MEDICLINIC
INTERNATIONAL

2018

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2018

HIGHLIGHTS

SUCCEEDING IN THE TURNAROUND OF THE ABU DHABI BUSINESS

with continued strong performance in Southern Africa and Dubai

---

740 000+ INPATIENT ADMISSIONS

across all operating divisions as the demand for quality healthcare services continues to increase

---

£245M – SIGNIFICANT ONGOING CAPEX INVESTMENT

across the Group supporting patient experience, clinical excellence, maintenance, upgrades and expansion

---

REVENUE UP 4%

to £2 870m; up 3% in constant currency terms

ADJUSTED EBITDA UP 3%

to £515m; flat in constant currency

EARNINGS LOSS OF £492M

impacted by non-cash Hirslanden and Spire impairment charges and other exceptional items

---

ADJUSTED EARNINGS PER SHARE UP 1%

to 30.0 pence

TOTAL DIVIDEND FOR THE YEAR 7.90 PENCE

The Group uses adjusted income statement reporting as non-IFRS measures in evaluating performance. Refer to the Financial Review on page 29 for an explanation.

CONTENTS

EXPERTISE YOU CAN TRUST.

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.

75
HOSPITALS

28
CLINICS

10 684
PATIENT BEDS

411
THEATRES

31 504
EMPLOYEES

MEDICLINIC HAS THREE OPERATING DIVISIONS IN SWITZERLAND, SOUTHERN AFRICA AND THE UNITED ARAB EMIRATES

With continuing regulatory changes during the year in Switzerland, Hirslanden continues to focus on adapting to the evolving outpatient environment whilst delivering cost savings and operational efficiencies.

Read more about Hirslanden from page 52. AR

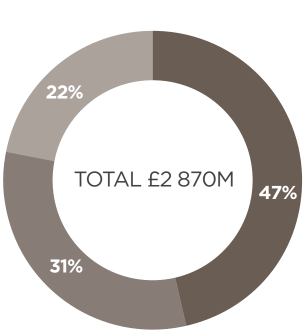
Mediclinic Southern Africa, once again, delivered steady revenue growth and managed its cost base despite pressure on patient volumes in the current environment.

Read more about Mediclinic Southern Africa from page 56. AR

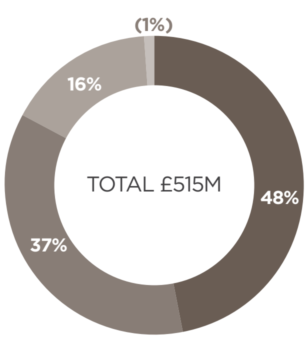
The Middle East division reached an inflection point this year with a strong second half performance delivering marginal improvement in revenue and adjusted EBITDA margin for the year; succeeding with the turnaround of the Abu Dhabi business and laying the foundation for further growth.

Read more about Mediclinic Middle East from page 60. AR

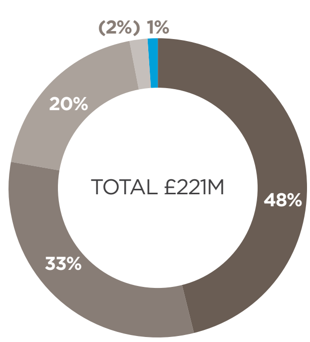
CONTRIBUTION TO REVENUE



CONTRIBUTION TO ADJUSTED EBITDA*



CONTRIBUTION TO ADJUSTED EARNINGS*



Switzerland
Southern Africa
Middle East
Corporate
United Kingdom

* *The Group uses adjusted income statement reporting as non-IFRS measures in evaluating performance. Refer to the **Financial Review** on page 24 for an explanation and for a reconciliation to the equivalent IFRS measures.* AR

OUR STRATEGIC OBJECTIVES

Mediclinic seeks to generate long-term shareholder value through:

- **putting *Patients First*;**
- **improving Group and operational efficiencies;**
- **pursuing attractive growth opportunities; and**
- **leveraging our global scale,**

while continuing to invest in employees, information and communications technology and analytics. Read more about **Our Strategy, Progress and Aims** from page 14. AR

FURTHER INFORMATION

This Annual Report is published as part of a suite 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 2018**
- CSR **Clinical Services Report 2018**
- SDR **Sustainable Development Report 2018**
- AGM **Notice of Annual General Meeting 2018**

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 22 June 2018.

GLOSSARY

Please refer to the glossary of terms used in this report from page 267. AR

APPROVAL OF ANNUAL REPORT

This Annual Report and Financial Statements, including the **Strategic Report** herein, was approved by the Board on 23 May 2018.

Edwin Hertzog
Non-executive Chairman

23 May 2018

STRATEGIC REPORT

"The Group's strategic focus ensures that it consistently delivers high-quality healthcare and optimal patient experience across the operating divisions in Switzerland, Southern Africa and the Middle East."

Danie Meintjes
Chief Executive Officer

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 2018 (the "**reporting period**"), and covers the Company's operations in Switzerland, Southern Africa 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 their 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.

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 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 complied with all the provisions of the UK Corporate Governance Code, other than the exceptions explained in the **Corporate Governance Statement** on page 93 of 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 referred to above.

External audit and assurance

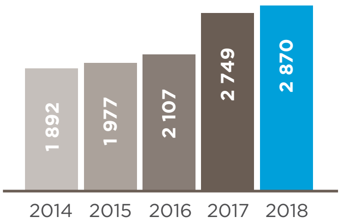
The Company's annual financial statements and the Group's consolidated annual financial statements were audited by the Group's independent external auditors, PricewaterhouseCoopers LLP, in accordance with International Standards of Auditing (UK).

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 Annual Report. The Group believes that this adds to the transparency and reliability of information reported to our stakeholders.

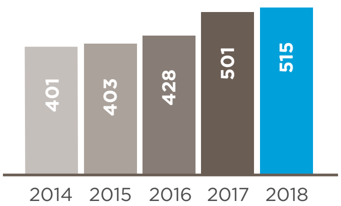
PERFORMANCE HIGHLIGHTS

GROUP FINANCIAL RESULTS

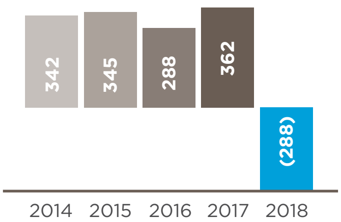
REVENUE (£'m)



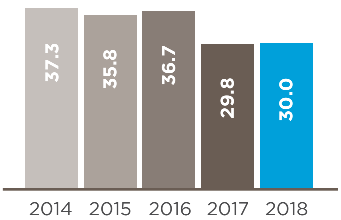
ADJUSTED EBITDA (£'m)



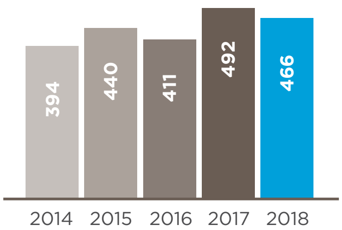
OPERATING (LOSS) PROFIT (£'m)



ADJUSTED EPS (pence)



OPERATING CASH FLOW (£'m)



OPERATIONAL HIGHLIGHTS

STRONG FINANCIAL POSITION

The strong financial position of the Group supported the overall performance of the three divisions in 2018. In Switzerland, Hirslanden was faced with a number of regulatory changes that came into effect during the year and the division will need to continue adapting to the evolving outpatient environment whilst delivering cost savings and operational efficiencies. The division recognised an impairment charge on intangible assets and properties of £644m. The Southern Africa division, once again, produced steady revenue growth and managed its cost base despite pressure on patient volumes in the current environment. The Middle East division reached an inflection point this year with a strong second half performance delivering marginal improvement in revenue and adjusted EBITDA margin for the year. Spire's reported profit after tax was impacted by exceptional items that lowered the contribution from the investment in associate for the year. Further, Mediclinic recognised an impairment on the investment in associate of £109m. At a Group level, the reported earnings loss was £492m, impacted by the impairments and other exceptional items.

SUCCEEDING WITH THE TURNAROUND OF THE ABU DHABI BUSINESS

The operational changes that were implemented in the Abu Dhabi business during the prior year, to align with Mediclinic's established Dubai business, have laid the foundation for future success. The Middle East division is now entering a growth phase underpinned by continued strong performance in the Dubai business, ongoing improvement in the Abu Dhabi business and the opening of several new facilities over the coming years.

PATIENTS FIRST STRATEGIC OBJECTIVE

Our patients are at the core of Mediclinic. The Group's strategic focus specifically requires that it consistently delivers high-quality healthcare and optimal patient experience across the operating divisions in Switzerland, Southern Africa and the Middle East. To this end, Mediclinic continued to invest in its people, clinical facilities and technology. We made continued progress this year in the key areas of clinical performance, patient experience and staff engagement.

BENEFITS OF BEING A GLOBAL HEALTHCARE SERVICE GROUP

As one of the largest independent pan-EMEA[1] healthcare services groups, Mediclinic is well positioned to deliver long-term value to its shareholders. The Group's growing international scale enables it to unlock further value through promoting collaboration and best practice across various fields including clinical and patient care, extracting operational synergies and delivering cost efficiencies through global procurement.

EVOLVING REGULATORY ENVIRONMENT

The demand for healthcare services is unquestionably growing around the globe. The challenge for the industry, however, is to ensure those services remain affordable resulting in changing care delivery models and greater regulatory oversight. We place considerable emphasis on the investment we make in our clinical performance and the facilities that we operate to deliver our patients the care that we believe will improve the quality of their lives. However, we must manage the delivery of these services in an efficient, cost-effective way to ensure sustainability.

[1] *Europe, Middle East and Africa*

KEY PERFORMANCE INDICATORS

FINANCIAL		2018	2017	% change
Revenue	£'m	**2 870**	2 749	4%
EBITDA	£'m	**522**	509	3%
Adjusted EBITDA[1]	£'m	**515**	501	3%
Operating (loss)/profit	£'m	**(288)**	362	(180%)
(Loss)/earnings[2]	£'m	**(492)**	229	(315%)
Adjusted earnings[1]	£'m	**221**	220	1%
(Loss)/earnings per share	pence	**(66.7)**	31.0	(315%)
Adjusted earnings per share[1]	pence	**30.0**	29.8	1%
Total dividend per share[3]	pence	**7.90**	7.90	0%
Net debt at the year end	£'m	**1 676**	1 669	0%
Capital expenditure on projects, new equipment and replacement of equipment	£'m	**245**	249	(2%)
Switzerland	£'m	**101**	127	(20%)
Southern Africa	£'m	**64**	72	(11%)
United Arab Emirates	£'m	**80**	50	60%

Notes

[1] *The Group uses adjusted 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 26 to 29.*

[2] *Earnings refer to (loss)/profit attributable to equity holders.*

[3] *The total dividend per share for the year ended 31 March 2018 in pounds sterling comprises the final dividend of 4.70 pence per share (2017: 4.70 pence) and the interim dividend of 3.20 pence per share, paid in December 2017 (2017: 3.20 pence).*

AR

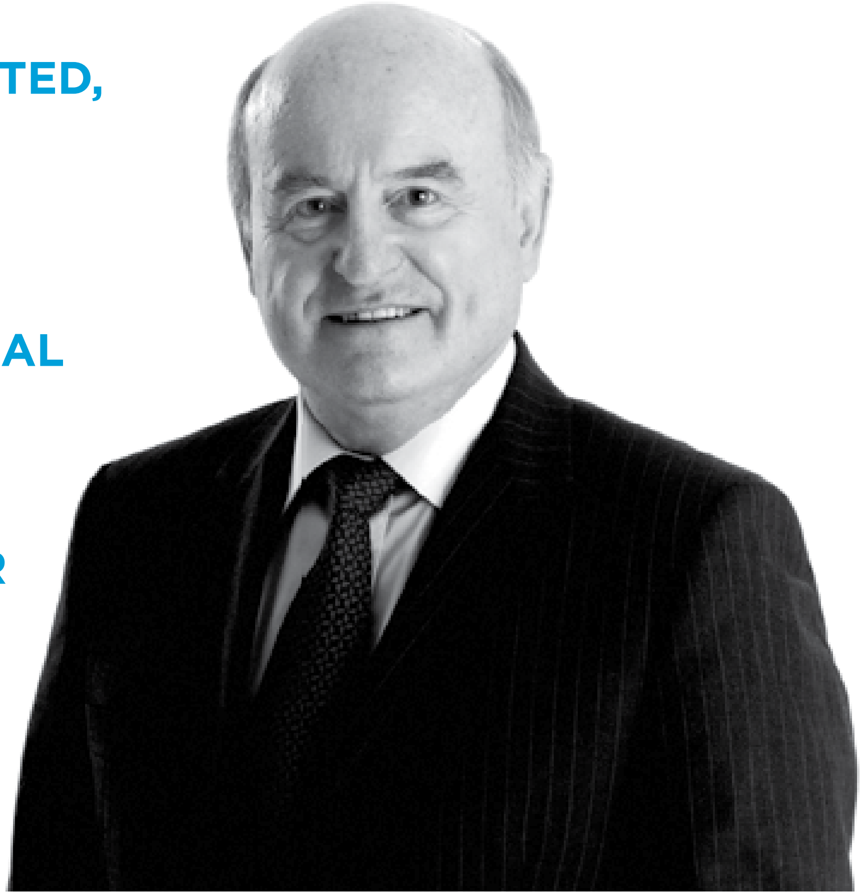
Group results are subject to movements in foreign currency exchange rates. Refer to page 30 for exchange rates used to convert the operating divisions' results to pounds sterling.

AR

CHAIRMAN'S STATEMENT

"OUR LONG-STANDING REPUTATION AS A TRUSTED, MARKET-LEADING, HEALTHCARE SERVICE PROVIDER FOCUSED ON PATIENT SAFETY AND EXCELLENT CLINICAL PERFORMANCE, WILL CONTINUE TO DELIVER LONG-TERM GROWTH AND RETURNS FOR OUR SHAREHOLDERS."

Dr Edwin Hertzog
Non-executive Chairman



STRATEGIC DELIVERY

During the year under review ("**FY18**"), we made further progress on our strategic priorities of putting *Patients First*, improving Group and operational efficiencies, pursuing attractive growth opportunities and leveraging our global scale, while continuing to invest in employees, information and communications technology and analytics. Mediclinic's commitment to deliver sustainable, high-quality, cost-effective healthcare services produced a positive operational performance this year. We firmly believe this commitment supports our goal of driving continued long-term value for our shareholders. The Board continuously reviews our strategic priorities and the progress made during the year, and regularly engages with the executive directors and senior management across the Group to ensure they are focused on the delivery of these key priorities.

In October 2017, Mediclinic made an approach to Spire Healthcare Group plc ("**Spire**") regarding a possible offer for the entire issued and to be issued share capital of Spire not already owned by Mediclinic. However, in November 2017, we announced that following discussions with the independent directors of Spire, an agreement could not be reached. The decision not to proceed demonstrates our disciplined approach to capital allocation, ensuring investments are in the best interests of Mediclinic shareholders. Mediclinic has every intention of remaining a supportive shareholder of Spire.

OUR PEOPLE AND PATIENTS

Mediclinic's focus on its culture and values is a key contributor to the long-term success of the Group. The commitment of our executive directors, senior management, doctors, nurses and other staff supports Mediclinic's core purpose of enhancing quality of life, which is at the heart of our *Patients First* strategy.

Competition in the public and private healthcare markets provides patients and medical professionals with a choice of healthcare service providers. We ensure we remain well positioned as a leading global healthcare service provider through our ongoing investment in our facilities, commitment to patient safety and excellent clinical performance. We deeply appreciate the more than 740 000 inpatients who chose Mediclinic as their preferred healthcare service provider during the year.

FINANCIAL PERFORMANCE

Overall, the Group remains in a strong financial position. The benefit of having a globally diversified healthcare services business was reflected in this year's results as a weaker performance in Switzerland was offset by good delivery in Southern Africa and the Middle East. The latter was as a result of driving the turnaround of the Abu Dhabi business, with the Middle East division entering an expansionary phase that is expected to deliver an increase in revenue and operating profits over time.

During the year, the Group reported non-cash exceptional items relating to impairment charges at Hirslanden and Spire. Due to the changes in the Swiss market and regulatory environment, Hirslanden recorded a £644m impairment charge on intangible assets and property. An impairment test on Spire was carried out at 30 September 2017 resulting in an impairment charge of £109m recorded against the carrying value of the equity accounted investment. As a result of these impairment charges and other exceptional items, the reported earnings loss for the year was £492m (FY17: profit £229m).

At the Group level, in constant currency, FY18 revenue was up 3% and adjusted EBITDA was flat. However, after the translation effect of foreign currency movements, FY18 revenue was up 4% at £2 870m (FY17: £2 749m) and adjusted EBITDA increased 3% at £515m (FY17: £501m). This performance was driven by marginal revenue growth in Switzerland with a lower adjusted EBITDA margin impacted by regulatory changes including outpatient tariff reductions, modest revenue growth in Southern Africa with an improved adjusted EBITDA margin and revenues up nearly 1% in the Middle East with an improvement in the adjusted EBITDA margin of 100 basis points versus the prior year. Adjusted earnings per share (impacted by the equity-accounted share of reported profit after tax from Spire which included a number of exceptional charges) was up 1% to 30.0 pence (FY17: 29.8 pence).

CLINICAL EXCELLENCE

I am pleased to report that, during the year under review, the majority of patient safety and clinical effectiveness indicators showed improvement. In addition, many initiatives in support of clinical performance and quality improvement were launched and completed. Much of the progress can be attributed to a strong collaborative effort between the clinical services teams of the respective operating divisions and the corporate centre. Highlights from across the Group include:

Mediclinic International:

- The restructuring and strengthening of clinical services leadership at hospital, divisional and corporate level.
- The establishment of health technology assessment as the cornerstone to making clinical investment and process decisions.

Hirslanden:

- Klinik Hirslanden's stroke centre was re-accredited as the only private unit of eight across Switzerland.
- The Bellaria Outpatient Surgery Unit ("**OSU**") was successfully launched at Hirslanden Klinik Im Park, which serves as a blueprint for further outpatient facilities.

Mediclinic Southern Africa:

- The doctors' alignment project made good progress and will be expanded to another 23 hospitals.
- A new Clinical Performance Committee structure was successfully implemented, including external specialist representation on the committee.

Mediclinic Middle East:

- A stroke unit was established at Mediclinic City Hospital, which was subsequently certified by the German Stroke Society in early 2018.
- We initiated a renal transplant programme in collaboration with the Mohammed Bin Rashid University.

REGULATORY LANDSCAPE

The healthcare industry has always operated within an evolving regulatory environment. Over the years, we have invested in recruiting and training our people to ensure we have experienced and well-informed management teams who can successfully navigate the changing regulatory landscape.

This year, we saw a significant change in outpatients' tariffs and procedures in Switzerland that impacted the financial performance of the division. We continued to engage in the Health Market Inquiry ("**HMI**") and National Healthcare Insurance ("**NHI**") review process in South Africa, and we have been preparing for a new Diagnostic Related Group ("**DRG**") reimbursement model in Dubai. Globally, there is a continued focus on the affordability of healthcare. Mediclinic seeks to address this through its strategic priority of improving efficiencies. Outmigration of care is an approach that aims to reduce the cost of certain, low acuity healthcare services and procedures. Mediclinic is aligning with this approach, as it is fundamental to the long-term sustainable delivery of healthcare.

BOARD CHANGES AND GOVERNANCE

The Board announced the appointment of Dr Ronnie van der Merwe as the Company's new CEO in November 2017. The appointment is effective on 1 June 2018.

Danie Meintjes joined the Group in 1985 as the Hospital Manager of Mediclinic Sandton in Johannesburg. He became a member of the Group Executive Committee in 1995, mainly responsible for human resources matters. From 2006, he was instrumental in establishing the Company's Dubai operations over a four-year period, before his appointment as CEO of Mediclinic International Limited in 2010. Danie has played an instrumental role in the development of Mediclinic and the implementation of our strategy. I would personally like to thank Danie for more than 30 years' service to the Group which has seen the Company grow from a small operator in South Africa to a diversified global healthcare services provider, listed on the London Stock Exchange, with operating divisions located across three continents and over 31 500 employees. Subject to Danie's re-election as a director of the Company at the AGM, he will continue as an executive director until 31 July 2018 and as a non-executive director with effect from 1 August 2018. Danie's continued involvement as a non-executive director was approved by the Board on 23 May 2018 as it was considered to be in the best interests of the Group, its shareholders and other stakeholders in view of the wealth of knowledge and experience he has gained in different capacities during his service at Mediclinic.

Ronnie is one of Mediclinic's most experienced senior executives. He trained and practised as an anaesthesiologist before joining Mediclinic in 1999 and became a member of the Group's Executive Committee in 2008. He established and developed the Clinical Information, Advanced Analytics, Health Information Management and Clinical Services functions at Mediclinic, and has been Group 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. The Board was unanimous in its support for Ronnie and believes that his extensive knowledge of Mediclinic's operations and his strong track record of driving enhancements, especially in the quality and effectiveness of our clinical services, will serve the Company well going forward.

I am pleased to announce that this year the Board made two independent non-executive director appointments that further strengthened the Board's clinical governance and global healthcare experience.

On 3 October 2017, Dr Felicity Harvey joined the Board. Her thorough knowledge of and experience in the healthcare sector, which includes a number of senior roles in the UK Department of Health, will be a valuable addition to the Board. On 1 April 2018, Dr Harvey became Chairman of the Clinical Performance and Sustainability Committee.

On 1 November 2017, Dr Muhadditha Al Hashimi joined the Board. Her extensive experience and knowledge of the healthcare and higher education sectors in the UAE, together with her strategic and tactical expertise in operations and fiscal management, provide a further positive dynamic to the Board and, from 1 April 2018, the Clinical Performance and Sustainability Committee.

Since their appointments to the Board, Drs Harvey and Al Hashimi have already made important contributions. I look forward to working closely with them over the coming years.

On 29 March 2018, we announced that Ms Nandi Mandela and Prof Dr Robert Leu will retire as non-executive directors of the Company, and as members of all relevant Board committees, at the conclusion of the 2018 AGM. I would like to thank them for their commitment and valued contributions to the Board and the Group over many years.

Over the past 40 years, we have faced dramatic cultural and demographic changes, both in the UK and globally. The Parker Review in the UK looks to formally address this issue by analysing the progress being made in the areas of diversity, equality and inclusion. I am pleased to report that Mediclinic ranked eighth out of the FTSE 100 companies in the 2017 Parker Review analysis of ethnic diversity in UK Boards. Mediclinic fully recognises that to remain competitive in a global market, and to ensure we attract and retain the best talent, our culture and values must continue to align with our diverse employee base.

SHAREHOLDER RETURNS

For FY18, the Board recommends a final dividend of 4.70 pence per share which, together with the interim dividend of 3.20 pence per share, results in the total dividend maintained for the year at 7.90 pence per share (FY17: 7.90 pence per share). This represents a 26% pay-out ratio to adjusted earnings per share, in line with the Group's policy of 25% to 30%.

LOOKING AHEAD

Mediclinic has more than 30 years' experience of providing private healthcare in a sector where the demand for services continues to grow. Regulation will always play an important role in the industry, and the affordability of healthcare will remain a focus for all stakeholders. The Board is confident that our long-standing reputation as a trusted, market-leading, healthcare service provider focused on patient safety and excellent clinical performance, will continue to deliver long-term growth and returns for our shareholders.

APPRECIATING YOUR CONTINUED SUPPORT

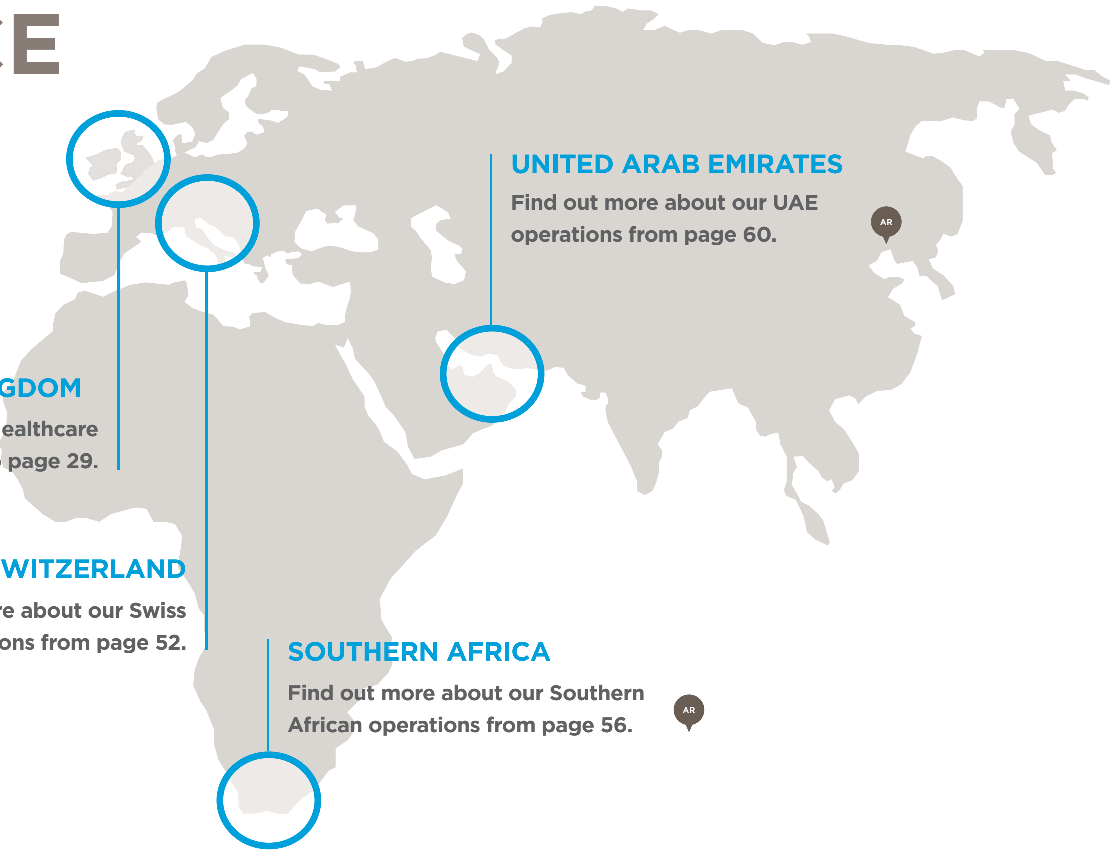
As ever, I want to express my sincere thanks to everyone who contributed to Mediclinic's performance, including our executive directors, senior management, doctors, nurses and other staff. In particular, the support of patients and medical professionals is absolutely vital to the long-term sustainability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

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

Dr Edwin Hertzog
Non-executive Chairman

23 May 2018

AT A GLANCE



HOSPITALS	75
Switzerland	17
Southern Africa	52
UAE	6

CLINICS	28
Switzerland	4
Southern Africa	2
UAE	22

INPATIENT BEDS	10 684
Switzerland	1 805
Southern Africa	8 131
UAE	748

THEATRES	411
Switzerland	104
Southern Africa	278
UAE	29

EMPLOYEES	31 504
Switzerland	9 635
Southern Africa	16 068
UAE	5 801

PATIENT EXPERIENCE

Switzerland	87.7%
Southern Africa	82.1%
UAE	83.3%

Refer to page 14 for more.

CONTROLLABLE EMPLOYEE TURNOVER

Switzerland	8.7%
Southern Africa	7.7%
UAE	10.3%

Refer to pages 71 and 72 for more.

EMPLOYEE ENGAGEMENT (maximum score of 5)

Switzerland	3.93
Southern Africa	3.85
UAE	3.86

Refer to page 74 for more.

WHO WE ARE

Mediclinic is an international private healthcare services group, established in South Africa in 1983, with current operating divisions in Switzerland, Southern Africa (South Africa and Namibia) and the United Arab Emirates.

Our core purpose is to enhance the quality of life of patients by providing acute care, specialist-orientated, multi-disciplinary healthcare services.

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 leading UK-based private healthcare group listed on the LSE.

OUR CULTURE

Mediclinic is committed to conducting our business with honesty and integrity. Our Code of Business Conduct and Ethics and core values represent the basic beliefs to which we aspire.

- Client orientation
- Team approach
- Mutual trust and respect
- Performance driven

Mediclinic takes a sustainable, long-term approach to business, putting patients at the heart of its operations and consistently delivering 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 divisions, 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.

We value diversity and provide equal opportunities for all in the workplace and do not tolerate any form of unfair discrimination.

Mediclinic recognises its accountability to its stakeholders and is committed to effective and regular engagement with them, which 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 is committed to conducting its business in a manner that respects and promotes the human rights and dignity of all those within our sphere of influence throughout our operations and relationships.

HIRSLANDEN

Hirslanden AG, a company registered in Switzerland, is the holding company of the Group's operating division in Switzerland, trading under the Hirslanden brand. Hirslanden AG is an indirect wholly-owned subsidiary of the Company.

Hirslanden operates 17 acute care private hospitals with 1 805 beds and 4 clinics.

Permanent employees: 9 635
Full-time equivalents: 7 633

For more information, please visit:
www.hirslanden.ch

MEDICLINIC SOUTHERN AFRICA

Mediclinic Southern Africa (Pty) Ltd, a company registered in South Africa, is the holding company of the Group's operating division in Southern Africa (South Africa and Namibia), trading under the Mediclinic brand. Mediclinic Southern Africa (Pty) Ltd is an indirect wholly-owned subsidiary of the Company. Most of its operating subsidiary companies have external doctor shareholding.

Mediclinic Southern Africa operates 49 acute care private hospitals and 2 day clinics in South Africa and three hospitals in Namibia, with 8 131 beds in total. Through its wholly-owned subsidiaries, MHR and ER24 it offers related services in healthcare recruitment and emergency transportation services, respectively.

Permanent employees: 16 068
Full-time equivalents: 19 795 (which include 3 792 agency staff)

For more information, please visit:
www.mediclinic.co.za
www.mhr.co.za
www.er24.co.za

MEDICLINIC MIDDLE EAST

Mediclinic Middle East operates 6 acute care private hospitals and 22 clinics mainly in Abu Dhabi and Dubai, UAE with 748 beds.

The Group's operating division in the UAE operates mainly in Dubai and Abu Dhabi, trading under the Mediclinic brand. Emirates Healthcare Holdings Limited BVI, a company registered in the British Virgin Islands, is the intermediary holding company of the division's operations in Dubai; and Al Noor Golden Commercial LLC, a company registered in the UAE, is the intermediary holding company of the division's operations in Abu Dhabi.

Permanent employees: 5 801
Full-time equivalents: 5 830

For more information, please visit:
www.mediclinic.ae

Refer to the ***Investments in Subsidiaries, Associates and Joint Ventures*** *annexed to the consolidated annual financial statements for more information on the Group's ownership structure.*

BUSINESS MODEL

PURPOSE DRIVEN

Our business model is focused on our core purpose:

TO ENHANCE THE QUALITY OF LIFE OF PATIENTS

by providing acute care, specialist-orientated, multi-disciplinary healthcare services.

OUR VISION

TO BE PREFERRED LOCALLY AND RESPECTED INTERNATIONALLY

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; and
- being a valued member of the community.

WE WILL BE RESPECTED INTERNATIONALLY FOR:

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

> Our relentless focus on patient needs will create long-term shareholder value and establish Mediclinic International as a leader in the global healthcare industry.

OUR ASSETS AND RESOURCES

Strong financial position

Mediclinic has a strong financial profile, underpinned by an extensive property portfolio. The Group has good access to capital, a disciplined capital allocation approach and invests for growth.

See the **Financial Review** for more information.

AR

Facilities and technology

We provide high-quality healthcare facilities and technology, with continuous investments in new technology and to expand and maintain existing facilities.

See the **Financial Review** and the **Chief Executive Officer's Review** for more information.

AR

Engaged employees

The Group employs over 31 500 employees across its three divisions. We value our employees by following fair labour practices and offering competitive remuneration, training and development opportunities. The Group overall employee engagement grand mean score increased from 3.81 in the previous year to 3.88 in November 2017.

During the year, £1 293m (2017: £1 231m) was paid to employees as remuneration and other benefits. Continuous investment in the training and development of staff creates a highly trained workforce and talent pipeline.

See the **Sustainable Development Highlights** for more information.

AR

Operational expertise

Mediclinic has an experienced Board and management team. The continued growth of Mediclinic is testament to 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. Deep operational expertise delivers a seamless patient experience, underpinned by high-quality nursing care.

See the **Chief Executive Officer's Review** and **Clinical Services Overview** for more information.

AR

Sound relationships

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.

See the **Corporate Governance Statement** and the **Sustainable Development Report** (available on the Company's website) for more information.

AR

SDR

Responsible environmental management

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.

See the **Sustainable Development Highlights** for more information.

AR

OUR STRATEGY TO DELIVER VALUE

Strategic objectives

Putting *Patients First*

Patients are at the core of everything we do at Mediclinic. We strive to deliver superior clinical performance through efficient structures, processes, and outcomes, in accordance with the Group clinical performance model.

Improving efficiencies

We strive to use our combined international capacity and effective collaboration to achieve Group efficiencies through the principles of simplification, standardisation and centralisation.

Continuing to grow

Mediclinic 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 of existing facilities.

Adapt to changing business environment

We strive to minimise risk to the business by positioning the Group to effectively respond to changes in the business environment.

Key strategic enablers

- Invest in employees
- Invest in information and communications technology
- Invest in analytics

See **Our Strategy, Progress and Aims** for more information.

AR

Risk management

The Group has established an integrated and effective risk management framework where important and emerging risks are identified, assessed and managed, which are aligned to and supports the Group strategy.

See the **Risk Management, Principal Risks and Uncertainties** for more information.

AR

WHAT WE DELIVER

Quality healthcare services

During the year, the clinical performance was satisfactory across all operating divisions, and several 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.

See the **Clinical Services Overview** for more information.

AR

Shareholder value

We deliver value to shareholders through growth in capitalisation and shareholders returns, with the balance of funds retained for investment in profitable growth opportunities.

A focus on disciplined cost management and improving efficiencies has delivered a strong track record of cash flow generation, with a total dividend to shareholders of 7.90 pence per share.

See the **Financial Review** for more information.

AR

MEDICLINIC'S BUSINESS MODEL HAS RESULTED IN THE DELIVERY OF QUALITY HEALTHCARE SERVICES AND GENERALLY A BUSINESS THAT SUSTAINS GROWTH AND CREATES VALUE FOR ITS STAKEHOLDERS.

OUR STRATEGY, PROGRESS AND AIMS

OUR OBJECTIVE

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

- putting *Patients First*;
- improving Group and operational efficiencies;
- pursuing attractive growth opportunities; and
- leveraging our global scale;
- continuing to invest in employees, information and communications technology and analytics.

STRATEGIC PRIORITIES	DESCRIPTION	PROGRESS FY18	AIMS FY19
Putting *Patients First* – superior clinical performance in a safe clinical environment 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 strives to deliver superior clinical performance through efficient structures, processes, and outcomes, in accordance with the Group clinical performance model.	• Restructured and strengthened clinical leadership at hospital and corporate level across all operating divisions and the Group • Strengthened and embedded the Clinical Performance Committee as a subcommittee of the Board • Established a formal Clinical Performance Committee for Mediclinic Southern Africa • Established health technology assessment as the cornerstone of making clinical investment and process decisions for the benefit of the Group	• Improve patient safety throughout the Group • Embed and improve the Group clinical performance model • Embed Group clinical governance processes and structures • Establish formal Clinical Performance Committees for the Swiss and Middle East operating divisions • Implement a comprehensive electronic health record system across Mediclinic Middle East. • Expand on health technology assessments for effective clinical decision-making and efficient investments throughout the Group
Putting *Patients First* – improved patient experience 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 strives to deliver superior patient experience before, during and after hospitalisation, through efficient structures, processes, and outcomes to identify and respond to the needs of patients, family members, and visitors.	• Managed the patient experience indices and worked towards improvement targets across the Group • Improved the patient experience index overall mean score for the Southern African operating division to 82.1% from 81.9%, and for Dubai in the Middle East operating division to 83.3% from 82.5% for inpatients and to 82.8% from 81.6% for outpatients. The overall mean score for the first year of implementation in the Swiss operating division was 87.7%	• Continuously improve accommodation and ancillary services and clinical services, through using the patient experience index results across the Group • Establish and embed service differentiation where appropriate across the Group
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 strives to become a horizontally integrated healthcare system provider by focusing on effective collaboration with associated doctors and allied healthcare professionals.	• Progressed well in establishing closer collaboration with doctors, with the aim to reduce fragmentation and enhance the patient value proposition across the Group	• Establish closer collaboration with doctors to reduce fragmentation and enhance the patient value proposition across the Group • Implement a system provider model across the Group • Improve clinical leadership and doctor-related governance across the Group
Improving group and operational efficiencies AR More information on this priority is included in the **Chief Executive Officer's Review**.	The Group strives to use combined international capacity and effective collaboration to achieve Group efficiencies through the principles of simplification, standardisation, and centralisation. The Group strives to drive the continuous improvement of the operating divisions' operational efficiency by proactively identifying and pursuing opportunities for improvement.	AR • Refer to the **Divisional Reviews** for progress relating to improved operational efficiencies	• Optimise revenue (volume, tariffs and patient mix) across the Group • Optimise workforce cost and materials utilisation across the Group • Optimise infrastructure (e.g. bed and theatre) utilisation across the Group • Continue to centralise and standardise appropriate processes across the Group • Embed return on invested capital as a key financial metric across the Group

STRATEGIC PRIORITIES	DESCRIPTION	PROGRESS FY18	AIMS FY19
Continuing to grow More information on this priority is included in the **Divisional Reviews**.	The Group strives to increase the performance of the business by identifying and pursuing growth opportunities.	• Refer to the **Divisional Reviews** for progress relating to growth opportunities	• Pursue opportunities for organic and inorganic growth in the core business of the existing operating divisions (e.g. day surgery, new service lines) • Pursue opportunities to expand services across the continuum of care (e.g. primary, sub-acute, dialyses, psychiatric, and out-patient care) in the existing operating divisions • Improve the ability to attract and retain physicians to support growth across the Group • Pursue new international growth opportunities
Continuing to address the business environment More information on this priority is included in the **Divisional Reviews**.	The Group strives to minimise risk to the business by positioning the Group to effectively respond to changes in the business environment.	• Engaged continuously with regulators to monitor and influence the regulatory environment in all operating divisions	• Monitor and influence the regulatory environment in all operating divisions • Identify and research potential disruptors of the current business model and respond appropriately across the Group
Investing in employees More information on this priority is included in the **Sustainable Development Highlights** (material issue 1), and the more detailed **Sustainable Development Report** available on the Company's website at **www.mediclinic.com**.	The Group strives to provide human resources services to attract, develop, engage and retain a diverse workforce that effectively enables its objectives and performance.	• Increased the participation rate in the *Your Voice* employee engagement programme to 77% (71% in 2017), close to the Gallup Healthcare (peer) overall participation rate of 80% • Increased the amount of trackable action plans defined by line managers for 2017, which signals a strong use of the results to improve employee engagement • Increased the grand mean score for the Southern African and Swiss operating divisions, as well as for the Group (the Middle East operating division is not directly comparable due to the inclusion of Al Noor)	• Continue to implement and measure progress on action plans based on the employee engagement survey across the Group • Execute talent acquisition and retention strategies across the Group • Ensure competitiveness and governance of remuneration across the Group
Investing in information and communications technology More information on this priority is included in the **Chief Executive Officer's Review**.	The Group strives to provide information and technology solutions and support that effectively enable business objectives and performance.	• Completed SAP GRC and BPC shared service implementations • Concluded global contract with InterSystems for electronic health record solutions • Extended Swiss operating division's content management solution for marketing functions to the entire Group • Implemented phase 1 of SAP SuccessFactors solution for the Southern African and Middle Eastern operating divisions	• Optimise back-office technology (SAP) for the Group • Enhance clinical applications capabilities (electronic health record) across the Group • Establish a patient engagement architecture (digital marketing) for the benefit of the Group • Ensure information and communications technology governance across the Group
Investing in analytics 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 strives to provide analytics solutions and support that effectively enable business objectives and performance.	• Developed a central clinical data warehouse and improved clinical performance measurement and benchmarking across the Group • Commenced with developing machine learning capabilities for the benefit of the Group	• Entrench the use of centralised analytics in all operating divisions • Develop new capabilities (e.g. machine learning) for the benefit of the Group

INVESTMENT CASE

In pursuit of our vision to be preferred locally and respected internationally, we offer an attractive investment case that aligns with seeking to achieve long-term value creation:

STRONG MARKET FUNDAMENTALS

Continued growth in demand for healthcare services:

- Ageing population
- Growing disease burden
- Technological advances
- Consumerisation of services

DIVERSIFIED PRESENCE

One of the largest independent pan-EMEA healthcare services groups:

- Leading market positions across all divisions
- Developed markets – Switzerland and UK
- Emerging markets – Southern Africa and UAE

LEVERAGING GLOBAL SCALE

Competitive advantage created from efficient integration of international operating divisions:

- Internationally recognised clinical expertise
- Sustainable and efficient operating practices
- Intellectual property of highly skilled and engaged human capital
- Global procurement synergies
- Powerful data analytics

ATTRACTIVE GROWTH OPPORTUNITIES

Well positioned to take advantage of growth opportunities that generate sustainable long-term value:

- Leveraging system relevance
- Operational flexibility through extensive property ownership
- Returns-driven organic and inorganic expansion
- Evolving care delivery models
- Expanding across the continuum of care

HIGH-QUALITY MANAGEMENT TEAM WITH PROVEN DELIVERY

A track record of operating global private healthcare services for over 30 years:

- Focused on long-term value creation
- Financial discipline and strong cash flow generation
- Relentless focus on patient safety and excellent clinical performance
- Experienced international executive and senior management teams
- Supportive long-term investor since inception – Remgro
- Dividend pay-out ratio: 25 to 30% of adjusted EPS

FIVE-YEAR SUMMARY

The Five-year Summary is presented in pounds sterling, rounded to the nearest million. Financial information of 2014 to 2015 was reported in South African rand and has been translated to sterling using the procedures outlined below:

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

INCOME STATEMENTS	**2018 £'m**	2017 £'m	2016 £'m	2015 £'m	2014 £'m
Revenue	**2 870**	2 749	2 107	1 977	1 892
Operating (loss)/profit	**(288)**	362	288	345	342
(Loss)/profit after tax	**(474)**	243	190	254	223
Adjusted operating profit	**370**	360	335	318	325
Adjusted EBITDA	**515**	501	428	403	401
Adjusted earnings	**221**	220	219	193	189

EARNINGS PER SHARE	**2018 pence**	2017 pence	2016 pence	2015 pence	2014 pence
Basic (loss)/earnings basis	**(66.7)**	31.0	29.6	44.6	41.4
Diluted (loss)/earnings basis	**(66.7)**	31.0	29.5	43.8	40.5
Basic adjusted earnings basis	**30.0**	29.8	36.7	35.8	37.3
Diluted adjusted earnings basis	**30.0**	29.8	36.7	35.1	36.5
Dividends declared per share	**7.90**	7.90	7.90	9.33	8.90

STATEMENTS OF FINANCIAL POSITION	**2018 £'m**	2017 £'m	2016 £'m	2015 £'m	2014 £'m
ASSETS					
Non-current assets	**5 382**	6 353	5 604	3 654	3 368
Current assets	**961**	1 069	945	742	638
Total assets	**6 343**	7 422	6 549	4 396	4 006
EQUITY					
Owners of the parent	**3 286**	4 086	3 509	1 779	1 390
Non-controlling interest	**87**	78	61	61	52
Total equity	**3 373**	4 164	3 570	1 840	1 442
LIABILITIES					
Non-current liabilities	**2 445**	2 668	2 192	2 114	2 096
Current liabilities	**525**	590	787	442	468
Total liabilities	**2 970**	3 258	2 979	2 556	2 564
Total equity and liabilities	**6 343**	7 422	6 549	4 396	4 006

STATEMENTS OF CASH FLOWS	**2018**	2017	2016	2015	2014
Operating cash flow (£'m)	**466**	492	411	440	394
Adjusted EBITDA cash conversion (%)	**90%**	98%	96%	109%	98%

CHIEF EXECUTIVE OFFICER'S REVIEW

"BY FAR THE BIGGEST HIGHLIGHT WAS THE CLEAR DEMONSTRATION THAT WE ARE DELIVERING ON THE TURNAROUND OF THE ABU DHABI BUSINESS AND LAYING THE FOUNDATION FOR FURTHER SUCCESS IN THE MIDDLE EAST DIVISION."

Danie Meintjes
Chief Executive Officer

HOW WELL DO YOU FEEL THE GROUP PERFORMED THIS YEAR AGAINST ITS STRATEGIC OBJECTIVE OF PUTTING *PATIENTS FIRST*?

Patients are at the core of everything we do at Mediclinic. The Group's strategic focus ensures it consistently delivers high-quality healthcare and optimal patient experience across the operating divisions in Switzerland, Southern Africa and the Middle East. To this end, Mediclinic continues to invest in its people, clinical facilities and technology. The Group's growing international scale enables it to unlock further value by promoting collaboration and best practice, extracting operational synergies and delivering cost efficiencies through global procurement.

Long-term demand for Mediclinic's services across its operating divisions remains robust. This is underpinned by, *inter alia,* an ageing population, growing disease burden, technological innovation and the consumerisation of healthcare services. The increase in demand across the operating divisions is contrasted by greater competition and lower economic growth in some regions. There is an increased focus on affordable delivery of healthcare, which results in changing care delivery models and increased regulatory oversight.

This year, we progressed in the key areas of clinical performance, patient experience and staff engagement. As referenced in the **Chairman's Statement** and the **Clinical Services Overview**, the majority of patient safety and clinical effectiveness indicators showed improvement.

AR

Dr Felicity Harvey, who joined the Board in October 2017, has chaired the Clinical Performance and Sustainability Committee since April 2018. The aim of the committee is to promote a culture of excellence in patient safety, quality of care and patient experience; and ensure the Group remains a good and responsible corporate citizen by monitoring its sustainability performance. During the year, Mediclinic Southern Africa established a Clinical Performance Committee with the same clinical functions as the Board committee. This committee reports to the Board committee as part of the Group's Ward-to-Board strategy. During the new financial year, we plan to establish similar committees at Hirslanden and Mediclinic Middle East. The committees in the operating divisions will include Group independent experts as members to further strengthen the oversight function.

We rolled out the Press Ganey patient experience measurement system in a standardised format to all operating divisions, including the Abu Dhabi business following its integration into the Group last year. We compared the Group's results to tough international benchmarks and used the feedback to deliver specific initiatives that matter most to our patients, as we strive to provide them with an improved experience. As part of its commitment to the Competition Commission's Health Market Inquiry, Mediclinic Southern Africa agreed to publish the detailed patient feedback on its website. I was very proud that Mediclinic had the largest representation in the annual Discovery Health Top 20 South Africa Hospital survey in 2017. Based on patient feedback, eight of our hospitals were recognised in the survey for the quality of care from doctors and nurses, patients' overall experience and hospital conditions.

Employee engagement is a key factor in ensuring we deliver against our *Patients First* strategy. We evaluate this through the annual Gallup employee engagement survey. This standardised and independent evaluation system objectively measures employee engagement and identifies specific gaps where improvements need to be made across the operating divisions. Now in its third year of use at Mediclinic, I am glad to report that we saw an increased participation rate of 77% across the Group in comparison to 71% in the previous year. We experienced an increase in the engagement grand mean score for the Southern African and Hirslanden divisions. Data for the Middle East division showed a slight regression, however, it is not directly comparable because the Al Noor hospitals were included in the survey for the first time. Consequently, the Mediclinic Group overall employee engagement grand mean score increased from 3.81 to 3.88. Following the 2016 survey results, there was a significant increase in the amount of trackable action plans, defined by line managers in 2017. This signals that the results are being used to positively impact the level of engagement among employees.

WHAT ARE YOUR VIEWS ON THE OPERATIONAL PERFORMANCE ACROSS MEDICLINIC'S DIVISIONS THIS YEAR?

Group revenue increased by 4% to £2 870m (FY17: £2 749m) and adjusted EBITDA was up 3% to £515m (FY17: £501m). On an adjusted basis, the operating divisions performed well overall this year given their different market and regulatory environments. The biggest highlight was the clear demonstration that we are delivering on the turnaround of the Abu Dhabi business. Once again, Southern Africa produced steady revenue growth, and the team managed the cost base well, despite pressure on patient volumes. In Switzerland, the Hirslanden team faced a number of regulatory changes that came into effect during the year. The division will need to continue adapting to the evolving outpatient environment while delivering cost savings and operational efficiencies. The Hirslanden 2020 strategic programme is key to addressing these factors.

In the Middle East division, the operational changes implemented in the Abu Dhabi business during the prior year to align with our established Dubai business, laid the foundation for future growth. I was encouraged by the improved performance this year, particularly in the second half, which delivered a 1% improvement in revenue and a 100 basis points improvement in the adjusted EBITDA margin. We welcomed a large number of new doctors into the division over the past year, and we continue to recruit high-quality clinical personnel to meet the future demands of the business. The rebranding of the Abu Dhabi business to Mediclinic was completed earlier in the year. We saw a strong return of Thiqa (health insurance for UAE nationals) patients during the year following the reversal of the co-payment in April 2017 with Thiqa inpatient and outpatient volumes increasing by 83% and 38% respectively. The quality of our engagement with the regulator in Abu Dhabi advanced during the year, as we continue to demonstrate our long-term commitment to the region and sustainable operating practices. Mediclinic was honoured to be invited by the Department of Health in Abu Dhabi to join its healthcare advisory board.

This is only the start, as we enter a growth phase underpinned by continued strong performance in the established Dubai business, significant improvement in the Abu Dhabi business and the opening of several new facilities over the coming years. Two of our recent expansion investments in the Middle East performed ahead of expectations. The dedicated cancer centre at Mediclinic City Hospital's new North Wing in Dubai and the new Mediclinic Al Jowhara Hospital in Al Ain brought international clinical expertise to patients in the region. Several key expansion and upgrade projects underway will support future growth. The largest and most significant of these is the new 182-bed Mediclinic Parkview Hospital in Dubai, which is six months ahead of schedule and due to open in October 2018. A special feature on this exciting project is included in the Annual Report from page 64. AR

Mediclinic Southern Africa performed well during the year considering the macro environment and stagnant medical insurance membership. Despite patient volumes being under pressure due to the timing of Easter and a number of other public and school holidays, the division grew revenue and adjusted EBITDA by 5% and 6% respectively. The adjusted EBITDA margin improved to 21.5% as a result of a strong focus on cost management and efficiencies. Although we remain cautious of the need for additional bed capacity given the current macro environment, we continue to upgrade our facilities, and will be establishing six additional day clinic facilities co-located with some of our busiest hospitals over the coming two years. Further, as we look at expansionary opportunities across the continuum of care, the Southern Africa division is in the process of acquiring a stake in the Intercare day hospital business and a controlling share in Matlosana Medical Health Services in Klerksdorp, subject to Competition Commission approval.

Previously announced regulatory changes in the Swiss healthcare system, centred around the outpatient environment, negatively impacted the division's performance resulting in the recognition of impairment charges on intangible assets and property totalling £644m. On 1 January 2018, the TARMED tariff revisions were implemented, effectively reducing the tariff for outpatient treatments. During the year, five cantons, including Zurich, implemented a list of procedures that will be reimbursed at outpatient tariffs. The 2% increase in revenue was impacted by the timing of the Easter period, a subdued summer market, the continued change in insurance mix and the evolving changes in the regulatory environment. The continued focus on cost-management programmes and efficiency savings is a key priority for the division, including the Hirslanden 2020 strategic programme. Despite these initiatives, Hirslanden's adjusted EBITDA margin decreased to 18.3% as it adapts to the current trends in the market and regulatory environment.

The Hirslanden division completed the acquisition of the Linde Private Hospital ("**Linde**") in Biel at the end of June 2017. Linde, a market-leading 115-bed hospital, offers a wide range of medical services, including an outpatient clinic facility, radiology and an ophthalmology centre. Linde delivered a good operating performance following its integration into the Hirslanden division.

WHAT KEY CHALLENGES IS THE GROUP ADDRESSING IN THE GLOBAL HEALTHCARE MARKET?

The demand for healthcare services is growing worldwide. The challenge for the industry, however, is to ensure those services remain affordable. We emphasise the investment we make in our clinical performance and the facilities we operate to deliver to our patients the care we believe will improve the quality of their lives. However, we must manage the delivery of these services efficiently and cost-effectively to ensure sustainability. These efforts are supported by two key Group functions: the Clinical Information, Advanced Analytics, Health Information Management and Clinical Services team, which was established and built up by Dr Ronnie van der Merwe (CEO Designate) in his role as Group Chief Clinical Officer; and the Global Procurement team. Leveraging the powerful clinical data analytics across the Group supports our drive to improve clinical performance and efficiency by establishing best practice pathways and processes. Our global procurement approach, using our Group scale, resulted in tangible cost savings, and we will continue to deliver on various procurement initiatives in future.

Regulation in the healthcare sector continues to evolve. Governments aim to make healthcare efficient, accessible and affordable to their citizens. The trend of outmigration of care in Switzerland is being addressed as 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 to efficiently deliver outpatient services. Hirslanden is assessing the most appropriate outpatient solution for each hospital, including reconfiguring existing hospital surgery units and establishing specialised outpatient and medical centres – moving towards a more integrated medical network that improves access to healthcare for all our patients.

HOW DOES THE GROUP'S ICT INVESTMENTS SUPPORT ITS STRATEGY?

Mediclinic employs various information and communications technology ("**ICT**") enabled capabilities to pursue its strategic and operational goals. To this end, Mediclinic has further invested over the past year in some significant capabilities and the associated technologies:

- electronic health record ("**EHR**") capability for MCME by acquiring and implementing the TrakCare system and related IT applications;
- established a centralised shared services environment for Hirslanden with the SAP suite products at the core of this project;
- advanced Mediclinic's analytics and data warehousing initiatives by implementing the SAP HANA enterprise data warehouse solution;
- a Global Human Resource Service Delivery model is being enabled through the roll-out of SAP's cloud-based SuccessFactors HCM product;
- collaboration for teams and individuals through the Vidyo and Skype-for-Business technologies; and
- the safeguarding of Mediclinic's operations and assets is supported through the acquisition and installation of various cybersecurity solutions.

We anticipate that the investments in these new and enhanced business capabilities will benefit clinical performance, operational efficiencies, productivity and eventually business results.

DOES MEDICLINIC BENEFIT FROM BEING A DIVERSIFIED GLOBAL HEALTHCARE PROVIDER?

Given our scale, international presence and leading market positions, Mediclinic is uniquely positioned to benefit from being an integrated healthcare services group that leverages off world-class clinical expertise. We made great progress on our strategic priority of improving efficiencies by simplifying, standardising and centralising key business support processes and back-office services. Our central procurement function continues to deliver significant cost savings, using our Group scale and international footprint. Mediclinic's ICT function unlocked meaningful synergies through standardising the systems deployed across the Group. In future, this will generate lower ICT maintenance cost and simplify the task of ensuring we adhere to stringent data protection legislation.

Although clinical models differ from country to country, the basic principles are similar. Therefore, we actively promote collaboration and the transfer of knowledge within the Group to ensure we embrace best practice and deliver clinical excellence. As they did last year, colleagues from Hirslanden are collaborating with the Middle East team as they design our second cancer centre at the Mediclinic Airport Road Hospital in Abu Dhabi. Mediclinic's international reputation supports our efforts to attract and retain highly skilled people, which is key to the Group delivering on its long-term growth strategy.

As part of the Group's strategic financial framework, investment hurdle rate requirements ensure rigorous capital allocation across the Group. This informs our decision-making regarding ongoing investment in the maintenance and upgrade of our facilities, in addition to selective organic and inorganic growth opportunities. The substantial ownership of our property portfolio also allows the Group to secure long-term financing at competitive rates. This was demonstrated in Switzerland, with the refinancing of Hirslanden's secured debt in October 2017. The new facility was expanded by up to CHF0.45bn, and the cost of debt reduced by 25 basis points. The maturity profile extended to at least 2023. Efficiently allocating capital across an international business and appropriately managing the cost of debt will provide opportunities to improve returns, thus generating long-term value for shareholders.

WHAT ARE YOUR PROUDEST ACHIEVEMENTS DURING YOUR TIME AT MEDICLINIC?

I have been with Mediclinic for more than 30 years, and I am proud to have been part of a team that grew the Group from a single South African hospital under construction in 1985 to one of the largest independent pan-EMEA healthcare services groups. Our first venture outside Southern Africa was the investment in Dubai. We acquired a minority interest in a relatively small business with one hospital. Craig Tingle, our former Group CFO, and I were sent to Dubai as the initial Mediclinic team to manage the investment. Despite the uncertainty of operating in a new market, we overcame a number of challenges and grew the modest initial investment to create a market-leading healthcare services business in Dubai. In Dubai, we now have eight clinics, with two further additions following the Majid Al Futtaim acquisition in May 2018, and there will soon be three hospitals with the opening of the new Mediclinic Parkview Hospital later in 2018. The opportunity to further grow in that region is supported by the recent addition of the Abu Dhabi business which I believe, over time, will emulate the success of our Dubai business.

I am fortunate to have worked with some of the industry's leading professionals and an experienced team of senior executives. Across the Group, we have built a strong management team with a wealth of experience, functioning in a well-embedded value-based culture. I am privileged to have worked in various roles during my career. It is an honour for me to have been part of a team that established corporate structures, processes and systems that are standing the test of time. I am proud of the diverse team of highly skilled and experienced people in Mediclinic, who has the capacity and tenacity to take the Company forward as a respected international healthcare services group to the long-term benefit of all the stakeholders.

WHY DO YOU BELIEVE MEDICLINIC IS WELL-POSITIONED FOR FUTURE SUCCESS?

As mentioned, the demand for quality healthcare services is continuously growing on an international basis driven by a variety of factors such as an ageing population, new technology, growing middle class and consumerism. We acknowledge that affordability of healthcare needs to be factored in to ensure long-term sustainability of the industry. However, as one of the largest independent pan-EMEA healthcare services groups, Mediclinic is well-positioned to deliver long-term value to its shareholders through a well-balanced, diversified portfolio of operations, with a leading position across attractive healthcare markets; a relentless focus on patient safety and excellent clinical performance; and attractive growth opportunities.

Stepping down as CEO after eight years in the role, I depart as an executive director from a Group that is established as an industry-leading healthcare services provider, with international best practice and processes in place, and a great depth in the management capacity which will support the growth of the business going forward. Most importantly, there is a positive and collaborative culture across the Group that forms the principal framework for how we provide services to our patients. I know that Ronnie, who will take over from me in June 2018, will be supported by the broader senior management team and will lead the Group to further success to the benefit of all our stakeholders. I wish them every success in the future and look forward to continuing to support the Group in my new role as a non-executive director.

Danie Meintjes
Chief Executive Officer

23 May 2018

FINANCIAL REVIEW

"OUR COMMITMENT TO SHAREHOLDER VALUE IS MEASURED USING RETURNS ON INVESTED CAPITAL, THEREBY FOCUSING STRATEGIC DELIBERATIONS ON WAYS TO IMPROVE RETURNS ON THE GROUP'S INVESTED ASSET BASE."

Jurgens Myburgh
Chief Financial Officer

INTRODUCTION

Mediclinic has a defined purpose to enhance the quality of life of our patients and a strategic objective to generate long-term shareholder value. These fundaments inform our daily operational activity and frame our financial strategy. We strive to make decisions that improve the quality of our business to drive sustainable, long-term value for the Group.

Mediclinic operates in an industry where the combination of growth and dynamic disruptive and regulatory forces create an opportunity for investment and collaboration. The Group has a well-invested asset base that is able to, by adopting technology and operating innovation, drive the business to improved asset utilisation while taking advantage of selective opportunities for value-adding growth.

Our commitment to shareholder value is measured using returns on invested capital, thereby focusing strategic deliberations on ways to improve returns on the Group's invested asset base. We do this through, for example, improving efficiencies or the use of technology. Our commitment also informs the governance process around investment decisions, which follows a framework of mandated authority levels and required internal rates of return. The combination of improvements in asset utilisation and application of investment discipline is aimed at generating improved value for shareholders in the long term.

GROUP FINANCIAL PERFORMANCE

Group revenue increased by 4% to £2 870m (FY17: £2 749m) for the reporting period. In constant currency terms, FY18 revenue was up 3%. This was as a result of marginal revenue growth in Hirslanden and the Middle East and modest revenue growth in Southern Africa, compared to the comparative period.

Earnings before interest, tax, depreciation and amortisation ("**EBITDA**") was 3% higher at £522m (FY17: £509m). Adjusted EBITDA was also 3% higher at £515m (FY17: £501m), with adjusted EBITDA margins declining from 18.2% to 17.9%. EBITDA was adjusted for the following exceptional items:

- a past-service cost credit of £4m relating to a change in the Swiss pension fund conversion rate advised by an independent professional. The credit is not related to the current year performance of Hirslanden; and
- a release of a pre-acquisition fair value adjustment to debtors of £3m in Mediclinic Middle East.

Adjusted depreciation and amortisation was up 5% to £145m (FY17: £138m) in line with the continued investment programme expanding the asset base to support growth and enhancing patient experience and clinical quality.

The Group recorded an operating loss of £288m in FY18 (FY17: operating profit of £362m). Adjusted operating profit increased by 3% to £370m (FY17: £360m). Operating profit was adjusted for the following exceptional items:

- recognition of an impairment charge to Hirslanden properties. Non-financial assets are considered for impairment when impairment indicators are identified at an individual cash-generating unit ("**CGU**") level. During the year, the CGUs in Hirslanden were tested for impairment. For one CGU in particular, the carrying value was determined to be higher than its recoverable amount and as a result an impairment charge of £84m was recognised in the income statement;
- recognition of an impairment charge to Hirslanden intangible assets of £560m. In line with the requirements of IFRS, the Group performed an annual review of the carrying value for goodwill and other intangible assets. In Switzerland, the changes in the market and regulatory environment, that became evident during the annual financial planning exercise for 2019 and future years which was completed in the fourth quarter of FY18, affected key inputs to the review that gave rise to impairment charges against goodwill and indefinite life trade names of £300m and £260m, respectively. Hirslanden goodwill and indefinite life trade names were carried at £307m and £341m, respectively, at the previous year end balance sheet date of 31 March 2017. The impairment charge is non-cash;
- accelerated amortisation of £23m relating to the rebranding of the Al Noor hospitals to Mediclinic;
- release of unutilised pre-acquisition Swiss provision of £9m; and
- a loss on disposal of certain non-core businesses in Mediclinic Middle East of £7m.

Adjusted net finance costs benefited from the refinance in Switzerland and were down 13% at £70m (FY17: £80m). The Group's reported effective tax rate is significantly skewed by exceptional non-deductible expenses which include impairment of goodwill; impairment of the equity investment and accelerated amortisation. The rate is also affected by unrelievable losses on disposals of non-core businesses. Adjusted taxation was £64m (FY17: £58m) with an adjusted effective tax rate for the period of 20.8% (FY17: 20.4%). After adjusting for the amortisation of intangible assets recognised in the notional purchase price allocation of the equity investment, the FY18 income from associates was £2.8m (FY17: £12.4m).

The Group recorded an earnings loss of £492m in FY18 (FY17: earnings of £229m). Adjusted earnings increased by 1% to £221m (FY17: 220m). Adjusted earnings per share were 1% higher at 30.0 pence (FY17: 29.8 pence). Earnings were adjusted for the following exceptional items:

- fair value gains on ineffective cash flow hedges of £4m (FY17: £13m) in Hirslanden;
- derecognition of unamortised finance expenses of £19m following the refinance in Switzerland; and
- recognition of an impairment charge on the equity investment in Spire of £109m. During the year, the Group performed an impairment test updating the key assumptions applied in the value in use calculation performed at 31 March 2017. In particular, the Group adjusted the value in use calculation for the guidance announced by Spire in September 2017 about the current financial performance and about the related impact on short- and medium-term growth rates and revisited other key assumptions in this context. As a result, an impairment loss of £109m was recorded against the carrying value.

