MEDICLINIC
INTERNATIONAL

ENHANCING THE QUALITY OF LIFE

2020 ANNUAL REPORT

MEDICLINIC INTERNATIONAL

MEDICLINIC'S CORE PURPOSE IS TO ENHANCE THE QUALITY OF LIFE

STRATEGIC REPORT

GOVERNANCE AND REMUNERATION REPORT

FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

To find out more visit:
www.mediclinic.com

CONTINUUM OF CARE

Expansion across the continuum of care will widen the Group's service focus, improve accessibility and create the opportunity to form a lasting relationship with clients.

44

50

CLINICAL QUALITY

More than 75 clinical indicators are measured monthly across the divisions to identify trends and opportunities for improvement.

DIVISIONAL REPORTS

Across all three divisions there are opportunities to grow in existing markets, expand into new markets and become an integrated healthcare provider.

92

MEDICLINIC CITY HOSPITAL

STRATEGIC REPORT

> Care for our client is ingrained into three of Mediclinic's organisational values: being client centred, trusting and respectful, and patient safety focused.

Dr Ronnie van der Merwe
Group Chief Executive Officer

The Vermont Oxford Network ('**VON**') is an international non-profit collaboration of more than 1 300 hospitals to improve neonatal care globally with data-driven quality improvement and research. Currently 30 Mediclinic Southern Africa and six Mediclinic Middle East facilities participate. At Hirslanden, neonatal intensive care is handled by cantonal and university teaching facilities.

Refer to the **2020 Clinical Services Report** at annualreport.mediclinic.com for more information.

STRATEGIC REPORT

STATEMENT OF DIRECTORS' PERFORMANCE OF THEIR STATUTORY DUTIES

IN ACCORDANCE WITH SECTION 172(1) OF THE COMPANIES ACT 2006

INTRODUCTION

The board of directors of Mediclinic International plc ('**Mediclinic**' or the '**Company**') (the '**Board**' or '**Board of Directors**') collectively, and its directors individually, believe that they have acted in a manner which they consider, in good faith, would be most likely to promote the success of the Company to the benefit of all its stakeholders.

Below steps illustrate how the Board has met its obligations as required by Section 172 of the United Kingdom ('**UK**') Companies Act 2006 (the '**Act**') ('**Section 172**'). It is noted that the Board believes these actions were guided by Mediclinic's organisational culture which promotes behaviour that is client centred, trusting and respectful, patient safety focused, performance driven and team orientated. Acting in the best interest of stakeholders is key to pursuing the Company's purpose to enhance the quality of life.

- The Board agenda has been revised to include a reminder of the directors' duties under Section 172 at each meeting.
- Committee Chairs are available and welcome engagement with shareholders, as was demonstrated during the year by the Chair of the Remuneration Committee in the development of the Group's new Remuneration Policy.
- Stakeholder engagement, by way of the Clinical Performance and Sustainability Committee, is discussed biannually at Board meetings. The discussion is supported by a framework which sets out Mediclinic's stakeholders; the various stakeholder engagement mechanisms and their effectiveness; key topics and concerns for each stakeholder group; and how their interests and the matters set out in Section 172 have been considered in Board deliberations and decision-making.
- The Board approved the revised Mediclinic Group Strategy and new Group Sustainable Development Strategy which focus on long-term value creation.
- In the context of the revised Mediclinic Group Strategy; the new Company purpose; and the standardisation and refinement of the organisational culture, the annual workforce engagement survey tests the extent to which the workforce understands and identifies with the Company's culture. The results of the survey are reported to the Board as part of the biannual workforce engagement report.
- The Board designated an existing non-executive director, Mr Danie Meintjes, as a responsible person to convey workforce feedback (as consolidated via multiple channels) to the Board and shareholders. The designated non-executive director will monitor and oversee that there are effective feedback processes in place to inform the workforce on how their input was communicated and

Further information on the above and how the Board engages with and/or promotes engagement with the wider stakeholder group by the Company, including a number of case studies highlighting specific examples of engagement and relevant actions, can be found in the following sections of this Annual Report:

- the ***Business model*** on page 14;
- ***Stakeholders summary*** on page 46;
- 'Employee engagement' and 'Ethics, anti-bribery and anti-corruption' in the ***Sustainable development overview*** on page 73 and 77 respectively;

> “Management’s daily COVID-19 dashboard was circulated to the Board on a regular basis from February 2020 onwards.

considered by the Board. The designated non-executive director works closely with the Group Chief Human Resources and Corporate Development Officer in accordance with an established work plan. The designated non-executive director reports to the Board on workforce engagement twice annually at specified Board meetings. The first report to the Board was presented in September 2019, with a second report in May 2020.

- In May 2019, the Board of Directors approved a long-term Diversity and Inclusion Strategy for meeting the Group’s strategic goals by way of a diverse and inclusive Board of Directors and workforce. With due regard for the interests of employees across the Group, priority areas were identified per division and an implementation framework was approved.
- A thorough and independent process was conducted to identify a successor to the current Chair of the Board. After candidates’ skills, experience and values were taken into account, Dame Inga Beale was appointed Chair Designate. She demonstrated a clear understanding of the Group’s strong culture and values, and will also align readily with the business. Core to these matters are Mediclinic’s stakeholder commitment to deliver sustainable high-quality healthcare services, its purpose and its vision.
- The Company engaged with key shareholders during the year to consult on the votes received at the 2019 annual general meeting (‘**AGM**’) in relation to the Remuneration Report and the directors’ authority to allot shares, and on the revised Remuneration Policy.
- The Board received regular updates on the effect of the COVID-19 pandemic on Mediclinic, its employees and the communities in which the Group operates; and on responses by local health authorities and governments. Dr René Toua, the Group Chief Clinical Officer, is responsible for coordinating the Company’s emergency preparedness and response. Dr Toua presented updates at each Board meeting in February and March 2020. In addition, management’s daily COVID-19 dashboard was circulated to the Board on a regular basis from February 2020 onwards. The interests of employees were reflected in the decisions taken by the Board in relation to the FY21 budget, the final dividend for FY20 and remuneration arrangements for employees and the executive directors. The interests of employees, patients and communities were also reflected in the decision by the executive and non-executive directors (together with the divisional Chief Executive Officers [‘**CEOs**’]) to donate 30% of their salaries or fees for three months to South Africa’s Solidarity Fund or other similar charities in the countries in which Mediclinic has a presence.
- The directors’ biographies have been reviewed and amended to indicate the specific reasons why their contributions are, and continue to be, important to the Company’s long-term sustainable success.

- ***Emergency preparedness summary*** on page 116;
- ‘Stakeholder interests and Board engagement’, ‘Shareholder engagement’ and ‘Workforce engagement’ in the ***Corporate Governance Statement*** on pages 151–160; and
- ‘Response to votes received at the 2019 AGM’ in the ***Remuneration Committee Report*** on page 194.

NON-FINANCIAL INFORMATION STATEMENT

The table below sets out where stakeholders can find information in the **Strategic Report** that relates to non-financial matters detailed under Section 414CB of the Act. Further details on all these matters can be found in the **2020 Sustainable Development Report**, as well as policy documents, available at www.mediclinic.com.

NON-FINANCIAL MATTER	RELEVANT POLICIES	READ MORE IN THIS REPORT	PAGE REFERENCE
Anti-corruption and anti-bribery	• Enterprise Risk Management ('**ERM**') Policy • Fraud Risk Management Policy[1] • Regulatory Compliance Policy • Anti-bribery Policy[1] • Group Privacy and Data Protection Policy	• ***Strategy, goals and progress*** • ***Sustainable development overview*** (Material issue 3: Being an ethical and responsible corporate citizen)	36 76
Business model	n/a	• ***Business model*** • ***Strategy, goals and progress***	14 36
Employees	• Code of Business Conduct and Ethics ('**Ethics Code**') • Health and safety policies and procedures • Employee relations policies • Board Diversity Policy • Group Diversity and Inclusion Strategy	• ***Business model*** • ***Chair's Review*** • ***Group Chief Executive Officer's Report*** • ***Strategy, goals and progress*** • ***Sustainable development overview*** (Material issue 2: Building stakeholder trust)	14 20 28 36 69
Environmental matters	• Group Sustainable Development Policy • Group Environmental Policy	• ***Strategy, goals and progress*** • ***Sustainable development overview*** (Material issue 1: Neutralising environmental impact)	36 66
Non-financial key performance indicators ('**KPIs**')	n/a	• ***Clinical services overview*** • ***Sustainable development overview***	50 62
Principal risks	ERM Policy	***Risk management, principal risks and uncertainties***	119
Respect for human rights	• Ethics Code • Modern Slavery and Human Trafficking Statement • Group Diversity and Inclusion Strategy	***Sustainable development overview***	62
Social matters	Group purpose	• ***Business model*** • ***Strategy, goals and progress*** • ***Sustainable development overview***	14 36 62

Note

[1] These policies include anti-corruption matters.

REPORT PROFILE

ABOUT THE COMPANY

The Company's primary listing is on the London Stock Exchange ('**LSE**') in the UK, with secondary listings on the JSE Ltd ('**JSE**') in South Africa and the Namibian Stock Exchange ('**NSX**') in Namibia. The Group's registered office is in London, UK.

ABOUT THIS REPORT

This annual report with financial statements ('**Annual Report**') of Mediclinic is published as part of a suite of reports in respect of both the 2019 calendar year and the financial year ending 31 March 2020 (the '**reporting period**' or '**year under review**' or '**period under review**' or '**FY20**').

The reporting suite listed below is available on the Group's website from the date of the distribution of this report and the Company's notice of AGM by no later than 19 June 2020.

2020 Annual Report and Financial Statements
2020 Clinical Services Report
2020 Sustainable Development Report
2020 Notice of Annual General Meeting

SCOPE, BOUNDARY AND REPORTING CYCLE

This Annual Report presents the financial results; the environmental, social and governance ('**ESG**') performance; and the economic performance of Mediclinic for the reporting period and reports on the operations of the Company's subsidiaries in Switzerland, South Africa and Namibia, and the United Arab Emirates ('**UAE**') (collectively, the '**Group**'). It also compares results with those of the prior financial year ('**FY19**') and indicates focus areas for the financial year ahead ('**FY21**').

REPORTING PRINCIPLES

This Annual Report contains information that is deemed useful and relevant to stakeholders, with due regard to their expectations through continuous engagement or information that the Board of Directors believes may influence stakeholders' perception or decision-making. The information aims to provide stakeholders with an understanding of the Group's financial, economic, social and environmental 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 ('**IFRS**'), the listing rules issued by the Financial Conduct Authority ('**FCA**') ('**Listing Rules**'), the listings requirements of the JSE ('**Listings Requirements**'), the 2018 Corporate Governance Code and the 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 2018 Corporate Governance Code, other than the exceptions explained in the ***Corporate Governance Statement*** on page 138. The Company's reporting on sustainable development included in this report (supplemented by the **2020 Sustainable Development Report** which is available at annualreport.mediclinic.com) was done in accordance with the Global Reporting Initiative Sustainability Reporting Standards 2016 ('**GRI Standards**') and the non-financial reporting regulations referred to above.

EXTERNAL AUDIT AND ASSURANCE

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

The Group follows various other voluntary external accreditation, certification and assurance initiatives, complementing the Group's combined assurance model, as reported on in the **2020 Clinical Services Report** and **2020 Sustainable Development Report**, available at annualreport.mediclinic.com. The Group believes that this adds to the transparency and reliability of information reported to its stakeholders.

GLOSSARY OF TERMS

Capitalised terms used in this report are defined in the ***Glossary of terms*** on page 353.

APPROVAL

The Board approved this report, including the **Strategic Report, Directors' Report and Remuneration Report** contained herein, on 1 June 2020.

Dr Edwin Hertzog
Non-executive Chair
1 June 2020

PERFORMANCE SUMMARY

BUSINESS REVIEW

A STRENGTHENED FRAMEWORK FOR PATIENT SAFETY

It is essential for clients to know that Mediclinic is a healthcare provider they can trust – one that is transparent about the quality of care provided and that considers patient safety paramount. In 2019, the Company did crucial work in this regard by strengthening Ward-to-Board accountability. Every division now has a Clinical Performance Committee, assisted where possible by external advisors who have a direct link to the Clinical Performance and Sustainability Committee, and then through to the main Board. This framework is vital for underpinning the patient safety culture and ensuring constant improvement.

AT THE FOREFRONT OF THE FIGHT AGAINST COVID-19

As a leading international healthcare services provider, Mediclinic is playing a vital role in confronting the pandemic by leveraging its Group-wide expertise. Each division has well-defined infection and prevention control (‘**IPC**’) and communicable disease emergency preparedness programmes and is working collaboratively with local health authorities in assessing and implementing appropriate measures to deal with the pandemic. In addition to COVID-19 admissions, the Group continues to make available its wide range of acute care and emergency services.

LANDMARK PARTNERSHIPS AND EXPANSION ACROSS THE CONTINUUM OF CARE

The regulatory environment is evolving in response to the rate of technological and pharmaceutical development, the changes in service delivery that this enables, and client needs. To address demand for more convenient healthcare, the Group is expanding across the continuum of care, with the mix of in-hospital and out-of-hospital treatment in step with the changing environment, client needs and governmental regulations. During the year under review, the Group, both on its own and with strategic partners, added to its offering a specialist mental health hospital, three day case clinics and an outpatient clinic, and concluded a network agreement with Medbase, a market-leading Swiss primary care provider and part of the Migros Group.

BETTER WAYS TO CARE, CONNECT AND CONSERVE

Organisations are evaluated on the value they create, not only for clients but in their approach to the wider industry and the community. During the reporting period, Mediclinic identified sustainable development as a critical transformation driver, which resulted in the review and approval of a formal Sustainable Development Strategy. The strategy and its resultant action plans revolve around the Company’s sustainable development mission to ensure that every day it improves sustainability by managing its resources responsibly and efficiently to the benefit of its stakeholders and the environment.

STRONG FINANCIAL POSITION AND LIQUIDITY

The Group delivered adjusted financial results for the year under review broadly in line with expectations despite the impact of COVID-19-related national lockdowns and associated actions suspending non-urgent elective procedures in March 2020. Mediclinic entered this period of uncertainty in a strong financial position and has proactively taken prudent steps to preserve liquidity, including suspending all non-essential capital expenditure and the Group dividend. As part of these measures, certain covenant test waivers have been agreed in respect of the material borrowings across all three divisions up to and including March 2021.

FINANCIAL REVIEW[1]

REVENUE UP 5%

to £3 083m; up 4% in constant currency reflecting balanced organic growth and incremental acquisitions

ADJUSTED EBITDA[2] DOWN 3%

to £480m (pre-IFRS[3] 16)[4]; down 3% in constant currency, reflecting regulatory changes, sustainable development and COVID-19

REPORTED LOSS OF £320M[5]

reflecting impairment charges at Mediclinic Middle East (£481m), Hirslanden (£33m) and Spire[6] equity investment (£10m)

ADJUSTED EARNINGS PER SHARE DOWN 8%

to 24.7 pence (pre-IFRS 16 basis[4]) reflecting the operating result and increase in depreciation and amortisation associated with investments for growth

£518M CASH AND AVAILABLE FACILITIES

Liquidity of the Group supported by strong cash conversion of 109%

TOTAL DIVIDEND FOR THE YEAR 3.20 PENCE

Dividend suspended in April 2020 as part of a range of prudent measures to preserve liquidity during the COVID-19 pandemic

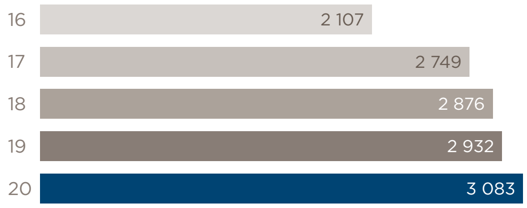
763 000 INPATIENT ADMISSIONS

across the Group as the demand for quality healthcare services remained strong

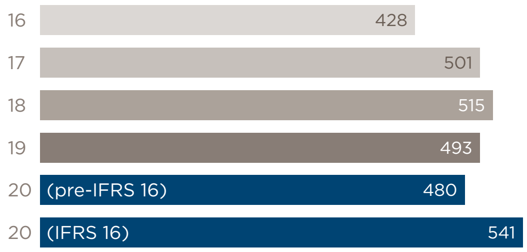
£192M ONGOING INVESTMENT

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

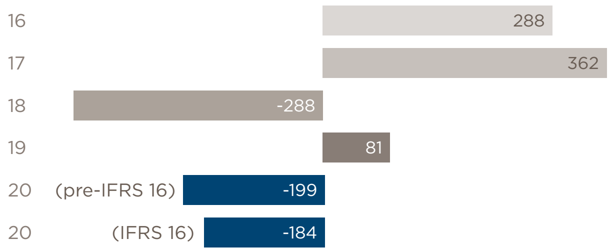
REVENUE (£'M)



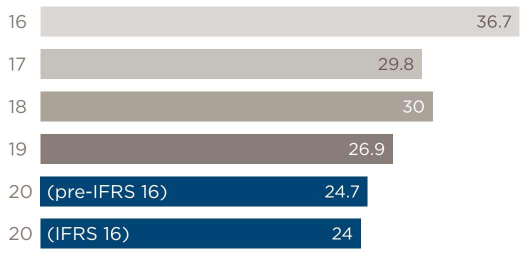
ADJUSTED EBITDA (£'M)



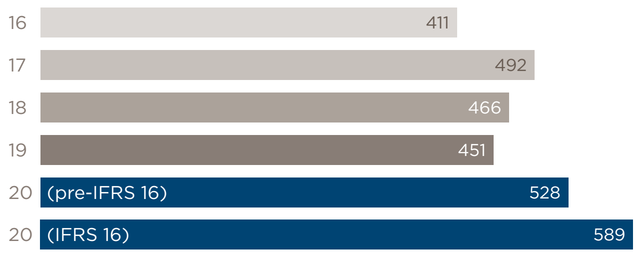
OPERATING PROFIT/(LOSS) (£'M)



ADJUSTED EPS[7] (£'M)



OPERATING CASH FLOW (£'M)



Notes

[1] The Group uses adjusted income statement reporting as non-IFRS measures in evaluating performance. Refer to the 'Financial review' section of the ***Group Chief Financial Officer's Report*** on page 82 for an explanation and for a reconciliation to the equivalent IFRS measures.
[2] Earnings before income, tax, depreciation and amortisation.
[3] International Financial Reporting Standards
[4] For comparative purposes, the FY20 results are also presented on a pre-IFRS 16 basis. The section on 'Earnings reconciliations' in the ***Group Chief Financial Officer's Report*** provides a detailed reconciliation and comparison between IFRS 16 and pre-IFRS 16 financial results for the year under review.
[5] Refers to loss attributable to equity holders.
[6] Spire Healthcare Group plc.
[7] Earnings per share.

AT A GLANCE

A UNIQUELY INTEGRATED INTERNATIONAL HEALTHCARE PARTNER

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

SWITZERLAND
Hirslanden, the leading private healthcare provider in Switzerland, is recognised for clinical excellence and outstanding patient experience
www.hirslanden.ch

SOUTH AFRICA AND NAMIBIA
Mediclinic Southern Africa is one of the three major private healthcare providers in the region with a relentless focus on offering value to all its partners and clients
www.mediclinic.co.za

THE UAE
Mediclinic Middle East has established a trusted brand and strong reputation in this developing region by offering clinical care of internationally recognised standards
www.mediclinic.ae

THE UK
Mediclinic has a 29.9% stake in Spire
www.spirehealthcare.com

Read more on Spire in the ***Group Chief Executive Officer's Report*** on page 33 and the ***Group Chief Financial Officer's Report*** on page 91, and on the divisions in the ***Divisional Reports*** from page 92.

76
Hospitals[1]

8
Sub-acute[2] and specialised hospitals[3]

11 612
Beds

453
Theatres

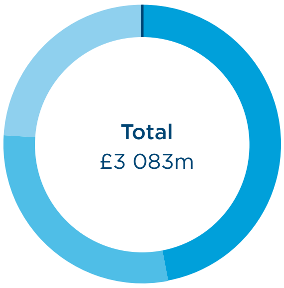
14
Day case clinics[4]

21
Outpatient clinics[5]

33 140
Permanent and fixed-term employees

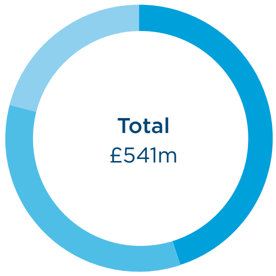
Notes
[1] Provides patient treatment with specialised medical and nursing staff, and medical equipment.
[2] Provides comprehensive goal-orientated inpatient care designed for a patient who has had an acute illness, injury or exacerbation of a disease process.
[3] Provides specialised in-hospital care, catering for single specialities such as a cardiac hospital, paediatric hospital, etc.
[4] Provides elective procedures, surgical procedures and planned medical procedures, but admits and discharges patients on the same day.
[5] Provides consultations (by general practitioner, specialist or allied healthcare professional) with no theatre facilities.

Contribution to revenue (£'m)



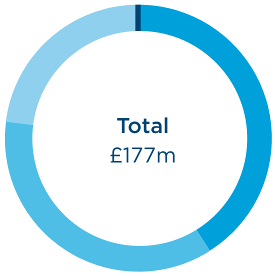
- Hirslanden: £1 438m
- Mediclinic Southern Africa: £907m
- Mediclinic Middle East: £737m
- Corporate: £1m

Contribution to adjusted IFRS 16 EBITDA (£'m)



- Hirslanden: £245m
- Mediclinic Southern Africa: £188m
- Mediclinic Middle East: £110m
- Corporate: £(2)m

Contribution to adjusted IFRS 16 earnings (£'m)



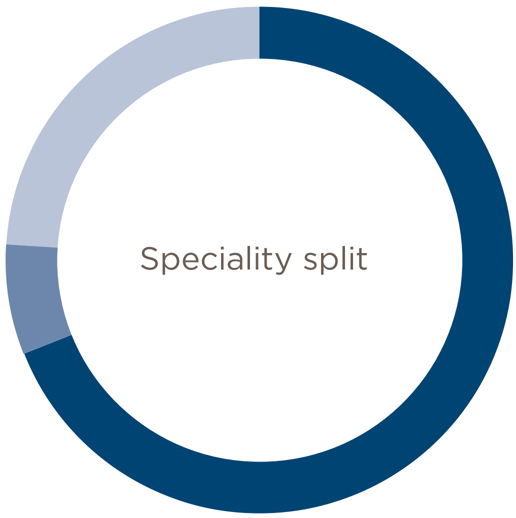
- Hirslanden: £65m
- Mediclinic Southern Africa: £73m
- Mediclinic Middle East: £38m
- Corporate: £1m

BETTER WAYS TO CARE

Mediclinic is focused on providing specialist-orientated, multidisciplinary services across the continuum of care in such a way that the Group will be regarded as the most respected and trusted provider of healthcare services by clients, medical practitioners, healthcare insurers and regulators in each of its markets.

Read more about the continuum of care on page 44.

Speciality[1]	Inpatient cases	Day surgery cases	Outpatient cases
Cardiology/Cardiothoracic surgery	8%	1%	0%
General medicine	1%	0%	4%
General surgery	19%	2%	1%
Internal medicine	13%	2%	6%
Laboratory	1%	0%	3%
Nursing and allied health professionals	0%	0%	1%
Obstetrics and gynaecology	7%	1%	1%
Oncology	1%	0%	1%
Orthopaedics	15%	1%	1%
Paediatrics	3%	0%	1%
Radiology	1%	0%	5%
Total	**69%**	**7%**	**24%**



- Inpatient cases 69%
- Day surgery cases 7%
- Outpatient cases 24%

Note
[1] Speciality split based on FY20 healthcare revenue.

MARKET OVERVIEW

MARKET LEADERS IN A DEVELOPING LANDSCAPE

THE DEMAND FOR HEALTHCARE SERVICES CONTINUES TO GROW

AGEING POPULATION

1 billion

By 2030, the number of people aged over 65 will be more than 1 billion, or 13% of the total population.[1]

DISEASE BURDEN

In 2017, global life expectancy at birth was

73 years

Healthy life expectancy at birth, however, was only 63 years. This means that on average in 2017, 10 years of life were spent in poor health.[2]

TECHNOLOGY

More than

154 000

artificial intelligence patents have been filed worldwide since 2010, a significant number of which in healthcare (29.5%).[3]

CONSUMERISM

By 2025, the patient monitoring devices market – wearables – is estimated to reach a worth of

\$27bn[4]

Sources

[1] 'The Future State 2030' Infographic, KPMG.

[2] Global Burden of Disease 2017 study findings by the Institute for Health Metrics and Evaluation, University of Washington.

[3] 'Microsoft leads the AI patent race into 2019', Forbes online.

[4] 'Patient Monitoring Devices Market Size By Product, By Type, By End-use, Industry Analysis Report, Regional Outlook, Application Potential, Competitive Market Share and Forecast, 2019–2025', Global Market Insights, Inc.

THIS DEMAND DRIVES COMPETITION FOR SKILLED INDUSTRY PROFESSIONALS

GLOBAL HEALTHCARE WORKFORCE

The World Health Organization (‘WHO’) projected that global demand for healthcare workers will reach

80 million

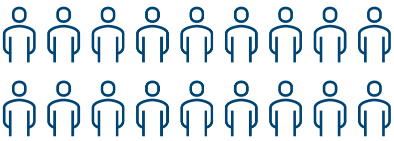
in 2030, with supply only reaching 65 million. The world will be short of 15 million healthcare workers by 2030.[5]

Nurses comprise half the global healthcare workforce.[6]

Practising nurses per 1 000 population in 2017 or nearest year:

Switzerland[7]

17.0

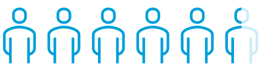


South Africa[8]

4.94

UAE[9]

5.5



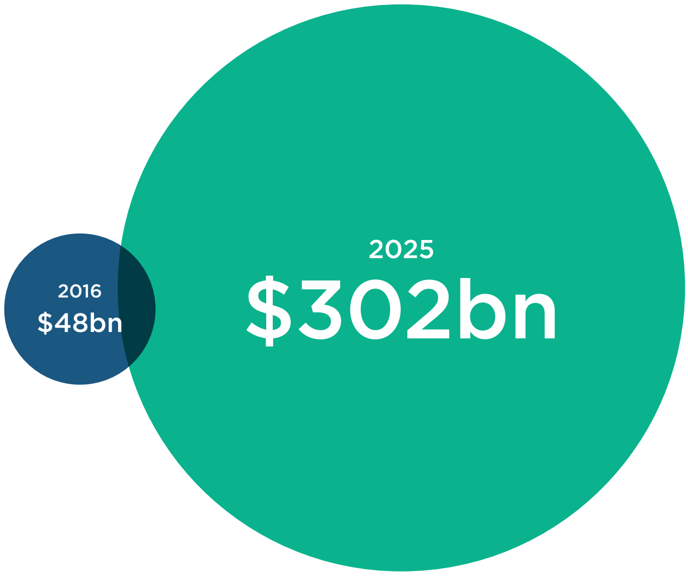
THERE ARE FEW DIVERSIFIED, INTERNATIONAL PROVIDERS OF PRIVATE HEALTHCARE

THE BIG PICTURE

The global healthcare provider network management market was valued at

$48bn

in 2016 and is projected to reach $302bn by 2025, growing at a compound annual growth rate (‘**CAGR**’) of 23% from 2017 to 2025.[10]



Taking into account the value people place on health, the list of the top 10 most economically sound investments is dominated by health. The Lancet Commission Global Health 2035 found that every $1 spent in support of lowering avoidable maternal and child mortality, and deaths from now to 2035 would yield a return of $9–20.[11]

Sources

[5] ‘Global Health Workforce Labor Market Projections for 2030’, 2017 Human Resources for Health.
[6] ‘2018 update, Global Health Workforce Statistics’, WHO.
[7] September 2019, Eidgenössisches Departement des Innern, Bundesamt für Statistik.
[8] ‘Geographical Distribution of Nursing Manpower vs Total Population 2018’, South African Nursing Council.
[9] 2017 Statistics, Federal Statistics and Competitive Authority of the UAE.
[10] ‘Global Healthcare Provider Network Management Market Size and Forecast to 2025’, Verified Market Intelligence.
[11] ‘Evaluating the impact of Private Providers on Health and Health Systems’, Institute of Global Health Innovation, Imperial College London.

BUSINESS MODEL

Mediclinic's business model enables it to quickly respond to opportunities and risks, while safeguarding clients, employees and the interests of stakeholders. The Group is expanding the horizon of what care can be.

THE OUTCOME

83.9%

Group grand mean score for Press Ganey® patient experience survey[1]

3

Market-leading positions in three geographies

2%

compounded growth in admissions in the past five years

83%

Participation in Gallup® employee engagement survey

THE CARE

PUTTING *PATIENTS FIRST*

By taking a holistic view of clients' needs, Mediclinic is focused on improving all aspects of the healthcare value equation – clinical outcomes, client experience and cost. The Group is ensuring that clients are able to receive quality care in the right care setting at a cost that is fair, predictable and transparent. It also maintains dialogue with clients and communities through public health awareness campaigns aimed at improving lifestyle choices and overall health.

Learn more in the ***Clinical services overview*** on page 50.

MAINTAINING CLINICAL EXCELLENCE

With more than 115 healthcare facilities across four countries, Mediclinic applies stringent quality standards regardless of location. The Group provides care and facilities of international standard with more than 10 different accreditations and certifications and various international benchmarking initiatives to meet local requirements.

Learn more in the **2020 Clinical Services Report** available at annualreport.mediclinic.com.

THE FOUNDATION

EXPERTISE

With experience and insight gained over more than three decades of maintaining market-leading positions in diverse geographies, the Group has created expertise that spans across all aspects of the business – from client care, patient safety, nursing and specialised medicine to facility management, procurement and finance, and acquisitions.

Learn more in the ***Divisional Reports*** from page 92.

EMPLOYEES

Mediclinic's employees play a pivotal part in achieving its strategic goals. To empower every employee, the Group continuously builds on a culture that is client centred; trusting and respectful; patient safety focused; performance driven; and team orientated. Through its strategies dedicated to diversity and inclusion, and attracting and retaining top talent, Mediclinic secures its future.

Learn more in the ***Sustainable development overview*** on page 62.

We exist to care for our clients when they are at their most vulnerable. Herein lies our true value: harnessing the exceptional talent, compassion and energy of Mediclinic employees and partners to ensure our clients receive cost-effective, quality care and outstanding client experiences. **Dr Ronnie van der Merwe,** Group Chief Executive Officer

8

Trusted by eight tertiary institutions across all three divisions to help train the healthcare workers of tomorrow

FTSE4Good

Constituent of FTSE4Good

±£114m

Economic contribution to monthly salaries

CDP DISCLOSURE INSIGHT ACTION

Signatory of the CDP (originally the Carbon Disclosure Project)

FINDING BETTER WAYS TO CARE

In order to align its service offering with the needs of clients, Mediclinic is expanding its core operations to position itself as an integrated healthcare provider across the continuum of care. Through innovation, acquisition, partnerships and expansion, the Group is expanding to provide a seamless suite of healthcare services that prevent, treat and recover, all under the umbrella of a single, connected system.

Learn more in the ***Continuum of care*** summary on page 44.

LEVERAGING KNOWLEDGE AND SCALE

The power of Mediclinic is that it operates as a Group, not three separate divisions. Close working relationships enable learning to be shared across geographies. Highly specialised medicine and cancer care, procurement synergies and enterprise resource management have been established as a direct result – all enhancing Mediclinic's services and efficiency.

STAKEHOLDERS

Mediclinic listens carefully to how stakeholders feel and what they want. Strong relationships lie at the heart of its ability to enhance the quality of life. By engaging on key issues, it not only ensures close cooperation and coordination with government and regulatory role players, it's also able to realise public-private partnerships ('**PPPs**') and seize business opportunities which expand its services, help it achieve its strategic goals, and diversify revenue streams.

Learn more in the ***Stakeholders summary*** on page 46 and the ***Divisional Reports*** from page 92.

FUTURE VISION (ESG)

The Group provides care in a world that is being reshaped by evolving client needs, regulatory frameworks and climate forces. This calls for a sustainable approach in everything it does, from the way it utilises natural resources and engages with employees to the type of investments it makes and how it conducts business.

Learn more in the ***Sustainable development overview*** on page 62.

FINANCE

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

Learn more in the ***Group Chief Financial Officer's Report*** on page 78.

ENABLED BY THE MEDICLINIC GROUP STRATEGY:

PURPOSE
To enhance the quality of life

VISION
To be the partner of choice that people trust for all their healthcare needs

ORGANISATIONAL VALUES

- Client centred
- Trusting and respectful
- Patient safety focused
- Performance driven
- Team orientated

STRATEGIC GOALS

- **Goal 1:** To become an integrated healthcare provider across the continuum of care;
- **Goal 2:** To improve our value proposition significantly;
- **Goal 3:** To transform our healthcare services and client engagement through digitalisation;
- **Goal 4:** To evolve as an analytics-driven organisation;
- **Goal 5:** To strengthen our position as the employer of choice;
- **Goal 6:** To grow in existing markets and expand into new markets; and
- **Goal 7:** To achieve superior long-term financial returns.

TRANSFORMATION DRIVERS

- Innovation
- Sustainable development

Learn more about the Mediclinic Group Strategy on page 36.

EXPERTISE YOU CAN TRUST

Note
[1] Score reflective of the 2019 calendar year and negatively impacted by Hirslanden experiencing an interruption in surveying.

INVESTMENT CASE

"From hospital management, specialist services and outpatient support to procurement, business partnerships and employee growth, we do what we do exceptionally well. We explore and find better ways to care – for our clients, our communities, our employees and our environment.

Dr Ronnie van der Merwe
Group Chief Executive Officer

1

CLIENT-CENTRED APPROACH

- Internationally recognised clinical expertise and a relentless focus on improving patient safety and clinical outcomes
- Dedicated to creating value every day by providing cost-efficient, quality care and outstanding client experiences
- Transparent reporting

All Hirslanden hospitals score above Initiative on Quality Medicine ('IQM') clinical benchmark

In 2019, Mediclinic Southern Africa launched public website that reports patient safety indicators

All Mediclinic Middle East facilities accredited by Joint Commission International ('JCI')

2

PARTNER OF CHOICE

- The preferred partner to both medical practitioners and patients across all the geographies in which it operates
- Purpose-driven strategic approach to strengthening the Group's position as the employer of choice

All three divisions increased their grand mean score for Press Ganey® patient experience survey in 2019

2 300+ & 2 250+

More than 2 300 physicians in Switzerland and 2 250[1] in South Africa choose to partner with the Group

3.99

Gallup® employee engagement grand mean score (out of five) for the Group

Note
[1] Includes general practitioners who admit directly to Mediclinic facilities.

3

LEADING, TRUSTED BRANDS ACROSS DIVERSE MARKETS

- One of the largest private healthcare providers across the Europe, Middle East and Africa ('**EMEA**') region with interests in developed markets (Switzerland and the UK) and emerging markets (Southern Africa, the UAE and Saudi Arabia).

8

Hirslanden hospitals in top 25 for Switzerland according to *Newsweek*'s 'World's Best Hospitals 2019'

6

Mediclinic Southern Africa hospitals on 'Discovery Health Top 20 Hospitals 2019' list

Mediclinic Middle East awarded Superbrand status by the UAE Superbrands Council for 2019

4

CAPITALISE ON GROWTH OPPORTUNITIES

- Geographic diversity and extensive healthcare expertise allow the Group to take advantage of profitable growth opportunities in existing and new markets
- Advantageous position to expand across continuum of care due to experience in managing complex, specialised inpatient facilities
- Asset-light growth enabled by existing core business
- Strong cash generation supports growth through disciplined capital allocation
- Active pursuit of innovation, technology, digitalisation and analytics opportunities

Continuum of care Continuing to establish PPPs, strategic collaborations and investments to expand service offering

2020 Group is preparing to launch precision medicine service and Innovation Hub

5

SUSTAINABLE LONG-TERM VALUE

- Broad approach to value creation supported by ESG goals and sustainable development mission to ensure that every day the Group improves sustainability by managing its resources responsibly and efficiently to the benefit of its stakeholders and the environment
- System relevance enhanced through PPPs, strategic collaboration and constructive engagement with healthcare funders and government
- Operational flexibility anchored in extensive hospital ownership
- Agility to adapt operations to changing dynamics and reduce fragmentation by integrating services
- Strategy of responsible leverage
- Remgro Ltd ('**Remgro**') as supportive long-term investor since inception

88% The Group owns 67 of its 76 hospital buildings

2019 Sustainable Development Strategy formalised during 2019

2030 Group environmental goals to be carbon neutral and have zero waste to landfill by 2030

VALUE ADDED STATEMENT

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

	FY20 £'m	%	FY19 £'m	%
VALUE CREATED				
Revenue	**3 083**		2 932	
Cost of materials and services	**(1 201)**		(1 222)	
Finance income	**9**		9	
Share of net profit of equity accounted investments	**2**		3	
	1 893	**100.0**	1 722	100.0
DISTRIBUTION OF VALUE				
To employees as remuneration and other benefits	**1 388**	**73.3**	1 233	71.7
Tax and other state and local authority levies (excluding VAT)	**71**	**3.8**	68	3.9
To suppliers of capital:				
Non-controlling interests	**18**	**1.0**	21	1.2
Finance cost on borrowed funds	**87**	**4.6**	66	3.8
Distributions to shareholders	**59**	**3.1**	59	3.4
	1 623	**85.8**	1 447	84.0
VALUE RETAINED				
To maintain and replace assets	**152**	**8.0**	136	7.9
Income retained for future growth	**118**	**6.2**	139	8.1
	270	**14.2**	275	16.0

FIGURE 1: VALUE CONTRIBUTION BREAKDOWN (%)

	FY20 %	FY19 %
Employees	**73.3%**	71.7%
Maintaining and replacing assets	**8.0%**	7.9%
Future growth	**6.2%**	8.1%
Finance cost	**4.6%**	3.8%
Tax	**3.8%**	3.9%
Shareholders	**3.1%**	3.4%
Non-controlling interests	**1.0%**	1.2%

FIVE-YEAR SUMMARY

The ***Five-year summary*** is presented in sterling, rounded to the nearest million.

	IFRS 16	Pre-IFRS 16			
Income statements	**FY20 £'m**	FY19 £'m	FY18 £'m	FY17 £'m	FY16 £'m
Revenue	**3 083**	2 932	2 876	2 749	2 107
Adjusted EBITDA	**541**	493	515	501	428
Operating (loss)/profit	**(184)**	81	(288)	362	288
Adjusted operating profit	**327**	330	370	360	335
Reported (loss)/earnings	**(320)**	(151)	(492)	229	177
Adjusted earnings	**177**	198	221	220	219

Per share statistics	**FY20 pence**	FY19 pence	FY18 pence	FY17 pence	FY16 pence
Basic (loss)/earnings basis	**(43.4)**	(20.5)	(66.7)	31.0	29.6
Diluted (loss)/earnings basis	**(43.4)**	(20.5)	(66.7)	31.0	29.5
Basic adjusted earnings basis	**24.0**	26.9	30.0	29.8	36.7
Diluted adjusted earnings basis	**24.0**	26.9	30.0	29.8	36.7
Dividends declared per share	**3.20**	7.9	7.9	7.9	7.9

Statements of financial position	**FY20 £'m**	FY19 £'m	FY18 £'m	FY17 £'m	FY16 £'m
ASSETS					
Non-current assets	**5 741**	5 335	5 382	6 353	5 604
Current assets	**1 213**	1 091	961	1 069	945
Total assets	**6 954**	6 426	6 343	7 422	6 549
EQUITY					
Owners of the parent	**2 890**	3 151	3 286	4 086	3 509
Non-controlling interests	**113**	115	87	78	61
Total equity	**3 003**	3 266	3 373	4 164	3 570
LIABILITIES					
Non-current liabilities	**3 182**	2 576	2 445	2 668	2 192
Current liabilities	**769**	584	525	590	787
Total liabilities	**3 951**	3 160	2 970	3 258	2 979
Total equity and liabilities	**6 954**	6 426	6 343	7 422	6 549

Statements of cash flows	**FY20**	FY19	FY18	FY17	FY16
Operating cash flow (£'m)	**589**	451	466	492	411
Adjusted EBITDA cash conversion (%)	**109%**	91%	90%	98%	96%

CHAIR'S REVIEW

THE VALUE OF TRUST IN TIMES OF CRISIS

Dr Edwin Hertzog
Non-executive Chair of the Board of Directors

CHALLENGING TIMES

As I write to you this year, the last time I will have this honour, it's unfortunately during a time of great global uncertainty. I have no doubt that what we know today regarding the COVID-19 pandemic will have moved on by the time this letter is published.

Mediclinic has a vital role in tackling the current crisis. We leverage our multi-geographical expertise and views to aid coordinating responses with regional and national governments, healthcare authorities and infectious diseases agencies to support our communities.

Our people have been and continue to be the most important factor in the success of Mediclinic over nearly four decades. They are the frontline doctors, nurses and hospital staff who have been expertly and selflessly leading our response to this crisis. It's our responsibility as a Board to ensure they are safe and protected with the necessary guidelines and protocols in place and through the provision of appropriate equipment and training. But their commitment is something for which the Board will be ever thankful. They put their own health at risk by simply doing their job.

Mediclinic is well prepared for the current crisis and we will endeavour to continue providing patients with the services and care they require during these challenging times. However, business as usual is clearly not an option at present. I thank our patients for their understanding as some find they have procedures postponed due to government restrictions and the priority of serving the needs of COVID-19 patients alongside our continued work in the acute care, emergency and non-elective fields of medicine.

The Group has entered this period of uncertainty on sound financial footing, reflecting good fiscal management and responsible approach to leverage, positioning it to face the potential impact of the pandemic. Through proactive engagement with our long-standing banking partners, we have made arrangements in respect of waiving certain covenant tests in each of our divisions that will allow us to focus all our efforts on supporting our patients and tackling the COVID-19 pandemic.

DELIVERING CLINICAL EXCELLENCE

Once again, I can report that during the year under review, our commitment to putting *Patients First*,

> "What remains steadfast during this crisis is our culture and the commitment of the Group's Board and executive management teams to all our stakeholders.

763 000
inpatient admissions during the reporting period

31%
of Group revenue from surgical day cases and outpatient consultations and procedures

by way of delivering high-quality, cost-effective healthcare services on a sustainable basis, remained steadfast. This approach aligns with our purpose to enhance the quality of life. Core to our long-term success is the trust we build with all our stakeholders. Delivering clinical excellence is fundamental to building that trust.

We deeply appreciate the 763 000 inpatients who chose Mediclinic as their preferred healthcare provider during the reporting period. As healthcare services continue to evolve, so do we, and more of the care we offer is being delivered in an outpatient or non-acute care setting, while maintaining the effective clinical outcomes for patients. This is also a key component of both our strategic goal to improve our client value proposition and our new Sustainable Development Strategy. We have to be part of the solution in addressing the affordability of healthcare and we will continue to invest in this endeavour. Already 31% of the Group's revenue is generated through surgical day cases and outpatient consultations and procedures.

Importantly, I am pleased to report that the majority of patient safety and clinical effectiveness indicators continued to improve during the year under review. Much of the progress can be attributed to the stronger collaborative effort established between the clinical services teams of the respective divisions and the Group Corporate Office over the last few years.

The Board is also extremely fortunate to benefit from an experienced Clinical Performance and Sustainability Committee and in particular from its Chair, Dr Felicity Harvey, given her extensive experience working in the UK's National Health Service ('**NHS**') and the WHO.

"The Group has entered this period on sound financial footing, positioning it to face the potential impact of the pandemic.

Highlights this reporting period from across the Group included:

AT GROUP LEVEL

- The integration of the Ward-to-Board accountability framework continued, strengthening the clinical service leadership across the Group. Clinical Performance Committees are now established in all the divisions.
- The Patient Safety Committee established in FY19 is making progress on standardising and enhancing collaboration across the Group and the patient safety workshop held as part of the Mediclinic Group Conference in October 2019, attended by 130 senior managers, helped to reinforce our strengths and identify focus areas.
- The Group continues to progress with the implementation of a clinical adverse event solution suitable for the Group to further advance patient safety.
- The clinical indicators in use have been expanded across the Group to ensure the divisions are able to use the reporting to learn from one another and action continuous improvement.

HIRSLANDEN

- The roll-out of an electronic health record ('**EHR**'), patient data management system ('**PDMS**') and radiology information system was successfully expanded to onboard additional facilities.
- The annual Hirslanden Doctors' Summit in November 2019 was attended by approximately 300 of the division's medical practitioners. The event focused on the role of doctors in the evolving healthcare environment and gave insight into the Group's newly formulated strategy.
- The Joint Accreditation Committee ISCT-Europe & EBMT ('**JACIE**') accredited the autologous blood stem cell transplant service at Klinik Hirslanden, the only private hospital in Switzerland to earn these credentials.
- In addition to various other PPPs, the division announced it is partnering with the University Hospitals of Geneva ('**HUG**') to establish a day case clinic, with *Kantonspital Baselland* to collaborate on the treatment of musculoskeletal disorders and with Bern University of Applied Sciences to provide training opportunities for medical students.

MEDICLINIC CITY HOSPITAL

MEDICLINIC SOUTHERN AFRICA

- Progress was made on a number of initiatives aimed at improving clinical performance.
- In a move to empower patients and drive improvement, the division launched a public website that reports patient safety indicators at hospital level. Here clients can view the incidence of falls, medication errors, near misses and pressure ulcers as well as the extended length of stay index.
- During the reporting period 2 657 Care Expert cases were completed, an increase of 28% on the prior reporting period. This means nearly 35% of all hip and knee arthroplasties were done as Care Expert cases. This integrated product optimises hospital efficiency and clinical quality within a value-based model of care, rather than fee-for-service.
- The division continues to actively participate in formal and informal engagement processes that support the development of a sustainable national healthcare solution in South Africa. The Health Market Inquiry ('**HMI**') published its final findings in September 2019. The division continues to monitor and engage with any developments that may stem from the HMI's final recommendations.

MEDICLINIC MIDDLE EAST

- Mediclinic Middle East commenced with the roll-out of its EHR at Mediclinic Parkview cluster clinics, Mediclinic Khalifa city clinic and Mediclinic Al Noor hospital during the year under review, with Mediclinic Airport Road planned for 2020. The EHR was also successfully integrated with the health information exchange ('**HIE**') in Abu Dhabi, making Mediclinic Middle East the first private provider to achieve this.
- The partnership with Bourn Hall International MENA ('**Bourn Hall**') has expanded with the completion of the construction of an *in vitro* fertilisation ('**IVF**') centre at Mediclinic Al Bateen. The centre will, upon opening, be managed by Bourn Hall in which the division has a minority stake.
- The division is preparing to launch a comprehensive genetics service in the UAE later in 2020. Mediclinic Middle East has acquired equipment for genome sequencing and further preparations include registration with the Ministry of Health; appointment of two molecular geneticists; and finalisation of the test menu.
- During the reporting period, all the division's facilities were successfully accredited or re-accredited by the JCI, a leader in healthcare accreditation and the author and evaluator of rigorous international standards in quality and patient safety.

"The division is preparing to launch a comprehensive genetics service in the UAE later in 2020.

OUR CULTURE AND COMMITMENT TO STAKEHOLDERS

The Financial Reporting Council ('**FRC**') published a revised version of the UK Corporate Governance Code in July 2018 which applied to Mediclinic in respect of FY20. The Board welcomed the new requirements and their focus on the themes of corporate and Board culture, stakeholder engagement and sustainability. Further detailed reporting of this can be found in the governance and remuneration sections of this report.

Our culture and values must be demonstrated by those at the very top of the organisation. I have long been a personal advocate for diversity and transformation across Mediclinic and all the other organisations I'm involved with. We believe that diversity across Mediclinic, including but not limited to social and ethnic backgrounds, and cognitive and personal strengths, promotes better performance and a stronger organisational culture. Mediclinic's achievements in this area have been recognised by the *Parker Review 2020 Report into the Ethnic Diversity of UK Boards*. The report noted that Mediclinic was one of 54 FTSE 250 companies to have fully met the requirement to 'have a director of colour on their board'. This, coupled with our four female directors who constitute 33% of the current Board, demonstrates Mediclinic's sincere commitment to driving diversity from the very top of the organisation. I fully expect this will remain a priority for Dame Inga Beale, Chair Designate, once she becomes Chair following my planned retirement at the conclusion of the 2020 AGM.

We clearly value the significant roles each stakeholder plays in the successful delivery of our Group's strategy and operations. Last year, I reported on the important change we made in formally appointing Mr Danie Meintjes as a designated non-executive director with responsibilities for workforce engagement on the Board. Mr Meintjes was selected by the Board to fulfil this responsibility given his many years of experience in human resources and his engagement with our people across all divisions through his previous role as Group CEO of Mediclinic.

An overview of our workforce and our workforce engagement programmes was communicated by Mr Meintjes to the Board in September 2019. This included the outcomes and implementation of follow-up actions arising from the annual Gallup® employee engagement survey conducted across all divisions in November 2018 and a future engagement strategy. A Group Diversity and Inclusion Strategy was implemented in 2019 and progress on its implementation and outcomes is also covered by Mr Meintjes' reports to the Board on workforce engagement.

We invest in leadership development and training programmes at all levels of the organisation to support our goals and to ensure that Mediclinic, as an employer of choice, remains able to attract high-quality international talent. These skills, along with the governance measures in place, allow us to enhance clinical outcomes and the patient experience, both of which are fundamental to the long-term success of the Group.

We also remain committed to supporting our broader stakeholders whether they be suppliers, healthcare insurers, governments, authorities or industry partners. It is the Board's commitment as part of our Sustainable Development Strategy to strengthen our corporate culture to remain an ethical and responsible corporate citizen. During these times which are challenging for all, this commitment becomes even more important.

FINANCIAL PERFORMANCE (PRE-IFRS 16)

Having delivered a solid first-half financial performance, the Group was on track to replicate this in the second half of the year under review. However, with the onset of COVID-19 from mid-March, normally a period of seasonally high activity, most non-urgent work was postponed to allow hospitals and clinical professionals to prepare for the expected increase in COVID-19-related cases. An approach Mediclinic fully supports.

At the Group level, in constant currency, FY20 revenue was up 4% and adjusted EBITDA was down 3%. However, after the translation effect of foreign currency movements, FY20 revenue was up 5% at £3 083m (FY19: £2 932m) and adjusted EBITDA decreased 3% at £480m (FY19: £493m). Adjusted EPS for the Group was down 8% to 24.7 pence (FY19: 26.9 pence). The Group reported available cash and banking facilities at year-end of £518m.

The performance of all three divisions reflects the sudden impact of social lockdowns in March 2020 and the postponement of non-urgent elective procedures in response to the COVID-19 pandemic. However, in FY20:

- Hirslanden performance was in line with expectations, delivering modest revenue growth and an expected lower adjusted EBITDA margin, impacted by regulatory changes including the outmigration of care but partly off-set by ongoing cost management and efficiency savings.
- Mediclinic Southern Africa performance was also in line with expectations, delivering solid revenue growth with an expected lower adjusted EBITDA margin reflecting decisions to further enhance clinical standards and to expand across the continuum of care.
- Mediclinic Middle East reflected good operational progress, but rate of financial delivery was impacted by the challenging macroeconomic conditions, competitive environment in the region and earlier restrictions imposed compared to the other divisions in response to the COVID-19 pandemic. Revenue growth was mid-single digit and EBITDA broadly stable.

At year-end, the Group reported non-cash exceptional items relating to impairment charges at Mediclinic Middle East, Hirslanden and Spire. These impairments incorporate the impact of changes in the market and regulatory environments, exacerbated by the near-term uncertainty created by the COVID-19 pandemic.

“It is the Board's commitment as part of our Sustainable Development Strategy to strengthen our corporate culture to remain an ethical and responsible corporate citizen.

MEDICLINIC CONSTANTIABERG

> "I strongly believe that the competitive strength of our divisions and the Group's robust liquidity position are good reasons for underpinning our confidence in the medium-term outlook.

In this context, Mediclinic Middle East and Hirslanden recorded impairment charges of £481m on intangible assets and £33m on fixed assets respectively. On Spire, an impairment charge of £10m was recorded against the carrying value of the equity-accounted investment. As a result of these impairment charges and other exceptional items, the reported loss for the year under review was £315m (FY19: loss of £151m).

BOARD CHANGES AND GOVERNANCE

At the 2019 AGM on 24 July 2019, I indicated to the Board my intention to retire as Chair of the Company with effect from the conclusion of the 2020 AGM. Having been involved with Mediclinic at a Board level since its inception 37 years ago, it has been an exceptional privilege and honour to be part of the Group's history. It has been a genuinely fulfilling experience, as well as, of course, a demanding and challenging one. I owe a huge debt of gratitude to many wonderful colleagues as well as to supporting shareholders.

On 26 March 2020, the Board was delighted to welcome Dame Inga Beale as an independent non-executive director and Chair Designate of the Company. Dame Inga, a prominent British businesswoman with extensive global business management and leadership experience, was appointed in 2014 as the first female CEO of Lloyd's of London, the insurance and reinsurance market, a position which she held until 2018.

During her career, she has initiated large-scale digital and cultural transformation programmes; led operational expansion; and advocated for diversity and inclusion as transformation drivers to business. Her ethical approach and community involvement speak to our purpose of enhancing the quality of life, as well as to the values that shape the Mediclinic culture.

Dame Inga's Group-wide onboarding exercise has been adapted in view of the COVID-19 pandemic and associated travel restrictions, with initial sessions taking place via videoconference, to be supplemented with in-person meetings when circumstances allow. However, she has been warmly welcomed by all the divisions and has already been making important contributions to the Board and in her capacity as a member of both the Nomination Committee and Remuneration Committee.

I would like to thank Mr Alan Grieve, Senior Independent Director ('**SID**'), for leading the thorough recruitment process along with the other directors involved.

Mr Desmond Smith retired, as planned, as an independent non-executive director and SID at the conclusion of the 2019 AGM. He was succeeded as SID, Chair of the Audit and Risk Committee and member of the Nomination Committee from that date by Mr Grieve.

Mr Tom Singer was appointed as an independent non-executive director and member of the Audit and Risk Committee with effect from 24 July 2019. He was also appointed as an additional member of the Remuneration Committee with effect from 13 November 2019.

Mr Seamus Keating stepped down from the Board on 31 March 2020, following his appointment as CEO of First Derivatives plc. The Nomination Committee has commenced the process to identify and appoint a new independent non-executive director to succeed Mr Keating.

PROACTIVE ACTIONS SUPPORTING GROUP LIQUIDITY

The Group is proactively managing its financial and liquidity position through various measures. These include restricting capital investment to all but essential and committed projects; enhancing working capital efficiently; and adjusting operating expenses; and agreeing certain covenant test waivers in respect of its material borrowings across all three divisions up to and including March 2021.

As part of the Group's broad response to maintaining its liquidity position through the crisis and to maximise its support in the handling of COVID-19, the Board has taken the prudent and appropriate decision to suspend the dividend. The Board recognises the importance of its dividend to shareholders and will keep this position under review. In line with the unprecedented decision to suspend the dividend, the executive directors' annual salary increases and short-term incentives ('**STI**') have also been suspended.

Having announced an interim dividend of 3.20 pence per share at the November 2019 half-year results, the total dividend for FY20 is 3.20 pence per share (FY19: 7.90 pence per share). This represents a 13% payout ratio to adjusted EPS which is below the Group policy of 25-35% as a result of the Board

OPERATIONSZENTRUM ZUMIKON

suspending the dividend in April 2020. The Board would like to thank shareholders for their understanding during this uncertain time and reassure them that we recognise the important role the dividend plays.

SUPPORTING COVID-19 CHARITIES

In support of South Africa's establishment of a Solidarity Fund aimed at assisting the most vulnerable South Africans to deal with the impact of COVID-19, the Group CEO and Group Chief Financial Officer ('**CFO**') are voluntarily donating 30% of their salaries for three months to this essential national initiative. Similarly, the divisional CEOs and all non-executive directors of the Board are voluntarily donating 30% of their salaries or fees for the same period to benefit charities with similar aims in the countries in which Mediclinic has a presence. In addition, the remaining members of the Mediclinic Group Executive Committee are voluntarily donating similar amounts for three months to charities of their choice.

LOOKING AHEAD WITH YOUR SUPPORT

I strongly believe that the underlying fundamentals of the private healthcare market, together with the competitive strength of our divisions and the Group's robust liquidity position, are good reasons for underpinning our confidence in the medium-term outlook for the Group after the COVID-19 crisis has eased. I expect Mediclinic to be well positioned to meet the deferred demand arising from the postponement of many non-urgent procedures as we currently focus on tackling the COVID-19 pandemic. Mediclinic will manage these circumstances, supporting our patients and staff, in its usual efficient, expert and responsible manner.

What remains steadfast during this crisis is our culture and the commitment of the Group's Board and executive management teams to all our stakeholders. Therefore, I firmly believe we will retain our market-leading positions.

Combining this strength with our clear purpose, vision and values, all underpinned by the Group's strategic goals and Sustainable Development Strategy, give me confidence in our ability to deliver sustainable long-term shareholder value.

Finally, as always, I would like to thank our valued shareholders for their continued trust and support.

Dr Edwin Hertzog
Non-executive Chair
1 June 2020

GROUP CHIEF EXECUTIVE OFFICER'S REPORT

Dr Ronnie van der Merwe
Group Chief Executive Officer

LEADING WITH PURPOSE THROUGH TURBULENT TIMES

STRONG LEADERSHIP AND EXPERTISE THROUGH THE COVID-19 PANDEMIC

The Group's performance for the vast majority of FY20 was solid with noticeable progress that advanced the leading market positions of our divisions. Only from mid-March 2020 did the impact from COVID-19 national lockdowns and associated actions suspending non-urgent elective procedures materialise.

Clearly, we are now operating in unprecedented times, with COVID-19 presenting a new and significant uncertainty for our business. We benefit from the broad range of expertise and skills we have among the leaders of the Group and their teams, which has provided Mediclinic with unique insight to effectively and efficiently respond to the pandemic and to fulfil the vital role it plays in tackling the crisis. Thanks to this and our strong financial position and liquidity, we can focus on supporting our people, doctors, clients and local health authorities. We have taken proactive actions across the Group both operationally and financially. Multidisciplinary taskforces have been established at Group and divisional level to plan around the clinical, operational and financial aspects of this pandemic. The divisional taskforces are constantly assessing and re-evaluating Mediclinic's responses to this dynamic and evolving situation. The Group taskforce, which is centrally coordinated by Group Chief Clinical Officer Dr René Toua, supports the divisions and establishes comprehensive contingency planning that also includes supply chain and information communication technology ('**ICT**').

Our COVID-19 preparedness plans have matured over the last months, greatly enhanced by knowledge-sharing across the geographies in which we operate – each being at a different stage of confronting the pandemic. These plans address the safety of our clients, frontline and supporting employees, affiliated doctors and contracted service providers, all of which are of critical importance.

I have been impressed by the Group's rapid ability to adapt and innovate. The Group has invested in a number of key initiatives to help its staff and clients deal more effectively with the crisis, including: acquiring additional ventilators and related consumable products; expanding intensive care unit ('**ICU**') capacity where possible; establishing testing units; sourcing additional personal protective equipment ('**PPE**'); establishing additional laboratory facilities to support testing; launching telemedicine and pharmacy home delivery services for prescription medication; creating drive-through pharmacies; identifying separation areas in hospitals and ensuring these are sufficiently prepared for IPC; establishing alternative interim facilities to admit asymptomatic and low acuity cases; establishing 24/7 client call centres and crisis control centres; developing online risk assessment tools and software to support various tracking and testing initiatives; and providing staff and clients with communication tools and guidelines.

We follow the strict guidelines and protocols established by the relevant local health authorities that are aimed at slowing the spread of the disease and saving lives, with input to policy formulation from the divisions. In addition, clearly defined IPC and communicable disease emergency preparedness programmes that govern admission, containment, triage and treatment of suspected or confirmed cases are established in all divisions.

RESPONSE TO AN UNCERTAIN LANDSCAPE

COVID-19 is forcing the world to evolve and adapt. Every industry has been disrupted, and for some the implications may be far-reaching and permanent. Healthcare is essential to combatting the physical effects of the pandemic; however, as a sector we are not immune to its economic impact, nor are we certain how it will shape the future care landscape. We are also aware that circumstances may change rapidly, and that the resolution of the pandemic may not be a linear process, but necessitate navigating peaks spread over an extended period or in rapid succession. However, Mediclinic is established and agile, and we are realistic about the challenges we face and the opportunities that may result. We remain focused on overcoming the financial impact and pursuing innovative solutions presented by our people and enabled by the constructive and collaborative relationships we share with our broad stakeholder base.

SITUATIONS	ACTIONS
PREPARE	
Full range of healthcare services offered across all facilities	• IPC measures, processes and protocols were already well established, including hand hygiene, environmental cleaning and active surveillance • Formed multidisciplinary and specialist Group and divisional taskforces • Ceased local and international travel and implemented biometric scanning • Created ICT infrastructure to enable seamless transition from office-based operations to work-from-home • Secured continuity of critical ICT systems
PROTECT AND RESPOND	
Elective procedures postponed and outpatient services affected, but emergency and acute care continues	• Prioritise safety of frontline employees, affiliated doctors and clients • Establish policies which enable rapid response and prioritise safety • Continuously engage with frontline employees and affiliated doctors on the correct use of PPE and treatment protocols • Evaluate the latest trends and research, and share experiences and expertise through cross-divisional initiatives and consultation • Continuously consult with professional societies and global epidemiology experts to ensure best practice approach for prevention, treatment and containment in each division • Where possible, expand ICU capacity and optimise frontline capacity • Risks are assessed daily, with due consideration for impacts on finance, human resources, supply chain, ICT infrastructure and reputation • Continuously engage with respective governments to ensure Mediclinic is positioned to provide assistance in dealing with potentially huge caseload surges • Suspected COVID-19 cases are tested, admitted and treated, as per the guidelines of the local government • Emergency and trauma care, cardiac and vascular surgery, obstetrics and gynaecology, paediatric and neonatology procedures and neurology, oncology and urology treatments are offered under strict conditions • Develop detailed operational plans, in collaboration with affiliated doctors and healthcare authorities, to allow for the safe and efficient reintroduction of non-urgent elective procedures and outpatient activity
ADAPT	
Elective procedures reintroduced; return to full range of healthcare services through innovative channels	• Taskforces remain operational and external consultation continues • Constantly evaluate and adjust the Group's approach based on scenario planning and crisis management practices • Actively prepare employees, affiliated doctors and facilities for the prolonged post-peak period during which COVID-19 cases will be treated alongside non-COVID-19 cases in the same facilities • Introduce telemedicine and home delivery of medication to reduce visits to healthcare facilities • Some Corporate Office employees return to the office • Launch projects based on the Mediclinic Group Strategy to develop towards the post-COVID-19 phase ***Intermittent spikes in COVID-19 cases within countries or specific regions may temporarily affect operations and require additional facility capacity and resources. It may cause the response level of a single division to return to 'Protect and respond'.***
REFORM	
Post-COVID-19 world operations resume	• A new healthcare landscape emerges • Remain agile, overcome challenges and create opportunities • Purpose-driven approach to enhance the quality of life remains • Respond appropriately to trends and post-COVID-19 momentum to further accelerate digital services, government collaboration, new product development, operational improvements and remote working

The Group, with support from doctors and health authorities, has developed detailed operational plans to allow for the safe and efficient reintroduction of non-urgent elective procedures. Although there will be a period of adjustment as more healthcare services return, we are constantly evaluating and adjusting our approach according to our scenario planning and crisis management practices.

We anticipate new challenges and opportunities will follow this period of treating urgent and elective cases while at the same time managing the pandemic. Already, we have identified and acted on COVID-19-related opportunities in telemedicine, government collaboration, new product development and remote working. Our expert teams are continuously evaluating the possible risks and rewards, as together we work towards a better now and a better after, for not only our Company and people, but also our clients and communities.

Read more about our emergency preparedness in the **Risk management** section of this report on page 114. Read more about the financial impact of COVID-19 and the proactive measures we have taken to safeguard the business in the ***Group Chief Financial Officer's Report*** on page 78.

ALIGNING OUR GROUP STRATEGIC GOALS AND TRANSFORMATION DRIVERS

COVID-19 aside, the global healthcare landscape continues to change. Industry megatrends present Mediclinic with the opportunity to learn, adapt and grow, as we have done in the past and will continue to do. The initiative of refining our strategic goals, which I reported on last year, was completed by the Group Executive Committee during the reporting period. The detail of the seven strategic goals and two transformation drivers can be found in ***Strategy, goals and progress*** on page 36. How we apply these in the pursuit of our vision to be the partner of choice that people trust for all their healthcare needs is detailed in our ***Business model*** on page 14.

All elements of the Mediclinic Group Strategy have dedicated Group Executive Committee sponsors who lead various work streams. The leadership team has done commendable work to align our Group and divisional activities and management cycles to ensure that the entire organisation maintains consistent focus regardless of our regional differences.

As a healthcare provider, the Group not only strives to create value every day by providing cost-effective, quality care and outstanding client experiences, it also takes a broader approach to value creation by taking responsibility for operations beyond its facilities. During the year under review, we identified sustainable development as a critical transformation driver to the Mediclinic Group Strategy. A Sustainable Development Strategy which governs ESG activities has been developed to ensure that the Group improves sustainability by managing its resources responsibly and efficiently to the benefit of its stakeholders and the environment.

The ***Sustainable development overview*** on page 62 provides more information on how we conserve (environmental impact), connect (social impact) and comply (governance).

ACHIEVEMENTS DURING FY20

Throughout this Annual Report, and particularly in the ***Divisional Reports*** which start on page 92, you will find details relating to achievements during the year under review. In addition to the efforts of the entire organisation to help manage the COVID-19 pandemic, I would like to highlight a few other achievements during the reporting period.

In line with our strategic goals, across all three divisions there are opportunities to grow in existing markets, expand into new markets and become an integrated healthcare provider across the continuum of care. These opportunities help build on Mediclinic's ability as a truly integrated healthcare provider to offer clients, doctors, healthcare insurers and authorities the full spectrum of clinical services they require. In pursuit of this, I am particularly encouraged by the continued partnerships we have built with other leading industry providers and certain acquisitions, including:

- Hirslanden aligned its acute care and day case expertise with the significant primary care coverage offered by Medbase (part of Migros, Switzerland's largest retail company).

- Mediclinic Southern Africa expanded into the growing area of mental health by acquiring Denmar Hospital, one of South Africa's largest specialist mental health facilities.
- Mediclinic Middle East formed a strategic partnership with the Al Murjan Group ('**Al Murjan**') in Saudi Arabia with the proposed establishment of a new acute care hospital in Jeddah.

In Dubai, the Mediclinic Parkview Hospital completed its first full year of operations since opening in September 2018. The performance of the hospital has far exceeded expectations, demonstrating Mediclinic's ability to deliver large-scale, complex growth projects. This will be followed in the new financial year by the opening of the Mediclinic Airport Road Hospital Comprehensive Cancer Centre and 100-bed expansion in Abu Dhabi, where despite the challenging environment we delivered growth in FY20.

I am very proud of our human resources managers across the organisation who every day help strengthen our position as the employer of choice in a very competitive market. Dialogue between management, employees and stakeholders is crucial for the effective operation of any organisation, and engagement is essential to protect two of Mediclinic's most important assets: its reputation and its culture; it also enhances common understanding and shapes positive behaviour.

In the year under review, more than 83% of employees, well above the industry benchmark of 78%, completed the annual Gallup® employee engagement survey via email or website, doing away with more than 8 000 hardcopy surveys. Electronic surveying allows for survey data to be available much more quickly, enabling quick responses to identified issues. The survey was furthermore enhanced with four additional questions to determine the perception of diversity and inclusion in the workplace, which as the Chair has already referenced in his review is a key focus for the Group, specifically pertaining to the main themes of 'I belong', 'I am empowered' and 'I am valued'.

Care for our client is ingrained into three of Mediclinic's organisational values: being client centred, trusting and respectful, and patient safety focused. To truly live these values, all processes must start with the client in the middle and enough time must be spent on understanding their needs. We encourage constant feedback by way of continuous patient experience surveys administered by Press Ganey®. No fewer than 66 000 patient surveys were collected in the reporting period, with all divisions showing an increase in their overall mean score. The divisions extensively analyse these survey results to actively improve patient experience.

The ***Clinical services overview*** on page 50 provides more information.

GROUP FINANCIAL OVERVIEW (PRE-IFRS 16)

The long-term financial strength of the business will and must remain a key priority, even more so given the current challenging and uncertain environment (refer to the ***Group Chief Financial Officer's Report*** on page 78 for detail). In line with our approach to responsible leverage, in recent years we successfully refinanced the debt facilities of all three divisions, ensuring we have long-dated maturity profiles across our borrowing facilities. The benefit of our proactive approach and established relationships with our lenders was evident when we agreed certain covenant test waivers across all the divisions for the coming financial year to take account of the COVID-19 pandemic and its near-term impact on the Group. I wish to thank our finance teams as they diligently manage our working capital and revenue cycle to ensure we retain a strong liquidity position.

> "The performance of Mediclinic Parkview Hospital in Dubai has far exceeded expectations.

Across all divisions, and in line with the global trend, the need to focus healthcare resources on the COVID-19 pandemic resulted in the postponement of most non-essential elective procedures and outpatient activities in March 2020. This was intended to safeguard, as far as possible, sufficient hospital capacity, frontline clinical staff and PPE for the peaks of the pandemic and related increases in COVID-19 admissions. These restrictions were gradually being relaxed from the end of April 2020.

COVID-19-related cases are reimbursed through the established health insurance schemes in all divisions, and in addition to COVID-19 admissions, the Group continues to make available its wide range of acute care services for urgent healthcare requirements including emergency and trauma care, urgent medical care, cardiac and vascular surgery, obstetrics and gynaecology, paediatric and neonatology procedures and neurology, oncology and urology treatments. The Group continued to experience solid demand for these services during April 2020. These necessary ongoing procedures underpin Group revenues with additional contribution from elective and outpatient procedures as these activities gradually begin recommencing.

The Group was building on its solid first-half performance and expected the full-year to be in line with expectations until mid-March 2020

KLINIK IM PARK

when COVID-19 suddenly impacted patient volumes. Despite this impact, Hirslanden and Mediclinic Southern Africa performed in line with expectations while Mediclinic Middle East was below expectations. As a result, Group FY20 performance was broadly in line with expectations with revenue increasing by 5% to £3 083m (FY19: £2 932m), while adjusted EBITDA decreased by 3% to £480m (FY19: £493m), with an adjusted EBITDA margin of 15.6% (FY19: 16.8%). As a result of non-cash impairment charges at Mediclinic Middle East, Hirslanden and Spire and other exceptional items, the reported loss for the year under review was £315m (FY19: loss of £151m).

HIRSLANDEN

Hirslanden revenue was up 1%, while adjusted EBITDA was down 7% with a decrease in the adjusted EBITDA margin, as guided, to 14.8% (FY19: 16.0%).

Hirslanden's performance in FY20, up to mid-March 2020, had been solid and was expected to deliver ahead of full-year guidance. Especially encouraging was the fourth quarter inpatient admissions, which demonstrated modest volume growth, in the first period when all the major regulatory changes of the past few years were finally in the base. Prior to the COVID-19 pandemic, this trend in fourth quarter inpatient volumes gave the division confidence in its ability to increase its market share and return to growth in the future.

In line with the Group's strategic intent, Hirslanden continued to implement a day case clinic strategy which focuses on moving towards a more efficient, lower-cost service delivery model. This included the acquisition of Operationszentrum Zumikon, a leading day case clinic in Zurich. The division furthermore concluded agreements with the cantons of Geneva and Basel-Land to collaborate on a future day case clinic and centre of excellence ('**CoE**'), respectively, established a collaboration with Medbase and delivered ongoing cost management and efficiency savings.

MEDICLINIC SOUTHERN AFRICA

Mediclinic Southern Africa delivered a solid performance despite the region's mature healthcare market and weak macroeconomic environment.

£3 083m

Group FY20 revenue

5%

increase in revenue

> Be assured that we are committed to doing whatever it takes to navigate through these troubled times.

MEDICLINIC GARIEP

Revenue was up 7%, supported by growth in patient volumes, which largely reflects acquisitive growth across the continuum of care. The adjusted EBITDA was flat with margins in line with guidance at 19.9% (FY19: 21.2%) reflecting decisions to further enhance clinical standards and to expand across the healthcare continuum with the Intercare acquisition and new Mediclinic Stellenbosch hospital and day case clinic both incorporating lease hold properties and rental charges.

The division, building on its position as a leading acute hospital provider, continued to strengthen its primary care and day surgery proposition. Mediclinic Southern Africa this year added two co-located day case clinics to its operations, taking the total to six, with five more planned over the medium-term. Further growth across the healthcare continuum was delivered with the acquisition of Denmar Hospital, a leading mental health facility. These steps, in addition to its investment in the Intercare Group and the successful inclusion of the division on all major insurance network schemes, supported the patient volume growth during the year under review.

MEDICLINIC MIDDLE EAST

Mediclinic Middle East delivered a good operational performance albeit the challenging macroeconomic and competitive environment which impacted the rate of financial delivery. FY20 revenue was up 6%, adjusted EBITDA was down 1% and the adjusted EBITDA margin was below expectations at 12.3% (FY19: 13.0%).

Despite the challenges, there were several operational highlights during the reporting period including a gradual improvement in the Abu Dhabi business with Mediclinic Airport Road Hospital delivering a strong performance and Mediclinic Parkview Hospital in Dubai continuing to outperform expectations since opening in September 2018.

We have continued to work relentlessly on building a strong international brand and reputation in this region where the competition continues to grow. I believe the investments we make to deliver ethical and sustainable healthcare services and build long-term trust with all our stakeholders will differentiate Mediclinic from the competition, cementing our leading market position, and ensure our success.

In the past I have described Mediclinic Middle East as the growth engine of the Group; I still believe this, despite current conditions in the region. Mediclinic has a history of successfully navigating challenges, and emerging successful, more determined and with an unquestionable reputation. I stand by our strategy in the UAE. Our presence in Dubai and Abu Dhabi will offer us opportunities for growth in the future as we build stronger relationships with governments and other partners. We demonstrated this during the year under review with our strategic long-term partnership agreement with Al Murjan, enabling us to enter the growing Saudi Arabian healthcare market with the future establishment of a leading private hospital in Jeddah.

SPIRE

Mediclinic holds a 29.9% investment in Spire. Spire's reported performance for its full-year financial period ended 31 December 2019 was in line with expectations and guidance. The new management team at Spire is collaborating well; delivering on their strategic goals; and supported by their own strong purpose of making a positive difference to patients' lives through outstanding personalised care.

The outbreak of COVID-19 in the UK also presents a new and significant uncertainty for Spire. During the COVID-19 crisis, Spire has shown its unwavering support to the NHS. Spire has agreed heads of terms to make nearly all 39 of their UK hospitals available to the NHS and its patients.

Under the NHS arrangements, Spire is entitled to cash cost recovery for its services. The NHS England contract will continue until at least 28 June 2020, with a one-month notice period to end the contract. In addition, its lenders have agreed to waive the next two covenant tests (on 30 June and 31 December 2020), which provides further flexibility to Spire through, and in the period after, its partnership with the NHS.

Spire's board believes that the NHS arrangements and the agreements with its lenders provide confidence that it has sufficient liquidity and financial stability, allowing the company to focus on preparing for the return to regular operations when the arrangements with the NHS end.

The period of elective procedure suspension caused by the COVID-19 pandemic has created the potential for an increase in future demand and further lengthening of waiting lists. However, given the continued significant uncertainty caused by the pandemic, the Spire board remains unable to provide market guidance for their next financial year at this time.

OUTLOOK

Mediclinic entered the crisis in a strong financial position and, based on the Group's actions and scenario planning, currently foresees no liquidity concerns in the coming financial year. In addition, our lending banks have shown their support and waived certain covenant tests for the financial year ahead, which allows the Group to focus firmly on its vital role during the COVID-19 pandemic.

The pandemic and its consequent national lockdowns and associated actions suspending non-urgent elective procedures are likely to have a significant impact on the Group for at least the next 12 months. This will be partially offset by Mediclinic's response to the crisis, the ongoing primary and acute care services offered across the Group which underpin revenues and, as already experienced, the anticipated increase in demand from postponed elective procedures as restrictions are relaxed.

I am confident that the underlying long-term fundamentals of the private healthcare market remain strong. Our medium-term outlook post-COVID-19 is positive, strengthened by our leading market positions and the Group's strong financial and liquidity position. We expect to be well positioned to meet the deferred future demand arising from the postponement of non-urgent elective procedures once the COVID-19 pandemic has eased and the crisis has reaffirmed the important role played by well-established private acute care operators in healthcare systems around the world.

Beyond the current circumstances, I also firmly believe that the steps we have taken as a Group in the past 12 months to adapt the business to address the changing healthcare landscape will enable us to capitalise on new growth opportunities across the healthcare continuum with digital initiatives clearly playing an important role.

I would also like to thank our experienced Board for their guidance, our exceptional employees for their dedication and agility, and our valued partners for their support. I believe in our people and I trust in our ability to persevere.

Lastly, I would like to take this opportunity to applaud the outgoing Chair, Dr Edwin Hertzog, for the impeccable example he has set over our many years of working together. We not only share a passion for the medical discipline of anaesthesiology, but also for Mediclinic and its people. Both on a professional and personal level, he has demonstrated, without fault, exceptional judgement and professionalism, while always remaining humble, approachable and courteous.

He has been a mentor to countless Mediclinic colleagues who have been fortunate enough to work with him, and will continue to inspire us with his remarkable accomplishments.

On behalf of the Board, the Group Executive Committee and all our employees, I wish to thank Dr Hertzog for the integral role he has played in ensuring the success of the organisation since he founded it 37 years ago. The strong organisational values of the Group and our purpose to enhance the quality of life bear the hallmarks of his leadership and integrity. We wish him well for his retirement following the AGM in July. While his presence will be missed, we welcome Dame Inga and look forward to the progress we will make with another strong and experienced Chair at the helm.

Dr Ronnie van der Merwe
Group Chief Executive Officer
1 June 2020

Q&A

WITH DR RONNIE VAN DER MERWE

"

We exist to pursue better care and better outcomes. We can't do this alone.

Q The COVID-19 pandemic holds many challenges, one of which is managing a healthcare landscape that has seemingly doubled in complexity. With new legislation passed overnight and case definitions constantly changing, how does Mediclinic manage and maintain stakeholder relationships?

Containment measures, regulatory and legislative requirements, and public health initiatives indeed differ vastly between countries, and even between Swiss cantons and emirates in the UAE. And what you believe to be true today, may not be so tomorrow. Guidelines and regulations change as new facts and factors are continuously revealed.

Our divisional expertise and strong stakeholder relationships, however, ensure that we are able to work collaboratively with government, industry associations, healthcare insurers, associated doctors and healthcare partners in maintaining and improving emergency preparedness. There is no secret recipe in times like these. But by using our purpose – to enhance the quality of life – as a compass, many obstacles become almost obsolete. We exist to pursue better care and better outcomes. We can't do this alone.

Q This has been your second year at the helm and during both Mediclinic was confronted with dramatic developments that carry far-reaching implications – regulatory changes in Switzerland during FY19 and at the end of this year under review, COVID-19. Which strengths have you seen in your leadership team that helped the Group rise above the Swiss challenges and will help you persevere beyond the pandemic?

In the case of the Swiss regulatory challenges, we accepted that significant change was necessary and called on a healthy sense of urgency, the courage to tackle the task head-on, thorough planning, stretch targets, a high degree of adaptability, rapid response and making everyone believe that the seemingly impossible can be done to overcome the hurdles. These traits are equally important in responding to the COVID-19 pandemic. In addition, we continuously remind our leaders that this period of stress-testing has created an unprecedented opportunity to streamline the entire organisation for future success.

Q On a personal level, how do you connect with the Company's purpose?

Large companies like Mediclinic are complex entities that can be compared to living organisms. I strongly believe that those entities with a stated higher purpose, to which their people can align themselves through good times and bad, are better positioned for success. The purpose motivates and energises the people and serves as guiding principle in behaviour and decision-making, and this is certainly the case for myself. Mediclinic's stated purpose is totally aligned with my own experience as a clinician, where I spent all my time enhancing the quality of life of my patients. Patients cannot always be healed, but the right approach to diligent medical care always enhances the quality of their lives. An organisation with the ability to truly achieve this will rightfully develop a sterling reputation, and that is what we are building at Mediclinic.

STRATEGY, GOALS AND PROGRESS

STRATEGY

The Group's business model and strategic intent have been refined to ensure that in every geography it is able to attract returning clients who trust Mediclinic to enhance their quality of life across the continuum of care. The Group is expanding to provide a seamless suite of healthcare services that prevent, treat, recover and enhance – all under the umbrella of a single, connected system.

The goals, progress and focus areas reported on in this section of the Annual Report are those of the Group; additional objectives, initiatives and action plans exist at divisional level to address strategic, operational and regulatory considerations unique to their respective geographies.

Refer to the ***Business model*** on page 14 and the ***Continuum of care*** on page 44 for more information.

GROUP PURPOSE

To enhance the quality of life

GROUP VISION

To be the partner of choice that people trust for all their healthcare needs

STRATEGIC GOAL 1: TO BECOME AN INTEGRATED HEALTHCARE PROVIDER ACROSS THE CONTINUUM OF CARE

Defining and developing a service model which will enable an integrated healthcare provider network

SUB-GOALS/OBJECTIVES	PROGRESS DURING FY20	FOCUS AREAS FOR FY21[1]
• Define Mediclinic continuum of care model • Identify gaps in current business model when compared to continuum of care model • Gather data on the impact of care migration • Develop divisional continuum of care business plans • Develop system to manage care across continuum of care • Finalise hospital infrastructure for the future • Finalise staffing requirements • Finalise future funding plan	• Established Group and divisional continuum of care committees • Completed market analysis per division • Defined categories and corresponding disciplines across continuum of care, and subsequently the Mediclinic continuum of care model • Finalised funding plan of the future • Investigated systems to manage patients across the continuum of care (i.e. Care Direct) • Commenced with defining hospital infrastructure of the future and determining digital and data requirements	• Complete analysis on the impact of care migration • Finalise business plan • Define impact of continuum of care on hospital infrastructure of the future • Finalise system to manage care across the continuum of care • Continue to implement further services along the continuum of care according to the divisional development plans

STRATEGIC GOAL 2: TO IMPROVE OUR CLIENT VALUE PROPOSITION SIGNIFICANTLY

Enhancing the wellbeing of clients by improving all aspects of the value equation

SUB-GOALS/OBJECTIVES	PROGRESS DURING FY20	FOCUS AREAS FOR FY21[1]
• Significantly reduce the 'cost of us'	• Commenced implementation of fixed fee payment models for private paying patients in Mediclinic Southern Africa to ensure fair and transparent offerings • Progressed with the creation of indication boards to review and guide the treatment decisions of highly complex cases, e.g. oncology, highly complex visceral surgery, etc. • Proactively migrated selected elective cases to day case clinics • Actively participated in network arrangements with funders that offer value-based contracting	• Quantify and monitor effect of treatment at alternative care settings (incl. digital and home-based settings) • Optimise preadmission and discharge, as well as post-discharge care • Expand enhanced recovery after surgery initiatives (erassociety.org) • Create standardised framework for indication quality boards for oncology and highly specialised medicine
• Significantly improve client experience	• Shortened and standardised Press Ganey® client experience survey to allow for internal and external benchmarking • Expanded client experience surveys to include emergency centres, day case clinics and paediatrics, and provide a wider view of quality of client experience • More closely aligned client experience and patient safety to create integrated view of patient care • Instituted various digital tools to simplify client engagement and support remote interactions	• Improve Press Ganey® patient experience survey response rate per division to 22% or more • Align divisional Press Ganey® overall mean score targets • Implement digital solution to capture and report on patient experience • Standardise compliments and complaints management and reporting
• Improve clinical outcomes	• Hosted Group patient safety workshop for leadership (attended by 130 management employees) • Intellispace online foetal heart rate monitors implemented in 23 Mediclinic Southern Africa obstetric units allowing for remote monitoring of patients and improved care • Commenced with implementing a standardised adverse event reporting system across the Group	• Implement standardised adverse event and risk management tool • Create and implement e-learning curriculum for clinical quality indicators focused on clinical care • Standardise medication management and obstetric emergency training • Establish doctor-specific KPIs • Expand on remote patient monitoring

STRATEGIC GOAL 3: TO TRANSFORM OUR HEALTHCARE SERVICES AND CLIENT ENGAGEMENT THROUGH DIGITALISATION

Building and implementing new, client-centred solutions to connect data, improve systems and processes, expand services and empower clients

SUB-GOALS/OBJECTIVES	PROGRESS DURING FY20	FOCUS AREAS FOR FY21[1]
• Provide digital capabilities for enhanced client engagement, care delivery, continuum of care and business efficiencies	• Completed digital blueprint for continuum of care and for clinical solutions • Enabled client relationship management/contact centre capability	• Develop patient engagement portals for each division • Create digital clinical solutions for the Group (e.g. telemedicine platforms) • Create digital solutions for continuum of care • Roll out virtual critical care collaborative sessions across Group (in light of COVID-19)
• Establish the foundations of digital healthcare	• Progressed HIT2020 at Hirslanden • Established client digital platform at Mediclinic Southern Africa • Progressed Bayanaty project (EHR) at Mediclinic Middle East	• Further progress the roll-out of HIT2020 at Hirslanden, client digital platform at Mediclinic Southern Africa and Bayanaty project (EHR) at Mediclinic Middle East
• Ensure effective digital leadership, governance and readiness across the Group	• Appointed Group General Manager: Digital Transformation • Established central digital steering group and divisional digital working groups • Established Group digital initiative register • Built digital lexicon reference to align Group-wide digital communication	• Mature divisional digital working groups • Leverage governance framework for digital initiatives • Establish digital alignment with Innovation and Data Science and Information Management functions • Maintain and review digital initiatives register

STRATEGIC GOAL 4: TO EVOLVE AS AN ANALYTICS-DRIVEN ORGANISATION

Translating healthcare and client data into decision enablers and combining insights derived from data and experience to create new, scalable, client-centred services

SUB-GOALS/OBJECTIVES	PROGRESS DURING FY20	FOCUS AREAS FOR FY21[1]
• Enable fact-based strategic and operational decisions • Improve and manage data assets • Implement data-driven innovation	• Analytics and Reporting, Enterprise Information Management and Health Information Management departments integrated to form Data Science and Information Management function • Established Analytics function at Mediclinic Middle East that forms part of core Group function • Established in-house machine learning capability and implemented state-of-the-art machine learning tools • Applied machine learning for optimal emergency services staffing	• Establish and support cohort of analytical champions (citizen data scientists) across the organisation • Establish core Analytics functions at all divisions • Improve data visualisation capability to improve storytelling from data • Establish a graded data inventory of data sources for the Group • Automate data collection for clinical indicators for all divisions • Embed machine learning to improve operational decision-making and automation • Establish ESG reporting solution • Create management information system

STRATEGIC GOAL 5: TO STRENGTHEN OUR POSITION AS THE EMPLOYER OF CHOICE

Ensuring a culture that enables the achievement of strategic goals and the pursuit of the Group's purpose by attracting top talent and valuing diversity and inclusion

SUB-GOALS/OBJECTIVES	PROGRESS DURING FY20	FOCUS AREAS FOR FY21[1]
• Drive employee engagement towards enhancing the quality of life of clients	• Conducted annual Group-wide Gallup® employee engagement survey with participation rate of 83% • Included first diversity and inclusion culture survey within engagement measurement • Implemented action planning on team-level based on engagement survey results • Commenced with implementation of a Group-wide Diversity and Inclusion Strategy • Defined Group-wide leadership development framework • Reviewed current incentive plan to align Mediclinic Group Strategy with envisaged behaviour and to attract and retain affected employees • Implemented new Group-wide workforce engagement requirements as per 2018 Corporate Governance Code	• Review performance management across the Group • Further entrench the Diversity and Inclusion Strategy, incl. digital campus • Further entrench Group purpose, vision and values • Participate in United Nations Women's Empowerment Principles initiative
• Enhance Mediclinic's market identity to attract talent	• Completed first phase of implementing integrated digital recruitment module at Mediclinic Middle East • Developed Group careers website • Reviewed current incentive plan to align Mediclinic Group Strategy with envisaged behaviour and to attract and retain affected employees	• Implement integrated digital recruitment and recruitment marketing module at Hirslanden and Mediclinic Southern Africa • Define and implement Group employer marketing strategy
• Gain efficiency and effectiveness by transforming the human resources organisation and service delivery model	• Continued to standardise international processes and further develop and implement digitalisation of human resources to lower associated service delivery cost and increase service quality • Standardised data and data definitions to enable centralised reporting, ensuring timeous and focused decision-making	• Further integrate and consolidate human resources system landscape and progress with implementation of *HR Aligned* digitalisation initiative • Optimise recruitment, onboarding and offboarding processes to increase efficiencies • Continue implementation of human resources shared services at all divisions • Finalise Group data warehouse to standardise reporting and data access

STRATEGIC GOAL 6: TO GROW IN EXISTING MARKETS AND EXPAND INTO NEW MARKETS

Ensuring organic growth and acquired expansion add value to the organisation

SUB-GOALS/OBJECTIVES	PROGRESS DURING FY20	FOCUS AREAS FOR FY21[1]
• Develop and implement structured approach to enter new markets	• Defined general criteria, aligned with broader strategy, for prioritising and evaluating growth opportunities • Established International Growth Committee (subcommittee of Group Executive Committee) to identify and consider possible international expansion opportunities and provide feedback on progress against strategic growth objective to Group Executive Committee • Identified priority areas in Europe, Middle East, North Africa, Sub-Saharan Africa and internationally to proactively investigate as growth opportunities • Entered into a partnership with Al Murjan to establish internationally accredited 200-bed private hospital in Jeddah, Saudi Arabia	• Proactively search for and investigate growth opportunities • Complete market analyses of identified priority areas, incl. country and site visits • Create pipeline of opportunities for future growth
• Grow in existing markets based on continuum of care goal	• Hirslanden and Swiss primary care provider Medbase (part of Migros) entered into network agreement • Hirslanden acquired Operationszentrum Zumikon, a day case clinic in Zurich (effective 1 April 2020) • Mediclinic Winelands Orthopaedic Hospital and the Institute of Orthopaedics and Rheumatology formed specialist institute in South Africa • Mediclinic Southern Africa acquired Denmar, a leading specialised mental hospital • Day case clinics opened at Mediclinic Stellenbosch and Mediclinic Nelspruit in South Africa • Mediclinic Springs, a dedicated paediatric outpatient clinic, opened in Dubai • Completed upgrade of Mediclinic Al Noor Hospital entrance, ground and mezzanine floors in Abu Dhabi • Mediclinic Middle East completed construction of an IVF centre at Mediclinic Al Bateen in Abu Dhabi	• Launch precision medicine service at Hirslanden and Mediclinic Middle East • Expand outpatient radiology and laboratory services across Switzerland • Acquire Klerksdorp hospitals in South Africa, subject to Competition Commission's Constitutional Court appeal • Explore opportunities across the continuum of care at Mediclinic Southern Africa, incl. oncology, dialysis and radiology • Open new wing at Mediclinic Airport Road Hospital in Abu Dhabi

SUB-GOALS/OBJECTIVES	PROGRESS DURING FY20	FOCUS AREAS FOR FY21[1]

• Attract, retain and engage doctors	• Established steering committee and working groups
	• Formalised five priorities:
	  • Standardisation of doctor landscape
	  • Data visualisation and harmonisation
	  • Multichannel marketing
	  • Doctor relationship mobile application
	  • Training fellowships
		• Implement doctor landscape at divisional level
		• Create standardised doctor reporting metrics (non-clinical) across divisions
		• Develop unified marketing plan for doctor recruitment
		• Implement doctor engagement surveys for all supporting Mediclinic doctors across the Group
		• Create and implement cross-divisional training/academic programme for doctors

STRATEGIC GOAL 7: TO ACHIEVE SUPERIOR LONG-TERM FINANCIAL RETURNS

Analysing and realising further synergies across the Group and at divisional level

SUB-GOALS/OBJECTIVES	PROGRESS DURING FY20	FOCUS AREAS FOR FY21[1]
• Standardise and optimise product portfolios and implement e-procurement • Develop strategy for finance transformation • Exploit synergies arising from cloud strategy	• Established investment criteria and hurdle rates for investments across all countries of operation • Institutionalised investment review process, aimed at evaluating all investments, approved by Group Executive Committee, investment committee of the Board and the Board • Launched initiative within Finance function to achieve improved standardisation and consistency of business processes, aimed at realising Group efficiencies and providing a process automation platform • Approved framework to enhance Group-wide procurement synergies and savings by embracing digitalisation; improving spend visibility and control; simplifying human interface; and driving adoption of standardised procurement processes across the Group • Defined and commenced with implementation of cloud strategy • Included return on invested capital ('**ROIC**') as formal long-term incentive plan ('**LTIP**') measure, as proposed in new Remuneration Policy	• Ensure good decision-making and capital allocation in line with established investment criteria • Progress with initiative to achieve standard and consistent business processes to unlock further synergies in Finance function • Establish framework for improved efficiency in Finance function by identifying processes for and methods to standardise and/or automate • Develop Group blueprint for standardised procurement procedures and implement pilot e-procurement project at Hirslanden aimed at achieving procurement synergies across indirect spend categories • Leverage cloud optimisation synergies e.g. shared services, and rapidly realise subsequent savings, e.g. alternative international network infrastructure

TRANSFORMATION DRIVER 1: INNOVATION

Developing and implementing an innovation strategy to diversify conventional revenue streams and ensure more personalised and precise client care

OBJECTIVES	PROGRESS DURING FY20	FOCUS AREAS FOR FY21[1]
• Increase relevance across the continuum of care • Develop new revenue streams • Self-disrupt own business models in time • Expand innovation pipeline for the Group	• Appointed Group General Manager: Innovation • Developed and approved comprehensive Group Innovation Strategy	• Establish innovation teams • Develop innovation pipeline across the Group assisted by innovation management software • Expand precision medicine offering • Establish foundation to enable execution of Group Innovation Strategy

TRANSFORMATION DRIVER 2: SUSTAINABLE DEVELOPMENT

Developing and implementing a sustainable development strategy to ensure that every day Mediclinic improves sustainability by managing its resources responsibly and efficiently to the benefit of its stakeholders and the environment

OBJECTIVES	PROGRESS DURING FY20	FOCUS AREAS FOR FY21[1]
• Neutralise the Company's environmental impact • Be the partner of choice that all stakeholders trust • Strengthen the corporate culture to remain an ethical and responsible corporate citizen	• Formalised a Group Sustainable Development Strategy • Reviewed and updated the Group's material issues relating to sustainable development • Improved on reporting standardisation across the Group • Finalised statement on climate change and becoming carbon neutral by 2030 • Finalised statement on having zero waste to landfill by 2030	• Communicate Sustainable Development Strategy internally and externally • Implement Sustainable Development Strategy across the Group • Implement environmental management system (ISO 14001:2015) at Hirslanden and Mediclinic Middle East • Develop and align Group corporate social investment (**'CSI'**) focus • Develop and launch Group anti-bribery and corruption campaign to improve awareness

Note

[1] Focus areas identified pre-COVID-19. It is possible that the pandemic could impact the timing of deliverables.

