communities where it operates with a corporate social investment of ZAR12.3m (2016: ZAR11.8m) by Mediclinic Southern Africa, CHF2.5m (2016: CHF2.5m) by Hirslanden and AED1.0m (2016: AED0.8m) by Mediclinic Middle East during the year.

ENVIRONMENT
The Company was included in the CDP's global 2016 Climate A List recognising companies for their actions in mitigating climate change, focusing mainly on Mediclinic Southern Africa's environmental management.

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OUR STRATEGY, PROGRESS AND AIMS

OUR OBJECTIVE

Mediclinic's overall objective is to generate long-term shareholder value through:

- putting *Patients First*;
- improving efficiencies;
- continuing to grow; and
- investing in employees.

STRATEGIC PRIORITIES	DESCRIPTION
PUTTING *PATIENTS FIRST* – SUPERIOR CLINICAL PERFORMANCE IN A SAFE CLINICAL ENVIRONMENT AR CSR SDR More information on this priority is included in the **Clinical Services Overview** and the **Sustainable Development Highlights** (material issue 1), as well as the more detailed **Clinical Services Report** and the **Sustainable Development Report** available on the Company's website at **www.mediclinic.com**.	The Group strives to ensure that the clinical services provided across all platforms are effective, efficient and occur within a safe clinical environment.
PUTTING *PATIENTS FIRST* – IMPROVED PATIENT EXPERIENCE AR CSR SDR More information on this priority is included in the **Clinical Services Overview** and the **Sustainable Development Highlights** (material issue 1), as well as the more detailed **Clinical Services Report** and the **Sustainable Development Report** available on the Company's website at **www.mediclinic.com**.	The Group focuses on improved patient experience in processes, accommodation and aesthetics, meals and nutrition, interactions with doctors, points of care and hospitality towards visitors and family.

	PROGRESS 2016/17 FY	AIMS 2017/18 FY
	• Reinforced clinical governance by reconstituting the Quality Committee as a Clinical Performance and Sustainability Committee of the Board, designing a clinical performance model, and strengthening the *Group* leadership team. • Created alignment across the *Group* through standardised clinical key performance indicator reporting. • In *Southern Africa*, increased the number of hospital clinical managers to 11; progressed on key clinical performance indicators; improved transparency by reporting hospital-specific clinical performance indicators to medical schemes; and elevated the reporting and investigation of serious adverse events. • In *Switzerland*, progressed with the clinical information system; and successfully initiated a pilot project on patient-related outcome measurement relating to joint replacements. • In the *Middle East*, developed a clinical strategy for the combined business (post the Al Noor Combination); revised the clinical strategy for each business unit; and selected an electronic health record system.	• Further refine the clinical performance model and indicators. • Develop clinical services initiatives for the benefit of the *Group*. • In *Southern Africa*, improve the processes that prevent serious adverse events; and refine nursing workforce effectiveness. • In *Switzerland*, identify patient pathways qualifying for standardisation. • In the *Middle East*, implement standardised outcome databases; commence roll-out of standardised electronic health record system; and set centralised clinical strategies for key service lines.
	• Rolled out the patient experience index in *Switzerland*. • Managed the patient experience indices and set targets for improvement in *Southern Africa* and *Middle East (Dubai business)*. • In *Southern Africa*, improved data quality, hosted workshops, developed focused and appropriate action plans; and developed and implemented a complaint handling component of a stakeholder relationship management system. • In the *Middle East*, improved facilities in especially the Abu Dhabi/Al Ain businesses; aligned revenue management processes to become more patient centred; upgraded the contact centre services for patients; ran clinical communication training; and conducted patient experience training for hospital and contracted staff aligned with the rebranding in Abu Dhabi/Al Ain.	• Further refine patient experience index and set targets for improved performance across the *Group*. • In *Southern Africa*, release a summary of the patient experience index publicly; standardise communication with patients and family; and complete the implementation of hourly rounding, handover in front of patients and flexible visiting hours initiatives. • In *Switzerland*, analyse patient experience index of new system and determine action plans. • In the *Middle East*, continue to roll out and embed the standardised patient experience index across the combined business (post the Al Noor Combination).

STRATEGIC PRIORITIES	DESCRIPTION	
PUTTING *PATIENTS FIRST* – DELIVER INTEGRATED AND COORDINATED CARE AR CSR More information on this priority is included in the **Clinical Services Overview** and the more detailed **Clinical Services Report** available on the Company's website at **www.mediclinic.com**.	The Group is gradually moving towards a better integrated healthcare delivery model, with a key focus on improving collaboration and coordination between clinical care providers.	
IMPROVING EFFICIENCIES – IMPROVED OPERATIONAL EFFECTIVENESS AR More information on this priority is included in the **Chief Executive Officer's Review**.	The Group seeks to leverage its combined international capacity through collaboration and shared resources. The Group pursues various initiatives throughout its operating platforms to improve operational efficiency.	
CONTINUING TO GROW	The Group pursues growth by increasing capacity at existing infrastructure, acquisitive or organic growth in existing platforms and considering further international acquisitions.	

PROGRESS 2016/17 FY	AIMS 2017/18 FY
• In *Southern Africa*, strengthened the clinical management at hospital level, shared information with doctors; commenced with a pilot project at five hospitals to lay the foundation for improved collaboration with doctors; and pioneered an integrated hip and knee replacement protocol at 35 hospitals with good support from orthopaedic surgeons and medical schemes. • In *Switzerland*, set a policy for indication quality and the introduction of indication boards; commenced a project to introduce fast track orthopaedics; and implemented a common structure for highly specialised medicine services. • In the *Middle East*, simplified the operational structure; improved the internal referral processes and system; combined clinical senior leadership meetings; and increased the number of clinical practice guidelines.	• Continue to develop structures to encourage integrated, collaborative and coordinated care across the *Group*. • Continue with operational initiatives to integrate, collaborate and coordinate where possible, and continue to pursue a multi-disciplinary approach to treatment across the *Group*.
• Improved the standardisation of processes and systems through the continued introduction of SAP enterprise resource planning software across the *Group*. • Broadened master data management and data warehouse projects across the *Group*. • Strengthened central ICT by establishing support infrastructure for SAP, Microsoft and network security environments, generating savings for the *Group*.	• Expand scope for central synergies focused on clinical services, ICT and human resources for the benefit of the *Group*. • Develop cost ratio benchmarks setting productivity indices across the *Group*. • Establish a corporate finance strategy for the *Group*. • Improve *Group* reporting capabilities. • In *Southern Africa*, manage salary costs and improve theatre efficiency. • In *Switzerland*, roll out a first phase of the programme for service differentiation per insurance type; and continue with the “Hirslanden 2020” project to improve operational efficiency. • In the *Middle East*, develop pricing strategies for implementation; improve collections and reduce rejections of claims; further refine operational structures; and standardise to SAP.
• In *Southern Africa*, commissioned 78 new beds at existing hospitals; approved the development of five new day clinics; acquired, subject to regulatory approvals, a controlling share in three hospitals with 256 beds in Klerksdorp; and acquired, subject to due diligence and regulatory approvals, a 50% + 1 share interest in Life Path Health (mental health). • In *Switzerland*, opened a new hybrid operating theatre and outpatient surgery unit at Hirslanden Clinique Cecil, a third cardiac catheterisation laboratory at Hirslanden Klinik Aarau and completed two new modular operating theatres at Hirslanden Klinik St. Anna and Hirslanden Klinik Stephanshorn, respectively. • In the *Middle East*, commenced construction of the Mediclinic Parkview Hospital (161 beds); opened Aspetar, Ghayathi and Al Yaher (Golden) clinics; opened the North Wing of Mediclinic City Hospital (27 beds); and opened Al Jowhara Hospital (51 beds).	• Evaluate further growth opportunities across the *Group* applying risk-adjusted returns. • In *Southern Africa*, grow acute care business with 54 additional beds; continue day clinic roll out; and grow related business focusing on psychiatric and primary care. • In *Switzerland*, evaluate and analyse related business opportunities; and implement further shared service and centre of excellence structures according to “Hirslanden 2020”. • In the *Middle East*, commission Khalifa City A clinic; progress with Mediclinic Parkview Hospital; and consider alternative growth options such as public private partnerships.

STRATEGIC PRIORITIES	DESCRIPTION	
INVESTING IN EMPLOYEES More information on this priority is included in the **Sustainable Development Highlights** (material issue 2), as well as the more detailed **Sustainable Development Report** available on the Company's website at **www.mediclinic.com**.	The Group relies on identifying, attracting and retaining leading specialists and talented healthcare professionals. The Group also measures the engagement of its employees and focuses on targeted initiatives to improve employee engagement.	
IMPROVING EFFICIENCIES – LEVERAGE INTERNATIONAL GROUP BENEFITS	The Group uses central resources to achieve procurement efficiencies across all platforms.	

	PROGRESS 2016/17 FY	AIMS 2017/18 FY
	• Introduced action plans to improve employee engagement and conducted a second survey through the employee engagement index across the *Group*. • In *Southern Africa*, completed the initiative to double training capacity by changing the nurse training funding model and expanding training capacity; and designed and prepared to launch an employee recognition programme. • In *Switzerland*, launched the Leadership Development Programme for senior management with the aim to further promote a culture of teamwork and feedback. • In the *Middle East*, standardised working and employment conditions across the combined business (post the Al Noor Combination).	• Continue to measure progress with employee engagement based on the employee engagement index across the *Group*. • Continue to implement targeted improvement plans based on the Employee Engagement Index across the *Group*. • In *Southern Africa*, implement new training programmes for new nursing qualifications; and launch the employee recognition programme. • In *Switzerland*, progress with the concept of a Hirslanden Private Medical School for medical doctors; evaluate potential cooperation partners in the field of nurse training; and continue with the range of training programmes for all types and levels of employment. • In the *Middle East*, build on the affiliation with the Mohammed Bin Rashid University Medical School Programme, which will give direct access to a new pool of medical students and newly qualified doctors; implement the employee engagement index and the related processes to the Abu Dhabi/Al Ain part of the business; and develop and Emiratisation strategy.
	• Established a Group Purchasing Organisation to generate savings on the procurement of major capital items as well as surgical and consumable products across the *Group*.	• Expand savings initiatives on the procurement of major capital items and high volume surgical and consumable products across the *Group*.

RISK MANAGEMENT, PRINCIPAL RISKS AND UNCERTAINTIES

The Board is ultimately accountable for the Group's risk management process and system of internal control. In terms of a mandate by the Board, the Audit and Risk Committee monitors the risk management process and systems of internal control of the Group. The Board oversees the activities of the Audit and Risk Committee, the Group's internal and external auditors, and the Group's risk management function as delegated to the Company's Audit and Risk Committee.

RISK MANAGEMENT

The Group's Enterprise-wide Risk Management ("**ERM**") policy follows the international Committee of Sponsoring Organisations of the Treadway Commission ("**COSO**") framework and defines the risk management objectives, methodology, risk appetite, risk identification, assessment and treatment processes and the responsibilities of the various risk management role-players in the Group. The ERM policy is subject to annual review, and any amendments are submitted to the Audit and Risk Committee for approval.

The objective of risk management in the Group is to establish an integrated and effective risk management framework where important and emerging risks are identified, quantified and managed. An ERM software application supports the Group's risk management process in all three operating platforms. The Group's principal risk items (grouped by COSO category, business process and strategic priorities), the movement in risk during the financial year, together with key measures taken to mitigate these risks, are listed in the table below.

KEY

REFERENCE	COSO CATEGORY	BUSINESS PROCESSES	STRATEGIC PRIORITIES
1	Strategic and market	Strategy management; strategic investments	• Continue to grow • Leverage international Group benefits • Invest in employees • Improve safe, quality clinical care and patient safety • Deliver integrated, coordinated care • Improve efficiencies
2	Operational effectiveness and quality	Human resources; information and communications technology ("**ICT**"); clinical; infrastructure; marketing and corporate communication; operations	
3	Financial and reporting risks	Revenue cycle; procure to pay cycle; payroll cycle; cost control; assets management; treasury	
4	Compliance risks	Legal and secretarial; governance risk and compliance; environmental management	

↑	Risk exposure increased due to change in business environment, increased investments, increased dependency of operations on information technology, information sensitivity and cost involved.
↓	Proactive and continuous monitoring, favourable results of negotiations, effective treasury and risk management processes have resulted in lowering of risk exposure.
→	Risk exposure has not changed much as the operating and regulatory environment has more or less remained the same and enhanced risk mitigation measures have kept the risk at same level.

PRINCIPAL RISK	MOVEMENT IN 2017	DESCRIPTION OF RISK	MITIGATION OF RISK
REGULATORY AND COMPLIANCE RISK 1 4	→	Adverse changes in laws and regulations impacting the Group or the failure to comply with laws and regulations which may result in losses, fines, prosecution or damage to reputation. The risk includes ethical and governance risks that refer to unexpected negative consequences of unethical actions or the failure of the control and oversight mechanisms which were designed and implemented to uphold the ethical standards and controls of the organisation.	• Proactive engagement strategies with stakeholders • Health policy units created to conduct research and provide strategic input for reform processes • Active industry participation across all platforms • Company secretarial and legal departments support operational management, monitor regulatory developments and, where necessary, obtain expert legal advice for the effective implementation of compliance initiatives • Compliance risks identified and assessed as part of departmental risk registers • Compliance management • Visible ethical leadership • Monitoring and investigation of incidents reported on the ethics line • Board-level oversight
COMPETITION 1	↑	The risk relating to the uncertainty created by the existence of competitors or the emergence of new competitors with their own strategies. The risk includes the outmigration of care, partly driven by further technological developments and the development of alternative care models.	• Proactive monitoring • Strategic planning processes • Quality and value of care processes
BUSINESS INVESTMENT AND ACQUISITION RISKS 1	→	The increased financial exposure relating to major strategic business investments and acquisitions. During the prior financial year, Mediclinic made strategic investments in Spire Healthcare, and acquired the Al Noor Hospitals Group.	• Strategic planning processes • Due diligence processes • Investment mandates • Board oversight • Post-acquisition management processes
ECONOMIC AND BUSINESS ENVIRONMENT 1	↑	The downturn in the general economic and business environment, including all those factors that affect a company's operations, customers, competitors, stakeholders, suppliers and industry trends. The business environment risk includes the power of funders and the potential negative impact on tariffs and fees resulting from the shift of the relative negotiating power towards funders, away from healthcare service providers.	• Systems to monitor developments in the economic and business environment of trends and early warning indicators • Proactive monitoring and negotiation by Group's funder relations departments • Focus on quality and continuum of care to reinforce the Company's position

PRINCIPAL RISK	MOVEMENT IN 2017	DESCRIPTION OF RISK	MITIGATION OF RISK
OPERATIONAL AND CREDIT RISKS 3 2		Operational risk refers to various types of operational events with a potential for financial loss. Credit risk is the risk of loss due to a funder's inability to pay the outstanding balance owing, default by banks and/or other deposit-taking institutions, or the inability to recover outstanding amounts due from the patient.	• Preservation of a sound internal financial control environment • Effective risk management processes • Extensive combined assurance processes • Monitoring operations through KPIs • Continuous enhancement of operational efficiency and cost reduction • Regulated minimum solvency requirements for funders. • Monitoring approved funders • Treasury policy • Board-level oversight
AVAILABILITY AND COST OF CAPITAL (Including financing and liquidity risk) 3		The cost, terms and availability of capital to finance strategic expansion opportunities and/or the refinancing or restructuring of existing debt which was affected by prevailing capital market conditions. The impact of negative interest rates currently prevalent in Switzerland.	• Long-term planning of capital requirements and cash flow forecasting • Scrutiny of cash-generating capacity within the Group • Proactive and long-term agreements with banks and other funders relating to funding facilities • Monitoring compliance with requirements of debt covenants • Further details on capital risk management and the Group's borrowings are contained in the **consolidated financial statements** on page 164.
CLINICAL RISKS 2 1		All clinical risks associated with the provision of clinical care resulting in undesirable clinical care or clinical outcomes. The risks include a pandemic and disease outbreak. A pandemic is an epidemic of infectious disease that is spreading through human populations across a large region. Disease outbreak involves highly infectious diseases with a high mortality rate. Such risks may also result in damage to the Mediclinic brand equity. Brand equity refers to the value of the Group's brand names.	• Refer to the **Clinical Services Overview** from page 37 and the **Clinical Services Report** available on the Company's website at **www.mediclinic.com** for a detailed analysis of the strategies to manage and monitor clinical risks • A Group-wide clinical risk register implemented per platform • Accreditation processes • Clinical governance processes • Monitoring clinical performance indicators • Implementation of comprehensive processes for infection control and prevention • Marketing and communication strategies • Focus on quality management processes • Stakeholder engagement and disclosure strategies

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PRINCIPAL RISK	MOVEMENT IN 2017	DESCRIPTION OF RISK	MITIGATION OF RISK
INFORMATION SYSTEMS SECURITY AND AVAILABILITY RISK 2	→	Information systems security risk (including cyber risk) relates to the unauthorised access to information systems, failure of data integrity and confidentiality. Availability risk relates to the instances where systems are not available for use by its intended users. A risk closely associated with information systems risk is project delivery. Project delivery risk refers to issues or occurrences that may potentially interfere with successful completion of projects, including its scope, timeliness and appropriateness of delivery.	• Comprehensive IT logical access, change and physical access controls • Disaster recovery planning • System design and architecture • Group ICT security committee • Experienced project management team • Proactive monitoring and oversight • Reallocation of tasks and resources
QUALITY AND STABILITY OF OPERATIONAL SERVICES 2 3	→	The risk refers to the quality of service and the stability of the operations. It includes but is not limited to: • incidents of poor service or incidents where operational management fail to respond effectively to complaints. • operational interruptions, which are any disruption of the facility and including the threat of disrupted power or water supply; and • fire and allied perils causing damage or business interruption.	• Patient experience surveys (both internal and external) • Complaints monitoring • Training programmes • Supervision of service levels • Emergency backup power generation • Emergency planning • Plans to deal with disasters • Extensive fire-fighting and detection systems, including comprehensive maintenance processes • Comprehensive insurance to deal with financial impact of potential disasters
AVAILABILITY, RECRUITMENT AND RETENTION OF SKILLED RESOURCES AND MEDICAL PRACTITIONERS 2 3	→	The availability and support of admitting doctors, whether independent or employed, are critical to the services the Group provides. There is a shortage of skilled labour, particularly a shortage of qualified and experienced nursing staff in Southern Africa.	• Monitoring doctor satisfaction, movement and doctors' profiles • Details on the relationship with doctors are provided in the **Sustainable Development Report** available on the Company's website at **www.mediclinic.com**. • The employment recruitment and retention strategies are explained in the **Sustainable Development Highlights** on page 60 and in more detail in the **Sustainable Development Report** available on the Company's website at **www.mediclinic.com**. • Extensive training and skills development programme, and foreign recruitment programme, further explained in the **Sustainable Development Highlights** on page 61 and in more detail in the **Sustainable Development Report** available on the Company's website at **www.mediclinic.com**.

INTERNAL CONTROL AND ASSURANCE

The Group upholds an effective control environment, including a comprehensive system of internal controls which is designed to ensure that risks are mitigated and that the Group's objectives are attained. The system includes monitoring mechanisms and ensures that appropriate actions are taken to correct deficiencies when they are identified. During the year, each operating platform executed its assurance plans. These plans comprise various assurance processes, including internal and external audit processes in place to evaluate the effectiveness of key controls designed to mitigate the significant risks identified in each operating platform.

The Group makes use of an outsourced internal audit function which is closely aligned with the Group risk management function and reports independently to the Audit and Risk Committee of the Board. At each operating platform, the effectiveness of the system of internal financial control is independently evaluated through the internal and external audit programmes. In addition to these audits, the effectiveness of operational procedures is examined internally through various peer review and control self-assessment processes. The results of these assurance processes are monitored by the Group's risk management function and reported to each operating platform's management teams.

Each of the operating platforms has, in addition to the above-mentioned assurance processes, implemented further independent assurance processes with professional organisations which are summarised in the table below.

The company secretaries at Group and operating platform level and the internal legal advisors are responsible for providing guidance in respect of compliance with applicable laws and regulations.

ASSURANCE OUTPUT*		BUSINESS PROCESSES ASSURED	PROVIDER
External calculation of carbon footprint based on carbon emissions data of Mediclinic Southern Africa	[South Africa / Namibia flags]	Carbon footprint calculation	Carbon Calculated
ISO 14001:2004 certification of 41 of Mediclinic Southern Africa's 52 hospitals	[South Africa / Namibia flags]	Environmental management system	British Standard Institute, as accredited by UKAS (United Kingdom Accreditation Service)
COHSASA accreditation of 31 of Mediclinic Southern Africa's participating hospitals, with the remaining eight hospitals undergoing the renewal process	[South Africa / Namibia flags]	Quality standards of healthcare facilities	Council for Health Service Accreditation of Southern Africa (COHSASA), which is accredited by the International Society for Quality in Health Care (ISQua)
ISO 9001:2008 certification of all 16 Hirslanden hospitals and Hirslanden corporate office	[Swiss flag]	Process and quality management	Swiss Association for Quality and Management Systems (SQS)
Self-assessment against European Foundation for Quality Management (EFQM) Excellence Model by all 16 Hirslanden hospitals and Hirslanden Corporate Office	[Swiss flag]	Assessment against the EFQM Excellence Model, a framework for organisational management systems aimed at promoting sustainable excellence within organisations	EFQM Excellence Model
ISO 14001:2015 certification of Hirslanden Klinik Aarau and Hirslanden Clinique La Colline	[Swiss flag]	Environmental management system	Swiss Association for Quality and Management Systems (SQS)
JCI re-accreditation of Mediclinic Middle East hospitals and clinics in Dubai as well as accreditation of Mediclinic Corniche and Mediclinic Al Hili Reaccreditation of Al Noor Hospital – Al Ain branch JCI reaccreditation of Mediclinic Al Noor Hospital in 2017, with accreditation of all Mediclinic Middle East facilities by 2019	[UAE flag]	Quality and safety of patient care	Joint Commission International Accreditation (JCIA)
ISO 15189:2009 certification of the laboratories of Mediclinic Middle East hospitals in Dubai and all clinics in Dubai with in-house laboratories	[UAE flag]	Pathology laboratories of Mediclinic Middle East hospitals and clinics in Dubai	International Organization for Standardization (ISO)
College of American Pathologists (CAP) re-accreditation of the pathology laboratory of Mediclinic City Hospital	[UAE flag]	Pathology laboratory of Mediclinic City Hospital	College of American Pathologists

* *The flags indicate the operating platform where the assurance process is in place.*

[South Africa / Namibia flags] = Mediclinic Southern Africa [Swiss flag] = Hirslanden [UAE flag] = Mediclinic Middle East

VIABILITY STATEMENT

The assessment of viability is an extension of the risk management, budget and forecast process which translates into each of the Group's operating platforms' business plans. The business plans reflect the current Group strategies and their associated risks and the Directors' best estimations of their prospects. Fundamental to the assessment of the Group's prospects, is the long-term business model which has resulted in quality service delivery and revenue growth under manageable risk tolerance.

The budget and forecast process includes a detailed bottom-up approach per platform for the budget year (performed by each clinic and hospital) and the extension of the key assumptions to the forecast period. The budgets are subject to review and, if necessary, re-budgeting. The five-year plans, including the strategic Group goals and objectives, are reviewed and approved by the platform Executive Committees, Mediclinic International Executive Committee and Mediclinic International Board.

The Board has adopted a five-year time frame for the assessment, in line with the Group's business planning period which reflects the impact of investments made in the present period. The five-year period extends beyond the maturities of a material portion of the Group's borrowings in each platform. Under current operating and market circumstances, as well as the existing levels of debt and the forecast headroom in respect of debt covenants, the assumption is that these borrowings would be refinanced broadly in line with the terms and conditions of the existing facilities. The Group successfully refinanced CHF1.9bn and ZAR4.2bn in 2012; CHF1.7bn in 2015; and in 2016 refinanced the UK bridge facility of £266m with facilities amounting to ZAR2.7bn in South Africa and US$155m in the Middle East.

The Audit and Risk Committee monitors the Group's robust risk management process and system of internal control via a mandate from the Board (see pages 118 to 119). The principal risks as detailed on pages 31 to 33 were identified by these systems and, for the purposes of the viability assessment, severe but plausible scenarios reflecting the risks that could impair the viability of the Group were identified for each of the operating platforms to form the basis for stress testing.

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On a platform level the potential impact of each scenario and certain scenarios in combination were modelled and assessed on EBITDA or profit after tax (as appropriate), net debt and debt covenants over the five-year forecast period.

The principal risks and related key assumptions underlying each of the operating platforms' business plans that were flexed in the stress testing are set out in the table below.

PRINCIPAL RISK	KEY ASSUMPTION STRESS TESTED	PLATFORM STRESS TESTED
Economic and business environment; Regulatory risk	Reductions in tariffs and fees	Southern Africa; Switzerland; UAE
Competition; Economic and business environment; Regulatory risk	Reduction in volumes	Southern Africa; UAE
Regulatory risk	Change in insurance patient mix	UAE
Availability and cost of capital; Economic and business environment	A downturn in the macro-economic and business environment	Southern Africa
Availability, recruitment and retention of skilled resources and medical practitioners	The shortage and availability of qualified and experienced healthcare staff	Southern Africa
Regulatory risk	Adverse regulatory and tax changes	Switzerland; UAE
Economic and business environment	Outmigration of care	Switzerland
Information systems security and availability risk	The investment in group initiatives not being successfully implemented	Switzerland
Information systems security and availability risk	Delays in expansion projects	UAE

This analysis showed that the business, in its geographically diverse portfolio, would be able to withstand any individual and certain combinations of the severe but plausible scenarios by taking management action, *ceteris paribus*, with the key mitigating step being a reduction in discretionary investment. The Directors therefore have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period of their detailed assessment, ending in 31 March 2022. In making their assessment, the Directors have assumed that there will be no material change in the business environment as such assumptions are subject to a level of uncertainty and judgment for which outcomes cannot be projected and foreseen.

Having considered the principal risks and the viability assessment, the Board also considers it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

EFFECTIVENESS OF RISK MANAGEMENT PROCESS AND SYSTEM OF INTERNAL CONTROL

The Board, via the Audit and Risk Committee, regularly receives reports on and considers the activities of the internal and external auditors of Mediclinic Southern Africa, Hirslanden and Mediclinic Middle East, and the Group's risk management function. The Board, via the Audit and Risk Committee, is satisfied that there is an effective risk management process in place and that there is an adequate and effective system of internal control in place to appropriately mitigate the significant risks faced by the Group.

CLINICAL SERVICES OVERVIEW

Dr Ronnie van der Merwe
Chief Clinical Officer

INTRODUCTION

Mediclinic provides a wide range of clinical services throughout its operating platforms. The services include acute care inpatient services, and highly specialised services, day case surgery, hospital-based emergency centres, pre-hospital emergency services and outpatient consultation services. Support services include laboratory, radiology and nuclear medicine.

Mediclinic strives to ensure that the clinical services provided throughout the Group are efficient, effective, appropriate, evidence-based and in line with modern technological advances. To this end we have developed a strong focus on measuring and improving clinical performance throughout our organisation. A comprehensive set of clinical performance indicators are collected, measured, analysed and reported on monthly. These clinical performance reports outline and track the performance of healthcare facilities, inform operational decisions, identify opportunities for clinical quality improvement initiatives and inform strategic direction.

During the year under review the clinical performance of the business was satisfactory across all operating platforms. In addition, considerable progress had been made in the further development of underlying structures and processes to enable improvements in clinical performance. Much of the progress can be attributed to a strong collaborative effort between the clinical services teams of the platforms.

All indicators included in this Clinical Services Overview are reported per calendar year to ensure completeness and consistency, as a significant time lag needs to be provided for in the collection of clinical data.

This report gives a brief overview of the Group's clinical performance for the year under review. For a more in-depth description we recommend that the detailed **Clinical Services Report**, available on the Company's website at **www.mediclinic.com**, should also be read.

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MEDICLINIC SOUTHERN AFRICA

CLINICAL PERFORMANCE

PATIENT SAFETY

Mediclinic Southern Africa has a reasonably high case mix and a high case load of infectious diseases and trauma. The continuous improvement of patient safety remains a priority for Mediclinic Southern Africa and adverse events, as illustrated in **Figure 1**, are reported and tracked as a barometer of safe patient care.

A significant increase of 37.2% in the medication error rate was reported in 2016, which is mainly attributed to an initiative undertaken by pharmacy to improve the identification and reporting of medication errors. An initiative is underway by pharmacy services to identify, report and reduce the number of medication dispensing errors.

The fall rate decreased by 6.1% in 2016, while the in-hospital pressure ulcer rate increased by 3.8%. The fall rate and in-hospital pressure ulcer rate are regarded as nursing sensitive indicators and correlate with the number and skills of available nursing staff. Nursing skills levels in Southern Africa have been a challenge for a few years, and the Mediclinic Southern Africa nursing department is strongly focused on improving the situation.

INFECTION PREVENTION AND CONTROL

Healthcare-associated infections

Healthcare-associated infections ("**HAI**") remain one of the highest risks to hospitalised patients. The HAI rate reduced by 15.5% during 2016 due to numerous interventions over the last few years. Hand hygiene compliance is an important measure in the prevention of HAI and remains stable at 75.3% and a focus area for improvement. Refer to **Figure 2**.

Antimicrobial stewardship

Antimicrobial stewardship is an important activity in the management of HAI and antimicrobial resistance. Good progress has been made and all indicators showed a downward trend.

CLINICAL EFFECTIVENESS

Clinical performance measurement of critical care units ("**CCUs**") has been refined by implementing the Simplified Acute Physiology Score ("**SAPS**") 3 physiological mortality prediction model instead of APACHE®IV previously used. SAPS3 is statistically better suited to the Mediclinic population and gives a more accurate prediction of mortality. During 2016, the average mortality rate for patients admitted to CCUs was 16.74% compared to the expected mortality rate of 17.18%. The resultant SAPS3 mortality index was 0.974.

The 30-day all-cause re-admission rate increased by 1.9% in 2016. Re-admissions within seven days of discharge accounts for half of these re-admissions and remains a focus area for improvement. The extended stay rate is now expressed as an index, and although this has remained stable over the last 12 months (1.13 in 2015 and 2016), it has shown a decreasing trend over the second half of 2016.

FIGURE 1: ADVERSE EVENTS – MEDICLINIC SOUTHERN AFRICA

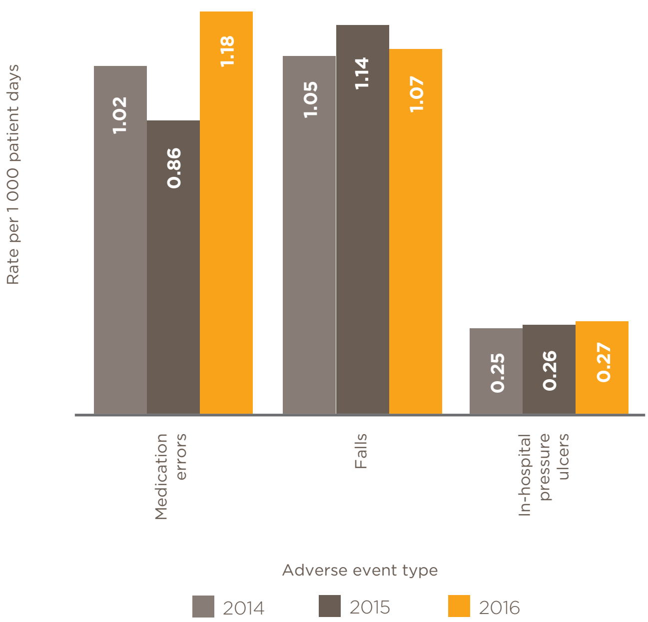
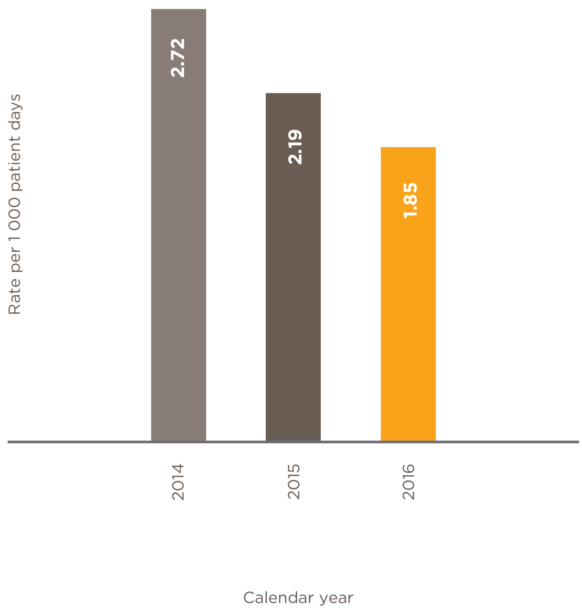


FIGURE 2: HEALTHCARE-ASSOCIATED INFECTIONS – MEDICLINIC SOUTHERN AFRICA



PROGRESS AGAINST OBJECTIVES

Patients First at Mediclinic

- Updated its patient safety strategy to incorporate clinical risk management.
- Developed and implemented specific training initiatives in the areas of operating theatre obstetrics and infection control.
- Reviewed the current nursing management model.
- Improved the measurement of clinical performance through various initiatives.
- Shared clinical information with doctors.
- Further reduced infection rates through continuous compliance and improvement initiatives.

Integrated care

- Appointed an additional seven hospital clinical managers (total of 11 appointed).
- Implemented two clinical pathways in orthopaedic surgery led by doctors.
- Developed a comprehensive and integrated emergency medicine strategy.

Clinical information systems

- Collaborated with Mediclinic Middle East and Hirslanden to obtain a clear understanding of detailed requirements for an electronic health record ("**EHR**") system along with platform's readiness as part of the preparation work for the clinical information system project.

FUTURE OBJECTIVES

Patients First at Mediclinic

- Complete the implementation of specific patient safety initiatives aimed at preventing adverse events.
- Implement specific training initiatives that will further enable staff to drive quality improvement continuously.
- Develop and implement action plans that will improve hand hygiene compliance.
- Develop action plans to improve medication safety.
- Refine clinical performance measures further.
- Share more detailed clinical information with doctors.
- Further reduce infection rates through the implementation of a comprehensive infection prevention and control strategy.

Integrated care

- Phase in further hospital clinical manager appointments.
- Implement a new clinical performance oversight and governance model in collaboration with supporting doctors.
- Develop (in collaboration with supporting doctors) and implement more clinical pathways led by doctors.
- Develop a comprehensive and integrated critical care strategy.
- Implement a national stroke management strategy.

Clinical information systems

- Develop a clinical information readiness strategy along with an implementation roadmap.

HIRSLANDEN

CLINICAL PERFORMANCE

PATIENT SAFETY

Hirslanden has the highest case mix in the Group reflecting the complexity of cases treated. However, clinical outcomes remain excellent as is demonstrated by low infection rates and other outcome measures.

The fall rate increased by 10.5% in 2016. The increase in the rate is believed to be due to an increased awareness and better reporting, however, the prevention of falls and a reduction in the reported rate remain focus areas. The in-hospital pressure ulcer rate decreased by 5%.

INFECTION PREVENTION AND CONTROL

Healthcare-associated infections

During 2016, all device-associated and surgical site infection rates declined with significant reduction in the rates of all three reported indicators. The reduction is partly related to definition changes, however, a sustained focus on the prevention of infections supports the lower rates. **Figure 3** illustrates the device-associated infections.

The catheter-associated urinary tract infections ("**CAUTI**") rate decreased by 63.6% while the central line-associated bloodstream infections ("**CLABSI**") rate decreased by 76.5%. Over the last three years the ventilator-associated pneumonia rate ("**VAP**") decreased by 55.8%.

CLINICAL EFFECTIVENESS

The SAPS II is used to measure clinical outcomes of CCUs. The SAPS II mortality index remains well below the Swiss benchmark of 0.33 at 0.20.

The unscheduled re-admission rate decreased by 3.9%, which is in line with improvement noticed in other measures.

PROGRESS AGAINST OBJECTIVES

Patients First at Mediclinic

- Reviewed the compliance of the hospitals with the patient safety policy – the majority of the hospitals implemented every item of the policy or was busy with the implementation of the remaining items.
- Checked the adherence to safe surgery checklist during unannounced inspections – compared to the previous inspection, further improvement was noted.
- Initiated a pilot project on patient-related outcome measurement – patients were surveyed on quality of life before and after joint replacement. The results show a significant improvement of pain and movement after the procedure.

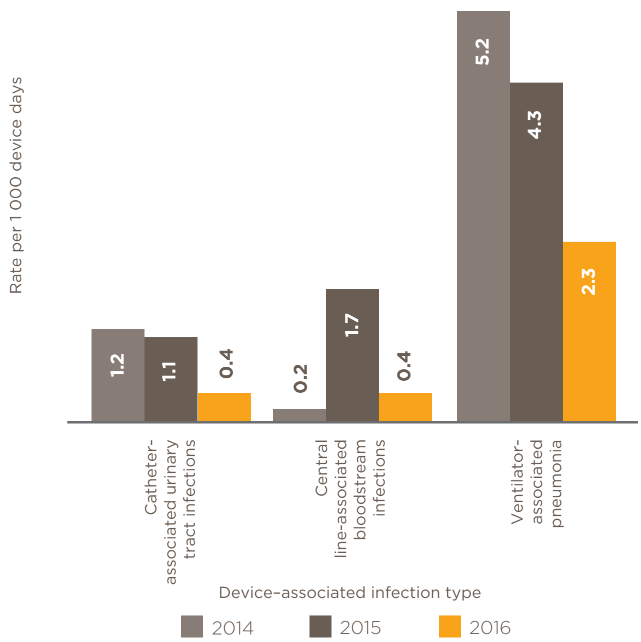
Integrated care

- Compiled a policy on indication quality and introduction of indication boards – the implementation is planned for 2017.
- Successfully started the project on the introduction of fast track orthopaedics in one of the orthopaedic hospitals of the group.
- Introduced a common structure for highly specialised medicine services.

Clinical information systems

- Compiled the definition of the future documentation in catheterisation laboratories and emergency departments – the manufacturer is busy with the implementation thereof in our electronic patient record.
- Completed the re-evaluation of the radiology information system and selected a new system – the pilot project has started.
- Reviewed the integration of medical source data and decided to connect this project to the Hirslanden transformation exercise.

FIGURE 3: DEVICE-ASSOCIATED INFECTIONS – HIRSLANDEN



FUTURE OBJECTIVES

Patients First at Mediclinic

- Identify patient pathways qualifying for standardisation.
- Introduce a continuous patient experience survey for all inpatients.

Integrated care

- Continue with the definitions of the requirements of the system provider model, and develop evaluation criteria to determine the introduction status per hospital.

Clinical information systems

- Continue with the rollout of the radiology information system in a second hospital.
- Introduce a standardised documentation approach for doctors in the electronic patient record.
- Continue with the rollout of the patient data management system ("**PDMS**").
- Conceptualise the integration of the PDMS and the electronic patient record.

MEDICLINIC MIDDLE EAST

CLINICAL PERFORMANCE

Both Mediclinic Middle East and the Al Noor group of hospitals collected clinical performance indicators for the period under review and the combined figures are reflected in the graphs below.

The collection of certain key clinical performance indicators in the Al Noor facilities are mandatory as defined by the Health Authority in Abu Dhabi ("**HAAD**"). The reported indicators have been standardised across all the facilities and is not limited to the regulatory requirements. The clinical performance indicators for all the facilities are reported on a monthly basis, and include patient safety, infection prevention and control as well as clinical effectiveness indicators.

PATIENT SAFETY

Mediclinic Middle East has the lowest case mix index in the Group and serves a younger, healthier community. Providing safe care remains a priority across the platform.

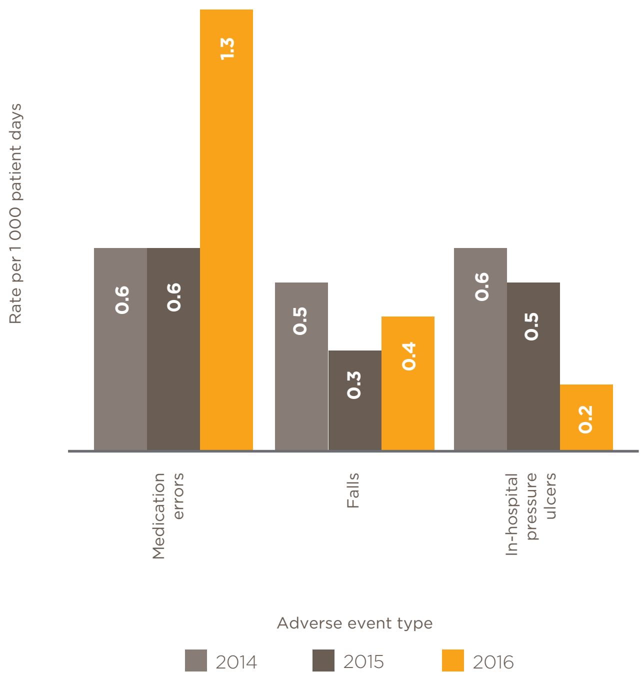
Figure 4 reflects the rate of adverse events per 1 000 patient days.

Medication errors increased markedly by 116.7% during 2016. The increase is due to a reporting drive, with the main contributor being prescribing errors. The majority of the medication errors are identified, and reported, by pharmacy and prevented from reaching the patients. The early identification of prescription errors was enabled by a pharmacy initiative, focussing on identification and reporting of prescription errors. Medication management remains a big focus area for the group.

There was an increase in the fall rate from 0.3 to 0.4 per 1 000 patient days recorded for inpatients during 2016. Fall assessments and the required interventions were reinforced across the group.

The rate of inpatient pressure ulcers reduced by 60% and can mainly be attributed to the implementation of the appropriate clinical risk prevention strategies and protocols in all clinical areas.

FIGURE 4: ADVERSE EVENTS – MEDICLINIC MIDDLE EAST



INFECTION PREVENTION AND CONTROL

Healthcare-associated infections

A reduction was seen in most of the measures and this is influenced by changes in the definition in line with the 2016 Centre for Disease Control guidelines. In addition, the platform has a sustained focus on infection prevention and control and reducing infection rates further.

The HAI rate decreased by 18.8% in 2016. The rate of CAUTI increased by 33.3% over the last 12 months, however, the actual numbers remain low (seven cases). The rate of CLABSI decreased by 37.5% in 2016.

CLINICAL EFFECTIVENESS

Actual mortality decreased by 7.7% during the period under review and remained lower than the actual mortality for both Mediclinic Southern Africa and Hirslanden. This can be attributed to the young population (average age of 32 years) in the UAE, and generally less invasive and complex surgical procedures performed than in the other two operating platforms.

Mediclinic Middle East used the APACHE® IV scoring system in the CCUs in the two hospitals in Dubai until September 2016. SAPS3 was subsequently rolled out in all the hospitals in Mediclinic Middle East in October 2016 and reports will be available in the next annual report. The APACHE®IV mortality index is 0.62 and well below 1.

The re-admission rate decreased by 47.4% from 1.9% to 1% in 2016. All admission types, except oncology, are included in the calculation. Comparable benchmarks are not readily available.

PROGRESS AGAINST OBJECTIVES

Patients First at Mediclinic

- Appointed patient safety officers, established a quality department and updated its patient safety strategy.
- Successfully had all Dubai-based facilities as well as the Mediclinic Al Ain hospital re-accredited by JCI in 2016.
- Standardised clinical indicators across the group, and created a central repository:
  - the Vermont Oxford databases were implemented in all the Al Noor facilities; and
  - the SAPS3 was implemented in all the CCUs across the combined group.
- Combined the clinical services departments of the group and implemented clinical oversight committee structures.
- Developed clinical key performance indicators (“**KPIs**”) for doctors.
- Not implemented, due to infrastructure and resource challenges, a clinical dashboard which does, however, remain a priority for the future.

Integrated care

- Signed a formal affiliation agreement with Mohammed Bin Rashid University of Health Sciences in Dubai in May 2016 as an accredited external training facility for medical students, and the first medical students started in September 2016.
- Further developed the current Breast and Metabolic centres at Mediclinic City Hospital to streamline clinical processes.
- Successfully commissioned and opened the new comprehensive cancer centre in the North Wing expansion at Mediclinic City Hospital.
- Centralised and consolidated the laboratory services for the group.
- Relocated the IVF centre previously in Mediclinic Al Noor Hospital to Mediclinic Al Ain Hospital.
- Reviewed the existing clinical pathways and developed additional pathways in preparation for the implementation of diagnosis-related groups (“**DRGs**”) and the implementation of a clinical information system.

Clinical information systems

- Selected a new EHR system for the group.

FUTURE OBJECTIVES

Patients First at Mediclinic

- Continue to focus on the full integration of clinical services of the combined group.
- Standardise the doctors’ appraisal process for the combined group and implement clinical KPIs for doctors.
- Expand and implement new clinical indicators across the group.
- Expand the outcome database participation and include obstetrics and gynaecology.
- Implement a clinical indicator dashboard across the group.
- Formulate the JCI re-accreditation strategy for all the facilities in the group for 2019.
- Continue to develop clinical pathways as part of preparing for the implementation of DRGs.
- Update the quality and patient safety strategy for the group.

Integrated care

- Formulate a clinical strategy for the units and certain key service lines for the combined group (comprehensive cancer centre, IVF, metabolic centre, cardiology, cosmetics, etc.).
- Continue to develop the metabolic surgery services at Mediclinic Airport Road Hospital and prepare for accreditation of the centre.
- Further develop and expand coordinated care initiatives across the group (breast centre, comprehensive cancer centre, metabolic centre, etc.).
- Continue the centralisation and consolidation strategy for laboratory services in the group.
- Complete the ISO certification for the laboratories in the Mediclinic Al Noor hospitals.

Clinical information systems

- Implement the newly selected HER system across the group, over a three-year period, starting mid-2017.

MEDICLINIC INTERNATIONAL

Mediclinic International's Clinical Services Department consists of a small team that coordinates clinical services across the platforms. The team provides strategic direction, oversight and accountability, coordinates collaboration across operating platforms and are directly involved in selected projects.

PROGRESS AGAINST CURRENT OBJECTIVES

- The first phase of a master data management programme, compiling and governing data relating to doctors, has been concluded in Southern Africa.
- The migration from APACHE®IV to SAPS3, intensive care outcome measurement tool, has been completed in Mediclinic Southern Africa and Mediclinic Middle East.
- Clinical operational dashboards have been refined, and an obstetric management operational dashboard developed for the Southern African platform.
- The measurement of hand hygiene compliance, methodology and data collection tool, has been standardised across Mediclinic Southern Africa and Mediclinic Middle East.
- A master person index has been developed and implemented in Mediclinic Southern Africa for the identification of healthy neonates.
- Initiatives are underway to coordinate health technology assessments centrally, and will be further refined.
- Thought leadership, oversight and close collaboration has been provided in the selection of an EHR system in the Middle East and Southern African platforms.
- Continued collaboration and support are provided to Hirslanden with the implementation of their EHR system.

FUTURE OBJECTIVES

- Refine clinical performance measures.
- Establish a patient safety sub-committee to standardise and enhance collaboration.
- Coordinate collaboration of nursing services across operating platforms.
- Coordinate collaboration of clinical risk management across operating platforms.
- Source a clinical adverse event and clinical risk management solution suitable for all operating platforms.
- Continue to provide thought leadership, oversight and close collaboration in the selection of an EHR system in Mediclinic Southern Africa.
- Continued to collaborate and provide support to Mediclinic Middle East and Hirslanden with the implementation of their EHR systems.
- Refine and optimise the clinical governance structure to enforce the "Ward-to-Board" accountability framework across the Group.

DIVISIONAL REVIEW – SWITZERLAND

Dr Ole Wiesinger
Chief Executive Officer: Hirslanden

CEO'S STATEMENT

"During the year, Hirslanden once again successfully increased both its turnover and the underlying EBITDA. In the saturated Swiss healthcare market, strong growth is only possible with a forward-looking investment strategy. At Hirslanden, this strategy includes investments in our core business at the hospitals, as well as rounding out our range of services in the outpatient sector. Hirslanden will therefore continue its transformation from being purely a hospital operator to becoming an integrated healthcare provider that offers medical services across various levels of care. The improved EBITDA is the result of increased productivity and efficiency achieved by the ongoing implementation of standardised structures and processes throughout the entire Group. In addition to our relentless focus on medical quality and patient satisfaction, improving efficiency is a key part of Hirslanden's approach: the ongoing improvement of patient value.

Looking forward, the public policy environment creates a number of uncertainties and risks. For instance, another tariff reduction is expected in the outpatient sector. Meanwhile the shift towards outpatient treatment continues and regulations are currently being drafted to ensure that in future certain procedures are only carried out in an outpatient setting. In the canton of Zurich, a special tax on services for privately insured inpatients was fortunately rejected.

Despite these challenges and uncertainties, as the largest private medical network in Switzerland, Hirslanden is well positioned to take advantage of future opportunities for growth, and will remain a source of clinical excellence for the wider Mediclinic Group."

KEY STATISTICS

16	4	1 677	97	9 402
NUMBER OF HOSPITALS	NUMBER OF CLINICS	NUMBER OF BEDS	NUMBER OF THEATRES	NUMBER OF EMPLOYEES*

* *6 722 full-time equivalents*

KEY FINANCIAL AND OPERATIONAL HIGHLIGHTS

Hirslanden accounted for 48% of the Group's revenues (2016: 54%) and 53% of its underlying EBITDA (2016: 52%).

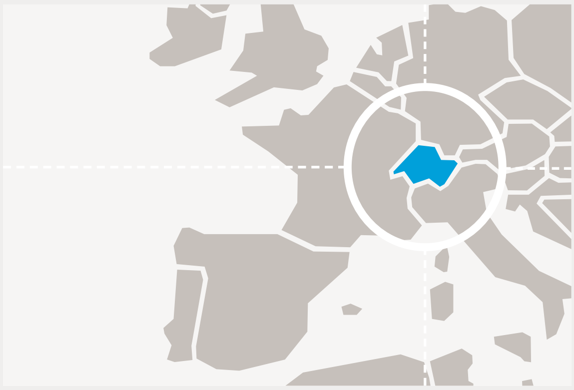
As at the end of the reporting period, Hirslanden operated 16 hospitals and 4 clinics with a total of 1 677 inpatient beds and 9 402 employees (6 722 full-time equivalents). It is the largest private acute care hospital group in Switzerland servicing approximately one third of inpatients treated in Swiss private hospitals.

During the period under review, revenues increased by 3% to CHF1 704m (2016: CHF1 657m). This was driven by a 1.7% growth in inpatient admissions. The reduction in both bed days sold (-0.7%) and the average length of stay (-2.3%) was offset by an increase of 3.0% in the average revenue per bed day sold. This is largely due to an increase in the average severity of cases, with an increasing number of doctors performing complex procedures at Hirslanden hospitals. Outpatient revenues increased by 9% and now contributes nearly 20% to overall Hirslanden revenues.

Underlying EBITDA increased by 5% to CHF340m (2016: CHF325m) with the underlying EBITDA margin increasing from 19.7% to 20.0% due to several productivity measures and cost savings initiatives implemented during the year and an underlying tariff provision release of CHF8m. These were offset by continued investment in Hirslanden 2020 and the ongoing shift in patient mix from semi and private to basic insured. Operating profit increased by 7% to CHF259m (2016: CHF243m). Hirslanden contributed £121m to the Group's underlying earnings compared to £101m in the prior year.

Hirslanden invested CHF74m in expansion capital projects and new equipment and CHF89m on the replacement of existing equipment and upgrade projects as well as investments in Hirslanden 2020 and relocation of the corporate head office. In April 2016, Hirslanden Clinique Cecil in Lausanne opened a new hybrid operating theatre and an outpatient surgery unit. In August 2016, Hirslanden Klinik Aarau opened its third cardiac catheterisation laboratory. At Hirslanden Klinik St. Anna and Hirslanden Klinik Stephanshorn, two new modular operating theatres were completed in October and December 2016, respectively. Further important development projects completed included new doctors' consulting rooms for Hirslanden Clinique La Colline, restructuring of radiology for Hirslanden Klinik Stephanshorn and restructuring of the sterilisation unit for Hirslanden Klinik Permanence. Hirslanden Klinik Im Park in Zurich opened its new outpatient surgery centre in April 2017, which includes a ward for procedures requiring short inpatient stays. Building work commenced on an expanded emergency department for Klinik Hirslanden in Zürich and there are plans for a range of other expansion projects to increase the business' capacity.

During the year, Hirslanden increased efficiency in various areas of the business. Supply costs and labour costs were successfully reduced, while more focused management led to increased utilisation of our infrastructure. Hirslanden is focused on achieving further efficiency gains and optimisation, leveraging off the broader Group's economies of scale to manage cost pressures.



CHF1 704M

+3%

REVENUE

CHF340M

+5%

UNDERLYING EBITDA

-0.7%

BED DAYS SOLD

76.2%

BED OCCUPANCY

+3.0%

AVERAGE REVENUE PER BED DAY

86%

PATIENT SATISFACTION*

3.91

EMPLOYEE ENGAGEMENT

(grand mean score based on a 1 to 5 rating scale)

* *The patient satisfaction results of Hirslanden are not comparable with the results of Mediclinic Southern Africa and Mediclinic Middle East as the Group's standardised Patient Experience Index has not been rolled out to Hirslanden. The results of Hirslanden are based on the ANQ (the Swiss National Association for Quality Development) satisfaction survey and relates to the number of patients who would absolutely recommend Hirslanden to family and friends.*

There were a number of regulatory developments in Switzerland during the year. In April 2017, the Zurich Cantonal Parliament voted not to approve the proposed VVG levy. As part of a Cantonal budget review and cost savings initiative, the Canton had proposed a levy to be introduced based on the proportion of privately insured patients treated in listed hospitals. This complex matter went through an extended legislative process and Hirslanden engaged with the relevant public authorities to raise concerns regarding the process, equality and the impact the proposed levy would have had on the business. Hirslanden will continue to monitor developments in the canton whilst maintaining its dialogue and engagement with the relevant public authorities to ensure that it can, on a sustainable basis, deliver high-quality, cost-efficient, healthcare to patients.

The national outpatient tariff ("**TARMED**") is still in revision and the current tariff structure is valid until the end of the 2017 calendar year. The Swiss Federal Government has released proposed adjustments to TARMED as a transitional solution whilst healthcare providers and funders continue to negotiate and agree a revised tariff structure. The government proposal is targeting annual savings of around CHF700m across the public and private outpatient sectors. Outpatient services contribute approximately 20% of Hirslanden revenues, at around CHF300m in the period under review. Based on initial analyses of the complex proposal, the expected annualised impact on Hirslanden outpatient revenues is around CHF30m before any mitigating actions are considered. These mitigations could include improved utilisation and increased efficiencies that would help to reduce the impact of the transitional solutions proposed by the Federal Government on the underlying EBITDA and margins of the business. Due to its implementation date on 1 January 2018, the impact on Hirslanden is expected to be limited in the next financial year.

MARKET OVERVIEW

The Swiss healthcare market is one of the best funded in the developed world and continues to grow steadily. Hirslanden is the largest medical network and the largest private hospital group in Switzerland, and works effectively within a high-quality healthcare system where the population enjoys freedom of choice and high-quality services in both the public and private sector. A survey, financed by the Commonwealth Fund and conducted in eleven countries, found that 60% of respondents in Switzerland rated the Swiss functioning of the healthcare system as "good" or "very good". 66% considered the medical care provided as either "excellent" or "very good". Of the 11 countries surveyed, Switzerland had the best response.

Hirslanden's main competitors are the public hospitals. Many of these will improve their infrastructure in the coming years. According to publicly available sources, CHF16bn is earmarked for the construction and renovation of hospital buildings.

Additional challenges include working within an environment regulated by 26 cantons that supervise and manage hospitals and ensure their funding in collaboration with the mandatory health insurance. Besides the regulation of the inpatient sector the cantons increasingly intervene in the outpatient market by defining lists of medical interventions to be performed ambulatory or by establishing a moratorium for foreign doctors.

OUTLOOK

There continues to be a significant focus on the shift of basic medical treatments from the inpatient to the outpatient sector ("**outmigration**"). The Federal Government is preparing a framework for the outmigration of services, likely to be ready for implementation from 1 January 2018, across Switzerland. The Zurich Cantonal Parliament, in April 2017, approved an amendment to the cantonal hospital law, providing a legal basis for the cantonal government to create a list of interventions that in future should generally be treated as outpatient rather than inpatient services. The final list of interventions will be agreed following a working group review. In the Canton of Lucerne similar measures are expected to be implemented from 1 July 2017.

Hirslanden is responding to the trend of outmigration with the opening of new outpatient facilities and the creation of an integrated medical network that facilitates the access to healthcare for patients. This is also important because outpatient clinics are a well-established route for the subsequent allocation of patients to hospitals and specialists. The establishment of outpatient facilities is part of the Hirslanden 2020 strategic programme. This programme has two main goals: to increase the efficiency of the existing business by implementing standardised systems and processes; and to develop new areas of business, such as outpatient facilities. Having opened the new outpatient surgery centre at Klinik Im Park, Hirslanden will also open two new medical centres in Zurich (Seefeldstrasse) and Cham (canton of Zug) in spring 2018 and a further one at Schuppis (canton of St. Gallen) in 2019.

Given the external environment, the investment programme within Hirslanden and the potential for increased synergies, the platform is well-positioned to maintain its status as the largest medical network in Switzerland while continuing to improve patient satisfaction and clinical outcomes.

DIVISIONAL REVIEW – SOUTHERN AFRICA

Koert Pretorius
Chief Executive Officer: Mediclinic Southern Africa

CEO'S STATEMENT

"Mediclinic Southern Africa delivered satisfactory operational and financial results for the period under review in challenging market conditions. We have continued to make good progress with the roll out of further strategic initiatives to improve clinical performance and the patient's experience and we gained momentum in the development of an integrated healthcare system provider concept through the introduction of a number of new initiatives. Mediclinic Southern Africa successfully followed its incremental growth strategy by adding 78 acute care beds at existing hospitals. We continued to address a number of matters in the wider business environment, specifically the Health Market Inquiry and National Health Insurance developments."

KEY STATISTICS

52	2	8 095	278	16 848
NUMBER OF HOSPITALS	NUMBER OF DAY CLINICS	NUMBER OF LICENSED BEDS	NUMBER OF THEATRES	NUMBER OF EMPLOYEES*

* *20 349 full-time equivalents, which includes 3 501 agency staff*

KEY FINANCIAL AND OPERATIONAL HIGHLIGHTS

Mediclinic Southern Africa accounted for 28% of the Group's revenue (2016: 31%) and 33% of its underlying EBITDA (2016: 32%).

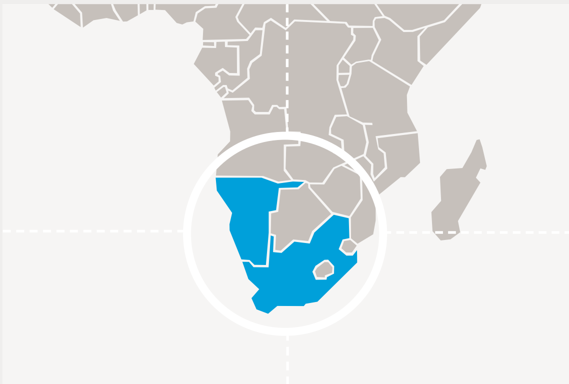
In Southern Africa (including South Africa and Namibia), as at the end of the reporting period, Mediclinic operated 52 hospitals and two day clinics with a total of 8 095 beds and 16 848 employees. The platform is the third largest private hospital provider in Southern Africa.

During the period under review, revenue increased by 7% to ZAR14 367m (2016: ZAR13 450m). Bed days sold and average revenue per bed day increased by 0.8% and 5.8%, respectively. Admissions increased by 0.6% with growth in medical cases partially offset by a decrease in surgical day cases as the outmigration trend continues. The average length of stay increased by 0.2%.

Underlying EBITDA increased by 6% to ZAR3 049m (2016: ZAR2 877m) resulting in the underlying EBITDA margin decreasing from 21.4% to 21.2% due to the ongoing shift in mix towards medical versus surgical cases, wage and cost inflation, including higher price increases on pharmaceuticals (sold at zero margin) and investment in additional clinical personnel. Operating profit increased by 15% to ZAR2 584m (2016: ZAR2 252m). Mediclinic Southern Africa contributed £67m to the Group's underlying earnings compared to £63m in the prior year, impacted by an additional ZAR182m (£10m) interest charge on additional debt following the refinance of the Group's bridge loan.

Mediclinic Southern Africa invested ZAR790m on expansion capital projects and new equipment and ZAR515m on the replacement of existing equipment and upgrade projects. The number of beds increased by 78 taking the total number of beds to 8 095. Key projects completed during the year were at Mediclinic Upington, Mediclinic Worcester, Mediclinic Emfuleni and Mediclinic Windhoek. The building projects in progress are expected to add some 54 additional beds by the end of FY18, taking the total number of licensed beds across the operating platform to 8 149. Several additional building projects are due for completion in FY19 and FY20, which are expected to add some 350 additional beds in both existing facilities and new day clinics.

During FY16, Mediclinic Southern Africa announced the proposed acquisition of a controlling share in Matlosana Medical Health Services Proprietary Limited ("**MMHS**"), based in Klerksdorp in the North-West Province of South Africa. MMHS owns two multi-disciplinary hospitals, Wilmed Park Hospital (144 licensed beds) and Sunningdale Hospital (62 licensed beds), as well as a 51% share in Parkmed Neuro Clinic, a psychiatric hospital (50 licensed beds). This proposed acquisition supports Mediclinic's core focus of providing acute care, multi-disciplinary specialist hospital services. Although substantially completed, the transaction



R14 367M

+7%

REVENUE

R3 049M

+6%

UNDERLYING EBITDA

+0.8%

BED DAYS SOLD

71.5%

BED OCCUPANCY

+5.8%

AVERAGE REVENUE PER BED DAY

81.9%

PATIENT EXPERIENCE INDEX

3.73

EMPLOYEE ENGAGEMENT
(grand mean score based on a 1 to 5 rating scale)

remains subject to approval by the competition authorities. In January 2017, Mediclinic Southern Africa also announced the proposed acquisition of a 50% + 1 share interest in Life Path Health, which operates seven mental health facilities and is in the process of establishing three further facilities, with applications approved by Department of Health for further facilities. This transaction is subject to a number of conditions precedent.