EARNINGS RECONCILIATION

2018 STATUTORY RESULTS	Total £'m	Hirslanden £'m	Southern Africa £'m	Middle East £'m	Spire £'m	Corporate £'m
Revenue	**2 870**	1 349	877	643	–	1
Operating (loss)/profit	**(288)**	(470)	160	25	–	(3)
(Loss)/profit attributable to equity holders	**(492)**	(471)	72	17	(106)	(4)
Reconciliations						
Operating (loss)/profit	**(288)**	(470)	160	25	–	(3)
Add back:						
– Other gains and losses	**(2)**	(9)	–	7	–	–
– Depreciation and amortisation	**168**	86	29	53	–	–
– Impairment of properties	**84**	84	–	–	–	–
– Impairment of intangible assets	**560**	560	–	–	–	–
EBITDA	**522**	251	189	85	–	(3)
Exceptional items:						
– Past service cost credit	**(4)**	(4)	–	–	–	–
– Pre-acquisition fair value adjustment to debtors	**(3)**	–	–	(3)	–	–
Adjusted EBITDA	**515**	247	189	82	–	(3)
Operating (loss)/profit	**(288)**	(470)	160	25	–	(3)
Exceptional items:						
– Past service cost credit	**(4)**	(4)	–	–	–	–
– Pre-acquisition fair value adjustment to debtors	**(3)**	–	–	(3)	–	–
– Impairment of properties	**84**	84	–	–	–	–
– Impairment of intangible assets	**560**	560	–	–	–	–
– Accelerated amortisation	**23**	–	–	23	–	–
– Release of pre-acquisition Swiss provision	**(9)**	(9)	–	–	–	–
– Loss on disposal of businesses	**7**	–	–	7	–	–
Adjusted operating profit/(loss)	**370**	161	160	52	–	(3)

EARNINGS RECONCILIATION (CONTINUED)

2018 STATUTORY RESULTS	Total £'m	Hirslanden £'m	Southern Africa £'m	Middle East £'m	Spire £'m	Corporate £'m
Reconciliations						
(Loss)/profit attributable to equity holders	**(492)**	(471)	72	17	(106)	(4)
Exceptional items						
– Past service cost credit	**(4)**	(4)	–	–	–	–
– Pre-acquisition fair value adjustment to debtors	**(3)**	–	–	(3)	–	–
– Impairment of properties	**84**	84	–	–	–	–
– Impairment of intangible assets	**560**	560	–	–	–	–
– Accelerated amortisation	**23**	–	–	23	–	–
– Release of pre-acquisition Swiss provision	**(9)**	(9)	–	–	–	–
– Loss on disposal of businesses	**7**	–	–	7	–	–
– Fair value gains on ineffective cash flow hedges	**(4)**	(4)	–	–	–	–
– Derecognition of unamortised finance expenses	**19**	19	–	–	–	–
– Impairment of associate	**109**	–	–	–	109	–
– Tax on exceptional items	**(69)**	(69)	–	–	–	–
Adjusted earnings	**221**	106	72	44	3	(4)
Weighted average number of shares (millions)	**737.1**					
Adjusted earnings per share (pence)	**30.0**					

EARNINGS RECONCILIATION (CONTINUED)

2017 STATUTORY RESULTS	**Total £'m**	Hirslanden £'m	Southern Africa £'m	Middle East £'m	Spire £'m	Corporate £'m
Revenue	**2 749**	1 321	780	648	–	–
Operating profit/(loss)	**362**	201	140	28	–	(7)
Profit attributable to equity holders	**229**	141	67	22	12	(13)
Reconciliations						
Operating profit/(loss)	**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)
Exceptional items						
– Past service cost credit	**(13)**	(13)	–	–	–	–
– Restructuring costs	**5**	–	–	5	–	–
Adjusted EBITDA	**501**	264	165	76	–	(4)
Operating profit/(loss)	**362**	201	140	28	–	(7)
Exceptional items						
– Past service cost credit	**(13)**	(13)	–	–	–	–
– Restructuring costs	**5**	–	–	5	–	–
– Other gains and losses	**(1)**	–	–	(1)	–	–
– Accelerated amortisation	**7**	–	–	7	–	–
Adjusted operating profit/(loss)	**360**	188	140	39	–	(7)
Profit attributable to equity holders	**229**	141	67	22	12	(13)
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 exceptional items	**6**	6	–	–	–	–
Adjusted earnings	**220**	121	67	33	12	(13)
Weighted average number of shares (millions)	**736.9**					
Adjusted earnings per share (pence)	**29.8**					

ADJUSTED NON-IFRS FINANCIAL MEASURES

The Group uses adjusted income statement reporting as non-IFRS measures in evaluating performance and as a method to provide shareholders with clear and consistent reporting. The adjusted measures are intended to remove volatility associated with certain types of exceptional income and charges from reported earnings. Historically, EBITDA and adjusted 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 adjusted EBITDA are used by analysts and investors in assessing performance.

The rationale for using non-IFRS measures:

- it tracks the adjusted operational performance of the Group and its operating segments by separating out 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 adjusted results:

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

EBITDA is defined as operating profit before depreciation and amortisation and impairments of non-financial assets, 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 adjusted measures used by the Group are not necessarily comparable with those used by other entities.

The Group has consistently applied this definition of adjusted 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.

SPIRE HEALTHCARE GROUP

Mediclinic has a 29.9% investment in Spire.

Spire's underlying performance for the twelve months to 31 December 2017 resulted in revenue increasing 1.0%, EBITDA decreasing 4.7% and the underlying EBITDA margin decreasing to 17.3%. Adjusted EPS (excluding exceptional and tax one-off items) decreased by 25.0%. Underlying inpatient and day case admissions declined 1.8% driven by PMI and NHS volume declines more than offsetting growth in self-pay.

Mediclinic's investment in Spire is equity accounted. Spire reported profit after tax of £16.8m for Spire's financial year ended 31 December 2017 (31 December 2016: £53.6m). Spire's adjusted profit after tax for the year was £57.9m (31 December 2016: £76.6m). The principal differences related to a £28.7m provision for the potential cost of a civil litigation settlement against a consultant who previously had practicing privileges at Spire and a charge relating to a decision to cease the provision of radiotherapy services at the Spire Specialist Cancer Care Centre in Baddow (Essex). The exceptional items materially impacted Mediclinic's FY18 equity accounted share of reported profit after tax from Spire. After adjusting for the amortisation of intangible assets recognised in the notional purchase price allocation of the equity investment, the FY18 income from associate was £2.8m (FY17: £12.0m). The underlying and adjusted measures referenced above have been extracted from Spire's results announcement for the year ended 31 December 2017.

As previously disclosed, under the UK Takeover Code, Mediclinic is presumed to be acting in concert with a number of entities in which its major shareholder, investment holding company Remgro Limited ("**Remgro**"), has a direct interest of 20%. or more and/or other entities in which such investee companies (or their investee companies and so on down the chain) have an interest of 20%. or more. Some of these entities deal in listed securities during the ordinary course of their businesses.

On 6 November 2017, Mediclinic announced that it had become aware that two such entities (Kagiso Asset Management (Pty) Ltd ("**KAM**") and Truffle Asset Management (Pty) Ltd ("**Truffle**")) had acquired shares in Spire Healthcare Group plc ("**Spire**") which, together with Mediclinic's 29.9% interest, meant that the presumed concert party group held, in aggregate, shares representing over 30% of the voting rights of Spire. It was also announced that the UK Takeover Panel had ruled that the aggregate presumed concert party holding in Spire must be reduced to below 30%, through a sale of Spire shares by the entities or Mediclinic.

Following further discussions with the Panel, the Panel has agreed that the presumption of concertedness between each of KAM and Truffle, on the one hand, and each of Mediclinic and Remgro, on the other hand, has been rebutted, and consequently no longer requires any Spire shares to be sold in respect of those holdings.

FOREIGN EXCHANGE RATES

Although the Group reports its results in pounds sterling, the divisional profits are generated in Swiss franc, UAE dirham and South African rand. Consequently, movements in exchange rates affected the reported earnings and reported balances in the statement of financial position. Exchange rate movements also had a significant impact on the statement of financial position. The resulting currency translation difference, which is the amount by which the Group's interest in the equity of the operating divisions increased because of spot rate movements, amounted to £310m (2017: increase of £388m) and was debited (2017: credited) to the statement of comprehensive income. The main reason for the decrease was the weakening of the period end Swiss franc and UAE dirham rates against sterling.

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 £12m (2017: increase/decrease by £14m) 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 £9m (2017: increase/decrease by £8m) 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 £4m (2017: increase/decrease by £2m) due to exposure to the GBP/AED exchange rate.

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

	2018	2017
Average rates		
Swiss franc	**1.29**	1.29
South African rand	**17.22**	18.41
UAE dirham	**4.87**	4.80
Period end rates		
Swiss franc	**1.34**	1.25
South African rand	**16.57**	16.74
UAE dirham	**5.15**	4.59

CASH FLOW

The Group continued to deliver strong cash flow and converted 90% (FY17: 98%) of adjusted EBITDA into cash generated from operations, impacted by accounts receivable build ups in Switzerland (billing process changes) and the Middle East (increase in credit sales in the final quarter) towards the end of the financial year. Cash conversion in FY17 has been adjusted because of a reclassification between cash flow categories with no impact on net cash. Refer to the basis of preparation in note 2 to the condensed consolidated financial information for an explanation of this reclassification.

	2018 £'m	2017 £'m
Cash from operations (a)	**466**	492
Adjusted EBITDA (b)	**515**	501
Cash conversion ((a)/(b) x 100)	**90%**	98%

INTEREST-BEARING BORROWINGS

Interest-bearing borrowings decreased from £2 030m at 31 March 2017 to £1 937m at 31 March 2018, largely due to closing exchange rate differences.

The cash and cash equivalents balance reduced predominantly because of the acquisition of Linde as well as expansion projects in the Middle East.

	2018 £'m	2017 £'m
Borrowings	**1 937**	2 030
Less: cash and cash equivalents	**(261)**	(361)
Net debt	**1 676**	1 669
Total equity	**3 373**	4 164
Debt-to-equity capital ratio	**49.7%**	40.1%

ASSETS

Property, equipment and vehicles decreased from £3 703m at 31 March 2017 to £3 590m at 31 March 2018. This included an increase of £223m on capital projects and fixed asset additions in line with the continued investment programme expanding the asset base to support growth and enhancing patient experience and clinical quality. In addition, the closing balance increased by £110m as a result of the Linde acquisition. In addition to the depreciation and amortisation charge, the balance was further reduced by the impairment charge of £84m recognised on properties in the Hirslanden division and the change in the closing exchange rate.

Intangible assets decreased from £2 156m at 31 March 2017 to £1 406m at 31 March 2018 due to the impairment of goodwill (£300m) and trade names (£260m) in the Hirslanden division. The accelerated amortisation of the Al Noor trade name of £23m (FY17: £7m), reducing the balance to nil, decreased the closing balance further.

Adjusted depreciation and amortisation was calculated as follows:

	2018 £'m	2017 £'m
Depreciation and amortisation	**168**	145
Accelerated amortisation	**(23)**	(7)
Adjusted depreciation and amortisation	**145**	138

HIRSLANDEN PENSION PLAN

Hirslanden provides defined contribution pension plans in terms of Swiss law to employees, the assets of which are held in separate trustee-administered funds. These plans are funded by payments from employees and Hirslanden, taking into account the recommendations of independent qualified actuaries. Because of the strict definition of defined contribution plans in IAS 19, in terms of IFRS, these plans are classified as defined benefit plans, since the funds are obliged to take some investment and longevity risk in terms of Swiss law.

The IAS 19 pension liability was valued by the actuaries at the end of the year and amounted to £4m (2017: £73m), included under "Retirement benefit obligations" in the Group's statement of financial position. The decrease in the pension liability was largely due to increase of the discount rate from 0.55% to 0.75% as well as changes in actuarial assumptions.

DEFERRED TAX LIABILITIES

The deferred tax liability balance decreased from £527m in the prior year to £467m at 31 March 2018. The impairment of the trade names and properties in Hirslanden led to the release of deferred tax liabilities of £55m and £13m respectively which caused the decrease in the deferred tax liability balance.

FINANCE COSTS

Adjusted net finance costs benefited from the refinance in Switzerland and were down 13% at £70m (FY17: £80m). Adjusted net finance cost was calculated as follows:

	2018 £'m	2017 £'m
Finance cost	**94**	74
Finance income	**(9)**	(7)
Net finance cost	**85**	67
Derecognition of unamortised financing costs	**(19)**	–
Fair value gains on ineffective cash flow hedges	**4**	13
Adjusted finance cost	**70**	80

INCOME TAX

The Group's effective tax rate changed significantly for the period under review to 1.1% (FY17: 20.8%), mainly due to exceptional non-deductible expenses which include the impairment of goodwill, impairment of the equity investment and accelerated amortisation. The rate is also affected by unrelievable losses on disposals of non-core businesses. Excluding these exceptional non-deductible charges, the effective tax rate would be 20.8% (FY17: 20.4%) for the year ended 31 March 2018. The higher proportional contribution to profits from the Mediclinic Southern Africa operations increased the effective tax rate.

Adjusted income tax was calculated as follows:

	2018 £'m	2017 £'m
Income tax (credit)/expense	**(5)**	64
Tax on exceptional items	**69**	(6)
– Past service cost credit	**(1)**	–
– Impairment of properties	**13**	–
– Impairment of intangible assets	**55**	–
– Release of unutilised pre-acquisition Swiss provision	**(2)**	–
– Fair value gains on ineffective cash flow hedges	**–**	(3)
– Derecognition of unamortised finance expenses	**4**	(3)
Adjusted income tax expense	**64**	58

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 intentions of relevant legislation. The Group interprets relevant tax laws to ensure 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.

REFINANCING OF SWISS DEBT

At the end of October 2017, the elective refinancing of the Group's Swiss debt was successfully completed. The refinanced Swiss debt funding comprises up to CHF2.0bn of property-backed facilities:

- CHF1.5bn senior term loan facility with a partially amortising repayment profile over six years and priced at Swiss Libor plus a margin of 1.25%;
- CHF0.4bn capex facility, priced at Swiss Libor plus a margin of 1.25%, but which could increase funding costs up to a maximum of Swiss Libor plus a margin of 1.65% at the time of drawing, depending on the loan-to-value at that time;
- CHF0.1bn revolving facility, priced at Swiss Libor plus a margin of 1.25%;
- the new financing results in future finance cost savings; and
- the existing ineffective interest rate swap was settled at CHF5m and no new hedging was entered into for the time being.

OUTLOOK

The Group provides the following guidance for FY19, unless otherwise stated:

- Hirslanden: In FY19, Hirslanden expects modest revenue growth supported by an increase in average bed capacity for the year, largely related to Linde. As a result of the regulatory and market trends more than offsetting the benefits of cost savings and efficiency initiatives, the FY19 EBITDA margin is expected to contract by around 100 basis points ("**bps**") from the prior year. However, the EBITDA margin is targeted to gradually improve from FY20 onwards.
- Mediclinic Southern Africa: FY19 revenue growth will be driven by an expected increase in bed days sold of 1-2%, largely as a result of an increase in productive days compared to the prior year, combined with tariff increases broadly in line with inflation. The medium-term EBITDA margin is expected to be broadly in line with recent years.
- Mediclinic Middle East: In FY19, the Middle East division is expected to deliver revenue growth (adjusted for the adoption of IFRS 15) in the low double-digit percentage range reflecting the underlying operating performance of the business and additional bed capacity coming online in the second half of the year. The EBITDA margin of the existing operations is expected to increase by around 250bps and to continue improving year-on-year to around 20% in FY22. As a result of the early opening of Mediclinic's Parkview Hospital and the updated schedule for the planned upgrade and expansion projects in Abu Dhabi, the ramp-up costs associated with these projects are expected to offset the margin of the existing business by around 250bps per annum between FY19 and FY21, reducing thereafter.
- The Group's capital expenditure budget, in constant currency, for FY19 is expected to increase by 18% to £289m (FY18: £245m). This comprises £102m in Hirslanden (FY18: £101m), £76m in Mediclinic Southern Africa (FY18: £62m), £110m in Mediclinic Middle East (FY18: £80m) and £1m (FY18: £2m) for Corporate. The increase is largely driven by expansion in the Middle East and an upgrade cycle in Southern Africa.

DIVIDEND POLICY AND PROPOSED DIVIDEND

The Group's dividend policy is to target a pay-out ratio of between 25% and 30% of adjusted 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 2018 for approval by the Company's shareholders at the annual general meeting on Wednesday, 25 July 2018. Together with the interim dividend of 3.20 pence per ordinary share for the six months ended 30 September 2017 (paid on 18 December 2017), the total final proposed dividend reflects a 26% distribution of adjusted Group earnings attributable to ordinary shareholders.

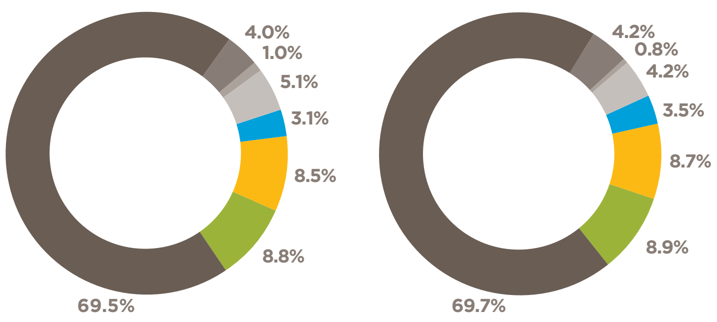
Shareholders on the South African register will be paid the ZAR cash equivalent of 79.52400 cents (63.61920 cents net of dividend withholding tax) per share. A dividend withholding tax of 20% will be applicable to all shareholders on the South African register who are not exempt therefrom. The ZAR cash equivalent has been calculated using the following exchange rate: GBP1:ZAR16.92, being the five-day average ZAR/GBP exchange rate on Friday, 18 May 2018 at 3:00pm GMT Bloomberg.

VALUE ADDED STATEMENT

The Value Added Statement depicts the economic benefit created by the Group and how that is distributed amongst the various stakeholders, comprising employees, shareholders, banks, government, creditors and the economic value retained in the business.

	2018 £'m	**%**	2017 £'m	%
VALUE CREATED				
Revenue	**2 870**		2 749	
Cost of materials and services	**(1 022)**		(1 000)	
Finance income	**9**		7	
Share of net profit of equity accounted investments	**3**		12	
	1 860	**100.0**	1 768	100.0
DISTRIBUTION OF VALUE				
To employees as remuneration and other benefits	**1 293**	**69.5**	1 231	69.7
Tax and other state and local authority levies (excluding VAT)	**75**	**4.0**	75	4.2
To suppliers of capital:				
Non-controlling interests	**18**	**1.0**	14	0.8
Finance cost on borrowed funds	**94**	**5.1**	74	4.2
Distributions to shareholders	**58**	**3.1**	62	3.5
	1 538	**82.7**	1 456	82.4
VALUE RETAINED				
To maintain and replace assets	**159**	**8.5**	154	8.7
Income retained for future growth	**163**	**8.8**	158	8.9
	322	**17.3**	312	17.6

DISTRIBUTION OF VALUE



2018 2017

- To employees as remuneration and other benefits
- Tax and other state and local authority levies (excluding VAT)
- Non-controlling interests
- Finance cost on borrowed funds
- Distributions to shareholders
- To maintain and replace assets
- Income retained for future growth

CLINICAL SERVICES OVERVIEW

"MEDICLINIC HAS DEVELOPED A STRONG FOCUS ON CLINICAL PERFORMANCE TO ENSURE EFFICIENT, EFFECTIVE AND SAFE PATIENT CARE OF THE HIGHEST STANDARD."

Dr Ronnie van der Merwe
Chief Clinical Officer and CEO Designate

INTRODUCTION

Mediclinic provides a wide range of clinical services throughout its operating divisions. These services include acute care inpatient services, highly specialised services, day case surgery, hospital-based emergency centres, pre-hospital emergency services, and outpatient consultation services. Support services include laboratories, 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 emphasise measuring and improving clinical performance throughout our organisation. On a monthly basis, a comprehensive set of clinical performance indicators are collected, measured, analysed and reported on. These clinical performance reports outline and track the performance of healthcare facilities, inform operational decisions, identify opportunities for clinical quality improvement initiatives, and inform our strategic direction.

During the year under review, the clinical performance of the business across all operating divisions was satisfactory. We made considerable progress in further developing underlying structures and processes to enable clinical performance improvements. Much of the progress can be attributed to the strong collaborative effort of the clinical services teams of the divisions.

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.

Mediclinic developed a framework to support a structured approach to clinical management, the clinical management model. The model comprises two elements: clinical governance and clinical performance. The clinical governance foundation layer provides the structure required for clinical performance. Mediclinic does not use the standard definition for clinical governance. We define and stratify it as: governance including oversight and assurance; systems improvement; medico-legal processes and ethics; research; clinical information; clinical processes and education; and continued medical education.

CLINICAL MANAGEMENT MODEL

Clinical performance refers to the quality of the clinical processes and outcomes and is supported by the clinical performance model. The four components of the model are patient safety, effectiveness, cost efficiency and value-based care.

CSR

This report provides an overview of the Group's clinical performance for the year under review. The detailed **Clinical Services Report**, available on the Company's website at **www.mediclinic.com**, provides a more in-depth description.

HIRSLANDEN

Clinical performance

Hirslanden has the highest case mix in the Group, reflecting the complexity of cases treated. However, clinical outcomes remain excellent, as evidenced by low infection rates and other outcome measures, e.g. patient falls, healthcare-associated infections ("**HAI**"), etc.

Patient safety

A patient safety culture is well established in the operating division as reflected by the low rate of never events (serious incidents, such as wrong site surgery and retained instrument post operation, that are wholly preventable) and serious adverse events ("**SAE**"). We report near misses, or critical incidents routinely, and lessons learnt are disseminated to make systems safer and to improve patient outcomes.

The fall rate increased by 6.36% compared to 2016. The increase in the rate is believed to be due to increased awareness and better reporting. The prevention of falls and a reduction in the reported rate remain focus areas. The in-hospital pressure ulcer rate decreased by 23.9% (see **Figure 1**). This decrease is statistically significant and in line with focused initiatives to decrease the incidence of in-hospital pressure ulcers.

FIGURE 1: WEIGHTED AVERAGE IN-HOSPITAL PRESSURE ULCER RATE – HIRSLANDEN

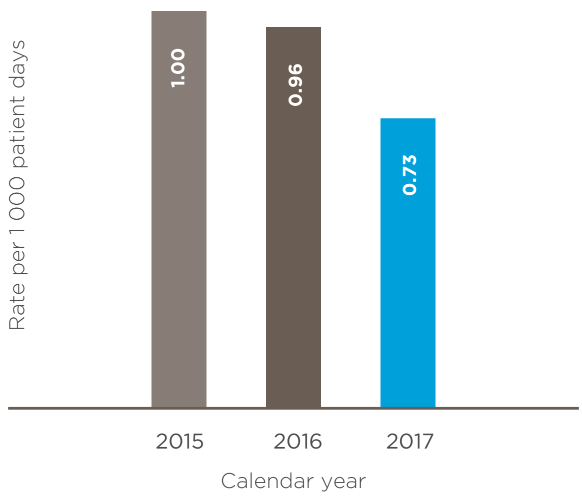
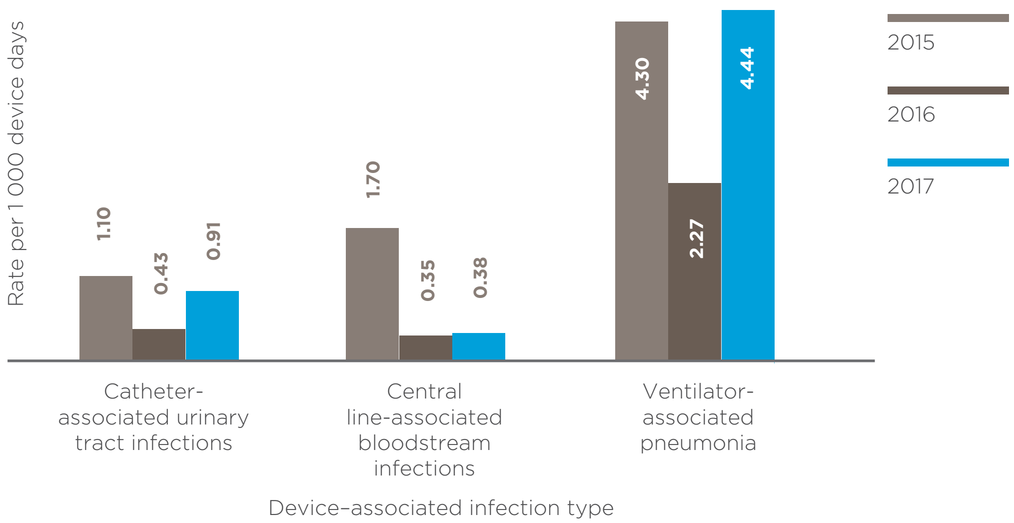


FIGURE 2: DEVICE-ASSOCIATED INFECTIONS – HIRSLANDEN



Infection prevention and control

Healthcare-associated infections

The HAI and related conditions rate remained stable in 2017. As these conditions are rare, a single infection causes a high rate based on small denominators.

Figure 2 reflects an increase in the catheter-associated urinary tract infections ("**CAUTI**") and ventilator-associated pneumonia ("**VAP**") rates compared to the prior year. Neither of these increases is statistically significant. The central line-associated bloodstream infections ("**CLABSI**") rate remains stable.

Clinical effectiveness

The SAPS II is used to measure clinical outcomes of critical care units ("**CCU**"). The SAPS II mortality rate remains low at 2.50% and the index is well below the Swiss benchmark of 0.42 at 0.32.

In-hospital mortality is reported as a crude rate, and remained low at 0.93%, a decrease of 2.1% when compared to 2016.

The re-admission rate is reported as a 15-day unscheduled re-admission rate, as defined by the International Quality Indicator Project. The 15-day interval was chosen according to the 18-day re-admission criteria of the SwissDRG (diagnosis-related groups) system to provide input to the case management process. The rate increased by 19.4%, is not statistically significant, and no concerns were raised.

Progress against objectives

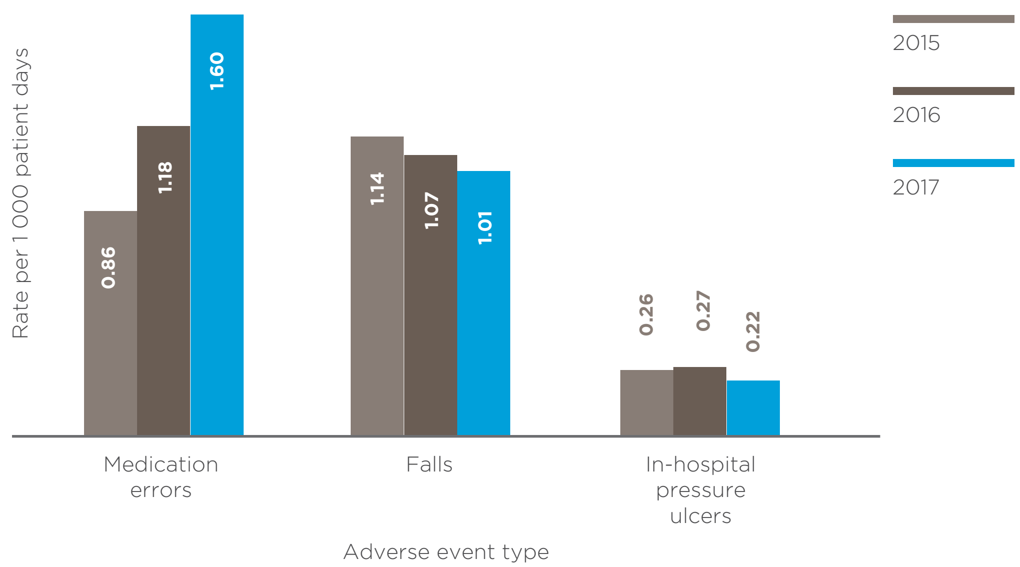
Patients First at Mediclinic

- 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.

Value-based care

- Compiled a policy on indication quality and introduction of indication boards – the implementation is planned for 2018.
- 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.

FIGURE 3: ADVERSE EVENTS – MEDICLINIC SOUTHERN AFRICA



Clinical information systems

- Compiled the definition of the future documentation in catheterisation laboratories and emergency departments – the manufacturer is implementing this 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 – Hirslanden decided to connect this project to its transformation exercise.

Future objectives

Patients First at Mediclinic

- Identify patient pathways qualifying for standardisation.
- Complete the introduction of a continuous patient experience survey for all inpatients.

Value-based care

Hirslanden will 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 SOUTHERN AFRICA

Clinical performance

Mediclinic and the greater Southern Africa healthcare community experienced significant and ever-increasing cost pressures; continued shortage of healthcare professionals (especially specialised disciplines); outmigration of care, resulting in hospitals caring for more complex cases; and an increase in the elderly population. Despite these challenges, Mediclinic Southern Africa improved clinical performance of the operating division compared to the 2016 calendar year.

Patient safety

We prioritise the continuous improvement of patient safety. Adverse events, as illustrated in **Figure 3**, are reported and tracked as a barometer of safe patient care.

In 2017, we reported a significant increase of 35.59% in the medication error rate, mainly due to increased awareness and reporting, driven by focused audits. This rate is expected to increase even further as additional sources of information, obtained from the audits, are included in the report.

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. The fall rate decreased by 7% in 2017, however, the decrease is not statistically significant. The prevention of falls remains a priority.

The in-hospital pressure ulcer rate decreased by 25.92%. This decrease is statistically significant, and is mainly due to continued focus on the early detection and prevention of incontinence-associated dermatitis, one of the main drivers of in-hospital pressure ulcers.

Infection prevention and control

Healthcare-associated infections

HAI remain one of the highest risks. Hand hygiene compliance, which is a focus area for improvement, is an important measure in the prevention of HAI, and remained stable at 75.3%.

The HAI rate, reflected in **Figure 4**, increased by 7.57% over the 2017 calendar year. The increase is statistically significant. The adherence to evidence-based practices, such as care bundles to reduce device-associated infections, remain a focus area. HAI rates and compliance with hand hygiene principles are closely monitored by audits, and hospitals are supported in dealing with outbreaks timeously and efficiently.

Antimicrobial stewardship

Considering the high burden of infectious disease in Southern Africa, effectively managing antimicrobial resources and preventing multidrug resistance are critical. Antimicrobial resistance increases with using all antimicrobials and not only certain classes of antimicrobials. The total antimicrobial consumption needs to be reduced. The total antimicrobial usage and utilisation decreased by 1.6% in 2017.

Clinical effectiveness

The clinical performance measurement of CCUs was refined by implementing the Simplified Acute Physiology Score ("**SAPS**") 3 physiological mortality prediction model, instead of the previously used APACHE®IV. SAPS 3 is statistically better suited to the Mediclinic population and predicts mortality more accurately. During 2017, the average mortality rate for patients admitted to CCUs was 16.97% compared to the expected mortality rate of 17.85%. The resultant SAPS 3 mortality index was 0.95.

The in-hospital mortality prediction model calculates the expected mortality rate based on administrative data. This model was reviewed and refined in 2016. The 2015 values can therefore not be compared directly to the 2016/2017 values due to the change in methodology. When compared to the 2017 index, a 6% decrease is noted. This decrease is statistically significant (see **Figure 5**).

The 30-day all-cause re-admission rate increased by 0.08% in 2017. Re-admissions within seven days of discharge account for half the re-admissions, and remains a focus area for improvement. The extended stay rate is expressed as an index, and decreased by 0.88% compared to 2016.

FIGURE 4: HEALTHCARE-ASSOCIATED INFECTIONS – MEDICLINIC SOUTHERN AFRICA

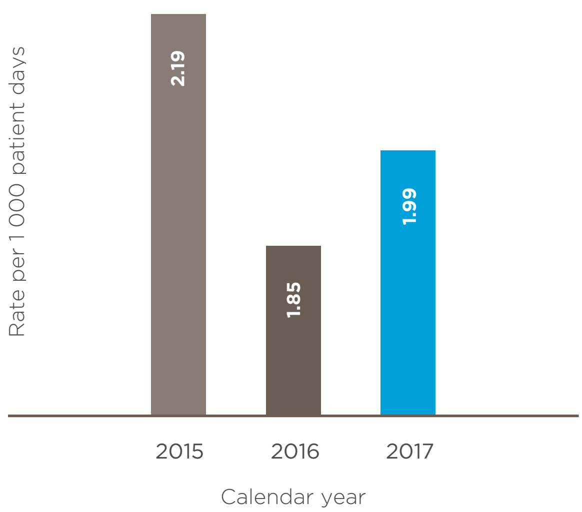
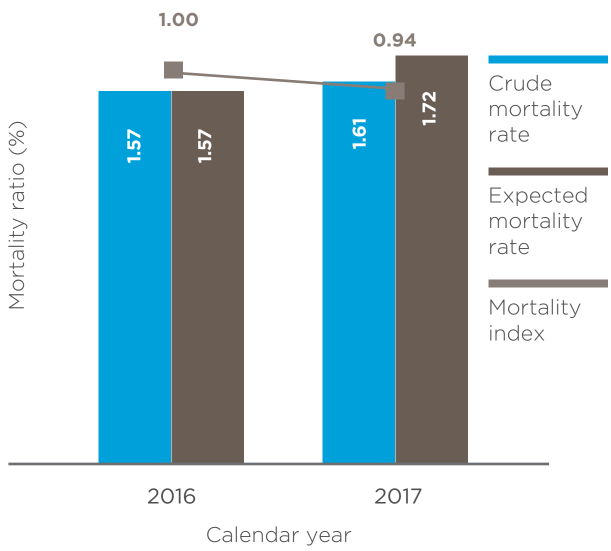


FIGURE 5: INPATIENT MORTALITY – MEDICLINIC SOUTHERN AFRICA



Progress against objectives

Patients First at Mediclinic

- Implemented the surgical safety checklist in all hospitals.
- Improved reporting of SAE through many initiatives and valuable information was gathered that will guide the future strategy.
- Implemented a successful quality improvement project, which enhanced patient safety and patient care further.
- Developed and implemented a new nursing workforce model to ensure accurate allocation of scarce nursing skills.
- Successfully launched a national hand hygiene campaign; and developed compliance measures to track improvement.
- Implemented the combined BetterObs and Mediclinic obstetric enhancement projects, which will further mitigate risks identified in obstetric care.
- Implemented a specific infection prevention and control strategy, which was critical in managing the ever-increasing risk of infectious diseases and multidrug-resistant organisms.

Value-based care

- Implemented a new clinical performance oversight and governance model in collaboration with supporting doctors.
- Developed (in collaboration with supporting doctors) and implemented two clinical pathways led by doctors.
- Developed a comprehensive and integrated critical care strategy.
- Developed a national stroke management strategy.

Clinical information systems

Mediclinic Southern Africa developed a clinical information readiness strategy and a proposed roadmap for evaluating potential solutions.

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 further.
- Develop action plans to improve medication safety.
- Further refine clinical performance measures.
- Share more detailed clinical information with doctors.
- Further reduce infection rates through the implementation of a comprehensive infection prevention and control strategy.

Value-based care

- Proceed with further appointments of hospital clinical managers.
- Proceed with the further implementation of the 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 structured implementation plan for the integrated comprehensive critical care strategy.
- Implement the national stroke management strategy.

Clinical information systems

Mediclinic Southern Africa will engage with specific service providers to evaluate potential solutions for the South African market and commence a thorough assessment of proposed solutions.

MEDICLINIC MIDDLE EAST

Clinical performance

Mediclinic Middle East has the lowest case mix index in the Group, and serves a younger, healthier community. The clinical performance is satisfactory as demonstrated by low infection rates and other outcome measures, e.g. patient falls, HAI, etc.

Patient safety

Providing safe care remains a priority across the division and is reflected in a "Just Culture" supported by management. "Just Culture" is a culture in which staff are not punished for actions, omissions or decisions taken by them which are in line with their experience and training, but where gross negligence and wilful violations are not tolerated.

Figure 6 reflects the rate of adverse events per 1 000 patient days.

Medication errors increased significantly by 169.23% when compared to 2016. The increase is due to an auditing and reporting drive, with the main contributor being prescribing errors. Most medication errors are identified and reported by the pharmacy and prevented from reaching patients. Medication management remains a key focus area for the group.

The fall rate increased by 25% but is not statistically significant. Fall awareness and prevention remain a key focus area for Mediclinic Middle East. The fall awareness campaign includes educational videos for staff, fall prevention posters in patient rooms and a fall prevention booklet for patients and visitors.

The in-hospital pressure ulcer rate increased by 150%, when compared with the 2016 rate, which is statistically significant. The division initiated various quality improvement projects, specifically in the CCUs, where the patient population has higher acuity levels with multiple co-morbidities. A steady decline in the in-hospital pressure ulcer rate was noted in the latter part of 2017 and the trend will be closely monitored.

Infection prevention and control

Healthcare-associated infections

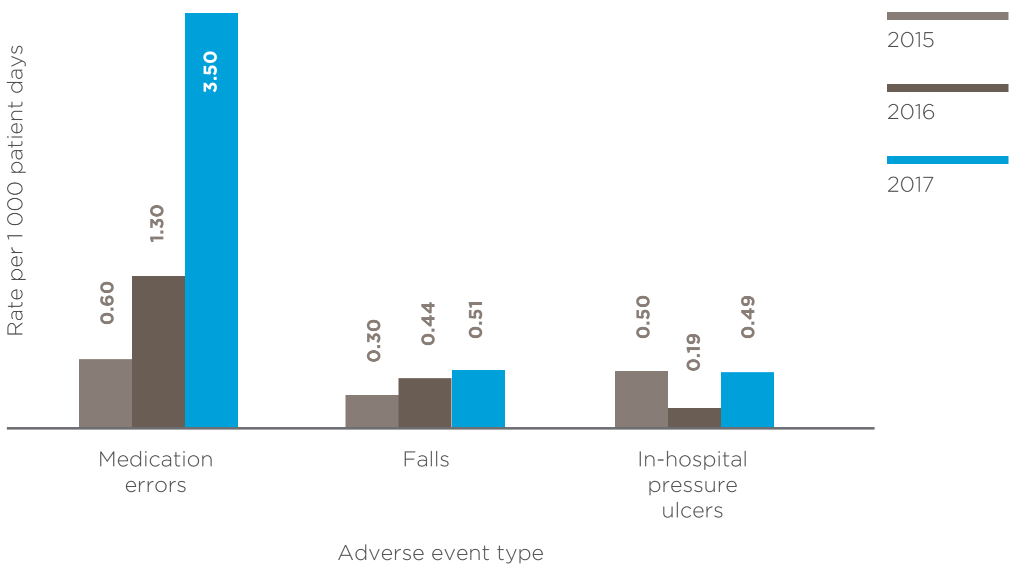
Preventing HAI remains a key patient safety objective for Mediclinic Middle East. This includes standardised processes around infection control (based on international best practices), implementing care bundles (Surgical Site Infections, VAP, CLASBI and CAUTI), and a surveillance programme with a multilayer methodology. This methodology includes surveillance that is active and passive, patient and laboratory-based, prospective and retrospective, priority-directed and comprehensive.

When compared to 2016, the HAI rate decreased by 12.5%; the CAUTI rate decreased by 15.9%; the CLABSI rate decreased by 13.6%; and VAP rate decreased by 76.1% (see **Figure 7**). Although the decrease in the CLABSI and CAUTI rates are not statistically significant, the decrease in the VAP rate is. A change in the Centres for Disease Control and Prevention definition of HAI, especially for VAP, contributed significantly to the decline in the rate.

Clinical effectiveness

SAPS 3 was implemented in all the CCU in Mediclinic Middle East since October 2016. It replaced the APACHE IV Scoring system, which was implemented only in the Dubai facilities.

FIGURE 6: ADVERSE EVENTS – MEDICLINIC MIDDLE EAST



This will ensure that outcomes can be benchmarked across the Mediclinic Group. The data collected for 2016 was only part of the calendar year and not suitable for including as a comparative value for 2017. The performance of the SAPS 3 model was calibrated. Even though the mortality index is 1.4, the crude mortality rate is low at 3.0%. The predicted mortality rate is influenced by the accuracy of the data and the validation of data quality is a focus area for 2018.

The in-hospital mortality rate decreased by 4.16% during the period under review and remained low at 0.23% in line with the young population and low case mix of the operating division (see **Figure 8**).

The re-admission rate increased by 12.24% when compared to 2016. The increase is not statistically significant and no concerns were raised.

Progress against objectives

Patients First at Mediclinic

- Appointed quality and patient safety officers, established a quality department on corporate level and updated its patient safety strategy.
- Mediclinic Al Noor Hospital was successfully re-accredited by JCI in November 2017.
- Standardised clinical indicators across the group; and created a central repository.
- Implemented SAPS 3 in all CCUs across all the division's hospitals.
- Implemented the Vermont Oxford Network databases in all facilities.
- Combined the clinical services departments of the group, which was implemented, expanded and embedded all the clinical oversight committee structures.
- Developed clinical key performance indicators for doctors, and will be part of the formal doctors' appraisal process implementation plan for 2018.

FIGURE 8: INPATIENT MORTALITY – MEDICLINIC MIDDLE EAST

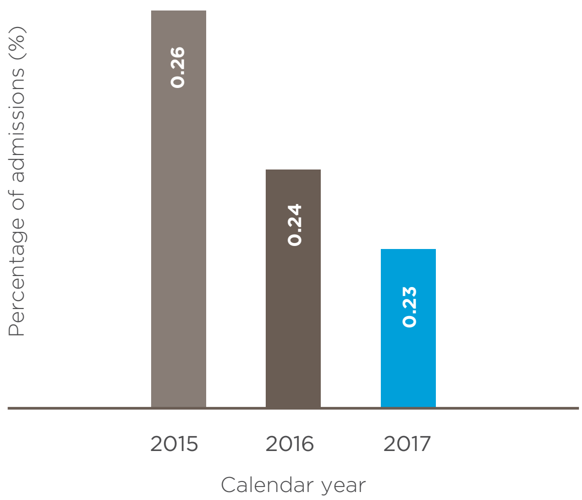
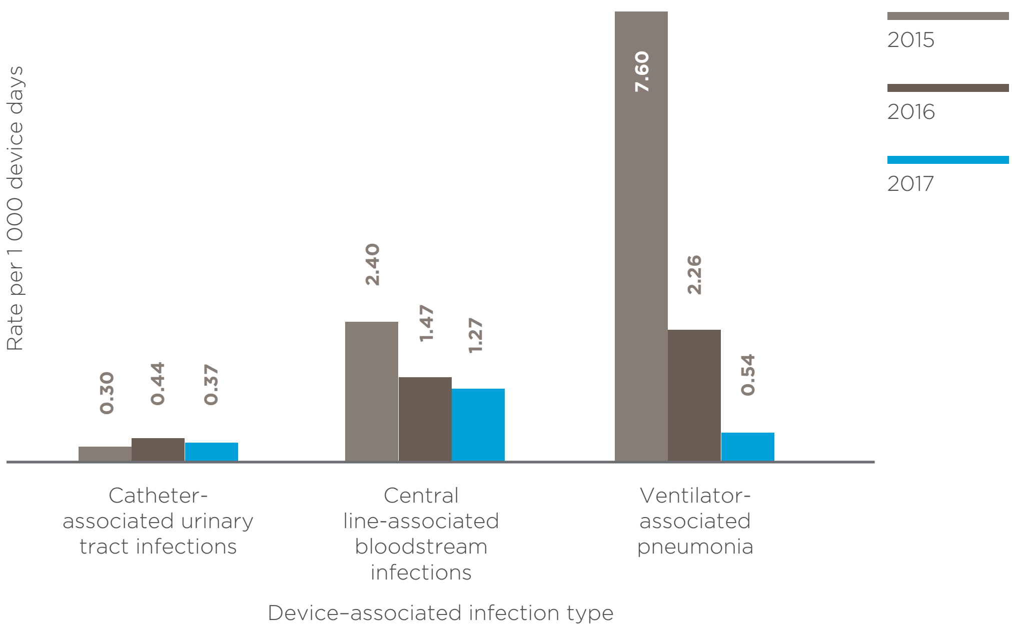


FIGURE 7: DEVICE-ASSOCIATED INFECTIONS – MEDICLINIC MIDDLE EAST



Value-based care

- The division expanded the affiliation agreement with the Mohammed Bin Rashid University of Health Sciences ("**MBRUHS**") in Dubai. Mediclinic City Hospital is an accredited external training facility for medical students, and the second intake of medical students was enrolled in September 2017.
- Mediclinic Middle East hosted a successful first annual research day in February 2018 at MBRUHS.
- We developed the current breast and metabolic centres at Mediclinic City Hospital to streamline clinical processes.
- The division commissioned a stroke centre at Mediclinic City Hospital and achieved the certification of the German Stroke Association in January 2018.
- Mediclinic Middle East successfully commissioned and opened the new Comprehensive Cancer Centre in the north wing expansion at Mediclinic City Hospital.
- The division signed off a cancer strategy that includes the clinical oversight structure, site-specific tumour board structure and function, as well as scope of service delivery at the different facilities.
- The division implemented the centralisation and consolidation strategy of laboratory services for the group.
- Mediclinic City Hospital laboratory was successfully re-accredited by The College of American Pathologists in August 2017.
- Successfully obtained the ISO certification for all laboratories in the Abu Dhabi, Al Ain and Western Region.
- Mediclinic Middle East relocated and commissioned the in-vitro fertilisation ("**IVF**") and dialysis centres (previously located in Mediclinic Al Noor hospital in Abu Dhabi) to Mediclinic Al Ain hospital.
- Mediclinic is in the process of reviewing the existing clinical pathways and developed additional pathways in preparation for the implementation of DRG and implementing the new electronic health record ("**EHR**") system.

Clinical information systems

- Mediclinic Middle East selected a new EHR system for the group.

Future objectives

Patients First at Mediclinic

- Implement the standardised doctors' appraisal process across the group.
- Finalise the scope and project plan for the nursing performance management system.
- Expand and implement new clinical indicators across the group.
- Expand the outcome database participation and roll out the obstetrics dashboard.
- Formulate the JCI re-accreditation preparedness plan for all facilities in the group.
- Update the quality and patient safety strategy for the group.
- Develop a strategy for managing quality indicators (as defined by the regulators) and agree on a quality management framework for the group.
- Align the clinical risk management strategy to the Group.
- Define a clear strategy for the establishment of centres of excellence in the division.

Value-based care

- Finalise the formulation of the clinical strategy for certain key service lines for the group (IVF, metabolic centre, vascular surgery, cosmetics, etc.).
- Continue developing the metabolic surgery service at Mediclinic Airport Road hospital and prepare for the 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 division.
- Define a strategy for doctors benchmarking.
- Develop a strategy to centralise radiology services across the division.

Clinical information systems

Mediclinic Middle East will implement the newly selected EHR system across the group as per the agreed project plan.

MEDICLINIC INTERNATIONAL

Mediclinic International's clinical services department consists of a small team that coordinates clinical services across the divisions. The team provides strategic direction, oversight and accountability; coordinates collaboration across operating divisions; and is directly involved in selected projects.

Progress against objectives

- A master data management programme, compiling and governing data relating to doctors, was implemented in Southern Africa.
- Clinical performance measures and operational dashboards were refined.
- We established a patient safety sub-committee to standardise and enhance collaboration across the Group.
- An initiative was started to coordinate collaboration of nursing services across operating divisions.
- We established a collaborative forum for clinical risk management across the Group.
- We sourced a clinical adverse event and clinical risk management solution suitable for the Group.
- Initiatives are underway to coordinate health technology assessments centrally. These initiatives will be further refined.
- Thought leadership, oversight and close collaboration were provided in the selection of an EHR system in the Middle East and Southern Africa divisions.
- Continued collaboration and support are provided to Hirslanden with the implementation of its EHR systems.

Future objectives

- Implement a clinical adverse event and clinical risk management across the Group.
- Further refine and optimise the clinical performance model and clinical performance indicators.
- Further drive collaboration on nursing across the Group.
- Support the operating divisions in eradicating never events and decreasing the number of SAE.
- Refine and optimise the medication management process across the Group.
- Develop an integrated clinical digital roadmap, including artificial intelligence, machine learning and telemedicine.
- Continue to collaborate with 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.
- Centrally advise and coordinate clinical research across the Group.

RISK MANAGEMENT, PRINCIPAL RISKS AND UNCERTAINTIES

The Board believes that effective risk management and internal control systems underpin a successful business and are integral to realising the Group's overall objective of delivering value to its shareholders. The Board is ultimately responsible for monitoring and reviewing the effectiveness of these systems and reporting on its review in the Annual Report. The Board has delegated to the Audit and Risk Committee the tasks of evaluating the Group's risk management procedures, assessing the effectiveness of the internal controls and monitoring the integrity of the Group's reporting, but maintains strong and regular oversight of the outcome of the Audit and Risk Committee's work.

RISK MANAGEMENT

The objective of risk management in the Group is to identify and assess important and emerging risks. To this end, the Group has established an Enterprise-wide Risk Management ("**ERM**") policy which follows the international Committee of Sponsoring Organisations of the Treadway Commission ("**COSO**") framework and is aligned to the Group's operations and strategy. The Group ERM framework defines the risk appetite, risk management objectives, methodology, risk identification, assessment and treatment processes and the responsibilities of the various risk management role-players in the Group. The ERM policy is embedded in the Group's daily management and operational processes. It provides a robust structure within which management can operate and which directors can oversee without stifling the core activities of the business. The policy reinforces a strong risk management culture within the Group by setting the tone and acting as the starting point for all components of risk management and internal control. It is subject to annual review, and any amendments are submitted to the Audit and Risk Committee for approval. In accordance with the recommendations of the Financial Reporting Council's UK Code on Corporate Governance and Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, the Board annually reviews the Group's principal risks and ERM policy and processes, taking account of the Audit and Risk Committee's recommendations and assessment.

An ERM software application supports the Group's risk management process in all three operating divisions. The Group's principal risk items (grouped by category, business process and strategic priorities), the movement in risk during the financial year, and key measures taken to mitigate these risks, are listed in the table below.

PRINCIPAL RISKS

PRINCIPAL RISK	MOVEMENT IN 2018	DESCRIPTION OF RISK	MITIGATION OF RISK
Economic and business environment risk 1	↑ Economic growth in Switzerland and in South Africa continued to be weak, resulting in increased risk exposure.	The risk relates to 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
Business investment and acquisition risks 1 2	↓ The investments and governance processes were strengthened during the year.	This is the risk of increased financial exposure relating to major strategic business investments and acquisitions.	• Strategic planning processes • Due diligence processes • Investment mandates • Board oversight • Post-acquisition management processes

PRINCIPAL RISK	MOVEMENT IN 2018	DESCRIPTION OF RISK	MITIGATION OF RISK
Competition 1	→ Healthcare providers market continued to grow through normal channels of acquisitions, expansions, new facilities etc. There were no major changes to impact risk exposure.	The risk relates 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
Availability and cost of capital (including financing and liquidity risk) 2	↑ Interest rates are expected to rise in the year ahead, which may lead to an increase in the cost of capital.	These risks involve the cost, terms and availability of capital to finance strategic expansion opportunities and/or the refinancing or restructuring of existing debt which has been affected by prevailing capital market conditions.	• 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 annual financial statements AR
Operational and credit risks 2 3	↓ The risk exposure was reduced following the successful integration of the Al Noor business.	Operational risk refers to diverse types of operational events with the potential for financial loss, operational interruptions or reputational damage. 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 patients.	• Preservation of a sound internal financial control environment • Effective operational risk management processes • Extensive combined assurance processes • Monitoring operations through key performance indicators ("**KPIs**") • Continuous enhancement of operational efficiency and cost reduction • Regulated minimum solvency requirements for funders • Monitoring approved funders • Treasury policy • Executive and board level oversight

PRINCIPAL RISK	MOVEMENT IN 2018	DESCRIPTION OF RISK	MITIGATION OF RISK
Quality and stability of operational services risk 3	→ The operational services risk did not change significantly and remained stable throughout the year.	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 fails to respond effectively to complaints; • operational interruptions which refers to any disruption of the facility and may include the threat of disrupted power or water supply; and • fire and allied perils causing damage or business interruption.	• Patient satisfaction surveys (internal and external) • Complaints monitoring • Training programmes • Supervising 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
Information systems security and availability risk 4	↑ The increased risk relates to the continued external threats arising from cyberattack.	Information systems security risk (including cyber risk) relates to unauthorised access to information systems, failure of data integrity and confidentiality. Availability risk relates to instances where systems are not available for use by its intended users. Project delivery risk, closely associated with information systems risk, refers to issues or occurrences that could potentially interfere with completion of projects, including scope, timeliness and appropriateness of delivery.	• Comprehensive information systems logical access, change and physical access controls • Disaster recovery planning • System design and architecture • Group ICT Security Committee • Experienced project management teams • Proactive monitoring and oversight
Regulatory and compliance risk 5	↑ The increased risk relates to the introduction of new regulations which includes TARMED (Tariff System for Outpatient Medical Services) in Switzerland and the EU General Data Protection Regulation (“**GDPR**”).	The risk involves adverse changes in laws and regulations impacting the Group or 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 the 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 into reform processes • Active industry participation across all divisions • Company Secretarial and/or 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 compliance management processes • Visible ethical leadership • Monitoring and investigation of incidents reported on the ethics line • Executive and Board level oversight

PRINCIPAL RISK	MOVEMENT IN 2018	DESCRIPTION OF RISK	MITIGATION OF RISK
Clinical risks 6	→ Clinical processes across operating divisions continued to be a key focus area for the Group. Risk exposure remained at a comparable level to the previous year.	Clinical risks are associated with the provision of clinical care and may result in undesirable quality of care or clinical outcomes. The risks include a pandemic and disease outbreak. A pandemic is an epidemic of infectious disease that spreads 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, which is the value of the Group's brand names.	• Refer to the **Clinical Services Report** for a detailed analysis of the strategies to manage and monitor clinical risks • A Group-wide clinical risk registers per operating division • Accreditation processes • Clinical governance processes • Monitoring clinical performance indicators • Comprehensive processes for infection control and prevention • Marketing and communication strategies • Quality management processes • Stakeholder engagement and disclosure strategies
Risk of availability, recruitment and retention of skilled resources and medical practitioners 7	→ Vacancies and turnover ratios in respect of skilled resources and medical practitioners are expected to remain at similar levels to the prior year.	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**. • The employment, recruitment and retention strategies are explained in the **Sustainable Development Report**. • The extensive training and skills development programme, and the foreign recruitment programme are further explained in the **Sustainable Development Report**.

CSR

SDR

SDR

SDR

KEY

REFERENCE	CATEGORY	BUSINESS PROCESSES	STRATEGIC PRIORITIES
1	Strategic and business environment	• Strategy formulation and implementation • Strategic investments and strategic projects	• Delivering business value • Continuing to expand as a successful international healthcare group
2	Financial and reporting risks	• Revenue cycle • Procure to pay cycle • Financial management and control • Treasury • Health information (including coding)	
3	Operational risks	• Infrastructure • Marketing and corporate communication • Operations	
4	Information technology risks	• Information and communications technology ("**ICT**") • ICT projects	

REFERENCE	CATEGORY	BUSINESS PROCESSES	STRATEGIC PRIORITIES
5	Regulatory compliance risks	• Legal and secretarial • Governance, risk and compliance • Environmental management	• Ensuring good corporate governance • Acting as a responsible corporate citizen
6	Clinical risks	• Clinical • Nursing • Pharmacy • Coding	• Delivering superior value to its patients • Delivering integrated healthcare in collaboration with doctors and allied healthcare professional communities
7	People risks	• Human resources • Compensation and benefits cycle	• Being an employer of choice • Having constructive relationships with all stakeholders • Being a valued member of the community
↑	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 resulted in lowering of risk exposure.		
→	Risk exposure has not changed significantly as the operating and regulatory environment has remained mostly the same and enhanced risk mitigation measures have kept the risk at same level.		

INTERNAL CONTROLS

The Group upholds an effective control environment designed to ensure risks are mitigated and the Group attains its objectives, including the accuracy and reliability of the Group's financial reporting. The system includes monitoring mechanisms and ensures that appropriate actions are taken to correct deficiencies when they are identified.

The key features of the Group's internal control and risk management systems in relation to the financial reporting process include:

- clearly defined matters reserved for the Board or its Committees, delegations of authority and lines of accountability;
- policies and procedures covering:
  - the Group's approach to treasury activities and tax matters;
  - internal and external audit mandates;
  - preparation of financial reports;
  - governance of key projects; and
  - ICT security;
- periodic audits conducted by the Internal Auditor;
- representation letters from the divisional CEOs regarding the key risks and mitigating actions for their division; and
- review of disclosures in financial reports by the divisional CEOs and CFOs and the Group senior management as relevant, as well as the Audit and Risk Committee and the Board, to ensure that they fulfil the relevant requirements.

During the year, the Group and each operating division executed their assurance plans. These plans comprise various assurance processes, including internal and external audit processes which are in place to evaluate the effectiveness of key controls designed to mitigate the significant risks identified in each operating division.

The Group makes use of an outsourced internal audit function which is closely aligned to the Group risk management function. It reports independently to the Audit and Risk Committee of the Board. At each operating division, 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 division's management team.

Each operating division has, in addition to the above mentioned assurance processes, implemented further independent assurance processes with professional organisations, as summarised in the table on page 49.

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

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 Hirslanden, Mediclinic Southern Africa 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.

COMBINED ASSURANCE

ASSURANCE OUTPUT*		BUSINESS PROCESSES ASSURED	PROVIDER/STANDARD
External calculation of carbon footprint based on carbon emissions data of Mediclinic Southern Africa		Carbon footprint calculation	Carbon Calculated
ISO 14001:2004 certification of 42 of Mediclinic Southern Africa's 52 hospitals		Environmental management system	British Standards Institute, as accredited by United Kingdom Accreditation Service ("**UKAS**")
COHSASA accreditation of 34 of Mediclinic Southern Africa's 37 participating hospitals		Quality standards of healthcare facilities	Council for Health Services Accreditation of Southern Africa ("**COHSASA**"), which is accredited by the International Society for Quality in Health Care ("**ISQua**")
B-BBEE verification		Broad-based black economic empowerment	Empowerdex
ISO 9001:2008 certification of all Hirslanden hospitals and Hirslanden Corporate Office. Five hospitals are already ISO 9001:2015 certified with the remainder to be concluded by September 2018		Process and Quality management	Swiss Association for Quality and Management Systems ("**SQS**")
Self-assessment against EFQM Excellence Model by all Hirslanden hospitals and Hirslanden Corporate Office		Assessment against the EFQM Excellence Model, a framework for organisational management systems aimed at promoting sustainable excellence within organisations	European Foundation for Quality Management ("**EFQM**") Excellence Model
ISO 14001:2015 certification of Hirslanden Klinik Belair		Environmental management system	SQS
JCI reaccreditation of Mediclinic Al Noor Hospital in Abu Dhabi in November 2017 JCI accreditation and re-accreditation of all Mediclinic Middle East facilities (hospitals and clinics) is scheduled for mid-2019		Quality and safety of patient care	Joint Commission International ("**JCI**") Accreditation
All Mediclinic Middle East laboratories operating within Mediclinic hospital and clinic facilities are ISO 15189:2012 accredited.		Pathology laboratories of Mediclinic Middle East hospitals and clinics in Dubai, Abu Dhabi, Al Ain and Western Region	International Organisation for Standardisation ("**ISO**")
CAP re-accreditation of the laboratory of Mediclinic City Hospital in 2017		Pathology laboratory of Mediclinic City Hospital	College of American Pathologists ("**CAP**")

* *The flags indicate the operating division where the assurance process is in place*
Key: = Mediclinic Southern Africa = Hirslanden = Mediclinic Middle East

VIABILITY STATEMENT

The assessment of viability is an extension of the risk management and annual financial planning processes which translate into each of the Group's operating divisions' 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 of quality service delivery and revenue growth under manageable risk tolerance.

The annual financial planning process includes a detailed bottom-up approach per division 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 annual financial planning, including the strategic Group goals and objectives, are reviewed and approved by the divisional Executive Committees, Mediclinic International Executive Committee and Mediclinic International plc 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. 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 R4.2bn in 2012; CHF1.7bn in 2015; and in 2016 refinanced the UK bridge facility of £266m with facilities amounting to R2.7bn in South Africa and US$155m in the Middle East. At the end of October 2017, the elective refinancing of the Group's Swiss debt was successfully completed. The refinanced Swiss debt funding comprises up to CHF2bn of property-backed facilities for a minimum period of six years and up to a maximum of 10 years.

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 124 and 125). The principal risks as detailed on pages 44 to 47 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 divisions to form the basis for stress testing.

AR

On a divisional 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 divisions' business plans that were flexed in the stress testing are set out below:

KEY ASSUMPTION STRESS TESTED	PRINCIPAL RISK	DIVISIONS STRESS TESTED
Reductions in tariffs and fees	Economic and business environment Regulatory and compliance risk	Switzerland; Southern Africa; UAE
Reduction in volumes	Competition Economic and business environment Regulatory and compliance risk	Switzerland; Southern Africa; UAE
Change in (insurance patient) mix	Regulatory and compliance risk	Switzerland; UAE
Interest rate increases	Availability and cost of capital	Switzerland
A downturn in the macroeconomic and business environment	Availability and cost of capital Economic and business environment	Southern Africa
The shortage and availability of qualified and experienced healthcare staff	Availability, recruitment and retention of skilled resources and medical practitioners	Southern Africa
Adverse regulatory changes	Regulatory and compliance risk	Switzerland; Southern Africa; UAE
Outmigration of care	Economic and business environment	Switzerland
The investment in Group initiatives not being successfully implemented	Information systems security and availability risk	Switzerland

KEY ASSUMPTION STRESS TESTED	PRINCIPAL RISK	DIVISIONS STRESS TESTED
Delays in expansion projects	Information systems security and availability risk which includes project delivery risk	UAE
Accounts receivable book tracks above expectation and relationship with key funders deteriorates	Operational and credit risk	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 steps being a reduction in discretionary investment, obtaining a new facility (GBP±100m) at Group level (subject to being able to agree appropriate terms and conditions and subject to market conditions), cost management initiatives and improvement in net working capital days. 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 2023. 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.

The analysis does not take account of any changes arising from the introduction of new accounting standards over the forecast period.

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.

DIVISIONAL REVIEW SWITZERLAND

17
NUMBER OF HOSPITALS

4
NUMBER OF CLINICS

1 805
NUMBER OF BEDS

104
NUMBER OF THEATRES

+2%
REVENUE CHF1 735M

-7%
ADJUSTED EBITDA CHF318M

+2%
BED DAYS SOLD

87.7%
PATIENT EXPERIENCE INDEX

Dr Ole Wiesinger
Chief Executive Officer: Hirslanden

CEO'S STATEMENT

"This year was a particularly challenging one with a number of Swiss healthcare regulatory changes impacting Hirslanden. To address the trends in inpatient and outpatient activity driven by this evolving regulatory environment, Hirslanden is adapting its business model. We are continuing to transform from being a pure acute hospital operator to an integrated healthcare service provider that offers medical services across various levels of care. During the year we opened the Bellaria Outpatient Surgery Unit in Zurich, which allows procedures to be carried out safely and efficiently in an ambulatory environment that aligns with the regulatory changes. Through our Hirslanden 2020 strategic programme we are accessing the most appropriate outpatient solution for each hospital and seeking to increase the efficiency of the existing business by implementing standardised systems and processes. Despite these challenges and the mature, saturated market, as the largest private healthcare service provider in Switzerland, Hirslanden is well positioned to take advantage of future opportunities for growth through selective investments. In July, we successfully completed the acquisition of the 115-bed Linde Private Hospital in Biel which has performed well since its integration. Throughout all this flux, patients remain at the core of Hirslanden's long-term strategy and we remain focused on providing them with excellent clinical care."