CONTINUUM OF CARE

Innovation both inside and outside healthcare is increasingly influencing the way clients perceive the quality of care, as well as how and where it should be offered. Within an evolving global healthcare landscape, clients and regulators want care solutions that are modern, convenient and, most importantly, affordable.

SAFE, TRUSTED CLIENT-CENTRED CARE

Since 1983, Mediclinic has grown its expertise across geographies. The Group has earned a reputation of being a respected and trusted provider of healthcare services in each of its markets. It has put its *Patients First*.

The client is entrenched in three of Mediclinic's organisational values: being client centred, trusting and respectful, and patient safety focused. Expansion across the continuum of care will widen the Group's service focus, improve accessibility and create the opportunity to form a lasting relationship with clients and not only when they become patients. The expansion also allows the Group to deliver services in the most appropriate care setting at an optimal cost.

PREVENT, CARE, ENHANCE AND RECOVER

By embracing new healthcare provision channels and industry partners which align with the Group's purpose to enhance the quality of life, Mediclinic progressed with its expansion across the continuum of care during the year under review through acquisitions, partnerships, collaborations and its own direct investments. It also strengthened existing services through technology to support other corporates and improve services offered to clients.

PREVENT

- Public health awareness campaigns in all three geographies
- More than 110 approved research studies across the Group

CARE

- Hirslanden acquires Operationszentrum Zumikon, a day case clinic in Zurich (effective 1 April 2020)
- Klinik Hirslanden in Zurich offers CAR T-cell therapy for two types of lymphoma
- Mediclinic Winelands Orthopaedic Hospital and the Institute of Orthopaedics and Rheumatology form a specialist institute in South Africa
- Day case clinics open at Mediclinic Stellenbosch and Mediclinic Nelspruit in South Africa
- Hirslanden enters into network agreement with leading Swiss primary care provider Medbase (part of Migros)
- Hirslanden enters into PPP with HUG to establish day case clinic and with *Kantonspital Baselland* for musculoskeletal disorder treatment
- Mediclinic Southern Africa acquires Denmar, a leading specialised mental hospital
- Mediclinic Middle East establishes trauma and urgent care centres, and a 24-hour paediatric service at Mediclinic Welcare Hospital and Mediclinic Parkview Hospital

RECOVER

- Mediclinic Springs, a dedicated paediatric outpatient clinic, opens in Dubai

FY21 PROGRESS

- Precision medicine at Hirslanden and Mediclinic Middle East

- Day case clinics at Mediclinic Southern Africa
- Home delivery service for prescription medication and drive-through pharmacies at Mediclinic Middle East

THE MEDICLINIC CONTINUUM OF CARE

PARTNERSHIPS

medbase

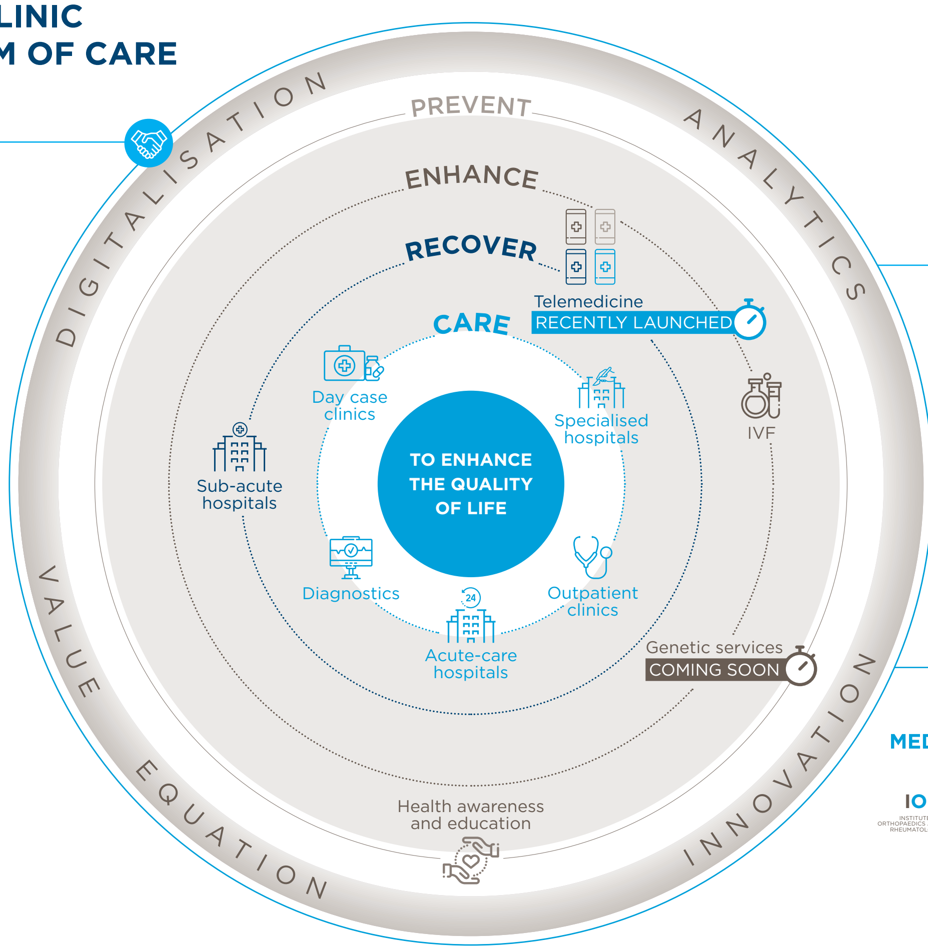
مجموعة المرجان
AL MURJAN GROUP

HUG Hôpitaux Universitaires Genève

Kantonsspital Baselland

Intercare

Bourn Hall FERTILITY CLINIC



GROWTH

EXPANSION

MEDICLINIC PRECISE

IOR INSTITUTE OF ORTHOPAEDICS AND RHEUMATOLOGY

MEDICLINIC WINELANDS ORTHOPAEDIC HOSPITAL

denmar

MEDICLINIC SPRINGS

ENHANCE

- Mediclinic Middle East completes construction of an IVF centre at Mediclinic Al Bateen in Abu Dhabi

DIGITAL & CLIENT ENGAGEMENT

- Mediclinic Middle East's EHR integrates successfully with HIE in Abu Dhabi
- Mediclinic City Hospital in Dubai introduces card readers linked to Emirates ID, for automatic patient registration in the emergency centre
- Mediclinic Southern Africa implements Intellispace online foetal heart rate monitors in 23 obstetric units
- Mediclinic Southern Africa publicly publishes subset of hospital-specific clinical performance results

- Precision medicine at Hirslanden and Mediclinic Middle East

- Telemedicine at Mediclinic Southern Africa and Mediclinic Middle East

"I carefully considered the nature of the relationship between Mediclinic and those who make use of our services within an evolving healthcare landscape. A patient is a person receiving medical care; a client is a person who receives advice. The latter implies a level of trust and a long-term relationship that extends beyond mere treatment. We want our patients to interact with Mediclinic beyond the conventional treatment process, rather as a client who turns to us to enhance their quality of life.

Dr Ronnie van der Merwe
Group Chief Executive Officer

STAKEHOLDERS SUMMARY

The Group's focus areas for enhancing relationships with stakeholders revolve around four core concepts: finding better ways to care, to conserve, to connect and to comply. To ensure continuous engagement, it identifies which strategic goals are aimed at addressing the needs of specific stakeholders and which organisational values guide engagement with these groups.

CLIENTS

INSPIRED BY

G1 G2 G3 T1 T2

GUIDED BY

Client centred, Trusting and respectful, Patient safety focused

HOW MEDICLINIC ENGAGES

- Press Ganey® patient experience index surveys
- Disclosure of clinical performance results
- Systematic patient rounds during hospital stay
- 24-hour helplines
- Health awareness days
- Brochures and magazines
- Websites and blogs offering health-related information
- Social media
- Client alliance programmes

COMMUNITIES

INSPIRED BY

G3 G5 T2

GUIDED BY

Trusting and respectful, Performance driven, Team orientated

HOW MEDICLINIC ENGAGES

- Corporate social responsibility initiatives
- Supporting employee volunteer initiatives
- Participation at national level in health training and education
- Public-private initiatives and joint ventures at Hirslanden, Mediclinic Southern Africa and Mediclinic Middle East

Key:

Strategic goals/transformation drivers

- **G1** To become an integrated healthcare provider across the continuum of care
- **G2** To improve our value proposition significantly
- **G3** To transform our healthcare services and client engagement through digitalisation
- **G4** To evolve as an analytics-driven organisation
- **G5** To strengthen our position as the employer of choice
- **G6** To grow in existing markets and expand into new markets
- **G7** To achieve superior long-term financial returns
- **T1** Innovation
- **T2** Sustainable development

Values

- Client centred
- Trusting and respectful
- Patient safety focused
- Performance driven
- Team orientated

EMPLOYEES AND POTENTIAL APPLICANTS

INSPIRED BY

G1 G2 G3 G4 G5 G6 G7 T1 T2

GUIDED BY

HOW MEDICLINIC ENGAGES

- Annual Gallup® employee engagement surveys
- Training and development
- Growth opportunities
- Intranet and social media
- Newsflashes and regular electronic updates
- Performance reviews and formal recognition
- Leadership video conferences and roadshows
- Employee wellness programmes
- Magazines and newsletters
- Non-executive director for workforce engagement

GOVERNMENTS AND AUTHORITIES

INSPIRED BY

G1 G2 G3 G4 G5 G6 G7 T1 T2

GUIDED BY

HOW MEDICLINIC ENGAGES

- Regular meetings
- Participation in conferences and seminars
- Representation on industry bodies and government boards
- Participation in PPPs to enable healthcare, training and research

HEALTHCARE INSURERS

INSPIRED BY

G1 G2 G3 G4 G5 G6 G7 T1 T2

GUIDED BY

HOW MEDICLINIC ENGAGES

- Regular meetings regarding possible cost savings, clinical quality and healthcare delivery improvements
- Annual tariff negotiations in fair and transparent manner

The Group is committed to engaging with stakeholders in order to fully understand and assess their needs and concerns when making decisions. Dialogue between management, employees and stakeholders is crucial for the effective operation of any organisation. Engagement is essential to protect two of Mediclinic's most important assets: its reputation and its culture. It also enhances common understanding; shapes positive behaviour; ensures progress; and enables effective decision-making.

STAKEHOLDER ENGAGEMENT AND BOARD DECISION-MAKING

CASE STUDY 1: NEW REMUNERATION POLICY

Since the 2019 AGM, the Remuneration Committee, a committee of the Board, has reflected carefully on the feedback received from shareholders and proxy advisors as well as recent developments in the UK remuneration environment. It was grateful for the time and constructive feedback these stakeholders provided, and based thereon, it reviewed the current Remuneration Policy and its implementation. As part of the review, a range of alternative approaches was explored and advice sought from independent specialists to ensure that a revised policy appropriately aligns executive remuneration with the interests of shareholders; supports the execution of the Group's long-term strategy in a way that is consistent with the Company's culture and values; and complies with the 2018 Corporate Governance Code. The revised policy will be put to a shareholder vote at the 2020 AGM. Refer to the ***Remuneration Committee Report*** on page 194 for more information.

INDUSTRY ASSOCIATIONS

INSPIRED BY

G1 G2 G3 G4 G5 G6 G7 T1 T2

GUIDED BY

HOW MEDICLINIC ENGAGES

- Membership of industry associations and representation on governing bodies
- Participation in research commissioned by associations
- Participation in conferences

INDUSTRY PARTNERS

INSPIRED BY

G1 G2 G3 G4 G5 G6 G7 T1 T2

GUIDED BY

HOW MEDICLINIC ENGAGES

- Direct engagement based on industry knowledge and market reputations
- Cooperation and PPPs
- Introductions through advisors
- Industry conferences and events

INVESTORS

INSPIRED BY

G1 G2 G3 G4 G5 G6 G7 T1 T2

GUIDED BY

HOW MEDICLINIC ENGAGES

- Investor Relations department
- Shareholder AGMs
- Financial results reporting and presentations
- Investor meetings, roadshows and conferences
- Operational site visits
- Stock exchange announcements
- Sell-side analyst and salesforce meetings
- Corporate website

Key:

Strategic goals/transformation drivers

- G1 To become an integrated healthcare provider across the continuum of care
- G2 To improve our value proposition significantly
- G3 To transform our healthcare services and client engagement through digitalisation
- G4 To evolve as an analytics-driven organisation
- G5 To strengthen our position as the employer of choice
- G6 To grow in existing markets and expand into new markets
- G7 To achieve superior long-term financial returns
- T1 Innovation
- T2 Sustainable development

Values

- Client centred
- Trusting and respectful
- Patient safety focused
- Performance driven
- Team orientated

For more information on Mediclinic's stakeholders and what matters to them, refer to the ***Sustainable development overview*** on page 62, the section on 'Stakeholder interests and Board engagement' in the ***Corporate Governance Statement*** on page 151 and the **2020 Sustainable Development Report** available at annualreport.mediclinic.com.

MEDIA

INSPIRED BY

G1 G2 G3 G4 G5 G6 G7 T1 T2

GUIDED BY

HOW MEDICLINIC ENGAGES

- Media releases
- Press conferences
- Financial results reporting and presentations
- Interviews and responses to media enquiries
- Paid advertisements
- Monitoring industry-related news and proactive response
- Social media
- The *Future of Healthcare* blog

MEDICAL PRACTITIONERS

INSPIRED BY

G1 G2 G3 G4 G5 G6 G7 T1 T2

GUIDED BY

HOW MEDICLINIC ENGAGES

- Regular meetings
- Participation in hospital clinical committees
- Continuous professional education events
- Electronic newsletters
- Networking and know-how exchange events at Hirslanden
- Dedicated medical practitioner portals at Hirslanden and Mediclinic Southern Africa
- Medical practitioner participation in hospital boards
- Biannual engagement events at Mediclinic Middle East
- Annual Research Day at Mediclinic Middle East

SUPPLIERS

INSPIRED BY

G1 G2 G3 G4 G5 G6 G7 T1 T2

GUIDED BY

HOW MEDICLINIC ENGAGES

- Regular meetings and business reviews
- Contract negotiations and management post-signature
- Electronic product approval processes
- Product demonstrations and evaluations
- Training on product specifications
- Attendance at trade fairs
- Factory visits
- Annual Modern Slavery Act due diligence questionnaire

STAKEHOLDER ENGAGEMENT AND BOARD DECISION-MAKING

CASE STUDY 2: GROUP SUSTAINABLE DEVELOPMENT STRATEGY

During the reporting period, the Mediclinic Group Strategy was finalised by the Group Executive Committee, with oversight and approval by the Board. Sustainable development was identified as one of the transformational drivers to the new strategy and, as a result, a Sustainable Development Strategy was also developed. The Board participated in discussions regarding critical ESG focus areas and how aligning activities across the divisions would elevate existing initiatives and accelerate momentum. The Group Sustainable Development Strategy and revised material issues were subsequently considered by the Clinical Performance and Sustainability Committee, a committee of the Board. It approved the strategy and resultant action plans in light of feedback from communities, employees, investors and the media regarding the increasing importance of progress and transparency on ESG matters. Refer to the ***Clinical Performance and Sustainability Committee Report*** on page 184 for more information.

CLINICAL SERVICES OVERVIEW

INTRODUCTION

Mediclinic puts patients at the heart of its operations to deliver high-quality healthcare services consistently. It upholds the highest standards of clinical governance and ethical behaviour across its divisions; invests significant time and resources in recruiting and retaining skilled employees; and makes considerable investment into its facilities and equipment.

This ***Clinical services overview*** is a condensed version of the Group's **2020 Clinical Services Report**, available at annualreport.mediclinic.com. It covers the most important clinical performance characteristics across the Group with specific reference to its initiatives and clinical outcomes for the 2019 calendar year, unless stated otherwise.

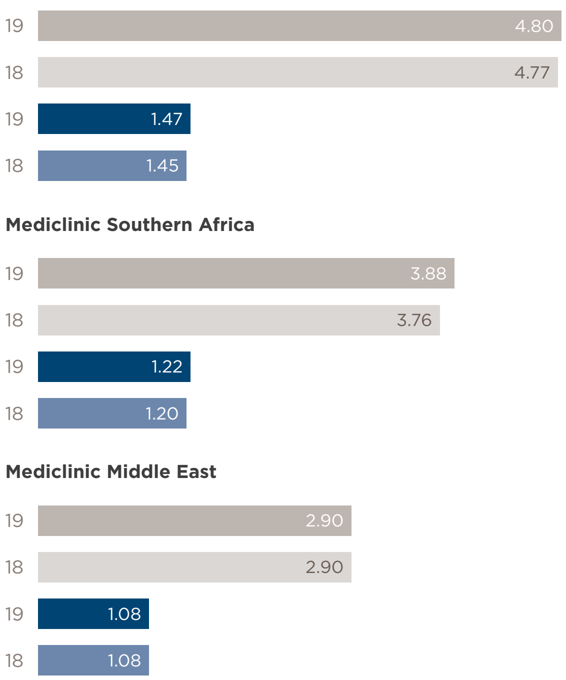
It is also important to note that the COVID-19 pandemic falls outside the reporting period of the *Clinical services overview* and will be discussed in detail in the 2021 Clinical Services Report.

Content		2020 Clinical Services Report	Clinical services overview
Clinical achievements summary		●	n/a
Message by Dr Felicity Harvey		●	n/a
Interview with Dr René Toua		●	abbreviated
Mediclinic's healthcare landscape		●	n/a
The value equation		●	n/a
Analytics		●	n/a
Performance summary		●	●
Patient experience		●	abbreviated
Clinical performance		●	abbreviated
Clinical outcomes	International benchmarking	●	n/a
	Never events	●	●
	Adverse events	●	●
	Hand hygiene	●	n/a
	Healthcare-associated infections	●	n/a
	Device-associated infections	●	n/a
	Surgical site infections	●	n/a
	Antimicrobial stewardship	●	n/a
	Mortality – adult	●	n/a
	Mortality – neonatal	●	n/a
	Re-admission, re-operation and extended stay	●	n/a
Accreditations, certifications, initiatives and partnerships		●	n/a
Clinical ethics summary		●	abbreviated

In addition to the information presented above, the **2020 Clinical Services Report** provides information on achievements, events, initiatives, patient feedback and case studies.

Case mix index[1] and length of stay (measured in calendar days)

FIGURE 1: LENGTH OF STAY AND CASE MIX INDEX



- Inpatient length of stay
- Inpatient length of stay
- CCRG case mix
- CCRG case mix

Note

[1] Case mix indices of the divisions were calculated by using the internally developed clinical and cost-related grouping ('**CCRG**'). Case mix refers to the characteristics of patients served, where some have more complex medical conditions which may influence outcomes.

High case mix index for Hirslanden mainly due to high load of complex and technologically advanced cases in an older population; low case mix index for Mediclinic Middle East due to its younger patient population.

HIRSLANDEN

Speciality split

- Cardiology 12%
- General medicine 7%
- General surgery 22%
- Internal medicine 24%
- Obstetrics and gynaecology 7%
- Oncology 3%
- Orthopaedics 23%
- Radiology 2%

- OUTPATIENT CARE
- ROUTINE PROCEDURES
- SPECIALISED TREATMENTS
- ADVANCED TECHNOLOGY
- RESEARCH AND TRAINING

Care settings

- Inpatient 82%
- Day cases 5%
- Outpatient 13%

AVERAGE AGE OF PATIENT:
56 YEARS

AVERAGE LENGTH OF STAY:
4.80 DAYS

MEDICLINIC SOUTHERN AFRICA

Speciality split

- Cardiology 9%
- General medicine 7%
- General surgery 23%
- Internal medicine 23%
- Laboratory services 0%
- Obstetrics and gynaecology 11%
- Oncology 1%
- Orthopaedics 17%
- Paediatrics 9%

- ROUTINE PROCEDURES
- SPECIALISED TREATMENTS
- TRANSPLANT MEDICINE
- ADVANCED TECHNOLOGY
- RESEARCH AND TRAINING

Care settings

- Inpatient 89%
- Day cases 9%
- Outpatient 2%

AVERAGE AGE OF PATIENT:
39 YEARS

AVERAGE LENGTH OF STAY:
3.88 DAYS

MEDICLINIC MIDDLE EAST

Speciality split

- Cardiology 5%
- General medicine 14%
- General surgery 8%
- Internal medicine 27%
- Laboratory 9%
- Nursing and allied health professions 4%
- Obstetrics and gynaecology 7%
- Oncology 4%
- Orthopaedics 5%
- Paediatrics 9%
- Radiology 8%

- OUTPATIENT CARE
- ROUTINE PROCEDURES
- SPECIALISED TREATMENTS
- ADVANCED TECHNOLOGY
- RESEARCH AND TRAINING

Care settings

- Inpatient 24%
- Day cases 11%
- Outpatient 65%

AVERAGE AGE OF PATIENT:
33 YEARS

AVERAGE LENGTH OF STAY:
2.90 DAYS

Q&A

WITH DR RENÉ TOUA,
GROUP CHIEF CLINICAL OFFICER

How do you see digitalisation transforming care at Mediclinic?
Digital solutions are necessary for the next stage in healthcare. EHRs enable significantly improved care; allow for digital transformation; create a rich dataset that can be mined for better insight; provide data and opportunities for research; and allow us to build a long-term relationship with clients. In addition, EHRs create opportunities to reduce cost and for greater efficiency through automation. With the COVID-19 pandemic, we are also exploring telemedicine options.

The use of analytics is one of the pillars supporting the Group's clinical services. What are some of the most exciting applications?
Our use of analytics goes beyond measuring and benchmarking clinical performance – it informs how we profile clinical risk, develop treatment pathways, analyse healthcare trends and create alternative reimbursement models. In short, it enables us to optimise our care and offer our clients the best possible treatment. Mediclinic has also invested in machine learning capability to enable patient-facing analytics, which is an exciting move to a more proactive system based on prevention, wellness, faster diagnosis and precision of treatment. In December 2019, several departments integrated to form the Data Science and Information Management function in order to unlock greater efficiencies and to formulate and implement a holistic data management and analytics strategy in 2020.

What does the achievement of quality care mean for investors?
The healthcare industry is transforming from fee-for-service to value-based remuneration. Organisations are evaluated on the value they create, not only for patients but in their approach to the wider industry and the community. Mediclinic's focus on clinical performance and patient-centred care contributes to better clinical outcomes, better patient experience and lower cost, which means better financial outcomes.

Refer to page 4 of the **2020 Clinical Services Report** for the full interview.

PERFORMANCE SUMMARY

A summary of the key focus areas and progress against established sub-goals during the calendar year.

PROGRESS			
Group-wide	**Hirslanden**	**Mediclinic Southern Africa**	**Mediclinic Middle East**
CLINICAL GOVERNANCE			
• Refined and optimised the clinical governance structure to enforce the Ward-to-Board accountability framework	• Commenced implementation of Ward-to-Board accountability framework • Introduced doctors' committee at divisional level	• Appointed additional Hospital Clinical Managers • Continued with implementation of new clinical performance, oversight and governance model in collaboration with supporting medical practitioners	• Implemented Ward-to-Board accountability framework • Implemented quality management framework • Defined and aligned clinical risk management strategy to the Group • Developed clinical model for cost per event ('**CPE**') and diagnostic-related grouping ('**DRG**') use
CLINICAL PERFORMANCE			
• Roll-out of new clinical indicators, including the standardised infection ratio ('**SIR**') model for surgical site infections ('**SSI**') and refinement of existing indicator definitions and expansion of categories • Supported the divisions in eradicating never events and decreasing the number of serious adverse events ('**SAEs**') • Enhanced collaboration between divisions with working groups on obstetric safety and surgical safety	• Assessed adherence to the safe surgery checklist through 16 unannounced audits with an average score of 92% • Identified patient pathways that qualify for standardisation, especially in terms of fast-track orthopaedics • Indications board policy prepared and applied to surgery of the vertebral column and vessel surgery at pilot hospitals • Defined criteria of system provider model and determined level of adherence at hospital level	• Developed action plans in collaboration with medical practitioners to prevent adverse events • Developed hospital-specific action plans aimed at improving clinical performance • Enhanced the national hand hygiene strategy to further improve hand hygiene compliance • Implemented additional components of the antimicrobial stewardship strategy • Reviewed and refined the comprehensive IPC strategy • Implemented clinical initiatives aimed at significantly improving obstetric care • Completed final phase of the national stroke management implementation plan • Publicly published subset of hospital-specific clinical performance results	• All facilities successfully accredited/re-accredited by the JCI • Refined hospital-level clinical structures • Refined clinical strategy for Abu Dhabi and Al Ain • Further developed and expanded coordinated care initiatives • Defined clear strategy for establishing CoEs • Established trauma and urgent care centres • Established 24-hour paediatric service at Mediclinic Welcare Hospital and Mediclinic Parkview Hospital

PROGRESS			
Group-wide	**Hirslanden**	**Mediclinic Southern Africa**	**Mediclinic Middle East**
DIGITALISATION AND ANALYTICS			
• Supported Hirslanden and Mediclinic Middle East with EHR implementation • Supported Mediclinic Southern Africa in the evaluation of EHR systems • Established a machine learning capability	• Radiology information system pilot at Klinik Im Park completed and rolled out to Klinik Stephanshorn • Roll-out of PDMS for intensive care and anaesthesia at Klinik Hirslanden • Introduced standardised documentation approach for medical practitioners in the EHR and commenced pilot project at Klinik Stephanshorn	• Dedicated taskforce appointed to manage EHR process and continued action plans aimed at improving implementation readiness	• Continued EHR roll-out • Ensured compliance with HIE requirements in Abu Dhabi
INDUSTRY EVENTS			
n/a	• Hosted Hirslanden Doctors' Summit	n/a	• Hosted second Mediclinic Middle East Annual Research Day
MEDICATION SAFETY, IMPLANTS AND DISPOSABLES, AND DIAGNOSTICS			
• Refined and optimised the medication management process	• Commenced with specialist group meetings for cardiology and orthopaedics in order to standardise implants and disposables	• Developed additional action plans to improve medication safety	• Improved the utilisation of generic medication • Investigated robotic pharmacy system • Continued the centralisation and consolidation strategy for laboratories
NURSING AND MEDICAL PRACTITIONERS			
• Enhanced collaboration on nursing	• Developed a model to validate doctors' performance	• Improved nursing skills mix and repositioned Nursing Unit Managers to improve clinical outcomes	• Continued implementation of standardised appraisal process for medical practitioners and commenced roll-out for nursing staff
PATIENT SAFETY			
• Patient safety workshop in October 2019 attended by 130 leaders across the Group	• Continued roll-out of patient-related outcome measurement • Completed Patient Safety Policy compliance audit	• Hosted three multidisciplinary patient safety workshops across the division	• Completed Agency for Healthcare Research and Quality Hospital Survey on patient safety culture

BETTER WAYS TO CONNECT

The wellbeing of the Group's clients forms the foundation of the business with Mediclinic's core purpose being to enhance the quality of life.

PATIENT EXPERIENCE

Mediclinic benchmarks and publicly reports on patient experience on a divisional level through Press Ganey®, an internationally recognised leading provider of patient experience measurement for healthcare organisations across the continuum of care. Patients are surveyed after discharge and this valuable feedback helps Mediclinic better understand patients' needs and adapt care services accordingly.

TABLE 1: PRESS GANEY® RESULTS FOR THE 2019 CALENDAR YEAR

	Hirslanden[1]	Mediclinic Southern Africa	Mediclinic Middle East[1]
Participating since	February 2017	October 2014	October 2014
Total participating facilities	17	50	6
Total surveys collected	**12 191**	**52 958**	**2 939**
Likelihood of recommending the hospital/clinic[2]	**92.1%**	**85.0%**	**88.6%**
Mean score out of 100	**88.3** ▲ (2019: 87.4)	**82.7** ▲ (2019: 82.0)	**86.0** ▲ (2019: 85.6)

Notes

[1] Caution must be exercised when interpreting the 2019 patient experience results for Hirslanden and Mediclinic Middle East. No feedback was collected for Hirslanden by Press Ganey® for several months and the Al Ain region in Mediclinic Middle East had a low response rate.

[2] Incomparable with prior year data due to new measurement categories.

PATIENTS FIRST

HOW MEDICLINIC PUT *PATIENTS FIRST* IN 2019

Patient safety workshop held for leadership across the Group	Employee-facing patient safety campaigns	Public health awareness campaigns
Indicators for clinical performance expanded	Surgical safety checklist rolled out in all facilities	More day case clinics
12 health technology assessments conducted	Clinical Performance Committees for all three divisions	Public website with hospital-specific clinical performance indicators for Mediclinic Southern Africa

PRESS GANEY® PATIENT EXPERIENCE SURVEY STREAMLINED TO INCREASE PARTICIPATION

> At Hirslanden and Mediclinic Middle East, Comprehensive Cancer Centres deliver world-class cancer care.

FOCUS ON PATIENT SAFETY

Held as part of the Mediclinic Group Conference in October 2019, a patient safety workshop was attended by 130 senior managers from the three divisions. Furthermore, Mediclinic Middle East conducted a survey on safety culture by the Agency for Healthcare Research and Quality; the survey is planned for 2020 in the other two divisions, in conjunction with the introduction of a safety pledge. Extensive training has been done on the criteria for never events to standardise reporting between divisions.

GREATER CONVENIENCE

All three divisions have day case clinics to meet client needs: Hirslanden has two[1], Mediclinic Southern Africa has six, with a further four operated by Intercare, and Mediclinic Middle East two.

EXCELLENCE IN CANCER CARE

At Hirslanden and Mediclinic Middle East, Comprehensive Cancer Centres deliver world-class cancer care. At Hirslanden, the designated tumour boards for breast and prostate cancer were joined by multidisciplinary medical boards in oncology, urology and lung cancer at the hospitals in Aarau, Bern and Biel. The Hirslanden breast cancer centres collaborated with University Basel and the Swiss Group for Clinical Cancer Research. An information technology ('**IT**') tool for benchmarking clinical outcomes between the centres is in development.

A PIPELINE FOR NURSING TALENT

Two Mediclinic Southern Africa learning centres have been accredited to present the three-year Diploma in Nursing. The division signed an agreement with the South African Nursing Council to conduct their exams in India, which will facilitate the recruitment of nurses.

OPPORTUNITIES

- Implementing standardised measures for clinical performance in outpatient clinics
- Developing performance indicators for ambulatory surgery units

Note

[1] At 1 April 2020, Hirslanden's day case clinics increased to three with the acquisition of Operationszentrum Zumikon.

BETTER WAYS TO UNLOCK VALUE

Across the divisions, projects focus on improving the quality of care; reducing costs for patients; and providing innovative services.

HIRSLANDEN

- CAR T-cell therapy offered at Klinik Hirslanden, first Swiss private hospital to offer this treatment for two types of lymphoma cancer
- Expansion across the continuum of care through a collaboration with Medbase
- Cooperation with the Bern University of Applied Sciences to provide internships for the master's degree of Nurse Practitioner

MEDICLINIC SOUTHERN AFRICA

- Nursing Odyssey project to address issues that impact the quality of nursing
- Stroke training days at 49 Mediclinic Southern Africa hospitals to standardise clinical pathway
- Initiatives to improve obstetrics outcomes, supported by Intellispace online foetal heart rate monitors in 23 obstetric units and head-cooling equipment in 20 neonatal critical care units
- Increase in Care Expert procedures, an integrated product that optimises hospital efficiency and clinical quality

MEDICLINIC MIDDLE EAST

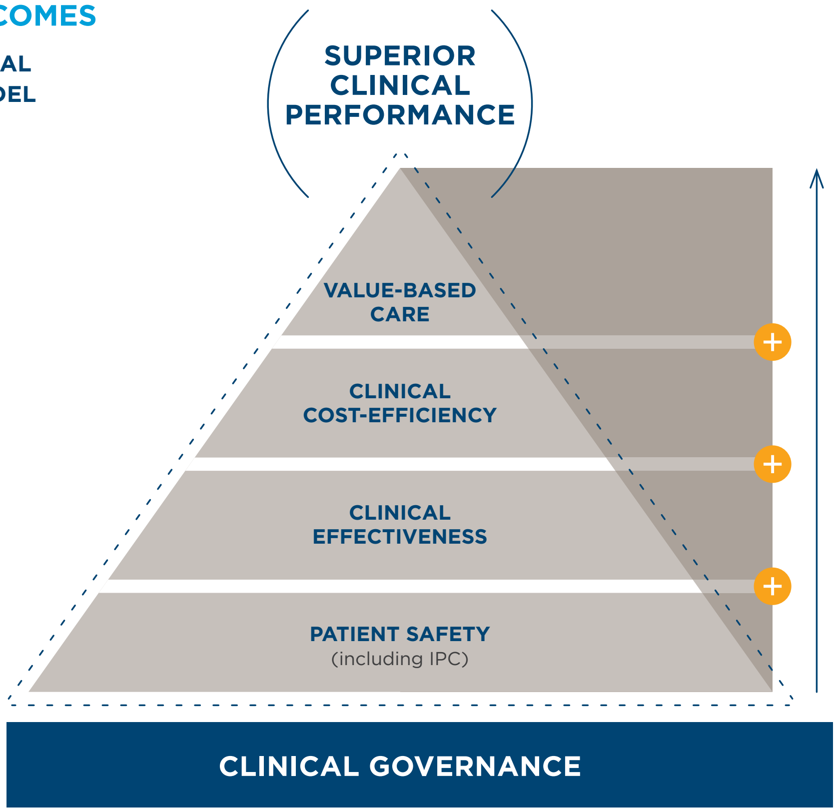
- Acquired equipment for genome sequencing in preparation for UAE's first precision medicine lab
- JCI accreditation and re-accreditation of all facilities
- Created framework of requirements for CoEs
- Academic affiliations for the training of medical students and paediatric residents

BETTER WAYS TO CARE

Clinical governance lays the foundation for the structures and processes that ensure the best possible outcomes for patients.

CLINICAL OUTCOMES

MEDICLINIC CLINICAL MANAGEMENT MODEL



CLINICAL INDICATORS

More than 75 clinical indicators are measured monthly in line with a standardised set of definitions and classifications. Many of these outcome indicators are self-reported and others are derived from administrative data. These indicators are monitored for trends and used to identify opportunities for improvement.

Clinical indicator improvements during the year include the roll-out of the SIR model for SSIs; the refinement of existing indicator definitions; and the expansion of categories.

STATISTICAL SIGNIFICANCE

Statistical significance is determined to identify areas of improvement that create knowledge leveraging and sharing opportunities to the benefit of all divisions. By also identifying areas of concern, it allows the Group to determine key focus areas for future initiatives.

Where variation in the current year's data is found to be statistically significant as compared to prior reporting periods, the applicable data in the graph is marked with an orange dot and an explanation is provided, if available.

For more information on statistical significance and how it is calculated, refer to the **2020 Clinical Services Report**.

PATIENT SAFETY

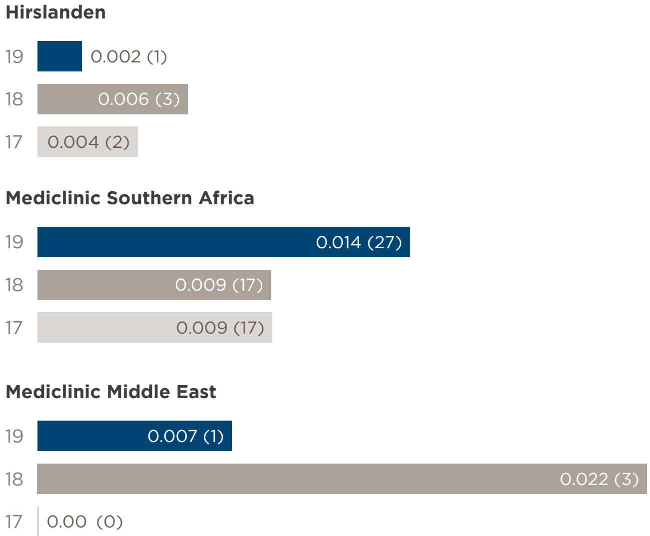
Achieving patient safety requires a collective commitment to building a patient safety culture. This means that each employee focuses on reporting and learning from near misses and adverse events that may cause patient harm. An open culture, where teams are comfortable discussing patient safety incidents and concerns, is fostered through the inclusive completion of systems analysis of SAEs in hospitals. Teams learn from the adverse events to mitigate future incidents.

NEVER EVENTS

Across the divisions, the WHO surgical safety checklist is followed to decrease errors and adverse events, and increase teamwork and communication during surgery.

The implementation of the safe surgical checklist remains a key focus area, with good progress made across all divisions during the year. Mediclinic reports only on a subset of surgical and procedural never events at present, focusing on: the correct identification of patients, procedures and sites, and the prevention of retained foreign objects.

FIGURE 2: NEVER EVENTS[1]
Rate per 1 000 patient days
(Number of events in brackets)



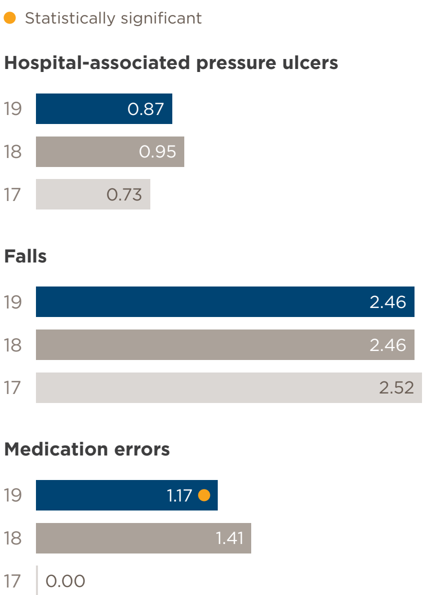
Note
[1] The measurement and reporting of never events have been refined during the year to ensure comparable rates across the Group. The never event rate is reported to the third decimal to negate the obscuring effect of rounding.

ADVERSE EVENTS

An important aspect of improving the quality and safety of patient care is preventing adverse events that could harm patients, including hospital-associated pressure ulcers, falls and medication errors.

HIRSLANDEN

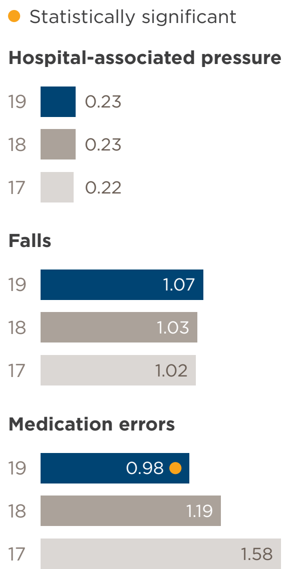
FIGURE 3: ADVERSE EVENTS – HIRSLANDEN
Rate per 1 000 patient days



The 8.42% decrease in the hospital-associated pressure ulcer rate from 0.95 in 2018 to 0.87 in 2019 is not statistically significant. The fall rate remained stable at 2.46. Hirslanden commenced reporting on medication errors in 2018. The 17.02% decrease in the medication error rate from 1.41 in 2018 to 1.17 in 2019 is statistically significant. Analysis of the fluctuation is difficult as the current reporting system is restrictive with limited classification and system factor analysis abilities.

MEDICLINIC SOUTHERN AFRICA

FIGURE 4: ADVERSE EVENTS – MEDICLINIC SOUTHERN AFRICA
Rate per 1 000 patient days



The rate of hospital-associated pressure ulcers remained stable at 0.23. The 3.88% increase in fall rate from 1.03 in 2018 to 1.07 in 2019 is not statistically significant. Preventing falls remains a key focus area and the Falls Policy was reviewed during the period and aligned to the Group policy.

Medication errors per 1 000 patient days reduced by 17.65% from 1.19 in 2018 to 0.98 in 2019, a statistically significant decrease, mainly due to a reduction in administration errors. The involvement of pharmacists in incorrect medication error reporting has resulted in additional reporting mechanisms for potential medication errors. The data collection to date has been used to guide hospitals to identify specific areas for quality improvement and prevention of medication errors, and to provide a measurement tool to track progress.

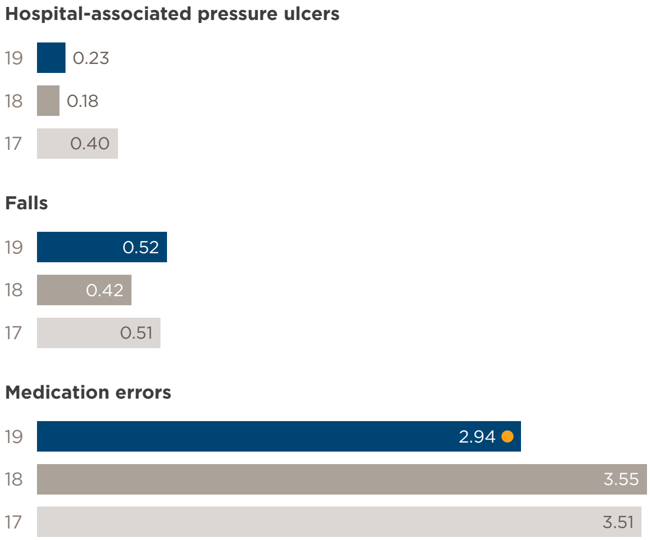
> "Preventing falls remains a key focus area and the Falls Policy was reviewed during the period and aligned to the Group policy.

MEDICLINIC MIDDLE EAST

FIGURE 5: ADVERSE EVENTS – MEDICLINIC MIDDLE EAST

Rate per 1 000 patient days

● Statistically significant



The increase in the hospital-associated pressure ulcer rate by 27.78% from 0.18 in 2018 to 0.23 in 2019 is not statistically significant. A pressure injury prevention project team was reactivated in response to the increase and major compliance improvements noted since August.

The 23.81% increase in the fall rate from 0.42 in 2018 to 0.52 in 2019 is not statistically significant and is mainly due to patient and parent non-compliance to fall prevention instructions. The fall awareness campaign includes educational videos for employees, fall prevention posters in patient rooms and creating a fall prevention booklet for patients and visitors.

The medication error rate decreased by 17.18% from 3.55 in 2018 to 2.94 in 2019, a statistically significant change. Both outpatient and inpatient medication errors are reported and are classified as prescription, dispensing and administration errors. Focused medication audits and physician education and training are ongoing in all facilities.

FACILITY FOCUS

BUILDING A BETTER SERVICE

Through its expansion across the continuum of care, Mediclinic can accompany clients throughout their healthcare journey.

DAY CASE CLINIC

WHERE: Lucerne, Switzerland
WHEN: Opened in late 2018, fully operational in 2019
Hirslanden strategically developed this day case clinic in response to changes in Swiss healthcare policy that saw several procedures reclassified from inpatient to outpatient.

PAEDIATRIC CLINIC

WHERE: Dubai, UAE
WHEN: October 2019
The facility offers general paediatrics and family medicine, along with paediatric physiotherapy, psychology, and occupational and speech therapy. Having various disciplines in one setting is not only convenient for families, but less traumatic for children.

ORTHOPAEDIC AND RHEUMATOLOGY HOSPITAL

WHERE: Stellenbosch, South Africa
WHEN: August 2019
In a pioneering partnership with the Institute of Orthopaedics and Rheumatology, the hospital brings together a multidisciplinary team for high-level musculoskeletal expertise.

CLINICAL ETHICS SUMMARY

Issue	Mediclinic's response
Advanced care planning, end-of-life and terminal care	Clinical governance structures to report, audit and address in line with local regulations and legislation
Assisted reproductive technology and IVF	• Centres governed by local regulatory and legal framework • Compliance monitored by licensing authorities
Competence and scope of practice	Clinical governance structures to monitor and address concerns
Doctor cover, availability and response	• On-call rosters at emergency centres • Reporting system for non-compliant independent doctors, human resources process for employed doctors
Doctor qualifications and performance, and illegal practice	• Formal process verifies registration, qualifications and credentials • Feedback from peers solicited • Established prevention policies and investigations of, *inter alia*, deteriorating clinical quality indicators and complaints
Drug trials and medical research	• Aligned with the Declaration of Helsinki and local legislation • Approval by independent, accredited ethics committee and recorded on a registry • No unofficial drug testing allowed • Clinical research approval committee and policies
Employee and patient protection	• Occupational health specialists at each hospital • Healthcare employees screened for pulmonary tuberculosis, and screened and vaccinated against Hepatitis B if necessary • HIV/Aids diagnosis and support offered to affected employees in accordance with local regulations • In case of Methicillin-resistant *Staphylococcus aureus*, healthcare employees screened and decolonised if necessary • Annual flu vaccine, other vaccines when indicated • Radiation exposure monitored centrally by Hirslanden
Ethical behaviour and billing, and falsification of diagnosis and documentation	• Regular documentation and clinical coding audits at hospital level • Human resources policies for misconduct and criminal behaviour • Ethics lines for reporting
Euthanasia	Neither practised nor condoned
Forced female circumcision	Informed consent required for any medical or surgical intervention
Genetics	• Testing and counselling according to local regulations and legislation • Data privacy principles and rules apply to results
Inappropriate care	Managed by indication boards at Hirslanden, CPE at Mediclinic Southern Africa and Mediclinic Middle East
Organ trade	Organ donation and receipt process carefully documented and in line with applicable legislation
Pharmacy	Policies, procedures and audits to comply with legislation, ethical and operational requirements
Remuneration, kickbacks	Perverse incentives prohibited
Reporting and disclosure of adverse events	• Formal adverse event reporting system at hospital level • Recorded events discussed at clinical hospital committees
Technology (including robotics)	• Equipment must be CE[1] certified and approved by the local regulator and/or certified by the Food and Drug Administration of the United States of America • Used for approved indication as dictated by guidelines • Clinical safety proven before new technology implemented
Termination of pregnancy	• Strict control measures to ensure legal compliance • Freedom of choice for employees regarding participation

Note

[1] CE certification mark indicates conformity with health, safety and environmental protection standards for products sold within, manufactured in or designed to be sold in the European Economic Area.

SUSTAINABLE DEVELOPMENT OVERVIEW

> Sustainability is particularly important to me as it's a responsibility I've taken on in many of the organisations I've worked for. Mediclinic's coherent sustainability strategy brings together initiatives across the Group. It sheds light on our use of resources and how much we value them – not just natural resources, but financial capital and human assets. The targets we have set for 2030 – to be carbon neutral and send no waste to landfill – show just how seriously we take this.

Dr Felicity Harvey
Chair of the Clinical Performance and Sustainability Committee

INTRODUCTION

As a healthcare provider, Mediclinic not only strives to create value every day by providing cost-effective, quality care and outstanding client experiences, it also takes a broader approach to value creation by taking responsibility for its operations beyond just its facilities. The Group provides care in a world that is being reshaped by evolving client needs, regulatory frameworks and climate forces. This calls for a sustainable approach in everything it does, from the way it utilises natural resources and engages with employees to the type of investments it makes and how it conducts business.

The strategy and its resultant action plans revolve around the sustainable development mission to ensure that every day Mediclinic improves sustainability by managing its resources responsibly and efficiently to the benefit of stakeholders and the environment.

This ***Sustainable development overview*** is a condensed version of the Group's **2020 Sustainable Development Report**, available at annualreport.mediclinic.com. It covers the most important sustainable development activities across the Group with specific reference to its initiatives and outcomes for the 2019 calendar year, unless stated otherwise.

It is important to note that the COVID-19 pandemic falls outside the reporting period of the *Sustainable development overview* and will be addressed in the 2021 Sustainable Development Report.

CONTENT		2020 SUSTAINABLE DEVELOPMENT REPORT	SUSTAINABLE DEVELOPMENT OVERVIEW
Accolades and achievements		●	abbreviated
Message from the Group Chief Executive Officer		●	n/a
Management and governance structures		●	n/a
Stakeholders		●	abbreviated
Materiality assessment		●	abbreviated
Material issue 1: Neutralising environmental impact	Overview	●	●
	Climate change	●	n/a
	Carbon emissions	●	abbreviated
	Energy efficiency	●	abbreviated
	Water usage	●	abbreviated
	Biodiversity	●	n/a
	Waste	●	abbreviated
	Environmental management systems	●	abbreviated
Material issue 2: Building stakeholder trust	Overview	●	●
	Clients		
	Value proposition	●	●
	Employees		
	Interview with Mr Magnus Oetiker	●	abbreviated
	Recruitment	●	abbreviated
	Retention	●	abbreviated
	Employee engagement	●	abbreviated
	Diversity and inclusion	●	abbreviated
	Wellness and safety	●	abbreviated
	Optimised supply chain	●	abbreviated
	Future workforce	●	abbreviated
	Corporate social investment	●	abbreviated
	Human rights	●	abbreviated
Material issue 3: Being an ethical and responsible corporate citizen	Overview	●	●
	Information assets	●	n/a
	Data privacy	●	n/a
	Ethics, anti-bribery and anti-corruption	●	abbreviated
	High-quality healthcare infrastructure	●	abbreviated
Independent assurance		●	n/a

STAKEHOLDER ENGAGEMENT

COMMITTED TO

- Publicly reporting on sustainability development performance and progress
- Remaining accountable to stakeholders
- Communicating effectively with stakeholders

KEY STAKEHOLDERS

- Clients
- Communities
- Employees and potential applicants
- Governments and authorities
- Healthcare insurers
- Industry associations
- Industry partners
- Investors
- Media
- Medical practitioners
- Suppliers

Strong relationships with stakeholders lie at the heart of the Group's ability to enhance the quality of life. By engaging on key issues, Mediclinic remains accountable to its stakeholders and actively realises its position as a leading international provider of private healthcare.

Mediclinic's key stakeholders are those groups who have a material impact on, or are materially impacted by, the Group and its operations: clients, communities, employees and potential applicants, governments and authorities, healthcare insurers, industry associations, industry partners, investors, media, medical practitioners and suppliers. The Group's key stakeholders, methods of engagement, topics discussed or concerns raised are outlined in the **2020 Sustainable Development Report**. The Board's engagement with stakeholders is also reported on in the ***Corporate Governance Statement*** on page 151.

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's Ethics Code. Stakeholders' legitimate expectations have been taken into account in setting the Group's key sustainability priorities, as reported on in the **2020 Sustainable Development Report**.

AWARDS AND ACCOLADES SUMMARY FOR THE REPORTING PERIOD

GROUP

- **Constituent of FTSE4Good, an index that recognises companies for strong ESG practices.**
- **Signatory of the CDP UK (originally the Carbon Disclosure Project), which supports companies to measure and disclose their environmental impact.**

"In our mission to create value, we have undertaken to listen carefully to how stakeholders feel and what they want by reaching out in a variety of ways.

Dr Ronnie van der Merwe
Group Chief Executive Officer

Mediclinic is committed to ensure that every day it improves sustainability by managing its resources responsibly and efficiently to the benefit of its stakeholders and the environment.

Mediclinic sustainable development mission statement

MATERIALITY ASSESSMENT

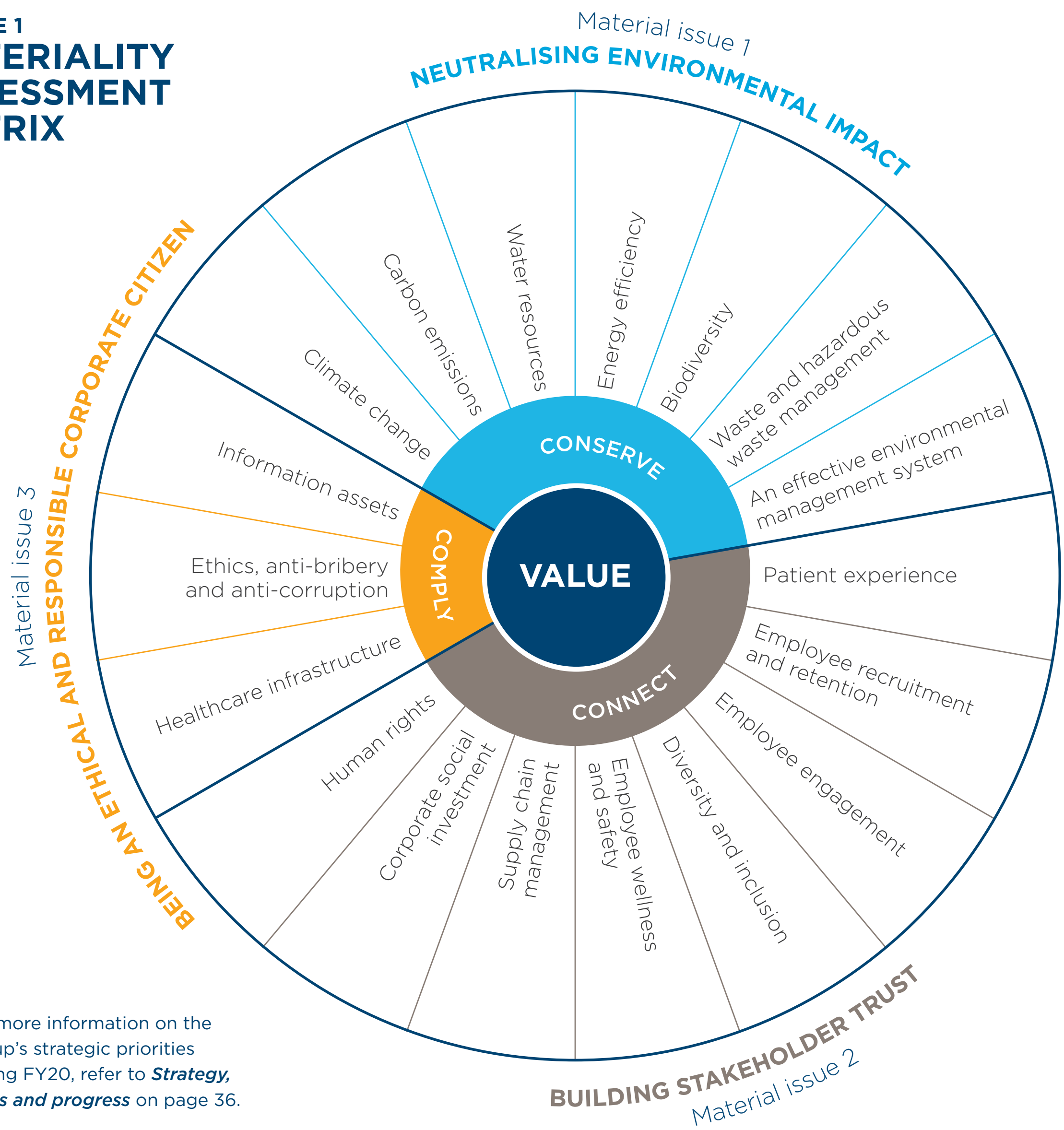
Mediclinic has various economic, social and environmental responsibilities, including creating employment opportunities; training and developing employees; using natural resources responsibly and investing in local communities.

The Clinical Performance and Sustainability Committee annually reviews the Group's material sustainability issues. This is done to ensure that management initiatives are directed at those sustainable development issues that are most significant to the business.

The Clinical Performance and Sustainability Committee's assessment identified the following three material issues:

- Neutralising environmental impact;
- Building stakeholder trust; and
- Being an ethical and responsible corporate citizen.

FIGURE 1
MATERIALITY ASSESSMENT MATRIX



For more information on the Group's strategic priorities during FY20, refer to ***Strategy, goals and progress*** on page 36.

CONSERVE

MATERIAL ISSUE 1: NEUTRALISING ENVIRONMENTAL IMPACT

To neutralise the Company's environmental impact

WHY THIS IS IMPORTANT TO THE BUSINESS

Mediclinic acknowledges that climate change poses a material risk to its operations and the environment, and that appropriate action is required to reduce its impact. In addition, responsible use of resources can be a source of strategic advantage for the Group, allowing it to manage and contain its operating costs and ensure ongoing access to water and energy supplies.

The Group's main environmental impacts are the consumption of resources (water and energy) and the disposal of healthcare risk waste and healthcare general waste. Mediclinic is committed to achieving carbon-neutral status and zero waste to landfill by 2030.

During the calendar year, there were no incidents of material non-compliance with any environmental legislation, regulations, accepted standards or codes applicable to the Group, with no significant fines imposed.

RISKS TO THE BUSINESS

- Business interruptions due to water shortage or lack of electricity
- Increased operational costs due to cost of electricity, water and healthcare risk waste
- Reputational damage
- Impact of carbon tax and climate change legislation
- Potential fines and penalties

MITIGATION OF RISKS

- Group Sustainable Development Strategy with environmental objectives
- Risk management process and systems of internal control embedded within the Group
- Opportunities for minimising environmental impact identified in each division
- Annual review of ERM Policy
- Group Environmental Policy (available on the Group's website) and environmental policies at operational level
- Group-wide implementation and international certification of environmental management systems

MATERIAL ISSUE 1 IN NUMBERS[1&2]

Average total CO_2 emissions (kg/bed day)

Group	163kg	2019: 162kg
Hirslanden	11kg	2019: 12kg
Mediclinic Southern Africa	112kg	2019: 106kg
Mediclinic Middle East[3]	366kg	2019: 376kg

Average water usage (kℓ/bed day)

Group	0.9kℓ	2019: 1.0kℓ
Hirslanden	0.6kℓ	2019: 0.7kℓ
Mediclinic Southern Africa	0.5kℓ	2019: 0.6kℓ
Mediclinic Middle East[3]	1.6kℓ	2019: 1.6kℓ

Average energy consumption (GJ/bed day)

Group	0.9GJ	2019: 0.7GJ
Hirslanden	0.5GJ	2019: 0.5GJ
Mediclinic Southern Africa	0.3GJ	2019: 0.3GJ
Mediclinic Middle East[3]	1.8GJ	2019: 1.3GJ

Waste recycled (tonnes)

Group	1 968t	2019: 1 639t
Hirslanden	494t	2019: 284t
Mediclinic Southern Africa	1 223t	2019: 1 147t
Mediclinic Middle East	251t	2019: 208t

Notes

[1] Data reported in line with the 2019 CDP Report and succeeds the data as provided in the 2019 Sustainable Development Report.

[2] Mediclinic has no operations in the UK and only reports on the data of its divisions.

[3] The intensity measures of CO_2 emissions, water usage and energy consumption per bed day of Mediclinic Middle East are not comparable with Hirslanden and Mediclinic Southern Africa as this division has more outpatient clinics (i.e. no beds) than hospitals and the extreme weather conditions in the UAE negatively impact energy and water consumption.

CARBON EMISSIONS

Achieving carbon neutrality by 2030

Mediclinic's commitment to carbon-neutral status is supported by a sound business case, as emission-reduction activities yield benefits such as cost saving and secured energy supply. Rising electricity costs are also an incentive to reduce consumption by investing in energy-efficient equipment and renewable energy sources. Beyond that, the Company acknowledges its responsibility to contribute to a healthy environment.

With the assistance of external consultants, the divisions measure their carbon footprint using the Greenhouse Gas Protocol. These measures include, in varying degrees:

- Direct emissions (scope 1 emissions) from Mediclinic-owned or -controlled equipment (stationary fuels); air-conditioning and refrigeration gas refills; anaesthetic and other gas consumption; emergency response vehicles; and fleet and pool vehicles (mobile fuels).
- Indirect emissions from the consumption of purchased electricity (scope 2 emissions).
- Indirect emissions in the supply chain (scope 3 emissions) and from Mediclinic's business travel activities; employee commuting; upstream and downstream third-party distribution; the consumption of office paper; electricity transmission; and distribution losses and waste.
- Non-Kyoto Protocol greenhouse gas emissions such as from Freon, which is used in air-conditioning and refrigerant equipment. Data of these emissions were converted into a carbon dioxide equivalent ('CO_2e') using recognised calculation methods, emission factors and stating assumptions made, where relevant.

The carbon emissions per division, reported per calendar year, are reported in the **2020 Sustainable Development Report** as summarised in Tables 1–3.

TABLE 1: HIRSLANDEN TOTAL CARBON EMISSIONS

	2015	2016	2017	2018	**2019**
Scope 1: Direct emissions (tonnes)	6 743	7 349	6 317	6 376	**6 042**
Scope 2: Indirect emissions from purchased electricity (tonnes)	389	389	837[1]	415	**455**
Scope 3: Indirect emissions from supply chain, business travel and waste removal (tonnes)	759	882	665	1 218[2]	**n/a[3]**
Non-Kyoto Protocol emissions (tonnes)	n/a	n/a	n/a	n/a	**0**
TOTAL CO_2e (tonnes)	7 891	8 620	7 819	8 009	**6 497**
CO_2e/bed day (kg)	13	13	12	12	**11**
Intensity (CO_2e/bed day [kg])					

Notes

[1] The scope 2 indirect emissions increased due to the integration of Klinik Linde as well as a change in the source of purchased electricity.

[2] Increase in emissions due to a change in calculation methods.

[3] 2019 data not available at the time of publishing this report.

TABLE 2: MEDICLINIC SOUTHERN AFRICA TOTAL CARBON EMISSIONS

	2016[1]	2016	2017	2018	**2019**
Scope 1: Direct emissions (tonnes)	23 841	24 687	24 193	22 422	**20 790**
Scope 2: Indirect emissions from purchased electricity (tonnes)	159 571	156 781	149 109	143 338	**157 370[2]**
Scope 3: Indirect emissions from supply chain, business travel and waste removal (tonnes)	36 037	49 488	47 270	42 981	**44 743**
Non-Kyoto Protocol emissions (tonnes)	3 966	5 236	2 841	2 200	**1 233**
TOTAL CO_2e (tonnes)	223 415	236 192	223 413	211 073	**224 136**
CO_2e/full-time employee	13.3	14.0	13.7	13.3	**14.0**
CO_2e/m^2	0.31	0.30	0.27	0.25	**0.26**
CO_2e/bed day (kg)	111	117	112	106	**112**

Notes

[1] Reported on financial year basis, thus 1 April 2015–31 March 2016.

[2] Increase in emissions from purchased electricity resulted from a 9% increase in Eskom emission factor during 2019.

TABLE 3: MEDICLINIC MIDDLE EAST TOTAL CARBON EMISSIONS

	2016[1]	2017[1&2]	2018[3]	**2019**
Scope 1: Direct emissions (tonnes)	1 731	5 594	4 191	**2 959[4]**
Scope 2: Indirect emissions from purchased electricity (tonnes)	12 148	19 892	38 371	**52 789[5]**
Scope 3: Indirect emissions from supply chain, business travel and waste removal (tonnes)	3 464	4 722	7 656	**14 603[6]**
Non-Kyoto Protocol emissions (tonnes)	621	3 476	3 561	**2 056**
TOTAL CO_2e (tonnes)	17 964	33 684	53 779	**72 407**
CO_2e/full-time employee	3.677	↑ 5.764	↑ 7.560	↑ **9.758**
CO_2e/m^2	0.198	↓ 0.160	↑ 0.174	↑ **0.212**
CO_2e/bed day (kg)	226	↓ 220	↑ 376	↓ **366**

Notes
[1] 2016 and 2017 data are reported per financial year basis.
[2] Data not directly comparable with previous year as prior to 2017 only Dubai-based facilities were reported on.
[3] Data not directly comparable with previous years as Mediclinic Parkview Hospital and new data points (i.e. air conditioning, additional business travel and third-party vehicle consumption) included for the first time.
[4] Deviation due to modification in methodologies used.
[5] Increase due to overall growth of the division.
[6] Increase in scope 3 emissions due to the inclusion of employee commute as well as an increase in the reporting scope.

ENERGY EFFICIENCY

Electricity is the main contributor to the Group's carbon footprint. All divisions are taking steps to reduce their electricity consumption intensity through the adoption of the ISO 14001:2015 environmental management system. This will lead to improved operational efficiency of technical installations, the introduction of various new energy-efficient and renewable technologies and changes in employee behaviour regarding energy use.

TABLE 4: DIRECT AND INDIRECT ENERGY CONSUMPTION (GJ)

		Direct energy purchased	Direct energy produced	Indirect energy consumed	Energy consumption[2]		Intensity
					Total	Per bed day	
Hirslanden	**2017**	108 859	98 (solar collectors)	156 453	265 312	0.46	↓
	2018	108 957	n/a	149 650	258 608	0.45	↓
	2019	**105 670**	**n/a**	**163 650**	**269 320**	**0.46**	↑
Mediclinic Southern Africa	**2017**	98 634	1 576	534 999	635 209	0.32	↓
	2018	111 972	2 862	543 175	658 009	0.33	↑
	2019	**116 688**	**11 665**	**544 742**	**673 096**	**0.34**	↑
Mediclinic Middle East[1]	**2017**	22 154	0	141 730	163 884	1.20	↑
	2018	33 499	0	154 813	188 312	1.28	↑
	2019	**17 679**	**0**	**249 310**	**266 989**	**1.8**	↑

Notes
[1] The intensity measures of energy consumption per bed day of Mediclinic Middle East are not comparable with Hirslanden and Mediclinic Southern Africa as this division has more outpatient clinics (i.e. no beds) than hospitals and the extreme weather conditions in the UAE negatively impact energy and water consumption.
[2] Increase in consumption due to overall growth of the Group.

DIVISIONAL CONSIDERATIONS

HIRSLANDEN

- Electricity purchased mainly from nuclear plants for all but one hospital, as well as the Corporate Office
- 16 of 17 hospitals registered as CO_2-reduced businesses and monitored annually by EnAW
- Replacement of ventilation, heating and cooling systems with energy-efficient ones and adjustment of operating times
- LED light fittings
- Renewal of information and ICT infrastructure

MEDICLINIC SOUTHERN AFRICA

- Renewable energy through photovoltaic systems
- Solar panels for water heating
- Supervisory control and data acquisition ('**SCADA**') systems to monitor electricity consumption
- Three verification methods for electricity data
- Energy-efficient practices

MEDICLINIC MIDDLE EAST

- LED light fittings and movement sensors
- Regular servicing of air conditioners
- Solar panels for new buildings
- Shading devices to minimise direct heating
- Sustainable materials used wherever possible

WATER USAGE

Using and re-using water resources sustainably

Access to fresh water is essential for all life on earth and a human right recognised by the United Nations, yet this precious resource is increasingly under pressure. For hospitals, good quality fresh water is essential for maintaining hygiene, quality patient care and infection control. The Group benefits from the expertise gained across its divisions as they address water use challenges unique to their geographies.

WASTE MANAGEMENT

Achieving zero waste to landfill by 2030

Stringent protocols are followed to ensure that waste management within the Group complies with all legislation, regulations and municipal 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 2019, there were no incidents at the Group's facilities or offices leading to significant spills.

In line with the objective to achieve zero waste to landfill by 2030, Mediclinic evaluates waste materials with the view to refuse, reuse, reduce, recycle and/or recover.

ENVIRONMENTAL MANAGEMENT SYSTEMS

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 its processes and services.

Mediclinic engages with governments and authorities, industry associations and industry partners on environmental policy matters that affect the business, including climate change. Suppliers are encouraged to implement environmental programmes and obtain certifications. All divisions comply with national legislation concerning the environment, the details of which are elaborated on in the **2020 Sustainable Development Report**.

CONNECT

MATERIAL ISSUE 2: BUILDING STAKEHOLDER TRUST

To be the partner of choice that stakeholders trust

WHY THIS IS IMPORTANT TO THE BUSINESS

Mediclinic employees and associated medical practitioners form the foundation from which the Group is able to offer its services to clients and communities, which in turn allows it to unlock value for all stakeholders and pursue its vision to be the partner of choice that people trust for all their healthcare needs.

The Group is dedicated to partnering with all its stakeholders. As a result, the Group is positioned to have long-term relationships that extend beyond isolated interactions and trusted to deliver measurable, quality outcomes and transparent reporting.

RISKS TO BUSINESS

- Poor employee engagement and wellness
- Ageing nursing workforce with decreasing entrants to profession
- Delayed new nursing qualifications framework, causing a gap in the education pipeline in South Africa
- Inability to recruit healthcare practitioners to meet business demand
- Poor clinical outcomes and services
- Medical malpractice liability
- Reputational damage

RISK MITIGATION

- Group Sustainable Development Strategy with social objectives
- Effective execution of employee engagement action plans
- Implementation of Mediclinic Diversity and Inclusion Strategy
- Development of a Global Employer Marketing Strategy
- Extensive training and skills development programmes
- Monitoring of medical practitioner satisfaction through continuous dialogue
- Establishment of a Global Leadership Development Framework
- Further entrenchment of the organisational purpose, values and behaviours

Standardised definitions

During the period under review, human resources definitions were standardised across the Group and as such some discrepancies may occur when compared to prior year disclosures.

Total workforce is defined as all employees employed on a full-time or temporary basis.

Full-time employees are defined as employees appointed in approved roles without a pre-determined time limit. These employees are employed under contract which requires them to work a minimum number of hours, as defined.

Controllable turnover is defined as the number of employees leaving within a period due to preventable reasons. Controllable employment terminations for all permanent employees are determined by a subset of 26 criteria, but specifically excludes a subset of 20 criteria such as death, disability, dismissal due to operational requirements, family responsibility, poor health and retirement.

MATERIAL ISSUE 2 IN NUMBERS

Press Ganey® inpatient experience index grand mean score (out of 100)

Group[1]	83.9	2019: 84.5
Hirslanden[1]	88.3	2019: 87.4
Mediclinic Southern Africa	82.7	2019: 82.0
Mediclinic Middle East	86.0	2019: 85.6

Controllable employee turnover rate[2]

Hirslanden	10.0%	2019: 6.9%
Mediclinic Southern Africa	7.6%	2019: 7.6%
Mediclinic Middle East	7.2%	2019: 6.7%

Gallup® employee engagement grand mean score (out of five)

Group	3.99	2019: 3.98
Hirslanden	4.00	2019: 4.01
Mediclinic Southern Africa	3.97	2019: 3.94
Mediclinic Middle East	4.00	2019: 4.02

Employees showing high levels of engagement[3] as a percentage of total workforce

Group	46%	2019: 45%
Hirslanden	46%	2019: 45%
Mediclinic Southern Africa	46%	2019: 44%
Mediclinic Middle East	45%	2019: 47%

Training spend as approximate percentage of payroll

Hirslanden[4]	5.5%	2019: 4.6%
Mediclinic Southern Africa	3.4%	2019: 3.7%
Mediclinic Middle East	0.8%	2019: 0.5%

Total absenteeism rate[5]

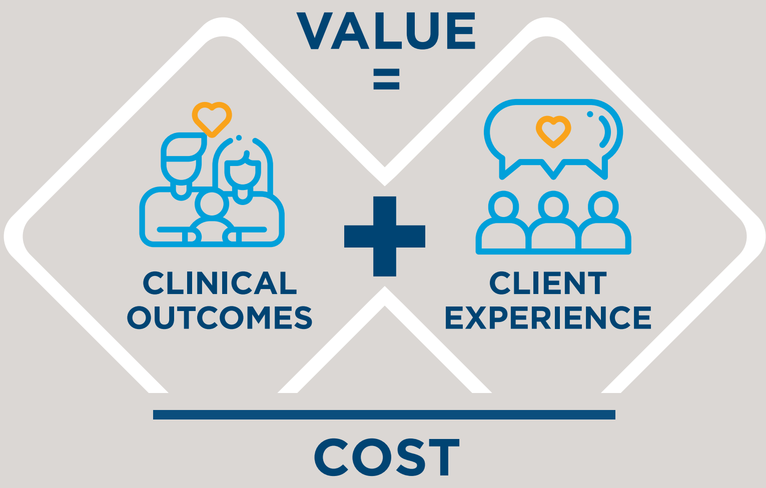
Hirslanden	4.4%	2019: 4.4%
Mediclinic Southern Africa	2.5%	2019: 2.9%
Mediclinic Middle East	0.8%	2019: 0.7%

Contribution to CSI[6]

Hirslanden	CHF2.1m	2019 CHF2.1m
Mediclinic Southern Africa	ZAR26.7m	2019 ZAR27.6m
Mediclinic Middle East	AED2.3m	2019 AED1.4m

Notes

[1] Current reporting period totals were impacted by an interruption in surveying at Hirslanden late in 2019. This negatively skewed the Group results as a result of a large portion of the normal sample size not being available.
[2] Increase in turnover rate contributable to the sale of Klinik Belair and a change in the term definition.
[3] Gallup® defines engaged employees as those who are involved in, enthusiastic about and committed to their work and workplace.
[4] Excludes on-the-job training.
[5] Actual days lost expressed as a percentage of total days scheduled to be worked by the workforce during the year.
[6] 2019 figures reported are per financial year.



VALUE PROPOSITION

IMPORTANCE

Three critical areas define the value equation in healthcare – clinical outcomes, client experience and cost.

At the heart of Mediclinic lies its *Patients First* philosophy, supported by the organisational values of being client centred; trusting and respectful; and patient safety focused. Mediclinic's value proposition is a key factor in pursuit of its purpose and realisation of its vision.

The Group's unique approach to the value equation is reported on in the **2020 Clinical Services Report.**

Value is only possible if all three aspects of the equation are driven and supported by Mediclinic employees.

COST

Various Group initiatives focus on managing the affordability of healthcare, including fair and transparent tariff negotiations, need-based expansion, healthcare reform, and efficient and cost-effective operations. The latter is achieved through streamlining and centralising its procurement processes (refer to page 75).

FIRST CHOICE FOR EMPLOYEES

Mr Magnus Oetiker, Group Chief Human Resources and Corporate Development Officer, shares how strengthening Mediclinic's reputation as preferred employer pays off.

Q&A

Q What does being an employer of choice mean for Mediclinic?

We want people to want to work for us. We want them to see Mediclinic as the most exciting employer in the healthcare industry. We strive to expose our people to new and interesting challenges so that they can experience growth in their working environment and have the opportunity to excel in what they do best every day. We are a values-driven organisation. Our people live these values in a practical manner and reap the benefits of diversity in our daily work. We want our people to not only enjoy what they do, but understand that they are contributing to something bigger: Mediclinic's pursuit of its purpose to enhance the quality of life. It's not just about being an employee, it's about making a meaningful, sustainable contribution to the communities in which we operate.

Q How does Mediclinic's purpose of enhancing the quality of life resonate with employees?

Most of our frontline healthcare employees choose their profession as a result of intrinsic motivation rather than for financial gain. In this sense, the purpose of our Company – simply put, the reason why we exist – is aligned to our employees' motivation: to enhance the quality of life of our clients. To be the employer of choice, we must focus on this intrinsic motivation and constantly ensure high employee engagement levels.

Q What is the biggest challenge to realising this goal?

As a listed company, we have to manage meeting the expectations of various stakeholders and supporting the intrinsic motivation of our employees – many perceive this as a trade-off. The global healthcare industry is under pressure to offer affordable, quality service to communities and healthcare insurers. We must thus operate in an effective and efficient manner throughout. It is important to include our employees in reconciling these ambitions and to ensure they understand how affordable healthcare services contribute to our clients' quality of life.

Refer to page 40 of the **2020 Sustainable Development Report** for the full interview.

EMPLOYER OF CHOICE

A GROUP APPROACH

The Group Human Resources Strategy focuses on harmonising and embedding enhanced human resources processes and practices throughout the Group. This is achieved by standardising processes where possible, sharing best practice and integrating systems. In this way, this function is positioned as an enabling business partner that can deliver visible, credible and value-adding services.

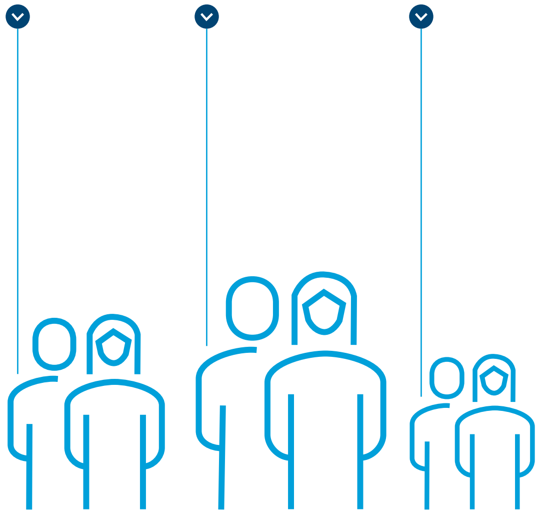
EMPLOYEE OVERVIEW

FIGURE 2: TOTAL WORKFORCE[1]

GROUP TOTAL 33 090

2019: 32 399 2018: 31 505

Switzerland	South Africa & Namibia	The UAE
10 307	16 063	6 719
2019: 10 442	2019: 15 804	2019: 6 152
2018: 9 635	2018: 16 068	2018: 5 801



Note

[1] Total workforce refers to permanent and fixed-term employees. Mediclinic International plc has one employee based in the UK.
Increase in Hirslanden workforce from 2018 to 2019 largely attributable to acquisition of Clinique des Grangettes in October 2018.
Increase in Mediclinic Southern Africa workforce from 2019 to 2020 largely attributable to the opening of new day case clinics.
Increase in Mediclinic Middle East workforce from 2018 to 2020 largely attributable to overall business growth.

RECRUITMENT

As an international healthcare provider, Mediclinic competes in a very competitive employer market. Its recruitment approach is reviewed regularly to ensure it anticipates the industry challenges and changes, as well as mitigates the global shortage of healthcare professionals, specifically specialist nurses and clinicians. In support thereof, Mediclinic also proactively monitors global and regional industry and recruitment trends.

In the year, a Group Careers Website was launched in support of the Mediclinic strategic goal of strengthening its position as the employer of choice. This is the first step towards offering candidates a seamless engagement experience with interaction across the entire recruitment, selection and onboarding process.

This system will serve as a central touch point to attract best talent; manage internal recruitment processes; and enhance candidates' experiences and perceptions. Mediclinic Middle East is the first division to fully make use of this site. Implementation at Hirslanden and Mediclinic Southern Africa will follow.

Employee value proposition and recruitment marketing

The annual *Your Voice* employee engagement survey is administered in partnership with the global analytics and advisory leader, Gallup®. Every year the results are scrutinised for generic themes that affect employee engagement and retention.

In 2020, these results will be used to review the Group's employee value proposition from an internal employee perspective and combined with external research findings to form the basis of an enhanced and targeted Group Recruitment Marketing Strategy.

Local hiring and global sourcing

The Group is committed to providing employment and development opportunities to citizens in each of the countries in which it operates. Employment of foreign nationals is only considered where no suitable local candidates with permanent residence can be found. International sourcing becomes a viable option only once all alternatives have been exhausted.

RETENTION

Retention strategies are aimed at understanding patterns of turnover that exceed healthy turnover benchmarks. An important tool in creating insight in these patterns is by conducting exit interviews in a safe, non-threatening manner.

Two of the most impactful ways to optimise retention are by providing opportunities for a diverse workforce to thrive and by creating an inclusive environment. Annually, employees are invited to share their perception of the workplace through the *Your Voice* survey (see below), which provides the opportunity to proactively assess employees' sense of belonging and whether they feel valued and empowered to do their best every day.

Remuneration, benefits and rewards

The Group remunerates employees in a manner that supports its purpose, vision, culture and strategic goals, while attracting, retaining and motivating scarce skills. In this, fair, reasonable and market-related remuneration practices are maintained.

In line with the organisational value of high-performance behaviour, employees are rewarded for achieving strategic objectives which comprise financial and operational objectives, including measures of clinical performance. Eligible managers receive STI and senior management receive a combination of STI and long-term incentives.

Various additional benefits are offered to employees throughout the Group with regional differences due to local market practices and regulatory compliance.

EMPLOYEE ENGAGEMENT

Dialogue between management, employees and stakeholders is crucial for the effective operation of any organisation. Engagement is essential to protect two of Mediclinic's most important assets: its reputation and its culture.

Mediclinic encourages and enables engagement across employee levels and divisions via various channels, including: the annual *Your Voice* employee engagement survey and resultant action plans; training and performance management; electronic and personal communication; access to various supporting resources such as interactive call centres, occupational health clinics and programmes, an ethics line etc.

An Employee Engagement Report is submitted to the Board of Directors twice a year.

Your Voice

Since 2015, Mediclinic, in partnership with Gallup®, has annually administered the *Your Voice* employee engagement survey across all divisions to measure the levels of employee engagement; identify gaps at a departmental level; and support line managers in developing action plans to address engagement concerns.

In the year, more than 83% of employees completed the survey, placing Mediclinic well above the 78% healthcare industry benchmark.

"

More than 83% of employees completed the survey, placing Mediclinic well above the 78% healthcare industry benchmark.

Training and development

The Group is dedicated to building a culture of continuous development. By enhancing the skill-set of its employees, Mediclinic empowers the entire organisation and unlocks individual potential. A global leadership development methodology framework is established to ensure alignment of leadership development objectives and sharing of best practice, materials and tools to the benefit of the entire organisation. Leadership dialogue is influenced at all divisions, creating a shared language on managerial level that, despite divisional differences, focuses on key business areas.

Leadership development opportunities, such as Group and divisional leadership conferences, are used for learning, collaboration and leadership development to ensure insight into the future of Mediclinic and the healthcare industry, and leadership's contribution thereto. Leadership networks are also explored and encouraged.

During the calendar year, the Group invested in e-learning technology that provides managers across the Group with access to a digital campus which contains material on management development subjects. Implementation has commenced, but will be phased and continue during the coming year.

Performance management

Each division has a well-entrenched performance management system that is based on best practice principles, even though the process is not standardised through the Group. The Group strategic goals serve as the basis for planning of objectives, activities and deliverables on a functional, departmental and individual level.

Continuous performance conversations are encouraged, with formal annual/six-monthly performance tracking conversations between managers and employees.

Managers are held accountable for *Your Voice* employee engagement action planning. This enables career development discussions, as well as the identification and management of training needs.

Succession planning

Talent reviews, which assess the pipeline to key Group and divisional positions, are conducted annually and are strengthened by the oversight of the Nomination Committee, a committee of the Board of Directors, as well as divisional talent review committees. An annual Group Talent Review provides a holistic overview to ensure a healthy pipeline to key roles.

A standardised process is followed, with divisional considerations. The standardised Group-wide human resources system assists with talent management by empowering the relevant committees and line managers with accurate and current information to identify high-potential talent who can be assessed and develop towards key roles. The talent management tools will increasingly provide employees with greater access to review and pursue career opportunities.

Successors are supported with tailored development plans and progress is monitored. The plans are based on a newly developed Group Competency Framework to ensure bespoke development goals are aligned to the competency requirements of each role and the Mediclinic Group Strategy.

Labour relations

Constructive relationships with employee representatives are crucial to strengthening the Group's position as the employer of choice.

All policies and procedures are in accordance with applicable local labour legislation and are evaluated regularly to ensure they remain as such. Policies which deal with employee matters (i.e. misconduct, incapacity, and disciplinary and grievance procedures) are shared during onboarding of new employees and are made available to all employees.

Policy and guidelines govern action during workplace disruption (i.e. industrial action) to minimise the impact on healthcare services. Union representation is rare and in most cases an elected workplace forum regularly meets with facility management to ensure sound labour relations.

DIVERSITY AND INCLUSION

Mediclinic strives to be truly diverse across all levels of the organisation. In May 2019, the Board of Directors approved a long-term Diversity and Inclusion Strategy for meeting the Group's strategic goals by way of a diverse and inclusive Board of Directors and workforce.

Refer to the ***Nomination Committee Report*** on page 190 and to the ***Corporate Governance Statement*** from page 144 for more detail and information on representation at Board and executive level.

The diversity and inclusion initiative was launched to leadership at the Mediclinic Group Conference in October 2019, and subsequently introduced in the annual *Your Voice* employee engagement survey.

The summarised employment equity report and comprehensive information on diversity and inclusion can be found in the **2020 Sustainable Development Report.**

WELLNESS AND SAFETY

To build a culture of wellness, Mediclinic takes a holistic approach which includes physical, social, emotional, occupational, environmental and financial support, by offering a variety of onsite and offsite services and activities across the Group. Health and safety policies and procedures govern the health, safety and cleanliness of all Mediclinic facilities.

OPTIMISED SUPPLY CHAIN

During 2019, the Group Executive Committee approved a five-year group procurement vision to optimise end-to-end supply chain performance. This will increase spend visibility and streamline internal procedures, governance and controls by embracing digital technologies and analytics.

Refer to ***Strategy, goals and progress*** on page 36 and the ***Divisional Reports*** from page 92 for initiatives to improve cost-effectiveness.

Mediclinic's Supply Chain Risk Management Policy and Ethics Code, which are available on the Group's website, confirm that suppliers who, *inter alia*, support the Group's vision and brand are eligible and that the Company relies on suppliers to deliver products and services of the highest quality.

FUTURE WORKFORCE

In light of the continued global shortage of healthcare employees and in line with its purpose to enhance the quality of life, Mediclinic actively invests in the future workforce. Across the divisions there are training opportunities for healthcare students and support of applicable studies.

CORPORATE SOCIAL INVESTMENT

The Group contributes to the wellbeing of the communities within which it operates by investing in continuing initiatives that address socio-economic concerns. CSI activities are structured around the improvement of healthcare through training and education, sponsorships, donations, employee volunteerism, public-private initiatives and joint ventures.

HUMAN RIGHTS

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

- avoid and not contribute to any indirect adverse human rights impacts that are 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 relating to 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.

During 2019, no material incidents of discrimination, violations involving rights of indigenous peoples and/or human rights reviews or impact assessments were observed or reported throughout the Group.

MODERN SLAVERY AND HUMAN TRAFFICKING

The **Mediclinic Modern Slavery and Human Trafficking Statement**, which is available on the Group's website, 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.

COMPLY

MATERIAL ISSUE 3: BEING AN ETHICAL AND RESPONSIBLE CORPORATE CITIZEN

To strengthen the corporate culture to remain an ethical and responsible corporate citizen

WHY THIS IS IMPORTANT TO THE BUSINESS

In its commitment to ethical behaviour, the Group enforces sound governance and compliance principles. An array of policies, processes and standards support the Group's compliance programmes and provide a framework for business conduct and ethics.

These policies are intended to support an environment in which the organisational values of the Group are embraced and lived daily by encouraging a culture of transparency and vigilance. It is shared and adopted by all relevant employees and, where necessary, training is provided. A targeted drive to enhance awareness is planned for the next reporting period.

RISKS TO THE BUSINESS

- Fines and possible prosecution
- Reputational damage
- Inability to continue business due to legal and regulatory non-compliance or changes in the regulatory environment
- Financial and reputational damage caused by poor governance, unethical practices and inadequate risk management

MITIGATION OF RISKS

- Group Sustainable Development Strategy with governance objectives
- 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 and Internal Audit functions
- Compliance risks assessed as part of risk management process, including regular internal self-assessments, with necessary advice and support by the various company secretarial and legal departments within the Group
- Group Compliance and Data Protection Manager appointed to implement compliance framework and monitor compliance maturity
- Emergency preparedness

MATERIAL ISSUE 3 IN NUMBERS

Calls to ethics lines[1]

Group	154	2019: 131
Hirslanden	27	2019: 28
Mediclinic Southern Africa	118	2019: 83
Mediclinic Middle East	9	2019: 20

Investment in capital projects and new equipment[2]

Group	£108m	2019: £148m
Hirslanden	CHF51m	2019: CHF55m
Mediclinic Southern Africa	ZAR582m	2019: ZAR506m
Mediclinic Middle East	AED174m	2019: AED376m

Investment in equipment replacement and property upgrades[2]

Group	£84m	2019: £83m
Hirslanden	CHF43m	2019: CHF40m
Mediclinic Southern Africa	ZAR730m	2019: ZAR672m
Mediclinic Middle East	AED46m	2019: AED76m

Expenditure on repair and maintenance[2]

Group	£68m	2019: £53m
Hirslanden	CHF48m	2019: CHF41m
Mediclinic Southern Africa	ZAR286m	2019: ZAR262m
Mediclinic Middle East	AED67m	2019: AED33m

Notes

[1] Sixteen high-priority cases were reported to the Group's ethics lines during the calendar year, 14 have been investigated and closed, while two are still under investigation.

[2] As capital expenditure is audited annually by the external auditor, PwC, the amounts disclosed are per financial year.

> “The Group adopts zero tolerance to unethical business conduct, including bribery, fraud and corruption.

ETHICS, ANTI-BRIBERY AND ANTI-CORRUPTION

Mediclinic’s position as trusted healthcare provider is underpinned by its commitment to ethical standards. The Group’s Ethics Code guides principled business conduct. A three-year compliance monitoring programme exists and a Group-wide anti-bribery and corruption campaign is planned.

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

Any employee or external stakeholder is able to anonymously report any wrongdoing throughout the Group in confidence to the ethics lines. All reports are dealt with in a non-discriminatory manner. No form of retaliation against an employee or other person making a report in good faith shall be tolerated. A dedicated ethics contact person per division is available to deal with matters pertaining to the Ethics Code. Over the years, the majority of calls were of a grievance nature. Only in exceptional cases has information been received which 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. This policy prohibits the direct sponsorship of supplier and/or third party events, ensuring that all such sponsorships are administered and overseen by the relevant division.

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.

Refer to ***Risk management, principal risks and uncertainties*** on page 119 and the ***Audit and Risk Committee Report*** on page 170 for more information on the Group’s management of these matters.

A summary of the Group’s approach to clinical ethical issues is set out in the ***Clinical services overview*** on page 61.

During 2019, there were no incidents of material non-compliance with the Ethics Code, Anti-bribery Policy or any legislation, regulations, accepted standards or codes applicable to the Group concerning antitrust matters or matters relating to corruption and bribery, with no significant fines paid in this regard.

MAINTAINING HIGH-QUALITY HEALTHCARE INFRASTRUCTURE

To ensure a safe and user-friendly environment for both its patients and employees, the Group continuously invests in capital projects, new equipment to expand and refurbish its facilities, replacement of existing equipment, and the repair and maintenance of existing property and equipment. Refer to the ***Group Chief Executive Officer’s Report*** on page 28, ***Strategy, goals and progress*** on page 36 and the ***Divisional Reports*** from page 92 for more information.

The process of independent assurance and external accreditation ensures that international standards are adhered to in all aspects of hospital operations. For more details on accreditation, refer to page 71 of the **2020 Sustainable Development Report.**

CALLING OUT UNETHICAL BEHAVIOUR

GROUP CHIEF FINANCIAL OFFICER'S REPORT

Mr Jurgens Myburgh
Group Chief Financial Officer

FOCUSING OUR FINANCIAL STRENGTHS TO SUPPORT OUR CRITICAL ROLE

INTRODUCTION

In fulfilling its vital role in combatting the COVID-19 pandemic, Mediclinic must emphasise the safety of its people and patients; seek to ensure the continuity of operations in a responsible manner; and deliver the Group strategy while adapting to the changing healthcare environment.

The severity, duration and full impact of the COVID-19 pandemic and its economic aftermath on all businesses, including Mediclinic, remain uncertain. The Group's focus is not to predict the exact outturn, but to prepare for potential outcomes that seem reasonably possible.

The Group has put in place appropriate structures and processes to monitor and mitigate against existing and emerging risks to the business. While recognising the ongoing acute care and emergency services offered across the Group which underpin revenues, there remains a risk to elective procedures and outpatient activity from a continuation or reintroduction of lockdown and other measures in response to the pandemic; the availability of staff; and a disruption in the supply chain. These will be partially offset by the Group's response to the crisis, and the potential increase in demand from postponed elective procedures and outpatient activity as restrictions are relaxed. Despite the measures taken, there remains a significant risk to the Group's financial performance for at least the next 12 months.

To financially plan for the impact of the pandemic, the Group analysed monthly scenarios informed by epidemiological forecasts; the anticipated medium-term economic impact of lockdown and other measures in response to the pandemic; and its combined estimated impact on revenue, profitability and cash flows. For ease of reference, the Group has defined the phases and a description of the operating environments.

> "The Group is well positioned to face the uncertainty and anticipated financial impact of the COVID-19 pandemic.

PHASE	DESCRIPTION OF OPERATING ENVIRONMENT
PREPARE	
Pre-COVID-19	• Prior to the outbreak of COVID-19, the Group had in place well-established IPC measures, processes and protocols
PROTECT AND RESPOND	
Initial COVID-19	• Social lockdowns implemented which largely include restrictions on elective procedures and outpatient activity during the early stages of the spread of COVID-19 to help ensure necessary resources are made available • Positive COVID-19 cases in hospitals build from relatively low numbers while acute and emergency care mostly continues • Expected to be the period which has the most material impact on the Group's financial performance
ADAPT	
Standard operations resume alongside COVID-19	• New protocols and operating practices introduced to allow the safe and efficient gradual reintroduction of elective procedures and outpatient activity as lockdown measures are relaxed • Pent-up demand for postponed elective procedures likely to support initial volumes • Introduce telemedicine and home delivery of medication to reduce visits to healthcare facilities • Intermittent spikes in COVID-19 cases within countries or specific regions may temporarily affect operations and require additional facility capacity and resources • Provide frontline hospital employees and affiliated doctors with clear instructions and necessary PPE while reassuring patients during this uncertain period through continuous engagement
REFORM	
COVID-19 rescinds	• A new healthcare landscape emerges • The Group will be presented with new opportunities and challenges as it continues to deliver on its purpose of enhancing the quality of life and vision of being the partner of choice that people trust for all their healthcare needs • Respond appropriately to trends and accelerate strategic initiatives

April 2020 represented the aforementioned 'Protect and respond' period across the Group with revenue, in constant currency, down around 35% versus the prior period. The revenue decline in April 2020 compared with the prior period at a divisional level was 30% at Hirslanden, 40% at Mediclinic Southern Africa and 30% at Mediclinic Middle East. As a result of the relatively high fixed cost base associated with operating acute care hospitals, the revenue declines in April 2020 materially impacted EBITDA in all divisions. In April 2020, the EBITDA loss was CHF15m at Hirslanden, ZAR100m at Mediclinic Southern Africa and AED10m at Mediclinic Middle East. The Group EBITDA loss, in constant currency, was around £20m compared with a profit of £40m in April 2019.

