

TOGETHER WE CARE

2021 ANNUAL REPORT



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

STRATEGIC REPORT

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Mediclinic's performance this year reflects the Group's unwavering support of and collaboration with governments and authorities in tackling the pandemic.



PERFORMANCE

600 000+

Outpatients treated

COVID-19 patients treated

Number of clinical indicators measured 150





"

The Group's commitment to making a positive contribution to each of its stakeholders cuts to the heart of healthcare – improving health and wellbeing in the long term forms an integral part of the business. Ongoing investment

New COVID-19-related services launched

FINANCIAL REVIEW¹

REVENUE (3%)

Sudden onset of COVID-19-related lockdown measures and non-urgent elective procedure restrictions in April 2020 significantly impacted first-half performance; revenue up 1% in the second half as Group adapted to subsequent waves of the pandemic

REPORTED EARNINGS £68M

Reflecting impact of the pandemic on Group revenue and largely fixed employee cost base

ADJUSTED EARNINGS PER SHARE (43%)

Reflecting Group operating results in addition to ongoing investment associated with long-term growth and expansion across the continuum of care

ADJUSTED EBITDA² (21%)

Profitability significantly impacted by sudden decline in revenue in first half of the year; also reflects escalation in usage and pricing of personal protective equipment ('**PPE**') and staffing requirements due to isolation and quarantine regulations; adjusted EBITDA down 12% in second half as Group adapted to subsequent waves of the pandemic

CASH FROM OPERATIONS (44%)

Reflecting Group operating results in addition to cash conversion of 77%; ongoing financial resilience demonstrated by strong liquidity position with cash and available facilities of £679m and net debt reducing to £2 159m

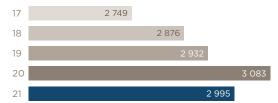
DIVIDEND REMAINS SUSPENDED

at the end of FY21 as part of broad range of proactive measures to conserve liquidity during the pandemic

Notes

- The Group uses adjusted income statement reporting as non-IFRS measures in evaluating performance. Refer to the *Five-year summary* on page 95 for more information and the 'Financial review' section of the *Group Chief Financial Officer's Report* on page 85 for an explanation and for a reconciliation to the equivalent IFRS measures.
- ² Earnings before income, tax, depreciation and amortisation.
 ³ Earnings per share.

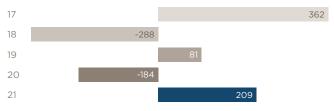
REVENUE (£'M)



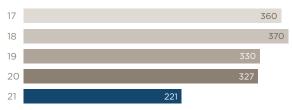
ADJUSTED EBITDA (£'M)



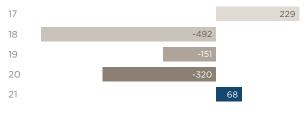
REPORTED OPERATING PROFIT/(LOSS) (£'M)



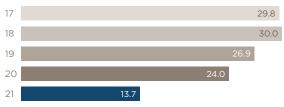
ADJUSTED OPERATING PROFIT/(LOSS) (£'M)



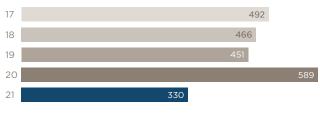
REPORTED EARNINGS/(LOSS) (£'M)



ADJUSTED EPS³ (PENCE)



OPERATING CASH FLOW (£'M)



REPORT PROFILE

ABOUT THE COMPANY

Mediclinic International plc ('**Mediclinic**' or the '**Company**') has a primary listing on the London Stock Exchange ('**LSE**') in the United Kingdom ('**UK**'), with secondary listings on the JSE in South Africa and the Namibian Stock Exchange ('**NSX**') in Namibia. The Group's registered office is in London, UK.

ABOUT THIS REPORT

Mediclinic published this annual report with financial statements ('**Annual Report**') in respect of the financial year ended 31 March 2021 (the '**reporting period**' or '**year under review**' or '**period under review**' or '**FY21**').

In addition, Mediclinic also produces an accompanying suite of reports in respect of both the 2020 calendar year and FY21, which is available on the Group's website from the date of the distribution of this Annual Report and the Company's notice of annual general meeting (**'AGM'**) by no later than 18 June 2021.

2021 Clinical Services Report 2021 Sustainable Development Report 2021 Notice of Annual General Meeting

SCOPE, BOUNDARY AND REPORTING CYCLE

This Annual Report presents the financial results, the environmental, social and governance (**'ESG**') performance, the clinical performance, and the financial 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 (**'FY20**') and indicates focus areas for the financial year/s ahead (**'FY22'**, '**FY23'**).

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 of Mediclinic (the '**Board**' or '**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 UK Corporate Governance Code published by the Financial Reporting Council ('**FRC**') in July 2018 (the '**Code**') and the UK Companies Act 2006 (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 Code, other than the exceptions explained in the *Corporate Governance Statement* on page 116.

The Company's reporting on sustainable development included in this report (supplemented by the **2021 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 and 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 **2021 Clinical Services Report** and **2021 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 301.

APPROVAL OF ANNUAL REPORT AND FINANCIAL STATEMENTS

The Board approved this report, including the **Strategic Report** and **Governance and Remuneration Report** (including the *Corporate Governance Statement*, *Directors' Report* and committee reports and *Remuneration Report* contained herein), on 25 May 2021.

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Dame Inga Beale Non-executive Chair 25 May 2021

ADAPTING TO TODAY, BUILDING FOR TOMORROW



Dame Inga Beale Chair



Q. WHAT SHOULD BE THE ORGANISATION'S FOCUS FOR THE IMMEDIATE FUTURE?

We are going to have a strong focus on the continuum of care and innovation, as well as a more capital-light asset model so we can enable the client's journey in a physical or a virtual form.

Q. HOW DO YOU CONNECT WITH THE GROUP'S PURPOSE?

I was drawn to Mediclinic because of its meaningful and authentic purpose: to enhance the quality of life. And in the past year that has been thrown into focus for everybody around the world. Healthcare will continue to be in high demand and the opportunities are really plentiful.

Q. THE BOARD BOASTS SKILLS AND EXPERIENCE FROM VARIED INDUSTRIES. HOW DOES THIS BENEFIT MEDICLINIC?

I am really proud of our diverse Board membership. We are well equipped because we have such a wealth of backgrounds and experiences – and that means diverse viewpoints. There is a lot of research showing that the most diverse teams create the most innovative solutions.



View a condensed video interview at annualreport.mediclinic.com or scan the QR code. _____

"

We have been and continue to be centre stage, what we do during this time will define us for decades to come.

It has been almost a year since Dr Edwin Hertzog, founder of Mediclinic, retired and I had the honour of succeeding him as Chair. In his farewell keynote to management, he shared leadership lessons acquired over the Company's 37-year history. The following words have remained top of mind since: 'Change is a constant ... Keep your eyes and ears open and act like cats on a hot tin roof. Always be alert. Always be awake.' If ever this sentiment has struck true, it is now. Mediclinic has faced regulatory and industry disruptions in the past, but COVID-19 presents arguably the biggest challenge since our inception in 1983.

PURPOSE AND CULTURE

In the past year, COVID-19 tested our resilience as an organisation operating at the heart of the fight against the virus. While the pandemic has created some uncertainty for businesses, regardless of the sector, it also confirmed the fortitude of our employees, the belief in our purpose and the dedication to the values that guide our behaviour every day and help us to build a business of the future.

I am inspired by the abundant accounts of the extraordinary care, compassion, commitment and strength of our employees, who not only support our clients and their families, but also one another in these difficult times. While the unknowns persisted throughout the year, the Company's purpose has remained constant and has guided our more than 33 000 employees to overcome moments that, at times, seemed insurmountable.

Tragically, there have been lives lost – some Mediclinic employees and affiliated doctors and allied health



professionals – and on behalf of the Board, I extend our deepest sympathies to everyone who experienced loss.

SUSTAINABLE DEVELOPMENT

Mediclinic is recognised as a leader in sustainability in the healthcare services sector. For three consecutive years, we have maintained the top MSCI ESG triple A rating and continue to be a constituent of the FTSE4Good UK Index. I am particularly proud that the Group has been ranked the top global healthcare provider and service company in the REFINITIV Diversity and Inclusion Index.

This year, we added detailed action plans to our ESG goals. Our environmental goal of becoming a net-zero carbon company with zero waste to landfill by 2030 is, arguably, one of the most ambitious. I look forward to the progress reports on these essential deliverables which will contribute to a better future for all our stakeholders.

Our commitment to making a positive contribution to each of our stakeholders cuts to the heart of healthcare – improving health and wellbeing in the long term forms an integral part of our business. By growing our contributions in this, and by becoming a more diverse and inclusive business that provides greater support to communities, governments and authorities, we equip the organisation for a sustainable future and position it as the first choice for patients, employees and business partners.

It is well known that I am a strong supporter of diversity and inclusion. Outside of my role as Chair, I frequently lead female leadership webinars and participate in initiatives that promote new ways of thinking. I was privileged to participate in the organisation's 2020/2021 Great Leadership Conversation Series where themes of organisational importance were discussed by a group of female leaders, and I am heartened to see the way we are welcoming diverse perspectives. The everincreasing rate of change in business requires agility and adaptability, and these skills are, in my experience, more inherent to diverse teams, which produce an array of unique perspectives and solutions. During the past 12 months, the Board and Group Executive Committee actively monitored progress with regard to gender diversity at senior management level across the Group. Subsequently, we refined our corresponding diversity target to at least 40% female and at least 40% male representation at senior management and executive level throughout the organisation.



For more insights into Mediclinic's approach to sustainable development, view a short message by Dr Felicity Harvey, Chair of the Clinical Performance and Sustainability Committee, at annualreport.mediclinic.com.

BOARD EXPERTISE

I was initially drawn to Mediclinic because of its purpose but I have also found healthcare an exciting sector. It is growing, and will continue to do so. The opportunities are plentiful and varied as we move along the continuum of care and join up prevention, care, recovery and enhancement.

During my time as Chair Designate, I was privileged to spend time with Dr Hertzog. From entrepreneur to helmsman of an internationally successful healthcare

CHAIR'S REVIEW CONTINUED

services provider, Dr Hertzog truly had an inspirational career journey. During his tenure as Chair and while Mediclinic's geographical footprint expanded, its focus on putting *Patients First* never faltered – and neither will it in future. It is clear he led by example, always demonstrating compassion, humility and humanity. On behalf of the Board, I thank him for his unparalleled contribution and wish him a long and fulfilling retirement.

I have gained valuable insight into the business during these pivotal times and we remain committed to building an organisation that is the partner of choice that people trust for all their healthcare needs.

My fellow Board members have diverse backgrounds, skills and experience, and together we are equipped with a wealth of different perspectives to support management in delivering on Mediclinic's strategic, operational, social and financial objectives. Our clinical experts at Board level, aided by the Group's strict governance frameworks and structures, not only steward superior clinical outcomes and exceptional client experience, but they also support Dr René Toua, Group Chief Clinical Officer, who leads a coordinated crossdivisional clinical response to the pandemic.

To read more about Board appointments and composition, see my introduction to the Governance and Remuneration Report on page 106.

Both COVID-19 and the implementation of our Group strategic goals have impacted the way we evaluate risk appetite and mitigation. Risk and audit are addressed as two separate topics during Audit and Risk Committee meetings to ensure that time is dedicated to each. The Board plays an integral part in risk management and, informed by my career in insurance, I have encouraged all Board members to think more broadly about both external and internal risks, as well as to pursue a more holistic risk radar rather than a ranking approach.

OUR STRATEGIC PRIORITIES

Continuing with Mediclinic's tradition of forthcoming and transparent disclosure, virtual meetings have allowed me to engage with 14 of the Group's largest shareholders this year. This was followed

Mediclinic Medforum, South Africa



We must continue to demonstrate our ability to adapt and be agile.

by a perception study in the final quarter of FY21, incorporating feedback from 76 investors and analysts. The results have confirmed the many areas in which we excel, such as clinical excellence, patient experience and trust, but also raised four matters that require renewed effort: strategic delivery, capital allocation, leverage and financial returns. While these matters are not new to the Board and management, the study vindicates the efforts being made to address them. I would like to thank all the study participants – these insights are valuable and will help inform the Board when making future strategic decisions.

Healthcare is a highly regulated industry and we must continue to demonstrate our ability to adapt and be agile, accelerating the speed at which we execute our strategy in order to deliver improved returns. The executive team have shifted their attention to rapid execution, with the key focus areas being growth across the continuum of care, innovation and digital transformation. Metrics are being developed to measure progress and support execution. Under Dr Ronnie van der Merwe's leadership, the executive team have made significant progress in developing the value of being a Group. This is crucial if we are to benefit from the scale and knowledge uniquely nurtured within the organisation as we pursue our various multi-year strategic goals.

Execution of the Mediclinic Group Strategy will also require a disciplined approach to how we invest in our assets. Traditionally the Group has made significant investments in its global infrastructure. This has created a valuable real-estate asset base presenting a unique position from which to expand across the continuum of care. The trajectory of investment across the Group is pivoting towards innovation and digital transformation, and offering a seamless client journey in physical and virtual care. The Board supports this approach and continues to encourage the Group Executive Committee to consider the long-term financial benefits of developing as an industry leader and innovator.

As part of the broader capital allocation process, the Board has thoroughly reviewed the Group's capital allocation process, including its debt structure, and we remain comfortable with the level of debt, the maturity profiles and the Group's ability to service interest costs. The Group's responsible approach to leverage is further supported by the extensive asset portfolio which is used as security for the majority of our debt. Shareholders should be reassured by the Group's recent debt repayment of over £66m of debt, uninhibited by COVID-19, reducing net debt at 31 March 2021 to £2 159m, despite the significant impact and disruption COVID-19 has had on our patient activity over the period under review. The Board is encouraged that, in addition to funding future capital projects, Mediclinic currently expects to make around £250m of debt repayments between FY22 and FY24, funded from the cash-flow generation and available facilities across the business.

Finally, the Board also recognises the need for the Group to deliver improved returns on invested capital. Through pursuing the priorities listed here, we are confident of consistent and ongoing improvement, and we will ensure that the necessary oversight and focus are given to achieving this. I welcome the inclusion this year of return on invested capital ('**ROIC**') as a measure in the Group's long-term incentive plan ('**LTIP**'), demonstrating its importance in the pursuit of creating long-term value for our shareholders.



PERFORMANCE

Swift and decisive internal action at the start of the pandemic enabled the Group to deliver a robust financial performance and ensured the liquidity of the Group remains strong. The most significant impact to the Group's revenue and profitability was during April 2020 when governments introduced strict lockdown measures and suspended non-urgent elective surgical procedures. Thereafter, as we prepared for subsequent waves of the pandemic, we were afforded greater operational and clinical flexibility that allowed us to dynamically manage the services we could offer to both COVID-19 and non-COVID-19 patients, drawing on our experience from the first wave. During this period of significant uncertainty, our employees showed and continue to show exceptional courage and dedication as they adapted on an almost daily basis to the rapidly changing environment.

Mediclinic has always pursued long-term investments that support the success of the Group. Despite the pandemic, we continued to diligently invest in opportunities critical to the execution of the Mediclinic Group Strategy, especially as we concentrate our healthcare innovation and digital transformation efforts to deliver future growth and improved returns.

The Board took the difficult decision to suspend the dividend at the end of FY20. This was part of a broad range of proactive measures taken to conserve liquidity. We are very aware of the importance of dividends to many of our shareholders. However, at such an uncertain time with reduced visibility on the duration or the full impact of the crisis, we believe it remains prudent to prioritise liquidity preservation measures. The Board, therefore, has decided not to propose a final dividend and will keep the position on future dividend payments under regular review.

LONG-TERM ROLE AND RESPONSIBILITY

The important role and responsibility of large corporates in modern society had been widely recognised before the pandemic and must be emphasised even more as we navigate the second year of the pandemic and beyond. Each business today plays a vital role in supporting livelihoods – both of its employees and the national economies in which it operates. The Board and the executive team have a responsibility to safeguard the future of our organisation and to provide value to each stakeholder.

Healthcare is unique in that, during this time, it has been the sector around which national responses have been designed. We have been and continue to be centre stage, what we do during this time will define us for decades to come. Hence the strength of the executive team with Ronnie at the helm, the Mediclinic Group Strategy, our organisational culture and governance structures give me confidence in our ability to recover fully in the future and deliver long-term sustainable value.