EFFICIENCY AND OTHER DEVELOPMENTS

Mediclinic Southern Africa progressed with several improvements to its core processes during the period under review. The new SAP solution for financial and central procurement processes was successfully rolled out to 32 Mediclinic Southern Africa hospitals.

In addition, the platform introduced action plans to improve employee engagement and conducted the second survey through its Employee Engagement Index. Detailed plans to improve employee engagement were successful in improving employee engagement to 3.73 (2016: 3.67) during the year (the grand mean score based on a 1 to 5 rating scale).

MARKET OVERVIEW

Growth in the South African private healthcare market has stagnated due to elevated political uncertainty, low economic growth and a lack of job creation. The market offers isolated incremental growth opportunities to expand existing hospitals, and to build new hospitals and day clinics. Challenges include lowering healthcare costs across the value chain in a fragmented market, whilst at the same time improving outcomes for patients, attracting and retaining qualified staff and investing in infrastructure and medical technology.

The Competition Commission is currently undertaking a market inquiry into the private healthcare sector in South Africa to understand both whether there are features of the sector that prevent, distort or restrict competition and how competition in the sector can be promoted. The inquiry was due to publish its recommendations in December 2016, but has advised of further delays with the HMI now guiding that the final publication is expected at the end of the 2017 calendar year. Mediclinic has submitted documentation to the inquiry and will continue to engage with all stakeholders as draft documents are published through the year to achieve an agreeable outcome.

The South African Government is seeking to address the shortcomings of the public health system through the phased introduction of a National Health Insurance system over a 14-year period. A draft White Paper outlining the financing and design of the envisaged system has been released for consultation and Mediclinic has submitted comprehensive comments. However, there remain a large number of obstacles that still need to be addressed before greater clarity about the outcomes can be communicated.

OUTLOOK

Mediclinic Southern Africa remains well positioned to face the significant challenges that exist in the business environment, such as increasing regulatory oversight, slow economic growth, a fragmented private healthcare delivery model and a shortage of healthcare professionals. Mediclinic Southern Africa remains cautiously optimistic about its prospects in the region.

The private healthcare industry has reached maturity with limited opportunities for growth of the current business. Future growth will focus on related business opportunities, for example mental health and primary care.

The focus in the coming year will be on further developing the operating platform's strategy to position itself for future value-based contracting opportunities. The platform will continue to focus strategically on the value that it delivers to patients, by continuing to improve the safety and quality of its clinical care, the quality of the patient experience, and opportunities to improve operational efficiency. The platform will also continue to focus on opportunities to develop an integrated Southern African private healthcare delivery model for the future.

DIVISIONAL REVIEW – UNITED ARAB EMIRATES

David Hadley
Chief Executive Officer: Mediclinic Middle East

CEO'S STATEMENT

"The Middle East platform faced significant challenges during the period under review due to unexpected regulatory changes in Abu Dhabi, increased competition, and the process of aligning the Al Noor business with the operational and commercial practices of the overall Mediclinic Group following the Combination in February 2016. This has impacted our financial performance and, together with the forecast continued lower economic growth in the UAE, our short-term growth expectations in the region. During the year, however, we implemented various initiatives to effectively deal with these challenges which, combined with the decision of the Abu Dhabi Government to reverse co-payments by Thiqa members, the introduction of new facilities and services and the ongoing upgrade of existing units, places Mediclinic Middle East on a more sustainable and long-term growth path."

KEY STATISTICS

6	31	714	30	6 375
NUMBER OF HOSPITALS	NUMBER OF CLINICS	NUMBER OF BEDS	NUMBER OF THEATRES	NUMBER OF EMPLOYEES

KEY FINANCIAL AND OPERATIONAL HIGHLIGHTS

Mediclinic Middle East accounted for 24% of the Group's revenues (2016: 16%) and 15% of its underlying EBITDA (2016: 16%).

In the Middle East, as at the end of the reporting period, the combined business operated 6 hospitals and 31 clinics with a total of 714 beds and 6 375 employees. The platform is one of the largest private healthcare providers in the UAE with the majority of its operations in Dubai and Abu Dhabi (including Al Ain).

The Mediclinic Middle East financial results represent the combined business for FY17. In FY16, Al Noor's results were only consolidated from 15 February 2016.

During the period under review, revenue increased by 72% to AED3 109m (2016: AED1 802m). The existing Dubai business increased revenue by 5% including the related ramp up benefit from the new Mediclinic City Hospital North Wing. However, the Abu Dhabi business underperformed, down 19% compared to the prior year *pro forma* revenue. On a *pro forma* basis, inpatient admissions and day cases declined by 4.8% and outpatient attendance decreased by 9.7%. Bed days sold decreased by 6.2%. Abu Dhabi inpatient and outpatient volumes were down 12% and 14% respectively versus the prior year due to the unforeseen changes in the regulatory environment with the introduction of a co-payment on local Thiqa insurance card holders, a need to align Al Noor with the sustainable business and operational practices of the Group, doctor vacancies, increased competition and the sale of several non-core assets. Thiqa patient volume declines were greater than other insurance categories in Abu Dhabi with inpatients down 33% and outpatients down 31%.

Underlying EBITDA decreased by 5% to AED364m (2016: AED384m) and the underlying EBITDA margin decreased to 11.7% from 21.3%. Despite good progress made in respect of the integration benefits from the combination, this was more than offset by the revenue shortfall. Operating profit decreased by 58% to AED134m (2016: AED321m). Mediclinic Middle East contributed £33m to the Group's underlying earnings compared to £57m in the comparative period.

In early June 2016, the platform amended and increased the existing debt facilities to AED1 012bn (of which AED220m remains undrawn) from AED282m in the prior year, to refinance the bridge loan facility, as well as to continue to fund existing expansion projects across the UAE.

The provision for impairment of receivables increased by AED113m (AED89m relating to Abu Dhabi receivables) and was charged to the income statement. In FY16, AED25m (AED9m relating to Abu Dhabi receivables) was charged to the income statement. Furthermore, an opening balance sheet adjustment of AED73m was made to the Al Noor receivables to finalise the Al Noor purchase price allocation.

AED3 109m

+72%

REVENUE

AED364m

-5%

UNDERLYING EBITDA

-6.2%

BED DAYS SOLD

-2.3%

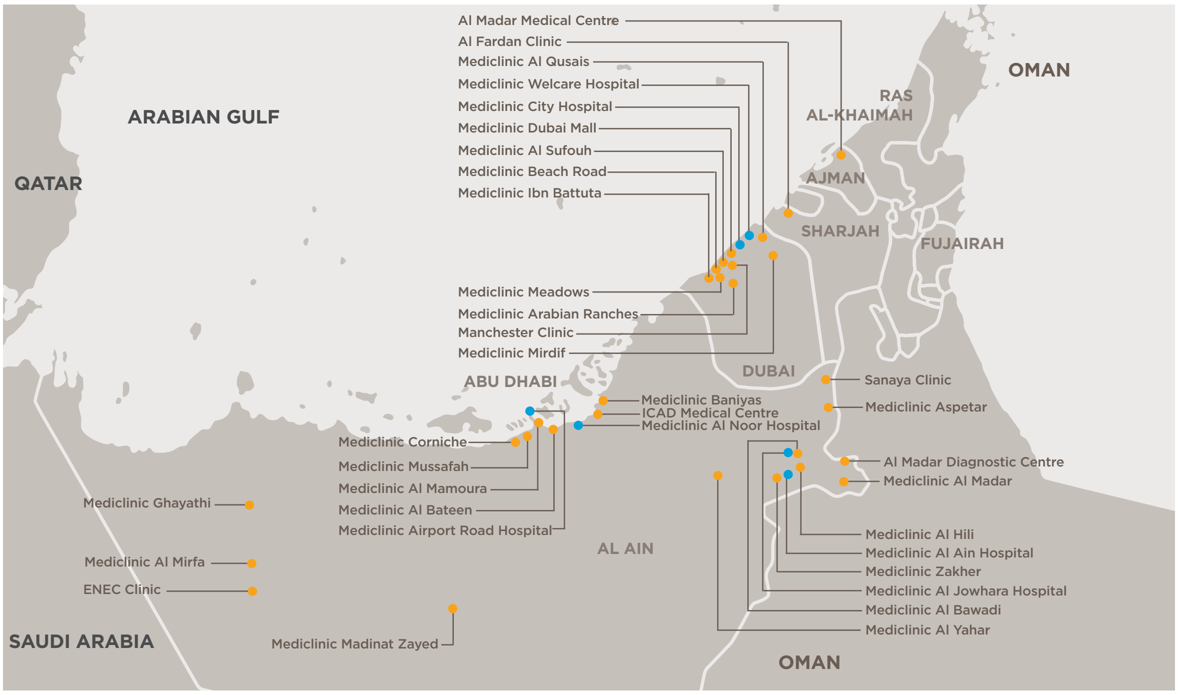
AVERAGE REVENUE PER BED DAY

82.4%

PATIENT EXPERIENCE INDEX

3.92

EMPLOYEE ENGAGEMENT
(grand mean score based on a 1 to 5 rating scale)



● Clinics ● Hospitals

Mediclinic Middle East invested AED188m on expansion capital projects and new equipment and AED57m on the replacement of existing equipment and upgrade projects. The major components of the expansion capital expenditure were the Mediclinic City Hospital North Wing and Mediclinic Parkview Hospital projects in Dubai. The former was successfully opened in September 2016 and houses, amongst other disciplines, the Comprehensive Cancer Centre, Dubai's most advanced facility for the diagnosis and treatment of cancer, built in association with Hirslanden in Switzerland. Patient volumes since opening the North Wing have been encouraging. Construction of the Parkview Hospital, the seventh hospital of the platform, is progressing well and is on track to be completed in the fourth quarter of the financial year ending 31 March 2019.

As part of the ongoing investment in the region, a partner was selected for an Electronic Health Record system which will be implemented over the coming years. By creating unified records for patients, regardless of which facility they receive treatment at, the system will enable the business to deliver improved service quality and seamless care for patients.

The regulatory environment in the Middle East had a significant impact on the platform's performance this year. On 30 June 2016, the Health Authority Abu Dhabi ("**HAAD**") announced a number of amendments to Abu Dhabi's health insurance programmes with immediate effect as of 1 July 2016. Changes to the Thiqa plan (health insurance for UAE Nationals or others of similar status in Abu Dhabi) stipulated that patients receive 80% coverage of the fees for outpatient and inpatient services provided by private healthcare facilities in Abu Dhabi (previously 100% for most services). It was mandatory for private healthcare providers to collect the full co-payment from patients, which Mediclinic adhered to with immediate effect. A further change saw the Thiqa plan cover only 50% of the cost if patients sought medical services outside Abu Dhabi (including Dubai and the Northern Emirates). In Dubai, UAE nationals are covered under the ENAYA and SAADA health insurance programme, under the supervision of the Dubai Health Authority, with a 10% co-payment for inpatient and outpatient services in public and private sector. As mentioned, these changes had a significant impact on the Thiqa patient volumes in the Abu Dhabi business. However, on 26 April 2017, following a period of engagement with various authorities and stakeholders, His Highness Sheikh Mohammed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces, ordered the waiving of the 20% Thiqa co-payment when receiving treatment at private healthcare facilities in Abu Dhabi, with immediate effect. It was also confirmed that the co-payment for services provided to Thiqa patients outside of Abu Dhabi would be reduced from 50% to 10%. Preparations are ongoing for the introduction of diagnosis-related groups in Dubai expected to be implemented in April 2018. The platform continues to maintain an active dialogue with government authorities on regulatory changes within the UAE healthcare sector.

A key focus during the year has been integrating the Abu Dhabi-based Al Noor Hospitals Group with the established Mediclinic Middle East business in Dubai.

The regional management team successfully addressed a number of key issues including the establishment of a clear operational and clinical strategy in Abu Dhabi, doctor vacancies, integrating the functional departments of the two businesses, conforming revenue cycle management with the Middle East business, identifying synergies in procurement and headcount and consolidating the two corporate offices and executive management teams. The Group remains on track to generate annualised synergies of AED75m from the combined Middle East business. Some 136 new doctor appointments were made in the Middle East during FY17 and a further 52 doctors are currently in the process of recruitment helping to fill the vacant positions that resulted from the departure of doctors in the 12 months leading up to the Al Noor combination and at the start of FY17.

As part of an extensive review of the Abu Dhabi business, certain units, non-core to the central strategy of the platform, were identified for divestment. The Group has classified AED42m assets and AED9m liabilities as held for sale in relation to these units. The platform completed the sale of Rochester Wellness, consisting of two clinics in Dubai and Oman, to Emirates Health during the year. In November 2016, the platform completed the sale of Gulf International Cancer Centre to Proton Partners International. The construction of a new hospital in the Western Region was postponed.

Several new facilities were opened in Abu Dhabi during the year. These included the Mediclinic Al Jowhara Hospital (formerly Al Noor Hospital – Al Jowhara), a 51-bed multi-disciplinary hospital in Al Ain that was delayed by several months, clinics in Ghayathi (Western Region) and Al Yahar (Al Ain), as well as the Aspetar Clinic (Al Ain). The Khalifa City A Clinic was opened in April 2017. Areas of opportunity were identified in Abu Dhabi, including the expansion and redevelopment of Mediclinic Al Noor Hospital (formerly Al Noor Hospital – Khalifa Street) and the creation of a new Comprehensive Cancer Centre at Mediclinic Airport Road Hospital (formerly Al Noor Hospital – Airport Road). In September 2016, the platform completed the purchase of the remaining 25% interest in the Al Madar group of clinics, based in Abu Dhabi. The important strategic decision to rebrand Al Noor facilities to Mediclinic was taken in February 2017 reflecting the ongoing and future investment in the Abu Dhabi business. The project commenced in April 2017 and due to regulatory requirements, is expected to take approximately one year to complete. As a result of the rebranding decision, an accelerated amortisation charge of AED36m in connection with the acquired Al Noor trade name asset has been recognised during the period under review. The remaining balance of the trade name will be fully amortised in FY18. The accelerated amortisation charge has been excluded in determining underlying earnings.

MARKET OVERVIEW

The region continues to witness economic uncertainty owing to influences such as the strength of the United States dollar which is affecting the tourism and property market in particular, rising interest rates, weakened consumer sentiment, and the continuing low oil price which, although stabilising in recent months at around USD55 per barrel, still remains well below the levels seen in the UAE's more prosperous periods. Despite this, population growth is expected to drive domestic demand in the next year, albeit at a reduced rate. Growth rates are expected to accelerate slightly in Dubai as Expo 2020 draws closer but not to the levels experienced in 2012 to 2014.

Within the region's healthcare market, the increased involvement of government authorities in the private sector and its introduction of stricter regulatory controls, continue to affect the market. This remains a significant challenge to Mediclinic Middle East, along with persisting economic uncertainty, rising costs and increased competition. The true impact of the proposed introduction of value-added tax in January 2018 also needs to be assessed, as well as the effects of a possible introduction of corporate tax in the medium term.

Opportunities for the business lie within Mediclinic Middle East's own areas of development, including bringing newly-opened facilities to capacity, ensuring timely delivery of its projects under construction and identifying areas that will add further value to its patients and stakeholders.

OUTLOOK

The economic outlook for the UAE is mixed, with its fortunes linked fundamentally to issues such as oil price and US economic policy which affects the strength of the US dollar, to which the UAE dirham is pegged as well as inflation. We are, however, confident that our strategy to reduce reliance on the low-priced insurance sector, and to further increase the levels of services available to our patients, will enable us to build on our newly defined base. Other key focus areas are to continue to implement an effective business and clinical strategy for the combined business including further divestments where appropriate, continual improvement of the patient experience, bringing all new facilities to capacity, the identification of further growth opportunities and the delivery of new projects already underway.

Preparations for the introduction of diagnosis-related groups in Dubai are ongoing. The platform continues to maintain an active dialogue with government authorities on regulatory changes within the UAE healthcare sector.

SUSTAINABLE DEVELOPMENT HIGHLIGHTS

SDR

This report provides a brief overview of the Group's sustainability initiatives, with specific reference to the five material sustainability issues, which has been extracted from the detailed **Sustainable Development Report** and the GRI Standards Disclosure Index, available on the Company's website at **www.mediclinic.com**.

INTRODUCTION

Mediclinic takes a sustainable, long-term approach to business, putting patients at the heart of its operations and delivering consistently high-quality healthcare services. In order to deliver on these priorities, the Group upholds the highest standards of clinical governance and ethical behaviour across its platforms, invests significant time and resources in recruiting and retaining skilled staff, makes considerable investment into its facilities and equipment and respects the communities and environment in the areas in which it operates.

STAKEHOLDER ENGAGEMENT

Mediclinic's key stakeholders include: patients, doctors, employees and trade unions, suppliers, healthcare funders, government and authorities, industry associations, investors, the community and the media. Mediclinic recognises its accountability to its stakeholders and is committed to effective and regular engagement with them, and to publicly report on its sustainability performance. Mediclinic's key stakeholders are those groups who have a material impact on, or are materially impacted by, Mediclinic and its operations. Its key stakeholders, methods of engagement, topics discussed or concerns raised are outlined in the **Sustainable Development Report**, available on the Company's website at **www.mediclinic.com**.

SDR

Effective communication with stakeholders is fundamental in maintaining Mediclinic's corporate reputation as a trusted and respected provider of healthcare services and positioning itself as a leading international private healthcare group. Mediclinic's commitment to its stakeholders to conduct its business in a responsible and sustainable way, and to respond to stakeholder needs, is entrenched in the Group's values and supported by the Group Code of Business Conduct and Ethics. A wide variety of communication vehicles are used to engage with stakeholders, which serve as an impact assessment to assess stakeholders' needs and to effectively respond thereto. Stakeholders' legitimate expectations have been taken into account in setting the Group's key sustainability priorities, as reported on throughout this report. The Group continually looks for ways to improve its use of online channels to communicate with its stakeholders through the corporate website and webcasting.

MATERIAL ISSUES

As a result of its operations, Mediclinic has many economic, social and environmental impacts, including creating employment opportunities, training and developing employees, black economic empowerment in South Africa, investing in local communities and responsible use of natural resources.

In order to focus its reporting on material issues, the Group undertook a materiality assessment, which is reviewed annually, to identify those sustainable development issues which are most significant for the business, and directly affect the Group's ability to create value for our key stakeholders. The guidance on determining materiality contained in the GRI Sustainability Reporting Standards and the International Integrated Reporting Framework was used during the materiality assessment. The process was also informed by the views, concerns and expectations of the Group's key stakeholders.

The Group categorised these issues and the associated performance indicators according to the six capitals (financial, manufactured, intellectual, human, social and relationship, and natural) included in the International Integrated Reporting Framework, as illustrated in **Figure 1**.

The materiality assessment identified the following five material issues, which remain unchanged from last year's report and constitute the focus of the Group's sustainable development reporting:

- Provide quality healthcare services
- Address shortage of healthcare practitioners
- Create and sustain shareholder value
- Responsible use of natural resources
- Governance and corporate social responsibility

FIGURE 1: MATERIALITY ASSESSMENT MATRIX

MATERIAL ISSUE 1: PROVIDE QUALITY HEALTHCARE SERVICES

HIGHLIGHTS

- Strong clinical governance programme in place to measure clinical performance
- Continued with significant capital investments across all platforms
- Centralised procurement initiatives gaining momentum to achieve cost savings

WHY THIS IS IMPORTANT TO THE BUSINESS

Mediclinic's business is guided by its *Patients First* ethos, which aims to enhance the quality of life of its patients by providing comprehensive, high-quality healthcare services, and position the Group as the healthcare provider of choice for patients. Mediclinic's reputation as a respected and trusted provider of quality healthcare services helps it to attract and retain high-quality healthcare practitioners, including doctors and nurses.

To ensure that it is consistently delivering the maximum value to its patients, Mediclinic has a strong focus on improving and maintaining excellent clinical performance across its platforms. Clinical performance is measured and benchmarked to guarantee a standardised quality of care for all its patients, ensure patient safety and satisfaction, and identify opportunities to improve its healthcare services and facilities.

LINK TO GROUP STRATEGY

- Improve safe, quality clinical care
- Improve patient experience
- Deliver integrated and coordinated care

KEY STAKEHOLDERS

- Patients
- Doctors, nurses and other healthcare workers
- Healthcare funders
- Industry associations

RISKS TO THE BUSINESS

- Poor clinical outcomes and service
- Medical malpractice liability
- Reputational damage
- Inability to recruit and retain healthcare practitioners
- Inability to secure preferred provider/network agreements with funders
- Ineffective clinical care processes

SELECTED KEY PERFORMANCE INDICATORS

MORTALITY* (PER CALENDAR YEAR)		
Southern Africa	**0.95** inpatient mortality index (2015: 1.02)	↓
Switzerland	**0.95%** weighted average mortality rate (2015: 1.02%)	↓
UAE	**0.24%** inpatient mortality rate (2015: 0.26%)	↓

* *The results of the platforms are not directly comparable as the platforms differ significantly on the scope of services provided, burden of disease, units of measurement and definition of indicators.*

While Mediclinic Southern Africa reports a mortality index, Mediclinic Middle East and Hirslanden report on the unadjusted mortality rate and not the standardised mortality index.

There are some minor differences in the reported rates due to definition changes in Mediclinic Southern Africa and Hirslanden, whilst the Combination resulted in larger differences in the reported numbers for Mediclinic Middle East.

RE-ADMISSION RATES* (PER CALENDAR YEAR)		
Southern Africa	**12.5%** 30-day re-admission rate (all causes) (2015: 12.3%)	↑
Switzerland	**1.24%** 15-day unscheduled re-admission rate (2015: 1.29%)	↓
UAE	**1.0%** 30-day related re-admission rate (2015: 1.9%)	↓

* *The results of the platforms are not directly comparable as the platforms differ significantly on the scope of services provided, burden of disease, units of measurement and definition of indicators.*

There was a change in the methodology for measuring the 30-day re-admission rate in Mediclinic Southern Africa resulting in a higher rate than previously reported. Whereas Mediclinic Southern Africa previously excluded a number of planned admissions from the calculation, it currently measures all-cause re-admissions.

The addition of data from Al Noor led to an increase in the 30-day related re-admission rate for Mediclinic Middle East.

MITIGATION OF RISKS

- Monitoring and management of clinical performance indicators
- A Group-wide clinical risk register is implemented and monitored per platform
- Accreditation and quality management processes
- Clinical governance processes
- Central coordination and standardisation of clinical performance across the Group
- Patient safety policy

Mediclinic manages and mitigates the clinical risk by providing a comprehensive set of policies and procedures to guide frontline staff during the care process. The adherence to the policies is measured by controlled self-assessment questionnaires to hospitals and by way of clinical indicators measured and reported on monthly.

SUMMARISED APPROACH AND PERFORMANCE DURING THE YEAR

PATIENT SAFETY, QUALITY CARE AND CLINICAL OUTCOMES

Across all its operating platforms, Mediclinic is focused on providing superior clinical outcomes, delivering a standardised quality of service and improving patient safety. To meet these objectives, Mediclinic adopted a Group-wide clinical performance programme which focuses on:

- clinical performance to ensure optimum value;
- clinical information management to enable clinical performance measurement to deal with systems which support the clinical care process, including electronic patient records; and
- clinical services development dealing with the development of new coordinated care models, investigating new service lines and keeping abreast of technological developments.

Key patient safety indicators are monitored across Mediclinic's operations. Patient safety surveys are regularly undertaken to measure and identify areas for improvement. Management is trained in the basic principles of patient safety and quality improvement.

Multi-disciplinary clinical committees at hospital level have been established throughout the Group to drive quality and safety and promote cooperation between doctors, nursing staff and management.

Checklists (including the Safe Surgery checklist) were implemented across the organisation in accordance with the recommendations from the World Health Organisation and the Joint Commission International ("**JCI**"), and are believed to significantly contribute to patient safety.

Additionally, structured clinical audits are undertaken across all platforms and aid in identifying opportunities for quality improvement going forward. Clinical outcomes are benchmarked internally as well as through participation in several external initiatives, including:

- the Vermont Oxford Network aimed at measuring and improving the quality of care in neonatal intensive care units (Southern Africa and the UAE); and
- the Simplified Acute Physiology Score ("**SAPS**"), a hospital mortality prediction methodology for adult intensive care patients, used to evaluate the quality of care in this complex setting. SAPS II is currently being used in Hirslanden, and Mediclinic Southern Africa and Mediclinic Middle East recently migrated to SAPS3.

SELECTED KEY PERFORMANCE INDICATORS

FALL RATE* (PER 1 000 PATIENT DAYS) (PER CALENDAR YEAR)		
Southern Africa	**1.07** (2015: 1.14)	↓
Switzerland	**2.4** (2015: 2.1)	↑
UAE	**0.4** (2015: 0.3)	↑

* *The results of the platforms are not directly comparable as the platforms differ significantly on the scope of services provided, burden of disease, units of measurement and definition of indicators.*

CAPITAL INVESTMENTS ON PROJECTS, NEW EQUIPMENT AND REPLACEMENT OF EQUIPMENT		
Southern Africa	**ZAR1 281m** (2016: ZAR1 075m)	↑
Switzerland	**CHF163m** (2016: CHF144m)	↑
UAE	**AED245m** (2016: AED203m)	↑

PATIENT SATISFACTION AND EXPERIENCE*		
Southern Africa	**81.9%** (2016: 81.9%)	–
Switzerland	**86.0%** (2016: 94.0%)	↓
UAE	**82.4%** (2016: 80.3%)	↑

* *The results of Hirslanden are not comparable with the results of Mediclinic Southern Africa and Mediclinic Middle East as the standardised Patient Experience Index has not been rolled out to Hirslanden. The results of Hirslanden are based on the ANQ (the Swiss National Association for Quality Development) satisfaction survey. The Hirslanden results for 2017 are not comparable to the 2016 results as the ANQ satisfaction survey has changed its questions and therefore the previous data used to determine patient satisfaction is no longer available. The 2017 results relate to the number of patients who would absolutely recommend Hirslanden to their family and friends.*

Across all platforms staff are expected to maintain the confidentiality of all medical, financial and administrative patient information of which they may become aware during the course of their duties, and are required to sign a confidentiality agreement upon joining. Access to patient medical records is strictly controlled, and medical records are not released outside the relevant platform unless authorised by the patient.

AR CSR

For more information on the Company's approach and clinical performance, please refer to the **Clinical Services Overview** from page 37 and the **Clinical Services Report** available on the Company's website at **www.mediclinic.com**.

PATIENT SATISFACTION AND EXPERIENCE

In line with its *Patients First* ethos and to ensure operational excellence across all platforms, Mediclinic monitors its patients' experience across the Group.

In 2014, the Group created a single, standardised Patient Experience Index ("**PEI**") with the objective of achieving incremental and sustainable improvement of the patient experience over time. The entire survey process is managed by Press Ganey, an internationally recognised leader in patient experience research, providing an in-depth analysis of the data and advising on global best practices.

The PEI was implemented for inpatients at all Mediclinic Southern Africa hospitals and for both in- and outpatients at all Mediclinic Middle East facilities, where it will be introduced during 2017. The survey was implemented at Hirslanden from April 2017.

Refer to the table on page 57 for the patient satisfaction level of Hirslanden based on the ANQ (Swiss National Association for Quality Development); and the PEI of Mediclinic Southern Africa and Mediclinic Middle East.

PROVIDE AND MAINTAIN HIGH-QUALITY HOSPITAL INFRASTRUCTURE (FACILITIES AND EQUIPMENT)

To ensure a safe and user-friendly environment for both our patients and employees, we strive to provide high-quality healthcare facilities and technology, focusing on capital investments, maintenance of facilities and optimal use of facilities. As a result, the Group continuously invests in capital projects and new equipment to expand and refurbish our facilities and the replacement of existing equipment, as well as on the repair and maintenance of existing property and equipment. Refer to **Material Issue 3: Create and Sustain Shareholder Value** on pages 62 to 63 for further detail regarding the Group's investments in capital projects and new equipment; replacement of equipment; and repairs and maintenance.

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PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

In order to deliver its services, Mediclinic is dependent on a large and diverse range of suppliers, who form an integral part of the Group's ability to provide quality hospital care. Mediclinic believes in building long-term relationships with suitable suppliers and establishing a relationship of mutual trust and respect. Regular meetings are held with suppliers to ensure continuity of service. The Group relies on its suppliers to deliver products and services of the highest quality in line with Mediclinic's standards. Various other criteria play an important role in selecting suppliers, such as: compliance with applicable international and local quality standards, price, compliance with appropriate specifications suited for the Group's markets, stability of the organisation and the relevant equipment brand, good-quality and cost-effective solutions, support network, technical advice and training philosophy. In South Africa, the BBBEE status of a supplier is also a factor in the selection process. An enterprise and supplier development strategy specific to procurement is being developed in South Africa to enhance BBBEE reporting.

The availability of products and services is imperative in enabling the Group to deliver quality care to its patients, and therefore an important criterion in its supplier selection process. Though not always the case, this often leads to local suppliers being preferred, which adds to better and faster service delivery and knowledge of local laws and regulations, particularly with regard to pharmaceutical products.

COST OF HEALTHCARE

The Group contributes in various ways to a sustainable healthcare system by, *inter alia*, focussing on efficiency and cost-effectiveness, conducting tariff negotiations in a fair and transparent manner, expanding facilities based on need, and actively participating in healthcare reform.

The Group is focused on streamlining and centralising its procurement processes to improve efficiency and cost-effectiveness. During the reporting period, good progress was made on a range of international procurement initiatives including:

- the classification and matching of products used across all its operating platforms to compare prices and drive procurement strategies;
- better prices through pooling of capital equipment purchases across the three platforms;
- volume bonus agreements with key capital equipment suppliers; and
- direct importing and distribution of more cost-effective surgical and consumable products.

Refer to the **Chief Executive Officer's Review**, **Our Strategy, Progress and Aims**, as well as the **Divisional Reviews** included in this report, for various examples of initiatives to improve cost-effectiveness.

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ACCREDITATION

Hospitals are high-risk environments in which complex treatment processes are executed using sophisticated equipment and techniques. The process of external accreditation ensures that international standards are adhered to in all aspects of hospital operations. For more details on accreditation, please refer to the **Clinical Services Report**, available on the Company's website at **www.mediclinic.com**.

CSR

MATERIAL ISSUE 2: ADDRESS SHORTAGE OF HEALTHCARE PRACTITIONERS

HIGHLIGHTS

- Remarkable progress in relation to internationalisation of human resources strategy
- Continued investment in training and skills development to maintain and improve quality service delivery
- Introduced standardised employee engagement survey across the Group

WHY THIS IS IMPORTANT TO THE BUSINESS

The attraction of suitably qualified healthcare professionals is essential in delivering the Group's *Patients First* strategy. For this reason, priority focus is given to a proactive sourcing approach aligned to workforce planning for the medium term. Nurses, pharmacists and doctors are categorised as critical skills and an integrated talent management strategy is tailored to each of these categories to ensure the support of the entire employee life cycle in these roles. A definite strength is the available talent analytics which indicate patterns in candidate and employee behaviour over time. These provide a strong predictive advantage and these insights are incorporated into the talent management strategy for each of these categories.

The focus of attracting and utilising talent in a challenging healthcare market continues to be nurses, emergency room doctors and pharmacists. Proactive initiatives are implemented in the specific categories and geographical areas of concern.

LINK TO GROUP STRATEGY

- Invest in employees
- Improve safe, quality clinical care
- Improve patient experience

KEY STAKEHOLDERS

- Doctors
- Employee and trade unions
- Governments and authorities
- Industry associations

RISKS TO THE BUSINESS

- Inability to recruit healthcare practitioners to meet business demand
- Limited growth and loss of revenue
- Poor clinical outcomes and services
- Medical malpractice liability
- Reputational damage
- Delayed new nursing qualifications, as well as the anticipated gap in the education pipeline
- Ageing nursing workforce and noticeable trend of earlier retirement of nursing professionals

SELECTED KEY PERFORMANCE INDICATORS

CONTROLLABLE EMPLOYEE TURNOVER RATE		
Southern Africa	**6.3%** (2016: 6.8%)	↓
Switzerland	**7.2%** (2016: 5.2%)	↑
UAE*	**19.8%** (2016: 12.4%)	↑

* *The turnover rate of Mediclinic Middle East has increased from the previous reporting period due to series of retrenchments following the Combination.*

PERCENTAGE OF PAYROLL INVESTED IN TRAINING AND SKILLS DEVELOPMENT		
Southern Africa	**3.2%** (2016: 3.6%)	↓
Switzerland	**4.8%** (2016: 5.0%)	↓
UAE	**0.1%** (2016: 0.3%)	↓

MITIGATION OF RISKS

- Extensive training and skills development programmes
- Governance of suitable selection processes with focus on skills assessments, employment references and verification of credentials
- Targeted sourcing and recruitment initiatives, with a strong focus on agile sourcing techniques ensuring that best fit candidate talent is channelled to appropriate vacancies, supported by a seamless hiring process
- Proactive international recruitment programme supplementing anticipated medium-term skills gaps
- Tailored retention strategies, supporting the retention of priority audiences within each business unit
- Succession planning and/or career management initiatives within scarce skills disciplines, ensuring proactive development of high-performing employees with potential to supervisory and leadership roles
- Deployment of integrated talent strategies in support of core business areas
- Monitoring of doctor satisfaction

SUMMARISED APPROACH AND PERFORMANCE DURING THE YEAR

EMPLOYEE RECRUITMENT AND RETENTION

The human resources policies and supporting good practice protocols at each platform provide governance guidelines to ensure consistent practices in support of the entire employee life cycle. Good progress was made during the period under review in terms of the internationalisation of the human resources strategy. The focus remains to address local challenges through tailored human resources strategies at platform level, but to also share global expertise and best practices to the benefit of all.

International and local processes have been defined and priority is given to longer-term system enablement through the implementation of an integrated human resources management system. The value of comparable and quality data, which is made accessible to all stakeholders will become evident in the medium to longer term. Talent analytics have always been an important focus and the value of comparable quality Group data will provide a competitive edge in terms of trend and risk identification and the input to proactive strategy.

LABOUR RELATIONS AND REMUNERATION

Employee remuneration

The Group remunerates employees in a manner that supports the achievement of the Group's vision and strategic objectives, while attracting and retaining scarce skills and rewarding high levels of performance. This is achieved through establishing remuneration practices that are fair, reasonable and market-related while at the same time maintaining an appropriate balance between employee and shareholder interest. To encourage a performance-driven organisation, the Group rewards employees for achieving strategic objectives as well as individual personal performance targets. Benefits for all employees include a retirement fund, medical aid scheme, performance-related incentives and bonuses and liability insurance for medical staff. Those managers who receive variable remuneration have a combination of short- and long-term incentives. During 2015, the Group introduced a Reward Centre of Expertise, specialising in the design and delivery of global reward initiatives.

Labour relations

The Group believes in building sound long-term relations with its employees and employee representatives, which supports its goal of being the employer of choice in the healthcare industry. This is measured by the Your Voice employee engagement survey and continuous assessment of the Group's employment conditions.

The Group respects and complies with the labour legislation in the countries in which it operates, and ensures that the internal policies and procedures are evaluated regularly to accommodate continual amendments to relevant legislation. The Group continuously strives to ensure that all its employees are informed of their benefits, and this information is communicated to staff via the intranet, staff newsletters, staff consultation meetings and various other forms of communication media.

TRAINING AND SKILLS DEVELOPMENT

The Group continues to invest significantly in training and skills development to maintain and improve quality service delivery. The percentage of payroll invested in training and skills development by each of the Group's operating platforms is provided on page 59.

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The Group's commitment to provide quality care for its patients can only be ensured if its staff has appropriate, evolving skill sets, which is reflected in the number of learning initiatives undertaken each year. A consistent performance management system is applied throughout the Group, which allows us to identify and manage training needs of individual employees, and to discuss career development. Succession planning is standardised on an organisational level in all three operating platforms and a Group talent review is performed annually. Critical talent (such as nurses and pharmacists) as well as high-performing individuals with potential are identified and supported through tailored development initiatives. An inter-platform development programme which offers a series of secondments across platforms has been designed to help these individuals excel at Mediclinic. The programme is currently implemented at organisational level for talent with the potential to be successors to a key position in their own platform or across platforms within the larger Mediclinic Group. The aim of the programme is to provide priority talent (either critical talent or high performers with potential), the opportunity to gain cross-platform exposure. All platforms have received the programme with great enthusiasm and the Group is proud to continue to grow this amazing development opportunity to the benefit of all.

SUPPORT OF EXTERNAL TRAINING INSTITUTIONS

The Group is committed to educational development in all three of its operating platforms and provides financial and other support towards healthcare education.

EMPLOYEE HEALTH AND SAFETY

Health and safety policies and procedures are in place across the Group to ensure a safe working environment for the Group's employees, patients and its visitors. The health and safety of the Group's employees are essential and contribute to the sustainability of quality care to patients. The programmes and procedures implemented by the various business units to mitigate health and safety risks are outlined in the **Sustainable Development Report**.

SDR

During the year, there were no incidents of material non-compliance with any laws, regulations, accepted standards or codes applicable to the Group, with no significant fines being imposed, concerning the health and safety impact of the Group's services.

EMPLOYEE SATISFACTION AND ENGAGEMENT

In 2015, Mediclinic, in partnership with Gallup, introduced the Your Voice employee engagement programme across all operating platforms to measure levels of engagement, identify gaps at a departmental level and support line managers in developing action plans to address concerns.

Overall, the Group achieved a 71% (2016: 65%) participation rate in the Your Voice survey and 36% (2016: 32%) of employees showed high levels of engagement.

Strengths which the survey highlighted include employees knowing what is expected of them and having the appropriate materials and equipment to perform at work. Areas for improvement highlighted by the survey include recognition and praise for good work and valuing the opinions of employees.

During 2017, Mediclinic aims to follow a more focused approach by driving central engagement themes and ensuring adequate feedback and action planning takes place at all localities and departments. Champions have been trained to support line managers in facilitating workshops to address concerns at the departmental level. Champions and line managers will work towards developing a better understanding of the engagement needs of the Mediclinic workforce and addressing concerns according to the engagement hierarchy.

MATERIAL ISSUE 3: CREATE AND SUSTAIN SHAREHOLDER VALUE

HIGHLIGHTS

- Total dividend per share of 7.90 pence
- Continued progress in significant investments to grow capacity at each of the operating platforms
- Underlying EBITDA margin stable at 18.2% for the Group

WHY THIS IS IMPORTANT TO THE BUSINESS

As can be seen from its business model on pages 22 to 23, the Group is only able to offer the best possible care to its patients with support and investment from its shareholders. The Group believes that identifying and realising suitable growth opportunities is key to create and sustain shareholder value over the longer term, as these opportunities enable it to realise tangible benefits. Such benefits include: reduced costs through procurement on a greater scale; the creation of shared operations teams; the combination of existing corporate functions; and the transfer of knowledge and best practices across the Group.

LINK TO GROUP STRATEGY

- Improve safe, quality clinical care
- Improve efficiencies
- Continue to grow
- Invest in employees

KEY STAKEHOLDER

- Investors

RISKS TO THE BUSINESS

- Failure to identify suitable growth opportunities
- Unattractive investment propositions
- Poor shareholder relations
- Unavailability of capital and financing for growth
- Solvency and liquidity

MITIGATION OF RISKS

- Implementing systems to monitor developments in the economic and business environment of trends and early warning indicators
- Strategic planning and due diligence processes
- Long-term planning of capital requirements and cash-flow forecasting
- Scrutiny of cash-generating capacity within the Group
- Proactive and long-term agreements with banks and other funders relating to funding facilities
- Monitoring of compliance with requirements of debt covenants

SELECTED KEY PERFORMANCE INDICATORS

TOTAL DIVIDEND PER SHARE (IN PENCE)	
7.90 (2016: 7.90)	-

REVENUE	
£2 749m (2016: £2 107m)	↑

EBITDA	
£509m (2016: £382m)	↑

UNDERLYING EBITDA	
£501m (2016: £428m)	↑

UNDERLYING EBITDA MARGINS		
Group	**18.2%** (2016: 20.3%)	↓
Southern Africa	**21.2%** (2016: 21.4%)	↓
Switzerland	**20.0%** (2016: 19.7%)	↑
UAE	**11.7%** (2016: 22.3%)	↓

SUMMARISED APPROACH AND PERFORMANCE DURING THE YEAR

ACCEPTABLE SHAREHOLDER RETURNS

The total dividend per share for the period under review is 7.90 pence (2016: 7.90 pence).

The Group's dividend policy is set out in **Financial Review** on page 18.

PROFITABILITY

The Group's strong focus on efficiencies has ensured that the underlying EBITDA margin remained stable at 18.2%.

For more information, please refer to the **Financial Review** included from page 14.

GROWING THE BUSINESS

During the year, the Group continued to make significant investments to grow capacity at each of the operating platforms. The Group is continuously pursuing opportunities and initiatives to improve the occupancy of existing facilities, expand existing facilities and acquire or establish new facilities. Refer to the **Chief Executive Officer's Review**, the platforms' **Divisional Reviews** and **Our Strategy, Progress and Aims** included in the Annual Report.

SELECTED KEY PERFORMANCE INDICATORS

INVESTMENT IN CAPITAL PROJECTS AND NEW EQUIPMENT (PLATFORMS)		
Southern Africa	**R766m** (2016: R758m)	↑
Switzerland	**CHF74m** (2016: CHF68m)	↑
UAE	**AED188m** (2016: AED171m)	↑

EXPENDITURE ON REPAIRS AND MAINTENANCE (PLATFORMS)		
Southern Africa	**R234m** (2016: R275m)	↓
Switzerland	**CHF37m** (2016: CHF38m)	↓
UAE	**AED39m** (2016: AED24m)	↑

INVESTMENT IN REPLACEMENT OF EQUIPMENT (PLATFORMS)		
Southern Africa	**R515m** (2016: R317m)	↑
Switzerland	**CHF89m** (2016: CHF76m)	↑
UAE	**AED57m** (2016: AED32m)	↑

MATERIAL ISSUE 4: RESPONSIBLE USE OF NATURAL RESOURCES

HIGHLIGHTS

- Mediclinic Southern Africa included in Global A list for performance in the Carbon Disclosure Project
- Since January 2014, the entire Hirslanden electricity supply has been generated from 100% sustainable electricity
- Total energy consumption per bed day reduced in Mediclinic Southern Africa, with Mediclinic Middle East and Hirslanden's consumption remaining stable
- Total water usage decreased throughout the Group

WHY THIS IS IMPORTANT TO THE BUSINESS

The Group's main environmental impacts are the utilisation of resources, predominantly energy, through electricity consumption and water, and the disposal of healthcare risk waste. The Group is fully aware of the need to use resources responsibly and is committed to minimising its environmental impacts to the extent possible.

The Group recognises the risks that regulatory changes, environmental constraints and climate change present to its operations. Potential impacts include rising costs, reduced access to facilities, interruptions in service, and incidents of extreme weather events as a result of climate change placing additional stress on operations. Additionally, climate change can lead to water shortages (especially in the UAE and in Southern Africa) and weather-induced pandemics and disease outbreaks which can cause high mortality rates.

However, the Group also believes that using resources responsibly can be a source of strategic advantage for the Group, allowing it to manage and contain its operating costs and to ensure ongoing access to water and energy supplies.

Mediclinic's patients are always its first priority, but without natural resources, especially water, Mediclinic would not be able to provide a service to its patients. The Group takes its policies to reduce its impact on the environment very seriously and its Natural Resources Committee is constantly investigating new opportunities to reduce its impact on the environment.

RISKS TO THE BUSINESS

- Business interruptions due to water shortages
- Business interruption due to electricity supply
- Increased operational costs due to cost of electricity
- Healthcare risk waste disposal
- Reputational damage

LINK TO GROUP STRATEGY

- Improve efficiencies

KEY STAKEHOLDERS

- Employees and doctors
- Suppliers
- Governments and authorities
- Community

RISK MITIGATION

- Implementation of appropriate environmental management systems (certified by an internationally recognised body, where appropriate)
- Corporate Sustainable Water Management Strategy was implemented
- Expansion of the Energy Initiative Committee function to the Natural Resources Committee to include all natural resources
- Introduction of renewable energy sources, such as solar photovoltaic systems, in order to reduce energy consumption and costs

SELECTED KEY PERFORMANCE INDICATORS

TOTAL CO_2 EMISSIONS (KG/BED DAY)		
Southern Africa	**117kg** (per CDP 2017) (CDP 2016: 111kg)	↑
Switzerland (per calendar year)	**13kg** (2015: 13kg)	–
UAE*	**178kg** (per CDP 2017) (CDP 2016: 226kg)	↓

WATER USAGE (KL/BED DAY)		
Southern Africa	**0.652kl** (2016 calendar year) (FY 2015/16: 0.694kl)	↓
Switzerland (per calendar year)	**0.629kl** (2015: 0.664kl)	↓
UAE*	**0.654kl** (2016 calendar year) (FY 2015/16: 1.125kl)	↓

* *The intensity measures of CO_2 emissions, water usage and energy consumption per day are not appropriate for the UAE, and not comparable with that of Southern Africa and Switzerland, as the total emissions, water usage and energy consumption include only five hospitals, with outpatient consultations and 25 clinics with only outpatient consultation (i.e. no bed days). During the year ahead, a more appropriate intensity measure will be determined for the Group.*

SUMMARISED APPROACH AND PERFORMANCE DURING THE YEAR

ENVIRONMENTAL MANAGEMENT

The Group Environmental Policy, available on the Company's website at **www.mediclinic.com**, aims to minimise Mediclinic's environmental impacts and guides the identification and management of all risks and opportunities relating to water use and recycling, energy use and conservation, emissions and climate change, and waste management and recycling.

CARBON EMISSIONS

The CDP (formerly known as the Carbon Disclosure Project) is a global initiative measuring companies around the world and their reporting on greenhouse gas emissions and climate change strategies. It is regarded as a global leader in capturing and analysing data that record the business response to climate change, including management of risks and opportunities, absolute emissions levels, performance over time and governance. Participation and disclosure of the results are voluntary. The project was launched in South Africa in 2007 in partnership with the National Business Initiative in which JSE-listed companies are measured. Mediclinic has participated in the project since 2008, initially only in respect of Mediclinic Southern Africa. Limited information in respect of Mediclinic Middle East has also been included since 2010, although it still remains an initiative focusing mainly on Mediclinic Southern Africa's data. Mediclinic's CDP reports can be accessed on the CDP website at www.cdp.net, with the most recent reports also available on the Company's website at **www.mediclinic.com**.

The Group's platforms measure, with the assistance of external consultants, its carbon footprint using the GHG Protocol and includes, still in varying degrees:

- direct emissions, which in the healthcare industry will refer mainly to the emissions of anaesthetics gases (scope 1 emissions);
- indirect emissions from the consumption of electricity (scope 2 emissions);
- indirect emissions from suppliers, which in the healthcare industry will refer mainly to pharmaceutical, bulk oxygen and waste-removal suppliers (scope 3 emissions); and
- non-Kyoto Protocol greenhouse gas emissions such as Freon, which is used in air-conditioning and refrigerant equipment. With the assistance of external consultants, these emissions data were converted into a carbon dioxide equivalent ("**CO_2e**") using recognised calculation methods, emission factors and stating assumptions made, where relevant.

The Group's main environmental impacts are the utilisation of resources and waste which have a direct effect on carbon emissions. Items listed in the aspect register relating to regulatory compliance, healthcare risk waste, water, electricity, paper, hazardous waste and gases not only could have a significant impact on the environment, but also informs strategy on climate change related risks and opportunities.

The carbon emissions per platform, for the periods as specified therein, are reported in the **Sustainable Development Report**.

SDR

ENERGY EFFICIENCY

Electricity is the main contributor to our carbon footprint and all our platforms are taking steps to reduce their electricity consumption intensity through the adoption of ISO 14001 management standards, leading to improved operational efficiency of technical installations, introduction of various new energy-efficient and renewable technologies and changes in staff behaviour regarding energy use.

The direct and indirect energy consumption per platform, for the periods as specified therein, is reported in the **Sustainable Development Report**.

SDR

WATER USAGE

The Group's platforms in Southern Africa and in the UAE can suffer from significant water shortages so it is critical for the Group to monitor water consumption closely. There are various measures in place to minimise water consumption; including reclaiming water, monitoring hot water consumption and installing water meters and control sensors.

The total water usage has decreased throughout the Group. The total volume of water withdrawn from water utilities throughout the Group, for the periods as specified therein, is reported in the **Sustainable Development Report**.

SDR

WASTE MANAGEMENT

Stringent protocols are followed to ensure that refuse removal within the Group complies with all legislation, regulations and by-laws. The Group regards the handling of waste in an environmentally sound, legal and safe manner as its ethical, moral and professional duty. During the reporting period, there were no incidents at the Group's facilities or offices leading to significant spills.

SELECTED KEY PERFORMANCE INDICATORS

ENERGY CONSUMPTION (GJ/BED DAY)		
Southern Africa	**0.327gj** (2016 calendar year) (FY 2015/16 0.333gj/bed day)	↓
Switzerland (per calendar year)	**0.474gj** (2015: 0.447gj/bed day)	↑
UAE*	**0.991gj** (2016 calendar year) (FY 2015/16 0.842gj/bed day)	↑

WASTE RECYCLED		
Southern Africa	**1 283 tonnes** (2016 calendar year) (FY 2015/16: 1 197 tonnes)	↑
Switzerland (per calendar year)	**550 tonnes** (2015: 630 tonnes)	↓
UAE	**72 tonnes** (2016 calendar year) (FY 2015/16: 87 tonnes)	↓

MATERIAL ISSUE 5: GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY

HIGHLIGHTS

- Anonymous ethics lines at all platforms
- A three-year compliance monitoring programme was developed to enhance the existing compliance culture
- Group-wide Code of Business Conduct and Ethics
- Contributed R11m to the South African Department of Health's Public Health Enhancement Fund

WHY THIS IS IMPORTANT TO THE BUSINESS

Governance and CSR are integral to Mediclinic's approach of running a sustainable, long-term business. In line with the Group's vision statement "to be respected internationally and preferred locally", it:

- enforces good corporate governance standards throughout the organisation;
- acts as a responsible corporate citizen;
- builds constructive relationships with its local stakeholders; and
- acts as a valued member of the community in the regions where it operates.

The Group put in place a range of policies, processes and standards to support the Group's governance and corporate social investment programmes and provide a framework of the standards of business conduct and ethics that are required of all business divisions, directors and employees within the Group.

LINK TO STRATEGY

- Although not directly linked to any particular Group strategic priority, governance and corporate social responsibility are regarded as key enablers and the basis from which the Group conducts its business.

KEY STAKEHOLDERS

- Suppliers
- Healthcare funders
- Governments and authorities
- Community

RISKS TO THE BUSINESS

- Fines, prosecution or reputational damage
- Inability to continue business due to legal and regulatory non-compliance or changes in regulatory environment
- Financial and reputational damage caused by poor governance and ethical practices and inadequate risk management
- Reputational damage at local community level due to inadequate community involvement

SELECTED KEY PERFORMANCE INDICATORS

CALLS TO ETHICS LINES	
Southern Africa*	**202** (2016: 104)
Switzerland	**20** (2016: 17)
UAE	**6** (2016: 1)

* *In relation to Mediclinic Southern Africa, it should be noted that nine of the reported incidents related to fraud or ethics, eleven incidents reported were given high priority, and the majority of incidents reported related to human resources, service or accounts complaints.*

CONTRIBUTION TO CSI INITIATIVES		
Southern Africa	**ZAR12.3m** (2016: ZAR11.8m)	↑
Switzerland	**CHF2.5m** (2016: CHF2.5m)	–
UAE	**AED992 000** (2016: AED814 000)	↑

MITIGATION OF RISKS

- Visible ethical leadership
- Regular fraud and ethics feedback to management, the Board and relevant Board committees
- Ethics lines available to all employees and external parties, with reported incidents monitored and investigated
- Established Group Risk Management department and outsourced Group internal audit function
- Compliance risks assessed as part of risk management process, with regular internal self-assessments, with necessary advice and support by the Company Secretarial and Legal departments
- Compliance consultant appointed to implement compliance framework and monitor compliance maturity
- Monitoring of corporate social investment initiatives by senior management, with feedback to the Clinical Performance and Sustainability Committee

The following policies are in place:

- Enterprise-wide Risk Management Policy and Risk Appetite
- Fraud Risk Management Policy
- Regulatory Compliance Policy
- Code of Business Conduct and Ethics
- Anti-bribery Policy

Adherence to these policies are monitored through the various Risk Management and Assurance initiatives implemented throughout the Group. Non-adherence to these policies is immediately highlighted as a corrective action and addressed accordingly. The Group Risk Management department regularly monitors the status of these corrective actions.

These policies are intended to create a culture within the Group where ethical values are displayed on a day-to-day basis. It further encourages staff to be vigilant and transparent for any suspicious or unethical behaviour. Finally, these policies provide clear guidelines and frameworks to assist in achieving set objectives, for example, compliance with applicable laws and regulations.

SUMMARISED APPROACH AND PERFORMANCE DURING THE YEAR

ETHICS AND GOVERNANCE

The Group's commitment to ethical standards is set out in the Group's values, and is supported by the Group Code of Business Conduct and Ethics (the "**Code**"), available on the Company's website. The Code provides a framework for the standards of business conduct and ethics that are required of all business divisions, directors and employees. The Code is available to all staff and is included in new employee inductions.

Further details regarding the Group's ethics management, risk management process and corporate governance practices are discussed in detail in the report on **Risk Management, Principal Risks and Uncertainties** and the **Corporate Governance Statement**.

AR

EFFECTIVE RISK MANAGEMENT

The Group's Enterprise-wide Risk Management ("**ERM**") policy follows the international Committee of Sponsoring Organisations of the Treadway Commission ("**COSO**") framework and defines the risk management objectives, methodology, risk appetite, risk identification, assessment and treatment processes and the responsibilities of the various risk management role-players in the Group. The ERM policy is subject to annual review and any amendments are submitted to the Audit and Risk Committee for approval.

The objective of risk management in the Group is to establish an integrated and effective risk management framework where important and emerging risks are identified, quantified and managed. An ERM software application supports the Group's risk management process in all three operating platforms.

Further details on the Group's risk management approach, as well as principal risks and uncertainties are included in the report on **Risk Management, Principal Risks and Uncertainties**.

AR

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance risk was identified as an integral risk management focus area for the year across the Group. In light of the large volume of legislative and regulatory requirements applicable to the Group in each of the jurisdictions in which it operates, as well as various industry standards that the platforms should comply with, compliance risk requires specific focus. A three-year compliance monitoring programme was developed to enhance the existing compliance culture and approach to compliance risk in the Group. Good progress was made to define and integrate relevant laws and potential risks in the risk registers of the various platforms and departments during the year.

Further details on the Group's compliance management are included in the report on **Risk Management, Principal Risks and Uncertainties**, and in the **Audit and Risk Committee Report**.

AR

HUMAN RIGHTS AND RIGHTS OF INDIGENOUS PEOPLE

During the year, no material incidents of discrimination, violations involving rights of indigenous people and/or human rights reviews or impact assessments were observed or reported throughout the Group.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT ("BBBEE") (SOUTH AFRICA ONLY)

Mediclinic Southern Africa forms an integral part of the political, social and economic community in South Africa and is committed to sustainable transformation as part of its business strategy. Mediclinic Southern Africa's Executive Committee is responsible to ensure that the appropriate focus is placed on the group's commitment to the development and implementation of sustainable BBBEE initiatives.

Mediclinic Southern Africa is assessed annually by an accredited verification agency against the generic scorecard criteria set by the Department of Trade and Industry ("**dti**"). During the period under review, Mediclinic Southern Africa was assessed in terms of the new BBBEE Codes of Good Practice, gazetted in 2013, for the first time. As anticipated, this resulted in Mediclinic Southern Africa's total BBBEE score, as measured with regards to ownership, management and control, skills development, enterprise and supplier development and socio-economic development, declining from 73.06 to 51.73 during the year, which score is currently being reviewed. Mediclinic Southern Africa is further reviewing its BBBEE strategy with a view to increase its BBBEE score in future.

The number of black employees increased year-on-year from 70.5% to 71.22% of total employees. Black management representation increased from 11% in 2006 to 27.7% (2016: 25.7%) at year end.

During the year, Mediclinic Southern Africa's transformation department continued with the diversity management interventions through workshops and presentations for employees throughout the group. The workshops are designed to help employees have a better understanding of diversity to embrace and celebrate diversity and be able to recruit, manage and retain talented employees from diverse backgrounds.

Mediclinic Southern Africa's current employment equity plan expires in October 2017. The company is currently in the process of compiling a new plan which will expire in 2022. A summarised employment equity report (EEA2), as submitted to the Department of Labour in November 2016, is included in the **Sustainable Development Report**.

SDR

CORPORATE SOCIAL INVESTMENT ("CSI")

The Group contributes to the well-being of the communities within which it operates by investing in ongoing initiatives that address socio-economic problems or risks, and it has established Mediclinic as an integral member of these communities, enriching the lives of many communities throughout Southern Africa, Switzerland and the UAE.

The Group's CSI activities are structured around the improvement of healthcare through training and education, sponsorships, donations, staff volunteerism, public private initiatives and joint ventures. Many of the Group's initiatives relate to providing training and to financial support of training. Due to the socio-economic conditions in Southern Africa, the majority of our CSI contributions are by Mediclinic Southern Africa.

The CSI spend per platform is provided on page 66.

AR

GOVERNANCE AND REMUNERATION

CHAIRMAN'S INTRODUCTION

Dear Shareholder,

The Board and I are committed to maintaining the highest standards of corporate governance, integrity and ethics, which is embedded in our corporate culture and values. Our corporate governance structures support the effective delivery of Mediclinic's strategy and are focused on maintaining and building a sustainable business and supporting our commitment to be a responsible corporate citizen in every country and community in which the Group does business. The key elements of our governance structures include:

- ensuring good clinical outcomes and quality healthcare (refer to the **Clinical Services Overview** from page 37, as well as the **Clinical Services Report** available on the Company's website at **www.mediclinic.com**);
- upholding strict principles of corporate governance, integrity and ethics (refer to the **Corporate Governance Statement** from page 73);
- maintaining effective risk management and internal controls (refer to the report on **Risk Management, Principal Risks and Uncertainties** from page 30);
- engaging with our stakeholders and responding to their reasonable expectations (refer to the stakeholder engagement section in the **Sustainable Development Report** available on the Company's website at **www.mediclinic.com**);
- managing our business in a sustainable manner (refer to the **Sustainable Development Highlights** from page 54, as well as the **Sustainable Development Report** available on the Company's website at **www.mediclinic.com**); and
- offering our employees competitive remuneration packages based on the principles of fairness and affordability (refer to the **Directors' Remuneration Report** from page 85, as well as the **Sustainable Development Report** available on the Company's website at **www.mediclinic.com**).

In the **Corporate Governance Statement** that follows, feedback is given on the governance framework, Board meetings and the principal activities of the Board, the composition and diversity of the Board and measures to ensure the Board's accountability to our stakeholders. Every Director demonstrated their commitment to Mediclinic throughout the year, through their meeting attendance and the high quality of their contributions at those meetings. I am pleased that the Board structure put in place following the Al Noor Combination in February 2016 has operated effectively. The internal self-evaluation of the Board conducted during the year did not raise any major areas requiring improvement. With the retirement of Craig Tingle, Chief Financial Officer, and Ian Tyler, Senior Independent Director, during the year, the Nomination Committee and the Board continued to focus on succession planning and targeting diverse pools of talent from which to recruit the right individuals.

I remain confident that the Board, supported by an effective management team and an effective governance structure, is well placed to continue creating long-term value for stakeholders and maintaining Mediclinic's leading position in the international healthcare market.

Dr Edwin Hertzog
Non-executive Chairman

BOARD OF DIRECTORS

The ages of the directors provided herein is as at the Last Practicable Date, being 23 May 2017.

DR EDWIN HERTZOG

Non-executive Chairman

Age: 67
Nationality: South African
Committee memberships: Clinical Performance and Sustainability Committee (Chairman), Investment Committee (Chairman), Nomination Committee (Chairman)

Dr Edwin Hertzog* was appointed as the Non-executive Chairman of the Company on 15 February 2016 upon the successful combination of the businesses of the Company (then Al Noor Hospitals Group plc) and Mediclinic International Limited. Prior to the combination, he served as a director of Mediclinic International Limited since 1983 and as the Chairman since 1992. As a specialist anaesthetist, he was commissioned by the then Rembrandt group (now Remgro) in 1983 to undertake a feasibility study on the establishment of a private hospital group, and three years later, in 1986, Mediclinic International Limited (then Mediclinic Corporation Limited) was listed on the JSE. He was appointed as the first Managing Director of Mediclinic International Limited upon its establishment in 1983.

He served as executive Chairman of the company from 1992 until August 2012 when he retired from his executive role, but remained on the Board as non-executive Chairman. He also serves as the non-executive Deputy Chairman of Remgro and is a past non-executive director of the Distell, Total (SA) and Trans Hex groups; and is also a past Chairman of the Hospital Association of South Africa as well as the Council of Stellenbosch University.

Qualifications: M.B.Ch.B.; M.Med.; F.F.A. (SA); and Ph.D. (honoris causa)

* *Dr Edwin Hertzog's non-executive directorships listed above qualify as his other significant commitments, for the purposes of Provision B.3.1 of the UK Corporate Governance Code.*

DANIE MEINTJES

Chief Executive Officer

Age: 60
Nationality: South African
Committee memberships: Clinical Performance and Sustainability Committee, Disclosure Committee, Investment Committee

Danie Meintjes was appointed as an Executive Director and Chief Executive Officer of the Company on 15 February 2016 upon the successful combination of the businesses of the Company (then Al Noor Hospitals Group plc) and Mediclinic International Limited. Prior to the combination, he served as the Chief Executive Officer of Mediclinic International Limited since 2010. He has served in various management positions in the Remgro group, before joining the Mediclinic Group in 1985 as the Hospital Manager of Mediclinic Sandton. He was appointed as a member of Mediclinic's Executive Committee in 1995 and as a director in 1996. He was seconded to serve as a senior executive of the group's operations in Dubai in 2006 and appointed as the Chief Executive Officer of Mediclinic Middle East in 2007.