The relaxing of initial social lockdown measures and the phased reintroduction of elective procedures and outpatient activity has occurred across the Group. The latter began in Switzerland from 27 April 2020, in South Africa from 1 May 2020 and in Dubai from 8 May 2020. In Abu Dhabi, no restrictions were imposed on elective procedures.

In this context, the Group has observed noticeable increases in inpatient admissions and outpatient attendance throughout May 2020 in line with the aforementioned 'Adapt' period. In May 2020, the Group expects, in constant currency, a sequential monthly improvement in revenue up around 30%, while down around 15% versus the prior period, with the impact at a divisional level expected to be down around 5% at Hirslanden, around 25% at Mediclinic Southern Africa and around 20% at Mediclinic Middle East. Given the operating leverage of the Group and the improved revenue trends observed in May 2020, the Group expects to deliver a material sequential improvement in EBITDA, with indications that all three divisions will make a positive contribution.

Given the seasonal increase in demand during the second half of the year, as typically experienced at Hirslanden and Mediclinic Middle East, the Group EBITDA performance is expected to improve in the second half of FY21 compared with the first half of FY21. During the 'Adapt' period, there may be times when restrictions are temporarily reintroduced. If these are prolonged periods, the Group would review and consider optimising costs accordingly.

The observed trading in April and May 2020, along with the respective categories outlined on page 79, provide, in the absence of FY21 guidance, a basis on which to monitor trends and the potential impact of future government interventions across geographies which will drive the performance of the Group during this period of uncertainty. These trends are presented not as guidance or a forecast, but to demonstrate how the Group is likely to perform during the different phases of the pandemic, without seeking to predict which outcome is most likely.

For the purposes of assessing liquidity and going concern, the Group has modelled scenarios reflecting suitable assumptions over the next 12–18-month period that serve to inform the decisions the Group takes regarding future cost savings, cash generation, debt covenants and levels of investment. The Group's financial performance to date in FY21 across all three divisions has been ahead of the modelled scenarios. In addition, due to the proactive response taken by the Group to maintain its liquidity position, over the two-month period since the end of FY20, the cash and available facilities of the Group were around £490m, demonstrating the operational resilience and financial discipline across the Group.

As part of the Group's proactive response to maintaining its liquidity position and optimising its response to the crisis, a broad range of consequent actions was taken including:

- All non-urgent and non-committed capital programmes have been postponed or reduced during the initial months of the pandemic;
- Non-essential administrative costs generally and relating to projects specifically have been postponed or reduced;
- Measures have been taken to further optimise working capital management;
- Loan amortisation payments have been deferred, where possible;
- The Board has taken the decision to suspend the dividend – it recognises the importance of the dividend to shareholders and will keep this position under review;
- Executive directors' annual salary increases and STI have been suspended; and
- Salary increases have been postponed for all managerial positions (at Mediclinic Middle East for all employees) while such increases for facility-based frontline employees were implemented to honour their engagement in combatting the COVID-19 challenges.

Additional mitigating steps are available to the Company if required, including further reductions in operating costs, rent waivers and government intervention packages. These steps, if introduced, would provide additional support to the liquidity analysis and modelled scenarios. In addition, a level of discretionary capital expenditure has been retained, largely during the second half of FY21, which could be further curtailed in the short-term, if required.

The Group's original FY21 capex budget, in constant currency, is £243m (FY20: £192m). The current monthly expenditure run rate is approximately 25% of the original budget and is expected to increase as the impact of COVID-19 on the business passes. The Group will continue to monitor operating cash flow generation and consequent liquidity to revisit this important investment decision.

At 31 March 2020, the Group had material headroom to covenants in its existing borrowings and a strong liquidity position heading into the global pandemic. The cash and available facilities of the Group at year-end were £518m and the Group leverage ratio was 3.4x (excluding IFRS 16 lease liabilities). A further unutilised bank facility in Switzerland of CHF250m was re-activated after year-end as part of the proactive measures taken with lenders. Across the Group, prompt payment by insurers in addition to the proactive measures taken by the Group to preserve liquidity have supported efforts to improve working capital.

Based on the assumptions applied and the effect of mitigating actions set out above, all within the control of the Group, the analyses demonstrate that the divisions will continue to be able to meet their obligations for the periods modelled.

Debt is ring-fenced to each division, with no cross guarantees or cross defaults. Borrowings are denominated in the same currency as the divisions' underlying revenue and therefore not exposed to foreign exchange rate risk. All three divisions have recently refinanced their debt and, therefore, maturities are relatively long dated. The nearest term material maturity is a Swiss bond for CHF145m due in February 2021. The unutilised bank facility of CHF250m is available to fully repay the bond.

As a matter of prudence, the divisions proactively engaged with lenders to obtain certain covenant test waivers where the financial impact from the disruption caused by COVID-19 may have resulted in covenants being exceeded before coming back into compliance as operations normalise. For Mediclinic Middle East, the first of such waived covenant compliance tests are to be performed at the end of June 2021, whereas for Mediclinic Southern Africa and Hirslanden this will be performed at the end of September 2021. All remaining covenant tests have sufficient headroom based on the range of modelled scenarios.

While there are no alternative covenants at Hirslanden and Mediclinic Southern Africa, at Mediclinic Middle East there is an interim covenant based on agreed targets which provides appropriate headroom on the modelled scenarios. If required, the Group has the opportunity to mitigate any potential covenant breach. The Mediclinic Middle East waived financial covenants may be reintroduced from the second half of FY21 dependent on improved operational performance and at mutually agreed new levels based on revised forecasts. Pending this agreement, the interim covenant will remain in place until and including 31 March 2021. This approach is evidence of the long-term, supportive and constructive relationships with the Group's lenders aimed at addressing matters as they arise.

Mr Jurgens Myburgh
Group Chief Financial Officer
1 June 2020

Q&A

WITH MR JURGENS MYBURGH

Q What has been the key challenge of COVID-19 from a financial perspective?

Understandably, COVID-19 has introduced unprecedented levels of uncertainty into the clinical and operating environment, which meant that from a finance perspective we needed to consider various financial scenarios to inform contingency plans aimed at protecting the liquidity and financial sustainability of the Group. I'm pleased to say that across the Group we have proactively taken necessary steps to support this position. This allows the Group to focus on the vital role it plays during the pandemic and to prepare for the anticipated increase in demand from postponed treatments once the peak of the pandemic subsides.

Q How do you think about the landscape of healthcare post-COVID-19?

I think first and foremost we need to focus on the health and wellbeing of our patients, supporting doctors and employees during this international crisis. In trying to think beyond that, it is possible that healthcare might become more digitally oriented with groups like Mediclinic demonstrating the benefits from having geographic diversification and breadth of services, skills and expertise across the healthcare continuum. This will continue to inform how we think about allocating capital across a multitude of opportunities to optimise value creation for the Group and shareholders.

Q What have you learned from the current crisis and its potential aftermath?

Again, our philosophy and culture of *Patients First*, which has always been a key strength of the business, has informed how we respond to the crisis. From a financial perspective, the importance of cash flow generation, liquidity and the strength of relationships with financial partners that understand the business and are willing and able to support it through something like this are crucial and we are sincerely appreciative of how our partners have responded to our requirements. We pride ourselves on open and transparent engagement with all stakeholders and the benefits of this approach have already become apparent as we navigate the crisis.

"

On an IFRS 16 basis, the Group's FY20 revenue was £3 083m, adjusted EBITDA £541m, adjusted operating profit £327m, adjusted earnings £177m and adjusted EPS 24.0 pence.

FINANCIAL REVIEW

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:
- they track the adjusted operational performance of the Group and its operating segments by separating out exceptional items;
- they are used by management for budgeting, planning and monthly financial reporting;
- they are used by management in presentations and discussions with investment analysts; and
- they are used by the directors in evaluating management's performance and in setting management incentives.

The Group's policy is to adjust, *inter alia*, the following types of significant income and charges from the reported IFRS measures to present adjusted results:
- cost associated with major restructuring programmes;
- profit/loss on sale of assets and transaction costs incurred during acquisitions;
- past service cost charges/credits in relation to pension fund conversion rate changes;
- accelerated depreciation and amortisation charges;
- mark-to-market fair value gains/losses relating to derivative financial instruments including ineffective interest rate swaps;
- remeasurement of redemption liability (written put option) due to changes in estimated performance;
- impairment charges and reversal of impairment charges;
- insurance proceeds; and
- tax impact of the above items, prior reporting period tax adjustments and significant tax rate changes.

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 in reporting on its financial performance in the past as the directors believe this additional information is important to allow shareholders to better understand the Group's trading performance for the reporting period. It is the Group's intention to continue to consistently apply this definition in the future.

GROUP FINANCIAL PERFORMANCE

The Group adopted the new IFRS 16 *Leases* on 1 April 2019 using the simplified approach. Consequently, comparative information was not restated. For comparative purposes, the FY20 results are also presented on a pre-IFRS 16 basis. The section on 'Earnings reconciliations' provides a detailed reconciliation and comparison between IFRS 16 and pre-IFRS 16 financial results for the year under review.

On an IFRS 16 basis, the Group's FY20 revenue was £3 083m, adjusted EBITDA £541m, adjusted operating profit £327m, adjusted earnings £177m and adjusted EPS 24.0 pence.

PRE-IFRS 16

On a pre-IFRS 16 basis, the Group's revenue increased by 5% to £3 083m (FY19: £2 932m) and EBITDA was down 3% to £480m (FY19: £493m). The adjusted EBITDA margin declined from 16.8% to 15.6%.

Depreciation and amortisation was up 2% to £171m (FY19: £168m). Adjusted depreciation and amortisation was up 5% to £171m (FY19: £163m) in line with expectations and due to the continued investment to support growth and to enhance patient experience and clinical quality.

The Group recorded an operating loss of £199m (FY19: profit of £81m). Adjusted operating profit was down 5% to £312m (FY19: £330m).

Operating profit was adjusted for the following exceptional items:

- recognition of an impairment charge to Mediclinic Middle East goodwill of £481m. In line with the requirements of IFRS, the Group performed an annual review of the carrying value for goodwill. Changes in the Dubai and Abu Dhabi market that became evident during the annual financial planning exercise for FY21 and future years affected key inputs to the review that gave rise to impairment charges against goodwill of £481m. The Mediclinic Middle East goodwill was carried at £1 340m, at the previous year-end balance sheet date of 31 March 2019. The impairment charge is non-cash;
- recognition of an impairment charge to Hirslanden fixed assets. Non-financial assets are considered for impairment when impairment indicators are identified at an individual cash-generating unit ('**CGU**') level. At the end of the reporting period, CGUs were tested for impairment and the carrying value of one CGU was determined to be higher than its recoverable amount and, as a result, an impairment charge of £33m was recognised in the income statement;
- impairment reversal of £4m relating to Hirslanden properties;
- impairment charges of £2m relating to Mediclinic Southern Africa; and
- fair value adjustments on derivative contracts of £1m.

Prior reporting period operating profit was adjusted for the following exceptional items:

- recognition of an impairment charge of £186m to property, equipment and vehicles to individual CGUs at Hirslanden;
- recognition of an impairment charge of £39m and £16m to Hirslanden and Linde trade names respectively;
- accelerated depreciation of £5m in Hirslanden relating to abandoned building project cost; and
- a loss on disposal of certain non-core businesses at Mediclinic Middle East of £1m.

Net finance costs are up by 9% at £62m (FY19: £57m) mainly due to the remeasurement of the redemption liability of £5m related to Clinique des Grangettes. Adjusted net finance cost was flat at £57m.

The Group's reported effective tax rate of (9.3)% (FY19: 5.4%) is significantly skewed mainly due to the impairment charges at Mediclinic Middle East and Hirslanden of £514m and the reduction of Swiss property deferred tax liabilities of £29m resulting from corporate tax reforms in Switzerland. Adjusted taxation was £57m (FY19: £57m) with an adjusted effective tax rate for the reporting period of 22.2% (FY19: 20.4%).

The Group recorded a loss attributable to equity holders of £315m in FY20 (FY19: loss of £151m). Adjusted earnings were down 8% at £182m (FY19: £198m). Adjusted EPS were down 8% at 24.7 pence (FY19: 26.9 pence).

Earnings were further adjusted for the following exceptional items:

- At the year-end, the Group performed an impairment test of its equity investment in Spire. Key assumptions applied in the value-in-use calculation were updated and as a result an impairment loss of £10m was recorded against the carrying value.

The prior reporting period reported loss was adjusted for the following exceptional items:

- recognition of an impairment charge on the equity investment in Spire of £164m; and
- a change in the basis of estimating deferred tax on the Swiss properties giving rise to a tax credit of £17m.

The tables on the next pages show the reconciliation from reported to adjusted results on an IFRS 16 and on a pre-IFRS 16 basis and the table thereafter shows the adjustments required to reconcile between these two bases.

EARNINGS RECONCILIATIONS – IFRS 16 EARNINGS RECONCILIATION

FY20 Statutory results	Total £'m	Hirslanden £'m	Mediclinic Southern Africa £'m	Mediclinic Middle East £'m	Spire £'m	Corporate £'m
Revenue	3 083	1 438	907	737	–	1
Operating (loss)/profit	(184)	90	149	(423)	–	–
(Loss)/profit attributable to equity holders[1]	(320)	60	71	(442)	(8)	(1)
Reconciliations						
Operating (loss)/profit	(184)	90	149	(423)	–	–
Add back:						
Other gains and losses	(4)	–	–	(1)	–	(3)
Depreciation and amortisation	217	126	37	53	–	1
Reversal of impairment of property	(4)	(4)	–	–	–	–
Impairment of property, equipment and vehicles	34	33	1	–	–	–
Impairment of intangible assets	482	–	1	481	–	–
EBITDA	541	245	188	110	-	(2)
No adjustments						
Adjusted EBITDA	**541**	**245**	**188**	**110**	**–**	**(2)**
Operating (loss)/profit	(184)	90	149	(423)	–	–
- Reversal of impairment of property	(4)	(4)	–	–	–	–
- Impairment of property, equipment and vehicles	34	33	1	–	–	–
- Impairment of intangible assets	482	–	1	481	–	–
- Fair value adjustments on derivative contracts	(1)	–	–	(1)	–	–
Adjusted operating profit/(loss)	**327**	**119**	**151**	**57**	**–**	**–**
(Loss)/profit attributable to equity holders[1]	(320)	60	71	(442)	(8)	(1)
- Remeasurement of redemption liability (written put option)	5	5	–	–	–	–
- Reversal of impairment of property	(4)	(4)	–	–	–	–
- Impairment of property, equipment and vehicles	34	33	1	–	–	–
- Impairment of intangible assets	482	–	1	481	–	–
- Fair value adjustments on derivative contracts	(1)	–	–	(1)	–	–
- Impairment of associate	10	–	–	–	10	–
- Tax rate changes[2]	(26)	(26)	–	–	–	–
- Tax on exceptional items	(3)	(3)	–	–	–	–
Adjusted earnings	**177**	**65**	**73**	**38**	**2**	**(1)**
Weighted average number of shares (millions)	737.2					
Adjusted EPS (pence)	24.0					

EARNINGS RECONCILIATIONS – PRE-IFRS 16 EARNINGS RECONCILIATIONS

FY20 Statutory results	Total £'m	Hirslanden £'m	Mediclinic Southern Africa £'m	Mediclinic Middle East £'m	Spire £'m	Corporate £'m
Revenue	3 083	1 438	907	737	–	1
Operating (loss)/profit	(199)	87	145	(431)	–	–
(Loss)/profit attributable to equity holders[1]	(315)	62	71	(439)	(8)	(1)
Reconciliations						
Operating (loss)/profit	(199)	87	145	(431)	–	–
Add back:						
Other gains and losses	(4)	–	–	(1)	–	(3)
Depreciation and amortisation	171	97	33	40	–	1
Reversal of impairment of property	(4)	(4)	–	–	–	–
Impairment of property, equipment and vehicles	34	33	1	–	–	–
Impairment of intangible assets	482	–	1	481	–	–
EBITDA	480	213	180	89	–	(2)
No adjustments						
Adjusted EBITDA	**480**	**213**	**180**	**89**	**–**	**(2)**
Operating (loss)/profit	(199)	87	145	(431)	–	–
- Reversal of impairment of property	(4)	(4)	–	–	–	–
- Impairment of property, equipment and vehicles	34	33	1	–	–	–
- Impairment of intangible assets	482	–	1	481	–	–
- Fair value adjustments on derivative contracts	(1)	–	–	(1)	–	–
Adjusted operating profit/(loss)	**312**	**116**	**147**	**49**	**–**	**–**
(Loss)/profit attributable to equity holders[1]	(315)	62	71	(439)	(8)	(1)
- Remeasurement of redemption liability (written put option)	5	5	–	–	–	–
- Reversal of impairment of property	(4)	(4)	–	–	–	–
- Impairment of property, equipment and vehicles	34	33	1	–	–	–
- Impairment of intangible assets	482	–	1	481	–	–
- Fair value adjustments on derivative contracts	(1)	–	–	(1)	–	–
- Impairment of associate	10	–	–	–	10	–
- Tax rate changes[2]	(26)	(26)	–	–	–	–
- Tax on exceptional items	(3)	(3)	–	–	–	–
Adjusted earnings	**182**	**67**	**73**	**41**	**2**	**(1)**
Weighted average number of shares (millions)	737.2					
Adjusted EPS (pence)	24.7					

Notes

[1] Profit attributable to equity holders in Hirslanden is shown after the elimination of intercompany loan interest of £17m.

[2] Tax rate changes of £26m are shown after taking non-controlling interest of £3m into consideration.

EARNINGS RECONCILIATIONS – IFRS 16/PRE-IFRS 16 ADJUSTMENTS

FY20 Statutory results	Total £'m	Hirslanden £'m	Mediclinic Southern Africa £'m	Mediclinic Middle East £'m	Spire £'m	Corporate £'m
Revenue	–	–	–	–	–	–
Operating (loss)/profit	(15)	(3)	(4)	(8)	–	–
Profit/(loss) attributable to equity holders	5	2	–	3	–	–
Reconciliations						
Operating (loss)/profit	(15)	(3)	(4)	(8)	–	–
Add back:						
Other gains and losses	–	–	–	–	–	–
Depreciation and amortisation	(46)	(29)	(4)	(13)	–	–
Reversal of impairment of property	–	–	–	–	–	–
Impairment of property, equipment and vehicles	–	–	–	–	–	–
Impairment of intangible assets	–	–	–	–	–	–
EBITDA	(61)	(32)	(8)	(21)	–	–
No adjustments						
Adjusted EBITDA	**(61)**	**(32)**	**(8)**	**(21)**	**–**	**–**
Operating (loss)/profit	(15)	(3)	(4)	(8)	–	–
- Reversal of impairment of property	–	–	–	–	–	–
- Impairment of property, equipment and vehicles	–	–	–	–	–	–
- Impairment of intangible assets	–	–	–	–	–	–
- Fair value adjustments on derivative contracts	–	–	–	–	–	–
Adjusted operating (loss)/profit	**(15)**	**(3)**	**(4)**	**(8)**	**–**	**–**
Profit/(loss) attributable to equity holders[1]	5	2	–	3	–	–
- Remeasurement of redemption liability (written put option)	–	–	–	–	–	–
- Reversal of impairment of property	–	–	–	–	–	–
- Impairment of property, equipment and vehicles	–	–	–	–	–	–
- Impairment of intangible assets	–	–	–	–	–	–
- Fair value adjustments on derivative contracts	–	–	–	–	–	–
- Impairment of associate	–	–	–	–	–	–
- Tax rate changes	–	–	–	–	–	–
- Tax on exceptional items	–	–	–	–	–	–
Adjusted earnings	**5**	**2**	**–**	**3**	**–**	**–**
Weighted average number of shares (millions)	–					
Adjusted EPS (pence)	0.7					

EARNINGS RECONCILIATIONS – PRE-IFRS 16 2019 EARNINGS RECONCILIATIONS

FY19 Statutory results	Total £'m	Hirslanden £'m	Mediclinic Southern Africa £'m	Mediclinic Middle East £'m	Spire £'m	Corporate £'m
Revenue	2 932	1 368	886	677	–	1
Operating profit/(loss)	81	(123)	157	49	–	(2)
(Loss)/profit attributable to equity holders[1]	(151)	(102)	72	43	(161)	(3)
Reconciliations						
Operating profit/(loss)	81	(123)	157	49	–	(2)
Add back:						
Other gains and losses	3	–	(1)	3	–	1
Depreciation and amortisation	168	101	31	36	–	–
Impairment of properties	186	186	–	–	–	–
Impairment of intangible assets	55	55	–	–	–	–
EBITDA	493	219	187	88	–	(1)
No adjustments						
Adjusted EBITDA	**493**	**219**	**187**	**88**	**–**	**(1)**
Operating profit/(loss)	81	(123)	157	49	–	(2)
- Impairment of properties	186	186	–	–	–	–
- Impairment of intangible assets	55	55	–	–	–	–
- Accelerated depreciation and amortisation	5	5	–	–	–	–
- Fair value adjustments on derivative contracts	2	–	–	2	–	–
- Loss on disposal of businesses	1	–	–	1	–	–
Adjusted operating profit/(loss)	**330**	**123**	**157**	**52**	**–**	**(2)**
(Loss)/profit attributable to equity holders[1]	(151)	(102)	72	43	(161)	(3)
- Impairment of properties	186	186	–	–	–	–
- Impairment of intangible assets	55	55	–	–	–	–
- Accelerated depreciation and amortisation	5	5	–	–	–	–
- Fair value adjustments on derivative contracts	2	–	–	2	–	–
- Loss on disposal of businesses	1	–	–	1	–	–
- Impairment of associate	164	–	–	–	164	–
- Tax adjustment related to Hirslanden properties	(17)	(17)	–	–	–	–
- Tax on exceptional items	(47)	(47)	–	–	–	–
Adjusted earnings	**198**	**80**	**72**	**46**	**3**	**(3)**
Weighted average number of shares (millions)	737.2					
Adjusted EPS (pence)	26.9					

Note

[1] Profit attributable to equity holders in Hirslanden is shown after the elimination of intercompany loan interest of £16m.

IFRS 16 *LEASES*

The Group adopted the new IFRS 16 *Leases* standard effective on 1 April 2019. Since the Group has applied the simplified approach on adoption, comparative figures were not restated.

The effect of the adoption of IFRS 16 on the income statement is as follows:

- EBITDA increased by £61m;
- Depreciation charge increased by £46m;
- Operating profit increased by £15m;
- Finance costs increased by £21m; and
- Profit for the reporting period decreased by £5m.

The effect of the adoption of IFRS 16 on the statement of financial position:

- Opening retained earnings decreased by £37m;
- Right-of-use asset of £640m booked on 1 April 2019; and
- Lease liability of £665m booked on 1 April 2019.

RECONCILIATION OF ADJUSTED IFRS 16 AND PRE-IFRS 16 NUMBERS PER DIVISION

IFRS 16 TABLE	IFRS 16 £'m	Hirslanden £'m	Mediclinic Southern Africa £'m	Mediclinic Middle East £'m	Pre-IFRS 16 £'m
Adjusted EBITDA	**541**	**(32)**	**(8)**	**(21)**	**480**
Adjusted depreciation and amortisation	**217**	**(29)**	**(4)**	**(13)**	**171**
Adjusted operating profit	**327**	**(3)**	**(4)**	**(8)**	**312**
Adjusted finance cost	**92**	**(6)**	**(4)**	**(11)**	**71**
Adjusted earnings	**177**	**2**	**–**	**3**	**182**

FOREIGN EXCHANGE RATES

Although the Group reports its results in sterling, the divisional profits are generated in Swiss franc, South African rand and UAE dirham. 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 divisions increased because of spot rate movements, amounted to £175m (FY19: £142m) and was credited to the statement of comprehensive income. The main reason for the increase was the strengthening of the year-end Swiss franc and UAE dirham rates against the sterling.

Foreign exchange rate sensitivity:

- The impact of a 10% change in the £/CHF exchange rate for a sustained period of one year is that profit for the reporting period would increase/decrease by £7m (FY19: increase/decrease by £8m) due to exposure to the £/CHF exchange rate.
- The impact of a 10% change in the £/ZAR exchange rate for a sustained period of one year is that profit for the reporting period would increase/decrease by £9m (FY19: increase/decrease by £7m) due to exposure to the £/ZAR exchange rate.
- The impact of a 10% change in the £/AED exchange rate for a sustained period of one year is that profit for the reporting period would increase/decrease by £4m (FY19: increase/decrease by £5m) due to exposure to the £/AED exchange rate.

During the reporting period, the average and closing exchange rates were as follows:

	FY20	FY19
Average rates		
Swiss franc	**1.25**	1.30
South African rand	**18.76**	18.01
UAE dirham	**4.67**	4.82
Year-end rates		
Swiss franc	**1.20**	1.30
South African rand	**22.08**	18.90
UAE dirham	**4.56**	4.79

CASH FLOW

The Group continued to deliver strong cash flow and converted 109% (FY19: 91%) of adjusted EBITDA into cash generated from operations.

	FY20 £'m	FY19 £'m
Cash from operations (a)	**589**	451
Adjusted EBITDA (b)	**541**	493
Cash conversion ([a]/[b] x 100)	**109%**	91%

INTEREST-BEARING BORROWINGS

Interest-bearing borrowings decreased from £1 982m at 31 March 2019 to £1 951m at 31 March 2020. The change in the closing balance is mainly due to a stronger Swiss franc closing rate against the sterling offset by Swiss loan repayments.

	FY20 £'m	FY19 £'m
Borrowings	**1 951**	1 982
Lease liabilities	**703**	-
Less: cash and cash equivalents	**(329)**	(265)
Net debt	**2 325**	1 717
Total equity	**3 003**	3 266
Debt-to-equity capital ratio	**77.4%**	52.6%

ASSETS

Property, equipment and vehicles increased from £3 524m at 31 March 2019 to £4 358m at 31 March 2020, mainly due to the inclusion of right-of-use assets of £675m at 31 March 2020 due to the adoption of the IFRS 16 *Leases* standard. The increase also included £221m on capital projects and fixed asset additions in line with the continued investment programme expanding the asset base to support growth and enhance patient experience and clinical quality. In addition to the depreciation charge, the balance was further reduced by the impairment charge of £33m recognised on fixed assets in Hirslanden and increased by the change in the closing exchange rate.

Intangible assets decreased from £1 586m at 31 March 2019 to £1 171m at 31 March 2020 mainly due to the impairment charge of £481m of Mediclinic Middle East goodwill. The closing balance increased by the change in the closing exchange rates.

Adjusted and reported depreciation and amortisation was calculated as follows:

	IFRS 16 FY20 £'m	Pre-IFRS 16 FY19 £'m
Pre-IFRS 16 depreciation and amortisation	**171**	168
IFRS 16 depreciation on right-of-use assets	**46**	-
Reported depreciation and amortisation	**217**	168
Accelerated depreciation and amortisation	**-**	(5)
Adjusted depreciation and amortisation	**217**	163

In line with the continued investment to support growth and to enhance patient experience and clinical quality, the adjusted pre-IFRS 16 depreciation and amortisation charge increased by 5% to £171m.

SWISS PENSION BENEFIT OBLIGATION

Hirslanden provides defined contribution pension plans in terms of Swiss legislation 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 International Accounting Standard ('**IAS**') 19, 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 under review and amounted to £71m (FY19: £52m), included under 'Retirement benefit obligations' in the Group's statement of financial position. The increase in the pension liability was largely due to the decrease in the plan assets. In constant currency, the pension liability increased by £2m whereas the plan assets decreased by £11m.

DERIVATIVE FINANCIAL INSTRUMENTS

Through the acquisition of Clinique des Grangettes, the Group entered into a put/call agreement over the remaining 40% interest of Clinique des Grangettes and Hirslanden Clinique La Colline. At the end of the reporting period, the fair value of the redemption liability related to the written put option amounted to £101m (FY19: £88m).

FINANCE COSTS

Pre-IFRS 16 net finance costs are up by 9% at £62m (FY19: £57m) mainly due to the discontinued capitalisation of borrowing costs following the opening of Mediclinic Parkview Hospital.

	FY20 £'m	FY19 £'m
Pre-IFRS 16 net finance cost	**62**	57
Remeasurement of redemption liability (written put option)	**(5)**	-
Adjusted pre-IFRS 16 net finance cost	**57**	57
Interest on lease liabilities	**21**	-
Adjusted IFRS 16 net finance cost	**78**	57
Add back: remeasurement of redemption liability (written put option)	**5**	-
IFRS 16 net finance	**83**	57

INCOME TAX

The Group's effective tax rate changed significantly for the period under review to (8.6)% (FY19: 5.4%), mainly due to exceptional non-deductible expenses which include the impairment of goodwill and the impairment of the equity investment. In addition, a reduction in deferred tax liabilities resulted from corporate tax reforms in Switzerland. Excluding these exceptional items, the effective tax rate would be 22.3% (FY19: 20.4%) for the reporting period. On a pre-IFRS 16 basis, the adjusted effective tax rate is 22.2%. Comparing the adjusted effective tax rate with the prior reporting period, the increase is mainly due to the release of previously recognised deferred tax assets and the non-recognition of deferred tax assets on Swiss tax losses. Adjusted income tax was calculated as follows:

	IFRS 16 FY20 £'m	Pre-IFRS 16 FY19 £'m
Income tax expense/(credit)	**24**	(7)
Tax on exceptional items	**32**	64
- Reversal of impairment of properties	**(1)**	-
- Impairment of properties	**4**	35
- Impairment of intangible assets	**-**	12
- Tax adjustment relating to Swiss properties	**-**	17
- Swiss tax rate changes	**29**	-
Adjusted income tax expense[1]	**56**	57

Note

[1] On a pre-IFRS 16 basis, the adjusted income tax expense for FY20 amounts to £57m.

TAX STRATEGY

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

While 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 cooperative 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.

SPIRE HEALTHCARE GROUP

The investment in Spire is equity accounted, recognising the reported IFRS 16 profit of £7.2m for Spire's financial year ended 31 December 2019 (12 months ended 31 December 2018 pre-IFRS 16: £11.3m). Mediclinic's FY20 equity accounted share of profit from Spire amounted to £2.2m (FY19 on pre-IFRS 16 basis: £3.4m).

At 31 March 2020, the market value of the investment in Spire was £94m, which was below the carrying value. An impairment test was performed by updating the key assumptions applied in the value-in-use calculation performed.

The impairment test was prepared based on the Group's updated expectations of Spire's future trading performance and considered external sources of information, including investor analyst valuations and target prices published. Key assumptions related to cash flow growth rates in the short- and medium-term were adjusted in the value-in-use calculation. As a result, an impairment loss of £10m was recorded against the carrying value in the period under review.

DIVIDEND POLICY AND PROPOSED DIVIDEND

The Group's existing dividend policy is to target a payout ratio of between 25% and 35% of adjusted earnings. The Board may revise the policy at its discretion. As part of the Group's response to maintaining its liquidity position through the crisis and to maximise its support in combatting the COVID-19 pandemic, the Board has taken the prudent and appropriate decision to suspend the dividend.

KLINIK IM PARK

SWITZERLAND
HIRSLANDEN

"It fills me with pride that we as a team – employees and doctors – have successfully navigated the challenging and demanding market and regulatory environment. That success is due to the clear realigned focus on our core competencies of patient-oriented specialised services across the continuum of care in combination with important partnerships in the field of primary care.

Dr Daniel Liedtke
Chief Executive Officer: Hirslanden

-7%
Adjusted EBITDA (pre-IFRS 16)

68.0%
Bed occupancy rate

+0.6%
Inpatient admissions

-1.1%
Average revenue per admission

+1%
Revenue

88.3
Press Ganey® patient experience survey score (out of 100)

4.00
Gallup® employee engagement survey score (out of 5)

17
Hospitals

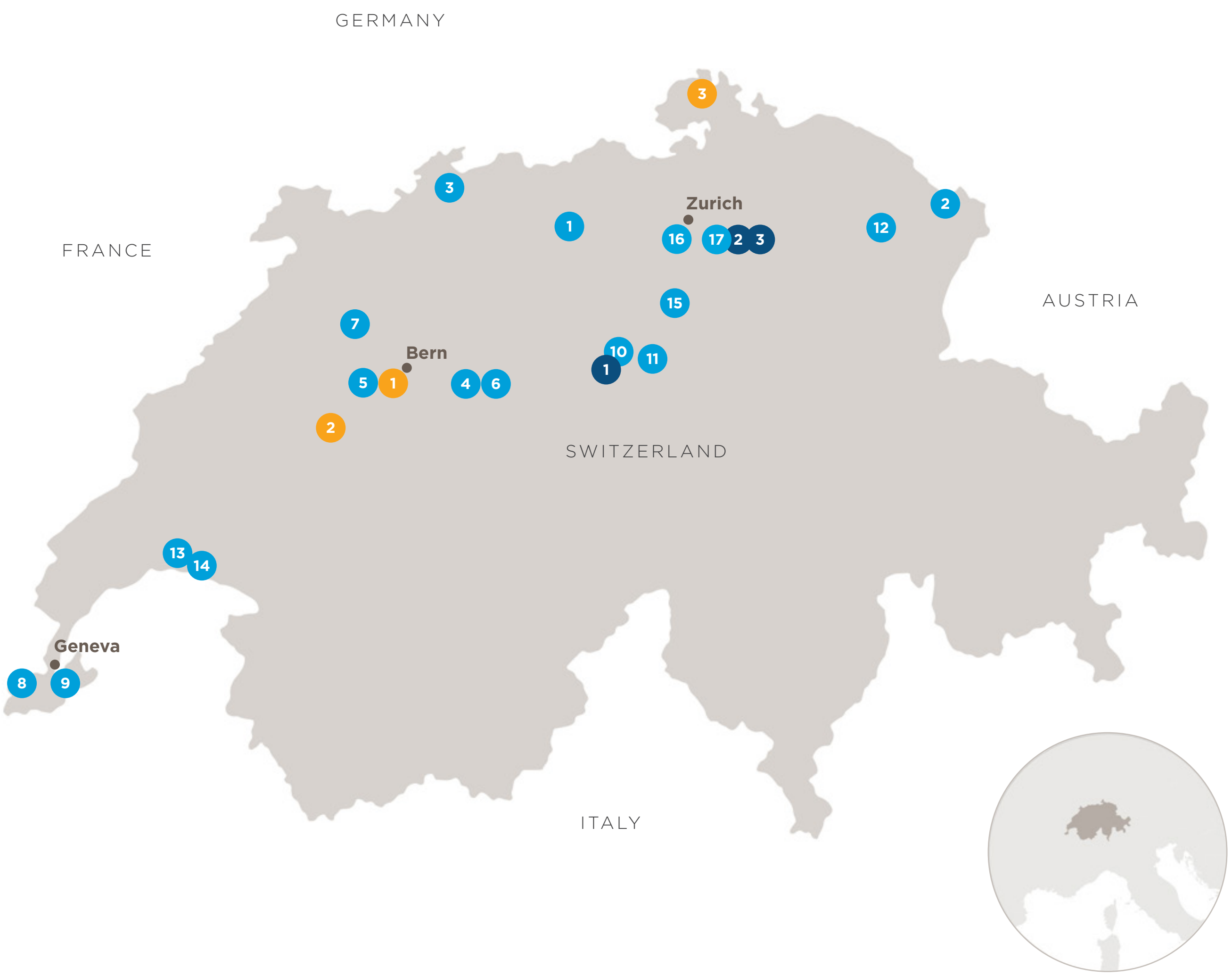
2
Day case clinics

3
Outpatient clinics

1 893
Beds

110
Theatres

10 417
Employees (total heads)



Hospitals

Canton of Aarau
1 Hirslanden Klinik Aarau[1]

Canton of Appenzell Ausserrhoden
2 Klinik Am Rosenberg

Canton of Basel-Land
3 Klinik Birshof

Canton of Bern
4 Klinik Beau-Site
5 Klinik Linde[1]
6 Klinik Permanence
7 Salem-Spital[1]

Canton of Geneva
8 Clinique La Colline
9 Clinique des Grangettes[1]

Canton of Lucerne
10 Klinik St. Anna[1]
11 St. Anna in Meggen

Canton of St. Gallen
12 Klinik Stephanshorn[1]

Canton of Vaud
13 Clinique Cecil[1]
14 Clinique Bois-Cerf

Canton of Zug
15 AndreasKlinik Cham Zug[1]

Canton of Zurich
16 Klinik Hirslanden[1]
17 Klinik Im Park[1]

Day case clinics

Canton of Lucerne
1 St. Anna im Bahnhof

Canton of Zurich
2 Operationszentrum Bellaria
3 Operationszentrum Zumikon[2]

Outpatient clinics

Canton of Bern
1 Praxiszentrum am Bahnhof Bern
2 Praxiszentrum am Bahnhof Düdingen

Canton of Schaffhausen
3 Praxiszentrum am Bahnhof Schaffhausen

Notes
[1] Hospital with obstetrics department.
[2] Acquisition of Operationszentrum Zumikon effective 1 April 2020.

> Until the impact of the COVID-19 pandemic in mid-March 2020, performance during FY20 was ahead of expectations.

CLINIQUE DES GRANGETTES

COVID-19

Switzerland introduced national lockdown measures on 16 March 2020, which included the suspension of elective procedures for all hospitals. Hirslanden has been extensively engaged by the cantonal authorities and involved in their COVID-19 response planning. Since relaxing lockdown measures on 27 April 2020, including the resumption of elective procedures, patient volumes and occupancy have improved markedly. In light of the latest epidemiological forecasts, the Swiss Federal Council has announced further easing of COVID-19 restrictions from 6 June 2020.

Hirslanden and other private operators have collaborated strongly throughout the crisis to provide the necessary care for patients in Switzerland. Cantons have generally designated COVID-19 hospitals in their regions to specialise in the treatment of positive cases requiring hospitalisation. Where requested, Hirslanden has fulfilled this role while further supporting cantonal hospitals by treating non-COVID-19 patients referred to its hospitals in addition to acute cases from its own supporting doctors.

The existing Hirslanden Healthline offering has gradually evolved during the pandemic to a telemedicine service. The service currently provides patients with health-related information and combines appointment scheduling and consulting relating to Hirslanden's full range of medical services, with further developments underway.

The Swiss Federal Government implemented a short-time working initiative early in the crisis where due to the suspension of elective procedures, certain hospital employees are underutilised. In these cases, the government compensated employers with 80% of the employees' salaries. This initiative allows Hirslanden to proactively manage its workforce during this uncertain period.

FINANCIAL REVIEW (PRE-IFRS 16)

At the end of the reporting period, Hirslanden operated 17 hospitals, two day case clinics and three outpatient clinics with 1 893 beds and

10 417 employees (7 624 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 (FY19: 47%) and 44% of its adjusted EBITDA (FY19: 44%).

Hirslanden continued to make excellent progress in adapting the business to the regulatory changes affecting the Swiss healthcare system and delivered a solid financial performance under the circumstances. Until the impact of the COVID-19 pandemic in mid-March 2020, performance during FY20 was ahead of expectations that incorporated the impact of identified clinical treatments transferring from an inpatient to a lower outpatient tariff. This process has gradually occurred across Swiss cantons over the past two years, with official national implementation effective from 1 January 2019 and no further changes currently scheduled. In response, Hirslanden is executing a day case clinic strategy which focuses on a conveniently located, more efficient and lower-cost service delivery model; established a collaboration with Medbase (part of Migros Group); delivered ongoing cost management and efficiency savings; and adjusted the Hirslanden 2020 and other strategic projects. Encouragingly, Hirslanden's efforts to adapt the division were delivering modest admissions growth in the fourth quarter from January until the onset of the COVID-19 pandemic.

Including the contribution from the Clinique des Grangettes acquisition (consolidated from 1 October 2018), FY20 revenue increased in line with expectations by 1% to CHF1 804m (FY19: CHF1 778m). Inpatient revenue was down 0.5% and admissions up 0.6%. Outpatient and day case revenue, which contributed some 21% (FY19: 19%) to total revenue in the reporting period, was up 8%. The general insurance mix marginally increased to 49.2% (FY19: 48.7%).

Inpatient revenue per case was down 1.1% as a result of the lower insurance mix. Average occupancy was at 68.0% (FY19: 70.4%) due to a decline in the average length of stay from 4.5 to 4.4 days.

The revenue contribution in FY20 from Clinique des Grangettes was CHF112m (FY19: CHF58m). The hospital contributed growth of around 2.5% and 6% inpatient admissions and outpatient revenue respectively, and supported the supplementary component of the insurance mix during the year under review.

Despite the impact of COVID-19 in March 2020, adjusted EBITDA was broadly in line with expectations down 7% to CHF266m (FY19: CHF285m) with an adjusted EBITDA margin of 14.8% (FY19: 16.0%). The decline reflects the expected impact of outmigration through to the end of December 2019.

Adjusted depreciation and amortisation decreased marginally by 2% to CHF122m (FY19: CHF124m). Adjusted operating profit decreased by 11% to CHF144m (FY19: CHF161m).

Adjusted net finance costs were flat at CHF50m (FY19: CHF51m).

In May 2019, the Swiss public voted to adopt the Federal Act on Tax Reform and AHV Financing, confirming the reform of corporate taxation in Switzerland. Due to this reform, several cantons decreased their tax rates. Excluding permanent differences, the effective tax rate in FY20 reduced to 17.9% (FY19: 18.5%).

Hirslanden contributed £67m to the Group's adjusted earnings (representing 37%) compared with £80m (representing 40%) in the prior reporting period.

Hirslanden converted 116% (FY19: 97%) of adjusted IFRS 16 EBITDA into cash generated from operations, reflecting strong collections in March 2020. This led to a further reduction in secured debt facilities in the second half of the reporting period by CHF31m, taking the total reduction for FY20 to CHF117m, of which CHF67m was optional.

In October 2019, Hirslanden completed the sale of the small, 28-bed Klinik Belair hospital for a total consideration of CHF14m. This aligns with the division's strategy of operating across the continuum of care in delivery regions to ensure synergies and quality care can be achieved across Hirslanden's network of facilities. Hirslanden recognised a reversal of the impairment charge in relation to the Klinik Belair property of CHF5m which is excluded from adjusted earnings. The revenue contribution in FY20 from Klinik Belair was CHF7m (FY19: CHF16m) and the disposal impacted FY20 reported inpatient admissions by around 0.5%.

In line with the requirements of IFRS, non-financial assets are considered for impairment when impairment indicators are identified at an individual CGU level. In Switzerland, the changes in the market and regulatory environment continued to affect key inputs to the review and gave rise to impairment charges recorded against property and equipment of CHF39m before tax. The impairment charges are non-cash and excluded from the adjusted earnings metrics. The impairment calculations remain sensitive to reasonably possible changes in key assumptions, including cash flow projections and long-term growth and discount rates.

ADAPTING AND GROWING ACROSS THE CONTINUUM OF CARE

The execution of Hirslanden's day case clinic strategy is progressing well. This strategy, which focuses on a conveniently located, more efficient, lower-cost service delivery model, is fully operational at two Hirslanden locations – Bellaria in Zurich and St. Anna im Bahnhof at the train station in Lucerne. In addition, Hirslanden has acquired Operationszentrum Zumikon, one of Zurich's leading day case

> “
> Hirslanden recently finalised a pioneering collaboration agreement with Medbase, the leading Swiss specialist in family healthcare.

clinics. The day case clinic will build on the relationship and strong reputation already established with the Klinik Hirslanden hospital, with the transaction effective from 1 April 2020.

The division is confident in its strategy to establish further day case clinics over the coming years in order to attain a leading market position in this growing area of healthcare delivery. During the year under review, Hirslanden appointed an experienced Day Case Clinic Manager to advance this strategy. Hirslanden expects to add an additional day case clinic in FY21 in St. Gallen. Where a standalone day case clinic is not currently planned, the hospitals have initiated in-house day case solutions which seek to achieve more efficient, lower-cost delivery models compared with the normal inpatient process.

In line with the Group's vision of being the partner of choice that people trust for all their healthcare needs and the strategic goal of becoming an integrated healthcare provider across the continuum of care, Hirslanden recently finalised a pioneering collaboration agreement with Medbase, the leading Swiss specialist in family healthcare and part of the Migros Group (Switzerland's largest retail company). The collaboration combines Hirslanden's acute care, day case and specialist diagnostics expertise with Medbase's qualified family healthcare, aftercare and prevention across Switzerland. Hirslanden is leveraging synergies with an equally high-quality partner to consistently develop a range of services across the continuum of care in order to increase the respective market shares and efficiency of both companies. With the planned sale of the three Hirslanden outpatient clinics in Schaffhausen, Bern and Düdingen (excluding radiology) to Medbase expected on 2 June 2020 and the combined growth initiative in the form of a joint venture in specialised outpatient radiology, Hirslanden is expanding its strengths in specialised diagnostics and medicine. The agreement also includes close collaboration in digital services.

During the year under review, Hirslanden announced two important collaborations with Swiss public healthcare providers. In Geneva, HUG and Hirslanden have agreed to create the largest PPP day case clinic for outpatient surgery in Switzerland by the end of 2024. The partnership reflects the desire to respond in a coordinated and efficient manner to the increasing demand in the area of outpatient surgery. Hirslanden was specifically chosen by HUG due to its knowledge and expertise in delivering cost-efficient, high-quality care in the day case clinic environment. In the canton of Basel-Land, Hirslanden and the *Kantonspital Baselland* have agreed to form a joint venture to establish a CoE and research and teaching facility for musculoskeletal patient care. This will provide excellent medical care for inpatients and outpatients across the northwestern region of Switzerland.

To support Hirslanden's drive for improved medium-term operational efficiencies and cost management, the division advanced several projects. As part of the Hirslanden 2020 strategic project, the division is benefitting from the initial HIT2020 phased ICT roll-out to standardise and centralise back-office administrative processes. Hirslanden has introduced mass invoicing, automated recording and processing of doctors' invoices; and enhanced capacity planning to increase hospital utilisation and employee efficiencies. The roll-out was completed at Klinik Stephanshorn in October 2019, taking the total number of Hirslanden hospitals on the HIT2020 platform to three in addition to the Corporate Office.

DISCIPLINED INVESTMENT TO SUSTAIN A LEADING MARKET POSITION

In FY20, Hirslanden invested CHF51m (down 7% on FY19) in expansion capital projects and new equipment and CHF43m (up 9% on FY19) in

KLINIK HIRSLANDEN

maintenance and the replacement of existing equipment and upgrade projects. The HIT2020 project is now reaching its peak levels of operating and capital investment spend. In the context of managing the operational, clinical and financial uncertainties of COVID-19, the roll-out of HIT2020 is proceeding on a resource-dependent basis.

The Group maintains a disciplined approach to capital allocation while ensuring clinical standards and the quality of patient care remain appropriate. At Hirslanden, this approach, in response to the significant regulatory changes over recent years, has resulted in annual maintenance and expansion capex reducing from CHF163m in FY17 to CHF94m in FY20. Hirslanden has maintained its excellent clinical standards with all hospitals at or above the clinical IQM benchmark for all Swiss and German hospitals. Given the continued focus on capital allocation during this period of uncertainty resulting from the COVID-19 pandemic, the division expects to moderate its FY21 capital budget. Of the CHF110m originally budgeted in FY21, the current monthly expenditure run rate is approximately 10% of the budget and will increase as the impact of COVID-19 on the business dissipates. The Group will continue to monitor operating cash flow generation and consequent liquidity to revisit this important investment decision.

MARKET OVERVIEW

Switzerland's healthcare system has the reputation of being one of the highest quality systems in the world. Though continuously evolving, demand for healthcare services remains strong. With rising healthcare costs, the call for greater transparency and cost efficiency is increasing. Despite this, people expect the highest quality at a reasonable price. Improving this value equation remains the objective of both private and public healthcare services providers.

In addition, society's needs in terms of health are changing: clients and

> "Key to this leading market position is the fact that it has the largest network of doctors in Switzerland with over 2 500 specialists, almost 6 000 nurses and therapists, and a wide range of high-end technologies.

patients have expectations of Hirslanden and want a partner that can accompany them through life as an advisor and support them in managing their own health – regardless of time or place. Due to the rapid advancement of technologies and medicine, expectations extend beyond treatment and recovery to prevention and enhancement of wellbeing. With this considered, Hirslanden is effectively positioning itself to meet these expectations and benefit in future.

For decades, Hirslanden has been the leading private Swiss provider in quality service-oriented specialist diagnostics and medicine as well as care and therapy, with exceptional core competencies that it leverages. Key to this leading market position is the fact that it has the largest network of doctors in Switzerland with over 2 500 specialists, almost 6 000 nurses and therapists, and a wide range of high-end technologies. As part of its strategic realignment, Hirslanden is focusing on these core competencies in order to create added value for clients and society in the form of integrated, efficient healthcare close to their homes. For areas and services outside of specialised medicine, targeted partnerships are being pursued with other organisations across the continuum of care, i.e. in the field of family healthcare. As a result Hirslanden is ideally placed to combine specialised outpatient and inpatient medicine in order to become even more efficient and effective. The Swiss healthcare system also benefits from this, as the intelligent linking of a wide range of services offered by various providers is essential to an affordable, effective and well-functioning healthcare system.

The recently finalised pioneering collaboration agreement with Medbase is a good example of Hirslanden's strategic realignment. Hirslanden will benefit from considerable synergies working with an equally high-quality partner with a complementary range of services.

Collaboration was also achieved through PPPs, most notably in Geneva with HUG to develop the largest day case clinic in Switzerland and a joint venture with *Kantonspital Baselland* for the treatment of musculoskeletal disorders. The newly created medical network in Basel-Land will ensure holistic care and provide a comprehensive range of inpatient and outpatient services in the field of the musculoskeletal system (including rehabilitation) as well as geriatric traumatology. Through this, Hirslanden gains market share in orthopaedics and with its lean structure and efficient processes, better positions itself to meet the needs of patients.

Outpatient care is a global trend and a national priority for the Swiss healthcare system over the next 10 years. Hirslanden is thus consistently pursuing the strategy it has adopted in outpatient surgery and is leading the changes in the Swiss day case clinic sector. The acquisition of the Operationszentrum Zumikon day case clinic fits seamlessly into this strategy, as Hirslanden develops its network of day case clinics to offer nationwide coverage through owned facilities and selective partnerships.

OUTLOOK

The current healthcare market environment presents opportunities and challenges in Switzerland while the disruptions caused by the COVID-19 pandemic create uncertainty.

However, Hirslanden is well prepared given its strategic realignment to meet the health and wellbeing needs of patients and clients across the continuum of care. During the pandemic, it has strengthened its relationship with patients by offering telemedicine and digital services, both of which will play important roles in the healthcare delivery model of tomorrow. Hirslanden also reaffirmed its commitment to continuously improving efficiency in back-office functions by promoting innovation, i.e. the large-scale use of robotic process automation; the standardisation of its ICT landscape; and maximisation of benefits realised through exploring synergies across the Group.

Hirslanden has played a leading role in combatting the crisis together with the cantons. This will add to its already leading position in the communities in which it operates, as well as enhance the cooperation between private and public institutions in the healthcare sector. The latter unlocks opportunities to expand locally through partnerships and acquisitions across the continuum of care, as already demonstrated in FY20.

In the future, Hirslanden will also offer preventative healthcare services and advice to healthy clients in order to enhance their quality of life. Genomics will play an important role in providing personalised advice on wellbeing and lifestyle, and also to treat clients with personalised medicine. Hirslanden will make these services available in Switzerland in the near-term, which will improve clinical outcomes. It remains Hirslanden's goal to further expand its standing as the leading provider of specialised medicine and specialised diagnostics across the continuum of care in Switzerland.

Q&A

WITH DR DANIEL LIEDTKE

“

Q What achievement by the division were you most proud of in FY20?

It fills me with pride that we as a team – employees and doctors – have successfully navigated the challenging and demanding market and regulatory environment. That success is due to the clear realigned focus on our core competencies of patient-oriented specialised services across the continuum of care in combination with important partnerships in the field of primary care. Furthermore, I am very proud that during the COVID-19 pandemic this team clearly demonstrated the Group purpose of enhancing the quality of life.

Q How has the division shown agility and expertise in dealing with the COVID-19 pandemic?

It was impressive how fast we were able to work together as a cross-functional crisis team, both at hospital and Corporate Office level, to ensure operations remain as effective and efficient as possible. None of this would have been possible without well-trained, fully dedicated medical staff and strong operational leadership facing the crisis with determination and expertise. From the very start of the crisis, we've played a leading role in overcoming the pandemic together with the cantonal and federal governments.

Q What are your thoughts looking ahead to the future?

Even though the COVID-19 pandemic will be remembered as a global crisis with tragic implications, living with the virus has already become the new normal. Against this backdrop we have shown that we are able to manage daunting challenges as a team, with a clear can-do attitude. I am confident that this attitude will also guide us in shaping the Swiss healthcare environment of the future along the physical and digital continuum of care.

SOUTH AFRICA & NAMIBIA MEDICLINIC SOUTHERN AFRICA

"

A key achievement during the year under review was the continued improvement in clinical performance, patient experience and staff engagement with highest ratings achieved to date.

Mr Koert Pretorius
Chief Executive Officer:
Mediclinic Southern Africa

Flat
Adjusted EBITDA (pre-IFRS 16)

67.9%
Bed occupancy rate

+2.5%
Bed days sold

+4.0%
Average revenue per bed day

+7%
Revenue

82.7
Press Ganey® patient experience survey score (out of 100)

3.97
Gallup® employee engagement survey score (out of 5)

52
Hospitals

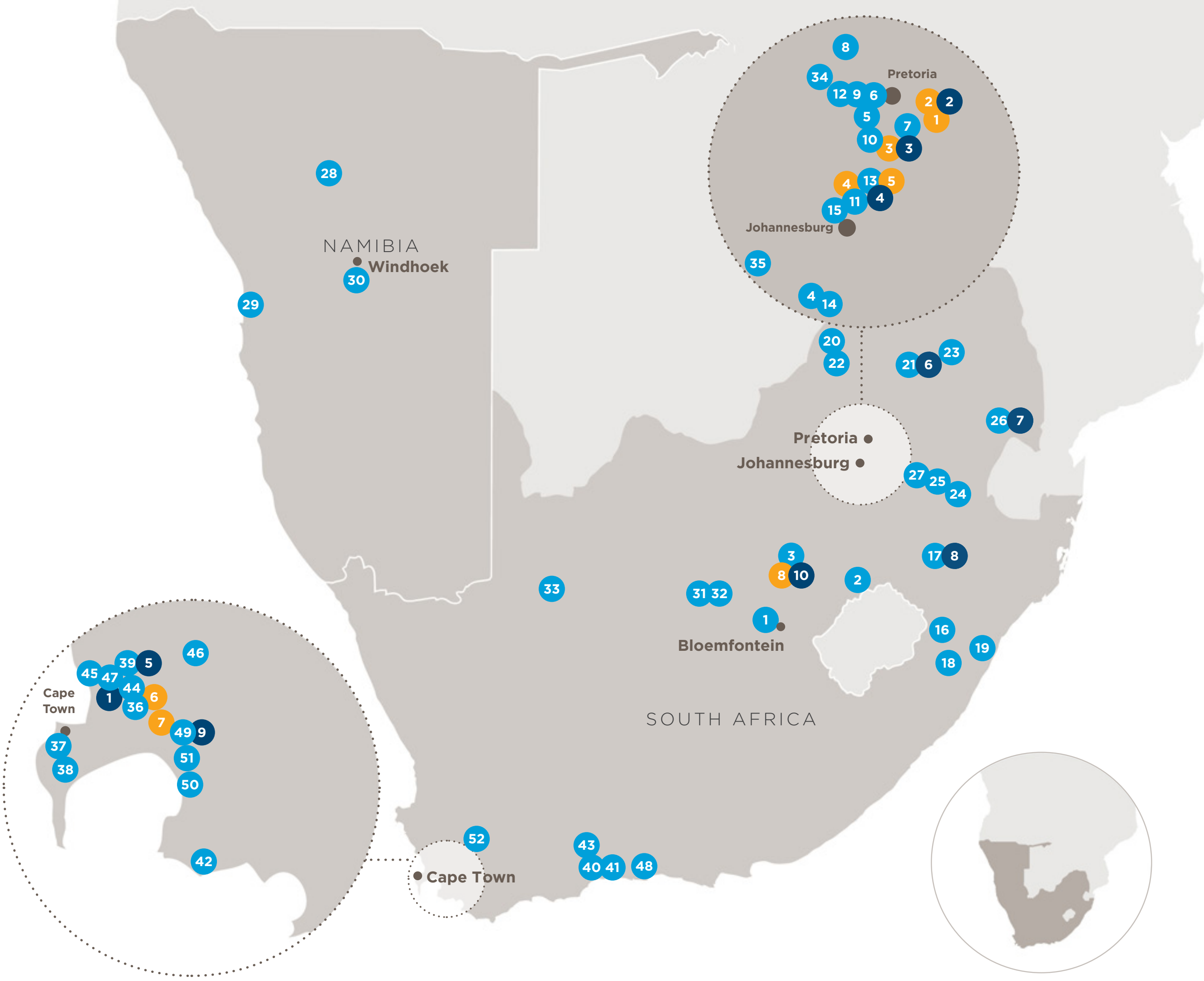
8
Sub-acute and specialised hospitals

10
Day case clinics

8 792
Beds

305
Theatres

15 958
Employees (total heads)



Hospitals

Free State

1 Mediclinic Bloemfontein
2 Mediclinic Hoogland
3 Mediclinic Welkom

Gauteng

4 Mediclinic Emfuleni
5 Mediclinic Gynaecological Hospital
6 Mediclinic Heart Hospital
7 Mediclinic Kloof
8 Mediclinic Legae
9 Mediclinic Medforum
10 Mediclinic Midstream
11 Mediclinic Morningside
12 Mediclinic Muelmed
13 Mediclinic Sandton
14 Mediclinic Vereeniging
15 Wits Donald Gordon Medical Centre[1]

KwaZulu-Natal

16 Mediclinic Howick
17 Mediclinic Newcastle
18 Mediclinic Pietermaritzburg
19 Mediclinic Victoria

Limpopo

20 Mediclinic Lephalale
21 Mediclinic Limpopo
22 Mediclinic Thabazimbi
23 Mediclinic Tzaneen

Mpumalanga

24 Mediclinic Ermelo
25 Mediclinic Highveld
26 Mediclinic Nelspruit
27 Mediclinic Secunda

Namibia

28 Mediclinic Otjiwarongo
29 Mediclinic Swakopmund
30 Mediclinic Windhoek

Northern Cape

31 Mediclinic Gariep (part of Mediclinic Kimberley)
32 Mediclinic Kimberley
33 Mediclinic Upington

North West

34 Mediclinic Brits
35 Mediclinic Potchefstroom

Western Cape

36 Mediclinic Cape Gate
37 Mediclinic Cape Town
38 Mediclinic Constantiaberg
39 Mediclinic Durbanville
40 Mediclinic Geneva
41 Mediclinic George
42 Mediclinic Hermanus
43 Mediclinic Klein Karoo
44 Mediclinic Louis Leipoldt
45 Mediclinic Milnerton
46 Mediclinic Paarl
47 Mediclinic Panorama
48 Mediclinic Plettenberg Bay
49 Mediclinic Stellenbosch
50 Mediclinic Strand
51 Mediclinic Vergelegen
52 Mediclinic Worcester

Sub-acute and specialised hospitals

1 Denmar Specialist Psychiatric Hospital
2 Intercare Sub-Acute Hospital Hazeldean
3 Intercare Sub-Acute Hospital Irene
4 Intercare Medfem Hospital
5 Intercare Sub-Acute Hospital Sandton
6 Intercare Sub-Acute Hospital Tyger Valley
7 Mediclinic Winelands Orthopaedic Hospital
8 Welkom Medical Centre Sub-Acute Hospital

Day case clinics

1 Intercare Day Hospital Century City
2 Intercare Day Hospital Hazeldean
3 Intercare Day Hospital Irene
4 Intercare Day Hospital Sandton
5 Mediclinic Durbanville Day Clinic
6 Mediclinic Limpopo Day Clinic
7 Mediclinic Nelspruit Day Clinic
8 Mediclinic Newcastle Day Clinic
9 Mediclinic Stellenbosch Day Clinic
10 Welkom Medical Centre Day Clinic

Note

[1] Associated company being equity accounted (Mediclinic Southern Africa holds 49.9%).

> Aligned with the Group's strategy to expand across the continuum of care, Mediclinic Southern Africa completed the acquisition of Denmar Hospital, a leading mental health facility.

MEDICLINIC STELLENBOSCH

COVID-19

South Africa implemented national lockdown measures on 27 March 2020 to help contain the spread of COVID-19. In line with this decision, Mediclinic Southern Africa suspended elective procedures and closed standalone day case clinics in order to focus all available resources on the pandemic. These restrictions were relaxed on 1 May 2020 resulting in a gradual improvement in patient volumes and occupancy.

Discussions with national government and provincial Departments of Health regarding the private sector's assistance in combatting the pandemic are ongoing. Engagement with the national government has been conducted through centralised structures, under the auspices of Business for South Africa. Mediclinic Southern Africa will continue to engage at national and provincial level regarding any regulations or contracting proposals. Command centres are being established by the public and private healthcare sectors in each province to support ongoing collaboration and care coordination.

Intercare, Mediclinic's primary care partner, rolled out telemedicine in early April 2020. To date, more than 100 of Intercare's doctors have embraced the technology with more than 3 000 telemedicine consultations successfully conducted. In late May 2020, Mediclinic Southern Africa launched a telemedicine solution to further complement its range of care delivery services supporting the response to the pandemic.

FINANCIAL REVIEW (PRE-IFRS 16)

In Southern Africa (including South Africa and Namibia), at the end of the reporting period, Mediclinic operated 52 hospitals, eight sub-acute and specialised hospitals and 10 day case clinics (four of which operated by Intercare) with 8 792 licensed beds and 15 958 employees (19 874 full-time equivalents including agency staff). Mediclinic Southern Africa is the third largest private healthcare provider in Southern Africa by number of licensed beds. Mediclinic Southern Africa accounted for 29% of the Group's revenue (FY19: 30%) and 38% of its adjusted EBITDA (FY19: 38%).

Despite the impact of COVID-19 in late March 2020, Mediclinic Southern

Africa's revenue increased in line with expectations by 7% to ZAR17 031m (FY19: ZAR15 960m). Bed days sold increased by 2.5% and average revenue per bed day increased by 4.0%. The average length of stay was up 0.5% while the occupancy rate was 67.9% (FY19: 69.2%), reflecting the ramp-up stage of the Intercare capacity and the COVID-19 impact in late March 2020.

The revenue contribution in FY20 from investments made in growth, including Intercare (consisting of four day case clinics, four sub-acute hospitals and one specialised hospital, effective since 1 December 2018) and the Denmar Hospital, a leading mental health facility acquired on 1 December 2019, was around ZAR237m (FY19: ZAR60m). Due to the intrinsically higher volumes at Intercare, these investments accounted for the majority of growth in the division's inpatient bed days sold during the reporting period of 2.5%.

Adjusted EBITDA was flat at ZAR3 388m (FY19: ZAR3 385m) with the adjusted EBITDA margin in line with expectations at 19.9% (FY19: 21.2%). The margin reflects costs incurred to further enhance clinical standards and to expand across the continuum of care with the Intercare acquisition and the new Mediclinic Stellenbosch hospital and day case clinic both incorporating leasehold properties and consequent rental charges.

Depreciation and amortisation increased by 10% to ZAR613m (FY19: ZAR556m) mainly due to increased spend on hospital infrastructure upgrades and medical equipment. Operating profit decreased by 2% to ZAR2 775m (FY19: ZAR2 829m).

Net finance costs decreased by 7% to ZAR478m (FY19: ZAR513m) due to increased capitalisation of the cost of qualifying assets as well as interest received on cash balances.

Mediclinic Southern Africa contributed £73m to the Group's adjusted earnings (representing 40%), compared with £72m (representing 36%) in the prior reporting period.

The division converted 104% (FY19: 96%) of adjusted IFRS 16 EBITDA into cash generated from operations, mainly due to improved collections.

INVESTING TO SUPPORT CONTINUED LONG-TERM GROWTH

In FY20, Mediclinic Southern Africa invested ZAR582m (up 15% on FY19) in expansion capital projects and new equipment and ZAR730m (up 9% on FY19) in maintenance and the replacement of existing equipment and upgrade projects. These investments comprised existing hospital expansions completed at Mediclinic Vergelegen, Mediclinic George and the Wits Donald Gordon Medical Centre, in addition to the re-location of Mediclinic Stellenbosch and opening of a co-located new day case clinic. In conjunction with the opening of Mediclinic Stellenbosch, Mediclinic Winelands Orthopaedic Hospital opened in August 2019. The hospital is situated at the previous Mediclinic Stellenbosch site and will focus on delivering specialist medical care in the disciplines of orthopaedic surgery and rheumatology. The hospital has entered into a partnership with the Institute of Orthopaedics and Rheumatology to deliver exceptional outcomes to the Winelands and greater Cape Town community. Two additional day case clinics, Mediclinic Nelspruit and Mediclinic Cape Gate, were also developed with the latter completed in April 2020.

Aligned with the Group's strategy to expand across the continuum of care, Mediclinic Southern Africa completed the acquisition of the Denmar Hospital on 1 December 2019. This leading mental health facility in Pretoria provides the division with its first specialised hospital dedicated to supporting patients suffering from an increasing number of mental health-related illnesses.

In response to the Group's approach to COVID-19, Mediclinic Southern Africa expects to moderate its FY21 capital budget to preserve liquidity. Of the ZAR1 570m originally budgeted in FY21, the current monthly expenditure run rate is approximately 25% of budget. The Group will continue to monitor operating cash flow generation and consequent liquidity to revisit this important investment decision.

The division's day case clinic roll-out is premised on co-locating the facilities with the main hospitals to adapt to outmigration of care. While admissions had previously been impacted by declining day cases due to competition and outmigration, a reversal of this trend in FY20, excluding Intercare, gives the division further confidence in its strategy to invest across the continuum of care. Mediclinic plans to, over the medium-term, open a further four day case clinics at Mediclinic Winelands, Mediclinic Bloemfontein, Mediclinic Pietermaritzburg and Mediclinic Panorama respectively, which will add an additional nine operating theatres to its operations.

The proposed acquisition of a controlling shareholding in Matlosana Medical Health Services (Pty) Ltd, based in Klerksdorp in the North West Province of South Africa, was prohibited by the Competition Tribunal in January 2019. Mediclinic appealed against this decision and the case was heard by the Competition Appeal Court in October 2019. In February 2020, the Competition Appeal Court approved the proposed acquisition. However, the Competition Commission has filed with the Constitutional Court an application for leave to appeal the recent judgment by the Competition Appeal Court. Mediclinic has filed an answering affidavit opposing the application for leave to appeal and will participate accordingly should the matter be set down for a hearing.

REGULATORY UPDATE

The South African Competition Commission completed its market inquiry into the private healthcare sector in South Africa in

> "The solvency ratios of medical schemes remain very sound with the average ratio last reported in September 2019 at 33.3% compared to a required level of 25% in South Africa.

September 2019. The findings have not been unduly onerous and implementation thereof would largely require legislative intervention. Should this happen Mediclinic will participate in all public engagement opportunities in developing the legal and governing framework.

The South African Government continues to explore the introduction of a National Health Insurance ('**NHI**') system. The NHI Bill is now before the Parliamentary Portfolio Committee on Health, which is tasked with further deliberating the Bill and assessing written and verbal comment thereon. In this regard, Mediclinic has sought and continues to seek counsel from legal, economic and actuarial experts to understand the potential impact of the NHI Bill and the extent to which the proposals are legally sound. The division has prepared its presentation to the Parliamentary Portfolio Committee on Health and will be ready to address its members once called to do so. Mediclinic will continue to contribute constructively towards achieving universal healthcare. Mediclinic believes that an enhanced healthcare system can be achieved through greater collaboration across the public and private sectors to find common solutions that leverage existing expertise and capacity.

MARKET OVERVIEW

The South African and Namibian private medical insurance markets remained stable in environments with low economic growth and high unemployment. The solvency ratios of medical schemes remain very sound with the average ratio last reported in September 2019 at 33.3% compared to a required level of 25% in South Africa.

The mature market continues to offer very limited incremental growth opportunities for Mediclinic Southern Africa to expand existing private acute hospitals. However, in line with the Group's strategy of becoming an integrated healthcare provider, a select number of opportunities exist for investment across the continuum of care, in settings other than acute hospitals. These include the establishment of day case clinics given the continued outmigration of care trend, in addition to sub-acute and specialised hospitals. The gradual increase in network arrangements with insurers continues and Mediclinic has been successful in maintaining relationships with many insurers through these arrangements, continuing to provide patients across South Africa with an extensive footprint of available Mediclinic facilities. Mediclinic Southern Africa also seeks to provide care to those without insurance. In February 2019, the division launched a transparent, easy-to-use, fixed-fee service that is

aimed at providing the uninsured market with financial certainty across an extensive list of diagnostic and surgical procedures. This service was expanded during the year under review and now includes day case clinics. Alternative reimbursement models in total account for 26% of the division's revenue.

OUTLOOK

Mediclinic Southern Africa remains well positioned for future success and for maintaining a leading market position, despite the impact of COVID-19.

The focus remains on further developing Mediclinic Southern Africa's strategy to improve its client value proposition significantly, and to seek related value-based contracting opportunities. The division will continue to focus strategically on the value it delivers to patients by pursuing continued improvement in cost to clients, client experience and clinical outcomes. It will also seek to transform its healthcare services and client engagement through digitalisation. At the same time, Mediclinic Southern Africa remains committed to improving its operational efficiency and to attracting, retaining and engaging qualified employees, especially nursing employees and medical practitioners.

Mediclinic Southern Africa is also committed to embedding a transformation strategy that encompasses diversity and inclusion to meet business imperatives while ensuring legislative compliance.

The COVID-19 pandemic will sadly have a significant impact on many people's lives. However, there will likely also be many positive implications and new opportunities available to businesses. Acting swiftly and decisively to embrace these opportunities and to support society will be vital. Mediclinic Southern Africa will further evaluate its operating and delivery models to make potential improvements, particularly though the use of technology, to how it functions, delivers services to its clients, and engages and works with its supporting doctors.

Q&A

WITH MR KOERT PRETORIUS

"

Q What achievement by the division were you most proud of in FY20?

I was proud of our solid financial performance despite the challenging macroeconomic conditions and impact of COVID-19. This created the foundation for us to successfully deliver on numerous operational and strategic goals during the year under review. A key achievement was the continued improvement in clinical performance, patient experience and staff engagement with highest ratings achieved to date.

Q How has the division shown agility and expertise in dealing with the COVID-19 pandemic?

The response from our hospitals, to prepare disaster management plans in a very short period of time, has been amazing. This was done with the proactive support of our doctors, who selflessly assisted us to prepare a comprehensive response. All our teams have been positive, supportive and encouraging. More than 500 people at the Corporate Office were set up to work from home within three days, which demonstrates our agility and team spirit.

Q What are your thoughts looking ahead to the future?

The COVID-19 pandemic is a human tragedy and it will present many challenges, especially for the most vulnerable people in our societies. The level of civilization of any society is measured by the way it supports these people. We therefore have a big responsibility to act professionally and decisively to address the negative consequences of the pandemic. The crisis will also have many unintended positive implications for us and we need to embrace these opportunities and to utilise them to our advantage. I am convinced that we will be able to achieve this due to the expertise and resilience of our people.

THE UAE MEDICLINIC MIDDLE EAST

"I am pleased at the progress we have made in cementing our long-term relationship with the UAE Government and healthcare regulatory authorities, with Mediclinic becoming a trusted partner and advisor on healthcare-related matters.

Mr David Hadley
Chief Executive Officer:
Mediclinic Middle East

-1%
Adjusted EBITDA (pre-IFRS 16)

51.3%
Bed occupancy rate

+5.4%
Inpatient admissions

+2.9%
Outpatient cases

+6%
Revenue

86.2
Press Ganey® patient experience survey score (out of 100)

4.00
Gallup® employee engagement survey score (out of 5)

7
Hospitals

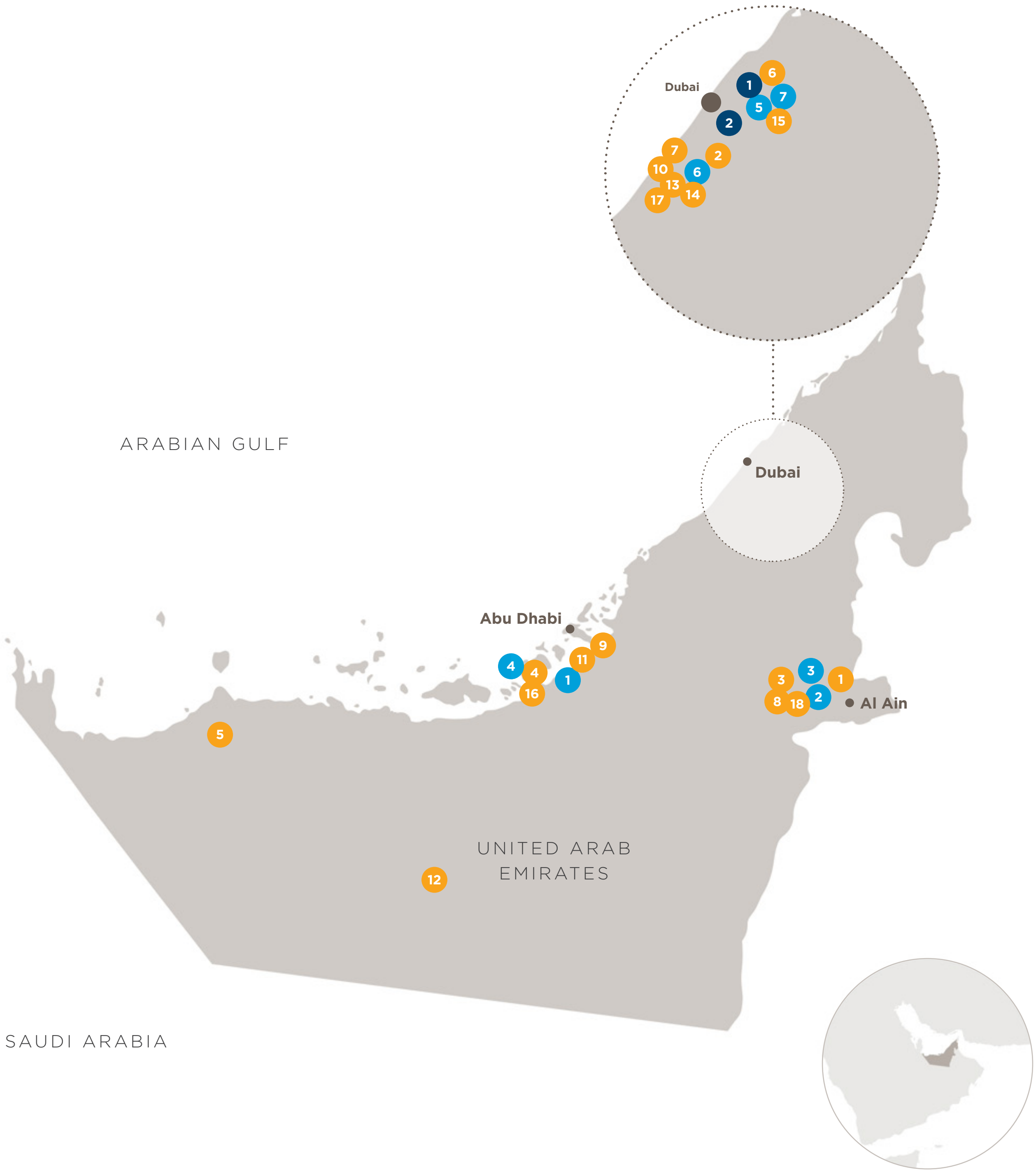
2
Day case clinics

18
Outpatient clinics

927
Beds

38
Theatres

6 764
Employees (total heads)



Hospitals

1 Mediclinic Airport Road Hospital
2 Mediclinic Al Ain Hospital
3 Mediclinic Al Jowhara Hospital
4 Mediclinic Al Noor Hospital
5 Mediclinic City Hospital
6 Mediclinic Parkview Hospital
7 Mediclinic Welcare Hospital

Day case clinics

1 Mediclinic Deira
2 Mediclinic Dubai Mall

Outpatient clinics

1 Mediclinic Al Bawadi
2 Mediclinic Arabian Ranches
3 Mediclinic Al Madar
4 Mediclinic Al Mamora
5 ENEC
6 Mediclinic Al Qusais
7 Mediclinic Al Sufouh
8 Mediclinic Al Yahar
9 Mediclinic Baniyas
10 Mediclinic Ibn Battuta
11 Mediclinic Khalifa City
12 Mediclinic Madinat Zayed
13 Mediclinic Meadows
14 Mediclinic Me'aisem
15 Mediclinic Mirdif
16 Mediclinic Mussafah
17 Mediclinic Springs
18 Mediclinic Zakher

MEDICLINIC AIRPORT ROAD HOSPITAL

> Mediclinic Middle East agreed a strategic partnership with Saudi Arabian investment company Al Murjan.

COVID-19

Dubai and Abu Dhabi gradually implemented national lockdowns and curfews from March 2020. In Dubai, elective procedures were suspended until 8 May 2020, when certain day procedures were permitted. On 27 May, the majority of procedures were reintroduced. In Abu Dhabi, such restrictions were not implemented, although inpatient admissions and outpatient cases were significantly impacted. Since restrictions started to lift in May 2020, volumes have gradually increased.

Governments in Dubai and Abu Dhabi are supporting private healthcare providers through numerous initiatives and licence changes as they assist with combatting the pandemic. Mediclinic is now providing telemedicine and pharmacy home delivery services so that patients can be diagnosed and supplied with prescribed medication without the need for face-to-face consultation at a facility. More than 7 000 telemedicine consultations and 5 000 pharmacy home deliveries have been carried out by the division since the outbreak of the pandemic.

In Dubai and Abu Dhabi, Mediclinic is supporting government by treating COVID-19 patients in certain hospitals and through operating several alternative interim facilities that care for and monitor asymptomatic and low-acuity patients. In addition, the division is involved in various projects supporting communities including large-scale screening and established a new laboratory for COVID-19 and antibody testing with over 100 000 tests conducted. Mandatory health insurance across the region reimburses the division for COVID-19-related treatments and care.

FINANCIAL REVIEW (PRE-IFRS 16)

Mediclinic Middle East at the end of the reporting period operated seven hospitals, two day case clinics and 18 outpatient clinics with 927 licensed beds and 6 764 employees (6 764 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 24% of the Group's revenue (FY19: 23%) and 19% of its adjusted EBITDA (FY19: 18%).

The UAE continues to present opportunities for the provision of high-quality private healthcare services, driven by an ageing local population facing an increased prevalence of lifestyle-related medical conditions and an expatriate market. The regulatory environment is maturing with an increasing focus on quality and clinical outcome measures and the introduction of DRGs in Dubai, and HIE and CoEs in both Dubai and Abu Dhabi.

Mediclinic Middle East expects to sustainably deliver an increase in revenue and gradual improvement in EBITDA margins over time. This will be achieved by continued business and operational improvements in Abu Dhabi and the ramp-up benefits from investments into new facilities, expansions, upgrades, new clinical service offerings and regional growth opportunities across the continuum of care. The Group has confidence in its Mediclinic Middle East growth strategy. However, the current UAE macroeconomic and competitive landscape, exacerbated by the lower oil price, COVID-19 pandemic and below-inflation regulated tariff increases since 2018, are impacting the pace of progression.

In FY20, Mediclinic Middle East revenue growth was challenged by the macroeconomic and competitive environment, increasing 6% to AED3 445m (FY19: AED3 262m) while inpatient admissions were up 5.4% and outpatient cases were up 2.9%. Specifically in the fourth quarter of the reporting period, volumes were further impacted by significant flooding in the region during January 2020 and the COVID-19 lockdowns and restriction on outpatient and non-urgent elective procedures being imposed in March 2020.

In Dubai, revenue growth for the reporting period was 9%, reflecting the significant contribution from the new Mediclinic Parkview Hospital and an improved stable performance at Mediclinic Welcare Hospital offset by the impact at Mediclinic City Hospital from the new hospital opening and a modest decline in oupatient clinic volumes.

In Abu Dhabi, revenue growth for the reporting period was 1%, benefitting from the investments made to enhance the business and operational performance over recent years. Strong performance at Mediclinic Airport Road Hospital was offset by Mediclinic Al Noor Hospital which was impacted by specific initiatives and a modest decline in outpatient clinic volumes.

FY20 adjusted EBITDA decreased by 1% to AED422m (FY19: AED425m) with the adjusted EBITDA margin decreasing to 12.3% (FY19: 13.0%).

Adjusted depreciation and amortisation increased by 9% to AED187m (FY19: AED171m), as expected, mainly due to the commissioning of Mediclinic Parkview Hospital. Operating profit decreased by 7% to AED236m (FY19: AED254m).

Net finance costs increased by 32% to AED40m (FY19: AED31m), as expected, mainly due to the discontinued capitalisation of borrowing costs following the opening of Mediclinic Parkview Hospital.

The division contributed £41m to the Group's adjusted earnings (representing 23%) compared with £46m (representing 23%) in the prior reporting period.

The division converted 98% (FY19: 70%) of adjusted IFRS 16 EBITDA into cash generated from operations, mainly due to improved collections.

With the reverse acquisition of the Al Noor Group, which became effective on 15 February 2016, Mediclinic recognised goodwill of AED6 325m. In line with the requirements of IFRS, goodwill is tested annually for impairment or whenever an impairment indicator has been identified. In the UAE, the weak macroeconomic and sustained competitive environment, exacerbated by the significant reduction in oil prices and the COVID-19 pandemic, affected key inputs to the review and gave rise to impairment charges amounting to AED2 190m. The impairment charges are non-cash and excluded from the adjusted earnings metrics. The impairment calculations remain sensitive to reasonably possible changes in key assumptions, including cash flow projections and long-term growth and discount rates. Mediclinic Middle East is a leading private healthcare provider in the UAE, is profitable and generates good free cash flows.

INVESTING FOR SUSTAINABLE LONG-TERM GROWTH

Mediclinic Middle East continues to work relentlessly on building a strong brand and reputation in the region. The investments made to deliver ethical and sustainable healthcare services and build long-term trust with all stakeholders are expected to differentiate Mediclinic from the competition, cementing its leading market position and employer-of-choice status. In November 2019, the JCI re-accredited and accredited all Mediclinic Middle East hospitals and clinics. This is the first division-wide JCI process that Mediclinic Middle East has completed and underlines its focus to provide high-quality healthcare services in the UAE.

Leveraging its strong international reputation and clinical expertise, in line with the Group's strategic goal to expand into new markets, Mediclinic Middle East agreed a strategic partnership with Saudi Arabian investment company Al Murjan. The partnership will establish an internationally accredited 200-bed private hospital in Jeddah, Saudi Arabia, expected to open around mid-2022. Mediclinic Middle East will support Al Murjan with expertise and advisory services in the planning, design, construction and commissioning phases of the hospital project, which began in the first quarter of 2020, in addition to operating the facility. Mediclinic will leverage the operational capabilities of the UAE Corporate Office in Dubai to manage the Al Murjan Hospital and will use this opportunity to identify and consider further expansion across Saudi Arabia.

In Dubai, Mediclinic Parkview Hospital is rapidly growing its market share and performed very strongly throughout the period under review. The hospital, the Group's largest ever greenfield construction project by value, was completed in two and a half years, ahead of schedule, and within the AED680m original budget. Since opening in September 2018, the ramp-up of the hospital's patient volumes has exceeded expectations. The current success of the hospital is attributed to Mediclinic's strong brand and reputation in Dubai; the detailed planning and preparation for its opening, including the recruitment of doctors and medical employees; and the hospital's strategic location serving the population expansion that has occurred to the south of Dubai. The hospital furthermore established services and specialities in high demand from the surrounding population, such as a comprehensive maternity unit, Level III neonatal intensive care, 24/7 paediatrics, and accident and emergency care.

Performance at Mediclinic City Hospital, the division's flagship in Dubai and renowned across the region for its complex tertiary care, the Comprehensive Cancer Centre and highly specialised medicine, continued to be impacted by the opening of the new Mediclinic Parkview Hospital. This is largely as a result of additional independent doctors who set up practices at the new hospital. Mediclinic City Hospital initiated several plans to address the impact, including the onboarding of new doctors, earlier in the reporting period. The benefits of these initiatives were supporting strong performance and encouraging momentum towards the end of the period under review, until COVID-19 impacted operations.

In Abu Dhabi, Mediclinic Airport Road Hospital performed well with inpatient and outpatient volumes up 11% and 8% respectively during the reporting period. In addition, the hospital benefitted from the introduction of medical oncology; improved dialysis services; a growing reputation among clinical professionals; and the recruitment of some leading Emirati doctors. Construction of the new Comprehensive Cancer Centre and expansion plans are expected to be completed mid-2020 and opened by September 2020. Once doctors have transferred to the new wing, work will commence in the existing hospital building for 12 months to refurbish wards, upgrade theatres and reconfigure the outpatient department.

In November 2019, major renovation of the ground and mezzanine floor at the Mediclinic Al Noor Hospital in Abu Dhabi was completed. This has significantly enhanced one of Mediclinic's busiest hospitals with a new main entrance, lobby, reception, accident and emergency unit, pharmacy, outpatient clinic, treatment rooms, paediatrics department and internal medicine department. While the building work impacted performance during the reporting period, challenges implementing the new EHR at the hospital further delayed the ramp-up of patient volumes. This recovered towards the end of the period under review, until the impact of COVID-19.

Mediclinic Middle East is preparing to launch a comprehensive genetics service in the UAE later in 2020. The ability to provide next-generation sequencing as part of a clinical service offering is a cornerstone for precision medicine. This is an emerging approach to disease treatment and prevention that takes into account variability in genes, environment and lifestyle for each individual client.

In FY20, Mediclinic Middle East invested AED174m (down 54% on FY19, which included capex associated with the new Mediclinic Parkview Hospital) in expansion and AED46m (down 40% on FY19) in maintenance capex. Expansion capex in the reporting period largely related to the projects at Mediclinic Airport Road Hospital and Mediclinic Al Noor Hospital and the EHR. The EHR is expected to deliver seamless care and improved service quality for patients, as well as improved administration efficiency for the division. Since going live in FY19 at Mediclinic Parkview Hospital and Mediclinic Ibn Battuta, it is being systematically rolled out across the division during FY20 and FY21. The division also opened its first dedicated paediatric outpatient clinic, Mediclinic Springs, strategically located in Dubai's Springs community, providing in-demand, dedicated paediatric services to families in the surrounding communities. It serves as an extension to the well-established Mediclinic Meadows clinic. In addition, the division acquired properties relating to existing clinics for a total of around AED50m.

In response to the Group's approach to COVID-19, Mediclinic Middle East expects to moderate its FY21 capital budget to preserve liquidity. Of the AED331m originally budgeted in FY21, which incorporates the element of forecast FY20 capex for Mediclinic Airport Road Hospital that is now allocated to FY21, the current monthly expenditure run rate is approximately 40% of the budget with scope for further reduction. The Group will continue to monitor operating cash flow generation and

> Since opening in September 2018, the ramp-up of Mediclinic Parkview Hospital's patient volumes has exceeded expectations.

consequent liquidity to revisit this important investment decision.

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 DRGs for inpatient procedures in Dubai. The implementation has been delayed due to the COVID-19 pandemic and is currently expected in June 2020. Mediclinic continues to test the systems through a shadow billing process which has been operating since July 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, it shared hospital-level results and impact studies. Currently, it is expected that the DRGs will have a neutral impact on the division's inpatient revenue, as prescribed by the DHA. Additional qualified medical practitioners have been appointed as case managers to ensure an effective change-over. Training has been carried out in the division's Abu Dhabi facilities where DRGs have been in operation since 2011.

The Abu Dhabi Department of Health ('**DoH**'), through industry engagement, had intended to introduce the concepts of CoE and Certificate of Need to further improve the quality of care in the emirate. However, due to COVID-19 these are now delayed. Mediclinic Middle East was able to demonstrate its readiness for the initiative through its successful programmes already established in Dubai which include the Comprehensive Cancer Centre and Comprehensive Stroke and Neuroscience Centre at Mediclinic City Hospital. Mediclinic Middle East will establish CoEs at its two largest hospitals in Abu Dhabi. At Mediclinic Airport Road, a Comprehensive Cancer Centre and paediatric CoE will be established; at Mediclinic Al Noor Hospital a paediatric CoE will also be established. The DoH is also preparing for the implementation of the next phase of the Jawda initiative, being the introduction of a hospital star-rating system based on an extensive list of quality and experience measures with the first reports anticipated to be published at the end of the 2020 calendar year.

HIEs are being established in Dubai and Abu Dhabi. Testing of the integration between Mediclinic's EHR system and the Abu Dhabi HIE was successfully conducted during 2019 and the systems are successfully

> "The imminent extension and new Comprehensive Cancer Centre at Mediclinic Airport Road Hospital is an exciting addition.

MEDICLINIC AL NOOR HOSPITAL

interfacing. In near-real time Mediclinic is able to send data to the DoH on patient demographics, allergies, radiology, lab reports, medication orders and dispensing. Dubai's HIE platform has been announced and Mediclinic is working with the DHA to plan the project timelines.

MARKET OVERVIEW

The Middle East remains a long-term growth market for the provision of high-quality private healthcare services, driven by the expatriate market and ageing local population facing an increased incidence of lifestyle-related medical conditions. Before COVID-19, the macroeconomic conditions, which for the region correlate with the oil price, were challenging. However, the Group remains confident in its Middle East growth strategy with the newest hospital, Mediclinic Parkview Hospital, continuing to perform ahead of expectations, The imminent extension and new Comprehensive Cancer Centre at Mediclinic Airport Road Hospital is an exciting addition. COVID-19 has given Mediclinic the opportunity to expedite growth plans across the continuum of care, in areas such as telemedicine, pharmacy delivery, laboratory and homecare.

Competition in the UAE's private healthcare sector remains strong. However, there is a significant degree of variability in the types of services offered, the breadth and depth of clinical expertise, business and operating practices, patient experience and clinical outcomes. With a maturing regulatory environment and increasing focus on greater transparency coupled with the macroeconomic challenges, it is proving hard for some providers to operate in the region and market consolidation is likely.

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 unfortunately are still prevalent in some areas of the market, and to focus on quality performance and outcome measures. The COVID-19 crisis has seen a further deepening of cooperation and partnership between the private and governmental healthcare sectors, and Mediclinic Middle East is seen as pivotal to the UAE's COVID-19 response. The senior management teams will continue to provide the authorities their unwavering support, with Mediclinic remaining an integral part of the healthcare delivery system in the region.

OUTLOOK

In 2019, the UAE witnessed improved growth in gross domestic product ('**GDP**') compared to 2018, increasing by an estimated 2.9% (UAE Central Bank). This was primarily driven by above-expected growth in the hydrocarbon sector. Although GDP growth was anticipated to continue in 2020 prior to the COVID-19 pandemic, this is now unlikely to be the case after the resulting decline in economic activity, collapse in the oil price and the postponement of Expo 2020. However, the International Monetary Fund predicts the UAE's GDP to recover in 2021, as the COVID-19 situation normalises, consumer confidence returns and oil prices rise. In response to current market conditions, the UAE Government announced in May 2020, a two-phased recovery plan to help shape the economy in the post-COVID-19 world. The first phase includes an AED282.5bn incentives plan to support private sectors most impacted by the pandemic. In the second phase, continuing the diversification strategy away from the dependence on hydrocarbons, which was already leading to new opportunities for industries, including private healthcare, there will be the injection of a long-term stimulus plan coupled with major investment in sectors such as the digital and green economies.

Prior to COVID-19, Mediclinic's focus was to build on the opportunities which have arisen along the continuum of care, including the utilisation of digital innovations and genomics. COVID-19 has widened these opportunities while sharpening the division's focus. In parallel, to deliver on the Group's long-term growth strategy, Mediclinic Middle East will continue supporting its medical practitioners to grow their patient volumes through providing new services across the continuum of care underpinned by the brand and reputation of a leading international healthcare group; ensuring timely delivery of projects under construction; and effectively integrating new investments into the division.

Q&A

WITH MR DAVID HADLEY

"

Q What achievement by the division were you most proud of in FY20?

Against a backdrop of tough economic conditions and the entrance of significant new competitors to the market, I was proud of our revenue growth during the year under review, despite being behind our initial expectations. This was underpinned by the success of Mediclinic Parkview Hospital. I am also pleased at the progress we have made in cementing our long-term relationship with the UAE Government and healthcare regulatory authorities, with Mediclinic becoming a trusted partner and advisor on healthcare-related matters. We are also very proud of the fact that we have managed to begin our journey into the growing healthcare market of Saudi Arabia.

Q How has the division shown agility and expertise in dealing with the COVID-19 pandemic?