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Dame Inga Beale Non-executive Chair 25 May 2021

A UNIQUELY INTEGRATED NTERNATIONAL IEALTHCARE PA

UK

Switzerland

Mediclinic is a diversified international private healthcare services group¹, 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

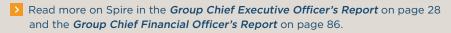
Mediclinic Middle East has established a trusted brand and strong reputation in this developing region by offering clinical care of internationally recognised standards

www.mediclinic.ae

THE UK

Mediclinic has a 29.9% stake in Spire Healthcare PLC ('Spire')

www.spirehealthcare.com















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22 - - -	.
22	subacut

te hospitals³

18 outpatient clinics⁶







mental health facilities⁴





The UAE



Notes

In addition to three operating divisions, the Group also has two non-operating segments - the UK and Corporate.

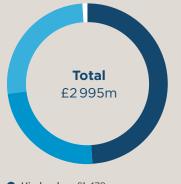
² Provides patient treatment with specialised medical and nursing staff, and medical equipment.

³ Provides comprehensive goal-orientated inpatient care designed for a patient who has had an acute illness, injury or exacerbation of a disease process. ⁴ Provides specialised treatment of serious mental disorders.

⁵ Provides elective procedures, surgical procedures and planned medical procedures, but admits and discharges patients on the same day.

⁶ Provides consultations (by general practitioner, specialist or allied healthcare professional) with no theatre facilities.

Contribution to revenue (£'m)



- Hirslanden: £1 478m
- Mediclinic Southern Africa: £734m
- Mediclinic Middle East: £781m
- Corporate: £2m

Contribution to adjusted EBITDA (£'m)



Mediclinic Middle East: £102m
 Corporate: £(7)m

Contribution to adjusted earnings (£'m)



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 of healthcare in each of its markets.

Read more about the continuum of care on page 38.



Inpatient cases 70%

Day surgery cases 6% Outpatient cases 24%

Speciality ¹	Inpatient cases	Day surgery cases	Outpatient cases
Cardiology/Cardiothoracic surgery	8%	0%	0%
General medicine ²	2%	0%	5%
General surgery	19%	1%	1%
Internal medicine	16%	2%	5%
Laboratory	1%	0%	4%
Obstetrics and gynaecology	6%	1%	1%
Oncology	1%	1%	1%
Orthopaedics	13%	1%	1%
Paediatrics	3%	0%	1%
Radiology	1%	0%	5%
Total	70%	6%	24%

Notes

Based on FY21 healthcare revenue.

² Includes services rendered by general practitioners and allied health professionals.

INVESTMENT CASE

MEDICLINIC'S VISION

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

Following a clear strategic roadmap to accomplishing its vision, Mediclinic is constantly evolving and expanding its integrated healthcare system to offer clients easy access to convenient high-quality healthcare in the most appropriate setting at the most appropriate cost. By approaching this with disciplined capital allocation, it also delivers superior and sustainable value to shareholders.



PARTNER OF CHOICE

- As a recognised employer and partner of choice, attracts and retains best talent and independent medical practitioners across all disciplines
- Collaborates with governments and authorities to offer healthcare services and participates in initiatives to strengthen relationships across public and private healthcare sectors
- Innovates with healthcare insurers and industry partners to deliver products and services which meet the changing needs of clients

6

Hirslanden awarded six contracts with Swiss cantons for repetitive COVID-19 testing by April 2021

2 300+ & 3 594 Partners with more than 2 300 medical practitioners in Switzerland and 3 594¹ in South Africa



2 TRUST

- Established leading market positions with over 35 years' experience
- One of the largest private healthcare providers and physician networks across the Europe, Middle East and Africa (**'EMEA**') region
- Balanced portfolio across developed (Switzerland and the UK) and emerging markets (Southern Africa, the UAE and Saudi Arabia)
- Committed to sustainable development with clear ESG goals to conserve, connect and comply

5

Hirslanden hospitals in top 27 for Switzerland according to *Newsweek*'s 'World's Best Hospitals 2021'



Mediclinic Middle East awarded Superbrand status by the UAE Superbrands Council in 2020



3 CLIENT CENTRED

- Internationally recognised clinical expertise and a relentless focus on improving patient safety and clinical outcomes
- Focus on providing cost-efficient, quality care and outstanding client experiences
- Digitalisation competencies dedicated to transforming services and modalities to offer seamless client journeys across physical and virtual care

5

Press Ganey[®] measures patient experience across five care lines – inpatient, day surgery, outpatient, emergency centre ('EC') and virtual care

20 Partners with more than 20 private and public organisations to meet clients' healthcare needs across the continuum of care

Note

¹ Includes general practitioners who admit directly to Mediclinic facilities. The year-on-year increase (2020: 2 250+) directly relates to the pandemic which catalysed closer collaboration with specialists across wider and more diverse geographies. While not all of these specialists will continue to admit on a regular basis, the availability of high-quality expertise is of paramount importance to ensure access to care for all patients during these times.



4 OPPORTUNITIES FOR GROWTH

- Market share growth propelled by leading market positions and diverse services
- Focused expansion into new services across the continuum of care through investment in innovation, digital transformation and technology
- Disciplined approach to grow into new geographies by leveraging the Group's core competencies



Precision medicine service at Hirslanden and Mediclinic Middle East launching in FY22



Renal care and oncology service partnerships established at Mediclinic Southern Africa



5 STRONG FINANCIAL PROFILE

- Robust cash generation
- Drives enhanced returns through increased asset turnover and value-oriented capital allocation
- Responsible approach to leverage by proactively managing cost and maturity of debt largely secured against significant property portfolio
- Group benefits realised to deliver cost saving and operating efficiencies

£679m

cash and available facilities at year-end

CHF145m

Swiss bond successfully refinanced with lower coupon rate



6 HIGH BARRIERS TO ENTRY

- Leverages international expertise to effectively manage large multidisciplinary facilities, Centres of Excellence ('**CoEs**') and specialised services
- Extensive and well-invested asset portfolio providing operational flexibility including expansion across the continuum of care
- Hub-and-spoke healthcare models supported by widespread physical and virtual client referral channels
- Detailed knowledge of complex and diverse reimbursement models underpinned by data science management

86% The Group owns 64 of its 74 hospitals ('hubs')

46 mental health facilities, subacute hospitals and day case and outpatient clinics ('spokes') across the Group and its partners

COVID-19 **OVERVIEW**

MEDICLINIC'S RESPONSE

The Group continues to fulfil an essential role in combatting the pandemic. As an international healthcare services provider, Mediclinic prioritises the safety of its employees and patients; the continuity of its operations; and its support of and collaboration with the relevant health authorities.



COVID-19 IN NUMBERS

£32m **COVID-19-related spend**

COVID-19 patients treated in hospital

6()+

international professional societies and epidemiology experts consulted

105m

examination gloves sourced in 2020, 35 million more than in an average year

1.3m

masks/month used during COVID-19 waves, up from 360 000 masks/month pre-pandemic

900%

increase in use of isolation gowns during pandemic's peak compared with normal operations

new internal engagement channels across the Group to support continuous communication

8%

increase in absenteeism hours¹, mainly due to COVID-19 quarantine periods and illness

EMPLOYEES VACCINATED AT 31 MARCH 2021²

±35% ±29% at Hirslanden

at Mediclinic Southern Africa

±85% at Mediclinic Middle East

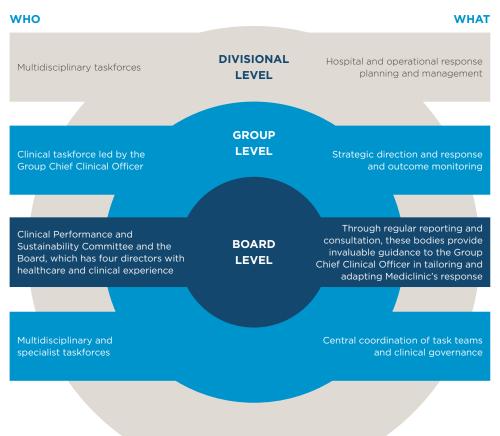
Notes

Percentage calculated for the 2020 calendar year.

² Percentage applicable to eligible employees.

EMERGENCY PREPAREDNESS SUMMARY

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



ACTIONS

- Redeploying suitable employees to support operations
- Acquiring additional ventilators and other intensive care unit ('ICU') equipment and related consumable products
- Expanding ICU capacity where possible
- Establishing additional laboratory facilities
- Proactively procuring critical PPE and medication
- Researching and sourcing alternative mechanisms to provide oxygenation

CONTINUOUS EXTERNAL STAKEHOLDER CONSULTATION

CLIENTS

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

GOVERNMENTS AND AUTHORITIES

Supporting with testing, treatment and vaccination strategies

HEALTHCARE INSURERS

INVESTORS

MEDIA

MEDICAL PRACTITIONERS

Communication via live broadcasts, virtual meetings and online treatment collaborations

PROFESSIONAL SOCIETIES

SUPPLIERS

- NEW SERVICES AND
- Virtual care advancement
- Polymerase chain reaction ('PCR') testing units and additional laboratory facilities
- Repetitive testing online
 platform
- Home delivery and drive-through pharmacy services
- Remote patient
 monitoring
- Alternative interim facilities which admit asymptomatic and low-acuity cases
- Vaccination centre establishment and management

COVID-19 OVERVIEW CONTINUED

TIMELINE

Restrictions on elective procedures¹

Switzerland Southern Africa
 The UAE

26 FEB

First COVID-19 case admitted at Hirslanden

11 MAR

- World Health Organization ('**WHO**') declares COVID-19 outbreak a pandemic
- First COVID-19 case admitted at Mediclinic Southern Africa

26 MAR

PCR testing service launched at Mediclinic Middle East

5 APR

Hirslanden: admissions peak in first wave

14 MAY

Mediclinic Middle East: admissions peak in first wave

22 JUL

Mediclinic Southern Africa: admissions peak in first wave

24 NOV

Hirslanden: admissions peak in second wave

18 DEC New 501.V2 variant announced in South Africa

12 JAN

- Vaccination roll-out in Switzerland commences
- Mediclinic Southern Africa: admissions peak in second wave

12 FEB

Mediclinic Middle East: admissions peak in second wave

20 FEB

First Mediclinic Southern Africa employee vaccinated

Note

Restrictions were both self-imposed and government mandated to preserve capacity. In some divisions, restrictions were applicable to certain regions or facilities only.

2020

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2021

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9 JAN

First COVID-19 case admitted at Mediclinic Middle East

28 FEB

Daily Group clinical taskforce meetings commence

12 MAR

Online risk assessment tool launched at Mediclinic Southern Africa

1 APR

First telemedicine consultation at Mediclinic Middle East

23 APR

Hospital access control screening app introduced at Mediclinic Southern Africa

1 JUN

- Telemedicine solution launched at Mediclinic Southern Africa to support affiliated doctors
- Mediclinic Middle East concludes agreement with national airlines to test passengers before flights

15 AUG

First Mediclinic Middle East employee vaccinated as part of a clinical trial

7 DEC

Vaccination roll-out commences in the UAE

23 DEC

First Hirslanden employee vaccinated

13 JAN

Hirslanden contracted to operate its first vaccination centre

17 FEB

Vaccination roll-out commences in South Africa

25 MAR

Repetitive testing platform, Together we test, launched at Hirslanden

SAFETY FIRST

The Group's international perspective remains a key differentiating factor for Mediclinic. Led by the centrally coordinated Clinical Services function, the Group responded efficiently and effectively to the pandemic and expanded upon established infection prevention and control ('**IPC**') programmes by leveraging Group insight and best practices.

- IPC and communicable disease emergency preparedness programmes govern admission, containment, triage and treatment of suspected or confirmed COVID-19 cases
- New visitation and access control guidelines
- Thermal screening at the point of entry
- Increased availability of hand sanitisers
- Mandatory use of masks for patients and visitors
- Mandatory COVID-19 testing prior to admission for elective procedures
- Mandatory COVID-19 testing upon admission for all non-elective admissions
- Social distancing enforced in waiting areas
- Restrictions on the number of persons using the elevators
- Revised PPE-use protocols in high-risk areas and procedures
- Increased frequency of facility disinfection
- New clinical guidelines for care process flow of COVID-19 patients from EC to ward, ICU, high dependency and palliative care or discharge
- Periodic employee COVID-19 testing as per regulatory guidelines
- Suspected and confirmed COVID-19 case management as per national treatment guidelines
- Employee vaccination programmes

Multidisciplinary taskforces at Group and divisional level enable Mediclinic to constantly re-evaluate its ongoing response to the pandemic, allowing it to optimise treatment pathways for patients in order that demand for critical and intensive care beds can be managed appropriately.

The Group invested in a number of initiatives to support employees, affiliated doctors and communities during this time, including establishing 24/7 client call centres and crisis control centres.

The Group's centrally coordinated procurement teams with global sourcing capabilities have played a pivotal role in ensuring uninterrupted delivery of critical care during the pandemic. Across three continents, the teams' proactive measures ensured the continued supply of critical PPE, medication, consumables and ICU equipment.

EMPLOYEE PROTECTION, EDUCATION AND WELLBEING

- Work-from-home arrangements for qualifying employees
- COVID-19 and PPE-use training and PPE supply for workplace use
- Screening and self-isolation of employees
- Vulnerable frontline employees redeployed to lower-risk units
- Paid leave for sick and quarantined¹ employees
- E-learning and distance learning methods implemented for continuous medical training and education
- Mental and physical wellbeing support for employees and affiliated doctors
- Regular communication with employees and affiliated doctors
- Refer to 'The people who set Mediclinic apart' case study on page 18 for more information on how employees were supported during the reporting period.

The Group invested in a number of initiatives to support employees, affiliated doctors and communities during this time, including establishing 24/7 client call centres and crisis control centres.



Note

¹ Refer to page 57 of the **2021 Sustainable Development Report** for more information.

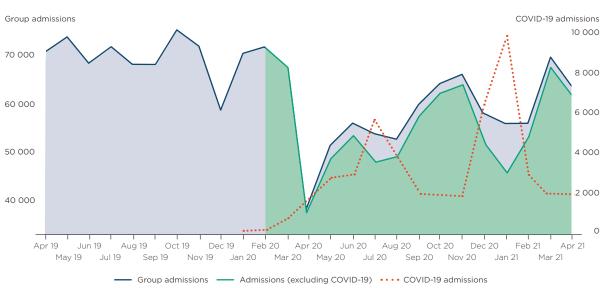
CONTINUITY OF CARE

The Group's approach to providing elective procedures and outpatient treatments has remained fluid, while its delivery of critical and urgent care has not wavered. Hospitals have adapted their services to reflect any local restrictions, the changing demands on individual and regional facilities, and the availability of clinical personnel.

As the peaks of COVID-19 recede, more normal operating practices have resumed, demonstrating the strong underlying demand for Mediclinic's specialist healthcare services. Patient activity is returning steadily, supported by the Group's ability to implement and accommodate protocols to ensure services are offered safely and conveniently.



ADMISSIONS IN FY20 AND FY21



PARAMOUNT PARTNERSHIPS

Collaborating with public and private stakeholders, including governments and authorities, has been vital in helping to address the effects of the pandemic. Across the world, major advances have been made in the development, manufacture and distribution of COVID-19 vaccines. Mediclinic is working with health authorities to support government-led vaccination roll-out plans and prioritisation schedules. It is encouraging to witness that across the world, governments are prioritising healthcare workers in the vaccination roll-outs. Mediclinic supports this approach and is facilitating the process, ensuring eligible colleagues receive a vaccine, thereby protecting their wellbeing and, as a result, the quality of care Mediclinic patients receive.

In Switzerland, Hirslanden has opened four vaccination centres and partnered with six cantons to manage repetitive testing on its digital platform, Together we test. Mediclinic Southern Africa is supporting the vaccine roll-out strategy of the National Department of Health and is part of the private sector initiative to assist the government where required, including the management of vaccine centres at its facilities. The government-led vaccination programme in the UAE is well underway and all Mediclinic Middle East facilities are supporting the roll-out.

Refer to the Group Chief Financial Officer's Report from page 84 for more information on the Group's performance. **TOGETHER WE CARE CASE STUDY**

THE PEOPLE WHO SET MEDICLINIC APART

YEAR OF THE NURSE

The Group's nurses are more than just caregivers. Every day, they motivate, innovate and lead. They have the ability to mend the body, heal the heart and calm the mind, giving of themselves to care and to comfort.

In 2020, in commemoration of the 200th anniversary of Florence Nightingale's birth, the world celebrated the Year of the Nurse. Within the Group it was an opportunity to put a spotlight on the calling and pay tribute to the unstinting efforts of nurses across the three divisions.