Qualifications: He holds an Honours degree in Industrial Psychology from the University of the Free State; and completed the Advanced Management Program at Harvard Business School.

JURGENS MYBURGH

Chief Financial Officer

Age: 42
Nationality: South African
Committee memberships: Disclosure Committee, Investment Committee

Jurgens Myburgh was appointed as an Executive Director and Chief Financial Officer of the Company on 1 August 2016. Prior to joining the Mediclinic Group, he worked at The Standard Bank of South Africa Limited as Executive Vice President of Investment Banking; and, since 2014, at Datatec Limited, an international information and communications technology group, which operates in over 60 countries, where he served as the Chief Financial Officer.

Qualifications: He holds an Honours degree in Accounting from the University of Johannesburg (B.Comm. (Hons)); and is a qualified Chartered Accountant with the South African Institute of Chartered Accountants.

DESMOND SMITH

Senior Independent Director

Age: 69
Nationality: South African
Committee memberships: Audit and Risk Committee (Chairman), Nomination Committee

Desmond Smith was appointed as an Independent Non-executive Director of the Company on 15 February 2016 upon the successful combination of the businesses of the Company (then Al Noor Hospitals Group plc) and Mediclinic International Limited. Prior to the combination, he served as an independent non-executive director of Mediclinic International Limited since 2008 and as the Lead Independent Director since 2010. He was the Chief Executive Officer of the Sanlam Group from April 1993 to December 1997 and of the Reinsurance Group of America (South Africa) from March 1999 to March 2005. He is the present Chairman of both companies. During his career, he has served on various boards and is also a past-president of both the Actuarial Society of South Africa (1996) and the International Actuarial Association (2012).

Qualifications: He holds a Bachelor of Science (B.SC.) degree; a fellow of the Actuarial Society of South Africa; a Fellow of the Institute of Actuaries (London); and completed an International Senior Managers Program at Harvard Business School.

JANNIE DURAND

Non-executive Director

Age: 50
Nationality: South African
Committee memberships: Nomination Committee, Investment Committee

Jannie Durand* was appointed as a Non-executive Director of the Company on 15 February 2016 upon the successful combination of the businesses of the Company (then Al Noor Hospitals Group plc) and Mediclinic International Limited. Prior to the combination, he served as a non-executive director of Mediclinic International Limited since 2012. Joining the Rembrandt group in 1996, he was appointed as the Chief Executive Officer of Remgro Limited in 2012, which company holds a 44.56% interest in the Company. In his current role, with more than 20 years' experience in the investment industry, he acts as a non-executive director of various companies, including Distell Group Limited, FirstRand Limited, Grindrod Limited, RCL Foods Limited and RMI Holdings Limited.

Qualifications: He holds an Honours degree in Accountancy from the University of Stellenbosch (B.Acc. (Hons); a Masters of Philosophy in Management Studies from Oxford University (M.Phil. (Management Studies)); and is also a qualified Chartered Accountant with the South African Institute of Chartered Accountants.

* *Pieter Uys, the Head of Strategic Investment at Remgro Limited, is appointed as the alternate to Jannie Durand since 7 April 2016. Prior to joining Remgro, he was a founding member and ultimately became the CEO of the Vodacom group, one of the leading mobile networks in Africa.*

Qualifications: He holds a M.Eng. (Electrical) degree and an MBA from the University of Stellenbosch.

ALAN GRIEVE

Independent Non-executive Director

Age: 64
Nationality: British
Committee memberships: Audit and Risk Committee, Disclosure Committee (Chairman), Investment Committee

Alan Grieve was appointed as an Independent Non-executive Director of the Company on 15 February 2016 upon the successful combination of the businesses of the Company (then Al Noor Hospitals Group plc) and Mediclinic International Limited. Prior to the combination, he served as an independent non-executive director of Mediclinic International Limited since 2012. Mr Grieve is a non-executive director of Reinet Investments Manager S.A., having served as Chief Executive Officer of the company from 2012 to 2014 and Chief Financial Officer from 2008 to 2011. He is a former Director of Corporate Affairs of Compagnie Financière Richemont S.A. Prior to joining the Richemont group in 1986, he worked with Price Waterhouse & Co (now PricewaterhouseCoopers) and Arthur Young (now Ernst & Young).

Qualifications: He holds an Honours degree in Business Administration from Heriot-Watt University (B.A. (Hons)); and is also a qualified Chartered Accountant with the Institute of Chartered Accountants.

SEAMUS KEATING

Independent Non-executive Director

Age: 53
Nationality: British
Committee memberships: Audit and Risk Committee, Investment Committee

Seamus Keating was appointed as an Independent Non-executive Director of the Company (then Al Noor Hospitals Group plc) on 5 June 2013 and continues to serve as a director of the Company following the successful combination of the businesses of the Company (then Al Noor Hospitals Group plc) and Mediclinic International Limited in February 2016. He has over 20 years' experience in the global technology sector in both finance and operational roles and was a main board director of Logica plc from 2002 until April 2012 having joined Logica as Group Finance Director in 1999. He was Chief Financial Officer of Logica plc from 2002 until 2010 when he became Chief Operating Officer and head of its Benelux operations. Prior to his role at Logica plc, he worked for the Olivetti Group from 1989 until 1999 in senior finance roles in the UK and Italy. Mr Keating was non-executive director and chairman of the audit committee of Mouchel plc from November 2010 to September 2012. He is currently Chairman of First Derivatives plc and a non-executive director of BGL Group Limited. He has been chairman of Mi-pay Group plc since April 2014.

Qualifications: He is a fellow of the Chartered Institute of Management Accountants.

PROF DR ROBERT LEU

Independent Non-executive Director

Age: 70
Nationality: Swiss
Committee memberships: Clinical Performance and Sustainability Committee, Nomination Committee, Remuneration Committee

Prof Dr Robert Leu was appointed as an Independent Non-executive Director of the Company on 15 February 2016 upon the successful combination of the businesses of the Company (then Al Noor Hospitals Group plc) and Mediclinic International Limited. Prior to the combination, he served as an independent non-executive director of Mediclinic International Limited since 2010. He is professor emeritus of the University of Bern in Switzerland. Complementary to his academic career as full professor in economics at the Universities of St. Gallen and Bern, he has acted as economic adviser to executive and legislative bodies on all policy levels in Switzerland and to international institutions, in particular to the WHO, the OECD and the World Bank. He is a director of Visana AG since 2009 and serves as the Vice-President of the company since 2014, President of the Alliance for a Free Health Care System in Switzerland since 2013, and a director of MG Integrated Care Holding AG in Switzerland since April 2017. He was a prior director of Hirslanden AG and past President of Arcovita AG.

Qualifications: He holds a Master's degree in Economics; and a Doctorate in Economics (Ph.D.), both from the University of Basel.

NANDI MANDELA

Independent Non-executive Director

Age: 48
Nationality: South African
Committee membership: Clinical Performance and Sustainability Committee

Nandi Mandela was appointed as an Independent Non-executive Director of the Company on 15 February 2016 upon the successful combination of the businesses of the Company (then Al Noor Hospitals Group plc) and Mediclinic International Limited. Prior to the combination, she served as an independent non-executive director of Mediclinic International Limited since 2012. She is a director of Linda Masinga & Associates, a town planning and consultancy firm since 2003. Prior to that, she was employed by the Tongaat-Hulett Group from 1992 to 1997, before joining BP where she worked in various sales and public affairs positions from 1997 to 2003.

Qualifications: She holds a Bachelor's degree in Social Science from the University of Cape Town (B.Soc.Sc.); completed the Associate in Management programme at the University of Cape Town; and obtained a Certificate in Strategic Management from the New York New School University.

TREVOR PETERSEN

Independent Non-executive Director

Age: 61
Nationality: South African
Committee memberships: Audit and Risk Committee, Nomination Committee, Remuneration Committee (Chairman)

Trevor Petersen was appointed as an Independent Non-executive Director of the Company on 15 February 2016 upon the successful combination of the businesses of the Company (then Al Noor Hospitals Group plc) and Mediclinic International Limited. Prior to the combination, he served as an independent non-executive director of Mediclinic International Limited since 2012. In 1996, he resigned from the University of Cape Town ("**UCT**") to take up a partnership in the merged firm of PricewaterhouseCoopers Inc. He served as a partner of the national firm from 1997 to 2009 and served as the Partner-in-Charge of Cape Town and as Chairman of the Western Cape Region. Mr Petersen currently serves as the Chairman of the Finance Committee of UCT. He is an independent non-executive director on the boards of Petmin Ltd and Media24 (Pty) Ltd (a subsidiary of Naspers Ltd) and is currently the Managing Trustee of the Woodside Village Trust. Trevor has served professional membership associations such as the South African Institute of Chartered Accountants and was elected the Chairman of the national body in 2006 and 2007.

Qualifications: He holds an Honours degree in Accountancy from the University of Cape Town (B.Comm (Hons)); and is also a qualified Chartered Accountant with the South African Institute of Chartered Accountants.

SENIOR MANAGEMENT

The ages of the executive management members provided herein is as at the Last Practicable Date, being 23 May 2017.

The Group Chief Executive Officer, Danie Meintjes, is supported by an experienced and capable executive management team, with extensive industry experience and organisational knowledge. The continued growth of Mediclinic is testament to the strong management team and their ability to successfully execute the Group's strategy.

AR The biographies of Danie Meintjes, Chief Executive Officer, and Jurgens Myburgh, Chief Financial Officer are provided on page 70 of the Annual Report.

GERT HATTINGH

Chief Corporate Services Officer

Age: 52
Nationality: South African

Gert Hattingh joined the Mediclinic Group in 1991 as group accountant. He served in various management positions in the Mediclinic Group and was appointed as the Company Secretary in 2010 and Group Services Executive in 2011. Subsequent to the combination of the businesses of the Company (then Al Noor Hospitals Group plc) and Mediclinic International Limited in February 2016, he no longer serves as the Company Secretary, but holds the position of Chief Corporate Services Officer.

Qualifications: He holds an Honours degree in Accountancy from the University of Stellenbosch (B.Acc. (Hons)); completed the Advanced Management Program at Harvard Business School; and is also a qualified Chartered Accountant with the South African Institute of Chartered Accountants.

DR DIRK LE ROUX

Chief Information Officer

Age: 57
Nationality: South African

Dr Dirk le Roux joined Mediclinic in August 2014 as the Group ICT Executive. Prior to joining Mediclinic, he served in various managerial roles including as Managing Director of ThinkWorx Consulting, Chief Information Officer at Media24, General Manager for IT Strategy and Risk at Absa Bank Limited, as well as the Head of IT at the Development Bank of Southern Africa.

Qualifications: He holds a D.Com. (Informatics) degree from the University of Pretoria; a Masters in Business Administration (cum laude); a Postgraduate Diploma in Data Metrics; and a Bachelor in Civil Engineering.

DR RONNIE VAN DER MERWE

Chief Clinical Officer

Age: 54
Nationality: South African

Dr Ronnie van der Merwe is a specialist anaesthetist who worked in the medical insurance industry before joining the Group in 1999 as Clinical Manager. He established the Clinical Information, Advanced Analytics, Health Information Management and Clinical Services functions at Mediclinic, and is currently appointed as the Mediclinic Group's Chief Clinical Officer since 2007. He was appointed as a director of Mediclinic International Limited in 2010 up to the combination of the businesses of the Company (then Al Noor Hospitals Group plc) and Mediclinic International Limited.

Qualifications: He holds a medical degree from the University of Stellenbosch (M.B.Ch.B.); a diploma in anaesthetics from the College of Anaesthetists of South Africa (DA (SA)); the Fellowship of the College of Anaesthetists of South Africa (F.C.A. (SA)); and completed the Advanced Management Programme at Harvard Business School.

DAVID HADLEY

Chief Executive Officer: Mediclinic Middle East

Age: 43
Nationality: British

David Hadley joined the Mediclinic Group in 1993, and worked in a variety of administrative roles in human resources, finance, operations and hospital management before being seconded to Dubai in 2007 to oversee the opening of Mediclinic City Hospital. He was appointed as the Chief Executive Officer of Mediclinic Middle East in 2009 and has also served as a member of Mediclinic's Executive Committee since 2011.

Qualifications: He holds a Bachelor's degree in Commerce from the University of South Africa and a Master in Business Administration (with distinction) from the University of Liverpool.

KOERT PRETORIUS

Chief Executive Officer: Mediclinic Southern Africa

Age: 54
Nationality: South African

Koert Pretorius joined the Group in 1998 as the regional manager of the central region of Mediclinic's operations in South Africa, after which he was appointed as the Chief Operating Officer of the Mediclinic Group in 2003. He was appointed as the Chief Executive Officer of Mediclinic Southern Africa in 2008 and also served as a director of Mediclinic International Limited in 2006 up to the combination of the businesses of the Company (then Al Noor Hospitals Group plc) and Mediclinic International Limited.

Qualifications: He holds a Bachelor degree in Accounting Science from the University of the Free State (B.Compt.); and a Master of Business Leadership degree from the University of South Africa (MBL).

DR OLE WIESINGER

Chief Executive Officer: Hirslanden

Age: 54
Nationality: German

Dr Ole Wiesinger joined the Hirslanden group in 2004 as the Hospital Manager of Klinik Hirslanden. He was appointed as the Chief Executive Officer of the Hirslanden group and also served as a director of Mediclinic International Limited from 2008 up to the combination of the businesses of the Company (then Al Noor Hospitals Group plc) and Mediclinic International Limited. Prior to joining Hirslanden, he served in various management positions of the MGS Euromed Group in Germany from 1995 and was appointed as the Chief Executive Officer of MGS Euromed Group from 2003 to 2004.

Qualifications: He holds a doctorate in medicine from the University of Erlangen, Germany (Ph.D.); and a Postgraduate Diploma in Health Economics from the European Business School, Germany.

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

The Board of Directors is accountable to the Company's shareholders for ensuring the sound management and long-term success of the Group. This can only be achieved if the Board is supported by appropriate governance processes to ensure that the Group is managed responsibly and with integrity, fairness, transparency and accountability. This Corporate Governance Statement describes the key elements of Mediclinic's corporate governance framework.

A Group Corporate Governance Manual, dealing with Board practices and Group policies, provides guidance to the company secretaries, boards and management of the Company and its three operating platforms in Southern Africa, Switzerland and the United Arab Emirates to ensure that similar corporate governance practices are followed throughout the Group.

COMPLIANCE WITH UK CORPORATE GOVERNANCE CODE AND LISTING RULES

The Board is committed to maintaining the highest standards of corporate governance and the highest standards of integrity and ethics. The UK Corporate Governance Code (the "**UK Corporate Governance Code**" or the "**Code**"), most recently updated in April 2016 by the Financial Reporting Council (the "**FRC**") and available on the FRC's website at **www.frc.org.uk**, contains a series of broad principles and specific provisions which embody good practice in relation to five key areas: leadership, effectiveness, accountability, remuneration and relations with shareholders. This report, together with the **Directors' Remuneration Report** and the various Board committee reports included in this Annual Report, describes how the Board applied the main principles of the Code and complied with its provisions.

During the year under review and up to the date of this report, the Company complied with all the provisions of the UK Corporate Governance Code, other than the exceptions noted below:

- *Provision B.2.1 (regarding the Nomination Committee leading the process for Board appointments and making recommendations to the Board)*
  Appointments to the Board are recommended by the Nomination Committee and further details on the Committee and the appointment process can be found on pages 108 to 110. In accordance with the Company's relationship agreement with its principal shareholder, Remgro Limited ("**Remgro**"), further details of which are provided on page 125, Remgro is entitled to appoint up to a maximum of three Directors to the Board. Jannie Durand represents Remgro on the Board of Directors and was appointed by Remgro in the previous reporting period on 15 February 2016. His appointment was therefore not led by the Nomination Committee. With the exception of this appointment, made in accordance with the terms of the relationship agreement, the Nomination Committee leads the process for Board appointments and makes recommendations to the Board in accordance with the Code. No new Board appointments were made in terms of the Relationship Agreement during the year under review.
- *Provision D.2.1 (regarding having at least three independent non-executive directors serving on the Remuneration Committee)*
  Ian Tyler, who served as an independent non-executive member of the Remuneration Committee, resigned as a Director on 21 February 2017. From the date of his resignation up to the appointment of Seamus Keating as an independent non-executive member of the Remuneration Committee on 17 March 2017, the Remuneration Committee had only two independent non-executive members and did not meet the requirement to have at least three independent non-executive members. The Company fully complied with this requirement apart from this short period between 21 February 2017 and 17 March 2017, during which period no committee meetings were held.
- *Provision E.1.1 (regarding the attendance by the Senior Independent Director ("**SID**") of sufficient meetings with a range of major shareholders)*
  The Company has not met the requirement that the *"SID should attend sufficient meetings with a range of major shareholders to listen to their views in order to help develop a balanced understanding of the issues and concerns of major shareholders"*. This provision of the Code, supports the main principle of the Code requiring dialogue with shareholders based on a mutual understanding of objectives and that the Chairman should ensure that all Directors are made aware of their major shareholders' issues and concerns, with which the Company complies. The Board believes that appropriate mechanisms are in place to engage with shareholders, without the need for the SID to attend meetings with major shareholders. The SID is, however, available to attend such meetings if requested by shareholders. Although the SID and any other Non-executive Directors have the opportunity to attend analyst presentations hosted by the Company, the principal engagement with the capital markets lies mainly with CEO, CFO and the Head of Investor Relations, who provide regular feedback to the Board on investor relations matters, including, *inter alia*, an overview of meetings held with investors. Refer to pages 83 to 84 for more information on the Company's shareholder engagement.

In addition to complying with applicable corporate governance requirements in the UK in accordance with its primary listing on the LSE, the Board is also satisfied that the Company meets all relevant requirements of the JSE Listings Requirements and the NSX Listings Requirements as a result of its secondary listings on the JSE, the South African securities exchange, and the NSX, the Namibian securities exchange.

BOARD STRUCTURE AND ROLES

The Board has full and effective control of the Company and all material resolutions are approved by the Board. The Board has adopted a robust corporate governance framework, as summarised in **Figure 1**, which assists the Board in the exercise of its responsibilities, providing strategic direction to the Company in order to create long-term shareholder value. A Board Charter sets out the key responsibilities of the Chairman, SID, Non-executive Directors, Executive Directors, the Chief Executive Officer and the Company Secretary. It further demonstrates the roles of the various Board committees.

BOARD COMMITTEES

The Board has delegated authority to the Board committees to carry out certain tasks on its behalf, in order to operate efficiently and give the right level of attention and consideration to relevant matters, while reserving the authority to approve certain key matters, as documented in the Group's authority levels and reserved matters, which is reviewed annually by the Board. The key responsibilities of the Board committees, namely the Audit and Risk Committee, Remuneration Committee, Nomination Committee, Clinical Performance and Sustainability Committee, Investment Committee and the Disclosure Committee, are summarised in **Figure 1**. The terms of reference of each Board committee are available on the Company's website. Reports on the role, composition and activities of the Remuneration Committee, Nomination Committee, Audit and Risk Committee and the Clinical Performance and Sustainability Committee are included in this Annual Report.

During the year, the Board approved the constitution of the Disclosure Committee, previously a management committee, as a Board committee.

SEPARATION OF CHAIRMAN AND CEO ROLES

There is a distinct division of responsibilities between the Chairman and the Chief Executive Officer, as summarised in **Figure 1.** The separation of authority, which is set out in writing and agreed by the Board, enhances independent oversight of executive management by the Board and helps to ensure that no one individual on the Board has unfettered powers or authority.

FIGURE 1: CORPORATE GOVERNANCE FRAMEWORK

CHAIRMAN

Dr Edwin Hertzog

Key responsibilities

- Leads the Board.
- Ensures the effective performance of the Board.
- Works closely with the CEO to ensure the implementation of Board-approved actions.
- Ensures effective communications with shareholders.

The Chairman's other significant commitments are indicated in his biography on page 70.

SENIOR INDEPENDENT DIRECTOR

Desmond Smith

Key responsibilities

- Provides a sounding board for the Chairman.
- Acts, if necessary, as a focal point and intermediary for other Directors.
- Available to shareholders should they have concerns if contacts outside the normal channels is required.
- Leads the annual appraisal of the Chairman's performance and Non-executive Directors' independence.

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BOARD

Membership:

Non-executive Chairman, one other Non-executive Director, six Independent Non-executive Directors and two Executive Directors

Key responsibilities

- Responsible for the effective oversight of the Company.
- Agrees the strategic direction of the Group and the nature and extent of the principal risks it is willing to take.
- Establishes the governance structure, corporate reporting, risk management and internal control principles for the Group.
- Sets appropriate values, ethical standards and behaviours and ensures they are embedded throughout the Group.
- Accountable to shareholders for the long-term success of the Group and delivering value to shareholders.
- Delegates authority to Board committees to carry out certain tasks on its behalf.

The biographies of the Board members are set out on pages 70 to 71.

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EXECUTIVE DIRECTORS

Danie Meintjes –
Chief Executive Officer
Jurgens Myburgh –
Chief Financial Officer

Key responsibilities

- Contribute detailed insight of the operations of the business enabling the Board to determine feasibility and practicality of proposed strategies, goals and direction.
- Making and implementing operational decisions.

CHIEF EXECUTIVE OFFICER

Danie Meintjes

Key responsibilities

- Leads and oversees the executive management team.
- Manages the business of the Group.
- Develops and oversees the implementation of Board-approved actions, the strategic direction of the Group and its commercial objectives.
- Ensures appropriate governance standards are embedded throughout the Group.

NON-EXECUTIVE DIRECTORS

Jannie Durand, Alan Grieve, Seamus Keating, Prof Dr Robert Leu, Nandi Mandela, Trevor Petersen, Desmond Smith

Key responsibilities
- Support the development of the Group's strategy.
- Scrutinise the performance of management.
- Provide constructive challenge, drawing on their skills, experience and judgement.
- Monitor the reporting of performance.
- Satisfy themselves on the integrity of the Group's financial reporting and on the effectiveness of its financial controls and risk management systems.
- Determine the remuneration of Executive Directors.
- Appointment / removal of Directors and review succession planning.

AUDIT AND RISK COMMITTEE

Membership
Four Independent Non-executive Directors

Key responsibilities
- Reviews and monitors the integrity of the Group's financial reporting.
- Reviews and monitors the Group's relationship with the external auditor and the effectiveness of the external audit.
- Reviews the effectiveness of the Group's internal audit arrangements.
- Reviews and monitors the effectiveness of the Groups risk management and internal controls systems.

CLINICAL PERFORMANCE AND SUSTAINABILITY COMMITTEE

Membership
Two Independent Non-executive, one Non-executive and one Executive Director

Key responsibilities
- Monitors clinical performance throughout the Group.
- Promotes culture of excellence in patient safety, quality of care and patient experience.
- Monitors the sustainable development performance of the Group.
- Ensures the Group is a good and responsible corporate citizen.

COMPANY SECRETARY

Capita Company Secretarial Services

Key responsibilities
- Acts as secretary to the Board and its Committees.
- Provides advice and guidance to the Board collectively and Directors individually with regard to their duties, responsibilities and powers.
- Ensures the effective administration of proceedings and matters related to the Board, the Company and its shareholders.

REMUNERATION COMMITTEE

Membership
Three Independent Non-executive Directors

Key responsibilities
- Makes recommendations to the Board on the Company's policy on executive remuneration.
- Establishes the parameters and governance of the remuneration policy.
- Determines the remuneration and benefits package for individual Executive Directors and other members of executive management.

INVESTMENT COMMITTEE

Membership
Two Independent Non-executive, two Non-executive and two Executive Directors

Key responsibilities
- Reviews and approves proposed investments and capital expenditures within its authority levels.
- Reviews and makes recommendations to the Board regarding proposed investments and capital expenditures that exceed its own authority level.
- Monitors performance of approved investments.

EXECUTIVE COMMITTEE

Membership
Chief Executive Officer, Chief Financial Officer, Group Corporate Services Executive, Chief Clinical Officer, Group ICT Executive and three Operating Platform Chief Executive Officers

Key responsibilities
- Responsible for the executive management of the Group's businesses.
- Considers investment opportunities, operational matters and other aspects of strategic importance to the Group and make recommendations to the Board.
- Performs any other functions delegated to management by the Board.

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The biographies of the Executive Committee members are set out on page 72.

NOMINATION COMMITTEE

Membership
Three Independent Non-executive and two Non-executive Directors

Key responsibilities
- Reviews the structure, size, and composition of the Board.
- Identifies and recommends potential candidates to be appointed as Directors or members of Board committees, as the need arises.
- Reviews succession planning.

DISCLOSURE COMMITTEE

Membership
One Independent Non-executive Director and two Executive Directors

Key responsibilities
- Identifies inside information and makes recommendations about how and when such information should be disclosed.
- Reviews and monitors internal arrangements regarding inside information in accordance with the EU Market Abuse Regulation.

BOARD MEETINGS

MEETING ATTENDANCE

Individual Directors' attendance at Board and Board committee meetings is considered as part of the formal annual review of their performance. Where a Director is unable to attend a Board or committee meeting, they communicate their comments and observations on the matters to be considered in advance of the meeting via the Chairman, the SID or relevant Board committee chairman for raising as appropriate during the meeting. The attendance of the Board meetings held during the year under review is set out in **Figure 2**. The attendance of the Investment Committee and the Disclosure Committee meetings held during the year under review is set out in **Figure 3** and **Figure 4**, respectively.

FIGURE 2: BOARD MEETING ATTENDANCE

NAME[1]	DESIGNATION	DATE OF APPOINTMENT	NUMBER OF BOARD MEETINGS ATTENDED[2]
Dr Edwin Hertzog	Non-executive Chairman	15/02/2016	7 of 8
Danie Meintjes	Chief Executive Officer	15/02/2016	8 of 8
Jurgens Myburgh[3]	Chief Financial Officer	01/08/2016	4 of 4
Desmond Smith	Senior Independent Director	15/02/2016	8 of 8
Jannie Durand	Non-executive Director	15/02/2016	8 of 8
Alan Grieve	Independent Non-executive Director	15/02/2016	8 of 8
Seamus Keating	Independent Non-executive Director	05/06/2013	8 of 8
Prof Dr Robert Leu	Independent Non-executive Director	15/02/2016	8 of 8
Nandi Mandela	Independent Non-executive Director	15/02/2016	8 of 8
Trevor Petersen	Independent Non-executive Director	15/02/2016	8 of 8
Craig Tingle[4]	Chief Financial Officer	15/02/2016	3 of 3
Ian Tyler[5]	Senior Independent Director	05/06/2013	6 of 7

FIGURE 3: INVESTMENT COMMITTEE MEETING ATTENDANCE

NAME[1]	DESIGNATION	DATE OF APPOINTMENT (AS COMMITTEE MEMBER)	NUMBER OF COMMITTEE MEETINGS ATTENDED
Dr Edwin Hertzog (Committee Chairman)	Non-executive Chairman	19/02/2016	4 of 5
Danie Meintjes	Chief Executive Officer	19/02/2016	5 of 5
Jurgens Myburgh[3]	Chief Financial Officer	01/08/2016	4 of 4
Jannie Durand	Non-executive Director	19/02/2016	3 of 5[6]
Alan Grieve	Independent Non-executive Director	19/02/2016	4 of 5
Seamus Keating	Independent Non-executive Director	19/02/2016	5 of 5
Craig Tingle[4]	Chief Financial Officer	19/02/2016	1 of 1

FIGURE 4: DISCLOSURE COMMITTEE MEETING ATTENDANCE

NAME[1]	DESIGNATION	DATE OF APPOINTMENT (AS COMMITTEE MEMBER)	NUMBER OF COMMITTEE MEETINGS ATTENDED[7]
Alan Grieve[8] (Committee Chairman)	Independent Non-executive Director	17/03/2017	n/a
Danie Meintjes	Chief Executive Officer	15/02/2016	3 of 4
Jurgens Myburgh[3]	Chief Financial Officer	01/08/2016	4 of 4
Craig Tingle[4]	Chief Financial Officer	15/02/2016	n/a
Ian Tyler[5] (Committee Chairman)	Senior Independent Director	05/06/2013	4 of 4
Gert Hattingh[9]	Chief Corporate Services Officer	15/02/2016	4 of 4

Notes

[1] *Biographies of all the current Directors are provided on pages 70 to 71.*
[2] *Since year end, the Board met once and all members attended.*
[3] *Jurgens Myburgh was appointed as an Executive Director and the Chief Financial Officer of the Company on 1 August 2016.*
[4] *Craig Tingle retired as an Executive Director and Chief Financial Officer of the Company on 15 June 2016.*
[5] *Ian Tyler resigned as an Independent Non-executive Director and the SID of the Company on 21 February 2017.*
[6] *The two Investment Committee meetings that could not be attended by Jannie Durand during the year were attended by his alternate, Pieter Uys.*
[7] *Since year end, the Disclosure Committee met four times at which meetings a quorum was present.*
[8] *Alan Grieve was appointed as a member of the Disclosure Committee on 17 March 2017.*
[9] *Gert Hattingh, not being a Board member, was removed as a member of the Disclosure Committee on 30 March 2017 subsequent to the constitution of the committee as a Board committee, previously a management committee.*

The attendance of the other Board committee meetings is set out in the reports of the Audit and Risk Committee, the Nomination Committee, the Remuneration Committee and the Clinical Performance and Sustainability Committee included in this Annual Report.

PRINCIPAL BOARD ACTIVITIES

Figure 5 outlines a number of specific areas that the Board focused on during the year under review. The Board's annual agenda plan is designed to ensure that sufficient time is allocated to ensure all necessary matters are addressed. The agendas are adjusted throughout the course of the year, to prioritise issues and ensure focused consideration of strategic priorities. Sufficient time is provided for the Chairman to meet privately with the SID and Non-executive Directors to discuss any issues arising.

FIGURE 5: PRINCIPAL BOARD ACTIVITIES

STRATEGY AND BUSINESS PLANS
The Board considered progress against the 2016/17 Group strategic themes and reviewed the 2017/18 strategic objectives, business plans, budgets and five-year forecasts, including the viability assessment of the Group and the three operating platforms, which was approved in May 2017. Refer to **Our Strategy, Progress and Aims** from page 24.
At each Board meeting, the CEO provides a report on the Group's investment in Spire and the operating platforms' performance, economic and regulatory environment, and new business developments. Particular focus was placed on the integration of the Abu Dhabi-based Al Noor business into the Mediclinic Middle East platform, including the divestment of certain units. At regular intervals, the operating platforms' CEOs presented a detailed business overview of their respective platform to the Board.
The Board reviewed the Group's growth strategy, confirming the Group's sustained successful track record through expansion of existing facilities and acquisitions. A number of growth opportunities within existing markets were considered and approved, including the acquisition of the 25% minority interest in Al Madar Medical Centre in the UAE; divestment in certain clinics in the UAE; the upgrade and expansion of Mediclinic Brits, Mediclinic Legae, Mediclinic Cape Gate, Mediclinic Bloemfontein, Mediclinic Nelspruit and Mediclinic Vereeniging in South Africa; the establishment of a medical centre in Cham in close proximity to Hirslanden Andreas Klinik in Switzerland; and the expansion of consulting rooms and the creation of an intermediate care unit at Hirslanden Klinik Birshof in Basel, Switzerland. Refer to the **Divisional Reviews** of the operating platforms from page 44.
The Board considered and approved capital investments recommended by the Investment Committee, including a new electronic health record and revenue cycle management system for the Middle East platform.
Progress on significant investments approved by the Board was monitored. The framework for monitoring capital expenditure was approved.
CLINICAL SERVICES
The Board considered reports from the Chief Clinical Officer on a regular basis, focussing on matters such as the review and development of clinical indicators, patient safety, infection prevention and control, accreditation and clinical information systems across the Group.

FIGURE 5: PRINCIPAL BOARD ACTIVITIES (continued)

FINANCIAL PERFORMANCE, REPORTING, TAX STRATEGY AND DIVIDEND POLICY
At each Board meeting, the CFO provides a report on the Group's financial performance.
The Board reviewed and approved the interim results announcement, Annual Report and results announcement, results presentations, and trading updates, with support of the Disclosure Committee.
The Board approved the interim and final dividend declarations in terms of the Company's dividend policy and the implementation of a dividend access scheme to create a mechanism for payment to South African-resident shareholders on the South African register, as approved by the Company's shareholders in July 2016.
The Board considered and approved management's assessment of the Company as a going concern and its viability over the longer-term. Refer to the **Audit and Risk Committee Report** on pages 116 to 117.
The Board considered the Group's capital structure following the Combination of Mediclinic International Limited and Al Noor Hospitals Group plc and approved the refinancing of the bridge facility associated with the Combination of the two companies, as announced in June 2016.
The Board adopted a Group tax strategy, also requiring country-by-country reporting.
RISK MANAGEMENT AND INTERNAL CONTROLS
The Group Risk Manager provides feedback to the Board twice annually, providing an overview of the Group's risk appetite, risk management and internal control systems and compliance oversight. Refer to the report on **Risk Management, Principal Risks and Uncertainties** from page 30.
The Board conducted a robust assessment and agreed the principal risks for the Group, including the management and mitigation of these risks, including the effect of regulatory developments governing tariffs.
INTERNAL AUDIT
The Board monitored progress on the development of the Company's in-house Internal Audit function, to facilitate the transition away from the current outsourcing of the function to Remgro, the Company's principal shareholder. Refer to the **Audit and Risk Committee Report** on pages 119 to 120.
ICT
The Board considered reports from the Chief Information Officer on a regular basis. The Chief Information Officer is also invited to once annually present a detailed ICT strategic overview to the Board.
Conducted a review of the Group's cybersecurity. Received assurances regarding the risk factors, potential impact, existing controls and mitigants and proposed enhancements.
CORPORATE GOVERNANCE
The Board considered developments in corporate governance and disclosure requirements, including the updated UK Corporate Governance Code, the updated statement by the Company in terms of the Modern Slavery Act, feedback from the Audit and Risk Committee in respect of tax and non-audit services disclosures, feedback from the Remuneration Committee in relation to executive remuneration and feedback from the Nomination Committee in relation to diversity.
The Board reviewed and approved all Group policies and procedures, including in relation to: • Board Charter and committees' terms of reference; • authority levels and matters reserved for the Board; • business conduct and ethics; • anti-bribery; • sustainable development and environment; • Board diversity; • EU Market Abuse Regulation; and • tax strategy.
SUSTAINABILITY
The Board approved the expansion of the role and responsibilities of the Quality Committee to also include sustainability functions from May 2016, and renamed the committee to the Clinical Performance and Sustainability Committee. The Board considers the feedback by the committee after each committee meeting. Refer to the **Clinical Performance and Sustainability Committee Report** from page 111.

FIGURE 5: PRINCIPAL BOARD ACTIVITIES (continued)

LEADERSHIP
The Board approved the appointment of Pieter Uys as an alternate to Jannie Durand in April 2016, and of Jurgens Myburgh as CFO in August 2016, upon the recommendation of the Nomination Committee.
The Board reviewed outcomes and agreed actions after internal self-evaluation of the Board, Board committees, the Chairman, individual Directors and the Company Secretary. Refer to page 81.
After the resignation of Ian Tyler, the composition of the Board committees was considered with certain amendments made, as announced in March 2017.
STAKEHOLDER ENGAGEMENT
In support of improved investor relations, the Board endorsed management's appointment of a Head of Investor Relations, which process was done in consultation with the Senior Independent Director at the time, Ian Tyler.
The Board considered feedback on engagement with investors, together with an analysis of the Company's share register.
The Board approved the arrangements with the Company's strategic black partners in terms of a black ownership initiative to formalise their shareholding in the Company, as announced in September 2016.

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BOARD COMPOSITION AND DIVERSITY

The delivery of the Company's long-term strategy depends on attracting and retaining the right skills across the Group, starting with the Board of Mediclinic. A list of the Company's current Directors, including their biographies, who were in office during the year and up to the date of signing the financial statements, can be found on pages 70 to 71 and page 76.

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As at 31 March 2017 and as at the date of this report, the Board comprised the non-executive Chairman, a Non-executive Director, six Independent Non-executive Directors, and two Executive Directors from wide-ranging backgrounds and with varying industry and professional experience. The Company complies with the Code's recommendation that at least half the Board should be independent.

The Company's Chairman, Dr Edwin Hertzog, is not considered to be an independent Director given his involvement as Chief Executive of Mediclinic International Limited until his appointment as Chairman in 1992 and his position as non-executive Deputy Chairman of Remgro Limited, the principal shareholder of the Company. Nonetheless, given his in-depth industry knowledge and experience, the Board considers it in the best interests of the Company that he serves as Chairman.

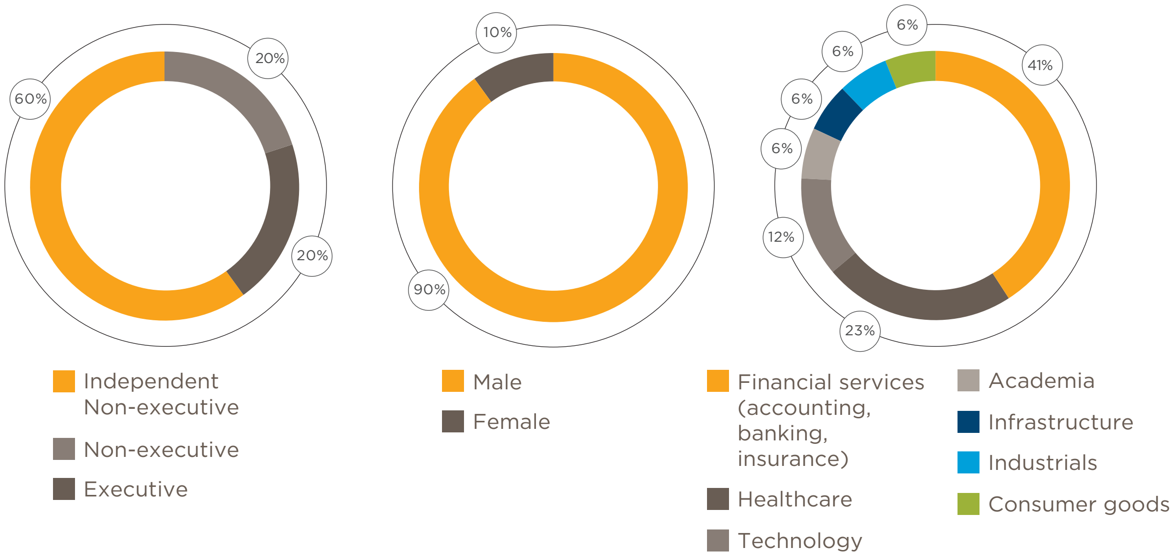
Mediclinic recognises the importance and benefits of having a diverse Board and believes that diversity at Board level is an essential element in maintaining a competitive advantage. The Board considers that diversity is not limited to gender and that a diverse Board will include and make good use of differences in the skills, geographic and industry experience, background, race, gender and other characteristics of Directors.

The Board seeks to construct an effective, robust, well balanced and complementary Board, whose capability is appropriate for the nature, complexity and strategic demands of the business. The Nomination Committee leads the process for Board appointments as further detailed in the Nomination Committee Report. The Board and the Nomination Committee actively consider the structure, size and composition of the Board and its committees when contemplating new appointments and succession planning for the year ahead. A range of diversity factors will be taken into account in determining the optimum composition of the Board and its committees, together with the need to balance their composition and refresh this progressively over time.

The Company's Non-executive Directors come from a wide range of industries, backgrounds and geographic locations and have appropriate experience of organisations with international reach. While the Board recognises that the existing skills and expertise of the current Directors are extensive, the Nomination Committee continues to consider the appointment of additional Independent Non-executive Directors to further strengthen the Board and its committees' with diverse expertise and to increase the female representation on the Board. No quota regarding gender balance has been imposed; however, the Nomination Committee and Board remain committed to ensuring that the business benefits from a diverse Board. Accordingly, when considering Board appointments and internal promotions at senior level, the Company will continue to take account of relevant voluntary guidelines and the performance of peer companies in fulfilling their role with regards to diversity, whilst seeking to ensure that each post is offered strictly on merit to the best available candidate.

During the year, the Nomination Committee reviewed and updated its Board Diversity Policy. The Board's diversity policy statement is set out on page 79. For details on the diversity of the Group, including a breakdown by gender, age and race (only for South Africa) on the Board and senior management roles see the **Directors' Report** on page 127. **Figure 6** provides an overview of the Board's composition and diversity in terms of gender and experience.

FIGURE 6: CORPORATE GOVERNANCE FRAMEWORK



INDEPENDENT PROFESSIONAL ADVICE

All Directors may seek independent professional advice in connection with their roles as Directors. All Directors have access to the advice and services of the Company Secretary at the expense of the Company. The Company has provided for both indemnities and directors' and officers' insurance to the Directors in connection with their duties and responsibilities.

APPOINTMENT AND TENURE

All Non-executive Directors serve on the basis of letters of appointment which are available for inspection at the Company's registered office. The letters of appointment set out the time commitment expected of Non-executive Directors who, on appointment, undertake that they will have sufficient time to meet their requirements.

The Non-executive Directors are appointed for a term of three years, subject to earlier termination, including provision for early termination by either the Company or the Non-executive Director on three months' notice.

DIRECTORS' INDUCTION AND TRAINING

The Chairman, with the support of the Company Secretary, is responsible for the induction of new Directors and ongoing development of all Directors.

Upon appointment, all Directors were provided with training in respect of their legal, regulatory and governance responsibilities and obligations in accordance with the UK regulatory regime. Jurgens Myburgh, as CFO, and Pieter Uys, as alternate to Jannie Durand, were appointed during the year and have each undertaken a comprehensive Board induction programme tailored to their individual needs and requirements. The induction includes face-to-face meetings with executive management and operational site visits to orientate and familiarise them with our industry, organisation, business, strategy, commercial objectives and key risks.

The training needs of the Directors are periodically discussed at Board meetings and briefings are arranged on issues relating to corporate governance and other areas of importance.

The Board is kept up to date on legal, regulatory and governance matters at Board meetings. Additional training is available on request, where appropriate, so that Directors can update their skills and knowledge as applicable.

DIRECTOR ELECTION/ RE-ELECTION

In accordance with the Company's Articles of Association, a Director appointed during the year, should stand for election at the first annual general meeting subsequent to such appoint, and other Directors must retire by rotation and seek re-election by shareholders every three years. However, the Code requires that all directors of FTSE350 companies should stand for re-election annually. Accordingly, Jurgens Myburgh, who was appointed as a Director from 1 August 2016, will stand for election at the Company's annual general meeting to be held on 25 July 2017; and all other Directors will stand for annual re-election at the meeting. Taking into account the result of an internal Board evaluation which was carried out during the year and following recommendations from the Nomination Committee, the Board considers that all Directors continue to be effective, committed to their roles and have sufficient time available to perform their duties and therefore recommends the election and re-election of these Directors to the Board.

DIRECTORS' CONFLICTS OF INTEREST

In accordance with the UK Companies Act and the Company's Articles of Association, the Board may authorise any matter that otherwise may involve any of the Directors breaching his or her duty to avoid conflicts of interest. The Board adopted a procedure to address these requirements, which includes the Directors completing detailed conflict of interest questionnaires on appointment. The matters disclosed in the questionnaires are reviewed by the Board following the Directors' appointment and annually thereafter and, if considered appropriate, authorised in accordance with the Act and the Articles. Any new conflicts of interest are disclosed to the Board as soon as they arise, for consideration.

EVALUATION OF THE BOARD, COMMITTEES, CHAIRMAN, INDIVIDUAL DIRECTORS AND THE COMPANY SECRETARY

During the year under review, the Board conducted an evaluation to review performance and effectiveness of the Board, as a whole, the Board Committees, the Chairman, individual Directors and the independence of the Independent Non-executive Directors. The evaluation process was conducted internally by way of interviews and self-evaluation questionnaires. The results of the evaluation of the Board committees were considered by the relevant committee prior to their presentation, together with all other evaluations, for discussion at the Board meeting held in March 2017.

An externally facilitated performance evaluation will be conducted next year and every three years thereafter.

BOARD

The Board self-evaluation questionnaire was based around the five main principles of the Code, namely: leadership, effectiveness, accountability, remuneration and relations with shareholders. The Board identified no material areas for improvement, but confirmed the need to address the composition of the Board through the appointment of two further Non-executive Directors, which is currently receiving attention as indicated in the **Nomination Committee Report** on page 109.

BOARD COMMITTEES

The results of the self-evaluation of the Board committees, together with the Committees' proposed recommendations, were discussed by the Board. Details of the results of the performance evaluation of the Board's committees and actions planned for the next year are set out in the individual committee reports.

CHAIRMAN

Mr Desmond Smith, as the SID, met privately with the Non-executive Directors to appraise the performance of the Chairman, taking account of the views of the Executive Directors and subsequently discussed the results with the Chairman. A high-level summary of the evaluation of the Chairman was presented at the Board meeting held in March 2017.

INDIVIDUAL DIRECTORS

The Chairman met with each Non-executive Director to discuss their contributions and performance, together with their training and development needs and presented his feedback to the Board. The Board concluded that the individual Directors have fulfilled their duties and provide a valuable contribution to the effective functioning of the Board.

INDEPENDENCE OF DIRECTORS

The Board considered the independence of the Independent Non-executive Directors, upon recommendation of the SID, taking into consideration all relevant relationships and circumstances. As disclosed earlier in this report, Dr Edwin Hertzog and Jannie Durand are not regarded as independent, owing, respectively, to their previous relationship with the Company and its principal shareholder. The Board considers all the other Non-executive Directors to be independent in character and judgement and free from any business or other relationship or circumstances that could potentially materially interfere with the exercise of their respective and collective independent judgement.

COMPANY SECRETARY

As part of the annual evaluation of the Board, the Company Secretary was also evaluated. The Board is of the opinion that the Company Secretary is competent and has the requisite qualifications and experience to effectively execute its duties.

ACCOUNTABILITY

INTERNAL CONTROLS AND RISK MANAGEMENT

The Group has a comprehensive system of internal controls in place, designed to ensure that risks are mitigated and that the Group's objectives are attained. The Board recognises its responsibilities to present a fair, balanced and understandable assessment of the Group's position and prospects. It is accountable for reviewing and approving the effectiveness of internal controls operated by the Group, including financial, operational and compliance controls, and risk management. The Board recognises its responsibility in respect of the Group's risk management process and system of internal control, and, oversees the activities of the Group's external auditors and the Group's risk management function which have been delegated to the Audit and Risk Committee. A review of the Group's risk management approach is further discussed in the **Strategic Report** on pages 2 to 68. For detail on the management and mitigation of each principal risk see pages 31 to 33. The Group's viability statement is detailed on pages 35 to 36. Please refer to pages 114 to 122 for further detail in relation to the Audit and Risk Committee's role.

The Group's governance structure of risk management is illustrated in **Figure 7**.

FIGURE 7: GOVERNANCE STRUCTURE OF RISK

ETHICS AND COMPLIANCE

Conducting business in an honest, fair and legal manner is a fundamental guiding principle in Mediclinic, which is actively endorsed by the Board and management, ensuring that the highest ethical standards are maintained in all our dealings with stakeholders. The Group's commitment to ethical standards is set out in the Group's values, and is supported by the Company's Code of Business Conduct and Ethics (the "**Ethics Code**") which is available on the website at **www.mediclinic.com**. The Ethics Code provides a framework of the standards of business conduct and ethics that are required of all business divisions, directors and employees within the Group in order to promote and enforce ethical business practices and standards throughout the Group. The Ethics Code is available to all staff and communicated to new employees as part of the on-boarding process.

Compliance with relevant laws, regulations, accepted standards or codes is integral to the Group's risk management process and is monitored in accordance with the terms of the Group's Regulatory Compliance Policy.

SLAVERY AND HUMAN TRAFFICKING

The Board has considered the Company's slavery and human trafficking statement for the year under review, as required in terms of the Modern Slavery Act 2015, reporting on the steps the Group has taken to ensure that slavery and human trafficking does not take place. A link to the Company's slavery and human trafficking statement can be found on the home page of the Company's website at **www.mediclinic.com**.

FRAUD AND CORRUPTION

The Group adopts a zero-tolerance policy to unethical business conduct, in particular fraud and corruption, which is addressed in the Group's Ethics Code and the Anti-bribery Policy. Refer to the **Audit and Risk Committee Report** on page 122 for an overview of the Group's approach to fraud and corruption.

COMPETITION LAWS

The Group supports and adheres to the relevant competition and anti-trust laws applicable in the various countries in which the Group operates. These laws are complex and the Group has issued guidelines to its employees on competition law compliance within their relevant jurisdiction, which are reviewed and updated at least annually.

The South African Competition Commission is undertaking a market inquiry into the private healthcare sector in South Africa. Mediclinic is participating in the inquiry, with the assistance of expert competition attorneys and advocates who guide Mediclinic through the process, as referred to in the **Divisional Review** of Mediclinic Southern Africa on page 49.

No legal action for anti-competitive, anti-trust or similar conduct was instituted against the Group during the year under review.

INFORMATION AND COMMUNICATIONS TECHNOLOGY GOVERNANCE

Mediclinic has an extensive information and communications technology ("**ICT**") environment that acts as an enabler of its business strategies and operations. The core business information systems cover clinical processes, revenue cycle management and patient administration. The SAP ERP back-office systems support, *inter alia*, the finance, accounting, human resources management and procurement functions. An enterprise data warehouse enables advanced analytics activities as well as providing data for decision support. Lastly an extensive office automation environment exists which enables both on-premise and mobile working, as well as collaboration and communication within and across the Mediclinic business platforms. A global network enables data flows and communication between the Group's operating platforms. Major ICT-related projects in the pipeline, which include various SAP projects, an electronic health record system and the introduction of a global HR system.

ICT governance is done in context of the Group's overall corporate governance and specifically the Group's risk management structures and processes. Central to ICT governance is the Group's ICT Steering Committee, various ICT architecture management committees at the operating platforms. The ICT Steering Committee is a sub-committee of Company's Executive Committee and membership consists of the Group's CIOs, various Group ICT architects and key functions such as Risk Management, Finance and the Enterprise Project Management Office. This committee focuses on collaboration, standardisation and synergies across the various ICT entities in the Group by way of:

- setting information security related policies and standards;
- developing and reviewing ICT risk profiles; and
- providing assurance regarding information and cybersecurity, data protection and privacy, as well as access control, change management and disaster recovery.

The ICT Steering Committee is supported by the Group's Information Security Architecture Committee, consisting of the Information Security Officers of the Group and the operating platforms. The proceedings of this committee are informed by information security best practices sourced from Gartner, ISACA, CoBIT 5, ITIL, ISO27001 and the South African King IV™ Report on Corporate Governance.

The Group's risk management system is used to capture and track all ICT risks, audit findings, actions and responsibilities.

Mediclinic employs a wide range of technology capabilities to safeguard its ICT installation, its ICT users and connections to other external ICT systems to ensure business continuity.

Information security policies and controls are in place throughout the Group regulating, *inter alia*, the processing, use and protection of own and third-party information. This is further entrenched through ongoing user training, security awareness programmes and certification courses in information security. Flows of personal data across country borders are dealt through formal arrangements in line with country-specific legislation. There were no material information security or data privacy incidents during the year under review.

REMUNERATION

The Board has established a Remuneration Committee to assist with discharging its responsibility in relation to Board and executive remuneration. A report on the activities of the Committee, including its composition and key responsibilities, is included from page 85. AR

RELATIONS WITH STAKEHOLDERS

STAKEHOLDER ENGAGEMENT

Mediclinic recognises its accountability to its stakeholders. Effective communication with stakeholders is fundamental in maintaining Mediclinic's corporate reputation as a trusted and respected provider of healthcare services and positioning itself as a leading international private healthcare group. The Group's key stakeholders, methods of engagement, topics discussed or concerns raised are outlined in the **Sustainable Development Report**, available on the Company's website at **www.mediclinic.com**. SDR

SHAREHOLDER ENGAGEMENT

Responsibility for shareholder relations rests with the Chairman, CEO, CFO, SID and Head of Investor Relations. Collectively, but mainly through the CEO, CFO and Head of Investor Relations, as referred to on page 73, they ensure that there is effective, regular and clear communication with shareholders on matters such as operational performance, regulatory changes, governance and strategy. In addition, they are responsible for ensuring that the Board understands the views of shareholders on matters such as governance and strategy. The Board is supported by the Company's corporate brokers with whom it is in constant dialogue. The Disclosure Committee also assists the Board to ensure the timely and accurate disclosure of all information that is required to be so disclosed to meet the legal and regulatory obligations and requirements arising from its listing on the LSE. AR

During the year, following the appointment of the Group's Head of Investor Relations in London, a formal programme was established for engaging with the capital markets. This programme included regular investor meetings, attendance at investor conferences, roadshows, presentations and *ad hoc* events with investors, sell-side analysts and sales teams. Over the year under review, senior management and the Head of Investor Relations have met some 200 institutions and participated in 18 roadshows, investor conferences and *ad hoc* capital market events across the UK, South Africa, North America, UAE and Asia. A breakdown of the fund manager style and geographic holdings as at year end are provided in **Figure 8** and **Figure 9** respectively. The CEO, CFO and Head of Investor Relations provide regular feedback to the Board on investor relations matters, including, *inter alia*, an overview of meetings held with investors.

Shareholders can access details of the Group's results and other news releases through the London Stock Exchange's Regulatory News Service and the Johannesburg Stock Exchange News Service. In addition, the Group publishes the announcements in the Investor Relations section of the Group's website at **www.mediclinic.com**. Shareholders and other interested parties can subscribe to email news updates by registering online on the website.

The Group continually looks for ways to improve its use of online channels to communicate with our stakeholders through the corporate website and webcasting.

2017 ANNUAL GENERAL MEETING

The Company's annual general meeting will take place at 15:00 (British Summer Time) on Tuesday, 25 July 2017 at the Rosewood London Hotel, 252 High Holborn, London, WC1V 7EN, United Kingdom. All ordinary shareholders have the opportunity to attend and vote, in person or by proxy. The **Notice of Annual General Meeting** can be found on the investor relations section of the Company's website at **www.mediclinic.com**, and is being posted in a separate booklet at the same time as this Annual Report. The Notice of Annual General Meeting sets out the business of the meeting and provides explanatory notes on all resolutions. Separate resolutions are proposed in respect of each substantive issue. The annual general meeting is the Company's principal forum for communication with private shareholders. The Chairman of the Board and the Chairmen of the Board committees, together with senior management, will be available to answer shareholders' questions at the meeting and the Directors encourage shareholders to participate at the event.

AGM

FIGURE 8: STYLE OF FUND MANAGER

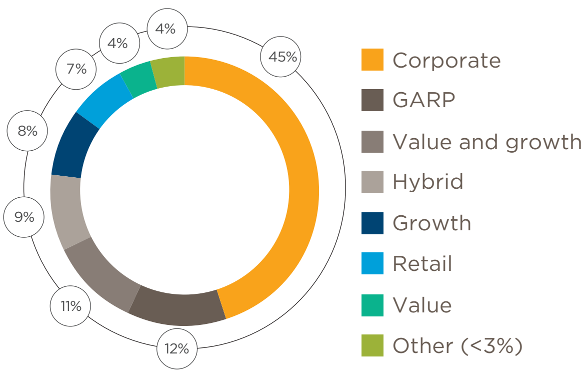
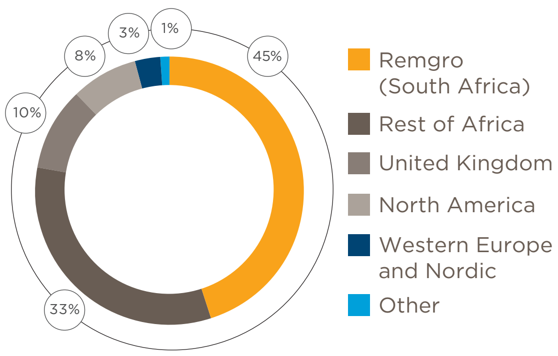


FIGURE 9: GEOGRAPHIC HOLDING BREAKDOWN



DIRECTORS' REMUNERATION REPORT

LETTER FROM THE REMUNERATION COMMITTEE CHAIRMAN

Dear Shareholder,

Mediclinic became a FTSE-listed company as a result of the Combination with Al Noor Hospitals in February 2016. Leading up to the Combination, a new Directors' Remuneration Policy was put to shareholders and approved in December 2015. The policy, based largely on the previous Al Noor policy, was designed to provide flexibility to meet the needs of the new entity. Having completed a full year working with this policy, we are now in a better position to draft a policy that is more specifically shaped to our needs. No substantial changes are required, since there is no proposed change to either the structures with which we remunerate our executives or their levels of pay. However, there are a number of more detailed provisions which we wish to amend, where the existing drafting does not reflect how we wish to implement the policy. The revised Remuneration Policy, contained within this report, will be subject to a binding vote by shareholders at the Company's AGM on 25 July 2017. Following approval, it would become formally effective from the date of the AGM.

I am also pleased to present the annual Directors' Remuneration Report for the year ended 31 March 2017, which will be subject to an advisory vote at the AGM. This sets out the remuneration decisions taken in the year and, in the remainder of this letter, I aim to set these decisions in the context of the Company's performance this year.

PERFORMANCE AND REWARD OVER THE REPORTING PERIOD

Performance for the Executive Directors' short-term incentive ("**STI**") was calculated on a weighted average of the Company's three operating platforms in Southern Africa, Switzerland and the Middle East. For each platform, underlying EBITDA is the primary measure, underpinned by clinical and patient quality conditions which can reduce the bonus earned. Hirslanden, our largest platform, performed strongly, exceeding the maximum target for financial performance combined with strong outcomes on patient satisfaction. Our business in Southern Africa also performed well, delivering EBITDA in line with expectations and fair performance on other measures. In the Middle East, performance was impacted significantly by a major regulatory change affecting the Abu Dhabi business as well as operational challenges in this business. The Company has been focused on resolving these issues and stabilising performance in the Middle East, and our confidence in the long-term growth opportunities of the region remains strong. Taking performance across all three platforms into account, the STI outcome for the reporting period for the Executive Directors was 55.93% of maximum, as described in more detail on pages 99 to 100.

During 2016, long-term incentive awards ("**LTIP**") were granted to the Executive Directors, subject to total shareholder return and earnings per share performance conditions over three years. No long-term incentive awards vested during the year, since outstanding awards vested at the time of the Combination.

PROPOSED REMUNERATION POLICY 2017

As mentioned above, following a review of the existing Directors' Remuneration Policy, the Remuneration Committee have proposed a revised policy to better reflect the way in which the Company operates post-Combination.

Changes have been made to the operation of the annual STI and the LTIP awards to specify how the share-based elements of these awards will operate where we cannot use shares. In order to continue to build long-term alignment of the Directors' interests with shareholders, when we cash settle awards, there is a requirement to purchase shares with the net proceeds of the award and hold those shares until the individual has reached the share ownership guideline. In this way, we ensure the continued alignment even where we cash settle awards for technical reasons. Other changes include more specifically on clawback, *malus* and post-vesting holding periods.

We believe that the proposed approach for 2017 underpins our strategy and values as a Company, and will enable us to continue to operate effectively throughout our markets.

We trust that you will support both resolutions at the AGM on 25 July 2017.

Trevor Petersen
Chairman of the Remuneration Committee
23 May 2017

DIRECTORS' REMUNERATION POLICY

INTRODUCTION

This part of the Directors' Remuneration Report sets out the remuneration policy for the Company and has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). The policy has been developed taking into account the principles of the UK Corporate Governance Code and takes account of the views of our major shareholders and proxy agencies, as expressed during previous engagement on remuneration matters.

The Remuneration Policy will be put to a binding shareholder vote at the AGM on 25 July 2017 and, subject to approval, the new policy will take formal effect from that date (replacing the previous policy approved by shareholders on 15 December 2015, which can be found on the Company's website at www.mediclinic.com contained in the 2016 Annual Report and Financial Statements on pages 75 to 81). It is intended that the policy will be in force for a period of three years from the date of approval.

PROPOSED CHANGES TO POLICY

ELEMENT OF PAY	SUBSTANTIAL PROPOSED CHANGES
Annual short-term incentive ("**STI**")	To reflect more clearly the current operation of the bonus deferral, its treatment has been formalised as follows: • Half of the bonus paid will be deferred in shares for two years, with vesting subject to continued employment. • Deferred shares may be settled in cash. To strengthen alignment with shareholder interests where an award is settled in cash and a Director has not yet met the share ownership guidelines, this cash must be used to purchase shares in the Company. We have also included reference to the *malus* condition we have in operation.
Long-term Incentive Plan ("**LTIP**")	We have not made any fundamental changes to the LTIP, but we have updated the policy to reflect more clearly the current operation. Similar to the deferred portion of the annual STI, awards will be made in shares, but may be cash settled. Executive Directors' awards will be subject to a post-vesting holding period of two years. To strengthen alignment with shareholder interests where an award is settled in cash and a Director has not yet met the share ownership guidelines, this cash must be used to purchase shares in the Company. Increased flexibility is included in the selection of performance measures for the LTIP. We have also included reference to the *malus* condition we have in operation.
Share ownership guidelines	We have made no changes to the practice around share ownership guidelines, but these were previously not included in the policy table.

The rationale for change is to align the policy more specifically to the current operation of the STI and the LTIP. Further, the requirement to hold shares facilitates Executive Directors building a shareholding in the business and therefore aligns management with shareholders' interests and the Group's performance, without encouraging excessive risk taking.

POLICY OVERVIEW

The Committee is responsible, on behalf of the Board, for establishing appropriate remuneration arrangements for the Executive Directors and other senior management in the Group.