In each emirate we have had to adapt rapidly to new regulations and scenarios which change on a daily basis. We have been actively working with governments across the UAE on a number of initiatives, which have included the rapid set-up and deployment of field hospitals, quarantine facilities, mass testing centres and COVID-19 laboratories, as well as telemedicine, pharmacy home delivery and homecare services. I am confident that the agility we have shown in responding to the pandemic so far will stand us in great stead as we move forward in a new post-COVID-19 world.

Q What are your thoughts looking ahead to the future?

I have always been proud of the way our employees have worked together as a team. Now, more so than ever, they are showing solidarity, agility, integrity and a can-do attitude. Their commitment is not only noticed by Mediclinic's executive management but by key external stakeholders, including patients and government. Thanks to these efforts, we are now held in even greater regard by the authorities and we are working with them on strategies to further advance healthcare in the UAE.

VIABILITY STATEMENT

ASSESSMENT OF LONGER-TERM PROSPECTS

The Group's purpose is to enhance the quality of life with a vision to be the partner of choice that people trust for all their healthcare needs. Mediclinic's business model enables it to quickly respond to opportunities and risks, while safeguarding employees, clients and the interests of stakeholders. The Group seeks to achieve superior long-term financial returns by managing its resources to the benefit of all stakeholders.

Refer to the ***Business model*** on page 14, the ***Investment case*** on page 16 and ***Strategy, goals and progress*** on page 36.

ASSESSMENT OF VIABILITY

The assessment of viability is an extension of the risk management and annual financial planning process which informs the Group's business plan. The Board has adopted a five-year time frame for the assessment, in line with the Group's business planning period which largely reflects the benefit of investments made in the present period.

The business plan reflects the Group's strategy, associated risks and the directors' best estimate of its prospects. Fundamental to the assessment of the Group's prospects is the long-term business model of quality service delivery and revenue growth under acceptable 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 an extension of the key assumptions to the forecast period. The budgets and five-year plans, including the Group strategic goals and objectives, are iteratively reviewed and finally approved by the divisional executive committees, the Group Executive Committee and the Board.

The five-year period extends beyond the maturities of a material portion of the Group's borrowings in each division. The Group expects to be able to refinance existing borrowings on broadly similar terms and conditions before the existing facilitates expire. The maturity profile of the Group's borrowings is shown in note 3.1 (c) of the ***Group financial statements*** on page 257.

In the context of the uncertainty that COVID-19 presents to business, including the healthcare sector, the Group delayed the conclusion of its annual financial planning process and approval by the Board to incorporate the material impact that COVID-19 is expected to have on financial performance. The COVID-19-adjusted budget is informed by:

- The spread of COVID-19 in the countries of operation, incorporating the general capabilities of the governmental systems (including the health system as a whole) to contain and treat the COVID-19 pandemic;
- The economic impact of COVID-19 and its aftermath;
- The expected impact of the above on revenue; and
- The mitigating actions in respect of any anticipated loss of revenue.

The Group has put in place appropriate structures and processes to monitor and mitigate against existing and emerging risks to the business. While recognising the ongoing acute care and emergency services offered across the Group which underpin revenues, there remains a risk to elective procedures and outpatient activity from a continuation or reintroduction of lockdown and other measures in response to the pandemic, the availability of staff and a disruption in the supply chain. This will be partially offset by the Group's response to the crisis, and the potential increase in demand from postponed elective procedures and outpatient activity as restrictions are relaxed. Despite the measures taken, there remains a significant risk to the Group's financial performance for at least the next 12 months.

The Group has taken several actions to preserve liquidity throughout the impact of the COVID-19 pandemic on the business. These include the postponement of all non-urgent and non-committed capital programmes, agreeing certain covenant test waivers with the lenders up to and including 31 March 2021 and the suspension of the dividend.

In addition, month-by-month scenario analyses were performed up to September 2021 per division. Refer to the ***Group Chief Financial Officer's Report*** and note 3.1 of the ***Group financial statements***. On a divisional level, the potential impact of each scenario and certain scenarios in combination, which included a severe but plausible COVID-19 downside case scenario, were modelled and assessed on EBITDA or profit after tax (as appropriate), net debt and debt covenants over the five-year forecast period. In the base case, revenue was projected to be impacted severely in the first half of the financial year, with some months, on a constant currency basis, down between 44% and 50% compared with the prior year and a gradual recovery in the second half of the financial year. In the COVID-19 downside case, the Group's revenue was forecast to be impacted further by up to 15% per month, on a constant currency basis in FY21 compared with the base case. The severe but plausible downside scenarios were established taking account of the potential for a longer and deeper impact from COVID-19 on the Group's business performance.

The Audit and Risk Committee monitors the Group's robust risk management process and system of internal control, as mandated by the Board (see page 176). The principal risks as detailed on pages 120–123 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 divisions to form the basis for assessment.

The principal risks and related key assumptions underlying each of the divisions' business plans that were stress tested are set out below:

KEY ASSUMPTION STRESS TESTED	PRINCIPAL RISK	DIVISION STRESS TESTED
Reductions in tariffs and fees	• Economic and business environment • Regulatory and compliance risk • Pandemics and infectious diseases	Hirslanden Mediclinic Southern Africa Mediclinic Middle East
Reduction in volumes	• Competition • Economic and business environment • Regulatory and compliance risk • Pandemics and infectious diseases (includes impact of lockdown and other measures in response to the COVID-19 pandemic)	Hirslanden Mediclinic Southern Africa Mediclinic Middle East
Deterioration in insurance mix	• Regulatory and compliance risk	Hirslanden
Increases in interest rate	• Availability and cost of capital	Hirslanden
Downturn in the macroeconomic and business environment	• Economic and business environment	Hirslanden Mediclinic Southern Africa Mediclinic Middle East
Shortage and availability of qualified and experienced healthcare employees	• Availability, recruitment and retention of skilled resources and medical practitioners	Mediclinic Southern Africa
Adverse regulatory changes	• Regulatory and compliance risk	Hirslanden Mediclinic Southern Africa Mediclinic Middle East
Efficiency improvements and cost savings not fully realised	• Operational and credit risk	Hirslanden
Investment in Group initiatives not being successfully implemented	• Information systems security and availability risk	Hirslanden
Deterioration in accounts receivable collection	• Operational and credit risk	Mediclinic Middle East

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, *ceteris paribus*, by taking management action with the key mitigating steps being a reduction in discretionary investment, cost management initiatives, drawdown of overdraft facilities and improvement in net working capital days.

Due to the uncertainty associated with its severity, duration and full extent, there remains a risk that the actual impact of the COVID-19 pandemic and its economic aftermath could be worse than the severe but plausible downside scenario. Depending on the circumstances, there would be further mitigating actions available to the Group to seek to mitigate this risk.

While recognising that there remains significant risk to the Group's financial performance for at least the next 12 months, the directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due, in the ordinary course of business, over the five-year period of their detailed assessment, ending on 31 March 2025. In making their assessment, the directors have assumed that there will be no material change compared to the current post-COVID-19 environment in the assumed business and regulatory environments as such assumptions are subject to a level of uncertainty and judgement for outcomes which cannot be projected and foreseen.

EMERGENCY PREPAREDNESS SUMMARY

The system that prepares, protects and mobilises Mediclinic during the COVID-19 pandemic

ACTIONS

- Access control at all facilities
- Redeploying suitable employees to support emergency operations
- Acquiring additional ventilators and related consumable products
- Expanding ICU capacity where possible
- Establishing additional laboratory facilities
- Proactive procurement of critical PPE, medication, consumables and ICU equipment
- Donation to charities supporting COVID-19 of up to 30% of salaries or fees for three months by Group Executive Committee members and Board of Directors

CONTINUOUS EXTERNAL STAKEHOLDER CONSULTATION

Clients
24/7 call centres, online risk assessment tools, awareness campaigns

Governments and authorities

Healthcare insurers

Industry associations
Consultation with more than 55 professional societies and epidemiology experts

Investors

Media

Medical practitioners
Communication via live broadcasts, virtual meetings

Suppliers

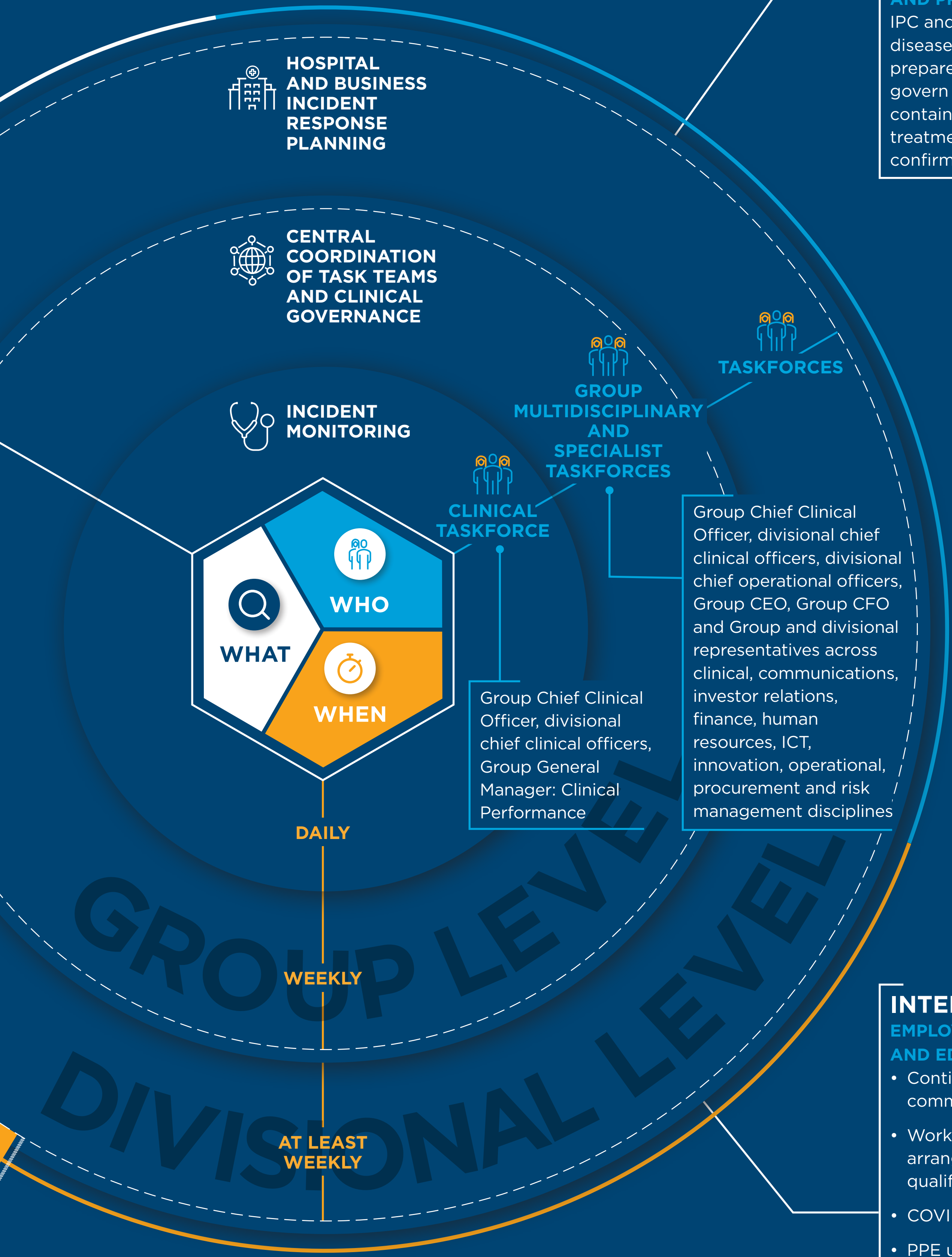
CONSEQUENT SOLUTIONS

- Rapid deployment of telemedicine
- Drive-through pharmacy services
- Home delivery service for prescription medication
- Central procurement and resource management
- Design of rapidly deployable negative pressure room

INTERNAL

EXISTING IPC SPECIALISTS AND PROCESSES

IPC and communicable disease emergency preparedness programmes govern admission, containment, triage and treatment of suspected or confirmed COVID-19 cases



INTERNAL

EMPLOYEE PROTECTION AND EDUCATION

- Continuous communication
- Work-from-home arrangements for qualifying employees
- COVID-19 training
- PPE use protocols
- Screening and self-isolation of employees
- Redeploying vulnerable frontline employees to lower-risk units

> LIFE-SAVING RECIPROCATED

Through the donation of PPE, Mrs Veronica Schmitt, a Mediclinic client, is helping to look after the doctors who once saved her life.

Mrs Veronica Schmitt

It began with a visit to the emergency centre. 'I'd just come back from London in late February and I was having trouble breathing. The outbreak was top of mind there and I was worried that I might have COVID-19. Luckily, I tested negative – it was bacterial pneumonia,' recalls Mrs Veronica Schmitt (32). But looking around the emergency centre of Mediclinic Bloemfontein in South Africa, she realised that soon PPE would be in high demand. Her plan? To make face masks and donate them to the hospital.

Just a few months previously she'd been in that same emergency centre and doctors had saved her life. 'When I came to, I was very distraught. But the nurses and doctors held my hand and set me at ease.' She resolved to pay their care and compassion forward.

'I'm a self-taught seamstress that always has fabric lying around, so I thought the shortage of masks was a problem I could solve. I started researching the requirements, but it was a process of trial and error to make them. After I'd tried three patterns, I ended up designing my own mask that fits the nose and chin. Now I can make 10–15 masks in an hour. Each consists of four layers and uses 100% tightly woven cotton and surgical spunbond to filter out disease-carrying particles.'

When not making masks, Mrs Schmitt works as a digital forensic scientist and is part of an international collective to improve healthcare through computer security. Through her global network she learned of the efforts to 3D print face shields and expanded her production. 'As part of the Ruach 3D initiative, we're also producing full face shields. Our goal is to provide PPE for all the frontliners – to date we've done 229 face shields and 350 masks.'

Twelve years ago, the operation to fit the pacemaker that would change her life was in jeopardy due to a lack of funds. Her cardiologist at the time, Dr Nico van der Merwe, arranged for donation of a device and Mediclinic Bloemfontein waived some of the fees. 'I fell in love with healthcare right then,' she says.

Today Mrs Schmitt is providing essential PPE to that same hospital. 'When I talk to some of the doctors who have received our donations, I realise they know me, I know them. We've walked a long road together over the years. They didn't know that when they saved my life, I would end up contributing to keeping them safer.'

'We under-estimate the effect we have on the lives of the thousands of patients that receive treatment in our facilities every year,' says Mediclinic Group CEO Dr Ronnie van der Merwe. 'This is a striking example of how grateful some of our patients are, and how they reciprocate the care they received from us.'

> "We under-estimate the effect we have on the lives of the thousands of patients that receive treatment in our facilities every year.
>
> **Dr Ronnie van der Merwe**
> Group Chief Executive Officer

RISK MANAGEMENT, PRINCIPAL RISKS AND UNCERTAINTIES

The Board is ultimately accountable for the Group's risk management processes and internal control system. It has delegated responsibility to the Audit and Risk Committee for overseeing and reviewing the efficacy of these arrangements as well as that of the Group's internal and external auditors. The Board receives regular updates on the activities of the Audit and Risk Committee.

RISK MANAGEMENT

The Group's ERM policy is reviewed annually and follows the framework set by the international Committee of Sponsoring Organisations of the Treadway Commission. The policy defines the risk management objectives, methodology, risk appetite, risk identification, assessment and treatment processes, and the responsibilities of the various risk management role players in the Group. Any policy amendments are subject to the approval of the Audit and Risk Committee.

The objective of risk management in the Group is to establish an integrated and effective risk management framework wherein important and emerging risks are identified, quantified and managed. An ERM software application supports the Group's risk management process in all three divisions and at Group level. The Group's principal risk items (grouped by category and business process); the movement in risk during the reporting period; and key measures taken to mitigate these risks, are listed in the table below and on pages 120–125.

REFERENCE	RISK CATEGORY	BUSINESS PROCESSES
	Strategic and business environment	• Strategy formulation and implementation • Strategic investments and projects
	Financial and reporting	• Revenue cycle • Procure-to-pay cycle • Financial management and control • Treasury • Health information (including coding)
	Operational	• Infrastructure • Marketing and corporate communication operations
	Information technology	• ICT and related projects
	Regulatory compliance	• Legal and secretarial • Governance, risk and compliance • Environmental management
	Clinical	• Clinical • Nursing • Pharmacy • Coding
	People	• Human resources • Payroll cycle

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks are determined through a strategic risk review process whereby each division's executive committee as well as the Group Executive Committee reassess the top risks which could impact on the achievement of strategic objectives. Related risks are aggregated and grouped to determine the principal risks.

Changes to principal risks

The entry for 'Pandemics and infectious diseases' was previously included under 'Clinical risks' and is now shown as a separate principal risk.

PRINCIPAL RISKS	MOVEMENT IN FY20	RISK DESCRIPTION	RISK MITIGATION
1 Pandemics and infectious diseases	The increasing risk relates to the COVID-19 pandemic.	An epidemic occurs when an infectious disease infects many people rapidly; a pandemic occurs when it spreads to multiple countries and continents. These risks refer to the Group's ability to respond effectively to the potential adverse clinical, operational and business effects caused by a pandemic or infectious disease.	• Effective triage system • Hospital and business incident response planning • Central coordination of task teams and clinical governance • Incident monitoring • Financial scenario planning • Communication strategy
2 Economic and business environment	The global economic environment and outlook deteriorated.	These risks relate to the downturn in the general economic and business environments impacting on the affordability of healthcare for funders and self-paying patients. The business environment risks include the power of funders and the potential negative impact on tariffs and fees resulting from the shift of the relative negotiating power away from healthcare service providers towards funders.	• Systems to monitor developments and trends in the economic and business environments and early warning indicators • Proactive monitoring and negotiation by the Group's Funder Relations functions • Focus on quality and continuum of care to reinforce the Group's market position

PRINCIPAL RISKS	MOVEMENT IN FY20	RISK DESCRIPTION	RISK MITIGATION
3 Regulatory and compliance	The increasing risk relates to the continued healthcare reform and the introduction of new legislation or regulations.	These risks relate to adverse changes in legislation and regulations impacting on the Group or where the failure to comply with legislation and regulations may result in losses, fines, penalties or damage to reputation. The Group is also exposed to an increasing compliance monitoring cost. The risks include healthcare reform by regulators aimed at reducing the cost of healthcare; broadening the access to quality healthcare; and increasing quality standards monitoring by regulators.	• Proactive engagement with stakeholders • Health policy units created to conduct research and to provide strategic input into reform processes • Active industry participation across all divisions • Company Secretarial, Legal and Compliance functions 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
4 Competition	Providers in the healthcare market remain competitive.	These risks relate to the uncertainty created by existing and/or emerging competitors with strong strategies. The risks include 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
5 Information systems security and cyberattacks	The increased risk relates to the continued external threats arising from cyberattacks and breaches.	Information systems security risk and cyberattack risks relate to the unauthorised access to information systems through external or internal attack or unauthorised breaches resulting in the unavailability of systems, failure of data integrity and loss of confidential data.	• Comprehensive information systems identity access management, change and physical access controls • Regular security reviews • Disaster recovery planning • Group information security and data privacy policies • Group ICT security committee
6 Disruptive innovation and digitalisation	The increased risk relates to increased demand from clients and stakeholders for adoption of digital solutions and innovation.	Disruptive innovation and digitalisation risks include the disintermediation and erosion of the Mediclinic business model due to the impact of technological development. It refers to the extent and speed at which new technologies (and combinations thereof) change and transform industries, and to what extent an organisation can exploit these opportunities by being responsive and innovative, while managing associated risks.	• Strategic planning processes • Proactive monitoring • Systems to monitor developments and trends in the economic and business environments and early warning indicators

PRINCIPAL RISKS	MOVEMENT IN FY20	RISK DESCRIPTION	RISK MITIGATION
7 Availability, recruitment and retention of skilled resources and medical practitioners	Vacancies and turnover ratios in respect of skilled resources and medical practitioners are expected to remain at similar levels to the prior reporting period.	There is a shortage of skilled labour, particularly a shortage of qualified and experienced nursing employees in Southern Africa. The availability and support of admitting medical practitioners, whether independent or employed, are critical to the Group's services.	• Systems to monitor satisfaction, movement and profiles of medical practitioners • Details on the relationship and engagement with medical practitioners provided in the **2020 Sustainable Development Report** • Employment, recruitment and retention strategies explained in the **2020 Sustainable Development Report** • Extensive training and skills development programme and foreign recruitment programme explained in the **2020 Sustainable Development Report**
8 Business projects	This risk decreased during the year under review.	The Group plans to adapt to the evolving operational and regulatory environment and healthcare market. These risks refer to issues or occurrences that could interfere with successful completion of projects, including timelines, cost and quality.	• Effective project governance practices, methodologies and reporting • Experienced project management teams • Proactive monitoring and oversight
9 Clinical	Clinical processes across all divisions remained a key focus area for the Group. Risk exposure remained at a comparable level to the prior reporting period.	These risks relate to all clinical risks associated with the provision of clinical care resulting in undesirable clinical outcomes. Clinical risks are managed daily at all facilities. High-priority clinical risk areas include patient safety culture, adverse obstetric outcomes, medication errors, surgical and procedural adverse events and multidrug-resistant organisms. Such risks may also result in damage to Mediclinic's reputation and impact on brand equity[1].	• Refer to the **2020 Clinical Services Report** for a detailed analysis of the strategies to manage and monitor clinical risks • A Group-wide clinical risk register implemented per division • Accreditation processes • Clinical governance processes • Monitoring of clinical performance indicators • Focus on quality management processes • Stakeholder engagement and disclosure strategies • Clinical audits
10 Availability and cost of capital (including financing and liquidity risks)	Interest rates are expected to remain at comparable levels during 2020. Long-term financing arrangements are in place.	These risks relate to the cost, terms and availability of capital to finance strategic expansion opportunities and/or the refinancing or restructuring of existing debt affected by prevailing capital market conditions. All three divisions have recently refinanced their debt and, therefore, maturities are relatively long dated. The nearest term material maturity is a Swiss bond due in February 2021. An unutilised bank facility is in place to fully repay the bond.	• 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 • Systems to monitor compliance with requirements of debt covenants • Further details on capital risk management and the Group's borrowings contained in the ***Group financial statements***

Note

[1] Brand equity refers to the commercial value derived from the consumer perception of the Group's brand names rather than the services provided under those brand names.

PRINCIPAL RISKS	MOVEMENT IN FY20	RISK DESCRIPTION	RISK MITIGATION
11 Operations and credit	The operational and credit risks did not change significantly and remained stable.	Operational risks refer to diverse types of operational events with a potential for financial loss, operational interruptions or reputational damage. Credit risks relate to possible 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. Credit risk with respect to trade receivables consists mainly of medical schemes and insurance companies which are required to maintain minimum reserve levels. In Switzerland and the UAE a large part of trade receivables are owed by cantonal or government-funded programmes that support healthcare providers with early release of payments due to them during COVID-19 business disruptions.	• Preservation of a sound internal financial control environment • Effective operational risk management processes • Effective monitoring and oversight of operations • Regulated minimum solvency requirements for funders • Monitoring of approved funders • Group Treasury Policy
12 Quality of service and operational stability	These risks did not change significantly and remained stable.	These risks refer to the quality of service and the stability of the operations, including: • incidents of poor service or where operational management fails to respond effectively to complaints; • operational interruptions which refer to any disruption of the facility and may include the threat of disrupted electricity or water supply; and • fire and allied perils causing damage or business interruption.	• Patient satisfaction surveys (both internal and external) • Complaints monitoring • Training programmes and supervision of service levels • Emergency backup electricity generation • Emergency and disaster planning • Extensive fire-fighting and detection systems, including comprehensive maintenance processes • Comprehensive insurance cover for financial impact of potential disasters
13 Business investments and acquisitions	The investment and governance processes were strengthened during the year under review.	These risks relate to increased financial exposure due to major strategic business investments and acquisitions. They include the sensitivity of the assumptions made when capital is allocated and the effective implementation of major investment decisions.	• Strategic planning processes • Due diligence processes • Investment mandates • Board oversight • Post-acquisition management processes

Key

Risk exposure has increased due to change in business environment; increased investments; increased dependency of operations on IT; information sensitivity; and associated cost.

Proactive and continuous monitoring; favourable results of negotiations; effective treasury; and risk management processes have resulted in lowering of risk exposure.

Risk exposure has remained largely unchanged as the operating and regulatory environments have remained stable, and enhanced risk mitigation measures have kept the risk at same level.

COVID-19 PANDEMIC

Mediclinic facilities and the communities in which the Group operates have been affected by the spread of the COVID-19 pandemic. Mediclinic responded quickly to the potential consequences. A central taskforce was established to centrally coordinate the Group's response and ensure that clinical protocols and best practices are shared across the Group. The taskforce supports the divisions with the establishment of contingency plans with due consideration for any impact on supply chain, ICT, finance, risk and human resource capacity. Mediclinic is working closely with governments and regulators in each of its respective geographies to combat the pandemic and support the different initiatives being implemented. The Group continues to monitor the developments and is constantly re-evaluating its response to this dynamic and rapidly evolving situation.

The areas considered to have the biggest potential operational impacts on Mediclinic, together with the related mitigating steps are set out in the table below:

AREA OF IMPACT	MITIGATING STEPS
Preparedness to deal with potential surge of patients with COVID-19	Various initiatives create additional capacity in frontline resources, including: • suspending non-essential elective procedures and outpatient activities; • redeploying employees to support emergency areas within hospitals; • identifying suitably qualified and skilled employees who are available to be redeployed if needed (i.e. clinically qualified employees working in non-clinical positions and employees in teaching positions); • acquiring additional ventilators and related consumable products; and • expanding ICU capacity where possible.
Safety and quality of care of both COVID-19 and non-COVID-19 patients	• Equipped with clearly defined IPC and communicable disease emergency preparedness programmes that govern admission, containment, triage and treatment of suspected or confirmed COVID-19 cases. • Equipped with experienced IPC teams. • Established additional laboratory facilities to support COVID-19 testing. • Launched telemedicine and pharmacy home delivery services for prescription medication; created drive-through pharmacies. • Identified separation areas in hospitals and sufficiently prepared these for IPC and treatment. • Established alternative interim facilities to admit asymptomatic and low-acuity cases. • Established 24/7 patient call centres and crisis control centres. • Maintain updated websites and developed online risk assessment tools; software development to support various tracking and testing initiatives; and guidelines available to employees and patients.
Safety of healthcare workers, doctors and employees where the contagiousness of the disease could reduce availability of healthcare workers and supporting staff	• Established appropriate measures and programmes to provide employees with COVID-19 training. • Adherence to all the necessary precautions to limit the spread of COVID-19 in Mediclinic facilities. • Adherence to protocols on the safety of healthcare workers and the use of PPE, including screening and self-isolation of employees based on official case-definitions. • Identification and redeployment of employees with underlying health conditions to lower-risk units.
Supply chain risks where certain supplies are difficult to source due to high global demand and global shortages	• Response strengthened by the Group's global sourcing capability. • Coordinated and proactive measures taken by Procurement functions on three continents to secure the supply of critical PPE, medication, consumables and ICU equipment.

"

The Group has established the necessary structures and processes to monitor and mitigate existing and emerging risks to the business, with the main focus areas being people, supply chain and liquidity.

As with most industries and companies, the full impact of the COVID-19 pandemic on Mediclinic is currently uncertain. The Group has established the necessary structures and processes to monitor and mitigate existing and emerging risks to the business, with the main focus areas being people, supply chain and liquidity.

The pandemic and its consequent national lockdowns and associated actions suspending non-urgent elective procedures are likely to have a significant impact on the Group's financial performance for FY21. This will be offset by Mediclinic's response to the crisis in addition to the ongoing range of primary and acute care services offered across the Group.

At 31 March 2020, the Group had material headroom to covenants in its existing debt facilities and a strong liquidity position heading into the global pandemic. To further support the Group's liquidity position, all non-urgent and non-committed capital programmes have been postponed.

As part of the Group's proactive measures, certain covenant test waivers have been agreed in respect of its material borrowings across all three divisions up to and including March 2021. This allows the Group to focus on the vital role it plays during the pandemic and to prepare for the anticipated increase in demand from postponed treatments once the peak of the pandemic subsides. The Group has no material near-term debt maturities with the next being at Hirslanden where a CHF145m Swiss bond is due in February 2021. An unutilised bank facility is available to fully repay the bond.

BREXIT

The UK left the European Union ('**EU**') at the end of January 2020 and entered into a withdrawal agreement with the EU. The agreement introduced a transition period until 31 December 2020 during which the UK and EU trading relationship remains in place.

The Group does not expect that a new trade agreement between the UK and the EU will have a material impact on any of its divisions in Switzerland, South Africa, Namibia or the UAE, however, Mediclinic may be impacted through its investment in Spire as these operations are UK-based.

The board of Spire has reported Brexit as one of its principal risks and has communicated to the market its position and assessment thereof in its annual report. The areas considered to have the biggest potential impacts relate to:

- supply chain risks where more than 80% of the goods that Spire uses to operate its hospitals come into the UK from or via the EU;
- the impact on employees where Spire reported that less than 10% of its employees are EU citizens; and
- the risk of increased costs which may occur due to EU imports being subject to customs charges and tariffs.

GOVERNANCE AND REMUNERATION REPORT

"

Across all three geographies, Mediclinic offers training opportunities to the workforce of tomorrow.

Dr Ronnie van der Merwe
Group Chief Executive Officer

In light of the continued global shortage of healthcare employees, Mediclinic actively invests in the future workforce. Across the divisions there are training opportunities for healthcare students and support of applicable studies and PPPs are expanding to collaborate with even more leading tertiary institutions.

Refer to the **2020 Clinical Services Report** and **2020 Sustainable Development Report** at annualreport.mediclinic.com for more information.

GOVERNANCE AND REMUNERATION REPORT


EXIT

CHAIR'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 are embedded in the Group's purpose, vision and organisational culture. Mediclinic's corporate governance structures support the effective delivery of the Group's strategy and the Group's commitment to responsible corporate citizenship in every country and community in which it operates. These are fundamental to building and maintaining a sustainable business in a challenging and ever-changing environment. The ***Corporate Governance Statement*** that follows provides feedback on the governance framework, how it was applied and the Board's key areas of focus during the period under review.

Mediclinic's purpose, vision and organisational culture, including its values, provide the foundation for its approach to business. These aspects are actively managed by the Group's leadership, closely monitored by the Board and embedded across all levels of its operations, as evidenced in the **Strategic Report** and this section of the Annual Report. During FY19 and FY20, Mediclinic reviewed its corporate governance arrangements in the light of the 2018 Corporate Governance Code and formalised or strengthened existing procedures where required.

The validity and resilience of our corporate governance is being tested in new ways by the COVID-19 pandemic. At the date of this report, it has continued to provide the Group with a robust and clear decision-making framework and process. Our delegated authorities enable decisions to be made by the right people at the right level, while ensuring accountability to the Board and an appropriate level of scrutiny, debate and support from directors. However, the Board will continue to review the effectiveness of these arrangements and build on them as necessary to ensure the Group's corporate governance framework remains effective and reflective of good governance practice.

Mediclinic has a strong track record of following a holistic approach which balances its financial returns with its ethical responsibility towards all its stakeholders and the environment. The Group has also had to respond to the opportunities and challenges presented by the growing impact of climate change. An important step we have taken during the year under review has been the recent adoption of the Mediclinic Sustainable Development Strategy which brings together the various ESG initiatives across the Group and enables the implementation of a structured, consistent and systematic approach in this regard. The Board and, in particular, the Clinical Performance and Sustainability Committee will be monitoring closely the progress and outcomes of this strategy, albeit we recognise that the original timelines may need to be adjusted in the wake of the COVID-19 pandemic.

At the Company's 2019 AGM, the resolutions to approve Mediclinic's Directors' Remuneration Report (Resolution 2) and to authorise the directors to allot ordinary shares

"The validity and resilience of our corporate governance is being tested in new ways by the COVID-19 pandemic. At the date of this report, it has continued to provide the Group with a robust and clear decision-making framework and process.

(Resolution 18) received 71.44% and 78.88% support from shareholders respectively. In accordance with the 2018 Corporate Governance Code, the Company sought to engage with key shareholders to ensure it fully understood the reasons behind the result. The outcome of this engagement is described in the ***Remuneration Committee Report*** on page 194 and in the 'Shareholder engagement' section of the ***Corporate Governance Statement*** on page 156 respectively.

Every director has continued to demonstrate their commitment to Mediclinic throughout FY20 and up to the date of this report, through their meeting attendance and the high quality of their contributions at those meetings. The attention paid by the Nomination Committee to long-term succession planning and refreshment of the Board ensured a smooth transition after Mr Desmond Smith's retirement following the Company's 2019 AGM, with Mr Alan Grieve assuming the role of SID and Chair of the Audit and Risk Committee, and the appointment of Mr Tom Singer as an independent non-executive director and member of the Audit and Risk Committee and Remuneration Committee, following a rigorous and thorough process. Mr Singer's financial background and expertise in UK-listed international hospitality and branded consumer businesses have been valuable additions to the Board's existing skill-set.

As SID, Mr Grieve went on to lead the panel tasked to identify my successor. Board members and senior management alike were delighted to welcome Dame Inga Beale as an independent non-executive director and Chair Designate at the conclusion of a thorough, independent and well-executed process. She has a clear understanding of our strong culture and values, and will align readily with our business. Core to these matters are our stakeholder commitment to deliver sustainable high-quality healthcare services and our purpose to enhance the quality of life. Dame Inga will expertly lead the Board in pursuit of these objectives, including overcoming the challenges posed by the COVID-19 pandemic. Lastly, on behalf of the Board, I once again thank Mr Seamus Keating for his commitment and valued contributions to the Board and the Group over the past seven years and we wish him well in his new demanding role.

Further details of our corporate governance framework are included in this Annual Report, as well as in the **2020 Clinical Services Report** and the **2020 Sustainable Development Report** available at annualreport.mediclinic.com.

I remain confident that the Board, supported by an effective senior management team and governance structure, is well placed to continue to drive long-term value for stakeholders and maintain Mediclinic's market-leading positions.

Dr Edwin Hertzog
Non-executive Chair

BOARD OF DIRECTORS

The biographies of the directors and their committee membership at 1 June 2020 (the '**Last Practicable Date**') are set out below.

DR EDWIN HERTZOG

NON-EXECUTIVE CHAIR

NATIONALITY South African

DATE OF APPOINTMENT
Non-executive Chair since February 2016.

RESPONSIBILITIES AND CONTRIBUTION TO THE COMPANY
As Chair, Dr Edwin Hertzog provides strong leadership to the Board, ensures the effective performance of the Board and leads by example by promoting a culture of openness and rigorous debate. He upholds the highest standards of corporate governance and works closely with the Group CEO to ensure implementation of Board-approved actions. He also facilitates constructive Board relations and the effective contribution of all non-executive directors and seeks to ensure that the Company maintains effective communications with shareholders and that the Board has a good understanding of their views. He is Chair of both the Nomination Committee and the Investment Committee and is a member of the Clinical Performance and Sustainability Committee.

SKILLS AND EXPERIENCE His long and successful career in healthcare provides valuable insights into leading an international healthcare business, with Dr Hertzog having held various senior leadership positions, both at management and Board level. He has extensive knowledge and experience of chairing boards, developing and implementing strategy, capital markets as well as investor and stakeholder management.

Dr Hertzog has more than 36 years' experience in executive and non-executive roles within the Group. He was appointed as the first managing director of Mediclinic International Ltd (then Medi-Clinic Corporation Ltd) in 1983 and was instrumental in its listing on the JSE three years later. He also served as executive Chair of Mediclinic International Ltd from 1992 until August 2012, whereafter he became non-executive Chair. He has led the Board as non-executive Chair since February 2016. He also served as a non-executive deputy Chair of Remgro and was previously the Chair of the Council of Stellenbosch University.

KEY EXTERNAL APPOINTMENTS Dr Hertzog has no external public appointments.

QUALIFICATIONS Dr Hertzog holds an MBChB (Stellenbosch University); MMed (Anaes) (Stellenbosch University); an FCA (SA) (Fellowship of the College of Anaesthetists of South Africa); and a PhD in Philosophy *honoris causa* (Stellenbosch University).

DAME INGA BEALE

CHAIR DESIGNATE AND INDEPENDENT NON-EXECUTIVE DIRECTOR

NATIONALITY British

DATE OF APPOINTMENT
Independent non-executive director and Chair Designate since March 2020.

RESPONSIBILITIES Dame Inga Beale currently serves as a non-executive director of the Company and will succeed Dr Hertzog when he retires after the Company's 2020 AGM. As an independent non-executive director, Dame Inga is responsible for supporting the development of the Group's strategy, providing strategic guidance and scrutinising management's performance and she provides constructive challenge and advice, drawing on her skills, experience and judgement. Since her appointment, Dame Inga has been working very closely with the Chair to ensure that the coming change in the leadership of the Board will be a smooth transition and that the Board will continue to be effective in its performance, promoting the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society. She will also be working closely with other Board members and the senior management team to gain a thorough understanding of the business. She is a member of the Nomination Committee and Remuneration Committee.

CONTRIBUTION TO THE COMPANY AND REASONS FOR ELECTION As an experienced leader, Dame Inga has close to 40 years of experience in global financial services, insurance and risk management in particular, and contributes a wealth of skills and experience to the Board. She brings valuable experience gained through her role as the CEO of Lloyd's of London, where she initiated large-scale digital and cultural transformation programmes and led the business' expansion into Dubai, China and India. She played a critical role in advancing diversity and inclusion initiatives across Lloyd's and the international insurance sector. Her background provides a valuable balance to the Board and brings a different perspective to the Board's debates.

SKILLS AND EXPERIENCE Dame Inga has extensive business management and leadership experience. From 2014 to 2018 she served as the first female CEO of Lloyd's of London, the insurance and reinsurance market. Previously she held various senior leadership positions across the insurance sector, both in Switzerland and internationally, including at Converium, Zurich Insurance Group, Canopius and GE Insurance Solutions.

KEY EXTERNAL APPOINTMENTS Dame Inga currently serves as an independent member of the global strategy board of Clyde & Co LLP and as an independent non-executive director on the boards of Crawford & Company and London First. She also serves on the London Mayor's Business Advisory Board, is Patron of Insuring Women's Futures and Chair of the UK HIV Commission.

QUALIFICATIONS Dame Inga is a chartered insurer having qualified as an Associate of the Chartered Insurance Institute in 1987 and was appointed as Dame Commander of the Order of the British Empire in 2017 for services to the UK economy.

DR RONNIE VAN DER MERWE

GROUP CHIEF EXECUTIVE OFFICER

NATIONALITY South African
DATE OF APPOINTMENT
Group CEO since June 2018.

RESPONSIBILITIES Dr Ronnie van der Merwe is responsible for driving and implementing operational decisions and strategy approved by the Board. He provides detailed insight into the operations of the business, enabling the Board to determine the feasibility and practicality of proposed strategies, goals and direction. He is a member of both the Clinical Performance and Sustainability Committee and the Investment Committee.

CONTRIBUTION TO THE COMPANY AND REASONS FOR RE-ELECTION As a qualified anaesthesiologist in private practice, Dr Van der Merwe gained extensive experience in trauma and elective anaesthesia, intensive care management, and the management of acute and chronic pain. During his involvement in the medical insurance industry, he gained healthcare data management and analytics expertise. He also displays proficiency in clinical leadership and management, as well as in developing and implementing strategic goals.

Dr Van der Merwe has extensive knowledge of Mediclinic's international operations and a strong track record of managing quality and effectiveness. He established the Advanced Analytics, Clinical Information, Clinical Services and Health Information Management functions at Mediclinic, contributing to the growth of the Group.

SKILLS AND EXPERIENCE Dr Van der Merwe has Group-wide experience and possesses in-depth knowledge of Mediclinic's workings, having held a variety of senior roles within the Company. He joined the Company in 1999 and as Chief Clinical Officer took responsibility for various aspects of the business prior to his appointment as executive director and Group CEO of Mediclinic. He was an executive director of Mediclinic International Ltd from 2010, up to the reverse takeover of Al Noor Hospitals Group plc. He was appointed as an executive director and Group CEO of Mediclinic, with effect from 1 June 2018 and also serves as a non-executive director on the board of Spire since 24 May 2018 under the terms of the shareholder agreement between Spire and Mediclinic.

KEY EXTERNAL APPOINTMENTS Non-executive director of Spire.

QUALIFICATIONS Dr Van der Merwe holds an MBChB (Stellenbosch University); a DA (SA) (College of Anaesthetists of South Africa); the FCA (SA) (Fellowship of the College of Anaesthetists of South Africa); and has completed the Advanced Management Program (Harvard Business School).

MR JURGENS MYBURGH

GROUP CHIEF FINANCIAL OFFICER

NATIONALITY: South African
DATE OF APPOINTMENT
Group CFO since August 2016.

RESPONSIBILITIES As Group CFO, Mr Jurgens Myburgh has the primary responsibility for overseeing the financial planning and reporting, risk management and internal controls of the Group. In addition, he oversees the Group's Corporate Finance, Investor Relations and Group Procurement functions. He is also a member of the Investment Committee.

CONTRIBUTION TO THE COMPANY AND REASONS FOR RE-ELECTION Mr Myburgh is a qualified chartered accountant with broad financial and accounting experience obtained during his career of over 20 years. Since joining the Group, he has emphasised the importance of capital management and allocation informed by cost of capital across the Group and driven a structured approach to growth.

SKILLS AND EXPERIENCE Mr Myburgh has gained considerable financial and accounting experience since qualifying as a chartered accountant with KPMG in 2000. He joined The Standard Bank of South Africa Ltd in 2001 and was appointed as Head of Mergers and Acquisitions in 2009. Following this he served as CFO at Datatec Ltd, an international ICT Group, before joining Mediclinic as Group CFO in August 2016.

KEY EXTERNAL APPOINTMENTS Mr Myburgh has no external public appointments.

QUALIFICATIONS Mr Myburgh holds a BComm Hons in Accounting (University of Johannesburg) and is a qualified chartered accountant registered with the South African Institute of Chartered Accountants.

MR ALAN GRIEVE

SENIOR INDEPENDENT DIRECTOR

NATIONALITY British and Swiss
DATE OF APPOINTMENT Independent non-executive director since February 2016. SID and Chair of the Audit and Risk Committee since July 2019.

RESPONSIBILITIES As an independent non-executive director, Mr Alan Grieve is responsible for supporting the development of the Group's strategy, providing strategic guidance and scrutinising management's performance. He provides constructive challenge and advice, drawing on his skills, experience and judgement.

As SID, Mr Grieve also acts as an intermediary for other directors and shareholders and as sounding board for the Chair. He leads the annual appraisal of the Chair's performance and meets with the non-executive directors when necessary. He is available to shareholders should they have any concerns, should contact outside the standard communication channels be required. He is Chair of the Audit and Risk Committee and is a member of both the Nomination Committee and the Investment Committee.

CONTRIBUTION TO THE COMPANY AND REASONS FOR RE-ELECTION Working as an executive and non-executive director across a wide range of business areas, Mr Grieve has gained comprehensive experience in finance and audit and risk management; he also has extensive knowledge of the healthcare sector. This equips him with a strong basis for assessing, and where appropriate, challenging, the financial and risk management framework, which makes him ideally suited to chair the Audit and Risk Committee.

SKILLS AND EXPERIENCE Mr Grieve has significant financial and accounting experience. He began his career in accountancy at the respective auditing firms now known as PwC and EY. He worked for Richemont, the Swiss luxury goods group, as Company Secretary from 1998 to 2004 and as Director of Corporate Affairs from 2004 to 2014. He served as an independent non-executive director of Mediclinic International Ltd from 2012 and as a director of Mediclinic Switzerland AG (now Hirslanden AG) between 2008 and 2012. He served as CFO of Reinet Investments Manager SA and Reinet Fund Manager SA from 2008 to 2011 and was the CEO from 2012 until he retired in 2014. He remains on the board of both companies as a non-executive director.

KEY EXTERNAL APPOINTMENTS Mr Grieve serves as a non-executive director on the boards of Reinet Investments Manager SA and Reinet Fund Manager SA.

QUALIFICATIONS Mr Grieve holds a BA Hons Business Administration (Heriot-Watt University) and is a member of the Institute of Chartered Accountants of Scotland.

DR MUHADDITHA AL HASHIMI

INDEPENDENT NON-EXECUTIVE DIRECTOR

NATIONALITY Emirati
DATE OF APPOINTMENT Independent non-executive director since November 2017.

RESPONSIBILITIES As an independent non-executive director, Dr Muhadditha Al Hashimi is responsible for supporting the development of the Group's strategy, providing strategic guidance and scrutinising management's performance. She provides constructive challenge and advice, drawing on her skills, experience and judgement. She is a member of the Clinical Performance and Sustainability Committee.

CONTRIBUTION TO THE COMPANY AND REASONS FOR RE-ELECTION Dr Al Hashimi has extensive knowledge and experience of the healthcare sector and provides substantial strategic and tactical expertise in operations, fiscal management and negotiating strategic transactions. Dr Al Hashimi contributes valuable insights, especially into the Middle East operations of the Company, and has an excellent understanding of the broader geopolitical landscape, making her a valuable member of the Board.

SKILLS AND EXPERIENCE Dr Al Hashimi has more than 19 years' experience in the healthcare and higher education industry in the UAE, together with strategic and tactical expertise in operations and fiscal management. Previous roles include that 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; CEO of the Mohammed Bin Rashid Al Maktoum Academic Medical Center in Dubai; Deputy CEO of Tatweer LLC; CEO of Dubai Healthcare City (both members of Dubai Holding); and a Director of Education of the Harvard Medical School Dubai Center.

KEY EXTERNAL APPOINTMENTS Dr Al Hashimi is currently a member of the board of trustees and of 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 Genetic Diseases Association. She is the Campus Director of Higher Colleges of Technology Sharjah Women's College in the UAE.

QUALIFICATIONS Dr Al Hashimi holds a BS in Medical Technology (University of Minnesota); an MSc in Clinical Laboratory Services (University of Minnesota); and a Doctor of Public Health (University of Texas).

MR JANNIE DURAND
NON-EXECUTIVE DIRECTOR

NATIONALITY South African
DATE OF APPOINTMENT Non-executive director since February 2016.[1]

RESPONSIBILITIES As the non-executive director representative of Remgro, Mr Jannie Durand is responsible for supporting the development of the Group's strategy, providing strategic guidance and scrutinising management's performance. He provides constructive challenge and advice, drawing on his skills, experience and judgement. He is a member of the Investment Committee and Nomination Committee.

CONTRIBUTION TO THE COMPANY AND REASONS FOR RE-ELECTION Mr Durand has extensive knowledge and more than 20 years of experience in the investment industry and brings substantial strategic and tactical expertise. He contributes valuable insights to the Board's discussions, in particular by drawing on his skills and experience of the investment and capital markets, finance and accounting, risk management, development and implementation of strategy, as well as investor relations. Mr Durand ensures he is available to attend all Board meetings. When he was unable to attend two scheduled meetings of the Investment Committee, he ensured Mr Pieter Uys attended as his alternate and fully briefed Mr Uys beforehand.

SKILLS AND EXPERIENCE Mr Durand served as a non-executive director of Mediclinic International Ltd from 2012 up until the combination of the businesses of the Company (then Al Noor Hospitals Group plc) and Mediclinic International Ltd in 2016. He joined the Rembrandt Group in 1996 and in 2012 was appointed as the CEO of Remgro, which holds a 44.56% interest in the Company. In his role as CEO of Remgro, Mr Durand brings more than 20 years' experience in the investment industry.

KEY EXTERNAL APPOINTMENTS Mr Durand currently acts as a non-executive chair for the following listed companies within the Remgro group: Distell Group Holdings Ltd, RCL Foods Ltd, RMB Holdings Ltd and Rand Merchant Investment Holdings Ltd.

QUALIFICATIONS Mr Durand holds a BAcc Hons in Accountancy (Stellenbosch University); an MPhil in Management Studies (Oxford University); and is a qualified chartered accountant registered with the South African Institute of Chartered Accountants.

Note

[1] Mr Uys, the Head of Strategic Investment at Remgro, was appointed as the alternate director to Mr Durand in April 2016. Prior to joining Remgro, Mr Uys was a founding member and ultimately became the CEO of the Vodacom Group. Mr Uys holds an MEng in Electronic Engineering (Stellenbosch University) and an Executive MBA (Stellenbosch University).

DR FELICITY HARVEY CBE
INDEPENDENT NON-EXECUTIVE DIRECTOR

NATIONALITY British
DATE OF APPOINTMENT Independent non-executive director since October 2017.

RESPONSIBILITIES As an independent non-executive director, Dr Felicity Harvey is responsible for supporting the development of the Group's strategy, providing strategic guidance and scrutinising management's performance. She provides constructive challenge and advice, drawing on her skills, experience and judgement. She is the Chair of the Clinical Performance and Sustainability Committee and a member of the Nomination Committee.

CONTRIBUTION TO THE COMPANY AND REASONS FOR RE-ELECTION Dr Harvey's clinical (and public health) background provides valuable balance to the Board and brings a different perspective to the Board's discussions and to the Clinical Performance and Sustainability Committee, which she chairs, particularly as developments in technology continue to accelerate. With increasing focus on matters such as sustainability, Dr Harvey, as the Chair of the Clinical Performance and Sustainability Committee, plays an important role in supporting management in developing and implementing the Company's sustainability strategy.

SKILLS AND EXPERIENCE Throughout her career, Dr Harvey has gained an in-depth knowledge of the health sector, mainly through her work in the medical field. She was previously Director General for Public and International Health at the UK Department of Health; Director of the UK Prime Minister's Delivery 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. Dr Harvey qualified in medicine in 1980 and was appointed CBE in 2008.

KEY EXTERNAL APPOINTMENTS Dr Harvey is a non-executive director of Guy's and St Thomas' NHS Foundation Trust, London; a visiting professor at the Institute of Global Health Innovation, Imperial College London; a trustee of Royal Trinity Hospice, London; and the Chair of the WHO Independent Oversight and Advisory Committee for Health Emergencies.

QUALIFICATIONS Dr Harvey holds an MBBS (St Bartholomew's Medical College, University of London); a PgDip in Clinical Microbiology (The Royal London Hospital College, University of London); and an MBA (Henley Management College). She is an Honorary Fellow of the Royal College of Physicians and a Fellow of the Faculty of Public Health.

MR DANIE MEINTJES

NON-EXECUTIVE DIRECTOR

NATIONALITY South African
DATE OF APPOINTMENT Non-executive director since August 2018 and the designated non-executive director for workforce engagement since April 2019.

RESPONSIBILITIES As a non-executive director, Mr Danie Meintjes is responsible for supporting the development of the Group's strategy, providing strategic guidance and scrutinising management's performance. He provides constructive challenge and advice, drawing on his skills, experience and judgement. In addition to his role as a non-executive director, as non-executive director responsible for workforce engagement, Mr Meintjes supports the Board in ensuring that workforce policies and practices are consistent with the Company's values and support Mediclinic's long-term success.

CONTRIBUTION TO THE COMPANY AND REASONS FOR RE-ELECTION As the former Group CEO and prior to that, as divisional Human Resources Executive, Mr Meintjes led Mediclinic's efforts to engage with, and invest in, the Company's workforce. With his career background and in-depth knowledge of the Company, he is uniquely positioned to effectively oversee the Company's engagement processes and evaluate the effectiveness and progress in this regard. He brings significant operational, strategic and risk management experience to the Board as well as extensive knowledge of the healthcare sector.

SKILLS AND EXPERIENCE Mr Meintjes served as the CEO of Mediclinic from 2010 up to his retirement on 1 June 2018, remaining on the Board as a non-executive director until 31 July 2018. He was appointed as an executive director and Group CEO 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 Ltd in 2016, he served as the CEO of Mediclinic International Ltd from 2010. He served in various management positions in the Remgro group before joining Mediclinic 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. In 2006 he was seconded to serve as a senior executive of the Group's operations in Dubai and appointed as the CEO of Mediclinic Middle East in 2007. He served as a non-executive director of Spire from 2015, a position from which he retired on 24 May 2018.

KEY EXTERNAL APPOINTMENTS Mr Meintjes serves as a non-executive director of Capitec Bank Holdings Ltd and Capitec Bank Ltd as well as Mercantile Bank Ltd.

QUALIFICATIONS Mr Meintjes holds a BPL Hons in Industrial Psychology (University of the Free State) and completed the Advanced Management Program (Harvard Business School).

DR ANJA OSWALD

INDEPENDENT NON-EXECUTIVE DIRECTOR

NATIONALITY Swiss
DATE OF APPOINTMENT Independent non-executive director since July 2018.

RESPONSIBILITIES As an independent non-executive director, Dr Anja Oswald is responsible for supporting the development of the Group's strategy, providing strategic guidance and scrutinising management's performance. She provides constructive challenge and advice, drawing on her skills, experience and judgement. She is a member of the Nomination Committee and Remuneration Committee.

CONTRIBUTION TO THE COMPANY AND REASONS FOR RE-ELECTION Dr Oswald has extensive experience in the healthcare and medical operational sector. Her role as CEO of a well-established, private clinic provides her with a deep understanding and unique insights into day-to-day operations in the broader political and regulatory context of private healthcare in Switzerland. Dr Oswald brings a wealth of knowledge and practical experience to the Board, making her a valued member.

SKILLS AND EXPERIENCE Dr Oswald was previously Head of Medical and Pharmaceutical Services and Deputy Medical Officer in the Department of Health of the cantonal government in Basel and a member of various cantonal, regional and national committees. She was also CEO of a start-up company in the healthcare sector and worked several years as a medical doctor in various hospitals.

KEY EXTERNAL APPOINTMENTS Dr Oswald is the CEO of the Klinik Sonnenhalde and President of the Association of Private Hospitals in Basel. She also serves on the boards of *Integrierte Psychiatrie Winterthur*, the Alliance for a Free Healthcare System in Switzerland and Zippsafe AG.

QUALIFICATIONS Dr Oswald holds an MD-PhD specialising in Orthopaedic Surgery and Traumatology, as well as in Sports Medicine (University of Basel); an Executive MBA (University of Rochester-Bern); and a certificate of the Swiss Board School at the International Center for Corporate Governance of the University of St. Gallen.

MR TREVOR PETERSEN

INDEPENDENT NON-EXECUTIVE DIRECTOR

NATIONALITY
South African

DATE OF APPOINTMENT
Independent non-executive director since February 2016.

RESPONSIBILITIES As an independent non-executive director, Mr Trevor Petersen is responsible for supporting the development of the Group's strategy, providing strategic guidance and scrutinising management's performance. He provides constructive challenge and advice, drawing on his skills, experience and judgement. Mr Petersen chairs the Remuneration Committee and is a member of the Audit and Risk Committee.

CONTRIBUTION TO THE COMPANY AND REASONS FOR RE-ELECTION Mr Petersen brings significant experience, in-depth knowledge and corporate history of Mediclinic and the healthcare sector, having served as a director through the successful merger of Mediclinic International and Al Noor Hospitals Group plc in February 2016. Through his position as Chair of the South African Institute of Chartered Accountants in 2006 and 2007, Mr Petersen gained valuable experience in finance and accounting, which now informs his roles as the Chair of the Remuneration Committee and a member of the Audit and Risk Committee.

SKILLS AND EXPERIENCE Prior to the combination of the businesses of the Company (then Al Noor Hospitals Group plc) and Mediclinic International Ltd in 2016, Mr Petersen served as an independent non-executive director of Mediclinic International Ltd from 2012. In 1996, he resigned as a lecturer 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 as the partner-in-charge of Cape Town and Chair of the Western Cape region. He is an independent non-executive director on the board of Media24 (Pty) Ltd (a subsidiary of Naspers Ltd) 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 Chair of its national body in 2006 and 2007.

KEY EXTERNAL APPOINTMENTS Non-executive director of Media24 (Pty) Ltd.

QUALIFICATIONS Mr Petersen holds a BComm Hons in Accountancy (University of Cape Town) and is a qualified chartered accountant registered with the South African Institute of Chartered Accountants.

MR TOM SINGER

INDEPENDENT NON-EXECUTIVE DIRECTOR

NATIONALITY British

DATE OF APPOINTMENT
Independent non-executive director since 24 July 2019.

RESPONSIBILITIES As an independent non-executive director, Mr Tom Singer is responsible for supporting the development of the Group's strategy, providing strategic guidance and scrutinising management's performance. He provides constructive challenge and advice, drawing on his skills, experience and judgement. He is a member of the Audit and Risk Committee and the Remuneration Committee.

CONTRIBUTION TO THE COMPANY AND REASONS FOR ELECTION Mr Singer's skills and experience, gained through his long and successful career in finance across a broad range of UK and international branded consumer businesses, including in the healthcare sector, provides important input. He also brings a thorough understanding of the UK-listed company environment. His career and background make him ideally suited to serve as a member of the Audit and Risk Committee.

SKILLS AND EXPERIENCE Previously Mr Singer served as CFO of InterContinental Hotels Group PLC, a leading international hotel group, and British United Provident Association ('**BUPA**'), a provider of health insurance, care homes for the elderly and other health-related services including private hospitals. Earlier in his career, Mr Singer was CFO and Chief Operating Officer of William Hill PLC and Finance Director of Moss Bros PLC, having started his career in professional services and spending a total of 12 years at Price Waterhouse and McKinsey.

KEY EXTERNAL APPOINTMENTS Mr Singer currently serves as non-executive director on the board of DP Eurasia NV, an operator of pizza restaurants in Turkey and Russia.

QUALIFICATIONS Mr Singer holds a BSc Hons Finance and Accounting (University of Bristol); is a qualified chartered accountant; and attended the Advanced Management Programme (INSEAD).

GROUP EXECUTIVE COMMITTEE

The Group CEO is supported by an experienced and capable executive management team, with extensive industry experience and organisational knowledge. The success of Mediclinic is testament to the strong management team and its ability to execute on the Mediclinic Group Strategy.

The biographies of the Group CEO and Group CFO are provided on page 131 of this Annual Report.

MR GERT HATTINGH

GROUP CHIEF CORPORATE SERVICES OFFICER
NATIONALITY South African

Mr Gert Hattingh joined Mediclinic in 1991 as Group Accountant. He served in various management positions across the Group and was appointed as Company Secretary in 2000 and Group Services Executive in 2011. Subsequent to the acquisition of Al Noor Hospitals Group plc in February 2016, he holds the position of Group Chief Corporate Services Officer.

QUALIFICATIONS Mr Hattingh holds a BAcc Hons (Stellenbosch University); completed the Advanced Management Program (Harvard Business School); and is a qualified chartered accountant registered with the South African Institute of Chartered Accountants.

DR DIRK LE ROUX

GROUP CHIEF INFORMATION OFFICER
NATIONALITY South African

Dr Dirk le Roux joined Mediclinic in August 2014 as the Group ICT Executive and was appointed to his current position of Group Chief Information Officer ('**CIO**') on 11 August 2014. Prior to joining Mediclinic, he served in various managerial roles, including as Managing Director of ThinkWorx Consulting, CIO at Media24 (Pty) Ltd, General Manager of IT Strategy and Risk at Absa Bank Ltd and Head of IT at the Development Bank of Southern Africa.

QUALIFICATIONS Dr Le Roux holds a DComm in Informatics (University of Pretoria); an MBA *cum laude* (North-West University); a PgDip in Data Metrics (Unisa); and a BEng in Civil Engineering (University of Pretoria).

MR MAGNUS OETIKER

GROUP CHIEF HUMAN RESOURCES AND CORPORATE DEVELOPMENT OFFICER
NATIONALITY Swiss

Mr Magnus Oetiker worked for Hirslanden in various management positions from 2000 to 2016. He served on this division's executive committee from 2008 in various roles, while also taking responsibility for human resource management, funder relations and strategy. During his last two years at Hirslanden, he acted as Chief Strategy Officer. In 2016, he joined a family-owned company in Switzerland with interests in healthcare and catering as CEO. In February 2018, he was appointed Group Chief Human Resources and Corporate Development Officer of Mediclinic.

QUALIFICATIONS Mr Oetiker holds a BSc in Business Administration (Zurich University of Applied Sciences) and an Executive MBA (University of Zurich).

DR RENÉ TOUA

GROUP CHIEF CLINICAL OFFICER

NATIONALITY South African

Dr René Toua is a medical practitioner with extensive experience in private and public healthcare. She started her career in primary healthcare, established a geriatric private primary care practice and worked in emergency medicine, including at an academic trauma unit, for several years. She joined Mediclinic in 2006 and held the positions of Regional Clinical Manager, and Clinical Data and Information Manager for Mediclinic Southern Africa. Subsequently, she served as the Group General Manager: Clinical Performance. She sits on the executive committee and board of trustees for Remedi, the in-house medical aid scheme, and is the Chair of the Medical Advisory Committee. She was appointed Group Chief Clinical Officer with effect from 1 July 2018.

QUALIFICATIONS Dr Toua holds an MBChB (Stellenbosch University); an MPhil in Emergency Medicine (Patient Safety and Clinical Decision Making) (University of Cape Town); and a PgDip in Project Management (University of Stellenbosch Business School).

DR DANIEL LIEDTKE

CHIEF EXECUTIVE OFFICER: HIRSLANDEN

NATIONALITY Swiss

Dr Daniel Liedtke joined the Hirslanden Klinik St. Anna in Lucerne in 2001. He held various clinical and managerial positions at Hirslanden prior to his appointments as Hospital Manager of Klinik Hirslanden in 2008 and as Chief Operating Officer of the Hirslanden Group in 2015. In 2019 he was appointed as CEO of Hirslanden.

QUALIFICATIONS Dr Liedtke holds a Doctor of Business Administration (Charles Sturt University); a Master of Health Administration (FHS St. Gallen); a DO in Osteopathic Medicine (Swiss Conference of Cantonal Health Directors); a BSc in Physiotherapy (Swiss Confederation); and a Certificate in Car Electronics (Federal certificate).

MR KOERT PRETORIUS

CHIEF EXECUTIVE OFFICER: MEDICLINIC SOUTHERN AFRICA

NATIONALITY South African

Mr Koert Pretorius joined Mediclinic in 1998 as the Regional Manager for the central region of Mediclinic's operations in Southern Africa and in 2003 took on the role of Chief Operating Officer of the Mediclinic Group. He was appointed CEO of Mediclinic Southern Africa in 2008 and served as an executive director of Mediclinic International Ltd from 2006, up to the acquisition of Al Noor Hospitals Group plc.

QUALIFICATIONS Mr Pretorius holds a BCompt in Accounting Science (University of the Free State) and a Master of Business Leadership (Unisa).

MR DAVID HADLEY

CHIEF EXECUTIVE OFFICER: MEDICLINIC MIDDLE EAST

NATIONALITY British

Mr David Hadley joined Mediclinic in 1993 and filled various 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 CEO of Mediclinic Middle East in 2009 and has served on the Group Executive Committee since 2011.

QUALIFICATIONS Mr Hadley holds a BComm (Unisa) and an MBA with distinction (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.

To ensure consistency in adherence to corporate governance practices, 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 divisions.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE AND LISTING RULES

A revised version of the UK Corporate Governance Code was published by the FRC in July 2018 (www.frc.org.uk). The 2018 Corporate Governance Code came into effect for the Group's FY20 and this ***Corporate Governance Statement***, together with the various Board committee reports and relevant sections of the **Strategic Report** included in this Annual Report, describes the Board's application of and compliance with the 2018 Corporate Governance Code.

During the year under review and up to the date of this report, the Company complied with all the provisions of the 2018 Corporate Governance Code, other than the exceptions noted below:

- ***Provision 9*** *(regarding the independence criteria of the Chair on appointment)*
  Under the 2018 Corporate Governance Code, the Company's Chair, Dr Hertzog, is not considered to be an independent director given his involvement in various executive roles at Mediclinic International Ltd since 1983 until his appointment as non-executive Chair in 1992. Given his in-depth industry knowledge and experience, the Board considered it in the best interests of the Company that he serve as Chair until his retirement at the conclusion of the Company's 2020 AGM, when he will be succeeded by Dame Inga Beale (subject to her election as a director at the AGM). Dame Inga is currently an independent non-executive director of the Company and is expected to remain independent when she succeeds Dr Hertzog as Chair.

- ***Provision 17*** *(regarding the Nomination Committee leading the process for Board appointments and making recommendations to the Board)*
  The Nomination Committee recommends appointments to the Board (refer to page 189 for more). In accordance with the Company's relationship agreement with its principal shareholder, Remgro (the '**Relationship Agreement**'), further details of which are provided on page 166, 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. His appointment was therefore not led by the Nomination Committee. No new Board appointments were made in terms of the Relationship Agreement during the year under review.

- ***Provision 3*** *(regarding regular engagement by the Chair with major shareholders)*
  The Company has not met the requirement under the first part of Provision 3 of the 2018 Corporate Governance Code, whereby 'the chair should seek regular engagement with major shareholders in order to understand their views on governance and performance against the strategy'. Provision 3 also states that the chair should ensure that the board as a whole has a clear understanding of the views of the shareholders. The Board believes that appropriate mechanisms for engaging with shareholders are in place, which allow directors to acquire a good understanding of major investors' key areas of concern and support. These arrangements also ensure that the Company complies with Principle E of the Code, which requires the board to ensure effective engagement with, and encourage participation from, shareholders and other stakeholders. The principal engagement with the capital markets lies mainly with the Group CEO, Group CFO and the Head of Investor Relations,

"

The Board has full and effective control of the Company and approved all material resolutions. It has adopted a robust corporate governance framework described in this report which assists it in exercising its responsibilities.

who provide regular feedback to the Board on investor relations matters, including, *inter alia*, an overview of meetings held with investors through the extensive global investor relations programme scheduled during the year. The Company also uses QuantiFire, a third-party independent service provider, to obtain formal feedback from investors on a quarterly basis and these reports are considered at the following Board meeting. In addition, the Company intends to introduce Dame Inga to shareholders when it becomes practical to do so during FY21.

- ***Provision 36** (regarding post-employment shareholding requirements)*
  Refer to page 195 of the ***Remuneration Committee Report*** for more information on adherence with Provision 36 of the 2018 Corporate Governance Code pertaining to formal post-employment shareholding requirements.

In addition to complying with all other applicable corporate governance requirements in the UK in accordance with the Company's primary listing on the LSE, the Board is also satisfied that the Company meets all the relevant requirements of the JSE Listings Requirements and the NSX Listings Requirements arising from its secondary listings on the JSE in South Africa and the NSX in Namibia respectively.

BOARD STRUCTURE AND ROLES

The Board has full and effective control of the Company and approved all material resolutions. It has adopted a robust corporate governance framework described in this report which assists it in exercising its responsibilities.

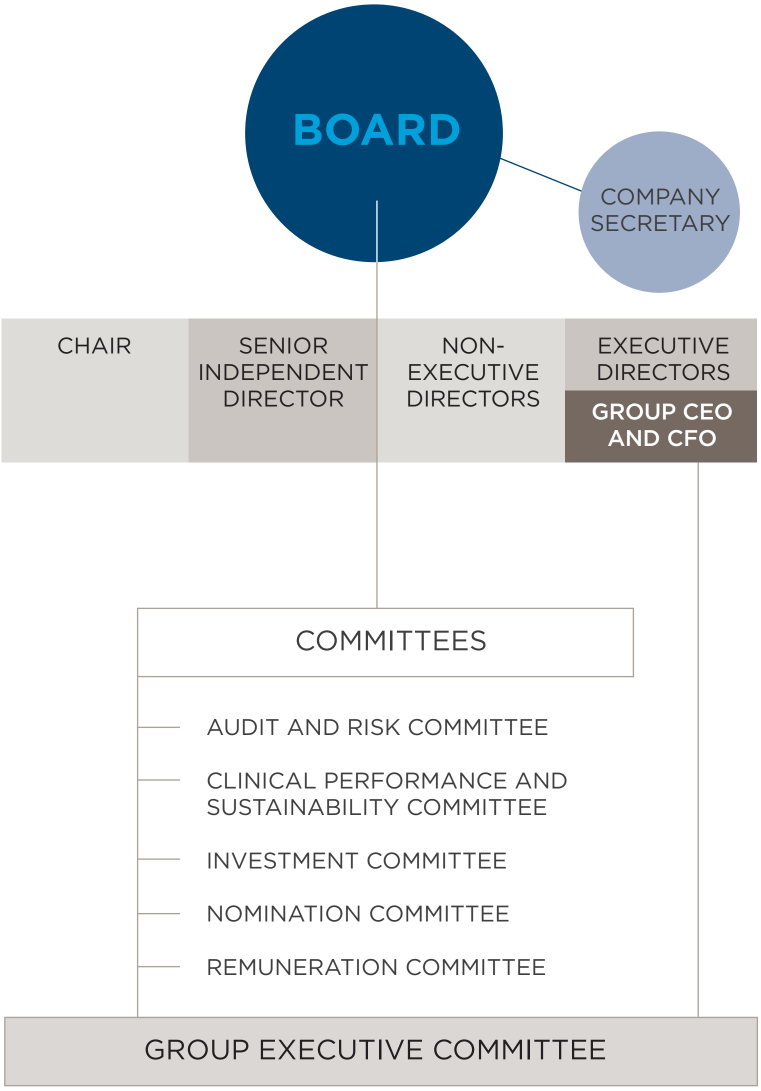
BOARD COMMITTEES

In order to operate efficiently and provide the appropriate level of attention and consideration to relevant matters, the Board has delegated authority to five committees to carry out certain tasks on its behalf, while reserving the authority to approve certain key matters, as documented in the Group's authority levels and reserved matters. The latter is reviewed annually by the Board. The key responsibilities of the Board committees, i.e. the Audit and Risk Committee, Clinical Performance and Sustainability Committee, Investment Committee, Nomination Committee and Remuneration 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 these committees are included in this Annual Report.

DIVISION OF RESPONSIBILITIES

A Board Charter sets out the key responsibilities of the Chair, SID, non-executive directors, executive directors, the Group CEO and the Company Secretary, and outlines the roles of the various Board committees. The division of responsibilities between the Chair and the Group CEO, as summarised in **Figure 1**, is detailed in writing and in a standalone policy approved by the Board. The segregation of the roles of the Chair and the Group CEO enhances the Board's independent oversight of the executive management and ensures that no one individual on the Board has unfettered powers or authority.

FIGURE 1: CORPORATE GOVERNANCE FRAMEWORK[5]



BOARD[1, 2, 3, 4]

MEMBERSHIP

One non-executive Chair, two executive directors, seven independent non-executive directors and two non-independent non-executive directors

KEY RESPONSIBILITIES

- Provides effective, entrepreneurial oversight of the Company within a robust corporate governance framework
- Promotes the long-term sustainable success of the Group, delivering value to shareholders and contributing to wider society
- Establishes and monitors the Group's purpose, strategy and values, and ensures alignment with the culture it promotes
- Agrees the nature and extent of the principal risks the Group is willing to take
- Establishes and oversees a prudent and effective risk management and internal control framework, including whistleblowing arrangements
- Identifies and manages conflicts of interest
- Ensures effective engagement with shareholders and other stakeholders
- Ensures the workforce policies and practices are consistent with the Company's values and support its long-term success
- Defines the matters reserved for decision by the Board or its committees

The biographies of the Board members are set out on pages 130–135.

Notes

[1] Dr Hertzog will retire as Chair of the Board at the conclusion of the Company's 2020 AGM and will be succeeded by Dame Inga Beale (see note 3 below).

[2] Mr Alan Grieve succeeded Mr Desmond Smith as SID and Chair of the Audit and Risk Committee upon Mr Smith's retirement from the Board at the conclusion of the AGM on 24 July 2019.

[3] Mr Tom Singer was appointed as an independent non-executive director and member of the Audit and Risk Committee on 24 July 2019 and member of the Remuneration Committee on 13 November 2019. Dame Inga Beale was appointed as an independent non-executive director, Chair Designate and member of the Nomination Committee on 26 March 2020. On 1 June 2020, Dame Inga was appointed as a member of the Remuneration Committee with immediate effect and as Chair of the Nomination Committee with effect from Dr Hertzog's retirement at the conclusion of the Company's 2020 AGM. Mr Seamus Keating stepped down from the Board and the Audit and Risk, Remuneration and Clinical Performance and Sustainability committees on 31 March 2020. The Nomination Committee has commenced the process to identify a suitable replacement for Mr Keating.

[4] Messrs Jannie Durand and Danie Meintjes are non-independent non-executive directors. The other seven non-executive directors are independent.

[5] The composition of the Board and its committees is shown at the Last Practicable Date.

NON-EXECUTIVE CHAIR[1]

Dr Edwin Hertzog

KEY RESPONSIBILITIES

- Leads the Board
- Ensures the effective performance of the Board in directing the Group
- Works closely with the Group CEO to ensure the implementation of Board-approved actions
- Ensures effective communication with shareholders and that the Board as a whole has a clear understanding of shareholders' views

The Chair's other significant commitments are indicated in his biography on page 130.

SENIOR INDEPENDENT DIRECTOR[2]

Mr Alan Grieve

KEY RESPONSIBILITIES

- Provides a sounding board for the Chair
- Serves as an intermediary for other directors and shareholders
- Leads the annual appraisal of the Chair's performance and the independence of non-executive directors
- Leads the search for a new Chair, when necessary

NON-EXECUTIVE DIRECTORS[2, 3, 4]

Dr Muhadditha Al Hashimi, Dame Inga Beale, Mr Jannie Durand, Mr Alan Grieve, Dr Felicity Harvey, Mr Danie Meintjes, Dr Anja Oswald, Mr Trevor Petersen, Mr Tom Singer

KEY RESPONSIBILITIES

- Support the development of the strategic direction of the Group
- Scrutinise and hold to account the performance of management and individual executive directors
- Offer specialist advice and 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 control and risk management systems
- Approve the appointment or removal of directors
- Keep abreast of the views of shareholders and other stakeholders

EXECUTIVE DIRECTORS

Dr Ronnie van der Merwe – Group CEO
Mr Jurgens Myburgh – Group CFO

KEY RESPONSIBILITIES

- Contribute detailed insight into the operations of the business, enabling the Board to determine feasibility and practicality of proposed strategies, goals and direction
- Make and implement operational decisions with the support of the rest of the Group Executive Committee

GROUP CHIEF EXECUTIVE OFFICER

Dr Ronnie van der Merwe

KEY RESPONSIBILITIES

- Leads and oversees the Group Executive Committee
- Leads the preparation and review of the Mediclinic Group Strategy
- Manages the business of the Group under the framework of delegated authorities from the Board
- Progresses, develops and oversees the implementation of Board-approved actions and the strategic direction of the Group and its commercial objectives
- Ensures the Group's purpose, vision, organisational culture (including the values) and corporate governance framework are embedded across the organisation and reflected in employee behaviour

COMPANY SECRETARY

Link Company Matters Limited

KEY RESPONSIBILITIES

- Acts as Secretary to the Board, Board committees and to the Management Disclosure Committee, attending all meetings
- Provides advice and guidance to the Board collectively, and directors individually, with regard to their duties, responsibilities and powers, and on matters of corporate governance
- Ensures the effective administration of proceedings and matters related to the Board, the Company and its shareholders
- Acts as point of contact for shareholders on corporate governance matters

AUDIT AND RISK COMMITTEE[2, 3]

MEMBERSHIP
Three independent non-executive directors

KEY RESPONSIBILITIES
- Reviews and monitors the integrity of the Group's financial and narrative reporting
- Reviews and monitors the effectiveness of the Group's risk management processes and system of internal control
- Reviews and monitors the effectiveness of the Group's Internal Audit function
- Reviews and monitors the Group's relationship with the external auditor and the effectiveness of the external audit

NOMINATION COMMITTEE[3]

MEMBERSHIP
Four independent non-executive directors and two non-executive directors

KEY RESPONSIBILITIES
- Reviews succession planning within the Board, the Group Executive Committee and their direct reports
- Reviews the structure, size and composition, including diversity and independence, of the Board and its committees
- Identifies and recommends potential candidates to be appointed as directors or members of Board committees, as the need arises
- Establishes and oversees the process for the annual evaluation of the Board, its committees, the Chair and individual directors
- Establishes the Board Diversity Policy and reviews progress on further improving diversity within the Board, the Group Executive Committee and their direct reports

REMUNERATION COMMITTEE[3]

MEMBERSHIP
Four independent non-executive directors

KEY RESPONSIBILITIES
- Determines and agrees with the Board on the Group's remuneration strategy and policy, having regard for the alignment of incentives and rewards with the Group's culture
- Reviews and provides guidance on remuneration and related policies for the workforce across the Group and takes these into account when setting the Remuneration Policy
- Establishes and oversees the operation of appropriate parameters for the Group's performance-related pay schemes
- Determines the remuneration and benefits package for individual executive directors, other members of the Group Executive Committee and certain other executives, and ensures these support and are linked to the Mediclinic Group Strategy and promote its long-term sustainable success

CLINICAL PERFORMANCE AND SUSTAINABILITY COMMITTEE[3]

MEMBERSHIP
Two independent non-executive directors, one non-executive director and one executive director

KEY RESPONSIBILITIES
- Monitors clinical performance throughout the Group
- Promotes a 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

INVESTMENT COMMITTEE

MEMBERSHIP
One independent non-executive director, three 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

GROUP EXECUTIVE COMMITTEE

MEMBERSHIP
Group CEO, Group CFO, Group Chief Clinical Officer, Group Chief Corporate Services Officer, Group Chief Human Resources and Corporate Development Officer, Group CIO and the three divisional CEOs

KEY RESPONSIBILITIES
- Manages the Group's businesses
- Takes responsibility for the Mediclinic Group Strategy and the execution thereof
- Considers investment opportunities, operational matters and other aspects of strategic importance to the Group and makes recommendations to the Board
- Performs any other functions delegated to management by the Board

Notes

[2] Mr Alan Grieve succeeded Mr Desmond Smith as SID and Chair of the Audit and Risk Committee upon Mr Smith's retirement from the Board at the conclusion of the AGM on 24 July 2019.

[3] Mr Tom Singer was appointed as an independent non-executive director and member of the Audit and Risk Committee on 24 July 2019 and member of the Remuneration Committee on 13 November 2019. Dame Inga Beale was appointed as an independent non-executive director, Chair Designate and member of the Nomination Committee on 26 March 2020. On 1 June 2020, Dame Inga was appointed as a member of the Remuneration Committee with immediate effect and as Chair of the Nomination Committee with effect from Dr Hertzog's retirement at the conclusion of the Company's 2020 AGM. Mr Seamus Keating stepped down from the Board and the Audit and Risk, Remuneration and Clinical Performance and Sustainability committees on 31 March 2020. The Nomination Committee has commenced the process to identify a suitable replacement for Mr Keating.

MEETING ATTENDANCE

The names of the directors who served during the reporting period are set out in **Table 1** below, together with their attendance of Board meetings held during the period under review. Their biographies are provided on page 130. Attendance of Investment Committee meetings held during the period under review is set out in **Table 2**. Attendance of other committee meetings is set out in the respective committee reports. Each director's attendance of Board and 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 Chair, the SID or the relevant Board committee's Chair for raising, as appropriate, during the meeting.

TABLE 1: BOARD MEETING ATTENDANCE

NAME[1]	DESIGNATION	DATE OF APPOINTMENT (to the Board)	NUMBER OF SCHEDULED MEETINGS ATTENDED[2]
Directors at 31 March 2020			
Dr Edwin Hertzog[3]	Non-executive Chair	15/02/2016	7/7
Dr Ronnie van der Merwe	Group Chief Executive Officer	01/06/2018	7/7
Mr Jurgens Myburgh	Group Chief Financial Officer	01/08/2016	7/7
Mr Alan Grieve[4]	Senior Independent Director	15/02/2016	7/7
Dr Muhadditha Al Hashimi[5]	Independent Non-executive Director	01/11/2017	6/7
Dame Inga Beale[6]	Independent Non-executive Director	26/03/2020	1/1
Mr Jannie Durand	Non-executive Director	15/02/2016	7/7
Dr Felicity Harvey	Independent Non-executive Director	03/10/2017	7/7
Mr Seamus Keating[7]	Independent Non-executive Director	05/06/2013	7/7
Mr Danie Meintjes	Non-executive Director	15/02/2016	7/7
Dr Anja Oswald[8]	Independent Non-executive Director	25/07/2018	6/7
Mr Trevor Petersen	Independent Non-executive Director	15/02/2016	7/7
Mr Tom Singer[9]	Independent Non-executive Director	24/07/2019	5/5
Directors who retired during FY20			
Mr Desmond Smith[10]	(Former) Senior Independent Director	15/02/2016	2/2

TABLE 2: INVESTMENT COMMITTEE MEETING ATTENDANCE

NAME[1]	DESIGNATION	DATE OF APPOINTMENT (to the Board)	NUMBER OF SCHEDULED MEETINGS ATTENDED[11]
Dr Edwin Hertzog[3] (Committee Chair)	Non-executive Chair	19/02/2016	2/2
Dr Ronnie van der Merwe	Group Chief Executive Officer	25/07/2018	2/2
Mr Jurgens Myburgh	Group Chief Financial Officer	01/08/2016	2/2
Mr Alan Grieve[4]	Senior Independent Director	19/02/2016	2/2
Mr Jannie Durand[12]	Non-executive Director	19/02/2016	0/2
Mr Pieter Uys[12]	Alternate to Mr Durand	07/04/2016	2/2
Mr Danie Meintjes[13]	Non-executive Director	19/02/2016	1/2

Notes

1 The composition of the Board and its committees is shown at 31 March 2020.
2 The attendance reflects the number of scheduled Board meetings held during FY20. Between the Company's financial year-end and the Last Practicable Date, the Board held two scheduled meetings and all members who were eligible to attend did so.
3 Dr Hertzog will retire from the Board and its committees after the conclusion of the Company's 2020 AGM and will be succeeded as Non-executive Chair of the Board by Dame Inga Beale.
4 Mr Alan Grieve was appointed as SID on 24 July 2019, following the retirement of Mr Desmond Smith.
5 Dr Muhadditha Al Hashimi was unable to attend one Board meeting for unexpected, urgent and unavoidable personal reasons.
6 Dame Inga Beale was appointed as an independent non-executive director of the Company on 26 March 2020 and was therefore only eligible to attend one Board meeting during FY20.
7 Mr Seamus Keating stepped down from the Board with effect from close of business on 31 March 2020.
8 Dr Anja Oswald was unable to attend one Board meeting due to another unexpected, urgent and unavoidable commitment.
9 Mr Tom Singer was appointed to the Board on 24 July 2019 and attended all subsequent scheduled Board meetings.
10 Mr Desmond Smith retired from the Board on 24 July 2019. He attended all scheduled meetings of the Board that he was eligible to attend up to that date.
11 The attendance reflects the number of scheduled meetings of the Investment Committee held during FY20. The Investment Committee held five additional *ad hoc* meetings during the reporting period to deal with urgent matters, which were attended by all members of the Investment Committee or at least the quorum required under its terms of reference. The Investment Committee held no meetings between the Company's financial year-end and the Last Practicable Date.
12 Mr Durand was unable to attend two scheduled meetings of the Investment Committee, but ensured Mr Pieter Uys, his alternate director, was able to attend in his place, having fully briefed him beforehand.
13 Mr Danie Meintjes was unable to attend one scheduled meeting of the Investment Committee due to another unexpected, urgent and unavoidable commitment.

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. Biographies of the Company's current directors who were in office during the year under review and up to the date of signing the financial statements can be found on page 130.

As referred to in the ***Chair's Introduction*** and described in more detail in the ***Nomination Committee Report***, there have been a number of changes to the Board during FY20:

- Mr Desmond Smith retired from the Board following the Company's 2019 AGM with Mr Alan Grieve assuming the role of SID and Chair of the Audit and Risk Committee;
- Mr Tom Singer was appointed as an independent non-executive director and member of the Audit and Risk Committee on 24 July 2019 and as a member of the Remuneration Committee on 13 November 2019;
- Dame Inga Beale was appointed as independent non-executive director, Chair Designate and member of the Nomination Committee on 26 March 2020; and
- Mr Seamus Keating stood down from the Board on 31 March 2020.

Dame Inga Beale will succeed Dr Hertzog as Chair of the Board upon his retirement at the conclusion of the Company's 2020 AGM.

At the date of this Annual Report, the Board comprised the non-executive Chair, two executive directors, seven independent non-executive directors and two non-executive directors. The Company complies with the 2018 Corporate Governance Code recommendation that at least half the Board should be independent. When determining whether a non-executive director is independent, the Board considers each individual against the 2018 Corporate Governance Code and also considers how they conduct themselves in Board meetings, including how they exercise judgement and independent thinking, as set out in the 'Assessment of the independence of non-executive directors' on page 165.

The Company's Chair, Dr Hertzog, is not considered to be an independent director given his involvement as Chief Executive of Mediclinic International Ltd until his appointment as Chair in 1992 and his position as non-executive Deputy Chair of Remgro, the principal shareholder of the Company. Nonetheless, given his in-depth industry knowledge and experience, the Board considered it in the best interests of the Company that he continues to serve as Chair until his retirement at the conclusion of the Company's 2020 AGM.

Mr Meintjes does not meet the criteria to be considered an independent non-executive director due to his former position as Group CEO of the Company until 2018. The Board considered his proposed re-election as a non-executive director and, after careful deliberation, concluded his re-election would be in the best interests of the Group, its shareholders and other stakeholders, taking into account the overall composition of the Board and the knowledge and experience of the industry and the business that Mr Meintjes has gained over 30 years in different capacities across the organisation.

In accordance with the Company's Relationship Agreement (details provided on page 166) with Remgro, its principal shareholder, Remgro is entitled to appoint up to a maximum of three directors to the Board. Mr Durand was appointed to the Board in accordance with the terms of the Relationship Agreement on 15 February 2016 and represents Remgro on the Board of Directors. No new Board appointments were made under the Relationship Agreement during the period under review.

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 also include and make good use of differences in the skills, geographic and industry experience, educational and professional backgrounds, race, social background, cognitive and personal strengths, and other characteristics of directors.

The Board seeks to construct an effective, robust, well-balanced and complementary Board, the capability of which is appropriate to the nature, complexity and strategic demands of the business. 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, as described on page 189 of the ***Nomination Committee Report***. A range of diversity factors are taken into account in determining the optimal 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 Mr Singer and Dame Inga during the year under review. Since the report on improving the gender balance in FTSE leadership issued by the Hampton-Alexander Review in November 2016, four out of six appointments to the Board of the Company went to female candidates. As a result, at the date of this Annual Report, the Board has 33% female representation, in line with the 2020 target recommended by the Hampton-Alexander Review. This proportion may change throughout the year, as a successor to Mr Keating is appointed and Dr Hertzog retires from the Board. Following Dr Hertzog's retirement, Dame Inga will become one of approximately 24 female chairs of FTSE 350 companies. With two directors of diverse ethnicity, the Board also meets the target on ethnic diversity at Board level as contained in the report based on the independent review by Sir John Parker into the ethnic diversity of UK boards (the '**Parker Report**').

The Nomination Committee continues to consider and develop succession plans for the Board and its committees. Accordingly, when considering Board appointments and internal promotions at senior level, the Company will continue to take account of relevant voluntary guidelines in fulfilling their role regarding diversity, while seeking to ensure that each post is offered strictly on merit to the best available candidate.

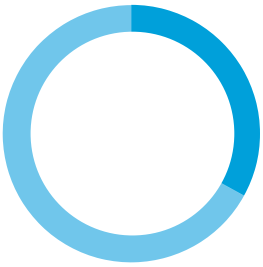
The Board Diversity Policy statement is set out on page 190. For details of the diversity of the Board, the Group Executive Committee and the executive committees of each division (including a breakdown of race for Southern Africa, in line with local requirements), see the section on 'Workforce engagement' on page 157.

FIGURE 2: BOARD COMPOSITION AND DIVERSITY[1]

Independence[2] (%)

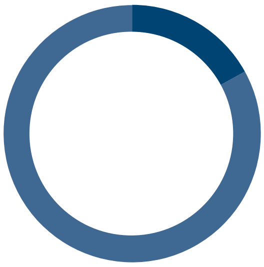
- Independent non-executive directors
- Non-executive directors
- Executive directors

Gender



- **Female:** 33%
- **Male:** 67%

Ethnicity[3] (%)



- **Diverse ethnicity:** 17%
- **White:** 83%

Tenure (%)

Non-executive directors

- **<1 year:** 20%
- **1–3 years:** 30%
- **7–9 years:** 20%
- **10+ years:** 30%

Relevant industry experience (number of directors)

- Healthcare
- Medical/clinical/similarly complex businesses
- Marketing and customer focused
- IT, cybersecurity
- Stakeholder management[4]
- Sustainability

Country of residence (number of directors)

- South Africa
- Switzerland
- UAE
- UK

Notes

[1] The composition of the Board is shown at the Last Practicable Date.
[2] Excludes Chair of the Board.
[3] Diverse ethnicity refers to individuals with evident heritage from African, Asian, Middle Eastern and South American regions, or from another ethnic group, as defined by the Parker Report.
[4] Refer to the ***Stakeholders summary*** on page 46 for more information on all the Group's stakeholders.

PRINCIPAL BOARD ACTIVITIES

Table 3 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 address all necessary matters. 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 Chair to meet privately with the SID and non-executive directors to discuss any concerns arising.

TABLE 3: BOARD'S AREAS OF FOCUS

Key:

STRATEGIC GOALS	PRINCIPAL RISKS AND UNCERTAINTIES CATEGORIES
As described in ***Strategy, goals and progress*** on page 36.	As described in ***Risk management, principal risks and uncertainties*** on page 119.
STRATEGIC GOALS	
Become an integrated healthcare provider across the continuum of care	Strategic and business environment
Improve our client value proposition significantly	Financial and reporting
Transform our healthcare services and client engagement through digitalisation	Operational
Evolve as an analytics-driven organisation	IT
Strengthen our position as the employer of choice	Regulatory compliance
Grow in existing markets and expand into new markets	Clinical
Achieve superior long-term financial returns	People
TRANSFORMATION DRIVERS	
T1 Innovation	
T2 Sustainable development	

BOARD'S FOCUS AREAS	STRATEGIC GOALS	PRINCIPAL RISKS
PURPOSE, STRATEGY AND CULTURE		
Oversaw and approved the evolution of the corporate strategy for the Group, including its purpose, vision and values, and the associated strategic goals, with due consideration for evolving market conditions and the impact of the COVID-19 pandemic		
Monitored progress on the execution of the Group and divisional strategic goals against the timelines by way of in-depth presentations by the Group Executive Committee every six months; annual deep-dive reports on each division by the divisional CEOs; and regular reporting at each Board meeting by the Group CEO		
Ensured the Group's purpose, culture and values are embedded in operational policies and practices. Monitored the Group's culture to ensure it remains appropriate and is aligned with the Mediclinic Group Strategy, its purpose and values, based on reports on internal audit and compliance; ethics and fraud (including whistleblowing); doctor and patient satisfaction surveys; clinical performance; and employee engagement (including turnover, diversity and inclusion)		

Refer to ***Strategy, goals and progress*** on page 36.

Considered the Group's capital expenditure plans in light of the Mediclinic Group Strategy, evolving market conditions and the impact of the COVID-19 pandemic		
Considered requests for approval of and monitored investments and business development transactions for a size or nature that required Board approval, such as the acquisition of Denmar mental hospital in South Africa		

Refer to the ***Chair's Review*** on page 20, the ***Group Chief Executive Officer's Report*** on page 28 and the ***Divisional Reports*** from page 92.

CLINICAL PERFORMANCE		
Discussed regular reports from the Group Chief Clinical Officer and the Clinical Performance and Sustainability Committee on matters such as the clinical strategy for the Group and each division; clinical indicators for patient safety; clinical effectiveness and clinical cost efficiency; accreditation of medical practitioners and facilities; implementation of clinical information systems; and clinical governance matters		

Refer to the ***Clinical services overview*** on page 50.

BOARD'S FOCUS AREAS	STRATEGIC GOALS	PRINCIPAL RISKS
OPERATIONAL PERFORMANCE		
Discussed regular reports from the Group CEO on the operating performance of the divisions and central functions		
Discussed in-depth reports from the divisional CEOs on each division		
Discussed initiatives being undertaken to counter declines in tariffs and outmigration of care, and to drive greater cost efficiencies		

Refer to the ***Group Chief Executive Officer's Report*** on page 28 and the ***Divisional Reports*** from page 92.

FINANCIAL PERFORMANCE, REPORTING, TAX STRATEGY AND DIVIDENDS		
Discussed regular reports from the Group CFO on the forecast and actual financial performance of each division and the Group relative to the budget for FY20		
Reviewed and approved the half-year and full-year trading updates via a Board committee, the half-year financial report, the annual report and the corresponding results announcement and investor presentations, with support from the Management Disclosure Committee, as appropriate		
Reviewed and approved the Group and divisions' budget for FY21 and the updated five-year plans, incorporated the anticipated short- and medium-term impact of COVID-19 pandemic		
Reviewed and approved the Group Tax Strategy		
Considered and approved decisions regarding the interim and final dividends for FY20		

Refer to the ***Group Chief Financial Officer's Report*** on page 78.

RISK MANAGEMENT AND INTERNAL CONTROLS		
Reviewed biannual feedback provided by the Group General Manager: Risk on the Group's risk appetite, risk management framework, internal control system and statutory and regulatory compliance		
Reviewed the going concern and long-term viability statements, based on the principal risks and uncertainties of the Group		
Conducted a robust assessment of the Group's emerging and principal risks and uncertainties and mitigating actions		
Conducted a robust assessment of the effectiveness of the Group's risk management processes and internal control system		

Refer to ***Risk management, principal risks and uncertainties*** on page 119 and the ***Audit and Risk Committee Report*** on page 170.

BOARD'S FOCUS AREAS	STRATEGIC GOALS	PRINCIPAL RISKS
INFORMATION AND COMMUNICATIONS TECHNOLOGY		
Considered regular reports from the Group CIO on the Group's ICT infrastructure, strategy, risks, potential impact, existing controls and mitigants, and proposed enhancements		
Closely monitored progress on the implementation of IT projects and the adoption of new technology across the Group's divisions aimed at adapting the Group to the evolving global healthcare environment		

Refer to the ***Audit and Risk Committee Report*** on page 170.