KEY FINANCIAL AND OPERATIONAL HIGHLIGHTS

As at the end of the reporting period, Hirslanden operated 17 hospitals and 4 outpatient clinics with a total of 1 805 inpatient beds and 9 635 employees (7 633 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. Hirslanden accounted for 47% of the Group's revenues (FY17: 48%) and 48% of its adjusted EBITDA (FY17: 53%).

Effective 1 July 2017, Hirslanden acquired Linde Holding Biel/Bienne AG ("**Linde**") for a total consideration of CHF107m. Linde is a leading private hospital in the Biel region of Switzerland offering a wide range of medical services with 115 beds, an outpatient clinic facility, emergency unit, six operating theatres, physiotherapy, radiology and an ophthalmology centre. In March 2017, the hospital's main building was expanded with a new wing which provides the opportunity for future growth. Linde delivered a good operating performance following its successful integration.

Hirslanden's FY18 revenues were impacted by the timing of the Easter period, a subdued summer market, the continued change in insurance mix and the evolving changes in the regulatory environment. Revenue in FY18 was up 2% to CHF1 735m (FY17: CHF1 704m) as a result of flat inpatient revenues and an 8% increase in outpatient revenues, which contributed around 19% of the division's total revenue. The gradual insurance mix change continued, with a 10% increase in general insured patients and a 3% decline in supplementary insured patients. This, together with the integration of Linde, contributed to the 1.5% decline in revenue per bed day. Bed days sold and inpatient admissions were up 1.6% and 2.6% respectively. Excluding Linde, Hirslanden revenue was down 1% and outpatient revenue was up 3% with bed days sold and inpatient admissions down 2.6% and 2.1% respectively.

Adjusted EBITDA decreased by 7% in FY18 to CHF318m (FY17: CHF340m) with the adjusted EBITDA margin decreasing to 18.3% from 20.0%. This reflects the impact on revenue of current trends in the market and regulatory environment as well as the continued investment costs relating to the Hirslanden 2020 strategic programme offset by the benefits from cost-management programmes and efficiency savings.

Depreciation and amortisation increased by 12% to CHF110m (FY17: CHF98m) reflecting the incorporation of Linde and ongoing fixed asset investments. Adjusted operating profit decreased by 14% to CHF208m (FY17: CHF242m).

9 635

NUMBER OF EMPLOYEES

3.93

EMPLOYEE ENGAGEMENT

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

-1.5%

AVERAGE REVENUE PER BED DAY

73.3%

BED OCCUPANCY

Net finance costs increased by 42% to CHF81m (FY17: CHF57m), mainly due to the derecognition of unamortised finance expenses of CHF24m due to the refinance of debt facilities implemented during the year.

Hirslanden contributed £106m to the Group's adjusted earnings (representing 48%) compared to £121m (representing 55%) in the prior year. Hirslanden converted 81% (FY17: 96%) of adjusted EBITDA into cash generated from operations, down from 96% in FY17 due to an increase in trade receivables largely caused by billing process changes.

In October 2017, the Group completed the refinancing of Hirslanden's secured long-term bank loans with a 25bps reduction in the cost of debt on a like for like basis and an extended maturity profile to at least 2023. The new facilities total CHF2.0bn.

In line with the requirements of IFRS, the Group performs an annual review of the carrying value for goodwill and other intangible assets. In Switzerland, the changes in the market and regulatory environment affected key inputs to the review that gave rise to impairment charges recorded against properties and intangible assets of £84m and £560m, respectively. Hirslanden's goodwill and indefinite life trade names were carried at £307m and £341m, respectively, at the previous year end balance sheet date of 31 March 2017. The impairment charges are non-cash and excluded from the adjusted earnings metrics. The remaining trade names will be amortised over their respective estimated useful lives.

REGULATORY UPDATE

On 1 January 2018, the transitional solution to the national outpatient tariff ("**TARMED**") became effective. After mitigating actions, including improved utilisation and increased efficiencies, Hirslanden expects the annualised impact on adjusted EBITDA to be around CHF25m. The Federal Government has also been preparing a national framework for the outmigration of basic medical treatments transferring from an inpatient to an outpatient tariff, which is expected to be implemented from 1 January 2019. The final list of interventions will be agreed following the conclusion of a recent working group review. In the Canton of Lucerne, similar measures were implemented on 1 July 2017 and in four further Cantons (Zurich, Zug, Schaffhausen and Aargau) on 1 January 2018. Although the Federal Government is expected to implement a national framework from 1 January 2019, a number of insurance companies in Switzerland are already applying certain elements of the framework in some further cantons.

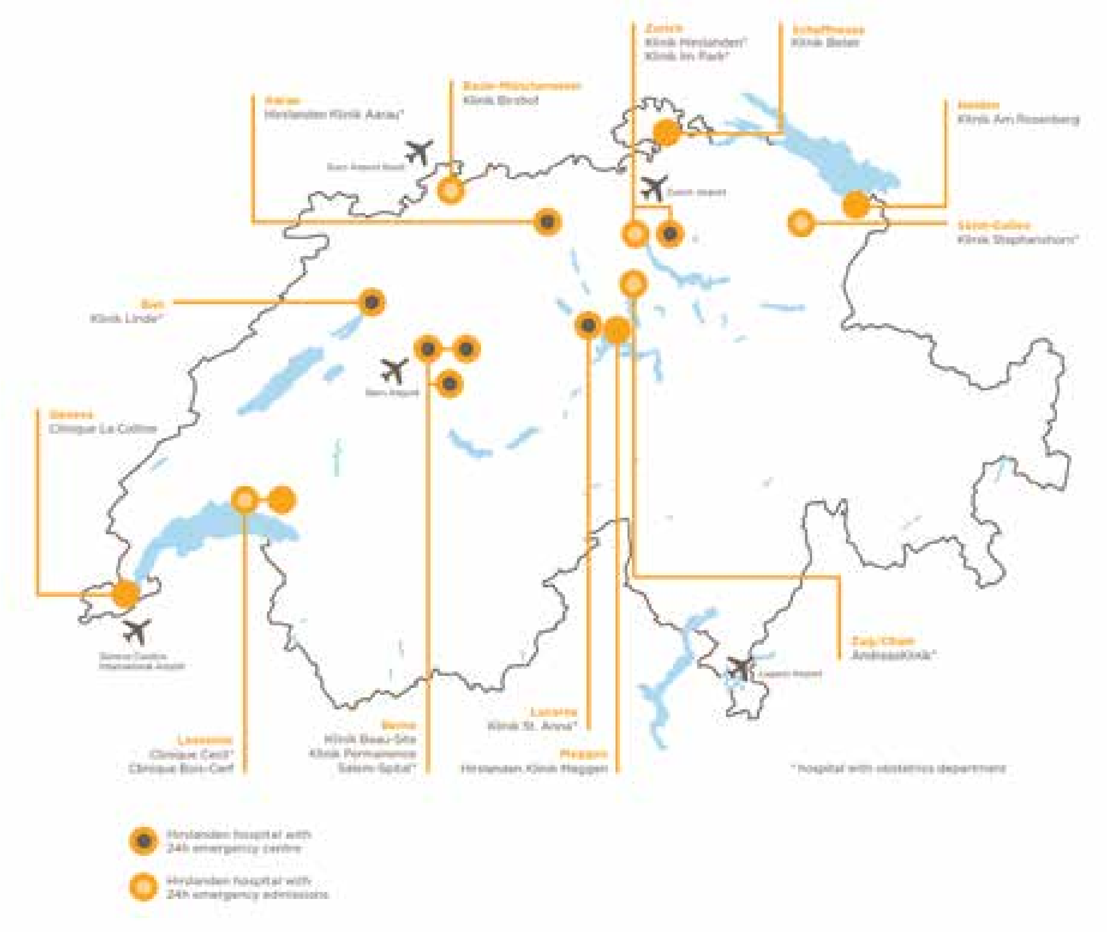
ADAPTING TO THE CURRENT MARKET AND REGULATORY TRENDS

Hirslanden continues to adapt its business model to address the trends in inpatient and outpatient activity driven by the evolving regulatory environment in Switzerland and the ongoing insurance mix change whilst maintaining excellent clinical performance. The continued investment in the Hirslanden 2020 strategic programme is a key building block of the long-term strategy to adapt to this changing environment, whilst also delivering cost savings and operational efficiencies for the division over time. The pace of regulatory change and its impact on the business continues to evolve and we are monitoring it closely to adapt accordingly.

The growing outmigration of care trend in Switzerland is being addressed as 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 to efficiently service day case patients. During the year, a new corporate office was opened in Zurich which will support the drive to deliver efficiencies across the division in addition to the roll out of standardised systems across the Zurich based hospitals in April 2018 that will continue across the rest of the division over the coming three years. Hirslanden is assessing the most appropriate outpatient solution to implement for each hospital, including the reconfiguration of existing hospital surgery units and the establishment of specialised outpatient and medical centres moving towards a more integrated medical network that facilitates the access to healthcare for patients. New medical centres where doctors' practices will be located are planned to open in Zurich, Cham and St. Gallen during the financial year ending 31 March 2019 ("**FY19**").

INVESTING FOR FUTURE GROWTH

In FY18, Hirslanden invested CHF47m in expansion capital projects and new equipment and CHF82m on the replacement of existing equipment and upgrade projects. The division continues to invest in Hirslanden 2020. Hirslanden Klinik Im Park in Zurich opened its new Bellaria outpatient surgery centre in April 2017, which includes a ward for procedures requiring short inpatient stays. In FY19, Hirslanden expects to invest CHF55m and CHF77m on expansion and maintenance capex, respectively. Building work continues on an expanded emergency department for Klinik Hirslanden in Zurich and a new ward at Hirslanden Klinik St. Anna in Lucerne which are both expected to be completed in FY19. Other key projects in the year ahead include Hirslanden 2020, the new Birshof medical centre and intermediate care facility, new emergency units at Klinik Linde and Andreas Klinik as well as an outpatient surgery unit and medical centre at the train station in Lucerne.



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 operates 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 11 countries, found that 60% of respondents in Switzerland rated the functioning of the Swiss 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.

There are 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 by defining lists of medical procedures 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 2019, across Switzerland. Having opened the new Outpatient Surgery Unit at Klinik Im Park, Hirslanden will also open a new medical centre in Zurich (Seefeldstrasse) in spring 2018 and further ones at Schuppis (canton of St. Gallen) and Cham (canton of Zug) early in 2019.

Given the current market and regulatory trends, the investment programme within Hirslanden and the potential for increased synergies, the division is well positioned to adapt its business model and maintain its status as the largest medical network in Switzerland while continuing to improve patient satisfaction and clinical outcomes.

DIVISIONAL REVIEW
SOUTHERN AFRICA

52

NUMBER OF HOSPITALS

2

NUMBER OF DAY CLINICS

8 131

NUMBER OF BEDS

278

NUMBER OF THEATRES

+5%

REVENUE R15 106M

+6%

ADJUSTED EBITDA R3 245M

-1.5%

BED DAYS SOLD

82.1%

PATIENT EXPERIENCE INDEX

Koert Pretorius
Chief Executive Officer: Mediclinic Southern Africa

CEO'S STATEMENT

"Mediclinic Southern Africa delivered good operational and financial results for the period under review despite some weaker patient volumes. We have continued to make good progress with the rollout of further strategic initiatives to improve the value proposition that we offer to our patients, focusing on patient safety initiatives, improving patient experience and initiatives to improve collaboration with our supporting doctors. We have continued to invest in the maintenance and upgrade of our facilities and will add six new day clinics to our portfolio in the next few years to provide the most appropriate range of care for our patients in the future. We continued to address a number of matters in the wider business environment, specifically the Health Market Inquiry and National Health Insurance developments."

KEY FINANCIAL AND OPERATIONAL HIGHLIGHTS

In Southern Africa (including South Africa and Namibia), as at the end of the reporting period, Mediclinic operated 52 hospitals and 2 day clinics with a total of 8 131 beds and 16 068 employees (19 795 full-time equivalents). Mediclinic Southern Africa is the third largest private healthcare provider in Southern Africa by number of licensed beds. Mediclinic Southern Africa accounted for 31% of the Group's revenues (FY17: 28%) and 37% of its adjusted EBITDA (FY17: 33%).

Following a first half performance where patient volumes were impacted by the timing of Easter and other public holidays, Mediclinic Southern Africa delivered an improved and stronger-than-expected second half performance. Despite a continued weak macroeconomic environment, stable medical insurance membership and certain funder interventions, revenue in Southern Africa increased by 5% to ZAR15 106m (FY17: ZAR14 367m). Bed days sold decreased by 1.5% and average revenue per bed day increased by 6.7%. Admissions decreased by 2.2% with the greatest decline in surgical day cases as the outmigration trend continues. The average length of stay increased by 0.8% whilst occupancy rates were 69.7% (FY17: 71.5%).

Adjusted EBITDA increased by 6% to ZAR3 245m (FY17: ZAR3 049m) resulting in the adjusted EBITDA margin increasing to 21.5% from 21.2% as the ongoing shift in case mix towards medical versus surgical cases and lower patient volumes were more than offset by cost management and efficiency initiatives.

Depreciation and amortisation increased by 7% to ZAR495m (FY17: ZAR465m) mainly because of an increased spend on medical equipment. Operating profit increased by 6% to ZAR2 749m (FY17: ZAR2 584m).

Net finance costs increased by 6% to ZAR526m (FY17: ZAR496m), helped by interest received on cash balances. Mediclinic Southern Africa contributed £72m to the Group's adjusted earnings (representing 33%) compared to £67m (representing 30%) in the comparative period.

The division converted 103% (FY17: 104%) of adjusted EBITDA into cash generated from operations.

16 068

NUMBER OF EMPLOYEES

3.85

EMPLOYEE ENGAGEMENT

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

+6.7%

AVERAGE REVENUE PER BED DAY

69.7%

BED OCCUPANCY

INVESTING TO SUPPORT LONG-TERM GROWTH

Mediclinic Southern Africa invested ZAR423m on expansion capital projects and new equipment and ZAR634m on the replacement of existing equipment and upgrade projects. The total number of licensed beds increased marginally during the year to 8 131 (FY17: 8 095) as existing hospital expansion work in the second half of the year at Mediclinic's Thabazimbi and Newcastle hospitals was completed. In addition to these modest expansion works, other projects during the year included expansion of Mediclinic Bloemfontein and Mediclinic Vergelegen. In FY19, Mediclinic Southern Africa expects to invest ZAR472m and ZAR846m on expansion and maintenance capex respectively. Several existing hospital and day clinic projects are due for completion in FY19 and FY20, which are expected to add some 300 additional operational beds. In line with our commitment to provide quality clinical care, we expect to invest during the year in additional resources to deliver further improvements across the division.

Mediclinic's day clinic roll-out is unique and premised on co-locating the facilities with the main hospitals to adapt to the outmigration of care trend in Southern Africa where admissions across the division have been impacted by declining day cases. The six day clinics Mediclinic now plans to open during FY19 and FY20 are at Mediclinic Newcastle, Nelspruit, Stellenbosch, Bloemfontein, Pietermaritzburg and Cape Gate, which will provide an additional 15 theatres to the Southern African operations. The first of these will be Mediclinic Newcastle Day Clinic which is scheduled to open in September 2018 with Mediclinic Nelspruit Day Clinic to follow next in 1H20.

In August 2017, Mediclinic announced it had agreed to an investment in the Intercare group of companies ("**Intercare**"). The Intercare group was founded in 2000 and currently manages 20 multi-disciplinary primary care medical centres (which includes 15 dental centres), as well as 4 day hospitals and 4 sub-acute and rehabilitation hospitals in South Africa, servicing over 1 million patients per annum. The investment in Intercare comprises a minority shareholding in the multi-disciplinary medical and dental centres and a controlling shareholding in the day hospitals and sub-acute and rehabilitation hospitals. Intercare will continue to manage all its facilities under the Intercare brand. Mediclinic's proposed acquisition of the controlling shareholding in the day hospital and sub-acute and rehabilitation hospitals remains subject to Competition Commission approval.

Mediclinic's proposed acquisition of a controlling shareholding in Matlosana Medical Health Services (Pty) Ltd ("**MMHS**"), based in Klerksdorp in the North West Province of South Africa, has been referred to the Competition Tribunal by the Competition Commission with the case expected to be heard in the first quarter of FY19.

EFFICIENCY AND OTHER DEVELOPMENTS

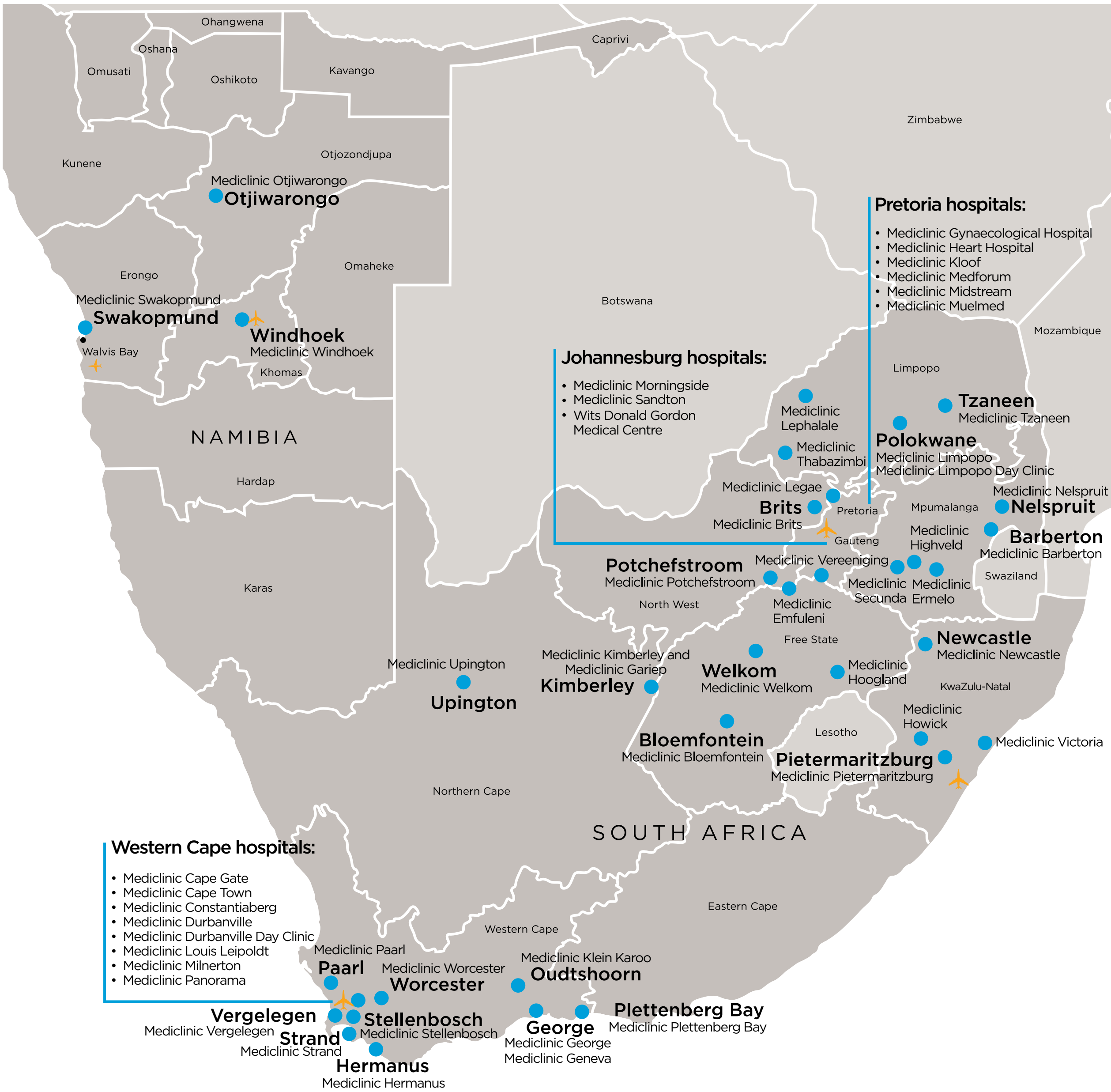
Mediclinic Southern Africa progressed with several improvements to its core processes during the period under review. A particular focus on optimising nurse utilisation without compromising on the quality of care enabled the operating division to manage nursing cost particularly well during the period under review.

In addition, the operating division introduced action plans to improve employee engagement and conducted the third survey through its employee engagement index. Detailed plans to improve employee engagement were successful in improving employee engagement to 3.85 (2017: 3.73) during the year (the grand mean score based on a 1 to 5 rating scale).

As part of Mediclinic Southern Africa's commitment to the Competition Commission's Health Market Inquiry, the operating division agreed to publish, in an open and transparent way, the detailed patient feedback from Press Ganey on its website. The division also had the largest representation in the annual Discovery Health Top 20 South Africa Hospital survey in 2017. Based on patient feedback, eight of Mediclinic's hospitals were recognised in the survey for the quality of care they receive from doctors and nurses, patients' overall experience and hospital conditions.

REGULATORY UPDATE

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 is due to publish its provisional recommendations by the end of May 2018, having been further delayed. The final publication is expected by the end of August 2018. Mediclinic has submitted documentation and participated in numerous seminars and discussions during the inquiry.



The South African Government is seeking a phased introduction of a National Health Insurance system over a 14-year period. The latest White Paper was released in June 2017 for consultation. Mediclinic has engaged with the Department of Health with regards to the functioning of the proposed seven institutions, bodies and commissions, submitting comments on the draft guidelines and making nominations to the committees. Mediclinic will continue to closely monitor the process and seeks further clarity on a large number of matters that still need to be addressed.

MARKET OVERVIEW

In recent years, growth in the South African private healthcare market has stagnated due to political uncertainty, low economic growth and a lack of job creation. However, latest economic forecasts indicate improving GDP growth rates which may provide the opportunity for insured lives in Southern Africa to increase. In the meantime, the market offers isolated incremental growth opportunities to expand existing hospitals, and to build new hospitals and day clinics. The focus remains on improving the efficiency of healthcare delivery across the value chain in a fragmented market to ensure services remain affordable. At the same time Mediclinic Southern Africa is committed to improving outcomes for patients, attracting and retaining qualified staff and investing in infrastructure and medical technology.

OUTLOOK

Mediclinic Southern Africa remains well positioned for future success in the current market and regulatory environment. The private healthcare industry has reached maturity with limited opportunities for material growth in the large multi-disciplinary acute care hospital environment given Mediclinic Southern Africa's extensive footprint. Future growth will focus on related business opportunities across the continuum of care.

The focus in the coming year will be on further developing Mediclinic Southern Africa's strategy to position itself for future value-based contracting opportunities. The operating division 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 division will also continue to focus on opportunities to develop an integrated Southern African private healthcare delivery model through collaboration with doctors.

DIVISIONAL REVIEW UNITED ARAB EMIRATES

6 NUMBER OF HOSPITALS	**+1%** REVENUE AED3 134M
22 NUMBER OF CLINICS	**+9%** ADJUSTED EBITDA AED397M
748 NUMBER OF BEDS	**-3.5%** BED DAYS SOLD
29 NUMBER OF THEATRES	**83.3%** INPATIENT EXPERIENCE INDEX

David Hadley
Chief Executive Officer: Mediclinic Middle East

CEO'S STATEMENT

"Following the challenges faced by the Middle East division last year, we are succeeding with the turnaround of the Abu Dhabi business and laying the foundation for long-term, sustainable performance. We reached an inflection point this year in Abu Dhabi driven by the successful implementation of business and operational alignment initiatives, an improved regulatory environment and better-than-expected results from the new Mediclinic Al Jowhara Hospital and Mediclinic Al Yahar Clinic in Al Ain. The Middle East division is entering a growth phase underpinned by continued strong performance in the established Dubai business, significant improvement in the Abu Dhabi business and the planned opening of several new facilities over the coming years. In Dubai, the 182-bed Mediclinic Parkview Hospital is progressing ahead of schedule and is now expected to be commissioned in October 2018."

KEY FINANCIAL AND OPERATIONAL HIGHLIGHTS

Mediclinic Middle East, as at the end of the reporting period, operated 6 hospitals and 22 clinics with a total of 748 beds and 5 801 employees (5 830 full-time equivalents). Mediclinic Middle East is one of the leading private healthcare providers in the UAE with the majority of its operations in Dubai and Abu Dhabi (including Al Ain). Mediclinic Middle East accounted for 22% of the Group's revenues (FY17: 24%) and 16% of its adjusted EBITDA (FY17: 15%).

After reaching an inflection point, second half revenue in the Middle East division increased 6% comparatively and 12% sequentially. Continued strong delivery in Dubai was supported by a significantly improved operating performance in Abu Dhabi with Mediclinic Al Jowhara Hospital and Mediclinic Al Yahar, which opened in Al Ain during the prior year, exceeding expectations. FY18 revenue increased by 1% to AED3 134m (FY17: AED3 109m). Inpatient and outpatient volumes were up 3.3% and down 9.7% respectively in FY18, impacted largely by the business and operational alignment initiatives and non-core asset disposals in Abu Dhabi.

The former includes strategies to actively migrate away from Basic to Thiqa (health insurance for UAE nationals) and Enhanced insured patients in Abu Dhabi and to invest in higher acuity inpatient services, generating higher-quality revenue and margin improvement.

Following a strong second half operating performance, FY18 adjusted EBITDA increased by 9% to AED397m (FY17: AED364m). The adjusted EBITDA margin was ahead of expectations, increasing to 12.7% (FY17: 11.7%). The ongoing efficiency and cost-management initiatives implemented since the combination in February 2016 is expected to support margin improvement in the Middle East operating division as revenues increase.

In line with guidance, a provision for trade receivables impairment of AED88m (FY17: AED113m) was charged to the income statement. This represents 3% of Middle East revenue where the practice of disallowances is common. This matter receives ongoing attention as part of the revenue management cycle improvement programme. The Group will adopt the new IFRS 15 accounting standard (*Revenue from Contracts with Customers*) from 1 April 2018. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled to in exchange for transferring goods or services to a customer. Whilst this will not have an impact on the Middle East division's EBITDA, certain operating expenses will be reclassified and set off against revenue in future periods. Further disclosure is contained in the notes to the accounts.

Depreciation and amortisation increased by 22% to AED256m (FY17: AED210m), mainly due to accelerated amortisation of AED107m in relation to the Al Noor trade name, resulting from the rebranding exercise that commenced in February 2017. This asset has now been fully amortised and the charge is excluded from adjusted earnings. Depreciation increased due in part to the opening of the new North Wing at Mediclinic City Hospital in Dubai and the Mediclinic Al Jowhara Hospital in Abu Dhabi during FY17. Operating profit was AED122m (FY17: AED134m).

Net finance costs increased by 9% to AED34m (FY17: AED31m) due to the June 2016 increase in debt facilities by AED567m (of which AED220m remains undrawn) to refinance the Group bridge loan facility fund expansion projects. The division contributed £44m to the Group's adjusted earnings (representing 20%) compared to £33m (representing 15%) in the prior year.

The division converted 74% (FY17: 121%) of adjusted EBITDA into cash generated from operations. The decline was largely due to the significant increase in revenue in the final quarter.

5 801

NUMBER OF EMPLOYEES

3.86

EMPLOYEE ENGAGEMENT

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

+4.4%

AVERAGE REVENUE PER BED DAY

53%

BED OCCUPANCY

INVESTING IN A DYNAMIC AND GROWING MARKET

Mediclinic Middle East is succeeding with the turnaround of the Abu Dhabi business, laying broader foundations for growth in the region. In February 2017, the important strategic decision was taken to rebrand the Abu Dhabi business to Mediclinic. This exercise was successfully completed at the end of 2017 and has started to deliver the desired effect of enhancing the brand reputation and recognition of the Mediclinic hospitals and clinics in Abu Dhabi. Whilst doctor recruitment continues, supporting the growing business, vacancies have normalised compared to the prior year, and the focus has shifted to supporting doctors to grow their patient activity. This included the roll-out of a new remuneration policy, similar to that established in Dubai, that is fundamentally based on doctors' professional services and the quality of care provided. Aligned with this strategy is the target in Abu Dhabi of increasing the ratio of inpatient volumes, similar to that in Dubai, through the continued investment in doctors, services and facilities. The divestment strategy was concluded during the year, with the successful sale of five clinics and closure of four others that were considered non-core.

Since the Thiqa co-payment requirement in Abu Dhabi was removed in April 2017, the business continues to see an improving trend in Thiqa patient activity. FY18 Thiqa inpatient and outpatient volumes in Abu Dhabi increased by 83% and 38% respectively compared to the prior year. The removal of the Thiqa co-payment has enabled the business to accelerate its strategy of migrating activity away from Basic, towards Enhanced and Thiqa insured patients.

In January 2018, the strategy was fully implemented at Mediclinic Airport Road Hospital, resulting in a revenue uplift for the fourth quarter, despite a drop in volumes. In Abu Dhabi, the business expects the positive momentum in higher tariff patient volumes to continue to grow in FY19, as the recently appointed doctors increase their patient activity.

The Middle East division is now entering an expansionary phase that is expected to drive an increase in revenue and improvement in EBITDA margins over time. In Abu Dhabi, the growth will be driven by an improved operating performance in the existing business and strategic expansion projects at the Mediclinic Airport Road, Mediclinic Al Noor and the new Mediclinic Western Region hospitals. In Dubai, the ongoing performance of the existing business will be supported by significant growth from the new 182-bed Mediclinic Parkview Hospital. Recruitment of doctors and staff for the new hospital is on track to support the 100 beds that will initially be opened before ramping up to full bed capacity over some three years.

During the year, Mediclinic Middle East invested AED358m on expansion capital projects and new equipment and AED31m on the replacement of existing equipment and upgrade projects. The major component of the expansion capital expenditure was the Mediclinic Parkview Hospital project in Dubai. Construction of the new 182-bed Mediclinic Parkview Hospital, the seventh hospital in the Middle East operations, is progressing well and is ahead of schedule, expected to now open in October 2018. Other expansion capex in FY18 included projects at Mediclinic Airport Road Hospital, Mediclinic City Hospital, Mediclinic Al Ain Hospital and Mediclinic Khalifa City. In September 2017, the Electronic Health Record (“**EHR**”) project, Mediclinic International’s largest ever IT investment, was launched in conjunction with InterSystems. A team of some 200 members of staff, are currently engaged in the project design process. The EHR will be systematically rolled out across the Mediclinic Middle East division during FY19 and FY20. The EHR is expected to deliver seamless care and improved service quality for patients as well as improved administration efficiency for the division.

In FY19, Mediclinic Middle East expects to invest AED455m and AED84m on expansion and maintenance capex respectively. During the year, ground floor and mezzanine renovations at the Mediclinic Al Noor Hospital will be carried out with expected completion of the work by the end of 2018. Looking further ahead, as part of the division’s expansionary phase, the Mediclinic Airport Road 100-bed expansion and cancer centre project has been further re-configured with work commencing imminently ahead of an expected opening in 2020. The project to construct a new 40-bed hospital in the Western Region of Abu Dhabi, which was postponed last year, has been re-initiated with project planning currently underway. A review of the long-term options to enhance the Mediclinic Al Noor Hospital is ongoing with the expectation that a decision will be made in the third quarter of 2018.

In May 2018, Mediclinic Middle East completed the acquisition of the Dubai based City Centre Clinics Deira and Me’aisem from Majid Al Futtaim, the leading shopping mall, retail and leisure pioneer across the Middle East and North Africa. Under the terms of the agreement, Mediclinic Middle East will acquire City Centre Clinic Deira, a large outpatient facility which opened in 2013 with two day-care surgery theatres and 18 medical disciplines, and City Centre Clinic Me’aisem, a smaller community clinic focusing on six core disciplines. The clinics serve strategic geographic locations and offer the opportunity to refer higher acuity inpatient cases to existing Mediclinic Middle East hospitals and the forthcoming Mediclinic Parkview Hospital. Significant potential also exists to attract additional doctors and over time to grow patient volumes and revenues as well as allowing Mediclinic Middle East the opportunity to partner with Majid Al Futtaim in the future.

REGULATORY UPDATE

The division continues to maintain an active dialogue with government authorities on regulatory changes within the UAE healthcare sector. Preparations are ongoing for the implementation of Diagnosis Related Groups (“**DRG**”) in Dubai which is now expected to be implemented in early 2019 with Mediclinic commencing a shadow billing process in February 2018. The Dubai Health Authority (“**DHA**”) is following a collaborative approach in the design and implementation of the DRGs and in addition to sharing and discussing the test version of the DRG methodology with the market, they also shared hospital level results and impact studies. Currently it is expected that the DRGs will have a revenue neutral impact on the division, as prescribed by the DHA. At the end of January 2018, the DHA also announced they are in the process of developing a comprehensive Dubai Healthcare Facilities Performance Framework in collaboration with IBM Watson, which will contain clinical and financial key performance indicators.

During the year, Mediclinic was privileged to be invited by the Department of Health in Abu Dhabi to join its healthcare advisory board. There were some significant changes to the regulatory environment in Abu Dhabi at the start of the year. On 26 April 2017, 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. This rule had been in place since 1 July 2016, substantially impacting the division. At the same time the 50% co-insurance applicable for the Thiqa plan for the cost if patients sought medical services outside Abu Dhabi (including Dubai and the Northern Emirates) was reduced to 10%. In Dubai, UAE nationals are covered under the ENAYA and SAADA health insurance programmes, under the supervision of the Dubai Health Authority, with a 10% co-payment for inpatient and outpatient services in the public and private sectors.

The Gulf Corporation Council Value-Added Tax ("**VAT**") framework agreement was published in April 2017 and subsequently in August 2017 healthcare was confirmed as a zero-rated service. Mediclinic completed its VAT registration ahead of the 1 January 2018 implementation of the tax.

MARKET OVERVIEW

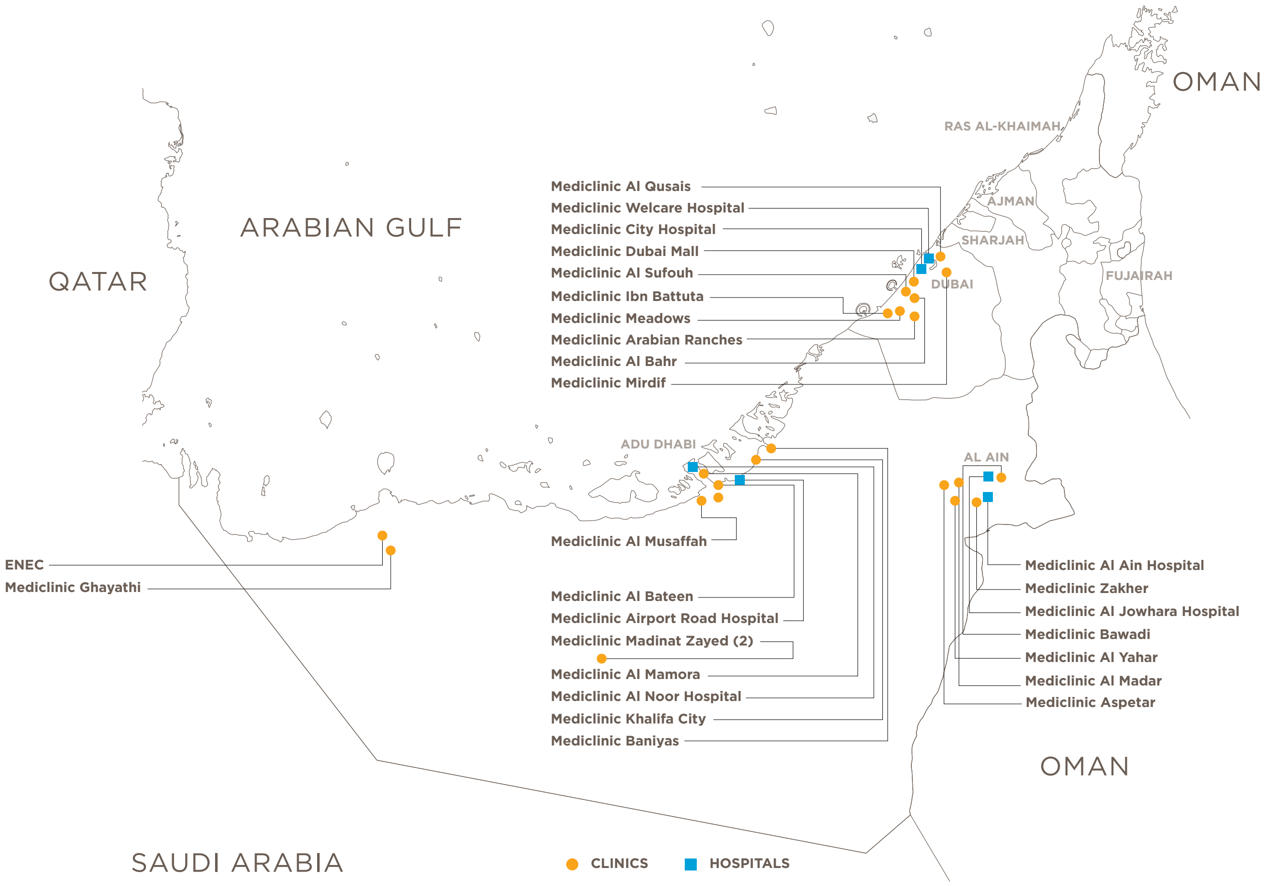
The Middle East remains a long-term growth market for the provision of high-quality private healthcare services, driven by a growing expatriate market and ageing local population facing an increased incidence of lifestyle-related medical conditions and a maturing regulatory environment which is increasingly focused on quality and clinical outcomes measures. Mediclinic has confidence in its Middle East growth strategy, which includes the opening of new hospitals and clinics in addition to expansion and upgrades to existing facilities.

Within the region's healthcare market, government authorities remain heavily involved in the private sector and continue to introduce controls in order to reduce levels of over-servicing and utilisation, which are still prevalent in some areas of the market and to focus on quality performance and outcome measures. The senior management of Mediclinic Middle East continues to forge ever deeper relationships with the authorities to ensure Mediclinic remains an integral part of the healthcare delivery system in the region.

OUTLOOK

The economic outlook for the UAE is more positive for 2018 and 2019. This is premised on greater stability in the oil price, increased government expenditure likely as Expo 2020 draws closer, non-oil revenues increase from new forms of direct and indirect taxation and a predicted rise in foreign trade. Economically, there is still opportunity for greater diversification away from hydrocarbons in Abu Dhabi than in Dubai, which in turn can create new opportunities for the private healthcare industry. Mediclinic's strategy to reduce reliance on the low-priced insurance sector in Abu Dhabi has proved successful and will continue to be rolled out.

With the operational integration following the combination now largely complete and the focus now on bringing newly opened facilities to capacity and ensuring timely delivery of projects under construction, Mediclinic Middle East is now well positioned to consider further appropriate opportunities for growth.



MEDICLINIC PARKVIEW HOSPITAL

BRINGING OUR NEXT STATE-OF-THE-ART HEALTHCARE FACILITY TO DUBAI

Announced in 2015 and due to open in October 2018, the 182-bed Mediclinic Parkview Hospital is Mediclinic Middle East's third hospital in Dubai and its seventh across the UAE. This major investment will deliver high-level clinical care and treatment to the region, further underpinning Mediclinic Middle East's leading market position in the UAE.

David Hadley

Chief Executive Officer: Mediclinic Middle East

HOSPITAL BEDS

Dubai:

Mediclinic City Hospital **278**

Mediclinic Welcare Hospital **121**

Abu Dhabi:

Mediclinic Airport Road Hospital **136**

Mediclinic Al Noor Hospital **85**

Mediclinic Al Ain Hospital **78**

Mediclinic Al Jowhara Hospital **43**

"I have been extremely impressed with the collaborative effort of all involved in this major investment project that will provide residents in Dubai with unparalleled healthcare services. Departments and individuals from across the business have been instrumental bringing this project to fruition, including marketing, who carried out extensive research to establish the viability and suitability of the location; our Executive Director, Ahmed Ali, who facilitated the acquisition of the land; operations, who were heavily involved in the initial design and equipment selection; the clinical team who shaped the framework of the hospitals services; and of course engineering, who turned the vision into reality. I would also like to thank HH Sheikh Mansoor bin Mohammed bin Rashid Al Maktoum, for his unwavering support. With Mediclinic Parkview Hospital due to open ahead of schedule in October 2018, the foundations are in place as Mediclinic enters its next exciting stage of growth in the Middle East."

David Hadley
Chief Executive Officer, Mediclinic Middle East

A KEY ADDITION TO THE MEDICLINIC MIDDLE EAST DIVISION

Mediclinic first entered the Dubai healthcare market in 2007, growing to become the largest provider of high-quality private healthcare services in Dubai today. In 2016, Mediclinic Middle East significantly expanded its footprint in the UAE through the combination with Al Noor Hospital Group in Abu Dhabi. The core purpose of the Group is to enhance the quality of life of its patients through a clear focus on clinical excellence.

Mediclinic Parkview Hospital is one of the largest capital investment projects undertaken by the Mediclinic Group. Its construction is testament to Mediclinic's confidence in the UAE's economy and continued growth opportunities. The new hospital will deliver the same international standard healthcare services and procedures that patients have come to expect from Mediclinic's existing hospitals and clinics. Located in the rapidly growing "New Dubai" area in the south of Dubai, where new schools and commercial developments are being built, the hospital will provide services to a currently estimated population of 800 000 UAE nationals and expatriates living in a 10km radius.

KEY PROJECT FACTS

AED680m
PROJECT INVESTMENT

58 737m^2
TOTAL AREA

8
NUMBER OF FLOORS

700
NUMBER OF STAFF

THE PROGRESS OF MEDICLINIC PARKVIEW HOSPITAL

In May 2015, Mediclinic Middle East purchased three adjacent plots of land in the expanding area of Al Barsha South. The plots are located on one of the main arterial routes between Dubai, Abu Dhabi and the Northern Emirates, in addition to being a key thoroughfare between the affluent areas of Jumeirah, Umm Suqeim and a number of flourishing inland communities. The subsequent announcement of the construction of Mediclinic Parkview Hospital on the site, supported by the opportunities presented by the UAE's growing healthcare sector, represented the largest ever greenfield investment by Mediclinic International. Construction has progressed smoothly and is ahead of schedule. The Hospital Director was appointed in August 2017 and other core members of the team, including the Medical Director, were announced in early 2018.

PROJECT TIMELINE

May 2015	**Purchase of land**
July 2015	**Appointment of lead designers (Stantec)**
February 2016	**Appointment of enabling works contractor (Swissboring)**
February 2016	**Ground breaking**
October 2016	**Appointment of main contractor (ASGC)**
May 2017	**Coming out of the ground**
August 2017	**Appointment of Hospital Director**
October 2017	**Completion of the concrete structure**
December 2017	**External walls for the facade completed**
October 2018	**Projected opening**

A COLLABORATIVE PROJECT

"Seeing Mediclinic Parkview Hospital rise literally from the dust has been a source of great pride for me personally, for Mediclinic Middle East as a company, and for the myriad of contractors and suppliers who have worked so tirelessly to ensure that this hospital, upon opening, will be everything that we envisaged.

"I would like to recognise the efforts of all those who have been involved in the project, their professionalism and their high standard of working practice. A greenfield construction project of this scale in Dubai is not without its challenges, but I am proud to report that there have been no major incidents in 4.37 million man hours to date. The team has exceeded expectations in their efficiency, speed and attention to detail and safety throughout the project, all of which have been instrumental in the project nearing completion sooner than expected.

"With just a few months remaining ahead of commissioning in October 2018, we will be focusing on the final technical specifications in sensitive areas such as theatres and the adult and neonatal intensive care units. I look forward to the ongoing management of the hospital as we bring this respected tertiary healthcare facility to capacity over the coming years."

Alan Wilkinson
Senior Director: Engineering Services, Mediclinic Middle East

KEY CLINICAL FACTS

182
NUMBER OF BEDS

15 **(8 ON OPENING)**
ICU BEDS

5
OPERATING THEATRES

1 **3T MRI &** **1** **256-SLICE CT**
NUMBER OF SCANNERS/MRI

150 **(80 ON OPENING)**
NUMBER OF DOCTORS

SPECIALITIES AT MEDICLINIC PARKVIEW HOSPITAL:

- Accident and emergency
- Anaesthesiology
- Bariatric surgery
- Breast surgery
- Cardiology
- Dentistry
- Dermatology
- Endocrinology
- ENT
- Family medicine
- Fetal medicine
- Gastroenterology and hepatology
- General surgery
- Intensive care
- Internal medicine
- Laboratory
- Neonatology
- Nephrology
- Neurology
- Neurosurgery
- Obstetrics and gynaecology
- Oncology
- Ophthalmology
- Orthopaedics
- Paediatric surgery
- Plastic surgery
- Pulmonary medicine
- Radiology
- Rheumatology
- Sports medicine
- Urology
- Vascular surgery
- Wound care

CONSULTANT-LED CARE

"Mediclinic Parkview Hospital will provide consultant-led primary, secondary and tertiary level care in over 30 disciplines. Under the leadership of Dr Albert Oliver, Medical Director of Mediclinic Parkview Hospital and previously Head of the Emergency Department at Mediclinic City Hospital, our team of internationally trained doctors has been carefully selected to meet the requirements of the area's unique demographic profile. The expertise of our doctors is supported by state-of-the-art technology and equipment including a 3T MRI, 256 slice CT and cath lab.

"We look forward to welcoming our first patients to Mediclinic Parkview Hospital and demonstrating to them the Mediclinic philosophy of Expertise you can Trust."

Barry Bedford
Hospital Director, Mediclinic Parkview Hospital

SUSTAINABLE DEVELOPMENT HIGHLIGHTS

Mediclinic takes a sustainable, long-term approach to business, putting patients at the heart of its operations and consistently delivering 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 divisions, 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.

SDR

This report provides an overview of the Group's sustainability initiatives, with specific reference to our material sustainability issues. For more information, please refer to the detailed **Sustainable Development Report** and the **GRI Standards Disclosure Index**, available on the Company's website at **www.mediclinic.com**.

This is the first year that the Company is required to include a non-financial information statement in the strategic report in accordance with the Companies, Partnerships and Groups (Accounts and Non-financial Reporting) Regulations 2016. The regulations implemented the EU Non-financial Reporting Directive 2014/95/EU requiring disclosure of information about policies, risks and outcomes regarding:

AR

- environmental matters – refer to our **Material issue 2: Minimising our environmental impacts**;

AR

- employee matters – refer to our **Material issue 1: Developing an engaged and productive workforce**; and

AR

- social, human rights, as well as anti-corruption and anti-bribery matters – refer to our **Material issue 3: Being an ethical and responsible corporate citizen**).

SDR

This report, read with the **Sustainable Development Report**, constitutes the Group's non-financial information statement.

During the reporting process, minor corrections have been made to the prior year data as reported in the previous reports.

STAKEHOLDER ENGAGEMENT

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, including: patients, doctors, employees and trade unions, suppliers, healthcare funders, government and authorities, industry associations, investors, the community and the media. 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**. The Board's engagement with stakeholders is also reported on in the **Corporate Governance Statement** on pages 102 to 104. SDR AR

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.

AWARDS AND ACCOLADES

GROUP

- Mediclinic International confirmed as a FTSE4Good* constituent, which index recognises the performance of companies demonstrating strong environmental, social and governance ("**ESG**") practices.
- Mediclinic International confirmed as a FTSE/JSE Responsible Investment Index constituent, which index recognises such companies listed on the JSE who meet the required FTSE Russell ESG rating.
- Mediclinic International achieved global A List status from CDP (Carbon Disclosure Project) for water conservation.

SWITZERLAND

- Hirslanden ranked first in the healthcare sector and among over 500 enterprises in Switzerland and Liechtenstein by Best Recruiters, an independent recruitment study.
- All 17 Hirslanden hospitals are registered as CO_2-reduced businesses by the Energy Agency of the Swiss Private Sector on behalf of the Swiss Federal Office of Energy.

SOUTHERN AFRICA

- Mediclinic Southern Africa's brand ranked 16th in the Top 20 Brand South Africa rankings for 2017, being the only South African healthcare provider recognised by Brand Finance and Brand Africa.
- Eight Mediclinic Southern Africa hospitals included in Discovery Health's Top 20 Private Hospitals in South Africa 2017, based on the results of their patient surveys.
- Eight Mediclinic Southern Africa hospitals awarded the Katrin Kleijnhans Quality Trophy from the Council for Healthcare Services Accreditation of Southern Africa ("**COHSASA**") during 2017, recognising their substantial contribution to quality improvement during the COHSASA accreditation process.
- Mediclinic awarded Go-Live Project of the Year at the OpenText Digiruption Indaba Awards for 2017 for the successful integration OpenText Extended ECM and SAP SuccessFactors consolidating human resources record keeping into a single, trusted database.

UAE

- Mediclinic Dubai Mall Clinic recognised as the best Medical Clinic of the Year at the Mother, Baby and Child Awards 2017.
- David Hadley, CEO of Mediclinic Middle East, recognised as the Healthcare Business Leader of the Year at the Gulf Business Awards 2017.

* *FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Mediclinic has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.*

MATERIALITY ASSESSMENT

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

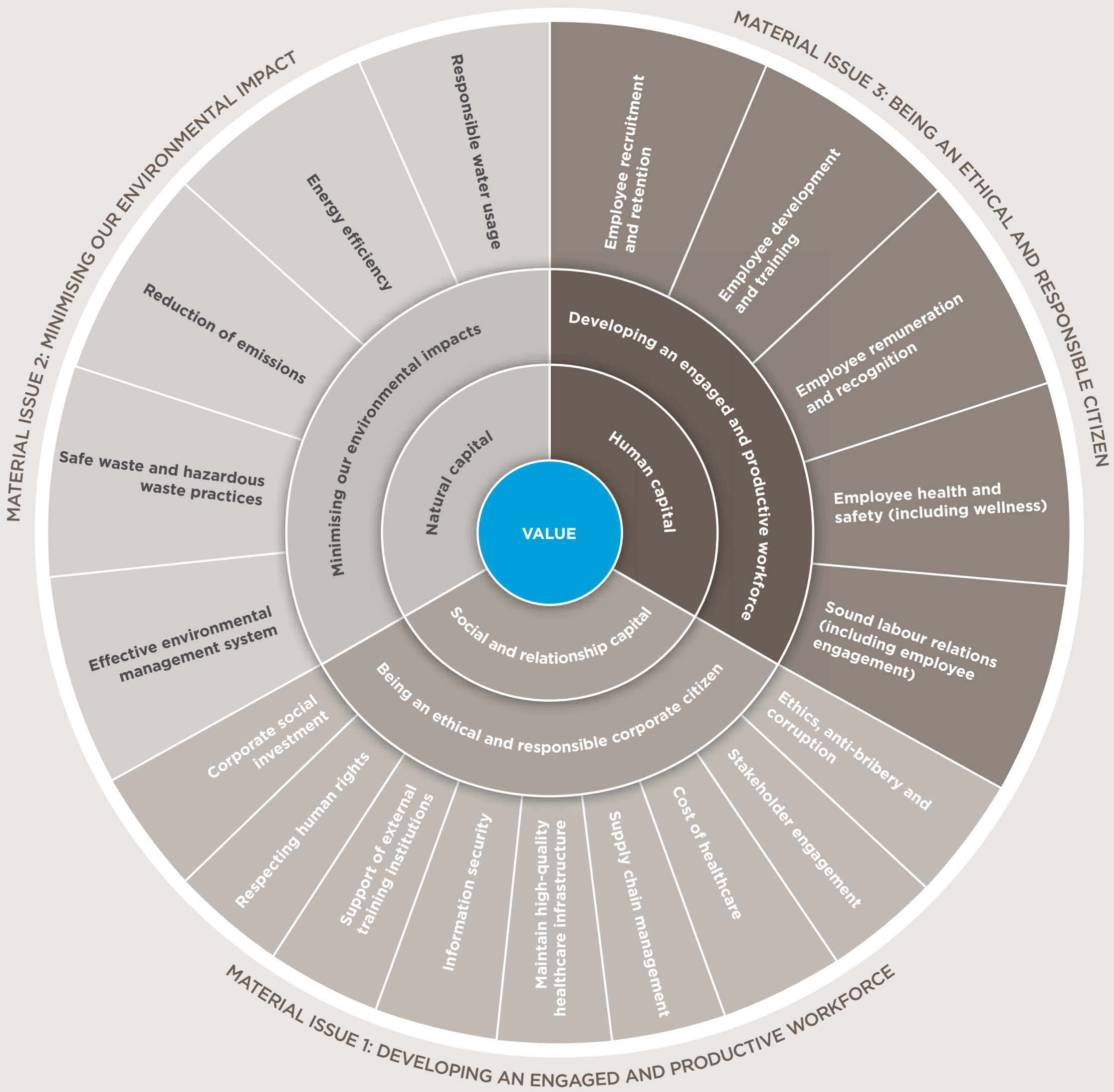
In terms of the Group Sustainable Development Policy, the Clinical Performance and Sustainability Committee annually reviews the Group's material sustainability issues to ensure management initiatives are directed at those sustainable development issues that are most significant to the business, and which directly affect the Group's ability to create value for its key stakeholders. The materiality assessment identified the following three material issues, as illustrated in **Figure 1**, which constitute the focus of this report:

- developing an engaged and productive workforce;
- minimising our environmental impacts; and
- being an ethical and responsible corporate citizen.

The Group's strategy, performance, risks and sustainability are inseparable. The link between the Group's three material sustainability issues and the Group's strategy (as further detailed in **Our Strategy, Progress and Aims** from page 14 of the Annual Report) is indicated.

AR

FIGURE 1: MATERIALITY ASSESSMENT MATRIX



MATERIAL ISSUE 1:
DEVELOPING AN ENGAGED AND PRODUCTIVE WORKFORCE

HIGHLIGHTS

- Implementation of world-class workforce optimisation initiatives and the integration of these principles in the relevant business processes
- Continued investment in training and skills development to maintain and improve quality service delivery
- Entrenching the employee engagement survey and embedding follow up actions across the Group
- Continued people management development for line managers
- Ongoing implementation of a standardised human resources ICT system

WHY THIS IS IMPORTANT TO THE BUSINESS

The attraction of suitably qualified healthcare professionals is essential in delivering the Group's *Patients First* strategy. We aim to provide a working environment with a supporting culture where employees can thrive. The continued investment in initiatives that support this overarching goal is visible in the turnover of scarce skills that has shown a significant decline. These initiatives include engagement, corporate health and wellness, continuous development, mentoring and coaching. It requires a long-term focus and genuine transformation of practices in order to be successful. These initiatives will be continued and expanded to create a diverse and inclusive environment that enables optimal performance of employees.

Workforce optimisation has been a key focus for the year. Resources were allocated to analyse current workforce practices with the intention to optimise the utilisation of human resources especially in the clinical environment. A new methodology of workforce planning and scheduling was piloted and integrated during the annual budgeting process. Continued focus on workforce planning and forecasting will ensure that the goal of operational efficiency is achieved as required in order to deliver on the *Patients First* strategy.

LINK TO GROUP STRATEGY

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

KEY STAKEHOLDERS

- Employees and trade unions
- Doctors
- Patients

KEY PERFORMANCE INDICATORS

CONTROLLABLE EMPLOYEE TURNOVER RATE*		
Switzerland	**8.7%** (2017: 7.2%)	↑
Southern Africa	**7.7%** (2017: 6.3%)	↑
UAE	**10.3%** (2017: 8.4%)	↑

* *Refer to page 72 for more on the increase in the turnover rate.*

EMPLOYEE ENGAGEMENT (GRAND MEAN SCORE) (MAXIMUM SCORE OF 5)		
Group	**3.88** (2017: 3.81)	↑
Switzerland	**3.93** (2017: 3.91)	↑
Southern Africa	**3.85** (2017: 3.73)	↑
UAE*	**3.86** (2017: 3.92)	↓

* *The prior year employee engagement index of Mediclinic Middle East excluded the employees of its Abu Dhabi operations.*

TRAINING SPEND AS APPROXIMATE PERCENTAGE OF PAYROLL		
Switzerland	**4.6** (2017: 4.8)	↓
Southern Africa	**3.5%** (2017: 3.2%)	↑
UAE	**0.2%** (2017: 0.1%)	↑

RISKS TO THE BUSINESS

- Inability to recruit healthcare practitioners to meet business demand
- Poor clinical outcomes and services
- Medical malpractice liability
- Reputational damage
- Delayed new nursing qualifications framework, causing a gap in the education pipeline
- Ageing nursing workforce and noticeable trend of earlier retirement of nursing professionals
- Ineffective management teams
- Poor staff engagement and wellness
- Fraud and ethics failures

RISK MITIGATION

- 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
- Employee engagement and satisfaction monitoring through standardised process

POLICY, APPROACH AND PERFORMANCE

The human capital environment is strongly supported by policies and best practice guidelines and is governed to ensure compliance to achieve best practice globally and to minimise possible risks within the human resource environment.

Through the internalisation of the human resources strategy, the focus remains on the harmonisation and embedding of enhanced human resources processes and practices. This internalisation is achieved through the standardisation of processes where possible, sharing of best practice, and system integration. The Human Resources (“**HR**”) function is thereby positioned as an enabling partner delivering visible, credible and value-adding services to the business where required on a continuous basis.

Employee recruitment and retention

The talent supply of scarce skills remains on the strategic agenda of the Group and is regarded as a key enabler of reaching the goals of the *Patients First* strategy. The ever-increasing risk of not obtaining the right skills in the future due to a variety of reasons, is clearly evident in a global context. This has urged the Group to take deliberate and proactive action in building a secure talent pool in the areas where necessary.

The globalisation of relevant human capital management processes will continue to put emphasis on talent metrics and measurable data across divisions, which enables the identification of trends and risks to be addressed proactively.

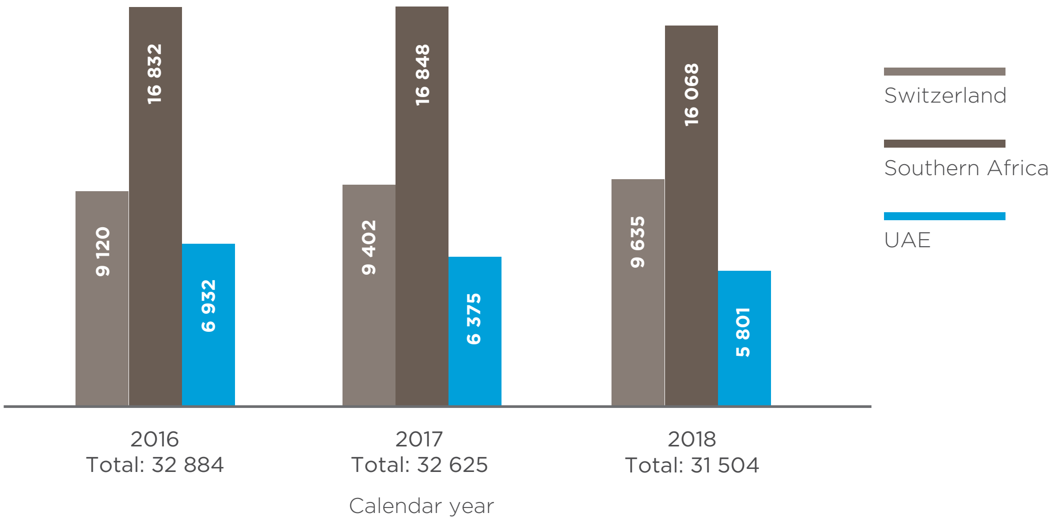
The implementation of an integrated human resources management system has gained momentum and line managers and employees alike are positively impacted. Further rollout of additional modules is scheduled to be phased in over a three-year period.

The Group’s workforce composition is provided in **Figure 2**. Controllable employee turnover rate is provided on page 71, indicating an increase across all divisions. Although not a significant increase, the reasons for employee turnover are monitored in a rigorous manner and themes are proactively addressed to minimise the loss of employees. With the ever-increasing shortage of qualified staff, we are experiencing increased competition in the market place for quality staff. As a result, emphasis is placed on retention and effective utilisation of available skills. To address this, various measures are in place with the aim to be regarded as an employer of choice: regular engagement, offering attractive working conditions, career development, a consistent performance management system, fair remuneration practices. The divisions’ turnover rate by age group and gender, new employees versus employee terminations and return to work after maternity leave are provided in the **Sustainable Development Report**, available on the Company’s website.

AR

SDR

FIGURE 2: WORKFORCE COMPOSITION



Training and skills development

The Group continues to invest significantly in training and skills development to maintain and improve quality service delivery. The Group's commitment to provide quality care for its patients can only be ensured if its staff have appropriate, evolving skill sets, which is reflected in the number of learning initiatives undertaken each year. The percentage of payroll invested in training and skills development by each of the Group's operating divisions is provided on page 71.

AR

Performance management

A consistent performance management system is applied throughout the Group, which allows us to identify and manage the training needs of individual employees, and to discuss career development. Performance tracking discussions take place on a continuous basis throughout the Group. There is a dedicated commitment to optimise the quality of these discussions where expectations regarding performance and development are shared and personal development plans compiled accordingly. These discussions also provide the opportunity to translate the organisational strategic goals to individual employee objectives, activities and deliverables. Mediclinic Southern Africa continuously enhances the support provided to line managers. There is an e-learning tool which helps new and existing managers to enhance their knowledge about the process in a self-paced manner.

Formal performance reviews are conducted on a bi-annual basis. During the past 12 months, 88.3% of employees at Mediclinic Southern Africa received formal performance reviews. At Hirslanden, 100% of employees received formal performance reviews during the year; and at Mediclinic Middle East, 81% of employees received formal performance reviews.

Succession planning and career management

Strong leaders have proven to be of great value to the business and therefore resources have been invested to embed sufficient succession planning and career management towards key functional roles across the business. This will proactively enhance and develop leadership. Succession planning is standardised on an organisational level in all three operating divisions and a Group talent review is performed annually. Critical talent as well as high-performing individuals with potential are identified and supported through tailored development initiatives. An inter-division development programme which offers a series of secondments across divisions 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 division or across divisions within the larger Group. The programme aims to provide priority talent (either critical talent or high performers with potential), the opportunity to gain cross-division exposure. All divisions have received the programme with great enthusiasm and the Group is proud to continue to grow this development opportunity to the benefit of all.

Employee remuneration, recognition and benefits

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 to employees may include a retirement fund and medical aid scheme. The Group further covers the liability insurance for medical staff and other employees where liability insurance is required. Managers who are eligible to receive variable remuneration receive short-term incentives and senior management receive a combination of short and long-term incentives. The Group's management remuneration structures consist of a fixed (guaranteed base salary and benefits) and a variable (short-term and long-term incentives) component.

Employee benefits and the value they add to the overall employment proposition are key factors in attracting and retaining high-calibre staff. Details of benefits offered are included in the **Sustainable Development Report**.

SDR

Employee health and safety

The Group recognises the role it has to play towards employee wellness and believes in promoting employee health and reducing absenteeism. The Group is committed to supporting the overall well-being of employees and recognises the importance of employee wellness in the workplace, building a more caring culture for its employees by applying sound wellness practices.