In setting the Remuneration Policy for the Executive Directors, the Committee will ensure that the structures are in the best interest of both the Group and its shareholders, by taking into account the following general principles:

- To lead our chosen markets in medical quality by attracting, retaining and motivating the best person for each position, without paying more than is necessary.
- To ensure total remuneration packages are simple and fair in design so that they are valued by participants.
- To ensure that the fixed element of remuneration is determined with reference to the location in which the executive operates and the broader international market, taking account of individual performance, responsibilities and experience; and that a significant proportion of the total remuneration package is linked to financial performance.
- To balance performance pay between the achievement of financial performance objectives and delivering sustainable stock market out-performance; creating a clear line of sight between performance and reward and providing a focus on sustained improvements in profitability and returns.
- To provide performance-related pay linked to share price and with a requirement to hold shares to facilitate senior management to build a shareholding in the business and therefore, aligning management with shareholders' interests and the Group's performance, without encouraging excessive risk taking.

CONSIDERATION OF SHAREHOLDER VIEWS

The Company is committed to maintaining open and transparent dialogue with its shareholders. The Committee engages regularly in a process of investor consultation.

The Committee considered shareholder feedback in relation to the Directors' Remuneration Report for the prior year at its first meeting following the annual general meeting. This feedback, as well as any additional feedback received during any other meetings with shareholders, was considered as part of the Company's annual review of remuneration arrangements for the following year. Where appropriate, the Committee will actively engage with shareholders and shareholder representative bodies, seeking views which may be considered when making any decisions about changes to the Directors' Remuneration Policy.

The Committee considers the annual general meeting to be an opportunity to meet and communicate with shareholders, giving investors the opportunity to raise any issues or concerns they may have. In addition, the Committee will seek to engage directly with major shareholders and their representative bodies should any material changes be made to the Directors' Remuneration Policy.

SUMMARY OF THE DIRECTORS' REMUNERATION POLICY

The following table sets out the key aspects of the Directors' Remuneration Policy.

ELEMENT OF PAY	PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE CRITERIA
Base compensation	• To attract, retain and motivate talented individuals who are critical to the Group's success	• Normally reviewed annually by the Remuneration Committee (the "**Committee**") or in the event of a change in an individual's position or responsibilities and typically effective from 1 April • Base compensation levels are set to reflect the experience and capabilities of the individual and the scope and scale of the role • Increases to base compensation reflect individual performance and the pay and conditions in the workforce	• There is no prescribed maximum annual increase • The Committee takes into account remuneration levels in comparable organisations in geographies in which the Company operates and in which it competes for talent • Ordinarily, annual salary increases would be no more than the average annual increase of the Company in the same geographical location in which the Director is domiciled. However, in exceptional circumstances a higher level of increase may be awarded for example: assumed additional responsibility, an increase in the scale or scope of the role or in the case of a new executive, a move towards the desired rate over a period of time where salary was initially set below the intended positioning	• Not applicable
Annual short-term incentive ("**STI**")[1]	• To encourage and reward delivery of the Group's annual financial and operational objectives • To align with shareholder risk and reward	• Performance targets are reviewed annually by the Committee, are linked to strategic objectives, and are appropriately demanding, taking into account economic conditions and risk factors • Half of the bonus paid will be deferred in shares for two years, subject to continued employment • Deferred shares may be settled in cash. Where awards are cash-settled and a Director has not yet met the share ownership guidelines, this cash must be used to purchase shares in the Company • Dividends that accrue on the shares under the deferred bonus will be paid in cash at the time of vesting • Clawback and *malus*[3] provisions will apply for overpayments due to misstatement, misconduct or error	• Maximum opportunity of 150% of base compensation	• At least 75% of the STI will be based on Group financial performance and/or the financial performance of the component platforms of the Group. May also include non-financial measures (e.g. clinical excellence) • Performance below threshold results in zero payment. Payments increase from 0% to 100% of the maximum opportunity for levels of performance between threshold and maximum performance targets

ELEMENT OF PAY	PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE CRITERIA
Long-term Incentive Plan ("**LTIP**")[2]	• To balance performance pay between achieving financial performance objectives and delivering sustainable stock market out-performance • To encourage share ownership and align with shareholders	• Annual awards denominated in shares with vesting dependent on the achievement of performance conditions over a three-year period • Executive Directors will be required to hold vested awards for two years • Awards may be settled in cash, with the cash payment taking account of the share price movement during both the vesting and holding periods • Where awards are cash settled and a Director has not yet met the share ownership guidelines, this cash must be used to purchase shares in the Company • Performance targets are reviewed annually by the Committee and are set according to economic outlook and risk factors prevailing at the time, ensuring that such targets remain challenging in the circumstances, and realistic enough to motivate and incentivise management • Dividends that accrue during the vesting and holding periods will be paid in cash, to the extent that awards have vested • Clawback and *malus*[3] provisions apply for overpayments due to misstatement, misconduct or error	• Maximum opportunity of 200% of base compensation	• Performance measures will include earnings per share ("**EPS**") and relative total shareholder return ("**TSR**") which, in combination, will account for no less than 75% of the total award • The Committee may introduce a new measure or measures which is aligned with the Company's strategic objectives; any such measures will account for no more than 25% of the total award • No more than 25% of an award will vest for achieving threshold performance, increasing *pro rata* to full vesting for achieving maximum performance targets
Pension / retirement benefits	• To help recruit and retain high-performing Executive Directors • To provide employees with long-term savings via pension provisions	• Participation in a defined contribution pension scheme	• Directors can receive a Company contribution of up to 10% of base salary	• Not applicable
Benefits	• To provide a market-competitive level of benefits to ensure Executive Directors' well-being	• Benefits may include but are not limited to: – private medical insurance – death and disability insurance – leave and long-service awards • Other ancillary benefits, including relocation and an allowance towards reasonable fees for professional services such as legal, tax and financial advice • Reasonable business expenses (e.g. travel, accommodation and subsistence) will be reimbursed and in some instances the associated tax will be borne by the Company	• Actual value of benefits provided	• Not applicable

ELEMENT OF PAY	PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE CRITERIA
Non-executive Directors' fee	• Set to attract, retain and motivate talented individuals through the provision of market competitive fees	• In consultation with Executive Directors, the Chairman of the Board will review periodically, or, in the event of a change in an individual's position or responsibilities (if appropriate) • Fee levels are set at market rates, responsibility and time commitments, and the pay and conditions in the workplace • Reasonable business expenses (e.g. travel, accommodation and subsistence) will be reimbursed and in some instances the associated tax will be borne by the Company	• As for the Executive Directors, there is no prescribed maximum annual increase. The Chairman of the Board and the Executive Directors are guided by the general increase for the broader workforce. In certain circumstances the Chairman of the Board may recognise an increase, such as additional responsibility, or an increase in the scale or scope of the role	• Not applicable
Share ownership guidelines	• Alignment of Executive Directors' interests with those of shareholders	• Executive Directors are expected to build and maintain a shareholding in the Company • Where awards are cash settled and a Director has not yet met the share ownership guidelines, this cash must be used to purchase shares in the Company • Until this threshold is achieved Executive Directors are normally required to retain no less than 50% of the net of tax value from vested LTIP, Deferred Bonus ("**DB**") or other awards • The level of shareholding guidelines will be detailed in the annual report each year • The Committee will review Executive Directors' shareholding annually in the context of this policy.	• Not applicable	• Not applicable

Notes

1 *The annual STI is focused predominantly on key financial performance indicators, to reflect how successful the Group is in managing its operations. The balance is determined based on Executive Directors' performance against annual Group operational targets, including measures of clinical excellence.*

The Executive Directors' STI is calculated on Group EBITDA performance and/or the combined financial EBITDA performance and other financial and strategic business targets of the three platforms, weighted relative to their respective EBITDA contribution.

The structure of the Executive Directors' Pay Policy on annual STIs is generally in line with the policy for remuneration of management within the Group, although the levels of award will be different. The performance measures that apply to management are based on the respective platform EBITDA performance and platform-specific operational targets, including measures of clinical excellence. The annual STI awards for management are paid in cash with no deferral.

2 *The LTIP rewards significant long-term returns to shareholders and long-term financial growth.*

Targets are set on sliding scales that take account of internal strategic planning and external market expectations for the Company. Modest rewards are available for achieving threshold performance with maximum rewards requiring substantial out-performance of challenging strategic plans approved at the start of each year or on the date of award, as the case may be.

*The Committee operates long-term incentive ("**LTI**") arrangements for the Executive Directors and key senior management in accordance with their respective rules, the Listing Rules and the rules of relevant tax authorities where relevant. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of the plans. These include (but are not limited to) the following:*

- *number of participants;*
- *timing of the grant and/or payment of award;*
- *the size of an award (up to plan limits) and/or payment;*

- *discretion to reduce the number of awards vesting if certain performance underpins are not met;*
- *discretion relating to the measurement of performance in the event of a change of control or reconstruction;*
- *determination of a good leaver (in addition to any specified categories) for incentive plan purposes;*
- *adjustments required in certain circumstances (e.g. rights issues, corporate restructuring and special dividends);*
- *the ability to adjust existing performance conditions for exceptional events to fulfil their original purpose; and*
- *the relative weighting between TSR and EPS are determined annually by the Remuneration Committee – for the current reporting period EPS weight is 60% and TSR is 40%. This will remain the weighting for 2017/18.*

The structure of the Executive Directors Pay Policy on LTIPs is generally in line with the policy for remuneration of key senior management within the Group, although the levels of award will be different. The LTIP awards for key senior management are denominated in shares with vesting dependent on the achievement of performance conditions over a three-year period. Awards may be settled in cash, with the cash payment taking account of the share price movement during the vesting period. There is no award deferral for key senior management.

[3] *At the discretion of the Committee, awards may be adjusted before delivery (malus) or reclaimed after delivery (clawback) if an adjustment event occurs. Such circumstances may include: a serious misstatement of the Group's audited financial results, a serious miscalculation of any relevant performance measure, a serious failure of risk management or regulatory compliance by a relevant entity, serious reputational damage to the Group, or the participant's material misconduct.*

Management within the Group are also subject to malus and clawback provisions based on the adjustment events defined above.

PREVIOUS AWARDS

The Company has authority to honour any commitments entered into with current or former Directors before they became a Director (such as the vesting or exercise of past share awards) or before this policy came into effect, including those granted by companies in the Group prior to that company becoming part of the Group.

THE COMMITTEE CONSIDERS PAY AND EMPLOYMENT CONDITIONS OF EMPLOYEES IN THE GROUP WHEN DETERMINING EXECUTIVE DIRECTORS' REMUNERATION POLICY

When considering Executive Directors' base compensation, the Committee considers market related salary levels including bonuses of appropriate comparable companies. Further, the Committee reviews base compensation and STI arrangements for the management team, to ensure that there is a coherent approach across the Group. The STI arrangements operate on a similar basis across the management team. The key difference in the policy for Executive Directors is that remuneration is more heavily weighted towards long-term variable pay than other employees. This ensures that there is a clear link between the value created for shareholders and the remuneration received by the Executive Directors.

The Committee does not formally consult with employees in respect of the design of the Executive Director Remuneration Policy, although the Committee will keep this under review.

REMUNERATION SCENARIOS FOR THE EXECUTIVE DIRECTORS

The total remuneration for each of the Executive Directors that could result from the Remuneration Policy in 2017/18 is shown below under three different performance levels – below threshold (when only fixed pay is receivable), on target and maximum. The chart highlights that the performance-related elements of the package comprise a significant portion of total remuneration at on-target and maximum performance.

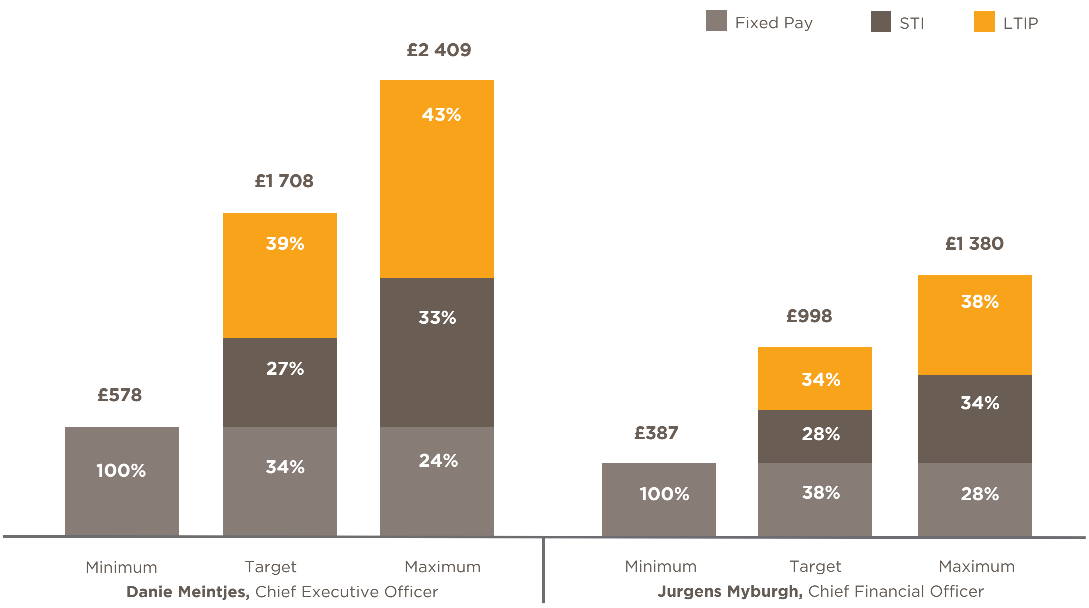
Remuneration is earned in pound sterling (GBP) and South African rand (ZAR). The ZAR portion of the remuneration package is translated into GBP at a rate of £1:ZAR18.41.

DIRECTORS' RECRUITMENT AND PROMOTIONS

The policy on the recruitment or promotion of an Executive Director takes into account the need to attract, retain and motivate the best person for each position, while ensuring close alignment between the interests of shareholders and management:

- If a new Executive Director is appointed, the Committee would seek to align the remuneration

EXECUTIVE DIRECTOR REMUNERATION (£'000)



Assumptions

1. *Salary levels applying as at 1 April 2017.*
2. *The value of taxable benefits is based on actual amounts as at 31 March 2017 of benefits and cash allowances. The figure is an annualised estimate for the CFO.*
3. *The value of pension contribution is based on a company contribution of 9% of base salary.*
4. *Minimum performance assumes no award is earned under the STI plan and no vesting is achieved under the LTIP; at on-target, 60% of a maximum bonus is earned under the STI plan and 63% of the maximum award opportunity is achieved under the LTIP; and at maximum, full vesting under both plans.*
5. *Share price movement and dividend accrual have been excluded from the above analysis.*

package with the Remuneration Policy approved by shareholders.

- New Executive Directors will participate in the STI and LTIP subject to the same limits as set out in the policy.
- Depending on the timing of the appointment, the Committee may deem it appropriate to set different annual bonus performance conditions to that of the current Executive Directors for the first performance year of appointment.
- An LTIP award can be made following an appointment (assuming the Company is not in a closed period).
- Flexibility will be retained to set base compensation at the level necessary to facilitate the hiring of candidates of appropriate calibre in external markets and make awards or payments in respect of deferred remuneration arrangements forfeited on leaving a previous employer. In terms of remuneration to compensate for forfeited awards, the Committee would look to replicate the arrangements being forfeited as closely as possible and in doing so, would take account of relevant factors including the nature of the deferred remuneration, performance conditions and the time over which they would have vested or been paid. The face and / or expected values of the award(s) offered will not materially exceed the value ascribed to the award(s) foregone.
- For an internal appointment, any incentive amount awarded in respect of a prior role may be allowed to vest on its original terms, or be adjusted as relevant to take into account the appointment. Any other ongoing remuneration obligations existing prior to appointment may continue.
- The Committee may agree that the Company will meet certain relocation and incidental expenses as appropriate.
- For an overseas appointment, the Committee will have discretion to offer cost-effective benefits and pension provisions which reflect local market practice and relevant legislation.

For the appointment of a new Chairman or Non-executive Director, the fee arrangement will be set in accordance with the approved Remuneration Policy at that time.

DIRECTORS' SERVICE AGREEMENTS AND PAYMENTS FOR LOSS OF OFFICE

The Committee seeks to ensure that contractual terms of the Executive Directors' service agreements reflect best practice. It is the Company's policy that all Executive Directors have rolling contracts that can be terminated by the employee in line with his service agreement. Executive Directors service agreements are terminable on six months' notice. Consistent with UK Corporate Governance Code all Directors are subject to re-election by shareholders at each AGM.

In circumstances of termination on notice, the Committee will determine an equitable compensation package, having regard to the particular circumstances of the case. The Committee may require notice to be worked or to make payment *in lieu* of notice or to place the Director on garden leave for the notice period. Such a decision is made to protect the Company's and shareholders' interests.

In case of payment *in lieu* of notice or garden leave, the salary, benefits and pension will be paid for the period of notice served on garden leave or paid *in lieu* of notice. If the Committee believes it would be in shareholders' interests, payments will be made in phased instalments. In the case of payment *in lieu* of notice, payments will be subject to be offset against earnings elsewhere.

An STI payment may be made in respect of the period of the incentive year worked by the Director. There is no provision for an amount *in lieu* of bonus to be payable for any part of the notice period not worked. The bonus payment will be scaled back *pro rata* for the period of the incentive year worked by the Director and would remain payable at the normal payment date.

Awards held under the deferred STI and LTI arrangements are subject to the rules containing discretionary provisions setting out the treatment of awards where a participant leaves and is designated a "good leaver". In these circumstances a participant's awards will not be forfeited on cessation of employment and instead will continue to vest on the normal vesting date or earlier at the discretion of the Committee, subject to the performance conditions attached to the relevant awards. The awards may be scaled back *pro rata* for the period of the vesting period worked by the Director.

In addition to the above payments, the Committee may make any other payments determined by a court of law in respect of the termination of a Director's contract or may pay any statutory entitlements or any sums to settle or compromise claims in connection with a termination (including, at the discretion of the Committee, reimbursement for legal advice and provision of outplacement services) as necessary.

In the event of a change of control, all unvested awards under the deferred STI and LTI arrangements would vest, to the extent that any performance conditions attached to the relevant awards have been achieved. The awards will, where the Committee dictates, be scaled back *pro rata* for the period of the performance period worked by the Director.

Executive Directors may, on nomination from Mediclinic International plc, take on outside appointments, however, all fees will be retained by the Company.

The dates of the Executive Directors' service contracts are:

EXECUTIVE DIRECTOR	DATE OF SERVICE CONTRACT
Danie Meintjes	1 April 2016 – joined Group 1 August 1981
Craig Tingle	1 April 2016 – joined Group 1 February 2006 and retired 15 June 2016
Jurgens Myburgh	1 August 2016

The service contracts are available for inspection during normal business hours at the Company's registered office, and at the annual general meeting.

NON-EXECUTIVE DIRECTORS' TERMS OF ENGAGEMENT

Non-executive Directors are appointed by letter of appointment for an initial period of three years, which are terminable by three months' notice on either side. However, the Company complies with and will continue to comply with provision B.7.1 of the UK Corporate Governance Code and accordingly all Directors will stand for annual re-election by shareholders at future annual general meetings until the Board determines otherwise.

In 2017 all Non-executive Directors, except for Dr Edwin Hertzog and Jannie Durand were considered to be independent of the Company.

The terms of engagement are available for inspection during normal business hours at the Company's registered office, and at the annual general meeting.

The dates of the terms of engagement of the Non-executive Directors are:

Dr Edwin Hertzog	15 February 2016
Desmond Smith	15 February 2016
Seamus Keating	15 February 2016
Trevor Petersen	15 February 2016
Nandi Mandela	15 February 2016
Prof Dr Robert Leu	15 February 2016
Alan Grieve	15 February 2016
Jannie Durand	15 February 2016

DIRECTORS' REMUNERATION REPORT

REMUNERATION FOR THE REPORTING PERIOD

This part of the report was prepared in accordance with Part 4 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and 9.8.6R of the Listing Rules. The report will be put to an advisory shareholders' vote at the 2017 annual general meeting. Certain specified information on pages 98 to 103 was audited.

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CONSIDERATION OF DIRECTORS REMUNERATION

The Committee is responsible for determining and agreeing with the Board the policy on Executive Directors' remuneration, including setting the over-arching principles, parameters and governance framework and determining the initial remuneration package of each Executive Director. In addition, the Committee monitors the structure and level of remuneration for the senior management team and is aware of pay and conditions in the workforce generally. The Committee also ensures full compliance with the UK Corporate Governance Code in relation to remuneration.

The Committee's main responsibilities are to:

- determine and agree with the Board the Company's Executive remuneration strategy and policy;
- determine individual remuneration packages and terms of employment within that policy for the Executive Directors, members of the Executive Committee and others platform executives;
- oversee the operation of the Company's incentive schemes, including designing and setting performance measures and targets for annual bonus and long-term incentive schemes;
- consider major changes in employee remuneration in the Group;
- select and appoint consultants to advise the Committee;
- report to shareholders through annual reports;
- make recommendations to the Board on the fees offered to the Chairman, after taking independent professional advice,

all of which it carries out on behalf of the Board.

MEMBERS AND ACTIVITIES OF THE REMUNERATION COMMITTEE

Only Independent Non-executive Directors are eligible to be members of the Committee. Trevor Petersen (Committee Chairman) and Robert Leu held office during the year. Ian Tyler resigned from the Board and as a member of the Committee on 21 February 2017. Seamus Keating was subsequently appointed as a member of the Committee on 17 March 2017. Jannie Durand and/or his alternate Pieter Uys attend Committee meetings by invitation, but are not voting members.

None of the Committee members have day-to-day involvement with the business, nor do they have any personal financial interest in the matters to be recommended. The Company Secretary acts as secretary to the Committee.

The Committee met four times during the year. Including routine monitoring and approval activities, the material issues discussed are summarised below:

AREA	DISCUSSIONS
Awards	The Committee reviewed and approved the annual bonus targets and subset performance indicators for the new financial year. The Committee approved the final annual bonus payment in terms of the STI for the current financial year. The Committee confirmed new allocations and performance criteria for the LTIP.
Remuneration of the CFO	The Committee approved the remuneration package for the incoming CFO, Jurgens Myburgh. The Committee approved the payment for loss of office given the retirement of Craig Tingle, the CFO.
Remuneration levels	The Committee approved the remuneration of a UK-based senior manager. The Committee approved the executive individual salary increases for the Executive Directors and each Executive at platform level.

The Committee Chairman presents a summary of material matters to the Board and minutes of Committee meetings are circulated to all Directors. The Committee reports to shareholders annually in this report and the Committee Chairman attends the AGM to address any questions arising.

When considering the fees for Non-executive Directors, the Chairman of the Board consults the Executive Directors. The proposed fees of the Chairman of the Board were considered by the Committee.

REMUNERATION COMMITTEE MEETING ATTENDANCE

The number of formal Committee meetings held during the reporting period and the attendance by each member is shown in the table below. The Committee also held informal discussions as required.

NAME	DESIGNATION	DATE OF APPOINTMENT (AS COMMITTEE MEMBER)	NUMBER OF COMMITTEE MEETINGS ATTENDED[3]
Trevor Petersen (Committee Chairman)	Independent Non-executive Director	15/02/2016	4 of 4
Prof Dr Robert Leu	Independent Non-executive Director	15/02/2016	4 of 4
Seamus Keating[1]	Independent Non-executive Director	17/03/2017	0 of 1
Ian Tyler[2]	Senior Independent Director	15/02/2016	3 of 3

Notes

[1] *Seamus Keating was appointed as a member of the Committee on 17 March 2017 and was unable to attend the one Committee meeting held shortly after his appointment due to prior commitments.*

[2] *Ian Tyler resigned as a Director of the Company on 21 February 2017.*

[3] *Two Committee meetings were held since the Company's financial year end. One of these meetings was an ad hoc meeting which Prof Dr Robert Leu was unable to attend due to prior commitments.*

The Committee meetings were also attended by the CEO, Group Executive: Reward, the Company Secretary and representatives from New Bridge Street, all of whom provide material assistance to the Committee. None of the aforementioned attend as a right, nor do they attend when their own remuneration is being discussed.

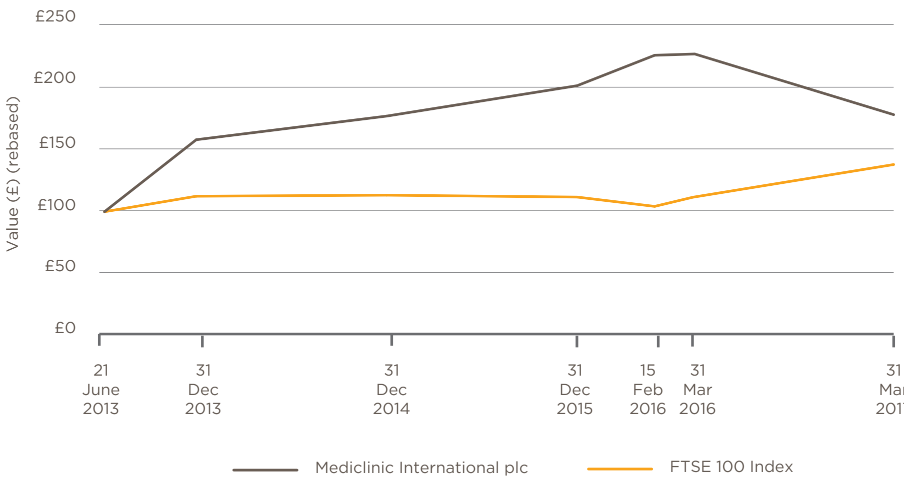
PERFORMANCE AND PAY

PERFORMANCE GRAPH AND CEO PAY

The graph below shows the value at 31 March 2017 of £100 invested in the Company on inception on 21 June 2013, compared with the value of £100 invested in the FTSE 100 Index on the same date. The intervening points are the financial year ends prior to the date of the Combination on 15 February 2016, and the financial year ends since.

The FTSE 100 was used as a comparator as this is the Company's primary comparator group.

TOTAL SHAREHOLDER RETURN
SOURCE: DATASTREAM (THOMSON REUTERS)



The table below shows the total remuneration for the CEO over the period since incorporation. Consistent with the calculation methodology for the single figure for total remuneration, the total remuneration figure includes the total annual bonus award based on that year's performance and the LTIP award based on the three-year performance period ending in the relevant year.

TOTAL CEO REMUNERATION

	YEAR ENDED 31 DECEMBER						YEAR ENDED 31 MARCH	
	2012	2013	2014	2014	2015	1 Jan 2016 – 15 Feb 2016	15 Feb 2016 – 31 March 2016	2017
Chief Executive Officer	Kassem Alom	Kassem Alom	Kassem Alom	Ronald Lavater	Ronald Lavater	Ronald Lavater	Danie Meintjes	Danie Meintjes
Total remuneration £'000	326	361	290	170	702	2 165	79	1 029
Total annual bonus %	n/a	n/a	n/a	11.8%	20.0%	n/a	78%	56%
Deferred annual bonus ("**DAB**") portion	n/a	n/a	n/a	100%	n/a	n/a	n/a	50%[1]
LTIP vesting %	n/a	n/a	n/a	65.4%	69.9%	n/a	0%	0%

Note
[1] *Represents the STI deferral.*

SINGLE TOTAL FIGURES FOR DIRECTORS' REMUNERATION

DIRECTORS' REMUNERATION (AUDITED)

		SALARY AND FEES £'000	BENEFITS £'000	ANNUAL BONUS/ STI £'000	LTIP £'000	PENSION £'000	TOTAL REMUNER-ATION £'000
EXECUTIVE DIRECTORS							
Danie Meintjes	2016/17	541	8	439	0	41	1 029
	2015/16[1]	37	0	38	0	3	79
Craig Tingle[2]	2016/17	79	0	54	0	5	138
	2015/16[1]	28	0	22	0	3	53
Jurgens Myburgh[3]	2016/17	234	4	175	0	17	430
	2015/16	n/a	n/a	n/a	n/a	n/a	n/a

		FEES £'000	BENEFITS £'000	TOTAL REMUNERATION £'000
NON-EXECUTIVE CHAIRMAN				
Dr Edwin Hertzog[4]	2016/17	250	3	253
	2015/16	31	0	31
NON-EXECUTIVE DIRECTORS				
Ian Tyler[4]	2016/17	102	94[5]	196
	2015/16	239	0	239
Seamus Keating[4]	2016/17	77	0	77
	2015/16	100	0	100
Desmond Smith[4]	2016/17	76	3	79
	2015/16	9	0	9
Trevor Petersen[4]	2016/17	85	4	89
	2015/16	11	0	11
Nandi Mandela[4]	2016/17	66	4	70
	2015/16	8	0	8
Prof Dr Robert Leu[4]	2016/17	70	2	72
	2015/16	9	0	9
Alan Grieve[4]	2016/17	77	0	77
	2015/16	10	0	10
Jannie Durand[4]	2016/17	66	2	68
	2015/16	8	0	8
Total	**2016/17**	**869**	**112**	**981**
	2015/16	**425**	**0**	**425**

Notes

1 *The 2015/16 remuneration is for the period from the Combination on 15 February 2016 to 31 March 2016, as disclosed in the 2016 Directors' Remuneration Report (page 84).*

2 *Craig Tingle retired as a Director of the Company on 15 June 2016 and his remuneration for 2016/2017 covers the period from the start of the reporting period to his date of retirement.*

3 *Jurgens Myburgh was appointed as a Director on 1 August 2016 and his remuneration covers the period from employment date to the end of the reporting period.*

4 *Ian Tyler's and Seamus Keating's 2015/16 remuneration consists of payments for the period 1 January 2015 to 31 March 2016, as disclosed in the 2016 Directors' Remuneration Report (page 84). The 2015/16 remuneration of Dr Edwin Hertzog, Desmond Smith, Trevor Petersen, Nandi Mandela, Prof Dr Robert Leu, Alan Grieve and Jannie Durand is for the period from the Combination on 15 February 2016 to 31 March 2016. They are paid in GBP. Ian Tyler resigned from the Board on 21 February 2017. Jannie Durand's fees are paid to Remgro and include services rendered by Jannie Durand or his alternate Pieter Uys.*

5 *In June 2013, the Company (then Al Noor Hospitals Group plc) granted Ian Tyler 8 695 ordinary shares, which shares had an aggregate value of £50 000 calculated at a share price of £5.75 per share. To preserve his position after the Combination of Al Noor and Mediclinic, and the subsequent expected drop in share price, the Company increased the number of shares allocated to 12 090 in February 2016. On 5 June 2016, being the third anniversary of his appointment, the above award was settled through a payment of £106 029.30 in cash and settlement of the resulting tax liability of £94 026, both calculated using a share price of £8.77 per share. As a result of this payment, his interest under the share award has been satisfied. As the performance achievement of the shares was tested on the grant date only the related tax liability settled is disclosed as a benefit in this financial year.*

ADDITIONAL REQUIREMENTS IN RESPECT OF THE SINGLE TOTAL FIGURE TABLE (AUDITED)

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The sections below provide further detail of the remuneration shown in the table on page 98.

SALARIES FOR THE REPORTING PERIOD (AUDITED)

Base salaries are reviewed in April each year. The Committee considers the remuneration packages in the context of other London-listed companies of similar size and international footprint. Remuneration levels were set with reference to local South African pay levels and a broader international comparison, however, given the widening geographic footprint of the Group, the Committee placed greater weight on the international comparators.

Danie Meintjes' salary for the reporting period was £541 213, Craig Tingle's salary of £78 725 covers the period from the start of the reporting period to his date of retirement on 15 June 2016. Jurgens Myburgh's salary of £234 107 covers the period from 1 August 2016 to the end of the reporting period. All figures were converted to pound sterling at a rate of £1:ZAR18.41 at 31 March 2017.

BENEFITS AND PENSION FOR THE REPORTING PERIOD (AUDITED)

The benefits of Danie Meintjes, Craig Tingle and Jurgens Myburgh include private medical insurance and reimbursements for reasonable business related expenses (e.g. travel, accommodation and subsistence) and in some instances the associated tax was borne by the Company.

The Executive Directors participated in the Mediclinic Southern Africa defined contribution fund and received a 9% company pension contribution, in line with the Remuneration Policy. The normal retirement age is 63 and there are no additional benefits payable if an Executive Director retires early.

None of the Executive Directors have prospective rights to a defined benefit pension.

Non-executive Directors were reimbursed for reasonable business-related expenses (e.g. travel, accommodation and subsistence) and in some instances the associated tax was borne by the Company. They receive no other benefits and do not participate in short-term or long-term reward schemes.

ANNUAL BONUS FOR THE REPORTING PERIOD (AUDITED)

The bonuses of Mediclinic International plc management were determined by a weighted average of the platform bonuses achieved.

Achieved bonuses are a combination of the main performance indicator (platform underlying EBITDA) and subset performance indicators. The Executive Directors' STI is calculated on the combined financial EBITDA performance and other financial and strategic business targets of the three platforms, weighted relative to their respective EBITDA contribution. The threshold and maximum targets are based on a percentage of the respective platforms approved budgeted EBITDA. The financial EBITDA measures, targets and performance against them are set out below.

PLATFORM	THRESHOLD – REQUIRED PERFORMANCE £'000	MAXIMUM REQUIRED PERFORMANCE £'000	ACTUAL ACHIEVED £'000	WEIGHTING	BONUS % ACHIEVEMENT[1]	% OF BONUS[2]
Mediclinic Southern Africa ("**MCSA**")	169 795	179 626	173 923	30%	38.23%	11.47%
Hirslanden ("**Switzerland**")	226 119	256 676	264 740	45%	98.80%	44.46%
Mediclinic Middle East ("**MCME**")	135 898	142 903	75 862	25%	0%	0%
Total	**531 812**	**579 205**	**514 525**	**100%**		**55.93%**

All figures translated into GBP at an exchange rate of £1:ZAR18.41; £1:CHF1.29 and £1:AED4.80 at 31 March 2017.

Notes

1 *Platform bonus percentage achievement after measurement of financial, operational, clinical and patient quality subset performance indicators. Subset performance indicator penalties calculated as a percentage of achieved EBITDA (see following table for details).*

2 *Platform weighting multiplied by platform bonus achievement percentage.*

The platform subset performance indicators include financial and operational objectives, including measures of clinical excellence. The non-achievement of subset performance indicators gives rise to a reduction in the platforms EBITDA bonus percentage. The measures, targets and performance against them are set out below.

PLATFORM	FINANCIAL PERFORM-ANCE INDICATOR	FINANCIAL TARGET	ACTUAL ACHIEVE-MENT	OPERATION-AL, CLINICAL & PATIENT QUALITY PER-FORMANCE INDICATORS	ACTUAL ACHIEVE-MENT	TOTAL SUBSET PER-FORMANCE PENALTY
MCSA	Regional EBITDA margin Cash conversion	21.1% 100%	21.2% 104%	Clinical care quality indicator Patient experience indicator Employment equity	Partial achievement – 0.6% penalty Not achieved – 10% penalty Target achieved	10.6%
Hirslanden	Cash conversion	95%	106%	Patient satisfaction Personal performance	86% of target achieved Target achieved	1.2%
MCME	Employment costs – salaries as a % of turnover	19.3%	22.43%	Patient satisfaction	Target achieved	25%
	Debtor days' target	Al Noor 100 days MCME 60 days	159 62			

The annual bonus achieved was 55.93% of a maximum bonus. The amount awarded to the Executive Directors is set out below:

EXECUTIVE DIRECTOR	ACTUAL BONUS[1] (£)	ACTUAL BONUS AS A % OF ANNUAL BASE SALARY	MAXIMUM BONUS OPPORTUNITY AS A % OF ANNUAL SALARY
Danie Meintjes	438 853	83.89%	150%
Craig Tingle[2]	54 281	74.57%	133%
Jurgens Myburgh[2]	174 579	74.57%	133%

Notes

[1] *All figures translated into GBP at an exchange rate of £1:ZAR18.41 as at 31 March 2017.*

[2] *Pro rated over the employment period.*

The annual bonus payable for the reporting period will be paid in cash. 50% of the award will be deferred in shares for a period of two years. Deferred shares will be settled in cash, subject to continued employment. This deferral is not subject to any further conditions.

LTIP AWARDS GRANTED IN THE REPORTING PERIOD TO EXECUTIVE DIRECTORS (AUDITED)

2016 LTIP

PERFORMANCE SHARES	
Award date	14 June 2016 and 1 August 2016
Employment period	1 June 2016 to 31 May 2021
Performance period	1 April 2016 to 31 March 2019
Vesting date	The later of 14 June 2021 or the date upon which the Committee has satisfied themselves that the performance condition has been met

	DATE OF GRANT	NUMBER OF SHARES	FACE VALUE £'000[3]	FACE VALUE AS A % OF ANNUAL BASE SALARY	END OF PERFORMANCE PERIOD	PERFORMANCE CONDITIONS
Danie Meintjes	14 June 2016	101 376[1]	901 451	200%	31 March 2019	See table below
Jurgens Myburgh	1 August 2016	49 281[2]	539 791	150%	31 March 2019	See table below

Notes

[1] *The number of shares to be granted was determined based on the volume-weighted average share price of the middle market quotation on the JSE for the period five days prior to grant, which was £8.89 and translated at the exchange rate at grant of £1:ZAR21.68 as at 14 June 2016.*

[2] *The number of shares to be granted was determined based on the volume-weighted average share price of the middle market quotation on the JSE for the period five days prior to grant which was £10.95 and translated at the exchange rate at grant of £1:ZAR18.35 as at 1 August 2016.*

[3] *The face value for the LTIP is calculated using the volume-weighted average share price of the middle market quotation on the JSE for the period five days prior to grant, translated at the exchange rate at grant of £1:ZAR21.68 as at 14 June 2016 for Danie Meintjes and £1:ZAR18.35 as at 1 August 2016 for Jurgens Myburgh.*

PERFORMANCE CONDITION	WEIGHTING	THRESHOLD TARGET (25% VESTING)	MAXIMUM TARGET (100% VESTING)
EPS growth	60%	5% per annum compounded	12% per annum compounded
TSR ranked relative to constituents of the FTSE 100 Index	40%	Median of peers (50th percentile)	Upper quartile of peers (75th percentile)

At grant, vesting of 60% of the award was based on EPS growth and the remaining 40% was determined by TSR, ranked relative to constituents of the FTSE 100 Index.

EPS and relative TSR are considered to be the most appropriate measures of long-term performance, in that they ensure the Executive Directors are incentivised and rewarded for the underlying financial performance of the Company as well as creating value for shareholders. The award is subject to clawback and *malus* provisions.

EPS growth is measured by taking the compound annual percentage growth in EPS over the performance period.

TSR ranked relative to constituents of the FTSE 100 Index is measured by ranking and comparing the Company's TSR to the relevant TSR targets.

Awards are denominated in shares with vesting dependent on the achievement of performance conditions over a three-year period. Executive Directors will be required to hold vested awards for two years. After this time, the value will be calculated by alignment to share price movement, but settled in cash. Where a Director has not yet met the share ownership guidelines, this cash must be used to purchase shares in the Company.

PAYMENTS TO FORMER DIRECTORS (AUDITED)

No payments were made to former Directors during the reporting period.

PAYMENTS FOR LOSS OF OFFICE (AUDITED)

Craig Tingle retired as CFO on 15 June 2016. He received normal pay and benefits up to this date and six months' salary *in lieu* of notice. An amount of £179 357 *in lieu* of unworked contractual notice period was paid in phased instalments and was subject to mitigation until the expiry of the notice period. Payment of £40 513 *in lieu* of accrued but not taken holiday entitlement was also paid at termination.

In respect of the Awards made in 2014 and 2015, under the Mediclinic International Limited Forfeitable Share Plan ("**FSP**"), where performance has been tested, 47 516 vested awards will be released to Craig Tingle on the original vesting dates.

A payment of £54 281 in respect of the 2017 annual STI was made on the normal payment date. This payment was calculated on the same basis as for the other Executive Directors and *pro rated* for the employment period. Full payment details are on page 100. All figures translated into GBP are at an exchange rate of £1:ZAR18.41 at 31 March 2017.

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PERCENTAGE CHANGE IN REMUNERATION LEVELS

The table below shows how the percentage change in the CEO's salary, benefits and bonus between 2016 and 2017 compared with the percentage change in the average of each of those components of pay for employees in South Africa in local currency. The Committee selected employees in South Africa, as these provide the most appropriate comparator as they are subject to the same inflationary conditions.

% CHANGE IN CEO SALARY, BENEFITS AND BONUS	% CHANGE
CEO[1]	
Salary	40%
Benefits[2]	430%
Bonus[3]	11%
All employees	
Salary	5.60%
Benefits	8.50%
Bonus[3]	(25%)

Notes

1. *The CEO's percentage change is calculated on the annualised 2016 salary, benefits and bonus as disclosed in last year's Directors' Remuneration Report. For the purpose of the CEO's salary, the local salary was translated into GBP at a rate of £1:ZAR20.73 at 1 April 2016 and £1:ZAR17.82 at 1 April 2015.*
2. *Annualised benefits as disclosed in last year's Directors' Remuneration Report compared with the current reporting period benefits. The current reporting period benefits include UK business expense reimbursements due to the Company's LSE listing following the Combination, which was not provided in the prior year. The change in benefits amounts to an increase amount of £6 357.*
3. *As disclosed in last year's Directors' Remuneration Report, the annual bonus opportunity for the CEO increased from 133% to 150%. The total South African employees' percentage change is calculated based on the prior year achievement of 58% of the maximum bonus as disclosed in last year's Directors' Remuneration Report compared against an achievement of 38% of the maximum bonus in the current period.*

RELATIVE IMPORTANCE OF THE SPEND ON STAFF COSTS

To place the Directors' remuneration in context with the Group's finance, the Committee used the below comparison. The table below shows the spend on staff costs for the reporting period compared to the spend on staff costs in the 12-month period to 31 December 2015, as disclosed in last year's Directors' Remuneration Report (page 90) compared to returns to shareholders over the same period:

	2016/17 £'000	2015/16 £'000	CHANGE[1] %
Staff costs	1 231 000	150 044	720%
Returns to shareholders (dividends)	62 000	14 878[2]	317%

Notes

1. *The annual change is not comparable as the 2015/2016 figures are prior to Combination covering the Al Noor employees and returns to shareholders, as compared to the current reporting period covering Mediclinic employees and Mediclinic's return to shareholders.*
2. *Excludes the special dividend of £383.3m paid on Combination.*

DIRECTORS' SHAREHOLDING AND SHARE INTERESTS (AUDITED)

The tables below set out the Directors' shareholding, including shareholding by persons connected to them, and share interests. There were no changes in the Directors' shareholding between the financial year end and the Last Practicable Date, being 23 May 2017. Full details of the Directors' shareholdings and share allocations are given in the Company's Register of Directors' Interests, which is open to inspection at the Company's registered office during business hours.

The Executive Directors are required to build up a minimum shareholding in Mediclinic, as explained in the Directors' Remuneration Report. Shares are valued for these purposes at the year-end-price, which was £7.12 per share as at 31 March 2017.

	SHARE-HOLDING GUIDELINES AS A % OF ANNUAL BASE SALARY	SHARES HELD AS AT 31 MARCH 2016	SHARES HELD AS AT 31 MARCH 2017	% OF ISSUED SHARES	OUTSTANDING UNVESTED LTIP AWARDS WITH PER-FORMANCE CONDITIONS[3]	OUTSTANDING VESTED FSP AWARDS[4]	SHAREHOLDING REQUIREMENT MET
Danie Meintjes	225%	118 215	123 900	0.02%	101 376	83 372	Yes
Jurgens Myburgh[1]	200%	0	14 000	0.00%	49 281	n/a	No
Craig Tingle[2]	200%	68 969	68 969	0.01%	n/a	47 516	n/a

Notes

[1] *Jurgens Myburgh was appointed as an Executive Director and Chief Financial Officer on 1 August 2016.*

[2] *Craig Tingle retired and resigned as a Director and the Chief Financial Officer of the Company on 15 June 2016.*

[3] *Unvested awards held under the LTIP are subject to performance conditions. Awards will be settled in cash and therefore are not taken into consideration as part of determining whether shareholding requirements have been met.*

[4] *Vested awards held under the Mediclinic International Limited Forfeitable Share Plan ("**FSP**") where performance has been tested but shares have not yet been released. Final vesting will take place on the original vesting date.*

The shareholding in Mediclinic by Non-executive Directors is shown below:

NON-EXECUTIVE DIRECTORS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2017
Dr Edwin Hertzog	3 767 388	407 559[1]
Desmond Smith	0	0
Ian Tyler[2]	12 090	0
Seamus Keating	0	0
Trevor Petersen	0	0
Nandi Mandela	0	0
Prof Dr Robert Leu	0	0
Alan Grieve	0	7 500
Jannie Durand	0	0
Pieter Uys[3]	417	417

Notes

[1] *As announced on 5 December 2016, Dr Edwin Hertzog transferred 3 360 579 ordinary shares in the capital of the Company, held beneficially by him through Elstelm Beleggings (Pty) Ltd to entities controlled by his adult children with effect from 1 December 2016.*

[2] *Ian Tyler resigned as a Director of the Company on 21 February 2017. In June 2013, the Company (then Al Noor Hospitals Group plc) granted Ian Tyler 8 695 ordinary shares, which shares had an aggregate value of £50 000 calculated at a share price of £5.75 per share. To preserve his position after the Combination of Al Noor and Mediclinic, and the subsequent expected drop in share price, the Company increased the number of shares allocated to 12 090 in February 2016. On 5 June 2016, being the third anniversary of his appointment, the above award was settled through a payment of £106 029.30 in cash and settlement of the resulting tax liability of £94 026, both calculated using a share price of £8.77 per share. As a result of this payment, his interest under the share award has been satisfied.*

[3] *Pieter Uys is the alternate to Jannie Durand.*

There are no requirements for Non-executive Directors to hold shares, nor for any former Director to hold shares once they have left the Company.

IMPLEMENTATION OF THE REMUNERATION POLICY FOR 2018

BASE SALARY

None of the Executive Directors received any adjustments to their guaranteed package for the next financial year. This compares with an average base salary increase of 5.74% for MCSA employees (2016: 5.60%).

The Committee considers the remuneration packages in the context of other London-listed companies of similar size and international footprint. Remuneration levels were set with reference to local South African pay levels and a broader international comparison. Given the widening geographic footprint of the Group, the Committee placed greater weight on the international comparators.

	SALARY FROM 1 APRIL 2017[1] £'000	SALARY FROM 1 APRIL 2017 ZAR'000	SALARY FROM 1 APRIL 2016[1] £'000	SALARY FROM 1 APRIL 2016 ZAR'000	% INCREASE[2]
Danie Meintjes	523	9 630	471	9 630	0%
Jurgens Myburgh	351	6 465	319[3]	6 465	0%

Notes
1 *Salaries translated into GBP at a rate of £1:ZAR18.41 at 31 March 2017 and £1:ZAR20.73 at 31 March 2016.*
2 *There were no salary increases awarded to Executive Directors over the reporting period.*
3 *Salary as at 1 August 2016.*

Between 70% and 80% of the total potential remuneration offered to Executive Directors is subject to meeting performance conditions.

STI 2018

The Executive Directors have a maximum STI opportunity of 150% (CEO) and 133% (CFO) of annual salary. Of the achieved award 50% will be deferred in shares for two years. Deferred shares may be settled in cash, subject to continued employment. Where awards are cash-settled and a Director has not yet met the share ownership guidelines, this cash must be used to purchase shares in the Company. Dividends that accrue on the deferred shares during the vesting period may be paid in cash at the time of vesting.

The performance measure for the Executive Directors' STI in 2017/18 will be calculated on the combined Group EBITDA performance.

We do not publish details of the financial targets in advance since these are commercially confidential. We will publish achievement against these targets when we disclose bonus payments in the Annual Report, so that shareholders can evaluate performance against those targets.

The award will be subject to *malus* and clawback provisions.

LTIP AWARDS TO BE GRANTED IN 2017

The Committee intends to grant an LTIP conditional award to the Executive Directors in 2017 over shares with a value of 200% (CEO) and 150% (CFO) of salary.

Vesting of 60% of the award will be based on EPS growth and the remaining 40% will be determined by TSR measured relative to the constituents of the FTSE 100 Index over three years. Executive Directors will be required to hold vested awards for two years. After this time, the value will be calculated by alignment to share price movement, but settled in cash. Where a Director has not yet met the share ownership guidelines, this cash must be used to purchase shares in the Company. Dividends that accrue during the vesting and holding periods will be paid in cash to the extent that awards have vested.

EPS and relative TSR are considered to be the most appropriate measures of long-term performance, in that they ensure the Directors are incentivised and rewarded for the underlying financial performance of the Group and creating value for shareholders.

PERFORMANCE CONDITION	WEIGHTING	THRESHOLD TARGET (25% VESTING)	MAXIMUM TARGET (100% VESTING)
EPS growth	60%	5% per annum compounded	12% per annum compounded
TSR ranked relative to constituents of the FTSE 100 Index	40%	Median of peers (50th percentile)	Upper quartile of peers (75th percentile)

An "underpin" applies which allows the Committee to reduce or withhold vesting if the Committee is not satisfied with the underlying operational and economic performance of the Company. The "underpin" evaluation includes consideration of environmental, social and governance factors and financial performance.

The Committee will keep the performance measures under review and may change the performance condition for future awards if they are not considered to be aligned with the Company's interests and strategic objectives. However, the Committee will consult with major shareholders in advance about any proposed material change in performance measures.

The award will be subject to clawback and *malus* provisions.

PENSION ENTITLEMENT

The Executive Directors participate in the Mediclinic Southern Africa defined contribution fund and will be eligible for a 9% Company pension contribution, in line with the Remuneration Policy.

FEES FOR THE CHAIRMAN AND NON-EXECUTIVE DIRECTORS

The Chairman's remuneration is determined by the Committee. Non-executive Director's remuneration is determined by the Board, based on the responsibility and time committed to the Group's affairs and appropriate market comparisons. Individual Non-executive Directors do not take part in decisions regarding their own fees. In line with granting no increases to Executive Directors, there were no adjustments to Non-executive Directors' fees in the reporting period.

BASE FEES	FEE FROM 1 APRIL 2017	FEE FROM 1 APRIL 2016	% INCREASE
Chairman[1]	£250 000	£250 000	0%
Base Board fee	£60 000	£60 000	0%
Audit and Risk Committee Chair	£15 000	£15 000	0%
Remuneration Committee Chair	£15 000	£15 000	0%
Nomination Committee Chair	£0	£0	–
Clinical Performance and Sustainability Committee Chair	£10 000	£10 000	0%
Investment Committee Chair	£10 000	£10 000	0%
Senior Independent Director	£25 000	£25 000	0%
Committee member fees			
Audit and Risk Committee	£10 000	£10 000	0%
Remuneration Committee	£10 000	£10 000	0%
Nomination Committee	£0	£0	–
Clinical Performance and Sustainability Committee	£6 600	£6 600	0%
Investment Committee	£6 600	£6 600	0%

Note

1 The Board Chairman Fee is an all-inclusive fee which includes Board committees and membership fees, where applicable.

SHAREHOLDER VOTING AT AGM

The Remuneration Policy was approved with a 98.6% vote in favour thereof at the Company's general meeting on 15 December 2015. The Remuneration Policy incorporated a number of changes, taking into account the principles of the UK Corporate Governance Code and the views of major shareholders and proxy agencies, as expressed during previous engagement on remuneration matters.

At the Company's general meeting held on 15 December 2015 (then Al Noor Hospitals Group plc), the following votes were received from shareholders:

	FOR	%	AGAINST	%	WITHHELD	TOTAL SHARES VOTED
Remuneration Policy	85 445 949	98.62	1 194 996	1.38	0	86 640 945

At the Company's annual general meeting held on 20 June 2016, the following votes were received from shareholders in respect of the Directors' Remuneration Report included in the 2016 Annual Report:

	FOR	%	AGAINST	%	WITHHELD	TOTAL SHARES VOTED	% OF ISSUED SHARES VOTED
Directors' Remuneration Report	529 410 739	85.02	93 301 901	14.98%	434 105	622 712 640	84.46%

ADVISORS TO THE COMMITTEE

During the year, the Committee and the Company retained independent external advisors to assist them on various aspects of the Company's remuneration as set out below:

ADVISOR	APPOINTED/ SELECTED BY	SERVICES PROVIDED	FEES PAID BY THE COMPANY FOR THESE SERVICES PROVIDED IN THE REPORTING PERIOD	OTHER SERVICES PROVIDED TO THE COMPANY IN THE REPORTING PERIOD
New Bridge Street ("**NBS**"), a trading name of Aon plc	Appointed by the Committee following a competitive tendering process and reviewed annually by the Committee	Member of the Remuneration Consultants Group and adheres to the Voluntary Code of Conduct in relation to executive remuneration consulting in the UK General advice on remuneration matters Advice on UK market practice and UK shareholder perspectives	£35 897 based on time charges for work completed	N/A
One Vision Investments 406 (Pty) Ltd	Appointed by the Group Executive: Reward with approval from the CEO	Recommendation on senior management job grading structure	£2 245 based on time charges for work completed	LTIP recommendations Group Remuneration Policy recommendations

The Committee considered the independence and objectivity of NBS. NBS provided assurances to the Committee that it has effective internal processes in place to ensure that it is able to provide remuneration consultancy services independently and objectively. NBS confirmed to the Company that it is a member of the Remuneration Consultants Group and as such operates under the code of conduct in relation to executive remuneration consulting in the UK. The Committee is, following its annual review, satisfied that NBS has maintained independence and objectivity.

Trevor Petersen
Chairman of the Remuneration Committee
23 May 2017

NOMINATION COMMITTEE REPORT

Dr Edwin Hertzog
Chairman of the Nomination Committee

Dear Shareholder,

Following the resignation of Ian Tyler, I was appointed as Chairman of the Nomination Committee (the "**Committee**") on 17 March 2017. It is therefore my pleasure to report on the activities of the Committee for the year ended 31 March 2017. During the year, the Committee continued to focus on Board and Committee composition, diversity, succession planning and has undertaken an evaluation of the performance of the Committee.

COMMITTEE COMPOSITION AND MEETING ATTENDANCE

The current composition of the Committee meets the requirements of the UK Corporate Governance Code 2014 (the "**Code**"), with the majority of members being Independent Non-executive Directors. Biographical details of all Committee members are included on pages 70 to 71.

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The composition and attendance of Committee meetings during the period under review are set out in **Figure 1**.

The Company Secretary is secretary to the Committee and attends all meetings. The Company Secretary is available to assist the members of the Committee, as required, ensuring that timely and accurate information is distributed accordingly. Other attendees at Committee meetings may, from time to time, and upon invitation from the Committee, include the Chief Executive Officer and Talent Management General Manager.

FIGURE 1: COMMITTEE COMPOSITION AND MEETING ATTENDANCE

NAME[1]	DESIGNATION	DATE OF APPOINTMENT (AS COMMITTEE MEMBER)	NUMBER OF COMMITTEE MEETINGS ATTENDED
Dr Edwin Hertzog[2] (Committee Chairman)	Non-executive Director	15/02/2016	1 of 1
Jannie Durand	Non-executive Director	15/02/2016	1 of 1
Prof Dr Robert Leu	Independent Non-executive Director	15/02/2016	1 of 1
Trevor Petersen	Independent Non-executive Director	15/02/2016	1 of 1
Desmond Smith	Independent Non-executive Director	15/02/2016	1 of 1
Ian Tyler[2] (Committee Chairman)	Senior Independent Director	05/06/2013	1 of 1

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Notes
[1] *Committee members' biographies can be found on pages 70 to 71 of the Annual Report.*
[2] *Ian Tyler resigned as a Director of the Company with effect from 21 February 2017. Dr Edwin Hertzog, already a Committee member since 15 February 2016, was appointed as the Committee Chairman on 17 March 2017.*

KEY AREAS OF ACTIVITY

SUCCESSION PLANNING

The Committee reviewed and is developing the succession planning for both the Executive Directors together with the talent pipeline reporting to the executive team.

A detailed review of each platform's talent pipeline strategy was undertaken. This was supported by a review of the talent pools towards Group and platform key positions. A leadership development strategy was discussed and a mandate given to proceed with inter-group development initiatives.

Each platform CEO is accountable for developing and recruiting a diverse workforce.

BOARD AND COMMITTEE COMPOSITION

The Committee considered the structure, size and composition of the Board. The outcome of the Board evaluation, which evaluated the performance of the Board in relation to the five main principles set out in the Code, helped to inform the Committee's considerations. In particular, when the composition of the Board and its committees are deliberated, the Committee is also mindful of each Director's knowledge, skills and experience, the independent judgement they bring to discussions and their other commitments.

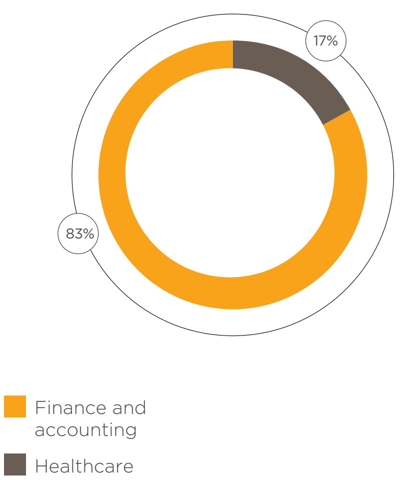
Following Ian Tyler's resignation, the Committee considered the appointment of a Senior Independent Director ("**SID**") and, as a result, Desmond Smith was appointed as the SID with effect from 21 February 2017.

The Committee also carried out a review of the composition of all the Board committees. As a result of this review, Dr Edwin Hertzog was appointed as Chairman of the Committee; Prof Dr Robert Leu was appointed as a member of the Clinical Performance and Sustainability Committee; Seamus Keating was appointed as a member of the Remuneration Committee; and Alan Grieve was appointed as a member and Chairman of the Disclosure Committee.

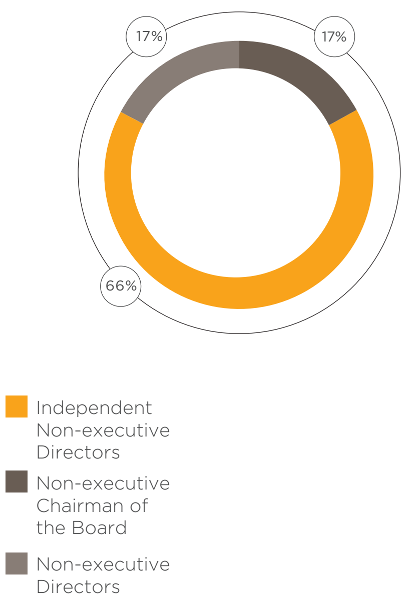
The Committee continued to consider the appointment of additional Independent Non-executive Directors to further strengthen the Board and its Committees with diverse expertise and to increase the female representation on the Board. The Committee is considering the appointment of two additional Independent Non-executive Directors, with the aim to conclude on the appointment of both positions by 31 March 2018.

The appointment of new Directors is an extensive and rigorous process. The Committee identified the key skills and experience required of the additional Non-executive Directors. An independent external recruitment consultancy firm, with no connection to the Company, has been appointed to assist with this process.

COMMITTEE EXPERIENCE



COMMITTEE COMPOSITION



DIVERSITY

During the year, the Committee reviewed and updated its Board Diversity Policy. The Board believes that diversity is not limited to gender and that a diverse Board will include and make good use of differences in the skills, geographic location, industry experience, background, race, gender and other characteristics of the Directors. These factors will be considered in determining the optimum composition of the Board and when possible will be balanced appropriately. However, when recruiting new Directors, consideration will also be given to ensuring that the Board does not become so large as to be unwieldy and that all Board appointments are made on justifiable merit. The Committee will continue to take cognisance of relevant prescribed guidelines as well as the performance of peer companies in fulfilling their role with regards to diversity.

The Board not only supports the principles of boardroom diversity in general, it also takes boardroom skills diversity seriously and actively considers this matter regularly at Board and Committee meetings. The Board believes that maintaining an appropriate balance of skills, knowledge, experience and backgrounds is imperative and is related to it being able to perform its role effectively.

The Board's Diversity Policy contains four objectives to support the Board's commitment to achieving diversity, as set out below:

- the Board will not impose quotas regarding diversity, although it will remain committed to achieving diversity in the composition of the Board and executive management;
- the Committee will annually consider and make recommendations, if applicable, to the Board on its diversity objectives in respect of the Board and executive management;
- in reviewing the composition of the Board and executive management, the Committee will, in addition to considering the balance of skills, experience, independence and knowledge of the Board, also consider the diversity of the Board; and
- in identifying suitable candidates for appointment to the Board, the Committee will assess candidates on merit against objective criteria and with due regard to the benefits of diversity on the Board.

The Board (on recommendation of the Committee) will report annually on any issues and challenges the Board is facing when considering the diverse composition of the Board and executive management. In addition, going forward, the Committee will report on progress made on achieving these objectives.

COMMITTEE EVALUATION

The Committee's performance was internally evaluated by the members of the Committee by way of a self-evaluation questionnaire, which results were considered by the Committee and the Board. No significant issues that require improvement were identified and the Committee and the Board concluded that it operated effectively during the year.

EVALUATION OF THE COMPOSITION, STRUCTURE AND FUNCTIONING OF THE BOARD

The evaluation of the Board was also carried out internally by way of a self-evaluation questionnaire. The questionnaire includes a focus on Board composition and expertise, the Board's role in setting strategy, its understanding of risks facing the Group, succession planning, and the effectiveness of the Board committees. The Board regards the evaluation process as an important way to monitor the progress made over the years. Further detail on the Board effectiveness evaluation is included on page 81. AR

When considering the election or re-election of Directors, the Committee pays due regard to the outcome of the Board evaluation process and considers many factors including the individual Director's knowledge, skill and experience, the independent judgement they bring to Board deliberations and their other commitments.

At the Company's annual general meeting to be held on 25 July 2017, Jurgens Myburgh, who was appointed as a Director from 1 August 2016, will stand for election as it is the first annual general meeting of the Company since his appointment. In accordance with the recommendation for FTSE 350 companies set out in the Code, all other Directors will stand for annual re-election at the meeting. The biographical details of the current Directors can be found on pages 70 to 71. AR

The terms and conditions of appointment of the Non-executive Directors, which include their expected time commitment, are available for inspection at the Company's registered office.