BOARD'S FOCUS AREAS	STRATEGIC GOALS	PRINCIPAL RISKS
LEADERSHIP		
Considered feedback from the Nomination Committee in relation to the composition of the Board and its committees, succession planning and diversity		
Considered progress towards the targets set by the Hampton-Alexander Review for the Board and for the Group Executive Committee and its direct reports and compliance with the Parker Report's ethnic diversity targets		
Considered and approved the recommendations of the Nomination Committee regarding the appointments to the role of SID, Chair of the Audit and Risk Committee, non-executive directors and Chair of the Board		
Reviewed the outcomes and agreed and implemented actions after the internally facilitated evaluation of the composition, structure and functioning of the Board and its committees		

Refer to the ***Nomination Committee Report*** on page 188 and the section on 'Evaluation of the Board, committees and Chair' on page 161.

BOARD'S FOCUS AREAS	STRATEGIC GOALS	PRINCIPAL RISKS
SHAREHOLDERS, WORKFORCE AND OTHER STAKEHOLDERS		
Regularly reviewed its duties under Section 172 of the Act and had due regard for these in the Board's discussions and decision-making, as described in the ***Section 172 statement*** on page 4		
Reviewed the Group's key stakeholders and methods of engagement, and was satisfied that these remained effective		
Received regular reports on shareholder views, including regular investor feedback reports from the independent service provider, QuantiFire		
Received and discussed biannual reports from the designated non-executive director for workforce engagement outlining feedback and insight from across all levels of the Group, supplemented by feedback from management and direct contact from director site visits		

Refer to the ***Stakeholders summary*** on page 46, the ***Sustainable development overview*** on page 62 and the 'Stakeholder interests and Board engagement' section on page 151.

BOARD'S FOCUS AREAS	STRATEGIC GOALS	PRINCIPAL RISKS
SUSTAINABLE DEVELOPMENT		
Discussed and approved the Group Sustainable Development Strategy		
Monitored the broad-based black economic empowerment ('**B-BBEE**') initiatives undertaken by the Group in South Africa		

Refer to the ***Sustainable development overview*** on page 62 and the ***Clinical Performance and Sustainability Committee Report*** on page 186.

BOARD'S FOCUS AREAS	STRATEGIC GOALS	PRINCIPAL RISKS
CORPORATE GOVERNANCE		
Evaluated continued compliance with the 2018 Corporate Governance Code and wider statutory and regulatory requirements		
Considered regular updates on governance and regulatory developments		
Ensured effective follow-up regarding shareholders' concerns reflected in the voting outcomes of the Company's 2019 AGM and took their feedback into consideration in preparing a response		
Considered feedback from the Board committees		
Reviewed and approved all Group policies and procedures, including those in respect of: - the Board Charter and committees' terms of reference; - authority levels and matters reserved for the Board; - business conduct and ethics; - anti-bribery; - sustainable development; - Board diversity; - treasury strategy; and - tax strategy		
Reviewed and approved directors' proposed external appointments (including the expected time commitments) and ensured that any conflicts of interest, including those arising from significant shareholdings, were clearly identified and managed, as set out on page 165 of this report		

STAKEHOLDER INTERESTS AND BOARD ENGAGEMENT

Mediclinic recognises its accountability to its stakeholders. Effective communication with stakeholders, not just at Board level but across the entire 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 table below sets out the Group's key stakeholders, how the Board gains an understanding of their key areas of interest or concern and how these have been taken into consideration in the Board's discussions and decision-making. The Board has reviewed the Group's mechanisms for engagement with its key stakeholders and is satisfied that they are effective.

TABLE 4: BOARD ENGAGEMENT

STAKEHOLDER	IMPORTANCE	WHAT MATTERS TO THEM	BOARD ENGAGEMENT/CONSIDERATION DURING DISCUSSIONS AND DECISION-MAKING
Clients	The wellbeing of the Group's clients forms the foundation of the business with Mediclinic's core purpose being to enhance the quality of life.	They can trust Mediclinic to deliver quality, safe and cost-effective healthcare by means of world-class facilities and technology while ensuring the best possible client experience and protecting personal data.	• The client is entrenched in three of Mediclinic's organisational values: being client centred, trusting and respectful, and patient safety focused • Regularly reviews clinical performance indicators • Introduced and monitors reports on Ward-to-Board accountability • Reviews Press Ganey® patient experience index and implementation of resulting action plans • Regularly considers ethics reports • Regularly reviews information security and data privacy arrangements • Considers impact of decisions regarding facilities, services and investments on clients
Communities	Mediclinic is committed to growing its established relations with the communities within which it operates and follows an approach of mutual understanding, trust and reliability. Significant investments are made annually towards healthcare and education in these communities.	Development and upliftment of communities within the Group's ambit and improved health outcomes through greater awareness, better public healthcare training and *pro bono* procedures.	• Reviewed and approved a Group Sustainable Development Strategy and will monitor its implementation • Considered and approved 'Building stakeholder trust' (in particular relating to training and development) as Material issue 2 for the Group and 'Being an ethical and responsible corporate citizen' as Material issue 3 for the Group. Refer to the ***Sustainable development overview*** on page 62. • Encourages the implementation of appropriate corporate social responsibility initiatives • Encourages PPPs and joint ventures at Hirslanden, Mediclinic Southern Africa and Mediclinic Middle East • Considers impact of decisions regarding facilities, services and investments on communities

STAKEHOLDER	IMPORTANCE	WHAT MATTERS TO THEM	BOARD ENGAGEMENT/CONSIDERATION DURING DISCUSSIONS AND DECISION-MAKING
Employees and potential applicants	The Group's employees are a highly valued asset; their expertise, trust and respect are paramount to Mediclinic's success. The shortage of doctors, nurses and skilled employees means recruitment and retention are key issues.	Recognition, flexible work environment, competitive remuneration and employment in an ethical, safe and fair working environment, with opportunities for training and development.	• Reviews regular reports on the workforce from the nominated non-executive director for workforce engagement and monitors implementation of resultant action plans. Information covered includes: – employee retention and turnover – annual Gallup® employee engagement surveys – implementation of the Group Diversity and Inclusion Strategy – training and performance management – internal communication • Monitors remuneration arrangements across the Group • Communication with employees through electronic communication and video broadcasts, and roadshows by the Group CEO and/or divisional CEOs
Governments and authorities	Mediclinic's business model relies on total compliance with all legislative and regulatory requirements. The Group engages at all levels of government as part of normal business practices.	Compliance with healthcare legislation and regulations, participation in initiatives and collaboration on issues such as skills shortages and the cost of private healthcare. Affordable access to quality healthcare.	• Encourages a constructive dialogue with the Group's regulators • Monitors clinical, regulatory and legal compliance through regular management reports
Healthcare insurers	All role players in healthcare funding, such as the medical insurance companies and schemes, administrators and managed care companies, play a key role in Mediclinic's business, with privately insured patients remaining the Group's largest client base.	A service that provides quality care while efficiently managing cost. Integrated clinical services are prized and hospital network arrangements actively pursued. Regulations governing healthcare provider price exist in Switzerland and the UAE, and pay-for-quality initiatives are planned for Dubai and Abu Dhabi.	• Regularly reviews the clinical performance indicators across the Group • Encourages the management and public reporting of clinical performance information • Encourages and monitors the implementation of major projects to improve the quality, efficacy and efficiency of the Group's services • Encourages a constructive dialogue with the Group's healthcare insurers • Encourages the development of innovative health insurance products that meet clients' evolving needs

STAKEHOLDER	IMPORTANCE	WHAT MATTERS TO THEM	BOARD ENGAGEMENT/CONSIDERATION DURING DISCUSSIONS AND DECISION-MAKING
Industry associations	Engagement with key stakeholders via an industry body could in certain instances be more effective than individual representation. Mediclinic leverages these associations to ensure its active participation in national conversations.	Staying abreast of legislation and regulations that affect the healthcare industry and keeping the public informed about challenges facing private healthcare. Specific issues in Switzerland: day case surgery initiatives; regulations on medical equipment; minimum case numbers for physicians; minimum quotas for basic insured patients; decline of privately insured patients; involvement of authorities in supplementary insurance contracts; and stricter regulations as of 1 January 2020 on integrity and transparency in the therapeutic products sector.	• Encourages membership of industry associations and representation on governing bodies • Supports participation in research commissioned by associations
Industry partners	Partnerships, joint ventures and cooperations with other leading healthcare providers that complement Mediclinic's services will enable the Group to become an integrated healthcare provider across the continuum of care.	Cultural alignment and an understanding of respective strengths and weaknesses. A comprehensive and objective understanding of operations is crucial, as is well-defined and mutually beneficial operational and financial frameworks. These partnerships require collaboration in developing strategic plans to deliver long-term future growth opportunities.	• Mediclinic has a philosophy of taking long-term growth decisions that support its core business and future positioning • Evaluates and encourages cooperations and PPPs

STAKEHOLDER	IMPORTANCE	WHAT MATTERS TO THEM	BOARD ENGAGEMENT/CONSIDERATION DURING DISCUSSIONS AND DECISION-MAKING
Investors	As the owners and providers of equity and debt capital to the Group, investors are an important stakeholder. The established investor relations programme involves regular and transparent communication with investors while ensuring the Board understands the views of investors on all relevant matters.	Profitable growth and financial sustainability (including more recently for coping with the COVID-19 pandemic), with diverse opportunities for long-term value creation. Investors need to understand the Group's strategic and ESG goals (including its response to climate change), as well as the regulatory environment, financial performance and operational drivers of each division. Alignment of Remuneration Policy and outcomes with shareholder interests and Chair succession planning.	• Considers investors' views and feedback, including detailed feedback obtained through an investor perception study • Seeks to increase the amount and quality of engagement with shareholders through the executive directors to develop the Board's understanding of investors' views • Consults major shareholders regarding areas of concern and key developments and takes feedback into account as appropriate • Reviewed and approved a Group Sustainable Development Strategy and will monitor its implementation • Considers impact of decisions regarding facilities, services, investments and dividends on financial performance and shareholder returns
Media	The media acts as an intermediary between Mediclinic and its stakeholders on Company and industry developments, and assists to build and sustain a professional Company reputation.	Engagement, transparency and access to accurate information.	• Invites and engages with the media during results presentations and AGMs • Dedicated communication strategies have been developed for major industry affairs issues • Monitors Company and industry-related news and encourages a proactive approach where appropriate
Medical practitioners	Any initiative to improve the quality of clinical care needs the support and engagement of the treating medical practitioners.	Quality facilities, equipment and nursing care to ensure patient safety and satisfaction. Involvement in strategic clinical issues and the implementation of EHRs, as well as opportunities for continued professional development. Adaptability to meet the needs of an evolving healthcare industry.	• Reviews doctor satisfaction surveys and resultant action plans • Provides support through the Ward-to-Board accountability framework and promotes the sharing of good practices across the Group • Supports introduction of appropriate new technology and monitors the implementation of major projects • Considers impact of decisions regarding facilities, services and investments on doctors

STAKEHOLDER	IMPORTANCE	WHAT MATTERS TO THEM	BOARD ENGAGEMENT/CONSIDERATION DURING DISCUSSIONS AND DECISION-MAKING
Suppliers	Mediclinic believes in building long-term relationships of mutual trust and respect with suitable suppliers. The Group relies on its suppliers to deliver products and services of the highest quality at the right time and price while complying with regulations, and providing the necessary training and support.	Fair and transparent negotiations, and timeous payment for products and services rendered.	• Reviews and approves the Company's arrangements regarding modern slavery • Reviews and approves payment practices and performance reporting in the UK • Supports introduction of appropriate new technology and monitors the implementation of major projects • Regularly considers fraud and ethics reports (including whistleblowing)

For more information, refer to:

- the ***Section 172 statement*** on page 4;
- the ***Business model*** on page 14;
- the ***Stakeholders summary*** on page 46;
- 'Employee engagement' and 'Ethics, anti-bribery and anti-corruption' in the ***Sustainable development overview*** on page 73 and 77 respectively;
- the ***Emergency preparedness summary*** on page 116;
- the 'Shareholder engagement' section on page 156;
- the 'Workforce engagement' section on page 157;
- 'Response to votes received at the 2019 AGM' in the ***Remuneration Committee Report*** on page 194; and
- the **2020 Sustainable Development Report**, available at annualreport.mediclinic.com.

SHAREHOLDER ENGAGEMENT

Responsibility for shareholder relations rests with the Chair, Group CEO, Group CFO, SID and Head of Investor Relations. Collectively – but mainly through the Group CEO, Group CFO and Head of Investor Relations (as referred to on page 138) – they ensure that there is effective, regular and transparent communication with shareholders on matters such as operational and financial 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 Chairs of the Board committees are available to engage with investors on significant matters related to their areas of responsibility.

The Board is supported by the Company's corporate brokers with whom it is in constant dialogue. The Management Disclosure Committee assists the Board to ensure the timely and accurate disclosure of all information that is required to be disclosed to meet the legal and regulatory obligations, as well as the requirements arising from its listing on the LSE.

During the year under review, the regular 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 and Group Executive Committee met with more than 125 institutions and participated in some 20 roadshows, investor conferences and *ad hoc* capital market events across the UK, Europe and South Africa. A breakdown of the fund manager style and geographic holdings at year-end are provided in **Figure 3** and **4** respectively.

In December 2019, the Group hosted a dinner and site visit for investors and analysts in Cape Town, South Africa. The event included presentations from the CEO of Mediclinic Southern Africa and various Mediclinic Hospital General Managers, in addition to an address from the CEO of Discovery Health, South Africa's largest health insurance company. The presentations were made available to view on the 'Investor relations' section of Mediclinic's website on the day of the site visit.

Investors are invited to provide feedback directly to management during all these meetings and their views are included in regular reports to the Board. The Board also receives regular formal feedback from investors through quarterly reports prepared by QuantiFire, a third-party service provider that collects opinions and confidence measures from investors. The reports presented to the Board during FY20 covered 56 responses from a variety of investors, both holders and non-holders of Mediclinic shares. During FY21, the Group plans to launch a new investor perception study to update the information received during the previous study conducted during FY19.

Shareholders can access details of the Group's results and other news releases through the LSE's Regulatory News Service and the JSE Stock Exchange News Service. In addition, the Group publishes the announcements on the 'Investor relations' section of its website at investor.mediclinic.com. Shareholders and other interested parties can subscribe to email news updates by registering via the website.

The Group continuously investigates ways to improve its use of online channels to communicate with stakeholders through the Group website and webcasting.

FIGURE 3: STYLE OF FUND MANAGER BREAKDOWN (%)

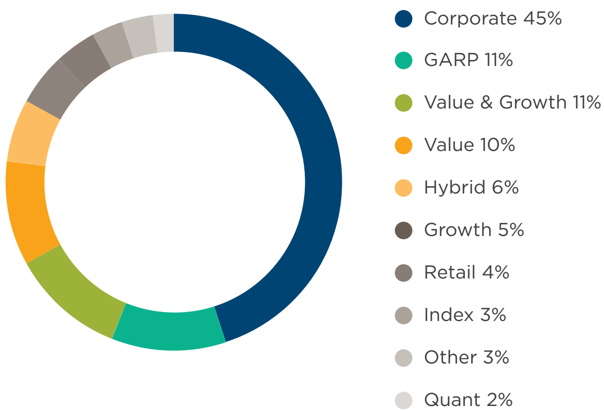
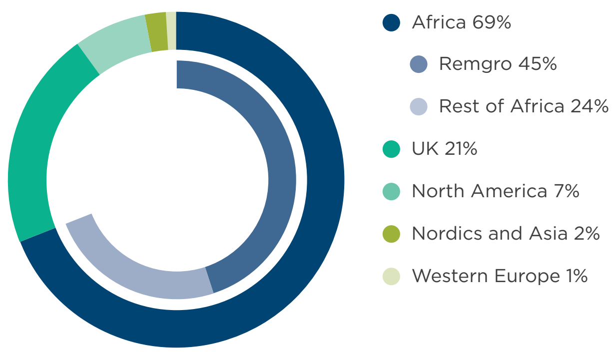


FIGURE 4: GEOGRAPHIC HOLDINGS (%)



> The Company seeks to maintain regular dialogue with its shareholders to establish an open forum for discussion on key market and Company-specific issues and the Board acknowledges the importance of all shareholders' views.

ENGAGEMENT WITH SHAREHOLDERS FOLLOWING THE 2019 AGM

At the Company's 2019 AGM, the resolutions to approve Mediclinic's Directors' Remuneration Report (Resolution 2) and to authorise the directors to allot ordinary shares (Resolution 18) received 71.44% and 78.88% support from shareholders respectively. The Company seeks to maintain regular dialogue with its shareholders to establish an open forum for discussion on key market and Company-specific issues and the Board acknowledges the importance of all shareholders' views.

In accordance with the 2018 Corporate Governance Code, the Company sought to engage with key shareholders to ensure it fully understood the reasons behind the result. During November 2019, the Chair of the Remuneration Committee wrote to the Company's largest institutional shareholders and major proxy advisers: (a) explaining the Remuneration Committee's current understanding of their concerns regarding the Group's remuneration policy; (b) reflecting feedback received prior to and after the AGM and the approach it intended to take going forward; and (c) offering to engage directly with investors to further discuss their concerns. An update on the views received from shareholders was published on 21 January 2020, in accordance with the 2018 Corporate Governance Code and the recommendations of the UK Investment Association.

Details of the steps taken by the Remuneration Committee in response to the vote on the Directors' Remuneration Report are set out in the ***Remuneration Committee's Report*** on page 194. In relation to Resolution 18, to authorise the directors to allot ordinary shares, the Board notes that the voting outcome reflects the differing market practice between the UK and South Africa, where shareholders in the latter jurisdiction usually approve more restricted levels of authority to issue shares and prefer to vote on the proposed allotments of shares on a case-by-case basis.

The Company has consulted regularly with its larger international shareholders on this matter. Many operate under policies that do not permit the UK standard level of authority to be supported, although a number do understand the Company's position. As Mediclinic is a UK premium-listed company, the Board considers it appropriate to seek authorities in line with the UK's Investment Association's Share Capital Management Guidelines to: (a) allow the Company to respond to market developments; and (b) enable allotments to take place to finance business opportunities as they arise. The Board will continue to engage with international shareholders on this topic, however, as the voting outcome reflects the difficulty in balancing the expectations of different markets, it is likely that there will continue to be significant votes against this resolution.

WORKFORCE ENGAGEMENT

The trust and respect of the Group's employees are vital to Mediclinic's success. Listening and responding to their needs through effective communication and sound relations are important components in being regarded as the employer of choice among existing and prospective employees, and vital to maintaining an engaged and loyal workforce.

Workforce engagement is conducted through various methods, including leadership video conferences, periodic employee surveys, performance reviews, employee magazines and employee wellness and recognition programmes. Further details of the Group's workforce engagement are included in the **2020 Sustainable Development Report**, available at annualreport.mediclinic.com.

At the end of March 2019, the Company announced the appointment of Mr Meintjes as the designated non-executive director for engagement with the Group's workforce with effect from 1 April 2019. As the former Group CEO and with his prior experience as divisional Human Resources Executive, Mr Meintjes was closely involved with the Company's approach to engaging with; investing in; and rewarding the Group's employees. With his wealth of knowledge and experience gained in different capacities over 30 years at Mediclinic, the Board considers him to be extremely well positioned to fulfil the role of ensuring that the voice of the workforce is heard within the boardroom.

Mr Meintjes' responsibilities as the designated non-executive director for engagement with the Group's workforce include:
- reviewing and assessing the existing workforce engagement programmes;
- understanding and interpreting the views of the workforce;
- providing feedback to the Board on the impact and effectiveness of the Group's various workforce engagement initiatives, including but not limited to the Gallup® employee engagement survey results and human resources-related matters reported on the ethics line;
- conveying feedback from the Group's workforce (as consolidated via multiple channels) to the Board and shareholders;
- providing feedback to the workforce through existing (or, if appropriate, new) communication channels on how their input was communicated to and considered by the Board; and
- reporting to the Board on workforce engagement twice annually.

Mr Meintjes works closely with the Group Chief Human Resources Officer and his team in accordance with a work plan designed to support Mr Meintjes in the fulfilment of this role. The first report was presented in September 2019 and the second report in May 2020.

The Board reviewed the existing and planned channels of engagement with the workforce, with due consideration for recommendations by the designated non-executive director, and were satisfied that these provide an effective means of collecting feedback from and providing feedback to the Group-wide workforce.

The Board took note and was satisfied with the additional divisional measures that were implemented to ensure employee safety during the COVID-19 pandemic, as outlined in the most recent report. Besides employee safety, continued team engagement was encouraged to ensure team support and cohesion. Team engagement results and themes stemming from the diversity and inclusion results of the annual Gallup® employee engagement survey were explored in these meetings to ensure progress on engagement and diversity and inclusion goals. Technology such as, *inter alia*, Microsoft Teams, Skype Business and Zoom were utilised to ensure frequent interaction. Line managers were also equipped with tools and resources to manage teams remotely.

Details of how the Group engaged with key stakeholders, including employees, can be found in the 'Stakeholder interests and Board engagement' section on page 151. Continuous training and development of the Group's employees ensure employee retention, particularly of scarce skills which are most critical, and proper succession planning. Further details of the Group's training initiatives can be found in the ***Sustainable development overview*** on page 74 and the **2020 Sustainable Development Report** available at annualreport.mediclinic.com.

The distribution of the Group's employees per division is included in the **Sustainable development overview** on page 72, with only one employee (Head of Investor Relations) being based in the UK.

A breakdown by gender, age and, in respect of Southern Africa only, race in Board and senior management roles at year-end is illustrated in **Table 5** and **6**.

The Group values diversity and provides equal opportunities in its workplace and does not tolerate any form of 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. During FY20, the Board approved a diversity and inclusion policy setting out the Group's strategy and goals for establishing and maintaining a diverse and inclusive workforce. This initiative, which is fully aligned with the Group's purpose, culture (including its organisational values) and strategy, was launched at the Mediclinic Group Conference for leadership held in October 2019. Progress on its implementation and outcomes is being monitored by the Board.

Adequate procedures are in place for applicants with disabilities to receive training to perform safely and effectively; there are also 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.

TABLE 5: RACE, GENDER AND AGE REPRESENTATION ON GOVERNANCE BODIES

		RACE (ONLY IN RESPECT OF SOUTHERN AFRICA)				GENDER				AGE (YEARS) AT 31/03/2020			
		BLACK[2]		WHITE		MALE		FEMALE		30-50		> 50	
	TOTAL MEMBERS[1]	NO	%	NO	%	NO	%	NO	%	NO	%	NO	%
Mediclinic Board	12	2 Board members of diverse ethnicity (17%)[3]				8	67%	4	33%	1	8%	11	92%
Group Executive Committee	9	n/a				8	89%	1	11%	4	44%	5	55%
Hirslanden Executive Committee	7	n/a				7	100%	–	–	4	57%	3	43%
Mediclinic Southern Africa Executive Committee	10	3	30%[2]	7	70%	8	80%	2	20%	4	40%	6	60%
Mediclinic Middle East Executive Committee	9	n/a				8	89%	1	11%	6	67%	3	33%

TABLE 6: RACE, GENDER AND AGE REPRESENTATION OF DIRECT REPORTS TO GOVERNANCE BODIES

		RACE (ONLY IN RESPECT OF SOUTHERN AFRICA)				GENDER				AGE (YEARS) AT 31/03/2020			
		BLACK[2]		WHITE		MALE		FEMALE		30-50		> 50	
	TOTAL NO OF DIRECT REPORTS[1]	NO	%	NO	%	NO	%	NO	%	NO	%	NO	%
Group Executive Committee	29	n/a				20	69%	9	31%	17	59%	12	41%
Hirslanden Executive Committee	62	n/a				38	61%	24	39%	39	63%	23	37%
Mediclinic Southern Africa Executive Committee	58	16	28%[2]	42	72%	33	57%	25	43%	29	50%	29	50%
Mediclinic Middle East Executive Committee	61	n/a				45	74%	16	26%	44	72%	17	28%

Notes

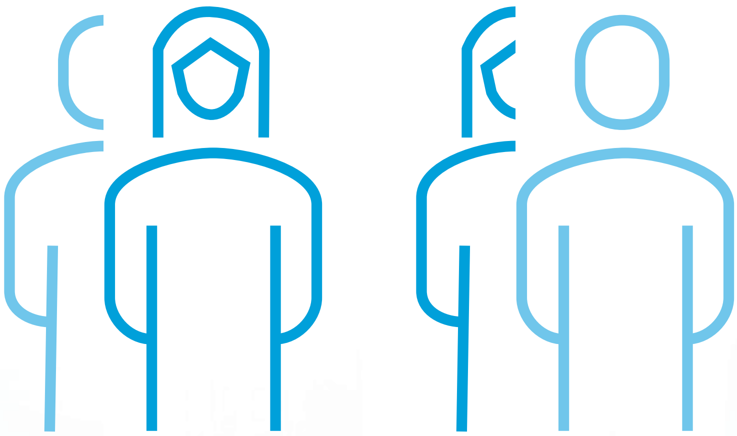
[1] Total membership is shown at 31 March 2020.

[2] In the South African context, the term 'black people' is a generic term which means African, Coloureds and Indians who: (a) are citizens of the Republic of South Africa by birth or descent; or (b) became citizens by naturalisation before 27 April 1994 or on or after 27 April 1994 and who would have been entitled to acquire citizenship by naturalisation prior to that date.

[3] Diverse ethnicity refers to individuals with evident heritage from African, Asian, Middle Eastern and South American regions, or from another diverse ethnic group, as defined by the Parker Report.

FIGURE 5: GENDER REPRESENTATION – GROUP EMPLOYEES AND SENIOR MANAGERS[1]

Group employees (%) **Senior managers (%)**



Group employees:
- **Female:** 75%
- **Male:** 25%

Senior managers:
- **Female:** 23%
- **Male:** 77%

Note

[1] Senior managers are employees who are responsible for planning, directing or controlling the activities of the Group or a strategically significant part of the Group and direct undertakings included in the Group consolidation (excluding the executive directors of the Company).

EVALUATION OF THE BOARD, COMMITTEES AND CHAIR

The Company is committed to evaluating the performance and effectiveness of the Board as a whole, its committees, the Chair and the directors, and acting upon the feedback received. An externally facilitated evaluation was last conducted in 2018. Accordingly, the Board proceeded with an internal self-evaluation in FY19 and FY20, conducted by way of questionnaires. In FY20, the external auditor and other regular attendees were invited to participate in the evaluation of the Audit and Risk Committee. The anonymity of the respondents was ensured throughout the process in order to promote a frank exchange of views. The outcomes and detailed feedback were discussed within each committee, as relevant, and by the Board, with key actions being identified for subsequent follow up during the year.

PROGRESS ON THE KEY ACTIONS IDENTIFIED FROM FY19 BOARD EVALUATION

KEY ACTIONS	STATUS
• To review the introduction of ROIC as a performance measure for forthcoming long-term incentives	Refer to the 'Letter from the Chair' and 'Directors' Remuneration Policy' sections of the ***Remuneration Committee Report*** on pages 194 and 201 respectively
• To continuously improve the implementation of technology and associated change management across the divisions	Refer to ***Strategy, goals and progress*** in the **Strategic Report** on page 36 and the 'Principal Board activities' section of this ***Corporate Governance Statement*** on page 146
• To implement and oversee the Company's corporate strategy	Refer to the ***Group Chief Executive Officer's Report*** on page 28, ***Strategy, goals and progress*** in the **Strategic Report** on page 36 and the 'Principal Board activities' section of this ***Corporate Governance Statement*** on page 146
• To continuously oversee succession planning within all divisions	Refer to the 'Board Chair and other succession planning' section in the ***Nomination Committee Report*** on page 189 and the 'Principal Board activities' section of this ***Corporate Governance Statement*** on page 146
• To establish a meaningful and practical structure for updating the Board on issues concerning the workforce and wider stakeholders	Refer to the 'Principal Board activities' and 'Workforce engagement' sections of this ***Corporate Governance Statement*** on pages 146 and 157 respectively

KEY ACTIONS IDENTIFIED FROM THE FY20 BOARD EVALUATION

The results of the evaluation of the Board committees were considered by the relevant committee prior to their presentation to the Board for discussion at the meeting held in March 2020, together with the results for the evaluation of the Board itself. The impact of the Board evaluation on the composition of the Board is set out on page 190 of the ***Nomination Committee Report***. The actions agreed upon for FY21 have been summarised below:

- to increase opportunities for non-executive directors' involvement in the development of the strategy for the Group, in particular the strategic sub-goals for digital transformation and innovation;
- to increase opportunities for discussion of potential and emerging risks by the Board;
- to identify and introduce new methods for the Board to access external expertise and insights into digital business transformation and other pertinent matters; and
- to maintain focus on continuous improvement in the quality of information provided to the Board.

The non-executive directors, led by the SID, discussed the performance of the Chair, having previously obtained the views of the executive directors. The results were discussed privately between the Chair and the SID after the March 2020 meeting.

ACCOUNTABILITY

RISK MANAGEMENT AND INTERNAL CONTROLS

The Group has a comprehensive risk management and internal control system in place. The system is designed to identify and appropriately mitigate the emerging and 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's financial, operational and strategic goals.

The Board is responsible for reviewing and confirming the effectiveness of the Group's risk management and internal controls, including material controls (i.e. financial, operational and compliance controls). Although the responsibility of evaluating the Group's risk management procedures, assessing the effectiveness of internal controls, and monitoring reporting integrity has been delegated to the Audit and Risk Committee, the Board maintains a strong and regular oversight of the outcome of the committee's work.

Key features of the Group's internal control system include:

- clearly defined delegations of authority and lines of accountability;
- policies and procedures governing financial resource management, financial reporting, key projects and ICT security;
- periodic checks conducted by the Internal Audit function; and
- review of the disclosures by the Group, the Board and the Audit and Risk Committee within the annual, half-year and other price-sensitive reports, as relevant, to ensure compliance.

FIGURE 6: GROUP RISK MANAGEMENT GOVERNANCE STRUCTURE

A review of the Group's risk management approach and internal control system is further discussed in ***Risk management, principal risks and uncertainties*** on page 119. The Group's ***Viability statement*** can be found on page 114. Refer to page 171 for more information on the role of the Audit and Risk Committee.

ETHICS AND COMPLIANCE

Conducting business in an honest, fair and legal manner is one of Mediclinic's fundamental guiding principles and is actively endorsed by the Board and management, ensuring that the highest ethical standards are maintained in all dealings with stakeholders. The Group's commitment to ethical standards is supported by the Group's values and is set out in the Company's Ethics Code which is available under the 'Governance' section of the Company's website at www.mediclinic.com. The Ethics Code provides a framework of the standards of business conduct and ethics that are required of all directors and employees in order to promote and enforce ethical business practices and standards across the Group. The Ethics Code is available to all employees and communicated to new employees as part of onboarding.

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

SLAVERY AND HUMAN TRAFFICKING

The Board has considered and approved the Company's updated **Modern 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.

The statement is available on the Company's website at www.mediclinic.com.

FRAUD AND CORRUPTION

The Group adopts zero tolerance to unethical business conduct, in particular fraud and corruption, which is addressed in the Ethics Code and the Group's Anti-bribery Policy. Refer to the ***Audit and Risk Committee Report*** on page 182 for more information.

COMPETITION LEGISLATION

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

The South African Competition Commission completed its market inquiry into the private healthcare sector in South Africa in September 2019. The findings have not been unduly onerous and implementation thereof would largely require legislative intervention. Should this happen Mediclinic will participate in all public engagement opportunities in developing the legal and governing framework.

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

ICT GOVERNANCE

Mediclinic has an extensive ICT environment that acts as an enabler of business strategies and operations. The core business information systems cover clinical processes, revenue cycle management and patient administration. The SAP enterprise resource planning back-office systems support, *inter alia*, the Finance, Accounting, Human Resources and Procurement functions. An enterprise data warehouse enables advanced analytics and supports decision-making by providing, sourcing and enriching the required data sets. An extensive office automation environment enables both on-premise and remote working, as well as collaboration and communication within and across divisions, while an international network enables data flows, interoperability and communication across the entire Group. Notable ICT-related projects in the pipeline include various SAP projects; projects to roll out systems that enable clinical performance and patient safety (also referred to as EHRs); digital backbone projects; and further roll-out of the international human resources management system.

ICT governance is done in the context of the Group's overall governance, in general, and in the context of the Group's risk management structures and processes, specifically. Central to ICT governance is the Group's ICT Steering Committee (**'ICT Com'**) and its ICT architecture subcommittee. The ICT Com is a subcommittee of the Group Executive Committee, and membership consists of the Group CIO, divisional CIOs, Group ICT architects and key functions such as risk management, finance and the enterprise project management. This committee focuses on collaboration, standardisation and synergies, including:

- advancing the digitalisation of Mediclinic's business model and services;
- ensuring high performance and cost efficiency of ICT departments across the divisions;
- 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 Com is supported by the Group's Information Security Architecture Committee, consisting of the Group's Information Security Officers. The proceedings of this committee are informed by information security best practices sourced from NIST, ISACA, CoBIT 5, ITIL, ISO 27001 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.

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

Information security and data protection 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 continuous user training, security awareness programmes and certification courses in information security. The flow of personal data across country borders is managed in accordance 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, as adopted on 20 July 2017 (the '**Articles**').

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 and at the AGM. 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 responsibilities.

INDUCTION AND TRAINING

The Chair, 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 the Group Executive Committee and operational site visits to orientate and familiarise the new directors with the healthcare industry as well as Mediclinic's business, strategy and goals, and key risks.

Mr Singer and Dame Inga were appointed during the year under review. Mr Singer has completed and Dame Inga is 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 informed of legal, regulatory and governance matters. Additional training is available on request, where appropriate, so that directors can update their skills and knowledge as applicable.

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, a director appointed by the Board must stand for election at the first AGM subsequent to such appointment, and other directors must retire by rotation and seek re-election by shareholders every three years. However, the 2018 Corporate Governance Code requires that all directors should stand for re-election annually. Accordingly, Mr Singer (appointed on 24 July 2019) and Dame Inga (appointed on 26 March 2020) will stand for election at the Company's 2020 AGM. All other directors (with the exception of Dr Hertzog, who is retiring at the conclusion of the Company's 2020 AGM) will stand for re-election.

Taking into account the result of the Board evaluation carried out during the year under review 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 the re-election of all directors (other than Dr Hertzog) and the election of Mr Singer and Dame Inga. Biographies of the directors can be found on page 130.

Remgro, through wholly owned subsidiaries, 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 issued by the FCA. 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. The directors are entitled to exercise all powers of the Company, subject to any limitations imposed by the Articles or applicable legislation.

INDEMNIFICATION OF DIRECTORS

The Company has entered into a deed of indemnity with each director who served during the reporting period 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 Group. In addition, the Company has provided directors and officers with indemnity insurance and insurance in connection with their duties and responsibilities.

DIRECTORS' EXTERNAL APPOINTMENTS AND CONFLICTS OF INTEREST

Directors are required to obtain approval from the Board prior to accepting new appointments. The Board has well-established procedures to identify and manage conflicts of interest, including those that may result from Remgro's shareholding in the Company, and thus ensure that the overall independence of the Board is not compromised or overridden by the influence of a third party. Prior to their appointment and thereafter annually, directors are required to complete a detailed questionnaire to identify any direct or indirect interest that conflicts or may possibly conflict with the Company's interests (a '**conflict of interest**') and any direct or indirect interest in a proposed or existing transaction or arrangement entered into by the Company. In addition, directors are reminded at each Board meeting of their duty to declare any new conflicts of interest, interests in proposed transactions, or changes to previous declarations and any new actual or potential conflicts of interest or interests in transactions that could arise from new external roles that directors are proposing to take up. Any conflicts of interest or interests in proposed transactions identified by these processes are considered by the directors who have no interest in the relevant matter and, if appropriate, authorised in accordance with the Act and the Articles and their duties as directors, with conditions attached where prudent to do so.

The Board is satisfied that the commitments of the Chair of the Board and other non-executive directors, as shown in their biographies on page 130, do not conflict with their duties and time commitments as directors of the Company.

ASSESSMENT OF THE INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

The Board annually reviews any potential conflicts of interest and identified conflicts are, if appropriate, authorised. The Committee and the Board are satisfied that the commitments of the Chair and other non-executive directors, as shown in their biographies on page 130, do not conflict with their duties and commitments as directors of the Company.

The independence of the 10 non-executive directors was reviewed as part of the annual board evaluation process, with Mr Grieve (the SID) reviewing the independence of the other non-executive directors and Mr Grieve's independence being reviewed by the Chair of the Board. This review was undertaken by reference to factors that could affect a director's independence as set out in the 2018 Corporate Governance Code and by considering the conduct, independence of thought and judgement exhibited by the independent directors during Board and committee meetings. While the current Chair of the Board and two non-executive directors, Messrs Jannie Durand and Danie Meintjes, are considered to be non-independent due to the nature of their prior or existing relationship with the Company, the Board is satisfied that the seven other non-executive directors are independent and are free from any relationship that could affect their judgement and continue to demonstrate their independence by how they conduct themselves in Board meetings, including how they exercise judgement and independent thinking.

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 agreements and their notice periods can be found in the ***Remuneration Committee Report*** on page 215.

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 on page 194.

DIRECTORS' INTERESTS

The directors' shareholding and share interests in the issued shares of the Company are provided in the ***Remuneration Committee Report*** on page 214.

OTHER DISCLOSURES

ARTICLES OF ASSOCIATION

The Company's Articles may be amended by way of a special resolution of the shareholders. The Articles are available in the 'Governance' section of the Company's website at www.mediclinic.com.

SIGNIFICANT AGREEMENTS

The following agreements are considered significant in terms of their potential impact on the business of the Group as a whole, and could alter or terminate on the change of control of the Company:

- The Relationship Agreement with Remgro was entered into on 14 October 2015 with an effective date of 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) Remgro, taken together, ceases to hold a minimum interest of 10% in the Company.
- The following facilities and finance agreements are regarded as significant and contain change of control provisions:
  - Swiss senior secured borrowings expiring in September 2025 with three uncommitted extension options and bearing interest at Swiss franc London Interbank Offered Rate ('**LIBOR**') plus a margin of 1.25% up to a maximum of Swiss franc LIBOR plus a margin of 1.65% depending on the loan-to-value:
    - CHF1.5bn amortising senior secured term loan facility;
    - CHF0.254bn senior secured capex facility; and
    - CHF0.1bn senior secured revolving facility.
  - South African senior secured borrowings totalling ZAR6.2bn, bearing interest at Johannesburg Interbank Average Rate ('**JIBAR**') plus a margin of 1.49% to 1.59%, expiring in September 2022 and 2023 with uncommitted extension options.
  - South African unsecured preference share funding totalling ZAR1.8bn, bearing interest at 72% of JIBAR plus a margin of 1.65%, expiring in September 2022 with uncommitted extension options.
  - UAE amortising senior secured borrowings of US$250m bearing interest at US dollar LIBOR plus a margin of 1.85%, expiring in August 2023.

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. Remgro held 44.56% of the issued ordinary share capital of the Company, at the Last Practicable Date.

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.

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

Details of all related-party transactions are contained in note 36 of the ***Group financial statements*** on page 314.

POLITICAL DONATIONS

Political donations are generally prohibited in terms of the Company's Ethics Code and Anti-bribery Policy, unless pre-approved by the executive committee of the division and reported to the Group Executive Committee. It is not the policy of the Company to make political donations as contemplated in the Act and, during the year under review, the Group made no such payments. However, as a result of broad definitions used in the Act, normal business activities of the Company, which might not be considered political donations or expenditure in the usual 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. This could include 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. The Board has therefore resolved to propose a resolution for shareholder consideration at the AGM, as in previous years and in line with best practice, to authorise the Company to make political payments up to an aggregate amount of £100 000.

As is customary in Switzerland, Hirslanden maintains a proper and constructive dialogue with political decision-makers and stakeholders to represent the division's perspective and support informed decision-making that contributes to improving patient outcomes and the long-term sustainability of the business. Under the Swiss political system, citizens are active in political bodies at federal, cantonal and municipal levels in addition to their regular occupations. Parliamentarians are not professional politicians in this system and the parties do not receive state support. Therefore, in line with common and official practice in Switzerland, Hirslanden assists in supporting the country's political system by making third-party contributions to a number of political parties, institutions and associations involved in campaigns which are of interest to the business. Payments of this kind made by Hirslanden in FY20 totalled CHF63 225 (2019: CHF4 500). Annual fluctuations in spend are mostly due to the timing of national and cantonal renewal elections. 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.

GOING CONCERN STATUS

The ***Group's financial statements***, as set out on pages 224–315 and approved by the Board on 1 June 2020, were prepared on a going concern basis. The directors considered the Company's financial position; availability of funding; the principal risks and uncertainties; and 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 ***Group Chief Financial Officer's Report*** on page 78, the ***Viability statement*** on page 114 and the ***Audit and Risk Committee Report*** on page 170.

EVENTS AFTER THE REPORTING PERIOD

No events which may have a material effect on the Group occurred between the financial year-end and Last Practicable Date.

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:

DETAIL	LOCATION IN ANNUAL REPORT
Long-term incentive schemes	Page 213
Confirmations regarding entering into a relationship agreement with a controlling shareholder and compliance with independence provisions	Refer to the 'Principal shareholder and relationship agreement' section on page 166
Agreements with a controlling shareholder	None other than the relationship agreement referred to on page 166
Provision of services by a controlling shareholder	None other than the services provided by Remgro described in note 36 of the ***Group financial statements*** on page 314
Interest capitalised	See notes 6 and 26 to the ***Group financial statements*** on pages 261 and 299 respectively
Waiver of emoluments by a director Waiver of future emoluments by a director Non-pre-emptive issues of equity for cash Non-pre-emptive issues of equity for cash by any unlisted major subsidiary Parent company participation in a placing by a listed subsidiary Shareholder waiver of dividends Shareholder waiver of future dividends	Not applicable

DIRECTORS' REPORT

The information set out in this ***Corporate Governance Statement***, together with the following disclosures included in this Annual Report and incorporated by reference, constitute the Directors' Report of the Company for FY20, as contemplated in the Act, and was duly approved by the Board on 1 June 2020:

- **Strategic Report** – refer to pages 2–125
- ***Section 172 statement*** – refer to page 4
- ***Statement of Directors' Responsibilities*** – refer to page 221
- ***Shareholder information*** – refer to page 348

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 page 36
- Financial risk management objectives and policies – refer to page 225
- Research and development activities – refer to various activities discussed in the **Strategic Report** on page 36; the standardised employee engagement initiatives on page 73; and clinical research activities referred to on page 57, with further details available in the **2020 Clinical Services Report** available at annualreport.mediclinic.com
- Greenhouse gas emissions – refer to page 67, with further details available in the **2020 Sustainable Development Report** available at annualreport.mediclinic.com
- Corporate social responsibility and CSI – refer to page 75, with further details available in the **2020 Sustainable Development Report** available at annualreport.mediclinic.com

In accordance with Section 172 of the Act, the Board collectively, and its directors individually, believe that they have acted in a manner which they consider, in good faith, would be most likely to promote the success of the Company to the benefit of all its stakeholders. Refer to below sections in this Annual Report for more information:

- the ***Section 172 statement*** – refer to page 4
- the ***Business model*** – refer to page 14
- the ***Stakeholders summary*** – refer to page 46
- 'Employee engagement' and 'Ethics, anti-bribery and anti-corruption' in the ***Sustainable development overview*** – refer to page 73 and 77 respectively
- the ***Emergency preparedness summary*** – refer to page 116
- other stakeholder engagement statements: 'Stakeholder interests and Board engagement', 'Shareholder engagement' and 'Workforce engagement' – refer to ***Corporate Governance Statement*** on pages 151–160
- 'Response to votes received at the 2019 AGM' – refer to the ***Remuneration Committee Report*** on page 194

For and on behalf of the Board.

Dr Edwin Hertzog
Non-executive Chair
1 June 2020

AUDIT AND RISK COMMITTEE REPORT

Mr Alan Grieve
Chair of the Audit and Risk Committee

I am pleased to present my first report as Chair of the Audit and Risk Committee (the 'Committee'), covering our work during FY20 and from the start of FY21 to the Last Practicable Date. The Board understands that the Company's shareholders and other stakeholders look to its full-year and half-year reports to make informed decisions and hold the Group's management and Board to account. This report provides an insight into how the Committee discharged its responsibilities during the reporting period and up to the Last Practicable Date, including the significant matters it considered when assessing the integrity of the Group's periodic financial reporting. I trust you will find this report to be informative and that you take assurance from the work undertaken by the Committee.

COMMITTEE COMPOSITION AND MEETINGS

The Committee comprised solely independent non-executive directors, whose names and attendance records are set out below. Detailed information on each member's experience, skills and qualifications can be found on page 130. The Board is satisfied that the Committee has the appropriate composition, skills and experience (including recent and relevant financial, accounting and sector-specific experience) to discharge its responsibilities in an informed and effective manner.

TABLE 1: COMMITTEE COMPOSITION AND MEETING ATTENDANCE

NAME[1]	QUALIFICATIONS AND RELEVANT EXPERIENCE	DATE OF APPOINTMENT (as Committee member)	NUMBER OF SCHEDULED MEETINGS ATTENDED[2]
Mr Alan Grieve (Committee Chair)	BA Hons, CA	15/02/2016 (as member) 24/07/2019 (as Chair)	4/4
Mr Seamus Keating[3]	FCMA	05/06/2013	3/4
Mr Trevor Petersen	BComm Hons, CA (SA)	15/02/2016	4/4
Mr Tom Singer[4]	BSc Hons, CA, Advanced Management Programme (INSEAD)	24/07/2019	2/3

Notes

[1] The composition is shown at 31 March 2020. Changes to the composition during the reporting period are noted alongside.

[2] The attendance reflects the number of scheduled meetings held during the financial year. Details of additional meetings are set out alongside.

[3] Mr Keating was unable to join the Committee meeting in March 2020 due to another urgent and unexpected commitment. Mr Keating stepped down from the Board and its committees on 31 March 2020.

[4] Mr Singer was appointed to the Committee after the first meeting of the financial year had taken place and was unable to join the second meeting due to prior commitments that could not be re-arranged.

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The role of the Committee is to support the Board on matters relating to the Group's financial and narrative reporting, internal control system and risk management processes, Internal Audit function and relationship with the external auditor, as well as ethical conduct, governance and compliance.

A number of changes to the composition of the Committee took place during the reporting period. At the conclusion of the Company's AGM on 24 July 2019, Mr Desmond Smith retired as a director of the Company and Mr Alan Grieve, a member of the Committee since February 2016, succeeded Mr Smith as Chair of the Committee (and as SID). In view of Mr Smith's retirement, the Committee was pleased to welcome Mr Tom Singer as a director of the Company and a member of the Committee effective from 24 July 2019. Lastly, Mr Seamus Keating stepped down from the Board and its committees on 31 March 2020.

The Committee normally holds four meetings during the financial year, with one of these meetings being dedicated primarily to an extensive review of risk-related matters. The Committee held one additional *ad hoc* meeting during FY20 to consider an insurance-related proposal and one meeting was held between the Company's financial year-end and the Last Practicable Date, principally to approve this Annual Report and accounts. These meetings were attended by all members of the Committee at the time or at least the minimum quorum required under the Committee's terms of reference.

Dr Ronnie van der Merwe (Group CEO), Mr Jurgens Myburgh (Group CFO) and Mr Gert Hattingh (Group Chief Corporate Services Officer) attend all meetings. Other attendees differ from time to time and may include Dr Edwin Hertzog (Board Chair), Mr Pieter Uys (alternate to Mr Jannie Durand), Dr Dirk le Roux (Group CIO), Mr Glenn Ho (Group General Manager: Internal Audit), Mr Martin Rossouw (Group General Manager: Risk Services), Mr Pierre de Villiers (Group General Manager: Financial) and other relevant management members, as and when their specialist knowledge is required. Representatives from the external auditor are invited to attend all meetings.

Each scheduled meeting of the Committee is held in advance of the Board meeting, allowing the Committee's Chair to provide a report to the Board on the key matters discussed. This allows the Board to consider any recommendations or other matters brought to its attention. The Committee meets privately without management present after each scheduled meeting. In addition, private meetings are held with the external auditor, the Internal Audit function and senior management respectively to allow any issues of concern to be raised by, or with, each party.

The Chair of the Committee meets separately with the Group CFO, Group General Manager: Internal Audit and the external auditor during the financial year to ensure that the work of the Committee is focused on key and emerging issues.

ROLE AND KEY AREAS OF ACTIVITY

The role of the Committee is to support the Board on matters relating to the Group's financial and narrative reporting, internal control system and risk management processes, Internal Audit function and relationship with the external auditor, as well as ethical conduct, governance and compliance. The following sections of this report explain the oversight and challenge that the Committee has provided under each of those headings during the reporting period and the resultant outcomes.

The Committee's terms of reference, which are reviewed annually by the Committee itself and the Board, are available on the 'Governance' section of the Company's website at www.mediclinic.com and are summarised on page 142 of the ***Corporate Governance Statement***.

FINANCIAL REPORTING

The principal responsibilities of the Committee in this area are to ensure the integrity of the Group's financial and narrative reporting, including full-year and half-year reports and financial statements and announcements regarding the Company's financial performance. The Committee does so by scrutinising and challenging the views of both management and the external auditor on key accounting and financial matters and testing the effectiveness and independence of the external audit. The key focus areas of the Committee in relation to financial reporting during the reporting period are set out overleaf.

	May 2019	Sep 2019	Nov 2019	Mar 2020	May 2020
Financial reporting					
Financial performance of the Group and each division, including debt covenants	•		•	•	•
Full-year report and accounts, half-year results, related announcements	•		•		•
Significant accounting policies, key accounting items, areas of significant judgement, material assumptions and estimates	•		•	•	•
Key tax considerations	•		•	•	•
Going concern	•		•		•
Long-term viability assessment and stress testing analysis	•			•	•
Dividend proposal	•		•		•
Dividend policy	•		•		
Fair, balanced and understandable reporting and adjusted performance measures	•		•		•
Annual review of Finance function				•	
Notice of AGM					•
Relevant statutory, regulatory and good practice developments		•	•		•
External auditor					
Auditor's feedback and formal reports	•		•	•	•
Audit plan and fees			•		
Independence, effectiveness and re-appointment	•		•	•	•

The Committee paid particular attention to the matters listed below. The Committee scrutinised management and the external auditor's views in all these areas to understand any areas where there had been or continued to be a difference of opinion between management and the external auditor to satisfy itself that the conclusions drawn were reasonable and supportable based on the information available at the time, and that the corresponding disclosures in the Group's reports were appropriate.

- The financial performance of the Group's divisions, Spire and the Group as a whole, and the key drivers of that performance, in the context of the budget agreed for the year, guidance provided to investors and market expectations.
- The significant accounting policies and practices adopted by the Group, including the implementation of IFRS 16 *Leases*, its impact on the Group's financial statements and the corresponding presentation and disclosures included in the Group's periodic financial reports.
- Key accounting items and areas of significant judgement (as detailed in the section on 'Significant financial reporting matters' alongside), material assumptions and estimates, and the sensitivity of outcomes to reasonably possible adverse changes in key assumptions.
- Outstanding tax matters, tax risks and assurances received from the Company's tax advisors as part of the year-end audit, together with progress on country-by-country tax reporting and transfer pricing documentation. The Committee also reviewed and recommended the Group Tax Strategy to the Board for approval. The strategy is published in the 'Risk management' section of Mediclinic's website at www.mediclinic.com and a summary is available on page 91.
- Areas of discussion and challenge with management and the external auditor, in particular the assumptions

used in the assessment of impairment charges, going concern and long-term viability, and the existence of any adjusted or unadjusted errors resulting from the audit, as set out in the external auditor's report on pages 224-236.
- The clarity of disclosures and the processes followed to ensure the integrity of the information provided in the Group's periodic financial reports and assurance that they present a fair, balanced and understandable assessment of the Group's position and prospects.
- Compliance with relevant accounting standards and financial and governance reporting requirements, including the reporting recommendations published by the FRC during the financial year.
- The decision to delay financial reporting in response to COVID-19.
- Management's liquidity and covenant compliance analysis as part of the assessment of going concern status.

Significant financial reporting matters

The significant financial reporting matters and principal areas of judgement considered by the Committee in relation to the 2020 half-year and full-year financial statements, including matters communicated by the external auditor to the Committee, are set out below.

TABLE 2: SIGNIFICANT ISSUES CONSIDERED AND ACTIONS TAKEN

ISSUE	ACTIONS TAKEN BY THE COMMITTEE
Goodwill and non-financial assets (CGU level) impairment reviews (see notes 6 and 7 to the ***Group financial statements***)	The key issues considered were: • the impairment assessment and impairment test of the Mediclinic Middle East goodwill; and • whether any indication existed that non-financial assets at an individual CGU-level might be impaired and review of the subsequent impairment test of a Swiss CGU. The Group's annual financial planning process concludes with individual business plans per division that are approved by the Board. The business plans take account of macroeconomic conditions, industry-specific trends and operational details. During the year under review, the plans further incorporated the anticipated short- and medium-term impact of COVID-19, both directly and also indirectly through its effect on economies globally. The Committee reviewed the key assumptions to the impairment tests performed, including free cash flows (from the business plans described above), long-term growth rates and the discount rates. Long-term growth rates for periods not covered by the forecast periods were challenged to ensure they were appropriate in the countries relevant to the divisions. The Committee noted the current high levels of uncertainty and the range of possible outcomes as a result of the COVID-19 crisis, but was satisfied that management had developed its forecasts based on the best available evidence at this time. Based on its challenge of the key assumptions and associated sensitivities, the Committee concurred with the impairment booked against the carrying value of the Mediclinic Middle East goodwill as well as the impairment charges in one of the CGUs within Hirslanden. The Committee also considered the sensitivities to changes in assumptions and the related disclosures required by IAS 36 *Impairment of Assets* and IAS 1 *Presentation of Financial Statements*. The Committee discussed the external auditor's feedback and considered its conclusion regarding the impairment charges recorded. Considering all of the above, management responses and the external auditor's views, the Committee was satisfied that the assumptions used were reasonable and that the impairment charges, together with related disclosures, were appropriately presented.

<table>
<tr><th>ISSUE</th><th>ACTIONS TAKEN BY THE COMMITTEE</th></tr>
<tr><td>Going concern

(see note 2.1 to the Group financial statements)</td><td>The key issues considered were:
• the impact of the COVID-19 pandemic on the liquidity of the business; and
• the going concern status of the Group for a period of at least 12 months from the date of this report.

As part of the year-end process, management performed a monthly liquidity analysis per division extending to September 2021 that included a base and downside case scenario. The Committee evaluated the key assumptions used in preparing these scenarios, including projected infection forecasts; the economic impact of lockdowns and other measures taken to curb the spread of the pandemic; the expected impact on revenue; and the mitigating actions. The Committee considered a range of downside case scenarios and evaluated whether management's downside case constituted a severe but plausible scenario. On mitigating actions, the Committee confirmed that only such actions within the control of management were included and that further mitigating actions were considered that might be available to the Group if downside risk factors prove worse than currently expected.

The Committee concluded that the Group, at a divisional level and supplemented with cash at the centre, has sufficient liquidity in both the base case and the downside case scenarios and that liquidity was sufficiently disclosed in the financial statements.

The Committee considered the compliance with covenant ratios related to borrowings in each of the divisions and noted that, where potential breaches of covenant tests were indicated based on the scenario analyses discussed above, covenant test waivers had been obtained. The Committee noted that the three divisions were recently refinanced and that an unutilised bank facility is in place to repay a Swiss bond which matures in February 2021.

After evaluating management's presentations and the auditor's report on the going concern assumption, the Committee concluded and recommended to the Board to approve the going concern assumption for the Group's financial statements, together with related disclosures.</td></tr>
<tr><td>Viability assessment

(see page 114 in this Annual Report)</td><td>The key issue considered was:
• the Group's long-term viability assessment.

The Committee reviewed the viability assessment and sought support from management for the scenarios selected and the key underlying assumptions. The Committee also examined the stress testing undertaken by management based on severe but plausible scenarios identified for each of the divisions as capable of impairing the viability of the Group. It considered the external auditor's views on the methodology and assumptions adopted by management and the outcome of the external auditor's conclusions.

Having considered the principal risks, the Committee has 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 the detailed assessment, ending on 31 March 2025.</td></tr>
<tr><td>Impairment review of equity investment in Spire

(see note 8 to the Group financial statements)</td><td>The key issue considered was:
• the impairment assessment of the equity investment in Spire.

The Committee reviewed the impairment tests performed at half year and at year-end.

It reviewed the key assumptions, which included the forecast cash flows, long-term growth rates and the discount rate. For the year-end impairment test, the Committee also considered the impact of COVID-19 on the carrying value of the equity investment. The Committee considered the updated full-year financial results and Mediclinic's independent view about Spire's future trading prospects, as well as 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 taken at 31 March 2020 and the disclosures made in the results announcement and the financial statements.</td></tr>
</table>

ISSUE	ACTIONS TAKEN BY THE COMMITTEE
Swiss pension fund (see note 19 to the ***Group financial statements***)	The key issue considered was: • the carrying value of the Swiss pension fund. The Committee reviewed the main assumptions underlying the valuation of the pension fund plan assets and obligations, as determined by the external actuaries. These assumptions, such as discount rates, mortality and inflation rate, were discussed with management and the external auditor in the light of prevailing economic indicators in Switzerland. The Committee considered the effect that volatility in equity markets with the onset of the COVID-19 pandemic had on the plan assets and reviewed the disclosures in the Annual Report. Following its review and the above discussion, the Committee was satisfied with the value of the Swiss pension fund and the associated disclosures.
Classification and presentation of exceptional items	The key issue considered was: • the Group's use of non-IFRS measures and the judgement applied to determine whether the items were exceptional. The Committee reviewed the exceptional items for FY20, amounting to £497m after taking related tax and deferred tax into account (£500m before tax) of which £519m (£522m before tax) related to impairment charges. Details of the exceptional items are set out in the ***Group Chief Financial Officer's Report*** on page 83. Particular consideration was given to the types of income and expenses adjusted by management in arriving at the Group's adjusted earnings measure. The Committee received confirmation from management and the external auditor that the exceptional items and adjusted measures had been evaluated, classified and presented in line with the Group's policy and guidance from the FRC, and that management's application of the Group's policy was consistent with previous accounting periods. It also examined whether the disclosures within the ***Group Chief Financial Officer's Report*** and the half-year and preliminary results announcements provided sufficient detail to understand the nature of these items. Following its review and the discussion with management and the external auditor, the Committee was satisfied that: • the amounts classified as exceptional items were reasonable in all material respects and the related disclosure of these items in the ***Group Chief Financial Officer's Report*** and results announcements was appropriate; • all adjusted measures were appropriately labelled and reconciled to the equivalent statutory measures and the related disclosures were clear and transparent; and • there was consistent application in determining the exceptional items.

Fair, balanced and understandable reporting

Throughout the year under review, the Committee, on behalf of the Board, reviewed the Group's external financial reports and other announcements relating to its financial performance to ensure that these presented a fair, balanced and understandable assessment of the Company's position and prospects.

The measures adopted to ensure that this Annual Report meets that requirement are as follows:

- factual content was verified by management;
- members of senior management undertook a comprehensive review of the document to consider messaging and balance;
- the Committee reviewed a full draft of the document, together with a summary of management's approach to the preparation of the narrative sections and the annual financial statements;
- the Committee considered whether there was consistency between the key messages in this Annual Report and the Group's position, performance and strategy, and between the narrative sections and the annual financial statements;
- it also considered whether all key events reported to the Board and its committees during the year, both good and bad, were adequately reflected, together with reporting by the external auditor of any material inconsistencies;

- as previously indicated in this report, the Committee reviewed the use of adjusted measures by the Group and confirmed that these were appropriate for aiding users of the Group's financial statements to better understand its performance year on year (including items included or excluded from calculation);
- a comprehensive review by the directors of a near final version of the document; and
- feedback from the Committee and other directors on areas that would benefit from further clarity was incorporated into this Annual Report ahead of final approval.

The Committee also considered whether the Annual Report included sufficient and appropriate disclosures of the impact of COVID-19 on the Group during FY20 and during the period from the financial year-end to the Last Practicable Date.

Based on all the above, the Committee advised the Board that, in its opinion, this Annual Report, taken as a whole, was fair, balanced and understandable and representative of the year under review, and that it provided the information necessary for stakeholders to assess the Group's position, performance, business model and strategy.

RISK MANAGEMENT PROCESSES AND INTERNAL CONTROL SYSTEM

The Group upholds an effective control environment, including a comprehensive system of internal control which is designed to ensure the accuracy and reliability of the Group's financial reporting, so that risks are mitigated and that the Group's objectives are attained. The key features of the system include appropriate and well-defined delegations of authority, clear lines of accountability, policies and procedures covering financial planning and reporting, and monitoring mechanisms. Management is responsible for establishing and maintaining adequate internal controls, while the Board, via the Committee, is responsible for ensuring the efficacy of these controls and that appropriate actions are taken to correct deficiencies when they are identified.

The Internal Audit function is a key element of the Group's internal control environment and works closely with the Group Risk Management function (refer to 'Internal audit' section). Specialist services are contracted in, as required, to ensure that resources are optimised. The Group's compliance process forms an integral component of the Group's risk management and internal control programme. The Compliance Officer is supported by company secretaries at Group and divisional levels, as well as by internal legal advisors who are responsible for providing guidance in respect of compliance with applicable legislation and regulations.

Effectiveness of risk management process and internal control system

The Board retains overall responsibility for determining the risk appetite of the Group; overseeing the risk management processes and internal controls implemented throughout the Group; reviewing their effectiveness; and reporting on the outcome of their review in the annual report. Details of the Group's principal risks and uncertainties and risk management processes, and of the key features of the Group's internal control system are set out on pages 119–125 and page 162 of this Annual Report respectively. The Board has delegated responsibility for monitoring and reviewing the effectiveness of the Group's risk management processes and internal controls to the Committee. This section describes the assurance processes in place and the Committee's work in this area.

Internal assurance is provided through various peer reviews and control self-assessment processes. Further assurance is provided through the delivery of the internal audit plan, which is developed by the Internal Audit function with input from management. Recommendations arising from internal audits are communicated to the relevant business areas and their implementation is tracked by the function. The Committee receives regular reports on progress against the internal audit plan and corrective actions taken by management in response to internal audit findings. In addition, where appropriate, the Group seeks external assurance from independent external experts. The internal control environment is also evaluated during the annual external audit. The results of all these assurance processes are monitored by the Group's Risk Management function and reported to the management team of each division and the Group.

During the reporting period, and specifically in dealing with the impact of COVID-19, management conducted an internal review and evaluation of the key financial controls, to provide comfort and assurance that an effective control environment is maintained amidst the changes brought about by the introduction of the work-from-home policy during the pandemic. The Committee received the report on the positive findings, concluding that an effective control environment is maintained despite the present limitations and challenges imposed by the pandemic.

The Committee receives reports from management on a range of issues focused primarily on the key risks identified in the ERM dashboard, as well as fraud and ethics matters (including any instances of whistleblowing). It also receives reports and considers the activities of the internal and external auditors. The Committee provides regular updates to the Board on these matters.

The key focus areas of the Committee in relation to the Group's risk management processes and internal control system during the reporting period are set out alongside.

	May 2019	Sep 2019	Nov 2019	Feb 2020	Mar 2020	May 2020
Risk management						
Emerging and principal risks and other topical risks (including cybersecurity) and mitigants	•	•			•	•
Annual assessment of risk management processes' effectiveness	•				•	•
Implementation of the ERM plan for FY20		•			•	
ERM plan for FY21					•	
Going concern	•		•		•	•
Long-term viability assessment and stress testing analysis	•				•	•
Fraud and ethics report (including whistleblowing)	•	•	•		•	•
Disaster recovery preparedness		•				
Group key insurance arrangements and policies	•		•	•	•	•
Relevant statutory, regulatory and good practice developments		•	•			•
Internal controls						
Internal audit reports, including annual report on internal controls' effectiveness (May)	•	•	•		•	•
Annual assessment of internal controls' effectiveness	•				•	•
Internal control matters noted in the external auditor's reports	•		•		•	•
Regulatory compliance and litigation						
Implementation of the regulatory compliance plan for FY20		•			•	
Regulatory compliance report					•	
Regulatory compliance plan for FY21					•	
Litigation report			•		•	•
Annual policies review						
Committee terms of reference and all material internal controls, risk management and compliance policies and procedures					•	

Key focus areas for the Committee during FY20 were as follows:

- Internal Audit reports identifying any need to enhance particular aspects of the Group's internal control system and any control findings raised by the external auditor in their reports;
- the Group's ERM Policy, framework and processes, and the Group's risk appetite statement;
- confirmation that an effective control environment was being maintained despite the COVID-19 pandemic and resulting changes to the working environment;
- progress against the ERM plan for FY20 which was completed as planned;
- an in-depth review of the drivers, regulatory changes and risks for each division from a revenue perspective;
- key ICT risks including cybersecurity, information protection, architecture and quality of IT systems, and application control and change risks, together with the steps being taken by management to strengthen the Group's defences and respond to cyber incidents;
- the governance arrangements and progress on implementation of major IT projects aimed at adapting the Group to the evolving global healthcare environment, such as HIT2020 in Hirslanden and the Intersystems EHR in Mediclinic Middle East;
- the Group's disaster recovery preparedness, covering the standardised framework and policy implemented across the Group, specific arrangements within each division and at Group level, and the outcome of regular scenario testing;

- feedback from management on fraud and ethics matters;
- progress on the compliance plan for FY20, which was completed as planned;
- the continued development of integrated reporting received on financial, operational, clinical and compliance risk management processes and internal control systems, together with corresponding KPIs and sources of internal and external assurances; and
- further streamlining and strengthening of the combined assurance model by outlining the separate responsibilities of the Committee and the Clinical Performance and Sustainability Committee in relation to clinical risks and internal controls, as described in the 'Ethical conduct, governance and compliance' section of this Committee Report on page 182.

As requested by the Board, the Committee carried out an assessment of the Group's emerging and principal risks and the effectiveness of the Group's risk management processes. This included a review of the Group's ERM Policy, framework and processes, the Group's risk appetite statement, the emerging and principal risks facing the Company, and action plans designed to mitigate these risks in line with the Group's risk appetite. The principal risks and uncertainties facing the Group, the procedures in place to identify emerging risks and how these risks are being managed or mitigated are described on pages 119–125.

The Committee also reviewed the effectiveness of the Group's internal control system, including all material financial, operational and regulatory compliance controls, in accordance with the FRC *Guidance on Risk Management, Internal Control and related Financial and Business Reporting*. The review confirmed that there were no significant failings or weaknesses and that processes were in place to ensure that the necessary actions were taken, where areas for improvement were identified, and that these outcomes were monitored. The Board, via the Committee, is therefore satisfied that the Group has a risk management and internal control environment that is effective in ensuring the consistent achievement of key control objectives.

INTERNAL AUDIT

During the year under review, the Group continued to enhance its in-house Internal Audit function by recruiting core Internal Audit team members. Specialist services are contracted in, as required, to ensure that resources are optimised.

The Internal Audit function, which reports functionally to the Committee and administratively to the Group Chief Corporate Services Officer, is responsible for undertaking risk-based reviews across the Group and examining the internal controls and management of risks relating to the financial, operational and clinical performance, IT and compliance activities of the Group. Its responsibilities also include providing an assessment of the risk management processes and internal control system. The Internal Audit function meets with the external auditor at least on a quarterly basis, or more frequently if required, to improve the levels of assurance delivered to the Board on key risk areas.

The Committee receives regular reports on the activities and key findings of the function and the progress on management's implementation of Internal Audit recommendations. The key topics relating to internal audit considered by the Committee during the reporting period are set out alongside.

"

The Board, via the Committee, is therefore satisfied that the Group has a risk management and internal control environment that is effective in ensuring the consistent achievement of key control objectives.

	May 2019	Sep 2019	Nov 2019	Mar 2020	May 2020
Implementation of the internal audit plan for FY19 or FY20 (as relevant)	•	•	•	•	•
Internal audit reports, including key findings, management action plans and annual report on internal controls' effectiveness (May)	•	•	•	•	•
Assessment of internal controls' effectiveness	•			•	•
Internal audit plan for FY20 or FY21 (as relevant)	•			•	
Internal audit mandate				•	
Annual review of Internal Audit function					•
Private meeting with management, without the internal auditor	•				
Private meeting with internal auditor, without management	•				
Private meeting of Committee members	•		•	•	•

During the year under review, the Internal Audit function completed and reported to the Committee on financial audits and reviews across the Group. These audits included hospital-level audits focusing on human resources, patient administration, cash management and pharmacy; major projects assurance on key transformational projects; IT projects focused on cybersecurity, medical device management and physical and environmental access controls; and other process-based audits e.g. procurement, financial discipline and data privacy. A cycle of clinical internal audits was also introduced to provide assurance on the top clinical risk areas. Appropriate resourcing arrangements were made to suitably staff this specialist audit area. The combined assurance model was further streamlined and strengthened by outlining the separate responsibilities of the Committee and the Clinical Performance and Sustainability Committee in relation to these clinical internal audits, as described in the 'Ethical conduct, governance and compliance' section of this Committee Report on page 182.

The Committee reviewed the feedback on the findings and recommendations, the actions taken by management in response and the outcomes from those actions. It also considered the Internal Audit function's annual written assessment of the effectiveness of the Group's risk management processes and internal controls. Following discussion with Internal Audit and management, the Committee reported on its assessment to the Board and confirmed that it was satisfied with the effectiveness of the Group's risk management processes and internal controls.

One of the principal duties of the Committee is to consider and approve the internal audit plan. The plan is set on a three-year rolling basis and the focus areas are determined and updated in line with:

- the internal audit mandate;
- the Group's ERM dashboard;
- 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 processes;
- 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.

The Internal Audit function will continue to adopt a risk-based approach to audits for FY21 and intends to focus on hospital-level audits of human resources, revenue, pharmacy and cash management processes and controls; process audits of capital projects and maintenance reviews, procurement, stock and facilities management, among others; assurance for major business and IT projects; and audits of other IT-related risks such as access controls and information security. The execution of the plan has been adjusted to take account of restrictions imposed by the COVID-19 pandemic with alternative procedures being implemented to ensure the planned coverage is still achieved. Follow-up audits will also be performed to ensure ongoing engagement with management and encourage continuous improvement.

The Committee continued to monitor the development of the in-house Internal Audit function and its resourcing. An assessment of the function was conducted in May 2020 based on reports received and discussions held with the Group General Manager: Internal Audit, management and the external auditor during the year under review and a robust discussion of the assessment of the function prepared by the Group General Manager: Internal Audit during the Committee meeting and in separate meetings with the Group General Manager: Internal Audit, the external auditor, management and Committee members. The Committee continues to be satisfied with the effectiveness, independence, resourcing and standing of the Internal Audit function within the Group and the progress made in establishing and embedding the function.

EXTERNAL AUDIT

The Committee, on behalf of the Board, is responsible for overseeing the relationship with the external auditor, including ensuring the quality and robustness of the audit.

PwC was appointed as the Company's external auditor in February 2016, as approved by the Company's shareholders in December 2015. The lead audit engagement partner was Mr Giles Hannam, who was appointed in February 2016. The external auditor is invited to all Committee meetings and receives copies of all relevant papers and meeting minutes.

The key topics considered by the Committee during the reporting period in relation to the external audit are set out below.

	May 2019	Sep 2019	Nov 2019	Mar 2020	May 2020
External auditor's pre-year-end report on accounting, auditing and control matters/year-end audit report and opinion/half-year report, as relevant	•		•	•	•
Evaluation of the quality and effectiveness of the external audit and the external auditor's independence and objectivity	•				•
External auditor's re-appointment	•				•
External audit plan for FY20 and fees			•	•	
Non-audit services authorised thresholds for FY19 or FY20 (as relevant)			•	•	
Non-audit services expenditure incurred for the financial year to date	•		•	•	•
Policy on the external auditor's independence and non-audit services				•	
Relevant statutory, regulatory and good practice developments	•	•	•	•	•
Private meeting with the external auditor, without management	•	•	•		•
Private meeting with management, without the external auditor	•		•		•
Private meeting of Committee members	•		•	•	•

Quality, effectiveness and independence of the external audit

The Committee plays a key role in seeking to ensure that the Group receives a high-quality and effective statutory audit. It does so by overseeing the relationship with the external auditor and through open discussions with management and the external auditor during Committee meetings and with each group privately, after meetings. Through these discussions, members of the Committee ensure they have a clear understanding of contentious issues, challenge management on their judgements and the quality of disclosures, and scrutinise the external auditor's analysis and work.

Prior to the start of the statutory audit work in respect of FY20, the Committee in November 2019 discussed the strategy and scope of the audit with PwC and management. At the March 2020 meeting, PwC presented the Committee with a pre-year-end report on accounting, auditing and control matters, allowing it to monitor and discuss progress against the external audit plan. The findings and conclusions of the external audit and the assumptions, judgements and methodologies underpinning the work were discussed in depth at the May 2020 meeting. Private meetings held after Committee meetings with the external auditor without management present, and with management without the external auditor present, encouraged open and transparent feedback from both parties.

As the FY20 external audit neared finalisation, all members of the Committee, management and others who regularly provide input or have regular contact with the external auditor were asked to evaluate its performance, with a strong focus on its independence and objectivity. The evaluation was performed by way of a questionnaire, which focused on four key performance areas: (1) the robustness of the audit process; (2) the quality of delivery; (3) the quality of reporting; and (4) the quality of people and service. The feedback from the questionnaire and from the separate meetings with the external auditor and management held during the year under review was discussed by the Committee at the meeting held in May 2020. Matters discussed included: the adaptations to the original audit plan, audit team and timetable agreed as a result of the impact of COVID-19; areas of discussion between management and the external auditor and the robust but constructive challenge to management's assertions and judgement, where relevant; and the overall thoroughness of the external auditor's work. The Committee also took note of the FRC's *Audit Quality Practice Aid for Audit Committees* published in December 2019 and the *Audit Quality Inspection* report for PwC published by the FRC's Audit Quality Review team in July 2019. Any opportunities for improvement in the quality of the external audit and the effectiveness of the process were discussed with the existing and future lead partners and their team. The Committee was satisfied with the overall feedback on PwC and concluded that the external audit process was effective and that expectations set when awarding the external audit to PwC in 2019 had largely been met.

The Committee is also responsible for assessing the independence and objectivity of the external auditor on an annual basis. It adopts a two-fold approach to do so. Firstly, it considers the information and assurances provided by the external auditor under the FRC's *Revised Ethical Standard for Auditors*. Secondly, the Committee developed and monitors the Non-audit Services Policy and associated fees discussed alongside, which are designed to safeguard the independence of the external auditor.

In their external audit report for FY20, PwC confirmed that there were no 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 division rotate every five years. The quality review partner was appointed for the FY20 audit and is therefore not due for rotation until after FY26. The lead partner for the external audit of FY20, Mr Hannam, was appointed in February 2016 and therefore retired upon completion of the audit. Following consultation with the Committee, Mr Neil Grimes was appointed as lead partner with effect from June 2020 and arrangements were made for Mr Grimes to shadow Mr Hannam throughout the external audit for FY20. The key audit partners for Hirslanden, Mediclinic Southern Africa and Mediclinic Middle East were appointed in 2018, 2017 and 2019 respectively, with rotation due after 2023, 2022 and 2024. The Committee also took note of the continuing reduction in the Group's usage of PwC for the provision of non-audit services and the updated Non-Audit Services Policy referred to alongside. Based on the above confirmations and arrangements, the feedback from management and Committee members' own observations of the external auditor's conduct and judgement, the Committee was satisfied that PwC continues to be independent and free from any conflicting interest with the Group.

Non-audit services and fees

The Committee believes that it may be appropriate in certain, limited circumstances for the Company to engage its external auditor to provide non-audit services. The provision of such services is strictly governed by the Group's Non-Audit Services Policy which helps to ensure that the external auditor's independence and objectivity are not impaired or perceived to be impaired. In order to help maintain the independence and objectivity of the external auditor, the policy further requires that a different partner be appointed to lead any non-audit services. The policy incorporates the additional restrictions on non-audit services introduced by the FRC's *Revised Ethical Standard* 2019 and was last reviewed and approved by the Committee in March 2020.

At the beginning of each financial year, the Committee determines the pre-approved monetary thresholds for each category of non-audit services that may be provided by the external auditor. The nature of the non-audit services, the individual fee levels for each category and the aggregate fee relative to the external audit fee are taken into account in determining these thresholds. Any individual assignment with a fee exceeding £50 000 requires the Committee's prior approval. At the March 2020 meeting, the Committee was pleased to note the continuing decline in the Group's use of the external auditor for non-audit services which, based on the thresholds approved for FY21, would continue to decline.

The fees paid to PwC in respect of non-audit services amounted to approximately £0.5m or 23% of the statutory audit fees. Approximately £0.3m of the non-audit services fees were in respect of reviews conducted in relation to the financial statements for the six months ended 30 September 2019. Therefore, excluding the half-year reviews, non-audit service fees as a percentage of statutory audit fees amounted to 9%.

Refer to note 24 to the ***Group financial statements*** on page 298 for more information on the fees paid for audit and non-audit services during the year under review. In addition, an amount of approximately £0.16m or 7% of the statutory audit fees was paid for Swiss billing code audits. These audits are required by Swiss law to ensure that the codes used for the bills issued by Hirslanden on invoices for inpatient hospital services are entered in accordance with the Swiss DRG tariffs. The Committee allowed this non-audit service since it is cost effective for the Group and represents a relatively small part of the statutory audit fee.

Re-appointment

As described above, the Committee concluded that the services provided by the external auditor were of a high quality; that the external audit process in respect of FY20 was effective; and that the auditor remains objective and independent. Accordingly, the Committee recommended to the Board that the re-appointment of PwC as the Company's external auditor be proposed to shareholders at the Company's 2020 AGM.

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 first 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. The Committee complied with the provisions of *The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.*

ETHICAL CONDUCT, GOVERNANCE AND COMPLIANCE

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 Ethics Code and Anti-bribery Policy. The key topics considered by the Committee during the year under review in relation to ethical conduct, governance and compliance are set out below.

	May 2019	Sep 2019	Nov 2019	Mar 2020	May 2020
Ethical conduct (including whistleblowing)					
Management's report on fraud and ethics matters (including any instances of whistleblowing)	•	•	•	•	•
Management's report on litigation cases (introduced in November 2019)			•	•	•
Non-audit services authorised thresholds for FY19 and FY20 (as relevant)			•	•	
Non-audit services expenditure incurred for the financial year to date	•		•	•	•
Group Tax Strategy				•	
Key tax considerations across the Group	•		•	•	•
Governance and compliance					
Separation of the responsibilities of the Committee and Clinical Performance and Sustainability Committee in relation to clinical risk management and clinical audits			•		
Annual review of Committee terms of reference and all material internal controls, risk management and compliance policies and procedures				•	
Relevant statutory, regulatory and good practice developments	•	•	•	•	•
Management's reports on regulatory compliance across the Group		•		•	

During the year under review, at the Board's request, the Committee received regular feedback from the Group General Manager: Risk Management on all material cases and incidents reported on the ethics lines or by other means and on how these were managed. The Committee members also satisfied themselves that the arrangements in place were appropriate, proportionate and effective, and provided regular reports to the Board on any major issues and developments. Further details on the ethics lines are provided in the ***Sustainable development overview*** on pages 76–77.

The Committee is responsible for ensuring Group-wide compliance with relevant legislation and regulations. The Group operates a standardised risk-based compliance monitoring programme that tracks the Group's compliance with key legislation across all the jurisdictions in which it operates. The Committee received regular updates on the status of regulatory compliance across the Group; examined the implications of forthcoming legislation and management's plans to address the new requirements; and monitored progress on their implementation.

During the year, the Committee also reviewed the overlapping roles of the Audit and Risk and Clinical Performance and Sustainability committees in relation to clinical internal controls and risk management, clinical internal audits, compliance and ethics. The two committees agreed a separation of their responsibilities to avoid duplication of work while ensuring that each committee retained an appropriate level of oversight over matters that fell within its responsibility.

Further details on the Company's policies in respect of business conduct and ethics, anti-corruption and anti-bribery matters are provided in the ***Sustainable development overview*** on page 77. Details of the Clinical Performance and Sustainability Committee are provided on page 184.

COMMITTEE EVALUATION

The Committee's performance was reviewed within the framework of the annual internal Board evaluation, which is discussed on page 161 of the ***Corporate Governance Statement***. The evaluation focused on the Committee's composition, knowledge and behaviours, processes and support, the work undertaken during FY20 and any priorities for improving its performance in FY21. The Committee members reviewed and discussed the outcomes of the evaluation and certain actions were agreed for implementation, designed to further develop or mature some of the Group's risk management and reporting. The results were reported to the Board at the March 2020 meeting. The Committee will monitor progress on the agreed actions and resultant outcomes, and these will be incorporated into the following year's performance evaluation.

PROGRESS ON KEY PRIORITIES FOR THE COMMITTEE FOR FY20

PRIORITIES	STATUS
• Continued monitoring of the development of the in-house Internal Audit function and progress against the internal audit plan for FY20	Refer to the 'Internal audit' section of this Committee Report on page 178
• Further development of the Group's clinical risk management and reporting processes • Advancement of the integration of reporting to the Committee on financial, operational and compliance internal controls and risk management processes • Advancement of the monitoring and reporting of projects aimed at adapting the Group to the evolving global healthcare environment and cybersecurity risks • Continued monitoring of progress against the ERM plan for FY20	Refer to the 'Risk management processes and internal control system' section of this Committee Report on page 176
• Continued monitoring of the implementation of new IFRS standards	Refer to the 'Financial reporting' section of this Committee Report on page 171
• Oversight of the selection and transition of the new lead external audit partner who will lead the audit from FY21	Refer to the 'External audit' section of this Committee Report on page 180
• Enhancement of the Group's monitoring of potential, long-term regulatory developments • Continued monitoring of progress against the regulatory compliance plan for FY20	Refer to the 'Ethical conduct, governance and compliance' section of this Committee Report alongside

KEY PRIORITIES FOR THE COMMITTEE IN FY21

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

- continuing to build and strengthen the Group's risk management framework and reporting, and increase the time allocated to the Committee's discussion of emerging risks;
- continuing to monitor the development of the in-house Internal Audit function and the audit processes introduced during the reporting period;
- increasing visibility over the divisional CFOs and succession planning for those positions;
- managing the Group's corporate reporting on ESG matters; and
- monitoring the ongoing impact of COVID-19 on the Group's liquidity, covenant compliance and financial reporting.

Approved and signed on behalf of the Committee.

Mr Alan Grieve
Chair of the Audit and Risk Committee
1 June 2020

CLINICAL PERFORMANCE AND SUSTAINABILITY COMMITTEE REPORT

Dr Felicity Harvey
Chair of the Clinical Performance and Sustainability Committee

As Chair of the Clinical Performance and Sustainability Committee (the 'Committee'), it is my pleasure to report on its activities for FY20. The Committee plays a key role in assisting the Board in ensuring that the Group delivers its purpose of enhancing the quality of life and its vision of being the partner of choice that people trust for all their healthcare needs. This report provides an overview of the key focus areas considered during the year under review, together with the priorities for FY21.

COMMITTEE COMPOSITION AND MEETING ATTENDANCE

Detailed information on each member's experience, skills and qualifications can be found on page 130. The Board is satisfied that the Committee has the appropriate composition, skills and experience to discharge its responsibilities in an informed and effective manner.

TABLE 1: COMMITTEE COMPOSITION AND MEETING ATTENDANCE

NAME[1]	DESIGNATION	DATE OF APPOINTMENT (as Committee member)	NUMBER OF SCHEDULED MEETINGS ATTENDED[2]
Dr Felicity Harvey (Committee Chair)	Independent Non-executive Director	03/10/2017	5/5
Dr Muhadditha Al Hashimi[3]	Independent Non-executive Director	01/04/2018	4/5
Dr Edwin Hertzog	Non-executive Director	15/02/2016	5/5
Mr Seamus Keating[4]	Independent Non-executive Director	25/07/2018	4/5
Dr Ronnie van der Merwe	Group Chief Executive Officer	25/07/2018	5/5

Notes
[1] The composition of the Committee is shown at 31 March 2020.
[2] The attendance reflects the number of scheduled meetings held during the financial year. Details of additional meetings are set out alongside.
[3] Dr Al Hashimi was unable to attend one scheduled Committee meeting due to urgent and unavoidable personal reasons.
[4] Mr Keating was unable to join the March meeting owing to another urgent and unexpected commitment. Mr Keating stepped down from the Board and its committees on 31 March 2020.

FIGURE 1: COMMITTEE MEMBERS' SKILLS AND EXPERIENCE

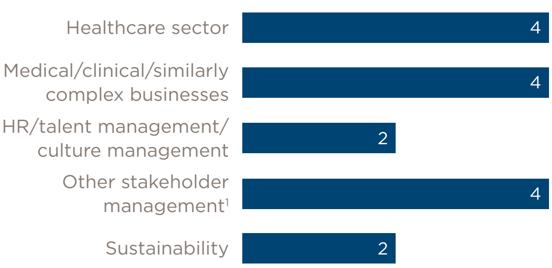
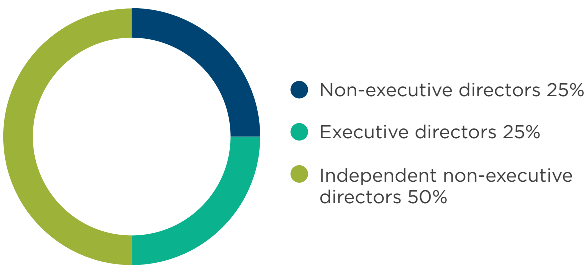


FIGURE 2: COMMITTEE COMPOSITION



Note
[1] Refer to the ***Stakeholders summary*** on page 46 for more information on all the Group's stakeholders.

The Committee held five meetings during the year under review, with one of these meetings being dedicated to discussing the clinical strategy for the Group and each of the divisions. Each scheduled meeting of the Committee is held in advance of Board meetings, allowing the Committee's Chair to provide a report to the Board on the key matters discussed. In addition, one meeting was held between the Company's financial year-end and the Last Practicable Date which was attended by all members of the Committee at the time.

Under the Ward-to-Board accountability framework, the Group and divisional Chief Clinical Officers and the Group General Manager: Clinical Performance are invited to attend all meetings. The Group Chief Corporate Services Officer, responsible for the Group's sustainable development management, is also invited to attend all meetings. The divisional CEOs and other relevant members of management are invited to attend meetings as required.

ROLE AND KEY AREAS OF ACTIVITY

The role of the Committee is to assist the Board in:

- the promotion of a culture of excellence in patient safety, quality of care and patient experience by, among other things, monitoring the clinical performance of the Group; and
- ensuring that the Group is and remains a good and responsible corporate citizen by monitoring the sustainable development performance of the Group.

The responsibilities and functions of the Committee are governed by formal terms of reference, which are reviewed at least annually by the Committee and the Board. The terms of reference are available in the 'Governance' section of the Company's website at www.mediclinic.com and summarised on page 142 of the ***Corporate Governance Statement***.

The key focus areas of the Committee during the year under review and resultant outcomes are set out below.

CLINICAL PERFORMANCE

COVID-19

With the growing spread of the COVID-19 pandemic during the last quarter of FY20, the Committee turned its attention to the Group's preparations to deal with the pandemic in all its countries of operation, both in frontline operations and in administrative and corporate functions, coordination between divisions and oversight at Group level. In each geography, Mediclinic works closely with governments and local regulators to combat the COVID-19 pandemic and support the different initiatives being implemented locally. The frontline staff and management teams deal with the daily challenges of managing the pandemic. An agile approach, proactively managing a changing landscape, is required. With the assistance of strong IPC teams, dedicated multidisciplinary taskforces are constantly re-evaluating Mediclinic's responses to this dynamic and rapidly evolving situation. The Group taskforce, centrally coordinated by the Group Chief Clinical Officer and with its global view of trends and policy, helps ensure medical protocols and best practices are shared across the Group and supports the divisions' establishment of contingency plans with particular consideration for any impact on supply chain, ICT, finance, risk and human resource capacity.

Governance

The Committee continued to oversee and support the roll-out of the Ward-to-Board accountability framework across all three divisions. This accountability framework is integral to the Group's *Patients First* approach and the corresponding patient safety and clinical quality goals and objectives. It is designed to align the interests of clients and care providers, and strengthen a culture of performance reporting and accountability. It also ensures effective information flows up and down the organisation and facilitates Group-wide alignment and collaboration. The framework has now been implemented across all three divisions, including Clinical Performance Committees at each division, and is being replicated appropriately at hospital level. The divisional committees where possible include local independent clinical experts to provide a different perspective and avoid 'group think'. The Ward-to-Board accountability framework drives clinical quality and efficiency, thereby creating satisfaction and value for the Company and its stakeholders. Evidence of this is emerging in Mediclinic Southern Africa where the framework has been introduced and is being embedded. Mediclinic Southern Africa has seen improved transparency and reporting of adverse events and is ensuring that the necessary controls are in place to effectively prevent recurrence of serious adverse events. The Clinical Performance Committees at hospital level are led by and consist of experienced and reputable medical practitioners, as well as hospital management. These committees identify clinical performance areas where potential improvement is indicated and then devise action plans to bring about the necessary improvements. At Mediclinic Middle East, the framework has been embedded for over a year and greatly enhanced the awareness, understanding and management of adverse events.

The Committee also reviewed the overlap between its role and that of the Audit and Risk Committee in relation to clinical internal controls and risk management, clinical internal audits, compliance and ethics. The two committees agreed a separation of their responsibilities to avoid duplication of work while ensuring that each committee retained an appropriate level of oversight over matters that fell within its area of responsibility.

Clinical performance model

The Group's clinical performance management model and outcomes continued to be a key area of focus for the Committee. The model is based on a clinical performance framework consisting of four components: patient safety, clinical effectiveness, clinical cost efficiency and value-based care. The composite performance indicator dashboard implemented in FY19 allowed the Committee to scrutinise in greater detail the clinical performance of the Group's three divisions. Further areas for refinement were identified, such as the adoption of more standardised indices, definitions and interpretations across all three divisions, while still meeting local reporting needs to address regulatory requirements or particular focus areas.

The Committee kept track of progress in this area and the outcomes reported. These changes are enhancing the ability of management and the Committee to consider the clinical performance of each division on a consistent basis and identify opportunities for cross-learning and collaboration.

Clinical risk management, controls and processes

During the period under review, the Committee deepened its oversight of clinical risk management, controls and procedures, through enhanced reporting from management and the introduction of clinical audits conducted by the Internal Audit function. At the date of this report, five clinical audits had been concluded and found compliance with most controls for the high-risk clinical areas. For non-compliance, corrective actions were formulated and implemented – some immediately and others over a longer period.

Other focus areas

Other focus areas for the Committee included:

- evaluating compliance with the Group's patient safety and quality clinical care standards, policies and procedures, and regulation and accreditation standards at divisional level;
- the work of the Patient Safety Committee established in FY19, to standardise and enhance collaboration across the Group in this area, and assist in reinforcing the Group's strengths and identifying and prioritising focus areas;
- reviewing progress on the implementation of an EHR at Hirslanden and Mediclinic Middle East, and the potential options for Mediclinic Southern Africa;
- implementing a clinical adverse event and clinical risk management solution suitable for the Group to further strengthen patient safety procedures;
- reviewing clinical effectiveness and cost efficiencies;
- the outcomes and follow-up actions arising from patient and doctor satisfaction surveys; and
- reviewing and approving the annual ***Clinical services overview*** in this Annual Report and the **2020 Clinical Services Report** available at annualreport.mediclinic.com.

SUSTAINABLE DEVELOPMENT

During the period under review, the Committee, among other matters, focused on:

- reviewing the formal Group Sustainable Development Strategy developed by management to consolidate the Group's various ESG initiatives and implement a structured, consistent and systematic approach going forward. The Committee tested management on the proposed strategy, its goals and time scales, and recommended it for approval to the Board with minor modifications. More information on the Group Sustainable Development Strategy is available under 'Sustainable development' in the 'Governance' section of the Company's website at www.mediclinic.com;
- reviewing and approving the changes proposed to various policies to align them to the Group Sustainable Development Strategy and/or further strengthen the Group's position on non-discrimination and respect for client and human rights. These included the Group Sustainable Development Policy, the Group Environmental Policy and the Ethics Code available on the Company's website at www.mediclinic.com;
- monitoring the sustainable development performance of the Group with specific regard to:
  - identifying and monitoring the Group's engagement with its key stakeholders and key outcomes from such engagement (including patient and employee engagement surveys conducted during the year under review);
  - labour relations and working conditions;
  - employee training and skills development;
  - health and public safety;
  - B-BBEE in South Africa;
  - the Company's **Modern Slavery and Human Trafficking Statement** as required in terms of the Modern Slavery Act 2015 (available on the Company's website at www.mediclinic.com);
  - environmental impact management;
  - fraud and ethics;
  - compliance, including the governance of advertising and compliance with consumer protection legislation; and
  - CSI;
- monitoring the results of the Company's participation in various sustainability indices and assessments, notably the Company's inclusion in the FTSE4Good Index, which recognises companies with strong ESG practices;
- confirming the key sustainability priorities, as recommended by management and reported on page 65 and in the **2020 Sustainable Development Report** available at annualreport.mediclinic.com; and
- reviewing and approving the annual ***Sustainable development overview*** included in the Annual Report and the **2020 Sustainable Development Report** available at annualreport.mediclinic.com.

As referred to alongside, certain South African subsidiaries of the Company are required to appoint a social and ethics committee in terms of the South African Companies Act, No. 71 of 2008, as amended ('**SA Companies Act**'), unless such companies are subsidiaries of another company that has a social and ethics committee which performs the functions required by this regulation on its behalf. The Committee therefore performs the statutory functions required of a social and ethics committee in terms of the SA Companies Act.

COMPLIANCE

The Committee discussed management's report on the compliance universe for the Group and progress on the implementation of the compliance plan for FY20.