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

Employee engagement

In 2015, Mediclinic, in partnership with Gallup, introduced the *Your Voice* employee engagement programme across all operating divisions 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 77% (2017: 71%) participation rate in the *Your Voice* survey and 40% (2017: 36%) of employees showed high levels of engagement, as illustrated on page 71. The 2017 *Your Voice* survey identified predominant strengths and opportunities in terms of the employee engagement levels of Mediclinic. Mediclinic continued to perform well on the foundation elements of employees knowing what is expected of them and having the appropriate materials and equipment to perform at work.

AR

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 employee relations policies of the operating divisions, which deal with matters relating to misconduct, incapacity of employees and the disciplinary and grievance procedures, are communicated to new employees as part of their on-boarding process and are also available to all staff to ensure that employees are aware of the avenues to put forward grievances, should they have the need to.

Details of trade union membership throughout the Group is provided in the **Sustainable Development Report**.

SDR

MATERIAL ISSUE 2:
MINIMISING OUR ENVIRONMENTAL IMPACTS

HIGHLIGHTS

- Since January 2014, the entire Hirslanden electricity supply has been generated from 100% sustainable electricity
- Mediclinic International was included in the global A List for leadership and performance by corporate environmental action, showing leadership on water in the CDP Water Disclosure Project
- Total consumption and intensity per bed day sold for both energy and water decreased in Mediclinic Southern Africa, with Mediclinic Middle East and Hirslanden's consumption remaining stable

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 every 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 is constantly investigating new opportunities to reduce its impact on the environment.

LINK TO GROUP STRATEGY

- Improve efficiencies

KEY STAKEHOLDERS

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

RISKS TO THE BUSINESS

- Business interruptions due to water shortages
- Business interruptions due to electricity supply
- Increased operational costs due to cost of electricity, water and healthcare risk waste
- Reputational damage

RISK MITIGATION

- Implementation of appropriate environmental management systems (certified by an internationally recognised body, where appropriate)
- Implementation of the Corporate Sustainable Water Management Strategy in Southern Africa
- Environmental impact assessments for new building projects where required
- Introduction of renewable energy sources, such as solar photovoltaic systems, in order to reduce energy consumption and costs

KEY PERFORMANCE INDICATORS

Unless indicated to the contrary, all environmental data reported is for the 2017 calendar year (included in the CDP 2018 submission), with the prior year data for the 2016 calendar year (included in the CDP 2017 submission). This is to ensure the accuracy of the data reported and to align the reporting to the annual submission of reports to CDP.

TOTAL CO_2 EMISSIONS (KG/BED DAY) (PER CDP 2017)		
Switzerland	**12kg** (CDP 2016: 13kg)	↓
Southern Africa	**112kg** (CDP 2016: 117kg)	↓
UAE	**220kg** (CDP 2016: 226kg)	↓

WATER USAGE (KL/BED DAY) (PER CALENDAR YEAR)		
Switzerland	**0.649kl** (2016: 0.629kl)	↑
Southern Africa	**0.594kl** (2016: 0.652kl)	↓
UAE*	**1.523kl** (2016: 0.654kl)	↑

ENERGY CONSUMPTION (GJ/BED DAY) (PER CALENDAR YEAR)		
Switzerland	**0.458gj** (2016: 0.474gj/bed day)	↓
Southern Africa	**0.318gj** (2016: 0.327gj/bed day)	↓
UAE*	**1.202gj** (2016: 0.991gj/bed day)	↑

WASTE RECYCLED (PER CALENDAR YEAR)		
Switzerland	**586 tonnes** (2016: 550 tonnes)	↑
Southern Africa	**1 172 tonnes** (2016: 1 283 tonnes)	↓
UAE	**196 tonnes** (2016: 72 tonnes)	↑

* *The intensity measures of CO_2 emissions, water usage and energy consumption per bed 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 and 23 clinics with only outpatient consultations (i.e. no bed days). The extreme weather conditions in the UAE also negatively impact its energy and water consumption, which is being managed through various initiatives. Mediclinic Middle East has begun working towards a comprehensive energy and water reduction plan for the year ahead to decrease overall consumption.*

POLICY, APPROACH AND PERFORMANCE

Effective environmental management system

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. Mediclinic is committed to ensuring that its environmental management systems and practices are aligned with international best practices to safeguard its reputation and provide assurance regarding the environmental quality, safety and reliability of Mediclinic's processes and services. Environmental impact assessments are performed for all new building projects when required by legislation.

All 17 Hirslanden hospitals are registered as CO_2-reduced businesses by the Energy Agency of the Swiss Private Sector on behalf of the Swiss Federal Office of Energy. This achievement recognises the contracted commitment to reduce CO2 emissions within the operations. The implemented measures are being monitored annually.

All Mediclinic Southern Africa hospitals are ISO 14001 trained, follow the same environmental management practices and are subject to annual internal audits. During the year, ISO 14001 gap audits were conducted at 38 Mediclinic Southern Africa hospitals, achieving an average score of 80%. Adhering to the system procedures and processes has a direct impact on consumption as well as the group carbon emissions and is expected to reduce the likelihood and magnitude of the risk. At year-end, 42 of Mediclinic Southern Africa's 52 hospitals are ISO 14001 certified by an external assurance provider.

Mediclinic Middle East undertook a number of environmental initiatives and environmental events and rolled out policies which support the Group Environmental Policy. It has initiated the EHS strategy, with the aim of obtaining ISO 14001 certification of all its facilities in the future, and will be implementing further energy saving initiatives as part of Mediclinic Middle East's overall strategic objectives during next year.

Reduction of carbon emissions

The Carbon Disclosure Project ("**CDP**") is a global initiative measuring companies around the world, 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 on 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 obtained 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 operating divisions of the Group measure, with the assistance of external consultants, its carbon footprint using the GHG Protocol and includes, 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 division, reported per calendar year, are reported in the **Sustainable Development Report**, as summarised in **Figures 3** to **5**.

SDR

FIGURE 3: TOTAL CARBON EMISSIONS (HIRSLANDEN) (PER CALENDAR YEAR)

	2013	2014	2015	2016	2017
Scope 1: Direct emissions	7 332	7 163	6 743	7 349	6 317
Scope 2: Indirect emissions from purchased electricity	365	419	389	389	837*
Scope 3: Indirect emissions from supply chain, business travel and waste removal	5	102	102	84	n/a
TOTAL CO_2e (tonnes)	**7 702**	**7 684**	**7 234**	**7 822**	**7154**
CO_2e/bed day (kg)	**15**	**14**	**13**	**13**	**12**
Intensity ↑↓		↓	↓	–	↓

* *The scope 2 indirect emissions have risen due to the integration of Klinik Linde into the division. Klinik Linde has been using so called "grey electricity" (electricity from unknown sources). This sort of electricity can be derived from nuclear energy or coal power stations. In FY 2019 Klinik Linde will change its electricity supply to guarantee the whole division uses nuclear and fossil-free electricity.*

FIGURE 4: TOTAL CARBON EMISSIONS (MEDICLINIC SOUTHERN AFRICA)

ACTIVITY	CDP 2014 (2013/14 FY)	CDP 2015 (2014/15 FY)	CDP 2016 (2015/16 FY)	CDP 2017 (2016 CALENDAR YEAR)	CDP 2018 (2017 CALENDAR YEAR)
Scope 1: Direct emissions	21 869	22 999	23 841	24 687	24 193
Scope 2: Indirect emissions from purchased electricity	151 156	154 035	159 571	156 781	149 109
Scope 3: Indirect emissions from supply chain, business travel and waste removal	35 062	33 382	36 037	49 488	47 270
Non-Kyoto Protocol emissions	6 952	6 419	3 966	5 236	2 841
TOTAL CO_2e (tonnes)	**215 039**	**216 834**	**223 415**	**236 192**	**223 413**
CO_2e/full time employee	**13.567**	**13.326** ↓	**13.273** ↑	**14.026** ↑	**13.680** ↓
CO_2e/square meterage	**0.335**	**0.320** ↓	**0.313** ↓	**0.299** ↓	**0.274** ↓
CO_2e/bed day (kg)	**115**	**111** ↓	**111** —	**117** ↑	**112** ↓

FIGURE 5: TOTAL CARBON EMISSIONS (MEDICLINIC MIDDLE EAST)

	CDP 2015 (2014/15 FY)	CDP 2016 (2015/16 FY)	CDP 2017* (2016/17 FY)
Scope 1: Direct emissions	1 158	1 731	5 594
Scope 2: Indirect emissions from purchased electricity	12 038	12 148	19 892
Scope 3: Indirect emissions from supply chain, business travel and waste removal	4 449	3 464	4 722
Non-Kyoto Protocol emissions	726	621	3 476
TOTAL CO_2e (tonnes)	**18 371**	**17 964**	**33 684**
CO_2e/bed day (kg)	**246**	**226**	**220**
Intensity ↑↓		↓	↓

* *Since the CDP 2017, the Mediclinic Middle East figures include the Al Noor business, whereas in previous years it only included the Dubai business, and therefore not directly comparable with that of previous years.*

Energy efficiency

Electricity is the main contributor to our carbon footprint and all our divisions 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 division, for the periods as specified therein, is reported in the **Sustainable Development Report**.

Responsible water usage

There are various measures in place to minimise water consumption; including reclaiming water, monitoring hot water consumption and installing water meters and control sensors.

In South Africa, the Western Cape region has experienced the worst drought in history, driven by a prevailing weak La Nina weather event. This has resulted in water restrictions and threat of water cuts in the Western Cape region. The threat of prolonged dry weather could last up to three years.

The City of Cape Town has indicated a "possible failure of dam systems in 2018" if there is a below average winter rainfall. Climate change predictions for the Western Cape indicate continued warming, drying and windier conditions going forward. Water disruptions have increased in the last five years in South Africa and Namibia.

A Corporate Sustainable Water Management Strategy was developed in 2016 and implemented the same year. The strategy includes actions to mitigate and address various risks associated with the water management crisis in Southern Africa, and especially the water crisis in the Western Cape. Mediclinic Southern Africa actively engaged with public policy makers and other stakeholders in the Western Cape region, and also embarked on extensive employee and patient awareness campaigns on water conservation, which all contributed to the decline in water consumption during the year. Recognising the division's initiatives, Mediclinic South Africa received global A List status for water conservation by the prestigious CDP in 2017.

SDR

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**.

Safe waste and hazardous 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.

MATERIAL ISSUE 3:
BEING AN ETHICAL AND RESPONSIBLE CORPORATE CITIZEN

HIGHLIGHTS

- Anonymous independent ethics lines at all operating divisions
- A three-year compliance monitoring programme was developed to enhance the existing compliance culture
- Hirslanden supports Mercy Ships, an international charity which operates the largest non-governmental hospital ship in the world
- Contributed R5m to the South African Department of Health's Public Health Enhancement Fund
- In partnership with the public health sector, Mediclinic Southern Africa performed over 100 *pro bono* procedures on public patients

WHY THIS IS IMPORTANT TO THE BUSINESS

Governance and corporate social responsibility are integral to Mediclinic's approach to running a sustainable, long-term business. In line with the Group's vision of being preferred locally and respected internationally, 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 has entrenched a range of policies, processes and standards to support the Group's governance and Corporate Social Investment ("**CSI**") programmes and provide a framework of the standards of business conduct and ethics that are required of all operating divisions, directors and employees within the Group, such as the Code of Business Conduct and Ethics, Enterprise-wide Risk Management Policy, Fraud Risk Management Policy, Regulatory Compliance Policy and the Anti-bribery Policy.

Adherence to these policies is 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 encourages staff to be vigilant and transparent for any suspicious or unethical behaviour. These policies provide clear guidelines and frameworks to assist in achieving set objectives, for example, compliance with applicable laws and regulations. The policies are communicated to all relevant employees and where necessary training is provided. The enhanced training and awareness of Group policies are planned for the year ahead.

LINK TO GROUP 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

KEY PERFORMANCE INDICATORS

CALLS TO ETHICS LINES*		
Switzerland	**21** (2017: 20)	↑
Southern Africa	**97** (2016: 202)	↓
UAE	**10** (2017: 6)	↑

* *Six high-priority cases were reported to the Group's ethics lines during the year, all of which were investigated and closed.*

INVESTMENT IN CAPITAL PROJECTS AND NEW EQUIPMENT (OPERATING DIVISIONS)		
Switzerland	**CHF47m** (2017: CHF74m)	↓
Southern Africa	**R423m** (2017: R766m)	↓
UAE	**AED358m** (2017: AED188m)	↑

INVESTMENT IN REPLACEMENT OF EQUIPMENT AND PROPERTY UPGRADES (OPERATING DIVISIONS)		
Switzerland	**CHF82m** (2017: CHF89m)	↓
Southern Africa	**R634m** (2017: R515m)	↑
UAE	**AED31m** (2017: AED57m)	↓

EXPENDITURE ON REPAIRS AND MAINTENANCE (OPERATING DIVISIONS)		
Switzerland	**CHF40m** (2017: CHF37m)	↑
Southern Africa	**R219m** (2017: R275m)	↓
UAE	**AED42m** (2017: AED39m)	↑

CONTRIBUTION TO CSI INITIATIVES		
Switzerland	**CHF2.3m** (2017: CHF2.5m)	↓
Southern Africa	**R29.3m** (2017: R27.5m)	↑
UAE	**AED1.0m** (2017: AED992 000)	↑

TRANSFORMATION (SOUTH AFRICA)		
Percentage black employees	**72.1%** (2017: 71.2%)	↑
Percentage black management employees	**29.4%** (2017: 27.7%)	↑

RISK MITIGATION

- 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 and compliance department and 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

POLICY, APPROACH AND PERFORMANCE

Ethics

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**") and Anti-bribery Policy, 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.

The Group adopts a zero-tolerance policy to unethical business conduct, including bribery, fraud and corruption.

Any employee or external stakeholder is able to report any wrongdoing throughout the Group on a confidential basis to the ethics lines. All reports are dealt with in a non-discriminatory manner and any person making use of the independent ethics lines has the option to remain anonymous. Any form of retaliation against an employee or other person making a report in good faith shall not be tolerated. A dedicated ethics contact person per division is available to deal with matters pertaining to the Code. The number of calls received through the Group's ethics lines is indicated on page 81. All complaints are investigated in accordance with the Code. Over the years, the majority of calls were of a grievance nature. Only in exceptional cases has information been received that has led to the discovery of unethical, corrupt or fraudulent behaviour.

The Group's Anti-bribery Policy governs the granting and acceptance of gifts, hospitality and entertainment, which will only be approved if it is acceptable business practice, there is a proper business case and no potential to adversely affect Mediclinic's reputation.

The Group's Fraud Risk Management Policy facilitates the development of controls for the prevention of fraud and corruption. Feedback on ethics and fraud is provided to the Audit and Risk Committee at every meeting, with regular feedback to the Clinical Performance and Sustainability Committee.

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

Cost of healthcare

The Group contributes in various ways to a sustainable healthcare system by, *inter alia*, focusing 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 divisions to compare prices and drive procurement strategies;
- better prices through pooling of capital equipment purchases across the three divisions;
- 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** for initiatives to improve cost-effectiveness.

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.

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.

Maintain high-quality healthcare infrastructure

To ensure a safe and user-friendly environment for both its patients and employees, the Group strives 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 its facilities and the replacement of existing equipment, as well as on the repair and maintenance of existing property and equipment (refer to figures on page 81 and to the **Chief Executive Officer's Review**, the **Divisional Reviews** and **Our Strategy, Progress and Aims**).

AR

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

Information security

Mediclinic is committed to conducting its business in accordance with all applicable data protection laws as may apply from time to time in the various operating divisions. Maintaining and respecting the privacy of our employees, directors, patients, affiliated doctors, suppliers and stakeholders remains a priority. Mediclinic has reaffirmed its commitment to protect the personal data of its stakeholders by embarking on a group-wide data privacy project to align and ensure compliance with relevant data protection laws, as may be applicable in the various countries of operation, including the European Union's General Data Protection Regulation ("**GDPR**"), widely regarded as the gold standard for data protection. The Group Privacy and Data Protection Policy has been aligned to the GDPR standards and various initiatives are underway to ensure that core components are legally compliant by 25 May 2018, which is the date the GDPR will come into effect. The project will be rolled out to the rest of the Group thereafter while ensuring that other applicable data protection laws are also complied with.

Information security policies and controls are in place throughout the Group regulating, inter alia, the processing, use and protection of own, personal 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 reported during the year under review.

The Group 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 divisions. 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.

Further details on the Group's ICT investments are included in the **Chief Executive Officer's Review** included in the Annual Report.

AR

Support of external training institutions

The Group is committed to educational development within all three of its operating divisions and provides financial and other necessary support towards advancing healthcare education.

Respecting human rights

The Group is committed to conducting its business in a manner that respects and promotes the human rights and dignity of all those within its sphere of influence and avoids involvement in human rights abuses throughout its operations and relationships. This commitment is entrenched in the Group's Code of Business Conduct and Ethics, which is further supported by the Group's commitment to:

- avoid and not contribute to any indirect adverse human rights impacts that are directly linked to the Group's operations or services by its suppliers or other business relations;
- respect patients' rights, including but not limited to privacy, confidentiality, dignity, no discrimination, full information on health status and treatment, a second opinion, access to medical records, self-determination and participation, refusal of treatment and the right to complain;
- value diversity and equal opportunities for all in the workplace; and
- not tolerate any form of unfair discrimination, such as access to employment, career development, training or working conditions, based on gender, age, religion, nationality, race/ethnic origin, language, HIV/AIDS status, family status, disability, sexual orientation or other form of differentiation.

Modern slavery and human trafficking

The Mediclinic modern slavery and human trafficking statement, which is available on the Company website at **www.mediclinic.com**, sets out the steps Mediclinic has taken to prevent any form of modern slavery and human trafficking, which includes any direct form of forced labour or child labour in its business, or indirectly through its supply chain. During the year, Mediclinic has developed additional steps to strengthen its position in monitoring slavery and human trafficking activities, in order to ensure that it is not taking place in its supply chains.

Diversity

The Group values diversity and provides equal opportunities in the workplace, a matter which has received significant focus by the Nomination Committee during the year. The diversity representation (by race, gender and age) of the Group's most senior governing bodies, as well as direct reports to members of those governing bodies, are provided in the **Nomination Committee Report** and the **Corporate Governance Statement** in the Annual Report. Please also refer to the **Sustainable Development Report** for further information in this regard.

AR

SDR

Broad-based black economic empowerment ("B-BBEE") (South Africa)

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 for ensuring that the appropriate focus is placed on the company's commitment to the development and implementation of sustainable B-BBEE initiatives. Mediclinic Southern Africa has embarked on a rigorous and comprehensive review of its transformation strategy. A review of the current structure and content of diversity management interventions throughout the company is underway. This process will yield a more structured approach and an important outcome would be an engaged workforce wherein inclusivity is the ultimate goal.

Mediclinic Southern Africa's new five-year employment equity plan was submitted to the Department of Labour in November 2017. The summarised employment equity report (EEA2) is included in the **Sustainable Development Report**.

SDR

The number of black employees increased year-on-year from 71.2% to 72.1% of total employees; and black management representation increased from 11% in 2006 to 29.4% in 2018 (2017: 27.7%), based on Mediclinic Southern Africa's employment equity report referred to earlier.

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 itself 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 the financial support of training. Due to the socio-economic conditions in Southern Africa, the majority of the Group's CSI contributions are by Mediclinic Southern Africa.

The CSI spend per division is provided on page 81.

AR

GOVERNANCE AND REMUNERATION

CHAIRMAN'S INTRODUCTION

The Board and management team of Mediclinic are committed to maintaining strict principles of corporate governance and the highest standards of 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 building and maintaining a sustainable business and supporting our commitment to be a responsible corporate citizen in every country and community in which the Group operates.

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 wider 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. An external evaluation of the Board was conducted during the year by Lintstock, the outcome of which is detailed herein. With the announcement of the appointment of Dr Ronnie van der Merwe as CEO successor to Mr Danie Meintjes from 1 June 2018, and the appointment of Dr Muhadditha Al Hashimi and Dr Felicity Harvey as independent non-executive directors during 2017, the Nomination Committee and the Board continue to demonstrate their commitment to succession planning and targeting diverse pools of talent from which to recruit the right individuals. Further, as referred to in my statement on pages 6 to 9, the continued involvement of Mr Meintjes as a non-executive director from 1 August 2018 is considered by the Board to be in the best interests of the Group, its shareholders and other stakeholders in view of the wealth of knowledge and experience he has in different capacities gained over 30 years at Mediclinic.

The key elements of our governance structures include:

- managing our business in a sustainable manner; ensuring good clinical outcomes and quality healthcare;
- upholding strict principles of corporate governance, integrity and ethics;
- maintaining effective risk management and internal controls;
- engaging with our stakeholders and responding to their reasonable expectations; and
- offering our employees competitive remuneration packages based on the principles of fairness and affordability.

further details of which are included in this Annual Report, as well as the Clinical Services Report and the Sustainable Development Report available on the Company's website at www.mediclinic.com. I remain confident that the Board, supported by an effective management team and an effective governance structure, is well placed to continue to drive 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 committee memberships of the directors provided herein are as at the Last Practicable Date, being Wednesday, 23 May 2018.

DR EDWIN HERTZOG

Non-executive Chairman

Nationality: South African

Committee memberships: Clinical Performance and Sustainability Committee, Investment Committee (Chair), Nomination Committee (Chair)

Dr Edwin Hertzog* was appointed as the non-executive Chairman of the Company on 15 February 2016. Prior to the combination of the businesses of the Company (then Al Noor Hospitals Group plc) and Mediclinic International Limited in 2016, he served as a director of Mediclinic International Limited from 1983 and as the Chairman from 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 Medi-Clinic 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 Mediclinic 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 Chairman of the council of the Stellenbosch University.

Qualifications: Dr Hertzog holds a Bachelor of Medicine and Bachelor of Surgery (MB,ChB); a Fellowship of the Faculty of Anaesthesiologists (SA) and a Doctor of Philosophy (Ph.D) (honoris causa).

* *Dr Hertzog's non-executive directorship of Remgro, as reported above, constitutes his other significant commitments for the purposes of Provision B.3.1 of the UK Corporate Governance Code.*

MR DANIE MEINTJES

Chief Executive Officer

Nationality: South African

Committee memberships: Clinical Performance and Sustainability Committee, Investment Committee

Mr Danie Meintjes was appointed as an executive director and Chief Executive Officer of the Company on 15 February 2016. Prior to the combination of the businesses of the Company (then Al Noor Hospitals Group plc) and Mediclinic International Limited in 2016, he served as the Chief Executive Officer of Mediclinic International Limited from 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. He serves as a non-executive director of Spire Healthcare Group plc from 2015, from which position he will retire on 24 May 2018. He will retire from his position as Chief Executive Officer on 1 June 2018 and, subject to re-election as a director of the Company at the AGM, will continue to serve as an executive director until 31 July 2018 and as a non-executive director with effect from 1 August 2018.

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

MR JURGENS MYBURGH

Chief Financial Officer

Nationality: South African

Committee membership: Investment Committee

Mr 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 served as Chief Financial Officer at Datatec Limited, an international information and communications technology group, which operates in over 60 countries, and before that, worked at The Standard Bank of South Africa Limited as Executive Vice President of Investment Banking.

Qualifications: Mr Myburgh 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.

MR DESMOND SMITH

Senior Independent Director

Nationality: South African

Committee memberships: Audit and Risk Committee (Chair), Nomination Committee

Mr Desmond Smith was appointed as an independent non-executive director of the Company on 15 February 2016. Prior to the combination of the businesses of the Company (then Al Noor Hospitals Group plc) and Mediclinic International Limited in 2016, he served as an independent non-executive director of Mediclinic International Limited from 2008 and as the lead independent director from 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) ("**RGA(SA)**") from March 1999 to March 2005. He is currently Chairman of RGA(SA) and retired as Chairman of Sanlam Group in June 2017. During his career, he has served on various boards and was president of both the Actuarial Society of South Africa (1996) and the International Actuarial Association (2012).

Qualifications: Mr Smith holds a Bachelor of Science (B.Sc.) degree; is a fellow of the Actuarial Society of South Africa; and completed an International Senior Managers Program at Harvard Business School.

DR MUHADDITHA AL HASHIMI

Independent Non-executive Director

Nationality: Emirati

Committee membership: Clinical Performance and Sustainability Committee

Dr Muhadditah Al Hashimi was appointed as an independent non-executive director of the Company on 1 November 2017. She is also a member of the board of trustees and the Audit and Compliance Committee of the University of Sharjah, and a member of the board of trustees of the UAE Nursing and Midwifery Council and the UAE Genetics Diseases Association. She is the campus director of Higher Colleges of Technology Sharjah Women's College in the UAE. Prior to her current positions, Dr Al Hashimi held the position of executive Dean of the Faculty of Health Sciences, Higher Colleges of Technology; acting deputy vice-chancellor of Academic Affairs at the Higher Colleges of Technology; Chief Executive Officer of the Mohammed Bin Rashid Al Maktoum Academic Medical Center in Dubai; Deputy Chief Executive Officer of Tatweer LLC; Chief Executive Officer of Dubai Healthcare City (both members of Dubai Holding); and a director of education of the Harvard Medical School Dubai Centre.

Qualifications: Dr Al Hashimi obtained a Doctorate in Public Health from the University of Texas; a Master's degree in Clinical Laboratory Sciences from the University of Minnesota; and a Bachelor's degree in Medical Technology from the University of Minnesota.

MR JANNIE DURAND

Non-executive Director

Nationality: South African

Committee Memberships: Investment Committee, Nomination Committee

Mr Jannie Durand* was appointed as a non-executive director of the Company on 15 February 2016. Prior to the combination of the businesses of the Company (then Al Noor Hospitals Group plc) and Mediclinic International Limited in 2016, he served as a non-executive director of Mediclinic International Limited from 2012. He joined the Rembrandt group in 1996 and was appointed as the Chief Executive Officer of Remgro Limited in 2012, which 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, RCL Foods Limited and RMI Holdings Limited.

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

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

Qualifications: Mr Uys holds an M.Eng. (Electrical) degree; and an MBA from the University of Stellenbosch.

MR ALAN GRIEVE

Independent Non-executive Director

Nationality: British

Committee memberships: Audit and Risk Committee, Investment Committee

Mr Alan Grieve was appointed as an independent non-executive director of the Company on 15 February 2016. Prior to the combination of the businesses of the Company (then Al Noor Hospitals Group plc) and Mediclinic International Limited in 2016, he served as an independent non-executive director of Mediclinic International Limited from 2012 and served as a director of Medi-Clinic Switzerland AG (now Hirslanden AG) from 2008 to 2012. He served as Chief Financial Officer of Reinet Investments Manager S.A. and Reinet Fund Manager S.A. from 2008 to 2011 and Chief Executive Officer from 2012 until he retired in 2014. He remains on the Board of both companies as a non-executive director. He served as Company Secretary of Richemont, the Swiss luxury goods group, from 1998 to 2004 and as Director of Corporate Affairs from 2004 to 2014. Prior to joining Richemont's predecessor companies in 1986, he worked with the international auditing firms now known as PricewaterhouseCoopers and Ernst & Young.

Qualifications: Mr Grieve holds a degree in Business Administration from Heriot-Watt University, Edinburgh; and is a member of the Institute of Chartered Accountants of Scotland.

DR FELICITY HARVEY CBE

Independent Non-executive Director

Nationality: British

Committee membership: Clinical Performance and Sustainability Committee (Chair)

Dr Felicity Harvey was appointed as an independent non-executive director of the Company on 3 October 2017. She serves as a Visiting Professor at the Institute of Global Health Innovation at Imperial College London; is a non-executive director of Guy's and St Thomas' NHS Foundation Trust in London; a Trustee of Royal Trinity Hospice in London; and a member of the WHO Independent Oversight & Advisory Committee for Health Emergencies. Previously, she served as Director-General of Public and International Health at the UK Department of Health; Director of the UK Prime Minister's Delivery Unit, then HM Treasury's Performance and Reform Unit; Head of the Medicines, Pharmacy and Industry Group at the Department of Health; Director of Prison Health at Her Majesty's Prison Service; Head of Quality Management at NHS Executive and private secretary to the Chief Medical Officer of the Department of Health of the United Kingdom. Dr Harvey was appointed CBE in 2008.

Qualifications: Dr Harvey qualified in medicine in 1980; is an honorary fellow of the Royal College of Physicians; a fellow of the Faculty of Public Health; has an international MBA from Henley Management College; and has gained a Postgraduate Diploma in Clinical Microbiology at The Royal London Hospital College, University of London.

MR SEAMUS KEATING

Independent Non-executive Director

Nationality: Irish

Committee memberships: Audit and Risk Committee, Investment Committee, Remuneration Committee

Mr 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 combination of the businesses of the Company (then Al Noor Hospitals Group plc) and Mediclinic International Limited in 2016. He has over 20 years' experience in the global technology sector in finance and operational roles, and was a main board director of Logica plc from 2002 until April 2012. 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 in senior finance roles in the UK and Italy. He served as 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, a non-executive director of BGL Group Limited, a non-executive director of Callcredit Information Group plc and a non-executive director of Mi-pay Group plc.

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

PROF DR ROBERT LEU

Independent Non-executive Director

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. Prior to the combination of the businesses of the Company (then Al Noor Hospitals Group plc) and Mediclinic International Limited in 2016, he served as an independent non-executive director of Mediclinic International Limited from 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 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, is President of the Alliance for a Free Health Care System in Switzerland since 2013, and a director of Medgate Integrated Care Holding AG in Switzerland since May 2017. He was a prior director of Hirslanden AG and past President of Arcovita AG.

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

Note: *Prof Dr Leu will be retiring as a director after the annual general meeting of the Company scheduled to be held on 25 July 2018.*

MS NANDI MANDELA

Independent Non-executive Director

Nationality: South African

Committee membership: Clinical Performance and Sustainability Committee

Ms Nandi Mandela was appointed as an independent non-executive director of the Company on 15 February 2016. Prior to the combination of the businesses of the Company (then Al Noor Hospitals Group plc) and Mediclinic International Limited in 2016, she served as an independent non-executive director of Mediclinic International Limited from 2012. She is a director of Linda Masinga & Associates, a town planning and consultancy firm, since 2003. Prior to that, she worked as a marketing officer at 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: Ms Mandela 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.

Note: *Ms Mandela will be retiring as a director after the annual general meeting of the Company scheduled to be held on 25 July 2018.*

MR TREVOR PETERSON

Independent Non-executive Director

Nationality: South African

Committee memberships: Audit and Risk Committee, Nomination Committee, Remuneration Committee (Chair)

Mr Trevor Petersen was appointed as an independent non-executive director of the Company on 15 February 2016. Prior to the combination of the businesses of the Company (then Al Noor Hospitals Group plc) and Mediclinic International Limited in 2016, he served as an independent non-executive director of Mediclinic International Limited from 2012. In 1996, he resigned from the University of Cape Town 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. He is an independent non-executive director on the board of Media24 (Pty) Ltd (a subsidiary of Naspers Limited) and is currently the managing trustee of the Woodside Village Trust. He 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: Mr Petersen holds an Honours degree in Accountancy from the University of Cape Town (B.Comm. (Hons)); and is a qualified Chartered Accountant with the South African Institute of Chartered Accountants.

SENIOR MANAGEMENT

The Group Chief Executive Officer, Mr 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 its ability to successfully execute the Group's strategy. As reported, Mr Meintjes will be succeeded by Dr Ronnie van der Merwe, the current Group Chief Clinical Officer, as the Group Chief Executive Officer from 1 June 2018.

The biographies of Mr Meintjes, Chief Executive Officer, and Mr Jurgens Myburgh, Chief Financial Officer are provided on page 86 of this Annual Report.

AR

DR RONNIE VAN DER MERWE

Chief Clinical Officer and CEO Designate

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 subsequently served as the Mediclinic Group's Chief Clinical Officer. He was appointed as an executive 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. The Board appointed him as an executive director and the Chief Executive Officer of the Company from 1 June 2018, and he will stand for election as a Director at the Company's annual general meeting on Wednesday, 25 July 2018. As announced by Spire, he will be appointed as a non-executive director of Spire Healthcare Group plc from 24 May 2018.

Qualifications: Dr Van der Merwe holds a medical degree from the University of Stellenbosch (MB,ChB.); a Diploma in Anaesthetics from the College of Anaesthetists of South Africa (DA (SA)); the Fellowship of the College of Anaesthetists of South Africa (FCA (SA)); and completed the Advanced Management Program at Harvard Business School.

MR GERT HATTINGH

Chief Corporate Services Officer

Nationality: South African

Mr Gert Hattingh joined the Mediclinic Group in 1991 as Group Accountant. He served in various management positions in the 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: Mr Hattingh 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 a qualified Chartered Accountant with the South African Institute of Chartered Accountants.

DR DIRK LE ROUX

Chief Information Officer

Nationality: South African

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

Qualifications: Dr Le Roux holds a D.Com. (Informatics) degree from the University of Pretoria; a Master's degree in Business Administration (cum laude); a Postgraduate Diploma in Data Metrics; and a Bachelor's degree in Civil Engineering.

MR MAGNUS OETIKER

Chief Human Resources Officer

Nationality: Swiss

Mr Magnus Oetiker was appointed as Chief Human Resources Officer of the Company in February 2018. Prior to joining Mediclinic, he was the Chief Executive Officer of a family-owned company in Switzerland with 13 business units in healthcare and in the catering industry from 2016. Prior to that, he served in various management positions from 2000 to 2016 within the Hirslanden group, where he was appointed as a member of Hirslanden's Executive Committee in 2008 and acted as Chief Strategy Officer, including Human Resources.

Qualifications: Mr Oetiker holds a Bachelor of Science in Business Administration from the Zurich University of Applied Sciences, Switzerland; and an Executive Master of Business Administration from the University of Zurich, Switzerland.

MR KOERT PRETORIUS

Chief Executive Officer: Mediclinic Southern Africa

Nationality: South African

Mr 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 served as an executive 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: Mr Pretorius holds a Bachelor's degree in Accounting Science from the University of the Free State (B.Compt.); and a Master's degree of Business Leadership from the University of South Africa (MBL).

DR OLE WIESINGER

Chief Executive Officer: Hirslanden

Nationality: German and Swiss

Dr Ole Wiesinger joined the Hirslanden Private Hospital Group in 2004 as the Hospital Manager of Klinik Hirslanden. He was appointed as the Chief Executive Officer of the Hirslanden group and served as an executive 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 Euromed AG in Germany from 1995 and was appointed as the Chief Executive Officer of Euromed AG from 2003 to 2004.

Qualifications: Dr Wiesinger 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.

MR DAVID HADLEY

Chief Executive Officer: Mediclinic Middle East

Nationality: British

Mr 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 served as a member of Mediclinic's Executive Committee since 2011.

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

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. The Board is committed to maintaining the highest standards of corporate governance, integrity and ethics. 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 divisions in Switzerland, Southern Africa 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 current UK Corporate Governance Code (the "**UK Corporate Governance Code**" or the "**Code**"), published by the Financial Reporting Council (the "**FRC**") in April 2016 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 Corporate Governance Statement, 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 112 to 115. In accordance with the Company's relationship agreement with its principal shareholder, Remgro Limited ("**Remgro**"), further details of which are provided on pages 108 to 109 (the "**Relationship Agreement**"), Remgro is entitled to appoint up to a maximum of three directors to the Board. Mr Jannie Durand was appointed by Remgro on 15 February 2016 and represents Remgro on the Board of Directors. 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 B.2.4 (an explanation should be given if neither an external search consultancy nor open advertising has been used in the appointment of a chairman or a non-executive director)*

  Neither an external search consultancy nor open advertising was used in the appointment of Dr Muhadditha Al Hashimi in November 2017. An explanation is given in the report of the Nomination Committee on page 113 regarding external search consultancies and open advertising of appointments.
- *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 and did so, along with the Chairman, this year as requested by a top five shareholder. 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 page 104 for more information on the Company's shareholder engagement. Further, in April 2018 the Group commenced a detailed perception study using a third party independent service provider, the results of which will be shared with the Board.

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 arising from its secondary listings on the JSE securities exchange in South Africa and the NSX securities exchange in Namibia.

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, namely 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 CEO and the Company Secretary, and outlines the roles of the various Board committees.

Board committees

The Board has delegated authority to five committees to carry out certain tasks on its behalf, in order to operate efficiently and provide the appropriate 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 are 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, and Investment Committee, are summarised in **Figure 1.** The terms of reference of each Board committee, which are reviewed annually by the relevant committee and approved by the Board, are available on the Company's website at **www.mediclinic.com**. Reports on the role, composition and activities of the Audit and Risk Committee, Remuneration Committee, Nomination Committee, Clinical Performance and Sustainability Committee are included in this Annual Report.

During the year, the Board approved the constitution of the Disclosure Committee as a management committee, instead of a Board committee, further details of which are provided below.

Separation of Chairman and CEO roles

There is a distinct division of responsibilities between the Chairman and the CEO, as summarised in **Figure 1**. The separation of authority, which is set out in writing and agreed by the Board in a policy on the segregation of the roles of the Chairman and the CEO, 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.

Notes

[1] Dr Ronnie van der Merwe (currently Chief Clinical Officer) will succeed Mr Meintjes as CEO with effect from 1 June 2018. Subject to his re-election as a director of the Company at the AGM, Mr Meintjes will continue to serve as an executive director until 31 July 2018 and as a non-executive director with effect from 1 August 2018.

[2] Prof Dr Leu and Ms Mandela will retire from the Board and the Board committees upon the conclusion of the AGM.

[3] Formerly named Capita Company Secretarial Services.

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 86.

SENIOR INDEPENDENT DIRECTOR

Mr 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 contact outside the normal channels is required
- Leads the annual appraisal of the Chairman's performance and non-executive directors' independence

BOARD[1,2,3]

Membership:
One non-executive Chairman, one other non-executive director, eight 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 corporate culture and ensures it is 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 86 to 89.

EXECUTIVE DIRECTORS

Mr Danie Meintjes – CEO[1]
Mr Jurgens Myburgh – CFO

Key responsibilities
- Contribute detailed insight of the operations of the business, enabling the Board to determine the feasibility and practicality of proposed strategies, goals and direction
- Make and implement operational decisions

CHIEF EXECUTIVE OFFICER

Mr Danie Meintjes[1]

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

NON-EXECUTIVE DIRECTORS

Dr Muhadditha Al Hashimi, Mr Jannie Durand, Mr Alan Grieve, Dr Felicity Harvey, Mr Seamus Keating, Prof Dr Robert Leu[2], Ms Nandi Mandela[2], Mr Trevor Petersen, Mr 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
- Satisfy themselves on the integrity of the Group's financial reporting and on the effectiveness of its internal controls and risk management systems
- Determine the remuneration of executive directors
- Approve the appointment or 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 Group's internal controls systems and risk management processes

CLINICAL PERFORMANCE AND SUSTAINABILITY COMMITTEE

Membership
Four independent non-executive directors, one non-executive director 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, together with Mediclinic's values, ethical standards and behaviours
- Monitors the sustainable development performance of the Group
- Ensures the Group is a good and responsible corporate citizen

COMPANY SECRETARY

Link Company Matters[3]

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
- A point of contact for shareholders on corporate governance matters

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 directors, two non-executive directors 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
CEO, CFO, Chief Corporate Services Officer, Chief Clinical Officer, Chief Information Officer, Chief Human Resources Officer and the three divisional CEOs

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

DISCLOSURE COMMITTEE

The Disclosure Committee was re-constituted from a Board to a management committee during the year, reflecting common practice amongst the majority of FTSE 100 companies. The information below reflects its status as a Board committee up to March 2018.

Membership
Two independent non-executive directors and two executive directors

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

NOMINATION COMMITTEE

Membership
Three independent non-executive directors 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 and diversity within the Board, the Executive Committee and their direct reports

BOARD MEETINGS

Meeting attendance

The names of all the directors who served during the reporting period are set out in **Figure 2** below, together with their attendance of Board meetings held during the period under review. Their biographies are provided on pages 86 to 89. Members' attendance of Investment Committee and Disclosure Committee meetings held during the period under review is set out in **Figure 3** and **Figure 4**, respectively. Individual directors' attendance at Board and Board committee meetings is considered part of the formal annual review of their performance. When 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.

AR

FIGURE 2: BOARD MEETING ATTENDANCE

NAME[1]	DESIGNATION	DATE OF APPOINTMENT	NUMBER OF SCHEDULED MEETINGS ATTENDED[2]
Dr Edwin Hertzog	Non-executive Chairman	15/02/2016	7 of 7
Mr Danie Meintjes	Chief Executive Officer	15/02/2016	7 of 7
Mr Jurgens Myburgh	Chief Financial Officer	01/08/2016	7 of 7
Mr Desmond Smith	Senior Independent Director	15/02/2016	7 of 7
Dr Muhadditha Al Hashimi[3]	Independent non-executive director	01/11/2017	3 of 3
Mr Jannie Durand	Non-executive director	15/02/2016	7 of 7
Mr Alan Grieve	Independent non-executive director	15/02/2016	7 of 7
Dr Felicity Harvey[4]	Independent non-executive director	03/10/2017	3 of 3
Mr Seamus Keating	Independent non-executive director	05/06/2013	7 of 7
Prof Dr Robert Leu	Independent non-executive director	15/02/2016	7 of 7
Ms Nandi Mandela	Independent non-executive director	15/02/2016	7 of 7
Mr Trevor Petersen	Independent non-executive director	15/02/2016	7 of 7

FIGURE 3: INVESTMENT COMMITTEE MEETING ATTENDANCE

NAME[1]	DESIGNATION	DATE OF APPOINTMENT (as committee member)	NUMBER OF SCHEDULED MEETINGS ATTENDED[5]
Dr Edwin Hertzog (Committee Chairman)	Non-executive Chairman	19/02/2016	2 of 2
Mr Danie Meintjes	Chief Executive Officer	19/02/2016	2 of 2
Mr Jurgens Myburgh	Chief Financial Officer	01/08/2016	2 of 2
Mr Jannie Durand	Non-executive director	19/02/2016	2 of 2
Mr Alan Grieve	Independent non-executive director	19/02/2016	2 of 2
Mr Seamus Keating[6]	Independent non-executive director	19/02/2016	1 of 2

FIGURE 4: DISCLOSURE COMMITTEE MEETING ATTENDANCE

NAME[1]	DESIGNATION	DATE OF APPOINTMENT (as committee member)	NUMBER OF MEETINGS ATTENDED[7]
Mr Alan Grieve[7] (Committee Chairman)	Independent non-executive director	17/03/2017	7 of 7
Mr Danie Meintjes	CEO	15/02/2016	7 of 7
Mr Jurgens Myburgh[8]	CFO	01/08/2016	6 of 7
Mr Seamus Keating[7, 9]	Independent non-executive director	02/06/2017	3 of 3

Notes

1 *The composition of the Board and its Committees is shown as at 31 March 2018. Dr Van der Merwe's appointment as CEO and a director of the Company will take effect on 1 June 2018. Therefore, during the financial year, he was not eligible to attend meetings of the Board and its committees as a member.*

2 *The attendance reflects the number of scheduled Board meetings held during the financial year. Five additional ad hoc meetings were held during the financial year to deal with urgent matters; the majority of directors made themselves available at short notice for these meetings. Between the Company's financial year end and the Last Practicable Date, the Board met once and all members who were eligible to attend did so.*

3 *Dr Al Hashimi was appointed an independent non-executive director of the Company on 1 November 2017 and attended all subsequent scheduled Board meetings.*

4 *Dr Harvey was appointed an independent non-executive director of the Company on 3 October 2017 and attended all subsequent scheduled Board meetings.*

5 *The attendance reflects the number of scheduled meetings of the Investment Committee held during the financial year. The Investment Committee held two additional ad hoc meetings during the financial year to deal with urgent matters, which were attended by all Committee members. Between the Company's financial year end and the Last Practicable Date, the Investment Committee met once and all members were present.*

6 *One of the scheduled meetings of the Investment Committee had to be rearranged at short notice, which meant Mr Keating was unable to attend due to other commitments.*

7 *The attendance reflects the number of ad hoc meetings of the Disclosure Committee held during the financial year. Prior to the year end, the Disclosure Committee was re-constituted as a management committee. Consequently, both Mr Grieve and Mr Keating stepped down from the Disclosure Committee with effect from 28 March 2018.*

8 *Mr Myburgh was unable to attend one meeting of the Disclosure Committee for personal reasons. Nevertheless, a quorum was present at the meeting.*

9 *Mr Keating was appointed as a member of the Disclosure Committee with effect from 2 June 2017 and attended all subsequent meetings of the Disclosure 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 relevant 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.

STRATEGIC GOALS (As described in **Our Strategy, Progress and Aims from page 14**)	PRINCIPAL RISKS AND UNCERTAINTIES CATEGORIES (as described in **Risk Management, Principal Risks and Uncertainties from page 44**)
1 Putting *Patients First*	1 Strategic and business environment
2 Improving Group and operational efficiencies	2 Financial and reporting
3 Continuing to grow	3 Operational
4 Continuing to address the business environment	4 Information technology
	5 Compliance risks
	6 Clinical risks
	7 People risks

FIGURE 5: PRINCIPAL BOARD ACTIVITIES

STRATEGY AND BUSINESS PLANS	STRATEGIC GOALS	PRINCIPAL RISKS
• Monitored progress against the Group's overall strategic objectives and goals (re-affirmed during the financial year), including the long-term business plan and annual budget for each operating division and the Group as a whole AR Refer to **Our Strategy**, **Progress and Aims** from page 14.	1 2 3 4	1 2
• Considered requests for approval of investments and business development transactions of a size that require Board approval, such as expanding Mediclinic Airport Road and building a hospital in Madinat Zayed (both in Abu Dhabi) and the acquisition of Hirslanden Klinik Linde (Switzerland) • Considered options regarding the Group's investment in Spire, including the proposed acquisition of Spire • Discussed other potential opportunities for growth and cooperation in new jurisdictions AR Refer to the **Divisional Reviews** from page 52 and the **Chief Executive Officer's Review** from page 20.	2 3	1 2 3 6 7
OPERATIONAL PERFORMANCE		
• Discussed regular reports from the CEO on the operating performance of the Group's divisions, central functions and the Group's investment in Spire • Received in-depth reviews of each division from the divisional CEOs • Discussed initiatives being undertaken to counter declines in tariffs and volumes and to drive greater cost efficiencies AR Refer to the **Chief Executive Officer's Review** from page 20, the **Divisional Reviews** from page 52.	1 2 3 4	2 3 4 5 6 7
CLINICAL PERFORMANCE		
• Discussed regular reports from the Chief Clinical Officer and the Clinical Performance and the Sustainability Committee, on matters such as clinical indicators for patient safety, clinical effectiveness and clinical cost efficiency, accreditation of doctors and facilities, implementation of clinical information systems and clinical governance matters across the Group AR Refer to the **Clinical Services Overview** from page 34.	1 2 4	5 6 7
FINANCIAL PERFORMANCE, REPORTING, TAX STRATEGY AND DIVIDEND POLICY		
• Discussed regular reports from the CFO on the actual and forecast financial performance of each division and the Group as a whole • Reviewed and approved the half-year and full-year trading updates, the interim financial report, the Annual Report and the corresponding results announcement and investor presentations, with support from the Disclosure Committee, as appropriate • Considered the capital structure and financing options for Hirslanden and approved the refinancing structure implemented during FY18 • Reviewed and adopted a Group tax strategy • Considered and approved decisions regarding the interim and final dividends paid during FY18, taking account of the Company's dividend policy and previous dividends paid AR Refer to the **Financial Review** from page 24.	2 3	1 2

FIGURE 5: PRINCIPAL BOARD ACTIVITIES (continued)

RISK MANAGEMENT AND INTERNAL CONTROLS	STRATEGIC GOALS	PRINCIPAL RISKS
• Reviewed bi-annual feedback provided by the Group Risk Manager on the Group's risk appetite, risk management framework, internal control systems, and statutory and regulatory compliance • Reviewed the going concern and long-term viability statements, based on the principal risks and uncertainties for the Group • Conducted a robust assessment of the Group's principal risks and uncertainties and mitigating actions • Conducted a robust assessment of the effectiveness of the Group's internal control systems and risk management processes • Monitored progress on the establishment of an in-house internal audit function, to transition away from the outsourcing arrangement with Remgro, the Company's principal shareholder AR Refer to the report on **Risk Management**, **Principal Risks and Uncertainties** from page 44 and the **Audit and Risk Committee Report** from page 120.	2 3	1 2 3 4 5 6 7
ICT		
• Considered regular reports from the Chief Information Officer • Received updates on the Group's ICT infrastructure, strategy, risks, potential impact, existing controls, and mitigants and proposed enhancements	2 3	3 4
CORPORATE GOVERNANCE		
• Considered developments in corporate governance and disclosure requirements resulting from the reviews conducted by the UK Government, the Department of Business, Energy and Industrial Strategy and proposals to update the UK Corporate Governance Code • Considered the feedback from the Hampton Alexander and Parker reviews, and enhanced existing policies and succession planning arrangements to improve the diversity of the Board, the senior management team and their direct reports • Reviewed and approved the Company's updated Modern Slavery Act statement • Considered feedback: from the Audit and Risk Committee in respect of tax and non-audit services disclosures: from the Remuneration Committee in relation to executive remuneration; and from the Nomination Committee in relation to diversity, the appointment of a new CEO and the appointment of new non-executive directors • 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 – code of practice for dealing in the Company' securities – internal audit mandate – treasury policy and procedures – tax strategy	1 2 3	1 3 5

FIGURE 5: PRINCIPAL BOARD ACTIVITIES (continued)

SUSTAINABILITY	STRATEGIC GOALS	PRINCIPAL RISKS
• Considered the feedback from the Clinical Performance and Sustainability Committee on sustainability matters after each committee meeting • Monitored the broad-based black economic empowerment initiatives being undertaken by the Group in South Africa AR Refer to the **Clinical Performance and Sustainability Committee Report** from page 116.	2 3 4	1 2 3 6 7
LEADERSHIP		
• Considered the recommendations of the Nomination Committee regarding the composition of the Board and its committees and potential candidates to fill the vacancies identified, and approved: – the appointment of two new female independent non-executive directors with different backgrounds, skills and experience to broaden the diversity and refresh the Board's composition; – the appointment of Dr Van der Merwe to succeed Mr Meintjes as CEO after a robust selection process; and – the proposed continued involvement of Mr Meintjes in the Company as an executive director until 31 July 2018 and as a non-executive director from 1 August 2018, in view of the wealth of knowledge and experience he will continue to offer to the Group • Reviewed the outcomes and agreed actions after the externally facilitated evaluation of the composition, structure and functioning of the Board AR Refer to the **Nomination Committee Report** from page 112 and the section regarding the Board evaluation on page 102.	1 2 3 4	1 2 3 4 5 6 7
STAKEHOLDER ENGAGEMENT		
• Mediclinic's network of stakeholders is vital to building a successful and sustainable business AR Refer to the **Stakeholder Interest and Board Engagement** section further below.		

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, as well as the executive management team, and their direct reports. 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 86 to 89 and page 96.

As at 31 March 2018 and as at the date of this Annual Report, the Board comprised the non-executive Chairman, a non-executive director, eight 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 following changes to the Board will take place after the publication of this Annual Report:

- Dr Van der Merwe will succeed Mr Meintjes as CEO and is appointed a director of the Company with effect from 1 June 2018;
- subject to his re-election as a director at the Company's 2018 AGM, Mr Meintjes will continue to serve as an executive director until 31 July 2018 and as a non-executive director with effect from 1 August 2018; and
- Ms Mandela and Prof Dr Leu will retire as directors of the Company at the end of the AGM.

The Company's Chairman, Dr 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.

Mr Meintjes would also not meet the criteria to be considered an independent non-executive director. The Board considered his proposed appointment as a non-executive director and, after careful deliberation, concluded his appointment is in the best interests of the Group, its shareholders and other stakeholders, taking into account the knowledge and experience of the industry and the business that Mr Meintjes has developed over 30 years in different capacities across the business, and the overall composition of the Board.

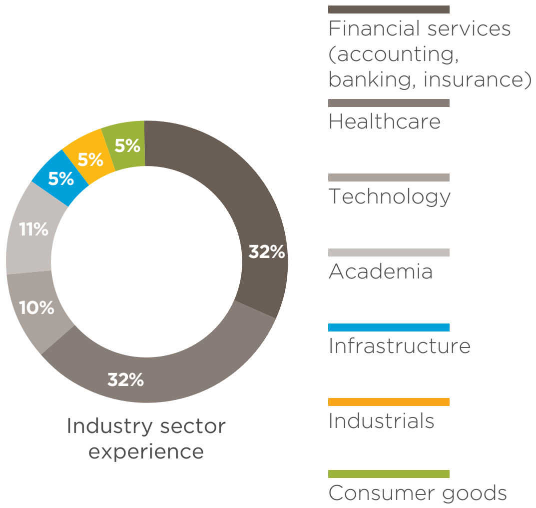
Mediclinic recognises the importance and benefits of having a diverse Board, and believes that diversity at Board level is an essential element in maintaining a competitive advantage. The Board considers that diversity is not limited to gender and that a diverse Board will include and make good use of 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 are 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.

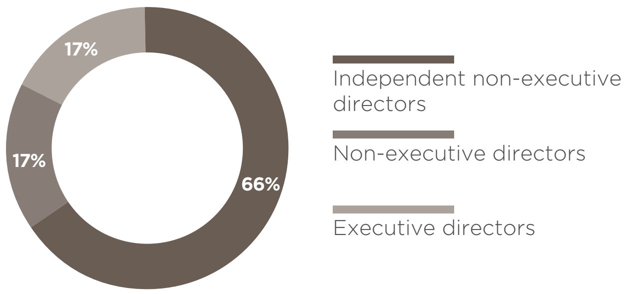
The Company's non-executive directors come from a wide range of industries, backgrounds and geographic locations and have appropriate experience of organisations with international reach. The skills and expertise of the Board have been extended and reinforced through the appointment of Drs Al Hashimi and Harvey. Nevertheless, the Nomination Committee will continue to consider and develop succession plans for the Board and its committees. No quota regarding gender balance has been set. 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 regarding diversity, while seeking to ensure that each post is offered strictly on merit to the best available candidate.

The Board's diversity policy statement is set out on page 113 to 114. 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 section on **Employees** on pages 109 to 110. **Figure 6** provides an overview of the Board's composition and diversity in terms of gender and experience.

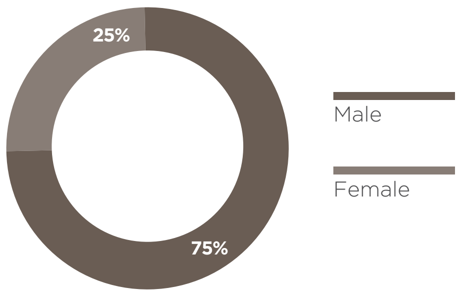
FIGURE 6: BOARD COMPOSITION AND DIVERSITY



Industry sector experience



Composition



Gender

EVALUATION OF THE BOARD, COMMITTEES AND CHAIRMAN

During the year under review, the Board conducted an external evaluation to review performance and effectiveness of the Board as a whole, the Board committees and the Chairman. The evaluation process was conducted by way of externally facilitated questionnaires and discussions with the Chairman of the Board and each committee. 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 2018.

The Company will continue to conduct an externally facilitated performance evaluation every three years, and internal self-evaluations in the intervening years.

Mediclinic engaged Lintstock to facilitate an evaluation of the performance of the Board, the Chairman and its committees. Lintstock is an advisory firm that specialises in Board reviews, and provides no other services to the Company. The first stage of the review involved Lintstock engaging with the Chairmen of the Board and the various Board committees and the Company Secretary to set the context for the evaluation and determine the scope of the evaluation, having regard to the specific circumstances of Mediclinic. All Board members were invited to complete a set of online surveys addressing the performance of the Board, the Chairman and the committees. The anonymity of the respondents was ensured throughout the process in order to promote an open and frank exchange of views.

Lintstock subsequently produced a report addressing the following areas of performance:

- The composition of the Board was reviewed and directors provided their views on key changes that ought to be made to the Board's profile over the next three to five years to match the Company's strategy.
- The Board's understanding of the shareholders, employees, doctors and patients was assessed, as was the directors' knowledge of the markets in which the Company operates and the regulatory environment.
- The relationships and dynamics between members of the Board were reviewed, and the atmosphere during meetings was assessed.
- The management and focus of the Board meetings were considered, and Board members identified areas which they felt that either too much or too little time is spent.
- The performance of the Board in overseeing strategy, risk, human resources and management succession was addressed, and the top strategic issues facing Mediclinic were identified by the directors.
- The members of the Board also identified the top priorities for improving the Board's performance over the coming year.
- The performance of the Chairman and each of the Board committees was reviewed.

In addition to these core aspects of Board performance, the review involved a case study on a recent transaction, to enable the Board to draw lessons from the process. The output of the review was discussed at a subsequent Board meeting in March 2018 and, as a result of the exercise, the Board agreed to prioritise an ongoing focus on clinical quality and outcomes, devote further time to strategic matters and continue to support the new CEO in settling into the role.

There was a separate evaluation of the individual performance of the directors and their independence undertaken by the Nomination Committee and discussed by the Board.

STAKEHOLDER INTEREST AND BOARD ENGAGEMENT

Mediclinic recognises its accountability to its stakeholders. Effective communication with stakeholders, not just at Board level but across the whole Group, 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 further in the **Sustainable Development Report**, available on the Company's website at **www.mediclinic.com**.

SDR

STAKEHOLDERS	WHY THEY ARE IMPORTANT TO US	HOW THE BOARD HAS ENGAGED
Patients	Patients lie at the heart of Mediclinic's core purpose, strategy and objectives. The long-term success of the Group is built on its ability to understand and serve patients' needs.	• Regular reviews of clinical performance indicators and their evolution over time • Review of patient experience index and implementation of resulting action plans
Shareholders	Shareholder support and engagement is critical to the delivery of Mediclinic's long-term strategy and the business' sustainability. Mediclinic's ownership structure allows management and the Board to adopt a long-term approach to value creation, consistent with the nature of the business.	• Considered investors' views and feedback • Through the executive directors, sought to increase the amount and quality of engagement with shareholders, to continue to develop their understanding of investors' views • Consultation regarding key developments • Attendance by Dr Hertzog at annual and half-yearly results presentations
People	Mediclinic's ability to provide comprehensive, high-quality healthcare and be regarded as the most respected and trusted provider of healthcare services depends on attracting and retaining suitably qualified healthcare professionals and other employees.	• Review of annual employee engagement surveys and implementation of resulting action plans • Monitoring of remuneration arrangements across the Group • Regular communications through management briefings, internal announcements
Regulators	Mediclinic can only operate with the approval of its regulators, who have a legitimate interest in how the Group runs its business and treats its patients.	• Encourages a constructive dialogue with the Group's regulators • Monitors clinical, regulatory and legal compliance through regular management reports
Healthcare funders	Government and private sector funders of healthcare services are critical to Mediclinic's success. Mediclinic aims to demonstrate to funders that it provides high-quality, effective and efficient services.	• Regularly reviews the clinical performance indicators across the Group • Encourages the development and publication of clinical performance information • Encourage a constructive dialogue with the Group's healthcare funders
Suppliers	To deliver its services, Mediclinic depends on a large and diverse range of suppliers.	• Review and approval of the Company's arrangements regarding modern slavery • Payment practices and performance reporting in the UK

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 93, 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 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, the investor relations programme included regular communication with the capital markets including investor meetings, attendance at investor conferences, roadshows, presentations, site visits and ad hoc events with investors, sell-side analysts and sales teams. Members of the Board, senior management and investor relations department met with over 200 institutions and participated in some 20 roadshows, investor conferences and ad hoc capital market events across the UK, Continental Europe, South Africa and North America. A breakdown of the fund manager style and geographic holdings as at year end are provided in **Figures 7** and **8** respectively.

In June 2018, the Group will host a Capital Markets Day and site visit for investors and analysts in Switzerland. Several Executive Committee members will be presenting at the event including the Group's newly appointed CEO, Dr Van der Merwe, with all presentations available to view via a live webcast on the Group's website.

The Group receives regular feedback from investors which is appreciated by the Board. This year the Group formalised the investor feedback and perception study process. QuantiFire, on behalf of the Group, collects feedback and confidence measures from investors and presents these results on a quarterly basis in addition to carrying out a detailed annual perception study exercise that commenced around year-end.

Shareholders can access details of the Group's results and other news releases through the LSE'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 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. Currently the Group is investing in a new corporate website which will enhance accessibility to information and user experience.

ACCOUNTABILITY

Internal controls and risk management

The Group has comprehensive risk management and internal control systems in place. These systems are designed to identify and appropriately mitigate the principal risks of the business and ensure the accuracy and reliability of the Group's financial reporting, while facilitating the delivery and sustainability of the Group financial, operational and strategic objectives.

The Board is responsible for reviewing and confirming the effectiveness of risk management and internal controls operated by the Group. This includes all material controls,

FIGURE 7: STYLE OF FUND MANAGER BREAKDOWN

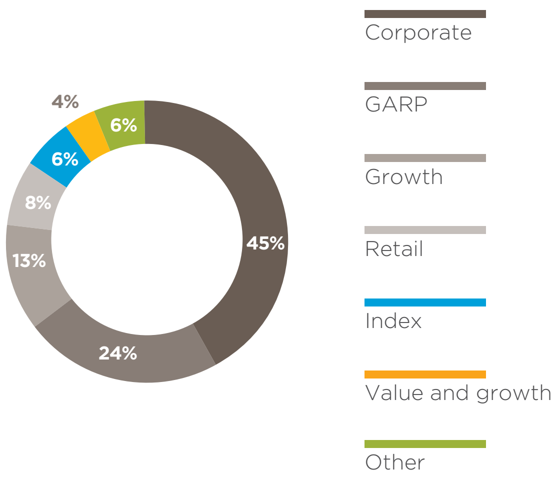
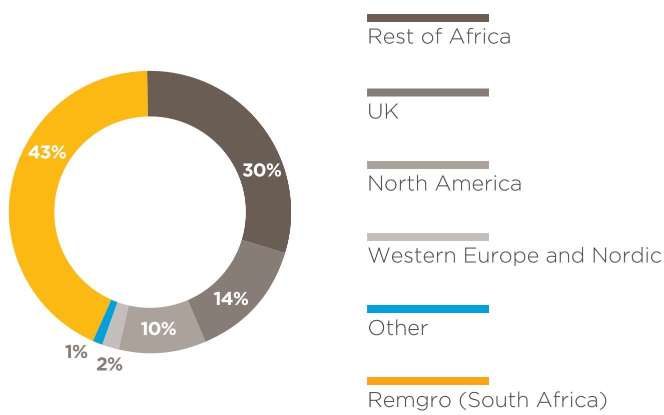


FIGURE 8: GEOGRAPHIC HOLDING

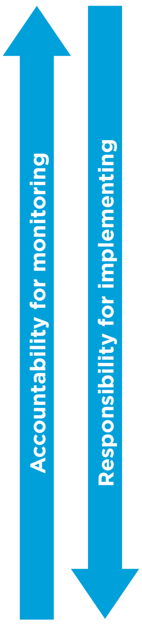


including financial, operational and compliance controls. The Board has delegated to the Audit and Risk Committee the tasks of evaluating the Group's risk management procedures, assessing the effectiveness of the internal controls and monitoring the integrity of the Group's reporting, but maintains strong and regular oversight of the outcome of the Audit and Risk Committee's work.

The key features of the Group's internal control systems include clearly defined delegations of authority and lines of accountability; policies and procedures covering the management of the Group's financial resources, the preparation of financial reports, governance of key projects and security of information and communications technology; periodic checks conducted by the Internal Audit function; representation letters from the divisional CEOs regarding the key risks and mitigating actions for their division; and review of the disclosures within the annual, half-yearly report and other price-sensitive reports by the divisional CEOs and CFOs and the Group senior management team as relevant, as well as the Audit and Risk Committee and the Board, to ensure that they fulfil the relevant requirements.