PRIORITIES FOR THE COMMITTEE IN 2017/18

For the coming financial year, the Committee will, among other matters, focus on the following:

- the continued development of succession plans and the talent pipeline;
- the recruitment of additional Independent Non-executive Directors to the Board; and
- the development of the Company's diversity strategy.

Signed on behalf of the Nomination Committee.

Dr Edwin Hertzog
Chairman of the Nomination Committee
23 May 2017

CLINICAL PERFORMANCE AND SUSTAINABILITY COMMITTEE REPORT

Dr Edwin Hertzog
Chairman of the Clinical Performance and Sustainability Committee

Dear Shareholder,

It is my pleasure to report on the activities of the Clinical Performance and Sustainability Committee (the "**Committee**") for the reporting period ended 31 March 2017. This mainly revolved around the Committee's focus on the activities of the Group relating to the improvement of safety and quality of care in support of Mediclinic's *Patients First* ethos, clinical risk management, accreditation process, various sustainability initiatives (including confirmation of key sustainability priorities, patient experience, employee engagement, sponsorships, ethics and fraud, governance of advertising, statement on slavery and human trafficking). The Committee also considered and approved the annual **Clinical Services Report** and the **Sustainable Development Report**, which reports are available on the Company's website at **www.mediclinic.com**.

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COMMITTEE COMPOSITION AND MEETING ATTENDANCE

The composition and attendance of Committee meetings during the period under review are set out in **Figure 1**. The Committee members are suitably skilled and experienced. The Chief Clinical Officer, Dr Ronnie van der Merwe, and the Chief Corporate Services Officer (who is also responsible for the Group's sustainable development management), Gert Hattingh, are invited on a permanent basis to attend and speak at all Committee meetings. Other relevant members of management are invited to attend Committee meetings, as required. The Company Secretary is secretary to the Committee and attends all meetings.

FIGURE 1: COMMITTEE COMPOSITION AND MEETING ATTENDANCE

NAME[1]	DESIGNATION	DATE OF APPOINTMENT (AS COMMITTEE MEMBER)	NUMBER OF COMMITTEE MEETINGS ATTENDED[2]
Dr Edwin Hertzog (Committee Chairman)	Non-executive Director	15/02/2016	2 of 2
Nandi Mandela	Independent Non-executive Director	15/02/2016	2 of 2
Danie Meintjes	Executive: Chief Executive Officer	15/02/2016	2 of 2
Prof Dr Robert Leu[3]	Independent Non-executive Director	17/03/2017	n/a
Ian Tyler[4]	Senior Independent Director	15/02/2016	2 of 2

Notes
1 *Committee members' biographies can be found on pages 70 to 71 of the Annual Report.*
2 *Since year end, the Committee met once and all members attended.*
3 *Robert Leu was appointed as member of the Committee on 17 March 2017.*
4 *Ian Tyler resigned as a Director of the Company on 21 February 2017.*

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KEY AREAS OF ACTIVITY

The responsibilities and functions of the Committee are governed by a formal terms of reference, approved by the Board, which is subject to regular review, at least annually. As previously reported, the role of the Committee was expanded during the year to also include, apart from its clinical performance monitoring role, the monitoring of the Group's sustainable development and to fulfil the statutory duties of a social and ethics committee in terms of the SA Companies Act in respect of certain of its South African subsidiaries.

The Committee met twice during the year under review, where the main focus was on:

CLINICAL PERFORMANCE

In relation to the Committee's clinical performance functions, the Committee is responsible for promoting a culture of excellence in patient safety, quality of care and patient experience. During the year, the Committee focused, *inter alia*, on the following:

- monitoring the clinical performance of the Group;
- evaluating patient safety, infection prevention and control, and quality improvement performance;
- evaluating compliance with the Company's patient safety and quality clinical care standards, policies and procedure, and regulation and accreditation standards at the operating platforms; and
- reviewing and approving the annual **Clinical Services Overview** in the Annual Report and the **Clinical Services Report** available on the Company's website at **www.mediclinic.com**.

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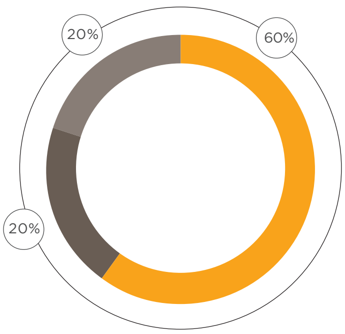
CSR

SUSTAINABLE DEVELOPMENT

In relation to the Committee's sustainability functions, the Committee is responsible for ensuring that the Group remains a good and responsible corporate citizen. During the year, the Committee focused, *inter alia*, on the following:

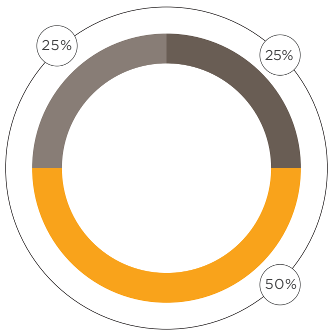
- reviewing the Group's policies with regard to the commitment, governance and reporting of the Group's sustainable development performance, including the Group Sustainable Development Policy, Group Environmental Policy and Code of Business Conduct and Ethics. These are available on the Company's website at **www.mediclinic.com**;
- monitoring the sustainable development performance of the Group, with specific regard to stakeholder engagement (which include the results of the patient experience index and employee engagement survey), health and public safety, broad-based black economic empowerment in South Africa, labour relations and working conditions, reviewing and recommending to the Board the Company's statement on slavery and human trafficking in terms of the Modern Slavery Act (available on the Company's website at **www.mediclinic.com**), training and skills

COMMITTEE INDUSTRY SECTOR EXPERIENCE



Healthcare
Academia
Infrastructure

COMMITTEE COMPOSITION



Independent Non-executive Directors
Non-executive Director
Executive Director

development of employees, management of the Group's environmental impacts, fraud and ethics, compliance (which include the governance of advertising and compliance with consumer protection laws) and corporate social investment;

- confirming the key sustainability priorities, as recommended by management, reported on pages 55 to 68 and the **Sustainable Development Report** available on the Company's website at **www.mediclinic.com**; and
- reviewing and approving the annual **Sustainable Development Highlights** included in the Annual Report and the **Sustainable Development Report** published on the Company's website at **www.mediclinic.com**.

As referred to above, certain South African subsidiaries of the Company are required to appoint a social and ethics committee in terms of the SA Companies Act, unless such companies are subsidiaries of another company that has a social and ethics committee, and the social and ethics committee of that company will perform the functions required by this regulation on behalf of that subsidiary company. The Committee also performs the statutory functions required of a social and ethics committee in terms of the SA Companies Act.

ASSURANCE

The Committee considered the need for external assurance of the Group's public reporting, particularly in relation to the Company's sustainable development performance. The Committee is satisfied that the current level of combined assurance provides the necessary independent assurance over the quality and reliability of the information presented in relation to the Group's clinical performance and sustainable development. The Committee will continue to monitor whether additional forms of assurance are required in future.

COMMITTEE EVALUATION

The Committee's performance was internally evaluated by the members of the Committee by way of a self-evaluation questionnaire, which results were considered by the Committee and the Board. Following feedback received from the self-evaluation, the Board agreed to increase the number of Committee meetings to at least three per annum, to allow for greater discussion on clinical performance matters. No other significant issues that require improvement were identified and the Committee and the Board concluded that it operated effectively during the year.

ANNUAL GENERAL MEETING

In terms of the SA Companies Act, a social and ethics committee must, through one of its members, report to the shareholders at the company's annual general meeting on the matters within its mandate. As the Committee is performing the role and function of a social and ethics committee in terms of the SA Companies Act, the Committee will fulfil this function by referring shareholders at the Company's annual general meeting on 25 July 2017 to this report by the Committee, which should be read in conjunction with the **Sustainable Development Report** available on the Company's website at **www.mediclinic.com**. Any specific questions to the Committee may be sent to the Company Secretary prior to the annual general meeting.

PRIORITIES FOR THE COMMITTEE IN 2017/18

For the coming financial year, the Committee will, among other matters, focus on the following:

- the further development of clinical performance measurement;
- strengthening the clinical expertise of the Committee; and
- the continued monitoring of the Company's sustainable development.

Signed on behalf of the Clinical Performance and Sustainability Committee.

Dr Edwin Hertzog
Chairman of the Clinical Performance and Sustainability Committee
23 May 2017

AUDIT AND RISK COMMITTEE REPORT

Desmond Smith
Chairman of the Audit and Risk Committee

Dear Shareholder,

As Chairman of the Audit and Risk Committee (the "**Committee**"), I am pleased to present the Committee's report for the year ended 31 March 2017.

This report seeks to provide insight into the functioning of the Committee and its activities during the reporting period. It includes an overview of the key areas of activity and principal topics covered at each meeting, together with a review of the effectiveness of the Company's external auditors, the Company's internal controls, risk management and combined assurance systems, a review of the effectiveness of the Committee, and its priorities for 2017/18. The Committee's terms of reference are available in the governance section of the Company's website at **www.mediclinic.com** and are summarised on page 75 in the **Corporate Governance Statement**.

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COMMITTEE COMPOSITION AND MEETING ATTENDANCE

The composition of the Committee complies with the UK Corporate Governance Code (the "**Code**"), which provides that all members should be Independent Non-executive Directors. The Board regards each member of the Committee as having recent and relevant financial experience for the purposes of the Code and the Financial Reporting Council's Guidance on Audit Committees. The Board is further satisfied that the Committee, as a whole, has the required sector-specific competence and that the combined knowledge and experience of its members is such that the Committee exercises its duties in an effective, informed and responsible manner. The composition of the Committee and meeting attendance during the period under review are set out in **Figure 1**.

FIGURE 1: COMMITTEE COMPOSITION AND MEETING ATTENDANCE

NAME[1]	QUALIFICATIONS	DATE APPOINTED (AS COMMITTEE MEMBER)	NUMBER OF COMMITTEE MEETINGS ATTENDED[2]
Desmond Smith (Committee Chairman)	B.Sc., FASSA	15/02/2016	4 of 4
Alan Grieve	B.A. (Hons), CA	15/02/2016	4 of 4
Seamus Keating	FCMA	05/06/2013	4 of 4
Trevor Petersen	B.Comm. (Hons), CA(SA)	15/02/2016	4 of 4
Ian Tyler[3]	ACA, B.Comm.	05/06/2013	3 of 3

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Notes

1. *Committee members' biographies can be found on pages 70 to 71. All members are Independent Non-executive Directors. The Committee Chairman, Desmond Smith, is also the Senior Independent Director.*
2. *One Committee meeting was held between the Company's financial year end and the Last Practicable Date, which meeting was attended by all members.*
3. *Ian Tyler resigned as a Director and Committee member with effect from 21 February 2017 and therefore was only eligible to attend three Committee meetings during the year.*

"The Committee continues to focus on the standardisation of the internal controls and risk management framework across the Group and the integration of Al Noor into the Group's structures, registers, reporting and processes."

The Company Secretary is Secretary to the Committee and attends all meetings. Other attendees at Committee meetings may differ from time to time, and upon invitation from the Committee include Danie Meintjes (Chief Executive Officer), Jurgens Myburgh (Chief Financial Officer), Dr Edwin Hertzog (Company Chairman), Pieter Uys (alternate to Jannie Durand), Gert Hattingh (Chief Corporate Services Officer) and relevant management members. The Committee may also invite representatives from the internal auditors (Remgro Internal Audit) and external auditors (PricewaterhouseCoopers LLP and PricewaterhouseCoopers Inc.).

KEY AREAS OF ACTIVITY

INTEGRATION OF AL NOOR BUSINESS

The combination of the Al Noor business with the Group's Middle East platform, effective from February 2016, continued to be a key area of focus for the Committee during the year. This included reviewing the progress on the integration of Al Noor into the Group's Middle Eastern platform's financial reporting; governance, risk and compliance processes; aligning business practices and embedding policies and procedures across the platform. In addition, the Committee considered and reviewed the purchase price allocation related to the reverse acquisition, reviewed the financial performance of the platform relative to budget, and monitored the realisation of efficiencies and synergies from the combination of the two businesses.

At the time of the combination ANHG held a 75% interest in Al Madar Medical Centre Group ("**MMC**") with the remaining 25% held by the founding CEO. Prior to the combination, the MMC network was being run as a stand-alone business. With effect from 30 September 2016, MCME exercised the option to acquire the remaining 25% of the MMC Group and the MMC network came under the management and full control of MCME, which included aligning the RCM function of MMC with the rest of the business and, *inter alia*, centralising activities relating to insurance, coding, billing, submission and resubmission and engaging with Daman to identify corresponding billing details to facilitate the payment of claims and allocation of receipts.

FINANCIAL REPORTING

Key topics relating to financial reporting considered by the Committee during the year:

April 2016:
- Financial review of each platform, including a review of any tax matters and debt covenants
- Review of accounting policies
- Integration of the Al Noor business into the Middle East platform
- Finance function review
- Viability statement and stress testing
- Annual results planning

May 2016:
- Financial review of each platform, including a review of debt covenants
- Review of the significant accounting policies and judgements
- Annual report and preliminary results announcement
- Dividend policy, and final dividend and dividend access scheme
- Going concern and viability assessment and stress testing
- Fair balanced and understandable review
- Integration of the Al Noor business into the Middle East platform
- Tax matters for the Group

November 2016:
- Financial review of each platform, including a review of debt covenants
- Interim accounts and results announcement
- Significant accounting policies and judgements
- Going concern and viability assessment
- Interim dividend
- Fair and balanced review
- Key tax considerations across the Group and new disclosure requirements

March 2017:
- Review of pre year-end report by external auditors on accounting and auditing issues
- Review of accounting policies
- Review of tax risks and adoption of tax strategy
- Integration of Al Noor business into the Middle East platform
- Financial function review
- Appointment of tax advisors
- Review of viability assessment and stress testing
- Group tax strategy
- Review of FRC Conduct Committee correspondence

The Committee maintained a strong focus on the integrity of the Company's financial reporting and its financial performance.

The financial results for the Group and individual operating platforms were reviewed regularly, taking into consideration tax matters and the Company's debt covenants. The Committee considered the Company's tax disclosure obligations, including the country-by-country tax reporting, and recommended the adoption of a Group tax strategy for approval by the Board.

Following the Al Noor Combination, the Committee reviewed and recommended an amendment to the dividend policy to target a pay-out ratio of between 25% and 30% of underlying earnings. The amendment was included in the annual financial results published in May 2016. The Company also implemented a dividend access scheme for its South African shareholders as approved by the shareholders.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND POLICIES

As part of the process for monitoring the integrity of the financial information contained in the annual and interim reports, the Committee reviewed the significant judgements and significant accounting policies adopted by management and confirmed these were appropriate. The significant judgements identified by the management team, Committee and the external auditors are set out in the table below.

The Committee considered the following significant issues in relation to the Annual Report:

SIGNIFICANT ISSUES CONSIDERED	STEPS TAKEN BY THE COMMITTEE
Finalisation of Al Noor purchase price allocation and aligning of financial reporting and operational systems	The Committee reviewed and considered the finalisation of the purchase price allocation. The initial fair values of the opening balances were reviewed with specific consideration of the fair value and subsequent adjustment of the trade receivables balance, as described in the impairment assessment below. The Committee was satisfied with the disclosure of the purchase price allocation in the financial statements. The Committee was satisfied with the progress management has made with the integration of the Al Noor business and noted plans for system integration and further alignment of commercial practices.

SIGNIFICANT ISSUES CONSIDERED	STEPS TAKEN BY THE COMMITTEE
Impairment assessments	The Committee reviewed the annual impairment test of the carrying amount of goodwill recognised in the Middle East and Swiss units, the carrying amount of the indefinite useful life Swiss trade name and management's assessment of provision for impairment of trade receivables. The decision to rebrand the Al Noor operations resulted in accelerated amortisation of the Al Noor trade name. The Committee reviewed and assessed the impairment calculations of the Al Noor cash generating unit. The Committee considered the reasonableness of the cash flow projections which were based on the most recent budgets reviewed by the Board and assessed management's expectations of revenue growth, operating costs and margins based on past experience and knowledge of the industry. The Committee also reviewed and challenged the key assumptions made in deriving these projections: growth rates, and expected changes in tariffs, admissions, patient mix and insurance mix. Long-term growth rates for periods not covered by the annual budgets were challenged to ensure they were appropriate in the countries relevant to the relevant operating platforms. The Committee was satisfied that the discount rate assumptions appropriately reflected current market assessments of the time value of money and the risks associated with the particular assets. The other key assumptions were all considered to be reasonable. The Committee also considered the adequacy of the disclosures in respect of the key assumptions and sensitivities described above. Refer to note 4 to the **consolidated financial statements** for more details of these assumptions. The Committee was satisfied that management's assessment of the impairment provision for trade receivables were thorough, adequate and reasonable. The Committee also reviewed and was satisfied with the year-end provision for and disclosure of impairment of receivables. The external auditors explained the results of their own review of the estimate of value in use, including their challenge of management's underlying cash flow projections, the long-term growth assumptions and discount rates. Based on their challenge of the key assumptions and associated sensitivities, the Committee concurred with management's conclusion that no impairments were required.
Notional purchase price allocation and impairment test of a 29.9% associate interest in Spire	The Committee reviewed and was satisfied with a notional purchase price allocation performed by an independent firm. The Committee was presented with management's considerations, reports from the independent firm, as well as feedback from the external auditors on procedures performed. The Committee was satisfied that a rigorous process was followed in identifying the significant intangible asset and that this asset was reasonably valued and the appropriate judgment was used. The Committee considered the carrying value of the Group's investment in associate at 31 March 2017 to be appropriate and supportable by considering the results of impairment tests.
Viability assessment	The Committee reviewed the stress testing of the Group's principal risks and uncertainties undertaken by management to support the viability statement. It agreed with management's recommendation to the lengthening of the initial three-year period to a five-year period. A five-year period is considered more appropriate for assessing the Group's long-term viability, as it is consistent with the time frame adopted for the Group's strategy and the assessment of its principal risks and uncertainties. Based on careful analysis of all relevant matters, the Committee concluded that the Board could reasonably expect the Group to continue to be in operation and meet its liabilities as they fall due, over the course of the five-year assessment period. The Committee recommended to the Board the viability statement set out on pages 35 to 36.

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FAIR, BALANCED AND UNDERSTANDABLE REPORTING

The Committee considered whether the assessments of the Company's position and prospects, as published in the annual, interim and other price-sensitive reports, were fair, balanced and understandable and provided the information necessary for shareholders to assess the Group's performance, business model and strategy. The Committee reviewed the interim and annual financial statements in conjunction with the narrative sections of the reports to ensure that reported information was consistent, and that appropriate weight had been given to both positive and negative aspects of business performance.

The Committee is satisfied that one of the key requirements of the Group's financial statements, for the Annual Report to be fair, balanced and understandable has been met, having reviewed a summary of the approach taken by management in the preparation of the report. Accordingly, the Committee recommended that the Board confirm that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

FRC CONDUCT COMMITTEE

The FRC Conduct Committee is authorised and appointed under the UK Companies Act to be responsible for reviewing and investigating the annual accounts, directors' reports and strategic reports of public listed companies in the UK. The FRC Conduct Committee undertook a review of the Company's Annual Report and Financial Statements for the year ended 31 March 2016. The outcome of their review was that there were no questions or queries to be raised with the Company. The FRC's review was based on the report itself and not detailed knowledge of the Company or transactions it had entered into.

INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT PROCESS

Key topics relating to internal controls and risk management considered by the Committee during the year:

April 2016:
- ERM framework and plan 2016/17
- ERM policy and risk appetite
- Risk registers of the Group and mitigation steps
- ICT strategic risks: cybersecurity, project delivery, application, and control change architecture and skills
- Fraud and ethics report

May 2016:
- Enterprise-wide risk management policy
- Review principal risks and uncertainties
- Fraud and ethics report

November 2016:
- Review of principal risks and uncertainties, including the impact of Brexit
- Fraud and ethics report
- Treasury policy and procedures

March 2017:
- Review of tax risks
- Detailed risk management review, including of framework and policies; top risks; fraud, ethics and compliance; and ERM plan for 2017/18
- Review of viability assessment
- Treasury policy and procedures

The Board is ultimately responsible for overseeing the establishment of effective internal control systems and risk management processes, which facilitate the delivery of and sustain the Group's financial, operational and strategic objectives. The Committee maintained a strong focus on monitoring, evaluating and enhancing the internal control, risk management and internal audit processes for the Group and the integration of Al Noor into these processes.

The Board believes that effective risk management underpins a successful business and is integral to the objective of adding value to the Group. It has adopted an integrated and effective Enterprise-wide Risk Management ("**ERM**") framework, at both an operational and strategic level. An optimal risk/reward profile is achieved by identifying, quantifying and managing risks. This was incorporated into the daily operational management processes, allowing management to focus on core activities. The Board has a clear process for identifying, evaluating and managing the principal risks, which includes current and emerging risks, faced by the Group for the reporting period. The Board annually reviews the process, which is in accordance with the FRC's *Guidance on Risk Management, Internal Control and Related Financial and Business Reporting* and the requirements of the Code.

The Group's ERM policy is benchmarked against the International Committee of Sponsoring Organisations of the Treadway Commission framework, which defines the risk management objectives, methodology, process and the responsibilities of the Group's various risk management role-players. This policy provides structure within which Directors and management can operate to reinforce a strong risk management culture throughout the Group. It sets the tone and acts as a starting point for all other components of risk management and control in providing the necessary discipline and structure.

The Committee reviewed the ERM framework, including the Group's risk appetite and assurance model and policies. The Committee continued to progress the standardisation of the internal controls and risk framework across the Group and the integration of Al Noor into the Company's ERM function, processes, risk registers and reporting.

Information and Communication Technology ("**ICT**") risks remain a key area of focus for the Committee. The top five risks identified were cybersecurity; project delivery, application control and change, architecture and scarcity of ICT skills. The Committee receives regular presentations from senior management on these risks and their management and mitigation.

The Group's hedging arrangements in respect of currency movements were also examined, resulting in the Committee reviewing and updating the Group's treasury policy.

The Committee considered the applicability and implications for the Group regarding the new General Data Protection Regulation effective May 2018 and a proposed action plan.

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Further details on the Company's internal controls system and risk monitoring can be found on pages 30 to 36.

Whilst the overall conclusion was that the control environment is effective in ensuring the consistent achievement of key control objectives, the following aspects were specifically highlighted as focus areas by management:

- the ongoing centralisation and standardisation of the internal controls in the Hirslanden platform;
- the Al Noor integration in the Middle East platform and conforming the legacy Al Noor control processes and operational practices to the Group's standards;
- the implementation of SAP and supporting policies and procedures;
- The implementation of a standardised financial consolidation and reporting tool; and
- the enhancement of the assurance processes for the Group, including ICT governance and compliance.

The Committee's work on the Company's financial reporting, internal controls and risk management systems underpins the long-term viability statement published by the Company in this Annual Report and Financial Statements.

INTERNAL AUDIT

Key topics relating to internal audit considered by the Committee during the year:

April 2016:
- Establishment of an in-house internal audit function

May 2016:
- Internal audit report for 2015/16 financial year

November 2016:
- Establishment of an in-house internal audit function
- Internal audit report and internal audit plan

March 2017:
- Review of internal audit report, internal audit mandate and internal audit function

The Company's internal audit function is carried out by Remgro Internal Audit, who regularly attended Committee meetings and reported on the findings of its investigations. It was responsible for measuring the effectiveness of the system of internal financial control throughout the Group. The establishment of an in-house internal audit function to transition away from the current outsourcing strategy will commence with the planned appointment of a Chief Internal Audit Executive during the 2017/18 financial year.

The Committee reviewed the internal audit reports and approved the internal audit plan and fees. The Committee reviewed the effectiveness of the internal audit function by having discussions with Remgro Internal Audit and key members of management, and is satisfied with the effectiveness and efficiency of the function, reliability of financial reporting, and compliance with applicable laws and regulations.

Remgro Internal Audit's Quality Assurance and Improvement Process was reviewed during the current year by a Big Four Independent Audit Firm and found to be Generally Compliant with the International Standards for the Professional Practice of Internal Auditing.

The approved internal audit plan, which comprises a three-year review cycle following a risk-based approach and, where appropriate, integration with other combined assurance providers, focussed on the revenue and receivables cycle during the reporting period.

EXTERNAL AUDIT

Key topics relating to the external audit considered by the Committee during the year:

April 2016:
- External audit plan reviewed and agreed
- External auditors' fees reviewed and agreed
- Non-audit services expenditure for the 2016/17 financial year
- A separate meeting was held between the external auditors and independent Non-executive Directors without the management team

May 2016:
- External audit – Year-end audit report and opinion
- Evaluation of the external auditors' effectiveness of external audit process
- Review of auditor's independence
- Non-audit services expenditure for the 2015/16 and 2016/17 financial years
- Non-audit services thresholds for the 2016/17 financial year
- A separate meeting was held with the external auditors and independent Non-executive Directors without the management team

November 2016:
- External audit – Half-year review report
- External audit plan for the 2016/2017 financial year
- Review of FRC Audit Quality Review
- A separate meeting was held with the external auditors and independent Non-executive Directors without the management team

March 2017:
- Review of policy on independence and non-audit services by external auditors
- Non-audit services expenditure for the 2016/17 financial year
- Non-audit services thresholds for the 2017/18 financial year
- Pre year-end update report from external auditors

PricewaterhouseCoopers LLP ("**PwC**"), the external auditors of Mediclinic International Limited prior to the Al Noor Combination, was appointed as the external auditors of the Company in December 2015. The lead audit engagement partner from PwC is Giles Hannam who was also appointed in 2016.

INDEPENDENCE AND EFFECTIVENESS

The Committee is committed to ensuring that the Group receives a high-quality and effective statutory audit. It is responsible for monitoring the performance, objectivity and independence of the external auditors and undertakes a formal evaluation process annually. This process involves an examination of four main performance criteria, namely: robustness of the audit process, quality of delivery, quality of reporting, and quality of people and service.

On completion of the audit, all members of the Committee, as well as key members of the senior management team and those who regularly provide input to the Committee or have regular contact with the external auditors, were required to complete a questionnaire seeking their views. The feedback from the questionnaire was collated and discussed by the Committee at the meeting held on 22 May 2017, together with opportunities for improvement. Overall, responses to the questionnaire were very positive, indicating an effective external audit process.

The external auditors receive copies of all relevant Committee papers and minutes of all Committee meetings. As part of the Committee's assessment of the external auditors, separate meetings were held between the Non-executive Directors and the external auditors, without management present.

The independence of the external auditors is further enhanced by the FRC's *Ethical Standard for Auditors*, requiring PwC to inform the Company about any significant facts and matters that may reasonably be thought to bear on its independence or on the objectivity of the lead partner and the audit team. The lead partner must change every five years and the quality review partner, who reviews the judgements of the audit team, rotates every seven years. The auditor's independence is further safeguarded by the non-audit services policy discussed below.

EXTERNAL AUDIT PLAN

During the year, the Committee reviewed and approved the 2016/17 external audit plan, including the proposed materiality threshold, the scope of the audit, the significant audit risks and fees.

NON-AUDIT SERVICES

The Committee believes that it may be appropriate in certain circumstances for the Company to engage its external auditors to provide non-audit services. A policy governing the provision of such services is in place to ensure the independence and objectivity of the external auditors is not compromised. During the year, the Committee considered the implementation of the European Union Audit Directive and Regulation in conjunction with the FRC's Ethical Standard for Auditors, effective for the Company from 1 April 2017, in respect of prohibitions, as well as the new provisions set out in the 2016 version of the Code in relation to non-audit services, and updated the Group's non-audit services policy accordingly.

As a consequence, from 1 April 2017, the Company is no longer making use of PwC's tax services. Deloitte LLP has been appointed to provide tax advice for the Company and its Southern African operations, and KPMG has been appointed to provide tax advice for the Company's Swiss and Middle Eastern operations.

The Committee determines the pre-approved monetary thresholds for each category of non-audit services at the beginning of each financial year. The nature of the non-audit services, the individual fee levels of each category and the aggregate fee amount relative to the external audit fee are taken into account in determining these thresholds. From 1 April 2017, any individual assignment with a fee exceeding £50 000 requires the Committee's prior approval.

To help maintain independence and objectivity, the policy requires that an independent partner is appointed to lead any non-audit services.

FEES

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Refer to note 22 to the **consolidated financial statements** on page 198 for detail on the remuneration of the auditor for both audit and non-audit services undertaken during the year.

RE-APPOINTMENT

The Committee concluded that the services provided by the external auditors were high quality and that the external audit process in respect of the 2017 Financial Statements was effective and that the auditor remains objective and independent. Accordingly, it recommended to the Board that the re-appointment of PwC as the Company's external auditors is proposed to shareholders at the 2017 AGM.

AUDIT TENDER

As a result of the UK's implementation of the European Union's mandatory firm rotation requirements, and in accordance with the Committee's terms of reference, the Company is required to ensure that the external auditors' contract is put out to tender at least every 10 years, with the proviso that no single firm may serve as the Company's external auditors for a period exceeding 20 years. PwC was appointed as the Company's auditors in December 2015. It is intended that the external audit will be put out to tender no later than for the financial year commencing 1 April 2023, which is 10 years after the Company's initial listing.

COMPETITION AND MARKETS AUTHORITY STATUTORY AUDIT SERVICES ORDER 2014 ("CMA ORDER")

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As disclosed on page 121, the Company complied with the mandatory audit processes and the Committee complied with the responsibility provisions set out in terms of the CMA Order relating to (a) putting the audit services engagement on tender every 10 years; and (b) strengthening the accountability of the external auditors to the Committee, including requiring that only the Committee is permitted to agree to the external auditors' fees and scope of services; influence the appointment of the audit engagement partner; make recommendations regarding the appointment of auditors; and authorise the auditors to carry out non-audit services.

FRC AUDIT QUALITY REVIEW

The Committee considered the findings from the review, undertaken by the FRC's Audit Quality Review ("**AQR**") team, of PwC's audit of the Group's financial statements for the year ended 31 March 2016, which had been selected by the AQR team as part of their 2016 annual inspection of audit firms. The focus of the review was to identify areas where improvements were required, rather than highlighting areas where work was performed at or above the expected level. The Committee considered the findings and discussed these with PwC. The Committee noted that no significant areas for improvement were identified by the FRC and that it is satisfied that there is nothing in the FRC findings which might have a bearing on PwC's re-appointment.

ETHICAL CONDUCT, GOVERNANCE AND COMPLIANCE

Key topics relating to governance and compliance considered by the Committee during the year:

April 2016:
- Regulatory developments and updates as relevant for each platform
- European Union Audit Directive and Regulation and review of the non-audit services policy
- Annual review of policies and procedures: terms of reference of the Committee, legal and compliance policy and internal audit mandate

May 2016:
- Regulatory developments and updates as relevant for each platform
- European Union Audit Directive and Regulation and review of the non-audit services policy

November 2016:
- Regulatory developments and updates as relevant for each platform
- Review of FRC's Ethical Standard for Auditors and non-audit services policy
- Review of Committee's terms of reference

March 2017:
- Annual review of policies and procedures: terms of reference of the Committee; legal and compliance policy; and internal audit mandate; provision of Non-audit Services by the external auditors; Fraud Risk Management Policy

The Group remains focussed on conducting its business in an honest, fair and ethical manner, a principle which is actively endorsed by the Board and management. The Committee oversees the Group's processes for handling the Group's Code of Business Conduct and Ethics and Anti-bribery Policy, which are available in the governance section of the Company's website at **www.mediclinic.com**. This includes receiving regular feedback from the Group General Manager: Risk Management regarding incidents reported on the ethics lines and the effectiveness of the lines. The Board established a Clinical Performance and Sustainability Committee, details of which can be found on page 75 of the **Corporate Governance Statement**.

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The Group's Code of Business Conduct and Ethics provides a framework for directors and employees within the Group of the standards of business conduct and ethics that is required of them, and which applies to all business divisions within the Group. It serves to ensure that the highest ethical standards are maintained in all dealings with the Group's stakeholders. It is available to all staff and communicated to new employees during their induction. This code contains the Group's whistle-blowing arrangements, which sets out the details of the Group's ethics lines. Any employee or external stakeholder can report any wrongdoing in the Group confidentially and anonymously via the ethics lines. All complaints are investigated in accordance with the code.

The Group adopts a zero-tolerance policy regarding unethical business conduct, in particular fraud and corruption, which is addressed in the Code of Business Conduct and Ethics. The Anti-bribery Policy supports its commitment to ensure compliance with all anti-bribery and anti-corruption laws and regulations, and strictly governs the receipt of any invitations, gifts or donations from suppliers or any other party. Directors and employees throughout the Group are compelled to declare these to management for approval. Staff members involved in the contracting, negotiating and purchasing of equipment or consumables are also bound to strict ethical principles, ensuring that an impeccable standard of integrity is maintained in the Group's business relationships. During the year, the Committee also adopted a Fraud Risk Management Policy, which facilitates the development of controls which will assist in the prevention of fraud and corruption.

The Committee reviewed reports of all material cases reported to the Group's whistle-blowing line resulting investigations.

The Committee is responsible for ensuring Group-wide standards are set for achieving compliance with relevant laws and regulations. During the year, a compliance consultant was appointed to assist the Group with implementing a standardised risk-based compliance monitoring process across all business units in the Group.

COMMITTEE EVALUATION

The Committee's performance was internally evaluated by the Board, following discussion of the results of a self-evaluation questionnaire completed by the Committee members. The questionnaire focussed on the Committee's role, composition and expertise and the effectiveness of Committee meetings. The outcomes of the survey were subsequently considered and reviewed by the Committee and certain actions were agreed for implementation, aimed at enhancing the overall effectiveness of the Committee. The results of the Committee's performance evaluation were reported to the Board at the March 2017 meeting. Progress on the agreed actions and their outcomes will be monitored by the Committee and incorporated into the following performance evaluation.

PRIORITIES FOR THE COMMITTEE IN 2017/18

- Review various ICT and other significant projects across the Group.
- Review of ongoing integration of Al Noor's operations and systems.
- Implementation of new IFRS standards.
- Monitoring of Group tax compliance matters.
- Review internal audit work plan for 2017/18, which will focus on the procurement and payment cycle plus platform projects and the platform internal financial control process.
- Monitor progress against the 2018 ERM plan.
- Appointment of Chief Internal Audit Executive.

Signed on behalf of the Audit and Risk Committee.

Desmond Smith
Chairman of the Audit and Risk Committee
23 May 2017

DIRECTORS' REPORT

The Directors present this report, together with the audited financial statements of the Group and the Company for the year ended 31 March 2017. This report, together with the following disclosures incorporated by way of reference, constitute the Directors' Report, as contemplated in the UK Companies Act, and was approved by the Disclosure Committee on 23 May 2017, duly authorised by the Board:

- **Corporate Governance Statement** – refer to pages 73 to 84;
- strategy and relevant future developments – refer to **Our Strategy, Progress and Aims** included in the Strategic Report on pages 24 to 29;
- financial risk management objectives and policies – refer to the report on **Risk Management, Principal Risks and Uncertainties** included in the Strategic Report on pages 30 to 36 and note 3 to the financial statements on pages 161 to 164;
- research and development activities – refer to various activities reported on in the **Strategic Report**, such as the standardised patient experience index on pages 24 to 25, the standardised employee engagement initiatives on pages 28 to 29, and research by health policy units, referred to on page 31;
- greenhouse gas emissions – refer to the **Sustainable Development Highlights** included in the Strategic Report on pages 64 to 65; and the **Sustainable Development Report**, available on the Company's website at **www.mediclinic.com**; and
- corporate social responsibility and corporate social investment – refer to the **Sustainable Development Highlights** included in the Strategic Report on pages 66 to 68; and the **Sustainable Development Report**, available on the Company's website at **www.mediclinic.com**.

DIRECTORS

NAMES AND BIOGRAPHIES

The names of all the Directors who served during the reporting period are included in the **Corporate Governance Statement** on page 76. Biographies of all the current Directors of the Company are provided on pages 70 to 71.

APPOINTMENT AND REMOVAL OF DIRECTORS

The rules relating to the appointment and removal of the Directors are contained in the Company's Articles of Association.

ELECTION OF DIRECTORS

In accordance with the provisions of the UK Corporate Governance Code, all members of the Board wishing to continue their appointments are subject to re-election by the shareholders at the Company's annual general meeting ("**AGM**"). Accordingly, all the Directors, as provided on pages 70 to 71, excluding Jurgens Myburgh, will retire and seek re-election at the Company's AGM to be held on 25 July 2017.

In terms of the Company's Articles of Association, any Director appointed as such by the Board of Directors shall retire at the following AGM and shall be eligible for election. Accordingly, Jurgens Myburgh, who was appointed by the Board 1 August 2016, will also retire and seek election by the shareholders at the Company's AGM to be held on 25 July 2017.

Remgro Limited, through wholly-owned subsidiaries, ("**Remgro**" or the "**Remgro Group**", as the context may indicate) holds 44.56% of the issued ordinary shares of the Company and is therefore regarded as a controlling shareholder of the Company, for the purposes of the Listing Rules. The Listing Rules require that Independent Non-executive Directors of a company with a controlling shareholder must be elected by a majority of votes cast by independent shareholders, in addition to a majority of votes cast by all shareholders in such company. The resolutions proposed at the Company's AGM to be held on 25 July 2017 for the election of the Independent Non-executive Directors of the Company will therefore be taken on a poll and the votes cast by independent shareholders and all shareholders will be calculated separately. Such resolutions will be passed only if a majority of votes cast by independent shareholders are in favour thereof, in addition to a majority of votes cast by all shareholders being in favour thereof.

POWERS OF DIRECTORS

The general powers of the Directors are contained within relevant UK legislation and the Company's Articles of Association. The Directors are entitled to exercise all powers of the Company, subject to any limitations imposed by the Articles of Association or applicable legislation.

DIRECTORS' INTERESTS

The Directors' shareholding and share interests in the issued shares of the Company are provided in the **Directors' Remuneration Report** on page 103.

INDEMNIFICATION OF DIRECTORS

The Company has entered into a deed of indemnity with each Director who served during the year under identical terms. The deeds indemnify the Directors in accordance with the applicable laws of England against liability incurred as a Director or employee of the Company or of associated entities in the Group. In addition, the Company has put into place directors' and officers' indemnity insurance.

COMPENSATION FOR LOSS OF OFFICE

There are no agreements in place with any Director or employee that provide for compensation for loss of office or employment resulting from a takeover, except that provisions of the Company's share plans may cause options and awards granted under such plans to vest on a takeover. Further information on Directors' service contracts and their notice periods can be found in the **Directors' Remuneration Report** on page 94.

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ARTICLES OF ASSOCIATION

The Company's Articles of Association may be amended by way of a special resolution of the members. At the AGM held on 20 July 2016, shareholders approved certain amendments to the Company's Articles of Association by way of a special resolution, available in the Governance section of the Company's website at **www.mediclinic.com**.

The Board proposes further amendments to the Company's Articles of Association, details of which are included in the notice of the annual general meeting to be held on 25 July 2017, in order to update the dividend payment provisions to reflect guidance published by the ICSA Registrars' Group in March 2014. These amendments give the Company greater flexibility to use the most relevant payment mechanisms for the distribution of dividends, including electronic methods.

RELATED-PARTY TRANSACTIONS

Details on all related-party transactions are contained in note 34 of the consolidated financial statements on page 209.

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SHARE CAPITAL AND SHAREHOLDERS

STRUCTURE

The Company's ordinary issued share capital as at 31 March 2017 was 737 243 810 ordinary shares of £0.10 each which have a primary listing on the LSE and secondary listings on the JSE in South Africa and the NSX in Namibia. The ordinary share class represents 100% of the Company's total issued share capital. Further information on the Company's issued share capital can be found in note 13 to the **consolidated financial statements** on pages 180 to 181.

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There are no known arrangements under which financial rights are held by a person other than the holder of the shares.

Shares acquired through the Company's share schemes and plans rank equally with the other shares in issue and have no special rights. Further details on the Company's employee share scheme are included in the **Directors' Remuneration Report** from page 85.

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ACQUISITION OF OWN SHARES

At the Company's AGM on 20 July 2016, it was resolved that the Company was authorised to purchase the 10 subscriber shares of 10 pence per share in the capital of the Company from Astro II SPV at a price of 10 pence per share, which repurchase was concluded in April 2017.

The Company has no intention to complete a market purchase of its ordinary shares and will not seek this authority at the Company's next AGM on 25 July 2017.

RESTRICTIONS ON THE TRANSFER OF COMPANY SHARES

In 2005, Mediclinic International (RF) Proprietary Limited (previously Mediclinic International Limited) ("**Mediclinic SA**") implemented a black ownership initiative with MP1 Investment Holdings Proprietary Limited (previously Circle Capital Ventures Proprietary Limited) ("**MP1**") and Phodiso Holdings Limited ("**Phodiso**") (collectively, the "**Strategic Black Partners**").

In September 2016, the Company entered into arrangements with the Strategic Black Partners to formalise the basis on which the Strategic Black Partners hold their shares in the Company. These are in the same form in all material aspects as the arrangements in existence prior to the Combination of Mediclinic SA with Al Noor Hospitals Group plc. The Company now receives the direct benefit of the lock-in arrangements described below.

The arrangements that originally applied to the holdings of the Strategic Black Partners in relation to their shares in Mediclinic SA before completion of the Combination continue to apply to their holdings of shares in the Company such that:

- in the case of the 24 582 960 shares held by Phodiso through its subsidiary Mpilo Investment Holdings 2 (RF) Proprietary Limited ("**Mpilo 2**"), representing approximately 3.33% of the Company's issued share capital, disposals of such shares are restricted until 31 December 2018; and
- in the case of the 10 958 206 shares held by MP1 through its subsidiary Mpilo 1 Newco (RF) Proprietary Limited ("**Mpilo 1**"), representing approximately 1.49% of the Company's issued share capital, disposals of such shares are restricted until 31 December 2019.

The arrangements also contain pre-emptive rights in favour of the Company which provide that, if any of the shares in the Company held by Mpilo 1 or Mpilo 2 are to be offered for sale, the Company will be offered the opportunity to purchase such shares or to nominate another person to purchase such shares, in each case, at a discounted price of, in relation to the Mpilo 1 shares, approximately 5% to the then market value and, in relation to the Mpilo 2 shares, approximately 10%. Any exercise of a right to purchase such shares by the Company itself would require the approval of its shareholders.

RESTRICTIONS ON VOTING RIGHTS

The Company's Articles of Association provide that, unless the Directors determine otherwise, a shareholder shall not be entitled to vote, either personally or by proxy, at any general meeting or to exercise any other right conferred by membership if:

- any call or other sum payable to the Company in respect of that share remains unpaid; or
- such shareholder, having been duly served with a notice to provide the Company with information under section 793 of the UK Companies Act, has failed to do so within 14 days of such notice, for so long as the default continues.

SUBSTANTIAL SHAREHOLDERS

As at year end and as at 23 May 2017, being the Last Practicable Date, the shareholders included in **Figure 1** notified the Company, in accordance with Disclosure Guidance and Transparency Rules, of their interest of 3% or more in the Company's issued share capital.

FIGURE 1: SUBSTANTIAL SHAREHOLDERS

	ORDINARY SHARES	% VOTING RATES	DATE NOTIFIED
Remgro Limited (through wholly-owned subsidiaries)	328 497 888	44.56%	17/02/2016
Public Investment Corporation SOC Limited			
as at year end	58 705 799	7.96%	02/12/2016
as at 23 May 2017	59 447 726	8.06%	12/05/2017
Coronation Asset Management Proprietary Limited			
as at year end	29 778 806	4.03%	02/03/2017
as at 23 May 2017	37 677 189	5.11%	11/04/2017
Mpilo Investment Holdings 2 (RF) Proprietary Limited	24 582 960	3.33%	13/05/2016

PRINCIPAL SHAREHOLDER AND RELATIONSHIP AGREEMENT

In accordance with Listing Rule 9.8.4(14), the Company has set out below a statement describing the relationship agreement entered into between the Company and its principal shareholder, Remgro, on 14 October 2015 (the "**Relationship Agreement**"), which came into effect on 15 February 2016. As at 23 May 2017, the Remgro Group held 44.56% of the issued ordinary share capital of the Company.

Under the Relationship Agreement, Remgro undertakes to comply with the following independence provisions, as required under the Listing Rules:

- transactions and arrangements between the Company and Remgro (and/or its associates) are, and will be, at arm's length and on normal commercial terms;
- neither Remgro nor any of its associates will take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules; and
- neither Remgro nor any of its associates will propose, or procure the proposal of, a shareholder resolution that is intended or appears to be intended to circumvent the proper application of the Listing Rules.

The Company has complied with the above independence provisions and, in so far as it is aware, Remgro complied with the independence provisions and the procurement obligation set out in the Relationship Agreement from the effective date of the agreement. In accordance with the terms of the Relationship Agreement, for every 10% of the issued ordinary share capital of the Company (or an interest which carries 10% or more of the aggregate voting rights in the Company from time to time) held, Remgro is entitled to appoint one Director to the Board, up to a maximum of three Directors, provided that the right to appoint a third Director is subject to the requirement that the Board will, following such appointment, comprise a majority of Independent Non-executive Directors.

If Remgro's shareholding reduces to below 10% of the Company's share capital (or 10% of the aggregate voting rights in the Company), the rights and obligations of Remgro in terms of the Relationship Agreement shall terminate. The ordinary shares owned by Remgro rank *pari passu* with the other ordinary shares in all respects.

SIGNIFICANT AGREEMENTS

The following agreements are considered significant in terms of their potential impact on the business of the Group as a whole, and that could alter or terminate on the change of control of the Company:

- The Relationship Agreement entered into between the Company and its principal shareholder, Remgro, as referred to earlier. This agreement does not include a change of control provision, but does terminate if (i) the Company's ordinary shares cease to be listed and admitted to trading on the LSE's main market for listed securities; or (ii) the Remgro Group, taken together, ceases to hold the minimum interest of 10% in the Company.
- The various facilities and finance agreements of the Group are regarded as significant and contain change of control provisions. On 28 June 2016, the Company announced the completion of the refinancing. The new facilities are:
  - South African senior bank loan totalling ZAR1.2bn at an interest rate of JIBAR +1.69% with a three-year term expiring in June 2019;
  - South African unsecured preference share funding totalling ZAR1.5bn at a rate of 73% of the prime overdraft interest rate, with a four-year term expiring in June 2020; and
  - United Arab Emirates bank loans of US$54.5m and US$100.0m at an interest rate of LIBOR +2.75% with respective four-year and five-year amortising terms, expiring in June 2020 and May 2021, respectively.

POLITICAL PAYMENTS

Political donations are prohibited in terms of the Company's Code of Business Conduct and Ethics and Anti-bribery Policy, unless pre-approved by the Executive Committee of the operating platform and reported to the Company's Executive Committee. It is therefore not the policy of the Company to make donations to the European Union or any other political organisations, or to incur other political expenditure and the Directors have no intention of changing this policy. However, as a result of broad definitions used in the UK Companies Act, normal business activities of the Company, which might not be considered political donations or expenditure in the normal sense, may possibly be construed as political expenditure or as a donation to a political party or other political organisation and fall within the restrictions of the UK Companies Act. Sponsorship, subscriptions, payment of expenses, paid leave for employees fulfilling public duties, and support for bodies representing the business community in policy review or reform, may fall within the scope of these matters. The Board has therefore decided to propose a resolution, as in the previous year and in line with best practice, to authorise the Company to make political payments up to an aggregate amount of £100 000 for shareholder consideration at the Company's AGM to be held on 25 July 2017.

During the year, the Company, including its subsidiaries, made no political payments as contemplated in the UK Companies Act. Hirslanden has, however, made payments to a number of political parties, institutions and associations in Switzerland which totalled CHF8 000 (2016: CHF36 000). Contributing to political campaigns through third-party contributions is an official and standard practice in Switzerland.

EMPLOYEES

The Group's employees are a valuable asset. The employees' trust and respect are vital to Mediclinic's success. Listening and responding to employee needs through effective communication and sound relations are important components in being regarded as an employer of choice among existing and prospective employees, and vital to maintain an engaged, loyal workforce. Employee engagement is conducted through various methods, including leadership video conferences, intranet, periodic employee surveys, performance reviews, staff magazines, and staff wellness and recognition programmes. Further details on the Group's employee engagement is included in the **Sustainable Development Report**, available on the Company's website at **www.mediclinic.com**.

Continuous training and development of the Group's employees across all three operating platforms ensures retention of staff, particularly in areas where the skills shortage is most critical, and proper succession planning. Further details on the Group's training initiatives can be found in the **Sustainable Development Highlights** on page 61 and the **Sustainable Development Report**, available on the Company's website at **www.mediclinic.com**.

The distribution of the Group's employees per operating platform is included on page 6, with only one employee (Head of Investor Relations) based in the UK. A breakdown by gender, age and, in respect of Southern Africa only, race in Board and senior management roles as at year end is illustrated in **Figure 2**. The proportion of female employees in the Group at year end is illustrated in **Figure 3**.

The Group values diversity and provides equal opportunities for its workplace and does not tolerate any form of unfair discrimination, such as access to employment, career development, training or working conditions, based on gender, religion, nationality, race, language, HIV/AIDS status, sexual orientation or other form of differentiation. Adequate procedures are in place to enable disabled applicants to receive training to perform safely and effectively and to provide development opportunities to ensure they reach their full potential. Where an individual becomes disabled during the course of employment, Mediclinic will seek to provide, wherever possible, continued employment on normal terms and conditions. Adjustments will be made to the environment and duties or suitable new roles within the Company will be secured with additional training where necessary.

FIGURE 2: RACE, GENDER AND AGE REPRESENTATION ON GOVERNANCE BODIES

	Total number of members	RACE (ONLY IN RESPECT OF SOUTH AFRICA)				GENDER				AGE (YEARS)			
		Black		White		Male		Female		30 – 50		> 50	
		Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
Mediclinic International Board	10	n/a	n/a	n/a	n/a	90	90%	1	10%	2	20%	8	80%
Mediclinic International Executive Committee	8	n/a	n/a	n/a	n/a	8	100%	–	–	2	25%	6	75%
Mediclinic Southern Africa Executive Committee	9	2	22%	7	78%	8	89%	1	11%	4	44%	5	56%
Hirslanden Executive Committee	4	n/a	n/a	n/a	n/a	4	100%	–	–	2	50%	2	50%
Mediclinic Middle East Executive Committee	9	n/a	n/a	n/a	n/a	7	78%	2	22%	5	56%	4	44%

FIGURE 3: WORKFORCE COMPOSITION BY GENDER

	2017		2016	
	Number	%	Number	%
Southern Africa – Mediclinic Southern Africa and Mediclinic International				
Female	**13 555**	**80.45%**	13 654	81.12%
Male	**3 293**	**19.55%**	3 178	18.88%
Switzerland – Hirslanden				
Female	**7 179**	**76.37%**	7 011	76.88%
Male	**2 223**	**23.63%**	2 109	23.12%
UAE – MCME[1]				
Female	**3 593**	**56.36%**	1 504	59.99%
Male	**2 782**	**43.64%**	1 003	40.01%

Note

[1] *The prior year gender split of Mediclinic Middle East excludes Al Noor employees.*

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the Directors confirms that:

- to the best of their knowledge and belief, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all reasonable steps to ascertain any relevant audit information and to establish that the Company's auditors are aware of that information.

EVENTS AFTER THE REPORTING PERIOD

Since year end, no material events have taken place.

GOING-CONCERN STATUS

Having considered the principal risks and the viability assessment, the Directors consider it appropriate to adopt the going-concern basis of accounting in preparing the financial statements, further details of which are included in the **Audit and Risk Committee Report** on pages 116 to 117, and the **Viability Assessment** on pages 35 to 36.

DIVIDENDS

The Board proposes a final dividend of 4.70 pence per ordinary share for the year ended 31 March 2017 for approval by the Company's shareholders at the AGM to be held on Tuesday, 25 July 2017. The salient dates for the dividend and the tax treatment of the dividend for shareholders on the South African register are available on the Company's website.

The dividend policy is dealt with in the **Financial Review** on page 18.

Figure 4 provides a summary of the dividends declared by the Company to its holders of ordinary shares during the reporting period.

FIGURE 4: DIVIDEND HISTORY (PENCE[1])

	2017	2016
Interim dividend	**3.20**	4.10
Special dividend	**–**	328.00
Final dividend	**4.70**	5.24
Total dividend	**7.90**	337.34

[1] *Refer to the relevant dividend announcement, available on the Company's website, for the ZAR cash equivalent payable to shareholders on the Company's South African register.*

OVERSEAS BRANCHES

The Company, having secondary listings on the JSE in South Africa and the NSX in Namibia, has established an overseas branch in South Africa.

REQUIREMENTS OF THE LISTING RULES

Information required to be disclosed in terms of Listing Rule 9.8.4R, as applicable, is referenced below:

- details of any long-term incentive schemes – refer to the **Directors' Remuneration Report** on pages 85 to 107;
- Board statement in respect of relationship agreement with the controlling shareholder – refer to the **Directors' Report** on page 125;
- any contract of significance between the Company (or any of its subsidiaries) and a controlling shareholder – none, other than the Relationship Agreement referred to on page 125; and
- any contract for the provision of services to the Company (or any of its subsidiaries) by a controlling shareholder – the Remgro Group provides the following services to the Company, as disclosed in note 34 of the **consolidated financial statements** on page 209:
  - managerial services, which include services by Remgro executive management on, *inter alia*, Mediclinic's strategic issues; access to facilities operated by Remgro; treasury services, including foreign exchange advice; and trademark administration services;
  - financial, consulting and related administration services to certain offshore subsidiaries of the Company; and
  - internal audit services are outsourced to Remgro Internal Audit. As previously reported and referred to in the Audit and Risk Committee Report, the establishment of an in-house internal audit function to transition away from the outsourced services provided by Remgro Internal Audit commenced, with the appointment of a Chief Internal Audit Executive, which is foreseen to be completed by the end of the 2017/18 financial year.

The following information required to be disclosed in terms of Listing Rule 9.8.4R is not applicable:

- the amount of interest capitalised during the period under review and details of any related tax relief;
- information in relation to the publication of unaudited financial information;
- any arrangements under which a Director has waived emoluments, or agreed to waive any future emoluments, from the Company;
- any non-pre-emptive issues of equity for cash by the Company or by any unlisted major subsidiary undertaking;
- parent participation in a placing by a listed subsidiary;
- any contract of significance in which a Director is or was materially interested; and
- any waiver of dividends by a shareholder.

For and on behalf of the Board.

Dr Edwin Hertzog
Non-executive Chairman
23 May 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report, including the financial statements, in accordance with applicable law and regulation.

The UK Companies Act requires the Directors to prepare financial statements for each financial year. The Directors prepared the Group and Company financial statements in accordance with International Financial Reporting Standards ("**IFRS**"), as adopted by the European Union. The Directors should only approve the financial statements if they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for the reporting period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- state whether applicable IFRS have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going-concern basis, unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy, at any time, the financial position of the Group and Company and enable them to ensure that the financial statements and the **Directors' Remuneration Report** comply with the UK Companies Act and, in respect of the Group's consolidated financial statements, Article 4 of the IAS Regulation.

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The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the financial and associated corporate information published on the Company's website at **www.mediclinic.com**. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed on pages 70 to 71 of the Annual Report, confirm that to the best of their knowledge:

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- the Group and Company financial statements, which were prepared in accordance with IFRS, as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties that it faces.

The Group's consolidated financial statements, as set out on pages 143 to 217 and approved by the Board on 23 May 2017, were prepared on a going-concern basis. The Directors believe that the Group and the Company will continue to be in operation in the foreseeable future.

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For and on behalf of the Board.

Danie Meintjes
Chief Executive Officer
23 May 2017

Jurgens Myburgh
Chief Financial Officer
23 May 2017

FINANCIAL STATEMENTS
CONTENTS

GROUP FINANCIAL STATEMENTS

COMPANY FINANCIAL STATEMENTS

GENERAL INFORMATION

These financial statements are consolidated financial statements for the Group consisting of Mediclinic International plc and its subsidiaries. A list of subsidiaries is included from page 211 to 216.

Mediclinic International plc (the "**Company**") is a public limited company, which is listed on the London Stock Exchange and is incorporated and domiciled in England and Wales. The Company has secondary listings on the Johannesburg Stock Exchange and the Namibian Stock Exchange. A wholly-owned subsidiary, Hirslanden AG issued bonds on the SIX.

Registered Address:
40 Dukes Place
London
EC3A 7NH
United Kingdom

The main business of the Group is to provide comprehensive, high-quality hospital and related services on a cost-effective basis.

The financial statements were authorised for issue by the Directors on 23 May 2017. No authority was given to anyone to amend the financial statements after the date of issue.

All press releases, financial reports and other information are available on our website: **www.mediclinic.com**.

GROUP FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

to the members of Mediclinic International plc

REPORT ON THE GROUP FINANCIAL STATEMENTS

OUR OPINION

In our opinion, Mediclinic International plc's group financial statements (the "**financial statements**"):

- give a true and fair view of the state of the Group's affairs at 31 March 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("**IFRSs**") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

WHAT WE HAVE AUDITED

The financial statements, included within the Annual Report and Financial Statements, comprise:

- the consolidated statement of financial position at 31 March 2017;
- the consolidated income statement and consolidated statement of other comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report and Financial Statements, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union and applicable law.

OUR AUDIT APPROACH

OVERVIEW

- Overall group materiality: £14.9 million which represents approximately 5% of profit before tax.
- Our audit included full scope audits at six reporting units which accounted for 93% of consolidated revenue and 92% of consolidated profit before tax. We separately performed specified procedures at two further reporting units meaning that our audit covered all reporting units that individually contributed more than 1% to the Group's revenue and 3% to profit before tax.
- Finalisation of the purchase price allocation for the reverse acquisition of Al Noor
- Impairment of intangible assets and goodwill
- Valuation of associate interest in Spire Healthcare Group plc ("**Spire**")
- Risk of fraud in revenue recognition

THE SCOPE OF OUR AUDIT AND OUR AREAS OF FOCUS

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("**ISAs (UK & Ireland)**").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud. Procedures designed to address these risks included testing of material journal entries and post-close adjustments, testing and evaluation of management's key accounting estimates for reasonableness and consistency and undertaking cut-off procedures to verify proper cut-off of revenue and expenses. In addition, we incorporate an element of unpredictability into our audit work each year.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as areas of focus in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
1. Finalisation of the purchase price allocation of the reverse acquisition of Al Noor *(refer to Audit and Risk Committee Report on page 116 and notes 4 and 29 in the Group Financial Statements)*	
On 15 February 2016, Mediclinic completed the reverse acquisition of Al Noor for a total consideration of £1 359m. The purchase price allocation for the acquisition was considered to be provisional at 31 March 2016 and was disclosed as such in the 2016 financial statements. At that time, the Group was in discussions with UAE medical insurance funders and other third parties about conforming Al Noor's commercial practices to the rest of the Group and there was therefore uncertainty about the adequacy of provisions for the collection of accounts receivable and for insurance rejections. Management has subsequently finalised the purchase price allocation in the current financial year as required by IFRS. The net assets of Al Noor assumed by the Group have been adjusted by £14m through an additional provision for the impairment of receivables. A corresponding adjustment has been recorded to goodwill. The adjustment required to increase the provision for the impairment of receivables at the date of acquisition resulted in a rigorous assessment by management of the provision for impairment of Al Noor receivables at 31 March 2017. We focused on this area because of the extent of judgement and estimation involved in the assessment to adjust the take-on balance sheet of Al Noor as opposed to accounting for the adjustments subsequent to the acquisition as part of post-acquisition earnings. We focused on the provision for the impairment of receivables at year-end as this area requires the exercise of significant management judgement and estimation.	We obtained management's assessment of adjustments required to the take-on balance sheet of Al Noor and independently assessed the completeness of adjustments identified. We performed an independent assessment of the additional provision for the impairment of receivables at the date of the take-on balance sheet by evaluating the results of claim audits by medical insurers, ageing analyses of receivable balances and analysis of payments received subsequent to the acquisition date. We substantiated management's assessment that the additional provision related to revenue transactions which occurred before the acquisition date. We extended our testing to the assessment of recoverability of Al Noor's receivable balances at 31 March 2017. We obtained an understanding of the process followed by management to identify impaired balances and performed an independent assessment of the provision calculated by management by evaluating the results of claim audits by medical insurers where available, historical trends of disallowed claims and subsequent settlements and ageing analyses. We also tested receipts subsequent to year-end. Based on the procedures performed, we did not identify any material adjustment required to the position reported by the Group in the take-on balance sheet of Al Noor or at 31 March 2017. In addition, we considered whether any additional adjustments were required to the initial purchase price allocation that might have been required as the Group conforms Al Noor's accounting and operational practices with the rest of Mediclinic following the acquisition. We did not identify any material additional adjustments. We were also satisfied with the adequacy of the disclosures in respect of the finalisation of the purchase price allocation, comprising a restatement of certain comparative balance sheet accounts.