ASSURANCE

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

COMMITTEE EVALUATION

The Committee's performance was reviewed by its members by way of a self-evaluation questionnaire, the results of which were considered by both the Committee and the Board. Following discussion of the results, the Committee provided management with guidance on further improvements to reports prepared for the Committee, and requested that management coordinate appropriate training on patient safety to senior management and the Board, to help fully entrench behavioural standards within the Group. The Committee and the Board concluded that the Committee operated effectively during the year under review and that its current members have the necessary skills and experience.

It was noted that two of the Committee members would retire when they step down from the Board, Mr Keating on 31 March 2020 and Dr Hertzog upon the conclusion of the Company's 2020 AGM. However, the composition of the Committee would be addressed by the Nomination Committee in advance of Dr Hertzog's retirement and be taken into account in the process to identify and appoint a new independent non-executive director to fill the vacancy on the Board created by Mr Keating's departure.

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 a company's AGM on the matters within its mandate. As the Committee performs the role of such a committee in terms of the SA Companies Act, it will fulfil this function by referring shareholders at the Company's 2020 AGM to this report, which should be read in conjunction with the **2020 Sustainable Development Report** available at annualreport.mediclinic.com. Any specific questions for the Committee may be sent to the Company Secretary prior to the AGM.

PROGRESS ON KEY PRIORITIES FOR THE COMMITTEE FOR FY20

PRIORITIES	STATUS
Continued implementation and improved functioning of the Ward-to-Board accountability framework across the divisions	Refer to the 'Governance' section of this Committee Report on page 185
Review of the clinical performance indicators and identification of trends	Refer to the 'Clinical performance model' section of this Committee Report on page 185
Implementation of advanced technology for improved clinical information and performance	Refer to the 'Other focus areas' section of this Committee Report alongside
Continued monitoring of the Company's sustainable development	Refer to the 'Sustainable development' section of this Committee Report alongside

PRIORITIES FOR THE COMMITTEE FOR FY21

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

- continuing to improve the comparability of reporting within and across the Group's three divisions;
- providing appropriate patient safety training to senior management and the Board, together with other relevant training on health measures and global trends;
- monitoring progress on the implementation of the Group's clinical strategy and objectives;
- monitoring progress on the implementation of a software solution for the management of clinical adverse events;
- monitoring the further implementation of an EHR at Hirslanden and at Mediclinic Middle East;
- monitoring the selection of potential EHR options for Mediclinic Southern Africa;
- monitoring the Group's response to the COVID-19 pandemic; and
- monitoring progress on the implementation of the Group's Sustainable Development Strategy.

Signed on behalf of the Committee.

Dr Felicity Harvey
Chair of the Clinical Performance and Sustainability Committee
1 June 2020

NOMINATION COMMITTEE REPORT

Dr Edwin Hertzog
Chair of the Nomination Committee

As Chair of the Nomination Committee (the 'Committee'), it is my pleasure to report on its activities for FY20.

The report provides an overview of the key focus areas considered during the year under review, together with the priorities for FY21. The Committee is governed by formal terms of reference, which it reviews annually. The terms of reference are available in the 'Governance' section of the Company's website at www.mediclinic.com and summarised on page 142 of the *Corporate Governance Statement*.

COMMITTEE COMPOSITION AND MEETING ATTENDANCE

The current Committee composition meets the requirements of the 2018 Corporate Governance Code, with the majority of members being independent non-executive directors. The Chair of the Board is the Chair of the Committee but did not chair the meeting when the matter of Board Chair succession was discussed. Biographies of members are included on page 130.

Attendees of the Committee meetings may, from time to time and upon invitation, include the Group CEO, the Group Chief Human Resources and Corporate Development Officer and the Group General Manager: Talent Management.

TABLE 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 Chair)	Non-executive Director	15/02/2016	2/2
Mr Alan Grieve	Senior Independent Director	15/02/2016	2/2
Dame Inga Beale[3]	Independent Non-executive Director	26/03/2020	0/0
Mr Jannie Durand	Non-executive Director	15/02/2016	2/2
Dr Felicity Harvey	Independent Non-executive Director	25/07/2018	2/2
Dr Anja Oswald	Independent Non-executive Director	25/07/2018	2/2

Notes
[1] The composition of the Committee is shown at 31 March 2020.
[2] The attendance reflects the number of scheduled meetings held during the financial year. Details of additional meetings are set out alongside.
[3] Dame Inga Beale was appointed as a member of the Committee on 26 March 2020, after the first meeting of the year was held.

The Committee normally holds two meetings during a financial year. During FY20, the Committee also held one additional *ad hoc* meeting to consider the succession process for Mr Desmond Smith in advance of his retirement in July 2019. The Committee held two *ad hoc* meetings between the Company's financial year-end and the Last Practicable Date to address the vacancy created when Mr Keating stepped down from the Board on 31 March 2020. All these meetings were attended by all of the members of the Committee at the time. The Committee delegated its work on the Board Chair succession process to a panel which met four times during the year under review, as discussed below.

KEY AREAS OF ACTIVITY

Board Chair and other succession planning

A key activity for the Committee during the reporting period was leading the search for individuals to succeed the Chair of the Board, following Dr Herzog's indication in July 2019 that he intended to retire at the conclusion of the Company's 2020 AGM. The search was led by the SID, Mr Alan Grieve, who chaired a panel established by the Committee for this purpose (the '**Panel**') which comprised a majority of independent non-executive directors and excluded the Chair of the Board.

The Panel drew up a list of objective criteria for the new Chair, taking into account the existing skills, experience and composition of the Board, the effect of Dr Hertzog's retirement, the future needs of the business and the benefits of a diverse Board as set out in the Board Diversity Policy. Existing Board members were invited to express an interest in the role; those individuals were excluded from sitting on the Panel and were considered for the role alongside external candidates.

Following proposals from a number of search consultancies, the Panel engaged Egon Zehnder Limited to identify suitably qualified external candidates for the role by way of an extensive and rigorous process. The firm has no connection with the Company or any of the individual directors other than the provision of search services for the Chair succession. Egon Zehnder Limited was requested to provide a long list of diverse individuals meeting the role criteria. The candidates presented to the Panel came from a broad range of backgrounds and more than half were female. The Panel assessed these candidates, and those identified internally, against the agreed criteria. The Panel then held interviews with the shortlisted individuals and the final shortlisted candidates also met with the Group CEO.

Upon conclusion of the interview process, and following feedback from the Group CEO, the Panel agreed to recommend Dame Inga Beale as the preferred candidate in view of, *inter alia*, her past international corporate experience in the insurance industry, her experience of change management and digital transformation, and her standing within the UK financial sector, which would facilitate discussions with regulators and other stakeholders. The Board approved Dame Inga's appointment as an independent non-executive director and Chair Designate on 26 March 2020 with immediate effect, in order to allow for a handover and induction period prior to her succeeding Dr Herzog as Chair of the Board at the conclusion of the 2020 AGM, subject to her election by shareholders.

During the year under review, the Committee also completed the succession process to fill the vacancy created by Mr Desmond Smith's retirement as a director of the Company at the conclusion of the 2019 AGM. Mr Alan Grieve, a member of the Audit and Risk Committee since February 2016, succeeded Mr Smith as SID and Chair of the Audit and Risk Committee, effective from the date of Mr Smith's retirement. Following an assessment of the existing skills, experience and composition of the Board and the Audit and Risk Committee; the effect of Mr Smith's retirement; the future needs of the business; and the benefits of a diverse Board, the Committee compiled a list of objective criteria for the role and appointed MWM Consulting Limited ('**MWM**'), an external search agency, to conduct an extensive search for suitably qualified individuals. The firm has no connection with the Company or any of the individual directors other than the provision of search services for this role. The Committee assessed the candidates included on the long list prepared by MWM against the agreed criteria and conducted initial interviews with a number of these candidates. The resulting shortlisted candidates were invited to participate in a further round of interviews with a larger panel comprising the Committee, the SID and the Group CEO. Following these interviews and subsequent discussions, Mr Tom Singer was selected as the preferred candidate in view of his recent and relevant financial experience and expertise, and his knowledge of UK-listed international branded consumer businesses, among other attributes. The Board approved Mr Singer's appointment as an independent non-executive director of the Company and member of the Audit and Risk Committee on 24 July 2019, with immediate effect; he was subsequently also appointed as a member of the Committee on 13 November 2019.

The Committee continued to conduct its detailed annual review of the succession plans for the Board, the Group Executive Committee and members of the divisional executive committees, taking into account the Board Diversity Policy mentioned overleaf, the outcome of the annual Board evaluation, non-executive directors' length of service and a detailed skills matrix for the Board.

Mr Seamus Keating, an independent non-executive director, resigned from the Board with effect from 31 March 2020. At the date of this report, the process for identifying and selecting a new non-executive director with the appropriate skills and experience was in progress.

Board and Committee composition

During the reporting period, the Committee conducted its annual review of the structure, size, diversity and composition of the Board and its committees. As part of this process, it considered a detailed skills matrix for the Board and the outcome of the Board evaluation. The areas reviewed included the Board members' experience, independence, diversity, tenure, geographical knowledge, and knowledge of the Company as a whole.

Dame Inga was appointed as an independent non-executive director and member of this Committee with effect from 26 March 2020 and will succeed Dr Hertzog as chair of the Board and of this Committee at the conclusion of the 2020 AGM, subject to her election by shareholders. Dame Inga was also appointed as a member of the Remuneration Committee with effect from 1 June 2020. This appointment is compliant with the 2018 Corporate Governance Code, as Dame Inga was independent upon her appointment as non-executive director and Chair Designate.

Diversity

During the year under review, the Committee reviewed the Board Diversity Policy, which applies to the Board and the Group Executive Committee. It also received feedback from the divisions regarding progress against their diversity and inclusion goals during FY20 and plans for continued improvement going forward.

Diversity Policy

The Board believes that diversity is not limited to gender and that a diverse Board membership will include and benefit from different skills; geographical, educational and professional backgrounds; industry experience; age; race; gender; social and ethnic backgrounds; cognitive and personal strengths; and other characteristics. These factors are considered in determining the optimum composition of the Board and, when possible, 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. In fulfilling its role in terms of diversity, the Committee will continue to consider relevant prescribed guidelines and the performance of peer companies.

The Board supports the principle 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, race, gender and other characteristics is imperative for the effective operation of the Board, as well as the successful delivery of the strategy and long-term success of the Group.

The Board Diversity Policy has four objectives to support the Board's commitment to diversity.

TABLE 2: PROGRESS AGAINST OBJECTIVES

OBJECTIVE	PROGRESS
The Board will not impose quotas regarding diversity, although it will remain committed to achieving a diverse Board and executive management including aspects such as age, gender, ethnicity, education and professional background.	During the year under review, the Board agreed to the appointment of Dame Inga as independent non-executive director and Chair Designate. Dame Inga further complements the current Board composition, not just in terms of gender but also in terms of her breadth of skills, knowledge and experience, as described on the previous page. The Group CEO and divisional CEOs annually share their diversity goals and report on progress to the Committee. The divisions continue to focus on increasing diversity below Board level by encouraging and strengthening the talent pipeline within the divisions through short- and long-term succession planning. Activities during the year under review included strategies and interventions to encourage engagement of women in senior management, improve Mediclinic Southern Africa's B-BBEE standing and promote Emiratisation at Mediclinic Middle East. Where the Company has been unable to promote candidates to new positions from within, it has identified the desired criteria for external candidates. Both of these activities have been embedded to support the executive committees, 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 the executive management remain 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.

OBJECTIVE	PROGRESS
The Committee will annually consider and make recommendations, if applicable, to the Board on its diversity objectives.	The Committee reviewed the Board Diversity Policy and was satisfied that the objectives remained relevant. The Committee remains committed to progressing the objectives for FY21. A framework for the Group Diversity and Inclusion Strategy was approved during FY20 to help develop a diverse pipeline of talent to executive management positions. Progress against these objectives is reviewed at least annually by the Committee, which reports on it to the Board.
In reviewing the composition of the Board and executive management, the Committee will consider diversity, in addition to considering the balance of skills, experience, independence and knowledge.	The Committee reviewed the composition of the Board and its committees, specifically the balance of skills, experience, independence, knowledge and diversity. The Board appointed a Chair Designate with a diverse background and experience. The Committee reviewed the progress made in each division and reported it to the Board. Each division's talent pipeline strategy was reviewed in detail, including their diversity focus, progress made in that regard during the year under review, and plans for continued improvement during FY21. In line with the Parker Report's recommendation to have at least one director of colour by 2024, the Board had two directors of colour (as defined in the Parker Report) throughout the year under review and at the date of this report. The Committee is also pleased to report that since the report on improving the gender balance in FTSE leadership issued by the Hampton-Alexander Review in November 2016, four out of six appointments to the Board of the Company went to female candidates. As a result, at the date of this Annual Report, the Board has 33% female representation, in line with the 2020 target recommended by the Hampton-Alexander Review. This proportion may change throughout the year, as a successor to Mr Keating is appointed and Dr Hertzog retires from the Board. Following Dr Hertzog's retirement, Dame Inga will become one of approximately 24 female chairs of FTSE 350 companies. 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 a diverse Board.	The Chair Designate was identified from a diverse list of candidates, each of whom was assessed on merit, against an agreed set of criteria, reflecting the role of Chair and the capabilities required for that particular appointment, while taking into account the benefits of a diverse Board. The Committee reviewed each of the candidates' significant commitments, other directorships, skills, experience, knowledge, gender, race, geographical location, and other diversity considerations.

Details of race, gender and age representation on the Group's governance bodies, including the Board, the Group Executive Committee, the divisional executive committees and senior managers, can be found on page 159 of the ***Corporate Governance Statement***.

COMMITTEE EVALUATION

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

EVALUATION OF THE COMPOSITION, STRUCTURE AND FUNCTIONING OF THE BOARD

The composition, structure and functioning of the Board were considered as part of the FY20 annual evaluation of the Board, conducted by way of an internally-facilitated self-evaluation questionnaire. The questionnaire focused on Board composition and expertise; the Board's role in setting strategy; its understanding of risks facing the Group; succession planning; and the effectiveness of Board committees.

The Board regards the evaluation process as an important way to monitor progress. Further details on the Board effectiveness evaluation are included on page 161 of the ***Corporate Governance Statement***.

When considering the election or re-election of directors, the Committee considers the outcome of the Board evaluation process, as well as other factors such as the individual director's knowledge, skills and experience; the independent judgement they add to Board deliberations; and other commitments. Responses regarding the composition of the Board are also taken into account in the selection criteria for new appointments to the Board and its committees. The outcomes of the Board evaluation conducted in FY19 were reflected in the appointments of Mr Singer and more recently, Dame Inga. Following Mr Keating stepping down from the Board, the Committee has commenced the process to identify and appoint a new independent non-executive director, as discussed earlier in this report, in the section on 'Board Chair and other succession planning'. The criteria adopted for this appointment take into account the feedback received during the FY20 Board evaluation.

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 and at the 2020 AGM.

PRIORITIES FOR THE COMMITTEE FOR FY21

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

- continuing the development of succession plans and the talent pipeline;
- continuing the review of the composition of the Board and its committees in respect of skills, diversity, tenure and commitments; and
- continuing the implementation of the Diversity and Inclusion Strategy.

Signed on behalf of the Committee.

Dr Edwin Hertzog
Chair of the Nomination Committee
1 June 2020

MEDICLINIC CONSTANTIABERG

REMUNERATION COMMITTEE REPORT

Mr Trevor D Petersen
Chair of the Remuneration Committee

LETTER FROM THE CHAIR

As Chair of the Remuneration Committee (the 'Committee'), it is my pleasure to present the Directors' Remuneration Policy and Report for FY20.

FY20 PERFORMANCE CONTEXT (PRE-IFRS 16)

As set out earlier in this Annual Report, the Group delivered financial results for FY20 broadly in line with expectations, despite the impact of COVID-19 during March 2020.

Having delivered a solid first-half financial performance, the Group was on track to replicate this in the second half of the year under review. However, with the onset of COVID-19 from mid-March, normally a period of seasonally high activity, most non-urgent work was postponed allowing hospitals and clinical professionals to prepare for the expected increase in COVID-19-related cases. An approach Mediclinic fully supports.

At the Group level, in constant currency, FY20 revenue was up 4% and EBITDA was down 3%. However, after the translation effect of foreign currency movements, FY20 revenue was up 5% at £3 083m (FY19: £2 932m) and adjusted EBITDA decreased 3% at £480m (FY19: £493m). Adjusted EPS for the Group was down 8% to 24.7 pence (FY19: 26.9 pence). The Group reported available cash and banking facilities at year-end of £518m.

At year-end, the Group reported non-cash exceptional items relating to impairment charges at Mediclinic Middle East, Hirslanden and Spire. These impairments incorporate the impact of changes in the market and regulatory environments, exacerbated by the near-term uncertainty created by the COVID-19 pandemic.

In this context, Mediclinic Middle East and Hirslanden recorded impairment charges of £481m on intangible assets and £33m on fixed assets respectively. On Spire, an impairment charge of £10m was recorded against the carrying value of the equity-accounted investment. As a result of these impairment charges and other exceptional items, the reported loss for the year under review was £315m (FY19: loss of £151m).

RESPONSE TO VOTES RECEIVED AT THE 2019 AGM

At the Group's 2019 AGM, the resolution to approve Mediclinic's Directors' Remuneration Report (Resolution 2) was passed with a 71.44% majority. The Company seeks to maintain regular dialogue with its shareholders to establish an open forum for discussion on key market and Company-specific issues. The Committee acknowledges the importance of all shareholders' views.

In relation to the Directors' Remuneration Report, the key areas of focus highlighted by shareholders during and after the 2019 AGM process included:

- the performance metrics used for the purpose of the LTIP, particularly the use of a formal metric reflecting ROIC;
- the STI to be focused on Group earnings before interest and taxes ('**EBIT**') rather than EBITDA;
- the 2019 LTIP awards to the executives in light of share price performance in the prior reporting period;
- a desire for deferred share awards under the LTIP to be settled in shares rather than cash; and
- the treatment of incentive awards for the previous Group CEO upon stepping down from his executive responsibilities.

Since the 2019 AGM, the Committee has reflected carefully on the feedback received from shareholders and proxy advisory bodies as well as recent corporate governance developments. The Committee was grateful for the time and constructive feedback that shareholders and the proxy advisory bodies provided. Based thereon, the Committee reviewed the current Remuneration Policy and its implementation in light of the requirement for a revised Remuneration Policy to be put to a shareholder vote at the 2020 AGM, in line with the normal three-year cycle (last approved by 95.95% of shareholders in 2017).

As part of the review, the Committee explored a range of alternative approaches and received independent specialist advice to develop an approach that supports the execution of the Company's long-term strategy in a way that is consistent with its culture and values; appropriately aligns executives' remuneration with the interests of shareholders; and complies with the 2018 Corporate Governance Code. As a result, the Committee is proposing the following changes to the Remuneration Policy.

ELEMENT		CURRENT APPROACH	CHANGES GOING FORWARD
Fixed pay		Set an appropriate level to reflect the roles, skills and calibre of the individuals. Pension aligned with the rate for the wider South African workforce.	No change.
STI	Maximum opportunity	150% (Group CEO) and 133% (Group CFO) of base compensation.	No changes to award levels.
	Performance conditions	Outcome driven by Group EBITDA performance. Awards reduced based on subset indicators linked to financial and strategic objectives of the three divisions.	Group EBIT to replace Group EBITDA as the primary performance metric. No change in approach on subset indicators.
	Delivery	50% deferred into shares, with awards cash settled.	Awards to be settled in shares.
	Rationale		
	Further aligns executives with the shareholder experience and ensures that executives' reward reflects decision on depreciation and amortisation.		
LTIP	Maximum opportunity	200% (Group CEO) and 150% (Group CFO) of base compensation.	No changes to award levels.
	Performance conditions	Three-year performance period. 60% adjusted EPS (CAGR) and 40% relative Total Shareholder Return[1] ('**TSR**') (vs the FTSE 250, excluding financial services and extraction companies). Awards subject to ROIC underpin.	See table below
	Delivery	Two-year holding period. Awards settled in cash.	Awards to be settled in shares. No changes to holding period.
Post-cessation shareholding requirement		Not applied.	Executive directors required to hold Company shares for two years post cessation, at a level equal to the lower of the actual shareholding on departure or the shareholding requirement immediately prior to departure. Full post-cessation shareholding required to be held for 12 months following cessation, reducing to 50% of this level for a further 12 months.
		Rationale	
		To promote long-term alignment with shareholders in line with the 2018 Corporate Governance Code.	

LTIP performance conditions – changes going forward:

Metric	Weight	Rationale
Adjusted EPS (pence)	40%	Ensures focus on driving growth. Move to pence targets simplifies approach and increases transparency.
Relative TSR[1]	25%	Ensures alignment with shareholders.
ROIC	25%	Focuses management on efficient use of capital allocation over the long term.
Strategic measure (patient satisfaction)	10%	Ensures alignment with the Group's vision. Given the highly regulated nature of the sector, patient experience is vital to long-term prospects.

Note
[1] Continues to be measured relative to the FTSE 250, excluding financial services and extraction companies.

Refer to pages 197–209 for the complete Remuneration Policy detailing the approach for the upcoming three-year cycle. Its implementation for FY21 is set out from page 196 in more detail, which reflects recent developments associated with the COVID-19 pandemic.

IMPACT OF COVID-19 ON REMUNERATION

As set out elsewhere in this report, COVID-19 is having a dramatic impact globally and is causing significant economic uncertainty.

In the context of such uncertainty, the Group has taken a number of decisions to maintain its liquidity position through the crisis and to maximise its support to tackling COVID-19, including the suspension of the dividend, announced in April 2020. In light of this, the Committee and wider Board debated at length the impact on executive pay, and made the following decisions:

- **Incentive outturns:** While performance has been assessed for the purpose of FY20 incentives (as set out in detail on page 211 of the report), the Committee has suspended any final decisions on any payouts from the STI for the executive directors until a later point during FY21, with consideration to be given to a number of factors, including any decision on dividend payments. Details on the final decision on any STI award in respect of FY20 will be provided in the FY21 Directors' Remuneration Report.

  Long-term incentive awards will lapse based on performance over the performance period (see page 213 for details).

- **FY21 salary increases:** Given the vital role of facility-based frontline employees during the COVID-19 pandemic, the Committee determined that the previously planned increases for these employees proceed, which included an average increase of 5.5% for the facility-based frontline South African workforce. A decision on salary increases for executive directors will, however, be postponed until a yet-to-be-determined future date.

- **FY21 STI:** In line with the approach set out in the table on page 195, the current intention is that the STI in respect of FY21 will be based on the agreed structure, i.e. awards will be based on Group EBIT performance, and subject to adjustments based on performance against the subset performance indicators, which include both financial and non-financial measures.

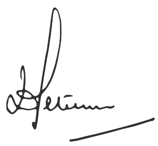
- **FY21 LTIP awards:** In line with our normal approach, the Committee had intended to disclose the performance metrics for FY21 LTIP awards upfront. However, as with most industries and companies, the full impact of the COVID-19 pandemic on Mediclinic remains uncertain. The Group has put in place the necessary structures and processes to monitor and mitigate existing and emerging risks to the business with the main focus areas being people, supply chain and liquidity. The Committee debated at length the best approach to target setting and believe that it is too challenging to set meaningful targets under the LTIP that will be both stretching and achievable at this time. A decision on the FY21 LTIP award levels and targets has therefore been deferred until later this year. This will allow the Committee to better understand the impact of COVID-19 on the business and allow it the time necessary to make an informed decision on appropriate target ranges. The Committee will consult with shareholders in advance of finalising the targets as appropriate. Details on the approach to measurement will be provided to investors within the regulatory announcements accompanying the award.

In addition to the above, and as announced in the trading update provided on 17 April 2020, the Board (including both the executive and non-executive directors) and the divisional CEOs voluntarily donated 30% of their salary or fees for three months to charities in the countries in which Mediclinic has a presence, which is aimed at assisting the most vulnerable to deal with the impact of COVID-19.

COMMITTEE COMPOSITION

As announced on 21 February 2020, Mr Seamus Keating stepped down from the Board on 31 March 2020. I would like to place on record the Committee's thanks to Mr Keating for his counsel as a member of the Committee. Mr Tom Singer joined the Committee on 13 November 2019. Dame Inga Beale joined the Committee on 1 June 2020. I very much look forward to working with both Mr Singer and Dame Inga over the course of the coming year.

I trust the information presented in this report enables stakeholders to understand how the Directors' Remuneration Policy was implemented over the reporting period, how it will be implemented in the coming financial year and the rationale behind the Committee's decision-making. We remain committed to open and transparent dialogue with investors and welcome any feedback or comments.



Mr Trevor D Petersen
Chair of the Remuneration Committee
1 June 2020

REMUNERATION AT A GLANCE

The following section provides an overview of the revised Directors' Remuneration Policy for the next three years, which will be submitted to shareholders for approval at the 2020 AGM, and how it will be implemented in FY21, as well as an overview of remuneration outcomes for the current reporting period.

EXECUTIVE DIRECTORS' REMUNERATION POLICY AND PROPOSED IMPLEMENTATION IN FY21
TABLE 1: REMUNERATION POLICY OVERVIEW AND FY21 IMPLEMENTATION

<table>
<tr><th>ELEMENT OF PAY</th><th>PURPOSE AND LINK TO STRATEGY</th><th>TERMS</th><th colspan="2">GROUP CEO</th><th>GROUP CFO</th></tr>
<tr><td>Base compensation</td><td>• To attract, retain and motivate talented individuals who are critical to the Group's success</td><td>With effect from 1 April 2020</td><td colspan="2">£542 791[1]
No change</td><td>£400 773[1]
No change</td></tr>
<tr><td rowspan="3">Annual STI</td><td rowspan="3">• To encourage and reward delivery of the Group's annual financial and operational objectives
• To encourage share ownership and align with shareholder interests</td><td>Maximum opportunity (% of base compensation)</td><td colspan="2">150%</td><td>133%</td></tr>
<tr><td>Performance conditions</td><td colspan="3">Group EBIT performance and other financial and strategic subset indicators of the three divisions. Targets are not published in advance as they are commercially sensitive, however, details will be provided in the following year's Remuneration Committee Report. The Committee has the discretion to override formulaic outturns (upward or downward) considering overall Company, business line and individual performance.</td></tr>
<tr><td>Deferral</td><td colspan="3">50% compulsory deferral for two years, settled in Company shares.</td></tr>
<tr><td rowspan="8">LTIP</td><td rowspan="8">• To balance performance pay between achieving financial and strategic performance objectives and delivering sustainable outperformance
• To encourage share ownership and align with shareholders' interests</td><td>Maximum opportunity (% of base compensation)</td><td colspan="2">200%</td><td>150%</td></tr>
<tr><td rowspan="6">Performance conditions</td><td>MEASURE</td><td>WEIGHTING</td><td>Targets</td></tr>
<tr><td>Adjusted EPS growth</td><td>40%</td><td rowspan="4">As set out on alongside, final decision deferred until later this year given uncertainty with COVID-19. The Committee will consult with shareholders in advance of finalising the targets as appropriate and will publish details of the approach to measurement within the regulatory announcements accompanying the award.</td></tr>
<tr><td>Relative TSR[2]</td><td>25%</td></tr>
<tr><td>ROIC[3]</td><td>25%</td></tr>
<tr><td>Patient satisfaction</td><td>10%</td></tr>
<tr><td colspan="3">The Committee will retain the discretion to override formulaic outturns (upward or downward) considering overall Company, business line and individual performance.</td></tr>
<tr><td>Performance/ deferral period</td><td colspan="3">Performance is measured over three years, following which awards are subject to a two-year deferral period and settled in Company shares.</td></tr>
</table>

ELEMENT OF PAY	PURPOSE AND LINK TO STRATEGY	TERMS	GROUP CEO	GROUP CFO
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)	9.0% of salary, in line with the pension contribution levels provided across Mediclinic Southern Africa and Mediclinic Group Services.	
Benefits	• To provide a market-competitive level of benefits to ensure executive directors' wellbeing		Private medical insurance, life insurance of between 5–7 times annual base salary, as personally selected.	
Share ownership guidelines	• Alignment of executive directors' interests with those of shareholders	Requirement as a % of base compensation	225%	200%
Post-cessation shareholding requirement		Executive directors required to hold Company shares for two years post cessation	Executive directors are required to hold Company shares for two years post cessation at a level equal to the lower of the actual shareholding on departure or the shareholding requirement immediately prior to departure. Full post-cessation shareholding requirement to be held for 12 months following cessation, reducing to 50% of this level for a further 12 months.	

Notes

[1] Annualised remuneration payable in South African rand translated into sterling at a rate of £1: ZAR18.76 at 31 March 2020. Note that the change to the base compensation figures disclosed on page 197 from last year resulted from fluctuations in the sterling: rand exchange rate during the year.

[2] Measured against the FTSE 250, excluding financial services and extraction companies.

[3] ROIC is net operating profit less adjusted tax expressed as a percentage of average invested capital. Further details on the approach to measurement will be included within the market announcement setting out award details.

Base compensation

As part of the Group's broad response to maintaining its liquidity position through the COVID-19 crisis, the Committee carefully reviewed the approach to planned salary increases for the workforce for FY21. Given the vital role of facility-based frontline employees during the COVID-19 pandemic, the Committee determined that, except for Mediclinic Middle East, the previously planned increases for these employees proceed, which included an average increase of 5.5% for the facility-based frontline South African workforce, reflecting inflation in that market, and 1% for the facility-based frontline Hirslanden workforce.

After extensive deliberation, the Committee determined that the most appropriate approach was to postpone the decision on salary increases of executive directors and Corporate Office management roles across the Group until later in the financial year.

Note that the change to the base compensation figures disclosed alongside from last year resulted from fluctuations in the sterling: rand exchange rate during the year.

TABLE 2: EXECUTIVE DIRECTORS' BASE COMPENSATION LEVELS

EXECUTIVE DIRECTOR	SALARY FY20 R'000	SALARY FY21 R'000[2]	BOARD FEE FY20 £'000	BOARD FEE FY21 £'000	BASE COMPENSATION FY21 £'000[1,3]
Dr Ronnie van der Merwe	9 000	9 000	63	63	543
Mr Jurgens Myburgh	6 336	6 336	63	63	401

Notes

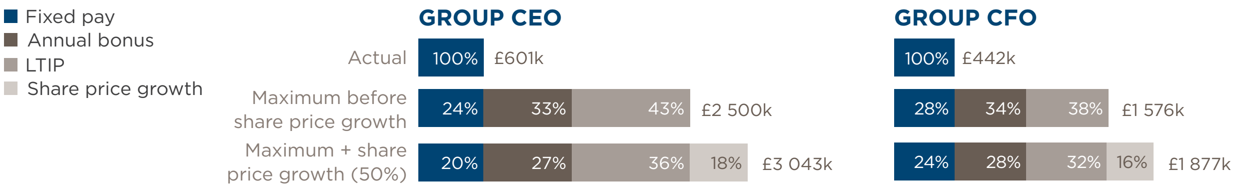
[1] Remuneration payable in South African rand translated into sterling at a rate of £1: ZAR18.76 at 31 March 2020.

[2] Decision on FY21 salary increases postponed until later in the financial year.

[3] The executive directors voluntarily donated 30% of their salary or fees for three months to the Solidarity Fund in South Africa aimed at assisting the most vulnerable South Africans to deal with the impact of COVID-19.

ILLUSTRATION OF EXECUTIVE DIRECTORS' REMUNERATION OUTCOMES IN FY20

FIGURE 1: EXECUTIVE DIRECTORS' MAXIMUM POLICY LEVELS OF REMUNERATION AND ACTUAL REMUNERATION FOR FY20



Note

The Committee has suspended any final decisions on any payouts from the STI for the executive directors until a later point during the financial year with consideration to be given to a number of factors, including any decision on dividend payments. Details on the final decision on any STI award in respect of FY20 will be provided in the FY21 Directors' Remuneration Report.

NON-EXECUTIVE DIRECTORS' REMUNERATION POLICY AND PROPOSED IMPLEMENTATION IN FY21

No changes are proposed to the Remuneration Policy for non-executive directors. In line with the approach for executive directors, a decision on fee increases for FY21 has been deferred until later in the financial year. The non-executive directors have voluntarily donated 30% of their fees for three months to charities aimed at assisting the most vulnerable to deal with the impact of COVID-19 in the countries in which Mediclinic has a presence.

TABLE 3: NON-EXECUTIVE DIRECTORS' FEES IN FY21

BASE FEES	FEE FROM 1 APRIL 2019	FEE FROM 1 APRIL 2020	INCREASE
Chair of the Board	£280 000	£280 000	0%
Base Board fee	£63 000	£63 000	0%
COMMITTEE CHAIR/SENIOR INDEPENDENT DIRECTOR FEES			
Audit and Risk Committee	£16 000	£16 000	0%
Clinical Performance and Sustainability Committee	£10 000	£10 000	0%
Investment Committee	£10 000	£10 000	0%
Nomination Committee	£10 000	£10 000	0%
Remuneration Committee	£16 000	£16 000	0%
Senior Independent Director	£25 000	£25 000	0%

BASE FEES	FEE FROM 1 APRIL 2019	FEE FROM 1 APRIL 2020	INCREASE
COMMITTEE MEMBER FEES			
Audit and Risk Committee	£10 000	£10 000	0%
Clinical Performance and Sustainability Committee	£7 000	£7 000	0%
Investment Committee	£7 000	£7 000	0%
Nomination Committee	£7 000	£7 000	0%
Remuneration Committee	£10 000	£10 000	0%

ADHERENCE TO THE 2018 CORPORATE GOVERNANCE CODE PRINCIPLES

When developing the revised Remuneration Policy and determining its implementation for FY21, the Committee took into consideration, and has appropriately addressed, the following design principles set out in the 2018 Corporate Governance Code:

Clarity	• The Committee welcomes open and frequent dialogue with shareholders on the approach to remuneration. • The Committee looks to provide clear disclosure of how the Remuneration Policy has been implemented in the year under review and how the Committee intends to implement it in the year ahead. • Incentive arrangements (which are cascaded throughout the Group as appropriate) are based on clearly defined financial and non-financial metrics that are aligned with the Group strategic goals.
Simplicity	• A market-standard annual bonus and LTIP structure is followed. The structure is simple and well understood by both shareholders and participants. • The remuneration approach taken for executive directors is cascaded down the organisation as appropriate.
Risk	• The Committee considers that the structure of incentive arrangements does not encourage inappropriate risk-taking. • Under the STI and LTIP, discretion may be applied where formulaic outturns are not considered reflective of overall performance. • The introduction of share settlement of incentive awards, bonus deferral, the LTIP holding period and shareholding requirements, including post-cessation shareholding, provide a clear link to the ongoing performance of the business and the experience of shareholders. • Malus and clawback provisions apply to both the STI and LTIP.
Predictability	• The Remuneration Policy contains details of threshold and maximum opportunity levels under the STI and LTIP, with actual outcomes dependent on performance achieved against predetermined measures and target ranges. • This is illustrated on pages 199, 206, 212 and 213 of this report.
Proportionality	• The Committee's ability to apply discretion ensures appropriate outcomes in the context of long-term performance. • Incentive time horizons provide strong alignment between executive directors' remuneration outcomes and long-term Company performance. • Performance measures and target ranges under the STI and LTIP are aligned to the Mediclinic Group Strategy.
Alignment to culture	• Reward arrangements are designed to reward delivery of the Mediclinic Group Strategy which is focused on enhancing the quality of life. This is achieved through having incentive awards (both in the short- and long-term) based not only on financial metrics but also non-financial metrics linked to areas such as clinical performance and patient satisfaction. Adherence to the Company philosophy of always putting *Patients First* will ultimately lead to the delivery of strong financial performance and long-term shareholder value creation. • All employees are entitled to participate in the pension scheme. The pension level for the executive directors is set at the rate provided to the South African workforce. • Strong individual, business line and Company performance are incentivised and recognised in the wider employee population through STI schemes and, for the most senior employees, the LTIP.

DIRECTORS' REMUNERATION POLICY

INTRODUCTION

This section of the report sets out the Company's policy on the remuneration of its executive and non-executive directors, which is subject to shareholder approval at the 2020 AGM. If approved, the policy will be binding and take effect from this date and will operate for up to three years. In determining the new Policy, the Committee followed a robust decision-making process. The revised policy has been developed taking into account the principles of the updated UK Corporate Governance Code published in 2018 and the views of major shareholders and proxy agencies, as expressed during engagement on remuneration matters during the reporting period. Throughout this Policy review process, input was sought from both the management team, while ensuring that conflicts of interests were suitably mitigated, and the Committee's independent advisors.

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, and for overseeing workforce remuneration and related policies.

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 develop an approach that appropriately aligns executives' remuneration with the interests of shareholders and supports the execution of the Company's long-term strategy in a way that is consistent with its culture and values;
- To ensure the Group's market-leading positions are maintained by attracting, retaining and motivating the best person for each position;
- To ensure total remuneration packages are simple and fair in design so that these are valued by participants;
- To ensure 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 performance;
- To balance performance pay between the achievement of the Group's financial performance objectives and delivering sustainable outperformance, creating a clear line of sight between performance and reward; and
- To provide performance-related pay linked to the 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.

As a result, some important changes are proposed to the current Remuneration Policy, which have been highlighted in the table overleaf.

> "The revised policy has been developed taking into account the principles of the updated UK Corporate Governance Code published in 2018 and the views of major shareholders and proxy agencies, as expressed during engagement on remuneration matters during the reporting period.

TABLE 4: 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 (which include base salary and a Board fee) 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 of the workforce	• There is no prescribed maximum annual increase • The Committee takes into account remuneration levels in comparable organisations in geographies in which the Company operates and in which it competes for talent • Ordinarily, annual salary increases would be no more than the average annual increase of the workforce in the same geographic location in which the director is domiciled • In exceptional circumstances, a higher increase may be awarded (e.g. 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)	n/a
Annual STI	• To encourage and reward delivery of the Group's annual financial and operational objectives • To encourage share ownership and align with shareholder risk and reward	• Performance targets are normally set annually by the Committee; are linked to strategic objectives; and are appropriately demanding, taking into account economic conditions and risk factors • A proportion of the bonus, normally no less than half, is deferred into shares for two years, subject to continued employment • Deferred awards ordinarily settled in shares • Dividends that accrue on the shares under the deferred bonus paid in cash at the time of vesting • Awards subject to malus and clawback provisions (see below) • The Committee retains the discretion to adjust award outcomes at the end of the performance period, to ensure that the outcome is fair in the context of overall performance	• Maximum opportunity of 150% of base compensation in respect of any financial year	• The STI outcome is determined based on Group financial performance against predetermined targets, with the weighting at the outset of determination of bonuses therefore up to 100% • Reductions are made to this outcome, based on the non-achievement of financial, strategic and/or operational subset indicators of the Group or component divisions; reductions are on a weighted basis • Performance below threshold against the financial metrics results in zero payment • Payments increase from 0% to 100% of the maximum opportunity for levels of performance between threshold and maximum performance targets

Key changes to policy – STI

- Deferred awards will ordinarily be settled in shares, in line with shareholder and proxy agency feedback
- Enhanced scope of Committee discretion, in line with the 2018 Corporate Governance Code

ELEMENT OF PAY	PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE CRITERIA
LTIP	• To balance performance pay between achieving financial and strategic performance objectives and delivering sustainable outperformance • To encourage share ownership and align with shareholders' interests	• Annual awards denominated in shares with vesting dependent on the achievement of performance conditions normally measured over a three-year period • Executive directors normally required to hold vested awards for two years following the end of the performance period • Awards ordinarily settled in shares • Performance targets normally set 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 paid in cash, to the extent that awards have vested • Awards subject to malus and clawback provisions (see below) • The Committee retains the discretion to adjust award outcomes at the end of the performance period, to ensure that the outcome is fair in the context of overall performance	• Maximum opportunity of 200% of base compensation in respect of any financial year	• Performance measures set by the Committee and linked to the achievement of the Group's long-term strategic goals and the creation of long-term shareholder value • Awards based on an appropriate balance of earnings, shareholder return, capital efficiency and strategic measures • It is expected that FY21 LTIP awards will be based on the following measures: adjusted EPS growth (40%), relative TSR (25%), ROIC (25%) and patient satisfaction (10%) • No more than 25% of an award will vest for achieving threshold performance, increasing *pro rata* to full vesting for achieving maximum performance targets

Key changes to policy – LTIP

- Awards will ordinarily be settled in shares, in line with shareholder and proxy agency feedback
- Approach to performance metrics aligned with Group's strategic priorities
- Formulaic outcomes are subject to Committee discretion, in line with the 2018 Corporate Governance Code

ELEMENT OF PAY	PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE CRITERIA
Pension/ retirement benefits	• To help recruit and retain high-performing executive directors • To provide employees with long-term savings via pension provisions	• Participation in a defined contribution pension scheme	• Directors can receive a Company contribution in line with contribution levels provided across Mediclinic Southern Africa and Mediclinic Group Services at 9% of salary	n/a
Benefits	• To provide market-competitive benefits to ensure executive directors' wellbeing	• 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	n/a
Non-executive directors' fees	• Set to attract, retain and motivate talented individuals through the provision of market-competitive fees	• The Chair of the Board receives an all-inclusive fee • For other non-executive director roles, a Board fee is payable with additional fees paid for: (i) chairing a committee; (ii) the SID role; and (iii) committee membership, to take into account the additional responsibilities and time commitments of these roles • Additional fees may be introduced where deemed appropriate to reflect additional responsibilities and time commitments • In consultation with executive directors, the Chair of the Board will review fees periodically, or in the event of a change in an individual's position or responsibilities (as appropriate) • Fee levels are set at market rates, taking into consideration responsibility and time commitments, and 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 • Additional benefits may be provided as appropriate to the role	• Aggregate Board fees are subject to a maximum cap as stated in the Group's Articles • No prescribed maximum annual increase for non-executive directors – the Chair of the Board and the executive directors are guided by the general increase for the broader workforce • In certain circumstances, the Chair of the Board may recognise an increase, such as additional responsibility, or an increase in the scale or scope of the role	n/a

ELEMENT OF PAY	PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE CRITERIA
Share ownership guidelines and post-cessation shareholding requirement	• Alignment of executive directors' interests with those of shareholders	• Executive directors are expected to build and maintain a shareholding in the Company. The level of shareholding guidelines will be detailed in the Annual Remuneration Report each year • Until the share ownership guideline is achieved, executive directors are normally required to retain no less than 50% of the net of tax value from vested LTIP, deferred bonus or other awards • Executive directors are also required to hold Company shares for a period of time post cessation, as detailed in the Annual Remuneration Report each year	n/a	n/a
Key change to policy – share ownership guidelines				
• Introduction of a post-cessation shareholding requirement, in line with the 2018 Corporate Governance Code and shareholder/proxy agency expectations				

COMMITTEE DISCRETION IN RELATION TO EXISTING COMMITMENTS

The Committee reserves the right to make any remuneration payment and payment for loss of office, notwithstanding that they are not in line with the policy set out in this report, where the terms were agreed:

i. Before the policy set out from page 201 comes into effect;
ii. At a time when a previous policy approved by shareholders was in place provided that the payment is in line with the terms of that policy; or
iii. At a time when the individual was not a director of the Company and the payment was not in consideration of them becoming a director of the Company.

INCENTIVE DISCRETIONS

The Committee operates the annual STI and the LTIP 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:

- participants in the plans;
- timing of the grant and/or payment of award;
- the size of an award (up to plan limits) and/or payment;
- choice of performance measures, weightings and targets;
- the ability, in exceptional circumstances, to settle share-based awards in cash (e.g. where share settlement is not feasible due to regulatory restrictions);
- discretion to review the level of payout/vesting in the context of overall performance;
- 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
- whether (and to what extent) malus/clawback provisions shall apply to an award (see below).

At the discretion of the Committee, awards may be adjusted before delivery (malus) or reclaimed after delivery (clawback) if an adjustment event occurs. Such events 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; corporate failure; or the participant's material misconduct.

CHOICE OF PERFORMANCE MEASURES AND APPROACH TO SETTING TARGETS

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

The LTIP measures are selected to reward long-term returns to shareholders, long-term financial growth, managing capital allocation efficiency and progress against the Group's strategic objectives.

Stretching targets are set on sliding scales annually, taking into account multiple internal and external reference points including internal forecasts/budgets, market expectations and the Group's risk appetite. Modest rewards are available for achieving threshold performance with maximum rewards requiring substantial outperformance of challenging strategic plans.

CONSIDERATION OF SHAREHOLDER VIEWS

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

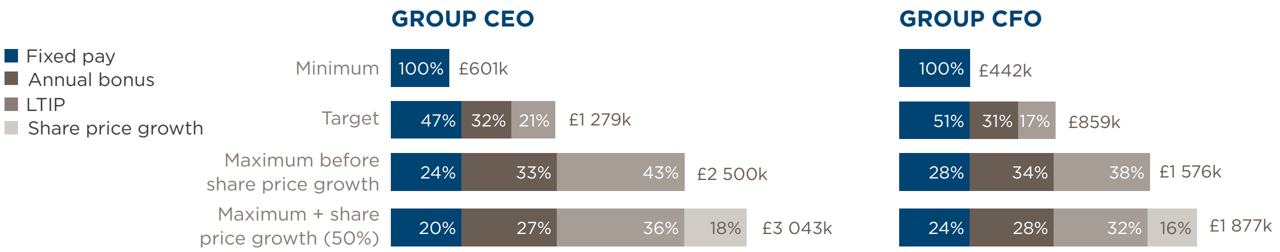
Following the voting outcome of last year's Remuneration Report resolution, the Committee sought feedback from major shareholders and proxy agencies. The Committee reviewed in detail the feedback received along with changes to the Company's strategy and recent developments in the UK executive remuneration environment, when determining the ongoing appropriateness of the current remuneration approach. In light of this review, changes have been proposed by the Committee with a detailed overview of the changes set out on pages 202–205. The Committee is grateful for the time and constructive feedback that shareholders and the proxy advisory bodies have provided.

The Committee considers the AGM to be an opportunity to engage with shareholders, giving investors the opportunity to provide feedback on the way in which the remuneration policy operates and the way in which it has been implemented. In addition, the Committee will seek to engage directly with major shareholders and their representative bodies should any material changes be made to the Remuneration Policy or its implementation.

REMUNERATION SCENARIOS FOR THE EXECUTIVE DIRECTORS

The total remuneration for each executive director that could result from the Remuneration Policy in FY21 is shown below under four different performance scenarios.

FIGURE 2: EXECUTIVE DIRECTORS' REMUNERATION SCENARIOS FOR FY21



The basis of calculation for these scenarios is as follows:

Fixed pay	• Salary from 1 April 2020 • 9% of salary pension contribution • Value of benefits as shown in the total single figure table for FY20 • Remuneration is earned in sterling (GBP) and South African rand (ZAR). The ZAR portion of the remuneration package is translated into GBP at a rate of £1: ZAR18.76			
	MINIMUM	**TARGET**	**MAXIMUM**	**MAXIMUM WITH 50% SHARE PRICE GROWTH**
Annual STI (payout as % of maximum)	0%	Up to 60%	100%	100%
LTIP (vesting as % of maximum)	0%	62.5%	100%	100% plus 50% share price growth

The chart highlights how the performance-related elements of the package comprise a significant portion of total remuneration at on-target and maximum performance.

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 align the remuneration package with the Remuneration Policy approved by shareholders.
- New executive directors will participate in the STI and LTIP subject to the limits as set out in the policy – resulting in the maximum level of variable pay for a new executive director of 350% of salary.
- Depending on the timing of the appointment, the Committee may deem it appropriate to set different annual bonus performance conditions to that of the current executive directors for the first performance year of appointment.
- An LTIP award can be made following an appointment (assuming the Company is not in a closed period).
- Flexibility will be retained to set base compensation at the level necessary to facilitate hiring candidates of appropriate calibre in external markets.
- To facilitate recruitment, the Committee may make an award to buy out remuneration terms forfeited on leaving a previous employer. 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 remuneration being forfeited, any performance conditions and the time over which they would have vested or been paid. Where appropriate, the Committee retains the discretion to utilise the Listing Rules exemption (Listing Rule 9.4.2) to facilitate the recruitment of an executive director.
- 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, within the scope of the Remuneration Policy.

For the appointment of a new Chair 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 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.

In circumstances of termination on notice, the Committee will determine an equitable compensation package, having regard for 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 mitigation.

Subject to the circumstances on cessation of employment, 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 any STI to be payable for any part of the notice period not worked. Such payment would, unless the Committee determines otherwise, be scaled back *pro rata* for the period of the incentive year worked by the director, and remain payable at the normal payment date and would be subject to performance.

Awards held under the deferred STI and LTIP arrangements are subject to the rules containing discretionary provisions setting out the treatment of awards where a participant leaves. The table below sets out the relevant provisions under each plan:

<table>
<tr><th>PLAN</th><th>GOOD LEAVER DEFINITION</th><th>GOOD LEAVER TREATMENT</th><th>BAD LEAVER TREATMENT</th></tr>
<tr><td>Deferred STI</td><td rowspan="2">• Death
• Retirement with the agreement of the Company
• Injury or disability
• The employing entity ceasing to be a member of the Group
• Any other reason as decided by the Committee</td><td>• Award vests on date of cessation
• The Committee retains the discretion to allow awards to vest on the normal vesting date</td><td rowspan="2">Award lapses on date of cessation</td></tr>
<tr><td>LTIP</td><td>• On death, the award will normally vest on the date of cessation subject to the achievement of performance conditions at that date
• For other good leavers, the award will vest on the normal vesting date, subject to performance achieved over the performance period and time pro-ration as a proportion of the vesting period served
• The Committee retains the discretion to allow awards to vest on the date of cessation and/or disapply time pro-rating</td></tr>
</table>

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, annual STI awards will be payable to participants subject to the extent to which the performance conditions have been achieved at that time (taking into account any factors considered appropriate by the Committee). All unvested awards under the deferred STI and LTIP arrangements will vest, taking into account the extent that any performance conditions attached to the relevant awards have been achieved. Awards may, at the discretion of the Committee, be scaled back *pro rata* for the period of the performance period worked by the director.

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

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.

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 2018 Corporate Governance Code, all directors are subject to annual election or re-election by shareholders at the Company's annual general meetings.

Refer to pages 215–216 for the dates of the executive directors' service contracts and the non-executive directors' letters of appointment, which are also available for inspection during normal business hours at the Company's registered office, and at the AGM.

CONSIDERATION OF EMPLOYEE PAY AND CONDITIONS

Pay and employment conditions are considered when setting remuneration for executive directors.

Given the size and scale of the Group's operations, which includes multiple jurisdictions, the Committee currently does not formally consult with employees in respect of the design of the executive directors' Remuneration Policy and its implementation. However, the Committee receives information on workforce pay and employment conditions as part of the annual Committee calendar and oversees the operation of share plans across the Group.

During FY20, the Board designated an existing non-executive director, Mr Danie Meintjes, as the designated director for workforce engagement. His responsibilities and activities are described in the 'Workforce engagement' section of the ***Corporate Governance Statement*** on page 157.

When determining executive director remuneration arrangements, including base compensation increase, the Committee is provided with appropriate information on the approach to such issues within the wider workforce, to permit informed comparison of relevant metrics.

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. The performance measures that apply to management are based on the respective division's financial performance and division-specific operational targets, including measures of clinical excellence. A proportion of the award for all senior management roles is based on Group-wide performance indicators.

Similarly, the structure of the executive directors' pay policy on LTIPs is in line with the current policy for remuneration of key senior management within the Group, with awards for all participants subject to the achievement of the same performance conditions over a three-year period.

ANNUAL REMUNERATION REPORT

DIRECTORS' REMUNERATION

This section sets out the single figure tables showing the remuneration for the executive and non-executive directors for FY20. Further information on these figures is set out in the subsequent sections.

TABLE 5: SINGLE TOTAL FIGURES OF DIRECTORS' REMUNERATION (AUDITED)

		SALARY AND FEES £'000	BENEFITS £'000	ANNUAL BONUS/ STI £'000[4]	LTIP £'000	PENSION £'000	TOTAL REMUNERATION £'000
EXECUTIVE DIRECTORS[1]							
Dr Ronnie van der Merwe[2]	FY20	543	15	0	0	43	601
	FY19	447	7	110	0	36	600
Mr Jurgens Myburgh	FY20	401	11	0	0	30	442
	FY19	396	14	87	0	30	527
Mr Danie Meintjes[3]	FY19	212	3	46	0	15	276

		FEES £'000	BENEFITS[9] £'000	TOTAL REMUNERATION £'000
NON-EXECUTIVE CHAIR				
Dr Edwin Hertzog	FY20	281	6	287
	FY19	280	8	288
NON-EXECUTIVE DIRECTORS				
Dame Inga Beale[5]	FY20	1	0	1
Mr Desmond Smith	FY20	35	1	36
	FY19	111	6	117
Dr Muhadditha Al Hashimi	FY20	70	3	73
	FY19	70	3	73
Mr Jannie Durand[6]	FY20	77	6	83
	FY19	77	4	81
Mr Alan Grieve	FY20	106	1	107
	FY19	80	1	81
Dr Felicity Harvey	FY20	80	0	80
	FY19	78	0	78
Mr Seamus Keating	FY20	90	0	90
	FY19	90	0	90
Mr Danie Meintjes	FY20	70	6	76
	FY19[3]	47	1	48
Dr Anja Oswald[7]	FY20	80	4	84
	FY19	55	1	56
Mr Trevor Petersen	FY20	96	7	103
	FY19	91	7	98
Mr Tom Singer[8]	FY20	54	0	54
Total	**FY19**	**979**	**31**	**1 010**
Total	**FY20**	**1 040**	**34**	**1 074**

Notes

[1] South African rand remuneration was translated into sterling at a rate of £1: ZAR18.76 at 31 March 2020 and £1: ZAR18.01 at 31 March 2019.

[2] Dr Van der Merwe was appointed as executive director on 1 June 2018 and his remuneration for FY19 covers the period from appointment date to the end of the reporting period.

[3] Mr Meintjes retired as executive director of the Company on 31 July 2018, therefore his remuneration for FY19 in the executive director section of the table covers the period from 1 April 2018 to his date of retirement. Subsequently, Mr Meintjes was appointed as non-executive director on 1 August 2018, therefore his remuneration for FY19 in the non-executive director section of the table covers the period from 1 August 2018 to 31 March 2019.

[4] The Committee has suspended any final decisions on any payouts from the STI for the executive directors until a later point during the financial year, with consideration to be given to a number of factors, including any decision on dividend payments. Details on the final decision on any STI award in respect of FY20 will be provided in the FY21 Directors' Remuneration Report.

[5] Dame Inga Beale was appointed as non-executive director and Chair Designate of the Company on 26 March 2020.

[6] Mr Durand's fees are paid to Remgro and include services rendered by Mr Durand or his alternate, Mr Pieter Uys.

[7] Dr Oswald joined the Board on 25 July 2018 and her remuneration for FY19 covers the period from appointment date to the end of the reporting period.

[8] Mr Singer was appointed as non-executive director of the Company on 24 July 2019 and his remuneration for FY20 covers the period from appointment date to the end of the reporting period.

[9] Benefits to non-executive directors comprise reimbursement of reasonable travel, accommodation and subsistence expenses plus the associated tax.

BASE COMPENSATION (AUDITED)

Base salaries and Board fees are reviewed annually in March, with any changes ordinarily effective in April.

The executive directors' base compensation consists of a portion paid in South African rand and a portion, equal to that of the Board fee, paid in sterling. The following base compensation was paid during the reporting period:

TABLE 6: BASE COMPENSATION FOR FY20

EXECUTIVE DIRECTOR	BOARD FEE (£)	BASE SALARY (ZAR)	TOTAL BASE COMPENSATION (£)[1]
Dr Ronnie van der Merwe	63 000	9 000 000	542 791
Mr Jurgens Myburgh	63 000	6 336 000	400 773

Note

[1] Figures converted to sterling at a rate of £1: ZAR18.76 at 31 March 2020.

BENEFITS AND PENSION (AUDITED)

The benefits of Dr Van der Merwe 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 company pension contribution equal to 9.0% of their salary in line with the rate allocated to all Mediclinic Southern Africa and Mediclinic Group Services employees. No element of any executive director's remuneration other than base salary is pensionable.

None of the executive directors have 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 pension contribution or other benefits and are not granted awards under the short-term or long-term reward schemes.

SHORT-TERM INCENTIVE (AUDITED)

In line with previous years, the STI for FY20 was based on Group-achieved IFRS 16 EBITDA performance and subset performance indicators for each of the three divisions, which comprise financial and operational objectives, including measures of clinical performance.

Group-achieved IFRS 16 EBITDA for the purposes of the executive directors' STI comprises Group adjusted IFRS 16 EBITDA calculated based on budgeted foreign exchange rates (£19m) excluding the impact of STI bonus accruals for the Group's key management and employees (£19m).

The Group IFRS 16 EBITDA target is based on the sum of each division's approved budgeted adjusted IFRS 16 EBITDA and that of Corporate. The Group's actual adjusted IFRS 16 EBITDA performance sets the initial bonus outcome percentage. The non-achievement of subset performance indicators, which include both financial and non-financial measures, then gives rise to a reduction in the initial bonus outcome percentage. The subset performance indicators are weighted relative to each division's respective contribution to the Group-adjusted IFRS 16 EBITDA.

FIGURE 3: SUMMARY OF THE PERFORMANCE CONDITIONS AND ACHIEVEMENT AGAINST TARGETS

MAIN PERFORMANCE INDICATOR

GROUP-ACHIEVED IFRS 16 EBITDA

46% of a maximum EBITDA bonus achieved

SUBSET PERFORMANCE INDICATORS

	HIRSLANDEN	MEDICLINIC SOUTHERN AFRICA	MEDICLINIC MIDDLE EAST
FINANCIAL PERFORMANCE INDICATORS			
Debtors' days	n/a	n/a	Threshold: 105 days Maximum: 95 days Achievement: 107 days (5% Penalty)
OPERATIONAL, CLINICAL AND PATIENT QUALITY PERFORMANCE INDICATORS			
Clinical care quality indicator	Full achievement: clinical safe surgery, National Society for Quality Assurance Readmission Index and quality initiative benchmark indicators	Null achievement: never events and antibiotic utilisation Full achievement: hand hygiene (10% Penalty)	Null achievement: hospital-acquired or worsening pressure ulcers, unplanned return to theatre Partial achievement: hospital never events Full achievement: SSI, clinic administration errors, clinic never events (6% Penalty)
Employee engagement	n/a	Partial achievement based on Gallup® employee engagement survey responses to 'My team has effectively followed through on actions we agreed on during our action planning session' (1% Penalty)	Null achievement based on Gallup® employee engagement survey response (5% Penalty)
Personal performance	Full achievement: personal objective scoreboard indicators	n/a	n/a
Patient satisfaction	n/a	Full achievement based on overall mean Press Ganey® patient experience indicator score	Null achievement based on overall mean Press Ganey® patient experience indicator score (5% Penalty)
Employment Equity	n/a	Full achievement based on appointment to open positions	n/a
Penalty	**0%**	**11%**	**21%**
Weighting of division	43%	34%	23%
Weighted penalty	0%	(3.8%)	(4.8%)
Total subset penalty	(8.6%) of a 46% achieved EBITDA bonus equates to a (4%) total bonus deduction		

GROUP ACHIEVEMENT (ACHIEVED EBITDA BONUS LESS SUBSET OUTCOME): 42%

Note
The foreign exchange rate used for budget purposes was £1: ZAR19.00, £1: AED4.85 and £1: CHF1.32 at 31 March 2020.

The formulaic STI outcome was 42% of the maximum bonus, which reflects that Group financial performance was in line with expectations for the significant majority of the year under review until mid-March 2020, when the impact materialised from COVID-19 national lockdowns and associated actions suspending non-urgent elective procedures.

As set out in the Committee Chair's letter, while performance has been assessed for the purpose of FY20 incentives, the Committee has suspended any final decisions on any payouts from the STI for the executive directors until a later point during the financial year, with consideration to be given to a number of factors, including any decision on dividend payments. Details on the final decision on any STI award in respect of FY20 will be provided in the FY21 Directors' Remuneration Report.

LTIP AWARDS VESTED TO EXECUTIVE DIRECTORS (AUDITED)

In June 2017, an LTIP award equal to 200% of base compensation was granted to Mr Meintjes (in respect of his prior role as Group CEO) and 150% of base compensation was granted to Mr Myburgh, based on adjusted EPS growth and relative TSR performance versus the FTSE 100 over the three financial years to 31 March 2020. An LTIP award was granted to Dr Van der Merwe in respect of his role as Group Chief Clinical Officer, based on the same performance conditions.

In view of the actual performance compared to the threshold targets, set out in **Table 7** below, no LTIP awards are due to vest any of the participants.

TABLE 7: LTIP PERFORMANCE TARGETS AND ACTUAL PERFORMANCE

PERFORMANCE CONDITION	WEIGHTING	THRESHOLD TARGET (25% VESTING)	MAXIMUM TARGET (100% VESTING)	ACTUAL PERFORMANCE	VESTING (% OF MAXIMUM)
Adjusted EPS growth	60%	5% per annum compounded	12% per annum compounded	(6)% per annum	0%
TSR ranked relative to constituents of the FTSE 100 Index	40%	Median of peers (50^{th} percentile)	Upper quartile of peers (75^{th} percentile)	(57)%	0%

LTIP AWARDS GRANTED TO EXECUTIVE DIRECTORS (AUDITED)

2019 LTIP

As set out on page 161 of the 2019 Annual Report, the Committee reviewed the 2019 LTIP award levels in light of share price performance during the year under review. The Company's view was that the share price level reflected an industry-wide re-rating, given the increased external focus on the affordability of healthcare delivery which resulted in changing care delivery models and greater regulatory intervention.

At the time the 2019 LTIP awards were granted, the Committee nonetheless retained the discretion to review the outcome of the awards on vesting to demonstrate commitment to shareholders. On 18 July 2019, a cap was placed on the value of awards that may vest such that if the share price exceeds £8 on the date of vesting, the maximum amount that will be delivered to the executive directors will be capped at £8 per share vesting.

TABLE 8: FY19 LTIP AWARDS GRANTED TO EXECUTIVE DIRECTORS

EXECUTIVE DIRECTOR	DATE OF GRANT	NATURE OF AWARD	NUMBER OF SHARES[1]	FACE VALUE £'000	FACE VALUE AS A % OF ANNUAL BASE COMPENSATION	END OF PERFOR-MANCE PERIOD	PERFORMANCE CONDITIONS
Dr Ronnie van der Merwe	19/06/2019	Conditional Share Awards	373 437	1 125	200%	31/03/2022	See **Table 9** overleaf
Mr Jurgens Myburgh	19/06/2019	Conditional Share Awards	206 456	622	150%	31/03/2022	See **Table 9** overleaf

Note

[1] Number of shares granted based on the five-day average middle market quotation prior to grant of an LSE share (£3.01).

TABLE 9: FY19 LTIP PERFORMANCE CONDITIONS

PERFORMANCE CONDITION	WEIGHTING	THRESHOLD TARGET (25% VESTING)	MAXIMUM TARGET (100% VESTING)
Adjusted EPS growth	60%	4% per annum compounded	11% per annum compounded
TSR ranked relative to constituents of the FTSE 250 excluding financial services and extraction companies	40%	Median of peers (50th percentile)	Upper quartile of peers (75th percentile)

The LTIP awards will also be subject to a discretionary override if an ROIC underpin is not met. This allows the Committee to review the formulaic level of vesting delivered under the adjusted EPS and relative TSR performance conditions based on ROIC performance of the Company over the reporting period.

The awards are subject to clawback and malus provisions.

Awards are denominated in shares with vesting dependent on the achievement of performance conditions over a three-year period. Awards are subject to a two-year deferral period after vesting, meaning they are settled only at the end of a five-year period from the date of grant.

PAYMENTS TO PAST DIRECTORS AND PAYMENTS FOR LOSS OF OFFICE (AUDITED)

No payments that have not been reported previously were made to past directors, and no loss of office payments were made in the year under review.

DIRECTORS' SHAREHOLDING AND SHARE INTERESTS (AUDITED)

Table 10 sets out the directors' shareholdings, including shareholdings by persons connected to them, and share interests. There were no changes in the directors' shareholdings between the financial year-end and the Last Practicable Date. The Company's Register of Directors' Interests, which is open for inspection at the Company's registered office during business hours, contains full details of the directors' shareholdings and share allocations.

Executive directors are required to build and maintain a minimum shareholding in Mediclinic linked to their base compensation. Shares are valued for these purposes at the year-end price, which was £2.69 per share at 31 March 2020.

TABLE 10: DIRECTORS' SHAREHOLDINGS AND SHARE INTERESTS

EXECUTIVE DIRECTOR	SHAREHOLDING GUIDELINES AS A % OF ANNUAL BASE COMPENSATION	SHARES HELD AT 31 MARCH 2019	SHARES HELD AT 31 MARCH 2020	% OF ANNUAL BASE COMPENSATION	OUTSTANDING UNVESTED LTIP AWARDS WITH PERFORMANCE CONDITIONS[1]	DEFERRED STI SHARES[1]	SHAREHOLDING REQUIREMENT MET
Dr Ronnie van der Merwe	225%	40 630	51 630	26%	600 463	21 962	Progress being made
Mr Jurgens Myburgh	200%	80 000	83 000	56%	382 365	41 653	Progress being made

Note

[1] Awards granted prior to the introduction of the revised policy will be settled in cash and therefore are not taken into consideration as part of determining whether shareholding requirements have been met.

Dr Van der Merwe and Mr Myburgh will use any cash-settled awards paid to them under the LTIP to purchase shares in the Company until they meet their shareholding guideline.

TABLE 11: NON-EXECUTIVE DIRECTORS' SHAREHOLDINGS

NON-EXECUTIVE DIRECTOR	AT 31 MARCH 2019	AT 31 MARCH 2020
Dr Edwin Hertzog	394 276	394 276
Mr Desmond Smith	–	–
Dr Muhadditha Al Hashimi	–	–
Dame Inga Beale	-	-
Mr Jannie Durand	–	–
Mr Alan Grieve	7 500	7 500
Dr Felicity Harvey	–	–
Mr Seamus Keating	–	–
Mr Danie Meintjes	142 063	142 063
Dr Anja Oswald	–	–
Mr Trevor Petersen	–	–
Mr Tom Singer	–	–
Mr Pieter Uys[1]	417	417

Note

[1] Mr Uys is the alternate to Mr Durand.

SHARE DILUTION LIMITS

The Company is committed to protecting shareholders' interests and ensuring that the dilution of shares remains within a reasonable limit. In line with guidelines by the Investment Association, 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 and equity-based awards under executive share plans to 5% of issued share capital over the same period.

SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

The commencement dates of the executive directors' service agreements are:

TABLE 12: EXECUTIVE DIRECTORS SERVICE CONTRACT COMMENCEMENT DATES

EXECUTIVE DIRECTOR	COMMENCEMENT DATE OF SERVICE AGREEMENT
Mr Jurgens Myburgh	1 August 2016
Dr Ronnie van der Merwe	1 June 2018 (joined Mediclinic on 1 July 1999)

Executive directors have rolling service agreements under which, other than by termination in accordance with the terms of these agreements, employment continues until retirement.

Further detail of the executive directors' service agreements is provided on page 207.

Non-executive directors do not have service agreements 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 below.

TABLE 13: NON-EXECUTIVE DIRECTORS' APPOINTMENT DATE AND EXPIRY OF CURRENT TERM

NON-EXECUTIVE DIRECTOR	DATE OF APPOINTMENT	EXPIRY OF CURRENT TERM
Dr Edwin Hertzog[1]	15 February 2016	14 February 2022
Dr Muhadditha Al Hashimi	1 November 2017	30 October 2020
Dame Inga Beale	26 March 2020	25 March 2023
Mr Jannie Durand	15 February 2016	14 February 2022
Mr Alan Grieve	15 February 2016	14 February 2022
Dr Felicity Harvey	3 October 2017	2 October 2020
Mr Seamus Keating[2]	5 June 2013	4 June 2022
Mr Danie Meintjes	15 February 2016	31 July 2021
Dr Anja Oswald	25 July 2018	24 July 2021
Mr Trevor Petersen	15 February 2016	14 February 2022
Mr Tom Singer	24 July 2019	23 July 2022

Notes
[1] Dr Edwin Hertzog is retiring as Non-executive Chair of the Board at the conclusion of the Company's 2020 AGM; he will be succeeded by the Chair Designate, Dame Inga Beale.
[2] Mr Seamus Keating stepped down from the Board and its committees on 31 March 2020.

CHANGE IN REMUNERATION LEVELS

Table 14 shows how the percentage change in the Group 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 Mediclinic Southern Africa in local currency. The Committee selected employees in South Africa as the most appropriate comparator since they are subject to the same inflationary conditions.

TABLE 14: COMPARATIVE PERCENTAGE CHANGE IN REMUNERATION: GROUP CEO AND EMPLOYEES

	SALARY	BENEFITS	ANNUAL BONUS/STI
Group CEO	0%	(8.9)% [1]	To be confirmed
All employees	5.5%	8.26%	(50)%

Note
[1] Decrease excludes once-off events.

Notwithstanding an average increase of 5.5% for the South African workforce, the Committee decided to postpone any FY21 increases to the executive directors until a later point during the financial year.

While performance has been assessed for the purpose of FY20 incentives, the Committee has suspended any final decisions on any payouts from the STI for the executive directors until a later point during the financial year, with consideration to be given to a number of factors, including any decision on dividend payments. Details on the final decision on any STI award in respect of FY20 will be provided in the FY21 Directors' Remuneration Report.

CEO PAY RATIO

The requirement to disclose the Group CEO to workforce pay ratio does not apply as the Company did not meet the employee threshold (currently there is only one UK-based employee). The Committee has chosen not to report on this ratio as it believes such a ratio is irrelevant due to currency differences as well as the geographical spread of the workforce. The Committee does, however, consider pay ratios across the divisions in considering remuneration.

PERFORMANCE AND PAY PERFORMANCE

Figure 4 shows the value at 31 March 2020 of £100 invested in the Company upon inception on 21 June 2013, compared with the value of £100 invested in the FTSE 100 Index and FTSE 250 Index on the same date. The intervening points are the financial year-ends prior to the date of the combination with Al Noor Hospitals Group plc on 15 February 2016 and the financial year-ends since.

The FTSE 100 and FTSE 250 were used as comparators as the Company has been a member of each of these indices during the relevant period.

FIGURE 4: MEDICLINIC TOTAL SHAREHOLDER RETURN COMPARED TO FTSE 100 AND FTSE 250

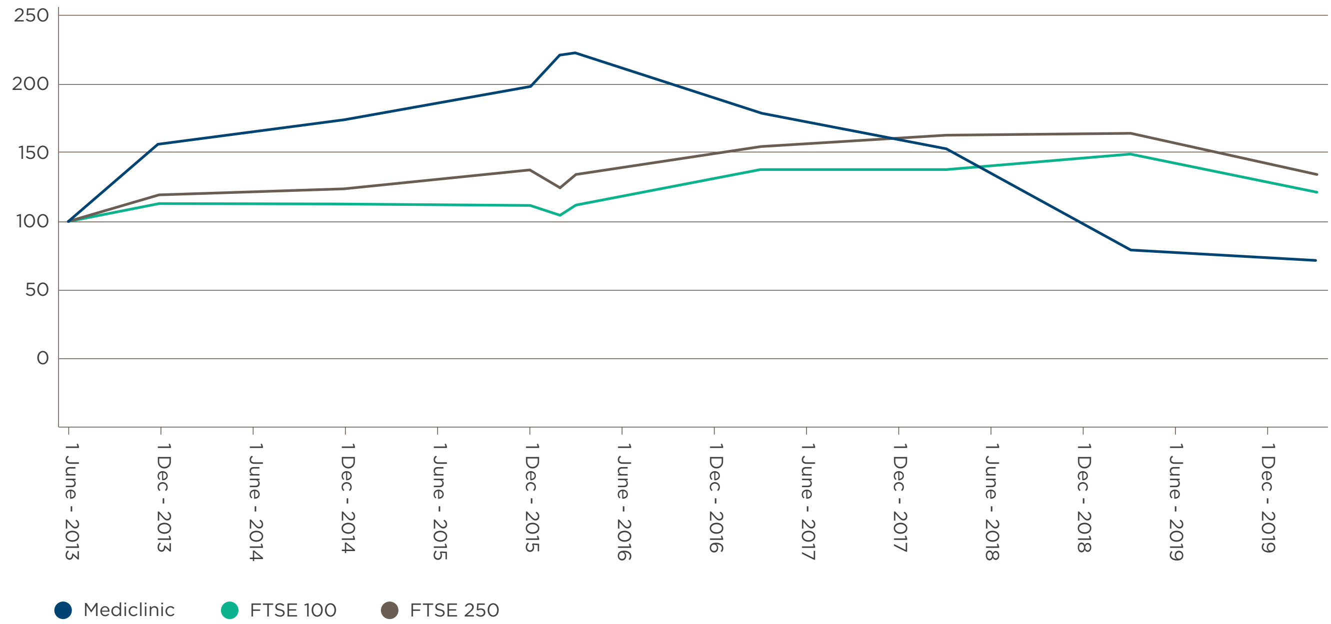


Table 15 shows the total Group CEO remuneration over the period since inception. Consistent with the calculation methodology for the single figure for total remuneration, the total remuneration figure includes the total STI award based on that year's performance and the LTIP award based on the three-year performance period ending in the relevant year.

TABLE 15: TOTAL GROUP CEO REMUNERATION

	YEAR ENDED 31 DECEMBER					YEAR ENDED 31 MARCH						
	2012	2013	2014	2014	2015	1 Jan–2015 Feb 2016	15 Feb–31 Mar 2016	2017	2018	1 Apr–31 May 2018[1]	1 Jun 2018–31 Mar 2019[2]	2020
GROUP CEO	**Dr Kassem Alom**			**Mr Ronald Lavater**			**Mr Danie Meintjes[1]**				**Dr Ronnie van der Merwe[2]**	
Total remuneration £'000	326	361	290	170	702	2 165	79	1 029	1 126	138	600	601
STI outturn (% of maximum)	n/a	n/a	n/a	11.8%	20.0%	n/a	79.7%	55.9%	61.4%	16.5%	16.5%	0[3]
Deferred STI portion	n/a	n/a	n/a	100.0%	n/a	n/a	n/a	50.0%	50.0%	n/a	n/a	0
LTIP vesting (% of maximum)	n/a	n/a	n/a	65.4%	69.9%	n/a	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Notes

[1] Mr Meintjes retired as Group CEO on 31 May 2018, therefore his remuneration for FY19 covers the period from the start of the reporting period to his date of retirement as Group CEO.

[2] Dr Van der Merwe was appointed as Group CEO on 1 June 2018 and his remuneration for FY19 covers the period from appointment date to the end of the reporting period.

[3] The Committee has suspended any final decisions on any payouts from the STI for the executive directors until a later point during the financial year, with consideration to be given to a number of factors, including any decision on dividend payments. Details on the final decision on any STI award in respect of FY20 will be provided in the FY21 Directors' Remuneration Report.

RELATIVE IMPORTANCE OF SPEND ON PAY

Table 16 compares the spend on employee costs for the reporting period to the spend in the previous reporting period, as disclosed in last year's Directors' Remuneration Report on page 175 of the 2019 Annual Report, and returns to shareholders over the same period:

TABLE 16: COMPARISONS SPEND ON EMPLOYEE COSTS

	FY20 £'000	FY19 £'000	CHANGE %
Employee costs[1]	1 388 000	1 284 000	8%
Dividends paid	59 000	59 000	0%

Note

[1] Figures converted to sterling at a rate of £1: ZAR18.76, £1: AED4.67 and £1: CHF1.25 at 31 March 2020.

SHAREHOLDER VOTING ON REMUNERATION MATTERS

The Directors' Remuneration Report for FY19 was approved by shareholders at the Company's 2019 AGM with 71.4% of votes cast in its favour. The previous Directors' Remuneration Policy was approved at the Company's 2017 AGM with 95.9% votes cast in its favour.

TABLE 17: SHAREHOLDER VOTING ON REMUNERATION MATTERS

	FOR	%	AGAINST	%	WITHHELD	TOTAL SHARES VOTED	% OF ISSUED SHARES VOTED
Directors' Remuneration Report (FY19)	456 707 341	71.4	182 599 172	28.6	13 445 771	652 752 284	97.9
Remuneration Policy (FY17)	614 711 926	95.9	25 915 697	4.1	2 718 474	643 346 097	87.3

As set out in the Committee Chair's letter, the Committee acknowledges the importance of shareholder views. The key areas of focus highlighted by shareholders during and after the 2019 AGM process in relation to directors' remuneration were:

- The performance metrics used for the purpose of the LTIP, with particular feedback in relation to the use of a formal metric reflecting ROIC;
- The STI to be focused on Group EBIT rather than EBITDA;
- The 2019 LTIP awards to the executives in light of share price performance in the prior reporting period;
- Cash versus share-based settlement for deferred awards under the STI and the LTIP; and
- The treatment of incentive awards for the previous Group CEO on stepping down from his executive responsibilities.

The Committee reflected carefully on the feedback received from shareholders as well as recent developments in the UK remuneration environment, and took this into consideration during the Committee's review of the Remuneration Policy and its implementation. As detailed in the Committee Chair's letter, the Committee has sought to address the concerns raised by investors through:

- Changing the performance metrics for LTIP awards going forward to ensure that they are aligned with the Group's strategic priorities, by including ROIC and a specific metric linked to patient satisfaction;
- Moving the core financial metric used for the purpose of the STI further down the P&L (EBIT rather than EBITDA);
- Moving to share settlement of share-based incentive awards; and
- Placing a cap on the value of 2019 LTIP awards at £8 per share as detailed on page 213.

COMMITTEE RESPONSIBILITIES, COMPOSITION AND MEETINGS

The Committee is principally responsible to the Board for establishing the Group's remuneration strategy and policy and determining the remuneration and benefits package for the Chair, individual executive directors, other members of the Group Executive Committee and certain other executives. The Committee ensures that incentives and rewards are aligned with the Group culture; linked to the Company strategy; and promote Mediclinic's long-term success. Its decision-making takes account of remuneration and related policies for the workforce across the Group. 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 142 of the ***Corporate Governance Statement***.

The current composition of the Committee meets the requirements of the 2018 Corporate Governance Code, with all members being independent non-executive directors. Refer to page 130 for the Committee members' biographies. The Committee composition and meeting attendance during the period under review are set out in **Table 18**.

Mr Petersen (Committee Chair), Mr Keating, Dr Oswald and Mr Singer held office during the year under review, although Mr Keating stepped down from the Board and its committees at the financial year-end. Dame Inga Beale was appointed as a member of the Committee on 1 June 2020. She currently serves as an independent non-executive director and will continue to serve as a member of the Committee (but not chair it) after she succeeds Dr Hertzog as Chair of the Board. Mr Meintjes, Mr Durand and/or his alternate Mr Uys attend meetings by invitation but are not voting members. Other attendees, also by invitation only, include the Group CEO, the Group Chief Human Resources and Corporate Development Officer, the Group Executive: Reward and representatives from Deloitte LLP, 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 under discussion.

None of the Committee members are involved with the Company at an operational level, nor do they have any personal financial interest in the matters considered at meetings. The Committee recommends the compensation of the Chair of the Board, but the Chair of the Board, in consultation with the executive directors, determines the non-executive directors' fees.

TABLE 18: COMMITTEE COMPOSITION AND MEETING ATTENDANCE

COMMITTEE MEMBER[1]	DESIGNATION	APPOINTMENT DATE	NUMBER OF SCHEDULED MEETINGS ATTENDED[2]
Mr Trevor Petersen (Committee Chair)	Independent Non-executive Director	15/02/2016	5/5
Mr Seamus Keating[3]	Independent Non-executive Director	17/03/2017	3/5
Dr Anja Oswald	Independent Non-executive Director	25/07/2018	5/5
Mr Tom Singer[4]	Independent Non-executive Director	13/11/2019	2/2

Notes

[1] The composition of the Committee is shown at 31 March 2020. Dame Inga Beale was subsequently appointed to the Committee on 1 June 2020.

[2] The attendance reflects the number of scheduled meetings held during the financial year. Three additional *ad hoc* meetings were held during the financial year to deal with urgent matters. One scheduled meeting and one *ad hoc* meeting were held between the Company's financial year-end and the Last Practicable Date. All these meetings were attended by all members of the Committee at the time or at least the minimum quorum required under the Committee's terms of reference.

[3] Mr Keating was unable to attend two meetings due to other urgent and unexpected commitments. Mr Keating provided input on the Committee papers to the Committee Chair where he was not able to attend the meeting. Mr Keating stepped down from the Board and its committees on 31 March 2020.

[4] Mr Singer was appointed as a member of the Committee on 13 November 2019 and attended both of the Committee meetings that took place after the date of his appointment.

Including routine monitoring and approval activities, the material issues discussed by the Committee during the year under review and between the financial year-end and the Last Practicable Date are summarised below.

TABLE 19: MATERIAL ISSUES DISCUSSED BY THE COMMITTEE

AREA	DISCUSSIONS
Awards	• Reviewed the STI payment for FY20 and having given consideration to the uncertainty caused by the COVID-19 pandemic and measures taken by the Board to strengthen the liquidity of the Group, including the suspension of dividend payments, suspended any decisions on payouts for the executive directors until a later point during the financial year[1] • Agreed to defer a decision on allocations and the performance criteria for the FY21 LTIP awards for the time being, for the same reasons[1] • Reviewed and approved division-specific junior management bonus scheme payments
Remuneration Policy	• Reviewed approach to remuneration going forward and considered feedback received as part of the consultation process
Remuneration levels	• Reviewed and agreed to defer a decision on salary increases for executive directors and the Group Executive Committee for the time being in view of the uncertainty created by the COVID-19 pandemic[1] • Reviewed and approved overall salary increases of all employee groups of each division • Reviewed and approved the fee of the Chair of the Board
Regulatory and governance review	• Reviewed regulatory and corporate governance developments, and reviewed and recommended to the Board for approval the ensuing changes to its terms of reference • Reviewed and confirmed the independence and objectivity of its remuneration consultant, Deloitte LLP

Note
[1] Further details on the Committee's decisions in relation to these matters can be found in the Committee Chair's letter on page 194.

The Committee Chair presents a summary of material matters to the Board and meeting minutes are circulated to all directors. The Committee reports to shareholders annually by way of this report and the Chair attends the AGM to address any questions that arise.

ADVISOR TO THE COMMITTEE

During the year under review, the Committee and the Company retained an independent external advisor to assist with various aspects of the Company's remuneration as set out in Table 20 below.

TABLE 20: ADVISOR TO THE COMMITTEE

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
Deloitte LLP *Founding member of the Remuneration Consultants Group and adheres to the Voluntary Code of Conduct in relation to executive remuneration consulting in the UK*	Appointed by the Committee following a robust selection process and reviewed annually by the Committee	• General advice on remuneration matters • Advice on UK market practice and UK shareholder perspectives	£104 500 based on time charges for work completed	Tax advisory services

This Committee Report has been prepared on behalf of the Board by the Committee, in accordance with the 2018 Corporate Governance Code, the Listing Rules, the Act, and the Large- and Medium-sized Companies and Groups (Accounts and Reports) (Amendments) Regulations 2013.

Signed on behalf of the Committee.

Mr Trevor D Petersen
Chair of the Remuneration Committee
1 June 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable legislation and regulations.

The Act requires the directors to prepare financial statements for each financial year. Under the Act, the directors have prepared the Group financial statements and the Company financial statements in accordance with IFRS as adopted by the EU. Under the Act, the directors must not approve the financial statements unless they are satisfied that these 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 then apply them consistently;
- state whether applicable IFRS as adopted by the EU have been followed for the Group financial statements and for the Company financial statements, 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 also 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 keeping adequate accounting records that are sufficient to show and explain the Group 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 ***Remuneration Committee Report*** comply with the Act and the Group financial statements with Article 4 of the IAS Regulation.

The directors are responsible for the maintenance and integrity of the Company's website.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' CONFIRMATIONS

The directors consider that this Annual Report, and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy.

Each of the directors, whose names and functions are listed from page 130 of this Annual Report, confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and loss of the Company;
- the Group financial statements, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and loss of the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that these entities face.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

CA van der Merwe
Group Chief Executive Officer
1 June 2020

PJ Myburgh
Group Chief Financial Officer
1 June 2020

FINANCIAL STATEMENTS

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GENERAL INFORMATION

These financial statements are consolidated financial statements for Mediclinic International plc (the '**Company**' or '**Mediclinic**') and its subsidiaries, associates and joint ventures (collectively, the '**Group**'). A list of subsidiaries, associates and joint ventures is included from page 316.

Mediclinic is a public limited company, listed on the London Stock Exchange ('**LSE**') and incorporated and domiciled in England and Wales. The Company has secondary listings on the JSE Ltd ('**JSE**') and the Namibian Stock Exchange ('**NSX**'). A wholly owned subsidiary, Hirslanden AG, issued bonds listed on the SIX Swiss Exchange.

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.

The financial statements were authorised for issue by the directors on 1 June 2020. No authority was given to anyone to amend the financial statements after the issue date.

Press releases, financial reports and other information are available on the Company's website at 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

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 2020 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 2020; the consolidated income statement and consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended; and 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 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 24 to the consolidated financial statements, we have provided no non-audit services to the Group in the period from 1 April 2019 to 31 March 2020.

OUR AUDIT APPROACH

OVERVIEW

- **Overall Group materiality: £12.4 million (2019: £14.0 million) based on approximately 5% of adjusted profit before tax.**

- **Our Group audit included full scope audits at three reporting units. We performed centralised procedures on the equity accounted results of Spire Healthcare Group plc (‘Spire’) based on its audited financial statements at 31 December 2019. We have also audited selected financial statement line items of the Company to support the Group audit.**

- **Taken together, the reporting units, where we conducted audit procedures, together with work performed at the Group level, accounted for 93% of consolidated revenue, 94% of consolidated loss before tax and 89% of consolidated adjusted profit before tax.**

- **Going concern assessment in response to economic uncertainties related to COVID-19**
- **Impairment of intangible assets, goodwill and non-financial assets**
- **Impairment of the Group’s associate investment in Spire**
- **Adoption of IFRS 16**
- **Impact of COVID-19**

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.

CAPABILITY OF THE AUDIT IN DETECTING IRREGULARITIES, INCLUDING FRAUD

Based on our understanding of the Group and industry in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to healthcare reforms (and the introduction of new regulations in the Group’s markets) and to UK and international tax regulations and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, UK Listing Rules, Johannesburg Stock Exchange Limited Listings Requirements and applicable anti-bribery legislation in each of the Group’s markets. We evaluated management’s incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure, accounting for large or unusual transactions outside the normal course of business and management bias in key accounting estimates. The Group engagement team shared this risk assessment and planned audit procedures with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or by component auditors included:

- Discussions with management, internal audit and the Audit and Risk Committee including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Review of internal audit reports;
- Evaluation of management’s controls designed to prevent and detect irregularities;
- Assessment of whistle-blower claims including matters reported on the Group’s whistleblowing helpline and the results of management’s investigation of such matters;
- Challenging assumptions and judgements made by management in relation to the Group’s accounting estimates;
- Identifying and testing journal entries based on our risk assessment; and
- Review of related work performed by component auditors, including the responses to risks related to management override of controls and to fraud in revenue recognition.

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. Also, 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.

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
1. GOING CONCERN ASSESSMENT IN RESPONSE TO ECONOMIC UNCERTAINTIES RELATED TO COVID-19 (refer to ***Group Chief Financial Officer's Report*** on page 78, ***Audit and Risk Committee Report*** on page 170 and note 2.1 in the consolidated financial statements)	
Since the start of the 2020 calendar year, the scale and impact of the COVID-19 pandemic on the global economy and on the markets in which the Group operates have increased significantly. The severity and duration of the impact of the COVID-19 pandemic and its economic aftermath on all businesses, including Mediclinic, remain uncertain. National lockdowns were implemented during March 2020 in each country in which the Group operates, imposing restrictions on the Group's ability to perform elective surgery and outpatient activities. These restrictions have negatively impacted the results of the Group for the financial year ended 31 March 2020 and are expected to continue to directly impact the Group for at least the next financial year with the potential for longer-term indirect impacts from global recessionary factors and higher unemployment. In order to conclude whether it is appropriate for the financial statements to be prepared on a going concern basis, management has performed a detailed analysis of the expected impact of COVID-19 on the Group's revenue, profit and cash flows including an assessment of the extent of possible cost mitigation. Management prepared a base case budget and strategic plan covering the next five	We evaluated management's going concern assessment and we performed testing procedures at each division and for the Group as a whole, deploying internal experts as appropriate to support our assessment. We assessed both the base case budget and strategic plan prepared by management and the severe but plausible downside case which has been used to sensitise the base case model. In relation to the budget and strategic plan, we have agreed the key inputs including revenue, EBITDA and net debt to budgets and strategic plans approved by the directors. We evaluated the historical accuracy of the budgeting and forecasting process to assess the reliability of the Group's budgets and strategic plans. In addition, we tested the integrity of management's monthly liquidity analysis at each division. Given the significant impact of the COVID-19 pandemic on the Group's operations and forecast financial performance, we obtained management's COVID-19 impact analysis and we discussed the underlying assumptions with the Group's executive directors, management at each division and the Group's Chief Clinical Officer. We evaluated the range of possible scenarios and the extent and duration of the expected impact on the Group's operations assumed in the base case and downside case by comparison to external market economic forecasts and our internal industry analysis. We understood and evaluated the COVID-19 overlay adjustments applied by management compared to the initial version of the budget and strategic plan presented to the directors in March 2020. The updated version was approved by the directors in June 2020 and took account of actual business performance during the period

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
financial years which encompass a best estimate of this impact, including a forecast of monthly liquidity for the next 18 months. Management separately considered a number of potential downside scenarios, preparing a severe but plausible downside case which models a longer and deeper impact from the pandemic. In doing so, management made estimates and applied assumptions that are critical to the outcome of the Group's going concern assessment. These forecasts have been prepared in conjunction with an assessment of the Group's liquidity and covenant compliance for the period through 30 September 2021. All of the Group's borrowings are held separately within each of the operating divisions, with no cross guarantees or cross default clauses, and the related covenant tests are determined by reference to financial performance measures at each division. Where management's projections indicated a potential covenant breach, management agreed waivers at each division for those specific covenants at risk of breach for the next financial year. In the Middle East, an interim covenant was agreed as part of the waiver agreement to replace the financial covenants that may otherwise have been breached and the Group separately committed to reset covenant targets in the second half of the 2021 financial year based on a revised business plan to be agreed at that time. Management prepared covenant compliance calculations based on its approved forecasts (covering both its base case and downside case scenarios) for those covenants that remain in place for the period extending to 30 September 2021. We focused on this area given the importance of the going concern judgement in the context of the basis of preparation of the Group financial statements and recognising the high degree of judgement inherent in management's forecasts, which is heightened by the current uncertainty that exists about trading prospects as a result of the COVID-19 pandemic.	of national lockdowns in March and April 2020 and the trading experience subsequent to operational restrictions being removed or relaxed later in April 2020 and during May 2020. We evaluated the key assumptions in the forecasts and considered whether these assumptions appeared reasonable, for example by comparing forecast sales to actual sales recorded in April 2020 and to historical trends. We assessed whether management's downside case was severe but plausible. With regard to mitigation of anticipated revenue declines, we evaluated the extent to which cost or cash flow savings included in the forecasts were based on controllable activities, confirming that only measures directly controllable by the Group had been modelled. We separately evaluated the existence of further cost or cash flow measures which had not been modelled but which management could action to the extent that downside risk factors prove more negative than currently anticipated. With regard to the covenant waivers and facility amendments agreed in May 2020 at all divisions, we obtained and read the terms of the covenant waiver agreements and facility amendments. We evaluated the interim covenant requirements at Mediclinic Middle East. As part of our evaluation, we obtained and evaluated the legal advice from external legal counsel related to the terms of the expected resetting of covenant targets in the 2021 financial year in order to confirm that the Group will not be obligated to accept more onerous terms than are currently contracted. We recalculated management's covenant compliance calculations through 30 September 2021 and confirmed that the calculation methodologies are consistent with the terms of the underlying covenant waiver agreements or facility agreements to the extent that covenants were not waived. In relation to covenant compliance, we undertook independent sensitivity analysis to consider the extent to which headroom exists to absorb any further downside risk related to the severity and duration of the COVID-19 pandemic. We evaluated management's analysis of liquidity headroom to satisfy ourselves that no breaches are anticipated over the period of assessment and we again undertook independent sensitivity analysis to consider the extent to which headroom exists to absorb any further downside risk. We evaluated the existence of funds held centrally which could be used to fund liquidity breaches at the divisional level to the extent that downside risk factors prove to be worse than anticipated. We assessed the COVID-19 and related going concern disclosures provided in the Annual Report to determine whether these disclosures are consistent with the analysis which we have evaluated and with the testing which we have performed. Our findings relating to our work on the going concern status of the Group are set out in the going concern section of this report. Our findings relating to our work on the going concern status of the Company are set out in the going concern section of our report on the Company financial statements.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

2. IMPAIRMENT OF INTANGIBLE ASSETS, GOODWILL AND NON-FINANCIAL ASSETS
(refer to ***Audit and Risk Committee Report*** on page 170 and notes 2, 4, 6 and 7 in the consolidated financial statements)

The Group has £1 171 million (2019: £1 586 million) of intangible assets. This balance consists mainly of goodwill relating to the Mediclinic Middle East operations amounting to £928 million (2019: £1 340 million).

The Group is required to perform annual impairment tests on goodwill. These impairment tests are generally undertaken at the operating division level being the level at which management monitors goodwill for impairment. The Group also performed separate impairment assessments of individual CGUs which form part of these operating divisions.

Goodwill is generally assessed for impairment at the operating division level on the basis that the commercial rationale for the transactions giving rise to goodwill is to realise synergies across the entire operating division and not just within the acquired business. The one exception is the acquisition of Les Grangettes completed in 2018 whose goodwill is assessed for impairment at the CGU level given the existence of a significant non-controlling interest. Other assets subject to impairment assessment at the CGU level primarily comprise land and buildings.