It was also a year of extraordinary adversity that highlighted the linchpin role nurses play in the provision of quality care. When pandemic surges threatened to overwhelm healthcare services around the globe, they remained steadfast in their dedication.

Worldwide there has been profound appreciation for the courage and compassion of healthcare workers. Mediclinic Group Chief Executive Officer ('**CEO**') Dr Ronnie van der Merwe articulated this in a message to employees on the International Day of the Nurse: 'For your unwavering daily commitment to venture forth and help the vulnerable, we salute and thank you.' 14 000+

nurses across the Group

10 800+

employees surveyed about COVID-19's impact on their working life

EMPLOYEE WELLBEING

At Mediclinic, employee welfare is about optimising the overall health of the workforce, not just reducing the number of injuries. This takes into account the physical workplace, task organisation and company culture, extending beyond health into happiness and job satisfaction. To this end the Group runs wellness drives, employee engagement surveys, vaccination programmes and education campaigns as a matter of course.

The pandemic posed a significant risk to the health and safety of the Mediclinic workforce. Stringent IPC measures were put in place well before the Group admitted its first COVID-19 patient. A survey conducted in June 2020 showed that employees felt positive about the plans, policies and safety protocols implemented to counter the virus.

As important as employees' physical safety was their psychological resilience. To provide supplementary emotional support, each of the divisions moved rapidly to roll out a range of initiatives. Hirslanden supplied employees with a Corona Care Kit that included access to an independent 24-hour support line, opportunities for personal coaching and care services offered by the Corporate Office. Online self-help modules focused on resilience, stress management and relaxation.

Mediclinic Southern Africa launched a mobile app and employee web portal of self-care information and resources, with additional aid in the form of telephone counselling and support sessions. The division empowered leaders to rally their teams through weekly audiocasts and emails that focused on leading through a crisis, as well as a wellbeing guide and leader toolkit.

At Mediclinic Middle East, the employee assistance programme was enhanced with onsite mental health support and the division paid for accommodation when employees needed to isolate from friends and family. In meeting the challenges of the past year, the Group has demonstrated that its employees are its most valued asset.

In addition to the annual *Your Voice* employee engagement survey, a COVID-19 employee survey was administered in Southern Africa and the UAE at the peak of the pandemic to gain insight into employee needs.

Refer to pages 44–47 and 54–57 of the 2021 Sustainable Development Report to learn more about employee engagement, wellness and safety.

The COVID-19 pandemic is a marathon, not a sprint. Our aim is to provide our employees with relevant occupational health and wellbeing support until the pandemic has been overcome – as well as beyond.

Mr Magnus Oetiker, Group Chief Strategy and Human Resources Officer

21 ANNUAL REPORT MEDICLINIC INTERNATIONAL PLC 19

CASE STUDY

DATA SCIENCE AND COVID-19

INSIGHTS INFORM PANDEMIC PREPAREDNESS The Group's Data Science and Information Management function played a central role in Mediclinic's response to the pandemic by providing foresight for resource planning to ensure facilities were adequately prepared. 'Our data scientists developed forecasting models specifically calibrated for the Group's hospitals to predict the number of ventilators required for each at any given point in time. We also developed models for stock such as medicine, PPE and oxygen,' says Mr Jannie van Schalkwyk, Group General Manager for the function.

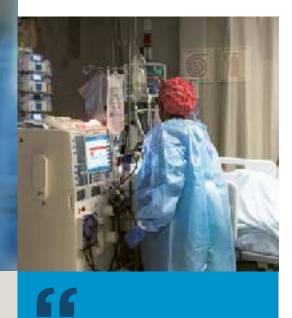
Data engineers and visualisation experts worked together to create interactive dashboards presenting statistics such as the number of COVID-19 cases admitted, occupancy levels and clinical outcomes. The entire process was automated and reports updated overnight so decision-makers could view the latest information on how the virus was impacting the Group's facilities when they started work in the morning.

In gathering and analysing data, Mediclinic benefited from its presence in different geographies, with the divisions dealing with surges at different times. 'Sharing knowledge assisted us considerably in developing better data solutions and risk models to measure and predict the impact of the virus.'



IMPROVING OUTCOMES

Besides the forecasting and insights, which were crucial for planning during the pandemic, data analytics also directed the clinical response. 'We quickly learned that 80% of COVID-19 deaths occur in people over 65 years, which informed how those patients were managed,' Mr Van Schalkwyk says. Data analytics further revealed that COVID-19 consumed resources differently from the traditional mix of treatments - for example, treating the virus led to a significant increase in the use of oxygen and PPE. Addressing these resource requirements timeously enabled Mediclinic to provide better care when it mattered most.



Q&A

MR JANNIE VAN SCHALKWYK Q. YOU ARE A STATISTICIAN DEALING WITH IMPERSONAL DATA. HOW DO YOU CONNECT WITH YOUR JOB ON AN EMOTIONAL LEVEL?

People might think of data science as a back-office function where introverts work with algorithms. But I see the real-life impact. When we work with clinical data, we think of how we can use it to drive better outcomes. Maybe we're not at the point-of-care of looking after patients, but we are improving lives with the insights we generate. What could be more rewarding? We are living in a precarious time and I believe data science is going to become instrumental in shedding light on the uncertainties and what to do to create a better world.

Mr Jannie van Schalkwyk, Group General Manager: Data Science and Information Management TOGETHER WE CARE CONTINUED

CASE STUDY

FUTURE-READY BY DESIGN

INNOVATIVE SOLUTIONS BUILT AROUND THE CLIENT

The healthcare landscape is changing rapidly: technology is enabling the digitisation of medical records, accurate health tracking through wearables, individual genomic insights, and rapid analysis and prediction through artificial intelligence ('**A**I') and machine learning.

With today's consumers wanting easy access to personalised care, Mediclinic is developing its vision for a patient portal which will integrate all of a client's health information, from clinical records and live smartwatch measurements to their unique genetic profile, to allow for a consolidated view.

'We are moving towards a paradigm in which care is completely tailored to the individual,' explains Dr Tyson Welzel, Group Chief Innovation Officer. 'This personal care will not only concentrate on the biological whole but also the personal preferences of individual clients.'

Supporting the portal will be a virtual command centre, powered by AI, where all the data streams come together to be assessed by experts in every discipline for truly integrated care. The benefits are myriad, from increased quality care to reducing costs due to the elimination of duplication, to giving clients more control over their own healthcare journey.

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The future of medicine is highly personalised, pre-emptive and directed, creating opportunities to help clients improve wellbeing, augment physical and psychological health, prevent illness and increase longevity.

DIGITAL TRANSFORMATION

A key enabler of Mediclinic's services and client engagement is digital transformation, which focuses on enhancing existing processes in areas as diverse as clinical care and procurement. 'Digital collaboration tools and robotic process automation allow us to take away routine and repetitive tasks and focus on work that amplifies benefits for the client,' says Dr Julian Fleming, Group General Manager: Digital Transformation.

While both digital transformation and innovation result in a 'product', the real value lies in the radical change in how Mediclinic achieves its growth and unlocks new revenue opportunities. Technology enables valueadded solutions without the high barriers traditionally associated with healthcare such as the required capital, infrastructure and geographical proximity to a client. It creates opportunities that extend Mediclinic's reach outside of its traditional operating areas and offers enhanced value to both clients and shareholders. 'Our purpose is to enhance the quality of life. Through digital technology we can do that for many more people while maintaining the quality and expertise many have come to expect from Mediclinic,' says Dr Fleming.

FORWARD FOCUSED

Although the pandemic sidelined non-core clinical activities by tying up resources, it accelerated acceptance of digital solutions. In addition to telemedicine applications in all divisions, the Group has run a number of large and encouraging pilots during the year for a Mediclinic app, which will create a digital front door to Mediclinic's services.

By April 2021, six Swiss cantons had partnered with Hirslanden to manage their repetitive testing strategies through Hirslanden's digital platform, Together we test. During the year, Mediclinic Southern Africa automated access control to its facilities through a WhatsApp bot and launched a mobile application that facilitated patient pre-admission by providing a COVID-19 assessment, allowing doctors and administrative staff to identify patients at risk prior to admission. In the UAE, Mediclinic Middle East partnered with the Abu Dhabi Department of Health to offer family physician-led primary healthcare, using remote interventions to lessen the need for in-person healthcare visits and also reduce possible exposure to COVID-19.

In the year ahead, Mediclinic will continue to roll out precision medicine and pursue intelligently applied automation to enhance productivity. Despite strongly leaning on technology, real patients remain at the centre of it all. The Company is building people into the 'digitalby-design' approach and asking clients how they want care to be delivered, so they can move seamlessly from virtual to physical engagements and back again.



Q&A

DR TYSON WELZEL Q. WHAT DOES YOUR ROLE, WHICH IS NEW, INDICATE ABOUT MEDICLINIC'S AMBITIONS?

Although clinical possibilities are increasing on a daily basis, there is a worldwide scarcity of healthcare workers. At the same time funders are attempting to drive down cost. The consumer, who is used to new ways of interacting online, is looking to do the same with their healthcare provider. The appointment signals not simply Mediclinic's acknowledgement of these megatrends, but an active drive to remain more than competitive in such a landscape.

DR JULIAN FLEMING Q. WHAT INSPIRES YOU TO PURSUE DIGITAL SOLUTIONS TO HEALTHCARE CHALLENGES?

I am passionate about access to healthcare. Digital helps us transcend issues such as geographical location and ability to pay for health insurance because we can offer lower-cost care via a smartphone. We have so many opportunities to extend Mediclinic's reach outside our traditional geographies and still offer value to both our clients and our shareholders.

MAPPING A BETTER FUTURE WITH RESILIENCE AND INGENUITY



Dr Ronnie van der Merwe Group Chief Executive Officer

Q&A

Q. HOW DID YOU MOTIVATE THE ORGANISATION TO REMAIN RESILIENT AND OVERCOME CONSTRAINTS? The most important was to create good and transparent communication. We regularly reminded our people of our purpose and tried to create a sense of pride in the contribution we were making. We also addressed employees' fears and uncertainties through a series of personal messages from my office.

Q. YOUR ONE WORD FOR 2021 IS 'OPPORTUNITY'. WHAT IN YOUR OPINION WILL BE MEDICLINIC'S BIGGEST ACHIEVEMENT IN THE YEAR TO COME?

Our Group Strategy, formulated prior to the pandemic, redefines our business completely and opens up new opportunities. Getting involved in more care settings this year would be an achievement, as well as making use of all the opportunities that large-scale digitalisation may bring.

Q. WHAT HAS THE PANDEMIC TAUGHT YOU?

The crisis brought out the best in our employees. Their unwavering positivity and energy were remarkable. Both our workforce and our organisation became very adaptable during this period.



View a condensed video interview at annualreport.mediclinic.com or scan the QR code. For many countries, businesses and people, the past year has undoubtedly been one of the most challenging in living memory. It has been no different for Mediclinic, but in facing the pandemic we have been able to do what we do exceptionally well – work together to provide care to clients who are at their most vulnerable and demonstrate our ability to identify and seize opportunities to adapt, improve and innovate.

Despite the past year demanding much of the healthcare industry, Mediclinic and our employees, we have remained resilient throughout. Since treating our first COVID-19 patient in January 2020, our incredible doctors and nurses have not faltered in caring for more than 40 000 affected inpatients. Our critical care and emergency services continued undisturbed. Throughout, the health and wellbeing of our employees and our clients remained our highest priority.

Despite the pandemic and the intermittent restrictions placed on elective procedures to prioritise healthcare resources during critical periods, I am proud of how quickly and proactively we established new services and supporting infrastructure, supplementing our existing business. While some of these are short-term initiatives that provide benefits in the near term only, others will form the foundation for future growth.

OPERATING PERFORMANCE

The Group delivered a robust operating performance, despite revenue and profitability being significantly impacted in April 2020 by the implementation of COVID-19-related lockdown measures, the suspension of non-urgent elective surgical procedures and increased costs associated with managing the pandemic. From May 2020 onwards, government restrictions were moderated, enabling us to safely reintroduce our diverse service offering, while also caring for COVID-19 patients.

Performance in the second half of the year was impacted by the more severe second wave of the pandemic. However, due to the less restrictive measures introduced by governments and regulatory authorities, greater operational flexibility and the lessons learned during the first wave, the financial impact on the Group was less significant than during the first half, delivering a sequentially improved second-half performance. Group revenue in FY21 was down 3% at £2 995m (FY20: £3 083m), adjusted EBITDA was down 21% at £426m (FY20: £541m) and the adjusted EBITDA margin was 14.2% (FY20: 17.5%). Both adjusted earnings and adjusted EPS were down 43% at £101m (FY20: £177m) and 13.7 pence (FY20: 24.0 pence), respectively.

Cash and available facilities increased during the year to £679m (FY20: £518m), net debt reduced to £2 159m at year-end (FY20: £2 325m) and FY21 cash conversion was 77% (FY20: 109%).

Refer to the Group Chief Financial Officer's Report from page 84 for more information on our FY21 performance.

STRATEGY EXECUTION

Since my appointment as Group CEO three years ago, the Group has made significant strides in bolstering the value we offer collectively. Our international footprint, shared expertise and diversified service offering provide numerous opportunities to deliver value and growth as a Group.

We continue to see tangible benefits from this approach. Our Group bargaining power and coordination enable significant cost savings on a wide range of procured items – from low-cost high-volume consumables to low-volume cutting-edge capital equipment – and on contracting information communications technology ('ICT') services and software. The latter being of growing importance to our digital transformation and innovation initiatives.

£2 995m

Group revenue FY21

£679m Cash and available facilities

There are few international healthcare providers that offer services across the continuum of care in such diverse doctor models and insurance environments as Mediclinic. Through a shift towards centrally leading overlapping areas of expertise, we are collating the best practices from each of our divisions across the clinical, procurement, finance, ICT, data science, digital, and business development disciplines.

Not only does this enable continuous improvement, but it also equips us with a world-class toolkit to successfully expand into new geographies and services across the continuum of care should opportunities arise.

This year, with such rapid developments in healthcare and client behaviour, we have further refined our Mediclinic Group Strategy to ensure that it continuously provides the best foundation from which to address the challenges of our industry and strengthen our



GROUP CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

competitive advantage. While disruptions due to the pandemic have complicated progress in some areas, they have simultaneously illuminated further opportunities in others. I am more confident than ever that our goals are aligned with future healthcare needs and long-term trends.

Refer to the *Strategy overview* on page 32 for more information on our strategic goals.

In summary, I would like to highlight three key areas on strategy delivery:

Transforming our services and client engagement through innovation and digitalisation

The pandemic has highlighted and accelerated the global demand for accessible, convenient, quality care. In response, we have prioritised the execution of our innovation and digital transformation initiatives. To help facilitate this, we welcomed Dr Tyson Welzel to the Group Executive Committee as Group Chief Innovation Officer in October 2020. Under his leadership, centrally led Innovation and Digital Transformation functions are being established to pursue more opportunities in this rapidly growing segment.

During the pandemic, lockdowns necessitated deploying certain virtual care initiatives quickly to provide remote access to the Group's clinical experts and existing services. These overarching solutions will, in the longer term, form the foundation of a seamless service experience across both the virtual and physical care settings. Core to this is establishing a digital healthcare platform across the divisions. A client-facing application being piloted for a pregnancy and baby care pathway was launched at Hirslanden in April 2021. Mediclinic Southern Africa is due to launch its application in September 2021, piloting a new dialysis service, with Mediclinic Middle East set to implement remote patient monitoring in the same month.

We anticipate that our exciting precision medicine service at Hirslanden and Mediclinic Middle East, utilising established divisional laboratory facilities, will soon deliver new revenue streams. Led by specialist geneticists, the service will enable disease treatment and prevention tailored according to genetic, environmental and lifestyle variables of individual clients.

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We anticipate that our exciting precision medicine service at Hirslanden and Mediclinic Middle East will soon deliver new revenue streams. Recent robotic process automation projects focused on administrative processes have yielded significant improvements in speed and accuracy. Further trials and Group-wide roll-out are planned for the year ahead and a Group Hyper Automation Centre of Expertise is expected to be operational by June 2021. But our digital transformation focus extends beyond efficiencies to gaining competencies across the entire organisation to grow our client engagement and offer enhanced value in meeting their healthcare needs.

Becoming an integrated healthcare provider across the continuum of care

In meeting the evolving and modern needs of our clients, we are positioned ideally to use our existing facilities and trusted clinical expertise as a foundation for expansion.