The Group's governance structure for risk management is illustrated in **Figure 9** below.

FIGURE 9: GOVERNANCE STRUCTURE OF RISK MANAGEMENT



Board of Directors	Responsible for our system of corporate governance, strategy, risk management and financial performance
Audit and Risk Committee	Responsible for reviewing and approving the adequacy and effectiveness of our risk management and internal controls
Senior management team	Supports the CEO in managing the Group's business and activities
Operating divisions	Responsible for identifying, assessing, implementing and managing risks within their businesses

A review of the Group's risk management approach and internal control systems is further discussed in the **Strategic Report** on pages 44 to 49. For detail on the management and mitigation of each principal risk see pages 44 to 48. The Group's viability statement is detailed on pages 50 and 51. Please refer to pages 120 to 129 for further detail in relation to the Audit and Risk Committee's role.

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 and approved the Company's updated slavery and human trafficking statement for the year under review, as required in terms of the Modern Slavery Act 2015. The updated statement reflects the steps taken by the Group to enhance its internal processes and due diligence of suppliers to prevent slavery and human trafficking and demonstrate its commitment to this objective. 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 128 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 continuing its 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

AR

who guide Mediclinic through the process, as referred to in the **Divisional Review** of Mediclinic Southern Africa on page 58.

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 operating divisions. A global network enables data flows and communication between the Group's operating divisions. 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, and various ICT architecture management committees at the operating divisions. The ICT Steering Committee is a sub-committee of Company's Executive Committee, and membership consists of the Group's Chief Information Officers ("**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:

- establishing ICT reference architectures and standards;
- 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 divisions. 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, personal 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.

DIRECTORS

Appointment, removal and tenure

The rules relating to the appointment and removal of directors are set out in the Company's Articles of Association.

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. 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.

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 are provided with training in respect of their legal, regulatory and governance responsibilities and obligations in accordance with the UK regulatory regime. The induction includes face-to-face meetings with executive management and operational site visits to orientate and familiarise the new directors with Mediclinic's industry, organisation, business, strategy, commercial objectives and key risks. Drs Al Hashimi and Harvey were appointed during the year under review and are each undertaking a comprehensive Board induction programme tailored to their individual needs and requirements.

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. During the year, the Board received refresher training on the EU Market Abuse Regulation and presentations on the data protection legislation being introduced in the UK, Switzerland and South Africa.

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.

Election/re-election

In accordance with the Company's Articles of Association, a director appointed by the Board must stand for election at the first annual general meeting subsequent to such appointment, and other directors must retire by rotation and seek re-election by shareholders every three years. However, the UK Corporate Governance Code requires that all directors of FTSE 350 companies should stand for re-election annually. Accordingly, Drs Harvey and Al Hashimi (appointed on 3 October 2017 and 1 November 2017, respectively) and Dr Van der Merwe (appointed as a director with effect from 1 June 2018), will stand for election at the AGM. All other directors will stand for annual re-election at the AGM, including Mr Meintjes, who (subject to re-election) will continue to serve as an executive director until 31 July 2018 and as a non-executive director with effect from 1 August 2018.

Taking into account the result of the Board evaluation carried out during the year and following recommendations from the Nomination Committee, the Board considers that all the current directors continue to be effective, are committed to their roles and have sufficient time available to perform their duties. The Board therefore recommends their election or re-election as directors of the Company and the election of Dr Van der Merwe.

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 AGM 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.

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 associated entities in the Group. In addition, the Company has put into place directors' and officers' indemnity insurance. The Company has also provided for directors' and officers' insurance to the directors in connection with their duties and responsibilities.

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 director breaching his or her duty to avoid conflicts of interest. The Board has adopted a procedure to address this requirement, which includes the directors completing a detailed conflict of interest questionnaires on appointment and reconfirm these detailed declarations annually. The matters disclosed in the questionnaires are reviewed by the Board as part of the director's appointment and annually thereafter and, if considered appropriate, authorised in accordance with the UK Companies Act 2006 and the Articles of Association. Directors are also required to disclose any new conflicts of interest to the Board, as soon as they arise, for consideration.

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 pages 143 to 144. AR

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 130. AR

Directors' interests

AR

The directors' shareholding and share interests in the issued shares of the Company are provided in the **Directors' Remuneration Report** on page 155.

OTHER DISCLOSURES

Articles of Association

The Company's Articles of Association may be amended by way of a special resolution of the members. At the annual general meeting of the Company held on 25 July 2017, 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 amendments approved updated the dividend payment provisions to give the Company greater flexibility to use the most relevant payment mechanisms for the distribution of dividends, including electronic methods, reflecting guidance published by the ICSA Registrars' Group in March 2014. No changes to the Articles of Association are proposed at the 2018 AGM.

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 Company entered into an agreement with its principal shareholder, Remgro, on 14 October 2015 (the "**Relationship Agreement**"), which came into effect on 15 February 2016. 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. The various facilities and finance agreements of the Group are:
  - In October 2017, the Group completed the refinancing of Hirslanden's secured long-term bank loans:
    - CHF1.5bn senior term loan facility with a partially amortising repayment profile over six years and priced at Swiss Libor plus a margin of 1.25%;
    - CHF0.4bn capex facility, priced at Swiss Libor plus a margin of 1.25%, but which could increase funding costs up to a maximum of Swiss Libor plus a margin of 1.65% at the time of drawing, depending on the loan-to-value at that time; and
    - CHF0.1bn revolving facility, priced at Swiss Libor plus a margin of 1.25%;
  - 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.

Subsequent to the refinancing, the impairment charges at Hirslanden affected the calculation of the economic capital covenant in the finance agreements. While the Group had an unconditional contractual right through an equity cure, any potential breach was actually avoided through a contractual amendment agreed with the lending consortium.

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. As at 23 May 2018, 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, insofar 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.

Related-party transactions

AR Details on all related-party transactions are contained in note 33 of the **Consolidated Financial Statements** on page 241.

Political donations

Political donations are generally 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 division and reported to the Company's Executive Committee. During the year, the Company, including its subsidiaries, made no political payments as contemplated in the UK Companies Act 2006 (the "**Act**"). Hirslanden has, however, made payments to a number of political parties, institutions and associations in Switzerland involved in certain political campaigns which were of interest to the business. Contributing to political campaigns through third-party contributions is a common official and standard practice in Switzerland. Payments of this kind made by Hirslanden totalled CHF30 000 (2017: CHF8 000). These contributions are not considered political payments as contemplated in Part 14 of the Act, as they are not made to the political parties within the scope of the Act.

It is not the policy of the Company to make political donations as contemplated in the Act. However, as a result of broad definitions used in the Act, other 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 Act. Sponsorships, 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 AGM.

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 are included in the **Sustainable Development Report**, available on the Company's website at **www.mediclinic.com**. SDR

Continuous training and development of the Group's employees across all three operating divisions 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 73 and the **Sustainable Development Report**, available on the Company's website at **www.mediclinic.com**. AR SDR

The distribution of the Group's employees per operating division is included on page 10, 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 10**. The proportion of female employees in the Group at year end is illustrated in **Figure 11**. AR

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 10: 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	12	2 Board members of colour (17%)				9	75%	3	25%	2	17%	10	83%
Mediclinic International Executive Committee[1]	9	n/a	n/a	n/a	n/a	9	100%	–	–	3	33%	6	67%
Hirslanden Executive Committee[1]	4	n/a	n/a	n/a	n/a	4	100%	–	–	2	50%	2	50%
Mediclinic Southern Africa Executive Committee[1]	9	2	22%	7	78%	8	89%	1	11%	3	33%	6	67%
Mediclinic Middle East Executive Committee[1]	9	n/a	n/a	n/a	n/a	7	78%	2	22%	5	56%	4	44%

Note

[1] *The race, gender and age distribution of the direct reports to the Executive Committees of the Company and the divisions are included in the* **Sustainable Development Report** *available on the Company's website at* **www.mediclinic.com**.

FIGURE 11: WORKFORCE COMPOSITION BY GENDER

	2018		2017	
	NUMBER	%	NUMBER	%
Switzerland				
Female	**7 380**	**76.6%**	7 179	76.4%
Male	**2 255**	**23.4%**	2 223	23.6%
Southern Africa				
Female	**12 862**	**80.0%**	13 555	80.5%
Male	**3 206**	**20.0%**	3 293	19.5%
UAE				
Female	**3 271**	**56.4%**	3 593	56.4%
Male	**2 530**	**43.6%**	2 782	43.6%

Directors' report

The information set out in this section of the Annual Report, together with the following disclosures incorporated by reference, constitute the Directors' Report of the Company for the year ended 31 March 2018, as contemplated in the UK Companies Act 2006, and was duly approved by the Board on 23 May 2018:

- **Strategic Report** – refer to pages 3 to 84
- **Corporate Governance Statement** – refer to pages 93 to 111
- **Statement of Directors' Responsibilities** – refer to page 160
- **Shareholder Information** – refer to pages 262 to 265

The **Strategic Report** sets out those matters required to be disclosed in the **Directors' Report** which are considered to be of strategic importance:

- Strategy and future developments – refer to pages 14 to 17
- Financial risk management objectives and policies – refer to pages 44 to 49 and pages 191 to 193
- Research and development activities – refer to various activities discussed in the **Strategic Report**, such as the standardised patient experience index on pages 14 to 15; the standardised employee engagement initiatives on pages 16 to 17; and clinical research activities referred to on pages 34 to 43 and the **Clinical Services Report** available on the Company's website at **www.mediclinic.com**
- Greenhouse gas emissions – refer to pages 77 to 78 and the **Sustainable Development Report** available on the Company's website at **www.mediclinic.com**
- Corporate social responsibility and corporate social investment – refer to page 68 to 84 and the **Sustainable Development Report** available on the Company's website at **www.mediclinic.com**

Going concern status

The Group's **consolidated financial statements**, as set out on pages 162 to 242 and approved by the Board on 23 May 2018, were prepared on a going concern basis. The Directors considered the Company's financial position, availability of funding, the principal risks and uncertainties, as well as the viability assessment, and accordingly considered 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 page 124 and the **Viability Assessment** on pages 50 to 51.

Events after the reporting period

Since year-end, no material events have taken place.

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:

<table>
<tr><th>DETAIL</th><th>LOCATION IN ANNUAL REPORT</th></tr>
<tr><td>Long-term incentive schemes</td><td>Pages 130 to 159</td></tr>
<tr><td>Agreements with a controlling shareholder</td><td>None other than the Relationship Agreement referred to on pages 108 to 109</td></tr>
<tr><td>Provision of services by a controlling shareholder</td><td>None other than the services provided by the Remgro Group described in note 33 of the Consolidated Financial Statements on page 241</td></tr>
<tr><td>Interest capitalised</td><td rowspan="8">Not applicable</td></tr>
<tr><td>Waiver of emoluments by a director</td></tr>
<tr><td>Waiver of future emoluments by a director</td></tr>
<tr><td>Non-pre-emptive issues of equity for cash</td></tr>
<tr><td>Non-pre-emptive issues of equity for cash by any unlisted major subsidiary</td></tr>
<tr><td>Parent company participation in a placing by a listed subsidiary</td></tr>
<tr><td>Shareholder waiver of dividends</td></tr>
<tr><td>Shareholder waiver of future dividends</td></tr>
</table>

For and on behalf of the Board.

Dr Edwin Hertzog
Non-executive Chairman

23 May 2018

NOMINATION COMMITTEE REPORT

Dr Edwin Hertzog
Chairman of the Nomination Committee

Dear Shareholder,

As Chairman of the Nomination Committee (the "**Committee**"), it is my pleasure to report on the Committee's activities for the year ended 31 March 2018. The report provides an overview of the key focus areas considered during the year, together with the Committee's priorities for the 2019 financial year. The Committee is governed by formal terms of reference, available in the governance section of the Company's website at **www.mediclinic.com**, and summarised on page 95 in the **Corporate Governance Statement**.

COMMITTEE COMPOSITION AND MEETING ATTENDANCE

The current composition of the Committee meets the requirements of the UK Corporate Governance Code, with the majority of members being independent non-executive directors. Biographical details of all Committee members are included on pages 86 to 89. The composition and attendance of Committee meetings during the period under review are set out in **Figure 1** below. As announced on 29 March 2018, Prof Dr Robert Leu will retire as a director of the Company, and consequently as a member of the Committee, at the conclusion of the Company's annual general meeting on 25 July 2018 ("**2018 AGM**").

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 of Committee meetings may, from time to time and upon invitation by the Committee, include the CEO, the Chief Human Resources Officer and the Talent Management General Manager.

FIGURE 1: COMMITTEE COMPOSITION AND MEETING ATTENDANCE

NAME[1]	DESIGNATION	DATE OF APPOINTMENT (as committee member)	NUMBER OF SCHEDULED MEETINGS ATTENDED[2]
Dr Edwin Hertzog (Committee Chairman)	Non-executive director	15/02/2016	1 of 1
Mr Desmond Smith	Senior Independent Director	15/02/2016	1 of 1
Mr Jannie Durand[3]	Non-executive director	15/02/2016	0 of 1
Prof Dr Robert Leu[4]	Independent non-executive director	15/02/2016	1 of 1
Mr Trevor Petersen	Independent non-executive director	15/02/2016	1 of 1

Notes

[1] *The composition of the Committee is shown as at 31 March 2018. The majority of members are independent non-executive directors. The Committee Chairman, Dr Hertzog, is the Chairman of the Board.*

[2] *The attendance reflects the number of scheduled meetings held during the financial year. Two additional ad hoc meetings were held during the financial year to deal with urgent matters; the majority of directors made themselves available at short notice for these meetings. No Committee meetings were held between the Company's financial year-end and the Last Practicable Date.*

[3] *Mr Durand was unable to attend one Committee meeting owing to a prior commitment; Mr Pieter Uys, alternate director to Mr Durand, attended the meeting in his place.*

[4] *Prof Dr Leu will retire as a director of the Company, and consequently as a member of the Committee, at the conclusion of the Company's 2018 AGM.*

KEY AREAS OF ACTIVITY

Succession planning

During the year, the Committee primarily focused on the detailed planning for identifying a successor for Mr Danie Meintjes, the Group CEO, following the announcement made by the Company on 25 July 2017 regarding his planned retirement. The identification of potential candidates followed a rigorous global selection process against an agreed set of criteria, and included the appointment of Lomond Consulting, a senior management and board-level search firm. Lomond Consulting adheres to the Executive Search Firms' Voluntary Code of Conduct and is independent of the Company.

The Committee and the Board unanimously supported the selection of Dr Ronnie van der Merwe, the current Group Chief Clinical Officer, to succeed Mr Meintjes as CEO, as announced on 27 November 2017. This decision reflected Dr Van der Merwe's extensive knowledge of the Company's international operations and strong track record of driving enhancement, especially in the quality and effectiveness of the Company's clinical services. As announced on 29 March 2018, Dr Van der Merwe's appointment as CEO and a director of the Company will take effect from 1 June 2018. Dr Van der Merwe will also become a member of the Clinical Performance and Sustainability Committee and Investment Committee with effect from 1 June 2018.

The Committee undertook a detailed review of the succession plans for other members of the Board and senior management team and for the executive committees of each of the operating divisions, taking into account the Board Diversity Policy mentioned below.

Board and committee composition

Following a review of the Board's composition and structure, the Committee continued to lead the search for two additional independent non-executive directors to further strengthen its Board and its Committees, to support the pursuit of the Company's strategy in the UAE and enhance the clinical expertise on the Board. During the financial year, following an extensive and rigorous process, the Board approved the Committee's recommendations regarding the appointment of two additional independent non-executive directors: Dr Felicity Harvey and Dr Muhadditha Al Hashimi.

The selection process that led to the appointment of Dr Harvey as an independent non-executive director of the Company and a member of the Clinical Performance and Sustainability Committee from 3 October 2017 was conducted with the assistance of Lomond Consulting. Dr Harvey brings an in-depth understanding of the healthcare sector in the UK, as well as over 30 years of clinical expertise and experience. Dr Al Hashimi, appointed as an independent non-executive director of the Company from 1 November 2017, was identified through the Company's networks in the UAE. Dr Al Hashimi adds her extensive experience and knowledge of the healthcare and higher education sectors in the UAE, and strategic and tactical expertise in operations and fiscal management.

In early 2018, the Committee conducted its annual review of the structure, size, diversity and composition of the Board and its Committees. As part of this process, the Committee considered a skills matrix for the Board and the outcome of the Board evaluation. The areas reviewed were the Board members' experience, independence, tenure, geographical knowledge and knowledge of the Company as whole. As a result of these reviews, Dr Harvey was appointed as a Chair of the Clinical Performance and Sustainability Committee; and Dr Al Hashimi was appointed as a member of the Clinical Performance and Sustainability Committee, with effect from 1 April 2018.

As announced on 29 March 2018, Prof Dr Leu and Ms Mandela notified the Company that they will retire as directors of the Company at the 2018 AGM. Subsequently, the Committee has commenced a search for an independent non-executive director with knowledge of the Swiss healthcare and political landscape.

Lastly, the Committee considered the appointment of Mr Meintjes as a non-executive director after his retirement as CEO and executive director of the Company. After careful consideration, taking into account the wealth of knowledge and experience he has gained in different capacities over 30 years of service to the Group, the Committee concluded his appointment would be in the long-term interests of the Group, its shareholders and other stakeholders and recommended his continued involvement in the Company as an executive director until 31 July 2018 and as a non-executive director from 1 August 2018. The Board considered and agreed with the Committee's recommendation and agreed to recommend Mr Meintjes' re-election at the AGM.

Diversity

During the year, the Committee reviewed the Board Diversity Policy, which applies to the Board, the Company's Executive Committee and their direct reports, as well as the divisional executive management committees of the Company's operating divisions. The Committee also received feedback from the operating divisions on progress regarding their diversity and inclusion goals and plans for continued improvement in the 2019 financial year.

Diversity policy

The Board believes that diversity is not limited to gender, and that a diverse Board membership will include and benefit from the differences in each director's skills; geographical, educational and professional backgrounds; industry experience; age; race; gender; and other characteristics. These factors will be considered in determining the optimum composition of the Board and, when possible, will be balanced appropriately. When recruiting new directors, consideration will also be given to ensuring that the size of the Board does not grow unnecessarily, and that all appointments are made on justifiable merit. The Committee will continue to take cognisance of relevant prescribed guidelines, and the performance of peer companies in fulfilling their role regarding diversity.

The Board supports the principles of boardroom diversity in general, and takes boardroom skills diversity seriously. It actively considers these matters regularly at Board and Committee meetings. The Board believes that maintaining an appropriate balance of skills, knowledge, experience and backgrounds is imperative for the long-term success of the Group, and allows the Board to perform its role effectively.

The Board's Diversity Policy contains four objectives to support the Board's commitment to diversity. These objectives and progress towards their achievement are set out below:

Progress against objectives

OBJECTIVES	PROGRESS
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 including aspects such as age, gender, education and professional backgrounds, ethnicity and geographical background.	During the year, the Board appointed two female independent non-executive directors, Dr Harvey and Dr Al Hashimi. The new directors offer diverse backgrounds and experience spanning across the UK and the UAE, including clinical performance, education, strategy, tactical expertise in operations and fiscal management within each jurisdiction. The Group CEO and divisional CEOs annually share their diversity goals and report on their progress bi-annually to the Nomination Committee. The divisions have been focussed on increasing diversity below Board level by encouraging and strengthening the talent pipeline within the divisions through short and long term succession planning and where the Company has been unable to promote within, has identified the desired criteria for external candidates. Both of these activities ultimately have fed into to support the Executive Committee with general diversity featuring as one of its key priorities The Board recognises the importance of having a diverse Board and leadership team. The Board and executive management continue to be committed to achieving diversity and will continue to recommend appointments based on the skills, experience, independence and knowledge required by the Board and the 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.	The Committee reviewed the Company's Diversity Policy in February 2018 and was satisfied that the objectives remained relevant to the Company. The Committee continues to be committed to progressing the objectives for the 2019 financial year.
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.	The Committee reviewed the composition of the Board and its committees, specifically the balance of skills, experience, independence, knowledge and diversity. The Board appointed two new directors from diverse backgrounds and experience as detailed above. To assist with one of these appointments, the Committee engaged an independent external recruitment consultant, Lomond Consulting, which adheres to the UK Executive Search Firms' Voluntary Code of Conduct, based on recommendation of the Davies Report. The Committee reviewed the progress made in each division and reported on these to the Board. A detailed review of each division's talent pipeline strategy was undertaken, including their diversity focus, the progress made in that regard during the year, and plans for continued improvement in the 2019 financial year. As at the date of this report, the Company met the recommendation included in the Parker Review Committee's Report into the Ethnic Diversity of UK Boards, issued in October 2017 ("**Parker Report**"), to have at least one director of colour by 2021. Good progress has been made in increasing female representation on the Board of the Company, in line with the target of 33% by 2020, as recommended in the report issued by the Hampton-Alexander Review in November 2017 on improving the gender balance in FTSE leadership ("**Hampton-Alexander Report**"). As at the date of the report the Company had two directors of colour (as defined in the Parker Report) and 25% female representation on the Board. The Group's workforce has 75% female representation overall. The Board and executive management remain committed to creating a diverse and inclusive workplace.
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 of the Board.	The two new non-executive directors were identified from a diverse list of candidates and were assessed and selected on merit, against an agreed set of criteria, reflecting the role in question and the capabilities required for a particular appointment, while taking into account the benefits of a diverse Board. The Committee considered each of the candidate's significant commitments, other directorships, skills, experience, knowledge, gender, race, geographical location and other diversity considerations.

Assessment of independence of non-executive directors

The Committee and the Board are satisfied that the commitments of the Chairman and other non-executive directors, as shown in their biographies on pages 86 to 89, do not conflict with their duties and commitments as directors of the Company. Any conflicts identified are considered and, as appropriate, authorised by the Board. The Company annually reviews the directors' conflicts of interests.

Corporate Governance Code developments

The Committee reviewed and considered the Financial Reporting Council's proposed changes to the UK Corporate Governance Code in preparation for their potential implementation, insofar as they related to:

- establishing the preferred method for gathering the views of the workforce;
- reporting on how the Company has engaged with its workforce, suppliers and other stakeholders and how the interests of their stakeholders have influenced the Board's decision-making, pursuant to section 172 of the Companies Act 2006;
- the proposed changes to the independence criteria for directors, their tenure and the requirement for the Chairman of the Company to be independent at all times;
- the continued emphasis on the promotion of diversity through the design of appointment and succession planning practices; and
- the expansion of the Committee's remit to include the oversight of the development of a diverse pipeline for succession planning for the Board and senior management positions and related reporting obligations for the Committee.

The Committee also took note of the recommendations of the Parker Report on ethnic diversity and the Hampton Alexander Report on gender diversity and adjusted its terms of reference and Board Diversity Policy accordingly.

The Committee undertakes an annual review of its terms of reference.

Committee evaluation

An external evaluation of the Committee's performance was conducted during the year by Lintstock, a specialist consultancy which undertakes no other business for the Company. The results of evaluation were considered by the Committee and the Board. No significant issues were identified that require improvement, thus the Committee and the Board concluded that the Committee operated effectively during the year.

Evaluation of the composition, structure and functioning of the Board

With internal evaluations carried out in the previous two years, an external evaluation of the Board and its committees was conducted this year in keeping with the guidance provided under the UK Corporate Governance Code, facilitated by Lintstock. The evaluation focused on the Board composition, including:

- diversity;
- the Board's role in setting strategy;
- an understanding of the risks facing the Group;
- the effectiveness of the Group's key performance indicators;
- succession planning; and
- the effectiveness of the Board and its 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 in the **Corporate Governance Statement** on page 102.

When considering the election or re-election of directors, the Committee pays due regard to the outcome of the Board evaluation process, and considers other factors such as the individual director's knowledge, skills and experience, the independent judgement they bring to Board deliberations, and their other commitments.

Dr Harvey and Dr Al Hashimi will stand for election at the Company's 2018 AGM, being the first annual general meeting since their appointment as directors by the Board. In accordance with the recommendation for FTSE350 companies set out in the UK Corporate Governance Code, all other existing directors (other than Prof Dr Leu and Ms Mandela) will stand for annual re-election at the meeting. The biographical details of the directors can be found on pages 86 to 89.

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 2018/19

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 continuous review of the composition of the Board and its committees in respect of skills, diversity, tenure and commitments;
- the development of the Company's diversity strategy; and
- the monitoring the new UK corporate governance developments.

Signed on behalf of the Nomination Committee.

Dr Edwin Hertzog
Chairman of the Nomination Committee
23 May 2018

CLINICAL PERFORMANCE AND SUSTAINABILITY COMMITTEE REPORT

Dr Felicity Harvey

Chair of the Clinical Performance and Sustainability Committee

As the new Chair of the Clinical Performance and Sustainability Committee, it is my pleasure to report on the Committee's activities for the year ended 31 March 2018.

The report provides an overview of the key areas of focus considered during the year together with the priorities for 2018/2019. The Committee is governed by formal terms of reference available in the governance section of the Company's website at **www.mediclinic.com** and summarised on page 95 in the **Corporate Governance Statement**.

AR

COMMITTEE COMPOSITION AND MEETING ATTENDANCE

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

A number of changes to the composition of the Committee have taken place during the year and after the year-end:

- Dr Felicity Harvey was appointed as a member with effect from 3 October 2017 and assumed the role of Chair of the Committee on 1 April 2018. The appointment of Dr Harvey as a member enhanced the clinical and broader healthcare sector knowledge of the Committee;
- Dr Muhadditha Al Hashimi was also appointed as an additional member with effect from 1 April 2018, further enriching the Committee's breadth, depth and diversity of skills, knowledge and experience; and
- Dr Ronnie van der Merwe (Chief Clinical Officer and CEO Designate) will succeed Mr Danie Meintjes as the Group CEO and a member of the Committee on 1 June 2018.

The Chief Clinical Officer and the Chief Corporate Services Officer (who is responsible for the Group's sustainable development management), are invited on a permanent basis to attend and speak at all Committee meetings. As part of the Ward-to-Board clinical governance framework detailed below, each of the divisional Chief Clinical Officers will be invited to all meetings as well as the divisional Chief Executive Officers (as required). 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. The Company Secretary is available to assist the members of the Committee, as required, ensuring that timely and accurate information is distributed accordingly.

FIGURE 1: COMMITTEE COMPOSITION AND MEETING ATTENDANCE

NAME[1]	DESIGNATION	DATE OF APPOINTMENT (as committee member)	NUMBER OF SCHEDULED MEETINGS ATTENDED[2]
Dr Edwin Hertzog[3] (Committee Chair)	Non-executive director	15/02/2016	4 of 4
Dr Felicity Harvey[3, 4]	Independent non-executive director	03/10/2017	2 of 2
Prof Dr Robert Leu[5]	Independent non-executive director	17/03/2017	4 of 4
Ms Nandi Mandela[5]	Independent non-executive director	15/02/2016	4 of 4
Mr Danie Meintjes	Chief Executive Officer	15/02/2016	4 of 4

Notes

1 The composition of the Committee is shown as at 31 March 2018.

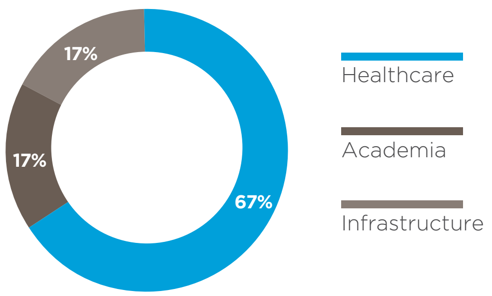
2 The attendance reflects the number of scheduled meetings held during the year under review. Between the Company's financial year-end and the Last Practicable Date, one Committee meeting was held, which was attended by all Committee members, except Dr Al Hashimi.

3 Dr Hertzog stood down as Chair of the Committee on 1 April 2018, when Dr Harvey assumed the role of Chair of the Committee.

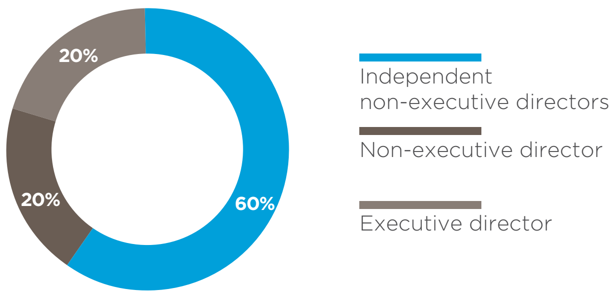
4 Dr Harvey was appointed as a member of the Clinical Performance and Sustainability Committee with effect from 3 October 2017 and attended all subsequent meetings of the Committee.

5 Prof Dr Leu and Ms Mandela will resign from the Committee at the end of the Company's annual general meeting on 25 July 2018.

COMMITTEE INDUSTRY SECTOR EXPERIENCE



COMMITTEE COMPOSITION



KEY AREAS OF ACTIVITY

The responsibilities and functions of the Committee are governed by formal terms of reference, approved by the Board, which are subject to regular review, at least annually. As part of the implementation of the Ward-to-Board clinical governance framework, changes were made to the terms of reference to align the Committee's responsibilities more closely to the new framework.

The Committee increased the frequency of its meetings from three to four meetings a year, to enable more regular and comprehensive discussions on clinical performance matters across the Group. In the year under review it met four times, where the main focus was on the areas set out below.

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:

Governance

The implementation of a Ward-to-Board clinical governance framework is designed to support and enhance the *Patients First* strategic objective by aligning the interests of patients and care-providers and building a culture of performance reporting and accountability. This approach also ensures that the information flows up and down the organisation more effectively and facilitates cross-division alignment and collaboration. The framework has been successfully implemented in Mediclinic Southern Africa and is in the process of being rolled out in Mediclinic Middle East and Hirslanden. This includes establishing a Clinical Performance Committee for each division and replicating this appropriately at the hospital level. The divisional committees will also include local independent clinical expert members to provide a different perspective and avoid 'group think'. The Ward-to-Board framework will drive better quality and more effective outcomes for patients, thereby creating satisfaction and value for the Company and its stakeholders.

Clinical performance management system

Another important area of focus has been the Group's Clinical Performance Management System, which is based on a clinical performance model consisting of four components: patient safety, clinical effectiveness, clinical cost efficiency and value-based care. A composite performance indicator dashboard has been implemented to evaluate the performance of the operating divisions including their individual hospitals against internal and external benchmarks. This will enable to the management team and the Committee to analyse trends and prioritise the corresponding clinical performance improvements.

The Committee continued their focus on the following areas:

- 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 procedures, and regulation and accreditation standards at the operating divisions;
- reviewing clinical effectiveness and cost efficiencies; 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**.

SUSTAINABLE DEVELOPMENT

In relation to its 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 and further aligning the Group's policies to the Group's commitment to governance and reporting of its sustainable development performance, including the Group Sustainable Development Policy, Group Environmental Policy and Code of Business Conduct and Ethics, strengthening the Group's position on non-discrimination, respect for patient rights and human rights. 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 includes the outcomes from the patient experience index and employee engagement index), 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 development of employees, management of the Group's environmental impacts, fraud and ethics, compliance (which includes the governance of advertising and compliance with consumer protection laws) and corporate social investment;
- considering and noting the paper on the Business and Human Rights Resource Centre in respect of Modern Slavery Act statements published by the FTSE 100 and new initiatives being implemented to strengthen the Group's procurement practices and risk management;
- monitoring incidents of fraud and ethics, as well as compliance throughout the Group, although also a function of the Audit and Risk Committee;
- monitoring the results of the Company's participation in various sustainability indices and assessments, notably the Company's inclusion in the FTSE4Good Index as well as the FTSE/JSE Responsible Investment Index, which indices recognises Companies with strong ESG (environmental, social and governance) practices;
- confirming the key sustainability priorities, as recommended by management, reported on pages 70 to 84 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 on page 119, 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.

COMPLIANCE

The Committee considered the compliance universe and the risk and control self-assessments for the Group and considered in detail new legislation and regulations coming into force. A key area of focus has been a review of relevant data protection law, including the European Union General Data Protection Regulation ("**GDPR**"). Although a focus of the Board directly, the Committee also monitored the progress made with the project to ensure compliance with data privacy legislation applicable to each of the operating divisions in view of the volume and sensitivity of patient data.

ASSURANCE

The Committee considered the need for external assurance of the Company's non-financial 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

An external evaluation of the Committee's performance was conducted by Lintstock during the year, which results were considered by the Committee and the Board. There were no significant issues identified that required improvement and the Committee and the Board concluded that the Committee 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 2018 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 2018/2019

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

- the implementation of the Ward-to-Board accountability framework across the operating divisions;
- the review of the clinical performance indicators and the identification of trends; and
- the continued monitoring of the Company's sustainable development.

Signed on behalf of the Clinical Performance and Sustainability Committee.

Dr Felicity Harvey
Chairman of the Clinical Performance and Sustainability Committee

23 May 2018

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**"), it is my pleasure to report on the Committee's activities for the year ended 31 March 2018.

This report provides an overview of the functioning of the Committee and the significant matters it addressed during the year, together with its priorities for 2018/19. 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 95 in the **Corporate Governance Statement**.

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 ("**FRC**") Guidance on Audit Committees. The Board is satisfied that the Committee, as a whole, has the required sector-specific competence and that the combined knowledge and experience of its members enables the Committee to exercise its duties in an effective, informed and responsible manner. **Figure 1** sets out the Committee's composition and meeting attendance during the period under review.

FIGURE 1: COMMITTEE COMPOSITION AND MEETING ATTENDANCE

NAME[1]	QUALIFICATIONS	DATE APPOINTED (AS COMMITTEE MEMBER)	NUMBER OF SCHEDULED MEETINGS ATTENDED[2]
Mr Desmond Smith (Committee Chairman)	B.Sc., FASSA	15/02/2016	4 of 4
Mr Alan Grieve	B.A. (Hons), CA	15/02/2016	4 of 4
Mr Seamus Keating	FCMA	05/06/2013	4 of 4
Mr Trevor Petersen	B.Comm. (Hons), CA(SA)	15/02/2016	4 of 4

Notes

1 *The composition of the Committee is shown as at 31 March 2018.*

2 *The attendance reflects the number of scheduled meetings held during the financial year. One additional ad hoc Committee meeting was held during the financial year and two Committee meetings were held between the Company's financial year-end and the Last Practicable Date; all these meetings were attended by all Committee members.*

The Company Secretary is secretary to the Committee and attends all meetings, as does Mr Jurgens Myburgh (CFO). Other attendees differ from time to time and may include Mr Danie Meintjes (CEO), Dr Edwin Hertzog (Company Chairman), Mr Pieter Uys (alternate to Mr Jannie Durand), Mr Gert Hattingh (Chief Corporate Services Officer) and other relevant management members. Representatives from the internal auditors (Remgro Internal Audit) and external auditors (PricewaterhouseCoopers LLP and PricewaterhouseCoopers Inc.) are invited to attend all meetings. Dr Ronnie van der Merwe (Chief Clinical Officer and CEO Designate) was also invited to attend Committee meetings held from 1 January 2018 onwards, as part of the transition to his appointment as CEO.

KEY AREAS OF ACTIVITY

The Committee continued to provide appropriate oversight and challenge around the Company's financial, accounting, risk management, internal controls and assurance processes. Its key areas of focus during the year ended 31 March 2018 are set out below.

Financial reporting

The Committee considered the following key topics relating to financial reporting during the year:

May 2017:
- Reviewed the external auditor's 2017 year-end audit report and opinion
- Reviewed the financial performance of the Group and each division, including debt covenants
- Reviewed the significant accounting policies, key accounting items, areas of significant judgements and any material assumptions or estimates
- Reviewed and confirmed the going concern status, the long-term viability assessment and the supporting stress testing analysis and recommended them for approval by the Board
- Reviewed the final dividend proposal and recommended it to the Board for approval by the shareholders
- Approved the Audit and Risk Committee Report for inclusion in the 2017 Annual Report
- Reviewed the 2017 Annual Report and Financial Statements, including the confirmation of fair, balanced and understandable reporting and recommended them for approval by the Board
- Reviewed the use of adjusted measures by the Group and ensured their appropriateness (including the items of income or cost included or excluded from their calculation)
- Reviewed the preliminary results announcement and investor presentation and recommended them for approval by the Board
- Reviewed the 2017 Notice of Annual General Meeting and recommended it for approval by the Board
- Reviewed the Group's tax report and the Group Tax Strategy and recommended the Group Tax Strategy for approval by the Board
- Continued to monitor the integration of the Al Noor business into the Middle East division

September 2017:
- Reviewed the Group's tax report
- Reviewed the external auditor's interim review plan
- Reviewed the FRC's summary of key developments for 2017/18 annual reports

November 2017:
- Reviewed the external auditor's half-year review findings
- Reviewed the financial performance of the Group and each division, including debt covenants
- Reviewed the significant accounting policies, key accounting items, areas of significant judgement and any material assumptions or estimates
- Reviewed the key tax considerations across the Group
- Reviewed and confirmed the going concern status and recommended its adoption for approval by the Board
- Reviewed the interim dividend and recommended it for approval by the Board
- Reviewed the interim financial statements and results announcement, including the confirmation of fair and balanced reporting
- Reviewed the use of adjusted measures by the Group and ensured their appropriateness (including the items of income or cost included or excluded from their calculation)

March 2018:
- Reviewed the external auditor's pre-year-end report on accounting and auditing issues
- Reviewed the significant accounting policies
- Reviewed the preliminary going concern and long-term viability assessment, together with the supporting stress testing analysis
- Reviewed the key tax considerations across the Group
- Conducted an annual review of the finance function

April 2018:
- Consideration of Hirslanden impairments

May 2018:
- Reviewed the external auditor's 2018 year-end audit report and opinion
- Reviewed the financial performance of the Group and each division, including debt covenants
- Reviewed the significant accounting policies, key accounting items, areas of significant judgements, and any material assumptions or estimates
- Reviewed and confirmed the going concern status, the long-term viability assessment and the supporting stress testing analysis and recommended them for approval by the Board
- Reviewed the final dividend proposal and recommended it to the Board for approval by the shareholders
- Approved the Audit and Risk Committee Report for inclusion in the 2018 Annual Report
- Reviewed the 2018 Annual Report and Financial Statements, including the confirmation of fair, balanced and understandable reporting and recommended them for approval by the Board
- Reviewed the use of adjusted measures by the Group and ensured their appropriateness (including the items of income or cost included or excluded from their calculation)
- Reviewed the preliminary results announcement and investor presentation and recommended them for approval by the Board
- Reviewed the 2018 Notice of Annual General Meeting and recommended it for approval by the Board
- Reviewed the Group's tax report

The Committee maintained a strong focus on the financial performance of the Group's operating divisions and the Group as a whole, as well as the integrity of the Group's financial reporting, including annual and half-year financial statements, announcements and investor presentations. The Committee, with management and the external auditor, also considered the impact of reporting recommendations published by the FRC, as well as the new accounting and reporting requirements introduced by IFRS 9 Financial Instruments, IFRS 15 Revenue and IFRS 16 Leases and their impact on the Group's financial statements for the year ended 31 March 2018 and the year ending 31 March 2019.

The Committee received regular reports on tax matters for the Group, providing details of outstanding tax matters, any tax risks and assurances received from the Company's tax advisers as part of the year-end audit. During the year, the Committee reviewed and recommended the Group Tax Strategy to the Board for approval. The strategy is published on Mediclinic's website and a summary is available in page 31 of this Annual Report. The Committee monitored progress on compiling the country-by-country tax report.

AR

Significant accounting judgements and policies

The Committee follows a process for monitoring the integrity of the financial information provided in the annual and interim reports, which includes the review of significant accounting policies, key accounting items and areas of significant judgement, together with any material assumptions and estimates adopted by management and confirmed that these were appropriate.

The Committee considered the following significant issues identified by the management team and the external auditors in relation to the Annual Report.

SIGNIFICANT ISSUES CONSIDERED	STEPS TAKEN BY THE COMMITTEE
Impairment assessments (goodwill, trade name and non-financial assets) and determination of cash generating units	The Committee reviewed the following: • impairment test of the carrying amount of the Middle East goodwill; • impairment test of the carrying amount of the Swiss goodwill and the Hirslanden brand name; • determination of Cash Generating Units ("**CGUs**"); and • assessments if an indication exist that a non-financial asset or a CGU might be impaired and consequent impairment tests. Judgement is exercised in the identification of CGUs and the process of allocating goodwill to the group of CGUs and in the assumptions underlying the impairment review. The Committee reviewed management's judgement in cases where individual hospitals were clustered together within a supply region where the cash inflows cannot be distinguished between the individual hospitals. The Committee reviewed the key assumptions to the impairment tests performed, which included the cash flows derived from the annual financial plans, long-term growth rates and the discount rates. 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 operating divisions. The Committee noted that a significant impairment had arisen in the Hirslanden operating division because of the changes in the market and regulatory environment that affected key inputs to the review. The Committee considered the sensitivities to changes in assumptions and the related disclosures required by IAS 36 *Impairment of Assets*. Based on its challenge of the key assumptions and associated sensitivities, the Committee concurred with the impairment charges in respect of the Hirslanden properties, goodwill and brand name. The Committee concurred with management's conclusion that no impairment is required in respect of the Middle East goodwill.

SIGNIFICANT ISSUES CONSIDERED	STEPS TAKEN BY THE COMMITTEE
Impairment assessment of equity investment in Spire	The Committee reviewed the impairment tests of the equity investment in Spire. The Committee reviewed the key assumptions which include the forecast cash flows, long-term growth rates and the discount rate were based on a reputable consulting firm's market analysis and two global investment banks valuation work. The Committee noted that a significant impairment had arisen on 30 September 2017 because of updated guidance issued by Spire. The Committee further considered the updated full year financial results, further announcements, guidance issued by Spire and considered the sensitivities to changes in assumptions and the related disclosures required by IAS 36 *Impairment of Assets*. Based on its challenge of the key assumptions and associated sensitivities, the Committee concurred with the impairment charge on 30 September 2017 and that no further impairment charge or reversal of impairment charge is required at 31 March 2018.
Purchase price allocation of Linde acquisition	The Committee reviewed and was satisfied with the purchase price allocation performed in respect of the Linde acquisition. The Committee was presented with management's considerations and feedback from the external auditor 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 applying appropriate judgment.
Swiss pension fund liabilities	The Committee reviewed the appropriateness of the main valuation assumptions such as discount rates, mortality and inflation applied in the valuation of the pension fund plan assets and obligations, as well as the recognition of a past service cost credit. The principal valuation assumptions prepared by external actuaries and adopted by management were considered in the light of prevailing economic indicators and the view of the external auditors. The approach adopted by management was accepted as appropriate.
Classification and presentation of exceptional items	The Group uses non-IFRS measures in evaluating performance and as a method to provide clear and consistent reporting. Judgement is required in determining whether an item is exceptional. For the year ended 31 March 2018, the exceptional items after taking related tax and deferred tax into account, amounted to £713m (£782m before tax) of which £685m (£753m before tax) relate to impairment charges. Refer to the Finance Review for details of the exceptional items. Exceptional items have been evaluated as to their nature to assess whether their classification and presentation are in line with the Group's policy and guidance from the Financial Reporting Council. The Committee have reviewed management's application of the policy for consistency with previous accounting periods. The Committee also assessed whether the disclosures within the Finance review and Results Announcement provide sufficient detail to understand the nature of these items. The Committee was satisfied that the amounts classified as exceptional items are reasonable in all material respects and the related disclosure of these items in the Financial Review and the Results Announcement is appropriate. The Committee was satisfied that all adjusted measures were appropriately labelled and that they were all clearly reconciled to the equivalent statutory measures.
Impact assessment of IFRS 9 *Financial instruments*	Key matters reviewed by the Committee included the detailed impact assessment of IFRS 9 such as the classification and measurement of financial instruments and the quantification of the impairment provision of trade receivables under the expected loss model. The quantification of the effect on the impairment provision and the approach taken in the IFRS 9 transition project was accepted as appropriate.
Impact assessment of IFRS 15 *Revenue from contracts with customers*	Key matters reviewed by the Committee included the detailed impact assessment of IFRS 15 such as the volume discounts to certain funders on attainment of certain admissions levels in Mediclinic Southern Africa and Mediclinic Middle East, disallowances in Mediclinic Middle East, Swiss tariff provision and the principal versus agent considerations in Switzerland. The proposed treatment and consequent effect on the results of the Group post implementation was considered appropriate.

SIGNIFICANT ISSUES CONSIDERED	STEPS TAKEN BY THE COMMITTEE
Viability assessment	The Committee reviewed the stress testing of the Group's principal risks and uncertainties undertaken by management to support the going concern and long-term viability statement. 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 going concern and long-term viability statement set out on pages 50 to 51.

AR

Fair, balanced and understandable reporting

The annual, interim and other price-sensitive reports published by the Company, are required to be fair, balanced and understandable; and provide the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

Throughout the year, the Committee (or in certain instances, the Board or the Disclosure Committee) reviewed the interim results and other price-sensitive announcements published by the Company and confirmed that they met the above requirements. The Committee also reviewed the use of adjusted measures by the Group and ensured their appropriateness in aiding users of the Group's financial statements to better understand its performance year on year (including the items of income or cost included or excluded from their calculation).

The Committee considered a summary of management's approach to the preparation of the narrative sections and financial statements; reviewed the 2018 Annual Report as a whole, and recommended to the Board that, in its opinion, the 2018 Annual Report, taken as a whole, meets the aforementioned requirements.

Internal control system and risk management processes

The Committee considered the following key topics relating to internal controls and risk management during the year:

May 2017:
- Reviewed and approved the Committee's report on internal control system and risk management processes in the 2017 Annual Report
- Reviewed the principal risks and uncertainties and recommended them for approval by the Board
- Reviewed the fraud and ethics report
- Reviewed cybersecurity risks and monitoring

September 2017:
- Reviewed the Enterprise-wide Risk Management ("**ERM**") framework and progress against risk management plans
- Conducted an in-depth review of IT-related risks, including the governance and status of key IT projects
- Reviewed the fraud and ethics report
- Reviewed the Group compliance programme report (including the GDPR)

November 2017:
- Reviewed the principal risks and uncertainties, including the impact of Brexit, and recommended them for approval by the Board
- Reviewed the Level 2 and 3 assurance processes conducted or planned for the year and the next steps regarding any open findings
- Reviewed the update on Level 2 and 3 assurance processes regarding major IT projects
- Reviewed risks and obligations under data protection legislation
- Reviewed fraud and ethics report
- Reviewed and approved the Treasury Policy and Procedures

January 2018:
- Reviewed the combined assurance model
- Reviewed the new risk management and assurance reporting dashboard

March 2018:
- Reviewed the Group tax risks
- Conducted a review of the Group's risk management systems and principal risks and uncertainties, including: the ERM framework, ERM Policy and risk appetite statement; top risks; other topical risk areas; Group compliance policy and programme; and ERM plan for FY19
- Reviewed the preliminary going concern and long-term viability assessment, together with the supporting stress testing analysis
- Reviewed the Fraud Risk Management Policy and fraud and ethics report
- Reviewed the Treasury Policy and Procedures
- Reviewed the Group's key insurance policies

April 2018:
- Reviewed progress on implementation of data privacy project (including GDPR)

May 2018:
- Reviewed the report on internal control systems and risk management processes included in the 2018 Annual Report and recommended it for approval by the Board
- Reviewed the principal risks and uncertainties and recommended them for approval by the Board
- Reviewed the fraud and ethics report
- Reviewed cybersecurity risks and monitoring
- Reviewed progress on implementation of data privacy project (including GDPR)

The Board is ultimately responsible for overseeing the effective internal control systems and risk management processes, which facilitate the delivery of and sustain the Group's financial, operational and strategic objectives. In accordance with its terms of reference, the Committee monitors these processes on a regular basis; reviews their effectiveness; and makes appropriate recommendations to the Board.

During the year, the Committee reviewed the ERM Policy, framework and processes, including the Group's risk appetite, combined assurance model and action plans designed to mitigate risks in line with the Group's risk appetite statement. The Committee concentrated in particular on actions regarding certain areas highlighted by management:

- centralising and standardising business processes in the Hirslanden operating division;
- integrating Al Noor into the business, operating practices and finance, and accounting and internal control systems of the Middle East operating segment;
- implementing SAP and supporting policies and procedures;
- implementing a standardised financial consolidation and reporting tool; and
- enhancing the assurance processes across the Group, including ICT governance and compliance.

The Committee continued to monitor the standardisation of the internal controls and risk framework across the Group, processes, risk registers and reporting. The Committee focused on integrating the reports received on financial, operational and compliance internal controls and risk management systems, corresponding key performance indicators, internal and external assurances, mitigating action plans, and progress on the delivery of these plans. The Committee and management discussed areas for further improvement and these were raised in the Committee's feedback to the Board.

Information and communications technology ("**ICT**") risks continued to be a key area of focus for the Committee. The top five risks identified were cybersecurity, project delivery, information protection, architecture and quality of IT systems, and application control and change risks. Senior management held regular presentations to the Committee on these risks and their management and mitigation. The presentations included an in-depth review of the governance arrangements and status of the most complex IT projects delivered within the Group.

The Group introduced an enhanced programme to track the Group's compliance with key legislation in the jurisdictions in which it operates. The Committee received regular updates on progress regarding the development of the compliance programme and considered the implications of forthcoming legislation, such as the EU General Data Protection Regulation, effective in the UK from 25 May 2018; data protection legislation being introduced in Switzerland and South Africa; and new VAT legislation in the UAE. The Committee examined the Group's plans to address the new requirements and monitored progress on their implementation.

The Committee considered the Group's hedging arrangements in respect of interest rate movements and supported management's decision to discontinue hedging the debt associated with the Hirslanden operating division for the time being. Management maintained the decision under review and presented regular reports to the Committee.

The Committee's overall conclusion and recommendation to the Board was that the internal control and risk management environment was effective in ensuring the consistent achievement of key control objectives and no significant failings or weaknesses had been identified.

The long-term viability statement on pages 50 to 51 is underpinned by the Committee's work on the Group's financial reporting, internal controls and risk management systems. Further details on the Group's internal controls system and risk monitoring are provided on page 48.

AR

AR

Internal audit

The Committee considered the following key topics relating to internal audit during the year:

May 2017:

- Reviewed the FY17 internal audit report including annual review of the effectiveness of the Group's internal controls and risk management processes
- Considered an external report on the internal auditor's quality assurance processes and reviewed the effectiveness of the internal auditor
- Conducted a separate meeting between the Committee members and the internal auditor, without the management team, and between the Committee members and management, without the internal auditor

November 2017:

- Reviewed internal audit report and findings, with particular focus on procurement
- Reviewed progress on appointment of Head of Internal Audit

January 2018:

- Reviewed internal audit processes, including overview of mandate and approved work plan for FY18
- Considered outcome of process to appoint Head of Internal Audit

March 2018:

- Reviewed the internal audit report, internal audit mandate and internal audit function
- Conducted a separate meeting between the Committee members and the internal auditor, without the management team, and between the Committee members and management, without the internal auditor

May 2018:

- Reviewed the internal audit report for FY18 including annual review of the effectiveness of the Group's internal controls and risk management processes
- Conducted a separate meeting between the Committee members and management, without the external auditor, and between the Committee members and the external auditor, without management

Remgro Internal Audit ("**RIA**") continued to undertake the Group's internal audit function during the year. RIA regularly attends Committee meetings and reports on the findings of its internal audit reviews. RIA is responsible for evaluating the Group's governance processes; assessing the effectiveness of the internal financial control framework and risk management processes; analysing and evaluating key business processes and associated controls; and providing information on identified instances of fraud, corruption, unethical behaviour and irregularities. RIA's responsibilities include conducting an annual documented review of the key financial reporting controls in identified financial systems and processes, and providing an annual written assessment of the effectiveness of the system of internal controls and risk management to the Board.

During the year, the Committee regularly received and considered internal audit reports from RIA, which focused particularly on procurement, finance and governance processes, and included their annual written assessment of the effectiveness of the Group's internal controls and risk management processes. As part of this process, the Committee reviewed the effectiveness of the internal audit function based on discussions with RIA and key members of management, supplemented by an external assessment of RIA's quality assurance process. The Committee confirmed its satisfaction with the effectiveness and efficiency of the function, reliability of financial reporting, and compliance with applicable laws and regulations.

The Committee reviewed the internal audit function and approved the internal audit plan for the year ending 31 March 2019. The plan is set on a three-year rolling basis, and the areas of focus are determined and updated in line with:

- the internal audit mandate;
- the Group's risk register;
- strategic and operational initiatives aimed at growing and preserving value;
- the results of previous internal audits and reviews of the effectiveness of internal controls and risk management systems;
- significant changes in the business, operations, ICT programmes, systems and controls;
- requests from management and the Committee;
- new developments in organisational governance; and
- emerging risks and trends.

During FY19, internal audit will focus on the human resources and payroll cycle, key controls affected by major transformation initiatives and projects and the internal financial control process within each division, as well as governance and risk processes.

As reported in the 2017 Annual Report, the Company is in the process of establishing an in-house internal audit function and transition away from the current outsourcing arrangements with RIA. As part of this plan, the Company appointed a Head of Internal Audit with effect from 1 July 2018. Plans to ensure a gradual and smooth transfer of responsibilities from RIA to the new in-house function will be developed further during FY19.

External audit

The Committee considered the following key topics relating to the external audit during the year:

May 2017:

- Reviewed the external auditor's year-end audit report and opinion
- Evaluated the external auditor's performance, with a focus on their independence, and the objectivity and effectiveness of the external audit process
- Considered and recommended the external auditor's re-appointment
- Reviewed the non-audit services expenditure for FY17
- Reviewed and approved the non-audit services thresholds for FY18
- Conducted a separate meeting between the Committee members and the external auditors, without the management team, and between the Committee members and management, without the external auditor

September 2017:

- Reviewed the external auditor's interim review plan update

November 2017:

- Reviewed the external auditor's half-year review report
- Reviewed and approved the external audit plan for FY18, and the corresponding engagement letter and fees
- Reviewed and approved the revised non-audit services thresholds for FY18
- Held a separate meeting between the Committee members and the external auditors, without the management team

March 2018:

- Reviewed the external auditor's pre-year-end report on accounting and auditing issues
- Reviewed and approved the policy on the external auditor's independence and non-audit services
- Reviewed the non-audit services expenditure for FY18 to date
- Reviewed the non-audit services thresholds for FY19
- Conducted a separate meeting between the Committee members and the external auditors, without the management team, and between the Committee members and management, without the external auditor

May 2018:

- Reviewed the external auditor's year-end audit report and opinion
- Evaluated the external auditor's performance, focusing on their independence, and the objectivity and effectiveness of the external audit process
- Considered and recommended the external auditor's re-appointment
- Reviewed the non-audit services expenditure for FY18
- Reviewed and approved the non-audit services thresholds for FY19
- Conducted a separate meeting between the Committee members and the external auditors, without the management team, and between the Committee members and management, without the external auditor

PricewaterhouseCoopers LLP ("**PwC**") has been the Company's external auditor since February 2016, as approved by the Company's shareholders in December 2015. The lead audit engagement partner is Giles Hannam, who was appointed in February 2016.

The external auditor is invited to all Committee meetings and receives copies of all relevant Committee papers and minutes of all Committee meetings.

External audit plan

During the year, the Committee reviewed and approved the FY18 external audit plan, including the proposed materiality threshold, the scope of the audit, the significant audit risks and fees.

Effectiveness and independence

The Committee is committed to ensuring 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 an annual formal evaluation process.

On completion of the FY18 year-end external audit, all members of the Committee, 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 asked to complete a questionnaire to assess the performance of the external auditor, with a strong focus on their independence and objectivity. The questionnaire focused on four key performance areas, namely: robustness of the audit process, quality of delivery, quality of reporting, and quality of people and service. As part of the assessment, separate meetings were held between the Committee members and the external auditor without management, and between the Committee members and management without the external auditor. The feedback from the questionnaire and the meetings with the external auditor and management was discussed by the Committee at the meeting held in May 2018. The Committee was very satisfied with the overall feedback on PwC and the external audit process.

Under the FRC's Revised Ethical Standard for Auditors, PwC must 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 quality review partner, who reviews the judgements of the audit team, rotates every seven years and the lead partner and key audit partners at each operating division every five years. The external auditor's independence is safeguarded by the non-audit services policy discussed below.

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 non-audit services provided by the auditor do not impair, and are not perceived to impair, the external auditor's independence or objectivity. The policy was last reviewed and approved by the Committee in March 2018.

With effect from 1 April 2017, the policy was amended to, *inter alia*, exclude the provision of tax services by the external auditor, previously provided by PwC. Deloitte LLP was appointed to provide tax advice to the Company and its Southern African operations, and KPMG was appointed to provide tax advice to the Company's Swiss and Middle Eastern operations.

The Committee determines the pre-approved monetary thresholds for each category of non-audit services by the external auditor 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 the independence and objectivity of the external auditor, the policy requires that a different partner is appointed to lead any non-audit services.

Fees

The fees paid to PwC in respect of non-audit services amounted to approximately £588 000, or 26% of the statutory audit fees. Approximately £350 000 of the non-audit services fees were in respect of reviews conducted in relation to the financial statements for the six months to 30 September 2017. Therefore, excluding the half-year reviews, non-audit service fees as a percentage of statutory audit fees amounted to 11%.

Refer to note 22 to the **consolidated financial statements** on page 227 for detail on the fees paid to the Group's auditors for audit and non-audit services during the year.

AR

Re-appointment

The Committee concluded that the services provided by the external auditor were of a high quality, that the external audit process in respect of the 2018 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 Company's annual general meeting on 25 July 2018.

Audit tender

As a result of the UK's implementation of the EU's mandatory audit firm rotation requirements, and in accordance with the Committee's terms of reference, the Company is required to ensure that the external auditor's 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 auditor for a period exceeding 20 years. PwC was appointed as the Company's auditor with effect from February 2016, as approved by the Company's shareholders 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")

AR

As disclosed on page 127, during the financial year under review, the Company complied with the mandatory audit processes and the Committee complied with the responsibility provisions set out in the CMA Order relating to (a) putting the audit services engagement on tender every 10 years; and (b) strengthening the accountability of the external auditor to the Committee, including requiring that only the Committee is permitted to agree to the external auditor's 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.

Ethical conduct, governance and compliance

The Committee considered the following key topics relating to governance and compliance during the year:

May 2017:
- Harmonised operating practices across Mediclinic Middle East
- Reviewed the fraud and ethics report
- Considered relevant statutory, regulatory and good practice developments
- Reviewed the non-audit services expenditure for FY17
- Reviewed and approved non-audit services thresholds for FY18
- Reviewed the Group tax report
- Reviewed and approved the Group Tax Strategy and recommended it for approval by the Board

September 2017:
- Reviewed the fraud and ethics report
- Reviewed Group compliance programme report (including the EU General Data Protection Regulation)

November 2017:
- Reviewed the fraud and ethics report
- Reviewed the Group tax report
- Reviewed and approved the revised non-audit services thresholds for FY18
- Considered relevant statutory, regulatory and good practice developments

March 2018:
- Conducted the annual review of policies and procedures: Terms of Reference of the Committee; Internal Audit Mandate; Policy in respect of the Independence and the provision of non-audit services by the External Auditors; ERM Policy and Fraud Risk Management Policy
- Reviewed the fraud and ethics report
- Considered relevant statutory, regulatory and good practice developments

May 2018:
- Reviewed the Regulatory Compliance Policy
- Reviewed the non-audit services expenditure for FY18
- Reviewed and approved non-audit services thresholds for FY19
- Reviewed the Group tax report
- Reviewed and approved the Group Tax Strategy and recommended it for approval by the Board
- Reviewed the fraud and ethics report
- Considered relevant statutory, regulatory and good practice developments

The Group is focused on conducting its business in an honest, fair and ethical manner, a principle endorsed by the Board and management. The Committee oversees the Group's processes for handling breaches of the Group's Code of Business Conduct and Ethics and Anti-bribery Policy. During the year, the Committee received regular feedback from the Group General Manager: Risk Management on all material cases and incidents reported on the ethics lines, how these were managed and the effectiveness of the lines. The Committee adopted a Fraud Risk Management Policy, which facilitates developing controls for the prevention of fraud and corruption.

The Committee is responsible for ensuring Group-wide compliance with relevant laws and regulations. During 2017, a compliance consultant was appointed to assist the Group with implementing a standardised risk-based compliance monitoring process across all business units. Under the consultant's guidance, the Group established an enhanced programme to track the Group's compliance with key legislation in the jurisdictions in which it operates. The Committee regularly received updates on progress regarding the development of the compliance programme and considered the implications of forthcoming legislation, such as the EU General Data Protection Regulation, data protection legislation being introduced in Switzerland and South Africa, and new VAT legislation in the UAE. The Committee examined the Group's plans to address the new requirements and monitored progress on their implementation.

The Clinical Performance and Sustainability Committee is also responsible for assessing the Group's ethics and compliance. Further details on the Company's policies in respect of business conduct and ethics, anti-corruption and anti-bribery matters are provided on page 82 of the **Strategic Report**. Details of the Clinical Performance and Sustainability Committee are provided on page 95 of the **Corporate Governance Statement**. AR AR

COMMITTEE EVALUATION

An external evaluation of the Committee's performance was conducted by Lintstock during the year, focused on the Committee's composition and time management, processes and support, the work undertaken during the financial year and any priorities for improving its performance over the coming year. The Committee reviewed and discussed the outcomes of the evaluation and certain actions were agreed for implementation, aimed at further enhancing the effectiveness of the Committee. The results were reported to the Board at the March 2018 meeting. The Committee will monitor progress on the agreed actions and their outcomes, and these will be incorporated into the following performance evaluation.

PROGRESS ON KEY PRIORITIES FOR THE COMMITTEE IN FY18

PRIORITIES	STATUS
• Implementation of new IFRS standards	• Refer to the financial reporting section on pages 121 to 124 of this **Audit and Risk Committee Report**.
• Review various ICT and other significant projects across the Group • Review of ongoing integration of Al Noor's operations and systems • Monitor Group tax compliance matters • Review internal audit work plan for FY18, which will focus on the procurement and payment cycle and division projects and their internal financial control process • Monitor progress against the 2018 ERM plan	• Refer to the internal control systems and risk management processes section on pages 124 to 125 of this **Audit and Risk Committee Report**.
• Appoint Chief Internal Audit Executive	• Refer to the internal audit section on pages 125 to 126 of this **Audit and Risk Committee Report**.

KEY PRIORITIES FOR THE COMMITTEE IN 2018/19

- Monitor establishment of in-house internal audit function
- Monitor progress against the FY19 internal audit plan and overall ERM plan
- Mature the integration of reporting to the Committee on financial, operational and compliance internal controls and risk management systems
- Monitor the performance of recently implemented transformational IT projects
- Monitor the implementation of new IFRS standards
- Appoint a permanent compliance officer and monitor the entrenchment of compliance management

Approved and signed on behalf of the Audit and Risk Committee.

Mr Desmond Smith
Chairman of the Audit and Risk Committee
23 May 2018

DIRECTORS' REMUNERATION REPORT

Mr Trevor D Petersen
Chairman of the Remuneration Committee

LETTER FROM THE REMUNERATION COMMITTEE CHAIRMAN

Dear Shareholder,

On behalf of the Board, I am pleased to present the Mediclinic International Directors' Remuneration Report for 2018.

The Remuneration at a Glance section, which follows this introduction, highlights the key areas that will be of primary focus to the reader, such as pay outcomes for the year and details of how our policy will be implemented in 2019.

Over the past year, the Remuneration Committee kept fully abreast of the evolving views of shareholders on pay and, in particular, the UK Government consultation on corporate governance. We focused on ensuring that our approach to pay is fair and that pay in the wider workforce is considered and reflected in the Committee's deliberations. The next UK Corporate Governance Code is expected to increase the remit of the Committee to include a level of oversight for the wider workforce and we are well placed to incorporate this additional responsibility. The Committee is regularly updated on wider workforce pay and we make our decisions relating to the remuneration of senior executives and key management in the context of relativity of reward practices across each operating division.