In the current year, an impairment loss of £33 million (2019: £186 million) was recorded to partially impair property and equipment within one Swiss CGU (2019: five) and an impairment loss of £481 million was recorded to partially impair goodwill relating to the Middle East.

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. If these cash flows do not meet the Group's expectations or if significant estimates related to discount rates or growth rates change, there is a risk that further impairment losses will be required. There is greater risk and uncertainty in the forecast cash flows at 31 March 2020 as a

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 we corroborated certain information with third party sources.

We agreed the underlying cash flows to approved budgets and we 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 validated the carrying amounts of the net assets subject to impairment testing to the underlying accounting records, making sure that there was appropriate consistency between the assets and liabilities that were included in management's assessment and the related cash flows.

Our procedures focused on the Swiss and Middle East operations where headroom has been lower or more sensitive to changes in key assumptions. We evaluated the impact of the COVID-19 pandemic on management's future cash flow projections by comparison to external market economic forecasts and our internal industry analysis. We performed independent sensitivity analysis to evaluate the impact of a range of different COVID-19 scenarios on the Group's impairment judgements. We assessed the Group's assumptions about the longer-term impact of global recessionary factors and higher unemployment that are expected to follow the pandemic by analysing each division's historical ability to recover from periods of significant global economic uncertainty.

In addition, we performed independent 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 assessed whether return on asset measures encompassing goodwill are monitored or measured at a level lower than the operating divisions. We separately evaluated management's judgement regarding the determination of the respective CGUs in the Swiss operating division, focusing on the commercial rationale for combining certain clinical facilities into supply regions while

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
consequence of the COVID-19 pandemic and its expected impact on the Group's operations. We focused on the impairment assessments of goodwill, 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.	other facilities are allocated to stand-alone CGUs. We compared management's impairment models to externally available data including analyst valuations where available. We prepared independent valuations based on alternative valuation assumptions as part of assessing the reasonableness of the approach and outputs determined by management. Where impairments were identified by management relating to the Swiss and Middle East operations based on fair value less costs of disposal, we tested the calculation of the impairment charge and we ensured that the value-in-use would not give rise to a higher recoverable amount. We tested management's estimate of disposal costs for each division and we evaluated management's assessment whether market participant adjustments were required to be made to the valuations. We assessed the appropriateness of management's decision to provide additional disclosures about sensitivities in note 6 and 7 of the consolidated financial statements in relation to the Swiss and Middle East operations. More broadly, we considered whether the disclosures complied with IAS 36 and with IAS 1. Based on the procedures performed, we noted no material issues arising from our work.
3. IMPAIRMENT OF THE GROUP'S ASSOCIATE INVESTMENT IN SPIRE (refer to ***Audit and Risk Committee Report*** on page 170 and notes 2, 4 and 8 in the consolidated financial statements) At 31 March 2020, 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 a further impairment charge of £10 million (2019: £164 million) was required. We focused on this area because of the 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. There is greater risk and uncertainty in the forecast cash flows at 31 March 2020 as a consequence of the COVID-19 pandemic and its expected impact on Spire's forecast performance.	We evaluated the share price performance of Spire over the period alongside its reported financial results. We met with the Group's nominated director on the Spire board to understand Spire's recent performance trends. We reviewed the latest available financial reports published by Spire and its subsequent announcements related to the impact of the COVID-19 pandemic, specifically the arrangement that Spire has agreed with the NHS in England, Wales and Scotland to provide support during the crisis. We obtained and read analyst reports to understand third party expectations of Spire's future performance. We also read healthcare industry market research to understand the future expected performance of the healthcare sector in the UK. 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 market economic forecasts. We compared management's forecasts to Spire's

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
	own expectations about future performance. We performed independent sensitivity analysis to evaluate the impact of a range of different COVID-19 scenarios on the Group's impairment judgement. We assessed the Group's assumptions about the longer-term impact of global recessionary factors and higher unemployment that are expected to follow the pandemic by analysing Spire's historical ability to recover from periods of significant global economic uncertainty. In addition to discussing the forecasts and key assumptions reflected in the impairment model with Mediclinic management, we engaged separately with Spire management in order to understand business trends and future prospects. We performed independent sensitivity analyses to ascertain the impact of reasonably possible changes to key assumptions on the level of impairment required. We considered the appropriateness of the related disclosures in the Group financial statements. Based on the procedures performed, we noted no material issues arising from our work.
4. ADOPTION OF IFRS 16 (refer to ***Audit and Risk Committee Report*** on page 170 and note 34 in the consolidated financial statements) The Group has implemented IFRS 16 with effect from 1 April 2019. This new accounting standard requires a lessee to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments on the balance sheet. In adopting this new standard, management has applied judgement in assessing whether new arrangements contain a lease, in determining the lease terms, in estimating the discount rate to apply and in concluding whether any service or lease components of lease arrangements need to be separated. The effect of adoption of IFRS 16 on the Group's consolidated statement of financial position is the recognition of a right-of-use asset of £640 million, a lease liability of £665 million and an opening retained earnings adjustment of £37 million at 1 April 2019. The Group applied transition provisions and did not restate comparative periods.	We obtained management's impact assessment in respect of IFRS 16 and the Group's proposed accounting policies under the new standard. We assessed the appropriateness of these initial assessments to ensure that the proposed treatments were in line with the requirements of the standard. This included a consideration of any exemptions or practical expedients to be applied. Following the completion of management's initial impact assessment, we obtained management's calculations to quantify the impact of the adoption of IFRS 16. We tested the mathematical accuracy of the calculations and we tested the accuracy of a sample of the input data to source documents. We recalculated the right of-use-asset and lease liability recognised at 1 April 2019. We performed procedures to assess the completeness of management's identification of the Group's lease contracts, including reading new contracts and management meeting minutes and assessing expense accounts. For new lease contracts incepted during the year, we agreed the key inputs in management's calculations to the source documents. We recalculated the depreciation of the right-of-use asset and interest expense on the lease liability recognised in the financial year.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
We focused on the adoption of IFRS 16 due to the financial significance of the adjustments required on adoption and because of the high degree of judgement and estimation involved in the assessment undertaken by management.	In addition, we tested the appropriateness of the significant assumptions used in determining the adoption impact. This included the discount rates and assessment of lease renewal, termination and extension options to be used in calculating the value of the lease liabilities. We assessed the appropriateness and adequacy of the disclosures in respect of the adoption of IFRS 16 in the Group financial statements. Based on the procedures performed, we noted no material issues arising from our work.

5. IMPACT OF COVID-19 (refer to ***Audit and Risk Committee Report*** on page 170)

The COVID-19 pandemic is having a significant impact on the Group's operations. Management has undertaken an assessment of the impact of COVID-19 on the Group financial statements at 31 March 2020, focusing on the potential impact on the Group's significant accounting estimates. The areas where the impact has been most significant are as follows:

- The Group's going concern assessment;
- Impairment of goodwill, intangible assets and non-financial assets;
- Impairment of the Group's associate investment in Spire; and
- The related disclosures in the Annual Report.

We focused on the impact of COVID-19 on the preparation of the Group financial statements as its impact is significant and widespread, both in terms of the impact on a range of the Group's accounting judgements and estimates, including but not limited to going concern and impairment, and in terms of related disclosures in the Annual Report.

We revisited our audit risk assessment originally presented to the Group in November 2019 to add going concern as a significant risk and we updated our planned audit responses more broadly in March 2020 to address the financial reporting and audit implications of the COVID-19 pandemic.

We issued additional audit instructions to component auditors, requesting further procedures to be performed to ensure the completeness of our audit risk assessment and planned audit response at each division.

We assessed our ability to execute the audit when operating under the restrictions of national lockdowns and related international travel restrictions. We implemented alternative communication and review protocols with management and with component auditors. We agreed with the Company an extension to the planned timetable for the sign-off of the Annual Report and audit completion in order to provide adequate time for management to make its assessment of the business and financial reporting impacts of COVID-19 and for our Group and component audit teams to complete the required audit procedures.

We reviewed management's disclosures in relation to the impact of COVID-19 in the Annual Report, considering whether the disclosures were consistent with the Company's scenario planning and with trading experience in April and May 2020.

We evaluated management's accounting estimates in light of COVID-19 and we have reported separate key audit matters in the following areas:

- The assessment of going concern of the Group;
- The impairment assessment of goodwill, intangible assets and non-financial assets; and
- The impairment assessment of the Group's associate investment in Spire.

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 Group financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls and the industry in which it operates.

The Group financial statements are a consolidation of 13 reporting units which comprise 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.

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 audit 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 Group financial statements as a whole. An overview of the impact of COVID-19 on our planned audit approach and our response in terms of our involvement in the work of component auditors is included in our report as a key audit matter.

Recognising that not every business in each of the 13 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 reviewed the audit work of our component teams in South Africa, Switzerland and the UAE, which included file reviews, participation in key audit discussions 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, selected financial statement line items reported by the Company and over the Group's associate interest in Spire (and review procedures over the Annual Report and audit of the financial statement disclosures) were directly led by the Group audit team.

Taken together, the reporting units where we conducted our audit work, together with work performed at the Group level, accounted for 93% of consolidated revenue, 94% of consolidated loss before tax and 89% of consolidated adjusted profit before tax calculated on an absolute basis. Our audit covered all reporting units that individually contributed more than 2% to consolidated revenue and more than 2% to consolidated loss before tax and to consolidated 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 materiality	£12.4 million (2019: £14.0 million).
How we determined it	Based on approximately 5% of adjusted profit before tax, calculated as consolidated statutory loss before tax adjusted for impairment losses, impairment reversals and remeasurement of the redemption liability.
Rationale for benchmark applied	We believe that adjusted profit before tax is a primary measure used by 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.

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 £5.6 million and £11.1 million. Certain components were audited to a local statutory audit materiality that was less than the materiality allocated. We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £1 million (2019: £0.7 million) as well as misstatements below those amounts 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 2020 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 221 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 114 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 221, 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 170 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 Statement of Directors' Responsibilities set out on page 221, 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 five years, covering the years ended 31 March 2016 to 31 March 2020.

OTHER MATTER

We have reported separately on the Company financial statements of Mediclinic International plc for the year ended 31 March 2020 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
1 June 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2020

	Notes	2020 £'m	2019 £'m
ASSETS			
Non-current assets		**5 741**	5 335
Property, equipment and vehicles	6	**4 358**	3 524
Intangible assets	7	**1 171**	1 586
Equity-accounted investments	8	**181**	193
Other investments and loans	9	**9**	10
Deferred income tax assets	10	**22**	22
Current assets		**1 213**	1 091
Inventories	11	**104**	88
Trade and other receivables	12	**766**	732
Other investments and loans	9	**2**	1
Current income tax assets		**2**	1
Derivative financial instruments	21	**2**	-
Cash and cash equivalents	30.8	**329**	265
Assets classified as held-for-sale	33	**8**	4
Total assets		**6 954**	6 426
EQUITY			
Capital and reserves			
Share capital	13	**74**	74
Share premium reserve	13	**690**	690
Retained earnings		**4 327**	4 769
Other reserves	14	**(2 201)**	(2 382)
Attributable to equity holders of the Company		**2 890**	3 151
Non-controlling interests	16	**113**	115
Total equity		**3 003**	**3 266**
LIABILITIES			
Non-current liabilities		**3 182**	2 576
Borrowings	17	**1 787**	1 895
Lease liabilities	18	**654**	-
Deferred income tax liabilities	10	**427**	423
Retirement benefit obligations	19	**168**	138
Provisions	20	**36**	29
Derivative financial instruments	21	**109**	91
Cash-settled share-based payment liabilities		**1**	-
Current liabilities		**769**	584
Trade and other payables	22	**515**	462
Borrowings	17	**164**	87
Lease liabilities	18	**49**	-
Provisions	20	**17**	15
Retirement benefit obligations	19	**14**	11
Derivative financial instruments	21	**2**	-
Current income tax liabilities		**4**	8
Liabilities classified as held-for-sale	33	**4**	1
Total liabilities		**3 951**	3 160
Total equity and liabilities		**6 954**	6 426

These financial statements and the accompanying notes as set out on pages 237–329 were approved for issue by the Board of Directors on 1 June 2020 and were signed on its behalf by:

CA van der Merwe
Group Chief Executive Officer
Mediclinic International plc (Company no 08338604)

PJ Myburgh
Group Chief Financial Officer

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £'m	(Re-presented)[1] 2019 £'m
Revenue	23	**3 083**	2 932
Cost of sales	24	**(1 960)**	(1 890)
Administration and other operating expenses	24	**(1 311)**	(958)
Impairment of property, equipment and vehicles	6 & 24	**(30)**	(186)
Impairment of intangible assets	7 & 24	**(482)**	(55)
Other administration and operating expenses	24	**(799)**	(717)
Other gains and losses	25	**4**	(3)
Operating (loss)/profit		**(184)**	81
Finance income		**9**	9
Finance cost	26	**(92)**	(66)
Share of net profit of equity-accounted investments	8	**2**	3
Impairment of equity-accounted investment	8	**(10)**	(164)
Loss before tax		**(275)**	(137)
Income tax (expense)/credit	27	**(24)**	7
Loss for the year		**(299)**	(130)
Attributable to:			
Equity holders of the Company		**(320)**	(151)
Non-controlling interests	16	**21**	21
		(299)	(130)
Loss per ordinary share attributable to the equity holders of the Company – pence			
Basic	28	**(43.4)**	(20.5)
Diluted	28	**(43.4)**	(20.5)

Note

[1] Refer to note 2.1

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £'m	2019 £'m
Loss for the year		**(299)**	(130)
Other comprehensive income/(loss)			
Items that may be reclassified to the income statement		**169**	142
Currency translation differences	29	**175**	142
Fair value adjustment – cash flow hedges	29	**(6)**	-
Items that may not be reclassified to the income statement		**(21)**	(34)
Remeasurements of retirement benefit obligations	29	**(17)**	(34)
Effect of changes in income tax rates on retirement benefit obligations	29	**(4)**	-
Other comprehensive income, net of tax	29	**148**	108
Total comprehensive loss for the year		**(151)**	(22)
Attributable to:			
Equity holders of the Company		**(161)**	(29)
Non-controlling interests		**10**	7
		(151)	(22)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

	Share capital (note 13) £'m	Capital redemption reserve (note 14) £'m	Share premium reserve (note 13) £'m	Reverse acquisition reserve (note 14) £'m
Balance at 31 March 2019	74	6	690	(3 014)
IFRS 16 transition adjustment	-	-	-	-
Restated at 1 April 2019	**74**	**6**	**690**	**(3 014)**
(Loss)/profit for the year	-	-	-	-
Other comprehensive income/(loss) for the year	-	-	-	-
Total comprehensive income/(loss) for the year	-	-	-	-
Transactions with non-controlling shareholders	-	-	-	-
Dividends paid	-	-	-	-
Balance at 31 March 2020	**74**	**6**	**690**	**(3 014)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019

	Share capital (note 13) £'m	Capital redemption reserve (note 14) £'m	Share premium reserve (note 13) £'m	Reverse acquisition reserve (note 14) £'m
Balance at 1 April 2018	74	6	690	(3 014)
(Loss)/profit for the year	-	-	-	-
Other comprehensive income/(loss) for the year	-	-	-	-
Total comprehensive income/(loss) for the year	-	-	-	-
Transfer to other reserves	-	-	-	-
Business combinations	-	-	-	-
Derivative entered into as part of business combinations	-	-	-	-
Settlement of Forfeitable Share Plan	-	-	-	-
Transactions with non-controlling shareholders	-	-	-	-
Dividends paid	-	-	-	-
Balance at 31 March 2019	74	6	690	(3 014)

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
-	-	628	(2)	4 769	3 151	115	3 266
-	**-**	**-**	**-**	**(37)**	**(37)**	**-**	**(37)**
-	**-**	**628**	**(2)**	**4 732**	**3 114**	**115**	**3 229**
-	**-**	**-**	**-**	**(320)**	**(320)**	**21**	**(299)**
-	**-**	**187**	**(6)**	**(22)**	**159**	**(11)**	**148**
-	**-**	**187**	**(6)**	**(342)**	**(161)**	**10**	**(151)**
-	**-**	**-**	**-**	**(4)**	**(4)**	**3**	**(1)**
-	**-**	**-**	**-**	**(59)**	**(59)**	**(15)**	**(74)**
-	**-**	**815**	**(8)**	**4 327**	**2 890**	**113**	**3 003**

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
(1)	1	468	5	5 055	3 284	87	3 371
-	-	-	-	(151)	(151)	21	(130)
-	-	153	-	(31)	122	(14)	108
-	-	153	-	(182)	(29)	7	(22)
-	-	7	(7)	-	-	-	-
-	-	-	-	-	-	12	12
-	-	-	-	(86)	(86)	-	(86)
1	(1)	-	-	-	-	-	-
-	-	-	-	41	41	17	58
-	-	-	-	(59)	(59)	(8)	(67)
-	-	628	(2)	4 769	3 151	115	3 266

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £'m Inflow/(outflow)	2019 £'m Inflow/(outflow)
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	30.1	**589**	451
Interest received		**9**	9
Interest paid	30.2	**(83)**	(61)
Tax paid	30.3	**(59)**	(55)
Net cash generated from operating activities		**456**	344
CASH FLOW FROM INVESTMENT ACTIVITIES		**(182)**	(298)
Investment to maintain operations	30.4	**(81)**	(86)
Investment to expand operations	30.5	**(102)**	(154)
Acquisition of subsidiaries	31	**(12)**	(63)
Disposal of subsidiaries	32	**9**	-
Acquisition of investment in associate	8	**(1)**	(4)
Dividends received from equity-accounted investment		**5**	4
Proceeds from other investments and loans		**(2)**	5
Proceeds on disposal of property, equipment and vehicles		**2**	-
Net cash generated before financing activities		**274**	46
CASH FLOW FROM FINANCING ACTIVITIES		**(207)**	(34)
Distributions to non-controlling interests	16	**(15)**	(8)
Distributions to shareholders	30.6	**(59)**	(59)
Transaction with non-controlling interest	16	**(1)**	-
Proceeds from borrowings	30.7	**15**	385
Repayment of borrowings	30.7	**(101)**	(347)
Refinancing transaction costs		**(1)**	(5)
Repayment of lease liabilities		**(45)**	-
Net increase in cash and cash equivalents		**67**	12
Opening balance of cash and cash equivalents		**265**	261
Exchange rate fluctuations on foreign cash		**(3)**	(8)
Closing balance of cash and cash equivalents	30.8	**329**	265

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

1 DESCRIPTION OF BUSINESS

Mediclinic International plc is an international healthcare services group with divisions in Switzerland, Southern Africa (South Africa and Namibia) and the United Arab Emirates ('**UAE**'), and with an equity investment in the United Kingdom ('**UK**'). Its core purpose is to enhance the quality of life.

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. The Group has applied IFRS 16 for the first time in the 2020 financial year and comparative information has not been restated. Refer to note 34 for descriptions on the changes in accounting policies.

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 ('**EU**'), including IFRS Interpretations Committee ('**IFRS IC**') guidance and with the UK Companies Act 2006 applicable to companies reporting under IFRS. There are no differences for the Group in applying IFRS as issued by the IASB and IFRS as adopted by the EU. 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, equity instruments measured at fair value through profit or loss ('**FVPL**') and equity instruments measured at fair value through other comprehensive income ('**FVOCI**') are measured at fair value;
- Retirement benefit obligations calculated in terms of the projected unit credit method and corresponding plan assets are measured at fair value; 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 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, are the Swiss franc, South African rand and UAE dirham. The UAE dirham is pegged against the United States ('**US**') dollar at a rate of 3.6725 per US dollar.

Exchange rates

The Group uses the average of exchange rates prevailing during the year to translate the results and cash flows of foreign subsidiaries, the joint venture and associated undertakings into sterling and year-end rates to translate the net assets of those undertakings. The following exchange rates were applicable for the year:

	2020	2019
Average rates		
Swiss franc	**1.25**	1.30
South African rand	**18.76**	18.01
UAE dirham	**4.67**	4.82
Year-end rates		
Swiss franc	**1.20**	1.30
South African rand	**22.08**	18.90
UAE dirham	**4.56**	4.79

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Going concern

For the purposes of assessing liquidity and going concern, the Group has modelled scenarios reflecting suitable assumptions over the next 12–18-month period that serve to inform the decisions the Group takes regarding future cost savings, cash generation, debt covenants and levels of investment. The Group's financial performance to date in FY21 across all three divisions has been ahead of the modelled scenarios. In addition, due to the proactive response taken by the Group to maintain its liquidity position, over the two-month period since the end of FY20, the cash and available facilities of the Group has remained/broadly stable at £518m, demonstrating the financial discipline across the Group and the conservative approach taken when modelling scenarios.

As part of the Group's proactive response to maintaining its liquidity position and optimising its response to the crisis, a broad range of consequent actions was taken including:

- All non-urgent and non-committed capital programmes have been postponed or reduced during the initial months of the pandemic;
- Non-essential administrative costs generally and relating to projects specifically have been postponed or reduced;
- Measures have been taken to further optimise working capital management;
- Loan amortisation payments have been deferred, where possible;
- The Board has taken the decision to suspend the dividend (it recognises the importance of the dividend to shareholders and will keep this position under review);
- Executive directors' annual salary increases and STI have been suspended; and
- Salary increases have been postponed for all managerial positions (at Mediclinic Middle East for all employees) while such increases for facility-based frontline employees were implemented to honour their engagement in combatting the COVID-19 challenges.

Additional mitigating steps are available to the Company if required, including further reductions in operating costs, rent waivers and government intervention packages. These steps, if introduced, would provide additional support to the liquidity analysis and modelled scenarios. In addition, a level of discretionary capital expenditure has been retained, largely during the second half of FY21, which could be further curtailed in the short-term, if required.

At 31 March 2020, the Group had material headroom to covenants in its existing borrowings and a strong liquidity position heading into the global pandemic. The cash and available facilities of the Group at year-end were £518m and the Group leverage ratio was 3.4x (excluding IFRS 16 lease liabilities). A further unutilised bank facility in Switzerland of CHF250m was re-activated after year-end as part of the proactive measures taken with lenders. Across the Group, prompt payment by insurers in addition to the proactive measures taken by the Group to preserve liquidity have supported efforts to improve working capital.

Based on the assumptions applied and the effect of mitigating actions set out above, all within the control of the Group, the analyses demonstrate that the divisions will continue to be able to meet their obligations for the periods modelled.

Debt is ring-fenced to each division, with no cross guarantees or cross defaults. Borrowings are denominated in the same currency as the divisions' underlying revenue and therefore not exposed to foreign exchange rate risk. All three divisions have recently refinanced their debt and, therefore, maturities are relatively long dated. The nearest term material maturity is a Swiss bond for CHF145 million due in February 2021. The unutilised bank facility of CHF250m is available to fully repay the bond.

As a matter of prudence, the divisions proactively engaged with lenders to obtain certain covenant test waivers where the financial impact from the disruption caused by COVID-19 may have resulted in covenants being exceeded before coming back into compliance as operations normalise. For Mediclinic Middle East, the first of such waived covenant compliance tests are to be performed at the end of June 2021, whereas for Mediclinic Southern Africa and Hirslanden this will be performed at the end of September 2021. All remaining covenant tests have sufficient headroom based on the range of modelled scenarios.

While there are no alternative covenants at Hirslanden and Mediclinic Southern Africa, at Mediclinic Middle East there is an interim covenant based on agreed targets which provides appropriate headroom on the modelled scenarios. If required, the Group has the opportunity to mitigate any potential covenant breach. The Mediclinic Middle East waived financial covenants may be reintroduced from the second half of FY21 dependent on improved operational performance and at mutually agreed new levels based on revised forecasts. Pending this agreement, the interim covenant will remain in place until and including 31 March 2021.

Based on the Group's current financial position and the modelled scenarios, the directors have concluded that the Group has sufficient liquidity to meet all its obligations and be able to meet all covenant requirements for at least the twelve months from the date of this report and the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Income statement reclassification

The income statement for the year ended 31 March 2019 has been re-presented to reclassify certain costs of the Switzerland segment that were previously shown in error as administration and other expenses. The impact of the reclassification was an increase in cost of sales and decrease in administration and other expenses of £63m. The reclassification had no impact on reported cash, profits or net assets.

Finalisation of purchase price allocation ('PPA')

In accordance with IFRS 3, the statement of financial position at 31 March 2019 has been adjusted as a result of the finalisation of Intercare Hospital Group's PPA.

	Previously 31 Mar 2019 £'m	Adjustment £'m	Restated 31 Mar 2019 £'m
Trade and other payables	464	(2)	462
Intangible assets	1 587	(1)	1 586
Deferred income tax assets	23	(1)	22

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 relinquished.

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 obtained and liabilities incurred or assumed. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt or incur borrowings 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 companies) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation and equity accounting (continued)

b) Business combinations (continued)

In cases where the Company held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value 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.

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 segments in Switzerland, Southern Africa and the Middle East. The UK 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 Group Executive Committee comprises the executive directors and senior management as disclosed in the Annual Report on page 131 and pages 136–137.

Intersegment transactions are eliminated and shown separately in the ***Segmental report***. Refer to note 5.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 to enhance an asset 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 and capital expenditure in progress 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.

When commissioned, capital expenditure in progress is transferred to the relevant category of property and equipment and depreciated in accordance with the Group's policies.

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 fair value of 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. Impairments 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, except for Les Grangettes. 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 are capitalised at the cost to the Group and amortised on a straight-line basis over their estimated useful lives of 2–25 years. Trade names are carried at cost less accumulated amortisation and accumulated impairment. Expenditure to maintain trade names is accounted for against income as incurred.

c) Computer software

Acquired computer software licences, configuration and implementation costs 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 (2–10 years) using the straight-line method.

Costs associated with maintaining computer software 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Impairment of non-financial assets (continued)

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 for non-financial assets other than goodwill, 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 measurement categories:
- Financial assets measured subsequently at fair value (either through FVOCI or FVPL); and
- Financial assets measured at amortised cost.

The classification depends on the business model for managing the financial assets and the contractual term of the cash flows. Management determines the classification of its investment at initial recognition.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Equity instruments

The Group subsequently measures all equity investments at fair value. Changes in the fair value of financial assets at FVPL are recognised in other gains and losses in the income statement.

Where management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit and loss. Upon derecognition of these equity investments, any balance within the FVOCI reserve is reclassified to retained earnings. Dividends from such investments are recognised in profit or loss as other gains and losses when the Group's right to receive payments is established. Currently, the Group has not elected to designate any equity instruments at FVOCI.

Impairment losses on equity investments measured at FVOCI or FVPL are not reported separately from other changes in fair value.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset.

There are two measurement categories into which the Company classifies its debt instruments:
- Amortised cost: Assets that are held for collection of contractual cash flows representing solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Trade receivables and loans receivable are classified as debt instruments measured at amortised cost.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss is recognised in profit or loss and presented in the income statement as part of other gains and losses in the period in which it arises. Interest income from these financial assets is included in finance income.

Debt instruments are included in current assets, except for maturities greater than 12 months after the reporting date, which are classified as non-current assets.

Impairment

The Group recognises an allowance for expected credit losses for all debt instruments not held at FVPL. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

2.7 Financial assets (continued)

Impairment (continued)

Expected credit losses are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12 months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default.

For trade receivables only, the Group applies the simplified approach permitted by IFRS 9, which requires lifetime expected credit losses to be recognised from initial recognition of the receivables. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Trade receivables have been grouped based on shared credit risk characteristics, such as the counterparty (insurer or individual, etc.) or geographical region, and the days past due. The expected loss rates are based on the payment profiles of debtors and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

For debt instruments at FVOCI and debt instruments at amortised cost, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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.

2.10 Cash and cash equivalents

Cash and cash equivalents consist of balances with banks and cash-on-hand and are classified as debt instruments measured at amortised cost. 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.

2.11 Derivative financial instruments and hedging activities

Derivative financial instruments comprise interest rate swaps, put/call agreements and forward contracts. 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 are designated as cash flow hedges. The Group uses interest rate swaps as cash flow hedges.

At inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it applies hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes the identification of the hedging instrument; the hedged item; the nature of the risk being hedged; and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements. A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from that economic relationship.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Derivative financial instruments and hedging activities (continued)

- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below under Cash flow hedges.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 21. 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 reclassified 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.

Non-hedging derivatives

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised at fair value through profit or loss.

Written put option (redemption liability)

The amount that may become payable under a written put option on exercise is initially recognised at the present value of the redemption amount with a corresponding charge directly to equity.

The liability is subsequently adjusted for changes in the estimated performance and increased through finance charges up to the redemption amount that is payable at the date at which the option first becomes exercisable. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to equity.

2.12 Non-current assets held-for-sale

Non-current assets and disposal groups are classified as held-for-sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held-for-sale are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held-for-sale, or while it is part of a disposal group classified as such.

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 legislation enacted or substantively enacted at the reporting date in the countries where the Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is determined using tax rates (and legislation) 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.

2.19 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Employee benefits (continued)

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 period/(s). 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) 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.

d) 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 transaction price which is the amount of consideration that the Group expects to be entitled to in exchange for the services provided.

A performance obligation is a promise to transfer distinct goods and services to a customer. Hospital services provided to patients are regarded as a bundle of services which comprise accommodation, meals, theatre time, use of equipment, pharmacy stock and nursing services. This is considered to be a single performance obligation as the medical procedures cannot be performed without one of the above elements.

Revenue is recorded during the period in which the hospital service is provided and is based on the amounts due from patients and/or medical funding entities. Fees are calculated and billed based on various tariff agreements with funders.

Discounts comprise retrospective volume discounts granted to certain funders on attainment of certain levels of patient visits and constitute variable consideration under IFRS 15.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Revenue recognition (continued)

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. Refer to note 23 for the accounting policies regarding these discounts specifically for Mediclinic Southern Africa and Mediclinic Middle East.

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. Disallowance write-offs on rejected claims is a general practice by the insurers in the Middle East. Accordingly, Mediclinic Middle East expects an amount of consideration that is less than what was originally invoiced. 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.

The Group does not expect to have any contracts where the period between the transfer of the promised service to the patient and the payment by the patient exceeds one year. Consequently, the Group does not adjust any of the transaction prices for time value of money.

Refer to note 23 for specific revenue recognition accounting policies relating to different geographical locations.

Other income

Other income is recognised on the following basis:
- Interest income for credit-impaired financial assets is measured by applying the effective interest rate method to amortised cost. For all other financial assets, the interest income is measured by applying the effective interest rate method to the gross carrying amount.
- Rental income 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 employee 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 Leases (accounting policies applied from 1 April 2019)

The Group leases various buildings, equipment, vehicles and other assets. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option;
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option; and
- Lease payments to be made under reasonably certain extension options.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Leases (accounting policies applied from 1 April 2019) (continued)

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the lessee as a starting point and adjusts the rate to reflect changes in financing conditions since the third-party financing was received. The Group also makes adjustments to the rate relating to the specific lease based on the term, country, currency and security.

Some property leases contain variable payment terms that are linked to revenue generated from a hospital. Variable lease payments that depend on revenue are recognised in profit or loss in the period in which the condition that triggers those payments occur.

Extension and termination options are included in a number of leases across the Group. The majority of the extension and termination options held are exercisable only by the Group and not by the respective lessor. In determining the lease term, all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option, are considered.

2.23 Leases (accounting policies applied until 31 March 2019)

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 in order 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.

2.24 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.

2.25 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.

2.25 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; and
- 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.

2.26 Standards, interpretations and amendments

Published standards, amendments and interpretations effective for the 31 March 2020 financial period:

The following published standards, amendments and interpretations are mandatory for the accounting period beginning on or after 1 April 2019 and have been adopted (refer to the changes in accounting policy note 34 for a description of the impact of the implementation of these standards):

- IFRS 16 – *Leases* (1 January 2019)

Other standards adopted

The following new accounting standards, interpretations and amendments, have been adopted on 1 April 2019:

- IAS 19 *Plan Amendment, Curtailment or Settlement* (1 January 2019)
- IAS 28 *Long-term Interests in Associates and Joint Ventures* amendments (1 January 2019)
- IFRS 9 *Prepayment Features with Negative Compensation* amendments (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)

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 accounting standards, interpretations and amendments will have no material impact on the financial statements:

- IFRS 3 *Definition of a Business* amendments (1 January 2020)
- IFRS 17, IFRS 9 and IAS 39 *Interest Rate Benchmark Reform* (1 January 2020)
- IAS 1 and IAS 8 *Definition of Material* amendments (1 January 2020)
- Revised *Conceptual Framework for Financial Reporting* (1 January 2020)
- IFRS 17 *Insurance Contracts* (1 January 2021)
- IAS 1 *Classification of Liabilities* (1 January 2022)

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 sterling/Swiss franc, sterling/South African rand and 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 divisions predominantly operate and are 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 minimise foreign currency risk.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

a) Market risk (continued)

i) Currency risk (continued)

The impact of a 10% change in the sterling/Swiss franc, sterling/South African rand and sterling/UAE dirham exchange rates for a sustained period of one year is:

- profit for the period would increase/decrease by £7m (2019: increase/decrease by £8m) due to exposure to the sterling/Swiss franc exchange rate;
- profit for the period would increase/decrease by £9m (2019: increase/decrease by £7m) due to exposure to the sterling/South African rand exchange rate;
- profit for the period would increase/decrease by £4m (2019: increase/decrease by £5m) due to exposure to the sterling/UAE dirham exchange rate;
- foreign currency translation reserve would increase/decrease by £143m (2019: increase/decrease by £132m) due to exposure to the sterling/Swiss franc exchange rate;
- foreign currency translation reserve would increase/decrease by £14m (2019: increase/decrease by £12m) due to exposure to the sterling/South African rand exchange rate; and
- foreign currency translation reserve would increase/decrease by £113m (2019: increase/decrease by £157m) 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. The interest rate hedges entered into match key contractual terms of the borrowings to enable an economic relationship between hedged item and hedging instrument. At year-end, a portion of the South African borrowings and Middle East borrowings were hedged and the Swiss borrowings were unhedged (refer to note 17). The unhedged borrowings are evaluated on a regular basis.

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.

iii) Interest rate sensitivity

The sensitivity analyses below were determined based on the exposure to interest rates of 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 2020, the 3M Swiss LIBOR was -0.62% (2019: -0.71%). Interest rates would have to increase by 62 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 (2019: no impact).
- Southern Africa: Profit for the period would increase/decrease by £0.9m (2019: increase/decrease by £0.6m) 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 (2019: 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.

iiii) 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 reputable financial institutions with a high credit rating. Trade receivables are represented net of the allowance for expected credit losses. 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 customers in relation to their credit standing is evaluated on an ongoing basis. Medical schemes and insurance companies are required to maintain minimum reserve levels.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

b) Credit risk (continued)

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. Expected credit losses were assessed at 31 March 2020 taking account of COVID-19 measures encouraging prompt payment by medical schemes and insurance companies, which had the effect of much improved cash collections in April 2020 compared to April 2019.

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 gross carrying amounts of financial assets (before credit loss allowances) included in the statement of financial position represent the Group's maximum exposure to credit risk in relation to these assets. At 31 March 2019 and 31 March 2020, the Group did not consider there to be a significant concentration of credit risk.

c) Liquidity risk

The liquidity risk related to the impact of COVID-19 pandemic has been considered in the directors' evaluation of the going concern assumption. See section 2.1.

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.

	2020 £'m	2019 £'m
The Group's unused banking facilities and overdraft facilities	**189**	295

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 £'m	Contractual cash flows £'m	1-12 months £'m	1-5 years £'m	Beyond 5 years £'m
31 March 2020					
Borrowings	**1 951**	**2 822**	**219**	**1 596**	**1 007**
Lease liabilities	**703**	**954**	**61**	**231**	**662**
Derivative financial instruments	**111**	**107**	**3**	**104**	-
Trade payables	**260**	**260**	**260**	-	-
Other payables and accrued expenses	**204**	**204**	**204**	-	-
31 March 2019					
Borrowings	1 982	2 875	160	1 712	1 002
Lease liabilities	-	-	-	-	-
Derivative financial instruments	91	94	-	94	-
Trade payables	230	230	230	-	-
Other payables and accrued expenses	181	181	181	-	-

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 twice annually. The Group balances its overall capital structure through the payment of dividends and new share issues, as well as the issue of new debt or the redemption of existing debt. The Group's dividend policy is to target a payout ratio of 25-35% of adjusted earnings. The Board may revise the policy at its discretion. The debt-to-capital ratios as at 31 March 2020 and 31 March 2019 were as follows:

	2020 £'m	2019 £'m
Borrowings	**1 951**	1 982
Lease liabilities	**703**	-
Less: cash and cash equivalents	**(329)**	(265)
Net debt	**2 325**	1 717
Total equity	**3 003**	3 266
Debt-to-equity capital ratio	**77.4%**	52.6%

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 listed below.

Critical accounting judgements

- Level at which management monitors goodwill for impairment testing (refer to note 7)
- Deferred tax on unremitted earnings (refer to note 10)
- Determination of CGUs for impairment testing (refer to note 6)
- Determination of lease term (refer to note 18)

Key estimates

- Impairment of non-current assets excluding goodwill (refer to note 6)
- Impairment of goodwill (refer to note 7)
- Impairment of equity-accounted investments (refer to note 8)
- Retirement benefits (refer to note 19)

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	
Year ended 31 March 2020	Total £'m	Switzerland £'m	Southern Africa £'m	Middle East £'m	United Kingdom £'m	Corporate £'m
Revenue	3 083	1 438	907	737	-	1
EBITDA	541	245	188	110	-	(2)
EBITDA before management fee	541	251	194	113	-	(17)
Group Services fees included in EBITDA	-	(6)	(6)	(3)	-	15
Other gains and losses	4	-	-	1	-	3
Depreciation and amortisation	(217)	(126)	(37)	(53)	-	(1)
Reversal of impairment of property	4	4	-	-	-	-
Impairment of property, equipment and vehicles	(34)	(33)	(1)	-	-	-
Impairment of intangible assets	(482)	-	(1)	(481)	-	-
Operating profit/(loss)	(184)	90	149	(423)	-	-
Income from associate	2	-	-	-	2	-
Impairment of associate	(10)	-	-	-	(10)	-
Finance income	9	-	8	1	-	-
Finance cost (excluding intersegment loan interest)	(92)	(35)	(37)	(20)	-	-
Total finance cost	(92)	(52)	(37)	(20)	-	17
Elimination of intersegment loan interest	-	17	-	-	-	(17)
Taxation	(24)	13	(36)	-	-	(1)
Segment result	(299)	68	84	(442)	(8)	(1)
At 31 March 2020						
Investments in associates	177	2	2	5	168	-
Investments in joint ventures	4	-	4	-	-	-
Capital expenditure for the year	192	75	69	47	-	1
Total segment assets	6 954	4 192	680	1 838	169	75
Total segment liabilities (excluding intersegment loan)	3 951	2 701	564	683	-	3
Total liabilities from reportable segment	4 942	3 692	564	683	-	3
Elimination of intersegment loan	(991)	(991)	-	-	-	-

5 SEGMENTAL REPORT (continued)

		Reportable operating segments			Other	
Year ended 31 March 2019	Total £'m	Switzerland £'m	Southern Africa £'m	Middle East £'m	United Kingdom £'m	Corporate £'m
Revenue	2 932	1 368	886	677	-	1
EBITDA	493	219	187	88	-	(1)
EBITDA before management fee	493	224	192	91	-	(14)
Group Services fees included in EBITDA in EBITDA	-	(5)	(5)	(3)	-	13
Other gains and losses	(3)	-	1	(3)	-	(1)
Depreciation and amortisation	(168)	(101)	(31)	(36)	-	-
Impairment of property, equipment and vehicles	(186)	(186)	-	-	-	-
Impairment of intangible assets	(55)	(55)	-	-	-	-
Operating profit/(loss)	81	(123)	157	49	-	(2)
Income from associate	3	-	-	-	3	-
Impairment of associate	(164)	-	-	-	(164)	-
Finance income	9	-	8	1	-	-
Finance cost (excluding intersegment loan interest)	(66)	(23)	(36)	(7)	-	-
Total finance cost	(66)	(39)	(36)	(7)	-	16
Elimination of intersegment loan interest	-	16	-	-	-	(16)
Taxation	7	47	(39)	-	-	(1)
Segment result	(130)	(99)	90	43	(161)	(3)
At 31 March 2019						
Investments in associates	189	2	3	4	180	-
Investments in joint ventures	4	-	4	-	-	-
Capital expenditure for the year	232	72	65	94	-	1
Total segment assets	6 426	3 532	707	1 965	182	40
Total segment liabilities (excluding intersegment loan)	3 160	2 182	591	385	-	2
Total liabilities from reportable segment	4 058	3 080	591	385	-	2
Elimination of intersegment loan	(898)	(898)	-	-	-	-

5 SEGMENTAL REPORT (continued)

	2020 £'m	2019 £'m
The total non-current assets, excluding financial instruments and deferred tax assets, per geographical location are:		
Switzerland	**3 499**	2 909
Southern Africa	**484**	482
Middle East	**1 559**	1 733
United Kingdom	**168**	180
ENTITY-WIDE DISCLOSURES		
Revenue		
From UK	**-**	-
From foreign countries	**3 083**	2 932
Revenues from external customers are primarily from hospital services		
The total non-current assets, excluding financial instruments and deferred tax assets:		
From UK	**168**	180
From foreign countries	**5 542**	5 124

6 PROPERTY, EQUIPMENT AND VEHICLES

	2020 £'m	2019 £'m
Land - cost	**959**	889
Buildings	**2 336**	2 199
Cost	**2 997**	2 763
Accumulated depreciation and impairment	**(661)**	(564)
Land and buildings	**3 295**	3 088
Capital expenditure in progress	**81**	90
Right-of-use assets	**675**	-
Cost	**739**	-
Accumulated depreciation	**(64)**	-
Equipment	**264**	299
Cost	**961**	895
Accumulated depreciation	**(697)**	(596)
Furniture and vehicles	**43**	47
Cost	**216**	208
Accumulated depreciation and impairment	**(173)**	(161)
	4 358	3 524

FINANCIAL STATEMENTS

6 PROPERTY, EQUIPMENT AND VEHICLES (continued)

	Land and buildings £'m	Capital expenditure in progress £'m	Right-of-use assets £'m	Equipment £'m	Furniture and vehicles £'m	Total £'m
Net book value at 1 April 2018	3 048	181	-	306	55	3 590
Additions	17	123	-	49	15	204
Depreciation	(50)	-	-	(78)	(20)	(148)
Business combinations	8	-	-	7	5	20
Transfer between asset classes	-	1	-	8	(9)	-
Prior year capital expenditure completed[1]	192	(212)	-	17	3	-
Impairment[2]	(182)	-	-	(3)	(1)	(186)
Transfer to assets held-for-sale	-	-	-	(1)	-	(1)
Exchange differences	55	(3)	-	(6)	(1)	45
Net book value at 31 March 2019	3 088	90	-	299	47	3 524
IFRS 16 transition adjustment	**-**	**-**	**641**	**(1)**	**-**	**640**
Additions	**34**	**62**	**52**	**57**	**16**	**221**
Disposals	**(1)**	**-**	**(5)**	**-**	**-**	**(6)**
Depreciation	**(51)**	**-**	**(46)**	**(82)**	**(18)**	**(197)**
Business combinations	**8**	**-**	**-**	**-**	**-**	**8**
Transfer between asset classes	**17**	**(25)**	**-**	**7**	**1**	**-**
Prior year capital expenditure completed	**41**	**(44)**	**-**	**3**	**-**	**-**
Disposal of subsidiaries	**(9)**	**-**	**(1)**	**-**	**-**	**(10)**
Impairment	**(13)**	**-**	**-**	**(19)**	**(2)**	**(34)**
Reversal of impairment	**4**	**-**	**-**	**-**	**-**	**4**
Transfer to assets held-for-sale	**(4)**	**-**	**(3)**	**-**	**-**	**(7)**
Borrowing cost capitalised	**-**	**3**	**-**	**-**	**-**	**3**
Exchange differences	**181**	**(5)**	**37**	**-**	**(1)**	**212**
Net book value at 31 March 2020	**3 295**	**81**	**675**	**264**	**43**	**4 358**

Notes

[1] Capital expenditure in progress of £9m previously presented under the asset category *Equipment* was reclassified to *Capital expenditure in progress*. The reclassification had no impact on the carrying value of property, equipment and vehicles, reported cash or profits.

[2] An impairment charge of £4m previously presented under the asset category *Furniture and vehicles* was reclassified to *Land and buildings* (£1m) and *Equipment* (£3m). The reclassification had no impact on the carrying value of property, equipment and vehicles, reported cash or profits.

6 PROPERTY, EQUIPMENT AND VEHICLES (continued)

	2020 £'m	2019 £'m
Total additions	169	204
To maintain operations	76	82
To expand operations	93	122

The right-of-use assets were recognised during the year with the adoption of IFRS 16 Leases. Refer to note 18 and note 34 for further information on the impact of the adoption of IFRS 16.

Property, equipment and vehicles with a book value of £2 869m (2019: £2 678m) are encumbered as security for borrowings (see note 17).

Included in equipment in the prior year is capitalised finance lease equipment with a book value of £1m. Finance lease equipment has been reclassified to right-of-use assets with the adoption of IFRS 16.

Critical accounting estimates and judgements

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 assessment

The Swiss CGUs were assessed for impairment at 31 March 2020. The recoverable amounts of the CGUs tested for impairment were based on fair-value-less-cost-to-sell calculations. In determining the fair-value-less-cost-to-sell for the CGUs, the cash flows were discounted at rates between 4.8% and 5.1% (2019: 4.9% and 5.1%). Beyond five years a growth rate of 1.6% (2019: 1.6%) was used. The carrying value of one CGU (2019: five) was determined to be higher than its recoverable amount and as a result an impairment charge of £33m (2019: £186m) was recognised in the income statement relating to property, equipment and vehicles.

After accounting for impairments in the current year, some CGUs within Hirslanden have limited headroom ranging from £9m to £67m and remain sensitive to reasonably possible changes in key assumptions in the fair-value-less-cost-to-sell calculations. As a result, any increase in the discount rate or decreases in the short-term cash flow projections or long-term growth rates could give rise to further material impairment charges in future periods. The carrying amounts of the Swiss property, equipment and vehicle are sensitive to reasonably possible changes in the discount rate and the terminal growth rate. An increase in the discount rate of 0.5% would lead to an impairment charge of approximately £83m and a decrease of the terminal growth rate by 0.3% would result in an impairment charge of approximately £8m.

Any impairment determined at a CGU level under IAS 36 will include an assessment of the recoverable amount of Hirslanden's owned properties, which are subject to a third-party valuation at least annually. This valuation applies a consistent methodology across key assumptions to determine the rental charges based on appropriate and market-related metrics, which is discounted using a market-related discount rate to determine the value of the properties. Therefore, there is a risk that this valuation could materially change in future periods.

Reversal of impairment

During the period, Klinik Belair was sold and a reversal of previously recognised impairment charges in respect of properties of £4m was recognised.

7 INTANGIBLE ASSETS

	2020 £'m	2019 £'m
Goodwill	**1 047**	1 450
Cost	**1 862**	1 758
Accumulated impairment	**(815)**	(308)
Trade names	**54**	53
Cost	**420**	425
Accumulated amortisation and impairment	**(366)**	(372)
Computer software	**70**	60
Cost	**150**	119
Accumulated amortisation	**(80)**	(59)
Leases[1]	**-**	23
Cost	**-**	26
Accumulated amortisation	**-**	(3)
	1 171	1 586

	Goodwill £'m	Trade names £'m	Computer software £'m	Leases[1] £'m	Total £'m
Net book value at 1 April 2018	1 253	83	48	22	1 406
Additions	-	-	28	-	28
Amortisation	-	(4)	(15)	(1)	(20)
Business combinations	106	25	-	-	131
Impairment	-	(55)	-	-	(55)
Exchange differences	91	4	(1)	2	96
Net book value at 31 March 2019	**1 450**	**53**	**60**	**23**	**1 586**
IFRS 16 transition adjustment	**-**	**-**	**-**	**(23)**	**(23)**
Additions	**-**	**-**	**23**	**-**	**23**
Amortisation	**-**	**(4)**	**(16)**	**-**	**(20)**
Business combinations	**4**	**-**	**-**	**-**	**4**
Impairment	**(482)**	**-**	**-**	**-**	**(482)**
Exchange differences	**75**	**5**	**3**	**-**	**83**
Net book value at 31 March 2020	**1 047**	**54**	**70**	**-**	**1 171**

Note

[1] 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. This was reclassified on 1 April 2019 on adoption of IFRS 16 to right-of-use assets within property, equipment and vehicles.

7 INTANGIBLE ASSETS (continued)

Critical accounting estimates and judgements

The Group tests annually whether goodwill, resulting from acquisitions, has suffered any impairment. The recoverable amounts of CGUs have been determined based on fair-value-less-cost-to-sell calculations. These calculations require the use of estimates in respect of cash flow projections and long-term 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 divisional level or segmental level, except for Les Grangettes, which was assessed at a CGU level given the significant non-controlling interest and aligned to the location in which synergies are expected to arise. 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 Mediclinic Middle East 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.

Impairment testing of significant goodwill balances

The Group tests goodwill 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 annual financial planning 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 divisional level in terms of IFRS 8 except for goodwill arising from the acquisition of Les Grangettes which was assessed at a CGU level given the significant non-controlling interest and aligned to the location in which synergies are expected to arise.

The recoverable amount of a group of CGUs is determined by its fair-value-less-cost-to-sell, regarded as the more appropriate reflection of the value of the business, which is derived from discounted cash flow calculations. The key inputs to its calculations are described below.

Forecasts

As part of the annual financial planning process, the Group's 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 fair-value-less-cost-to-sell calculation are based on these budgets and forecasts that are calculated on a per hospital basis and consider both internal and external market information. These budgets and forecasts represent management's best view of future revenues and cash flows. During the period under review, the original business plans were revisited because of the outbreak of the COVID-19 pandemic and they encompass a best estimate of the short- and long-term impact of the pandemic considering potential recessionary factors.

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 considering long-term medical inflation. The regulatory environment and impact on tariffs are considered. 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 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 segmental or divisional cash flows. The assumptions used in the calculation of the discount rate are benchmarked to externally available data.

7 INTANGIBLE ASSETS (continued)

Impairment testing of Mediclinic Middle East goodwill

The Mediclinic Middle East goodwill with a carrying amount of £928m (2019: £1 340m) originated mainly from the Al Noor business combination, with a portion originating from other UAE business combinations. Key assumptions used for the fair-value-less-cost-to-sell calculations for the annual impairment testing were as follows:

- *Discount rates* – The discount rate applied to cash flow projections is 8.8% (2019: 9.0%).
- *Growth rates* – The terminal growth rate beyond five years is 3.0% (2019: 3.0%).
- *Forecasts* – As a result of the changes in the market environment exacerbated by COVID-19, the significantly lower oil price and an increasingly competitive situation, forecasted cash flows have been reduced from expectations in the prior period.

The discreet period used for the fair-value-less-cost-to-sell calculation was reduced from seven to five years due to changes in capital projects, the response to the COVID-19 pandemic and changes in the market environment. It also reflects the period the Group typically uses for the annual planning cycle.

The combination of these changes in key assumptions resulted in a significant impact on the Mediclinic Middle East fair-value-less-cost-to-sell calculation value. As a result, the carrying amount of the goodwill was determined to be higher than its recoverable amount and an impairment of £481m was recognised against goodwill.

Sensitivity analysis

Any adverse change to key assumptions would result in an increase to the impairment charge recorded as goodwill is carried at its recoverable amount at 31 March 2020.

Reasonably possible changes in key assumptions that could give rise to a material adjustment to the carrying value are set out below:
- A fall in the terminal growth rate to 2.5% would result in an additional impairment of £34m;
- A rise in discount rate to 9.1% would result in an additional impairment of £52m; or
- A fall in the forecast cash flows of 5% each year would result in an additional impairment of £74m.

Impairment testing of Hirslanden goodwill and trade names

Hirslanden goodwill with a carrying amount of £105m that originated from the business combination of Clinique des Grangettes has been tested for impairment. In the prior year, an impairment charge of £55m was recognised after the Hirslanden trade name and Linde trade name were fully impaired.

The recoverable amount has been determined based on fair-value-less-cost-to-sell discounted cash flow calculations.
- *Discount rates* – The discount rate applied to cash flow projections was 5.0% (2019: 5.0%).
- *Growth rates* – The terminal growth rate beyond five years was 1.6% (2019: 1.6%).
- *Forecasts* – As a result of the continued impact of changes in the regulatory and market environment (including TARMED tariffs and regulations that require enhanced outmigration of medical treatments) exacerbated by COVID-19 and to reflect actions taken by management to adapt to the new operating environment, the forecasted cash flows have been reduced from expectations in the prior period.

Sensitivity analysis

An increase in the discount rate by 1.2% combined with a decrease in the terminal growth rate by 1.2% would reduce the headroom to £nil. In the prior year an increase in the discount rate by 0.2% or a decline in the terminal growth rate by 0.8% would have reduced the headroom to £nil.

8 EQUITY-ACCOUNTED INVESTMENTS

	2020 £'m	2019 £'m
Investment in associates	**177**	189
Investment in joint venture	**4**	4
	181	193

8.1 Investment in associates

	2020 £'m	2019 £'m
Listed investment	**168**	180
Unlisted investments	**9**	9
	177	189
Reconciliation of carrying value at the beginning and end of the year		
Opening balance	**189**	352
IFRS 9 transition adjustment	**-**	(2)
IFRS 16 transition adjustment[1]	**-**	-
Additional investment in unlisted associate	**1**	4
Share of net profit of associated companies	**2**	3
Impairment of listed associate	**(10)**	(164)
Dividends received from associated companies	**(5)**	(4)
	177	189

Note

[1] As a result of prior period impairment charges, no adjustment was required to the carrying value of the investment in Spire on adoption of IFRS 16. The transition adjustment resulted in a decrease of the Group's share of Spire's net assets on adoption of IFRS 16 by £22m together with a consequential transitional adjustment to reduce the Group's impairment provision in Spire by the same amount. Accordingly, the Group's carrying amount of its investment in associates was not impacted on the transition to IFRS 16.

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 LSE. It does not issue publicly available quarterly financial information at a detailed level and has a December year-end. The investment in associate was equity accounted for the 12 months to 31 December 2019 (2019: 31 December 2018). Except for COVID-19, which was appropriately considered in the impairment assessment, no significant events occurred between 1 January 2020 and 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 prior year, an impairment loss was recognised on the Spire investment. The impairment charge decreased the notional NCRC recognised to £nil. The amortisation charge for the prior period was £1m.

8 EQUITY-ACCOUNTED INVESTMENTS (continued)

8.1 Investment in associates (continued)

Summarised financial information in respect of the Group's material associate is set out below:

	At 31 Dec 2019 £'m	At 31 Dec 2018 £'m
Summarised statement of financial position		
Non-current assets	**2 233**	1 537
Current assets	**205**	175
Total assets	**2 438**	1 712
Non-current liabilities	**(1 301)**	(563)
Current liabilities	**(198)**	(122)
Net assets	**939**	1 027
Mediclinic's effective interest	**29.9%**	29.9%
Mediclinic's effective interest in net assets after impairments	**168**	180
Total carrying value of equity investment	**168**	180
Market value of listed investment at 31 March	**94**	155
Summarised statement of comprehensive income		
Revenue	**981**	931
Profit from continuing operations	**7**	11
Other comprehensive income	**(2)**	-
Total comprehensive income	**5**	11

Refer to the Annexure on page 316 for further details of investments in associates.

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 market value of the investment below its carrying value. The value-in-use calculation is based on a discounted cash flow model. These calculations require the use of estimates in respect of growth and discount rates and assume a stable regulatory environment.

At year-end, an impairment test was performed. The carrying amount of the investment was determined to be higher than its recoverable amount and an impairment of £10m was recognised against equity-accounted investments. The following key assumptions were used in the calculation:

Discount rates – a discount rate of 6.9% was applied to cash flow projections (2019: discount rates ranging between 5.3% and 6.8% were applied to the discrete period cash flow projections for the five years and a discount rate of 7.2% was applied to the terminal year).

Growth rates – a terminal growth rate of 2.0% (2019: 2.0%) was applied in the calculation.

Forecasts – as a result of the changes in the market environment exacerbated by COVID-19, forecasted cash flows have been reduced from expectations in the prior period.

Sensitivity analysis – reasonably possible changes in key assumptions that could give rise to a material adjustment to the carrying value are set out below:

- A fall in the terminal growth rate to 1.5% would result in an additional impairment of £4m; or
- A rise in discount rate to 7.25% would result in an additional impairment of £16m; or
- A fall in the forecast cash flows of 5% each year would result in an additional impairment of £15m.

Any adverse change to key assumptions would result in an increase to the impairment charge recorded as the investment is carried at its recoverable amount at 31 March 2020.

8 EQUITY-ACCOUNTED INVESTMENTS (continued)

8.1 Investment in associates (continued)

Critical accounting estimates and judgements (continued)

Between the period from 1 January 2020 until the announcement in March 2020 of Spire's arrangement with the NHS to support the UK's response to COVID-19, the market price of the Company's investment reached a high of £170m. At 31 March 2020, the market price was £94m (2019: £155m).

During the prior year an impairment test was performed and the investment in Spire was impaired by £164m after key assumptions were updated in the value-in-use calculations.

8.2 Investment in joint venture

	2020 £'m	2019 £'m
Reconciliation of carrying value at the beginning and end of the year		
Opening balance	**4**	5
Exchange differences	**-**	(1)
	4	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 2019 (2019: 31 December 2018) since it has a different year-end.

Details of the joint venture appear in the Annexure on page 329.

9 OTHER INVESTMENTS AND LOANS

	2020 £'m	2019 £'m
Debt instruments at amortised cost	**9**	8
Equity instruments at FVPL (unlisted shares)	**2**	3
	11	11
Non-current	**9**	10
Current	**2**	1
Total other investments and loans	**11**	11
OTHER INVESTMENTS AND LOANS ARE HELD IN THE FOLLOWING CURRENCIES:		
Swiss franc	**3**	3
South African rand	**6**	6
UAE dirham	**2**	2
	11	11

10 DEFERRED TAX

The movement on the deferred tax account is as follows:

	2020 £'m	2019 £'m
Opening balance	**401**	445
Income statement credit for the year	**(30)**	(60)
Exchange differences	**35**	17
Change in accounting policy	**(2)**	-
Disposal of subsidiaries	**(1)**	-
Business combinations	**1**	7
(Credited)/charged to other comprehensive income	**1**	(8)
Balance at year-end	**405**	401
Deferred income tax assets	**(22)**	(22)
Deferred income tax liabilities	**427**	423
	405	401

The deferred tax relating to current assets and current liabilities contains temporary differences that are 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 other £'m	Total £'m
Deferred tax liabilities					
At 1 April 2018	432	23	7	14	476
(Credited)/charged to the income statement	(47)	(12)	(2)	5	(56)
Business combinations	2	6	-	1	9
Exchange differences	10	-	-	1	11
At 31 March 2019	397	17	5	21	440
Set-off of deferred tax liabilities pursuant to set-off provisions					(17)
Net deferred tax liabilities at year-end					**423**
At 1 April 2019	397	17	5	21	440
(Credited)/charged to the income statement	(18)	(5)	2	(4)	(25)
Business combinations	1	-	-	-	1
Disposal of subsidiaries	(1)	-	-	-	(1)
Exchange differences	28	1	-	2	31
At 31 March 2020	**407**	**13**	**7**	**19**	**446**
Set-off of deferred tax liabilities pursuant to set-off provisions					**(19)**
Net deferred tax liabilities at year-end					**427**

10 DEFERRED TAX (continued)

	Current liabilities £'m	Provisions and other £'m	Long-term liabilities £'m	Derivatives £'m	Leases £'m	Tax losses carried forward £'m	Total £'m
Deferred tax assets							
At 1 April 2018	(2)	(9)	(12)	-	-	(8)	(31)
Charged/(credited) to the income statement	-	1	(2)	(1)	-	(2)	(4)
Credited to other comprehensive income	-	-	(8)	-	-	-	(8)
Business combinations	-	1	(3)	-	-	-	(2)
Exchange differences	-	1	3	1	-	1	6
At 31 March 2019	(2)	(6)	(22)	-	-	(9)	(39)
Set-off of deferred tax assets pursuant to set-off provisions							17
Net deferred tax assets at year-end							**(22)**
At 1 April 2019	(2)	(6)	(22)	-	-	(9)	(39)
Charged/(credited) to the income statement	-	(3)	(2)	(1)	-	1	(5)
Credited to other comprehensive income	-	-	3	(2)	-	-	1
Change in accounting policy	-	-	-	-	(2)	-	(2)
Exchange differences	-	2	1	-	-	1	4
At 31 March 2020	(2)	(7)	(20)	(3)	(2)	(7)	(41)
Set-off of deferred tax assets pursuant to set-off provisions							19
Net deferred tax assets at year-end							**(22)**

10 DEFERRED TAX (continued)

At 31 March 2020, the Group had unutilised tax losses of approximately £121m (2019: £113m) potentially available for offset against future profits. A deferred tax asset of £7m (2019: £9m) 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 affect their recognition as deferred tax assets.

Unused tax losses for the Group are as follows:

	2020 £'m	2019 £'m
UNUSED TAX LOSSES NOT RECOGNISED AS DEFERRED TAX ASSETS		
Expiry in 1 year	**1**	19
Expiry in 2 years	**2**	1
Expiry in 3-7 years	**35**	9
No expiry	**51**	47
	89	76

Critical accounting estimates and judgements

Deferred tax on unremitted earnings

The Group recognised a deferred tax liability of £1m (2019: £1m) 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. 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 294m (2019: £1 270m). 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

	2020 £'m	2019 £'m
Inventories consist of:		
Pharmaceutical products	**94**	78
Consumables	**10**	10
	104	88

The cost of inventories recognised as an expense and included in cost of sales amounted to £721m (2019: £656m).

12 TRADE AND OTHER RECEIVABLES

	2020 £'m	2019 £'m
Trade receivables	**581**	534
Loss allowance	**(19)**	(18)
	562	516
Prepayments	**38**	23
Other receivables[1]	**166**	193
	766	732

Note

[1] Included in other receivables are Swiss unbilled services of £106m (2019: £119m).

Trade and other receivables are categorised as debt instruments at amortised cost. The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2020 £'m	2019 £'m
Swiss franc	**472**	458
South African rand	**77**	87
UAE dirham	**217**	187
	766	732

Trade receivables to the value of £51m (2019: £59m) have been ceded as security for banking facilities.

12 TRADE AND OTHER RECEIVABLES (continued)

The Group applies the simplified approach for providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The loss allowance is determined as follows:

	Current £'m	1-30 days past due[1] £'m	31-60 days past due[1] £'m	61-90 days past due £'m	More than 90 days past due £'m	Total £'m
2020						
Gross carrying amount	**311**	**55**	**35**	**23**	**157**	**581**
Loss allowance	**(1)**	**-**	**-**	**(1)**	**(17)**	**(19)**
Net carrying amount	**310**	**55**	**35**	**22**	**140**	**562**
Expected loss rate	0.32%	0.00%	0.00%	4.35%	10.83%	
2019						
Gross carrying amount	280	74	45	33	102	534
Loss allowance	(2)	-	-	(1)	(15)	(18)
Net carrying amount	278	74	45	32	87	516
Expected loss rate	0.45%	0.65%	0.93%	2.93%	14.17%	

Note

[1] Impact is less than £0.5m.

	2020 £'m	2019 £'m
Movement in the loss allowance		
Opening balance (2019: calculated under IAS 39)	**18**	45
Loss allowance	**9**	11
Disallowances recognised as bad debt reclassified to gross debtors (IFRS 15 adjustment)	**-**	(32)
Exchange differences	**-**	1
Unused amounts reversed	**(1)**	-
Amounts written off as uncollectable	**(7)**	(7)
Balance at year-end	**19**	18

A loss allowance is recognised for all receivables, in accordance with IFRS 9 *Financial Instruments*, and is monitored at the end of each reporting period. In addition to the loss allowance, receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Receivables that have been written off are not subject to enforcement activities.

The expected credit losses for non-credit-impaired receivables, which include Swiss unbilled services, are not material.

The majority of Swiss unbilled services will be recovered from Swiss insurance companies and federal authorities (cantons). Swiss insurance companies are subject to regular creditworthiness checks (e.g. minimum reserve levels).

Management considers the credit quality of the trade receivables that have not been credit impaired to be high in light of the nature of these trade receivables as described in note 3.1 (b).

13 SHARE CAPITAL

	2020 £'m	2019 £'m
Issued share capital		
Share capital	**74**	74
Share premium	**690**	690
	764	764

Ordinary shares	2020 £'m	2019 £'m
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 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.

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.

Treasury shares	Number of shares	Total £'m
At 1 April 2018	133 672	(1)
Vesting of Forfeitable Share Plan	(101 342)	1
At 31 March 2019	**32 330**	-
Disposal of shares held by Mpilo Trust	**(32 330)**	-
At 31 March 2020	**-**	-
The balance of the treasury shares at 31 March 2020 comprise:		
Forfeitable Share Plan	**-**	
Mpilo Trusts	**-**	
	-	

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 this was 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

	2020 £'m	2019 £'m
Other reserves comprise of:		
Equity-settled share-based payment reserves (refer to note 15)	-	-
Foreign currency translation reserve	815	628
Hedging reserve	(8)	(2)
Reverse acquisition reserve[1]	(3 014)	(3 014)
Capital redemption reserve[2]	6	6
	(2 201)	(2 382)
MOVEMENTS IN OTHER RESERVES		
Equity-settled share-based payment reserves (refer to note 15)	-	-
Opening balance	-	1
Settlement of Forfeitable Share Plan	-	(1)
Foreign currency translation reserve	815	628
Opening balance	628	468
Currency translation differences	187	153
Transfer from other reserves	-	7
Hedging reserve	(8)	(2)
Opening balance	(2)	5
Fair value adjustments of cash flow hedges, net of tax	(6)	-
Transfer to other reserves	-	(7)

Reverse acquisition

During February 2016, Mediclinic completed the combination between Al Noor and Mediclinic International Ltd. The combination was classified as a reverse acquisition.

Notes

[1] 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 Ltd shareholders; and
- the share value component of the total consideration.

[2] The UK Companies Act 2006 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

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 is 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 EPS (60% weighting).

	2020 £'m	2019 £'m
Opening balance	-	1
Share-based payment expense	1	(1)
Benefits paid	-	-
Closing balance	1	-

A reconciliation of the movement in the LTIP award units is detailed below:

	Average price (pence)	2020 Number of units	2019 Number of units
Opening balance		2 047 733	875 846
Granted	306.5	2 109 925	1 216 177
Vested	300	(8 259)	(2 516)
Lapsed		(271 579)	(41 774)
Closing balance		3 877 820	2 047 733

Valuation assumptions relating to the outstanding units:

	2019 LTIP allocation	2018 LTIP allocation	2017 LTIP allocation[1]
Grant date	19 June 2019	15 June 2018	1 June 2017
Vesting date	1 June 2022/2024	15 June 2021/2023	1 June 2020/2022
Outstanding units	2 109 925	1 183 768	584 127
Closing share price	269	269	n/a
Risk-free interest rate	0.19%	0.18%	n/a
Expected dividend yield	0.00%	0.00%	n/a
Volatility	41.80%	42.30%	n/a

Note

[1] The performance period for the 2017 Awards has elapsed with the Company being below the TSR targets. None of these awards will vest.

Certain awards were also granted to management that were subject only to service conditions. These awards were granted on 1 September 2016 and vested on different dates between 1 September 2016 and 14 June 2019. The total number of these awards granted was 16 115. Of these awards, 8 259 vested in 2020, 2 516 vested in 2019 and 5 340 units of these awards vested in 2018 and 2017.

15 SHARE-BASED PAYMENTS (continued)

Equity-settled share-based payment arrangements

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 was 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 the FSP have been finalised to the extent that the performance conditions were met as at 30 September 2015. The performance conditions constituted a combination of: absolute total shareholder return (40% weighting) and adjusted diluted headline earnings per share (60% weighting). The vesting of the shares granted in 2015 is subject to continued employment.

The remaining shares vested in June 2018.

	Weighted average fair value at grant date offer price	2020 Number of shares	2019 Number of shares
Opening balance	R87.41	-	101 342
Vested		-	(101 342)
Closing balance		-	-

16 NON-CONTROLLING INTERESTS

	2020 £'m	2019 £'m
Opening balance	**115**	87
Transactions with non-controlling shareholders	**3**	17
Dividends to non-controlling shareholders	**(15)**	(8)
Business combinations	**-**	12
Share of total comprehensive income	**10**	7
Share of profit	**21**	21
Currency translation differences	**(12)**	(14)
Share of other comprehensive income	**1**	-
Non-controlling interests	**113**	115

Details of non-wholly owned subsidiaries that have material non-controlling interests ('**NCI**'):

	2020 £'m	2019 £'m
Mediclinic (Pty) Ltd[1]		
Ownership interest held by NCI	**2.9%**	3.3%
Accumulated non-controlling interests in statement of financial position	**5**	7
Profit allocated to non-controlling interests	**1**	2
Curamed Holdings (Pty) Ltd (group)[1]		
Ownership interest held by NCI	**30.2%**	30.4%
Accumulated non-controlling interests in statement of financial position	**19**	21
Profit allocated to non-controlling interests	**3**	4
Grangettes Group[2]		
Ownership interest held by NCI	**40.0%**	40.0%
Accumulated non-controlling interests in statement of financial position	**34**	29
Profit allocated to non-controlling interests	**8**	3

Notes
[1] Country of business: South Africa
[2] Country of business: Switzerland

16 NON-CONTROLLING INTERESTS (continued)

Summarised financial information in respect of the Group's subsidiaries that have material NCIs is set out below. The summarised financial information below represents amounts before inter-group eliminations.

	2020 £'m	2019 £'m
Mediclinic (Pty) Ltd		
Non-current assets	**423**	137
Current assets	**237**	148
Non-current liabilities	**(342)**	(33)
Current liabilities	**(215)**	(133)
Revenue	**384**	384
Profit for the year	**17**	38
Other comprehensive income	**6**	2
Total comprehensive income	**23**	40
Net cash inflow from operating activities	**31**	44
Net cash outflow from investing activities	**(2)**	(10)
Net cash outflow from financing activities	**(33)**	(34)
Net cash inflow	**(4)**	-
Curamed Holdings (Pty) Ltd (group)		
Non-current assets	**43**	48
Current assets	**33**	36
Non-current liabilities	**(3)**	(3)
Current liabilities	**(10)**	(13)
Revenue	**69**	68
Profit for the year	**13**	13
Other comprehensive income	**-**	-
Total comprehensive income	**13**	13
Net cash inflow from operating activities	**18**	15
Net cash outflow from investing activities	**(5)**	(7)
Net cash outflow from financing activities	**(8)**	(8)
Net cash outflow	**5**	-

16 NON-CONTROLLING INTERESTS (continued)

Summarised financial information in respect of the Group's subsidiaries that have material NCIs is set out below. The summarised financial information below represents amounts before inter-group eliminations.

	2020 £'m	2019 £'m
Grangettes Group		
Non-current assets	**354**	163
Current assets	**72**	73
Non-current liabilities	**(208)**	33
Current liabilities	**(38)**	31
Revenue	**142**	74
Profit for the year	**19**	8
Other comprehensive income	**1**	(7)
Total comprehensive income	**20**	1
Net cash inflow from operating activities	**25**	23
Net cash inflow from investing activities	**(3)**	4
Net cash outflow from financing activities	**(27)**	(9)
Net cash inflow	**(5)**	18

17 BORROWINGS

	2020 £'m	2019 £'m
Bank loans	**1 673**	1 703
Preference shares	**82**	96
Listed bonds	**196**	181
Other liabilities	**-**	2
	1 951	1 982
Non-current borrowings	**1 787**	1 895
Current borrowings	**164**	87
Total borrowings	**1 951**	1 982

		2020 £'m Non-current	2020 £'m Current	2019 £'m Non-current	2019 £'m Current
	Swiss operations (denominated in Swiss franc)				
Secured bank loan one[1]	This loan bears interest at variable rates linked to the 3M LIBOR plus 1.25%. CHF50m is redeemable annually on 30 September with the final outstanding balance redeemable on 30 September 2025. The repayment in September 2020 has been suspended. The non-current portion includes capitalised financing costs of £13m (2019: £13m).	**1 156**	**-**	1 066	77
Secured bank loan two[1]	These loans were acquired as part of the Linde acquisition and bear interest at a fixed rate of 1.12%. CHF0.5m are repayable on 30 June and 31 December every year. The remaining balances are repayable during May 2023.	**15**	**1**	14	1
Secured bank loan three[2]	This fixed interest mortgage loan was acquired as part of the Linde acquisition and bears interest at 0.90% compounded quarterly. The loan is repayable by December 2023.	**8**	**-**	8	-
Secured bank loan four[2]	These loans were acquired as part of the Les Grangettes acquisition and bear interest linked to the 3M LIBOR plus 1.40%. The loan was redeemed on 27 July 2019.	**-**	**-**	12	-
Listed bonds	The listed bonds consist of CHF145m 1.63% and CHF90m 2.00% Swiss franc bonds. The bonds are repayable on 25 February 2021 and 25 February 2025 respectively.	**75**	**121**	181	-
Secured long-term finance[3]	These liabilities bear interest at variable rates ranging between 1.00% and 12.00% and are repayable in equal monthly payments in periods ranging from one to seven years.	**-**	**-**	1	1
	Balance carried forward	**1 254**	**122**	1 282	79

17 BORROWINGS (continued)

		2020 £'m Non-current	2020 £'m Current	2019 £'m Non-current	2019 £'m Current
	Balance carried forward	**1 254**	**122**	1 282	79
	Southern African operations (denominated in South African rand)				
Secured bank loan one[4]	The loan bears interest at the 3M JIBAR variable rate plus a margin of 1.49% compounded quarterly and is repayable on 26 September 2022.	**116**	**1**	136	1
Secured bank loan two[4]	The loan bears interest at the 3M JIBAR variable rate plus a margin of 1.59% compounded quarterly and is repayable on 26 September 2023.	**162**	**1**	189	1
Secured bank loan five[5]	These loans bear interest at variable rates linked to the prime overdraft rate and are repayable in periods ranging between one and 12 years.	**3**	**1**	6	1
Preference shares[4]	Dividends are payable monthly at a rate of 72% of 3M JIBAR plus a margin of 1.65%. The outstanding balance will be redeemed on 26 September 2022.	**82**	**-**	95	1
Bank overdraft		**-**	**13**	-	-
	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 1.85% with five-year amortising terms, expiring in August 2023.	**170**	**26**	187	4
		1 787	**164**	1 895	87

Notes

[1] The loan is secured by mortgage notes on Swiss properties and buildings to the value of £2 580m (2019: £2 395m) and Swiss bank accounts with a book value of £149m (2019: £112m).

[2] These loans are secured by mortgage notes on the properties and buildings of the Linde Group.

[3] Equipment with a book value of £nil (2019: £1m) is encumbered as security for these loans. These loans were reclassified to lease liabilities on adoption of IFRS 16. Refer to note 18 and note 34 for further information on the impact of the adoption of IFRS 16.

[4] Property and equipment with a book value of £271m (2019: £262m) are encumbered as security for these loans. Cash and cash equivalents of £1m (2019: £12m) and trade receivables of £51m (2019: £58m) have also been ceded as security for these borrowings.

[5] Property, equipment and vehicles with a book value of £18m (2019: £20m) are encumbered as security for these loans. Net trade receivables of £1m (2019: £1m) have also been ceded as security for these loans.

[6] Shares of investments in Emirates Healthcare Holdings Ltd and Emirates Healthcare Ltd are encumbered as security for these loans as well as an account pledge on receivable collection accounts.

18 LEASES

This note provides information for leases where the Group is the lessee. Refer to note 34 for a detailed explanation of the impact of the adoption of IFRS 16 *Leases* on the Group's financial statements.

Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	2020 £'m
Right-of-use assets	
Buildings	672
Equipment	3
	675
Right-of-use assets per geographic market	
Switzerland	414
Southern Africa	29
United Arab Emirates	232
	675

	2020 £'m
Lease liabilities	
Switzerland	416
Southern Africa	38
United Arab Emirates	249
	703
Of which are:	
- Non-current lease liabilities	654
- Current lease liabilities	49
	703

Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2020 £'m
Depreciation charge of right-of-use assets	
Buildings	45
Equipment	1
	46
Classified as:	
Cost of sales	44
Administration and other operating expenses	2
	46
Interest expense (included in finance cost)	21
Expense relating to short-term leases and leases of low-value assets	12

The total cash outflow for leases, excluding short-term leases and leases of low-value assets, was £63m.

18 LEASES (continued)

Critical accounting estimates and judgements

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

For leases of hospitals, the Group considers their past practice in exercising renewal options and the cost of business disruption required to replace the leased asset. Most extension options in respect of hospitals have not been included in the lease liability due to the long duration of existing lease contracts and the low probability of exercising renewal options based on the contractual renewal terms.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

19 RETIREMENT BENEFIT OBLIGATIONS

	2020 £'m	2019 £'m
Statement of financial position obligations for:		
Swiss pension benefit obligation	**71**	52
South African post-retirement medical benefit obligation	**28**	37
UAE end-of-service benefit obligation	**83**	60
	182	149
Total retirement benefit obligations	**182**	149
Short-term portion of retirement benefit obligations	**(14)**	(11)
Non-current retirement benefit obligations	**168**	138
Total amount charged to the income statement:		
Swiss pension benefit obligation	**40**	36
South African post-retirement medical benefit obligation	**6**	6
UAE end-of-service benefit obligation	**10**	9
	56	51
Total amount charged/(credited) to the other comprehensive income:		
Swiss pension benefit obligation	**12**	44
South African post-retirement medical benefit obligation	**(8)**	(3)
UAE end-of-service benefit obligation	**13**	1
	17	42

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.

19 RETIREMENT BENEFIT OBLIGATIONS (continued)

(a) Swiss pension benefit obligation

The Group's Swiss operations have five defined benefit pension plans, namely:

- *Pensionskasse Hirslanden*[1]
- *Vorsorgestiftung VSAO* (Association for Swiss Assistant and Senior Doctors)
- *Hirslanden Clinique La Colline SA*
- *Hirslanden Klinik Linde AG*
- *Clinique des Grangettes*

Note

[1] Employees of Radiotherapie Hirslanden AG have been integrated in the pension plan Pensionskasse Hirslanden from 1 January 2020.

Swiss pension benefit obligation	2020 £'m	2019 £'m
STATEMENT OF FINANCIAL POSITION		
Amounts recognised in the statement of financial position are as follows:		
Present value of funded obligations	**1 321**	1 216
Fair value of plan assets	**(1 250)**	(1 164)
Net pension liability	**71**	52
The movement in the defined benefit obligation over the year is as follows:		
Opening balance	**1 216**	1 045
Current service cost	**39**	35
Interest cost	**6**	8
Employee contributions	**37**	35
Benefits paid	**(58)**	(32)
Business combinations	**-**	49
Actuarial (gain)/loss	**(22)**	45
Exchange differences	**103**	31
Balance at year-end	**1 321**	1 216
The movement of the fair value of plan assets over the year is as follows:		
Opening balance	**1 164**	1 041
Employer contributions	**40**	38
Plan participants' contributions	**37**	35
Benefits paid from fund	**(58)**	(32)
Business combinations	**-**	42
Interest income on plan assets	**6**	8
Return on plan assets greater than discount rate	**(35)**	1
Administration costs	**(1)**	(1)
Exchange differences	**97**	32
Balance at year-end	**1 250**	1 164

19 RETIREMENT BENEFIT OBLIGATIONS (continued)

(a) Swiss pension benefit (continued)

Swiss pension benefit obligation (continued)	2020 £'m	2019 £'m
STATEMENT OF FINANCIAL POSITION		
Net pension liability reconciliation		
Opening net liability	**52**	4
Expenses recognised in the income statement	**40**	36
Contributions paid by employer	**(40)**	(38)
Business combinations	**-**	7
Exchange differences	**7**	(1)
Actuarial loss	**12**	44
Closing net liability	**71**	52
STATEMENT OF OTHER COMPREHENSIVE INCOME		
Amounts recognised in other comprehensive income are as follows:		
Actuarial loss - experience	**(6)**	(5)
Actuarial gain/(loss) due to liability assumption changes	**28**	(40)
Return on plan assets greater than discount rate	**(34)**	1
Total other comprehensive income	**(12)**	(44)
INCOME STATEMENT		
Amounts recognised in the income statement are as follows:		
Current service cost	**39**	35
Interest on liability	**6**	8
Interest on plan assets	**(6)**	(8)
Administration cost	**1**	1
	40	36
Actual return on plan assets	**(28)**	9
PRINCIPAL ACTUARIAL ASSUMPTIONS ON STATEMENT OF FINANCIAL POSITION		
Discount rate	**0.45%**	0.45%
Future salary increases	**1.50%**	1.75%
Future pension increases	**0.00%**	0.00%
Inflation rate	**1.00%**	1.25%
The assumed rates of mortality are as follows: • During employment: SA 85/90 tables of mortality • Post-employment: PA(90) tables		
NUMBER OF PLAN MEMBERS		
Active members	**9 710**	9 804
Pensioners	**1 063**	995

19 RETIREMENT BENEFIT OBLIGATIONS (continued)

(a) Swiss pension benefit (continued)

	2020 £'m	2020 %	2019 £'m	2019 %
Quoted investments				
Fixed income investments	**430**	**34.4%**	367	31.5%
Equity investments	**315**	**25.2%**	280	24.1%
Real estate	**21**	**1.7%**	42	3.6%
Other	**118**	**9.4%**	147	12.6%
	884	**70.7%**	836	71.8%
Non-quoted investments				
Fixed income investments	**30**	**2.4%**	32	2.8%
Equity investments	**-**	**0.0%**	12	1.0%
Real estate	**249**	**19.9%**	223	19.2%
Other	**87**	**7.0%**	61	5.2%
	366	**29.3%**	328	28.2%
	1 250	**100.0%**	1 164	100.0%

Assumptions and sensitivity analysis

Impact on defined benefit obligation	Base assumption	Change in assumption	Increase in obligation	Decrease in obligation
Discount rate	0.45%	0.25%	(2.7)%	2.7%
Salary growth rate	1.50%	0.50%	0.9%	(0.8)%
Pension growth rate	0.00%	0.25%	2.2%	0.0%

Impact on defined benefit obligation	Base assumption	Change in assumption	Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy (mortality)	65-year-old male: 22 years 65-year-od female: 24 years	1 year in expected lifetime of plan participants	2.2%	(2.2%)

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.

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 year.

19 RETIREMENT BENEFIT OBLIGATIONS (continued)

(a) Swiss pension benefit (continued)

Expected employer contributions to be paid to the pension plans for the year ended 31 March 2021 are £36m and it is anticipated that these contributions will remain at a similar level in the foreseeable future, subject to change in financial conditions.

The weighted average duration of the defined benefit obligation is 13.5 years (2019: 13.9 years). The maturity profile of the defined benefit obligation is as follows:

	</= 1 year £'m	1-5 years £'m	> 5 years £'m	Total £'m
At 31 March 2020				
Defined benefit obligation	**93**	**277**	**1 040**	**1 410**
At 31 March 2019				
Defined benefit obligation	80	242	980	1 302

Additional information on 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). The PH Fund is a foundation and an entity legally separate from Hirslanden. 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 governing body has mandated the investment activity to Complementa Investment Controlling AG, as the global custodian.

The investment strategy complies with the legal guidelines and is 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 employees' 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 employees' and the employer's contributions are determined based on the insured salary and range from 1.25–15.5% of the insured salary depending on the age of the beneficiary.

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.

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). The VSAO Fund is a foundation and an entity legally separate from Hirslanden. 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 employees' 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).

The employee's and the employer's contributions are 14% of the insured salary.

19 RETIREMENT BENEFIT OBLIGATIONS (continued)

(a) Swiss pension benefit (continued)

Other pension plans

Other pension plans exist for the latest acquired subsidiaries (Hirslanden Clinique La Colline SA, Hirslanden Klinik Linde AG and Clinique des Grangettes) which are not yet integrated into PH, the main pension plan of the Group. These pension funds are legally separate from Hirslanden Group. The investment of the plan assets is in accordance with the legal investment guidelines (BVV2).

The employee's and the employer's contributions are determined based on the insured salary and range from 1.78–15% of the insured salary depending on the age of the beneficiary.

General information on all pension plans

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 and the money originally brought into the pension plan by the beneficiary. Upon 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 5-7 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.

(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 2020, a 10.40% (2019: 9.30%) medical inflation rate and a 13.40% (2019: 10.50%) discount rate were assumed. The average retirement age was set at 63 years (2019: 63 years).

The assumed rates of mortality are as follows:

- During employment: SA 85/90 tables of mortality
- Post-employment: PA(90) tables

	2020 £'m	2019 £'m
Amounts recognised in the statement of financial position are as follows:		
Opening balance	**37**	40
Amounts recognised in the income statement	**6**	6
Current service cost	**2**	2
Interest cost	**4**	4
Benefits paid	**(1)**	(1)
Exchange differences	**(6)**	(5)
Actuarial gain recognised in other comprehensive income	**(8)**	(3)
Present value of unfunded obligations	**28**	37

19 RETIREMENT BENEFIT OBLIGATIONS (continued)

(b) South African post-retirement medical benefit obligation (continued)

Assumptions and sensitivity analysis

Impact on defined benefit obligation	Base assumption	Change in assumption	Increase in obligation	Decrease in obligation
Discount rate	13.40%	0.50%	(6.0)%	7.0%
Medical inflation rate	10.40%	1.00%	14.0%	(12.0)%

The expected post-employment medical benefits payable for the year ended 31 March 2021 is £1m.

(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 seven 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.

	2020	2019
The following are the principal actuarial assumptions:		
Discount rate	**1.0%**	2.9%
Future salary increases	**2.1%**	1.9%
Average retirement age	**60 years**	60 years
Annual turnover rate	**10.3%**	10.0%

	2020 £'m	2019 £'m
Amounts recognised in the statement of financial position are as follows:		
Opening balance	**60**	52
Amounts recognised in the income statement	**10**	9
Current service cost	**8**	7
Interest cost	**2**	2
Benefits paid	**(4)**	(6)
Classified as held-for-sale	**1**	(1)
Exchange differences	**3**	5
Actuarial loss/(gain) recognised in other comprehensive income	**13**	1
Present value of unfunded obligations	**83**	60
Current portion of retirement benefit obligations	**14**	11
Non-current retirement benefit obligations	**69**	49
	83	60

19 RETIREMENT BENEFIT OBLIGATIONS (continued)

(c) UAE end-of-service benefit obligation (continued)

Assumptions and sensitivity analysis

Impact on defined benefit obligation	Base assumption	Change in assumption	Increase in obligation	Decrease in obligation
Discount rate	1.03%	1.00%	(6.5)%	7.4%
Future salary increases	2.10%	1.00%	7.1%	(6.4)%

The expected employer contributions to be paid to the UAE end-of-service benefit obligation for the year ended 31 March 2021 are £14m.

None of the directors of Mediclinic participate in Swiss pension benefits or the UAE end-of-service benefit. One executive director and one non-executive director of Mediclinic participate in the South African post-retirement medical benefit obligation.

20 PROVISIONS

	2020 £'m	2019 £'m
Non-current	**36**	29
Employee benefits	**16**	16
Legal cases and other	**2**	1
Tariff risks	**18**	12
Current	**17**	15
Employee benefits	**3**	2
Legal cases and other	**4**	6
Tariff risks	**10**	7
	53	44

	Employee benefits £'m	Legal cases and other £'m	Tariff risks £'m	Total £'m
Opening balance at 1 April 2018	16	5	17	38
Charged to the income statement	3	2	6	11
Utilised during the year	(2)	(1)	-	(3)
Unused amounts reversed	-	-	(5)	(5)
Business combinations	-	1	-	1
Exchange differences	1	-	1	2
Closing balance at 31 March 2019	**18**	**7**	**19**	**44**
Charged to the income statement	**2**	**2**	**14**	**18**
Utilised during the year	**(2)**	**(3)**	**(2)**	**(7)**
Unused amounts reversed	**-**	**(1)**	**(5)**	**(6)**
Exchange differences	**1**	**1**	**2**	**4**
Closing balance at 31 March 2020	**19**	**6**	**28**	**53**

20 PROVISIONS (continued)

Employee benefits

This provision is for benefits granted to employees for long service. The provision is calculated based on the employee's cost to the Group as well as the estimated expected utilisation of the employee benefits.

Legal cases and other

This provision relates to payments for malpractice claims and other costs for legal claims. The recognised provision reflects the best estimate of the most likely outcome.

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. The tariff risk 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. Refer to note 23 for an explanation of the provisional tariffs and the impact on recognition of the tariff risk provision.

	2020 £'m	2019 £'m
Provisions are expected to be payable during the following financial years:		
Within one year	**17**	15
After one year but not more than five years	**29**	22
More than five years	**7**	7
	53	44

21 DERIVATIVE FINANCIAL INSTRUMENTS

	2020 £'m Assets	2020 £'m Liabilities	2019 £'m Assets	2019 £'m Liabilities
Non-current				
Interest rate swaps – cash flow hedges	**-**	**8**	-	2
Forward exchange contracts	**-**	**-**	-	1
Written put option (redemption liability)	**-**	**101**	-	88
	-	**109**	-	91
Current				
Interest rate swaps – cash flow hedges[1]	**-**	**2**	-	-
Forward exchange contracts	**2**	**-**	-	-
Written put option (redemption liability)	**-**	**-**	-	-
	2	**2**	-	-
	2	**111**	-	91

Note

[1] Amount is less than £0.5m in prior year.

21 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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 2020, the Group had 16 effective interest rate swap contracts (2019: 14) for borrowings specifically in Southern Africa. The value of borrowings hedged by the interest rate derivatives and the rates applicable to these contracts are as follows:

	Borrowings hedged £'m	Fixed interest payable	Interest receivable	Fair value gain/(loss) for the year £'m
As at 31 March 2020				
1–3 years[1]	**180**	**6.90–7.30%**	**3 month JIBAR/ 69% of prime interest rate**	**(6)**
As at 31 March 2019				
1–3 years[1]	245	6.90–7.70%	3 month JIBAR/ 69% of prime interest rate	-

Note

[1] The interest rate swap agreement resets every three months on 1 June, 1 September, 1 December and 1 March with a final reset on 1 June 2021 for £43m; 1 September 2021 for £32m; 1 March 2022 for £23m and 1 June 2022 for £82m. There is no ineffective portion recognised in the profit and loss that arises from the cash flow hedges.

At Mediclinic Middle East, an interest rate swap was entered into for a third of the borrowing facility (£65m) (2019: £64m) to hedge for rising interest rates. The swap was entered into at a fixed rate of 4.99% (1.85% margin plus 3.10% for the five-year USD swap curve rate). The interest rate swap resulted in fair value loss of £2m during the current financial year.

Redemption liability (written put option)

Through the acquisition of the Grangettes Group, the Group entered into a put/call agreement over the remaining 40% interest in the combined company of Clinique des Grangettes and Clinique La Colline. The option is exercisable after four years and the consideration on exercise will be determined based on the profitability of Clinique des Grangettes and Clinique La Colline at that time. The exercise price is formula based.

The amount that may become payable under the option on exercise is initially recognised at the present value of the redemption amount with a corresponding charge directly to equity. The charge to equity is recognised separately as written put options over non-controlling interests.

The liability is subsequently adjusted for changes in the estimated performance and increased through finance charges up to the redemption amount that is payable at the date at which the option first becomes exercisable. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to equity. The changes in the fair value of the liability will impact the income statement. A 10% change in the projected earnings will change the liability and profit before tax by £10m (2019: £9m).

	2020 £'m	2019 £'m
Movement in the redemption liability		
Opening balance at 1 April	**88**	-
Business combinations	**-**	88
Charged to the income statement		
Remeasurement of redemption liability	**5**	-
Unwinding of discount	**1**	-
Exchange differences	**7**	-
Closing balance at 31 March	**101**	88

22 TRADE AND OTHER PAYABLES

	2020 £'m	2019 £'m
Trade payables	**260**	230
Other payables and accrued expenses	**204**	179
Social insurance and accrued leave pay	**43**	43
Value added tax	**8**	10
	515	462

23 REVENUE

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.

Disaggregation of revenue from contracts with customers

	2020 £'m	2019 £'m
Major service lines		
Healthcare services	**2 979**	2 838
Rental income	**34**	31
Corporate	**1**	1
Other	**69**	62
	3 083	2 932
Primary geographic markets		
Switzerland	**1 438**	1 368
Southern Africa	**907**	886
United Arab Emirates	**737**	677
Other	**1**	1
	3 083	2 932

Switzerland healthcare services revenue

In Switzerland, the cost of treating inpatients with basic health insurance is fixed by the government. The pricing model is based on Swiss diagnostic-related groups ('**DRGs**') for inpatients and can be seen as a fixed-fee arrangement. Invoicing occurs when the patient is discharged. Revenue is recognised over the 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. Tariff provisions are recognised in revenue when the pricing model for DRGs is based on provisional tariffs. Provisional tariffs are recognised in revenue to the extent that it is highly probable that they will not be reversed. 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 payments made, the insurer can claim from the healthcare provider if the tariffs are lower than the provisional tariffs billed. The accounting for the provision results in a reduction of revenue with a corresponding entry to provisions in the statement of financial position. The tariff adjustment cannot be adjusted against accounts receivable due to the fact that the original invoices are settled before the finalisation of the tariffs. Tariff adjustments are therefore classified as provisions and this view is supported by the fact that balances due to funders are not settled on a net basis. 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.

23 REVENUE (continued)

Switzerland healthcare services revenue (continued)

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 medical practitioner fees are agreed directly between the insurer and the relevant medical practitioner. The revenue is recognised as the services are rendered over the period of the stay of the patient.