In support of regional care models, we continued to invest in our day case clinics, which now total 18. Here less complex cases can be treated more efficiently at high volume in a lower-cost setting without compromising on the quality of care our clients have come to expect at our existing acute care hospitals. These investments are generating good returns due to increased demand and volume growth. At the same time, we can increase our focus on delivering more complex and specialised medical and surgical care in the resulting capacity at acute care facilities.

Through its cooperation agreement with Medbase (the leading Swiss specialist in family healthcare and part of the Migros Group), Hirslanden has concluded the sale of its three outpatient clinics. The two partners have also established a radiology joint venture, which will be managed by Hirslanden. In addition, Helsana Insurance recently announced an innovative continuum of care insurance product, in collaboration with Hirslanden and Medbase, which offers supplementary insured clients access to high-quality, integrated care at Hirslanden and Medbase facilities. In South Africa, Mediclinic Southern Africa's investment in the Intercare Group affords it a similar partnership, and in the UAE, Mediclinic Middle East owns an established network of 18 outpatient clinics.

Demand for care in specialised fields, such as mental health, rehabilitation, oncology and dialysis, remains high. In March 2021, Mediclinic Southern Africa announced a partnership with Icon Oncology to deliver seamless one-stop oncology services at a new flagship treatment facility based at Mediclinic Constantiaberg in Cape Town. In February 2021, the Southern Africa division opened its first renal facility at Mediclinic Bloemfontein in partnership with BGM Renal Care, with a further four centres planned for FY22. Co-locating these services at existing facilities will ensure a comprehensive vertically integrated approach to renal care in the acute and chronic environment. In April 2021, Mediclinic Middle East and the Dubai Health Authority entered into a publicprivate partnership ('**PPP**') which will see Mediclinic operate the Dubai Health Authority's Al Barsha Dialysis Centre from mid-May to provide patients with the highest quality specialised patient-centred care.



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Our clinical processes are designed to protect the safety of our clients and our employees, and to improve the effectiveness of care.

Hirslanden Klinik Aarau, Switzerland

As our services expand, our extensive experience in these specialised fields can be replicated in existing and new markets. Soon, we will also be able to incorporate our virtual care offering to provide our clients with access to physical and virtual services focused on prevention, care, recovery and enhancement.

Improving our value proposition significantly

Our clinical processes are designed to protect the safety of our clients and our employees, and to improve the effectiveness of care. To further enhance these processes, we have started the implementation of a single electronic safety event reporting system in every facility across the Group.

Determining appropriate care plans for complex clinical cases directly impacts outcomes and affordability. At Mediclinic, these complex care decisions are made by panels of experts, i.e. indication boards. During the year, we added oncology, complex visceral and cardiac surgery, and bariatric surgery to the disciplines they cover.

We have also improved our feedback channels by expanding the Press Ganey® patient experience survey tool to cover all care settings, including virtual care. A classification system for underlying concerns in patient complaints was also implemented to identify further improvement areas. By establishing CoEs, PPPs, university affiliations and student medical training programmes, we are not only investing in our current knowledge base, but also in the future healthcare workforce.

This year, Hirslanden added a further two PPPs to the two announced last year. In the UAE, the Surgical Review Corporation accredited the Metabolic and Bariatric Surgery CoE at Mediclinic Airport Road Hospital in Abu Dhabi. In May 2021, as part of a multi-year upgrade and expansion project, this same flagship tertiary care hospital commenced with the phased opening of a comprehensive cancer centre ('**CCC**'), the second to be established by the division in collaboration with Hirslanden oncology specialists. The newly built wing of the hospital also began delivering additional specialist inpatient and outpatient services in May 2021 and will be further complemented by the upgrade of the existing hospital by the end of FY22. The first CCC, situated at Mediclinic City Hospital (North Wing), was recently awarded the Dubai Healthcare City Excellence Innovation Award.

To read more about our clinical services, see page 68 for an overview.

GROUP CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

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The Group is well positioned to deliver our services as restrictions ease and patient demand increases.



SPIRE

In the UK, Spire partnered with the National Health Service ('**NHS**') to play a considerable part in the broader national response to the pandemic. The group maintained solid levels of liquidity throughout the year by closely managing capital investment outflows and through its participation in the agreement with the NHS.

As a shareholder and fellow healthcare provider, Mediclinic supported the Board and senior management in their vital work. Initially on standby for overflow of patients, Spire rapidly shifted from a business offering elective care during regular working hours to a 24-hour operation. All the while, Spire simultaneously maintained a long-term view to enable a seamless transition to resuming private work when it was practical to do so.

OUTLOOK

The Group is well positioned to deliver our services as restrictions ease and patient demand increases, benefiting from the postponement of non-urgent patient treatment. Encouraging momentum in non-COVID-19 patient activity was building towards the end of the period as we transitioned out of the second wave of the pandemic. This is expected to deliver revenue and EBITDA growth across all three divisions in FY22.

Given the Group's focus on operational and cost efficiencies, we do not anticipate long-term structural impediments to returning EBITDA margins at Hirslanden and Mediclinic Southern Africa to pre-pandemic levels. At Mediclinic Middle East, we expect margins to continue gradually increasing as we grow our presence across the region, supported by recent expansion and upgrade projects in Dubai and Abu Dhabi.

A TEAM-ORIENTATED APPROACH

Our perseverance would not be possible without our employees, nurses, affiliated doctors and allied health professionals. Across our geographies and guided by our Company purpose, they have proven their strength, competence and compassion. They are Mediclinic and they are the reason we are able to provide excellent care, together.

An invaluable contributor to our accomplishments this year has been the steadfast support of the Board, especially our new Chair, Dame Inga Beale. I am also proud of the Group's Executive Committee members, who have successfully balanced an increase in daily demands with a focus on our long-term goals and on motivating employees to remain positive and productive in extraordinary circumstances.

During this year, I've often reflected on my years working in theatre at night as a practising anaesthesiologist. It is inspiring how each healthcare worker, regardless of diverse background or experience, shares the same professional and personal concerns and desires, and an undeniable dedication to caring for clients, no matter



New expansion at Mediclinic Airport Road Hospital, the UAE

how difficult the circumstances may be. I can vouch that these frontline employees, together with all the healthcare workers across the world, deserve our unqualified respect and gratitude for their conviction and resilience. We fully endorse the vaccination programmes which have commenced worldwide and are supporting the health authorities and communities we serve such that the vaccines can be delivered in haste.

We have learned many lessons in the past 12 months, through our unwavering commitment to patients during this trying time, and we have applied these as a collective to benefit the entire Group. I believe we will strengthen this foundation in the year to come and make good progress on the execution of our Mediclinic Group Strategy. We look to FY22 with hope and eagerness to pursue the opportunities it is sure to bring.

Dr Ronnie van der Merwe Group Chief Executive Officer 25 May 2021

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While disruptions due to the pandemic have complicated progress in some areas, they have simultaneously illuminated further opportunities in others. I am more confident than ever that our goals are aligned with future healthcare needs and long-term trends.

MARKET OVERVIEW AND OPPORTUNITIES

ALWAYS IN DEMAND

Although COVID-19 has had a fundamental impact on many industries and economies across the globe, the demand for healthcare services has not wavered. Over the past few years, the healthcare industry has encountered unprecedented change due to rapid development in the global landscape, most notably driven by ageing populations, a growing burden of lifestyle diseases, advances in new medical technology, virtual care and emerging healthcare consumerism. These provide opportunities for growth.

1.4bn people aged 60 and older by 2030.¹

9.7 years

In 2019, global life expectancy at birth was 73.4 years. Healthy life expectancy at birth, however, was 63.7. This means that on average 9.7 years of life were spent in poor health.²

42%

of consumers in the United States of America (**'US'**) said they used tools to measure fitness and track health improvement goals in 2020, up 25% from 2013.³

25.2%⁴

compound annual growth rate projected for global telemedicine market size from USD61.40bn in 2019 to USD560bn by 2027.

USD7.8trn[°]

global spending on health in 2017, or about 10% of gross domestic product ('**GDP**') and USD1 080 per capita.

LIFELONG PARTNERSHIP

Clients' needs are changing - healthcare encounters are no longer isolated incidents. Clients now seek a partner who can accompany them through life and champion their wellness through advice and support so they can manage their own health - regardless of time or place. Due to the rapid advancement of technology and services, their expectations extend beyond treatment and recovery to prevention and enhancement.

AFFORDABILITY

The healthcare regulatory environment is an evolving one as governments, regulators, healthcare insurers and patients focus on ensuring care remains affordable in light of everincreasing demand. One of the ways this is pursued is through outmigration of care, an approach that aims to reduce the cost of certain low-acuity services and procedures by offering these in different care settings. In addition, there is an ongoing drive for greater transparency and data sharing so clinical outcomes can be monitored and benchmarked consistently.

MEDICLINIC'S MARKETS

SWITZERLAND 8.7m⁶ stable population

12.2%⁷ of GDP spent on healthcare

2021[®] expected recovery of GDP to pre-pandemic levels

SOUTH AFRICA AND NAMIBIA 9.0m[®]

stable population of privately insured members

2024" expected recovery of GDP to pre-pandemic levels

THE UAE 9.8m[™]

growing population

88%¹⁴ expatriate population as a percentage of total population

2022¹⁵

expected recovery of GDP to pre-pandemic levels

Government investing in diversification strategies and stimulus packages to reduce dependency on hydrocarbons and continue attracting expatriates to the region

HEALTHCARE

of bed capacity provided by public cantonal hospitals, the largest providers of healthcare

- Mature, high-quality healthcare system
- Mandatory health insurance with the option to purchase supplementary cover

OPPORTUNITIES FOR HIRSLANDEN

- Expand across the continuum of care: day case clinics, genetics, radiology, family medicine, virtual care
- Leverage collaboration with Medbase to expand referral networks and create new insurance products
- Forge additional PPPs

HEALTHCARE **36%**¹²

average insurance solvency ratio (25% required in South Africa)

- Mature acute hospital sector
- Network formations common practice

OPPORTUNITIES FOR MEDICLINIC SOUTHERN AFRICA

- Expand across the continuum of care: primary care, day case clinics, dialysis, mental health, oncology, radiology
- Develop delivery models and insurance products for private-pay-and-employed-butuninsured market

HEALTHCARE

- Mandatory health insurance
- Significant degree of variability in the types of healthcare services offered, the breadth and depth of clinical expertise, business and operating practices, patient experience and clinical outcomes

OPPORTUNITIES FOR MEDICLINIC MIDDLE EAST

- Expand across the continuum of care: oncology, genetics, remote patient monitoring, long-term care, palliative care, virtual care, diagnostics
- Expand into neighbouring countries
- Introduce new clinical specialities, technologies and high-acuity care to the region
- Leverage strong international brand and reputation

THE RESPONSE

Refer to the *Strategy overview* on

page 32 and *Continuum of care* on page 38 for more information on progress during the year.

The Group has placed great focus on leveraging its expertise and leading market positions to partner and collaborate with other public and private healthcare providers. This approach helps entrench Mediclinic into the healthcare delivery systems of the nations in which it operates, making the Group even more relevant over the long term.

Mediclinic is further adapting to address the changing landscape in which convenient access to the most appropriate care in the most appropriate setting at the most appropriate cost has become critical to success. By evolving across the continuum of care, offering services that prevent, care, recover, and enhance, the Group is deliberately positioning itself for a sustainable future.

Although the divisions operate in unique legal, regulatory and economic environments, they share and strive towards the same Group strategic goals.

Sources

- ¹ 'Decade of healthy ageing 2020–2030', WHO
- $^{\rm 2}\,$ 'Life expectancy and healthy life expectancy', WHO
- ³ 'Are consumers already living the future of health?', Deloitte Insights
- ⁴ *Telehealth Market Research Report*, Fortune Business Insights
- ⁵ 'Global Spending on Health: A World in Transition 2019', WHO
- ⁶ 'Switzerland population', Worldometer
 ⁷ 'Health expenditure in relation to GDP', OECD iLibrary
- ⁸ 'Economic forecasts 2021/2022', Schweizerische Eidgenossenschaft
- ⁹ 'Privatkliniken Schweiz 2020'
 ¹⁰ Council for Medical Schemes 2019/2020 Annual Report, page 156
- ¹¹ 'The Rand Outlook', RMB, January 2021
- ¹² Council for Medical Schemes 2019/2020 Annual Report, page 16
- ¹³ 'Total population of the UAE', The World Bank
 ¹⁴ 'Population of the UAE', Edarabia
- ¹⁵ 'UAE economy to grow 2.5% in 2021 after
- shrinking 5.8% last year', Reuters

A REFINED STRATEGIC APPROACH

During the year, the Group further refined its strategic intent to emphasise and prioritise the goals that will shape the Group's future state and ensure that in every geography it is able to attract returning clients who trust Mediclinic to enhance their quality of life across the physical and virtual continuum of care.

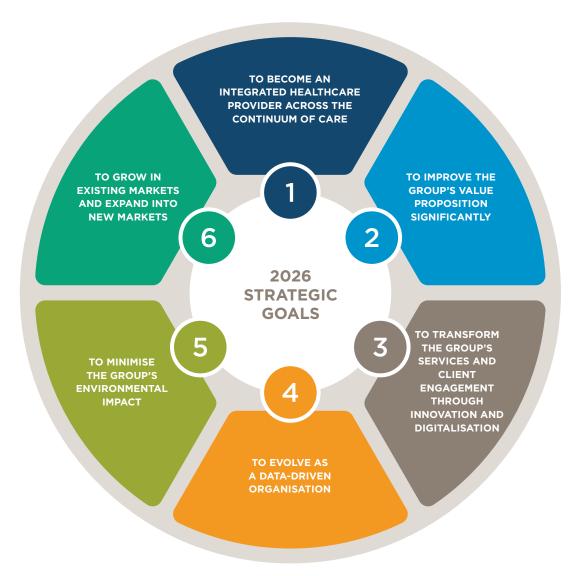
Refer to the *Business model* on page 40 for more information.

The following FY21 strategic goals and transformation drivers have been repositioned for the year ahead.

GOAL: TO STRENGTHEN THE GROUP'S POSITION AS THE EMPLOYER OF CHOICE	GOAL: TO ACHIEVE SUPERIOR LONG-TERM FINANCIAL RETURNS	TRANSFORMATION DRIVER: SUSTAINABLE DEVELOPMENT
 Progress during FY21: Further entrenched Diversity and Inclusion Strategy and Group purpose, vision and values Launched digital campus and commenced with integration of pockets of digital learning management elements in the Group future learning management system Successfully implemented integrated digital recruitment and recruitment marketing module in Switzerland and Southern Africa Implemented standardised reporting and introduced an advanced analytics human resources ('HR') dashboard with statistics and interactive data visualisation. Conducted annual Group-wide Gallup® employee engagement survey with participation rate of 77% Established several measures to support and safeguard employees during the pandemic 	 Progress during FY21: Maintained returns- oriented decision-making at divisional, Group and Board level Embarked on Finance transformation process with an aligned strategy for the function and initiatives aimed at, <i>inter</i> <i>alia</i>, an aligned operating model, finance technology and process improvement Progressed with the implementation of a standard technology solution for indirect procurement based on an aligned blueprint across the Group 	 Progress during FY21: Established Group Sustainable Development Forum to execute Group Sustainable Development Strategy Communicated Group Sustainable Development Strategy internally and externally Reviewed and established corporate social investment ('CSI') approaches across the Group Launched Group anti-bribery and corruption campaign to improve awareness and remarket the ethics lines COVIDEVELOPMENT The implementation of the ISO 14001:2015 environmental management system at Hirslanden and Mediclinic Middle East was postponed to FY22.
Reason for repositioning: While an enabling factor to current and future success, being the employer of choice is not a determinator of the future state. Talent, however, remains of the utmost importance and positioning the Group as an employer of choice will remain a key focus area. Many of the FY21 employer of choice sub-goals have been incorporated into the social aspect of the Group Sustainable Development Strategy.	Reason for repositioning: While of key importance, achieving superior long-term financial returns is regarded as an outcome to successful strategy execution and capital allocation, and not a goal in and of itself. As such, it has been repositioned to form part of the short term incentive ('STI') and LTIP performance metrics. The sub-goal related to standardised and optimised product portfolios and e-procurement has been incorporated into the social aspect of the Group Sustainable Development Strategy.	Reason for repositioning: Due to healthcare's impact on the environment and the impact of climate change on the business, the environmental objectives have been elevated and incorporated into a Group strategic goal. All the objectives of the transformation driver are represented in the goals of the Group Sustainable Development Strategy.

Refer to the Sustainable development overview on page 51 and the 2021 Sustainable Development Report for more information.