Area of focus	How our audit addressed the area of focus
2. Impairment of intangible assets and goodwill *(refer to Audit and Risk Committee Report on page 117 and notes 4 and 7 in the Group Financial Statements)*	
The Group has £2 156m of intangible assets. This balance consists mainly of goodwill relating to the Mediclinic Middle East operations of £1 401m, goodwill on the acquisition of the Swiss operations of £307m, Swiss trademarks of £341m and the Al Noor brand name of £28m. The Group is required to perform annual impairment tests on goodwill. The Swiss trademarks were classified as indefinite life intangible assets at the time of the acquisition and the Group carries out annual impairment tests based on value-in-use calculations. The Group also performed an impairment assessment of the cash generating unit ("**CGU**") to which the Al Noor brand name has been allocated as specific impairment indicators were identified for this CGU. No impairment losses were recorded during the current or prior years in respect of these assets. However, the carrying values of goodwill and intangible assets are contingent on future cash flows and there is a risk if these cash flows do not meet the Group's expectations, or if significant judgements like the discount rates or growth rates change, that the assets will be impaired. We focused on the impairment assessments of these intangible assets as the impairment reviews carried out by the Group contain a number of significant judgements, including the classification of the Swiss trademarks as indefinite life intangible assets and the level at which goodwill is monitored for impairment, and estimates, including growth rates and discount rates. Changes in these assumptions might lead to a significant change in the carrying values of the related assets.	Deploying our valuation specialists, we obtained management's impairment calculations and tested the reasonableness of key assumptions, including cash flow forecasts and the selection of growth rates and discount rates. We challenged management to substantiate its assumptions, including comparing relevant assumptions to industry benchmarks and economic forecasts. We substantively tested the integrity of supporting calculations and corroborated certain information with third party sources. We agreed the underlying cash flows to approved budgets and assessed growth rates and discount rates by comparison to third party information, the Group's cost of capital and relevant risk factors. Future cash flow assumptions were evaluated in the context of current trading performance against budget and forecasts, considering the historical accuracy of budgeting and forecasting and understanding the reasons for the growth profiles used. We evaluated management's sensitivity analyses to ascertain the impact of reasonably possible changes to key assumptions on the available headroom. We agree with management's assessment that the Middle East and Hirslanden goodwill impairment assessments are sensitive to reasonably possible changes to key assumptions. We evaluated management's judgement regarding the level at which goodwill arising from the Al Noor acquisition is monitored for impairment and concluded that the decision to combine Al Noor with Mediclinic Middle East for goodwill impairment review purposes is reasonable based on the initial commercial rationale for the acquisition, which included expected synergies from integrating the legacy Al Noor business with the legacy Mediclinic Middle East business that would be realised across the Middle East operating segment. Based on our work performed, we concurred with management that no impairments were required for goodwill or for the acquired intangible assets at 31 March 2017. We found that the judgements were supported by reasonable assumptions and that the disclosures in respect of the impairment assessments are a fair reflection of the judgements made by the Group.

Area of focus	How our audit addressed the area of focus
3. Valuation of associate interest in Spire *(refer to Audit and Risk Committee Report on page 117 and notes 8 and 30 in the Group Financial Statements)*	
Mediclinic acquired an interest of 29.9% in Spire Healthcare Group plc ("**Spire**") for a consideration of £437m in the prior financial year. We focused on the valuation of the investment in Spire, directing our attention in particular at the following areas: • A notional purchase price allocation is required to split the total purchase consideration between tangible assets acquired, intangible assets identified on acquisition and goodwill. As the investment is accounted for using the equity method, net assets of the investee are not recognised in the Group's statement of financial position, but the share of profits equity accounted is affected by adjustments such as additional depreciation due to fair value adjustments to tangible assets at acquisition and the amortisation of intangible assets identified and recognised separately from goodwill. The Group finalised its notional purchase price allocation with the assistance of an independent expert during the current financial year. Separately identifiable intangible assets amounting to £68 million were valued as a result of this exercise. Judgement is involved in notionally allocating the purchase price to the tangible and intangible assets identified in the acquisition together with the valuation of the intangible assets requiring specialist skills and knowledge; • The equity accounted earnings of Spire that are included in the income statement of the Group represent the year ended 31 December 2016 consistent with Spire's financial year-end, which is not co-terminous with Mediclinic's 31 March 2017 year-end. The equity accounting for Spire lags the Group's reporting period by three months as allowed by IAS 28. Application of this policy means that the Group needs to consider whether there were any significant developments at Spire between 1 January 2017 and 31 March 2017, the date to which the Group draws its consolidated financial statements; and	We obtained the report issued by the external valuation expert engaged by the Group to perform the notional purchase price allocation and to assist with the identification of identifiable assets acquired. Using our own valuation specialists, we assessed the process and methodology adopted by management's expert and the underlying assumptions and tested the mathematical accuracy of the valuation model. We substantively tested the equity accounted results of Spire recorded by the Group with reference to the audited financial statements of Spire for the year ended 31 December 2016. We instructed the auditors of Spire to perform specified procedures to support our assessment of Spire's results equity accounted by the Group. We read recent press reports of Spire and discussed with the Group's representative who sits on the board of Spire any significant or abnormal transactions that occurred in the period from 1 January 2017 to 31 March 2017, being the period not equity accounted by the Group, which could have had an effect on the results and carrying value of the associate at 31 March 2017. We evaluated the share performance of Spire over the period since acquisition with reference to its reported financial performance. We met with the Group's nominated director on the Spire board to understand whether any indicators of impairment exist based on the underlying performance of the business and we inspected the latest available financial reports of Spire. We obtained analyst consensus forecasts of the Spire share price over the next twelve months to understand third party expectations of future performance.

Area of focus	How our audit addressed the area of focus
3. Valuation of associate interest in Spire (continued)	
• At 31 March 2017, the carrying value of the investment in Spire exceeded the listed market value of the investment, which could indicate a possible impairment. The Group assessed the recoverable amount of the investment based on a value in use calculation and concluded that no impairment loss was required. We focused on this area because judgement and estimation are involved in the impairment assessment. The carrying value of the investment is contingent on future cash flows and there is a risk that the investment will be impaired if these cash flows do not meet expectations. In addition, significant transactions or events that occur between Spire's year-end and the Group's reporting date may have an impact on the carrying value of the investment.	Deploying our valuation specialists, we obtained management's impairment assessment and tested the reasonableness of key assumptions underpinning management's value in use valuation of the Group's investment of Spire, including cash flow forecasts and the selection of growth rates and discount rates. We challenged management to substantiate its assumptions, including comparing relevant assumptions to third party data and economic forecasts. We evaluated management's sensitivity analyses to ascertain the impact of reasonably possible changes to key assumptions on the available headroom. We evaluated the disclosure regarding the sensitivity of the impairment judgement to reasonably possible changes in the key assumptions underlying the impairment assessment. Based on our work performed, we concurred with management that no impairment loss is required to the investment at 31 March 2017 and we did not identify any significant or abnormal transactions that affect the period from 1 January 2017 through 31 March 2017. We found the judgements and estimates made by management to be materially reasonable and the related disclosures to be appropriate.

Area of focus	How our audit addressed the area of focus
4. Risk of fraud in revenue recognition *(refer to Audit and Risk Committee Report on page 114)*	
Different business models apply in each of the Group's businesses as a result of different regulatory environments and relationship models between the hospitals and funders. The Group's accounting policies in respect of revenue recognition are not considered to present a significant risk of misstatement due to the simple nature of the underlying transactions and related processes. However, as with any audit an inherent risk exists that revenue may be overstated due to fraud as a result of incentives to achieve certain performance targets driven mainly by revenue.	We obtained an understanding of the different revenue streams and revenue models across the Group. In particular, we focused on the newly acquired Al Noor business more broadly as it conforms its accounting and commercial practices with the rest of the Group and on a specific Al Noor business unit that was subject to an earn-out. We evaluated the relevant controls in the revenue cycle. We used computer assisted auditing techniques or tests of details to test settled transactions from source to receipt of payment. We tested unusual journal entries impacting revenue and accounts receivable. We performed tests of details on adjustments recorded to reported revenue. We tested unsettled transactions substantively through testing of receipts subsequent to year-end, confirmation of claims with medical insurers or patient file testing to check that the underlying service happened prior to year-end. We obtained an understanding of the process followed by management to identify impaired receivable balances and performed an independent assessment of the provision calculated by management by evaluating the results of claim audits by medical insurers, historical information and ageing analyses. We performed analytical procedures designed to identify unusual trends in revenue recognition and pricing of services, including an assessment of insurance rejections. Based on the procedures performed, we have identified no material adjustments.

HOW WE TAILORED THE AUDIT SCOPE

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group financial statements are a consolidation of eight reporting units which comprise sub-consolidations of the operations in each of the Group's key markets. The South Africa, Switzerland and Dubai reporting units required an audit of their complete financial information due to their size. Audits were also performed over the complete financial information of three other reporting units (Abu Dhabi, being the legacy Al Noor business, the Mediclinic International plc parent company and Spire) to give appropriate audit coverage and to focus on specific risks associated with the acquisition of Al Noor and Spire in the prior financial year given the need to finalise the provisional purchase price accounting in the current financial year. Taken together, reporting units where we performed audit work over the complete financial information accounted for 93% of consolidated revenue and 92% of consolidated profit before tax. We separately performed specified procedures at two further reporting units meaning that our audit covered all reporting units that individually contributed more than 1% to the Group's revenue and 3% to profit before tax.

In addition, we instructed the component auditor at Spire, the one reporting unit with a non co-terminous year-end to the rest of the Group, to undertake subsequent event review procedures over the lag period of account.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the reporting units by us, as the Group engagement team, or by component auditors from other PwC network firms or, in the case of Spire, other audit firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the financial statements as a whole.

Recognising that not every business in each of the eight reporting units which comprise the Group's consolidated results and financial position is included in our Group audit scope, we considered as part of our Group audit oversight responsibility what audit coverage has been obtained in aggregate by our component teams by reference to business components at which audit work has been undertaken.

We visited our component teams in South Africa, Switzerland and the UAE, which included file reviews, attendance at key audit meetings with local management and participation in audit clearance meetings at each reporting unit. We also had regular dialogue with our component audit teams at each key reporting unit and with Spire's auditor.

Further specific audit procedures over the Group consolidation (and review procedures over the Annual Report and Financial Statements disclosures) were directly led by the Group audit team.

MATERIALITY

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	£14.9 million (2016: £13 million).
How we determined it	Approximately 5% of profit before tax.
Rationale for benchmark applied	We believe that profit before tax is a primary measure used by the shareholders in assessing the performance of the Group and is a generally accepted auditing benchmark.
Component materiality	For each component in our audit scope, we allocated a materiality that was less than overall group audit materiality. The range of materiality allocated to each reporting unit was between £1.5 million and £12 million. The materiality used for the audit of the parent company was £12 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.7 million (2016: £0.7 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

GOING CONCERN

Under the Listing Rules, we are required to review the directors' statement, set out on page 129, in relation to going concern.

We have nothing to report having performed our review.

Under ISAs (UK & Ireland), we are required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed.

As part of our audit, we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee of the Group's ability to continue as a going concern.

OTHER REQUIRED REPORTING

CONSISTENCY OF OTHER INFORMATION AND COMPLIANCE WITH APPLICABLE REQUIREMENTS

COMPANIES ACT 2006 REPORTING

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

ISAS (UK & IRELAND) REPORTING

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion: • information in the Annual Report and Financial Statements is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report.
• the statement given by the directors on page 129, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "**Code**"), that they consider the Annual Report and Financial Statements taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit.	We have no exceptions to report.
• the section of the Annual Report and Financial Statements on page 114, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

THE DIRECTORS' ASSESSMENT OF THE PROSPECTS OF THE GROUP AND OF THE PRINCIPAL RISKS THAT WOULD THREATEN THE SOLVENCY OR LIQUIDITY OF THE GROUP

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to: • the directors' confirmation on pages 30 to 36 of the Annual Report and Financial Statements, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
• the disclosures in the Annual Report and Financial Statements that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
• the directors' explanation on page 35 of the Annual Report and Financial Statements, in accordance with provision C.2.2 of the Code, how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate and their statement whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Under the Listing Rules, we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

ADEQUACY OF INFORMATION AND EXPLANATIONS RECEIVED

Under the Companies Act 2006, we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

DIRECTORS' REMUNERATION

Under the Companies Act 2006, we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

CORPORATE GOVERNANCE STATEMENT

Under the Listing Rules, we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

OUR RESPONSIBILITIES AND THOSE OF THE DIRECTORS

As explained more fully in the Directors' Responsibilities Statement set out on page 129, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

WHAT AN AUDIT OF FINANCIAL STATEMENTS INVOLVES

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

OTHER MATTER

We have reported separately on the Company financial statements of Mediclinic International plc for the year ended 31 March 2017 and on the information in the Directors' Remuneration Report that is described as having been audited.

GP Hannam

Giles Hannam (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
23 May 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 March 2017

	Notes	GROUP 2017 £'m	GROUP 2016 £'m
ASSETS			
Non-current assets		**6 353**	5 618
Property, equipment and vehicles	6	**3 703**	3 199
Intangible assets	7	**2 156**	1 941
Equity accounted investments	8	**465**	455
Other investments and loans	9	**8**	6
Derivative financial instruments	20	**–**	1
Deferred income tax assets	10	**21**	16
Current assets		**1 069**	931
Inventories	11	**90**	75
Trade and other receivables	12	**591**	547
Other investments and loans	9	**16**	–
Current income tax assets		**2**	2
Derivative financial instruments	20	**–**	2
Cash and cash equivalents	28.8	**361**	305
Assets classified as held for sale	32	**9**	–
Total assets		**7 422**	6 549
EQUITY			
Capital and reserves			
Share capital	13	**74**	74
Share premium reserve	13	**690**	690
Treasury shares	13	**(2)**	(2)
Retained earnings		**5 525**	5 320
Other reserves	14	**(2 201)**	(2 573)
Attributable to equity holders of the Company		**4 086**	3 509
Non-controlling interests	16	**78**	61
Total equity		**4 164**	3 570
LIABILITIES			
Non-current liabilities		**2 668**	2 192
Borrowings	17	**1 961**	1 524
Deferred income tax liabilities	10	**527**	446
Retirement benefit obligations	18	**154**	179
Provisions	19	**23**	24
Derivative financial instruments	20	**2**	19
Cash-settled share-based payment liability	15	**1**	–
Current liabilities		**590**	787
Trade and other payables	21	**472**	431
Borrowings	17	**69**	317
Provisions	19	**22**	19
Retirement benefit obligations	18	**10**	9
Derivative financial instruments	20	**7**	1
Current income tax liabilities		**8**	10
Liabilities classified as held for sale	32	**2**	–
Total liabilities		**3 258**	2 979
Total equity and liabilities		**7 422**	6 549

These financial statements and the accompanying notes were approved for issue by the Board of Directors on 23 May 2017 and were signed on its behalf by:

DP Meintjes
Chief Executive Officer

PJ Myburgh
Chief Financial Officer

Mediclinic International plc (Company no 08338604)

CONSOLIDATED INCOME STATEMENT
for the year ended 31 March 2017

		GROUP	
	Notes	**2017 £'m**	2016 £'m
Revenue		**2 749**	2 107
Cost of sales	22	**(1 696)**	(1 264)
Administration and other operating expenses	22	**(689)**	(554)
Other gains and losses	23	**(2)**	(1)
Operating profit		**362**	288
Finance income		**7**	9
Finance cost	24	**(74)**	(58)
Share of net profit of equity accounted investments	8	**12**	6
Profit before tax		**307**	245
Income tax expense	25	**(64)**	(55)
Profit for the year		**243**	190
Attributable to:			
Equity holders of the Company		**229**	177
Non-controlling interests		**14**	13
		243	190
Earnings per ordinary share attributable to the equity holders of the Company – pence			
Basic	26	**31.0**	29.6
Diluted	26	**31.0**	29.5

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2017

	Notes	GROUP 2017 £'m	GROUP 2016 £'m
Profit for the year		**243**	190
Other comprehensive income			
Items that may be reclassified to the income statement			
Currency translation differences	27	**388**	92
Fair value adjustment – cash flow hedges	27	**–**	2
		388	94
Items that may not be reclassified to the income statement			
Remeasurements of retirement benefit obligations	27	**34**	(56)
Other comprehensive income, net of tax	27	**422**	38
Total comprehensive income for the year		**665**	228
Attributable to:			
Equity holders of the Company		**635**	224
Non-controlling interests		**30**	4
		665	228

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2017

	Share capital (note 13) £'m	Capital redemption reserve (note 13) £'m	Share premium reserve (note 13) £'m
Balance at 1 April 2015	994	–	–
Profit for the year	–	–	–
Other comprehensive income/(loss) for the year	–	–	–
Total comprehensive income for the year	–	–	–
Shares issued (August 2015)	479	–	–
Share issue costs (August 2015)	(4)	–	–
Reverse acquisition	(1 402)	6	4 862
Share subscription (February 2016)	7	–	593
Reduction of share premium	–	–	(4 765)
Utilised by the Mpilo Trusts	–	–	–
Treasury shares purchased (Forfeitable Share Plan)	–	–	–
Share-based payment expense	–	–	–
Transactions with non-controlling shareholders	–	–	–
Dividends paid	–	–	–
Balance at 31 March 2016	74	6	690
Profit for the year	**–**	**–**	**–**
Other comprehensive income for the year	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**–**
Transactions with non-controlling shareholders	**–**	**–**	**–**
Dividends paid	**–**	**–**	**–**
Balance at 31 March 2017	**74**	**6**	**690**

						GROUP		
Reverse acquisition reserve (note 13) £'m	**Treasury shares (note 13) £'m**	**Share-based payment reserve (note 14) £'m**	**Foreign currency translation reserve (note 14) £'m**	**Hedging reserve (note 14) £'m**	**Retained earnings £'m**	**Attributable to equity holders of the Company £'m**	**Non-controlling interests (note 16) £'m**	**Total equity £'m**
–	(22)	14	306	2	485	1 779	61	1 840
–	–	–	–	–	177	177	13	190
–	–	–	101	2	(56)	47	(9)	38
–	–	–	101	2	121	224	4	228
–	–	–	–	–	–	479	–	479
–	–	–	–	–	–	(4)	–	(4)
(3 014)	–	–	–	–	(6)	446	–	446
–	–	–	–	–	–	600	–	600
–	–	–	–	–	4 765	–	–	–
–	21	–	–	–	–	21	–	21
–	(1)	–	–	–	–	(1)	–	(1)
–	–	10	–	–	–	10	–	10
–	–	–	–	–	3	3	3	6
–	–	–	–	–	(48)	(48)	(7)	(55)
(3 014)	(2)	24	407	4	5 320	3 509	61	3 570
–	**–**	**–**	**–**	**–**	**229**	**229**	**14**	**243**
–	**–**	**–**	**372**	**–**	**34**	**406**	**16**	**422**
–	**–**	**–**	**372**	**–**	**263**	**635**	**30**	**665**
–	**–**	**–**	**–**	**–**	**4**	**4**	**(4)**	**–**
–	**–**	**–**	**–**	**–**	**(62)**	**(62)**	**(9)**	**(71)**
(3 014)	**(2)**	**24**	**779**	**4**	**5 525**	**4 086**	**78**	**4 164**

CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31 March 2017

	Notes	GROUP 2017 £'m Inflow/ (outflow)	GROUP 2016 £'m Inflow/ (outflow)
CASH FLOW FROM OPERATING ACTIVITIES			
Cash received from customers		**2 735**	2 078
Cash paid to suppliers and employees		**(2 226)**	(1 667)
Cash generated from operations	28.1	**509**	411
Interest received		**7**	9
Interest paid	28.2	**(77)**	(55)
Tax paid	28.3	**(45)**	(45)
Net cash generated from operating activities		**394**	320
CASH FLOW FROM INVESTMENT ACTIVITIES		**(218)**	(1 549)
Investment to maintain operations	28.4	**(109)**	(72)
Investment to expand operations	28.5	**(140)**	(114)
Business combinations – Al Noor acquisition	29	**–**	(17)
Al Noor Hospitals Group plc shares repurchased	29	**–**	(530)
Special dividend to existing Al Noor Hospitals Group plc shareholders	29	**–**	(383)
Proceeds on disposal of property, equipment and vehicles		**–**	1
Disposal of subsidiaries	31	**44**	–
Acquisition of investment in associate	8 & 30	**(1)**	(446)
Dividends received from equity accounted investment		**4**	2
Proceeds from money market funds		**–**	10
Acquisition of other investment and loans		**(16)**	–
Net cash generated/(utilised) before financing activities		**176**	(1 229)
CASH FLOW FROM FINANCING ACTIVITIES		**(169)**	1 242
Proceeds of shares issued	13	**–**	479
Share issue costs	13	**–**	(4)
Share subscription	13	**–**	600
Distributions to non-controlling interests	16	**(9)**	(7)
Distributions to shareholders	28.6	**(62)**	(48)
Proceeds from borrowings	28.7	**247**	302
Repayment of borrowings	28.7	**(327)**	(85)
Refinancing transaction costs		**(3)**	(6)
Settlement of Al Noor Hospitals Group plc share option scheme		**–**	(2)
Shares purchased (Forfeitable Share Plan)		**–**	(1)
Proceeds from disposal of treasury shares		**–**	12
Acquisition of non-controlling interest	16	**(15)**	(2)
Proceeds on disposal of non-controlling interest		**–**	4
Net increase in cash and cash equivalents		**7**	13
Opening balance of cash and cash equivalents		**305**	265
Exchange rate fluctuations on foreign cash		**49**	27
Closing balance of cash and cash equivalents	28.8	**361**	305

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2017

1. DESCRIPTION OF BUSINESS

Mediclinic International plc is a private hospital group with three operating platforms in Southern Africa (South Africa and Namibia), Switzerland and the United Arab Emirates and with an equity investment in the UK. Its core purpose is to enhance the quality of life of patients by providing cost-effective acute care specialised hospital services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, including IFRS Interpretations Committee (IFRS IC) and with the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements are prepared on the historical cost convention, except for the following items which are carried at fair value or valued using another measurement basis:

- Derivative financial assets and liabilities and available-for-sale financial assets are measured at fair value
- Retirement benefit obligations that are measured in terms of the projected unit credit method
- Liabilities for cash-settled share-based payments are measured at fair value.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

Functional and presentation currency

The consolidated financial statements and financial information are presented in pound (the presentation currency), rounded to the nearest million. The functional currency of the majority of the Group's entities, and the currencies of the primary economic environments in which they operate, is the South African rand, Swiss franc and United Arab Emirates dirham. The United Arab Emirates dirham is pegged against the United States dollar at a rate of 3.6725 per US Dollar.

Exchange rates

The Group uses the average of exchange rates prevailing during the period to translate the results and cash flows of overseas subsidiaries, the joint venture and associated undertakings into pound and period-end rates to translate the net assets of those undertakings. The following exchange rates were applicable during the period:

	GROUP	
	2017	2016
Average rates:		
Swiss franc	**1.29**	1.47
UAE dirham	**4.80**	5.54
South African rand	**18.41**	20.73
Period end rates:		
Swiss franc	**1.25**	1.38
UAE dirham	**4.59**	5.28
South African rand	**16.74**	21.21

Going concern

Having assessed the principal risks and the other matters discussed in connection with the viability statement, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation and equity accounting

a) Basis of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The results of subsidiaries are included in the consolidated financial statements from the effective date of acquisition until control is lost.

Adjustments to the financial statements of subsidiaries are made when necessary to bring their accounting policies in line with those of the Group.

All intra-company transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the Group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised.

Transactions which result in changes in ownership levels, where the Company has control of the subsidiary both before and after the transaction are regarded as equity transactions and are recognised directly in the statement of changes in equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the parent.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest.

Reverse acquisition accounting

On 14 October 2015, the Board of Directors of Al Noor Hospitals Group plc and the independent Board of Directors of Mediclinic International Limited announced that they had reached an agreement on the terms of a recommended combination of their respective businesses (the "**Combination**"). Given the relative size of Al Noor and Mediclinic, the Combination has been classified as a reverse takeover in terms of IFRS 3, based on the analysis of the voting rights after the combination and the composition of the Board of Directors. For the purpose of the Listing Rules of the UK Listing Authority, the Combination was also classified as a reverse takeover.

On 15 February 2016, the entire share capital of Mediclinic International Limited was acquired by Al Noor Hopitals Group plc pursuant to the Mediclinic Scheme. Al Noor Hospitals Group plc acquired all of the Mediclinic Shares that were not repurchased and cancelled by Mediclinic in the Repurchase Option. Mediclinic Shareholders were entitled to receive 0.625 new shares for every Mediclinic share held.

Al Noor Hospitals Group plc has remained the holding company of the Enlarged Group and has been renamed to "Mediclinic International plc". Mediclinic International plc wholly owns the Al Noor Hospitals Group and the Mediclinic Group, as well as the 29.9 per cent interest in Spire Heathcare plc, which was acquired by Mediclinic International Limited in August 2015.

Accordingly, these consolidated financial statements are issued in the name of Mediclinic International plc (previously Al Noor Hospitals Group plc), but are a continuation of the consolidated financial statements of Mediclinic International Limited. In accordance with IFRS 3 *Business Combinations*, the financial statements of Mediclinic International Limited, including comparative information, have been retrospectively adjusted to reflect the legal capital position of Mediclinic International plc. For further details, refer to note 29.

A capital redemption reserve and a reverse acquisition reserve were created (refer to note 13).

Al Noor's results have been consolidated in the consolidated financial statements from the effective date of the acquisition, 15 February 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation and equity accounting (continued)

b) Business combinations

The Group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt that are amortised as part of the effective interest and costs to issue equity, which are included in equity.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the recognition conditions of IFRS 3 *Business Combinations* are recognised at their fair values at acquisition date, except for non-current assets (or disposal company) that are classified as held-for-sale in accordance with IFRS 5 *Non-current Assets Held-for-sale and Discontinued Operations*, which are recognised at fair value less costs to sell.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the Group assesses the classification of the acquiree's assets and liabilities and reclassifies them where the classification is inappropriate for Group purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Non-controlling interests arising from a business combination, which are present ownership interests, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, are measured either at the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets or at fair value. The treatment is not an accounting policy choice but is selected for each individual business combination, and disclosed in the note for business combinations. All other components of non-controlling interests are measured at their acquisition date fair values, unless another measurement basis is required by IFRSs.

In cases where the Company held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss for the year. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously to other comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

Goodwill arising on acquisition of foreign entities is considered an asset of the foreign entity. In such cases the goodwill is translated to the functional currency of the Company at the end of each reporting period with the adjustment recognised in equity through other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation and equity accounting (continued)

c) Investment in associates and joint ventures

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Investments in associates and joint ventures are accounted for using the equity method of accounting.

Under the equity method, the equity accounted investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. Dividends received or receivable from equity accounted investments are recognised as a reduction in the carrying amount of the investment. The Group's investments in associates and joint ventures include goodwill identified on acquisition. When the Group's share of losses in an associate or joint venture equals or exceeds its interests in the investment (which includes any long-term interests that, in substance, form part of the Group's net investment), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the entity.

Unrealised gains on transactions between the Group and its equity accounted investments are eliminated to the extent of the Group's interest in these investments. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the equity accounted investments have been changed where necessary to ensure consistency with the policies adopted by the Group.

If the ownership interest in an equity accounted investment is reduced but significant influence or joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate. The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

The Group determines at each reporting date whether there is any objective evidence that the equity accounted investment is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value and recognises the amount adjacent to share of profit or loss of the investment in the income statement.

2.3 Segment reporting

Consistent with internal reporting, the Group's segments are identified as the three geographical operating platforms in Mediclinic Southern Africa, Mediclinic Switzerland, Mediclinic Middle East. The United Kingdom and Corporate segments are additional non-operating segments. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the segments, has been identified as the Executive Committee that makes strategic decisions. The Executive Committee comprises the Executive Directors.

2.4 Property, equipment and vehicles

Land and buildings comprise mainly hospitals and offices. All property, equipment and vehicles are shown at cost less accumulated depreciation and impairment, except for land, which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on the other assets is calculated using the straight-line method to allocate the cost less its residual value over its estimated useful life as follows:

- Buildings: 10 – 100 years
- Equipment: 3 – 10 years
- Furniture and vehicles: 3 – 8 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property, equipment and vehicles (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Refer to note 2.6 for impairment of property, equipment and vehicles.

An asset is derecognised on disposal or when no future economic benefits are expected from use. Profit or loss on disposals is determined by comparing proceeds with carrying amounts. These are included in the income statement.

2.5 Intangible assets

a) Trade names

Trade names have been recognised by the Group as part of a business combination. No value is placed on internally developed trade names. Trade names that are deemed to have an indefinite useful life are carried at cost less accumulated impairment losses. Trade names that are deemed to have a finite useful life are capitalised at the cost to the Group and amortised on the straight-line basis over its estimated useful lifetime of 1 to 20 years (2016: 5 to 20 years). Expenditure to maintain trade names is accounted for against income as incurred.

b) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary at the date of acquisition and the fair value of the non-controlling interest in the subsidiary. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates and joint ventures is included in investments in associates and joint ventures. Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("**CGUs**") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from business combinations in which goodwill arose. Management monitors goodwill for impairment at an operating segment level. Any impairment losses that are recognised are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of other assets on a *pro rata* basis.

c) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (1 – 5 years) using the straight-line method.

Internally developed computer software that is clearly associated with an identifiable and unique system, which will be controlled by the Group and have a probable future economic benefit beyond one year, are recognised as intangible assets. Costs associated with maintaining computer software or development expenditure that does not meet the recognition criteria are recognised as an expense as incurred.

2.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation or depreciation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The recoverable amount is calculated by estimating future cash benefits that will result from each asset and discounting those cash benefits at an appropriate discount rate. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows – CGUs. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial assets

The Group classifies its financial assets in the following categories: loans and receivables, available-for-sale financial assets and financial assets at fair value through profit and loss. The classification depends on the purpose for which the asset was acquired. Management determines the classification of its investments at initial recognition.

Purchases and sales of investments are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not subsequently carried at fair value through profit or loss.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in current assets, except for maturities greater than 12 months after the reporting date, which are classified as non-current assets. Loans and receivables are carried at amortised cost using the effective interest rate method less provision for impairment.

Investments available-for-sale

Other long-term investments are classified as available-for-sale and are included within non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. These investments are carried at fair value. Unrealised gains and losses arising from changes in the fair value of available-for-sale investments are recognised in other comprehensive income in the period in which they arise. When available-for-sale investments are either sold or impaired, the accumulated fair value adjustments are realised and included in profit or loss.

Financial assets at fair value through profit and loss

These instruments, consisting of financial instruments held-for-trading and those designated at fair value through profit and loss at inception, are carried at fair value. Derivatives are also classified as held-for-trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these financial instruments are recognised in the income statement in the period in which they arise.

Impairment

At each reporting date the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

For financial assets carried at amortised cost, evidence of impairment may include indications that the receivables or a group of receivables is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. The amount of the provision for impairment is the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the original effective interest rate. The movement in the provision is recognised in the income statement.

In the case of available-for-sale financial assets, a significant or prolonged decline in the fair value of the asset below its cost is considered an indicator that the investments are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in the income statement.

Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts, the legal enforceable right is not contingent of a future event and is enforceable in the normal course of business even in the event of default, bankruptcy and insolvency, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.9 Inventories

Inventories are measured at the lower of cost, determined on the weighted average method, or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10 Trade and other receivables

Trade and other receivables are recognised at fair value and subsequently measured at amortised cost, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the provision is recognised in the income statement.

2.11 Cash and cash equivalents

Cash and cash equivalents consist of balances with banks and cash on hand and are classified as loans and receivables. Bank overdrafts are classified as financial liabilities at amortised cost and are disclosed as part of borrowings in current liabilities in the statement of financial position.

2.12 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Hedges of a particular risk associated with a recognised liability or a highly probable forecast transaction is designated as a cash flow hedge. The Group uses interest rate swaps as cash flow hedges.

The Group documents, at inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 20. The hedging reserve in shareholders' equity is shown in note 14. On the statement of financial position hedging derivatives are not classified based on whether the amount is expected to be recovered or settled within, or after, 12 months. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedge relationship is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedge relationship is less than 12 months.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that is designated and qualifies as a cash flow hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in other comprehensive income are recycled to the income statement in the periods when the hedged item affects profit or loss (for example, when the interest expense on hedged variable rate borrowings is recognised in profit and loss).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Share capital

Ordinary shares are classified as equity. Shares in the Company held by wholly-owned Group companies are classified as treasury shares and are held at cost.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

2.14 Treasury shares

Treasury shares are deducted from equity until the shares are cancelled, reissued or disposed of. No gains or losses are recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. All consideration paid or received for treasury shares is recognised directly in equity.

2.15 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Accounts payable is classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs are expensed when incurred, except for borrowing costs directly attributable to the construction or acquisition of qualifying assets. Borrowing cost directly attributable to the construction or acquisition of qualifying assets is added to the cost of those assets, until such time as the assets are substantially ready for their intended use. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use.

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are determined by discounting the expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Current and deferred income tax (continued)

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 Employee benefits

a) Retirement benefit costs

The Group provides defined benefit and defined contribution plans for the benefit of employees, the assets of which are held in separate trustee administered funds. These plans are funded by payments from the employees and the Group, taking into account recommendations of independent qualified actuaries.

Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Each member's fund value is directly linked to the contributions and the related investment returns. The Group has no legal or constructive obligations to make further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due.

Defined benefit plans

This plan defines an amount of pension benefit an employee will receive on retirement, dependent on one or more factors such as age, years of service and compensation. The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognised immediately in the income statement. A net pension asset is recorded only to the extent that it does not exceed the present value of any economic benefit available in the form of reductions in future contributions to the plan, and any unrecognised actuarial losses and past service costs. The annual pension costs of the Group's benefit plans are charged to the income statement.

Incurred interest costs/income on the defined benefit obligations are recognised as wages and salaries.

b) Post-retirement medical benefits

Some Group companies provide for post-retirement medical contributions in relation to current and retired employees. The expected costs of these benefits are accounted for by using the projected unit credit method. Under this method, the expected costs of these benefits are accumulated over the service lives of the employees. Valuation of these obligations is carried out by independent qualified actuaries. All actuarial gains and losses are charged or credited to other comprehensive income in the period in which they arise.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Employee benefits (continued)

c) Equity-settled share-based compensation

The Group operates a equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

d) Cash-settled share-based compensation

The Group operates cash-settled share-based compensation plans. The Group recognises the value of the services received (expense), and the liabilities to pay for those services, as the employees render service. The liabilities are measured, initially, and at each reporting date until settled, at the fair value appropriate to the scheme, taking into account the terms and conditions on which the rights were granted, and the extent to which the employees have rendered service to date, excluding the impact of any non-market-related vesting conditions. Non-market-related vesting conditions are included in the assumptions regarding the number of units expected to vest. These assumptions are revised at the end of each reporting period. All changes to the fair value of the liability are recognised in the income statement.

e) Profit sharing and bonus plans

The Group recognises a liability and an expense where a contractual obligation exist for short-term incentives. The amounts payable to employees in respect of the short-term incentive schemes are determined based on annual business performance targets.

2.20 Revenue recognition

Revenues are measured at the fair value of the consideration that has been received or is to be received and represent the amounts that can be received for services in the regular course of business when the significant risks and rewards of ownership have been transferred or services have been rendered. Discounts, sales taxes and other taxes associated with the revenues have to be deducted.

Revenue primarily comprises fees charged for inpatient and outpatient hospital services. Services include charges for accommodation, theatre, medical professional services, equipment, radiology, laboratory and pharmaceutical goods used. Revenue is recorded and recognised during the period in which the hospital service is provided, based upon the amounts due from patients and/or medical funding entities. Fees are calculated and billed based on various tariff agreements with funders.

Discounts comprise retrospective volume discounts granted to certain customers on attainment of certain levels of purchases from the Group. These are accrued over the course of the arrangement based on estimates of the level of business expected and are adjusted at the end of the arrangement to reflect actual volumes.

In Switzerland, medical services can on occasion be charged based on provisional tariffs as delays can occur in the agreement of tariffs between providers (including the Group) and funders. When tariffs have not yet been agreed, tariff provisions are recognised as adjustments in revenue to reflect any uncertainty about collectability of amounts invoiced. Revenue continues to be recognised in these circumstances as the Group has developed significant historical experience of continuing to collect revenue for delivered services where tariff negotiations have not concluded with all relevant authorities. However, a tariff provision will be recorded when the Group identifies any uncertainty around collection of amounts invoiced for delivered services and it is probable that an outflow of resources will be required, which can be reliably estimated. The provision is calculated on the basis of historical experience of outcomes to negotiations between providers and funders and this historical experience is subject to regular reassessment based on the actual outcome to tariff negotiations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Revenue recognition (continued)

Other revenues earned are recognised on the following bases:

a) Interest income

Interest income is recognised on a time-proportioned basis using the effective interest rate method.

b) Rental income

Rental income, which is insignificant, is recognised on a straight-line basis over the term of the lease.

With the exception of interest income, all the items above are presented as revenue.

2.21 Cost of sales

Cost of sales consists of the cost of inventories, including obsolete stock, which have been expensed during the year, together with personnel costs and related overheads which are directly attributable to the provision of services.

2.22 Leased assets

Leases of property, equipment and vehicles where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charges is charged to the income statement over the lease period. The property, equipment and vehicles acquired under finance leasing contracts are depreciated over the useful lives of the assets or the term of the lease agreement if shorter and transfer of ownership at the end of the lease period is uncertain.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.23 Dividend distribution

Dividends are recorded in the Group's financial statements in the period in which they are approved by the Company's Board of Directors.

2.24 Foreign currency transactions

Transactions and balances

Foreign currency transactions are translated into the respective Group entities' functional currencies at exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are recognised in the income statement (except when recognised in other comprehensive income as part of qualifying cash flow hedges).

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the transaction date, and those measured at fair value are translated at the exchange rate at the date that the fair value was determined. Exchange rate differences on non-monetary items are accounted for based on the classification of the underlying items.

Translation differences on non-monetary financial assets classified as available-for-sale, are included in other comprehensive income. Foreign exchange gains and losses are presented in the income statement within "Administration and other operating expenses".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Foreign currency transactions (continued)

Group entities

The results and financial position of all foreign operations that have a functional currency that is different from the Group's presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the reporting date.
- Income and expenses for each income statement are translated at average exchange rates for the year.
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation exchange differences arising from the translation of the net investment in foreign operations are taken directly to other comprehensive income. Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operation and translated at closing rates at the reporting date.

2.25 Standards, interpretations and amendments

Published standards, amendments and interpretations effective for the 31 March 2017 financial period:

The following published standards, amendments and interpretations are mandatory for the accounting period beginning on or after 1 April 2016 and have been adopted:

- IFRS 10, IFRS 12 and IAS 28 Investment entities (amendments) – Applying the consolidation exception
- IFRS 11 (amendments) – Joint arrangements
- IFRS 14 Regulatory Deferral Accounts
- IAS 1 (amendments) – Disclosure initiative
- IAS 16 and IAS 38 (amendments) – Clarification of acceptable methods of depreciation and amortisation
- IAS 16 and IAS 41 (amendments) – Agriculture: bearer plants
- IAS 27 (amendment) – Equity method in separate financial statements
- Annual improvements 2012 – 2014 cycle – Amendments and clarifications to existing IFRS standards

The implementation of these standards and amendments had no financial impact on the reported results or financial position of the Group.

Published standards, amendments and interpretations not yet effective and not early adopted:

The following new standards, amendments and interpretations are expected to have an impact on the financial statements in the period of initial application. Based on initial assessments, management expects the new standards to mainly affect presentation and disclosure of the financial statements, with the exception of IFRS 16: Leases which is expected to have a material impact and will be evaluated during 2018.

IFRS 9: Financial Instruments (1 January 2018)

The new standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39. IFRS 9 applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. IFRS 9 also results in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification categories.

IFRS 15: Revenue from Contracts with Customers (1 January 2018)

The new standard requires companies to recognise revenue to depict the transfer of goods or services to customers, that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, and provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Standards, interpretations and amendments (continued)

Published standards, amendments and interpretations not yet effective and not early adopted: (continued)

IFRS 16: Leases (1 January 2019)

The new standard addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17 'Leases', and related interpretations.

The following new accounting standards, interpretations and amendments will have no material impact on the financial statements:

- IAS 7 (amendment) – Disclosure initiative (1 January 2017)
- IAS 12 (amendment) – Recognition of deferred tax assets for unrealised losses (1 January 2017)
- IFRS 2 (amendment) – Classification and measurement of share-based payment transactions (1 January 2018)
- IFRS 4 – Clarification on the implementation approach together with IFRS 9 (1 January 2018)
- IAS 40 – Transfers of investment property (1 January 2018)
- IFRIC 22 – Foreign currency transactions and advance consideration (1 January 2018)
- Annual improvements 2014 – 2016 cycle – Amendments and clarifications to existing IFRS standards (1 January 2017 and 1 January 2018)
- IFRS 10 and IAS 28 (amendments) – Sale or contribution of assets between an investor and its associate or joint venture (postponed)

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

In respect of the Group's financial instruments, normal business activities expose the Group to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management programme seeks to minimise potential adverse effects on the Group's financial performance.

a) Market risk

i) Currency risk

Investments in foreign operations

The Group has investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies. Changes in the pound/Swiss franc, pound/UAE dirham and pound/South African rand exchange rate over a period of time result in increased/decreased earnings. Other than the Group's earnings and payment of dividends which are presented and declared in pound and thus exposed to currency risk, the Group is not significantly exposed to currency risk since the operating platforms predominantly operates in its local currency (including its debt).

In the case of corporate offshore transactions and or cross-border business combinations, generally forward cover contracts are considered or taken out to minimize foreign currency risk. Currently there are no forward cover contracts in place.

The impact of a 10% change in the pound/Swiss franc, pound/South African rand and the pound/UAE dirham exchange rates for a sustained period of one year is:

- profit for the period would increase/decrease by £14m (31 March 2016: increase/decrease by £11m) due to exposure to the GBP/Swiss franc exchange rate;
- profit for the period would increase/decrease by £2m (31 March 2016: increase/decrease by £6m) due to exposure to the GBP/UAE dirham exchange rate;
- profit for the period would increase/decrease by £8m (31 March 2016: increase/decrease by £7m) due to exposure to the GBP/South African Rand exchange rate;

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

a) Market risk **(continued)**

i) Currency risk **(continued)**

Investments in foreign operations **(continued)**

- foreign currency translation reserve would increase/decrease by £196m (2016: increase/decrease by £112m) due to exposure to the GBP/Swiss franc exchange rate;
- foreign currency translation reserve would increase/decrease by £154m (2016: increase/decrease by £24m) due to exposure to the GBP/UAE dirham exchange rate; and
- foreign currency translation reserve would increase/decrease by £6m (2016: increase/decrease by £12m) due to exposure to the GBP/South African rand exchange rate.

ii) Interest rate risk

The Group's interest rate risk arises from long-term borrowings as well as short-term deposits. Borrowings and short-term deposits issued at variable rates expose the Group to cash flow interest rate risk. Interest rate derivatives expose the Group to fair value interest rate risk. Group policy is to maintain an appropriate mix between fixed and floating rate borrowings and placings.

The Group manages its interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

In respect of financial assets, interest rate risk is managed by using approved counterparties that offer the best rates.

With the interest rate swap agreements the Group entered into to mitigate interest rate risk, the Group did not consider there to be a significant concentration of interest rate risk.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's:

- profit for the period would increase/decrease by £3m (2016: increase/decrease by £3m). This is mainly attributable to the Group's exposure to interest rates on its unhedged variable rate borrowings and cash.

iii) Other price risk

The Group is not materially exposed to commodity or any other price risk.

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

b) Credit risk

Financial assets that potentially subject the Group to concentrations of credit risk consist principally of cash, short-term deposits and trade and other receivables and derivative financial contracts. The Group's cash equivalents and short-term deposits, are placed with quality financial institutions with a high credit rating. Trade receivables are represented net of the allowance for doubtful receivables. Credit risk with respect to trade receivables is limited due to the large number of customers comprising the Group's customer base, which consists mainly of medical schemes and insurance companies. The financial condition of these clients in relation to their credit standing is evaluated on an ongoing basis. Medical schemes and insurance companies are forced to maintain minimum reserve levels. The policy for patients that do not have a medical scheme or an insurance company paying for the Group's service, is to require a preliminary payment instead. The Group does not have any significant exposure to any individual customer or counterparty.

The Group is exposed to credit-related losses in the event of non-performance by counterparties to hedging instruments. The counterparties to these contracts are major financial institutions. The Group monitors its positions and limits the extent to which it enters into contracts with any one party.

The carrying amounts of financial assets included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to these assets. At 31 March 2016 and 31 March 2017, the Group did not consider there to be a significant concentration of credit risk.

c) Liquidity risk

The Group manages liquidity risk by monitoring cash flow forecasts to ensure that it has sufficient cash to meet operational needs, while maintaining sufficient headroom on its undrawn borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Given that the Group has bank facilities in place which expires during 2019/2020, the Group did not consider there to be a significant concentration of liquidity risk.

	GROUP	
	2017 £'m	2016 £'m
The Group's unused overdraft facilities are:	**95**	88

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

c) *Liquidity risk* (continued)

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the required date of repayment. The table includes both interest and principal cash flows. The analysis of derivative financial instruments has been drawn up based on undiscounted net cash inflows/(outflows) that settle on a net basis.

Financial liabilities	Carrying value	Contractual cash flows £'m	0 – 12 months £'m	1 – 5 years £'m	Beyond 5 years £'m
31 March 2017					
Borrowings	**2 030**	**2 279**	**153**	**2 048**	**78**
Derivative financial instruments	**9**	**9**	**7**	**2**	**–**
Trade payables	**227**	**227**	**227**	**–**	**–**
Other payables and accrued expenses	**167**	**167**	**167**	**–**	**–**
31 March 2016					
Borrowings	1 841	2 025	358	1 597	70
Derivative financial instruments	20	20	8	12	–
Trade payables	200	200	200	–	–
Other payables and accrued expenses	169	169	169	–	–

3.2 Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 17, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, retained earnings and other reserves and non-controlling interest as disclosed in notes 13, 14 and 16 respectively. The Group's Audit and Risk Committee reviews the going concern status and capital structure of the Group annually. The Group balances its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt. The Group's dividend policy is to target a pay-out ratio of between 25% and 30% of underlying earnings. The Board may revise the policy at its discretion. The debt-to-adjusted capital ratios at 31 March 2017 and 31 March 2016 were as follows:

	GROUP	
	2017 £'m	2016 £'m
Borrowings	**2 030**	1 841
Less: cash and cash equivalents	**(361)**	(305)
Net debt	**1 669**	1 536
Total equity	**4 164**	3 570
Debt-to-equity capital ratio	**0.4**	0.4

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. Although these estimates and assumptions are based on management's best information regarding current circumstances and future events, actual results may differ. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next financial year are discussed below.

Critical accounting judgements

- Level at which management monitors goodwill for impairment testing (refer to note 7)
- Estimation of the indefinite useful life of the Swiss trade names (refer to note 7)
- Deferred tax on unremitted earnings (refer to note 10)
- Estimation of useful lives of property, equipment and vehicles (refer to note 6)

Key estimates

- Impairment of goodwill and indefinite useful life intangible assets (refer to note 7)
- Impairment of equity-accounted investments (refer to note 8)
- Recognition of deferred tax assets arising from tax losses (refer to note 10)
- Retirement benefits (refer to note 18)
- Purchase price allocation assessments (refer to note 8.1 and note 29)

5. SEGMENTAL REPORT

The reportable operating segments are identified as follows: Mediclinic Southern Africa, Mediclinic Switzerland, and Mediclinic Middle East and additional segments are shown for the United Kingdom and Corporate.

	Reportable operating segments			Other		
	Southern Africa £'m	Switzerland £'m	Middle East £'m	United Kingdom £'m	Corporate £'m	Total £'m
Year ended 31 March 2017						
Revenue	780	1 321	648	–	–	2 749
EBITDA	165	277	71	–	(4)	509
EBITDA before management fee	170	279	74	–	(14)	509
Management fees included in EBITDA	(5)	(2)	(3)	–	10	–
Other gains and losses	–	–	1	–	(3)	(2)
Depreciation and amortisation	(25)	(76)	(44)	–	–	(145)
Operating profit	140	201	28	–	(7)	362
Income from associate	–	–	–	12	–	12
Finance income	7	–	–	–	–	7
Finance cost (excluding intersegment loan interest)	(33)	(28)	(7)	–	(6)	(74)
Total finance cost	(33)	(44)	(7)	–	10	(74)
Elimination of intersegment loan interest	–	16	–	–	(16)	–
Taxation	(32)	(32)	–	–	–	(64)
Segment result	82	141	21	12	(13)	243
At 31 March 2017						
Investments in associates	–	2	–	459	–	461
Investments in joint venture	4	–	–	–	–	4
Capital expenditure	70	128	51	–	–	249
Total segment assets	676	4 258	1 987	459	42	7 422
Total segment liabilities (excluding intersegment loan)	650	2 235	372	–	1	3 258
Total liabilities from reportable segment	650	3 140	372	–	1	4 163
Elimination of intersegment loan	–	(905)	–	–	–	(905)

5. SEGMENTAL REPORT (continued)

	Reportable operating segments			Other		
	Southern Africa £'m	Switzerland £'m	Middle East £'m	United Kingdom £'m	Corporate £'m	Total £'m
Year ended 31 March 2016						
Revenue	649	1 130	328	–	–	2 107
EBITDA	129	229	68	–	(44)	382
EBITDA before management fee	133	230	70	–	(51)	382
Management fees included in EBITDA	(4)	(1)	(2)	–	7	–
Other gains and losses	–	–	–	–	(1)	(1)
Depreciation and amortisation	(20)	(63)	(10)	–	–	(93)
Operating profit	109	166	58	–	(45)	288
Income from associate	–	–	–	6	–	6
Finance income	8	1	–	–	–	9
Finance cost (excluding intersegment loan interest)	(21)	(29)	(2)	–	(6)	(58)
Total finance cost	(21)	(46)	(2)	–	11	(58)
Elimination of intersegment loan interest	–	17	–	–	(17)	–
Taxation	(31)	(24)	–	–	–	(55)
Segment result	65	114	56	6	(51)	190
At 31 March 2016						
Investments in associates	–	1	–	451	–	452
Investments in joint venture	3	–	–	–	–	3
Capital expenditure	52	98	36	–	–	186
Total segment assets	485	3 809	1 800	451	4	6 549
Total segment liabilities (excluding intersegment loan)	370	2 094	243	–	272	2 979
Total liabilities from reportable segment	370	2 940	243	–	272	3 825
Elimination of intersegment loan	–	(846)	–	–	–	(846)

		GROUP	
		2017 £'m	2016 £'m
5.	**SEGMENTAL REPORT (continued)**		
	The total non-current assets, excluding financial instruments and deferred tax assets per geographical location, are:		
	Southern Africa	**453**	322
	Middle East	**1 712**	1 526
	Switzerland	**3 700**	3 302
	United Kingdom	**459**	451
	ENTITY-WIDE DISCLOSURES		
	Revenue		
	From UK	**–**	–
	From foreign countries	**2 749**	2 107
	Revenues from external customers are primarily from hospital services.		
	The total non-current assets, excluding financial instruments and deferred tax assets		
	From UK	**459**	451
	From foreign countries	**5 865**	5 136
6.	**PROPERTY, EQUIPMENT AND VEHICLES**		
	Land – cost	**911**	819
	Buildings	**2 294**	1 952
	Cost	**2 512**	2 119
	Accumulated depreciation and impairment	**(218)**	(167)
	Land and buildings	**3 205**	2 771
	Capital expenditure in progress	**113**	131
	Equipment	**328**	251
	Cost	**795**	610
	Accumulated depreciation	**(467)**	(359)
	Furniture and vehicles	**57**	46
	Cost	**218**	169
	Accumulated depreciation	**(161)**	(123)
		3 703	3 199

6. PROPERTY, EQUIPMENT AND VEHICLES (continued)

	Land and buildings £'m	Capital expenditure in progress £'m	Equipment £'m	Furniture and vehicles £'m	Total £'m
Net book value at 1 April 2015	2 647	99	200	39	2 985
Additions	40	47	71	19	177
Depreciation	(25)	–	(41)	(18)	(84)
Business combinations	15	16	25	5	61
Prior year capital expenditure completed	18	(18)	–	–	–
Exchange differences	76	(13)	(4)	1	60
Net book value at 31 March 2016	2 771	131	251	46	3 199
Additions	**57**	**77**	**83**	**22**	**239**
Disposals	**–**	**–**	**–**	**–**	**–**
Depreciation	**(37)**	**–**	**(60)**	**(22)**	**(119)**
Prior year capital expenditure completed	**96**	**(118)**	**18**	**4**	**–**
Disposal of subsidiaries	**(5)**	**–**	**(5)**	**–**	**(10)**
Transfer to assets held for sale	**(3)**	**(3)**	**(2)**	**–**	**(8)**
Exchange differences	**326**	**26**	**43**	**7**	**402**
Net book value at 31 March 2017	**3 205**	**113**	**328**	**57**	**3 703**

	2017 £'m	2016 £'m
Total additions	**239**	177
To maintain operations	**105**	63
To expand operations	**134**	114

Property, equipment and vehicles with a book value of £2 730m (2016: £2 508m) are encumbered as security for borrowings (see note 17).

Included in equipment is capitalised finance lease equipment with a book value of £1m (2016: £1m).

Critical accounting estimates and judgements

The estimation of the useful lives of property, equipment and vehicles is based on historical performance as well as expectations about future use and therefore requires a significant degree of judgement to be applied by management. Rates of depreciation represent management's current best estimate of the useful lives and residual values of the assets.

For a private hospital it is fundamentally important that the earnings potential of a building is maintained on a permanent basis. The Group therefore follows a structured maintenance programme with regard to hospital buildings with the specific goal to prolong the useful lifetime of these buildings.

	GROUP 2017 £'m	GROUP 2016 £'m
7. INTANGIBLE ASSETS		
Goodwill[1]	**1 715**	1 532
Cost	**1 715**	1 532
Accumulated impairment	**–**	–
Trade names	**377**	354
Cost	**399**	358
Accumulated amortisation and impairment	**(22)**	(4)
Computer software	**38**	31
Cost	**73**	54
Accumulated amortisation and impairment	**(35)**	(23)
Lease	**26**	24
Cost	**27**	24
Accumulated amortisation and impairment	**(1)**	–
	2 156	1 941

	Goodwill[1] £'m	Trade names £'m	Computer software £'m	Lease[2] £'m	Total £'m
Net book value at 1 April 2015	309	312	21	–	642
Additions	–	–	9	–	9
Amortisation	–	(2)	(7)	–	(9)
Business combinations	1 203	33	8	24	1 268
Exchange differences	20	11	–	–	31
Net book value at 31 March 2016 (restated)[1]	**1 532**	**354**	**31**	**24**	**1 941**
Additions	**–**	**–**	**12**	**–**	**12**
Amortisation	**–**	**(16)**	**(9)**	**(1)**	**(26)**
Disposal of subsidiaries	**(33)**	**–**	**–**	**–**	**(33)**
Exchange differences	**216**	**39**	**4**	**3**	**262**
Net book value at 31 March 2017	**1 715**	**377**	**38**	**26**	**2 156**

[1] *Restated following the finalisation of the Al Noor acquisition (see note 29)*

[2] *Relates to favourable lease contracts on buildings. The leases are characterised by fixed annual rent with no annual rent escalations for most part of the contract.*

Critical accounting estimates and judgements

The Group tests annually whether goodwill and the indefinite useful life intangible asset, resulting from the Al Noor and Hirslanden acquisitions, have suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates in respect of growth and discount rates and it assumes a stable regulatory environment. Regulatory environments are subject to uncertainties that can have an impact on the recoverability of the goodwill and the intangible asset's recoverable amount.

IFRS requires the impairment assessment to be performed at the level at which goodwill is monitored for impairment by management, provided that this level cannot be bigger than an operating segment. Management assesses goodwill at a Hirslanden and Mediclinic Middle East platform level. This means that for the Mediclinic Middle East platform, recoverability of goodwill is assessed by reference to the aggregated cash flows of the legacy Middle East and Al Noor businesses. The Mediclinic Middle East goodwill originated mainly from the Al Noor business combination with a portion originating from other UAE business combinations The initial commercial rationale for the acquisition of Al Noor included expected synergies from integrating the legacy Al Noor business with the legacy MCME business that would be realised across the combined Middle East platform. In accordance with IFRS, goodwill shall be allocated to all CGUS, or groups of CGUS, that are expected to benefit from the expected synergies.

The estimation of the indefinite useful life of the Hirslanden trade names is based on the expectation that there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the Group. This expectation requires a significant degree of management judgement.

7. INTANGIBLE ASSETS (continued)

Impairment testing of significant goodwill balances and indefinite useful life trade name

The carrying amounts of significant goodwill and indefinite life trade names are considered annually for impairment testing. The impairment tests are based on value-in-use calculations. These calculations use cash flow projections based on financial budgets covering a five-year period. The discount rates used reflect specific risks related to the hospital industry. These calculations indicate that there was no impairment in the carrying value of goodwill balances and the Hirslanden trade name.

	GROUP	
	2017 **£'m**	2016 £'m
Carrying amount of Mediclinic Middle East goodwill	**1 401**	1 197
Carrying amount of Hirslanden goodwill	**307**	278
Carrying amount of Hirslanden indefinite life trade names	**341**	309

Impairment testing of Mediclinic Middle East goodwill

The Mediclinic Middle East goodwill originated mainly from the Al Noor business combination with a portion originating from other UAE business combinations. Key assumptions used for the value-in-use calculations for the annual impairment testing were as follows:

Future earnings is based on budgets and forecasts that is calculated on a per hospital basis. These budgets and forecasts represent management's best view of future admissions, tariffs and patient mix and include savings relating to operational and capital expenditures.

Discount rates – discount rates reflect management's estimate of the time value and the risks associated with the Middle East business. The weighted average cost of capital (WACC) has been determined by considering the respective debt and equity costs and ratios. The discount rate applied to cash flow projections is 7.8% (2016: 7.8%).

Growth rates – growth rates are based on budgeted figures and management's estimates. The estimated figures assume a stable regulatory and tariff environment. Cash flows beyond the five-year period are extrapolated using a 2.5% (2016: 2.5%) growth rate.

Sensitivity analysis – the recoverable amount calculated based on value-in-use exceeded the carrying value by approximately £259m (2016: £294m). A fall in growth rate to 1.6% (2016: 1.9%) or a rise in discount rate to 8.5% (2016: 8.3%) would reduce the headroom to nil.

Impairment testing of Hirslanden goodwill and indefinite life trade names

Key assumptions used for the value-in-use calculations for the annual impairment testing were as follows:

Future earnings is based on budgets and forecasts that is calculated on a per hospital basis. These budgets and forecasts represent management's best view of future admissions, tariffs and patient mix and include savings relating to operational and capital expenditures.

Discount rates – discount rates reflect management's estimate of the time value and the risks associated with the Hirslanden business. The weighted average cost of capital (WACC) has been determined by considering the respective debt and equity costs and ratios. The discount rate applied to cash flow projections is 4.7% (2016: 4.7%).

Growth rates – growth rates are based on budgeted figures and management's estimates. The estimated figures assume a stable regulatory and tariff environment. Cash flows beyond the five-year period are extrapolated using a 1.6% (2016: 1.6%) growth rate.

Sensitivity analysis – for the goodwill, the recoverable amount calculated based on value-in-use exceeded the carrying value by approximately £1 073m (2016: £1 212m). A fall in growth rate to 0.5% (2016: 0.3%) or a rise in discount rate to 5.6% (2016: 5.8%) would reduce the headroom to nil.

7. INTANGIBLE ASSETS (continued)

Al Noor trade name

On 15 February 2016, an intangible asset relating to the Al Noor trade name of £33m was recognised as part of the acquisition of Al Noor. The useful life of the asset was determined to be five years. Up until the end of February 2017, £7m of the trade name has been amortised. Following the announcement on 21 February 2017 regarding the rebranding of all Al Noor facilities to Mediclinic, the carrying value and the useful economic life of the trade name recognised were reassessed. The rebranding of all the Al Noor hospitals and clinics will be complete by the end of the next financial year and the majority of these will be rebranded before 30 June 2017 given that the carrying value of the trade name asset continued to be supportable. Accelerated amortisation of £7m was recognised in March 2017 and the remainder of the balance will be amortised in the next financial year. The total amortisation recognised in the 2017 financial year relating to the Al Noor trade name amounted to £14m.

	GROUP	
	2017 £'m	2016 £'m
8. EQUITY ACCOUNTED INVESTMENTS		
Investment in associates	**461**	452
Investment in joint venture	**4**	3
	465	455
8.1 Investment in associates		
Listed investments	**459**	451
Unlisted investments	**2**	1
	461	452
Reconciliation of carrying value at the beginning and end of the period		
Opening balance	**452**	1
Total cost of equity investment (note 30)	**–**	447
Additional investment in unlisted associate	**1**	–
Share of net profit of associated companies	**12**	6
Dividends received from associated companies	**(4)**	(2)
	461	452

Set out below are details of the associate which is material to the Group:

Name of entity	Country of incorpo-ration and place of business	% ownership
Spire Healthcare Group plc	United Kingdom	29.9%

Spire Healthcare Group plc is listed on the London Stock Exchange. It does not issue publicly available quarterly financial information and has a December year-end. The associate was acquired on 24 August 2015. The investment in associate was equity accounted for the 12 months to 31 December 2016 (2016: 4 months to 31 December 2015). No significant events occurred since 1 January 2017 to the reporting date.

During the current year the notional purchase price allocation was finalised and non-contractual relationships with consultants (NCRC) were identified as the only significant intangible asset. The fair value of the total NCRC asset was determined as £225m and the remaining useful life was assessed as 22 years. The Group's 29.9% portion of the asset amounts to £68m. The NCRC intangible asset will be amortised over its useful life and the carrying value is included within the purchase adjustment figure below. The amortisation charge for the current period is £4m (2016: £nil).

8. EQUITY ACCOUNTED INVESTMENTS

8.1 Investment in associates

Summarised financial information in respect of the Group's material associate is set out below.

	As at 31 December 2016 £'m	As at 31 December 2015 £'m
Summarised statement of financial position		
Current assets	**215**	242
Non-current assets	**1 509**	1 415
Total assets	**1 724**	1 657
Current liabilities	**(122)**	(113)
Non-current liabilities	**(567)**	(547)
Net assets	**1 035**	998
Mediclinic's effective interest	**29.9%**	29.9%
Mediclinic's effective interest in net assets	**310**	298
Purchase adjustment	**149**	153
Total carrying value of equity investment	**459**	451
Market value of listed investment at 31 March 2017	**389**	431

Although the market value of the investment is below the carrying value at 31 March 2017, management has concluded that no impairment exists. An impairment test was performed with the following key assumptions used for the value-in-use calculation:

Discount rates – discount rates reflect management's estimate of the time value and the risks associated with Spire's business. The weighted average cost of capital (WACC) has been determined by considering the respective debt and equity costs and ratios. The discount rate applied to cash flow projections is 6.3%.