For inpatient cases open over year-end, revenue is accrued for by taking into account the average case mix index ('**CMI**') of the respective medical field, the base rate according to the respective category (accident, illness, inner-cantonal, external, self-payer etc.) as well as the *pro rata* length of stay.

For outpatient cases, the pricing model is based on TARMED rates. The applicable TARMED rate varies depending on the canton, procedure and patient and is calculated based on tax points for the different outpatient treatments which are multiplied with an individual tax point value. Specific medicaments and other material are added to determine the hospital fee. Invoicing occurs when the patient is discharged directly after treatment and revenue is recognised at the same time.

The Group's hospitals have affiliated doctors which are partners cooperating with Hirslanden on a contractual agreement. The contracts with these affiliated doctors allow them to use the Hirslanden infrastructure, nurses, theatre etc. The doctors are responsible for the treatment of the patient and Hirslanden is responsible for the technical services such as the medical equipment, nursing care etc. Swiss regulatory requirements compel 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.

Hirslanden acts as an agent for those affiliated doctors based on the following considerations:
- The affiliated doctors are responsible for fulfilling the contract of treating the patient. Every affiliated doctor needs its own liability insurance for any claim against any human error of the doctor. The hospital is responsible for any process failures at the hospital.
- The Group does not have discretion in establishing prices, this is 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.
- Credit risk is considered to be insignificant, but if the insurer does not accept an invoice after the amount has been refunded to the doctor, the doctor is contractually obliged to repay the amount to the hospital.

As a result, the refund paid to the doctor is deducted from revenue and thus revenue is shown on a net basis. For DRG procedures the refund is calculated using a contractually agreed-upon percentage for doctors' services and deducted from revenue.

Revenue from other sources is based on a fixed-fee arrangement and recognised when the control of goods and services is transferred.

	2020 £'m	2019 £'m
Inpatient revenue	**1 061**	1 029
Outpatient revenue	**296**	265
	1 357	1 294

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.

Southern Africa healthcare services revenue

In Southern Africa, a fee-for-service model is predominantly used with funders. Mediclinic invoices 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.

For certain procedures, a fixed-fee contract model is used. 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 length of stay of the patient. Excess costs or savings are not charged to the funder and are absorbed by the division.

23 REVENUE (continued)

Southern Africa healthcare services revenue (continued)

Services rendered by affiliated doctors are excluded from revenue.

Discounts comprise retrospective volume discounts granted to certain funders on attainment of certain admission levels. These volume discounts are negotiated with funders on an annual basis. The retrospective volume discounts give rise to variable consideration. Variable consideration is recognised as revenue to the extent that it is highly probable it will not reverse. Discounts are accrued over the course of the year based on the estimates of the level of business expected. This is adjusted at the end of the year to reflect 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).

Set out below is a breakdown of the Southern Africa healthcare services revenue:

	2020 £'m	2019 £'m
Hospital and day case clinic patient income	**858**	836
Emergency medical transport	**33**	35
	891	871

Middle East healthcare services revenue

In Dubai, a fee-for-service model is used with funders. Mediclinic invoices 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.

For certain procedures in Abu Dhabi, 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 length of stay of the patient. Excess costs or savings are not charged to the funder and are absorbed by the division.

Mediclinic Middle East acts as a principal in respect of tariff negotiations and takes the risk for disallowances and bad debts related to doctors' services. As a result, services rendered by employed doctors and independent doctors are included in revenue.

Discounts comprise retrospective volume discounts granted to certain funders on attainment of certain admission levels. These volume discounts are negotiated with funders on an annual basis. The retrospective volume discounts give rise to variable consideration. Variable consideration is recognised as revenue to the extent that it is highly probable it will not reverse. Discounts are accrued over the course of the year based on the estimates of the level of business expected. This is adjusted at the end of the year to reflect 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).

In the Middle East, the normal business process associated with transactions with insurers includes an amount of claims disallowed which is not paid by the insurer. These rejected claims could be for various technical or medical reasons. Accordingly, Mediclinic Middle East accepts and expects an amount of consideration that is less than what was originally invoiced. 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. Under IFRS 15, these rejected claims are recognised as part of revenue (decreasing the revenue recognised).

Set out below is a breakdown of the Middle East healthcare services revenue:

	2020 £'m	2019 £'m
Inpatient revenue	**263**	239
Outpatient revenue	**468**	434
	731	673

Rental income

The rental income received from external parties during the year from the letting of consulting rooms, parking, etc. was £34m (2019: £31m). Rental income is based on a high number of individual lease agreements with outstanding committed terms of between 1 and 3 years and standard pricing linked to inflation.

24 EXPENSES BY NATURE

	2020 £'m	2019 (Re-presented)[1] £'m
Fees paid to the Group's auditors for the following services:		
Audit of the parent Company and consolidated financial statements	**0.7**	0.5
Audit of Company subsidiaries	**1.8**	1.9
Audit services	**2.5**	2.4
Audit-related services	**0.3**	0.4
Other assurance services	**0.2**	0.2
All other services	**-**	-
	3.0	3.0
Cost of inventories	**721**	656
Depreciation (refer to note 6)	**197**	148
Buildings	**51**	50
Right-of-use assets	**46**	-
Equipment	**82**	78
Furniture and vehicles	**18**	20
Employee benefit expenses	**1 388**	1 284
Wages and salaries	**1 257**	1 167
Swiss social security costs	**60**	51
Retirement benefit costs – defined contribution plans	**14**	16
Retirement benefit costs – defined benefit obligations (refer to note 19)	**56**	51
Share-based payment expense (refer to note 15)	**1**	(1)
Increase in provision for impairment of receivables (refer to note 12)	**9**	11
Maintenance costs	**68**	53
Short-term leases and leases of low-value assets (2019: IAS 17 Operating leases)	**12**	63
Buildings	**9**	60
Equipment	**3**	3
Amortisation of intangible assets (refer to note 7)	**20**	20
Impairments (refer to notes 6 and 7)	**512**	241
Impairment of property, equipment and vehicles	**34**	186
Reversal of impairment of property	**(4)**	-
Impairment of goodwill	**482**	-
Impairment of trade names	**-**	55
Other expenses	**341**	369
	3 271	2 848

Note
[1] Refer to note 2.1.

24 EXPENSES BY NATURE (continued)

	2020 £'m	2019 (Re-presented)[1] £'m
Classified as:		
Cost of sales	**1 960**	1 890
Administration and other operating expenses	**1 311**	958
	3 271	2 848
Depreciation classified as:		
Cost of sales	**143**	112
Administration and other operating expenses	**54**	36
	197	148
Amortisation classified as:		
Cost of sales	**13**	12
Administration and other operating expenses	**7**	8
	20	20
Number of employees	**33 140**	32 398

25 OTHER GAINS AND LOSSES

	2020 £'m	2019 £'m
Loss on disposal of subsidiaries	**-**	(1)
Foreign exchange rate gains on corporate transactions	**3**	-
Fair value adjustments on derivative contracts	**1**	(2)
	4	(3)

26 FINANCE COST

	2020 £'m	2019 £'m
Interest expense	**58**	55
Interest on lease liabilities	**21**	-
Interest rate swaps[2]	**1**	-
Amortisation of capitalised financing costs	**3**	5
Derecognition of unamortised financing costs	**-**	2
Remeasurement of redemption liability (written put option)	**5**	-
Preference share dividend	**7**	10
Less: amounts included in cost of qualifying assets	**(3)**	(6)
	92	66

Notes

[1] Refer to note 2.1.

[2] Amount is less than £0.5m in the prior year.

27 INCOME TAX EXPENSE

	2020 £'m	2019 £'m
Current tax		
Current year	**54**	53
Deferred tax credit (refer to note 10)	**(30)**	(60)
Taxation per income statement	**24**	(7)
Composition		
UK tax	**-**	-
Foreign tax	**24**	(7)
	24	(7)

	2020 %	2019 %
Reconciliation of rate of taxation:		
UK statutory rate of taxation	**19.0%**	19.0%
Adjusted for:		
Capital gains taxed at different rates	**(0.0)%**	0.1%
Benefit of tax incentives	**0.2%**	0.4%
Share of net profit of equity accounted investments	**0.2%**	0.4%
Non-deductible expenses[1]	**(35.9)%**	(26.5)%
Non-controlling interests' share of profit before tax	**0.4%**	0.7%
Effect of different tax rates[2]	**(0.1)%**	1.5%
Income tax rate changes[3]	**10.2%**	-
Effect of differences between deferred and current tax rates[4]	**-**	0.1%
Non-recognition of tax losses in current year	**(1.1)%**	(1.7)%
Derecognition of tax losses relating to prior years	**(0.7)%**	(0.3)%
Utilisation of previously unrecognised tax losses	**(0.1)%**	-
Withholding taxes	**(0.1)%**	-
Prior year adjustment[5]	**(0.6)%**	11.7%
Effective tax rate[6]	**(8.6)%**	5.4%

Notes

1 The impairment of the listed associate of £10m (2019: £164m) and the impairment of goodwill of £482m were not deductible for tax purposes and are included in non-deductible expenses. The tax effect amounted to £93m (impact of 34% in effective tax rate).

2 Since the tax reconciliation is based on a UK statutory tax rate of 19.0%, a reconciling item results due to profit from Southern Africa which is subject to an income tax rate of 28.0% reduced by profit from the UAE which is not subject to income tax.

3 Corporate tax reforms in Switzerland led to the reduction in deferred tax liabilities amounting to £29m and a corresponding reduction to the tax rate charge.

4 In the prior year, the impairment of the trade names (£55m) and the impairment of property, equipment and vehicles (£186m) in Switzerland led to the release of a deferred tax liability of £47m. A reconciling item arises because the tax rate applied in calculating the deferred tax liabilities was higher than the current statutory rate of taxation.

5 Included in the prior year adjustment in 2019 is a credit of £17m relating to a change in the basis of estimating deferred tax related to Swiss properties from providing at a tax rate of 20.1% to tax rate of 19.3%.

6 If the impairment charges (and related deferred tax effect) discussed in point 1 and 4 above together with the items listed in point 3 were excluded from the effective tax rate calculation, the adjusted effective tax rate would be 22.3% (2019: 20.4%). Comparing the adjusted effective tax rate with the prior year, the increase is mainly due to the derecognition of previously recognised deferred tax assets on carry forward tax losses, in addition to not recognising deferred tax assets on current year tax losses in the Switzerland segment.

28 EARNINGS PER ORDINARY SHARE

	2020 £'m	2019 £'m
Loss per ordinary share (pence)		
Basic (pence)	**(43.4)**	(20.5)
Diluted (pence)	**(43.4)**	(20.5)
Earnings reconciliation		
Loss attributable to equity holders of the Company	**(320)**	(151)
Adjusted for:		
No adjustments	**-**	-
Loss for basic and diluted EPS	**(320)**	(151)

	2020 £'m	2019 £'m
NUMBER OF SHARES RECONCILIATION		
Weighted average number of ordinary shares in issue for basic earnings per share		
Ordinary shares in issue at the beginning of the year	**737 243 810**	737 243 810
Weighted average number of treasury shares	**(31 800)**	(49 544)
Mpilo Trusts[1]	**(31 800)**	(32 330)
Forfeitable Share Plan	**-**	(17 214)
	737 212 010	737 194 266
Weighted average number of ordinary shares in issue for diluted EPS		
Weighted average number of ordinary shares in issue	**737 212 010**	737 194 266
Weighted average number of treasury shares held, not yet released from treasury stock	**31 800**	49 544
Mpilo Trusts[1]	**31 800**	32 330
Forfeitable Share Plan	**-**	17 214
	737 243 810	737 243 810

Note

[1] Mpilo Trusts are employees share trusts that were created as part of the South African division's black economic empowerment initiative in 2005.

28 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 Listings Requirements, determined by reference to the South African Institute of Chartered Accountants' circular 01/2019 (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:

	2020 £'m	2019 £'m
HEADLINE EARNINGS PER SHARE		
Loss for basic and diluted EPS	**(320)**	(151)
Adjustments		
Impairment of equity-accounted investment	**10**	164
Impairment of properties and intangible assets	**509**	192
Loss on disposal of subsidiaries	**-**	1
Associate's (reversal of impairment)/impairment of property, plant and equipment	**(1)**	5
Headline earnings	**198**	211
HEPS (pence)	**26.9**	28.6
Diluted HEPS (pence)	**26.9**	28.6

29 OTHER COMPREHENSIVE INCOME

	2020 £'m	2019 £'m
COMPONENTS OF OTHER COMPREHENSIVE INCOME		
Currency translation differences	**175**	142
Fair value adjustments – cash flow hedges	**(6)**	-
Remeasurement of retirement benefit obligations	**(17)**	(34)
Effect of changes in income tax rates on retirement benefit obligations	**(4)**	-
Other comprehensive income, net of tax	**148**	108

	Attributable to equity holders of the Company (before tax) £'m	Tax charge attributable to equity holders of the Company £'m	Attributable to non-controlling interest (after tax) £'m	Total £'m
Year ended 31 March 2020				
Currency translation differences	**187**	**-**	**(12)**	**175**
Fair value adjustments – cash flow hedges	**(8)**	**2**	**-**	**(6)**
Remeasurement of retirement benefit obligations	**(19)**	**1**	**1**	**(17)**
Effect of changes in income tax rates on retirement benefit obligations	**-**	**(4)**	**-**	**(4)**
Other comprehensive income	**160**	**(1)**	**(11)**	**148**
Year ended 31 March 2019				
Currency translation differences	153	-	(11)	142
Remeasurement of retirement benefit obligations	(39)	8	(3)	(34)
Other comprehensive income	114	8	(14)	108

30 CASH FLOW INFORMATION

	2020 £'m	2019 £'m
30.1 Reconciliation of profit before taxation to cash generated from operations		
Profit/(loss) before taxation	**(275)**	(137)
Adjustments for:		
Finance cost – net	**83**	57
Share of net profit of equity-accounted investments	**(2)**	(3)
Share-based payments	**1**	(1)
Depreciation and amortisation	**217**	168
Loss allowance of trade receivables	**9**	11
Movement in provisions	**5**	5
Movement in retirement benefit obligations	**10**	7
Impairment of properties and intangible assets	**512**	241
Impairment of equity-accounted investment	**10**	164
Loss on disposal of subsidiaries	**-**	1
Fair value adjustments on derivative contracts	**(1)**	2
Operating income before changes in working capital	**569**	515
Working capital changes	**20**	(64)
(Increase)/decrease in inventories	**(15)**	4
Increase in trade and other receivables	**(11)**	(104)
Increase in trade and other payables	**46**	36
	589	451
30.2 Interest paid		
Finance cost per income statement	**92**	66
Non-cash items		
Amortisation of capitalised financing fees	**(3)**	(5)
Borrowing costs capitalised	**3**	-
Remeasurement redemption liability	**(5)**	-
Unwinding of discount of redemption liability	**(1)**	-
Accrued interest on lease liability	**(3)**	-
	83	61

30 CASH FLOW INFORMATION (continued)

	2020 £'m	2019 £'m
30.3 Tax paid		
Liability at the beginning of the year	**7**	4
Provision for the year	**54**	53
Business combinations	**-**	5
	61	62
Liability at year-end	**(2)**	(7)
	59	55
30.4 Investment to maintain operations		
Property, equipment and vehicles purchased	**76**	82
Intangible assets purchased	**8**	1
Movement in capital expenditure payables	**(3)**	3
	81	86
30.5 Investment to expand operations		
Property, equipment and vehicles p urchased	**93**	122
Intangible assets purchased	**15**	26
Movement in capital expenditure payables	**(6)**	6
	102	154

30.6 Dividends

	Date paid/payable	Dividend per share (pence)	2020 £'m	2019 £'m
Dividends declared				
Year ended 31 March 2020				
Interim dividend	17 December 2019	3.20	**24**	
Final dividend	n/a	-		
		3.20		
Year ended 31 March 2019				
Interim dividend	18 December 2018	3.20		24
Final dividend	29 July 2019	4.70		35
		7.90	**24**	59
Dividends paid				
Dividends paid during the year			**59**	59

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). As part of the Group's response to maintaining its liquidity position through the crisis and to maximise its support in tackling COVID-19, the Board has taken the prudent and appropriate decision to suspend the final dividend.

30 CASH FLOW INFORMATION (continued)

30.7 Changes in liabilities arising from financing activities

	Total borrowings £'m	Net derivative financial instruments held to hedge borrowings £'m	Total lease liabilities £'m	Total £'m
Year ended 31 March 2020				
Opening balance	**1 982**	**2**	**-**	**1 984**
Cash flow movements				
Proceeds from borrowings	**15**	**-**	**-**	**15**
Repayment of borrowings	**(101)**	**-**	**-**	**(101)**
Repayment of lease liabilities	**-**	**-**	**(45)**	**(45)**
Refinancing transaction cost	**(1)**	**-**	**-**	**(1)**
Non-cash items				
Change in accounting policy	**(3)**	**-**	**665**	**662**
Amortisation of capitalised financing fees	**3**	**-**	**-**	**3**
Fair value changes	**-**	**8**	**-**	**8**
Transfer to liabilities held for sale	**-**	**-**	**(4)**	**(4)**
New lease commitments entered into during the year	**-**	**-**	**52**	**52**
Lease commitments terminated during the year	**-**	**-**	**(5)**	**(5)**
Accrued interest on lease liabilities	**-**	**-**	**3**	**3**
Exchange rate differences	**56**	**-**	**37**	**93**
Closing balance	**1 951**	**10**	**703**	**2 664**
Year ended 31 March 2019				
Opening balance	1 937	2	-	1 939
Cash flow movements				
Proceeds from borrowings	385	-	-	385
Repayment of borrowings	(347)	-	-	(347)
Refinancing transaction cost	(5)	-	-	(5)
Non-cash items				
Amortisation of capitalised financing fees	5	-	-	5
Business combinations	19	-	-	19
Exchange rate differences	(12)	-	-	(12)
Closing balance	1 982	2	-	1 984

30 CASH FLOW INFORMATION (continued)

	2020 £'m	2019 £'m
30.8 Cash and cash equivalents		
For the purposes of the statement of cash flows, cash, cash equivalents and bank overdrafts include:		
Cash and cash equivalents	**329**	265
Cash, cash equivalents and bank overdrafts are denominated in the following currencies:		
Swiss franc[1]	**158**	119
South African rand[2]	**93**	97
UAE dirham[3]	**33**	19
Sterling[4]	**37**	30
US dollar[5]	**8**	-
	329	265

Notes

1 The facility agreement of the Swiss subsidiary restricts the distribution of cash. The counterparties have a minimum A1 credit rating by Moody's and a minimum A credit rating by Standard & Poor's.
2 The counterparties have a minimum Baa3 credit rating by Moody's.
3 The counterparties have a minimum BBB+ by Standard & Poor's.
4 The counterparty has an Aa3 credit rating by Moody's.
5 The counterparty has an Aa3 credit rating by Moody's.

Cash and cash equivalents denominated in Swiss franc amounting to £149m (2019: £112m) and South African bank accounts denominated in South African rand amounting to £1m (2019: £12m) have been ceded as security for borrowings (refer to note 17).

31 BUSINESS COMBINATIONS

The following business combinations occurred during the current and prior years:

	2020 £'m	2019 £'m
Cash flow on acquisition:		
Denmar Specialist Psychiatric Hospital	**(12)**	-
Clinique des Grangettes	**-**	(50)
City Centre Clinics Deira and Me'aisem	**-**	(7)
Welkom Medical Centre	**-**	(6)
	(12)	(63)

Denmar Specialist Psychiatric Hospital

Effective on 1 December 2019, Mediclinic Southern Africa acquired 100% of the share capital of Denmar Specialist Psychiatric Hospital for £12m (R217m). Denmar is a mental health treatment provider operating 170 beds located in Garsfontein, Pretoria East and specialising in the treatment of psychiatric illnesses. The goodwill of £4m (R78m) arising from the acquisition is attributable to the acquired workforce. None of the goodwill recognised is expected to be deductible for income tax purposes.

31 BUSINESS COMBINATIONS (continued)

The following table summarises the provisional fair value of assets acquired and liabilities assumed at the acquisition date.

	2020 £'m
Recognised amounts of identifiable assets acquired and liabilities assumed	
Assets	
Property, equipment and vehicles	8
Trade and other receivables	1
Total assets	9
Liabilities	
Deferred tax liabilities	1
Total liabilities	1
Total identifiable net assets at fair value	8
Goodwill	4
Cash flow on acquisition	12
Cash flow on acquisition	
Net cash acquired with subsidiary	-
Cash paid	(12)
Net cash flow upon acquisition	(12)

Revenue and profit contribution

The acquired business contributed revenues of £1m and net profit of £0.4m to the Group for the period from 2 December 2019 to 31 March 2020. If the acquisition had occurred on 1 April 2019, consolidated pro-forma revenue and net profit for the year ended 31 March 2020 would have been £5m and £0.5m respectively.

32 DISPOSAL OF SUBSIDIARIES

During the current year, the Group disposed of Klinik Belair AG, Schaffhausen that was part of the Switzerland division with effect from 1 October 2019, as well as Mediclinic Ghayathi Clinic, branch of Mediclinic Hospitals LLC in Abu Dhabi that was part of the Middle East segment with effect from 3 March 2020.

In the prior year, the Group disposed of Mediclinic Aspetar LLC and Mediclinic Pharmacy Aspetar LLC that were part of the Middle East segment, as well as Mediclinic Barberton (Pty) Ltd that was part of the Southern Africa segment.

	2020 £'m	2019 £'m
Analysis of assets and liabilities over which control was lost		
Property, equipment and vehicles	**10**	1
Inventories	**-**	-
Trade and other receivables	**2**	-
Cash and cash equivalents	**2**	-
Deferred income tax liabilities	**(1)**	-
Trade and other payables	**(2)**	-
Net assets disposed of	**11**	1
Consideration received		
Cash and cash equivalents	**11**	-
Total consideration	**11**	-
Loss on disposal of subsidiary		
Consideration received[1]	**11**	-
Net assets disposed of	**(11)**	(1)
Loss on disposal	**-**	(1)
Net cash inflow		
Total cash flow on disposal of subsidiary	**11**	-
Less: cash and cash equivalents disposed of	**(2)**	-
Net cash inflow on disposal	**9**	-

Note

[1] Amount was less than £0.5m in the prior year.

33 DISPOSAL GROUPS HELD-FOR-SALE

During the year, management decided to sell three outpatient medical centres within the Switzerland segment with effect from 1 June 2020.

During the prior year, management decided to sell the following clinics within the Mediclinic Middle East segment: Mediclinic Hospitals – Al Mussafah Speciality Clinics.

	2020 £'m	2019 £'m
ANALYSIS OF ASSETS AND LIABILITIES HELD-FOR-SALE		
Assets		
Property, equipment and vehicles	**7**	1
Trade and other receivables	**1**	3
Total assets	**8**	4
Liabilities		
Lease liabilities	**4**	-
Retirement benefit obligations	**-**	1
Total liabilities	**4**	1

34 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 16 *Leases* on the Group's financial statements.

The Group adopted IFRS 16 retrospectively from 1 April 2019, but has not restated comparatives for the 2019 reporting period as permitted under the specific transition provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 April 2019. The new accounting policies are disclosed in note 2.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 were as follows for each division:

- Switzerland: 0.8–2.0%
- Southern Africa: 8.7–9.8%
- Middle East: 4.2–4.5%

A number of transition options are available to lessees under IFRS 16. The Group applied the simplified approach where two options are available on a lease-by-lease basis:

- The lease liability is measured at the present value of the remaining lease payments over the period of the lease at the incremental borrowing rate measured at 1 April 2019. The right-of-use asset is measured retrospectively as if IFRS 16 had always been applied with an adjustment to retained earnings.
- The lease liability is measured at the present value of the remaining lease payments over the period of the lease at the incremental borrowing rate measured at 1 April 2019. The right-of-use asset is measured at an amount equal to the lease liability with no adjustment to retained earnings.

As allowed under IFRS 16, the two options above were applied on a lease-by-lease basis. For the larger leases of the Group, the right-of-use assets were measured retrospectively with an adjustment to retained earnings. For other leases a more simplistic approach was taken where the right-of-use assets were determined to be equal to their respective lease liabilities.

34 CHANGES IN ACCOUNTING POLICIES (continued)

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Accounting for operating leases with a remaining lease term of less than 12 months at 1 April 2019 as short-term leases;
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made by applying IAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

Measurement of lease liabilities

	1 Apr 2019 £'m
Operating lease commitments disclosed at 31 March 2019	754
Operating lease commitment for contracts commencing after date of initial application	(45)
	709
Discounted using the lessee's incremental borrowing rate on 1 April 2019	515
Short-term and low value leases not recognised as a liability	(7)
Adjustments as a result of different treatment of extension and termination options	154
Lease liability for contracts commencing on 1 April 2019	3
Lease liability recognised at 1 April 2019	665
Of which are:	
Non-current lease liabilities	618
Current lease liabilities	47
	665
Lease liability by segment:	
Switzerland	394
Southern Africa	26
Middle East	245
	665

34 CHANGES IN ACCOUNTING POLICIES (continued)

Measurement of right-of-use assets

For certain identified leases, the associated right-of-use assets were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at an amount equal to the lease liability.

Adjustments recognised in the statement of financial position on 1 April 2019

	1 Apr 2019 £'m
Right-of-use assets (under property, equipment and vehicles)	640
Less: Favourable lease contract reclassification	(23)
Right-of-use assets (under property, equipment and vehicles)	617
Deferred tax assets	2
Prepayments (under trade and other receivables)	(2)
Other payables (under trade and other payables)	8
Borrowings	3
Lease liabilities	(665)
Impact on retained earnings	(37)

35 COMMITMENTS

	2020 £'m	2019 £'m
CAPITAL COMMITMENTS		
Incomplete capital expenditure contracts	**114**	99
Switzerland	**30**	15
Southern Africa	**70**	69
Middle East	**14**	15
Capital expenses authorised by the Board of Directors but not yet contracted	**123**	166
Switzerland	**2**	16
Southern Africa	**96**	130
Middle East	**25**	20
	237	265

35 COMMITMENTS (continued)

In terms of a forward contract in the Middle East, the Group has an obligation to pay £4m on 31 October 2020. This best estimate of the obligation is determined based on an earnings multiple and is contractually capped to an amount of £85m.

These commitments will be financed from Group cash flow and borrowed funds.

Operating lease commitments

The Group has entered into various operating lease agreements on premises and equipment. On 1 April 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low value leases (refer to note 18 and note 34). The future non-cancellable minimum lease rentals that were payable during the previous financial year:

	2020 £'m	2019 £'m
Within 1 year	**1**	63
1 – 5 years	**-**	199
Beyond 5 years	**-**	492
	1	754

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 3–5 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 aforementioned income guarantees in the reporting period as the net income individually generated met or exceeded the amounts guaranteed.

	2020 £'m	2019 £'m
Total of net income guaranteed:		
April 2019 – March 2020	**-**	3
April 2020 – March 2021	**4**	1
April 2021 – March 2022	**2**	1
April 2022 – March 2023[1]	**-**	-
	6	5

Note

[1] Amount is less than £0.5m.

Contingent liabilities

The Group is routinely subject to legal proceedings, claims, complaints and investigations arising out of the ordinary course of business. The Group cannot always accurately predict the outcome of individual legal actions, claims, complaints or investigations but a best estimate of the likelihood of such actions and claims crystallising a financial exposure is made at each year-end. Where an exposure is deemed probable and is reliably estimable, a provision is made. Except for those matters where provisions have been recorded, which are described in note 20, the Group considers that no material loss to the Group is expected to result from legal proceedings, claims, complaints and investigations.

36 RELATED PARTY TRANSACTIONS

Remgro Ltd owns, through various subsidiaries (Remgro Healthcare [Pty] Ltd, Remgro Health Ltd and Remgro Jersey GBP Ltd) 44.56% (2019: 44.56%) of the Company's issued share capital.

The following transactions were carried out with related parties:

	2020 £'m	2019 £'m
i) TRANSACTIONS WITH SHAREHOLDERS		
Remgro Management Services Ltd (subsidiary of Remgro Ltd)		
Managerial and administration fees	**0.4**	0.3
Internal audit services	**-**	0.2
V&R Management Services AG (subsidiary of Remgro Ltd)		
Administration fees[1]	**-**	-
ii) KEY MANAGEMENT COMPENSATION		
Key management includes the directors (executive and non-executive) and members of the Group Executive Committee.		
Salaries and other short-term benefits		
Short-term benefits	**5**	6
iii) TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES		
Zentrallabor Zürich		
Fees earned	**(1)**	(2)
Purchases	**8**	9
Spire Healthcare Group plc		
Non-executive director fee[2]	**-**	-
Wits University Donald Gordon Medical Centre (Pty) Ltd		
Fees paid	**2.3**	2

Notes

1 In the prior year the amount was less than £0.1m. No administration fees were paid in the current year.

2 Amount is less than £0.1m.

Terms and conditions

Managerial and administration fees were bought on a cost-plus basis. All other transactions were made on normal commercial terms and conditions and at market rates.

37 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	2020 £'m	2019 £'m
Financial assets		
Other investments and loans	**2**	3
Derivative financial instruments	**2**	-
Financial liabilities		
Derivative financial instruments	**(10)**	(3)

- Equity instruments at FVPL (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, put/call agreements and forward contracts. These financial instruments 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 are grouped as level 2. Forward contracts are grouped as level 3.

Financial instruments not carried at fair value in the statement of financial position	2020 £'m	2019 £'m
Financial assets		
Other investments and loans	**9**	8
Trade and other receivables	**562**	516
Cash and cash equivalents	**329**	265
Financial liabilities		
Borrowings	**(1 951)**	(1 982)
Derivative financial instruments	**(101)**	(88)
Trade and other payables	**(464)**	(409)

- 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 approximates 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.
- Derivative financial instruments: The value of the redemption liability (written put option) is determined based on the profitability of Clinique des Grangettes and Clinique La Colline. The exercise price is formula based and the financial liability is recognised at amortised cost at the present value of the estimated future contractual cash flows of the redemption amount.

38 EVENTS AFTER THE REPORTING DATE

No material events occurred between year-end and the date the financial statements were authorised for issue.

ANNEXURE – INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

SUBSIDIARIES

Company	Address of the registered office	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2020 %	Interest in capital[1] 31 March 2019 %
Al Noor Holdings Cayman Limited (‘**ANH Cayman**’)[3]	Maples Corporate Services Limited, P.O.BOX 309, Ugland House, Grand Cayman, KYI-1104 Cayman Islands	Cayman Islands	Liquidated	**-**	100.0
ANMC Management Limited (‘**ANMC Management**’)[3]	Maples Corporate Services Limited, P.O.BOX 309, Ugland House, Grand Cayman, KYI-1104 Cayman Islands	Cayman Islands	Liquidated	**-**	100.0
Mediclinic CHF Finco Limited	IFC 5, St Helier, Jersey, JE1 1ST, Channel Islands	Jersey	Treasury	**100.0**	100.0
Mediclinic Holdings Netherlands B.V.	Schiekade 830, 3032 AL Rotterdam, Netherlands	Netherlands	Intermediary holding company	**100.0**	100.0
Mediclinic International (RF) (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Intermediary holding company	**100.0**	100.0
Mediclinic Middle East Holdings Limited	IFC 5, St Helier, Jersey, JE1 1ST, Channel Islands	Jersey	Intermediary holding company	**100.0**	100.0
INDIRECTLY HELD THROUGH MEDICLINIC CHF FINCO LIMITED					
Mediclinic Jersey Limited	IFC 5, St Helier, Jersey, JE1 1ST, Channel Islands	Jersey	Intermediary holding company	**100.0**	100.0
INDIRECTLY HELD THROUGH MEDICLINIC INTERNATIONAL (RF) (PTY) LTD					
Mediclinic Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Intermediary holding company	**100.0**	100.0
Mediclinic Group Services (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Provision of group services within the Mediclinic Group	**100.0**	100.0
INDIRECTLY HELD THROUGH MEDICLINIC INVESTMENTS (PTY) LTD					
Mediclinic Southern Africa (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Intermediary holding company	**100.0**	100.0

Company	Address of the registered office	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2020 %	31 March 2019 %
INDIRECTLY HELD THROUGH MEDICLINIC GROUP SERVICES (PTY) LTD					
Medical Innovations (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch, 7600	South Africa	Hospital equipment and procurement	**100.0**	100.0
INDIRECTLY HELD THROUGH MEDICLINIC SOUTHERN AFRICA (PTY) LTD					
Curamed Holdings (Pty) Ltd	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Intermediary holding company	**69.8**	69.6
ER24 Holdings (Pty) Ltd	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Intermediary holding company	**100.0**	100.0
Howick Private Hospital Holdings (Pty) Ltd[9] (50% plus 1 share)	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Intermediary holding company	**50.0**	50.0
Medical Human Resources (Pty) Ltd	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Management of healthcare staff	**100.0**	100.0
Mediclinic (Pty) Ltd (ordinary shares and Mediclinic Head Office Hospital shares)	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Intermediary holding company and operating company of Mediclinic Southern Africa	**100.0**	100.0
Mediclinic Brits (Pty) Ltd[9]	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Healthcare services	**66.7**	66.7
Mediclinic Finance Corporation (Pty) Ltd	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Treasury	**100.0**	100.0
Mediclinic Holdings (Namibia) (Pty) Ltd	Grant Thornton Neuhaus 12th floor Sanlam Centre 157 Independence Avenue Windhoek, Namibia	Namibia	Intermediary holding company	**100.0**	100.0
Mediclinic Lephalale (Pty) Ltd[9]	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Healthcare services	**93.2**	91.2
Mediclinic Midstream (Pty) Ltd[9]	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Healthcare services	**81.8**	79.8

Company	Address of the registered office	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2020 %	Interest in capital[1] 31 March 2019 %
Mediclinic Paarl (Pty) Ltd[9]	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Healthcare services	**75.5**	75.5
Mediclinic Properties (Pty) Ltd	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Property ownership and management	**100.0**	100.0
Mediclinic Tzaneen (Pty) Ltd[9] (50% plus one share)	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Healthcare services	**50.0**	50.0
Mediclinic Stellenbosch (Pty) Ltd[9]	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Healthcare services	**87.3**	72.5
Denmar Specialist Psychiatric Hospital (Pty) Ltd	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Mental healthcare services	**100.0**	0
Intelimed (Pty) Ltd	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Managed Care Organisation (Dormant)	**100.0**	0
Intercare Group Hospital Holdings (Pty) Ltd (Hospitals)	Glenfair Office Block Lynnwood & Daventry Roads Lynnwood 0081	South Africa	Healthcare services	**50.1**	50.1
Newcastle Private Hospital (Pty) Ltd[9] (50% plus one share, including B class shares)	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Healthcare services	**51.3**	50.0
Practice Relief (Pty) Ltd	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Provision of debt collection and related services	**100.0**	100.0
Victoria Hospital (Pty) Ltd[9] (50% plus five shares, including B class shares)	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Healthcare services	**50.0**	50.0
INDIRECTLY HELD THROUGH MEDICLINIC HOLDINGS (NAMIBIA) (PTY) LTD					
Mediclinic Capital (Namibia) (Pty) Ltd	Grant Thornton Neuhaus 12th floor Sanlam Centre 157 Independence Avenue Windhoek, Namibia	Namibia	Investment holding company	**100.0**	100.0

Company	Address of the registered office	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2020 %	31 March 2019 %
Mediclinic Otjiwarongo (Pty) Ltd	Grant Thornton Neuhaus 12th floor Sanlam Centre 157 Independence Avenue Windhoek, Namibia	Namibia	Healthcare services	**100.0**	100.0
Mediclinic Properties (Swakopmund) (Pty) Ltd	Grant Thornton Neuhaus 12th floor Sanlam Centre 157 Independence Avenue Windhoek, Namibia	Namibia	Property ownership and management	**100.0**	100.0
Mediclinic Properties (Windhoek) (Pty) Ltd	Grant Thornton Neuhaus 12th floor Sanlam Centre 157 Independence Avenue Windhoek, Namibia	Namibia	Property ownership and management	**100.0**	100.0
Mediclinic Swakopmund (Pty) Ltd	Grant Thornton Neuhaus 12th floor Sanlam Centre 157 Independence Avenue Windhoek, Namibia	Namibia	Healthcare services	**98.9**	99.0
Mediclinic Windhoek (Pty) Ltd	Grant Thornton Neuhaus 12th floor Sanlam Centre 157 Independence Avenue Windhoek, Namibia	Namibia	Healthcare services	**97.1**	97.1
HOSPITAL INVESTMENT COMPANIES					
Mediclinic Bloemfontein Investments (Pty) Ltd	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Hospital investment company	**98.2**	98.2
Mediclinic Cape Gate Investments (Pty) Ltd	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Hospital investment company	**90.5**	89.9
Mediclinic Cape Town Investments (Pty) Ltd	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Hospital investment company	**99.0**	99.0
Mediclinic Constantiaberg Investments (Pty) Ltd	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Hospital investment company	**75.0**	75.0
Mediclinic Durbanville Investments (Pty) Ltd	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Hospital investment company	**99.4**	99.4
Mediclinic Emfuleni Investments (Pty) Ltd	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Hospital investment company	**81.0**	80.1

Company	Address of the registered office	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2020 %	Interest in capital[1] 31 March 2019 %
Mediclinic George Investments (Pty) Ltd	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Hospital investment company	**99.3**	99.3
Mediclinic Highveld Investments (Pty) Ltd	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Hospital investment company	**97.1**	98.5
Mediclinic Hoogland Investments (Pty) Ltd	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Hospital investment company	**98.9**	99.1
Mediclinic Kathu Investments (Pty) Ltd	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Dormant	**100.0**	100.0
Mediclinic Klein Karoo Investments (Pty) Ltd	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Hospital investment company	**100.0**	100.0
Mediclinic Legae Investments (Pty) Ltd	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Hospital investment company	**88.0**	89.3
Mediclinic Louis Leipoldt Investments (Pty) Ltd	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Hospital investment company	**99.9**	99.8
Mediclinic Milnerton Investments (Pty) Ltd	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Hospital investment company	**99.4**	99.4
Mediclinic Morningside Investments (Pty) Ltd	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Hospital investment company	**81.3**	79.7
Mediclinic Nelspruit Investments (Pty) Ltd	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Hospital investment company	**98.2**	98.2
Mediclinic Panorama Investments (Pty) Ltd	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Hospital investment company	**99.2**	99.2
Mediclinic Pietermaritzburg Investments (Pty) Ltd	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Hospital investment company	**77.6**	76.4
Mediclinic Plettenberg Bay Investments (Pty) Ltd	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Hospital investment company	**93.0**	93.0

Company	Address of the registered office	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2020 %	Interest in capital[1] 31 March 2019 %
Mediclinic Sandton Investments (Pty) Ltd	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Hospital investment company	**93.8**	93.8
Mediclinic Secunda Investments (Pty) Ltd	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Hospital investment company	**82.2**	81.8
Mediclinic Vereeniging Investments (Pty) Ltd	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Hospital investment company	**98.5**	98.5
Mediclinic Vergelegen Investments (Pty) Ltd	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Hospital investment company	**94.8**	94.4
Mediclinic Welkom Investments (Pty) Ltd	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Hospital investment company	**91.5**	91.9
Mediclinic Worcester Investments (Pty) Ltd	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Hospital investment company	**97.3**	97.3
INDIRECTLY HELD THROUGH MEDICLINIC (PTY) LTD					
Mediclinic Ermelo (Pty) Ltd[9]	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Healthcare services	**58.1**	58.1
Mediclinic Hermanus (Pty) Ltd[9]	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Healthcare services	**53.2**	53.2
Mediclinic Kimberley (Pty) Ltd[9]	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Healthcare services	**89.6**	89.5
Mediclinic Limpopo (Pty) Ltd[9&11]	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Healthcare services	**50.0**	50.0
Mediclinic Potchefstroom (Pty) Ltd[9]	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Healthcare services	**85.6**	85.6
Mediclinic Upington (Pty) Ltd[9]	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Healthcare services	**50.0**	50.0

Company	Address of the registered office	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2020 %	31 March 2019 %
INDIRECTLY HELD THROUGH HOWICK PRIVATE HOSPITAL HOLDINGS (PTY) LTD					
Howick Private Hospital (Pty) Ltd[9]	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Healthcare services	**100.0**	100.0
INDIRECTLY HELD THROUGH MEDICLINIC LIMPOPO (PTY) LTD					
Mediclinic Limpopo Day Clinic (Pty) Ltd[9]	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Healthcare services	**57.9**	57.9
Mediclinic Limpopo Investments (Pty) Ltd	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Investment holding company	**100.0**	100.0
INDIRECTLY HELD THROUGH MEDICLINIC TZANEEN (PTY) LTD					
Mediclinic Tzaneen Investments (Pty) Ltd	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Investment holding company	**100.0**	100.0
INDIRECTLY HELD THROUGH MEDICLINIC DURBANVILLE INVESTMENTS (PTY) LTD					
Mediclinic Durbanville Day Clinic (Pty) Ltd[9]	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Day clinic investment company	**85.2**	85.2
INDIRECTLY HELD THROUGH MEDICLINIC NELSPRUIT INVESTMENTS (PTY) LTD					
Mediclinic Nelspruit Day Clinic Investments (Pty) Ltd[9]	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Day clinic investment company	**100.0**	-
INDIRECTLY HELD THROUGH MEDICLINIC CAPE GATE INVESTMENTS (PTY) LTD					
Mediclinic Cape Gate Day Clinic Investments (Pty) Ltd[9]	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Day clinic investment company	**100.0**	-
INDIRECTLY HELD THROUGH MEDICLINIC WELKOM INVESTMENTS (PTY) LTD					
Welkom Medical Centre (Free State) (Pty) Ltd[9]	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Healthcare services	**79.5**	78.8
INDIRECTLY HELD THROUGH MEDICLINIC MORNINGSIDE INVESTMENTS (PTY) LTD					
Sandton Day Hospital (Pty) Ltd[10]	Glenfair Office Block Lynnwood & Daventry Roads Lynnwood 0081	South Africa	Healthcare services	**70.0**	70.0

Company	Address of the registered office	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2020 %	31 March 2019 %
Sandton Sub-Acute Hospital (Pty) Ltd[10]	Glenfair Office Block Lynnwood & Daventry Roads Lynnwood 0081	South Africa	Healthcare services	**70.0**	70.0
INDIRECTLY HELD THROUGH MEDICLINIC VICTORIA HOSPITAL (PTY) LTD					
Victoria Hospital Investments (Pty) Ltd	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Investment holding company	**100.0**	100.0
INDIRECTLY HELD THROUGH CURAMED HOLDINGS (PTY) LTD					
Curamed Hospitals (Pty) Ltd[9]	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Healthcare services	**100.0**	100.0
Curamed Properties (Pty) Ltd	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Property ownership and management	**100.0**	100.0
INDIRECTLY HELD THROUGH CURAMED HOSPITALS (PTY) LTD					
Mediclinic Thabazimbi (Pty) Ltd[9]	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Healthcare services	**76.0**	76.0
INDIRECTLY HELD THROUGH ER24 HOLDINGS (PTY) LTD					
ER24 EMS (Pty) Ltd	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Emergency medical services	**100.0**	100.0
ER24 Trademarks (Pty) Ltd	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Intellectual property holding company	**100.0**	100.0
ER24 Zambia Ltd	Building 3 Acacia Park Stand No. 22768 Thabo Mbeki Road Lusaka, Zambia	Zambia	Emergency medical services[10]	**99.0**	99.0
INDIRECTLY HELD THROUGH MEDICLINIC STELLENBOSCH (PTY) LTD					
Mediclinic Winelands (Pty) Ltd[9]	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Healthcare services	**50.1**	100.0
Stellenbosch Day Clinic (Pty) Ltd[9]	Mediclinic Corporate Office 25 Du Toit Street Stellenbosch 7600	South Africa	Dormant	**76.1**	100.0

Company	Address of the registered office	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2020 %	Interest in capital[1] 31 March 2019 %
INDIRECTLY HELD THROUGH MEDICLINIC HOLDINGS NETHERLANDS B.V.					
Mediclinic Luxembourg S.à.r.l	14, rue Edward Steichen, L-2540 Luxembourg	Luxembourg	Intermediary holding company	**100.0**	100.0
INDIRECTLY HELD THROUGH MEDICLINIC LUXEMBOURG S.À.R.L.					
Hirslanden AG	Boulevard Lilienthal 2 8152 Glattpark (Opfikon)	Switzerland	Intermediary holding company and operating company of the Hirslanden group	**100.0**	100.0
INDIRECTLY HELD THROUGH HIRSLANDEN AG					
AndreasKlinik AG Cham	Rigistrasse 1 6330 Cham	Switzerland	Healthcare services	**100.0**	100.0
Hirslanden Bern AG	Schänzlihalde 11 3013 Bern	Switzerland	Healthcare services	**100.0**	100.0
Hirslanden Freiburg AG, Düdingen	Bahnhofplatz 2a 3186 Düdigen	Switzerland	Healthcare services	**100.0**	100.0
Hirslanden Klinik Aarau AG	Schänisweg 5000 Aarau	Switzerland	Healthcare services	**100.0**	100.0
Hirslanden Klinik Am Rosenberg AG	Hasenbühlstrasse 11 9410 Heiden	Switzerland	Healthcare services	**100.0**	100.0
Hirslanden Lausanne SA	Avenue d'Ouchy 31 1006 Lausanne	Switzerland	Healthcare services	**100.0**	100.0
IMRAD SA	Avenue d'Ouchy 31, Clinique Bois-Cerf c/o Hirslanden Lausanne SA 1006 Lausanne	Switzerland	Healthcare services	**100.0**	80.0
Klinik Belair AG[9]	Rietstrasse 30 8200 Schaffhausen	Switzerland	Healthcare services	**-**	100.0
Klinik Birshof AG	Alte Reinacherstrasse 28 4142 Münchenstein	Switzerland	Healthcare services	**99.97**	99.70
Hirslanden Praxiszentrum am Bahnhof, Schaffhausen AG[9]	Bleichestrasse 3 8200 Schaffhausen	Switzerland	Healthcare services	**100.0**	-
Klinik St. Anna AG	St.- Anna-Strasse 32 6006 Luzern	Switzerland	Healthcare services	**100.0**	100.0
Klinik Stephanshorn AG	Brauerstrasse 95 9016 St. Gallen	Switzerland	Healthcare services	**100.0**	100.0
Radiotherapie Hirslanden AG	Rain 34 5000 Aarau	Switzerland	Healthcare services	**100.0**	100.0

Company	Address of the registered office	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2020 %	31 March 2019 %
Hirslanden Klinik Linde AG	Bluemrain 105 2503 Biel/Bienne	Switzerland	Healthcare services	**100.0**	100.0
Hirslanden La Colline Grangettes	Chemin des Grangettes 7, c/o Clinique des Grangettes SA 1224 Chene-Bougeries	Switzerland	Healthcare services	**60.0**	60.0
INDIRECTLY HELD THROUGH HIRSLANDEN KLINIK AM ROSENBERG AG					
Klinik am Rosenberg Heiden AG	Hasenbühlstrasse 11 9410 Heiden	Switzerland	Healthcare services	**99.2**	99.2
INDIRECTLY HELD THROUGH HIRSLANDEN LA COLLINE GRANGETTES SA					
Hirslanden Clinique La Colline SA	Avenue de Beau-Séjour 6 1206 Genève	Switzerland	Healthcare Services	**60.0**	60.0
Grangettes Healthcare SA	Chemin des Grangettes 7, c/o Clinique des Grangettes SA 1224 Chene-Bougeries	Switzerland	Healthcare Services	**60.0**	60.0
INDIRECTLY HELD THOUGH GRANGETTES HEALTHCARE SA					
Clinique des Grangettes	Chemin des Grangettes 7 1224 Chene-Bougeries	Switzerland	Healthcare Services	**60.0**	60.0
Dianecho SA	Rue de Carouge 116 1205 Genève	Switzerland	Healthcare Services	**43.9**	43.9
Hirslanden ambulante Operationszentren AG[9]	Boulevard Lilienthal 2 8152 Glattpark (Opfikon)	Switzerland	Healthcare Services	**100.0**	100.0
INDIRECTLY HELD THROUGH MEDICLINIC MIDDLE EAST HOLDINGS LIMITED					
Mediclinic International Co Limited	6th Floor, 65 Gresham Street, London, EC2V 7NQ, United Kingdom	United Kingdom	Dormant	**100.0**	100.0
Emirates Healthcare Holdings Limited	C/O Tricor Group, Office: 2nd Floor Palm Grove House, Wickhams Cay P.O. Box 3340, Road Town Tortola, British Virgin Islands	British Virgin Islands	Intermediary holding company	**100.0**	100.0
INDIRECTLY HELD THROUGH EMIRATES HEALTHCARE HOLDINGS LIMITED					
Welcare World Holdings Limited	C/O Tricor Group, Office: 2nd Floor Palm Grove House, Wickhams Cay P.O. Box 3340, Road Town Tortola, British Virgin Islands	British Virgin Islands	Healthcare services	**100.0**	100.0
Emirates Healthcare Limited[2]	C/O Tricor Group, Office: 2nd Floor Palm Grove House, Wickhams Cay P.O. Box 3340, Road Town Tortola, British Virgin Islands	British Virgin Islands	Healthcare services	**100.0**	100.0

Company	Address of the registered office	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2020 %	Interest in capital[1] 31 March 2019 %
DIRECTLY HELD THROUGH EMIRATES HEALTHCARE HOLDINGS LIMITED					
Delah Cafe FZ LLC (incorporated in October 2016)	Mediclinic City Hospital -Building no 37-G-round Floor -Dubai	UAE	Food and catering	**100.0**	100.0
Mediclinic Al Quasis Clinic LLC	Al Qusais-Shop 3,4,5 -Legend Middle East Building -plot no 284/243	UAE	Healthcare services	**49.0**	49.0
Mediclinic Beach Road LLC (dormant)	Second December Street -Al Hudaibah Building Complex – Block C -First floor -Dubai UAE	UAE	Healthcare services	**49.0**	49.0
Mediclinic City Hospital FZ LLC	Dubai Healthcare City – Al Razi Street – Building no 37- Dubai -UAE	UAE	Healthcare services	**100.0**	100.0
Mediclinic Clinics Investment LLC	Bur Saeed -Deira City Center – Majid Al Futtaim Building – 3A-3B-5A-GF-B Offices-Dubai	UAE	Healthcare services	**49.0**	49.0
Mediclinic Ibn Battuta Clinic LLC	Ibn Battua Mall -Retail Corp-China Cluster -shop 142-Dubai	UAE	Healthcare services	**49.0**	49.0
Mediclinic Medical Stores Co LLC	Deira -Al Khubeissi-Mohamed Abdul Rahmen -store no 19- Dubai	UAE	Procurement	**49.0**	49.0
Mediclinic Mirdif Clinic LLC	Mirdif – Uptown Mirdif Building- Office 13, Ground Floor-Dubai	UAE	Healthcare services	**49.0**	49.0
Mediclinic Parkview Hospital LLC	Al Barsha South 3 -Mediclinic Middle East Management services FZ.LLC Building-Dubai	UAE	Healthcare services	**49.0**	49.0
Mediclinic Al Bahr Clinic LLC (dormant)	Bur Dubai -Jumeirah-Fardan Bin Ali Fardan Villa Dubai	UAE	Healthcare services	**49.0**	49.0
Welcare Hospitals Limited	C/O Tricor Group, Office: 2nd Floor Palm Grove House, Wickhams Cay P.O. Box 3340, Road Town Tortola, British Virgin Islands	British Virgin Islands	Healthcare services	**100.0**	100.0
Welcare World Health Systems Limited	C/O Tricor Group, Office: 2nd Floor Palm Grove House, Wickhams Cay P.O. Box 3340, Road Town Tortola, British Virgin Islands	British Virgin Islands	Healthcare services	**100.0**	100.0
Mediclinic Hospitals LLC (Al Noor Hospital)[4]	Sheikh Khalifa Street -Sheikh Mohamed Bin Butti Building -Abu Dhabi	UAE	Healthcare services	**49.0**	49.0
Pharma Light Medical Store LLC	Musaffah -shop 27 – plot no 49-store- Abu Dhabi	UAE	Medical store / procurement	**49.0**	49.0

Company	Address of the registered office	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2020 %	31 March 2019 %
INDIRECTLY HELD THROUGH WELCARE HOSPITALS LIMITED (BVI)					
Mediclinic Welcare Hospital LLC	Al Garhood-Deira Nasser Abdullah Hussein Lootah Building - Dubai	UAE	Healthcare services	**49.0**	49.0
INDIRECTLY HELD THROUGH WELCARE WORLD HOLDINGS LIMITED					
Mediclinic Corniche Medical Centre LLC (liquidated)	Khalifa Bin Zayed street Central Market – Al Dar Properties Ground floor -Abu Dhabi	UAE	Healthcare services	**-**	49.0
Mediclinic Pharmacy LLC (liquidated)	Khalifa Bin Zayed street -World Trade Center shop no 16LG - Al Dar Properties- Abu Dhabi	UAE	Healthcare services (pharmacy)	**-**	49.0
INDIRECTLY HELD THROUGH WELCARE WORLD HEALTH SYSTEMS LIMITED					
Mediclinic Middle East Management Services FZ LLC	Dubai Production City – Publishing Pavilion -Floor 5,6,7 -Dubai	UAE	Healthcare management services	**100.0**	100.0
INDIRECTLY HELD THROUGH MEDICLINIC HOSPITALS LLC (AL NOOR HOSPITAL)					
Al Noor Hospital Clinics – Al Ain[7]	Al Ain Town Center -Sheikh Mohammed Bin Butti Al Hamed Building – Al Ain -Abu Dhabi	UAE	Intermediary holding company	**49.0**	49.0
Al Madar Medical Center Pharmacy LLC[8]	Al Jimi – Al Jimi Ali Jumaa Ali Darmaki Building. Abu Dhabi	UAE	Healthcare Services	**49.0**	49.0
Mediclinic Al Mamora LLC (previously named Al Noor Hospital Family Care Centre – Al Mamoora LLC)[5]	Island-Al Mouror Street-Jabr Mohamed Ghanem Sultan Al Suwaidi -Al Ain -Abu Dhabi	UAE	Healthcare Services	**99.0**	100.0
Mediclinic Khalifa City Clinic LLC (previously named Al Noor Hospital Medical Centre Khalifa City LLC)[6]	Khalifa City-Eastern South 42-plot no 14-Mabkhoot Saleh Al Mansouri Building-Abu Dhabi	UAE	Healthcare Services	**49.0**	49.0
Mediclinic Hospitals - Al Musafah Specialty Clinics LLC	Musafah Sh 10 parcel Id 401Floor no M,1&2 Huashel Saeed Khaseeb Al Yakooubi Building- Abu Dhabi	UAE	Healthcare Services	**49.0**	49.0
Mediclinic Pharmacy - Al Musaffah 2 LLC	Madinat Mohamed Bin Zayed -Sh10 Parcel ID 401 Huashel Saeed Khaseeb Al Yakooubi Building-Abu Dhabi	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 Nahda International Holding LLC holds 100% share capital of Al Noor Commercial Investments 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 Sole proprietorship LLC and Mediclinic Hospitals LLC (Al Noor Hospital 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 [Al Noor Hospital] 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 (Al Noor Hospital) and Emirates Healthcare Limited holds the remaining 49%. By virtue of this shareholders agreement, the parties have agreed that ANCI and Mediclinic Hospitals LLC (Al Noor Hospital) will be managed and controlled by EHL. Every dividend declared by Mediclinic Hospitals LLC (Al Noor Hospital) 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 between ANCI, ANMC Management on 20 May 2013 (‘Management Agreement’); and
d) A shareholder’s 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 holds 49% of the issued share capital of Mediclinic Hospitals LLC, (Al Noor Hospital) with the remaining 51% held by ANCI. ANCI assigned 100% of the voting rights, management control and dividend to Emirates Healthcare Limited BVI. 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 (Al Noor Hospital).

[5] Mediclinic Hospitals LLC (Al Noor Hospital) holds 99% and ANCI holds 1% in the issued share capital of Mediclinic Al Mamora LLC, collectively 100%.

[6] Mediclinic Hospitals (Al Noor Hospital) 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 Mediclinic Hospitals LLC (Al Noor Hospital) 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%.

[7] Al Noor Commercial Investment Sole Proprietorship LLC holds 51% of the issued share capital of Al Noor Hospital Clinics - Al Ain LLC, with the remaining 49% held by Mediclinic Hospitals LLC (Al Noor Hospital).

[8] Mediclinic Hospitals (Al Noor Hospital) holds 49% of the issued share capital of Al Madar Medical Centre Pharmacy 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%.

[9] Controlled through long-term management agreements.

[10] Managed by Intercare.

[11] Operating through trusts or partnerships.

JOINT VENTURES

Company	Country of incorporation and place of business	Principal activities	Interest in capital	
			31 March 2020 %	31 March 2019 %
Wits University Donald Gordon Medical Centre (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch, 7600 South Africa	Healthcare services	**49.9**	49.9

ASSOCIATES

Company	Address of the registered office	Interest in capital		Book value of investment	
		31 March 2020 %	31 March 2019 %	31 March 2020 £'m	31 March 2019 £'m
Listed					
Spire Healthcare Group plc (held through Mediclinic Jersey Limited)	3 Dorset Rise London EC4Y 8EN	**29.9**	29.9	**168**	180
Unlisted					
Intercare Holdings Proprietary Limited	Glenfair Office Block Lynnwood & Daventry Roads Lynnwood 0081	**34.0**	34.0	**2**	3
Bourn Hall International MENA Limited	Dubai World Trade Centre, 9th Floor, P.O. Box 9275, Dubai, United Arab Emirates	**30.0**	30.0	**5**	4
Zentrallabor Zürich, Zürich[1]	Forchstrasse 452 8702 Zollikon	**46.0**	49.2	**2**	2
Baukonsortium, Cham[2]	Rigistrasse 1, 6330 Cham	**24.0**	24.0	**-**	-
EFG Parkierung Rigistrasse, Cham[2]	Rigistrasse 1, 6330 Cham	**25.0**	24.9	**-**	-
Centre de Reeducation et de Physiotherapie SA[2]	Avenue de la Roseraie 76 A, 1205 Genève	**20.0**	20.0	**-**	-
Centre de Physiotherapie du Sport S.à.r.l.[2]	Chemin Thury 7A 1206 Genève	**23.0**	23.0	**-**	-
CORTS AG, Maur[2]	c/o ETU Treuhand und Unternehmensberatung, Ch. Lutz Zürichstrasse 268 8122 Binz	**30.0**	30.0	**-**	-
GRGB Santé SA, Genève	Chemin de Beau-Soleil 20 1206 Genève	**30.0**	30.0	**-**	-
				177	189

Notes
The nature of the activities of the associates is similar to the major activities of the Group.
[1] The Hirslanden group does not control Zentrallabor Zürich as it has no power of the company.
[2] 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 (the '**financial statements**'):

- give a true and fair view of the state of the Company's affairs at 31 March 2020 and its cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('**IFRSs**') as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Company statement of financial position at 31 March 2020; the Company statement of changes in equity and the Company statement of cash flows 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 7 to the financial statements, we have provided no non-audit services to the Company in the period from 1 April 2019 to 31 March 2020.

OUR AUDIT APPROACH

OVERVIEW

- **Overall materiality: £33.5 million (2019: £38 million) based on approximately 1% of total assets.**
- **Our audit included substantive procedures of all material balances and transactions.**
- **Impairment assessment of the Company's investments in subsidiaries**
- **Impact of COVID-19**

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.

CAPABILITY OF THE AUDIT IN DETECTING IRREGULARITIES, INCLUDING FRAUD

Based on our understanding of the Company and industry in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to UK tax regulations and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and UK Listing Rules. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries and management bias in key accounting estimates. Audit procedures performed included:

- Discussions with management, internal audit and the Audit and Risk Committee including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Assessment of whistle-blower claims including matters reported on the Company's whistleblowing helpline and the results of management's investigation of such matters;
- Challenging assumptions and judgements made by management in relation to the Company's accounting estimates; and
- Identifying and testing journal entries based on our risk assessment.

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. Also, 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.

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
1. IMPAIRMENT ASSESSMENT OF THE COMPANY'S INVESTMENTS IN SUBSIDIARIES (refer to notes 2 and 3 in the ***Company financial statements***)	
Investments in subsidiaries are accounted for at cost less impairment in the Company balance sheet. At 31 March 2020, the Company holds investments in subsidiaries with a historical cost of £5 916 million. 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.	We independently evaluated management's assessment 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 2020 and to the valuations implied by other models, including valuation models prepared for impairment review purposes at each division and for the Group's associate investment in Spire, which were subject to audit procedures as part of our Group audit.

FINANCIAL STATEMENTS

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
At the start of the financial year, accumulated impairment charges previously recorded totalled £2 113 million. In the current financial year, impairment triggers were identified in connection with all of the Company's investments due to the impact of the COVID-19 pandemic and an impairment test was therefore performed by management for all investments held. Management's analysis resulted in impairment charges for the investment in Mediclinic Middle East Holdings Limited (which holds the Group's Middle East operations) due to the combined impact of COVID-19 and changes to the longer-term regional economic outlook and lower oil prices. Management also identified an impairment in the Company's investment in Mediclinic International (RF) Pty Limited (which holds the Group's South African operations) principally due to changes in the discount rate assumptions and decline in the foreign exchange rate of the South African rand compared to the Company's functional currency. Management identified prior period errors in the determination of the recoverable amount for Mediclinic International (RF) Pty Limited as the effect of non-controlling interests and post-retirement benefit provisions had not been correctly accounted for previously. The impact of the errors was to reduce the carrying value of the investments at 1 April 2018 and 31 March 2019 by £235 million and £259 million respectively, with the cumulative impairment charges at 31 March 2019 restated to £2 372 million. As a result of management's analysis, an impairment loss of £233 million was recognised in the current year, reflecting a write-down of the investments in Mediclinic Middle East Holdings Limited and Mediclinic International (RF) (Pty) Limited to their recoverable value at 31 March 2020. The total accumulated impairment charges at 31 March 2020 amount to £2 605 million. 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 and the fact that prior period financial information has required restatement. 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.	Deploying our valuation experts, we tested the reasonableness of key assumptions underpinning management's valuation of the Company's investments, focusing in particular on the Middle East and Southern Africa operations, 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. We performed independent sensitivity analysis to evaluate the impact of a range of different COVID-19 scenarios on the Company's impairment judgements. We separately evaluated the difference between the investment carrying values and the Group's market capitalisation. We tested the correction of the prior period errors related to the adjustment for non-controlling interests and for post-retirement benefit provisions and we assessed the adequacy of the related disclosure. We assessed the risk of any further undetected errors in the calculation of recoverable amount for the Company's other investments. We considered the appropriateness of the related disclosures in the Company financial statements. Based on the procedures performed, we noted no material issues arising from our work.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
2. IMPACT OF COVID-19 (refer to ***Audit and Risk Committee Report*** on page 170) Management has undertaken an assessment of the impact of COVID-19 on the Company financial statements at 31 March 2020, focusing on the potential impact on the Company's significant accounting estimates. The areas where the impact has been most significant are as follows: • The Company's going concern assessment; • Impairment of the Company's investments in subsidiaries; and • The related disclosures in the Annual Report. We focused on the impact of COVID-19 on the preparation of the Company financial statements as its impact is significant, both in terms of the impact on a range of the Company's accounting judgements and estimates, including but not limited to going concern and impairment, and in terms of related disclosures in the Company financial statements.	We assessed our ability to execute the audit when operating under the restrictions of national lockdowns and related international travel restrictions. We implemented alternative communication and review protocols with management and with our overseas supporting team based in South Africa. We agreed with the Company an extension to the planned timetable for the sign-off of the Company financial statements and audit completion in order to provide adequate time for management to make its assessment of the business and financial reporting impacts of COVID-19 and for our team to complete the required audit procedures. We evaluated management's disclosures in relation to the impact of COVID-19 in the Company financial statements and we have reported a separate key audit matter relating to going concern in our report on the Group financial statements. Our findings relating to our work on the going concern status of the Company are set out in the going concern section of this report. We evaluated management's accounting estimates in light of COVID-19 and we have reported a separate key audit matter relating to impairment of the Company's investments in subsidiaries.

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 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	£33.5 million (2019: £38 million).
How we determined it	Based on approximately 1% of total assets.
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 Company is the payment of dividends. Using a benchmark of total assets is therefore most appropriate. For 2020 and 2019, selected financial statement line items related to cash and equity of the Company are included in the scope of the Group audit and were audited to a lower capped materiality of £11.1 million (2019: £12.6 million). However, we determined that the Company did not require a full scope audit of its complete financial information for the purposes of the Group audit.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £1 million (2019: £0.7 million) as well as misstatements below those amounts 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 2020 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 221 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;
- 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 114 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.

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 221, 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;
- The section of the Annual Report on page 170 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.

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 Statement of Directors' Responsibilities set out on page 221, 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 Company 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 five years, covering the years ended 31 March 2016 to 31 March 2020.

OTHER MATTER

We have reported separately on the Group financial statements of Mediclinic International plc for the year ended 31 March 2020.

Giles Hannam (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
1 June 2020

COMPANY STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2020

	Notes	2020 £'m	2019 £'m Restated[1]	1 April 2018 £'m Restated[1]
Non-current assets				
Investment in subsidiaries	3	**3 311**	3 544	4 512
Current assets				
Cash and cash equivalents		**35**	28	26
Derivatives		**2**	-	-
Total assets		**3 348**	3 572	4 538
EQUITY				
Share capital	5	**74**	74	74
Capital redemption reserve	5	**6**	6	6
Share premium	5	**690**	690	690
Retained earnings	5	**2 547**	2 773	3 741
Opening balance	5	**2 773**	3 741	5 154
Loss for the year	5	**(167)**	(909)	(1 355)
Dividends paid	6	**(59)**	(59)	(58)
Share-based payment reserve	5	**-**	-	1
Treasury shares	5	**-**	-	(1)
Total equity		**3 317**	3 543	4 511
Current liabilities				
Other payables		**2**	1	1
Amount due to related parties	4	**29**	28	26
Total liabilities		**31**	29	27
		3 348	3 572	4 538

Note

[1] Refer to note 2.3.

These financial statements as set out on pages 337-344 were approved and authorised for issue by the Board of Directors and signed on their behalf by:

CA van der Merwe
Group Chief Executive Officer
1 June 2020

PJ Myburgh
Group Chief Financial Officer
1 June 2020

Mediclinic International plc (Company no 08338604)

The notes on pages 340–344 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

	Share capital £'m	Capital redemption reserve £'m	Share premium reserve £'m	Retained earnings £'m	Share-based payment reserve £'m	Treasury shares £'m	Total
At 1 April 2018	74	6	690	3 976	1	(1)	4 746
Correction of error[1]	-	-	-	(235)	-	-	(235)
Restated total equity at beginning of financial year	**74**	**6**	**690**	**3 741**	**1**	**(1)**	**4 511**
Loss for the year[1]	-	-	-	(909)	-	-	(909)
Dividends paid in the year	-	-	-	(59)	-	-	(59)
Settlement of share-based payment reserve	-	-	-	-	(1)	1	-
Restated total equity at 31 March 2019	74	6	690	2 773	-	-	3 543
Balance at 31 March 2019 as originally presented	**74**	**6**	**690**	**3 032**	**-**	**-**	**3 802**
Correction of error[1]	-	-	-	(259)	-	-	(259)
Loss for the year	-	-	-	(167)	-	-	(167)
Dividends paid in the year	-	-	-	(59)	-	-	(59)
Settlement of share-based payment reserve	-	-	-	-	-	-	-
At 31 March 2020	**74**	**6**	**690**	**2 547**	**-**	**-**	**3 317**

Note
[1] Refer to note 2.3.

The notes on pages 340–344 form an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £'m	2019 £'m Restated[1]
Operating activities			
Profit/(loss) before tax		**(167)**	(909)
Adjustments for:			
Other income	6	**(35)**	(39)
Impairment of investments	3	**233**	967
Fair value adjustment on derivative contracts		**(2)**	-
Dividend income		**(35)**	(28)
Net cash used in operating activities before movements in working capital		**(6)**	(9)
Change in balances with related parties		**1**	2
Change in other payables		**1**	1
Net cash used in operating activities		**(4)**	(6)
Investing activities			
Dividend received	4	**35**	28
Net cash generated from investing activities		**35**	28
Financing activities			
Dividend paid	6	**(24)**	(20)
Net cash used in financing activities		**(24)**	(20)
Net movement in cash and cash equivalents		**7**	2
Cash and cash equivalents at the beginning of the year		**28**	26
Cash and cash equivalents at the end of the year		**35**	28

Note
[1] Refer to note 2.3.

The notes on pages 340–344 form an integral part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

1 STATUS AND ACTIVITY

Mediclinic 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 UK. The Company is a public liability company with divisions in Switzerland, Southern Africa (South Africa and Namibia) and the UAE.

The activities of the subsidiaries are the operation of hospitals and clinics, and the sale of pharmaceuticals, medical supplies and related equipment.

These financial statements are the financial statements of the 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 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 2006 not to present its individual income statement as part of these financial statements.

2.1. Basis of measurement

The financial statements of the Company are prepared in accordance with IFRS, as adopted by the EU, including the 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.

2.2. Functional and presentation currency

The financial statements and financial information are presented in sterling, rounded to the nearest million.

2.3. Prior period error

During the year-end impairment assessment of Mediclinic International (RF) (Pty) Ltd it was discovered that the non-controlling interest in Southern Africa and a retirement benefit obligation were not appropriately deducted from the recoverable amount of the investment, resulting in the overstatement of the carrying value and an understatement of the impairment charge in prior periods. As a result, the prior period carrying value of the investment in subsidiary was restated. Mediclinic International (RF) (Pty) Ltd was impaired due to revised expectations of business performance triggered by a deterioration in the macroeconomic environment and prospects in South Africa as well as the weakening of the South African rand.

	2019 £'m	Adjustment £'m	2019 (Restated) £'m	2018 £'m	Adjustment £'m	1 April 2018 (Restated) £'m
Statement of financial position (extract)						
Investment in subsidiaries	**3 803**	(259)	3 544	4 747	(235)	4 512
Retained earnings	**3 032**	(259)	2 773	3 976	(235)	3 741
Statement of cash flows (extract)						
Impairment of investments	**943**	24	967	1 169	235	1 404
Loss before tax	**(885)**	(24)	(909)	(1 120)	(235)	(1 355)

2 BASIS OF PREPARATION (continued)

2.4. Going concern

The Company 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. Refer to note 2.1 in the ***Group financial statements*** for more detail relating to the going concern basis of accounting used in preparing the financial statements.

2.5. Critical accounting estimate

The Company 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.

Key estimate

- Impairment of investment in subsidiaries (refer to note 3).

3 INVESTMENT IN SUBSIDIARIES

This investment is stated at cost less impairment.

	2020 £'m	2019 £'m Restated[1]
Shares at cost	**5 916**	5 916
Less: accumulated impairment charge	**(2 605)**	(2 372)
Closing balance	**3 311**	3 544

Note

[1] Refer to note 2.3.

The investments held by the Company are Mediclinic CHF Finco Ltd, Mediclinic Holdings Netherlands B.V., Mediclinic Middle East Holdings Ltd and Mediclinic International (RF) (Pty) Ltd, each being wholly owned subsidiaries. The activities of the subsidiaries are the operation of hospitals and clinics, and the sale of pharmaceuticals, medical supplies and related equipment.

At the financial year-end, an impairment charge of £233m was recognised in respect of the carrying values of the investments in Mediclinic Middle East Holdings Ltd and Mediclinic International (RF) (Pty) Ltd.

Mediclinic Middle East Holdings Ltd

The investment in subsidiary was impaired due to the changes in the macroeconomic environment. Refer to note 7 in the ***Group financial statements*** for key assumptions used for the fair-value-less-cost-to-sell calculations of Mediclinic Middle East. Any change in the discount rates, short-term cash flow projections or long-term growth rates could give rise to material impairment charges in future periods. Additional sensitivity disclosure in respect of the carrying value of the investment in Mediclinic Middle East Holdings Ltd: A fall in the forecast cash flows of 5% each year would result in an additional impairment of £73m.

Mediclinic International (RF) (Pty) Ltd

The investment in subsidiary was impaired due to revised expectations of business performance triggered by a deterioration in the macroeconomic environment and prospects in South Africa as well as the weakening of the South African rand.

Key assumptions used for the fair-value-less-cost-to-sell calculations for the annual impairment test for the investment in Mediclinic International (RF) (Pty) Ltd are set out below:
Discount rates – The discount rate applied to cash flow projections 12.7% (2019: 12.0%)
Growth rates – The terminal growth rate beyond five years is 5.5% (2019: 5.6%)
Forecasts – As a result of the changes in the market environment exacerbated by COVID-19, forecasted cash flows have been reduced from expectations in the prior period.

Reasonably possible changes in key assumptions that could give rise to a material adjustment to the carrying value are set out below:
- A fall in the terminal growth rate to 4.5% would result in an additional impairment of £33m;
- A rise in discount rate to 13% would result in an additional impairment of £26m; or
- A fall in the forecast cash flow of 5% each year would result in an additional impairment of £42m.

3 INVESTMENT IN SUBSIDIARIES (continued)

The carrying value of the investment in Mediclinic International (RF) (Pty) Ltd is based on the fair value which was determined in 2016 at the time of the Al Noor reverse acquisition, whereas the underlying assets of the Southern African business in the consolidated financial statements are carried at historical cost with limited fair value adjustments from historical acquisitions. Significant headroom remains in the consolidated financial statements with no material impairments that were required

Mediclinic CHF Finco Ltd and Mediclinic Holdings Netherlands B.V.
Refer to notes 6, 7 and 8 in the ***Group financial statements*** for more detail relating to the impairment calculations.

During the prior year, an impairment charge of £967m was recognised in respect of the carrying values of the investments in Mediclinic CHF Finco Ltd, Mediclinic Holdings Netherlands B.V. and Mediclinic International (RF) (Pty) Ltd. Mediclinic CHF Finco Ltd was impaired due to the impairment of the listed associate (Spire). Refer to note 8 in the ***Group financial statements*** for more detail relating to the impairment calculation. Mediclinic Holdings Netherlands B.V. was impaired due to the impairment of the properties and intangible assets of its underlying investment. Refer to notes 6 and 7 in the Group financial statements for more key assumptions used for the fair-value-less-cost-to-sell calculations. Mediclinic International (RF) (Pty) Ltd was impaired due to the weakening of the South African rand.

Refer to the Annexure to the notes to the ***Group financial statements*** on page 316 for a complete list 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.

	2020 £'m	2019 £'m
a) Transactions with key management personnel		
Key management includes the directors (executive and non-executive) and members of the Group Executive Committee		
Directors' fees	**1**	1
b) Amount due to a related party[1]		
Mediclinic Hospitals LLC	**29**	28
Information regarding the Group's subsidiaries and associates can be found in the Annexure to the ***Group financial statements*** on page 316.		
c) Dividends received from related parties:		
Mediclinic CHF Finco Ltd	**5**	5
Mediclinic Holdings Netherlands B.V.	**20**	7
Mediclinic Middle East Holdings Ltd	**8**	16
Mediclinic International (RF) (Pty) Ltd	**2**	-
	35	28

Note
[1] This amount included the transaction and operational expenses paid by Mediclinic Hospitals LLC on behalf of the Company. This amount is payable on demand.

5 SHARE CAPITAL AND RESERVES

	2020 £'m	2019 £'m
Issued and fully paid 737 243 810 (2019: 737 243 810) shares of 10 pence each	**74**	74

Other Reserves

	Share-based payment reserve £'m	Treasury shares £'m	Total
At 1 April 2018	1	(1)	-
Settlement of share-based payment reserve	(1)	1	-
At 31 March 2019	**-**	**-**	**-**
Settlement of share-based payment reserve	-	-	-
At 31 March 2020	**-**	**-**	**-**

6 DIVIDENDS

The Company declared interim dividends for FY20 and final dividends for FY19 amounting to £59m. The Company paid £24m (2019: £20m) of these dividends and the remainder of £35m (2019: £39m) 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 this was 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 have been disclosed in note 30.6 to the ***Group financial statements***.

7 AUDITOR'S REMUNERATION

The Company incurred an amount of £654 505 (2019: £448 758) to its auditor in respect of the audit of the Company and Group's financial statements for the year ended 31 March 2020. The fee includes an amount of £107 610 (2019: £nil) in respect of prior years.

Fees to the Company's auditors for other services:

	2020 £'m	2019 £'m
Audit-related services	**0.15**	0.11
	0.15	0.11

8 TAXATION

At 31 March 2020, the Company had unutilised tax losses of approximately £51m (2019: £47m). No deferred tax asset has been recognised in respect of these losses.

9 FINANCIAL INSTRUMENTS

9.1 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.

9.2 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.

9.3 Credit risk

The carrying amount of financial assets represents the maximum credit exposure. There is no material credit risk involved on the Company financial statements. The Company's cash equivalents are placed with reputable financial institutions with a high-credit rating.

9.4 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.

Refer to note 2.1 in the ***Group financial statements*** for more detail relating to the necessary structures and processes in place to monitor and mitigate against existing and emerging risks to the business, including liquidity management risks, associated with the COVID-19 pandemic.

The maturity profile of the liabilities at the end of reporting period based on existing contractual repayment arrangements was as follows:

	2020 £'m	2019 £'m
a) Transactions with key management personnel		
Key management includes the directors (executive and non-executive) and members of the Group Executive Committee		
Directors' fees	**1**	1
b) Amount due to a related party[1]		
Mediclinic Hospitals LLC	**29**	28
Information regarding the Group's subsidiaries and associates can be found in the Annexure to the ***Group financial statements*** on page 316.		
c) Dividends received from related parties:		
Mediclinic CHF Finco Ltd	**5**	5
Mediclinic Holdings Netherlands B.V.	**20**	7
Mediclinic Middle East Holdings Ltd	**8**	16
Mediclinic International (RF) Proprietary Limited	**2**	-
	35	28

9.5 Foreign currency risk

The Company has an insignificant exposure regarding foreign currency, but a prudent approach toward foreign cover is followed where applicable.

Note

[1] This amount included the transaction and operational expenses paid by Mediclinic Hospitals LLC on behalf of the Company. This amount is payable on demand.

ADDITIONAL INFORMATION

"To live our values, all processes must start with the client in the middle and enough time must be spent on understanding their needs.

Dr Ronnie van der Merwe
Group Chief Executive Officer

Through the use of virtual reality, Hirslanden's Clinique Cecil in Lausanne has found an innovative way to help patients manage the pain and anxiety associated with medical treatment and procedures.

Refer to the **2020 Clinical Services Report** at annualreport.mediclinic.com for more information.

ADDITIONAL INFORMATION


CORONAVIRUS (COVID-19)

SHAREHOLDER INFORMATION

SHARE CAPITAL AND SHAREHOLDERS

STRUCTURE

The Company's ordinary issued share capital at 31 March 2020 was 737 243 810 ordinary shares of £0.10 each which have a primary listing on the LSE in the UK 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 ***Group financial statements*** on page 275.

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 ***Remuneration Committee's Report*** on page 213.

TABLE 1: DISTRIBUTION OF ORDINARY SHAREHOLDERS AT 31 MARCH 2020

	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES	% OF ISSUED SHARE CAPITAL
LSE register (registered)	436	245 308 909	33.27
JSE register (beneficial) comprising:	18 796	491 934 901	66.73
- certificated	1 042	499 653	0.07
- dematerialised	17 754	491 435 248	66.66
Total	**19 232**	**737 243 810**	**100.00**

The Company has no intention to complete a market purchase of its ordinary shares and will not seek this authority at the Company's 2020 AGM.

RESTRICTIONS ON THE TRANSFER OF COMPANY SHARES

The South African B-BBEE Act, No. 53 of 2003, as amended, was enacted to establish a legislative framework for the promotion of B-BBEE 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 socio-economic development. In 2005, Mediclinic International (RF) (Pty) Ltd (previously Mediclinic International Ltd) ('**Mediclinic SA**') implemented a series of black ownership initiatives.

MP1 Investment Holdings (Pty) Ltd, through its subsidiary, Mpilo 1 Newco (RF) (Pty) Ltd ('**Mpilo 1**'), holds 10 958 206 shares, representing approximately 1.49% of the Company's issued share capital.

The agreement with Mpilo 1 was extended in 2019 and disposal of its shares is restricted until 30 April 2021.

RESTRICTIONS ON VOTING RIGHTS

The Company's Articles 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 Act, has failed to do so within 14 days of such notice, for so long as the default continues.

SUBSTANTIAL SHAREHOLDERS

At year-end, 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:

TABLE 2: FY20 SUBSTANTIAL SHAREHOLDERS

	ORDINARY SHARES	% VOTING RIGHTS	DATE NOTIFIED
Remgro Ltd (through wholly owned subsidiaries)	328 497 888	44.56	17/02/2016
Public Investment Corporation SOC Ltd	58 392 076	7.92	10/12/2018
Genesis Investment Management LLP	36 733 699	4.98	4/03/2020

Between the year-end and the Last Practicable Date, the Company received the following notifications from shareholders in their interest of 3% or more in the Company's issued share capital, in accordance with the Disclosure Guidance and Transparency Rules:

	ORDINARY SHARES	% VOTING RIGHTS	DATE NOTIFIED
Public Investment Corporation SOC Ltd	71 180 057	9.66	3/04/2020
Genesis Investment Management LLP	36 866 812	5.01	7/05/2020

2020 ANNUAL GENERAL MEETING

The Company's AGM will take place at 16:30 (BST) on Wednesday, 22 July 2020 at 14 Curzon Street, London W1J 5HN, UK. The **2020 Notice of AGM** is available at annualreport.mediclinic.com, and has been posted as a separate booklet at the same time as this Annual Report.

DIVIDENDS

As part of the Group's broad response to maintaining its liquidity position through the COVID-19 pandemic and to maximise its support in the handling of the crisis, the Board has taken the prudent and appropriate decision to suspend the dividend. The Board recognises the importance of its dividend to shareholders and will keep this position under review. Refer to the ***Chair's Review*** on page 20 for more information.

Refer to the ***Group Chief Financial Officer's Report*** on page 91 for more information on the Company's Dividend Policy.

The tax treatment of the dividend for shareholders on the South African register is 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 ***Group financial statements*** on page 275.

The dividends declared by the Company to its ordinary shareholders during the reporting period are summarised below:

TABLE 3: FY20 DIVIDENDS DECLARED

	FY19	FY20
Interim dividend	3.20	**3.20**
Final dividend	4.70	**n/a**
Total dividend	7.90	**3.20**

SHARE PRICE

The latest share price information can be found on the Company's website at www.mediclinic.com or through a broker.

SHAREHOLDER SERVICES AND CONTACTS

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 UK register
Computershare Investor Services PLC
The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ, UK
Tel: +44 370 703 6022
E-mail: WebCorres@computershare.co.uk
Website: www.investorcentre.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.

Share dealing service
Computershare offers a share dealing service that 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, whose low value makes them difficult to sell, they may be donated to charity through ShareGift, an independent charity share donation scheme. For further details, please contact Computershare or ShareGift at tel. +44 20 7930 3737 or visit their website at www.sharegift.org.

Shareholders on the South African and Namibian registers

South African transfer secretary
Computershare Investor Services (Pty) Ltd
Rosebank Towers, 15 Biermann Avenue,
Rosebank 2196, South Africa
Postal address: Private Bag X9000,
Saxonwold 2132, South Africa
Tel: +27 11 370 5000
Fax: +27 11 688 5200
Email: Groupadmin1@computershare.co.za

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
Email: ts@nsx.com.na

COMPANY INFORMATION

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 9548
Email: info@mediclinic.com
Website: www.mediclinic.com

TOLL-FREE ETHICS LINES

Switzerland and South Africa
Tel: 0800 005 316
UAE
Tel: 800 1 55000

LISTING

FTSE sector: Healthcare Providers
ISIN code: GB00B8HX8Z88
SEDOL number: B8HX8Z8
EPIC number: MDC
LEI: 2138002S5BSBIZTD5I60
Primary listing: LSE (share code: MDC)
Secondary listing: JSE (share code: MEI)
Secondary listing: NSX (share code: MEP)

DIRECTORS

Dr Edwin Hertzog (*ne*) (*Chair*) (*South African*), Inga Beale DBE (*ind ne*) (*Chair Designate*) (*British*), Dr Ronnie van der Merwe (*Group Chief Executive Officer*) (*South African*), Jurgens Myburgh (*Group Chief Financial Officer*) (*South African*), Alan Grieve (*Senior Independent Director*) (*British and Swiss*), Dr Muhadditha Al Hashimi (*ind ne*) (*Emirati*), Jannie Durand (*ne*) (*South African*), Dr Felicity Harvey CBE (*ind ne*) (*British*), Danie Meintjes (*ne*) (*South African*), Dr Anja Oswald (*ind ne*) (*Swiss*), Trevor Petersen (*ind ne*) (*South African*), Tom Singer (*ind ne*) (*British*), Pieter Uys (*alternate to Jannie Durand*) (*South African*)

COMPANY SECRETARY

Link Company Matters Limited (previously named Capita Company Secretarial Services Limited)
Caroline Emmet
6th Floor, 65 Gresham Street
London, EC2V 7NQ, United Kingdom
Tel: +44 20 7954 9548
Email: MediclinicInternational@linkgroup.co.uk

INVESTOR RELATIONS

James Arnold
Head of Investor Relations
14 Curzon Street, London
W1J 5HN, United Kingdom
Tel: +44 20 3786 8180/1
Email: ir@mediclinic.com

REGISTRAR/TRANSFER SECRETARIES

UK
United Kingdom Computershare Investor Services PLC
The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ
Tel: +44 370 703 6022
Email: WebCorres@computershare.co.uk

SOUTH AFRICA
Computershare Investor Services (Pty) Ltd
Rosebank Towers, 15 Biermann Avenue, Rosebank 2196
Private Bag X9000, Saxonwold, 2132
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

Auditor

PricewaterhouseCoopers LLP, London

Corporate broker and sponsors

UK
Joint corporate brokers: Morgan Stanley & Co International plc and UBS Investment Bank
SOUTH AFRICA
JSE sponsor: Rand Merchant Bank (a division of FirstRand Bank Limited)
NAMIBIA
NSX sponsor: Simonis Storm Securities (Pty) Ltd

Legal advisors

UK
Slaughter and May
SOUTH AFRICA
Cliffe Dekker Hofmeyr Inc.

Remuneration consultant

Deloitte LLP

Communication agency

FTI Consulting
Tel: +44 20 3727 1000
Email: businessinquiries@fticonsulting.com

FORWARD-LOOKING STATEMENTS

This Annual Report contains certain forward-looking statements relating to the business of the Company and its subsidiaries, including with respect to the progress, timing and completion of the Group's development; the Group's ability to treat, attract and retain patients and clients; its ability to engage consultants and general practitioners and to operate its business and increase referrals; the integration of prior acquisitions; the Group's estimates for future performance and its estimates regarding anticipated operating results; future revenue; capital requirements; shareholder structure; and financing. In addition, even if the Group's actual results or developments are consistent with the forward-looking statements contained in this Annual Report, those results or developments may not be indicative of the Group's results or developments in the future. In some cases, forward-looking statements can be identified by words such as 'could', 'should', 'may', 'expects', 'aims', 'targets', 'anticipates', 'believes', 'intends', 'estimates', or similar. These forward-looking statements are based largely on the Group's current expectations as of the date of this Annual Report and are subject to a number of known and unknown risks and uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievement expressed or implied by these forward-looking statements. In particular, the Group's expectations could be affected by, among other things, uncertainties involved in the integration of acquisitions or new developments; changes in legislation or the regulatory regime governing healthcare in Switzerland, South Africa, Namibia and the UAE; poor performance by healthcare practitioners who practise at its facilities; unexpected regulatory actions or suspensions; competition in general; the impact of global economic changes; and the Group's ability to obtain or maintain accreditation or approval for its facilities or service lines. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements made in this Annual Report will in fact be realised and no representation or warranty is given with regard to the completeness or accuracy of the forward-looking statements contained herein.

The Group is providing the information in this Annual Report as of this date, and disclaims any intention to, and makes no undertaking to, publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

GLOSSARY OF TERMS

TERM	MEANING
2018 Corporate Governance Code	the UK Corporate Governance Code published by the FRC in July 2018
Act	the United Kingdom Companies Act 2006
AED	United Arab Emirates dirham
AGM	annual general meeting
Al Murjan	Saudi Arabian investment company Al Murjan Group
Annual Report	this annual report with financial statements for the reporting period ended 31 March 2020
Articles	the Company's Articles of Association as adopted on 20 July 2017
B-BBEE	broad-based black economic empowerment
Board or Board of Directors	the board of directors of Mediclinic
Bourn Hall	Bourn Hall International MENA
BST	British Summer Time
BUPA	British United Provident Association
CAGR	compound annual growth rate
CCRG	clinical and cost-related grouping
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	cash-generating unit
CHF	Swiss franc
CIO	Chief Information Officer
CO_2e	carbon dioxide equivalent
CoE	Centre of Excellence
Committee	pertaining to the committee previously defined, e.g. Audit and Risk Committee
Company	Mediclinic International plc
conflict of interest	any direct or indirect interest that conflicts or may possibly conflict with the Company's interests
CPE	cost per event
CSI	corporate social investment
DAS	Dividend Access Scheme
DHA	Dubai Health Authority

TERM	MEANING
DoH	Abu Dhabi Department of Health
DRG	diagnostic-related grouping
EBIT	earnings before interest and taxes
EBITDA	earnings before interest, tax, depreciation and amortisation
EHR	electronic health record
EMEA	Europe, Middle East and Africa region
EPS	earnings per share
ERM	Enterprise Risk Management
ESG	environmental, social and governance
Ethics Code	the Company's Code of Business Conduct and Ethics
EU	the European Union
External auditor	the Group's independent external auditor, PricewaterhouseCoopers LLP
FCA	Financial Conduct Authority
FRC	Financial Reporting Council
FSP	Forfeitable Share Plan
FVOCI	fair value through other comprehensive income
FVPL	fair value through profit or loss
FY19/prior financial year	the financial year ended on 31 March 2019
FY20/period under review/ reporting period/year under review	the financial year ended on 31 March 2020
FY21/next financial year	the financial year ending 31 March 2021
GDP	gross domestic product
GMT	Greenwich Mean Time
GRI Standards	Global Reporting Initiative Sustainability Reporting Standards 2016
Group	Mediclinic International plc and its subsidiaries, including its divisions in Switzerland, Southern Africa and the United Arab Emirates
Group Executive Committee	the executive committee of Mediclinic International plc
HEPS	headline earnings per share
HIE	health information exchange in Abu Dhabi
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
HMI	Health Market Inquiry in South Africa
HUG	University Hospitals of Geneva
IAS	International Accounting Standard
ICT	information communication technology

TERM	MEANING
ICT Com	the Group's ICT Steering Committee
ICU	intensive care unit
IFRS	International Financial Reporting Standards
IFRS IC	IFRS Interpretations Committee
IPC	infection prevention and control
IQM	Initiative on Quality Medicine
ISA or ISAs (UK)	International Standards of Auditing (UK)
IT	information technology
IVF	*in vitro* fertilisation
JACIE	Joint Accreditation Committee ISCT-Europe & EBMT
JCI	Joint Commission International
JIBAR	Johannesburg Interbank Average Rate
JSE	JSE Ltd
KPI	key performance indicator
Last Practicable Date	the date of the approval of the Annual Report, being 1 June 2020
LIBOR	London Interbank Offered Rate
Listing Rules	the listing rules issued by the Financial Conduct Authority
Listings Requirements	the listings requirements of the JSE
LSE	the stock exchange operated by London Stock Exchange plc, based in London
LTIP	long-term incentive plan for executives
Mediclinic	Mediclinic International plc
Mediclinic Middle East	the Group's operations in the UAE, trading under the Mediclinic brand, with Mediclinic Middle East Holdings (registered in Jersey) as the intermediate holding company of the Group's operations in Dubai and Abu Dhabi
Mediclinic SA	Mediclinic International (RF) (Pty) Ltd (previously Mediclinic International Ltd)
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
Mpilo 1	Mpilo 1 Newco (RF) (Pty) Ltd, a subsidiary of MP1 Investment Holdings (Pty) Ltd and shareholder through a B-BBEE scheme
MWM	MWM Consulting Limited, the external search agency contracted to find an independent non-executive director
NCI	non-controlling interests
NCRC	non-contractual relationships with consultants
NHI	National Health Insurance
NHS	the UK's National Health Service
NSX	Namibian Stock Exchange

TERM	MEANING
Panel	the panel established to search for the Chair's successor
Parker Report	the report based on the independent review by Sir John Parker into the ethnic diversity of UK boards
PDMS	patient data management system
PH	*Pensionskasse Hirslanden*, the fund which provides post-employment, death-in-service and disability benefits
PPA	purchase price allocation
PPE	personal protective equipment
PPPs	public-private partnerships
PwC	the Group's independent external auditor, PricewaterhouseCoopers LLP
Relationship Agreement	the Company's relationship agreement with its principal shareholder, Remgro
Remgro	Remgro Ltd, a controlling shareholder of Mediclinic which through wholly owned subsidiaries held a 44.56% stake in the Company as at 31 March 2020
ROIC	return on invested capital
SA Companies Act	the South African Companies Act, No. 71 of 2008
SAEs	serious adverse events
SCADA	supervisory control and data acquisition
Section 172	Section 172 of the United Kingdom Companies Act 2006
SID	Senior Independent Director
SIR	standardised infection ratio
Spire	Spire Healthcare Group plc, a leading UK-based private healthcare group listed on the LSE
SSI	surgical site infections
STI	short-term incentive
TARMED	national outpatient tariff in Switzerland
TSR	total shareholder return
UAE	the United Arab Emirates
UK	the United Kingdom of Great Britain and Northern Ireland
US	the United States
VON	Vermont Oxford Network
WACC	weighted average cost of capital
WHO	World Health Organization
ZAR	South African rand

EXPERTISE YOU CAN TRUST.

www.mediclinic.com