GOALS AND PROGRESS



PRINCIPAL AND EMERGING RISKS (AS DESCRIBED IN THE RISK MANAGEMENT REPORT ON PAGE 96)

- 1. Pandemics and infectious diseases
- 2. Disruptive innovation and digitalisation
- 3. Economic and business environment
- 4. Regulatory and compliance
- 5. Information systems security and cyberattacks
- 6. Competition
- 7. Workforce risks

- 8. Business projects
- 9. Patient safety and clinical quality
- 10. Availability and cost of capital
- 11. Financial and credit risk
- 12. Quality of service and operational stability
- 13. Business investments and acquisitions



TO BECOME AN INTEGRATED HEALTHCARE PROVIDER ACROSS THE CONTINUUM OF CARE

LINK TO PRINCIPAL AND EMERGING RISKS 1, 2, 3, 4, 5, 6, 8, 9, 10, 13

- Develop further service offerings based on the divisional business plans in the prevention, care, recovery and enhanced spaces
- Align the reimbursement models in each division with the respective continuum of care offering

PROGRESS DURING FY21:

The goal has been embedded throughout the organisation, with the development areas clearly defined per division.

FOCUS AREAS FOR FY22:

- Finalise divisional business plans and funding strategies
- Incorporate elements and partner with businesses to expand the Mediclinic network
- Develop key performance indicators ('**KPIs**') and measure progress against these



TO IMPROVE THE GROUP'S VALUE PROPOSITION SIGNIFICANTLY

LINK TO PRINCIPAL AND EMERGING RISKS 1, 3, 4, 6, 7, 8, 9, 12

- Aim for zero preventable harm to clients
- Reduce the 'cost of us'

PROGRESS DURING FY21:

settings

surgery, and bariatric surgery

• Partner with patients to create true patient centricity

FOCUS AREAS FOR FY22:

value-based healthcare

• Quantify and reduce variation in clinical care outcomes and complications of care

• Develop patient care journeys which enable an integrated care delivery system and

- Further expand patient-reported outcome measures
- Establish patient advocacy groups
- Measure client experience in integrated care solutions and virtual healthcare
- Standardise obstetric care
- Develop and implement an integrated care framework
- Pilot client-facing application for pregnancy and baby care pathway at Hirslanden and Mediclinic Southern Africa
- received via the survey tool
 Progressed well with the implementation of standardised event reporting software, completing successful pilots in two divisions, and the

• Implemented standardised taxonomy for complaints

• Expanded disciplines covered by indication boards

to include oncology, complex visceral and cardiac

• Standardised and shortened Press Ganey[®] patient

experience survey, and expanded it to all care

establishment of doctor-specific KPIs COVIDEVELOPMENT

• Postponed the standardisation of obstetric care to FY22

GOAL CHANGE/S: 'Develop patient care journeys which enable an integrated care delivery system and value-based healthcare' has been introduced as a new sub-goal and further progress will be reported on in the **2022 Annual Report**.



TO TRANSFORM THE GROUP'S SERVICES AND CLIENT ENGAGEMENT THROUGH INNOVATION AND DIGITALISATION

LINK TO PRINCIPAL AND EMERGING RISKS

1, 2, 5, 6, 8, 10, 13

- Establish a radical innovation capability for the Group
- Optimise through automation as part of digital transformation
- Drive Group-wide departmental digital transformation

PROGRESS DURING FY21:

- Launched alternative care settings and treatment modalities, e.g. telemedicine and home care
- Facilitated critical care collaborative forum for specialist intensivists from all three divisions between April and August
- Electronic health record ('**EHR**'), patient data management system and radiology information system rolled out to AndreasKlinik Cham Zug and Klinik Stephanshorn as part of Hirslanden's HIT2020, a larger back-office centralisation project
- CareConnect health information exchange ('**HIE**') project progressed well at Mediclinic Southern Africa
- Concluded roll-out of EHR at Mediclinic Airport Road Hospital, the Al Ain clinics, Mediclinic Al Jowhara Hospital and Mediclinic Al Ain Hospital at Mediclinic Middle East
- Mediclinic Middle East integrated its EHR successfully with HIEs in both Dubai and Abu Dhabi

- Establish a comprehensive virtual care offering
- Optimise the use of people, technology and data through healthcare informatics to improve the safety, quality and cost of patient care

FOCUS AREAS FOR FY22:

- Develop innovation pipeline across the Group assisted by innovation management software
- Expand precision medicine offering
- Establish foundation to enable execution of Group Innovation Strategy
- Embed automation across several business functions
- Support the digital transformation of the broader Legal department
- Prioritise digital transformation efforts in the Group
- Evaluate client engagement platform functionality across the Group
- Integration of pre-diagnostic symptom checker in digital client offering
- Extend virtual ICU pilot
- Develop a virtual home care strategy for the Group
- Establish a roadmap for virtual command centres
- Standardise and define adoption of client relationship management systems

GOAL CHANGE/S: Innovation occurs on a continuum, starting at the core, moving through areas peripheral to the core and ending with radical innovation. Digital transformation is one of the means to achieve some of the innovation peripheral to the core. Mediclinic created a new portfolio of innovation and appointed a Chief Group Innovation Officer to oversee both functions. As such, the innovation transformation driver and the digitalisation sub-goals have been aligned to create a new strategic goal.

New sub-goals have been introduced and further progress will be reported on in the 2022 Annual Report.



PROGRESS DURING FY21:

TO EVOLVE AS A DATA-DRIVEN ORGANISATION

LINK TO PRINCIPAL AND EMERGING RISKS 5

- Build a robust, modern and secure enterprise data lake that curates all data assets
- Manage data as a strategic company asset

data scientists) across the organisation

Management functions at all divisions

• Established core Data Science and Information

• Automated data collection for various clinical

 Develop a company culture of using data every day for fact-based decision-making

• Implemented cohorts of analytical champions (citizen

• Implemented Tableau as standard for data visualisation

• Developed various dashboards to measure operational

performance and report and manage COVID-19

- FOCUS AREAS FOR FY22:
- Establish foundation for a true enterprise data lake and develop a roadmap to migrate data and analytical solutions and workload to cloud infrastructure
- Move data curation into the business as a core competency and improve data literacy across the Group
- Use AI to guide and automate a variety of critical decisions, virtual care processes and operational actions

GOAL CHANGE/S: The word 'analytics' has been replaced with 'data' to emphasise data curation as a core competency.



indicators

outcomes

TO MINIMISE THE GROUP'S ENVIRONMENTAL IMPACT

LINK TO PRINCIPAL AND EMERGING RISKS 4, 12

• Become carbon neutral by 2030

PROGRESS DURING FY21:

Although this is a new goal, progress was made against the two sub-goals.

- Implemented standardised methodologies to capture and assure all carbon emission data
- Implemented data management system to capture and manage all environmental data across the Group
- Developed and implemented a Group Waste Management Policy

Have zero waste to landfill by 2030

FOCUS AREAS FOR FY22:

- Conclude renewable energy purchase agreements at five Mediclinic Southern Africa facilities for 8GWh/year for implementation in FY22
- Photovoltaic ('**PV**') installations at 10 Mediclinic Southern Africa facilities, generating 4.9GWh/year
- CHF4m, ZAR40m and AED8m budgeted for green initiatives in FY22 at Hirslanden, Mediclinic Southern Africa and Mediclinic Middle East, respectively
- Conclude on annual targets and roadmaps to achieve carbon neutrality and have zero waste to landfill by 2030
- In collaboration with the Procurement department, review top suppliers' environmental practices and discuss plans to reduce packaging waste
- Implement ISO 14001:2015 Environmental Management System at three Hirslanden and five Mediclinic Middle East hospitals

GOAL CHANGE/S: This is a new goal which stems from the sustainable development transformation driver.



TO GROW IN EXISTING MARKETS AND EXPAND INTO NEW MARKETS

LINK TO PRINCIPAL AND EMERGING RISKS 3, 4, 6, 8, 10, 11, 13

- Grow in existing markets based on the continuum of care goal
- Expand into new markets

PROGRESS DURING FY21:

- Refer to the **Continuum of care** on page 38 for more information on expansion in existing markets
- Proactively searched for and investigated growth opportunities
- Completed market analyses of identified priority areas, including country and site visits

FOCUS AREAS FOR FY22:

- Expand PPPs
- Expand outpatient radiology and laboratory services across Switzerland
- Progress Hirslanden's defined growth strategy for day case clinics
- Launch precision medicine at Hirslanden and Mediclinic Middle East
- Expand acute hospital capacity and grow day case clinic footprint selectively in Southern Africa
- Embed and grow mental health capabilities at Mediclinic Southern Africa
- Embed renal dialysis service, and establish new chronic clinics at Medicinic Southern Africa
- Launch home care, long-term care and mental health at Mediclinic Middle East
- Complete acquisition of Bourn Hall International MENA
- Open new wing at Mediclinic Airport Road Hospital
- Manage Al Murjan hospital project in Kingdom of Saudi Arabia
- Proactively build a pipeline of opportunities for future growth in priority markets
- Continue disciplined capital allocation to incremental international expansion
- Consider ad hoc opportunities for growth outside of priority markets

GOAL CHANGE/S: The sub-goal 'Attract, retain and engage doctors' was closed as it was decided that divisions will take individual responsibility for this area going forward aided by strategies developed collaboratively between divisions.

A new sub-goal has been introduced and further progress will be reported on in the 2022 Annual Report.

PATIENT FIRST AT EVERY STEP

PREVENT, CARE, RECOVER AND ENHANCE

For close on four decades, 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*.

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. Expansion across the continuum of care widens the Group's service focus, improves accessibility, delivers integrated care solutions and creates the opportunity to form a lasting relationship with clients. It also allows the Group to deliver services in the most appropriate care setting at an optimal cost.

By embracing new healthcare provision channels and industry partners, Mediclinic progressed with its expansion during the year under review through acquisitions, partnerships, collaborations and its own direct investments. It also strengthened existing services through technology and innovation to support other corporates and improve services offered to clients.



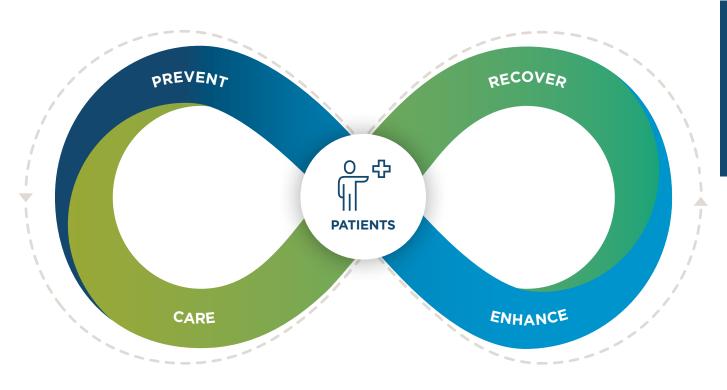
"

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 guality of life.

Dr Ronnie van der Merwe Group Chief Executive Officer

IIHII 🗸 '		
PREVENT	CARE	
 Public health awareness campaigns in all three geographies More than 200 approved research studies across the Group Pilots launched for single electronic safety event reporting system in every facility across the Group Prepared for launch of genetics service Mediclinic Precise at Hirslanden and Mediclinic Middle East Six vaccination centres managed by Hirslanden Vaccine centres launched across the UAE by Mediclinic Middle East 		landen expanded services through two PPPs
	with independent oncology expertsBlockto host affiliated treatment centres,in So	case clinics opened at Mediclinic emfontein and Mediclinic Cape Gate outh Africa and at Operationszentrum Gallen in Switzerland
	medication and drive-through Meta pharmacies at Mediclinic Middle East at M	gical Review Corporation accredited abolic and Bariatric Surgery CoE lediclinic Airport Road Hospital in Dhabi
	PCR drive-through testing stations Hos	opened at Mediclinic Airport Road pital in the UAE
	Moh Med Chile Dub kidn	iclinic Middle East partnered with ammed Bin Rashid University of licine and Health Sciences and Al Jalila dren's Specialty Hospital to complete ai's first transplant surgeries using eys from living donors at Mediclinic Hospital

THE MEDICLINIC CONTINUUM OF CARE





RECOVER

- Mediclinic Middle East partnered with Abu Dhabi Department of Health to enrol patients into remote chronic disease management programme
- Mediclinic Middle East piloted remote patient monitoring

ENHANCE

• Prepared for launch of genetics service Mediclinic Precise at Hirslanden and Mediclinic Middle East



DIGITAL & CLIENT ENGAGEMENT

- Virtual care in all three geographies
- Improved feedback channels by expanding Press Ganey® patient experience survey tool to cover all care settings
- Hirslanden introduced digital platform for repetitive testing, Together we test
- Hospital access control and preadmissions apps introduced at Mediclinic Southern Africa
- Mediclinic Middle East's EHR integrated successfully with HIE in Abu Dhabi and Dubai
- Mediclinic Middle East partnered with Abu Dhabi Department of Health to enrol patients into remote chronic disease management programme
- Mediclinic Middle East piloted remote patient monitoring

BUSINESS MODEL

HOW MEDICLINIC IS POSITIONED

INTERNATIONAL FOOTPRINT

Mediclinic is a diversified international private healthcare group which provides a wide range of services across the continuum of care. This breadth and exposure to various regulatory and economic environments and client demographics provide it with a strong understanding and clear visibility of how care trends are evolving across the world.



APPROPRIATE CARE

Mediclinic is investing in the resources, skills and capabilities needed to market, design, build, operate and maintain a seamless service offering across the physical and virtual continuum of care. This will provide Mediclinic clients with exceptional services and solutions, and in turn enable the Group to prosper.

115+ healthcare facilities

GROUP VALUE

Established in South Africa in 1983 as a provider of acute care in hospitals, the Group has grown significantly since inception to now boast leading competencies in specialised medicine, day surgery, outpatient care, diagnostics, client experience, facility management, procurement, finance and acquisitions, with evolving innovation and virtual care capabilities.



SUSTAINABLE FUTURE

A strong commitment to sustainability and responsible business benefits the environment and communities in which the Group operates.

2030 target year for carbon neutrality and zero waste to landfill

EXPERTISE

Mediclinic recruits more than 3 000 diverse employees each year across more than 415 different roles. Guided by the organisational values of being client centred, trusting and respectful, patient safety focused, performance driven and team orientated, they impact lives every day.

33 100+ employees across 125 nationalities

FINANCE

Mediclinic has a robust financial profile, supported by an extensive property portfolio, long-standing relationship with lenders and relatively long-dated debt maturities. The Group has a responsible approach to leverage and a disciplined capital allocation process.

lending banks

TO CREATE VALUE EVERY DAY FOR STAKEHOLDERS

PARTNER TO CARE

- Clients
- Communities
- Employees and potential applicants
- Medical practitioners

12 stakeholder groups

PARTNER TO CREATE

- Governments and authorities
- Healthcare
 insurers
- Industry partnersInvestors
- Suppliers

• Industry

- associations
- Media

PARTNER

 Professional societies

THE MEDICLINIC CONTINUUM OF CARE



Refer to Stakeholder engagement on page 44 for more information on the value created during the year for material stakeholders. BY PROVIDING COST-EFFICIENT, QUALITY CARE AND OUTSTANDING CLIENT EXPERIENCES

600 000+

inpatient admissions

2.4m+ outpatients treated

150

clinical indicators measured and reported on across the Group

85

Press Ganey[®] inpatient experience survey score (out of 100)

91

Press Ganey® day surgery experience survey score (out of 100)

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.