Chief Executive Officer transition

A key part of our work in the year has been supporting the Nomination Committee in the Chief Executive Officer succession planning and ensuring that the approach to recruitment remuneration for our incoming CEO was appropriately fair, taking into account our workforce practices and compliance with our policy and relevant share plan rules.

Mr Danie Meintjes will retire from the Company after a tenure of over 30 years of service, the last eight of which have been as its CEO. Mr Meintjes played a vital role in the transformation of the Mediclinic Group during his tenure. The Committee is currently considering the treatment of Mr Meintjes' outstanding share-based awards when he steps down as an executive director. Details will be disclosed to shareholders as soon as they have been finalised.

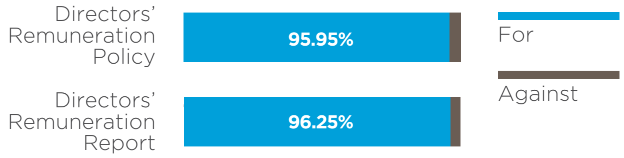
Dr Ronnie van der Merwe will take on the role of CEO from 1 June 2018. Dr Van der Merwe joined the Mediclinic Group in 1999 and the Executive Committee in 2008, where he most recently held the role of Chief Clinical Officer. Dr Van der Merwe is one of Mediclinic's most experienced executives and ideally equipped to build on the foundations Mr Meintjes has left in place.

Dr Ronnie van der Merwe's remuneration arrangements as CEO are in line with the Group remuneration policy and in line with the package for Mr Meintjes in his final full year as CEO. Dr Van der Merwe's base compensation (inclusive of Board fees) has therefore been set at £558 198, whilst his maximum short and long-term incentive opportunities have been set at 150% and 200% of base compensation respectively. Whilst Dr Van der Merwe's 's base compensation is in line with Mr Meintjes for his final full year as CEO, it is recognised this level is positioned towards the bottom end of the market competitive range for the CEO of a company of similar size and complexity to that of Mediclinic. The Committee therefore intends to keep the remuneration arrangements for the CEO under review.

Performance and reward over the reporting period

2017 was the first year of operation of our revised Remuneration Policy, which was approved by shareholders at the 2017 Annual General Meeting ("**AGM**") (see chart below for AGM voting outcomes) and applies for three years from that date.

AGM VOTING OUTCOME 2017



For the year under review, on an adjusted basis, the Group performed slightly ahead of expectations, driven by a significant second half improvement from the Middle East division. The Southern Africa division delivered second half revenue growth ahead of expectations with a stable adjusted EBITDA margin for the year. In Switzerland, Hirslanden was faced with a number of regulatory changes that came into effect during the year, which impacted divisional EBITDA performance.

The executive directors' short-term incentive ("**STI**") was calculated on a Group achieved EBITDA measure defined as Group adjusted EBITDA performance, calculated at budgeted exchange rates and further adjusted to remove the impact of employee bonus accruals and to amend for other specific items subject to approval by the Remuneration Committee. This is combined with detailed operating metrics measured at the divisional level, which comprise financial and operational objectives, including measures of clinical excellence. The bonus framework operates such that the non-achievement of subset performance indicators (i.e. those measured at a divisional level) give rise to a reduction in the bonus that is payable. Based on performance delivered in the year, as described in more detail on pages 150 and 151, the overall bonus for executive directors was approved at 61.37% of maximum, which is reflective of the financial and operating performance delivered in the year.

No long-term incentive awards were due to vest in the year, therefore no such awards are included within the single figure tables as set out on page 148.

Proposed remuneration implementation 2019

Incentives

In line with the 2018 STI, the 2019 Group STI will continue to be based on Group achieved EBITDA performance and operating divisions' subset performance indicators, which include financial and operational objectives. To further support delivery of the Group's "*Patients First* Strategy" additional focus has been placed on improving clinical performance through the introduction and/or enhancement of additional non-financial performance measures, which include clinical performance, patient experience, staff engagement and patient safety measures.

In line with the commitment we made to investors ahead of the introduction of our new policy in 2017, we have reviewed the performance measures underlying our plans. The Board is confident that a focus on adjusted earnings per share ("**EPS**") and total shareholder return ("**TSR**") within our long-term incentive plan ("**LTIP**") remains appropriate for 2018, as it is directly aligned with the value we deliver to shareholders. The 2018 LTIP awards will therefore continue to be based on adjusted EPS and TSR. Details on the underlying targets are set out on page 152. The Board will continue to keep the performance measures used for the purpose of the LTIP under review over the course of 2018.

Base compensation

In line with South African employment practices, the Committee reviewed the base compensation for the current CEO, Mr Danie Meintjes, for the coming year and approved an increase of 4.7%, which was below the average increase for other employees of Mediclinic Southern Africa of 5.6%.

The Committee also reviewed the base compensation positioning for the Chief Financial Officer, Mr Jurgens Myburgh, who was appointed on base compensation of £319 000 in August 2016. On appointment to the role, in line with best practice and in line with the positioning for the CEO, his base compensation was positioned towards the bottom end of the market competitive range to reflect that this was his first role as CFO of a UK listed company. Taking into consideration Mr Myburgh's performance since his appointment and the level of input he provides to the Executive Committee and Board in delivering business performance, the Committee agreed to a salary increase of 9.6%. Mr Myburgh's new salary of £411 486 will remain towards the lower end of the market competitive range. This marks the first salary increase awarded to Mr Myburgh since his appointment in August 2016. Whilst the Committee recognises that such salary increases are not common in the current UK climate, given Mr Myburgh's performance since appointment and taking into account wage increases in the South African business, the Committee believes that the increase is in the best interests of the business.

I trust the information presented in this report enables our shareholders to understand how we have implemented our remuneration policy over the year, and the rationale for our decision-making. We continue to be committed to an open and transparent dialogue with our investors and the Committee welcomes any feedback or comments on this report or the way in which we implement our Remuneration Policy.

Mr Trevor D Petersen
Chairman of the Remuneration Committee
23 May 2018

REMUNERATION AT A GLANCE

This section summarises the remuneration outcomes for the 2017/18 financial year, including how the Remuneration Policy was implemented during the year and the link between remuneration and our strategy.

OUR REMUNERATION PRINCIPLES

Our Remuneration Policy is designed to support our overall objective of generating long-term shareholder value. By appointing, investing in and retaining competent staff, we strive to be an employer of choice in the local and international markets in which our Company operates.

Our remuneration arrangements are simple in design and seek to balance the need to reward performance appropriately, fairly and competitively – while remaining mindful of our responsibility to deliver value to shareholders.

Our remuneration structure comprises of two pay components – fixed and variable pay. To determine the shape, size and variability of each element of pay, the Committee follows key remuneration principles as set out below:

PRINCIPLE	KEY CHARACTERISTICS	PURPOSE
External equity	Competitive market positioning and opportunity	To attract, retain and motivate the executive talent we need to achieve our objectives, remuneration is determined with reference to the location in which the executive director operates and the broader international market.
Internal equity	Fair and simple	To ensure a coherent approach across the Group, the structure of the executive directors' pay policy is in line with the policy for remuneration of management within the Group. The remuneration package is simple and fair in design so that it is valued by participants.
Affordability	Pay aligned with sustainable long-term performance	The mix between fixed and variable pay and the balance between rewarding short versus long-term performance are critical to ensure they are appropriately balanced and reward behaviours that will lead to the realisation of our overall objective, without encouraging excessive risk-taking. The performance measures selected to determine both our short-term and long-term incentive plans have been carefully considered to focus on a simple and effective selection of those key drivers of our strategy and long-term value creation for our shareholders.
Shareholder alignment	Alignment of executive and shareholder interests	To ensure continued alignment of executive and shareholder interests, the greatest potential pay opportunity for executive directors is via our LTIP. Executive directors are incentivised and rewarded for the adjusted financial performance of the Group and creating value for shareholders. This is further reinforced with a requirement to hold shares to facilitate executive directors to build a shareholding in the business and, therefore, align management with shareholders' interests and the Group's performance, without encouraging excessive risk-taking.

SUMMARY OF REMUNERATION FRAMEWORK

The overall remuneration framework applicable to the executive directors under the current policy is summarised in the following table.

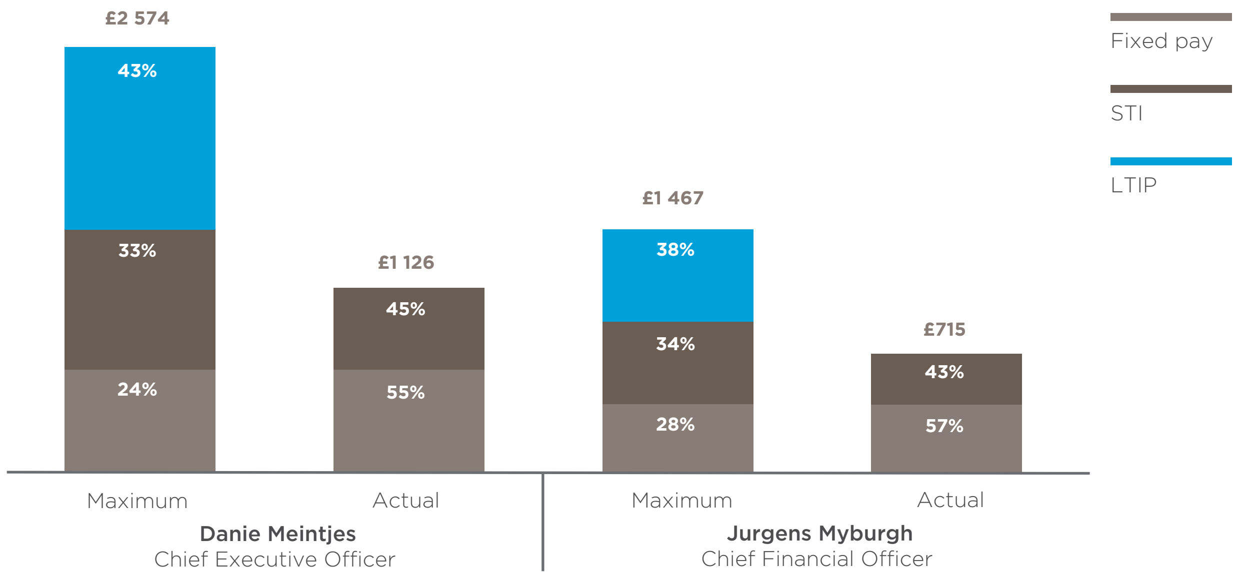
ELEMENT OF PAY	PURPOSE AND LINK TO STRATEGY	TERMS	NEW CEO[1]	CFO
Base compensation	To attract, retain and motivate talented individuals who are critical to the Group's success	With effect 1 April 2018	£558 198	£411 486
Annual STI	• To encourage and reward delivery of the Group's annual financial and operational objectives • To align with shareholder risk and reward	Level (on-target/ maximum opportunity % of base compensation)	90%/150%	80%/133%
		Performance condition	Group achieved EBITDA performance and other financial and strategic objectives of the three operating divisions	
		Deferral portion	50% compulsory deferral in shares for two years	
LTIP	• To balance performance pay between achieving financial performance objectives and delivering sustainable stock market out-performance • To encourage share ownership and align with shareholders' interests	Level (maximum opportunity % of base compensation)	200%	150%
		Performance condition	Adjusted EPS weight of 60% Relative TSR weight of 40%	
		Deferral portion	50% compulsory deferral in shares for two years	
Pension/ retirement benefits	• To help recruit and retain high-performing executive directors • To provide employees with long-term savings via pension provisions	Contribution (% of salary)	9%	
Benefits	• To provide a market competitive level of benefits to ensure executive directors' well-being		Private medical insurance, life insurance of 5x annual base salary as personally selected	Private medical insurance, life insurance of 7x annual base salary as personally selected
Share ownership guidelines	• Alignment of executive directors' interests with those of shareholders	% of salary	225%	200%

Note

[1] *New CEO's arrangements, with effect from 1 June 2018. The departing CEO's base compensation was set at £585 728 with effect from 1 April 2018.*

ILLUSTRATION OF REMUNERATION OUTCOMES IN THE PAST YEAR

The following chart show the 2017/18 actual remuneration against the maximum policy levels of remuneration for the executive directors.



Under the policy, the remuneration payable to each executive director is based on salaries at the start of 2017/18. The elements of remuneration have been categorised into three components: (i) fixed guaranteed salary; (ii) STI; and (iii) LTIP. In addition, for the purposes of comparison we have included the actual single figure remuneration paid in 2017/18.

DIRECTORS' REMUNERATION POLICY

INTRODUCTION

This report sets out the Company's policy on the remuneration of its executive and non-executive directors, which was approved by the shareholders at the AGM on 25 July 2017. The policy took effect from this date and may operate for up to three years. Our policy details can be accessed on the Company's website at **www.mediclinic.com**, and are contained in the 2017 Annual Report and Financial Statements on pages 86 to 94. However, in the interests of full disclosure, the Remuneration Committee (the "**Committee**") has included these below to be read alongside the remuneration outcomes for the year ended 31 March 2018.

The policy was 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 engagements.

POLICY OVERVIEW

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

In setting the Remuneration Policy for the executive directors, the Committee will ensure that the structures are in the best interest of 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;
- 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 region in which the executive operates and the broader international market, taking account of individual performance, responsibilities and experience; and to ensure a significant proportion of the total remuneration package is linked to financial performance;
- to balance performance pay between the achievement of the Group's 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; and
- 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, align management and 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 AGM. 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 AGM 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 Committee or in the event of a change in an individual's position or responsibilities. 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 their 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 Group 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 increase may be awarded. For example: assumed additional responsibility: or 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

ELEMENT OF PAY	PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE CRITERIA
Annual 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 over-payments due to misstatement, misconduct or error	• Maximum opportunity of 150% of base compensation	• At least 75% of the STI will be based on Group achieved financial performance and/ or the financial performance of the component divisions 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
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' interests	• 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 over-payments due to misstatement, misconduct or error	• Maximum opportunity of 200% of base compensation	• Performance measures will include adjusted EPS and relative TSR which, in combination, will account for no less than 75% of the total award • The Committee may introduce a new measure or measures 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 employee with long-term savings via pension provisions	• Participation in a defined contribution pension scheme	• Executive directors can receive a Company contribution of up to 10% of base salary	• Not applicable

ELEMENT OF PAY	PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE CRITERIA
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
Non-executive directors' fees	• 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 (as 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

ELEMENT OF PAY	PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE CRITERIA
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 STI 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 the Group's success 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 achieved EBITDA performance together with other financial and strategic business targets of the three operating divisions, weighted relative to their respective adjusted 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 operating division management are based on the respective division's adjusted EBITDA performance, further adjusted to remove the impact of employee bonus accruals, specific costs allocated by corporate and to amend for other specific items subject to approval by the Remuneration Committee and division 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 relative TSR and adjusted EPS are determined annually by the Remuneration Committee – for the current reporting period adjusted EPS weight is 60% and relative TSR is 40%. This will remain the weighting for 2018/19.*

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 are 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 material misstatement of the Group's audited financial results; a material miscalculation of any relevant performance measure; a material failure of risk management or regulatory compliance by a relevant entity; material reputational damage to the Group; or the participant's material misconduct. Management within the Group is 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 the policy came into effect, including those granted by companies in the Group prior to that company becoming part of the Group (such as the Mediclinic International Limited Forfeitable Share Plan).

THE COMMITTEE CONSIDERS PAY AND EMPLOYMENT CONDITIONS OF EMPLOYEES IN THE GROUP WHEN DETERMINING THE 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 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 directors' Remuneration Policy, although the Committee will keep this under review.

REMUNERATION SCENARIOS FOR THE EXECUTIVE DIRECTORS

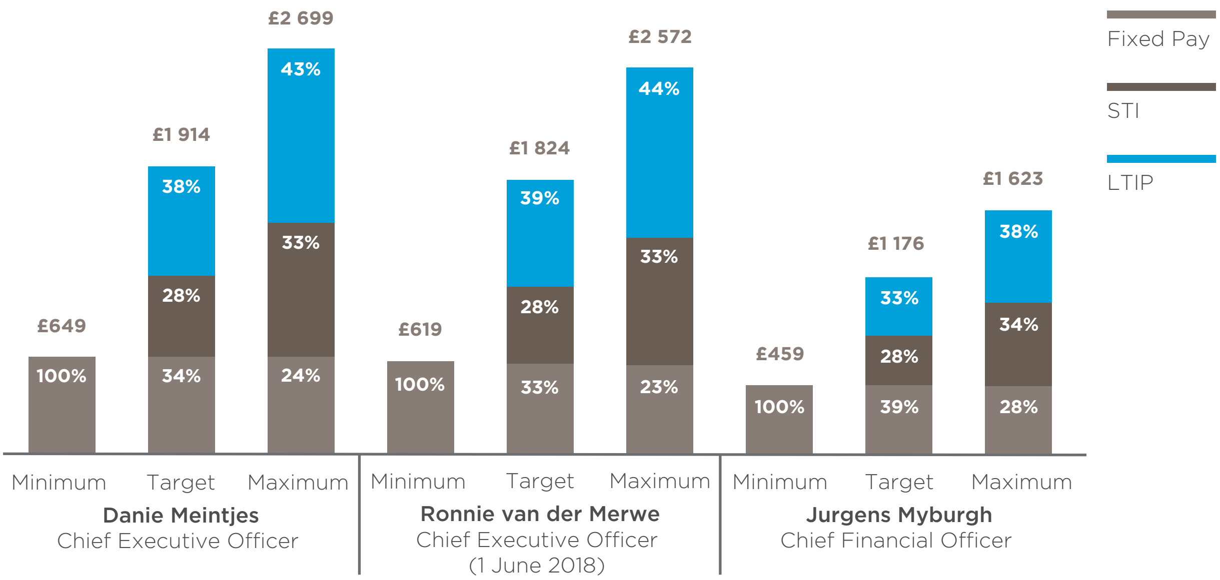
The total remuneration for each executive director that could result from the Remuneration Policy in 2018/19 is shown below under three different performance levels, being: below threshold (when only fixed pay is receivable), on-target and maximum. The chart highlights how the performance-related elements of the package comprise a significant portion of total remuneration at on-target and maximum performance. Remuneration is earned in pounds sterling and South African rand. The rand portion of the remuneration package is translated into pounds sterling at a rate of £1: ZAR17.22.

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 will seek to align the remuneration package with the Remuneration Policy approved by shareholders.
- New executive directors will participate in the STI plan 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 STI 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 hiring 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

EXECUTIVE DIRECTOR REMUNERATION (£'000)



Assumptions

1. *Salary levels apply as at 1 April 2018.*
2. *The value of taxable benefits is based on actual amounts as at 31 March 2018 of benefits and cash allowances.*
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 occurs under both plans.*
5. *Share price movement and dividend accrual have been excluded from the above analysis.*

awards, the Committee will look to replicate the arrangements being forfeited as closely as possible and, in doing so, will 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 PAYMENT FOR LOSS OF OFFICE

The Committee seeks to ensure that the 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 the 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 feels 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 as 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 LTIP arrangements will 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
Mr Danie Meintjes	1 April 2016 – joined Group 1 August 1981
Mr Jurgens Myburgh	1 August 2016
Dr Ronnie van der Merwe	1 June 2018

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

NON-EXECUTIVE DIRECTORS' TERMS OF ENGAGEMENT

Non-executive directors do not have service contracts but instead have letters of appointment setting out the terms under which they provide their services to the Company. The dates of their original appointment are shown in the table below. Non-executive directors are normally appointed for an initial period of three years that, subject to review, may be subsequently extended for further such terms. Any third term of three years would be subject to rigorous review. Non-executive directors' appointment is terminable by three months' notice on either side. In accordance with the UK Corporate Governance Code, all directors are subject to annual election or re-election by shareholders at the Company's annual general meetings.

In 2018 all non-executive directors, except Dr Edwin Hertzog and Mr 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 AGM.

NAME	DATE OF APPOINTMENT	EXPIRY OF CURRENT TERM
Dr Edwin Hertzog	15 February 2016	14 February 2019
Mr Desmond Smith	15 February 2016	14 February 2019
Dr Muhadditha Al Hashimi	1 November 2017	30 October 2020
Mr Jannie Durand	15 February 2016	14 February 2019
Mr Alan Grieve	15 February 2016	14 February 2019
Dr Felicity Harvey	3 October 2017	2 October 2020
Mr Seamus Keating	5 June 2013	4 June 2019
Prof Dr Robert Leu	15 February 2016	14 February 2019
Ms Nandi Mandela	15 February 2016	14 February 2019
Mr Trevor Petersen	15 February 2016	14 February 2019

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 2018 AGM. Certain specified information on pages 148 to 155 was audited.

AR

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 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 division executives;
- oversee the operation of the Company's incentive schemes, including designing and setting performance measures and targets for short-term 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; and
- 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

The composition of the Committee complies with the Code, which provides that the Committee members should comprise at least three independent non-executive directors. Mr Petersen (Committee Chairman), Prof Dr Leu and Mr Keating (all independent non-executive directors) held office during the year. The Company Secretary acts as secretary to the Committee.

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. 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.

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

AREA	DISCUSSIONS
Remuneration Policy	The Committee proposes the Remuneration Policy for approval by the Board and for the binding shareholder vote at the AGM.
Awards	The Committee reviewed and approved the STI targets and subset performance indicators for the new financial year. The Committee approved the final STI payment for the current financial year. The Committee confirmed new allocations and performance criteria for the LTIP. The Committee reviewed and approved operating division specific junior management bonus scheme payments.
Remuneration of the CFO	The Committee approved the remuneration package for the incoming CEO, Dr Ronnie van der Merwe.
Remuneration levels	The Committee approved the executive individual salary increases for the executive directors and each executive at Group level. The Committee approved the overall salary increase of all employee groups of each operating division. The Committee approved the expansion of the LTIP eligibility to operating division executive committee members and key senior employees. The Committee approved the remuneration methodology for the appointment of expatriate executive committee members.
Regulatory and governance review	The Committee reviewed regulatory and corporate governance developments.

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.

REMUNERATION COMMITTEE MEETING ATTENDANCE

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

Mr Durand and/or his alternate Pieter Uys attend Committee meetings by invitation but are not voting members. The Committee meetings are also attended by the CEO, Chief Human Resources Officer, the Group Executive: Reward, the Company Secretary and representatives from New Bridge Street by invitation, 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.

NAME[1]	DESIGNATION	DATE OF APPOINTMENT (as committee member)	NUMBER OF SCHEDULED MEETINGS ATTENDED[2]
Mr Trevor Petersen (Committee Chairman)	Independent non-executive director	15/02/2016	3 of 3
Prof Dr Robert Leu[3]	Independent non-executive director	15/02/2016	3 of 3
Mr Seamus Keating	Independent non-executive director	17/03/2017	3 of 3

Notes

[1] *The composition of the Committee is shown as at 31 March 2018.*

[2] *The attendance reflects the number of scheduled meetings held during the financial year. Four additional ad hoc Committee meetings were held during the financial year to deal with urgent matters; the majority of members made themselves available at short notice for these meetings. Three Committee meetings were held between the Company's financial year-end and the Last Practicable Date; all three were attended by all Committee members.*

[3] *Prof Dr Leu will retire as a director of the Company, and consequently as a member of the Committee, at the conclusion of the Company's 2018 AGM. It is the intention that the composition of the Committee will be reviewed in advance of his retirement, to ensure it continues to meet the requirements of the Code.*

PERFORMANCE AND PAY

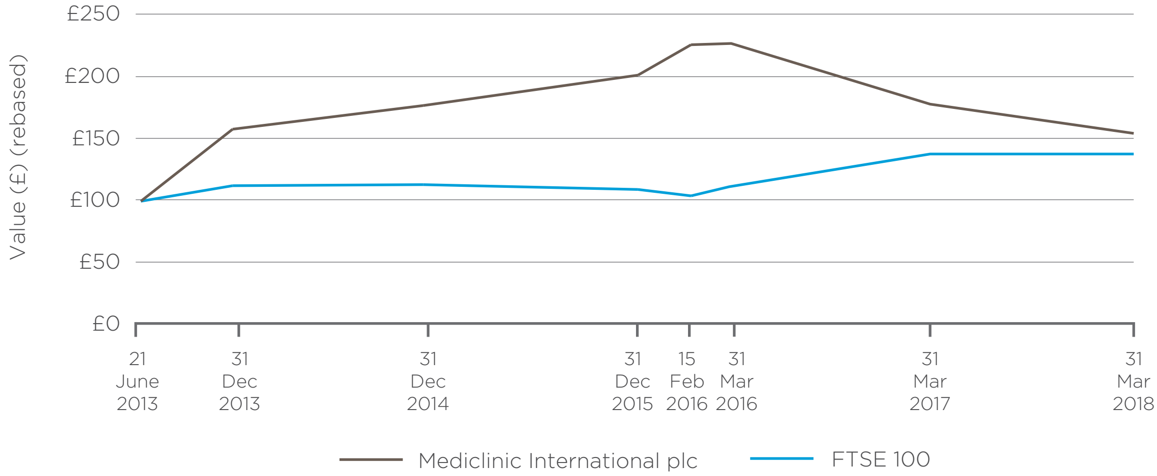
Performance graph and CEO pay

The graph below shows the value at 31 March 2018 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: FactSet



The table below shows the total remuneration for the CEO over the period since inception. Consistent with the calculation methodology for the single figure for total remuneration, the total remuneration figure includes the total STI 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 Mar 2016	2017	2018
Chief Executive Officer	Dr Kassem Alom			Mr Ronald Lavater			Mr Danie Meintjes		
Total remuneration £'000	326	361	290	170	702	2 165	79	1 029	1 126
STI %[1]	n/a	n/a	n/a	11.8%	20.0%	n/a	78%	56%	61%
Deferred STI portion	n/a	n/a	n/a	100%	n/a	n/a	n/a	50%	50%
LTIP vesting %[1]	n/a	n/a	n/a	65.4%	69.9%	n/a	0%	0%	0%

Note

[1] *STI and LTIP percentages represent a percentage of the maximum potential award.*

STRATEGIC REPORT

GOVERNANCE AND REMUNERATION
DIRECTORS' REMUNERATION REPORT

FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

SINGLE TOTAL FIGURES FOR DIRECTORS' REMUNERATION

DIRECTORS' REMUNERATION (AUDITED)

		SALARY AND FEES £'000	BENEFITS £'000	ANNUAL BONUS/ STI £'000	LTIP £'000	PENSION £'000	TOTAL REMUNERATION £'000
EXECUTIVE DIRECTORS[1]							
Mr Danie Meintjes	2017/18	560	10	511	0	45	1 126
	2016/17	541	8	439	0	41	1 029
Mr Jurgens Myburgh[2]	2017/18	373	10	304	0	28	715
	2016/17	234	4	175	0	17	430

		FEES £'000	BENEFITS £'000	TOTAL REMUNERATION £'000
NON-EXECUTIVE CHAIRMAN				
Dr Edwin Hertzog	2017/18	250	8	258
	2016/17	250	3	253
NON-EXECUTIVE DIRECTORS				
Mr Seamus Keating	2017/18	87	0	87
	2016/17	77	0	77
Mr Desmond Smith	2017/18	100	6	106
	2016/17	76	3	79
Mr Trevor Petersen	2017/18	85	6	91
	2016/17	85	4	89
Ms Nandi Mandela	2017/18	66	7	73
	2016/17	66	4	70
Prof Dr Robert Leu	2017/18	77	4	81
	2016/17	70	2	72
Mr Alan Grieve	2017/18	77	1	78
	2016/17	77	0	77
Mr Jannie Durand[3]	2017/18	66	2	68
	2016/17	66	2	68
Dr Felicity Harvey[4]	2017/18	33	0	33
	2016/17	0	0	0
Dr Muhadditha Al Hashimi[4]	2017/18	25	1	26
	2016/17	0	0	0
Total	**2017/18**	**866**	**35**	**901**
	2016/17	**767**	**18**	**785**

Notes

[1] *South African rand remuneration was translated into pounds sterling at a rate of £1: ZAR17.221 at 31 March 2018 and £1: ZAR18.41 at 31 March 2017.*

[2] *Mr Myburgh was appointed as a director on 1 August 2016 and his remuneration for 2016/2017 covers the period from employment date to the end of the reporting period.*

[3] *Mr Durand's fees are paid to Remgro and include services rendered by Mr Durand or his alternate, Mr Pieter Uys.*

[4] *Dr Harvey joined the Board from 3 October 2017 and Dr Al Hashimi joined 1 November 2017. Their remuneration for 2017/18 covers the period from appointment date to the end of the reporting period.*

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

AR

The sections that follow provide further detail of the remuneration shown in the table on page 148.

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.

None of the executive directors received any adjustments to their salary over the reporting period.

Mr Meintjes' salary for the reporting period was £559 858 and Mr Myburgh's salary was £373 431. All figures were converted to pounds sterling at a rate of £1: ZAR17.22 at 31 March 2018.

BENEFITS AND PENSION FOR THE REPORTING PERIOD (AUDITED)

The benefits of Mr Meintjes and Mr Myburgh include private medical insurance, life insurance and reimbursements for reasonable business-related expenses (e.g. travel, accommodation and subsistence). 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.

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.

SHORT-TERM INCENTIVE FOR THE REPORTING PERIOD (AUDITED)

Achieved bonuses were determined based on the Group achieved EBITDA performance and operating divisions subset performance indicators, which comprise financial and operational objectives, including measures of clinical excellence. Achieved EBITDA for the purposes of the executive directors' STI comprises Group adjusted EBITDA calculated based on budgeted foreign exchange rates (£12.0m) excluding the impact of STI bonus accruals for the Group's key management and employees (£15.3m) and subject to further amendment by approval of the Remuneration Committee (£17.5m). In 2018, these further amendments included adjustments for factors not incorporated into the budget at the start of the year, including for instance the impact of new evolving regulatory changes and practices in Switzerland, the acquisition of Linde and the cost associated with setting up a Group Purchasing Organisation in Hirslanden.

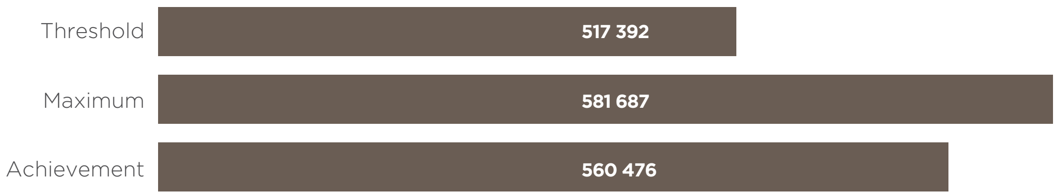
The target is based on the sum of the respective divisions approved budgeted adjusted EBITDA.

The Group achieved EBITDA performance which sets the initial bonus outcome percentage. The non-achievement of subset performance indicators then gives rise to a reduction in this bonus percentage. The subset performance indicators relate to the three operating divisions, weighted relative to each division's respective adjusted EBITDA contribution.

The performance indicators, targets and performance against the targets are set out below.

MAIN PERFORMANCE INDICATOR

GROUP ACHIEVED EBITDA



67.01% Achieved EBITDA Bonus

SUBSET PERFORMANCE INDICATORS

	MEDICLINIC SOUTHERN AFRICA	HIRSLANDEN	MEDICLINIC MIDDLE EAST
FINANCIAL PERFORMANCE INDICATORS			
Cash conversion	Threshold: 99% Maximum: 100% Achievement: 100%	Threshold: 85% Maximum: 110% Achievement: 88% (3.5% Penalty)	N/A
Debtors' days	N/A	N/A	Threshold: 120 days Maximum: 100 days Achievement: 99 days
Employment costs	N/A	N/A	Threshold: 19.5% Achievement: 19.01%

OPERATIONAL, CLINICAL AND PATIENT QUALITY PERFORMANCE INDICATORS			
Clinical care quality indicator	Achievement: Partial achievement against Never Events and Hand Hygiene Compliance indicators (5% Penalty)	*N/A*	Achievement: Partial achievement against Never Events, Surgical Site Infections, Injectable Administration Errors and Patient Identification Errors indicators (1.88% Penalty)
Employee engagement	Achievement: Partial achievement based on employee responses to *"My team has effectively followed through on actions we agreed on during our action planning session"* (2.5% Penalty)	*N/A*	*N/A*
Patient satisfaction	Achievement: Partial achievement based on overall mean Patient Experience Indicator score (7.5% Penalty)	Achievement: Full achievement based on overall mean Patient Experience Indicator score	Achievement: Partial achievement based on Patient Recommendation rate (2.5% Penalty)
Employment equity	Achievement: Partial achievement based on appointments of open positions (2.5% Penalty)	*N/A*	*N/A*
Penalty	17.50%	3.50%	4.38%
Weighting of Operating Division	34.13%	50.50%	15.37%
Weighted Penalty	(5.97%)	(1.77%)	(0.67%)
Total Subset Penalty	(8.41%) *(8.41%) of a 67.01% EBITDA Bonus equates to a (5.64%) total bonus deduction*		
GROUP ACHIEVEMENT *(ACHIEVED EBITDA BONUS LESS SUBSET OUTCOME)*: 61.37%			

Note
The foreign exchange rate used for budget purposes was £1: ZAR17.17; £1: CHF1.25 and £1: AED4.56.

The STI achieved was 61.37% of the 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 COMPENSATION	MAXIMUM BONUS OPPORTUNITY AS A % OF ANNUAL BASE COMPENSATION
Mr Danie Meintjes	£511 113	92%	150%
Mr Jurgens Myburgh	£303 868	82%	133%

Note
[1] *All figures are translated into pounds sterling at an exchange rate of £1: ZAR17.22 as at 31 March 2018.*

The STI 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 VESTING IN THE REPORTING PERIOD TO EXECUTIVE DIRECTORS (AUDITED)

No LTIP awards to executive directors were due to vest in the reporting period.

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

2017 LTIP

CONDITIONAL SHARE AWARD	
Award date	1 June 2017
Employment period	1 June 2017 to 31 May 2022
Performance period	1 April 2017 to 31 March 2020
Vesting date	The later of 1 June 2022 or the date upon which the Committee has satisfied themselves that the performance condition has been met

	DATE OF GRANT	NATURE OF AWARD	NUMBER OF SHARES[1]	FACE VALUE £'000	FACE VALUE AS A % OF ANNUAL BASE SALARY	END OF PERFORMANCE PERIOD	PERFORMANCE CONDITIONS
Mr Danie Meintjes	1 June 2017	Conditional Share Awards	129 626	1 046	200%	31 March 2020	See table below
Mr Jurgens Myburgh	1 June 2017	Conditional Share Awards	65 263	527	150%	31 March 2020	See table below

Note

[1] *Number of shares granted was based on the average middle-market quotation of an LSE Share during a period of 5 dealing days ending with the dealing day before the grant which was £8.07.*

PERFORMANCE CONDITION	WEIGHTING	THRESHOLD TARGET (25% VESTING)	MAXIMUM TARGET (100% VESTING)
Adjusted 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 adjusted EPS growth and the remaining 40% was determined by TSR, ranked relative to constituents of the FTSE 100 Index.

Adjusted 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 adjusted financial performance of the Company and creating value for shareholders. The award is subject to clawback and malus provisions.

Adjusted EPS growth is measured by taking the compound annual percentage growth in adjusted 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. Awards granted to the executive directors have a vesting period of five years from the date of grant. 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.

CHANGES TO THE BOARD

Dr Ronnie Van Der Merwe: New Chief Executive Officer

As announced on 27 November 2017, Dr Van der Merwe was appointed as the successor to the position of CEO designate to succeed Mr Meintjes as CEO of the Company on 1 June 2018. This follows the announcement made on 25 July 2017 that Mr Meintjes will retire from his position as CEO by no later than 31 July 2018.

As set out in the letter from the Remuneration Committee Chairman, Dr Van der Merwe's remuneration arrangements as CEO are in line with the Group remuneration policy and in line with the package for Mr Meintjes in his final full year as CEO.

Dr Van der Merwe's base compensation (inclusive of Board fees) has therefore been set at £558 198. Whilst the base compensation level is in line with Mr Meintjes for his final full year as CEO, it is recognised this level is positioned towards the bottom end of the market competitive range for the CEO of a company of similar size and complexity to that of Mediclinic. The Committee therefore intends to keep the remuneration arrangements for the CEO under review.

Dr Van der Merwe will be eligible to participate in the Company's STI scheme and LTIP, designed to incentivise and reward the successful delivery of the business strategy and sustained shareholders value creation. His maximum award opportunity under the STI will be 150% of his annual salary, half of which will be subject to a compulsory deferral for a period of two years.

Awards under the LTIP are up to a maximum value of 200% of annual salary, with vesting subject to performance over a three-year period and an additional two-year holding period required, following vesting and prior to their release. In accordance with best practice, the STI and LTIP contain provisions that will allow the Company to recover or withhold value in the event of certain defined circumstances. Dr Van der Merwe's service agreement may be terminated on six months' notice by either him or the Company.

PAYMENTS TO FORMER DIRECTORS (AUDITED)

As reported in the 2017 Directors' Remuneration Report on page 102 of the 2017 Annual Report, Mr Craig Tingle retired as CFO on 15 June 2016.

In respect of the award made in 2014, under the Mediclinic International Limited Forfeitable Share Plan ("**FSP**"), where performance was tested at the time of the Combination, 27 700 awards were released to Mr Tingle on 1 June 2017. The value of the award vested was £220 057 which was calculated using the volume weighted average share price of the middle market quotation on the JSE for the period five days prior to vesting (1 June 2017), which was £7.94 and translated at the exchange rate at grant of £1: ZAR16.78 as at 1 June 2017. In respect of the award made in 2015, under the FSP, 19 816 awards will be released to Mr Tingle on 1 June 2018.

PAYMENTS FOR LOSS OF OFFICE (AUDITED)

There were no payments for loss of office in the year.

PERCENTAGE CHANGE IN REMUNERATION LEVELS

The table below shows how the percentage change in the CEO's salary, benefits and bonus in the reporting period 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	
CEO[1]	
Salary	0.00%
Benefits	8.25%
Bonus	8.92%
All employees	
Salary	5.61%
Benefits	9.41%
Bonus	132%

Note

[1] *The percentage change in the CEO's salary, benefits and bonus is the annualised CEO's 2017 local salary paid in ZAR as compared to the 2018 local salary, benefits and bonus paid in South African rand. The CEO received no adjustment to his salary over the reporting 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 previous reporting period, as disclosed in last year's **Directors' Remuneration Report** (page 102 of the **2017 Annual Report**), compared to returns to shareholders over the same period:

	2017/18 £'000	2016/17 £'000	CHANGE %
Staff costs	1 293 000	1 231 000	5.0%
Returns to shareholders (dividends)	58 000	62 000	(6.5%)

Note

There were no share buybacks or other significant use of profit during the year.

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 2018. 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 £6.02 per share as at 31 March 2018.

	SHARE-HOLDING GUIDELINES AS A % OF ANNUAL BASE COMPEN-SATION	SHARES HELD AS AT 31 MARCH 2017	SHARES HELD AS AT 31 MARCH 2018	% OF ANNUAL BASE COMPEN-SATION	OUTSTANDING UNVESTED LTIP AWARDS WITH PERFORMANCE CONDITIONS[1]	OUTSTAN-DING UNVESTED FSP AWARDS[2]	DEFFERED STI SHARES[3]	SHARE-HOLDING REQUIRE-MENT MET
Mr Danie Meintjes	225%	123 900	173 323	223%	231 002	33 949	27 187	No
Mr Jurgens Myburgh	200%	14 000	60 000	97%	114 544	n/a	10 815	No

Notes

1 *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.*

2 *Unvested awards held under the Mediclinic International Limited FSP where performance has been tested but shares have not yet been released. Final vesting will take place on the original vesting date subject to continued employment. Awards are settled in JSE Shares.*

3 *Deferred STI shares, where performance has been tested, will be settled in cash and therefore are not taken into consideration as part of determining whether shareholding requirements have been met.*

The shareholding in Mediclinic by non-executive directors is shown below:

NON-EXECUTIVE DIRECTORS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2018
Dr Edwin Hertzog	407 559[1]	**394 276**
Mr Desmond Smith	0	**0**
Mr Seamus Keating	0	**0**
Mr Trevor Petersen	0	**0**
Ms Nandi Mandela	0	**0**
Prof Dr Robert Leu	0	**0**
Mr Alan Grieve	7 500	**7 500**
Mr Jannie Durand	0	**0**
Mr Pieter Uys[2]	417	**417**
Dr Felicity Harvey[3]	n/a	**0**
Dr Muhadditha Al Hashimi[3]	n/a	**0**

Notes

1 *As announced on 27 April 2018, on 8 and 10 January 2018, the Waledro Trust, a testamentary trust of which Dr Hertzog is the sole trustee, transferred its entire holdings in the Company to the beneficiaries of the trust at the cost price. Dr Hertzog is not a beneficiary of the trust.*

2 *Mr Uys is the alternate to Jannie Durand.*

3 *Dr Harvey joined the Board from 3 October 2017 and Dr Al Hashimi joined 1 November 2017.*

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.

SHARE SCHEDULE DILUTION LIMITS

The Company is committed to protecting its shareholders' interests and ensuring that the dilution of shares remains within a reasonable limit. In line with the Investment Association guidelines, the Company limits equity-based awards under its employee share plans to 10% of the Company's issued share capital over a 10-year calendar period. These limits are consistent with the guidelines of institutional shareholders.

IMPLEMENTATION OF THE REMUNERATION POLICY FOR 2019

Base compensation

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.

Base salaries were reviewed in accordance with the Remuneration Policy, taking into account Company and individual performance, wider workforce comparisons, and market benchmarks of South African pay levels and London-listed companies of similar size and international footprint.

In line with South African employment practices, the Committee reviewed the base compensation for the current CEO, Mr Danie Meintjes, for the coming year and approved an increase of 4.7%, which was below the average increase for other employees of Mediclinic Southern Africa of 5.6%.

The Committee also reviewed the base compensation positioning for Mr Myburgh, who was appointed on a base compensation of £319 000 in August 2016. On appointment to the role, in line with best practice and in line with the positioning for the CEO, his base compensation was positioned towards the bottom end of the market competitive range to reflect that this was his first role as CFO of a UK listed company. Taking into consideration his performance since his appointment and the level of input he provides to the Executive Committee and Board in delivering business performance, the Committee agreed to a salary increase of 9.6%. Mr Myburgh's new salary of £411 486 will remain towards the lower end of the market competitive range. Whilst the Committee recognises that such salary increases are not common in the current UK climate, given his performance since appointment and taking into account wage increases in the South African business, the Committee feels that the increase is in the best interests of the business.

	SALARY FROM 1 APRIL 2018 £'000	SALARY FROM 1 APRIL 2018 ZAR'000[1]	SALARY FROM 1 APRIL 2017 £'000	SALARY FROM 1 APRIL 2017 ZAR'000[1]	% INCREASE[2]
Mr Danie Meintjes	586	10 085	523	9 630	4.7%
Mr Jurgens Myburgh	411	7 085	351	6 465	9.6%

Notes

[1] *Salaries are translated into pounds sterling at a rate of £1: ZAR17.22 at 31 March 2018 and £1: ZAR18.41 at 31 March 2017 as previously reported.*

[2] *The percentage increase was calculated on the South African rand base compensation to ensure exchange rate fluctuations are eliminated.*

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

AR

Details of Dr Van der Merwe's salary from date of appointment as CEO can be found on page 153.

STI 2019

The executive directors have a maximum STI opportunity of 150% (CEO) and 133% (CFO) of annual salary.

For executive directors, 50% of the achieved award 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 2018/19 will be calculated on the Group achieved 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 2018

The Committee intends to grant an LTIP conditional award to the executive directors in 2018, over shares with a value of 200% (CEO) and 150% (CFO) of salary.

Adjusted 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 adjusted financial performance of the Group and creating value for shareholders.

Vesting of 60% of the award will be based on adjusted 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. Adjusted 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 adjusted financial performance of the Group and creating value for shareholders.

PERFORMANCE CONDITION	WEIGHTING	THRESHOLD TARGET (25% VESTING)	MAXIMUM TARGET (100% VESTING)
Adjusted 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 adjusted operational and economic performance of the Company. The underpin evaluation includes consideration of environmental, social and governance factors, and financial performance.

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.

The Committee will keep the performance measures under review and may change the performance conditions 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 Board Chairman's remuneration is determined by the Committee. Non-executive directors' 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. Each non-executive director receives a fixed fee for their services based on their Board membership and membership of the Board committees. The Board Chairman fee is an all-inclusive fee, which includes Board committees and membership fees, where applicable.

Non-executive directors' fees were reviewed against median fees paid to non-executive directors in companies of similar size and complexity to that of Mediclinic. In light of this review, the fee levels applicable from 1 April 2018 are shown in the table below.

Whilst the Committee recognises that such salary increases for the Board Chairman are not common in the current UK climate, the fees remain below the Committee's assessment of an appropriate market level. In line with granting no increases to executive directors last year, there were also no adjustments to the Board Chairman fee and the non-executive directors' fees in the reporting period. The fee increase from 1 April 2018 for the Board Chairman reflects our ongoing intention to move the Board Chairman fee to a market median positioning.

BASE FEES	FEE FROM 1 APRIL 2017	FEE FROM 1 APRIL 2018	% INCREASE
Chairman	£250 000	£280 000	12%
Base Board fee	£60 000	£63 000	5%
Audit and Risk Committee Chair	£15 000	£16 000	7%
Remuneration Committee Chair	£15 000	£16 000	7%
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	£7 000	–
Clinical Performance and Sustainability Committee	£6 600	£7 000	6%
Investment Committee	£6 600	£7 000	6%

SHAREHOLDER VOTING AT THE AGM

The Remuneration Policy and the Directors' Remuneration Report were approved with 95.95% and 96.25% votes in favour, respectively, at the Company's AGM on 25 July 2017. 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 engagements on remuneration matters.

The following votes were received from shareholders:

	FOR	%	AGAINST	%	WITH-HELD	TOTAL SHARES VOTED	% OF ISSUED SHARES VOTED
Remuneration Policy	614 711 926	95.95%	25 915 697	4.05%	2 718 474	643 346 097	87.26%
Directors' Remuneration Report	618 212 690	96.25%	24 075 900	3.75%	1 057 507	643 346 097	87.26%

ADVISOR TO THE COMMITTEE

During the year, the Committee and the Company retained an independent external advisor 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	£113 728 based on time charges for work completed	N/A

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 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.

In April 2018, following a robust selection process, the Committee appointed Deloitte LLP to replace NBS as its independent advisor. In line with existing policy, this appointment is subject to an annual review. The Committee would like to thank NBS for the advice and support received since they were first appointed.

Signed on behalf of the Remuneration Committee.

Trevor D Petersen
Chairman of the Remuneration Committee
23 May 2018

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.

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 86 to 89 of the Annual Report, confirm that to the best of their knowledge:

- 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 Strategic 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.

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.

For and on behalf of the Board.

DP Meintjes
Chief Executive Officer
23 May 2018

PJ Myburgh
Chief Financial Officer
23 May 2018

FINANCIAL STATEMENTS

CONTENTS

GROUP FINANCIAL STATEMENTS

COMPANY FINANCIAL STATEMENTS

GENERAL INFORMATION

These financial statements are consolidated financial statements for Mediclinic International plc (the "**Company**") and its subsidiaries, associates and joint ventures (the "**Group**"). A list of subsidiaries, associates and joint ventures is included from pages 243 to 247.

AR

Mediclinic International plc (the "**Company**") is a public limited company, 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 ("**JSE**") and the Namibian Stock Exchange ("**NSX**"). A wholly-owned subsidiary, Hirslanden AG issued bonds listed on the SIX.

Registered Address:
6th Floor
65 Gresham Street
London
EC2V 7NQ
United Kingdom

The core purpose of the Group is to enhance the quality of life of patients by providing value-based healthcare services.

The financial statements were authorised for issue by the Directors on 23 May 2018. 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 AUDIT OF 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 2018 and of its loss 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.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated statement of financial position at 31 March 2018; the consolidated income statement and consolidated statement of other comprehensive income; the consolidated statement of changes in equity; the consolidated statement of cash flows for the year then ended; and the notes to the consolidated financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("**ISAs (UK)**") and applicable law. Our responsibilities under ISAs (UK) are further described in the auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group.

Other than those disclosed in note 22 to the financial statements, we have provided no non-audit services to the Group in the period from 1 April 2017 to 31 March 2018.

Our audit approach

Overview

- Overall Group materiality: £15m (2017: £14.9m) based on approximately 5% of adjusted profit before tax.
- Our audit included full scope audits at four reporting units which accounted for 92% of consolidated revenue, 83% of consolidated loss before tax and 94% of adjusted profit before tax calculated on an absolute basis. We performed centralised procedures on the equity accounted results of Spire Healthcare Group plc ("**Spire**") based on its audited financial statements at 31 December 2017.
- Impairment of intangible assets, goodwill and non-financial assets
- Impairment of the Group's associate investment in Spire
- Purchase price allocation for the acquisition of Linde Holding Biel ("**Linde**")

The scope of our audit

As part of designing our audit, we determined materiality and assessed 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.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at Group and significant component levels to respond to this risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations or through collusion. We designed audit procedures that focused on the risk that non-compliance related to, but not limited to, compliance with the Companies Act 2006, the UK Listing Rules and taxation legislation gives rise to a material misstatement in the financial statements. In assessing compliance with laws and regulations, our tests included, but were not limited to, checking the financial statement disclosures to underlying supporting documentation, enquiries of management, review of related work performed by component audit teams, review of relevant internal audit reports and discussions with external legal counsel. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

As in all of our audits, we also 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, and the risk of fraud in revenue recognition. Procedures designed to address these risks included testing of journal entries and post-close adjustments based on risk, testing and evaluation of management's key accounting estimates for reasonableness and consistency, undertaking cut-off procedures to verify proper cut-off of revenue and expenses and testing the occurrence of revenue transactions. In addition, we incorporate an element of unpredictability into our audit work each year.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
AR **1. Impairment of intangible assets, goodwill and non-financial assets** *(refer to Audit and Risk Committee Report on page 122 and notes 6 and 7 in the Group financial statements)*	
The Group has £1 406m (2017: £2 156m) of intangible assets. This balance consists mainly of goodwill relating to the Mediclinic Middle East operations of £1 245m (2017: £1 401m), goodwill on the acquisition of the Swiss operations of £nil (2017: £307m), Swiss trademarks of £73m (2017: £341m) and the Al Noor brand name of £nil (2017: £23m).	Deploying our valuation experts, 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.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
1. Impairment of intangible assets, goodwill and non-financial assets (continued)	
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 respective acquisitions and the Group carries out annual impairment tests on these assets based on value-in-use calculations. These impairment tests are undertaken at the operating division level being the level at which management monitors goodwill for impairment. The Group also performed impairment assessments of individual cash generating units ("**CGUs**") which form part of these operating divisions, focusing in particular on the Swiss operating division where indicators of impairment were identified at the reporting date. Goodwill is not allocated to CGUs on the basis that the rationale for the transactions giving rise to the goodwill is to realise synergies across the entire operating division and not just within the acquired business. Assets subject to impairment assessment at the CGU level primarily comprise land and buildings. In the current year, an impairment loss of £300m was recorded to impair the goodwill on the Swiss operations in full, £260m was recorded to partially impair the Hirslanden brand name and £84m was recorded to partially impair buildings within one Swiss CGU. The impairment losses recorded in the current year are material to the financial statements. The recoverable amounts determined in impairment assessments 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 assumptions like discount rates or growth rates change, that further impairment losses will be required. We focused on the impairment assessments of goodwill, other indefinite life intangible assets and non-financial assets as the impairment reviews carried out by the Group contain a number of significant judgements, including the level at which goodwill is monitored for impairment and the determination of CGUs within each operating division, and estimates, including cash flow projections, growth rates and discount rates. Changes in these assumptions might lead to a significant change in the recoverable values of the related assets and therefore to the impairment losses recognised.	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 or the level of impairment required. We evaluated management's judgement regarding the levels at which goodwill arising from the Swiss and Middle East acquisitions are monitored for impairment review purposes. We evaluated management's judgement regarding the determination of the respective CGUs in the Swiss operating division where impairment triggers were identified, focusing on the commercial rationale for combining certain clinical facilities into supply regions while other facilities are allocated to stand-alone CGUs. As part of this evaluation, we met with commercial management at Hirslanden to understand how these facilities are run operationally and the level of integration between facilities in different regions of Switzerland. We compared management's impairment models to externally available data including analyst valuations. We prepared independent valuations based on alternative valuation methodologies and assumptions as part of assessing the reasonableness of the approach and outputs determined by management. Based on our work performed, we concurred with management that impairment charges are required for the Swiss operations and that no impairment losses were required for the goodwill on the Middle East operations at 31 March 2018. We have found the judgements and estimates made by management in determining the impairment charges for Hirslanden to be materially reasonable in the context of the Group financial statements taken as a whole and the related disclosures to be appropriate. We noted that the impairment losses affected one financial covenant calculation specified in Hirslanden's external financing agreement. We are satisfied that the Group has made appropriate arrangements to avoid any potential breach and to support continued classification of the debt as non-current at 31 March 2018.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
2. Impairment of the Group's associate investment in Spire *(refer to Audit and Risk Committee Report on page 123 and note 8 in the Group financial statements)*	
At 31 March 2018, the carrying value of the Group's associate 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 an impairment loss of £109m was required. We focused on this area because of the significance of the impairment loss recorded in the current year and reflecting on the extent of judgement and estimation involved in the impairment assessment undertaken by management. The recoverable value of the associate is contingent on future cash flows and there is a risk that the investment will be impaired further if these cash flows do not meet expectations.	We reviewed the share price performance of Spire over the period since acquisition alongside its reported financial results. 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 to understand Spire's recent performance trends. We reviewed the latest available financial reports published by Spire. We obtained and reviewed analyst reports to understand third party expectations of future share price performance. Deploying our valuation experts, 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, 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 level of impairment required. Based on our work performed, we concurred with management that an impairment is required in the current year. We have found the judgements and estimates made by management in determining the impairment charge to be materially reasonable in the context of the Group financial statements taken as a whole and the related disclosures to be appropriate.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
3. Purchase price allocation for the acquisition of Linde *(refer to Audit and Risk Committee Report on page 123 and note 29 in the Group financial statements)*	
The Group acquired 99.62% of Linde for a total consideration of £86m. The acquisition resulted in the recognition at fair value of total net assets amounting to £83m and goodwill of £3m. Net assets assumed at fair value consisted mainly of property, equipment and vehicles (£109m) and a brand name (£17m) identified as part of the purchase price allocation. Management performed the purchase price allocation with the assistance of an external expert. We have focused on this area because judgement and estimates are involved in allocating the purchase price to the tangible and intangible assets identified in the business combination and because the valuation of intangible assets requires specialist skills and knowledge.	We obtained the purchase price allocation prepared by management. Based on discussions with management, reading the purchase agreements and leveraging our understanding of the business and industry, we critically assessed the process followed for the identification of the assets and liabilities acquired. We obtained the third party valuations supporting the value of the buildings acquired and assessed the competence, capabilities and objectivity of the external valuation expert used by management to value the buildings. With the assistance of our own valuation experts, we evaluated the valuation methodology adopted by management to value the brand acquired. The underlying assumptions, including the discount rate, terminal growth rate and royalty relief rate used in management's model to value the brand were tested for reasonableness by benchmarking the assumptions to industry average rates and by independently recalculating the discount rate. We evaluated the commercial rationale for the low residual goodwill valuation. We performed specified procedures on the opening balance sheet of Linde prepared at 30 June 2017 directed at cut-off. We have specifically considered the recoverability of assets and the completeness of liabilities (including provisions for contractual commitments and for legal and other contingencies) to ensure that the opening balance sheet is appropriately stated at fair value. We have reviewed the assessment of the respective accounting policies and practices of Mediclinic and Linde prepared by management to ensure that the Group's accounting policies have been appropriately applied. Based on our work performed, we have found the judgements and estimates made by management to be materially reasonable in the context of the Group financial statements taken as a whole and the related disclosures to be appropriate.

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 structure of the Group, its accounting processes and controls and the industry in which it operates.

The Group financial statements are a consolidation of thirteen reporting units which include sub-consolidations of the operations in each of the Group's key markets. The Southern Africa, Switzerland and Middle East reporting units required an audit of their complete financial information due to their size. An audit was also performed over the complete financial information of the Mediclinic International plc parent company to give appropriate audit coverage. Taken together, reporting units where we performed audit work over the complete financial information accounted for 92% of consolidated revenue, 83% of consolidated loss before tax and 94% of adjusted profit before tax calculated on an absolute basis.

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. 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 thirteen 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.

Further specific audit procedures over the Group consolidation and over the Group's associate interest in Spire were directly led by the Group audit team. Spire has a non co-terminous year-end to the rest of the Group and our work on Spire included review of the audited financial statements of Spire for the year ended 31 December 2017 together with subsequent events review procedures over the lag period of account.

Taken together, reporting units where we performed our audit work accounted for 92% of consolidated revenue, 95% of consolidated loss before tax and 98% of adjusted profit before tax calculated on an absolute basis. Our audit covered all reporting units that individually contributed more than 1% to consolidated revenue and more than 2% to consolidated loss before tax and to adjusted profit before tax calculated on an absolute basis.

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 in aggregate, 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	£15m (2017: £14.9m).
How we determined it	Based on approximately 5% of adjusted profit before tax, calculated as consolidated loss before tax adjusted for impairment losses, derecognition of unamortised finance expenses, accelerated amortisation of brand name, release of pre-acquisition provisions and loss on disposals of businesses.
Rationale for benchmark applied	We believe that adjusted profit before tax is the primary measure used by the shareholders in assessing the performance of the Group. The adjusted profit before tax measure removes the impact of significant items which do not recur from year to year or which otherwise significantly affect the underlying trend of performance from continuing operations. This is the metric against which the performance of the Group is most commonly assessed by management and reported to shareholders. We chose 5%, which is consistent with the quantitative materiality thresholds used for profit-oriented companies in this sector.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £4.9m and £13.4m. Certain components were audited to a local statutory audit materiality that was less than our Group audit materiality allocation.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £0.75m (2017: £0.74m) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

REPORTING OBLIGATION	OUTCOME
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.
We are required to report if the directors' statement relating to going concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

- In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.
- With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

STRATEGIC REPORT AND DIRECTORS' REPORT
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. *(CA06)* In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. *(CA06)*

THE DIRECTORS' ASSESSMENT OF THE PROSPECTS OF THE GROUP AND OF THE PRINCIPAL RISKS THAT WOULD THREATEN THE SOLVENCY OR LIQUIDITY OF THE GROUP

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 99 of the Annual Report 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;
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated; and
- The directors' explanation on page 50 of the Annual Report as to 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 as to 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 to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and 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 UK Corporate Governance Code (the "**Code**"); and considering whether the statements are consistent with the knowledge and understanding of the Group and its environment obtained in the course of the audit. (*Listing Rules*)

OTHER CODE PROVISIONS

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 160, that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for the members to assess the Group's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group obtained in the course of performing our audit;
- The section of the Annual Report on page 120 describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee; and
- The directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 160, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditors' report.

Use of this report

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.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

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
- certain disclosures of directors' remuneration specified by law are not made.

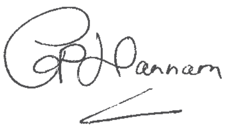
We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit and Risk Committee, we were appointed by the members on 18 March 2016 to audit the financial statements for the year ended 31 March 2016 and subsequent financial periods. The period of total uninterrupted engagement is three years, covering the years ended 31 March 2016 to 31 March 2018.

OTHER MATTER

We have reported separately on the Company financial statements of Mediclinic International plc for the year ended 31 March 2018 and on the information in the Directors' Remuneration Report that is described as having been audited.