Growth rates – growth rates are based on budgeted figures and management's estimates. The estimated figures assume a stable regulatory and tariff environment. Cash flows beyond the five-year period are extrapolated using a 2.5% growth rate.

Sensitivity analysis – a fall in growth rate to 2.4% or a rise in discount rate to 6.4% would remove any headroom.

	2016 £'m	2015 £'m
Summarised statement of comprehensive income		
Revenue	**926**	885
Profit from continuing operations	**54**	60
Other comprehensive income	**–**	–
Total comprehensive income	**54**	60

Refer to the Annexure for further details of investments in associates.

8. EQUITY ACCOUNTED INVESTMENTS (continued)

8.1 Investment in associates (continued)

Critical accounting estimates and judgements

During the prior financial year, the Group acquired 29.9% of Spire Healthcare Group plc and recognised this investment as an investment in an associate. At the date of acquisition a provisional notional purchase price allocation assessment did not identify any significant intangible assets other than goodwill. During the finalisation of the notional purchase price allocation, NCRC was identified as a material intangible asset. An independent valuer was used to assist in the identification and valuation of the NCRC. The NCRC acquired was valued and measured by using the Multi Period Excess Earnings Method. The valuation of NCRC used assumptions relating to future cash flows and discount rates which are based on forecasts and are therefore inherently judgemental.

The Group tests whether equity-accounted investments have suffered any impairment when a triggering event occurs, in this case the carrying value of the listed investment exceeds its market value. The value-in-use calculation of the investment is based on a discounted cash flow model. These calculations require the use of estimates in respect of growth and discount rates and it assumes a stable regulatory environment.

	GROUP	
	2017 £'m	2016 £'m
8.2 Investment in joint venture		
Unlisted		
Carrying value of investment in joint venture		
Opening balance	**3**	4
Share in current year losses*	**–**	–
Exchange differences	**1**	(1)
	4	3

** Amount is less than £1m.*

The Group has a 49.9% interest in Wits University Donald Gordon Medical Centre (Pty) Limited. The joint venture is accounted for by using its financial information for the twelve months ended 31 December 2016 (2016: 31 December 2015) since it has a different year-end.

Details of the joint venture appear in the Annexure.

	GROUP 2017 £'m	GROUP 2016 £'m
9. OTHER INVESTMENTS AND LOANS		
Unlisted – no active market		
Loans and receivables*	**5**	3
Available-for-sale: Shares	**2**	1
Other receivables**	**1**	2
Short-term deposits***	**16**	–
	24	6
Non-current	**8**	6
Current	**16**	–
Total other investments and loans	**24**	6
Other investments and loans are held in the following currencies:		
Swiss franc	**2**	1
South African rand	**5**	3
UAE dirham	**17**	2
	24	6

* *Supported by the underlying business' financial position, the credit quality of the loans is considered satisfactory.*
** *The other receivables relates to prepaid lease agreements in the UAE.*
*** *This relates to fixed deposits in the UAE, the maturity date of these deposits are during July 2017.*

	GROUP 2017 £'m	GROUP 2016 £'m
10. DEFERRED TAX		
The movement on the deferred tax account is as follows:		
Opening balance	**430**	412
Income statement charge for the year	**21**	13
Provision for the year	**24**	13
Previously unused tax losses recognised	**(3)**	–
Exchange differences	**46**	18
Charged to other comprehensive income	**9**	(13)
Balance at the end of the year	**506**	430
Deferred income tax assets	**(21)**	(16)
Deferred income tax liabilities	**527**	446
	506	430

The deferred tax relating to current assets and current liabilities contain temporary differences that are most likely to realise in the next twelve months.

10. DEFERRED TAX (continued)

The deferred tax balance is comprised of temporary differences arising in separate legal entities. Offsetting has been applied on a legal entity basis. The table below shows the deferred tax balances and movements in the various categories before offsetting was applied:

	Tangible assets £'m	Intangible assets £'m	Current assets £'m	Provisions and others £'m	Total £'m
Deferred tax liabilities					
At 1 April 2015	392	71	6	9	478
Charged to the income statement	1	–	–	5	6
Exchange differences	16	2	–	1	19
At 31 March 2016	409	73	6	15	503
Set-off of deferred tax liabilities pursuant to set-off provisions					57
Net deferred tax liabilties at the end of the year					446
At 1 April 2016	**409**	**73**	**6**	**15**	**503**
Charged/(credited) to the income statement	**3**	**–**	**–**	**(1)**	**2**
Exchange differences	**43**	**7**	**1**	**2**	**53**
At 31 March 2017	**455**	**80**	**7**	**16**	**558**
Set-off of deferred tax liabilities pursuant to set-off provisions					**31**
Net deferred tax liabilties at the end of the year					**527**

10. DEFERRED TAX (continued)

	Current assets £'m	Provisions and others £'m	Long term liabilities	Derivatives £'m	Tax losses carried forward £'m	Total £'m
Deferred tax assets						
At 1 April 2015	(2)	(8)	(16)	(5)	(35)	(66)
Charged/(credited) to the income statement	–	1	(1)	1	6	7
Credited to other comprehensive income	–	–	(13)	–	–	(13)
Exchange differences	–	–	(1)	–	–	(1)
At 31 March 2016	(2)	(7)	(31)	(4)	(29)	(73)
Set-off of deferred tax assets pursuant to set-off provisions						57
Net deferred tax assets at the end of the year						(16)
At 1 April 2016	**(2)**	**(7)**	**(31)**	**(4)**	**(29)**	**(73)**
Charged to the income statement	**–**	**–**	**1**	**2**	**16**	**19**
Charged to other comprehensive income	**–**	**–**	**9**	**–**	**–**	**9**
Exchange differences	**–**	**–**	**(4)**	**–**	**(3)**	**(7)**
At 31 March 2017	**(2)**	**(7)**	**(25)**	**(2)**	**(16)**	**(52)**
Set-off of deferred tax assets pursuant to set-off provisions						**31**
Net deferred tax assets at the end of the year						**(21)**

Critical accounting estimates and judgements

The Group has tax losses and other deductible temporary differences that have the potential to reduce tax payments in future years. Deferred tax assets are only recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable, having regard to the projected future taxable income of these entities and after taking into account specific risk factors that affect the recovery of these assets. Management uses the same profit projections for these purposes as are used by the business, for example in assessing the carrying value of goodwill. Management's judgement in this area is applied on a case-by-case basis due to the jurisdictional nature of taxation. This analysis is considered afresh at each balance sheet date.

10. DEFERRED TAX (continued)

Critical accounting estimates and judgements (continued)

At 31 March 2017, the Group had unutilised tax losses of approximately £121m (2016: £172m) potentially available for offset against future profits. A deferred tax asset of £16m (2016: £29m) has been recognised in respect of losses based on profitability from approved budgets and business plans. No deferred tax asset has been recognised in respect of the remaining losses due to the unpredictability and availability of future profit streams in the relevant jurisdictions. The majority of the unrecognised losses relate to the Mediclinic International plc in the United Kingdom, which have no expiry, and the remainder relates to Switzerland, which expire after seven years. Their utilisation is dependent upon the profitability of their entities. The financial projections used in assessing the future profitability are consistent with those used in assessing the carrying value of goodwill as set out in note 7. The rate of utilisation of these losses will depend on the incidence and timing of profits within each entity which consequently impacts their recognition as deferred tax assets. Unused tax losses for the Group are as follows:

	GROUP	
	2017 £'m	2016 £'m
Unused tax losses not recognised as deferred tax assets		
Expiry in 1 year	**1**	1
Expiry in 2 years	**–**	1
Expiry in 3 to 7 years	**13**	6
No expiry	**33**	29
	47	37

No deferred tax liability has been recognised in respect of temporary differences relating to the unremitted earnings of overseas subsidiaries and equity accounted investments where the Group is able to control the timing of the reversal and it is probable that such differences will not reverse in the foreseeable future. Similarly tax is not provided where it is expected at the reporting date that such distributions will not give rise to a tax liability. The gross timing difference in this regard amounts to £1 518m (2016: £1 282m). There are no significant expected income tax consequences of earnings being distributed from Switzerland and the UAE, as there is no dividend withholding tax applicable to earnings being distributed from these operations. Although South African distributions to the UK are typically subject to dividend withholding taxes, distributions from South Africa are not expected to have income tax consequences in the foreseeable future as the operations in South Africa have a significant contributed tax capital balance from which may be paid dividends free from witholding tax. In line with the South African Reserve Bank requirement, it is intended that dividends to the South African resident shareholders on the South African share register will be paid from the dividend access scheme. Refer to note 13 for details on the dividend access scheme.

11. INVENTORIES

	GROUP	
	2017 £'m	2016 £'m
Inventories consist of:		
Pharmaceutical products	**79**	67
Consumables	**10**	8
Finished goods and work in progress	**1**	–
	90	75

The cost of inventories recognised as an expense and included in cost of sales amounted to £630m (2016: £481m).

	GROUP	
	2017 £'m	2016 £'m
12. TRADE AND OTHER RECEIVABLES		
Trade receivables[1]	**466**	399
Less provision for impairment of receivables	**(41)**	(19)
Trade receivables – net	**425**	380
Other receivables[2]	**166**	167
	591	547

[1] *Prior year restated following the finalisation of the Al Noor purchase price allocation (see note 29).*

[2] *Included in other receivables are Swiss unbilled services of £79m (2016: £82m). More than 92% will be recovered by Swiss insurance companies and federal authorities (cantons). Swiss insurance companies are subject to regular creditworthiness checks (e.g. minimum reserve levels).*

Trade and other receivables are categorised as loans and receivables. The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2017 £'m	2016 £'m
South African rand*	**95**	59
Swiss franc	**367**	340
UAE dirham	**129**	148
	591	547

Included in the Group's trade receivables balance are trade receivables with a carrying value of £165m (2016: £151m) that are past due at the reporting date, but which the Group has not impaired as there has not been a significant change in credit quality and the amounts are still considered to be recoverable. The ageing of these receivables are as follows:

	2017 £'m	2016 £'m
Up to 3 months	**106**	99
Between 3 and 6 months	**40**	20
Over 6 months	**19**	32
	165	151

Movement in the provision for impairment of receivables

	2017 £'m	2016 £'m
Opening balance	**19**	18
Provision for receivables impairment	**26**	9
Exchange differences	**11**	–
Amounts written off as uncollectable	**(15)**	(8)
Balance at the end of the year	**41**	19

Amounts written off during the year relate to individually identified accounts that are considered to be uncollectable.

Provision for impairment of receivables is based on historical collection trends, current market conditions and expected future cash flows.

Management considers the credit quality of the unprovided trade receivables to be high in light of the nature of these trade receivables as described in note 3.1(b).

* *Trade receivables to the value of £53m (2016: £41m) have been ceded as security for banking facilities.*

13. SHARE CAPITAL

Ordinary Shares	Number of shares	Share capital £'m	Share premium £'m	Capital redemption reserve** £'m	Reverse acquisition reserve*** £'m	Total £'m
At 1 April 2015	542 476 655	994	–	–	–	994
Shares issued (August 2015)	69 444 444	479	–	–	–	479
Share issue costs	–	(4)	–	–	–	(4)
At 14 February 2016	611 921 099	1 469	–	–	–	1 469
Reverse acquisition*	53 207 327	(1 402)	4 862	6	(3 014)	452
Combined capital structure on 15 February 2016	665 128 426	67	4 862	6	(3 014)	1 921
Share subscription (February 2016)	72 115 384	7	593	–	–	600
Reduction of share premium	–	–	(4 765)	–	–	(4 765)
At 31 March 2016	737 243 810	74	690	6	(3 014)	(2 244)
At 31 March 2017	**737 243 810**	**74**	**690**	**6**	**(3 014)**	**(2 244)**

* *The Company received legal advice on the scheme of arrangement and the premium on issue of share capital to Mediclinic International Limited shareholders did not qualify as merger relief under United Kingdom law.*

Reverse acquisition

The prior number of shares from 1 April 2015 to 14 February 2016 represents equivalent number of Mediclinic International Limited shares converted using the Mediclinic scheme of arrangement conversion ratio of 0.625. From 15 February 2016 the capital structure of the Group represents that of Mediclinic International plc.

** *The UK Companies Act provides that where shares of a company are repurchased and funded by a new issue of shares, the amount by which the Company's issued share capital is diminished on cancellation of the shares are transferred to a capital redemption reserve to maintain capital. The reduction of the Company's share capital shall be treated as if the capital redemption reserve were paid up capital of the Company.*

*** *The reverse acquisition reserve represents the net of the following adjustments resulting from the Al Noor reverse acquisition:*

- *adjustment of the capital structure (share capital and share premium) of the Group to that of the legal parent;*
- *adjustment to account for the premium on shares issued to the Mediclinic International Limited shareholders; and*
- *the share value component of the total consideration.*

Treasury Shares	Number of shares	Total £'m
At 1 April 2015	8 427 191	(22)
Repurchase of shares – Forfeitable Share Plan	129 927	(1)
Disposal of shares – Forfeitable Share Plan	(46 091)	–
Utilised by the Mpilo Trusts	(8 238 246)	21
At 31 March 2016	**272 781**	**(2)**
Utilised by the Mpilo Trusts	**(1 161)**	**–**
At 31 March 2017	**271 620**	**(2)**
The balance of the treasury shares comprise:		
Forfeitable Share Plan	**239 290**	
Mpilo Trusts	**32 330**	
	271 620	

13. SHARE CAPITAL (continued)

	GROUP	
Ordinary Shares	**2017**	2016
Number of shares in issue:	**737 243 810**	737 243 810
Nominal value:	**10p**	10p

Value: indicating nominal and share premium amount

Rights of the Ordinary Shares (the "**Ordinary Shares**") to profits: All dividends shall be declared and paid according to the amounts paid up on the Ordinary Shares.

Rights of the Ordinary Shares to capital: If there is a return of capital on winding-up or otherwise, the Ordinary Shares shall confer full rights but they do not confer any rights of redemption, and shall rank after the Subscriber Shares.

Voting rights of the Ordinary Shares: The Ordinary Shares shall confer, on each holder of the Ordinary Shares, the right to receive notice of and to attend, speak and vote at all general meetings of the Company. Each Ordinary Share carries the right to one vote on a poll.

	GROUP	
Subscriber Shares – fully paid up	**2017 £'m**	2016 £'m
Number of shares in issue:	**10**	10
Nominal value:	**10p**	10p

Value: indicating nominal and share premium amount

10 issued Ordinary Shares were converted into and designated as subscriber shares of 10 pence each. The Subscriber Shares carry no rights to receive any of the profits of the Company available for distribution by way of dividend or otherwise. If there is a return of capital on a winding-up or otherwise, the assets of the Company available for distribution among the members shall be applied first in repaying in full to the holder of the Subscriber Shares the amount paid up on such shares.

Except as provided above, the Subscriber Shares shall not carry any right to participate in profits or assets of the Company. The holders of the Subscriber Shares shall not be entitled to receive notice of or attend and vote at any general meeting of the Company unless a resolution is proposed which varies, modifies, alters or abrogates any of the rights attaching to the Subscriber Shares.

Dividend Access Scheme (DAS)

A wholly-owned subsidiary of the Company, Mediclinic International (RF) (Pty) Ltd, formed a Dividend Access Trust to comply with a South African Reserve Bank requirement that dividends from a South African source due to South African shareholders on the South African share register must be paid locally to avoid an outflow of funds from South Africa.

The beneficiaries of the trust are the South African shareholders of the Company who hold their shares via the South African share register on the relevant record date in respect of each distribution paid through the dividend access scheme (DAS). The Dividend Access Trust does not participate in any profits.

When a dividend is declared by the Company, the Dividend Access Trust would receive a dividend from Mediclinic International (RF) (Pty) Ltd which in turn is paid over to the Company's transfer secretaries in South Africa, who arrange for the payment of the relevant amount to the South African shareholders (the beneficiaries of the trust) through the usual dividend payment procedures, as if they were dividends received from Mediclinic International plc. To the extent that the dividends due to South African shareholders are not ultimately funded from Mediclinic International (RF) (Pty) Ltd, they receive those dividends as normal dividends from Mediclinic International plc. The South African shareholders' entitlement to receive dividends declared by Mediclinic International plc is reduced by any amounts they receive via the trust.

		GROUP	
		2017 £'m	2016 £'m
14.	**OTHER RESERVES**		
	Other reserves comprise of:		
	Equity-settled share-based payment reserves (refer to note 15)	**24**	24
	Foreign currency translation reserve	**779**	407
	Hedging reserve	**4**	4
	Capital redemption reserve (refer to note 13)	**6**	6
	Reverse acquisition reserve (refer to note 13)	**(3 014)**	(3 014)
		(2 201)	(2 573)
	Movements in other reserves:		
	Equity-settled share-based payment reserve (refer to note 15)	**24**	24
	Opening balance	**24**	14
	Share-based payment expense	**–**	10
	Foreign currency translation reserve	**779**	407
	Opening balance	**407**	306
	Currency translation differences	**372**	101
	Hedging reserve	**4**	4
	Opening balance	**4**	2
	Fair value adjustments of cash flow hedges, net of tax	**–**	2
15.	**SHARE-BASED PAYMENTS**		
	Equity-settled share-based payment reserve (refer to note 14 and 15.1)	**24**	24
	Cash-settled share-based payment liability (refer to note 15.2)	**1**	–
	Total share-based payment reserves and liabilities	**25**	24
	Expenses arising from equity-settled share-based payment transactions	**–**	10
	Expenses arising from cash-settled share-based payment transactions	**1**	–
	Total expense arising from share-based payment transactions (refer to note 22)	**1**	10
15.1	**Equity-settled share-based payment arrangements**		
	The balance of the equity-settled share-based payment reserve comprises:		
	Executive share option scheme	**1**	1
	Forfeitable Share Plan	**1**	1
	Al Noor share option scheme	**(2)**	(2)
	Mpilo trusts (Employee share trusts)	**17**	17
	Strategic South African black partners*	**7**	7
		24	24
	* *During the financial year ending 31 March 2006, the difference between the fair value of the equity instruments issued in a BEE transaction and the fair value of the cash and other assets received was recognised as an expense (grant date) and this corresponding increase in equity was booked.*		
	Expenses arising from equity-settled share-based payment transactions		
	Forfeitable Share Plan	**–**	1
	Mpilo trusts	**–**	11
	Al Noor share option scheme	**–**	(2)
		–	10

15. SHARE-BASED PAYMENTS (continued)

15.1 Equity-settled share-based payment arrangements (continued)

Additional disclosure for each arrangement

Mpilo trusts

The Mpilo trusts were created in 2005 for purposes of an employee share scheme to introduce Mediclinic Southern Africa employees up to first line management level as shareholders of the Group. This share-based payment arrangement is accounted for as an equity-settled share-based payment transaction. As qualifying employees leave prior to entitlement and shares become available further allocations were made to new and existing qualifying employees. The allocations of units made by the trusts were subject to lock-in periods which expired in December 2015, with the shares linked to participating employees' units either transferred to them or sold with the proceeds of the sale distributed to them.

Summary of the allocations:

Allocation	Qualifying date	Issue price	Participating shares*	Expiry date
First allocation**	1 Dec 2005	R18.40	80	31 Dec 2015
Second allocation	1 Dec 2009	R18.08	50	31 Dec 2015
Third allocation	1 Dec 2010	R18.59	100	31 Dec 2015
Fourth allocation	1 Dec 2012	R17.20	70	31 Dec 2015***
Fifth allocation			18 shares for every completed year of service	31 Dec 2015

* *Per qualifying employee for each completed year of service since previous allocation.*

** *Initial 1 000 shares per qualifying employee and additional 80 shares for every year completed service prior 1 December 2005.*

*** *During the prior year, the expiry date of the Fourth Allocation was changed from 31 March 2018 to 31 December 2015.*

Movement in the number of Mpilo shares outstanding are:	Outstanding price per share	31 March 2017 Number	31 March 2016 Number
Outstanding at the beginning of the year	**R17.82**	**n/a**	7 197 831
Mpilo shares forfeited		**n/a**	(119 296)
Fifth allocation		**n/a**	1 159 711
Mpilo shares vested	**R16.28**	**n/a**	(8 238 246)
Outstanding at the end of the period		**–**	–

Forfeitable Share Plan

The Mediclinic International Limited Forfeitable Share Plan ("**FSP**") was approved by the Company's shareholders in July 2014 as a long-term incentive scheme for selected senior management (Executive Directors and prescribed officers). This share-based payment arrangement is accounted for as an equity-settled share-based payment transaction. With the change in control and the acquisition of the Al Noor Hospitals Group plc, the performance conditions of FSP have been finalised to the extent that the performance conditions were met as at 30 September 2015. The FSP shares will vest after the vesting period has lapsed.

Under the FSP, conditional share awards are granted to selected employees of the Group. The vesting of these shares are subject to continued employment, and is conditional upon achievement of performance targets, measured over a three-year period. The performance conditions for the year under review constitute a combination of: absolute total shareholder return ("**TSR**") (40% weighting) and underlying diluted headline earnings per share (60% weighting).

15. SHARE-BASED PAYMENTS (continued)

15.1 Equity-settled share-based payment arrangements (continued)

Forfeitable Share Plan (continued)

	Weighted average fair value at grant date offer price	31 March 2017 Number	31 March 2016 Number
Opening balance	**R87.41**	**239 290**	155 454
Granted	**R107.23**	**–**	129 927
Shares sold		**–**	(46 091)
Vested		**–**	–
Closing balance		**239 290**	239 290

A valuation has been determined and an expense recognised over a three-year period. The fair value of the TSR performance condition has been determined by using the Monte Carlo simulation model and for the headline earnings per share performance condition, consensus forecasts have been used.

The following assumptions have been used to determine the fair value of the TSR performance condition:

	GROUP	
	2017 %	2016 %
Risk-free rate	**7.49%**	7.49%
Dividend yield	**1.0%**	1.0%
Volatility	**20%**	20%

Apart from the FSP, there are no other share option schemes in place. Therefore, no director exercised any rights in relation to share option schemes during the reporting period. Share options exercised by Al Noor Hospital Group plc directors before the acquisition date (15 February 2016) are regarded as a pre-acquisition transaction in these consolidated financial statements.

15.2 Cash-settled share-based payment arrangements

Long-term incentive plan awards ("LTIP")

The LTIP awards is phantom shares awarded to selected senior management. This share-based payment arrangement is accounted for as a cash-settled share-based payment transaction.

Under the LTIP, conditional phantom shares are granted to selected employees of the Group. The vesting of these shares are subject to continued employment, and is conditional upon achievement of performance targets, measured over a three-year period. The performance conditions for the year under review constitute a combination of: absolute total shareholder return ("**TSR**") (40% weighting) and underlying earnings per share (60% weighting).

	GROUP	
	2017 £'m	2016 £'m
Opening balance	**–**	–
Share-based payment expense	**1**	–
Benefits paid	**–**	–
Closing balance	**1**	–

15. SHARE-BASED PAYMENTS (continued)

15.2 Cash-settled share-based payment arrangements (continued)

Long-term incentive plan awards ("LTIP") (continued)

A reconciliation of the movement in the LTIP award units is detailed below:

	Average price range (pence)	31 March 2017 Number of units
Opening balance		–
Granted	866 – 1 059	287 694
Vested	866 – 1 059	(3 683)
Lapsed		–
Closing balance		284 011

Valuation assumptions relating to outstanding units:	First allocation	Second allocation
Grant date	14 June 2016*	14 June 2016**
Vesting date	14 June 2019	14 June 2021
Outstanding units	120 922	150 657
Closing share price	712	712
Risk-free interest rate	0.14%	0.26%
Expected dividend yield	1.19%	1.19%
Volatility	34.50%	34.50%

* *12 232 units were allocated on 1 September 2016*
** *49 281 units were allocated on 1 August 2016*

Certain awards were also granted to management that were subject only to service conditions. These awards were granted on 1 September 2016 and vests on different dates between 1 September 2016 and 14 June 2019. In the current year, the total number of these awards granted was 16 115. 3 683 of these awards vested in 2017.

	GROUP 2017 £'m	2016 £'m
16. NON-CONTROLLING INTERESTS		
Opening balance	61	61
Transactions with non-controlling shareholders*	(4)	3
Dividends to non-controlling interests	(9)	(7)
Share of total comprehensive income	30	4
Share of profit	14	13
Currency translation differences	16	(9)
Non-controlling interests in hospital activities	78	61

* *Included in the £15m acquisition of non-controlling interest amount in the statement of cash flows is an amount of £14m which relates to the acquisition of the minority share in Al Madar Medical Centre LLC during the year.*

16. NON-CONTROLLING INTERESTS (continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests:

	Ownership interest held by NCI		Accumulated non-controlling interests in statement of financial position		Profit allocated to non-controlling interests	
	2017 %	2016 %	**2017 £'m**	2016 £'m	**2017 £'m**	2016 £'m
Mediclinic (Pty) Ltd*	**3.7%**	3.4%	**7**	5	**2**	1
Curamed Holdings (Pty) Ltd (group)*	**30.4%**	30.3%	**21**	15	**4**	3

Summarised financial information in respect of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before inter-group eliminations.

* *Place of business: South Africa*

	Mediclinic (Pty) Ltd	
	2017 £'m	2016 £'m
Current assets	**129**	90
Non-current assets	**167**	124
Current liabilities	**(150)**	(116)
Non-current liabilities	**(32)**	(22)
Revenue	**350**	294
Profit for the year	**38**	35
Other comprehensive income	**–**	1
Total comprehensive income	**38**	36
Net cash inflow from operating activities	**55**	64
Net cash (outflow)/inflow from investing activities	**(27)**	1
Net cash (outflow)/inflow from financing activities	**(27)**	65
Net cash inflow/(outflow)	**1**	(1)

	Curamed Holdings (Pty) Ltd (group)	
	2017 £'m	2016 £'m
Current assets	**45**	35
Non-current assets	**37**	23
Current liabilities	**(12)**	(7)
Non-current liabilites	**(3)**	(2)
Revenue	**60**	51
Profit for the year	**13**	11
Other comprehensive income	**–**	–
Total comprehensive income	**13**	11
Net cash inflow from operating activities	**16**	11
Net cash outflow from investing activities	**(9)**	(3)
Net cash outflow from financing activities	**(7)**	(7)
Net cash inflow	**–**	2

		GROUP	
		2017 £'m	2016 £'m
17.	**BORROWINGS**		
	Bank loans	**1 642**	1 581
	Preference shares	**199**	90
	Listed bonds	**189**	170
		2 030	1 841
	Non-current borrowings	**1 961**	1 524
	Current borrowings	**69**	317
	Total borrowings	**2 030**	1 841

		2017 £'m Non-current	**2017 £'m Current**	2016 £'m Non-current	2016 £'m Current
Southern African operations (denominated in South African rand)					
Secured bank loan one[1]	The loan bears interest at the 3 month JIBAR variable rate plus a margin of 1.51% (2016: 1.51%) compounded quarterly, and is repayable on 3 June 2019.	**176**	**1**	139	1
Secured bank loan two[1]	The loan bears interest at the 3 month JIBAR variable rate plus a margin of 1.69% and is repayable on 3 June 2019.	**72**	**-**	-	-
Secured bank loan three[1]	The loan bears interest at the 3 month JIBAR variable rate plus a margin of 1.06% (2016: 1.06%) compounded quarterly. £7m was repaid on 1 September 2016 and the remaining amount will be repaid on 9 October 2017.	**-**	**7**	5	5
Secured bank loan four[1]	The loan bears interest at the 3 month JIBAR variable rate plus a margin of 1.51% (2016: 1.51%) compounded quarterly, and is repayable on 3 June 2019.	**30**	**-**	9	-
Secured bank loan five[2]	These loans bear interest at variable rates linked to the prime overdraft rate and are repayable in periods ranging between one and 12 years.	**4**	**1**	4	1
Preference shares[1]	Dividends are payable monthly at a rate of 69% of prime interest rate (10.5%) (2016: 10.5%). £6m shares was redeemed on 1 September 2016 and the balance will be redeemed on 3 June 2019.	**108**	**1**	85	5
Preference shares*	Dividends are payable semi-annually at a rate of 73% of the prime interest rate (10.5%) (2016: 10.5%). The amount is repayable on 29 June 2020.	**90**	**-**	-	-
Middle East operations (denominated in UAE dirham)					
Secured bank loan one[3*]	The loan bears interest at variable rates linked to the 3M LIBOR and a margin of 2.75% (2016: 2%) with respective four-year and five-year amortising terms, expiring in June 2020 and May 2021.	**154**	**19**	50	3
Balance carried forward		**634**	**29**	292	15

17. BORROWINGS (continued)

		2017 £'m Non-current	2017 £'m Current	2016 £'m Non-current	2016 £'m Current
Balance carried forward		**634**	**29**	292	15
Swiss operations (denominated in Swiss franc)					
Secured bank loan one[4]	These loans bear interest at variable rates linked to the 3M LIBOR plus 1.5% and 2.85% (2016: 3M LIBOR plus 1.5% and 2.85%) and are repayable by 31 July 2020. The non-current portion includes capitalised financing costs of £22m (2016: £26m).	**1 138**	**40**	1 062	36
Listed bonds	The listed bonds consist of CHF145m 1.625% and CHF90m 2% Swiss franc bonds. The bonds are repayable on 25 February 2021 and 25 February 2025 respectively.	**189**	**–**	170	–
United Kingdom operations (denominated in pound)					
Secured bank loan one*	The loan bears interest at variable rates linked to LIBOR with a minimum base rate of 1% plus 3.75%.	**–**	**–**	–	266
		1 961	**69**	1 524	317

[1] Property and equipment with a book value of £231m (2016: £160m) are encumbered as security for these loans. Cash and cash equivalents of £9m (2016: £12m) and trade receivables of £52m (2016: £41m) have also been ceded as security for these borrowings.
[2] Property, equipment and vehicles with a book value of £16m (2016: £12m) are encumbered as security for these loans. Net trade receivables of £1m (2016: £1m) has also been ceded as security for these loans.
[3] Shares of investments in Emirates Healthcare Holdings Limited and Emirates Healthcare Limited are encumbered as security for these loans as well as an account pledge on receivable collection accounts. Properties with a book value of £nil (2016: £100m) are encumbered as security for this loan.
[4] The loan is secured by Swiss properties with a book value of £2,483m (2016: £2 248m) and Swiss bank accounts with a book value of £142m (2016: £128m).

** During the period, the bridge facility of £266m in the United Kingdom was repaid. In South Africa, the Group entered a new long-term bank loan of £71m (ZAR1.2bn) and issued redeemable preference shares of £90m (ZAR1.5bn) which are classified as a financial liability. In the Middle East, the Group entered a new long-term bank loan of £181m (AED831m). Other than these transactions and foreign currency movements on translation of local currency borrowings to pound, there is no significant change in the Group's borrowings.*

	GROUP 2017 £'m	GROUP 2016 £'m
18. RETIREMENT BENEFIT OBLIGATIONS		
Statement of financial position obligations for:		
Swiss pension benefit obligation	**73**	119
South African post-retirement medical benefit obligation	**35**	24
UAE end-of-service benefit obligation	**56**	45
	164	188
Total retirement benefit obligations	**164**	188
Short-term portion of retirement benefit obligations	**(10)**	(9)
Non-current retirement benefit obligations	**154**	179
Total amount charged to the income statement:		
Swiss pension benefit obligation	**23**	30
South African post-retirement medical benefit obligation	**5**	4
UAE end-of-service benefit obligation	**8**	4
	36	38
Total amount (credit)/charged to other comprehensive income:		
Swiss pension benefit obligation		
South African post-retirement medical benefit obligation	**(45)**	66
UAE end-of-service benefit obligation	**–**	(1)
	2	4
	(43)	69

None of the Directors of Mediclinic International plc participate in Swiss pension benefits or the UAE end-of-service benefit. One Executive Director (2016: two) of Mediclinic International plc participates in the South African post-retirement medical benefit obligation.

Critical accounting estimates and judgements

The cost of defined benefit pension plans, post-retirement medical benefit liability obligations, and the UAE end-of-service obligations are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

(a) Swiss pension benefit obligation

The Group's Swiss operations has four (2016: five) defined benefit pension plans, namely:

Pensionskasse Hirslanden (cash balance plan)

Vorsorgestiftung VSAO (cash balance plan) (Association for Swiss Assistant and Senior Doctors)

Radiotherapie Hirslanden AG; Pension fund at foundation "pro" (cash balance plan)

Clinique La Colline SA; Pension fund at banque cantonal vaudois (cash balance plan)

Effective 1 January 2017 active insured members for the Swissana pension plan have been transferred into the Hirslanden and VSAO pension plans.

		GROUP 2017 £'m	GROUP 2016 £'m
18.	**RETIREMENT BENEFIT OBLIGATIONS (continued)**		
	***(a) Swiss pension benefit obligation* (continued)**		
	Statement of financial position		
	Amounts recognised in the statement of financial position are as follows:		
	Present value of funded obligations	**1 086**	949
	Fair value of plan assets	**(1 013)**	(830)
	Net pension liability	**73**	119
	The movement in the defined benefit obligation over the period is as follows:		
	Opening balance	**949**	797
	Current service cost	**35**	29
	Interest cost	**4**	7
	Past service cost	**(13)**	–
	Employee contributions	**30**	26
	Benefits paid	**(16)**	(8)
	Actuarial loss – experience	**9**	14
	Actuarial (gain)/loss change in financial assumption	**(12)**	45
	Exchange differences	**100**	39
	Balance at end of year	**1 086**	949
	The movement of the fair value of plan assets over the period is as follows:		
	Opening balance	**830**	750
	Employer contributions	**35**	30
	Plan participants contributions	**30**	26
	Benefits paid from fund	**(16)**	(8)
	Interest income on plan assets	**4**	7
	Return on plan assets greater/(less) than discount rate	**42**	(7)
	Administration cost paid	**(1)**	(1)
	Exchange differences	**89**	33
	Balance at end of year	**1 013**	830
	Statement of financial position		
	Opening net liability	**119**	47
	Expenses recognised in the income statement	**23**	30
	Contributions paid by employer	**(35)**	(30)
	Exchange differences	**11**	6
	Actuarial (gain)/loss recognised in other comprehensive income	**(45)**	66
	Closing net liability	**73**	119
	Statement of other comprehensive income		
	Amounts recognised in other comprehensive income are as follows:		
	Actuarial loss – experience	**(9)**	(14)
	Actuarial gain/(loss) due to liability assumption changes	**12**	(45)
	Return on plan assets greater/(less) than discount rate	**42**	(7)
	Total comprehensive income	**45**	(66)
	Income statement		
	Amounts recognised in the income statement are as follows:		
	Current service cost	**35**	29
	Past service cost	**(13)**	–
	Interest on liability	**4**	7
	Interest on plan assets	**(4)**	(7)
	Administration cost paid	**1**	1
	Total expense	**23**	30

		GROUP	
		2017 £'m	2016 £'m
18.	**RETIREMENT BENEFIT OBLIGATIONS (continued)**		
	Actual return on plan assets	**46**	(1)
	***(a) Swiss pension benefit obligation* (continued)**		
	Principal actuarial assumptions on statement of financial position		
	Discount rate	**0.55%**	0.45%
	Future salary increases	**1.50%**	1.50%
	Future pension increases	**0.00%**	0.00%
	Inflation rate	**1.00%**	1.00%
	Number of plan members		
	Active members	**8 969**	8 617
	Pensioners	**744**	694
		9 713	9 311

Asset allocation	31 March 2017 £'m	31 March 2017 %	31 March 2016 £'m	31 March 2016 %
Quoted investments				
Fixed income investments	**338**	**33.3%**	288	34.7%
Equity investments	**255**	**25.2%**	197	23.7%
Real estate	**60**	**5.9%**	67	8.1%
Other	**98**	**9.7%**	72	8.7%
	751	**74.1%**	624	75.2%
Non-quoted investments				
Fixed income investments	**3**	**0.3%**	3	0.3%
Equity investments	**12**	**1.2%**	10	1.2%
Real estate	**181**	**17.9%**	137	16.5%
Other	**66**	**6.5%**	56	6.8%
	262	**25.9%**	206	24.8%
	1 013	**100.0%**	830	100.0%

	Impact on defined benefit obligation			
	Base assumption	**Change in assumption**	**Increase**	**Decrease**
Discount rate	0.55%	0.25%	(2.7%)	2.9%
Salary growth rate	1.50%	0.50%	0.7%	(0.7%)
Pension growth rate	0.00%	0.25%	2.4%	0.0%

	Change in assumption	**Increase by 1 year in assumption**	**Decrease by 1 year in assumption**
Life expectancy (mortality)	1 year in expected life time of plan participant	2.3%	(2.3%)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

18. RETIREMENT BENEFIT OBLIGATIONS (continued)

***(a) Swiss pension benefit obligation* (continued)**

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Expected employer contributions to be paid to the pension plans for the year ended 31 March 2018 are £32m and it is anticipated that these contributions will remain at a similar level in the foreseeable future subject to change in financial conditions.

The weighted average duration of the defined benefit obligation is 13.6 years (2016: 14.3 years). The maturity profile of the defined benefit obligation is as follows:

	<= 1 year £'m	1 – 5 years £'m	> 5 years £'m	Total £'m
31 March 2017				
Defined benefit obligation	**73**	**220**	**898**	**1 191**
31 March 2016				
Defined benefit obligation	57	170	731	958

The Swiss defined benefit pension plans expose the Group to some actuarial and investment risks.

The pension plans provides employees of the Hirslanden Group with post-employment, death-in-service and disability benefits in accordance with the Federal Law on Occupational Old-age. These funds are separate legal entities from the Hirslanden Group. The funds' governing bodies consists of an equal number of employer and employee representatives.

This governing body determines the level of benefits and the investment strategy for the plan assets based on asset-liability analyses performed periodically. The basis for these asset-liability analyses are the statutory pension obligations, as these largely determine the cash flows of the fund. In addition, the investment of the plan assets is based on regulations developed by the governing body in accordance with the legal investment guidelines (BVV2). The investment committee of the governing body is responsible for their implementation. The governing body has mandated the investment activity to Complementa Investment Controlling AG, as the global custodian. The investment strategy complies with the legal guidelines and is rather conservative. Alternative investments and unhedged foreign currency positions are rare.

The benefits of the pension plans are substantially higher than the legal minimum. They are determined by the employer's and employee's contributions and interest granted on the plan members' accumulated savings; the interest rate is determined annually by the governing body in accordance with the legal framework (defined contribution, as defined by the occupational pension law). The employee's and the employer's contributions are determined based on the insured salary and range from 1.25% to 15.5% of the insured salary depending on the age of the beneficiary.

If an employee leaves the Hirslanden Group or the pension plans before reaching retirement age, legally they are to transfer the vested benefits to a new pension plan. On retirement, the participant may decide to withdraw the benefits as an annuity or a lump-sum.

As per the pension law in Switzerland, benefits provided by the pension funds are financed through annual contributions. If insufficient investment returns or actuarial losses lead to a funding gap, the governing body is legally obliged to take actions to close this gap within 5 years to a maximum of 7 years. Such actions may include additional contributions by the respective group companies and the beneficiaries. The current financial situation of the fund does not require such restructuring actions. None of the Group companies benefit from any plan surpluses.

18. RETIREMENT BENEFIT OBLIGATIONS (continued)

(b) South African post-retirement medical benefit obligation

The Group's Southern African operations have a post-retirement medical benefit obligation for employees who joined before 1 July 2012.

The Group accounts for actuarially determined future medical benefits and provide for the expected liability in the statement of financial position.

During the last valuation on 31 March 2017 a 8.65% (2016: 9.25%) medical inflation cost and a 9.60% (2016: 10.25%) interest rate were assumed. The average retirement age was set at 63 years (2016: 63 years).

The assumed rates of mortality are as follows:
During employment: SA 85/90 tables of mortality
Post-employment: PA(90) tables

	GROUP	
Amounts recognised in the statement of financial position are as follows:	**2017 £'m**	2016 £'m
Opening balance	**24**	26
Amounts recognised in the income statement	**5**	4
Current service cost	**2**	2
Interest cost	**3**	2
Benefits paid	**(1)**	–
Exchange differences	**7**	(5)
Actuarial gain recognised in other comprehensive income	**–**	(1)
Present value of unfunded obligations	**35**	24

The effect of a 1% movement in the assumed health cost trend rate is as follows:	**2017 Increase**	**2017 Decrease**
Defined benefit obligation	**17%**	**(14%)**
Aggregate of the current service cost and interest cost	**19%**	**(15%)**

18. **RETIREMENT BENEFIT OBLIGATIONS (continued)**

(c) UAE end-of-service benefit obligation

In terms of UAE labour law, employees are entitled to severance pay at the end of employment. Severance pay is calculated as follows:

First five years of service: between 7 and 30 days wage per year of service and thereafter 30 days per additional year.

The employee benefit was actuarially determined:

The following are the principle actuarial assumptions:	2017	2016
Discount rate	**4.0%**	4.2%
Future salary increases	**3.5%**	3.5%
Average retirement age	**60 years**	60 years
Annual turnover rate	**9.3%**	12.8%

	GROUP	
Amounts recognised in the statement of financial position are as follows:	**2017 £'m**	2016 £'m
Opening balance	**45**	15
Amounts recognised in the income statement	**8**	4
Current service cost	**6**	3
Interest cost	**2**	1
Contributions	**(4)**	(1)
Business combinations	**–**	22
Disposal of subsidiaries	**(1)**	–
Classified as held for sale	**(1)**	–
Exchange differences	**7**	1
Actuarial loss recognised in other comprehensive income	**2**	4
Present value of unfunded obligations	**56**	45
Current portion of retirement benefit obligations	**10**	9
Non-current retirement benefit obligations	**46**	36
	56	45

The effect of a 1% movement in the future salary increases rate is as follows:	2017 Increase	2017 Decrease
Defined benefit obligation	**7%**	**(6%)**
Aggregate of the current service cost and interest cost	**10%**	**(8%)**

Expected employer contributions to be paid to the UAE end-of-service benefit obligation for the year ended 31 March 2018 are £11m.

19. PROVISIONS

	Employee benefits £'m	Legal cases and other £'m	Tariff risks £'m	Total £'m
Year ended 31 March 2016				
Opening balance	14	1	31	46
Charged to the income statement	2	1	4	7
Utilised during the year	(2)	–	–	(2)
Unused amounts reversed	–	–	(10)	(10)
Exchange differences	1	–	1	2
Balance at the end of the year	15	2	26	43
At 31 March 2016				
Current	2	–	17	19
Non-current	13	2	9	24
	15	2	26	43
Year ended 31 March 2017				
Opening balance	**15**	**2**	**26**	**43**
Charged to the income statement	**3**	**7**	**7**	**17**
Utilised during the year	**(2)**	**(3)**	**(1)**	**(6)**
Unused amounts reversed	**–**	**(1)**	**(11)**	**(12)**
Exchange differences	**1**	**–**	**2**	**3**
Balance at the end of the year	**17**	**5**	**23**	**45**
At 31 March 2017				
Current	**2**	**5**	**15**	**22**
Non-current	**15**	**–**	**8**	**23**
	17	**5**	**23**	**45**

(a) Employee benefits

This provision is for benefits granted to employees for long service.

(b) Legal cases and other

This provision relates to third-party excess payments for malpractice claims which are not covered by insurance and other costs for legal claims.

(c) Tariff risks

This provision relates to compulsory health insurance tariff risks in Switzerland and other tariff disputes at some of the Group's Swiss hospitals.

	GROUP	
	2017 £'m	2016 £'m
Provisions are expected to be payable during the following financial years:		
Within 1 year	**22**	19
After one year but not more than five years	**16**	18
More than five years	**7**	6
	45	43

	Assets 2017 £'m	Liabilities 2017 £'m	Assets 2016 £'m	Liabilities 2016 £'m
20. DERIVATIVE FINANCIAL INSTRUMENTS				
Non-current				
Interest rate swaps – cash flow hedges	–	2	1	19
Total non-current	–	2	1	19
Current				
Interest rate swaps – cash flow hedges	–	7	–	–
Forward exchange contracts	–	–	–	1
Call option	–	–	2	–
Total current	–	7	2	1
Total derivative financial instruments	–	9	3	20

Effective interest rate swaps

In order to hedge specific exposures in the interest rate repricing profile of existing borrowings, the Group uses interest rate derivatives to generate the desired interest profile. At 31 March 2017, the Group had twelve effective interest rate swap contracts (31 March 2016: eight) for borrowings specifically in Southern Africa. The value of borrowings hedged by the interest rate derivatives and the rates applicable to these contracts are as follows:

	Borrowings hedged £'m	Fixed interest payable	Interest receivable	Fair value gain/(loss) for the year £'m
31 March 2017				
1 to 3 years*	184	5.5 – 8.1%	3 month JIBAR/ 69% of prime interest rate	–
31 March 2016				
1 to 5 years*	80	5.5 – 8.1%	3 month JIBAR/ 69% of prime interest rate	1

** The interest rate swap agreement reset every 3 months on 1 June, 1 September, 1 December and 1 March with a final reset on 1 September 2017 for £19m, on 1 March 2019 for £60m, on 3 June 2019 for £76m and on 2 March 2020 for £30m. There is no ineffective portion recognised in the profit and loss that arises from the cash flow hedges.*

20. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Ineffective interest rate swaps

Due to the current negative interest rates in Switzerland, the hedge relationship in respect of the 3 month Swiss LIBOR interest rate swaps became ineffective since the interest on the borrowings is capped at a rate of 0% but is fully considered as interest payments on the swap. Hedge accounting discontinued from the date when hedge effectiveness could not be demonstrated, i.e. from 1 October 2014.

	GROUP	
	2017 £'m	2016 £'m
Opening balance	**(19)**	(26)
Fair value adjustments booked through profit and loss (finance cost)	**13**	8
Exchange differences	**(1)**	(1)
Balance at the end of the period	**(7)**	(19)

	Nominal value £'m	**Fixed interest payable**	**Interest receivable**
31 March 2017			
Beyond 1 year **	**1 200**	**0.112% and 0.239%**	**3 month Swiss LIBOR**
31 March 2016			
Beyond 2 years **	1 122	0.112% and 0.239%	3 month Swiss LIBOR

** *The interest rate swap agreement resets every 3 months on 31 March, 30 June, 30 September and 31 December with a final reset on 31 March 2018 and termination date on 30 September 2017 and 30 June 2018.*

21. TRADE AND OTHER PAYABLES

	GROUP	
	2017 £'m	2016 £'m
Trade payables	**227**	200
Other payables and accrued expenses	**167**	169
Social insurance and accrued leave pay	**70**	55
Value added tax	**8**	7
	472	431

	GROUP 2017 £'m	GROUP 2016 £'m
22. EXPENSES BY NATURE		
Fees paid to the Group's auditors for the following services:		
Audit of the parent company and consolidated financial statements	**0.3**	0.4
Audit company subsidiaries	**1.8**	1.9
Audit services	**2.1**	2.3
Audit related services	**0.5**	1.1
Tax advice	**0.4**	0.4
Tax compliance	**–**	0.3
All other services	**0.1**	0.2
	3.1	4.3
Cost of inventories	**630**	481
Depreciation – buildings (note 6)	**37**	25
– equipment (note 6)	**60**	41
– furniture and vehicles (note 6)	**22**	18
Employee benefit expenses	**1 231**	934
Wages and salaries	**1 181**	875
Retirement benefit costs – defined contribution plans	**13**	11
Retirement benefit costs – defined benefit obligations (note 18)	**36**	38
Share-based payment expense (note 15)	**1**	10
Increase in provision for impairment for receivables (note 12)	**26**	9
Maintenance costs	**50**	44
Operating leases – buildings	**53**	32
– equipment	**3**	2
Amortisation of intangible assets (note 7)	**26**	9
Other expenses	**244**	219
General expenses	**244**	220
Profit on disposal of property, equipment and vehicles	**–**	(1)
	2 385	1 818
Classified as:		
Cost of sales	**1 696**	1 264
Administration and other operating expenses	**689**	554
	2 385	1 818
Depreciation and amortisation is classified as:		
Cost of sales	**107**	76
Administration and other operating expenses	**38**	17
	145	93
	No	No
Number of employees	**32 625**	32 884
23. OTHER GAINS AND LOSSES		
Fair value adjustments on derivative contracts	**1**	(1)
Foreign exchange rate losses on corporate transactions	**(3)**	–
	(2)	(1)

	GROUP 2017 £'m	GROUP 2016 £'m
24. FINANCE COSTS		
Interest expense	**58**	44
Interest rate swaps	**11**	11
Amortisation of capitalised financing costs	**7**	5
Fair value gains on ineffective cash flow hedges	**(13)**	(8)
Preference share dividend	**12**	6
Less: amounts included in the cost of qualifying assets	**(1)**	–
	74	58
25. INCOME TAX EXPENSE		
Current tax		
Current year	**46**	41
Previous year	**(3)**	1
Deferred tax (note 9)	**21**	13
Taxation per income statement	**64**	55
Composition		
UK tax	**–**	–
Foreign tax	**64**	55
	64	55
Reconciliation of rate of taxation:		
UK statutory rate of taxation	**20.0%**	20.0%
Adjusted for:		
Capital gains taxed at different rates	**–**	0.1%
Benefit of tax incentives	**(0.2%)**	(0.2%)
Share of net profit of equity accounted investments	**(0.8%)**	(0.5%)
Non-deductible expenses*	**1.8%**	5.6%
Non-controlling interests' share of profit before tax	**(0.3%)**	(0.3%)
Effect of different tax rates**	**0.7%**	(3.9%)
Income tax rate changes	**–**	(0.2%)
Non-recognition of tax losses in current year	**0.9%**	1.8%
Recognition of tax losses relating to prior years***	**(0.5%)**	(0.4%)
Prior year adjustment	**(0.8%)**	0.4%
Effective tax rate	**20.8%**	22.4%

* *The impact of the following non-deductive expenses on the tax rate in the prior year was an increase of 4.2% (£10m):*
- *Transaction costs in relation to the Al Noor transaction were not deductible for tax purposes as these costs are capital of nature. The tax effect of this amounted £8m which resulted in an increase in the effective tax rate.*
- *Non-deductible accelerated IFRS 2 charges increased the tax charge by £2m.*

** *The effect of different tax rates is mainly because of profit earned from South Africa which is subject to an income tax rate of 28%, reduced by profit earned from the UAE which is not subject to income tax. Compared to the comparative period, the effect of different tax rates increased mainly due to the proportional higher contribution by the Southern Africa operating segment and lower proportional contribution from the UAE.*

*** *A deferred tax asset of approximately £3m was recognised in respect of previously unrecognised assessed tax losses in South Africa due to improvements in local profitability.*

The income tax liability includes an amount of approximately £3m (2016: £8m) relating to unresolved tax matters. The range of possible outcomes relating to this liability is not considered to be material.

	GROUP 2017 £'m	GROUP 2016 £'m
26. EARNINGS PER ORDINARY SHARE		
Earnings per ordinary share (pence)		
Basic (pence)	**31.0**	29.6
Diluted (pence)	**31.0**	29.5
Number of shares reconciliation		
Weighted average number of ordinary shares in issue for basic earnings per share		
Number of ordinary shares in issue at the beginning of the year	**737 243 810**	542 473 328
Al Noor Hospitals Group plc shares prior to reverse acquisition	**–**	14 688 077
Al Noor Hospitals Group plc shares repurchased	**–**	(8 000 842)
Weighted average number of ordinary shares issued during the year (August 2015)	**–**	41 742 562
Weighted average number of ordinary shares issued during the year (February 2016)	**–**	9 063 634
Adjustment for equity raising – Rights Offer (August 2015) (IAS 33 para 26)**	**–**	5 239 773
Weighted average number of treasury shares	**(303 656)**	(6 764 447)
BEE shareholder	**(31 238)**	(521 142)
Mpilo Trusts	**(33 128)**	(5 995 653)
Forfeitable Share Plan	**(239 290)**	(247 652)
	736 940 154	598 442 085
Weighted average number of ordinary shares in issue for diluted earnings per share		
Weighted average number of ordinary shares in issue	**736 940 154**	598 442 085
Weighted average number of treasury shares held not yet released from treasury stock	**303 656**	768 793
BEE shareholder*	**31 238**	521 141
Mpilo Trusts	**33 128**	–
Forfeitable Share Plan	**239 290**	247 652
	737 243 810	599 210 878

The prior year number of shares have been converted using the Mediclinic scheme of arrangement conversion ratio of 0.625 Mediclinic International plc shares for each Mediclinic International Limited share held.

* *Represents the equivalent weighted average number of shares for which no value has been received from the BEE shareholder (Mpilo Investment Holdings 2 (RF) (Pty) Ltd) in terms of the Group's black ownership initiative. To date, no value was received for an equivalent of 31 238 (2016: 521 141) shares issued to the strategic black partner.*

Mpilo Investment Holdings 1 (RF) (Pty) Ltd and Mpilo Investment Holdings 2 (RF) (Pty) Ltd are structured entities that are not consolidated due to the Group not having control. These companies are investment holding companies and were incorporated as part of the Mediclinic BEE transaction. The companies hold ordinary shares in Mediclinic International plc on which it receives dividends. These dividends are used to repay the outstanding debt of the companies. The outstanding debt referred to is provided by third parties with no recourse to the Group.

** *The shares were issued at a price lower than the fair value of the shares before the equity capital raised in June 2014 and Rights Offer in August 2015. As a result, the weighted average number of shares was adjusted in accordance with IAS 33 paragraph 26.*

26. EARNINGS PER ORDINARY SHARE (continued)

Headline earnings per ordinary share

The Group is required to calculate headline earnings per share (HEPS) in accordance with the JSE Limited (JSE) Listings Requirements, determined by reference to the South African Institute of Chartered Accountants' circular 02/2015 (Revised) 'Headline Earnings'. The table below sets out a reconciliation of basic EPS and HEPS in accordance with that circular. Disclosure of HEPS is not a requirement of IFRS, but it is a commonly used measure of earnings in South Africa. The table below reconciles the profit for the financial year attributable to equity holders of the parent to headline earnings and summarises the calculation of basic HEPS:

	GROUP 2017 £'m	GROUP 2016 £'m
Profit for the financial period attributable to equity holders of the parent	**229**	177
Adjustments		
Impairment of property	**–**	–
Insurance proceeds	**–**	–
Gain on disposal of subsidiary	**–**	–
Profit on disposal of property, equipment and vehicles	**–**	–
Headline earnings	**229**	177
Headline earnings per share (pence)	**31.0**	29.6
Diluted headline earnings per share (pence)	**31.0**	29.5

27. OTHER COMPREHENSIVE INCOME

Components of other comprehensive income

	2017 £'m	2016 £'m
Currency translation differences	**388**	92
Fair value adjustment – cash flow hedges	**–**	2
Remeasurements of retirement benefit obligations	**34**	(56)
Other comprehensive income, net of tax	**422**	38

	Attributable to equity holders of the Company (before tax) £'m	Tax charge attributable to equity holders of the Company £'m	Attributable to non-controlling interest (after tax) £'m	Total £'m
Year ended 31 March 2017				
Currency translation differences	**372**	**–**	**16**	**388**
Fair value adjustment – cash flow hedges	**–**	**–**	**–**	**–**
Remeasurements of retirement benefit obligations	**43**	**(9)**	**–**	**34**
Other comprehensive income	**415**	**(9)**	**16**	**422**
Year ended 31 March 2016				
Currency translation differences	101	–	(9)	92
Recycling of fair value adjustments of derecognised cash flow hedge	1	–	–	1
Fair value adjustment – cash flow hedges	1	–	–	1
Remeasurements of retirement benefit obligations	(69)	13	–	(56)
Other comprehensive income	34	13	(9)	38

		GROUP	
		2017 £'m	2016 £'m
28.	**CASH FLOW INFORMATION**		
28.1	**Reconciliation of profit before taxation to cash generated from operations**		
	Profit before taxation	**307**	245
	Adjustments for:		
	Finance cost – net	**67**	49
	Share of net profit of equity accounted investments	**(12)**	(6)
	Other gains and losses	**2**	1
	Share-based payment	**1**	10
	Depreciation and amortisation	**145**	93
	Impairment provision of trade receivables	**26**	–
	Movement in provisions	**(1)**	5
	Movement in retirement benefit obligations	**(4)**	9
	Profit on disposal of property, equipment and vehicles	**–**	(1)
	Operating income before changes in working capital	**531**	405
	Working capital changes	**(22)**	6
	Increase in inventories	**(4)**	(1)
	(Increase)/decrease in trade and other receivables	**(14)**	4
	(Decrease)/increase in trade and other payables	**(4)**	3
		509	411
28.2	**Interest paid**		
	Finance cost per income statement	**74**	58
	Refinancing costs shown as financing activities	**(3)**	(6)
	Non-cash items		
	Amortisation of capitalised financing fees	**(7)**	(5)
	Fair value gains on ineffective cash flow hedges	**13**	8
		77	55
28.3	**Tax paid**		
	Liability at the beginning of the period	**8**	11
	Provision for the period	**43**	42
		51	53
	Liability at the end of the period	**(6)**	(8)
		45	45
28.4	**Investment to maintain operations**		
	Property, equipment and vehicles purchased	**105**	63
	Intangible assets purchased	**6**	9
	Less non-cash flow items	**(2)**	–
		109	72
28.5	**Investment to expand operations**		
	Property, equipment and vehicles purchased	**134**	114
	Intangible assets purchased	**6**	–
		140	114

28. CASH FLOW INFORMATION (continued)

	Date paid/ payable	Dividend per share (pence)	2017 £'m	2016 £'m
28.6 Dividends declared				
Year ended 31 March 2017				
Interim dividend	**12 December 2016**	**3.20**	**23**	
Final dividend	**31 July 2017**	**4.70**	**35**	
		7.90		
Year ended 31 March 2016				
Interim dividend	7 December 2015	2.66		15
Final dividend	25 July 2016	5.24		39
		7.90	**58**	54

Under IFRS dividends are only recognised in the financial statements when authorised by the Board of Directors (for interim dividends) or when authorised by the shareholders (for final dividends). The aggregate amount of the proposed dividend expected to be paid on 31 July 2017 from retained earnings has not been recognised as a liability on 31 March 2017.

	GROUP 2017 £'m	GROUP 2016 £'m
Dividends paid during the period	**62**	48

	Total borrowings £'m	Net derivative financial instruments held to hedge borrowings £'m	Total £'m
28.7 Changes in liabilities arising from financing activities			
Year ended 31 March 2017			
Opening balance	**1 841**	**17**	**1 858**
Cash flow movements			
Proceeds from borrowings	**247**	**–**	**247**
Repayment of borrowings	**(327)**	**–**	**(327)**
Non-cash items			
Amortisation of capitalised financing fees	**7**	**–**	**7**
Fair value changes	**–**	**(13)**	**(13)**
Exchange rate differences	**262**	**5**	**267**
Closing balance	**2 030**	**9**	**2 039**
Year ended 31 March 2016			
Opening balance	1 618	26	1 644
Cash flow movements			
Proceeds from borrowings	302	–	302
Repayment of borrowings	(85)	–	(85)
Non-cash items			
Amortisation of capitalised financing fees	5	–	5
Fair value changes	–	(9)	(9)
Exchange rate differences	1	–	1
Closing balance	1 841	17	1 858

	GROUP 2017 £'m	GROUP 2016 £'m
28. CASH FLOW INFORMATION (continued)		
28.8 Cash and cash equivalents		
For the purposes of the statement of cash flows, cash, cash equivalents and bank overdrafts include:		
Cash and cash equivalents	**361**	305
Cash, cash equivalents and bank overdrafts are denominated in the following currencies:		
South African rand*	**96**	74
Swiss franc**	**148**	131
UAE dirham***	**83**	100
Pound****	**34**	–
	361	305

* *The counterparties have a minimum Baa2 credit rating by Moody's.*
** *The facility agreement of the Swiss subsidiary restricts the distribution of cash. The counterparties have a minimum A2 credit rating by Moody's and a minimum A credit rating by Standard & Poor's.*
*** *The counterparties have a minimum BBB+ by Standard & Poor's.*
**** *The counterparty has a Aa2 credit rating by Moody's.*

Cash and cash equivalents denominated in South African rands amounting to £12m (2016 : £12m) has been ceded as security for borrowings (see note 17).

29. BUSINESS COMBINATIONS

There were no significant business combinations during the current year. Al Noor Hospitals Group plc was acquired in the prior year.

	GROUP 2016 £'m Cash flow on acquisition
Al Noor Hospitals Group plc	17

Al Noor Hospitals Group plc

On 15 February 2016, Mediclinic completed the combination between Al Noor Hospitals Group plc and Mediclinic International Limited. The combination was classified as a reverse takeover. After the reverse takeover, the Group is considered to be one of the world's leading international private healthcare groups, with deep operational expertise and a well-balanced geographic profile in Southern Africa, Switzerland, the United Arab Emirates and in the UK (through a minority stake in Spire). The purchase price allocation calculation has been finalised and retrospective adjustments have been made to the calculation (refer to footnote 2 on the next page). The transaction resulted in £1 203m (restated) goodwill being recognised. Goodwill represents the earnings potential of the established Al Noor business with a geographical footprint in Abu Dhabi as well as synergies from a combined business in the UAE and a skilled workforce assembled at the operating facilities.