	FY21 £'m	%	FY20 £'m	%
VALUE CREATED				
Revenue	2 995		3 083	
Cost of materials and services	(1 199)		(1143)	
Finance income	4		9	
Share of net profit of equity-accounted investments	(10)		2	
	1 790	100.0	1 951	100.0
DISTRIBUTION OF VALUE				

To employee benefit and contractor costs	1 4 4 8	81.0	1446	74.2
Tax and other state and local authority levies (excluding VAT)	39	2.2	71	3.6
To suppliers of capital:				
Non-controlling interests	11	0.6	18	0.9
Finance cost on borrowed funds	76	4.2	87	4.5
Distributions to shareholders	-	-	59	3.0
	1 574	88.0	1 681	86.2

VALUE RETAINED				
To maintain and replace assets	115	6.4	152	7.8
Income retained for future growth	101	5.6	118	6.0
	216	12.0	270	13.8

FIGURE 1: VALUE CONTRIBUTION BREAKDOWN (%)

21			
20			

	FY21 %	FY20 %
Employees	81.0	74.2
 Maintaining and replacing assets 	6.4	7.8
Future growth	5.6	6.0
Finance cost	4.2	4.5
• Tax	2.2	3.6
Shareholders	-	3.0
Non-controlling interests	0.6	0.9



CONSERVE, CONNECT, COMPLY

Mediclinic's ESG goals transcend the natural environment to include interactions with stakeholders, protection of human rights, and a commitment to doing the right thing, even when no one is watching. In this, the Group has prioritised the following material issues:

- MINIMISING ENVIRONMENTAL IMPACT
- **BUILDING STAKEHOLDER TRUST**
- BEING AN ETHICAL AND RESPONSIBLE **CORPORATE CITIZEN**

STAKEHOLDERS

CLIENTS

KEY ISSUES

- Patient experience CSI
- Human rights
- Data privacy
- Ethics, anti-bribery and anti-corruption
- Healthcare infrastructure

- EMPLOYEES AND POTENTIAL APPLICANTS
- Employee recruitment and retention
- Employee engagement
- Diversity and inclusion
- Employee wellness and safety
- CSI

- Information assets
- Ethics, anti-bribery and anti-corruption
- Healthcare infrastructure



GOVERNMENTS AND AUTHORITIES



- Carbon emissions
- Water resources
- Waste and hazardous waste management
- Affordable, accessible, quality healthcare
- Diversity and inclusion
- Future workforce
- CSI
- Data privacy
- Ethics, anti-bribery and anti-corruption

All stakeholders are important to Mediclinic, and engagement is prioritised and improved upon each year. The Group has identified the following priority stakeholder groups: clients, communities, employees and potential applicants, governments and authorities, healthcare insurers, industry associations, industry partners, investors, media, medical practitioners, professional societies and suppliers. Below, more information is provided on the most material stakeholders during the year.

Refer to the 2021 Sustainable Development Report for more information on the Group's material issues and a comprehensive overview of stakeholder engagement.

HOW MEDICLINIC ENGAGES

At facility level, Mediclinic engages with its clients through systematic patient rounds and employees dedicated to client experience and care. Press Ganey® patient experience index surveys and 24-hour helplines provide further engagement opportunities. Health-related information is shared online through social media and websites, in printed magazines and brochures, and in person at corporate events and health awareness days.

Employees are engaged through a wide range of electronic and in-person channels, including the annual Gallup® employee engagement survey, focus groups, performance reviews, leadership video conferences, internal campaigns and employee wellness programmes. OUTCOME

The Group Press Ganey® participation rate declined slightly and the number of inpatient admissions reduced by 21% due to the pandemic.

VALUE CREATED

88%

of inpatients surveyed recommend Mediclinic facilities

The pandemic's impact on employee engagement and experience was far-reaching, including a decline in participation in the annual *Your Voice* employee engagement survey compared with the previous year. This contributed to a slight decline in the number of engaged employees. However, the results acknowledged the invaluable contribution of colleagues in these extremely challenging circumstances by strongly supporting the statement, 'My co-workers are committed to doing quality work'. The Group used the opportunity to gain greater insight into employee needs and ways to support their resilience and wellbeing.

Mediclinic participates in regular meetings, conferences and seminars, with senior leaders on government boards. It also participates in national health training and education, and PPPs to enable healthcare, training and research. Throughout the pandemic, the Group has been regarded as a trusted healthcare provider and partner to government. Several initiatives and collaborations occurred across all three geographies to support government in their COVID-19 response plans, including treatment, testing and vaccinations.



£39m paid in tax

STAKEHOLDERS	KEY ISSUES	
	 Climate change Carbon emissions Water resources Energy efficiency Biodiversity Waste and hazardous waste management An effective environmental management system Patient experience Employee recruitment and retention 	 Employee engagement Diversity and inclusion Employee wellness and safety Supply chain management CSI Human rights Information assets Data privacy Ethics, anti-bribery and anti-corruption Healthcare infrastructure
	 Patient experience Employee recruitment and retention Employee engagement Diversity and inclusion Employee wellness and safety 	 Supply chain management Information assets Data privacy Ethics, anti-bribery and anti-corruption Healthcare infrastructure
SUPPLIERS	 Climate change Carbon emissions Water resources Energy efficiency Biodiversity Waste and hazardous waste management An effective environmental management system 	 Patient experience Human rights Ethics, anti-bribery and anti-corruption Healthcare infrastructure

SECTION 172 DIRECTORS' DUTIES

The Board collectively, together with its directors individually, is committed to acting in a way that promotes the success of the business to the benefit of all stakeholders. The *Section 172 statement* on page 48 highlights key actions in this regard. More information on how the directors' duties are discharged and the oversight of these duties is included in the *Corporate Governance Statement* on page 116.

HOW MEDICLINIC ENGAGES

The Group's financial results are disclosed regularly through stock exchange announcements and investors are invited to participate at the AGM. Investor Relations regularly engages with investors through meetings, roadshows, conferences and site visits, as well as sell-side analyst and salesforce meetings. Operational, financial, strategic and ESG-related news is shared via the corporate website.

OUTCOME

Mediclinic met with more than 135 unique financial institutions during the year, and the Chair of the Board held oneon-one meetings with 14 of the Group's top international and South African shareholders to gain insight into their views.

VALUE CREATED

3.0% FY21 ROIC Seeking to drive improved returns through strategic delivery

Affiliated medical practitioners participate in hospital clinical committees and boards. Engagement is enhanced through regular meetings, continuous professional education and network events, electronic communication, broadcasts and dedicated medical practitioner portals at Hirslanden and Mediclinic Southern Africa. At Mediclinic Middle East, medical practitioners are employed by the division and are invited to attend biannual engagement events and an annual research day.

Supplier meetings and reviews occur regularly. They often present product demonstrations, evaluations and training, and are in attendance at trade fairs. Key manufacturing facilities are visited regularly to verify compliance with the Company's Modern Slavery and Human Trafficking Statement. This year, virtual care solutions were implemented to allow medical practitioners to consult with patients who were reluctant to visit physical facilities. The Group also hosted five virtual ICU collaborative meetings during the year to enable and encourage knowledge sharing across geographies.

Up to 221

medical practitioners across three geographies participated in Group ICU collaborative meetings

Based on the global demand and volume shortages, procurement had to extend beyond normal sourcing channels. Joint purchasing enabled a rapid response to sourcing, while the global Group volumes provided additional leverage to secure stock. £1.2bn annual procurement spend

STATEMENT OF DIRECTORS' PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH SECTION 172(1) OF THE COMPANIES ACT 2006

Under Section 172 of the Act ('Section 172'), the directors of the Company have a duty to act in a manner which they consider, in good faith, would be most likely to promote the success of Mediclinic to the benefit of its shareholders as a whole, having regard for other key stakeholders and relevant matters.

This duty is consistent with, and supportive of, Mediclinic's purpose and organisational culture which promote behaviour that is client centred, trusting and respectful, patient safety focused, performance driven and team orientated.

The stakeholder engagement processes adopted by Mediclinic allow the Board to understand what matters the most to different stakeholders. They also enable it to carefully consider all the competing priorities and adopt the course of action that is most likely to lead to the long-term success of the Group and support the Board's determination to maintain Mediclinic's reputation for high standards of business conduct.

This statement illustrates how the directors had regard to the matters set out in Section 172(1)(a) to (f) in the fulfilment of their duties during FY21. Further information on this can be found throughout this Annual Report, particularly in the sections referenced alongside.

The case study, 'The people who set Mediclinic apart', looks at how the Group has supported employees over the past year. See page 18 for more.



METHODS USED BY THE DIRECTORS TO FULFIL THEIR DUTY UNDER SECTION 172

- The Board papers for each meeting include a reminder of directors' Section 172 duties and the Group's key stakeholders. In addition, each paper supporting a discussion and request for a decision from the Board and its committees includes a table setting out the Section 172 factors and corresponding considerations. The Chair of the Board and committee chairs ensure that the ensuing discussions are properly informed by all relevant Section 172 matters.
- The Board assesses and approves the Group's purpose, values and strategy; ensures the strategy is aligned with the Group's culture; and sets the 'tone from the top' by promoting those values and culture.
- The Board regularly monitors progress on the implementation of the Group's strategy and associated business plan and conducts an annual review of both to ensure they remain appropriate.
- The Clinical Performance and Sustainability Committee oversees the Group's clinical performance and sustainable development matters on behalf of the Board and reports to the Board on its activities and key outcomes. The committee's activities include a biannual review of stakeholder engagement.
- Directors engage directly with key stakeholders where appropriate and report any feedback to the Board as a whole. The Chair, Group CEO, Group Chief Financial Officer ('CFO'), Senior Independent Director ('SID') and chairs of the Board's committees welcome engagement with shareholders.
- The Board conducts a biannual review of workforce engagement, led by the designated non-executive director responsible for workforce engagement.
- The Board considers the potential consequences of its decisions in the short, medium and long term and ensures that the Group's risk management processes identify any associated risks to the business and its stakeholders, and that mitigation plans are established to appropriately address these.
- The Board receives assurance through internal and external audits; employee, patient, doctor and investor surveys; and reports from brokers and other advisers.

SECTION 172 IN ACTION DURING FY21

PREPAREDNESS AND RESPONSE TO COVID-19

The Group's preparedness and operational, clinical and financial response to the pandemic was a top priority for the Board and the Clinical Performance and Sustainability Committee. The Company provided the Board with daily dashboards and detailed reports for meetings discussing its COVID-19 response.

TABLE 1: SECTION 172 CONSIDERATIONS

CLIENTS	WORKFORCE	GOVERNMENTS AND AUTHORITIES, AND COMMUNITIES	INVESTORS AND LONG- TERM SUSTAINABILITY OF THE COMPANY
 The simultaneous delivery of healthcare to both COVID-19 cases and non-COVID-19 cases, as permitted by the authorities The continuous sharing of clinical knowledge and practices across the divisions to improve clinical outcomes 	 Protection from the physical and mental impact of COVID-19, in particular for frontline and other patient-facing employees Recognition and acknowledgement of their efforts and dedication, in discussions on remuneration and internal and external communications 	 Support for the wider communities in which the Group operates by collaborating with relevant health authorities throughout the pandemic Donations by the directors and the divisional CEOs of 30% of their fees or salaries for three months (1 April to 30 June 2020) to charitable causes related to the pandemic 	Short- and longer-term measures taken to protect the sustainability of the business, such as temporarily suspending the dividend to preserve the Group's liquidity with due regard for the impact thereof on shareholders
Outcomes and actions	The Group delivered a robust operating performance during the year, demonstrating ongoing operational, clinical and financial resilience while continuing to navigate the challenges posed by the pandemic. It delivered a solid second-half financial performance despite more severe second waves of the pandemic and is well positioned to deliver growth in FY22.		

UPDATED GROUP STRATEGY AND SUSTAINABLE DEVELOPMENT STRATEGY

During the year under review, updates to the following were presented to the Board for consideration and approval:

- The Mediclinic Group Strategy (including the strategic goals) and associated five-year financial plan
- The Group Sustainable Development Strategy

TABLE 2: SECTION 172 CONSIDERATIONS

LONG-TERM SUCCESS OF THE COMPANY	INVESTORS	WORKFORCE	ENVIRONMENT AND COMMUNITIES
The impact on the shape of the business and the basis for long-term value creation, considering that some of the initiatives would deliver their full potential after completion of the five-year financial plan	The financial impact, including disciplined capital allocation and the gradual improvement in the Group's ROIC, as indicated by investors to be key considerations	The impact of implementation on management and employees who were already under strain dealing with the effects of the pandemic on the current business	The resultant improvements in the Group's long-term resilience, the reduction of its impact on the environment and the wider direct and indirect benefits on the communities served by the Group
Outcomes and actions		dates together with the corres ularly monitoring progress on	

UPGRADE AND EXPANSION OF TWO SWISS HOSPITALS

The Board considered the request to approve the upgrade and expansion of the following two Hirslanden hospitals in Switzerland:

- Klinik St. Anna
- Hirslanden Klinik Aarau

TABLE 3: SECTION 172 CONSIDERATIONS

LONG-TERM SUCCESS OF THE COMPANY	CLIENTS AND WORKFORCE	INVESTORS	COMMUNITIES
The needs, strategy and potential for the two facilities and the alternative solutions and their relative merits	The impact of the work on clients, employees and doctors, together with the corresponding mitigating measures and the longer- term benefits	The sources of funding, competitive advantages and projected financial returns, which compared favourably with Hirslanden's weighted average cost of capital of 5.0%	The benefits to communities from broadening and strengthening quality healthcare services and making these available to a larger number of clients
Outcomes and actions	The Board approved both proposals, allowing work on the projects to proceed as planned. The Investment Committee will review actual vs. budgeted spend within one year of commissioning, and operating vs. projected operating performance within three years of commissioning, as part of its normal remit.		

Refer to the following sections of this Annual Report for more information:

- the *Chair's Review* on page 4;
- the COVID-19 overview on page 12;
- the 'The people who set Mediclinic apart' case study on page 18;
- the 'Data science and COVID-19' case study on page 20;
- the *Business model* on page 40;
- Stakeholder engagement on page 44;
- 'Employee engagement' and 'Preventing bribery and corruption' in the *Sustainable development overview* on page 63 and page 66, respectively;
- the *Risk management report* on page 96;
- 'Stakeholder interests and Board engagement', 'Workforce engagement' and 'Investor engagement' in the *Corporate Governance Statement* on pages 127-133; and
- the Clinical Performance and Sustainability Committee Report on page 154.



Hirslanden Klinik Aarau, Switzerland

SUSTAINABLE DEVELOPMENT OVERVIEW

INTRODUCTION

Mediclinic dedicates resources – whether physical, social or natural – towards achieving its purpose. The Group is eschewing a culture of consumption in favour of a culture of conservation and connection. These goals transcend the natural environment to include interactions with each other, protection of human rights, and a commitment to doing the right thing, even when no one is watching.



MEDICLINIC'S SUSTAINABLE DEVELOPMENT MISSION STATEMENT

'We are committed to ensuring that every day we improve sustainability by managing our resources responsibly and efficiently to the benefit of our stakeholders and the environment.'

This *Sustainable development overview* is a condensed version of the Group's **2021 Sustainable Development Report**, available at annualreport.mediclinic.com. It covers the most important sustainable development activities across the Group with specific reference to its material issues, initiatives and outcomes for the 2020 calendar year, unless stated otherwise.

CONTENT		2021 SUSTAINABLE DEVELOPMENT REPORT	SUSTAINABLE DEVELOPMENT OVERVIEW
About Mediclinic	ESG governance structure	•	n/a
	Interview with Dr Felicity Harvey, Chair of the Clinical Performance and Sustainability Committee	•	Abbreviated
	Interview with Mr Gert Hattingh, Group Chief Governance Officer	•	n/a
	Highlights	•	abbreviated
Mediclinic's approach	ESG in the Group's DNA	•	n/a
	Materiality assessment	•	abbreviated
	ESG index	•	n/a
	Stakeholders	•	n/a
Material issue 1: Minimising	Overview	•	•
environmental impact	Carbon neutrality	•	abbreviated
	Energy usage	•	abbreviated
	Climate change	•	abbreviated
	Biodiversity	•	abbreviated
	Waste	•	•
	Environmental management systems	•	abbreviated
	Water usage	•	abbreviated
Material issue 2: Building	Overview	•	٠
stakeholder trust	Client value proposition	•	abbreviated
	Employer of choice	•	abbreviated
	Employee engagement	•	abbreviated
	Diversity and inclusion	•	abbreviated
	Wellness and safety	•	abbreviated
	Supply chain	•	abbreviated
	Future workforce	•	abbreviated
	CSI	•	abbreviated
	Human rights	•	abbreviated
Material issue 3: Being an ethical	Overview	•	•
and responsible corporate citizen	Ethics	•	abbreviated
CIUZEII	Governance	•	abbreviated
	Healthcare infrastructure	•	abbreviated
	Information assets	•	abbreviated
Independent assurance		•	abbreviated

SAFEGUARDING THE FUTURE



Dr Felicity Harvey reflects on the Group's efforts to create a better world.



View a condensed video interview at annualreport.mediclinic.com or scan the QR code.

WHAT INSPIRES YOU TO WORK ON

Sustainable development is about improving our place in the world. From a public health perspective, which I have been involved in for many years, it is also about improving people's lives. Sustainable development and why I went into healthcare are so intertwined that I naturally gravitate towards it.