Giles Hannam (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
23 May 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2018

	Notes	2018 £'m	2017 £'m
ASSETS			
Non-current assets		**5 382**	6 353
Property, equipment and vehicles	6	**3 590**	3 703
Intangible assets	7	**1 406**	2 156
Equity accounted investments	8	**357**	465
Other investments and loans	9	**7**	8
Deferred income tax assets	10	**22**	21
Current assets		**961**	1 069
Inventories	11	**90**	90
Trade and other receivables	12	**607**	591
Other investments and loans	9	**1**	16
Current income tax assets		**1**	2
Cash and cash equivalents	28.8	**261**	361
Assets classified as held for sale	31	**1**	9
Total assets		**6 343**	7 422
EQUITY			
Capital and reserves			
Share capital	13	**74**	74
Share premium reserve	13	**690**	690
Treasury shares	13	**(1)**	(2)
Retained earnings		**5 057**	5 525
Other reserves	14	**(2 534)**	(2 201)
Attributable to equity holders of the Company		**3 286**	4 086
Non-controlling interests	16	**87**	78
Total equity		**3 373**	4 164
LIABILITIES			
Non-current liabilities		**2 445**	2 668
Borrowings	17	**1 866**	1 961
Deferred income tax liabilities	10	**467**	527
Retirement benefit obligations	18	**86**	154
Provisions	19	**23**	23
Derivative financial instruments	20	**2**	2
Cash-settled share-based payment liabilities		**1**	1
Current liabilities		**525**	590
Trade and other payables	21	**424**	472
Borrowings	17	**71**	69
Provisions	19	**15**	22
Retirement benefit obligations	18	**10**	10
Derivative financial instruments	20	**–**	7
Current income tax liabilities		**5**	8
Liabilities classified as held for sale	31	**–**	2
Total liabilities		**2 970**	3 258
Total equity and liabilities		**6 343**	7 422

These financial statements and the accompanying notes were approved for issue by the Board of Directors on 23 May 2018 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 2018

	Notes	**2018 £'m**	2017 £'m
Revenue		**2 870**	2 749
Cost of sales	22	**(1 773)**	(1 696)
Administration and other operating expenses	22	**(1 387)**	(689)
Impairment of properties	6 & 22	**(84)**	–
Impairment of intangible assets	7 & 22	**(560)**	–
Other administration and operating expenses	22	**(743)**	(689)
Other gains and losses	23	**2**	(2)
Operating (loss)/profit		**(288)**	362
Finance income		**9**	7
Finance cost	24	**(94)**	(74)
Share of net profit of equity accounted investments	8	**3**	12
Impairment of equity accounted investment	8	**(109)**	–
(Loss)/profit before tax		**(479)**	307
Income tax expense	25	**5**	(64)
(Loss)/profit for the year		**(474)**	243
Attributable to:			
Equity holders of the Company		**(492)**	229
Non-controlling interests	16	**18**	14
		(474)	243
(Loss)/earnings per ordinary share attributable to the equity holders of the Company – pence			
Basic	26	**(66.7)**	31.0
Diluted	26	**(66.7)**	31.0

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £'m	2017 £'m
(Loss)/profit for the year		**(474)**	243
Other comprehensive (loss)/income			
Items that may be reclassified to the income statement		**(309)**	388
Currency translation differences	27	**(310)**	388
Fair value adjustment – cash flow hedges	27	**1**	–
Items that may not be reclassified to the income statement		**60**	34
Remeasurements of retirement benefit obligations	27	**60**	34
Other comprehensive (loss)/income, net of tax	27	**(249)**	422
Total comprehensive (loss)/income for the year		**(723)**	665
Attributable to:			
Equity holders of the Company		**(742)**	635
Non-controlling interests		**19**	30
		(723)	665

STRATEGIC REPORT
GOVERNANCE AND REMUNERATION
FINANCIAL STATEMENTS
GROUP FINANCIAL STATEMENTS
ADDITIONAL INFORMATION

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

	Share capital (note 13) £'m	Capital redemption reserve (note 14) £'m	Share premium reserve (note 13) £'m	Reverse acquisition reserve (note 14) £'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
Balance at 1 April 2016	74	6	690	(3 014)	(2)	24	407	4	5 320	3 509	61	3 570
Profit for the year	–	–	–	–	–	–	–	–	229	229	14	243
Other comprehensive income for the year	–	–	–	–	–	–	372	–	34	406	16	422
Total comprehensive income for the year	–	–	–	–	–	–	372	–	263	635	30	665
Transactions with non-controlling shareholders	–	–	–	–	–	–	–	–	4	4	(4)	–
Dividends paid	–	–	–	–	–	–	–	–	(62)	(62)	(9)	(71)
Balance at 31 March 2017	74	6	690	(3 014)	(2)	24	779	4	5 525	4 086	78	4 164
(Loss)/profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(492)**	**(492)**	**18**	**(474)**
Other comprehensive (loss)/income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(311)**	**1**	**60**	**(250)**	**1**	**(249)**
Total comprehensive (loss)/income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(311)**	**1**	**(432)**	**(742)**	**19**	**(723)**
Transfer to retained earnings	**–**	**–**	**–**	**–**	**–**	**(23)**	**–**	**–**	**23**	**–**	**–**	**–**
Non-controlling shareholders derecognised on disposal of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1)**	**(1)**
Share-based payment expense	**–**	**–**	**–**	**–**	**–**	**1**	**–**	**–**	**–**	**1**	**–**	**1**
Settlement of Forfeitable Share Plan	**–**	**–**	**–**	**–**	**1**	**(1)**	**–**	**–**	**–**	**–**	**–**	**–**
Transactions with non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1)**	**(1)**	**1**	**–**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(58)**	**(58)**	**(10)**	**(68)**
Balance at 31 March 2018	**74**	**6**	**690**	**(3 014)**	**(1)**	**1**	**468**	**5**	**5 057**	**3 286**	**87**	**3 373**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	**2018 £'m Inflow/ (outflow)**	(Re-presented)* 2017 £'m Inflow/ (outflow)
CASH FLOW FROM OPERATING ACTIVITIES			
Cash received from customers		**2 809**	2 735
Cash paid to suppliers and employees		**(2 343)**	(2 243)
Cash generated from operations	28.1	**466**	492
Interest received		**9**	7
Interest paid	28.2	**(74)**	(77)
Tax paid	28.3	**(56)**	(45)
Net cash generated from operating activities		**345**	377
CASH FLOW FROM INVESTMENT ACTIVITIES		**(319)**	(201)
Investment to maintain operations	28.4	**(112)**	(101)
Investment to expand operations	28.5	**(142)**	(131)
Acquisition of subsidiaries	29	**(83)**	–
Disposal of subsidiaries	30	**2**	44
Acquisition of investment in associate	8	**(2)**	(1)
Dividends received from equity accounted investment		**5**	4
Proceeds from/(acquisition of) money market funds		**13**	(16)
Net cash generated before financing activities		**26**	176
CASH FLOW FROM FINANCING ACTIVITIES		**(108)**	(169)
Distributions to non-controlling interests	16	**(10)**	(9)
Distributions to shareholders	28.6	**(58)**	(62)
Proceeds from borrowings	28.7	**6**	247
Repayment of borrowings	28.7	**(30)**	(327)
Refinancing transaction costs		**(12)**	(3)
Settlement of interest rate swap		**(4)**	–
Acquisition of non-controlling interest	16	**–**	(15)
Net (decrease)/increase in cash and cash equivalents		**(82)**	7
Opening balance of cash and cash equivalents		**361**	305
Exchange rate fluctuations on foreign cash		**(18)**	49
Closing balance of cash and cash equivalents	28.8	**261**	361

* *Refer to note 2.1.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

1. DESCRIPTION OF BUSINESS

Mediclinic International plc is a private hospital group with three operating divisions, namely Switzerland, Southern Africa (South Africa and Namibia) and the United Arab Emirates ("**UAE**") and with an equity investment in the United Kingdom. Its core purpose is to enhance the quality of life of patients by providing value-based healthcare 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; and
- 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 pounds sterling (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 Swiss franc, the South African rand and UAE dirham. The UAE 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 foreign subsidiaries, the joint venture and associated undertakings into pounds sterling and period-end rates to translate the net assets of those undertakings. The following exchange rates were applicable for the period:

	2018	2017
Average rates:		
Swiss franc	**1.29**	1.29
South African rand	**17.22**	18.41
UAE dirham	**4.87**	4.80
Period end rates:		
Swiss franc	**1.34**	1.25
South African rand	**16.57**	16.74
UAE dirham	**5.15**	4.59

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.

Cash flow statement reclassification

The cash flow statement for the year ended 31 March 2017 has been re-presented to reclassify certain capital expenditure cash flows from cash generated from operations to cash flows from investment activities. The impact of the reclassification was a decrease in cash generated from operations from £509m to £492m and a decrease in cash outflows from investment activities from £218m to £201m. This reclassification had no impact on reported cash, profits or net assets.

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.

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. 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.

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 IFRS.

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, 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, the difference is recognised directly in the income statement.

Goodwill is not amortised but is tested on an annual basis for impairment or more frequently if events or changes in circumstances indicate a potential 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) *Investments 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 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 divisions in Switzerland, Southern Africa and 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 Group Executive Committee that makes strategic decisions. The Executive Committee comprises the executive directors and senior management as disclosed in the Annual Report on page 95.

AR

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property, equipment and vehicles (continued)

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 its 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) Goodwill

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest, less the fair value of the identifiable assets and liabilities of the acquiree. 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. Impairment 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 in the CGU where the carrying amount is greater than the recoverable amount.

b) 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. Trade names that are deemed to have a finite useful life are capitalised at the cost to the Group and amortised on a straight-line basis over its estimated useful lives of 1 to 75 years. Expenditure to maintain trade names is accounted for against income as incurred.

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 to 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 expensed 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 a potential impairment. Assets that are subject to amortisation or depreciation are tested for impairment whenever events or changes in circumstances indicate a potential impairment. An impairment loss is recognised for the amount by which the asset's carrying value 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 and independent 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.

2.7 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial assets (continued)

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.

Loan 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 are 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 are 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 investment is 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.

2.8 Offsetting of financial assets and liabilities

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 on a future event and is enforceable in the normal course of business even in the event of default, bankruptcy or 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 movement in 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 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 or 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.

2.13 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. 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 are 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; and 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 expenses 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.

c) Equity-settled share-based compensation

The Group operates an 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Employee benefits (continued)

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 exists 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 medical 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 medical service is provided, based on the amounts due from patients and/or medical funding entities. Fees are calculated and billed based on various tariff agreements with funders.

In Switzerland, the cost of treating inpatients with basic health insurance is fixed by the government. The pricing model is based on diagnostic related groups ("**Swiss DRGs**") for inpatients and can be seen as a fixed fee arrangement. Invoicing occurs when the patient is discharged. Revenue is recognised over the estimated length of stay of the patient. In some cases, the pricing model for DRGs is based on provisional tariffs as delays occur in the agreement of the tariffs between the healthcare providers and the funders. When the tariffs are provisional, revenue continues to be recognised and the outstanding amount is claimed from the insurance. Tariff provisions are recognised as adjustments in revenue to reflect any uncertainty about the collectability of the amounts invoiced and collected. If a provisional tariff is changed, the insurer can claim the difference from the healthcare provider. The tariff provision is recognised when it is probable that an outflow of resources will be required to settle the obligation towards the insurer. The tariff provision is calculated based on historical experience of outcomes to negotiations between healthcare providers and funders. This is regularly reassessed based on the actual outcome of tariff negotiations.

Swiss private and semi-private patients enter into supplementary insurance contracts for costs not covered by basic health insurance. The pricing model is based on fee-for-service principles and the contract with Hirslanden includes technical medical services (such as the nursing and infrastructure). The doctor fees are agreed directly between the insurer and the relevant doctor. The revenue is recognised as the services are rendered over the period of the stay of the patient.

For Switzerland outpatient cases, the pricing model is based on the TARMED rates. The applicable TARMED rate varies depending on the relevant canton, procedure and patient. Invoicing occurs when the patient is discharged directly after the treatment and revenue is recognised at the same time.

In Southern Africa and the Middle East (Dubai) a fee-for-service model is used with funders. Mediclinic will invoice the funders for technical medical services (such as nursing, infrastructure, pharmaceutical goods, etc.). The revenue is recognised as the services are rendered over the period of the stay of the patient.

Discounts comprise retrospective volume discounts granted to certain funders on attainment of certain levels of patient visits from Mediclinic Southern Africa and Mediclinic Middle East. These are accrued over the course of the arrangement based on estimates of the level of business expected and are adjusted against revenue at the end of the arrangement to reflect actual volumes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Revenue recognition (continued)

For certain procedures in Southern Africa and the Middle East (Abu Dhabi DRGs) the fixed fee contract model is used with funders. In these scenarios, the transaction price is fixed and no adjustments can be made to the amount invoiced to the funder. Invoicing occurs when the patient is discharged. Revenue is recognised over the estimated length of stay of the patient. Efficiencies or inefficiencies is not charged to the funder and is absorbed by the operating division.

Other income

Other income earned are recognised on the following bases:

- Interest income is recognised on a time-proportioned basis using the effective interest rate method.
- 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.

In the Middle East, rebates received from suppliers are recognised when all the conditions agreed with the suppliers are met, the amount of cost of sales can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the entity.

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

Final dividends are recorded in the Group's financial statements in the period in which they are approved by the Company's shareholders. Interim dividends are recorded when paid.

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 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 2018 financial period:

The following published standards, amendments and interpretations are mandatory for the accounting period beginning on or after 1 April 2017 and have been adopted:

- IAS 7 (amendment) – Disclosure initiative
- IAS 12 (amendment) – Recognition of deferred tax assets for unrealised losses
- Annual improvements 2012 – 2014 cycle – Amendments and clarifications to existing IFRS standards (1 January 2017)

The implementation of these standards and amendments had no material 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.

IFRS 9 *Financial Instruments* (1 January 2018)

The IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are applied prospectively.

The Group plans to adopt the new standard on 1 April 2018 and will not restate comparative information. During the 2018 financial year, the Group performed a detailed impact assessment of all three aspects of IFRS 9. The assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in the 2019 financial year. Overall, the Group expects no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9. The Group expects an increase in the expected loss allowance resulting in a negative impact on equity as discussed below. In addition, the Group will implement changes in classification of certain financial instruments.

a) Classification and measurement

The Group does not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of IFRS 9.

The equity shares in non-listed companies are intended to be held for the foreseeable future. These shares are currently classified as available for sale with gains and losses recorded in other comprehensive income ("**OCI**"). The Group will apply the option to continue to present fair value changes in OCI and, therefore, the application of IFRS 9 will not have a significant impact. Unlike IAS 39, under IFRS 9 the cumulative fair value gains or losses cannot be recycled to the income statement upon the derecognition or disposal of an equity investment.

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 9 *Financial Instruments* (1 January 2018) (continued)

a) Classification and measurement (continued)
Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification of these instruments is not required.

b) Impairment
IFRS 9 requires the Group to record expected credit losses on all its loans and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected credit losses on all trade receivables. Based on current estimates, the Group has determined that the provision for impairment of receivables balance will increase by approximately 2%. The decrease in the trade receivables balance in the statement of financial position is expected to be less than £1m. This decrease is after the effect of reclassifying the disallowances in Mediclinic Middle East from operating expenses to revenue as discussed under the IFRS 15 transition below.

c) Hedge accounting
The Group determined that all existing hedge relationships currently designated in effective hedging relationships will continue to qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of IFRS 9 will not have a significant impact on the Group's financial statements. The Group currently has no hedge relationships that are ineffective.

IFRS 15 *Revenue from Contracts with Customers* (1 January 2018)

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard from 1 April 2018 using the modified retrospective application method. During the 2018 financial year, the Group performed a detailed impact assessment of IFRS 15. The assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in the 2019 financial year.

Revenue primarily comprises fees charged for inpatient and outpatient hospital services. The recognition and measurement of revenue does not differ materially from the principles applied by the Group under IAS 18.

In preparing to adopt IFRS 15, the Group considered the following:

a) Volume discounts
Discounts comprise retrospective volume discounts granted to certain funders on attainment of certain admission levels from Mediclinic Southern Africa and Mediclinic Middle East. These volume discounts are negotiated with funders on an annual basis. Under IFRS 15, retrospective volume discounts give rise to variable consideration. Variable consideration should be measured using the most likely outcome of the expected value. Currently, these discounts are accrued over the course of the period based on estimates of the level of business expected. This is adjusted at the end of the period to reflect the actual volumes. Volume discounts are recorded as a reduction in revenue with a corresponding entry against accruals (as volume discounts are not settled on a net basis with funders). Therefore, Mediclinic's current treatment of volume discounts is in line with the requirements of IFRS 15.

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 15 *Revenue from Contracts with Customers* (1 January 2018) (continued)

b) Disallowances

In the Middle East, the normal business process associated with transactions with insurers includes an amount of claims disallowed (disallowance provision) which is not paid by the insurer. These disallowed claims could be for various technical or medical reasons. Currently, revenue is recognised based on the contract with the insurers and a provision for bad debt is recognised for the rejections based on historical trends. Disallowance write-offs on rejected claims is a general practice by the insurers in the Middle East. Accordingly, Mediclinic Middle East accepts and expects an amount of consideration that is less than what was originally claimed. These write-offs constitute variable consideration under IFRS 15. Variable consideration is recognised as revenue to the extent that it is highly probable that a reversal of revenue will not occur. Based on current estimates, the Group expects a reclassification from operating expenses (bad debts) to revenue of approximately £17m to account for the difference in treatment between the existing standard (IAS 18) and IFRS 15. The change will have no impact on net profit.

c) Tariff provision

In Switzerland, tariff provisions are recognised in revenue when the pricing model for DRGs is based on provisional tariffs (see note 2.20). At the time of revenue recognition, the revenue based on the provisional tariff is billed and claimed from the insurer or the canton. Subsequently, when the tariffs are finalised and payment made, the insurer can claim from the healthcare provider if the tariffs are lower than the provisional tariffs billed.

Under the existing standard (IAS 37), tariff provisions are classified as a reduction in revenue, with a corresponding entry to provisions in the statement of financial position. We concluded that the tariff adjustments should not be adjusted against accounts receivable under IFRS 15 due to the fact that the original invoices are settled before the finalisation of the tariffs (unlike in the Middle East). Tariff adjustments are therefore classified as provisions as is the case under the current accounting treatment and not as a reduction in accounts receivable. This view is supported by the fact that balances due to funders are not settled on a net basis.

d) Principal versus agent considerations

Hirslanden hospitals have affiliated doctors who are partners cooperating with Hirslanden under a contractual agreement. The contracts with these affiliated doctors allow them to use the Hirslanden facilities and nursing staff. The doctors are responsible for the treatment of the patient and Hirslanden is responsible for the technical services such as the medical equipment and nursing. Swiss regulatory requirements require Hirslanden to provide statistics to the government based on all the costs incurred for patient procedures, including doctors' fees. Hirslanden therefore invoices its own technical services together with the doctors' fees to the insurer and subsequently refunds the amount of the doctors' services to the affiliated doctors. The refund paid to the doctor is recorded in revenue and thus revenue is shown on a net basis. For DRG procedures, the process is the same, but the refund is calculated using a contractually agreed-upon percentage for doctors' services.

The following indicators in IFRS 15 were considered in the assessment of whether Hirslanden is acting as a principal or as an agent in these cases:

- The affiliated doctors are responsible for fulfilling the contract of treating the patient. Every affiliated doctor needs own liability insurance for any claim against any human error of the doctor. The hospital is responsible for any process failures at the hospital.
- Hirslanden does not have discretion in establishing prices. These are determined by contracts in place between the doctor and the insurer or the relevant percentage of the total revenue for DRG procedures.
- An administrative cost contribution (a form of commission) is deducted from the doctors' fees before the transfer of these fees to the doctors.

Therefore, we have concluded that Hirslanden is acting as an agent in this scenario and revenue will be accounted for on a net basis. The same conclusion was reached under the current revenue standard and thus there will be no change in treatment upon implementation of IFRS 15.

e) Presentation and disclosure requirements

The presentation and disclosure requirements in IFRS 15 are more detailed than under the current IFRS standard. The Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

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. In general, properties are owned by the Group with the exception of the Middle East division where properties are leased. In the 2019 financial year, the Group will evaluate the effect of IFRS 16 on its consolidated financial statements.

Other standards

The following new accounting standards, interpretations and amendments will have no material impact on the financial statements:

- 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 2018)
- IAS 19 – Plan amendment, curtailment or settlement (1 January 2019)
- IAS 28 – Long term interests in associates and joint ventures (1 January 2019)
- IFRIC 23 – Uncertainty over income tax treatments (1 January 2019)
- Annual improvements 2015 – 2017 cycle – Amendments and clarifications to existing IFRS standards (1 January 2019)
- IFRS 17 – Insurance contracts (1 January 2021)
- 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

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 the effect of potential adverse events 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. Changes in the pounds sterling/Swiss franc, pounds sterling/South African rand and pounds sterling/UAE dirham exchange rates 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 sterling and thus exposed to currency risk, the Group is not significantly exposed to currency risk since the operating platforms predominantly operates and is funded in their local currency.

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 sterling/Swiss franc, sterling/South African rand and the sterling/UAE dirham exchange rates for a sustained period of one year is:

- profit for the period would increase/decrease by £12m (2017: increase/decrease by £14m) due to exposure to the sterling/Swiss franc exchange rate;
- profit for the period would increase/decrease by £9m (2017: increase/decrease by £8m) due to exposure to the sterling/South African Rand exchange rate;
- profit for the period would increase/decrease by £4m (2017: increase/decrease by £2m) due to exposure to the sterling/UAE dirham 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 £152m (2017: increase/decrease by £196m) due to exposure to the sterling/Swiss franc exchange rate;
- foreign currency translation reserve would increase/decrease by £7m (2017: increase/decrease by £6m) due to exposure to the sterling/South African rand exchange rate; and
- foreign currency translation reserve would increase/decrease by £153m (2017: increase/decrease by £154m) due to exposure to the sterling/UAE dirham 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's interest rate risk arises from bank borrowings at variable interest rates. 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. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts. At year end a portion of the South African borrowings was hedged and the Swiss and Middle East borrowings was unhedged (refer to note 20). The unhedged borrowings are evaluated on a regular basis to ensure interest rate risk is managed.

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 were determined based on the exposure to interest rates to net debt 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. The sensitivity of interest rates can be summarised as follows:

- Switzerland – at 31 March 2018, the 3M Swiss LIBOR was -0.74% (2017: -0.73%). Interest rates would have to increase by 74 basis points to have an impact on profit for the period with all other variables held constant. An increase in the interest rate of 25 basis points would have no impact on profit for the period (2017: no impact);
- Southern Africa – profit for the period would increase/decrease by £1m (2017: increase/decrease by £2m) if the interest rates had been 100 basis points higher/lower in Southern Africa with all other variables held constant; and
- Middle East – profit for the period would increase/decrease by £0.5m (2017: increase/decrease by £0.5m) if the interest rates had been 50 basis points higher/lower in the Middle East with all other variables held constant.

iii) Other price risk

The Group is not materially exposed to commodity or any other price risk.

b) Credit risk

Financial assets that potentially subject the Group to concentrations of credit risk consist principally of cash, short-term deposits, 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.

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

b) Credit risk (continued)

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 represent the Group's maximum exposure to credit risk in relation to these assets. At 31 March 2017 and 31 March 2018, 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.

	2018 £'m	2017 £'m
The Group's unused overdraft facilities are:	**125**	95

In addition the Group has unused banking facilities of £342m (2017: £48m).

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been prepared 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 prepared based on undiscounted net cash inflows/(outflows) that settle on a net basis.

Financial liabilities	**Carrying value**	**Contractual cash flows**	**1 – 12 months**	**1 – 5 years**	**Beyond 5 years**
31 March 2018					
Borrowings	**1 937**	**2 766**	**146**	**990**	**1 630**
Derivative financial instruments	**2**	**2**	**1**	**1**	**–**
Trade payables	**210**	**210**	**210**	**–**	**–**
Other payables and accrued expenses	**144**	**144**	**144**	**–**	**–**
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	–	–

3. FINANCIAL RISK MANAGEMENT (continued)

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 bi-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 adjusted earnings. The Board may revise the policy at its discretion. The debt-to-adjusted capital ratios at 31 March 2018 and 31 March 2017 were as follows:

	2018 £'m	2017 £'m
Borrowings	**1 937**	2 030
Less: cash and cash equivalents	**(261)**	(361)
Net debt	**1 676**	1 669
Total equity	**3 373**	4 164
Debt-to-equity capital ratio	**49.7%**	40.1%

The impairment charges at Hirslanden affected the calculation of the economic capital covenant in the finance agreements. While the Group had an unconditional contractual right through an equity cure any potential breach was actually avoided through a contractual amendment agreed with the lending consortium.

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)
- Useful life assigned to the Swiss trade names (refer to note 7)
- Deferred tax on unremitted earnings (refer to note 10)
- Useful lives and residual values of property, equipment and vehicles (refer to note 6)
- Determination of CGUs for impairment testing (refer to note 6)

Key estimates

- Impairment of properties (refer to note 6)
- 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 29)

5. SEGMENTAL REPORT

The reportable operating segments are identified as follows: Switzerland, Southern Africa, and Middle East and additional segments are shown for the United Kingdom and Corporate.

		Reportable operating segments			Other	
	Total £'m	Switzerland £'m	Southern Africa £'m	Middle East £'m	United Kingdom £'m	Corporate £'m
Year ended 31 March 2018						
Revenue	2 870	1 349	877	643	–	1
EBITDA	522	251	189	85	–	(3)
EBITDA before management fee	522	254	194	88	–	(14)
Management fees included in EBITDA	–	(3)	(5)	(3)	–	11
Other gains and losses	2	9	–	(7)	–	–
Depreciation and amortisation	(168)	(86)	(29)	(53)	–	–
Impairment of properties	(84)	(84)	–	–	–	–
Impairment of intangible assets	(560)	(560)	–	–	–	–
Operating (loss)/profit	(288)	(470)	160	25	–	(3)
Income from associate	3	–	–	–	3	–
Impairment of associate	(109)	–	–	–	(109)	–
Finance income	9	1	7	1	–	–
Finance cost (excluding intersegment loan interest)	(94)	(48)	(38)	(8)	–	–
Total finance cost	(94)	(64)	(38)	(8)	–	16
Elimination of intersegment loan interest	–	16	–	–	–	(16)
Taxation	5	46	(40)	–	–	(1)
Segment result	(474)	(471)	89	18	(106)	(4)
At 31 March 2018						
Investments in associates	352	2	2	–	348	–
Investments in joint ventures	5	–	5	–	–	–
Capital expenditure	245	101	62	80	–	2
Total segment assets	6 343	3 448	747	1 757	348	43
Total segment liabilities (excluding intersegment loan)	2 970	1 985	672	309	–	4
Total liabilities from reportable segment	3 827	2 842	672	309	–	4
Elimination of intersegment loan	(857)	(857)	–	–	–	–

5. SEGMENTAL REPORT (continued)

	Total £'m	Reportable operating segments: Switzerland £'m	Southern Africa £'m	Middle East £'m	Other: United Kingdom £'m	Corporate £'m
Year ended 31 March 2017						
Revenue	2 749	1 321	780	648	–	–
EBITDA	509	277	165	71	–	(4)
EBITDA before management fee	509	279	170	74	–	(14)
Management fees included in EBITDA	–	(2)	(5)	(3)	–	10
Other gains and losses	(2)	–	–	1	–	(3)
Depreciation and amortisation	(145)	(76)	(25)	(44)	–	–
Operating profit	362	201	140	28	–	(7)
Income from associate	12	–	–	–	12	–
Finance income	7	–	7	–	–	–
Finance cost (excluding intersegment loan interest)	(74)	(28)	(33)	(7)	–	(6)
Total finance cost	(74)	(44)	(33)	(7)	–	10
Elimination of intersegment loan interest	–	16	–	–	–	(16)
Taxation	(64)	(32)	(32)	–	–	–
Segment result	243	141	82	21	12	(13)
At 31 March 2017						
Investments in associates	461	2	–	–	459	–
Investments in joint ventures	4	–	4	–	–	–
Capital expenditure	251	128	70	53	–	–
Total segment assets	7 422	4 258	676	1 987	459	42
Total segment liabilities (excluding intersegment loan)	3 258	2 235	650	372	–	1
Total liabilities from reportable segment	4 163	3 140	650	372	–	1
Elimination of intersegment loan	(905)	(905)	–	–	–	–

	2018 £'m	2017 £'m
The total non-current assets, excluding financial instruments and deferred tax assets per geographical location are:		
Switzerland	**2 958**	3 700
Southern Africa	**498**	453
Middle East	**1 549**	1 712
United Kingdom	**348**	459

ENTITY-WIDE DISCLOSURES

Revenue		
From UK	**–**	–
From foreign countries	**2 870**	2 749

Revenues from external customers are primarily from hospital services.

The total non-current assets, excluding financial instruments and deferred tax assets:		
From UK	**348**	459
From foreign countries	**5 005**	5 865

6. PROPERTY, EQUIPMENT AND VEHICLES

	2018 £'m	2017 £'m
Land – cost	**864**	911
Buildings	**2 184**	2 294
Cost	**2 509**	2 512
Accumulated depreciation and impairment	**(325)**	(218)
Land and buildings	**3 048**	3 205
Capital expenditure in progress	**181**	113
Equipment	**306**	328
Cost	**810**	795
Accumulated depreciation	**(504)**	(467)
Furniture and vehicles	**55**	57
Cost	**224**	218
Accumulated depreciation	**(169)**	(161)
	3 590	3 703

	Land and buildings £'m	Capital expenditure in progress £'m	Equipment £'m	Furniture and vehicles £'m	Total £'m
Net book value at 1 April 2016	2 771	131	251	46	3 199
Additions	57	77	83	22	239
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
Additions	**39**	**107**	**55**	**22**	**223**
Depreciation	**(39)**	**–**	**(70)**	**(23)**	**(132)**
Business combinations	**103**	**–**	**7**	**–**	**110**
Prior year capital expenditure completed	**28**	**(32)**	**3**	**1**	**–**
Impairment	**(84)**	**–**	**–**	**–**	**(84)**
Transfer to assets held for sale	**–**	**–**	**(1)**	**–**	**(1)**
Exchange differences	**(204)**	**(7)**	**(16)**	**(2)**	**(229)**
Net book value at 31 March 2018	**3 048**	**181**	**306**	**55**	**3 590**

	2018 £'m	2017 £'m
Total additions	**223**	239
To maintain operations	**98**	105
To expand operations	**125**	134

6. PROPERTY, EQUIPMENT AND VEHICLES (continued)

Property, equipment and vehicles with a book value of £2 594m (2017: £2 731m) are encumbered as security for borrowings (see note 17).

Included in equipment is capitalised finance lease equipment with a book value of £2m (2017: £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.

Property, equipment and vehicles are considered for impairment if impairment indicators are identified at an individual CGU level. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Group defines CGUs as combined inter-dependent hospitals and/or clinics or as individual hospitals depending on the geographical location or the degree of integration.

The impairment assessment is performed at CGU level and any impairment charge that arises would be allocated to the CGU's goodwill first, followed by other assets (such as property, equipment and vehicles and other intangible assets).

Impairment of properties in Swiss CGU

During the year, the CGUs in the Switzerland segment were tested for impairment due to changes in the market and regulatory environment in which the CGUs operate (refer to note 7 for further information about these changes). The recoverable amounts of the CGUs were based on their value in use calculations, which were determined by discounting the future cash flows that are expected to be generated from continuing use of the CGUs. The recoverable amount is the higher of the CGU's fair value less costs to sell and value in use which amounted to £448m. In determining the value in use for the CGUs, the cash flows were discounted at rates between 4.9% and 5.1%. Beyond five years, the cash flows were extrapolated using a 1.6% (2017: 1.6%) growth rate. The carrying value of one CGU was determined to be higher than its recoverable amount and as a result an impairment charge of £84m was recognised in the income statement.

7. INTANGIBLE ASSETS

	2018 £'m	2017 £'m
Goodwill	**1 253**	1 715
Cost	**1 553**	1 715
Accumulated impairment	**(300)**	–
Trade names	**83**	377
Cost	**386**	399
Accumulated amortisation and impairment	**(303)**	(22)
Computer software	**48**	38
Cost	**91**	73
Accumulated amortisation	**(43)**	(35)
Leases	**22**	26
Cost	**24**	27
Accumulated amortisation	**(2)**	(1)
	1 406	2 156

7. INTANGIBLE ASSETS (continued)

	Goodwill £'m	Trade names £'m	Computer software £'m	Leases* £'m	Total £'m
Net book value at 1 April 2016	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
Additions	**–**	**–**	**22**	**–**	**22**
Amortisation	**–**	**(24)**	**(11)**	**(1)**	**(36)**
Business combinations	**13**	**17**	**–**	**–**	**30**
Disposal of subsidiaries	**(3)**	**–**	**–**	**–**	**(3)**
Impairment	**(300)**	**(260)**	**–**	**–**	**(560)**
Exchange differences	**(172)**	**(27)**	**(1)**	**(3)**	**(203)**
Net book value at 31 March 2018	**1 253**	**83**	**48**	**22**	**1 406**

* *Relates to favourable lease contracts on buildings. The leases are characterised by fixed annual rent with no annual rent escalations for majority of the contract.*

Critical accounting estimates and judgements

The Group tests annually whether goodwill and the indefinite useful life intangible assets, resulting from the Al Noor and Hirslanden acquisitions, have suffered any impairment. The recoverable amounts of CGUs have been determined based on value in use calculations. These calculations require the use of estimates in respect of growth and discount rates and assume a stable regulatory environment. Regulatory environments are subject to uncertainties that can have an impact on goodwill and the intangible assets' carrying value.

IFRS requires the impairment assessment to be performed at the level at which goodwill and trade names are 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 operating division level. This means that for the Mediclinic Middle East division, 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 division. 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 Hirslanden trade name cannot be allocated on a reasonable and consistent basis to the CGUs that consists of individual hospitals (refer to note 6). As a result, it is viewed as a corporate asset and the carrying amount of the net assets of the group of CGUs (including the allocation of trade name) is tested for impairment at Hirslanden operating division level alongside the related goodwill.

The estimation of the indefinite useful life of the Hirslanden trade name was previously 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. The useful lives of both the Hirslanden trade name and the other Swiss trade names were considered as part of the annual impairment test and were subsequently changed from indefinite useful lives to finite useful lives effective 31 March 2018. The respective useful lives of the Hirslanden trade name and the other Swiss trade names were determined based on an analysis of relevant factors, such as the effect of technological changes on the delivery of healthcare services, patient attendance, the effect of regulatory changes in healthcare and the possible actions by competitors. Based on the analysis, a useful life of 75 years was allocated to the remaining Hirslanden trade name and a useful life of 25 years was allocated to the other Swiss trade names reflecting the relative significance, geographical coverage and longevity of the Group's trade names in Switzerland. The impact going forward is approximately an additional £2m annual amortisation charge. 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 Group tests goodwill and indefinite useful life trade names for impairment on an annual basis or more frequently if there are indications that these assets may be impaired. The annual impairment assessment is performed at year end when the budget process is finalised. The Group's impairment assessment compares the carrying value of the group of CGUs with its recoverable amount. The group of CGUs for goodwill impairment assessment purposes are identified on a segmental or operating division level in terms of IFRS 8.

The recoverable amount of a group of CGUs is determined by its value in use which is derived from discounted cash flow calculations. The key inputs to its calculations are described below.

Forecasts

The Group's operating divisions are required to submit budgets for the next financial year and forecasts for the following four years, which are approved by the Board. Future earnings in the value in use calculation are based on these budgets and forecasts that is calculated on a per hospital basis and considers both internal and external market information. These budgets and forecasts represent management's best view of future revenues and cash flows.

Growth rates

Growth rates are determined from budgeted and forecasted revenue. Terminal growth rates are country specific and determined based on the forecast market growth rates and considers long term inflation. A stable regulatory and tariff environment is assumed. Growth rates have been benchmarked against external data for the relevant markets.

Discount rates

The weighted average cost of capital ("**WACC**") was determined by considering the respective debt and equity costs and ratios. The discount rate is based on the risk-free rate for government bonds adjusted for a risk premium to reflect the increased risk of investing in equities. Discount rates are lower for the operating divisions which operate in more mature markets with low inflation and higher for those operating in markets with a higher inflation. Discount rates reflect the time value and the risks associated with the segment or operating division cash flows. The assumptions used in the calculation of the discount rate are benchmarked to externally available data.

The impairment calculations indicated that there was impairment in the carrying value of the Hirslanden goodwill and the Hirslanden indefinite useful life trade name. The calculation for the Mediclinic Middle East goodwill indicated no impairment.

Impairment of the Hirslanden goodwill and the Hirslanden indefinite useful life trade name

The recoverable amount of the Hirslanden group of CGUs was based on its value in use and amounted to £3 240m. This was determined by discounting the future cash flows to be generated from the continuing use of the Hirslanden group of CGUs. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use.

Regulatory changes implemented on 1 January 2018 (new TARMED tariffs and regulations that require enhanced outmigration of medical treatments) as well as the changing market in Switzerland had a significant impact on the Hirslanden value in use calculation both for the five year forecast period as well as the determination of the terminal value. As a result, the carrying amount of the group of CGUs was determined to be higher than its recoverable amount and an impairment of £300m and £260m was recognised against goodwill and the trade name, respectively.

Impairment testing of Hirslanden goodwill and indefinite useful life trade names

The Hirslanden goodwill of £nil (2017: £307m) originated mainly from the Hirslanden business combination and other smaller business combinations (refer to note 29). The Hirslanden trade name of £37m (2017: £319m) originated from the Hirslanden business combination. Key assumptions used for the value in use calculations for the annual impairment testing were as follows:

Discount rates – The discount rate applied to cash flow projections is 5.0% (2017: 4.7%).

Growth rates – The terminal growth rate beyond five years are extrapolated using a 1.6% (2017: 1.6%) growth rate.

7. INTANGIBLE ASSETS (continued)

Impairment testing of Hirslanden goodwill and indefinite useful life trade names (continued)

Forecasts – In comparison with the prior year, forecasted cash flows were adjusted downwards as a result of changes in the regulatory and market environment (including new TARMED tariffs and regulations that require enhanced outmigration of medical treatments).

The carrying amount of the goodwill and Hirslanden indefinite useful life trade name was impaired during the year. The impairment charge recognised in the income statement consisted of £300m for the impairment of goodwill and £260m for the impairment of the Hirslanden indefinite useful life trade name.

Impairment testing of Mediclinic Middle East goodwill

The Mediclinic Middle East goodwill with a carrying amount of £1 245m (2017: £1 401m) originated mainly from the Al Noor Hospital Group plc (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:

Discount rates – The discount rate applied to cash flow projections is 8.7% (2017: 7.8%).

Growth rates – The terminal growth rate beyond five years are extrapolated using a 3.0% (2017: 2.5%) growth rate.

Sensitivity analysis – The recoverable amount calculated based on value in use exceeded the carrying value by approximately £245m (2017: £259m). A fall in growth rate to 1.4% (2017: 1.6%) or a rise in discount rate to 9.6% (2017: 8.5%) would reduce the headroom to nil.

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 was 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 was completed during the current year. Accelerated amortisation of £7m was recognised in the previous financial year and the remainder of the balance of £23m was amortised in the current year.

8. EQUITY ACCOUNTED INVESTMENTS

	2018 £'m	2017 £'m
Investment in associates	**352**	461
Investment in joint venture	**5**	4
	357	465

8.1 Investment in associates

	2018 £'m	2017 £'m
Listed investment	**348**	459
Unlisted investments	**4**	2
	352	461
Reconciliation of carrying value at the beginning and end of the period		
Opening balance	**461**	452
Additional investment in unlisted associate	**2**	1
Share of net profit of associated companies	**3**	12
Impairment of listed associate	**(109)**	–
Dividends received from associated companies	**(5)**	(4)
	352	461

8. EQUITY ACCOUNTED INVESTMENTS (continued)

8.1 Investment in associates (continued)

Set out below are details of the associate which is material to the Group:

	Country of incorporation and place of business	% ownership
Spire Healthcare Group plc (Spire)	**United Kingdom**	**29.9%**

Spire is listed on the London Stock Exchange. It does not issue publicly available quarterly financial information and has a December year-end. The investment in associate was equity accounted for the 12 months to 31 December 2017 (2017: 31 December 2016). No significant events occurred since 1 January 2018 to the reporting date.

Non-contractual relationships with consultants ("**NCRC**") were identified as part of the notional purchase price allocation 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 amounted to £68m at the acquisition date.

During the year, an impairment loss was recognised on the Spire investment. The impairment charge decreased the notional goodwill recognised to £nil (2017: £75m) and the remainder of the impairment charge of £34m decreased the notional NCRC intangible. The carrying amount of the NCRC intangible will be amortised over its remaining useful life. The amortisation charge for the current period is £2m (2017: £4m).

Summarised financial information in respect of the Group's material associate is set out below.

	As at 31 Dec 2017 £'m	As at 31 Dec 2016 £'m
Summarised statement of financial position		
Non-current assets	**1 555**	1 509
Current assets	**179**	215
Total assets	**1 734**	1 724
Non-current liabilities	**(571)**	(567)
Current liabilities	**(125)**	(122)
Net assets	**1 038**	1 035
Mediclinic's effective interest	**29.9%**	29.9%
Mediclinic's effective interest in net assets	**310**	310
Transaction costs capitalised	**10**	10
NCRC	**28**	64
Goodwill	**–**	75
Total carrying value of equity investment	**348**	459
Market value of listed investment at 31 March*	**251**	389
Summarised statement of comprehensive income		
Revenue	**932**	926
Profit from continuing operations	**17**	54
Other comprehensive income	**–**	–
Total comprehensive income	**17**	54

* *The market value of the listed investment on 22 May 2018 was £304m.*

Refer to the Annexure on page 247 for further details of investments in associates.

AR

8. EQUITY ACCOUNTED INVESTMENTS (continued)

8.1 Investment in associates (continued)

Critical accounting estimates and judgements

The Group tests whether equity accounted investments have suffered any impairment when indicators of impairment are identified, in this case the significant and prolonged decline in the fair value of the investment below its carrying 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.

At 30 September 2017, the market value of the investment in Spire was £270m, which was below the carrying value. An impairment test was performed by updating the key assumptions applied in the value in use calculation performed at 31 March 2017. In particular, the Group adjusted the value in use calculation for the guidance announced by Spire in September 2017 about the current financial performance and about the related impact on short- and medium-term growth rates and revisited the other key assumptions in this context. As a result, an impairment loss of £109m was recorded against the carrying value.

At year end, another impairment test, updated for latest guidance announced by Spire in March 2018, was performed and indicated no further impairment losses. The following key assumptions were used in the calculation:

Discount rates – a discount rate of 5% was applied to the discreet period cash flow projections and a discount rate of 7% was applied to the terminal year.

Growth rates – a terminal growth rate of 2.5% was applied in the calculation.

Sensitivity analysis – an increase in the discount rate or a decrease in the growth rate will likely give rise to further impairment as there is little headroom to the current carrying value.

8.2 Investment in joint venture

	2018 £'m	2017 £'m
Reconciliation of carrying value at the beginning and end of the period		
Opening balance	**4**	3
Exchange differences	**1**	1
	5	4

The Group has a 49.9% interest in Wits University Donald Gordon Medical Centre (Pty) Ltd. The unlisted joint venture is accounted for by using its financial information for the 12 months ended 31 December 2017 (2017: 31 December 2016) since it has a different year-end.

AR

Details of the joint venture appear in the Annexure on page 247.

9. OTHER INVESTMENTS AND LOANS

	2018 £'m	2017 £'m
Unlisted – no active market		
Loans and receivables*	**7**	5
Available-for-sale: Shares	**1**	2
Other receivables**	**–**	1
Short-term deposits***	**–**	16
	8	24
Non-current	**7**	8
Current	**1**	16
Total other investments and loans	**8**	24
Other investments and loans are held in the following currencies:		
Swiss franc	**1**	2
South African rand	**7**	5
UAE dirham	**–**	17
	8	24

* *Supported by the underlying business' financial position, the credit quality of the loans is considered satisfactory.*
** *The other receivables relate to prepaid lease agreements in the UAE.*
*** *This related to fixed deposits in the UAE, the maturity date of these deposits were during July 2017.*

10. DEFERRED TAX

The movement on the deferred tax account is as follows:

	2018 £'m	2017 £'m
Opening balance	**506**	430
Income statement charge for the year	**(59)**	21
Provision for the year	**(59)**	24
Previously unused tax losses recognised	**–**	(3)
Exchange differences	**(38)**	46
Business combinations	**20**	–
Charged to other comprehensive income	**16**	9
Balance at the end of the year	**445**	506
Deferred income tax assets	**(22)**	(21)
Deferred income tax liabilities	**467**	527
	445	506

10. DEFERRED TAX (continued)

The deferred tax relating to current assets and current liabilities contain temporary differences that are most likely to realise in the next 12 months. The deferred tax balance comprises 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 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 liabilities at the end of the year					527
At 1 April 2017	**455**	**80**	**7**	**16**	**558**
Credited to the income statement	**(10)**	**(55)**	**–**	**(1)**	**(66)**
Business combinations	**17**	**5**	**–**	**–**	**22**
Exchange differences	**(30)**	**(7)**	**–**	**(1)**	**(38)**
At 31 March 2018	**432**	**23**	**7**	**14**	**476**
Set-off of deferred tax liabilities pursuant to set-off provisions					**(9)**
Net deferred tax liabilities at the end of the year					**467**

The impairment of the trade names (£260m) and the impairment of the properties (£84m) lead to the release of deferred tax liabilities in the "Tangible assets" and "Intangible assets" categories of £55m and £13m respectively. Refer to notes 6 and 7 regarding the impairment charge recognised.

	Current assets £'m	Provisions and others £'m	Long-term liabilities £'m	Derivatives £'m	Tax losses carried forward £'m	Total £'m
Deferred tax assets						
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)
At 1 April 2017	**(2)**	**(7)**	**(25)**	**(2)**	**(16)**	**(52)**
(Credited)/charged to the income statement	**–**	**(2)**	**–**	**1**	**8**	**7**
Charged to other comprehensive income	**–**	**–**	**15**	**1**	**–**	**16**
Business combinations	**–**	**–**	**(2)**	**–**	**–**	**(2)**
At 31 March 2018	**(2)**	**(9)**	**(12)**	**–**	**(8)**	**(31)**
Set-off of deferred tax assets pursuant to set-off provisions						**9**
Net deferred tax assets at the end of the year						**(22)**

10. DEFERRED TAX (continued)

Critical accounting estimates and judgements

Recognition of deferred tax assets

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 reconsidered at each balance sheet date.

At 31 March 2018, the Group had unutilised tax losses of approximately £96m (2017: £121m) potentially available for offset against future profits. A deferred tax asset of £8m (2017: £16m) 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 relate to Switzerland, which expire after seven years. Their utilisation is dependent on the profitability of the related 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:

	2018 £'m	2017 £'m
Unused tax losses not recognised as deferred tax assets		
Expiry in 1 year	**–**	1
Expiry in 2 years	**18**	–
Expiry in 3 to 7 years	**5**	13
No expiry	**40**	33
	63	47

Deferred tax on unremitted earnings

The Group recognised a deferred tax liability of £1m (2017: £nil) in respect of temporary differences relating to unremitted earnings. This liability relates to non-resident shareholder tax of the Group's Namibian subsidiaries and the amount is included in the "provisions and other" category of deferred tax liabilities above. No deferred tax liability has been recognised for the other foreign subsidiaries and equity accounted investments of the Group where the Group is able to control the timing of any distributions and it is not probable that any distributions will be made 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 616m (2017: £1 518m). 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 neither should there be any tax liability on the receipt of these dividends. 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 withholding 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

	2018 £'m	2017 £'m
Inventories consist of:		
Pharmaceutical products	**80**	79
Consumables	**10**	10
Finished goods and work in progress	**–**	1
	90	90

The cost of inventories recognised as an expense and included in cost of sales amounted to £683m (2017: £630m).

12. TRADE AND OTHER RECEIVABLES

	2018 £'m	2017 £'m
Trade receivables	**485**	466
Less provision for impairment of receivables	**(45)**	(41)
Trade receivables – net	**440**	425
Other receivables*	**167**	166
	607	591

* *Included in other receivables are Swiss unbilled services of £79m (2017: £79m). 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:

	2018 £'m	2017 £'m
Swiss franc	**380**	379
South African rand	**90**	83
UAE dirham	**137**	129
	607	591

Trade receivables to the value of £61m (2017: £53m) have been ceded as security for banking facilities.

Included in the Group's trade receivables balance are trade receivables with a carrying value of £167m (2017: £165m) 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:

	2018 £'m	2017 £'m
Up to 3 months	**90**	106
Between 3 and 6 months	**41**	40
Over 6 months	**36**	19
	167	165

12. TRADE AND OTHER RECEIVABLES (continued)

	2018 £'m	2017 £'m
Movement in the provision for impairment of receivables		
Opening balance	**41**	19
Provision for receivables impairment	**23**	26
Exchange differences	**(10)**	11
Amounts written off as uncollectable	**(9)**	(15)
Balance at the end of the year	**45**	41

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).

13. SHARE CAPITAL

	2018 £'m	2017 £'m
Issued share capital		
Share capital	**74**	74
Share premium	**690**	690
Treasury shares	**(1)**	(2)
	763	762

Ordinary Shares	**2018**	2017
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.

13. SHARE CAPITAL (CONTINUED)

Treasury Shares	Number of shares	Total £'m
At 1 April 2016	272 781	(2)
Utilised by the Mpilo Trusts	(1 161)	–
At 31 March 2017	271 620	(2)
Vesting of Forfeitable Share Plan	**(137 948)**	**1**
At 31 March 2018	**133 672**	**(1)**
The balance of the treasury shares comprise:		
Forfeitable Share Plan	**101 342**	
Mpilo Trusts	**32 330**	
	133 672	

Subscriber Shares – fully paid up	2018	2017
Number of shares in issue	**–**	10
Nominal value (pence)	**–**	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.

The Subscriber Shares were cancelled during the year.

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 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.

14. OTHER RESERVES

	2018 £'m	2017 £'m
Other reserves comprise of:		
Equity-settled share-based payment reserves (refer to note 15)	**1**	24
Foreign currency translation reserve	**468**	779
Hedging reserve	**5**	4
Reverse acquisition reserve*	**(3 014)**	(3 014)
Capital redemption reserve**	**6**	6
	(2 534)	(2 201)
Movements in other reserves		
Equity-settled share-based payment reserves (refer to note 15)	**1**	24
Opening balance	**24**	24
Share-based payment expense	**1**	–
Settlement of Forfeitable Share Plan	**(1)**	–
Transfer to retained earnings	**(23)**	–
Foreign currency translation reserve	**468**	779
Opening balance	**779**	407
Currency translation differences	**(311)**	372
Hedging reserve	**5**	4
Opening balance	**4**	4
Fair value adjustments of cash flow hedges, net of tax	**1**	–

Reverse acquisition

During February 2016, Mediclinic completed the combination between Al Noor Hospitals Group plc (Al Noor) and Mediclinic International Limited. The combination was classified as a reverse acquisition.

* *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.*

** *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 was paid up capital of the Company.*

15. SHARE-BASED PAYMENTS

	2018 £'m	2017 £'m
Equity-settled share-based payment reserve (refer to note 14 and 15.1)	**1**	24
Cash-settled share-based payment liability (refer to note 15.2)	**1**	1
Total share-based payment reserves and liabilities	**2**	25

15.1 Equity settled share-based payment arrangements

	2018 £'m	2017 £'m
The balance of the equity-settled share-based payment reserve comprise:		
Executive share option scheme*	**–**	1
Forfeitable Share Plan	**1**	1
Al Noor share option scheme*	**–**	(2)
Mpilo trusts (employee share trusts)*	**–**	17
Strategic South African black partners*	**–**	7
	1	24
Expenses arising from equity-settled share-based payment transactions		
Forfeitable Share Plan	**1**	–
	1	–

* *During the financial year, the balance of the reserve relating to the executive share option scheme, the Al Noor share option scheme, the Mpilo Trusts and the strategic South African black partners were transferred to retained earnings. These share-based payment arrangements were settled in the previous financial years.*

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 Al Noor, the performance conditions of FSP have been finalised to the extent that the performance conditions were met as at 30 September 2015. The performance conditions constitute a combination of: absolute total shareholder return ("**TSR**") (40% weighting) and adjusted diluted headline earnings per share (60% weighting). The vesting of the shares granted in 2015 are subject to continued employment. The remaining shares will vest after the vesting period has lapsed in June 2018.

	Weighted average fair value at grant date offer price	2018 Number of shares	2017 Number of shares
Opening balance	**R87.41**	**239 290**	239 290
Granted		**–**	–
Shares sold		**–**	–
Vested		**(137 948)**	–
Closing balance		**101 342**	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 were used with the valuation of the scheme: risk-free rate of 7.49%, dividend yield of 1.0% and volatility of 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.

15. SHARE-BASED PAYMENTS (continued)

15.2 Cash-settled share-based payment arrangements

Long-term incentive plan ("LTIP") awards

The LTIP awards are 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 adjusted earnings per share (60% weighting).

	2018 £'m	2017 £'m
Opening balance	**1**	–
Share-based payment expense*	**–**	1
Benefits paid	**–**	–
Closing balance	**1**	1

* *Amount is less than £0.5m.*

A reconciliation of the movement in the LTIP award units is detailed below:

	Average price (pence)	**2018 Number of shares**	2017 Number of shares
Opening balance		**284 011**	–
Granted	**781 – 1 059**	**593 492**	287 694
Vested	**809 – 1 000**	**(1 657)**	(3 683)
Lapsed		**–**	–
Closing balance		**875 846**	284 011

Valuation assumptions relating to the outstanding units:

	2017 LTIP allocation	2016 LTIP allocation
Grant date	**1 June 2017**	14 June 2016*
Vesting date	**1 June 2020/2022*** **	14 June 2019/2021**
Outstanding units	**593 492**	271 579
Closing share price	**601**	601
Risk-free interest rate	**0.82% – 1.01%**	0.74% – 0.89%
Expected dividend yield	**0.0%**	0.0%
Volatility	**34.7%**	34.7%

* *49 281 units were allocated on 1 August 2016*
** *101 376 units vests on 31 July 2018 and 49 281 units vests on 14 June 2021*
*** *129 626 units vests on 31 July 2018 and 65 263 units vests on 1 June 2022*

Certain awards were also granted to management that were subject only to service conditions. These awards were granted on 1 September 2016 and vest on different dates between 1 September 2016 and 14 June 2019. The total number of these awards granted was 16 115. Of these awards, 3 683 vested in 2017 and 1 657 units of these awards vested in 2018.

16. NON-CONTROLLING INTERESTS

	2018 £'m	2017 £'m
Opening balance	**78**	61
Transactions with non-controlling shareholders*	**1**	(4)
Dividends to non-controlling shareholders	**(10)**	(9)
Non-controlling shareholders derecognised on disposal of subsidiaries	**(1)**	–
Share of total comprehensive income	**19**	30
Share of profit	**18**	14
Currency translation differences	**1**	16
Non-controlling interest	**87**	78

* *In the prior year, the statement of cash flows includes an amount of £15m relating to the acquisition of non-controlling interest. Included in this amount is £14m which relates to the acquisition of the minority share in Al Madar Medical Centre LLC in the prior year.*

Details of non-wholly-owned subsidiaries that have material non-controlling interests ("**NCIs**"):

	2018	2017
Mediclinic (Pty) Ltd**		
Ownership interest held by NCI	**3.6%**	3.7%
Accumulated non-controlling interests in statement of financial position	**7**	7
Profit allocated to non-controlling interests	**2**	2
Curamed Holdings (Pty) Ltd (group)**		
Ownership interest held by NCI	**30.4%**	30.4%
Accumulated non-controlling interests in statement of financial position	**22**	21
Profit allocated to non-controlling interests	**4**	4

** *Place of business: South Africa*

16. NON-CONTROLLING INTERESTS (continued)

Summarised financial information in respect of the Group's subsidiaries that has material NCIs is set out below. The summarised financial information below represents amounts before inter-group eliminations.

	2018 £'m	2017 £'m
Mediclinic (Pty) Ltd		
Non-current assets	**168**	167
Current assets	**158**	129
Non-current liabilities	**(36)**	(32)
Current liabilities	**(161)**	(150)
Revenue	**391**	350
Profit for the year	**39**	38
Other comprehensive income	**–**	–
Total comprehensive income	**39**	38
Net cash inflow from operating activities	**62**	55
Net cash outflow from investing activities	**(15)**	(27)
Net cash outflow from financing activities	**(45)**	(27)
Net cash inflow	**1**	1
Curamed Holdings (Pty) Ltd (group)		
Non-current assets	**50**	37
Current assets	**38**	45
Non-current liabilities	**(3)**	(3)
Current liabilities	**(12)**	(12)
Revenue	**66**	60
Profit for the year	**13**	13
Other comprehensive income	**–**	–
Total comprehensive income	**13**	13
Net cash inflow from operating activities	**15**	16
Net cash outflow from investing activities	**(14)**	(9)
Net cash outflow from financing activities	**(8)**	(7)
Net cash outflow	**(7)**	–

17. BORROWINGS

	2018 £'m	2017 £'m
Bank loans	**1 559**	1 642
Preference shares	**200**	199
Listed bonds	**176**	189
Other liabilities	**2**	–
	1 937	2 030
Non-current borrowings	**1 866**	1 961
Current borrowings	**71**	69
Total borrowings	**1 937**	2 030

17. BORROWINGS (continued)

		2018 £'m Non-current	2018 £'m Current	2017 £'m Non-current	2017 £'m Current
Swiss operations (denominated in Swiss franc)					
Secured bank loan one[1]	These loans bear interest at variable rates linked to the 3M LIBOR plus 1.25% (2017: 3M LIBOR plus 1.5% and 2.85%) and are repayable by 16 October 2023. The non-current portion includes capitalised financing costs of £11m (2017: £22m).	**1 085**	**26**	1 138	40
Secured bank loan two[1]	These loans were acquired as part of the Linde acquisition and bear interest linked to the 3M LIBOR plus 0.92% and are repayable during May 2023.	**13**	**–**	–	–
Secured bank loan three[2]	This fixed interest mortgage loan was acquired as part of the Linde acquisition and bears interest at 0.9% compounded quarterly. The loan is repayable by December 2023.	**7**	**–**	–	–
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.	**176**	**–**	189	–
Secured long term finance[3]	These liabilities bear interest at variable rates ranging between 1% and 12% (2017: 8% and 12%) and are repayable in equal monthly payments in periods ranging from one to five years.	**1**	**1**	–	–
Balance carried forward		**1 282**	**27**	1 327	40

[1] The loan is secured by Swiss properties with a book value of £2 326m (2017: £2 483m) and Swiss bank accounts with a book value of £64m (2017: £142m).

[2] These loans are secured by mortgage notes on the properties and buildings of the Linde Group.

[3] Equipment with a book value of £2m (2017: £1m) is encumbered as security for these loans.

17. BORROWINGS (continued)

		2018 £'m Non-current	2018 £'m Current	2017 £'m Non-current	2017 £'m Current
Balance carried forward		**1 282**	**27**	1 327	40
Southern African operations (denominated in South African rand)					
Secured bank loan one[4]	The loan bears interest at the 3 month JIBAR variable rate plus a margin of 1.51% (2017: 1.51%) compounded quarterly, and is repayable on 3 June 2019.	**208**	**2**	206	1
Secured bank loan two[4]	The loan bears interest at the 3 month JIBAR variable rate plus a margin of 1.69% (2017: 1.69%) compounded quarterly and is repayable on 15 December 2020.	**73**	**-**	72	–
Secured bank loan three[4]	The loan bears interest at the 3 month JIBAR variable rate plus a margin of 1.06% (2017: 1.06%) compounded quarterly. The remaining amount was repaid on 9 October 2017.	**-**	**-**	–	7
Secured bank loan four[5]	These loans bear interest at variable rates linked to the prime overdraft rate and are repayable in periods ranging between one and twelve years.	**6**	**2**	4	1
Preference shares[4]	Dividends are payable monthly at a rate of 69% of prime interest rate (10.0%) (2017: 10.5%). The outstanding balance will be redeemed on 3 June 2019.	**108**	**1**	108	1
Preference shares	Dividends are payable semi-annually at a rate of 73% of the prime interest rate (10.0%) (2017: 10.5%). The amount is repayable on 29 June 2020.	**91**	**-**	90	–
Middle East operations (denominated in UAE dirham)					
Secured bank loan one[6]	The loan bears interest at variable rates linked to the 3M LIBOR and a margin of 2.50% (2017: 2.75%) with respective 4-year and 5-year amortising terms, expiring in June 2020 and May 2021.	**98**	**39**	154	19
		1 866	**71**	1 961	69

[4] *Property and equipment with a book value of £251m (2017: £231m) are encumbered as security for these loans. Cash and cash equivalents of £34m (2017: £9m) and trade receivables of £60m (2017: £52m) have also been ceded as security for these borrowings.*

[5] *Property, equipment and vehicles with a book value of £15m (2017: £16m) are encumbered as security for these loans. Net trade receivables of £1m (2017: £1m) have also been ceded as security for these loans.*

[6] *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.*

17. BORROWINGS (continued)

On 16 October 2017, Hirslanden signed a new facility agreement for the secured bank loans. The financing amounts to £1.5bn (CHF2bn), including a £1.2bn (CHF1.5bn) term loan, £308m (CHF400m) capex facility and £77m (CHF100m) revolving facility. The effective date for funding and closing is 31 October 2017.

The refinancing agreement in Hirslanden has been treated as an extinguishment of the original financial liability due to the substantial modifications of the terms (including the term of the financing and the margin). As a result, the original financial liability was derecognised and a new financial liability was recognised. The unamortised portion of the capitalised finance cost of the original agreement of £19m was derecognised as a result of the extinguishment of the liability (refer to note 24).

18. RETIREMENT BENEFIT OBLIGATIONS

	2018 £'m	2017 £'m
Statement of financial position obligations for:		
Swiss pension benefit obligation	**4**	73
South African post-retirement medical benefit obligation	**40**	35
UAE end-of-service benefit obligation	**52**	56
	96	164
Total retirement benefit obligations	**96**	164
Short-term portion of retirement benefit obligations	**(10)**	(10)
Non-current retirement benefit obligations	**86**	154
Total amount charged to the income statement:		
Swiss pension benefit obligation	**34**	23
South African post-retirement medical benefit obligation	**6**	5
UAE end-of-service benefit obligation	**9**	8
	49	36
Total amount credited to the other comprehensive income:		
Swiss pension benefit obligation	**(74)**	(45)
South African post-retirement medical benefit obligation	**–**	–
UAE end of service benefit obligation	**(2)**	2
	(76)	(43)

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 and can have a material impact on the valuations. Details of the key assumptions for each relevant obligation, together with the sensitivities of the carrying value of the obligations, are disclosed below.

18. RETIREMENT BENEFIT OBLIGATIONS (continued)

(a) Swiss pension benefit obligation

The Group's Swiss operations has six 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)
- Privatklinik Linde AG; Pension fund at foundation Gemini (cash balance plan)
- Röntgeninstitut Cham AG; Pension fund at foundation Swisscanto (cash balance plan)

Swiss pension benefit obligation	**2018 £'m**	2017 £'m
Statement of financial position		
Amounts recognised in the statement of financial position are as follows:		
Present value of funded obligations	**1 045**	1 086
Fair value of plan assets	**(1 041)**	(1 013)
Net pension liability	**4**	73
The movement in the defined benefit obligation over the period is as follows:		
Opening balance	**1 086**	949
Current service cost	**37**	35
Interest cost	**6**	4
Past service cost	**(4)**	(13)
Employee contributions	**34**	30
Benefits paid	**(35)**	(16)
Business combinations	**39**	–
Actuarial gain	**(45)**	(3)
Exchange differences	**(73)**	100
Balance at the end of the year	**1 045**	1 086
The movement of the fair value of plan assets over the period is as follows:		
Opening balance	**1 013**	830
Employer contributions	**38**	35
Plan participants contributions	**34**	30
Benefits paid from fund	**(35)**	(16)
Business combinations	**28**	–
Interest income on plan assets	**6**	4
Return on plan assets greater than discount rate	**29**	42
Administration costs	**(1)**	(1)
Exchange differences	**(71)**	89
Balance at the end of the year	**1 041**	1 013

STRATEGIC REPORT
GOVERNANCE AND REMUNERATION
GROUP FINANCIAL STATEMENTS
FINANCIAL STATEMENTS
ADDITIONAL INFORMATION

18. RETIREMENT BENEFIT OBLIGATIONS (continued)

Swiss pension benefit obligation (continued)	2018 £'m	2017 £'m
Statement of financial position (continued)		
Net pension liability reconciliation		
Opening net liability	**73**	119
Expenses recognised in the income statement	**34**	23
Contributions paid by employer	**(38)**	(35)
Business combinations	**11**	–
Exchange differences	**(2)**	11
Actuarial gain	**(74)**	(45)
Closing net liability	**4**	73
Statement of other comprehensive income		
Amounts recognised in other comprehensive income are as follows:		
Actuarial loss – experience	**(6)**	(9)
Actuarial gain due to liability assumption changes	**51**	12
Return on plan assets greater than discount rate	**29**	42
Total other comprehensive income	**74**	45
Income statement		
Amounts recognised in the income statement are as follows:		
Current service cost	**37**	35
Past service cost	**(4)**	(13)
Interest on liability	**6**	4
Interest on plan assets	**(6)**	(4)
Administration cost	**1**	1
	34	23
Actual return on plan assets	**35**	46
Principal actuarial assumptions on statement of financial position		
Discount rate	**0.75%**	0.55%
Future salary increases	**1.75%**	1.50%
Future pension increases	**0.00%**	0.00%
Inflation rate	**1.25%**	1.00%
Number of plan members		
Active members	**9 168**	8 969
Pensioners	**844**	744

18. RETIREMENT BENEFIT OBLIGATIONS (continued)

Swiss pension benefit obligation (continued)	2018 £'m	2018 %	2017 £'m	2017 %
Asset allocation				
Quoted investments				
Fixed income investments	**352**	**33.8%**	338	33.4%
Equity investments	**247**	**23.7%**	255	25.2%
Real estate	**28**	**2.7%**	60	5.9%
Other	**138**	**13.3%**	98	9.7%
	765	**73.5%**	751	74.1%
Non-quoted investments				
Fixed income investments	**4**	**0.4%**	3	0.3%
Equity investments	**13**	**1.2%**	12	1.2%
Real estate	**207**	**19.9%**	181	17.9%
Other	**52**	**5.0%**	66	6.5%
	276	**26.5%**	262	25.9%
	1 041	**100.0%**	1 013	100.0%

Assumptions and sensitivity analysis

Impact on defined benefit obligation	Base assumption	Change in assumption	Increase	Decrease
Discount rate	**0.75%**	**0.25%**	**(2.6%)**	**2.7%**
Salary growth rate	**1.75%**	**0.50%**	**0.8%**	**(0.8%)**
Pension growth rate	**0.00%**	**0.25%**	**2.3%**	**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**	**2.0%**	**(2.0%)**

The Group accounts for actuarially determined future pension benefits and provides for the expected liability in the statement of financial position. The assumptions used to calculate the expected liability are based on actuarial advice. The discount rate is based on market yields obtained on high quality corporate bonds that have durations consistent with the term of the obligation. It has been assumed that salary growth rate will take place at a rate in line with price inflation.