29. **BUSINESS COMBINATIONS (continued)**

Al Noor Hospitals Group plc (continued)

	GROUP 2016 £'m Cash flow on acquisition
Purchase consideration at 15 February 2016	
Special dividend (£3.28 per share)	383
Tender offer (limited to £1bn with special dividend, £8.32 per share)	530
Value of share element[1]	446
Total consideration transferred	1 359
Recognised amounts of identifiable assets acquired and liabilities assumed (provisional purchase price allocation)	
Assets	
Property, equipment and vehicles	61
Intangible assets	65
Other investments and loans	2
Inventories	14
Trade and other receivables[2]	97
Derivative financial instruments	2
Investment in money market funds	10
Cash and cash equivalents	24
Total assets	275
Liabilities	
Retirement benefit obligations	22
Trade and other payables	92
Total liabilities	114
Total identifiable net assets at fair value	161
Non-controlling interest	(5)
Goodwill[2]	1 203
Total	1 359
Analysis of cash flow on acquisition	
Transaction costs incurred in reverse acquisition	(41)
Net cash acquired with the subsidiary	24
Net cash flow on acquisition	(17)

[1] *The value of the share element represents the equivalent fair value of the shares at date of acquisition that the acquirer (Mediclinic International Limited) would have issued to the shareholders of Al Noor Hospitals Group plc if equity instruments of the acquirer had to be issued.*

[2] *The fair value exercise over the opening balance sheet of Al Noor remained provisional at 31 March 2016 as permitted by IFRS 3. During the year the Group has made progress to conform Al Noor's commercial practices with the rest of the Group. For this reason the fair value of acquired trade and other receivables was adjusted to align with the Group's policies. A fair value adjustments of £14m was made to the opening balance of trade and other receivables as a result of the finalisation of the purchase price allocation. This adjustment resulted in a change in the goodwill figure recorded in the prior year's financial statements.*

Critical accounting estimates and judgements

Critical accounting estimates and assumptions were made in the purchase price allocation of the Al Noor acquisition in accordance with IFRS 3, Business Combinations. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date. The fair value of an asset or liability represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. An independent valuer was used to assist in the valuation of Al Noor's opening balance sheet. During the current year the purchase price allocation was finalised for the Al Noor acquisition and retrospective adjustments were made. Refer to the retrospective adjustments made above.

	GROUP 2016 £'m Cash flow on acquisition
30. CASH FLOW ON ACQUISITION OF INVESTMENT IN ASSOCIATE	
Spire Healthcare Group plc	446

Spire Healthcare Group plc is a leading private healthcare group in the UK with a national network of 39 hospitals across the United Kingdom. The investment in Spire provides Mediclinic with a further opportunity to diversify into an attractive new geography with a strong currency. The Group and Spire will benefit from collaboration, with the potential to unlock procurement benefits and knowledge transfer.

On 22 June 2015, Remgro through its wholly-owned subsidiary, Remgro Jersey Ltd (subsequently renamed to Mediclinic Jersey Ltd), acquired 119 923 335 Spire shares equivalent to a 29.9% shareholding. The purchase of the equity investment were negotiated jointly by Mediclinic and Remgro with the seller. Mediclinic acquired Remgro's indirect shareholding in Spire for an amount equal to the aggregate of the purchase price paid by Remgro Jersey Ltd, transaction costs and funding costs, totalling approximately £446m. The Spire acquisition was effected through a series of transactions which ultimately resulted in Mediclinic, through a wholly-owned subsidiary (Mediclinic Jersey Limited) directly holding the 29.9% interest in Spire from 24 August 2015.

Purchase consideration paid, comprise of the following:	GROUP 2016 £'m Cash flow on acquisition
Purchase price paid to Remgro	437
Transaction cost	10
Total cost of equity investment	447
Less cash acquired in subsidiary (Mediclinic Jersey Ltd)	(1)
Cash flow on acquisition of investment in associate	446

31. DISPOSAL OF SUBSIDIARIES

The Group disposed of the following companies that were part of the Middle East segment: Rochester Wellness LLC, Emirates American Company for Medical Services LLC, Abu Dhabi Medical Services LLC and National Medical Services LLC.

	GROUP 2017 £'m Cash flow on acquisition
Consideration received	
Cash and cash equivalents	**47**
Consideration receivable	**1**
Other non-cash items	**3**
	51

	GROUP 2017 £'m Cash flow on acquisition
31. DISPOSAL OF SUBSIDIARIES (continued)	
Analysis of assets and liabilities over which control was lost	
Assets	
Property, equipment and vehicles	10
Goodwill	33
Trade and other receivables	10
Cash and cash equivalents	3
Total assets	56
Liabilities	
Retirement benefit obligations	1
Trade and other payables	4
Total liabilities	5
Net assets disposed of	51
Gain on disposal of subsidiary	
Consideration received	51
Net assets disposed of	(51)
Gain on disposal	–
Total cashflow on disposal of subsidiary	47
Less: cash and cash equivalents balanced disposed of	(3)
Net cash flow on disposal	44

32. DISPOSAL GROUPS HELD FOR SALE

Before the end of the financial year, management decided to sell the following clinics within the Mediclinic Middle East segment: Mediclinic Beach Road Clinic, Mediclinic Corniche Medical Centre, Lookwow Oneday Surgery and Pharmacy, Al Noor Sanaiya Clinic and Pharmacy, Al Noor ICAD Clinic and Pharmacy, Al Noor International Medical Centre (Sharjah), Al Noor Hamdan Street Pharmacy, Al Madar Ajman Clinic and Pharmacy and Al Madar Diagnostic Centre-Al Ain.

Accordingly, assets and liabilities of these clinics are disclosed as held for sale as the classification requirements of IFRS 5 have been met at 31 March 2017.

	GROUP 2017 £'m	2016 £'m
Analysis of assets and liabilities held for sale		
Assets		
Property, equipment and vehicles	8	–
Inventories	1	–
Total assets	9	–
Liabilities		
Retirement benefit obligations	1	–
Trade and other payables	1	–
Total liabilities	2	–

	GROUP 2017 £'m	GROUP 2016 £'m
33. COMMITMENTS		
Capital commitments		
Incomplete capital expenditure contracts	**170**	92
Southern Africa	**61**	57
Switzerland	**13**	10
Middle East	**96**	25
Capital expenses authorised by the Board of Directors but not yet contracted	**227**	212
Southern Africa	**153**	70
Switzerland	**19**	18
Middle East	**55**	124
	397	304

These commitments will be financed from Group and borrowed funds.

Operating lease commitments

The Group has entered into various operating lease agreements on premises and equipment. The future non-cancellable minimum lease rentals are payable during the following financial years:

	GROUP 2017 £'m	GROUP 2016 £'m
Within 1 year	**45**	41
1 to 5 years	**166**	139
Beyond 5 years	**366**	322
	577	502

Income guarantees

As part of the expansion of network of specialist institutes in Switzerland and centres of expertise the Group has agreed to guarantee a minimum net income to these specialists for a start-up period of three to five years. Payments under such guarantees become due, if the net income from the collaboration does not meet the amounts guaranteed. There were no payments under the above mentioned income guarantees in the reporting period as the net income individually generated met or exceeded the amounts guaranteed.

Total of net income guaranteed:	GROUP 2017 £'m	GROUP 2016 £'m
April 2015 to March 2016	**–**	6
April 2016 to March 2017	**4**	3
April 2017 to March 2018	**1**	–
April 2018 to March 2019	**–**	–
	5	9

Contingent liabilities

Litigation

The Group is not aware of any pending legal claims that are not covered by the Group's extensive insurance programmes.

		GROUP	
		2017 **£'m**	2016 £'m
34.	**RELATED-PARTY TRANSACTIONS**		
	Remgro Limited owns, through various subsidiaries (Remgro Healthcare (Pty) Limited, Remgro Health Limited and Remgro Jersey GBP Limited) 44.56% (2016: 44.56%) of the Company's issued shared capital.		
	The following transactions were carried out with related third parties:		
i)	***Transactions with shareholders***		
	Share subscription – Remgro Group and its subsidiaries	**–**	600
	In addition to the share subscription (February 2016), Remgro also participated in the Right Offer (August 2015).		
	Remgro Management Services Limited (subsidiary of Remgro Limited)		
	Managerial and administration fees	**0.30**	0.20
	Internal audit services	**0.20**	0.10
	Management fee relating to the acquisition of equity investment (Spire Healthcare Group plc)	**–**	2
	Underwriting fees in respect of the rights offer	**–**	4
	V & R Management Services AG (subsidiary of Remgro Limited)		
	Administration fees*	**–**	–
	Acquisition of equity investment (Spire Healthcare Group plc)		
	During the prior period, Mediclinic International (RF) (Pty) Ltd (previously Mediclinic International Ltd) and Remgro Limited jointly negotiated the terms of the transaction to acquire an equity investment in Spire Healthcare Group plc with the seller. Refer to note 30 for additional information.		
ii)	***Key management compensation***		
	Key management includes the Directors (Executive and Non-executive) and members of the Executive Committee.		
	Salaries and other short-term benefits	**7**	4
	Short-term benefits	**6**	4
	Post-employment benefits*	**–**	–
	Share-based payment	**1**	–
iii)	***Transactions with associates***		
	Zentrallabor Zürich (ZLZ)		
	Fees earned	**(1)**	(1)
	Purchases	**10**	7
	Spire Healthcare Group plc		
	Non-executive Director fee*	**–**	–

* *Amount is less than £0.5m.*

35. FINANCIAL INSTRUMENTS

Financial instruments that are measured at fair value in the statement of financial position, are classified using a fair value hierarchy that reflects the significance of the inputs used in the valuation. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Input (other than quoted prices included within level 1) that is observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3 – Input for the asset or liability that is not based on observable market data (unobservable input).

Financial instruments carried at fair value in the statement of financial position	GROUP 2017 £'m	 2016 £'m
Financial assets		
Other investments and loans (available-for-sale assets)	**2**	1
Derivative financial instruments	**–**	3
Financial liabilities		
Derivative financial instruments	**(9)**	(20)

- Available-for-sale assets (part of other investments and loans): Fair value is based on appropriate valuation methodologies being discounted cash flow or actual net asset value of the investment. These assets are grouped as level 2.
- Derivative financial instruments: Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates. Based on the degree to which the fair value is observable, the interest rate swaps and forward contracts are grouped as level 2.

Financial instruments not carried at fair value in the statement of financial position	GROUP 2017 £'m	 2016 £'m
Financial assets		
Other investments and loans	**22**	5
Trade and other receivables	**425**	380
Cash and cash equivalents	**361**	305
Financial liabilities		
Borrowings	**(2 030)**	(1 841)
Trade and other payables	**(394)**	(369)

- Cash and cash equivalents, trade and other receivables, trade and other payables and other investments and loans: Due to the expected short-term maturity of these financial instruments their carrying value approximate their fair value.
- Borrowings: The fair value of long-term borrowings is based on discounted cash flows using the effective interest rate method. As the interest rates of long-term borrowings are all market related, their carrying values approximate their fair value.

36. EVENTS AFTER THE REPORTING DATE

No material events occurred between the reporting date and the date the financial statements were authorised for issue.

ANNEXURE – INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

SUBSIDIARIES

Company	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2017 %	Interest in capital[1] 31 March 2016 %
Al Noor Holdings Cayman Limited ("**ANH Cayman**")	Cayman Islands	Intermediary holding company	**100.0**	100.0
ANMC Management Limited ("**ANMC Management**")	Cayman Islands	Intermediary holding company and manager of Al Noor Golden	**100.0**	100.0
Mediclinic CHF Finco Limited	Jersey	Treasury	**100.0**	100.0
Mediclinic Holdings Netherlands B.V	Netherlands	Intermediary holding company	**100.0**	100.0
Mediclinic International (RF) (Pty) Ltd	South Africa	Intermediary holding company	**100.0**	100.0
Mediclinic Middle East Holdings Limited	Jersey	Intermediary holding company	**100.0**	100.0
Group				
Indirectly held through Mediclinic CHF Finco Limited				
Mediclinic Jersey Limited	Jersey	Intermediary holding company	**100.0**	100.0
Indirectly held through Mediclinic International (RF) (Pty) Ltd				
Mediclinic Investments (Pty) Ltd	South Africa	Intermediary holding company	**100.0**	100.0
Indirectly held through Mediclinic Investments (Pty) Ltd				
Business Ventures Investments No 1871 (Pty) Ltd	Jersey	Deregistered	**–**	100.0
Mediclinic Europe (Pty) Ltd	South Africa	Dormant (deregistration in process)	**100.0**	100.0
Mediclinic Group Services (Pty) Ltd	South Africa	Provision of group services within the Mediclinic group	**100.0**	100.0
Mediclinic Middle East Investment Holdings (Pty) Ltd	South Africa	Dormant	**100.0**	100.0
Mediclinic Southern Africa (Pty) Ltd	South Africa	Intermediary holding company	**100.0**	100.0
Indirectly held through Mediclinic Group Services (Pty) Ltd				
Mediclinic Management Services (Pty) Ltd	South Africa	Dormant (deregistration in process)	**100.0**	100.0
Indirectly held through Mediclinic Southern Africa (Pty) Ltd				
Curamed Holdings (Pty) Ltd	South Africa	Intermediary holding company	**69.6**	69.8
ER24 Holdings (Pty) Ltd	South Africa	Intermediary holding company	**100.0**	100.0
Hedrapix Investments (Pty) Ltd	South Africa	Dormant	**100.0**	100.0
Howick Private Hospital Holdings (Pty) Ltd	South Africa	Intermediary holding company	**50.0**	50.0
Medical Human Resources (Pty) Ltd	South Africa	Management of healthcare staff	**100.0**	100.0
Medical Innovations (Pty) Ltd	South Africa	Hospital equipment	**100.0**	100.0
Mediclinic (Pty) Ltd (ordinary shares and Mediclinic Head Office Hospital Shares)	South Africa	Intermediary holding company and operating company of Mediclinic Southern Africa	**100.0**	100.0
Mediclinic Brits (Pty) Ltd*	South Africa	Healthcare services	**65.2**	64.1
Mediclinic Finance Corporation (Pty) Ltd	South Africa	Treasury	**100.0**	100.0
Mediclinic Holdings (Namibia) (Pty) Ltd	Namibia	Intermediary holding company	**100.0**	100.0
Mediclinic Lephalale (Pty) Ltd	South Africa	Healthcare services	**87.3**	87.3
Mediclinic Midstream (Pty) Ltd	South Africa	Healthcare services	**81.1**	81.1
Mediclinic Midstream Properties (Pty) Ltd	South Africa	Dormant	**100.0**	100.0
Mediclinic Paarl (Pty) Ltd*	South Africa	Healthcare services	**75.2**	74.6
Mediclinic Properties (Pty) Ltd	South Africa	Property ownership and management	**100.0**	100.0
Mediclinic Tzaneen (Pty) Ltd* (50% plus 1 share)	South Africa	Healthcare services	**50.0**	50.0

SUBSIDIARIES (continued)

Company	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2017 %	31 March 2016 %
Indirectly held through Mediclinic Southern Africa (Pty) Ltd				
Medipark Clinic (Pty) Ltd	South Africa	Dormant	**100.0**	100.0
Newcastle Private Hospital (Pty) Ltd* (50% plus 1 share)	South Africa	Healthcare services	**50.0**	50.0
Phodiclinics (Pty) Ltd	South Africa	Deregistered	**–**	100.0
Practice Relief (Pty) Ltd	South Africa	Provision of debt collection and related services	**100.0**	100.0
Victoria Hospital (Pty) Ltd* (50% plus 1 share)	South Africa	Healthcare services	**50.0**	50.0
Indirectly held through Mediclinic Holdings (Namibia) (Pty) Ltd				
Mediclinic Capital (Namibia) (Pty) Ltd	Namibia	Investment holding company	**100.0**	100.0
Mediclinic Otjiwarongo (Pty) Ltd	Namibia	Healthcare services	**100.0**	96.0
Mediclinic Properties (Swakopmund) (Pty) Ltd	Namibia	Property ownership and management	**100.0**	100.0
Mediclinic Properties (Windhoek) (Pty) Ltd	Namibia	Property ownership and management	**100.0**	100.0
Mediclinic Swakopmund (Pty) Ltd	Namibia	Healthcare services	**97.2**	97.2
Mediclinic Windhoek (Pty) Ltd	Namibia	Healthcare services	**96.5**	96.4
Hospital Investment Companies				
Mediclinic Bloemfontein Investments (Pty) Ltd	South Africa	Hospital investment company	**98.9**	98.7
Mediclinic Cape Gate Investments (Pty) Ltd	South Africa	Hospital investment company	**92.8**	93.5
Mediclinic Cape Town Investments (Pty) Ltd	South Africa	Hospital investment company	**99.0**	99.0
Mediclinic Constantiaberg Investments (Pty) Ltd	South Africa	Hospital investment company	**75.6**	75.6
Mediclinic Durbanville Investments (Pty) Ltd	South Africa	Hospital investment company	**99.4**	99.4
Mediclinic Emfuleni Investments (Pty) Ltd	South Africa	Hospital investment company	**84.1**	82.9
Mediclinic George Investments (Pty) Ltd	South Africa	Hospital investment company	**97.2**	98.6
Mediclinic Highveld Investments (Pty) Ltd	South Africa	Hospital investment company	**98.6**	98.6
Mediclinic Hoogland Investments (Pty) Ltd	South Africa	Hospital investment company	**99.2**	99.2
Mediclinic Kathu Investments (Pty) Ltd	South Africa	Dormant	**100.0**	100.0
Mediclinic Klein Karoo Investments (Pty) Ltd	South Africa	Hospital investment company	**100.0**	100.0
Mediclinic Legae Investments (Pty) Ltd	South Africa	Hospital investment company	**93.1**	94.3
Mediclinic Louis Leipoldt Investments (Pty) Ltd	South Africa	Hospital investment company	**99.6**	99.6
Mediclinic Milnerton Investments (Pty) Ltd	South Africa	Hospital investment company	**99.4**	99.4
Mediclinic Morningside Investments (Pty) Ltd	South Africa	Hospital investment company	**79.0**	79.7
Mediclinic Nelspruit Investments (Pty) Ltd	South Africa	Hospital investment company	**98.7**	98.6
Mediclinic Panorama Investments (Pty) Ltd	South Africa	Hospital investment company	**98.7**	99.1
Mediclinic Pietermaritzburg Investments (Pty) Ltd	South Africa	Hospital investment company	**76.4**	76.9
Mediclinic Plettenberg Bay Investments (Pty) Ltd	South Africa	Hospital investment company	**95.0**	94.5
Mediclinic Sandton Investments (Pty) Ltd	South Africa	Hospital investment company	**92.9**	92.8
Mediclinic Secunda Investments (Pty) Ltd	South Africa	Hospital investment company	**81.8**	81.8
Mediclinic Stellenbosch Investments (Pty) Ltd	South Africa	Hospital investment company	**90.8**	90.8
Mediclinic Vereeniging Investments (Pty) Ltd	South Africa	Hospital investment company	**99.0**	99.0
Mediclinic Vergelegen Investments (Pty) Ltd	South Africa	Hospital investment company	**93.1**	94.3
Mediclinic Welkom Investments (Pty) Ltd	South Africa	Hospital investment company	**91.4**	92.2
Mediclinic Worcester Investments (Pty) Ltd	South Africa	Hospital investment company	**97.3**	99.3

SUBSIDIARIES (continued)

Company	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2017 %	31 March 2016 %
Indirectly held through Mediclinic (Pty) Ltd				
Mediclinic Barberton (Pty) Ltd*	South Africa	Healthcare services	**77.0**	77.0
Mediclinic Ermelo (Pty) Ltd*	South Africa	Healthcare services	**50.1**	50.1
Mediclinic Hermanus (Pty) Ltd* (50% plus 1 share)	South Africa	Healthcare services	**53.2**	50.0
Mediclinic Kimberley (Pty) Ltd*	South Africa	Healthcare services	**89.4**	88.6
Mediclinic Limpopo (Pty) Ltd$*	South Africa	Healthcare services	**50.0**	50.0
Mediclinic Potchefstroom (Pty) Ltd*	South Africa	Healthcare services	**86.8**	88.3
Mediclinic Upington (Pty) Ltd*	South Africa	Healthcare services	**50.0**	50.0
Indirectly held through Howick Private Hospital Holdings (Pty) Ltd				
Howick Private Hospital (Pty) Ltd*	South Africa	Healthcare services	**100.0**	100.0
Indirectly held through Mediclinic Limpopo (Pty) Ltd				
Mediclinic Limpopo Day Clinic (Pty) Ltd	South Africa	Day clinic investment company	**60.2**	64.7
Mediclinic Limpopo Investments (Pty) Ltd	South Africa	Investment holding company	**100.0**	100.0
Indirectly held through Mediclinic Durbanville Investments (Pty) Ltd				
Mediclinic Durbanville Day Clinic (Pty) Ltd	South Africa	Day clinic investment company	**89.9**	89.9
Indirectly held through Mediclinic Tzaneen (Pty) Ltd				
Mediclinic Tzaneen Investments (Pty) Ltd	South Africa	Investment holding company	**100.0**	100.0
Indirectly held through Mediclinic Victoria Hospital (Pty) Ltd				
Victoria Hospital Investments (Pty) Ltd	South Africa	Investment holding company	**100.0**	100.0
Indirectly held through Curamed Holdings (Pty) Ltd				
Curamed Hospitals (Pty) Ltd	South Africa	Healthcare services	**100.0**	100.0
Curamed Properties (Pty) Ltd	South Africa	Property ownership and management	**100.0**	100.0
Indirectly held through Curamed Hospitals (Pty) Ltd				
Mediclinic Thabazimbi (Pty) Ltd	South Africa	Healthcare services	**76.0**	76.0
Indirectly Held through ER24 Holdings (Pty) Ltd				
ER24 EMS (Pty) Ltd	South Africa	Emergency medical services	**100.0**	100.0
ER24 Trademarks (Pty) Ltd	South Africa	Intellectual property holding company	**100.0**	100.0
Indirectly held through Mediclinic Holdings Netherlands B.V				
Mediclinic Luxembourg S.à.r.l	Luxembourg	Intermediary holding company	**100.0**	100.0
Indirectly held through Mediclinic Luxembourg S.à.r.l.				
Hirslanden AG	Switzerland	Intermediary holding company and operating company of the Hirslanden group	**100.0**	100.0
Indirectly held through Hirslanden AG				
AndreasKlinik AG Cham	Switzerland	Healthcare services	**100.0**	100.0
Hirslanden Bern AG	Switzerland	Healthcare services	**100.0**	100.0
Hirslanden Clinique La Colline SA	Switzerland	Healthcare services	**100.0**	100.0
Hirslanden Freiburg AG, Düdingen	Switzerland	Healthcare services	**100.0**	100.0
Hirslanden Klinik Aarau AG	Switzerland	Healthcare services	**100.0**	100.0

SUBSIDIARIES (continued)

Company	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2017 %	Interest in capital[1] 31 March 2016 %
Indirectly held through Hirslanden AG				
Hirslanden Klinik Am Rosenberg AG	Switzerland	Healthcare services	**100.0**	100.0
Hirslanden Lausanne SA	Switzerland	Healthcare services	**100.0**	100.0
IMRAD SA	Switzerland	Healthcare services	**80.0**	80.0
Klinik Belair AG	Switzerland	Healthcare services	**100.0**	100.0
Klinik Birshof AG	Switzerland	Healthcare services	**99.7**	99.7
Klinik St. Anna AG	Switzerland	Healthcare services	**100.0**	100.0
Klinik Stephanshorn AG	Switzerland	Healthcare services	**100.0**	100.0
Radiotherapie Hirslanden AG	Switzerland	Healthcare services	**100.0**	100.0
Indirectly held through Hirslanden Klinik am Rosenberg AG				
Klinik am Rosenberg Heiden AG	Switzerland	Healthcare services	**99.2**	99.1
Indirectly held through Mediclinic Middle East Holdings Limited				
Mediclinic International Co Limited	United Kingdom	Dormant	**100.0**	100.0
Emirates Healthcare Holdings Limited	British Virgin Islands	Intermediary holding company	**100.0**	100.0
Indirectly held through Emirates Healthcare Holdings Limited				
Welcare World Holdings Limited	British Virgin Islands	Healthcare services	**100.0**	100.0
Emirates Healthcare Limited	British Virgin Islands	Healthcare services	**100.0**	100.0
Indirectly held through Emirates Healthcare Limited				
American Healthcare Management Systems Limited	British Virgin Islands	Management services	**100.0**	100.0
Delah Cafe FZ LLC (incorporated in October 2016)	UAE	Food and catering	**100.0**	–
Emirates Healthcare Estates Limited	British Virgin Islands	Property management	**100.0**	100.0
Mediclinic Al Quasis Clinic LLC[2]	UAE	Healthcare services	**49.0**	49.0
Mediclinic Beach Road LLC[2]	UAE	Healthcare services	**49.0**	49.0
Mediclinic City Hospital FZ LLC	UAE	Healthcare services	**100.0**	100.0
Mediclinic Clinics Investment LLC[2]	UAE	Healthcare services	**49.0**	49.0
Mediclinic Ibn Battuta Clinic LLC[2]	UAE	Healthcare services	**49.0**	49.0
Mediclinic Medical Stores Co LLC[2]	UAE	Procurement	**49.0**	49.0
Mediclinic Mirdif Clinic LLC[2]	UAE	Healthcare services	**49.0**	49.0
Mediclinic Parkview Hospital LLC[2]	UAE	Healthcare services	**49.0**	49.0
The Manchester Clinic LLC[2] (previously held by Mediclinic Hospitals LLC)	UAE	Healthcare services	**49.0**	24.0
Welcare Hospitals Limited	British Virgin Islands	Healthcare services	**100.0**	100.0
Welcare World Health Systems Limited	British Virgin Islands	Healthcare services	**100.0**	100.0
Indirectly held through Welcare Hospitals Limited				
Mediclinic Welcare Hospital LLC[2]	UAE	Healthcare services	**49.0**	49.0

SUBSIDIARIES (continued)

Company	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2017 %	Interest in capital[1] 31 March 2016 %
Indirectly held through Welcare World Holdings Limited				
Mediclinic Corniche Medical Centre LLC[2]	UAE	Healthcare services	**49.0**	49.0
Mediclinic Pharmacy LLC[2]	UAE	Healthcare services (pharmacy)	**49.0**	49.0
Indirectly held through Welcare World Health Systems Limited				
Mediclinic Middle East Management Services FZ LLC	UAE	Healthcare Management services	**100.0**	100.0
Indirectly held through Al Noor Holdings Cayman Limited / ANMC Management Limited				
Al Noor Golden Commercial Investment LLC ("**Al Noor Golden**")[3]	UAE	Intermediary holding company	**49.0**	49.0
Indirectly held through Al Noor Golden				
Mediclinic Hospitals LLC (previously named Al Noor Medical Company – Al Noor Hospital – Al Noor Pharmacy and Al Noor Warehouse LLC)[4]	UAE	Intermediary holding company and operating company for Al Noor business	**99.0**	99.0
Indirectly held through Mediclinic Hospitals LLC				
Al Noor Hospital Family Care Centre – Al Mamoora LLC[6]	UAE	Healthcare services	**100.0**	100.0
Emirates American Company for Medical Services LLC	UAE	Sold during the year	**–**	100.0
Rochester Wellness LLC	UAE	Sold during the year	**–**	49.0
Abu Dhabi Medical Services LLC	Oman	Sold during the year	**–**	70.0
National Medical Services LLC	Oman	Sold during the year	**–**	70.0
Al Noor Hospital Medical Centre Khalifa City LLC[7]	UAE	Healthcare services	**49.0**	–
Al Madar Medical Centre LLC[5]	UAE	Healthcare services	**73.0**	48.0
Aspetar Al Madar Medical Center LLC (previously named Aspetar Al Madar Rehabilitation Centre LLC)[8]	UAE	Healthcare services	**49.0**	48.0
Al Noor Hospital Clinics Al Ain LLC	UAE	Healthcare services	**99.0**	99.0
Pharmalight Medical Stores LLC	UAE	Procurement	**99.0**	–
Indirectly held through Al Madar Medical Centre LLC				
Lookwow Oneday Surgery Company LLC	UAE	Healthcare services	**76.0**	76.0
Lookwow Pharmacy LLC[9]	UAE	Healthcare services (pharmacy)	**49.0**	–

SUBSIDIARIES (continued)

Notes

[1] *The actual equity interest in the UAE entities are disclosed herein, with the beneficial interest further explained in the notes.*

[2] *In terms of the constitutional and contractual arrangements the Group has full management control and an economic interest of 100% in these UAE entities.*

[3] *Al Noor Holdings Cayman Limited ("**ANH Cayman**") holds 48% and ANMC Management Limited ("**ANMC Management**") holds 1% in the share capital of Al Noor Golden Commercial Investment LLC ("**Al Noor Golden**"), collectively 49%. The remaining 51% is held by Al Noor Commercial Investment LLC ("**ANCI**"). The constitutional documents of Al Noor Golden provide ANH Cayman with the right to receive up to 89% of all distributions by Al Noor Golden, ANMC Management the right to receive 1%, and ANCI the right to receive the remaining 10%. In terms of the Mudaraba Agreement, ANH Cayman has the right to receive 99% of ANCI's right to receive 10% of the distributions of Al Noor Golden. Al Noor Cayman and ANMC Management therefore, collectively, have an effective beneficial interest of 99.9% in Al Noor Golden.*

The First Arabian Corporation LLC holds 99.33% and Sheikh Mohammed Bin Butti Al Hamed holds the remaining 0.67% in ANCI. ANCI holds 51% of the issued share capital of Al Noor Golden, and 1% of the issued share capital of Mediclinic Hospitals LLC. ANMC Management is appointed as the manager of ANCI. Pursuant to a shareholders agreement and a Mudaraba agreement, 99% of ANCI's profit or loss should be distributed to ANH Cayman.

[4] *Al Noor Golden holds 99% of the issued share capital of Mediclinic Hospitals LLC, with the remaining 1% held by ANCI. Al Noor Golden has the right to be appointed at the proxy of ANCI, to attend and vote at all shareholder meetings of Mediclinic Hospitals LLC.*

[5] *Mediclinic Hospitals LLC holds 73% of the issued share capital of Al Madar Medical Center LLC, with the remaining 27% interest held by ANCI. The Memorandum of Association of the company provides that Mediclinic Hospitals LLC is entitled to receive 99% of distributions by the company and ANCI is entitled to receive 1%. The Group's effective beneficial interest in the entity is therefore 99%.*

[6] *Mediclinic Hospitals LLC holds 99% and Al Noor Golden holds 1% in the issued share capital of Al Noor Hospital Family Care Centre – AL Mamoora LLC, collectively 100%.*

[7] *Al Noor Golden holds 49% of the issued share capital of Al Noor Hospital Medical Center – Khalifa City LLC, with the remaining 51% held by ANCI. The Memorandum of Association of the company provides that Al Noor Golden is entitled to receive 99% of distributions by the company and ANCI is entitled to receive 1%. The Group's effective beneficial interest in the entity is therefore 99%.*

[8] *Mediclinic Hospitals LLC holds 49% of the issued share capital of Aspetar Al Madar Medical Center LLC, with the remaining 51% held by ANCI. The Memorandum of Association of the company provides that Mediclinic Hospitals LLC is entitled to receive 99% of distributions by the company and ANCI is entitled to receive 1%. The Group's effective beneficial interest is therefore 99%.*

[9] *Al Madar Medical Center LLC holds 49% of the issued share capital of Lookwow Pharmacy LLC, with the remaining 51% held by a third party. The Memorandum of Association of the company provides that Al Madar Medical Center LLC is entitled to receive 76% of distributions by the company and the third party is entitled to receive 24%. The Group's effective beneficial interest is therefore 76%.*

[*] *Controlled through long-term management agreements*

[$] *Operating through trusts or partnerships*

JOINT VENTURES

Company	Country of incorporation and place of business	Principal activities	Interest in capital 31 March 2017 %	Interest in capital 31 March 2016 %
Wits University Donald Gordon Medical Centre (Pty) Ltd	South Africa	Healthcare services	**49.9**	49.9

ASSOCIATES

Company	Interest in capital 31 March 2017 %	Interest in capital 31 March 2016 %	Book value of investment 31 March 2017 £'m	Book value of investment 31 March 2016 £'m
Listed:				
Spire Healthcare Group plc (held through Mediclinic Jersey Limited)	**29.9**	29.9	**459**	451
Unlisted:				
Zentrallabor Zürich, Zürich	**53.0**	56.0	**2**	1
Baukonsortium, Cham*	**24.0**	24.0	**–**	–
Centre de Reeducation et de Physiotherapie SA*	**20.0**	20.0	**–**	–
Centre de Physiotherapie du Sport S.à.r.l.*	**23.0**	–	**–**	–
			461	452

The nature of the activities of the associates is similar to the major activities of the Group.

* *Book value is less than £0.5m.*

COMPANY FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

to the members of Mediclinic International plc

REPORT ON THE COMPANY FINANCIAL STATEMENTS

OUR OPINION

In our opinion, Mediclinic International plc's company financial statements (the "**financial statements**"):

- give a true and fair view of the state of the company's affairs at 31 March 2017 and of its cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("**IFRSs**") as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

WHAT WE HAVE AUDITED

The financial statements, included within the Annual Report and Financial Statements, comprise:

- the statement of financial position at 31 March 2017;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report and Financial Statements, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union and applicable law and as applied in accordance with the provisions of the Companies Act 2006.

OTHER REQUIRED REPORTING

CONSISTENCY OF OTHER INFORMATION AND COMPLIANCE WITH APPLICABLE REQUIREMENTS

COMPANIES ACT 2006 REPORTING

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

ISAS (UK & IRELAND) REPORTING

Under International Standards on Auditing (UK and Ireland) ("**ISAs (UK & Ireland)**") we are required to report to you if, in our opinion, information in the Annual Report and Financial Statements is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or
- otherwise misleading.

We have no exceptions to report arising from this responsibility.

ADEQUACY OF ACCOUNTING RECORDS AND INFORMATION AND EXPLANATIONS RECEIVED

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

DIRECTORS' REMUNERATION

DIRECTORS' REMUNERATION REPORT – COMPANIES ACT 2006 OPINION

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

OTHER COMPANIES ACT 2006 REPORTING

Under the Companies Act 2006, we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

OUR RESPONSIBILITIES AND THOSE OF THE DIRECTORS

As explained more fully in the Directors' Responsibilities Statement set out on page 129, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

WHAT AN AUDIT OF FINANCIAL STATEMENTS INVOLVES

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

OTHER MATTER

We have reported separately on the Group financial statements of Mediclinic International plc for the year ended 31 March 2017.

Giles Hannam (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
23 May 2017

COMPANY STATEMENT OF FINANCIAL POSITION as at 31 March 2017

	Notes	2017 £'m	2016 £'m
Non-current assets			
Investment in subsidiaries	3	**5 916**	5 916
Current assets			
Amounts due from related parties	4	**–**	47
Cash and cash equivalents		**34**	–
Total current assets		**34**	47
Total assets		**5 950**	5 963
Equity			
Share capital	5	**74**	74
Capital redemption reserve	5	**6**	6
Share premium	5	**690**	690
Retained earnings	5	**5 154**	4 899
Share-based payment reserve	5	**1**	1
Treasury shares	5	**(2)**	(2)
		5 923	5 668
Current liabilities			
Other payables		**1**	3
Amount due to related parties	4	**26**	26
Bank borrowing	7	**–**	265
Derivatives payable		**–**	1
		27	295
		5 950	5 963

These financial statements as set out on pages 221 to 230 were approved and authorised for issue by the Board of Directors and signed on their behalf by:

DP Meintjes
Chief Executive Officer
23 May 2017

PJ Myburgh
Chief Financial Officer
23 May 2017

Mediclinic International plc (Company no 08338604)

The notes on pages 224 to 230 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY for the year/period ended 31 March

	Share capital £'m	Capital redemp-tion reserve £'m	Share premium £'m	Retained earnings/ (accumu-lated losses) £'m	Share-based payment reserve £'m	Treasury shares £'m	Total £'m
At 1 January 2015	12	–	448	(1)	2	–	461
Profit for the period	–	–	–	91	–	–	91
Transactions with owners of the company:							
Reduction of share premium	–	–	(448)	448	–	–	–
Special dividends declared	–	–	–	(383)	–	–	(383)
Dividends paid in the year 2015	–	–	–	(15)	–	–	(15)
Reversal of share-based payment reserve	–	–	–	–	(1)	–	(1)
Addition of share-based payment reserve	–	–	–	–	1	–	1
Tender offer (repurchase of shares)	(6)	6	(523)	(6)	–	–	(529)
Remgro subscription	7	–	593	–	–	–	600
Repurchase of Mediclinic shares	61	–	5 385	–	–	–	5 446
Addition to treasury shares	–	–	–	–	–	(2)	(2)
Settlement of share-based payment reserve	–	–	–	–	(2)	–	(2)
Addition to share-based payment reserve	–	–	–	–	1	–	1
Transfer of share premium/ capital reduction	–	–	(4 765)	4 765	–	–	–
At 31 March 2016	74	6	690	4 899	1	(2)	5 668
At 1 April 2016	**74**	**6**	**690**	**4 899**	**1**	**(2)**	**5 668**
Profit for the year	**–**	**–**	**–**	**317**	**–**	**–**	**317**
Dividends paid in the year	**–**	**–**	**–**	**(62)**	**–**	**–**	**(62)**
At 31 March 2017	**74**	**6**	**690**	**5 154**	**1**	**(2)**	**5 923**

The notes on pages 224 to 230 form an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS for the year/period ended 31 March

	Notes	12 months ended 31 March 2017 £'m	15 months ended 31 March 2016 £'m
Operating activities			
Profit before tax		**317**	91
Adjustments for:			
Finance costs		**6**	6
Other income	6	**(27)**	–
Loss from derivatives instruments		**–**	1
Dividend income		**(303)**	(147)
Net cash used in operating activities before movements in working capital		**(7)**	(49)
Change in balances with related parties		**47**	13
Change in other payables		**(2)**	1
Change in derivatives		**(1)**	–
Net cash generated from/(used in) operating activities		**37**	(35)
Investing activities			
Dividend received		**303**	99
Repurchase of shares		**–**	(530)
Issue of shares		**–**	600
Special dividends paid		**–**	(383)
Net cash generated from/(used in) financing activities		**303**	(214)
Financing activities			
Obtaining a bank loan		**–**	313
Repayment of bank loan	7	**(265)**	(46)
Payment of facility fees of bank loan		**–**	(5)
Settlement of share option reserve		**–**	(2)
Interest paid		**(6)**	(2)
Dividend paid		**(35)**	(15)
Net cash (used in)/generated from financing activities		**(306)**	243
Net movement in cash and cash equivalents		**34**	(6)
Cash and cash equivalents at the beginning of the year/period		**–**	6
Cash and cash equivalents at the end of the year/period		**34**	–

The notes on pages 224 to 230 form an integral part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS for the year ended 31 March 2017

1. STATUS AND ACTIVITY

Mediclinic International plc (the "Company" or "Parent'') is a Company which was incorporated in England and Wales on 20 December 2012. The address of the registered office of the Company is C/O Capita Company Secretarial Services, 1st Floor, 40 Dukes Place, London, EC3A 7NH. The registered number of the Company is 08338604. There is no ultimate controlling party. The domicile of the Company is the United Kingdom. The Company is a public liability company with three operating platforms in Southern Africa (South Africa and Namibia), Switzerland and the United Arab Emirates.

The activities of the subsidiaries are the operation of medical hospitals and clinics and the sale of pharmaceuticals, medical supplies and related equipment.

These financial statements are the separate financial statements of the Parent Company only and the financial statements of the Group are prepared and presented separately. The financial statements are available at the registered office of the Company.

2. BASIS OF PREPARATION

The Company's principal accounting policies applied in the preparation of these financial statements are the same as those set out in note 2 of the Group's financial statements, except as noted below. These policies have been consistently applied to all the years presented.

Investments in subsidiaries are carried at cost less any accumulated impairment.

Dividend income is recognised when the right to receive payment is established.

The Company is taking advantage of the exemption in section 408 of the UK Companies Act not to present its individual income statement as part of these financial statements.

a) Statement of compliance

The financial statements includes activities for the period from 1 April 2016 to 31 March 2017 (the "**year**"). The comparative information include activities for the period from 1 January 2015 to 31 March 2016 (the "**period**").

b) Basis of measurement

The financial statements of the Company are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, including IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements are prepared on the historical cost convention, as modified by the revaluation of certain financial instruments to fair value.

c) Functional and presentation currency

The financial statements and financial information are presented in pound, rounded to the nearest million.

d) Going concern

The Company's financial statements were prepared on a going concern basis. The Directors believe that the Company will continue to be in operation in the foreseeable future.

3. INVESTMENT IN SUBSIDIARIES

This investment is stated at cost less impairment, if any.

	2017 £'m	2016 £'m
Shares at cost	**5 916**	5 916

The investments held by the Company are Al Noor Holdings Cayman Limited, ANMC Management Limited, Mediclinic CHF Finco Limited, Mediclinic Holdings Netherlands B.V., Mediclinic Middle East Holdings Limited and Mediclinic International (RF) (Pty) Ltd, each being wholly-owned subsidiaries.

The activities of the subsidiaries are the operation of medical hospitals and clinics and the sale of pharmaceuticals, medical supplies and related equipment.

At 31 March 2017, the market capitalisation of the Company was below the carrying value of the total investment in subsidiaries balance of £5 916m. As a result impairment assessments were performed. No impairment was required for any of the investments as the value-in-use calculations were higher than the carrying values of each individual investment.

Refer to the Annexure to the notes to the consolidated financial statements for a complete listing of investments in subsidiaries, associates and joint ventures of the Group and details of the country of incorporation, place of business, principal activities and interest in capital.

4. RELATED-PARTY BALANCES AND TRANSACTIONS

Related-parties comprise the subsidiaries, the shareholders, key management personnel and those entities over which the parent, the ultimate parent, the Directors or the Company can exercise significant influence or which can significantly influence the Company.

	2017 £'m	2016 £'m
a) Transactions with key management personnel		
Key management includes the Directors (Executive and Non-executive) and members of the Executive Committee.		
Salaries and other short-term benefits	**1**	4
b) Amount due from a related party:		
Mediclinic International (RF) (Pty) Ltd	**–**	47
This amount included the dividends declared by Mediclinic International (RF) (Pty) Ltd on 31 March 2016.		
c) Amount due to a related party:		
Al Noor Medical Company – Al Noor Hospital – Al Noor Pharmacy LLC	**26**	26
This amount included the transaction and operational expenses paid by Al Noor Medical Company – Al Noor Hospital – Al Noor Pharmacy LLC on behalf of the Company. This amount is payable on demand.		
Information regarding the Group's subsidiaries and associates can be found in the Annexure to the Consolidated Financial Statements.		
d) Dividends received from related parties:		
Mediclinic CHF Finco Limited	**49**	35
Mediclinic Holdings Netherlands B.V.	**7**	–
Mediclinic International (RF) (Pty) Ltd	**78**	94
Mediclinic Middle East Holdings Limited	**169**	–
Al Noor Holdings Cayman Limited	**–**	18
	303	147

	2017 £'m	2016 £'m
5. SHARE CAPITAL AND RESERVES		
Issued and fully paid 737 243 810 (2016: 737 243 810) shares of 10 pence each	**74**	74

Movement of issued share capital and share premium:

	Number of Shares million	Share capital £'m	Capital redemption £'m	Share premium £'m	Total £'m
1 January 2015	116 866 203	12	–	448	460
Reduction of share capital	–	–	–	(448)	(448)
Remgro subscription	72 115 384	7	–	593	600
Shares issued to Mediclinic International (RF) (Pty) Ltd shareholders	611 921 099	61	–	5 385	5 446
Tender offer	(63 658 876)	(6)	6	(523)	(523)
Second capital reduction	–	–	–	(4 765)	(4 765)
At 31 March 2016	737 243 810	74	6	690	770
At 31 March 2017	**737 243 810**	**74**	**6**	**690**	**770**

a. *The Directors of the Company, having taken legal advice, have redesignated share premium in aggregate of £448m from the share premium account to retained earnings. On 20 and 21 January 2016 the Company applied to the court for a reduction of the Company's share premium balance to the amounts of £359m and £89m respectively.*
b. *On 16 February 2016, the Company applied to the Court proposed reduction of share capital from £80m to £74m and reduction of share premium from £5 454m (US$8 655m) to £690m (US$1bn). Accordingly, an amount of £4 765m has been transferred from the share premium account to retained earnings.*
c. *The Company received legal advice on the scheme of arrangement and the premium on issue of share capital to Mediclinic International (RF) (Pty) Ltd shareholders, did not qualify as merger relief under United Kingdom law.*

Other reserves

	Share-based payment reserve £'m	Treasury shares £'m	Total £'m
As at 1 January 2015	2	–	2
Reversal of share-based payment reserve	(1)	–	(1)
Addition of share-based payment reserve	2	–	2
Settlement of share-based payment reserve	(2)	–	(2)
Addition to treasury shares	–	(2)	(2)
As at 31 March 2016	1	(2)	(1)
Addition of share-based payment reserve	–	–	–
As at 31 March 2017	**1**	**(2)**	**(1)**

6. DIVIDENDS

The Company declared interim dividends for the 2016/17 period and final dividends for the 2015/16 period amounting to £62m. The Company paid £35m of these dividends, the remainder of £27m was paid by the Dividend Access Trust.

A wholly-owned subsidiary of the Company, Mediclinic International (RF) (Pty) Ltd, formed a Dividend Access Trust to comply with a South African Reserve Bank requirement that dividends from a South African source due to South African shareholders on the South African share register must be paid locally to avoid an outflow of funds from South Africa.

The beneficiaries of the trust are the South African shareholders of the Company who hold their shares via the South African share register on the relevant record date in respect of each distribution paid through the dividend access scheme. The Dividend Access Trust does not participate in any profits.

When a dividend is declared by the Company, the Dividend Access Trust would receive a dividend from Mediclinic International (RF) (Pty) Ltd which in turn is paid over to the Company's transfer secretaries in South Africa, who arrange for the payment of the relevant amount to the South African shareholders (the beneficiaries of the trust) through the usual dividend payment procedures, as if they were dividends received from Mediclinic International plc. To the extent that the dividends due to South African shareholders are not ultimately funded from Mediclinic International (RF) (Pty) Ltd, they receive those dividends as normal dividends from Mediclinic International plc. The South African shareholders' entitlement to receive dividends declared by Mediclinic International plc is reduced by any amounts they receive via the trust.

Details on the final proposed dividend has been disclosed in note 28.7 to the consolidated financial statements.

7. BANK BORROWING

The Company obtained a short-term bridge facility of £400m of which £313m was drawn down on 24 February 2016. This loan was fully repaid within this financial year. This loan incurred interest at variable rates linked to LIBOR with a minimum base rate of 1% plus 3.75%. The facility was secured in favour of lenders over the shares in Mediclinic International (RF) (Pty) Ltd and of Mediclinic CHF Finco Limited, Mediclinic Middle East Holdings Limited and Mediclinic Holdings Netherlands B.V.

	2017 £'m	2016 £'m
As at 1 April 2016 (2016: 1 January 2015)	**265**	–
Drawdown during the period	**–**	313
Repaid during the period	**(265)**	(47)
	–	266
Facility costs	**–**	(1)
As at 31 March	**–**	265

8. AUDITOR'S REMUNERATION

The Company incurred an amount of £337 900 (2016: £352 989) to its auditor in respect of the audit of the Company and Group's financial statements for the year ended 31 March 2017.

Fees payable to the Company's auditors for other services:

	2017 £'m	2016 £'m
Tax advisory services	**248**	–
Audit-related and other services	**98**	–
	346	–

Relates to services rendered across the Group.

9. SHARE-BASED PAYMENT RESERVE

Forfeitable Share Plan

The Mediclinic International (RF) (Pty) Ltd Forfeitable Share Plan ("**FSP**") was approved by the Company's shareholders in July 2014 as a long-term incentive scheme for selected senior management (Executive Directors and prescribed officers). This share-based payment arrangement is accounted for as an equity-settled share-based payment transaction. With the change in control and the acquisition of the Al Noor Hospitals Group Plc, the performance conditions of FSP have been finalised to the extent that the performance conditions were met as at 30 September 2015. The FSP shares will vest after the vesting period has lapsed.

Under the FSP, conditional share awards are granted to selected employees of the Group. The vesting of these shares is subject to continued employment and measured over a three-year period.

	2017	2016
As at 1 April 2016 (2016: 1 January 2015)	**239 290**	–
Amount of shares transferred from Mediclinic International (RF) (Pty) Ltd	**–**	239 290
As at 31 March	**239 290**	239 290

A valuation has been determined and an expense recognised over a three-year period. The fair value of the TSR performance condition has been determined by using the Monte Carlo simulation model and the fair value of the headline earning per share performance condition, consensus forecasts have been used.

The following assumptions have been used to determine the fair value of the TSR performance condition:

	2017	2016
Risk-free rate	**7.49%**	7.49%
Dividend yield	**1.0%**	1.0%
Volatility	**20%**	20%

Apart from the FSP, there are no other share option schemes in place. Therefore, no Director exercised any rights in relation to share option schemes during the reporting period. Al Noor Hospitals Group Plc Directors which exercised options before the acquisition date (15 February 2016) is regarded as a pre-acquisition transaction in these Group financial statements.

10. TAXATION

At 31 March 2017, the Company had unutilised tax losses of approximately £33m (2016: £20m). No deferred tax asset has been recognised in respect of these losses.

11. FINANCIAL INSTRUMENTS

a) Capital risk management

The Company manages its capital to ensure it is able to continue as a going concern while maximising the return on equity. The Company does not have a formalised optimal target capital structure or target ratios in connection with its capital risk management objective. The Company's overall strategy remains unchanged from the prior year. The Company is not subject to externally imposed capital requirements.

b) Financial risk management objectives

The Company is exposed to the following risks related to financial instruments: credit risk, liquidity risk and foreign currency risk. The Company does not enter into or trade in financial instruments, investments in securities, including derivative financial instruments, for speculative purposes.

c) Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. There is no credit risk involved on the Company's financial statements except for the amount due from a related party disclosed below:

	2017	2016
Amount due from a related party	**–**	47

d) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Directors of the Company, who has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity risk is the risk that the Company will be unable to meet its funding requirements. The table below summarises the maturity profile of the Company's non-derivative financial liabilities. The contractual maturities of the financial liabilities have been determined on the basis of the remaining period at the end of reporting period to the contractual repayment date. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

The maturity profile of the liabilities at the end of reporting period based on existing contractual repayment arrangements was as follows:

	Carrying amount £'m	**Contractual cash flows £'m**	**1 year or less £'m**
31 March 2017			
Other payables	**1**	**1**	**1**
Related-party payables	**26**	**26**	**26**
	27	**27**	**27**
31 March 2016			
Other payables	3	3	3
Bank borrowing	265	265	265
Derivative payables	1	1	1
Related-party payables	26	26	26
	295	295	295

e) Interest rate risk

The Company's interest rate risk arises from short-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Interest rate expose the Company to fair value interest rate risk. The Company's policy is to maintain an appropriate mix between fixed and floating rate borrowings.

SHAREHOLDER INFORMATION

FINANCIAL CALENDAR

Last date to trade cum dividend (SA register)	Tuesday, 20 June 2017
First date of trading ex-dividend (SA register)	Wednesday, 21 June 2017
First date of trading ex-dividend (UK register)	Thursday, 22 June 2017
Record date for final dividend	Friday, 23 June 2017
Shareholder approval at annual general meeting (London)	Tuesday, 25 July 2017
Final dividend payment date	Monday, 31 July 2017
Financial half year	Saturday, 30 September 2017
Half year results announcement and presentation	November 2017

DIVIDENDS

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The Company's dividend policy, details of the final dividend declared and the dividend access trust established for South African resident shareholders are provided in the **Directors' Report** on page 18 and in note 13 of the **consolidated financial statements** on page 181.

DISTRIBUTION OF ORDINARY SHAREHOLDERS AS AT 31 MARCH 2017

	Number of beneficial shareholders	Number of shares	% of issued
UK register	**650**	**163 991 301**	**22.24**
SA register	**42 694**	**573 252 509**	**77.76**
Certificated	1 093	406 318	0.06
Dematerialised	41 601	572 846 191	77.70
	43 344	**737 243 810**	**100.00**

SHARE PRICE

The latest share price information can be found on the Company's website at **www.mediclinic.com** or through your broker.

SHAREHOLDER SERVICES AND CONTACTS

SHAREHOLDER ENQUIRIES

Enquiries relating to shareholdings, including notification of change of address, queries regarding the loss of a share certificate and dividend payments should be made to the Company's registrars:

SHAREHOLDERS ON THE SOUTHERN AFRICAN REGISTER

South African transfer secretary
Computershare Investor Services (Pty) Ltd
Rosebank Towers, 15 Biermann Avenue,
Rosebank, 2196, South Africa
Postal address: PO Box 61051,
Marshalltown, 2107, South Africa
Tel: +27 11 370 5000
Fax: +27 11 688 7716

Namibian transfer secretary
Transfer Secretaries (Pty) Ltd
4 Robert Mugabe Avenue, Windhoek, Namibia
Postal address: PO Box 2401, Windhoek, Namibia
Tel: +264 61 227 647
Fax: +264 61 248 531

SHAREHOLDERS ON THE UK REGISTER

With effect from Monday, 21 August 2017, the Company will change its UK registrar from Capita Asset Services to Computershare Investor Services plc. From this date, the administration of the Company's share register will cease to be provided by Capita and will instead be provided by Computershare. All shareholder services previously provided by Capita will be provided by Computershare and any questions relating to the Company's register should be directed to Computershare using the contact details below.

Once the change of the share services is complete, Computershare will contact all shareholders on the UK register with more detail and information including their new Shareholder Reference Number ("**SRN**") and how shareholders can register for online services to manage their shareholding.

Capita Asset Services (up to Friday, 18 August 2017)
The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, United Kingdom
Tel: 0871 664 0300 (UK only) or +44 371 664 0300 (if dialling from outside the UK)

Lines are open during normal business hours from 08:30 to 17:30 GMT Monday to Friday, and calls are charged at the standard rate. Shareholders can use Capita's website to check and maintain their records. Details can be found at **www.signalshares.com**.

Computershare (from Monday, 21 August 2017)
The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ, United Kingdom
Tel: +44 370 703 6022
E-mail: **WebCorres@computershare.co.uk**

Lines are open during normal business hours from 08:30 to 17:30 GMT Monday to Friday and charged at the standard rate. Shareholders can use Computershare's website to check and maintain their records. Details can be found at **www.investorcentre.co.uk/contactus**.

Share Dealing Service
Capita and Computershare offer a share dealing service which allows UK resident shareholders to buy and sell the Company's shares. Shareholders can deal in their shares on the internet or by telephone. Please contact the Company's registrar for more details on this service.

ShareGift
If a few shares are held, which low value makes them difficult to sell, you may make a donation to charity through ShareGift, an independent charity share donation scheme. For further details please contact the Company's registrar or ShareGift at telephone number +44 20 7930 3737 or visit their website at **www.sharegift.org**.

COMPANY INFORMATION

COMPANY NAME AND NUMBER

Mediclinic International plc
(formerly Al Noor Hospitals Group plc)
(incorporated and registered in England and Wales)
Company number: 08338604

REGISTERED OFFICE

Mediclinic International plc, 40 Dukes Place, London, EC3A 7NH, United Kingdom
Postal address: PO Box 456, Stellenbosch 7599, South Africa
Tel: +44 20 7954 9600 Fax: +44 20 7954 9886
Ethics Line: +27 12 543 5332 / Toll-free 0800 005 316 (South Africa only) / **ethics@mediclinic.com**
E-mail: **info@mediclinic.com**
Website: **www.mediclinic.com**

LISTING

FTSE sector: Health Care Equipment & Services
ISIN code: GB00B8HX8Z88
SEDOL Number: B8HX8Z8
EPIC Number: MDC
LEI: 2138002S5BSBIZTD5I60
Primary listing: London Stock Exchange (share code: MDC)
Secondary listing: JSE Limited (share code: MEI)
Secondary listing: Namibian Stock Exchange (share code: MEP)

DIRECTORS

Dr Edwin Hertzog (Chairman) (South African), Danie Meintjes (Chief Executive Officer) (South African), Jurgens Myburgh (Chief Financial Officer) (South African), Jannie Durand (ne) (South African), Alan Grieve (ind ne) (British), Seamus Keating (ind ne) (Irish), Prof Dr Robert Leu (ind ne) (Swiss), Nandi Mandela (ind ne) (South African), Trevor Petersen (ind ne) (South African), Desmond Smith (Senior Independent Director) (South African), Pieter Uys (alternate to Jannie Durand) (South African)

COMPANY SECRETARY

Capita Company Secretarial Services Limited
(Ms Victoria Dalby)
40 Dukes Place, London, EC3A 7NH, United Kingdom
Tel: +44 20 7954 9600
E-mail: **MediclinicInternational@capita.co.uk**

INVESTOR RELATIONS CONTACT

Mr James Arnold
Head of Investor Relations
14 Curzon Street, London, W1J 5HN, United Kingdom
Tel: +44 20 3786 8180/1
E-mail: **ir@mediclinic.com**

REGISTRAR/TRANSFER SECRETARIES

United Kingdom:
Capita Asset Services *(up to Friday, 18 August 2017)*
The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU
Tel: 0871 664 0300 (UK only) or +44 371 664 0300 (if dialling from outside the UK)

Computershare *(from Monday, 21 August 2017)*
The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ, United Kingdom
Tel: +44 370 703 6022
E-mail: **WebCorres@computershare.co.uk**

South Africa:
Computershare Investor Services (Pty) Ltd
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196,
PO Box 61051, Marshalltown, 2107
Tel: +27 11 370 5000

Namibia: Transfer Secretaries (Pty) Ltd
4 Robert Mugabe Avenue, Windhoek,
PO Box 2401, Windhoek
Tel: +264 61 227 647

CORPORATE ADVISORS

Auditors
PricewaterhouseCoopers LLP, London

Corporate Broker and Sponsors
Corporate broker:
Morgan Stanley & Co International plc
JSE (South Africa) sponsor:
Rand Merchant Bank
(a division of FirstRand Bank Limited)
NSX (Namibia) sponsor:
Simonis Storm Securities (Pty) Ltd

Legal Advisors
UK legal advisors: Slaughter and May
SA legal advisors: Cliffe Dekker Hofmeyr Inc.

Remuneration Consultant
New Bridge Street

Communication Agency
FTI Consulting
Tel: +44 20 3727 1000
E-mail: **businessinquiries@fticonsulting.com**

GLOSSARY

TERM	MEANING
annual general meeting	the annual general meeting of the Company to be held on Tuesday, 25 July 2016, the notice of which have been distributed to shareholder by Friday, 23 June 2017 and a copy of which is available on the Company's website
Annual Report	this annual report and financial statements for the reporting period ended 31 March 2017
Al Noor	the Al Noor Hospitals Group with operations mainly in Abu Dhabi, which forms part of the Group's operations in the United Arab Emirates
Articles	the Company's Articles of Association as adopted in General Meeting on 20 July 2016
Board	the board of directors of Mediclinic International plc (formerly Al Noor Hospitals Group plc)
CAGR (%)	compounded annual growth rate
cash conversion (%)	cash generated from operations divided by normalised EBITDA
CCU	critical care unit
CDLI	Carbon Disclosure Leadership Index
Combination	the combination of Al Noor Hospitals Group plc and Mediclinic International Limited, which was completed on 15 February 2016
Company	Mediclinic International plc (formerly Al Noor Hospitals Group plc)
Directors	the directors of Mediclinic International plc
DRG	Diagnosis-related group
EBITDA	operating profit before depreciation and amortisation, excluding other gains and losses
FCA	the United Kingdom Financial Conduct Authority
GDP	gross domestic product
GRI Standards	the GRI Sustainability Reporting Standards issued in 2016 by the Global Sustainability Standards Board, which standards represent global best practice for reporting publicly on a range of economic, environmental and social impacts
Group	Mediclinic International and its three operating platforms in Southern Africa, Switzerland and the United Arab Emirates ("group" refers to one of the Group's operating platforms, as the context may indicate, as defined below)
group	one of the operating platforms of the Group, as the context may indicate (please note that "group" is as defined in this definition and "Group" refers to the entire Mediclinic Group as defined above)
HAI	healthcare-associated infection
Hirslanden	the Group's operations in Switzerland, trading under the Hirslanden brand, with Hirslanden AG as the intermediary holding company of the Group's operations in Switzerland

TERM	MEANING
IFRS	International Financial Reporting Standards, as adopted by the European Union
JCI	Joint Commission International, an international quality measurement accreditation organisation, aimed at improving quality of care
JSE	JSE Limited, the stock exchange of South Africa based in Johannesburg
Last Practicable Date	the date of approval of the Annual Report by the Board, being 23 May 2017
Listing Rules	the listing rules of the FCA applicable to companies listed on the LSE, subject to the oversight of the United Kingdom Listing Authority
LSE	the stock exchange operated by London Stock Exchange plc
Mediclinic or Mediclinic International	Mediclinic International plc (formerly Al Noor Hospitals Group plc)
Mediclinic Middle East	the Group's operations in the UAE, trading under the Mediclinic and Al Noor brands, with (a) Emirates Healthcare Holdings Limited BVI as the intermediary holding company of the Group's operations in the UAE, mainly in Dubai; and (b) Al Noor Golden Commercial LLC as the intermediary holding company of the Group's operations in the UAE, mainly in Abu Dhabi
Mediclinic Southern Africa	the Group's operations in South Africa and Namibia, trading under the Mediclinic brand, with Mediclinic Southern Africa (Pty) Ltd as the intermediary holding company of the Group's operations in South Africa and Namibia
next financial year	the financial year which commenced on 1 April 2017 and ending on 31 March 2018
NSX	the Namibian Stock Exchange based in Windhoek, Namibia
operating platform/s	Mediclinic Southern Africa, Hirslanden (Switzerland) and Mediclinic Middle East and their subsidiaries and associated entities, or any one of them as the context may indicate
period under review	the financial year which commenced on 1 April 2016 and ended on 31 March 2017
reporting period	the financial year which commenced on 1 April 2016 and ended on 31 March 2017
SA	the Republic of South Africa
SA Companies Act	the South African Companies Act, 71 of 2008, as amended
UAE	United Arab Emirates
UK	the United Kingdom of Great Britain and Northern Ireland
UK Companies Act	the United Kingdom Companies Act of 2006, as amended

FORWARD-LOOKING STATEMENTS

This Annual Report contains certain forward-looking statements relating to the financial condition, regulatory environment in which we operate, results of operations and businesses of Mediclinic and the Group, including certain plans and objectives of the Group. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. Forward-looking statements include, among other things, statements concerning the potential exposure of Mediclinic to market risks and statements expressing management's expectations, beliefs, estimates, forecasts, projections and assumptions, including as to future potential cost savings, synergies, earnings, cash flow, production and prospects. These forward-looking statements are identified by their use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "goals", "intend", "may", "objectives", "outlook", "plan", "probably", "project", "risks", "seek", "should", "target", "will" and similar terms and phrases.

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