Q. WHAT DIFFERENCE CAN A SINGLE BUSINESS SUCH AS MEDICLINIC MAKE?

We may think of ourselves as a single organisation, but the reality is we touch thousands of people. That is because of our stakeholders, who include not only the people we treat and who work for us, but also the companies that partner with us, the governments in whose countries we work, and the regulators with whom we work. When we are clear about why sustainability is important, it enables us to spread the message widely and to impact what our contacts do. One organisation can actually have a huge multiplier effect.

Refer to page 5 of the 2021 Sustainable Development Report for the full interview.

"

When we are clear about why sustainability is important, it enables us to impact what our contacts do. One organisation can actually have a huge multiplier effect.

HIGHLIGHTS

GROUP

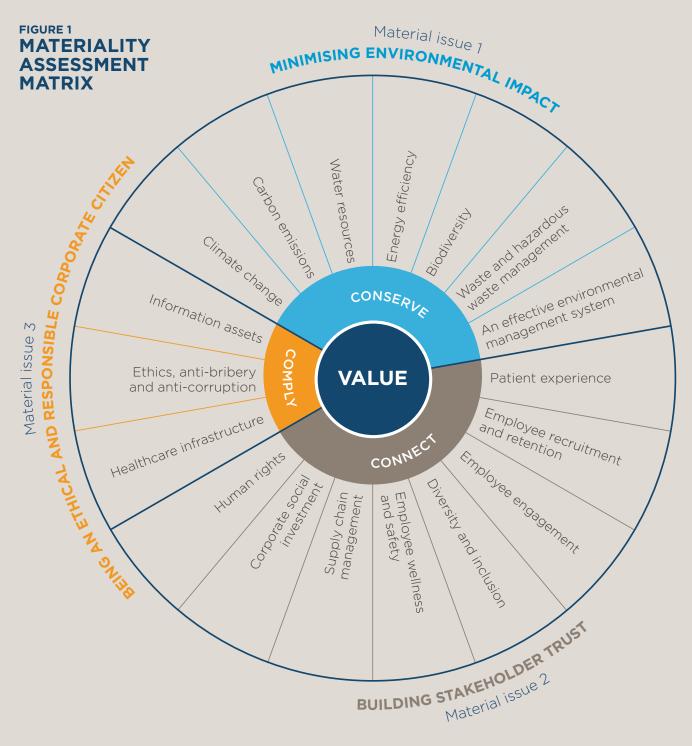


Ranked as the foremost healthcare provider according to MSCI ESG rating with a top AAA score for 3rd consecutive year

ISS <mark>E</mark> SG⊳	Obtained ISS ESG Prime status
	Ranked 32 nd globally on REFINITIV Diversity and Inclusion Index, the top ranking Healthcare Providers and Services company
FTSE4Good	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

MATERIALITY ASSESSMENT

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 the sustainable development matters that are most significant to the business, and which directly affect the Group's ability to create long-term value for its key stakeholders.



STAKEHOLDERS

Refer to Stakeholder engagement on page 44, the Section 172 statement on page 48, the 'Stakeholder interests and Board engagement' section of the Corporate Governance Statement on page 127 and the 2021 Sustainable Development Report for information on stakeholder engagement.

CONSERVE MATERIAL ISSUE 1: MINIMISING ENVIRONMENTAL IMPACT

IMPORTANCE

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

During the reporting period, 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
- Increased operational costs
- Reputational damage
- Impact of carbon tax and climate change legislation
- Fines and penalties

RISK MITIGATION

- Minimising environmental impact incorporated in Mediclinic Group Strategy
- Risk management process and systems of internal control embedded within the Group
- Annual review of policies: Enterprise-wide Risk Management ('ERM') Policy, Sustainable Development Policy, Environmental Policy, Group Waste Management Policy

TCFD STATEMENT OF INTENT

The Listing Rules require premium-listed commercial companies to disclose in their annual report whether they have reported on how climate change affects their business in a manner consistent with the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD'), and to provide an explanation and other information if they are unable to do so. In addition, the UK Government intends to introduce mandatory climate-related disclosures to supplement the requirements under the Listing Rules.

Mediclinic supports this approach, yet these requirements only become applicable to Mediclinic in FY22 and FY23, respectively.

2020 IN NUMBERS¹

Total Scope 1 & 2 CO₂ emissions in tonnes (t)

Group 226 048t ²⁰¹⁹: ♥ 239 960t Hirslanden 5 374t ²⁰¹⁹: ♥ Mediclinic Southern 173 136t ²⁰¹⁹: ♥

47 248t ^{2019:} S5 748t

Total water usage in megalitres (ML)



Waste recycled in tonnes (t)³

1.968t

🗕 2019: 🔼

2019: 🗸

1 223t

2019: 🗸

251t

) 1 494t

Total energy consumption in gigajoule (GJ)

		1	
Group ²	1 188 023GJ	Group	1914
Hirslanden	260 807GJ	Hirslanden	595
Mediclinic Southern Africa	652 818GJ	Mediclinic Southern Africa	1070
Mediclinic Middle East	271 656GJ	Mediclinic Middle East	249

Notes

Africa

Middle

East

Mediclinic

- The divisions only implemented standardised methodologies and calculations for reporting on environmental data in 2020, aligning with the 2021 CDP Report. Refer to the **2021 Sustainable Development Report** for comparison purposes. Mediclinic has no operations in the UK and only reports on the data of its operating divisions. Data for Medical Innovations and Group Services, which are situated in Southern Africa, is included in Group totals and excluded from Mediclinic Southern Africa data.
- Total energy consumption includes that of Mediclinic Group Services and Medical Innovations, but these entities have been removed from the Mediclinic Southern Africa boundary from 2021 CDP Report and will be reported under Mediclinic International going forward. No comparative data available.
- ³ Recycling decreased overall as a result of the COVID-19 pandemic; recycling initiatives in certain areas were paused by the service providers. Waste recycled excludes organic waste recovered.

BECOMING CARBON NEUTRAL BY 2030

CARBON EMISSIONS

Mediclinic's commitment to carbon-neutral status is supported by a sound strategy. Emission-reduction activities yield benefits such as cost savings, secured energy supply and a healthy planet for future generations. Rising electricity costs are an incentive to reduce consumption by investing in energy-efficient equipment and renewable energy sources.

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 Mediclinicowned or -controlled equipment (stationary fuels); airconditioning 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 was converted into a carbon dioxide equivalent ('CO2e') using recognised calculation methods, emission factors and stating assumptions made, where relevant.

	Hirslanden	Mediclinic Southern Africa	Mediclinic Middle East
Scope 1 (tonnes)	4 780 (2019: 5 232)	22 083' (2019: 21 047)	3 869 (2019: 2 959)
Scope 2 (tonnes)	595 ² (2019: 562)	151 053³ (2019: 157 370)	43 379 文 (2019: 52 789)
Scope 3 (tonnes)	143 (2019: 219)	39 576 (2019: 44 589)	14 559⁴
Non-Kyoto Protocol emissions (tonnes)	n/a	3 180⁵	2 635 (2019: 2 056)
Total Scope 1 & 2 CO₂e (tonnes)	5 374 (2019: 5 795)	173 136 (2019: 178 417)	47 248 文 (2019: 55 748)
Total Scope 1 & 2 CO₂e/ bed day (kg)	10.00 (2019: 10.00)	101.00 (2019: 89.00)	233.51 (2019: 327.62)
Total Scope 1 & 2 CO₂e/ full-time employee	0.72 (2019: 0.78)	10.96 (2019: 11.25)	6.97 (2019: 9.76)
Total Scope 1 & 2 CO ₂ e/m ²	0.02 (2019: 0.02)	0.19 (2019: 0.21)	0.18 (2019: 0.21)

TABLE 1: TOTAL CARBON EMISSIONS

Notes

¹ Increase in Scope 1 emissions mainly due to increased diesel consumption as a result of load shedding, as well as the impact of updated emission factors on the emissions from anaesthetic gases.

² Emissions from purchased electricity in Switzerland increased mainly as a result of Salem-Spital switching from natural gas to district heating.
³ Renewable energy generated onsite has been reclassified to Scope 2 purchased renewable electricity for nine of Mediclinic's 12 facilities where PV systems are installed. The PV systems installed at these facilities are owned by Kigeni, which sells the electricity to Mediclinic, thus even though it is

generated onsite it should be categorised as purchased renewable electricity.
 ⁴ Increase in Scope 3 emissions mainly due to the increase of the Defra emission factor, more than three-fold, for commercial and industrial waste. Third-party emissions from waste collections increased almost 10-fold in 2020, likely due in part to increased waste disposal and more frequent collections during the pandemic. An additional service provider was also reported for the first time in 2020.

⁵ Emissions increased primarily due to a large quantity of R22 purchased for future use.

The carbon emissions per division for the last four calendar years are reported in the 2021 Sustainable Development Report as summarised on pages 72-73.

ENERGY USAGE

Electricity is the main contributor to the Group's carbon footprint. Healthcare facilities require significant energy as medical equipment and air filtration and conditioning units at many hospitals run on a 24/7 basis. 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 2: DIRECT AND INDIRECT ENERGY CONSUMPTION (GJ)

		Hirslanden	Mediclinic Southern Africa	Mediclinic Middle East ¹
Direct energy purchased		86 932 (2019: 105 670)	103 132 (2019: 125 684)	34 398 (2019: 17 679)
Direct energy	produced	1 584 (2019: n/a)	1 437² (2019: 11 240)	n/a
Indirect energy consumed		172 290 (2019: 163 650)	548 249 (2019: 544 742)	237 258 (2019: 249 310)
Energy consumption	Total	260 807 (2019: 269 320)	652 818 (2019: 681 667)	271 656 (2019: 266 989)
	Per bed day	0.46 (2019: 0.46)	0.38 (2019: 0.34)	1.59 (2019: 1.75)

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 Renewable energy generated onsite has been reclassified to Scope 2 purchased renewable electricity for nine of Mediclinic's 12 facilities where PV systems are installed – this was reported under renewable energy produced in the previous year. The PV systems installed at these facilities are owned by Kigeni, which sells the electricity to Mediclinic, thus even though it is generated onsite it should be categorised as purchased renewable electricity (indirect energy consumed).

DIVISIONAL INFORMATION

HIRSLANDEN

- Electricity purchased mainly from European hydroelectricity¹ for all but one hospital, as well as the Corporate Office
- 16 of 17 hospitals registered as CO₂-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 ICT infrastructure
- Use of energy-efficient systems and equipment in all departments

MEDICLINIC SOUTHERN AFRICA

- Renewable energy through PV systems
- Solar panels for water heating
 Supervisory control and data acquisition systems to monitor electricity consumption
- 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

Note

¹ Hirslanden's market-based hydroelectricity emissions are assumed to be zero, with a Certificate of Origin to support such assumption.

MINIMISING THE IMPACT OF CLIMATE CHANGE ON THE BUSINESS

Mitigating health risks related to climate change links strongly with the Company's purpose. Yet its operations directly and indirectly contribute to climate change through the release of greenhouse gases during the delivery of care and procurement of products essential to its service.

Mediclinic acknowledges that climate change poses a material risk to its operations, the environment and society, 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.

PROTECTING BIODIVERSITY

Mediclinic's philosophy has always been to minimise its impact on the natural environment. The Group Sustainable Development Strategy has a sub-goal of driving environmental sustainability by way of an effective environmental management system.

An environmental impact assessment is performed for each new building project, the outcome of which determines whether a more comprehensive assessment is required legally. This comprehensive and continuous process enables the Group to manage its biodiversity impact accurately. No new building projects in the financial year required an environmental impact assessment and none of the divisions' owned, leased and managed facilities are in, or adjacent to, protected areas or areas of high biodiversity value outside of protected areas.

HAVING ZERO WASTE TO LANDFILL BY 2030

A Group Waste Management Policy was developed for roll-out during 2021, which encapsulates the objective to:

- Refuse avoiding generating waste at the source, including at supplier level
- Reuse repurposing waste materials for own or third-party use
- Reduce/recycle managing the plastic waste management cycle
- Recover recovering energy from waste materials

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

	Switzerland	Southern Africa	The UAE ¹
Total waste (tonnes) ²	1 371	7 892	5 006
Organic waste processed/ reutilised (tonnes)	424 (2019: 430)	290 (2019: 162)	n/a
Recycled waste (tonnes) ³	595 (2019: 417)	1 070 (2019: 1 224)	249 (2019: 251)
Total waste diverted from landfill (tonnes)	1 019 (2019: 847)	1 360 (2019: 1 386)	249 (2019: 251)
Waste recycled as a percentage of total waste	43.4%	13.6%	5.0%

TABLE 3: WASTE MANAGEMENT

Notes

¹ Food waste is not processed or reused. Healthcare risk waste is disposed of after treatment and hazardous chemical waste is shipped to Germany for incineration.

² No comparative data available.

³ Recycled waste in Southern Africa decreased due to recycling activities being paused by waste management companies as a result of COVID-19.

"

Mediclinic acknowledges that climate change poses a material risk to its operations, the environment and society, and that appropriate action is required to reduce its impact.

REGIONAL INFORMATION

SWITZERLAND

- Healthcare risk waste transported by licensed companies and incinerated at waste stations
- Recycling of paper, cardboard, glass, PET bottles
- Weight and waste type monitored and archived by hospital, transport provider and incinerator
- Food waste processed in biogas facility

SOUTHERN AFRICA

- Waste management tenders to assist in achieving 'zero waste to landfill' by incorporating waste management requirements into the waste management processes in development
- Corporate Office discontinued purchases of plastic water bottles, plastic straws and polystyrene food containers
- 19 hospitals discontinued the use of plastic straws
- Eight hospitals discontinued the use of polystyrene packaging in their kitchens and coffee shops
- Healthcare risk waste transported and treated by licensed service providers by means of autoclave or electro-thermal deactivation technology
- Anatomical waste treated by incineration
- Recycling of paper, plastic, cardboard, glass, metal, Tetrapak, fluorescent lights, food waste, e-waste, printer cartridges and batteries
- Suppliers encouraged to reuse packaging and transporting containers
- Redundant furniture and information technology ('IT') equipment donated
- Cooking oil recovered for biodiesel

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.

For FY22, implementation of the ISO 14001:2015 Environmental Management System is planned

TABLE 4: WATER USAGE FROM WATER UTILITIES (KL)

at three hospitals at Hirslanden and five at Mediclinic Middle East.

THE UAE

• Healthcare risk waste handled

by professional providers

Contracts for collection of

recyclables such as paper,

Waste recycling initiatives in

cardboard, plastics and cans

Abu Dhabi and Dubai hospitals

USING AND REUSING WATER RESOURCES SUSTAINABLY

For healthcare facilities, good quality fresh water is essential for maintaining hygiene, quality patient care and IPC. Initiatives across the Group support sustainable water usage. The Group benefits from the expertise gained across its divisions as they address water-use challenges unique to each geography.

	Hirslanden	Mediclinic Southern Africa	Mediclinic Middle East
kL	366 648 😒	1 029 058 🛛 😒	252 042 🔥
	(2019: 367 898)	(2019: 1 093 002)	(2019: 244 185)
kL/bed day	0.65 🔷	0.60 🔷	1.36¹ 💟
	(2019: 0.63)	(2019: 0.55)	(2019: 1.52)

Note

Bed days for Mediclinic Middle East include only hospitals and two day clinics (Deira and Dubai Mall) and thus the kL/bed day sold has been calculated by subtracting 8% of total kL (contribution of clinics without bed days).

CONNECT MATERIAL ISSUE 2: BUILDING STAKEHOLDER TRUST

IMPORTANCE

Mediclinic employees, affiliated doctors, suppliers and industry partners form the foundation from which the Group is able to offer its services to clients and communities. In this, the Group is dedicated to partnering with all its stakeholders. As the partner, the Group is positioned to have long-term relationships that extend beyond isolated interactions and trusted to deliver measurable, guality outcomes and transparent reporting.