The above sensitivity analyses 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.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

18. RETIREMENT BENEFIT OBLIGATIONS (continued)

(a) Swiss pension benefit obligation (continued)

Assumptions and sensitivity analysis (continued)

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 12.9 years (2017: 13.6 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 2018				
Defined benefit obligation	**73**	**219**	**877**	**1 169**
31 March 2017				
Defined benefit obligation	73	220	898	1 191

Pension plan results

The assumptions underlying the valuation of the Swiss pension obligation were reassessed during the year and as a result the following adjustments were made:

- The discount rate used to value plan obligations has changed from 0.55% to 0.75%.
- The assumed underlying inflation rate was increased from 1.00% to 1.25%, impacting the salary increase rate.
- The future mortality improvement rates have been based on the 2016 CMI mortality improvement rates with a 1.25% long-term trend rate.

The change in the above mentioned assumptions coupled with an increase in the fair value of the plan assets resulted in a decrease of the net liability after taking into account the additional defined benefit liability of £11m acquired through business combinations (refer to note 29).

Additional information on Swiss defined benefit pension plans

Additional information are provided for the largest two Swiss defined benefit pension plans:

Pensionskasse Hirslanden

For employees of Hirslanden Group in Switzerland, the Pensionskasse Hirslanden ("**PH**") Fund provides post-employment, death-in-service and disability benefits in accordance with the Federal Law on Occupational Old-age, Survivor's and Disability Insurance (German: BVG). PH Fund is a foundation and an entity legally separate from Hirslanden Group. The PH Fund's governing body is composed 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 PH 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 investment strategy complies with the legal guidelines and is relatively conservative. Alternative investments and unhedged foreign currency positions are rare.

The benefits of the pension plan 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.

18. RETIREMENT BENEFIT OBLIGATIONS (continued)

(a) Swiss pension benefit obligation (continued)

Additional information on Swiss defined benefit pension plans (continued)

Pensionskasse Hirslanden (continued)

If an employee leaves Hirslanden Group or the pension plan respectively before reaching retirement age, the law provides for the transfer of the vested benefits to the new pension plan. These vested benefits comprise the employee's and the employer's contributions plus interest, the money originally brought in to the pension plan by the beneficiary. On reaching retirement age, the plan participant may decide whether to withdraw the benefits in the form of an annuity or (partly) as a lump-sum payment. The pension law requires adjusting pension annuities for inflation depending on the financial condition of the pension fund. Although the pension plan is fully funded at present in accordance with the pension law, the financial situation of the PH Fund will not allow for inflation adjustments.

The pension law in Switzerland envisages that benefits provided by a pension fund are fully financed through the annual contributions defined by the regulations. If insufficient investment returns or actuarial losses lead to a plan deficit as defined by the pension law, the governing body is legally obliged to take actions to close the funding gap within a period of five years to a maximum of seven years. Besides adjustments to the level of benefits, such actions could also include additional contributions from respective Group companies and the beneficiaries. The current financial situation of the PH Fund does not require such restructuring actions. None of the Group companies benefit from any plan surpluses.

VSAO

For employed physicians of Hirslanden Group in Switzerland, the VSAO Pension Fund provides post-employment, death-in-service and disability benefits in accordance with the Federal Law on Occupational Old-age, Survivor's and Disability Insurance (German: BVG). VSAO Fund is a foundation and an entity legally separate from Hirslanden Group. The Fund's governing body is composed of an equal number of employer and employee representatives. The investment of the plan assets is in accordance with the legal investment guidelines (BVV2).

The benefits of the pension plan 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 by the governing body in accordance with the legal framework (defined contribution, as defined by the occupational pension law).

If an employee leaves Hirslanden Group or the pension plan respectively before reaching retirement age, the law provides for the transfer of the vested benefits to the new pension plan. These vested benefits comprise the employee's and the employer's contributions plus interest, the money originally brought in to the pension plan by the beneficiary. On reaching retirement age, the plan participant may decide whether to withdraw the benefits in the form of an annuity or as a lump-sum payment. The employee's and the employer's contributions are 14% of the insured salary.

The pension law in Switzerland envisages that benefits provided by a pension fund are fully financed through the annual contributions defined by the regulations. If insufficient investment returns or actuarial losses lead to a plan deficit as defined by the pension law, the governing body is legally obliged to take actions to close the funding gap within a period of five years to a maximum of seven years. Besides adjustments to the level of benefits, such actions could also include additional contributions from respective Group companies and the beneficiaries. The current financial situation of the VSAO Pension 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 provides for the expected liability in the statement of financial position. The assumptions used to calculate the expected liability are based on actuarial advice. The discount rate is based on market yields obtained on high quality corporate bonds which have durations consistent with the term of the obligation. It has been assumed that medical inflation will take place at a rate of 2.40% in excess of consumer price inflation.

In the last valuation on 31 March 2018, an 8.10% (2017: 8.65%) medical inflation rate and a 9.10% (2017: 9.60%) discount rate were assumed. The average retirement age was set at 63 years (2017: 63 years).

The assumed rates of mortality are as follows:

- During employment: SA 85/90 tables of mortality
- Post-employment: PA(90) tables

	2018 £'m	2017 £'m
Amounts recognised in the statement of financial position are as follows:		
Opening balance	**35**	24
Amounts recognised in the income statement	**6**	5
Current service cost	**2**	2
Interest cost	**4**	3
Benefits paid	**(1)**	(1)
Exchange differences	**–**	7
Present value of unfunded obligations	**40**	35

Assumptions and sensitivity analysis

Impact on defined benefit obligation	**Base assumption**	**Change in assumption**	**Increase**	**Decrease**
Discount rate	**9.10%**	**0.50%**	**(7.0%)**	**8.0%**
Medical inflation rate	**8.10%**	**1.00%**	**16.0%**	**(13.0%)**

Expected post-employment medical benefits payable for the year ended 31 March 2019 is £1m.

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 Group accounts for actuarially determined future end-of-service benefits and provides for the expected liability in the statement of financial position. The assumptions used to calculate the expected liability are based on actuarial advice. The discount rate is based on market yields obtained on high quality corporate bonds which have durations consistent with the term of the obligation.

	2018	2017
The following are the principal actuarial assumptions:		
Discount rate	**3.4%**	4.0%
Future salary increases	**2.0%**	3.5%
Average retirement age	**60 years**	60 years
Annual turnover rate	**10.3%**	9.3%

	2018 £'m	2017 £'m
Amounts recognised in the statement of financial position are as follows:		
Opening balance	**56**	45
Amounts recognised in the income statement	**9**	8
Current service cost	**7**	6
Interest cost	**2**	2
Contributions	**(6)**	(4)
Disposal of subsidiaries	**–**	(1)
Classified as held for sale	**–**	(1)
Exchange differences	**(5)**	7
Actuarial (gain)/loss recognised in other comprehensive income	**(2)**	2
Present value of unfunded obligations	**52**	56
Current portion of retirement benefit obligations	**10**	10
Non-current retirement benefit obligations	**42**	46
	52	56

18. RETIREMENT BENEFIT OBLIGATIONS (continued)

Assumptions and sensitivity analysis

Impact on defined benefit obligation	Base assumption	Change in assumption	Increase	Decrease
Discount rate	**3.35%**	**1.00%**	**(6.0%)**	**7.0%**
Future salary increases	**2.00%**	**1.00%**	**6.0%**	**(6.0%)**

Expected employer contributions to be paid to the UAE end-of-service benefit obligation for the year ended 31 March 2019 are £11m.

None of the Directors of Mediclinic International plc participate in Swiss pension benefits or the UAE end-of-service benefit. One Executive Director of Mediclinic International plc participates in the South African post-retirement medical benefit obligation.

19. PROVISIONS

	2018 £'m	2017 £'m
Non-current	**23**	23
Employee benefits	**14**	15
Tariff risks	**9**	8
Current	**15**	22
Employee benefits	**2**	2
Legal cases and other	**5**	5
Tariff risks	**8**	15
	38	45

	Employee benefits £'m	Legal cases and other £'m	Tariff risks £'m	Total £'m
Opening balance at 1 April 2016	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
Closing balance at 31 March 2017	17	5	23	45
Charged to the income statement	**2**	**2**	**4**	**8**
Utilised during the year	**(2)**	**(2)**	**(5)**	**(9)**
Unused amounts reversed	**–**	**(1)**	**(5)**	**(6)**
Business combinations	**–**	**–**	**2**	**2**
Exchange differences	**(1)**	**1**	**(2)**	**(2)**
Closing balance at 31 March 2018	**16**	**5**	**17**	**38**

19. PROVISIONS (continued)

(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.

	2018 £'m	2017 £'m
Provisions are expected to be payable during the following financial years:		
Within one year	**15**	22
After one year but not more than five years	**16**	16
More than five years	**7**	7
	38	45

20. DERIVATIVE FINANCIAL INSTRUMENTS

	2018 £'m	2017 £'m
Non-current		
Interest rate swaps – cash flow hedges	**2**	2
	2	2
Current		
Interest rate swaps – cash flow hedges*	**–**	7
	–	7
	2	9

* *Amount is less than £1m in current year.*

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 2018, the Group had ten effective interest rate swap contracts (2017: twelve) 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:

20. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	Borrowings hedged £'m	Fixed interest payable	Interest receivable	Fair value gain/(loss) for the year £'m
31 March 2018				
1 to 3 years*	**222**	**6.9 – 7.7%**	**3 month JIBAR/ 69% of prime interest rate**	**1**
31 March 2017				
1 to 3 years*	184	5.5 – 8.1%	3 month JIBAR/ 69% of prime interest rate	–

* *The interest rate swap agreement resets every three months on 1 June, 1 September, 1 December and 1 March with a final reset on 3 June 2019 for £60m, 2 March 2020 for £30m, 1 June 2020 for £89m and on 1 September 2020 for £42m. There is no ineffective portion recognised in the profit and loss that arises from the cash flow hedges.*

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. During the financial year, as part of the refinance of the Swiss debt, the swap contract was cancelled and an amount of £4m was agreed for the early redemption of the swap.

	2018 £'m	2017 £'m
Opening balance	**(7)**	(19)
Fair value adjustments booked through profit and loss (finance cost)	**4**	13
Settlement of swap	**4**	–
Exchange differences	**(1)**	(1)
Balance at the end of the period	**–**	(7)

21. TRADE AND OTHER PAYABLES

	2018 £'m	2017 £'m
Trade payables	**210**	227
Other payables and accrued expenses	**144**	167
Social insurance and accrued leave pay	**62**	70
Value added tax	**8**	8
	424	472

22. EXPENSES BY NATURE

	2018 £'m	2017 £'m
Fees paid to the Group's auditors for the following services:		
Audit of the parent company and consolidated financial statements	**0.4**	0.3
Audit company subsidiaries	**2.0**	1.8
Audit services	**2.4**	2.1
Audit related services	**0.4**	0.5
Tax advice	**–**	0.4
All other services	**0.2**	0.1
	3.0	3.1
Cost of inventories	**665**	630
Depreciation (note 6)	**132**	119
Buildings	**39**	37
Equipment	**70**	60
Furniture and vehicles	**23**	22
Employee benefit expenses	**1 293**	1 231
Wages and salaries	**1 228**	1 181
Retirement benefit costs – defined contribution plans	**15**	13
Retirement benefit costs – defined benefit obligations (note 18)	**49**	36
Share-based payment expense (note 15)	**1**	1
Increase in provision for impairment of receivables (note 12)	**23**	26
Maintenance costs	**52**	50
Operating leases	**57**	56
Buildings	**54**	53
Equipment	**3**	3
Amortisation of intangible assets (note 7)	**36**	26
Impairments (note 6 and 7)	**644**	–
Impairment of properties	**84**	–
Impairment of goodwill	**300**	–
Impairment of trade names	**260**	–
Other expenses	**255**	244
	3 160	2 385
Classified as:		
Cost of sales	**1 773**	1 696
Administration and other operating expenses	**1 387**	689
	3 160	2 385
Depreciation and amortisation is classified as:		
Cost of sales	**112**	107
Administration and other operating expenses	**56**	38
	168	145
Number of employees	**31 504**	32 625

23. OTHER GAINS AND LOSSES

	2018 £'m	2017 £'m
Release of pre-acquisition Swiss provision	**9**	–
Loss on disposal of subsidiaries	**(7)**	–
Foreign exchange rate losses on corporate transactions	**–**	(3)
Fair value adjustments on derivative contracts	**–**	1
	2	(2)

24. FINANCE COST

	2018 £'m	2017 £'m
Interest expenses	**55**	58
Interest rate swaps	**6**	11
Amortisation of capitalised financing costs	**5**	7
Derecognition of unamortised financing costs	**19**	–
Fair value gains on ineffective cash flow hedges	**(4)**	(13)
Preference share dividend	**15**	12
Less: amounts included in cost of qualifying assets	**(2)**	(1)
	94	74

25. INCOME TAX EXPENSE

	2018 £'m	2017 £'m
Current tax		
Current year	**56**	46
Previous year	**(2)**	(3)
Deferred tax (credit)/charge (note 10)	**(59)**	21
Taxation per income statement	**(5)**	64
Composition		
UK tax	**–**	–
Foreign tax	**(5)**	64
	(5)	64

25. INCOME TAX EXPENSE (continued)

	2018	2017
Reconciliation of rate of taxation:		
UK statutory rate of taxation	**19.0%**	20.0%
Adjusted for:		
Benefit of tax incentives	**0.1%**	(0.2%)
Share of net profit of equity accounted investments	**0.1%**	(0.8%)
Non-deductible expenses[1]	**(18.0%)**	1.8%
Non-controlling interests' share of profit before tax	**0.2%**	(0.3%)
Effect of different tax rates[2]	**0.7%**	0.7%
Effect of differences between deferred and current tax rates[3]	**(0.6%)**	–
Non-recognition of tax losses in current year	**(0.5%)**	0.9%
Recognition/derecognition of tax losses relating to prior years	**(0.2%)**	(0.5%)
Prior year adjustment	**0.3%**	(0.8%)
Effective tax rate[4]	**1.1%**	20.8%

1 *The impact of the following non-deductible expenses on the tax rate was a decrease of 17.3% (£83m):*
- *Impairment of goodwill of £300m was not deductible for tax purposes. The tax effect amounted to £61m (decrease of 12.7% in effective tax rate).*
- *Impairment of the listed associate of £109m was not deductible for tax purposes. The tax effect amounted to £21m (decrease of 4.4% in effective tax rate).*
- *Loss on disposal of subsidiaries of £7m was not deductible for tax purposes. The tax effect amounted to £1m (decrease of 0.2% in effective tax rate).*

2 *The effect of different tax rates can be attributed to the following items:*
- *Accelerated amortisation of £23m (2017: £7m) was recognised on the Al Noor trade names during the year. The profits earned in the UAE are not subject to income tax. The tax effect amounted to £4m (decrease of 0.8% in effective tax rate) (2017: £1m).*
- *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.*

3 *The impairment of the trade names (£260m) and the impairment of the properties (£84m) in Switzerland led to the release of a deferred tax liability of £68m. A reconciling item arises because the tax rate applied in calculating the deferred tax liabilities was lower than the current statutory rate of taxation.*

4 *If the impairment charges (and related deferred tax effect) discussed in point 3 above together with the items listed in points 1 and 2 were excluded from the effective tax rate calculation, the adjusted effective tax rate would be 20.8% (2017: 20.4%). The higher proportional contribution towards profits from the Southern Africa segment increased the adjusted effective tax rate. The adjusted effective tax rate also decreased slightly with the higher proportional contribution towards profits from the Middle East segment.*

The income tax liability includes an amount of approximately £1m (2017: £3m) relating to unresolved tax matters. The range of possible outcomes relating to this liability is not considered to be material.

26. EARNINGS PER ORDINARY SHARE

	2018 £'m	2017 £'m
(Loss)/earnings per ordinary share (pence)		
Basic (pence)	**(66.7)**	31.0
Diluted (pence)	**(66.7)**	31.0
Earnings reconciliation		
(Loss)/profit attributable to equity holders of the Company	**(492)**	229
Adjusted for:		
No adjustments	**–**	–
(Loss)/earnings for basic and diluted earnings per share	**(492)**	229

Number of shares reconciliation	2018 Number of shares	2017 Number of shares
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**	737 243 810
Weighted average number of treasury shares	**(133 672)**	(303 656)
BEE shareholder	**–**	(31 238)
Mpilo Trusts	**(32 330)**	(33 128)
Forfeitable Share Plan	**(101 342)**	(239 290)
	737 110 138	736 940 154
Weighted average number of ordinary shares in issue for diluted earnings per share		
Weighted average number of ordinary shares in issue	**737 110 138**	736 940 154
Weighted average number of treasury shares held not yet released from treasury stock	**133 672**	303 656
BEE shareholder*	**–**	31 238
Mpilo Trusts	**32 330**	33 128
Forfeitable Share Plan	**101 342**	239 290
	737 243 810	737 243 810

* *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.*

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.

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 04/2018 (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:

	2018 £'m	2017 £'m
Headline earnings per share		
(Loss)/earnings for basic and diluted earnings per share	**(492)**	229
Adjustments		
Impairment of equity accounted investment	**109**	–
Impairment of properties and intangible assets	**576**	
Loss on disposal of subsidiaries	**7**	–
Associate's impairment of property, plant and equipment	**3**	–
Headline earnings	**203**	229
Headline earnings per share (pence)	**27.6**	31.0
Diluted headline earnings per share (pence)	**27.6**	31.0

27. OTHER COMPREHENSIVE INCOME

	2018 £'m	2017 £'m
Components of other comprehensive income		
Currency translation differences	**(310)**	388
Fair value adjustments – cash flow hedges	**1**	–
Remeasurement of retirement benefit obligations	**60**	34
Other comprehensive income, net of tax	**(249)**	422

	Attributable to equity holders of 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 2018				
Currency translation differences	**(311)**	**–**	**1**	**(310)**
Fair value adjustments – cash flow hedges	**1**	**–**	**–**	**1**
Remeasurement of retirement benefit obligations	**76**	**(16)**	**–**	**60**
Other comprehensive income	**(234)**	**(16)**	**1**	**(249)**
Year ended 31 March 2017				
Currency translation differences	372	–	16	388
Remeasurement of retirement benefit obligations	43	(9)	–	34
Other comprehensive income	415	(9)	16	422

28. CASH FLOW INFORMATION

	2018 £'m	(Re-presented)* 2017 £'m
28.1 Reconciliation of profit before taxation to cash generated from operations		
(Loss)/profit before taxation	**(479)**	307
Adjustments for:		
Finance cost – net	**85**	67
Share of net profit of equity accounted investments	**(3)**	(12)
Other gains and losses	**–**	2
Share-based payments	**1**	1
Depreciation and amortisation	**168**	145
Impairment provision of trade receivables	**23**	26
Movement in provisions	**(7)**	(1)
Movement in retirement benefit obligations	**3**	(4)
Impairment of properties and intangible assets	**644**	–
Impairment of equity accounted investment	**109**	–
Loss on disposal of subsidiaries	**7**	–
Release of pre-acquisition Swiss provision	**(9)**	–
Operating income before changes in working capital	**542**	531
Working capital changes	**(76)**	(39)
Increase in inventories	**(3)**	(4)
Increase in trade and other receivables	**(61)**	(14)
Decrease in trade and other payables	**(12)**	(21)
	466	492
28.2 Interest paid		
Finance cost per income statement	**94**	74
Refinancing costs shown as financing activities	**–**	(3)
Non-cash items		
Amortisation of capitalised financing fees	**(5)**	(7)
Derecognition of unamortised financing fees	**(19)**	–
Fair value gains on ineffective cash flow hedges	**4**	13
	74	77
28.3 Tax paid		
Liability at the beginning of the period	**6**	8
Provision for the period	**54**	43
	60	51
Liability at the end of the period	**(4)**	(6)
	56	45
28.4 Investment to maintain operations		
Property, equipment and vehicles purchased	**98**	105
Intangible assets purchased	**10**	6
Movement in capital expenditure payables	**4**	(10)
	112	101

28. CASH FLOW INFORMATION (continued)

	2018 £'m	(Re-presented)* 2017 £'m
28.5 Investment to expand operations		
Property, equipment and vehicles purchased	**125**	134
Intangible assets purchased	**12**	6
Movement in capital expenditure payables	**5**	(9)
	142	131

* *Refer to note 2.1.*

	Date paid/ payable	Dividend per share (pence)	2018 £'m	2017 £'m
28.6 Dividends				
Dividends declared				
Year ended 31 March 2018				
Interim dividend	**18 December 2017**	**3.20**	**24**	
Final dividend	**30 July 2018**	**4.70**	**35**	
		7.90		
Year ended 31 March 2017				
Interim dividend	12 December 2016	3.20		23
Final dividend	31 July 2017	4.70		35
		7.90	**59**	58
Dividends paid				
Dividends paid during the period			**58**	62

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 30 July 2018 from retained earnings has not been recognised as a liability on 31 March 2018.

28. CASH FLOW INFORMATION (continued)

28.7 Changes in liabilities arising from financing activities

	Total borrowings £'m	Net derivative financial instruments held to hedge borrowings £'m	Total £'m
Year ended 31 March 2018			
Opening balance	**2 030**	**9**	**2 039**
Cash flow movements			
Proceeds from borrowings	**6**	**–**	**6**
Repayment of borrowings	**(30)**	**–**	**(30)**
Settlement of interest rate swap	**–**	**(4)**	**(4)**
Refinancing transaction cost	**(12)**	**–**	**(12)**
Non-cash items			
Amortisation of capitalised financing fees	**5**	**–**	**5**
Derecognition of unamortised financing fees	**19**	**–**	**19**
Fair value changes	**–**	**(5)**	**(5)**
Business combinations	**25**	**–**	**25**
Exchange rate differences	**(106)**	**2**	**(104)**
Closing balance	**1 937**	**2**	**1 939**
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

28. CASH FLOW INFORMATION (continued)

	2018 £'m	2017 £'m
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	**261**	361
Cash, cash equivalents and bank overdrafts are denominated in the following currencies:		
Swiss franc*	**71**	96
South African rand**	**116**	148
UAE dirham***	**46**	83
Pounds sterling****	**28**	34
	261	361

* *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 Baa3 credit rating by Moody's.*

*** *The counterparties have a minimum BBB+ by Standard & Poor's.*

**** *The counterparty has a Aa3 credit rating by Moody's.*

Cash and cash equivalents denominated in South African rand amounting to £34m (2017: £9m) and Swiss bank accounts denominated in Swiss franc amounting to £64m (2017: £142m) have been ceded as security for borrowings (see note 17).

29. BUSINESS COMBINATIONS

The following business combinations occurred during the current year:

	2018 £'m
Cash flow on acquisition:	
Linde Holding Biel/Bienne AG	**(74)**
Rontgeninstitut Cham AG	**(9)**
	(83)

Linde Holding Biel/Bienne AG

With a public take-over offer on 30 June 2017, Hirslanden acquired within four closings a total of 99.62% of the share capital of Linde Holding Biel/Bienne AG for £86m (CHF107m) and obtained control over the company. Lindenpark Immobilien AG and Privatklinik Linde AG are both 100% subsidiaries of Linde Holding Biel/Bienne AG (Linde Group). The revaluation of the trade name and equipment resulted in retrospective adjustments to the provisionally determined PPA values that were disclosed at 30 September 2017.

The Linde Group is a leading private hospital in the Biel-Seeland-Bernese Jura region offering a wide range of medical care, focusing on movement and sports medicine, interdisciplinary cancer treatment, breast cancer centre, obstetrics, urology and radiology. Adherence to high quality standards is illustrated by numerous certifications. It provides the Group with the opportunity to enter the hospital market of the Biel-region, including improved access to the private- and semi-private patient market in the region. Furthermore, Linde Group will serve as an important referring hospital to Hirslanden Bern AG and Hirslanden Klinik Aarau AG, facilitating recruitment of highly-specialised medicine patients (heart surgery, thoracic surgery) from the growing area of the Espace Mittelland.

The goodwill of £3m (CHF3.6m) arising from the acquisition is attributable to the acquired workforce and economies of scale expected from combining the operations of Hirslanden and the Linde Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

29. BUSINESS COMBINATIONS (continued)

The following table summarises the consideration paid for the Linde Group, the fair value of assets acquired and liabilities assumed at the acquisition date.

	2018 £'m
Recognised amounts of identifiable assets acquired and liabilities assumed	
Assets	
Property, equipment and vehicles	**109**
Intangible assets	**17**
Inventories	**1**
Trade and other receivables	**9**
Cash and cash equivalents	**12**
Deferred tax assets	**2**
Total assets	**150**
Liabilities	
Borrowings	**25**
Provisions	**2**
Retirement benefit obligations	**10**
Deferred tax liabilities	**22**
Trade and other payables	**8**
Total liabilities	**67**
Total identifiable net assets at fair value	**83**
Non-controlling interest at fair value	**–**
Goodwill	**3**
Consideration transferred for the business	**86**
Cash flow on acquisition	
Net cash acquired with subsidiary	**12**
Cash paid	**(86)**
Net cash flow on acquisition	**(74)**

The fair value of trade and other receivables is £9m. The best estimate at acquisition date of the contractual cash flows not expected to be collected are £0.1m.

From the date of acquisition, Linde Group has contributed £41m to revenue and £2m to the profit before tax of the Group. If the combination had taken place at the beginning of the financial year, revenue from the Linde Group would have been £58m and the profit before tax contribution would have been £3m.

29. BUSINESS COMBINATIONS (continued)

Röntgeninstitut Cham AG

On 30 August 2017, Hirslanden acquired 85% of the share capital of Röntgeninstitut Cham AG for £9m (CHF11.5m). As a result, the Group's equity interest in Röntgeninstitut Cham AG increased from 15% to 100%, obtaining control of the company.

Radiology is an integral part of a hospital and therefore, almost every one of the Group's hospitals has its own radiology unit. Röntgeninstitut Cham AG will provide radiology services for the patients of AndreasKlinik AG Cham. The goodwill of £10m (CHF12.6m) arising from the acquisition is attributable to the acquired workforce and economies of scale expected from combining the operations of Röntgeninstitut Cham AG and AndreasKlinik AG Cham. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid for Röntgeninstitut Cham AG, the fair value of assets acquired and liabilities assumed at the acquisition date.

	2018 £'m
Recognised amounts of identifiable assets acquired and liabilities assumed	
Assets	
Property, equipment and vehicles	1
Trade and other receivables	1
Total assets	2
Liabilities	
Retirement benefit obligations	1
Total liabilities	1
Total identifiable net assets at fair value	1
Non-controlling interest at fair value	–
Goodwill	10
Consideration transferred for the business	11
Fair value of the Group's existing 15% portion	(2)
Cash flow on acquisition	9
Cash flow on acquisition	
Net cash acquired with subsidiary	–
Cash paid	(9)
Net cash flow on acquisition	(9)

Critical accounting estimates and judgements

Critical accounting estimates and assumptions were made in the purchase price allocation of the acquisitions in accordance with IFRS 3 *Business Combinations*. The purchase consideration for the acquisition is allocated over the net fair value of identifiable assets, liabilities and contingent liabilities with any excess consideration representing goodwill. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date. The determination of the fair value of the assets, liabilities and contingent liabilities acquired requires significant estimates and assumptions. Any intangible assets acquired as part of the business combination are recognised at fair value which is based on management's judgement and includes assumptions on the timing and amount of future cash flows generated by the assets as well as the selection of an appropriate discount rate.

30. DISPOSAL OF SUBSIDIARIES

The Group disposed of the following companies that were part of the Middle East segment during the year: Lookwow One Day Surgery Company LLC and the following branches of Mediclinic Hospitals LLC: Mirfa, Ajman, Hamdan Pharmacy, Sanaya and ICAD. During the prior year, the following companies were disposed of: Rochester Wellness LLC, Emirates American Company for Medical Services LLC, Abu Dhabi Medical Services LLC and National Medical Services LLC.

	2018 £'m	2017 £'m
Analysis of assets and liabilities over which control was lost		
Property, equipment and vehicles	**8**	10
Goodwill	**3**	33
Trade and other receivables	**–**	10
Cash and cash equivalents	**–**	3
Retirement benefit obligations	**–**	(1)
Trade and other payables	**(1)**	(4)
Non-controlling interest derecognised	**(1)**	–
Net assets disposed of	**9**	51
Consideration received		
Cash and cash equivalents	**2**	47
Consideration receivable	**–**	1
Other non-cash items	**–**	3
Total consideration	**2**	51
(Loss)/gain on disposal of subsidiary		
Consideration received	**2**	51
Net assets disposed of	**(9)**	(51)
(Loss)/gain on disposal	**(7)**	–
Net cash inflow		
Total cash flow on disposal of subsidiary	**2**	47
Less: cash and cash equivalents disposed of	**–**	(3)
Net cash inflow on disposal	**2**	44

31. DISPOSAL GROUPS HELD FOR SALE

During the 2017 financial year, management decided to sell the following clinics within the Mediclinic Middle East segment: Mediclinic Beach Road LLC, Mediclinic Corniche Medical Centre LLC, Lookwow One Day Surgery Company LLC, Lookwow One Day Pharmacy LLC, 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.

All the clinics were disposed of during the year with the exception of the following: Mediclinic Beach Road LLC and Mediclinic Corniche Medical Centre LLC were closed and the accordingly the assets of these clinics were written off or transferred to other clinics within the Group where possible. The liabilities classified as held for sale relating to these clinics were settled. The only remaining clinic that is classified as held for sale is Al Madar Diagnostic Centre-Al Ain.

	2018 £'m	2017 £'m
Analysis of assets and liabilities held for sale		
Assets		
Property, equipment and vehicles	**1**	8
Inventories	**–**	1
Total assets	**1**	9
Liabilities		
Retirement benefit obligations	**–**	1
Trade and other payables	**–**	1
Total liabilities	**–**	2

32. COMMITMENTS

	2018 £'m	2017 £'m
Capital commitments		
Incomplete capital expenditure contracts	**138**	170
Switzerland	**14**	13
Southern Africa	**77**	61
Middle East	**47**	96
Capital expenses authorised by the Board of Directors but not yet contracted	**204**	227
Switzerland	**15**	19
Southern Africa	**142**	153
Middle East	**47**	55
	342	397

These commitments will be financed from Group and borrowed funds.

32. COMMITMENTS (continued)

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:

	2018 £'m	2017 £'m
Within 1 year	**47**	45
1 to 5 years	**147**	166
Beyond 5 years	**413**	366
	607	577

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.

	2018 £'m	2017 £'m
Total of net income guaranteed:		
April 2016 to March 2017	**–**	4
April 2017 to March 2018	**–**	1
April 2018 to March 2019	**3**	–
April 2019 to March 2020	**1**	–
April 2020 to March 2021	**1**	–
	5	5

Contingent liabilities

Litigation

The Group is not aware of any pending legal claims that are not covered by the Group's extensive insurance programmes.

33. RELATED PARTY TRANSACTIONS

Remgro Limited owns, through various subsidiaries (Remgro Healthcare (Pty) Ltd, Remgro Health Ltd and Remgro Jersey GBP Ltd) 44.56% (2017: 44.56%) of the Company's issued share capital.

The following transactions were carried out with related parties:

		2018 £'m	2017 £'m
i)	***Transactions with shareholders***		
	Remgro Management Services Ltd (subsidiary of Remgro Ltd)		
	Managerial and administration fees	**0.3**	0.3
	Internal audit services	**0.2**	0.2
	V&R Management Services AG (subsidiary of Remgro Ltd)		
	Administration fees*	**–**	–
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		
	Short-term benefits	**6**	6
	Post employment benefits*	**–**	–
	Share-based payment	**1**	1
iii)	***Transactions with associates***		
	Zentrallabor Zurich		
	Fees earned	**(2)**	(1)
	Purchases	**8**	10
	Spire Healthcare Group plc		
	Non-executive director fee*	**–**	–
	Wits University Donald Gordon Medical Centre (Pty) Ltd		
	Fees paid	**2**	2

* *Amount is less than £0.5m*

34. FINANCIAL INSTRUMENTS

Financial instruments 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	2018 £'m	2017 £'m
Financial assets		
Other investments and loans (available-for-sale assets)	**1**	2
Financial liabilities		
Derivative financial instruments	**(2)**	(9)

34. FINANCIAL INSTRUMENTS (continued)

- 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	**2018 £'m**	2017 £'m
Financial assets		
Other investments and loans	**7**	22
Trade and other receivables	**440**	425
Cash and cash equivalents	**261**	361
Financial liabilities		
Borrowings	**(1 937)**	(2 030)
Trade and other payables	**(354)**	(394)

- 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.

35. 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 2018 %	31 March 2017 %
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
Mediclinic Group Services (Pty) Ltd (previously held through Mediclinic Investments (Pty) Ltd)	South Africa	Provision of group services within the Mediclinic Group	**100.0**	100.0
Indirectly held through Mediclinic Investments (Pty) Ltd				
Mediclinic Europe (Pty) Ltd	South Africa	Deregistered	**–**	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	Deregistered	**–**	100.0
Medical Innovations (Pty) Ltd (previously held through Mediclinic Southern Africa (Pty) Ltd)	South Africa	Hospital equipment and procurement	**100.0**	100.0
Indirectly held through Mediclinic Southern Africa (Pty) Ltd				
Curamed Holdings (Pty) Ltd	South Africa	Intermediary holding company	**69.6**	69.6
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* (50% plus 1 share)	South Africa	Intermediary holding company	**50.0**	50.0
Medical Human Resources (Pty) Ltd	South Africa	Management of healthcare staff	**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	**67.8**	65.2
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	**91.2**	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	**75.9**	75.2
Mediclinic Properties (Pty) Ltd	South Africa	Property ownership and management	**100.0**	100.0
Mediclinic Tzaneen (Pty) Ltd* (50% plus one share)	South Africa	Healthcare services	**50.0**	50.0
Indirectly held through Mediclinic Southern Africa (Pty) Ltd				
Medipark Clinic (Pty) Ltd	South Africa	Dormant	**–**	100.0
Newcastle Private Hospital (Pty) Ltd* (50% plus one share)	South Africa	Healthcare services	**50.0**	50.0
Practice Relief (Pty) Ltd	South Africa	Provision of debt collection and related services	**100.0**	100.0
Victoria Hospital (Pty) Ltd* (50% plus one 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**	100.0
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	**99.0**	97.2
Mediclinic Windhoek (Pty) Ltd	Namibia	Healthcare services	**96.5**	96.5

SUBSIDIARIES (continued)

Company	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2018 %	31 March 2017 %
Hospital Investment Companies				
Mediclinic Bloemfontein Investments (Pty) Ltd	South Africa	Hospital investment company	**98.9**	98.9
Mediclinic Cape Gate Investments (Pty) Ltd	South Africa	Hospital investment company	**90.9**	92.8
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	**75.5**	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	**83.0**	84.1
Mediclinic George Investments (Pty) Ltd	South Africa	Hospital investment company	**97.3**	97.2
Mediclinic Highveld Investments (Pty) Ltd	South Africa	Hospital investment company	**98.5**	98.6
Mediclinic Hoogland Investments (Pty) Ltd	South Africa	Hospital investment company	**99.1**	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	**91.8**	93.1
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	**79.5**	79.0
Mediclinic Nelspruit Investments (Pty) Ltd	South Africa	Hospital investment company	**98.7**	98.7
Mediclinic Panorama Investments (Pty) Ltd	South Africa	Hospital investment company	**99.2**	98.7
Mediclinic Pietermaritzburg Investments (Pty) Ltd	South Africa	Hospital investment company	**77.4**	76.4
Mediclinic Plettenberg Bay Investments (Pty) Ltd	South Africa	Hospital investment company	**93.0**	95.0
Mediclinic Sandton Investments (Pty) Ltd	South Africa	Hospital investment company	**94.0**	92.9
Mediclinic Secunda Investments (Pty) Ltd	South Africa	Hospital investment company	**81.8**	81.8
Mediclinic Stellenbosch Investments (Pty) Ltd	South Africa	Hospital investment company	**72.7**	90.8
Mediclinic Vereeniging Investments (Pty) Ltd	South Africa	Hospital investment company	**98.5**	99.0
Mediclinic Vergelegen Investments (Pty) Ltd	South Africa	Hospital investment company	**92.9**	93.1
Mediclinic Welkom Investments (Pty) Ltd	South Africa	Hospital investment company	**91.0**	91.4
Mediclinic Worcester Investments (Pty) Ltd	South Africa	Hospital investment company	**97.3**	97.3
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	**52.2**	50.1
Mediclinic Hermanus (Pty) Ltd*	South Africa	Healthcare services	**53.2**	53.2
Mediclinic Kimberley (Pty) Ltd*	South Africa	Healthcare services	**89.4**	89.4
Mediclinic Limpopo (Pty) Ltd[$]*	South Africa	Healthcare services	**50.0**	50.0
Mediclinic Potchefstroom (Pty) Ltd*	South Africa	Healthcare services	**86.1**	86.8
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**	60.2
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

* *Controlled through long-term management agreements*

Company	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2018 %	31 March 2017 %
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
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
Röntgeninstitut Cham AG	Switzerland	Healthcare services	**100.0**	15.0
Linde Holding Biel/Bienne AG	Switzerland	Healthcare services	**99.7**	–
Indirectly held through Hirslanden Klinik am Rosenberg AG				
Klinik am Rosenberg Heiden AG	Switzerland	Healthcare services	**99.2**	99.2
Indirectly held through Linde Holding Biel/Bienne AG				
Hirslanden Klinik Linde AG (Previously Privatklinik Linde AG)	Switzerland	Healthcare services	**100.0**	–
Lindenpark Immobilien AG	Switzerland	Healthcare services	**100.0**	–
Indirectly held through Hirslanden Bern AG				
Herzchirurgie Hirslanden Bern AG	Switzerland	Healthcare services	**100.0**	–
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**	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
Mediclinic Al Bahr Clinic LLC (previously named Manchester Clinic LLC)	UAE	Healthcare services	**49.0**	49.0
Welcare Hospitals Limited (BVI)	British Virgin Islands	Healthcare services	**100.0**	100.0
Welcare World Health Systems Limited	British Virgin Islands	Healthcare services	**100.0**	100.0
Mediclinic Hospitals LLC[4]	UAE	Healthcare services	**49.0**	–
Pharma Light Medical Store LLC	UAE	Medical store/procurement	**49.0**	–
Indirectly held through Welcare Hospitals Limited (BVI)				
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 2018 %	31 March 2017 %
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 and 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 Commercial Investment LLC				
Al Noor Hospital Clinics – Al Ain[9]	UAE	Intermediary holding company	**99.0**	–
Indirectly held through Mediclinic Hospitals LLC				
Al Madar Medical Center LLC[5] (previously Al Madar Group)	UAE	Healthcare services	**73.0**	73.0
Al Madar Medical Center Pharmacy LLC[10]	UAE	Healthcare Services	**49.0**	49.0
Mediclinic Al Mamora LLC (previously named Al Noor Hospital Family Care Centre – Al Mamoora LLC)[6]	UAE	Healthcare Services	**99.0**	100.0
Mediclinic Khalifa City Clinic LLC (previously named Al Noor Hospital Medical Centre Khalifa City LLC)[7]	UAE	Healthcare Services	**49.0**	49.0
Mediclinic Aspetar LLC (previously named Aspetar Al Madar Medical Center LLC)[8]	UAE	Healthcare services	**49.0**	49.0
Mediclinic Pharmacy Aspetar LLC (previously named Aspetar Al Madar Medical Pharmacy)[11]	UAE	Healthcare services	**49.0**	49.0

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 a third party shareholder, Al Noor Commercial Investment Owner Al Nahda International Holdings – Sole Proprietorship LLC ("ANCI"). The constitutional documents of Al Noor Golden provide ANH Cayman with the right to receive up to 98% of all distributions by Al Noor Golden, ANMC Management the right to receive 1%, and ANCI the right to receive the remaining 1%. In terms of the Mudaraba Agreement, ANH Cayman has the right to receive 99% of ANCI's right to receive 1% of the distributions of Al Noor Golden. Al Noor Cayman and ANMC Management therefore, collectively, have an effective beneficial interest of 99% in Al Noor Golden.*

Al Nahda International Holding LLC holds 100% share capital of Al Noor Commercial Investments Owner Al Nahda International Holding – Sole proprietorship LLC. As per the Shareholders Agreement dated 17 May 2017, executed between Emirates Healthcare Limited, Al Nahda International Limited, Al Noor Commercial Investment LLC and Mediclinic Hospitals LLC, the parties have agreed that Al Nahda International Holding LLC will become the sole shareholder of ANCI and the local sponsor for the group (OPCO of Mediclinic Hospitals LLC and its subsidiaries and their respective registered branches and operational units from time to time). In terms of this agreement ANCI holds 51% of the share capital of Mediclinic Hospitals LLC and Emirates Healthcare Limited BVI holds the remaining 49%. By virtue of this shareholders agreement, the parties have agreed that ANCI and Mediclinic Hospitals LLC will be managed and controlled by EHL. Every dividend declared by Mediclinic Hospitals LLC will be paid directly to Emirates Healthcare Limited. Accordingly, the management, voting rights and the dividend rights have been assigned to Emirates Healthcare Limited. As per the termination agreement dated 21 August 2017, between Al Noor Golden Commercial Investment LLC, Sheikh Mohamed Bin Butti Al Hamid, Al Noor Commercial Investment LLC, ANMC Management Limited, Al Noor Holdings Cayman and Emirates Healthcare Limited whereby the parties agreed to terminate the following:

a) Relationship management agreement entered into between ANGCI, Sheikh Bin Butti and the OPCO on 20 May 2013 ("Relationship Agreement 1");

b) The relationship agreement entered into between ANGCI, ANCI and OPCO on 20 May 2013 ("Relationship Management Agreement 2");

c) The management agreement entered into between ANCI, ANMC Management on 20 May 2013 ("Management Agreement"); and

d) A shareholders agreement entered into between Sheikh Bin Butti, The First Arabian Corporation LLC, Al Noor Cayman, ANMC Management and ANCI on 20 May 2013 ("Shareholders Agreement").

4 *Emirates Healthcare Limited BVI holds 49% of the issued share capital of Mediclinic Hospitals LLC, with the remaining 51% held by ANCI. Emirates Healthcare Limited BVI has the right to be appointed as the proxy of ANCI, to attend and to 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 ANCI holds 1% in the issued share capital of Mediclinic Al Mamora LLC, collectively 100%.*

7 *Mediclinic Hospitals holds 49% of the issued share capital of Mediclinic – Khalifa City Clinic 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 Mediclinic Aspetar 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 Noor Golden holds 99% of the issued share capital of Al Noor Hospital Clinics – Al Ain LLC, with the remaining 1% held by ANCI.*

10 *Mediclinic Hospitals holds 49% of the issued share capital of Mediclinic Pharmacy Aspetar LLC, with the remaining 51% 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%.*

11 *Mediclinic Hospitals LLC holds 49% of the issued share capital of Aspetar Al Madar Medical Pharmacy LLC, with the remaining 51% held by ANCI. Mediclinic Hospitals LLC holds 99% of the company interest with ANCI holding 1% of the company interest.*

* *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 2018 %	Interest in capital 31 March 2017 %
Wits University Donald Gordon Medical Centre (Pty) Ltd	South Africa	Healthcare services	**49.9**	49.9

ASSOCIATES

Company	Interest in capital		Book value of investment	
	31 March 2018 %	31 March 2017 %	**31 March 2018 £'m**	31 March 2017 £'m
Listed:				
Spire Healthcare Group plc (held through Mediclinic Jersey Limited)	**29.9**	29.9	**348**	459
Unlisted:				
Intercare Medical Proprietary Limited	**34.0**	–	**2**	–
Zentrallabor Zürich, Zürich	**50.0**	53.0	**2**	2
Baukonsortium, Cham*	**24.0**	24.0	**–**	–
EFG Parkierung Rigistrasse, Cham*	**25.0**	25.0	**–**	–
Centre de Reeducation et de Physiotherapie SA*	**20.0**	20.0	**–**	–
Centre de Physiotherapie du Sport S.à.r.l.*	**23.0**	23.0	**–**	–
CORTS AG, Maur*	**30.0**	–	**–**	–
			352	461

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 AUDIT OF THE COMPANY FINANCIAL STATEMENTS

Opinion

In our opinion, Mediclinic International plc's Company financial statements:

- give a true and fair view of the state of the Company's affairs at 31 March 2018 and of its cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the statement of financial position at 31 March 2018; the statement of cash flows; the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("**ISAs (UK)**") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company.

Other than those disclosed in note 22 to the consolidated financial statements, we have provided no non-audit services to the Company in the period from 1 April 2017 to 31 March 2018.

Our audit approach

Overview

- Overall materiality: £13.4m (2017: £12m) based on 1% of total assets capped at 90% of overall materiality applied as part of our Group audit.
- Our audit included substantive procedures of all material balances and transactions.
- Impairment assessment of the Company's investments in subsidiaries.

The scope of our audit

As part of designing our audit, we determined materiality and assessed 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.

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates and we considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We designed audit procedures that focused on the risk that non-compliance related to, but not limited to, compliance with the Companies Act 2006, the UK Listing Rules and UK taxation legislation gives rise to a material misstatement in the financial statements. In assessing compliance with laws and regulations, our tests included, but were not limited to, checking the financial statement disclosures to underlying supporting documentation, enquiries of management and review of relevant internal audit reports. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

As in all of our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Impairment assessment of the Company's investments in subsidiaries *(refer to note 3 in the Company financial statements)*	
The Company holds investments in subsidiaries with a historical cost of £5 916m. Investments in subsidiaries are accounted for at cost less impairment in the Company balance sheet at 31 March 2018. Investments are tested for impairment if impairment indicators exist. If such indicators exist, the recoverable amounts of the investments in subsidiaries are estimated in order to determine the extent of the impairment loss, if any. Any such impairment loss is recognised in the income statement. Impairment triggers were identified in connection with the Company's investments in Mediclinic Holdings Netherlands B.V. and CHF Finco Limited (Jersey) due to a decline in the expected recoverable value of the underlying Swiss operations and following a reduction in the listed market price of the underlying investment in Spire respectively. As a result, an impairment loss of £1 169m was recognised in the current year, reflecting a write-down of the investment in Mediclinic Holdings Netherlands B.V. to its recoverable value at 31 March 2018. The impairment assessment performed by management was considered a key audit matter given the size of the underlying investment carrying values and recognising the significance of the impairment charge that has been recorded. The assessment requires the application of management judgement, particularly in determining whether any impairment indicators have arisen that trigger the need for an impairment review and assessing whether the carrying value of an asset can be supported by its recoverable amount, which is determined by reference to the key valuation assumptions for each investment.	We evaluated management's assumption whether any indicators of impairment existed by comparing the Company's carrying value of investments in subsidiaries to the Group's market capitalisation at 31 March 2018 and to the valuations implied by other models, including valuation models prepared for goodwill impairment review purposes and for the Group's associate investment in Spire, which were subject to audit procedures as part of our Group audit. Deploying our valuation experts, we tested the reasonableness of key assumptions underpinning management's value-in-use valuation of the Company's investments, focusing in particular on the Swiss operations and the investment in 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 level of impairment required. Based on our work performed, we concurred with management that an impairment is required in the current year. We have found the judgements and estimates made by management in determining the impairment charge to be materially reasonable in the context of the Company financial statements taken as a whole and the related disclosures to be appropriate.

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 structure of the Company, its accounting processes and controls and the industry in which it operates. Our audit included substantive procedures on all material balances and transactions recorded in the Company's financial statements.

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 in aggregate, 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 materiality	£13.4m (2017: £12m).
How we determined it	Based on 1% of total assets capped at 90% of overall materiality applied as part of our Group audit.
Rationale for benchmark applied	Mediclinic International plc is the ultimate parent company which holds the Group's investments. Therefore, the entity is not in itself profit-oriented. The strength of the balance sheet is the key measure of financial health that is important to shareholders, since the primary concern for the parent company is the payment of dividends. Using a benchmark of total assets is therefore most appropriate. However, materiality levels have been capped at 90% of overall materiality applied as part of our Group audit.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £0.75m (2017: £0.74m) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

REPORTING OBLIGATION	OUTCOME
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.
We are required to report if the directors' statement relating to going concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

STRATEGIC REPORT AND DIRECTORS' REPORT

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. *(CA06)*

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. *(CA06)*

THE DIRECTORS' ASSESSMENT OF THE PROSPECTS OF THE COMPANY AND OF THE PRINCIPAL RISKS THAT WOULD THREATEN THE SOLVENCY OR LIQUIDITY OF THE COMPANY

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 99 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity; AR
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated; and
- The directors' explanation on page 50 of the Annual Report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate and their statement as to whether they have a reasonable expectation that the Company 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. AR

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Company and statement in relation to the longer-term viability of the company. 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 UK Corporate Governance Code (the "**Code**"); and considering whether the statements are consistent with the knowledge and understanding of the company and its environment obtained in the course of the audit. *(Listing Rules)*

OTHER CODE PROVISIONS

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 160, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Company obtained in the course of performing our audit; AR
- The section of the Annual Report on page 120 describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee; and AR
- The directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

DIRECTORS' REMUNERATION

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. *(CA06)*

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 160, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditors' report.

Use of this report

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.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

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
- certain disclosures of directors' remuneration specified by law are not made; 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.

Appointment

Following the recommendation of the Audit and Risk Committee, we were appointed by the members on 18 March 2016 to audit the financial statements for the year ended 31 March 2016 and subsequent financial periods. The period of total uninterrupted engagement is three years, covering the years ended 31 March 2016 to 31 March 2018.

OTHER MATTER

We have reported separately on the consolidated financial statements of Mediclinic International plc for the year ended 31 March 2018.

Giles Hannam (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
23 May 2018

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2018

	Notes	2018 £'m	2017 £'m
Non-current assets			
Investment in subsidiaries	3	**4 747**	5 916
Current assets			
Cash and cash equivalents		**26**	34
Total assets		**4 773**	5 950
Equity			
Share capital	5	**74**	74
Capital redemption reserve	5	**6**	6
Share premium	5	**690**	690
Retained earnings		**3 976**	5 154
Opening balance		**5 154**	4 899
(Loss)/profit for the year		**(1 120)**	317
Dividends paid		**(58)**	(62)
Share-based payment reserve	5	**1**	1
Treasury shares	5	**(1)**	(2)
Total equity		**4 746**	5 923
Current liabilities			
Other payables		**1**	1
Amount due to related parties	4	**26**	26
Total liabilities		**27**	27
		4 773	5 950

These financial statements as set out on pages 253 to 260 were approved and authorised for issue by the Board of Directors and signed on their behalf by:

DP Meintjes
Chief Executive Officer
23 May 2018

PJ Myburgh
Chief Financial Officer
23 May 2018

Mediclinic International plc (Company no 08338604)

The notes on pages 256 to 260 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

	Share capital £'m	Capital redemption reserve £'m	Share premium £'m	Retained earnings £'m	Share-based payment reserve £'m	Treasury shares £'m	Total £'m
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**
Loss for the year	**–**	**–**	**–**	**(1 120)**	**–**	**–**	**(1 120)**
Dividends paid in the year	**–**	**–**	**–**	**(58)**	**–**	**–**	**(58)**
Addition to share-based payment reserve	**–**	**–**	**–**	**–**	**1**	**–**	**1**
Settlement of share-based payment reserve	**–**	**–**	**–**	**–**	**(1)**	**1**	**–**
At 31 March 2018	**74**	**6**	**690**	**3 976**	**1**	**(1)**	**4 746**

The notes on pages 256 to 260 form an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £'m	2017 £'m
Operating activities			
(Loss)/profit before tax		**(1 120)**	317
Adjustments for:			
Finance costs		**–**	6
Other income	6	**(33)**	(27)
Impairment of investments	3	**1 169**	–
Settlement of share-based payments		**1**	–
Dividend income		**(24)**	(303)
Net cash used in operating activities before movements in working capital		**(7)**	(7)
Change in balances with related parties		**–**	47
Change in other payables		**–**	(2)
Change in derivatives		**–**	(1)
Net cash (used in)/generated from operating activities		**(7)**	37
Investing activities			
Dividend received	4	**24**	303
Net cash generated from investing activities		**24**	303
Financing activities			
Repayment of bank loan		**–**	(265)
Interest paid		**–**	(6)
Dividend paid	6	**(25)**	(35)
Net cash used in financing activities		**(25)**	(306)
Net movement in cash and cash equivalents		**(8)**	34
Cash and cash equivalents at the beginning of the year		**34**	–
Cash and cash equivalents at the end of the year		**26**	34

The notes on pages 256 to 260 form an integral part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

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 Link Company Matters Limited, 6th Floor, 65 Gresham Street, London, EC2V 7NQ. The registration 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 divisions in Switzerland, Southern Africa (South Africa and Namibia) 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) 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.

b) Functional and presentation currency

The financial statements and financial information are presented in pounds sterling, rounded to the nearest million.

c) 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.

	2018 £'m	2017 £'m
Shares at cost	**5 916**	5 916
Less: impairment charge	**(1 169)**	–
Closing balance	**4 747**	5 916

3. INVESTMENT IN SUBSIDIARIES (continued)

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 the financial year end, the investment in Mediclinic Holdings Netherlands B.V. was impaired due to the impairment of the carrying values of properties and intangible assets of its underlying investment, Hirslanden AG. An impairment charge of £1 169m was recorded in the Company's records. Refer to notes 6 and 7 of the consolidated financial statements for more detail relating to the impairment calculation.

Refer to the Annexure to the notes to the consolidated financial statements on page 243 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 directors or the Company can exercise significant influence or which can significantly influence the Company.

	2018 £'m	2017 £'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**	1
b) Amount due to a related party:		
Mediclinic Hospitals LLC	**26**	26
This amount included the transaction and operational expenses paid by Mediclinic Hospitals 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 on pages 243 to 247.		
c) Dividends received from related parties:		
Mediclinic CHF Finco Limited	**4**	49
Mediclinic Holdings Netherlands B.V.	**8**	7
Mediclinic International (RF) (Pty) Ltd	**–**	78
Mediclinic Middle East Holdings Limited	**12**	169
	24	303

5. SHARE CAPITAL AND RESERVES

	2018 £'m	2017 £'m
Issued and fully paid 737 243 810 (2017: 737 243 810) shares of 10 pence each	**74**	74

OTHER RESERVES

	Share-based payment reserve £'m	Treasury shares £'m	Total £'m
As at 1 April 2016			
Addition of share-based payment reserve	1	(2)	(1)
	–	–	–
As at 31 March 2017	**1**	**(2)**	**(1)**
Addition to share-based payment reserve	**1**	**–**	**–**
Settlement of share-based payment reserve	**(1)**	**1**	**–**
As at 31 March 2018	**1**	**(1)**	**–**

6. DIVIDENDS

The Company declared interim dividends for the 2017/18 period and final dividends for the 2016/17 period amounting to £58m. The Company paid £25m (2017: £35m) of these dividends, the remainder of £33m (2017: £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 28.6 to the consolidated financial statements.

7. AUDITOR'S REMUNERATION

The Company incurred an amount of £448 758 (2017: £337 900) to its auditor in respect of the audit of the Company and Group's financial statements for the year ended 31 March 2018. The fee includes an amount of £42 959 (2017: £nil) in respect of prior years.

Fees payable to the Company's auditors for other services:

	2018 £'m	2017 £'m
Tax advisory services	**–**	0.25
Audit-related and other services	**0.12**	0.10
	0.12	0.35

Relates to services rendered across the Group.

8. 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. 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.

	2018 Number of shares	2017 Number of shares
As at 1 April 2017 (2017: 1 April 2016)	**239 290**	239 290
Vested during the year	**(137 948)**	–
As at 31 March	**101 342**	239 290

A valuation has been determined and an expense recognised over a three-year period. The fair value of the total shareholder return ("**TSR**") performance condition has been determined by using the Monte Carlo simulation model and the fair value of the headline earnings per share performance condition, consensus forecasts have been used. The following assumptions were used with the valuation of the scheme: risk-free rate of 7.49%, dividend yield of 1.0% and volatility of 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.

9. TAXATION

At 31 March 2018, the Company had unutilised tax losses of approximately £40m (2017: £33m). No deferred tax asset has been recognised in respect of these losses.

10. 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

The carrying amount of financial assets represents the maximum credit exposure. There is no material credit risk involved on the Company's financial statements. The Company's cash equivalents are placed with quality financial institutions with a high credit rating.

d) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors of the Company, who have built an appropriate liquidity risk management framework for managing 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 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 2018			
Other payables	**1**	**1**	**1**
Related-party payables	**26**	**26**	**26**
	27	**27**	**27**
31 March 2017			
Other payables	1	1	1
Related-party payables	26	26	26
	27	27	27

e) Foreign currency risk

The Company has an insignificant exposure regarding foreign currency, but a prudent approach towards foreign cover is followed if applicable.

ADDITIONAL INFORMATION

SHAREHOLDER INFORMATION

SHARE CAPITAL AND SHAREHOLDERS

Structure

The Company's ordinary issued share capital as at 31 March 2018 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 207 and 208.

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 130.

Distribution of ordinary shareholders as at 31 March 2018

	Number of share-holders	Number of shares	% of issued share capital
LSE register (registered)	649	220 885 142	29.96%
JSE register (beneficial) comprising:	29 273	516 358 668	70.04%
certificated	1 072	398 368	0.05%
dematerialised	28 201	515 960 300	69.99%
Total	**29 922**	**737 243 810**	**100.00%**

Acquisition of own shares

At the Company's annual general meeting 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 annual general meeting on 25 July 2018.

Restrictions on the transfer of Company shares

The South African Broad-Based Black Economic Empowerment Act, 53 of 2003, as amended, (the "**B-BEE Act**") was enacted to establish a legislative framework for the promotion of broad-based black economic empowerment in South Africa and is intended to encourage transformation by including black people in the economy. It covers aspects such as ownership, management control, skills development, enterprise and supplier development and social-economic development. In 2005, Mediclinic International (RF) (Pty) Ltd (previously Mediclinic International Limited) ("**Mediclinic SA**") implemented a black ownership initiative with MP1 Investment Holdings (Pty) Ltd (previously Circle Capital Ventures (Pty) Ltd) ("**MP1**") and Phodiso Holdings Limited ("**Phodiso**") (collectively, the "**Strategic Black Partners**").

Following the combination of Mediclinic SA with Al Noor Hospitals Group plc in February 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, which are materially the same as the arrangements in existence prior to the combination. 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. The restrictions are:

- in the case of the 24 582 960 shares held by Phodiso through its subsidiary, Mpilo Investment Holdings 2 (RF) (Pty) Ltd ("**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) (Pty) Ltd ("**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 of the Company, 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 2006, 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 if subsequently changed also as at 23 May 2018, being the last practicable date, the following shareholders 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:

	Ordinary shares	% voting rights	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	**59 447 726**	**8.06%**	**12/05/2017**
as at 23 May 2018	**58 894 769**	**7.99%**	**06/04/2018**
Genesis Asset Managers LLP	**37 989 258**	**5.15%**	**28/11/2017**
Coronation Asset Management (Pty) Ltd:			
as at year end	**36 951 344**	**5.01%**	**26/10/2017**
as at 23 May 2018	**36 248 868**	**4.92%**	**07/05/2018**
Mpilo Investment Holdings 2 (RF) (Pty) Ltd	**24 582 960**	**3.33%**	**13/05/2016**

2018 annual general meeting

The Company's annual general meeting ("**AGM**") will take place at 15:00 (British Summer Time) on Wednesday, 25 July 2018 at The Lincoln Centre, 18 Lincoln's Inn Fields, London, WC2A 3ED, 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 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 AGM 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.

DIVIDENDS

The Board proposes a final dividend of 4,70 pence per ordinary share for the year ended 31 March 2018 for approval by the Company's shareholders at the AGM to be held on Wednesday, 25 July 2018. The salient dates for the dividend are as follows:

Last date to trade cum dividend (SA register)	Tuesday, 12 June 2018
First date of trading ex-dividend (SA register)	Wednesday, 13 June 2018
First date of trading ex-dividend (UK register)	Thursday, 14 June 2018
Record date for final dividend	Friday, 15 June 2018
Shareholder approval at annual general meeting (London)	Wednesday, 25 July 2018
Final dividend payment date	Monday, 30 July 2018

AR The Company's dividend policy is dealt with in the **Financial Review** on page 32.

AR The tax treatment of the dividend for shareholders on the South African register are available on the Company's website. Details of the dividend access trust established for South African resident shareholders are provided in note 13 of the **Consolidated Financial Statements** on page 208.

The dividends declared by the Company to its ordinary shareholders during the reporting period are summarised below:

	2018	2017
Interim dividend	**3.20**	3.20
Final dividend	**4.70**	4.70
Total dividend	**7.90**	7.90

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

Computershare Investor Services plc
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
Computershare offers 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 Computershare 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 Computershare 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
(incorporated and registered in England and Wales)
Company number: 08338604

REGISTERED OFFICE

Mediclinic International plc
6th Floor, 65 Gresham Street
London, EC2V 7NQ, United Kingdom
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 (*ne*) (*Chairman*) (*South African*), Danie Meintjes (*Chief Executive Officer*) (*South African*), Jurgens Myburgh (*Chief Financial Officer*) (*South African*), Dr Muhadditha Al Hashimi (*ind ne*) (*Emirati*), Jannie Durand (*ne*) (*South African*), Alan Grieve (*ind ne*) (*British*), Dr Felicity Harvey (*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

Link Company Matters Limited (previously named Capita Company Secretarial Services Limited)
Jayne Meacham/Caroline Emmet
6th Floor, 65 Gresham Street, London, EC2V 7NQ
United Kingdom
Tel: +44 20 7954 9600
E-mail: **MediclinicInternational@linkgroup.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
Computershare Investor Services plc
The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ
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
Joint corporate brokers (United Kingdom):
Morgan Stanley & Co International plc
and UBS Investment Bank
JSE sponsor (South Africa):
Rand Merchant Bank
(a division of FirstRand Bank Limited)
NSX sponsor (Namibia):
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
Deloitte LLP has been appointed from the 2018/19 financial year

Communication Agency
FTI Consulting
Tel: +44 20 3727 1000
E-mail: **businessinquiries@fticonsulting.com**

GLOSSARY

TERM	MEANING
annual general meeting or AGM	the annual general meeting of the Company to be held on Wednesday, 25 July 2018, the notice of which have been distributed to shareholders by Friday, 22 June 2018 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 2018
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 or Board of Directors	the board of directors of Mediclinic International plc
Brexit	the departure of the United Kingdom from the European Union, which is planned from the end of March 2019
CAGR (%)	compounded annual growth rate
cash conversion (%)	cash generated from operations divided by adjusted EBITDA
CCU	critical care unit
CDLI	Carbon Disclosure Leadership Index
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Company	Mediclinic International plc
DRG	diagnosis-related group
EBITDA	operating profit before depreciation and amortisation, excluding other gains and losses
EU	European Union
external auditor	when referring to the Company's external auditor, means PricewaterhouseCoopers LLP
FY18/period under review/reporting period	the financial year ended on 31 March 2018
FY19/next financial year	the financial year ending on 31 March 2019
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 divisions in Switzerland, Southern Africa and the United Arab Emirates ("group" refers to one of the Group's operating divisions, as the context may indicate, as defined below)
group	one of the operating divisions 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
IFRS	International Financial Reporting Standards, as adopted by the European Union

TERM	MEANING
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 2018
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
Mediclinic Middle East	the Group's operations in the UAE, trading under the Mediclinic brand, 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
NSX	the Namibian Stock Exchange based in Windhoek, Namibia
operating division/s	Hirslanden (Switzerland), Mediclinic Southern Africa and Mediclinic Middle East and their subsidiaries and associated entities, or any one of them as the context may indicate
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 the Group operates, 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.

GREYMATTER & FINCH # 11834

EXPERTISE YOU CAN TRUST.

www.mediclinic.com