RISKS TO THE BUSINESS

- Poor employee engagement and wellness
- Inability to recruit healthcare practitioners to meet business demand
- Ageing nursing workforce with decreasing entrants to profession
- · Poor clinical outcomes and services
- Medical malpractice liability
- Reputational damage
- Inability to continue business due to inadequate supplies

RISK MITIGATION

- Group Sustainable Development Strategy with social objectives
- Implementation of Mediclinic Diversity and Inclusion Strategy
- Effective execution of employee engagement action plans
- Extensive training and skills development programmes
- Establishment of Global Leadership Development Framework
- Continued implementation of a Group learning architecture to build competence aligned to Group strategy
- CSI initiatives monitored by senior management with feedback to Clinical Performance and Sustainability Committee
- Establishment of the Group purchasing organisation to secure products at reduced prices
- Five-year Group procurement vision to optimise endto-end supply chain performance

Total absenteeism rate¹

2020 IN NUMBERS

Female representation in senior and middle management roles

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

Group² 2019: 🔨 Group 35.6% 2019: 🗸 3.9% 3.98 34.6% 3.99 Hirslanden Hirslanden Switzerland 5.3% ^{2019.} 4.4% 20.6% 2019: 🗸 2019: 2019: 🔨 399 22.3% 4.00 Mediclinic Mediclinic Southern 4.7% 38.2% 2019: 🗸 2019: 2019: 🔨 3.93 Southern Southern Africa 3.97 2.5% 38.5% Africa Mediclinic Mediclinic The UAE 37.4% ^{2019:} 36.1% 1.2% 2019. 2019: 🔨 2019: 🔨 2019: 🔼 Middle 4 0 0 East Mediclinic Mediclinic 24<u>3</u>% 2019: 2019: 🗸 Group 171% 4 21 Services Services

Notes

Group

Africa

Middle

Group

East

Actual days lost expressed as a percentage of total days scheduled to be worked by the workforce during the reporting period.

² New data point with no prior year comparative data.

³ Excludes contributions made by Mediclinic Group Services

"

Mediclinic employees, affiliated doctors, suppliers and industry partners form the foundation from which the Group is able to offer its services to clients and communities.

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

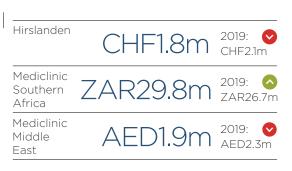
index grand i		1	
Group	84.4 ^{2019:}	Group	32
Hirslanden	88.4 ^{2019:} •	Hirslanden	16
Mediclinic Southern Africa	82.7 ^{2019:} 82.7	Mediclinic Southern Africa	13
Mediclinic Middle East	84.9 ^{2019:} ♥ 86.0	Mediclinic Middle East	

New suppliers²

230

330

Contribution to CSI³



CLIENT VALUE PROPOSITION

IMPORTANCE

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

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. It directly addresses a key industry challenge: the affordability of healthcare. In this regard Mediclinic sees itself very much as part of the solution.

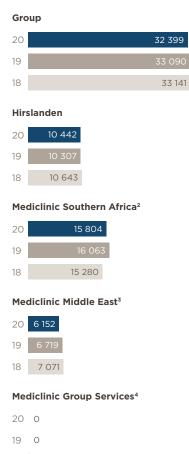
The Group's unique approach to the value equation is reported on in the 2021 Clinical Services Report.

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 64, and page 57 in the **2021 Sustainable Development Report** for more information).

EMPLOYEE OVERVIEW

FIGURE 2: TOTAL WORKFORCE PER GEOGRAPHY¹



- ¹ Total workforce refers to permanent and fixed-term employees at 31 December 2020.
- ² Pre-2020 totals for Mediclinic Southern Africa include Mediclinic Group Services. Increase in Mediclinic Southern Africa workforce from 2018 to 2019 largely attributable to the opening of new day case clinics. Decline in Mediclinic Southern Africa workforce from 2019 to 2020 largely attributable to right-sizing initiatives which were achieved through natural attrition and voluntary separation packages, and the exclusion of Mediclinic Group Services from the data pool.

18 147

- ³ Increase in Mediclinic Middle East workforce from 2018 to 2020 largely attributable to overall business growth.
- ⁴ New data point with no prior year comparative data. Mediclinic International plc's one employee based in the UK included in 2020 data, pre-2020 reported only under Group total.

SUSTAINABLE DEVELOPMENT OVERVIEW CONTINUED

FULL-TIME 30 470





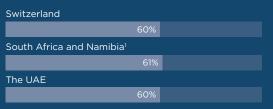
±£114m



Geographical distribution of all full-time employees

- Switzerland: 31%
- South Africa & Namibia: 48%
- The UAE: 21%

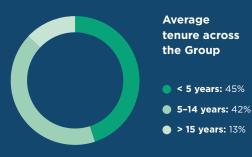
Employees involved in client care (as a % of full-time employees)



Employees in managerial roles (as a % of full-time employees)

(as a % of run-time employees)





Note

Excludes Mediclinic Group Services as the shared services division does not have employees based at the operations.

RECRUITMENT

As an international healthcare services provider, Mediclinic competes for talent 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 proactively monitors global and regional industry and recruitment trends.

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 universal themes that affect employee engagement and retention.

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 considered where no suitable local candidates can be found. International sourcing becomes a viable option only once all alternatives have been exhausted.

RETENTION

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

The Group harnesses two of the most impactful ways to optimise retention: providing opportunities for a diverse workforce to thrive and creating an inclusive environment. Every year, employees are invited to share their perception of the workplace through the *Your Voice* survey (refer to page 63), which provides the opportunity to proactively assess employees' sense of belonging, whether they feel valued and whether they feel empowered to do their best every day. These results are analysed and trends are explored through focus groups to understand perceptions and ultimately optimise engagement and retention.

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 employees receive STIs and senior management receive a combination of short- and longterm incentives.

Various additional benefits are offered to employees throughout the Group with regional differences due to local market practices and regulatory compliance. Employees are kept informed on benefit matters on a continuous basis via various interactive media platforms.

EMPLOYEE ENGAGEMENT

Research by Gallup® has shown that highly engaged employees contribute to better financial results, improved clinical outcomes and increased patient safety. Creating a consistently positive employee experience is also key to Mediclinic's aim of becoming an employer of choice and requires continuous engagement across the Group.

Mediclinic encourages and enables engagement across employee levels and divisions via various methods, including:

- the annual *Your Voice* employee engagement survey and resultant action plans;
- training and performance management;
- access to various supporting resources such as interactive call centres;
- occupational health clinics and programmes; and
- ethics lines.

Refer to the Corporate Governance Statement on page 116 for more information on how the Board engages with the workforce.

TRAINING AND DEVELOPMENT

The capability of Mediclinic is highly dependent on the skill-set of the sum total of its employees. Each team member's growth is valued and the Group is dedicated to providing accessible learning opportunities that can optimally enable employee performance and support career growth.

Leaders are empowered through a variety of academic interventions, exposure to divisional and Group projects, stretch assignments, inclusion in leadership dialogues about important organisational and industry matters, mentoring and coaching, online learning resources, etc.

In 2021, the Group will focus on management development to ensure line managers are equipped with the necessary skills to be inclusive leaders who create an environment where employees can thrive and do their best every day.

During 2020, good strides were made in adopting a Group learning management system that will ultimately be the single point of reference for all learners. The transfer of interventions from legacy systems will continue in the coming year with a blended learning approach utilised to ensure relevance to the business priorities and successful learning outcomes.

PERFORMANCE MANAGEMENT

Performance management is a critical talent process where line managers and employees align expectations and goals to ensure the focused and deliberate contribution of each employee to the team, and ultimately, the divisional and Group goals.

During the past 12 months, the annual strategic planning cycle has been refined. This enables an earlier start to the process and therefore provides more room for the cascading of goals to each and every business unit and ultimately each employee.

Continuous performance conversations are encouraged across the Group, with formal annual/six-monthly performance tracking conversations between managers and employees. Managers are held accountable for *Your Voice* employee engagement action planning. The most recent *Your Voice* results validated this approach by reporting an increase in employee perception that their achievements are recognised through the process of continuous conversation. Management empowerment will remain a focus area for 2021 to optimise their ability to utilise these conversations for identifying training needs and facilitating effective career development discussions.

SUCCESSION PLANNING

The annual talent review process for key divisional and Group roles encompasses talent across the organisation and is standardised across Mediclinic with definitions and supporting tools consistently applied. This supports progress monitoring of bench strength, as well as risk monitoring to timeously identify insufficient pipelines for priority roles.

Active Group and divisional collaboration ensures alignment and direct insight into divisional development opportunities that can support the growth of successors. Even though the 2020 focus areas to enhance all core pipelines carry over to 2021, special emphasis will be placed on the Clinical, ICT and HR pipelines, taking account of the Group's focus on diversity and inclusion.

The Group's enterprise succession management system enables all role players to monitor, influence and report on progress through accurate and integrated records of all succession and development-related actions. It is a dynamic tool that, despite the large number of employees reviewed and supported, offers flexible views on talent pools and the readiness of successors for key roles.

LABOUR RELATIONS

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 via internal channels.

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. Strong endorsement by the Board and executive management, and the allocation of financial

SUSTAINABLE DEVELOPMENT OVERVIEW CONTINUED

resources support the effective implementation of the long-term Diversity and Inclusion Strategy, which will deliver key organisational benefits. The transformation journey is further bolstered by the Group Talent Centre of Expertise, which manages diversity and inclusion initiatives across the entire organisation.

Refer to the Nomination Committee Report on page 158 and to the Corporate Governance Statement from page 121 for more detail and information on representation at Board and executive level, as well as a gender analysis for Group employees.

While the Group has uniform gender and generational focus areas across all geographies, they are supplemented by division-specific diversity priorities. Specific targets include:

- racial representation targets that are aligned with broad-based black economic empowerment ('B-BBEE') Employment Equity targets per occupational level at Mediclinic Southern Africa and Mediclinic Group Services; and
- an Emiratisation target of 3% Emirati representation by March 2022 and 8% by 2025 at Mediclinic Middle East.

Various initiatives across all talent practices have been identified to support the achievement of these targets.

Refer to the 2021 Sustainable Development Report for the summarised employment equity report and comprehensive information on diversity and inclusion.

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

The Group procurement five-year vision, approved in 2019, is built on four pillars:

- Standardised procurement processes and master data management through the establishment of Group Procurement Support Services
- E-procurement solution to cover all spend across the Group
- Management and analytics for all spend in the Group
- An organisational structure to support the ongoing functioning of Group Procurement

Mediclinic's Supply Chain Risk Management Policy and Code of Business Conduct and Ethics ('**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.

Mediclinic refrains from doing business with third parties who do not conduct their business in an environmentally

responsible manner and influences its suppliers and service providers to limit their overall impact on the environment.

FUTURE WORKFORCE

In light of the continued global shortage of healthcare employees and to secure the future of healthcare, Mediclinic actively invests in the workforce of tomorrow. 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 problems or risks. CSI activities are structured around the improvement of healthcare through training and education, sponsorships, donations, employee volunteerism, PPP and joint ventures.

Given the diverse landscapes (both physical and regulatory) in which the Group operates, CSI focus areas are determined by each division to adequately address the needs of their specific geographies.

HUMAN RIGHTS

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

- avoiding and not contributing to any indirect adverse human rights impacts linked to the Group's operations or services by its suppliers or other business relations;
- respecting 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;
- valuing diversity and equal opportunities for all in the workplace; and
- not tolerating 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, etc.

During the year, 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 these abuses, including 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

IMPORTANCE

Mediclinic is committed to conducting business with transparency, honesty and integrity, and applying sound governance and compliance principles across the Group. An array of policies, processes and standards supports the Group's compliance programmes and provides a framework for business conduct and ethics. This supports an environment in which the organisational values of the Group are embraced and lived daily, encouraging a culture of transparency and ethics. It is respectively shared and adopted by all relevant employees and, where necessary, training is provided.

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 environmentFinancial damage caused by poor governance, unethical practices
- governance, unethical practices and inadequate risk management
- Cyber incidents
- Data privacy breaches
- Poor facility conditions

RISK MITIGATION

- Group Sustainable Development Strategy with governance objectives
- Visible ethical leadership
- Regular fraud and ethics feedback

to management, the Board and relevant Board committees

- Independent ethics lines available to all employees and external parties
- Established Group Risk Management and Compliance and Internal Audit functions
- Compliance risks assessed as part of risk management process
- Annual review of policies
- Information security controls
- Data privacy awareness campaigns and structured e-learning
- Implementation of key financial controls
- Planned facility maintenance and upgrades
- Facility audits

Investment in capital projects and new equipment²

Expenditure on repair and maintenance²

2020 IN NUMBERS

Calls to ethics lines¹

				sital projects and new equipment		
Group	148	2019: 154	♥	Group	£72m	2020: 👽 £108m
Switzerland	16	2019: 27	♥	Hirslanden	CHF43m	2020: 文 CHF51m
Southern Africa	115	2019: 118	♥	Mediclinic Southern Africa	ZAR400m	2020: 文 ZAR582m
The UAE	17	2019: 9		Mediclinic Middle East	AED88m	2020: 文 AED174m

Investment in equipment replacement and property upgrades²

and property upgi	ades		1		
Group	£54m	2020: 오 £84m	Group	£61m	2020: 文 £68m
Hirslanden	CHF38m	2020: 🕑 CHF43m	Hirslanden	CHF50m	2020: 🔨 CHF48m
Mediclinic Southern Africa	ZAR302m	2020: 오 ZAR730m	Mediclinic Southern Africa	ZAR257m	2020: 🕑 ZAR286m
Mediclinic Middle East	AED36m	2020: 🕑 AED46m	Mediclinic Middle East³	AED37m	2020: 🔨 AED35m

Notes

¹ Six high-priority cases were reported to the Group's ethics lines during the calendar year, investigated and closed.

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

³ The FY20 expenditure on repair and maintenance has been re-presented to be consistent with the expense-by-nature income statement presentation.

SUSTAINABLE DEVELOPMENT OVERVIEW CONTINUED



PREVENTING BRIBERY AND CORRUPTION

Mediclinic's position as a trusted diversified healthcare services provider is underpinned by its commitment to ethical standards. The Group's Ethics Code, which is available on the Company website, guides honourable business conduct. A Group-wide compliance monitoring programme exists to reinforce the Group's commitment to regulatory compliance and to monitor the level of compliance across all jurisdictions.

Independent ethics lines exist to enable whistleblowers to report concerns in a confidential or anonymous manner. Over the years, the majority of calls have been of a grievance nature. Only in exceptional cases has information led to the discovery of unethical, corrupt or fraudulent behaviour.

As part of the Group Sustainable Development Strategy, a targeted drive to raise awareness of antibribery, corruption and ethical behaviour was developed during 2020, with roll-out in 2021. Content was customised in English, French, German and Arabic, according to the language preferences of the operating geography. The Group's ethics line efficiencies were also reviewed by considering their visibility; awareness of availability, confidentiality and whistleblower protection; and response at hospitals and corporate offices. These campaigns will continue to be implemented on an annual basis and include onboarding materials to all new recruits and suppliers.

- Refer to the *Risk management* report on page 96 and the *Audit* and *Risk Committee Report* on page 142 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 83.

During the period under review, 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 being paid in this regard.

SUSTAINING EFFECTIVE AND TRANSPARENT GOVERNANCE

Refer to page 65 of the 2021 Sustainable Development Report for information on compliance with consumer protection laws and governance of advertising. The Group Tax Strategy is published in the 'Risk management' section of the Company's website at www.mediclinic.com.

MAINTAINING HIGH-QUALITY HEALTHCARE INFRASTRUCTURE

To ensure a safe and user-friendly environment for both patients and employees, the Group continuously invests in capital projects, innovation and digital transformation, new equipment to expand and refurbish its facilities, replacement of existing equipment, and the repair and maintenance of existing property and equipment.

PROTECTING INFORMATION ASSETS

The Group's technology and information assets as well as the users thereof are protected by an effective information- and cybersecurity ('**InfoSec**') programme. With operations spanning multiple geographical areas, it requires an international data network and Group approach to manage threats.

The Group InfoSec Committee, which consists of dedicated divisional Information Security Officers, governs InfoSec across the divisions according to information security best practices, sourced from several internationally acclaimed InfoSec institutions.

'Information systems security and cyberattacks' and 'Disruptive innovation and digitalisation' are identified as principal risks in the Company's risk register.

Refer to the *Risk management report* on page 96 for more information.

DATA PRIVACY

The Group fulfils its commitment to protecting the personal data of its stakeholders through an extensive Group-wide data privacy project. The project aligns and ensures compliance with all relevant data protection legislation, as applicable in the various countries of operation, including the European Union's General Data Protection Regulation ('**GDPR**'), widely regarded as the gold standard for data protection. The Group Privacy and Data Protection Policy ensures alignment to the GDPR.

INDEPENDENT ASSURANCE

The process of independent assurance and external accreditation ensures that international standards are adhered to in all aspects of hospital operations.

Refer to page 68 of the
 2021 Sustainable Development
 Report for more information.

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 **2021 Sustainable Development Report**, available at annualreport.mediclinic.com, as well as policy documents, available at www.mediclinic.com.

NON-FINANCIAL MATTER	RELEVANT POLICIES AND STATEMENTS	READ MORE IN THIS REPORT	PAGE REFERENCE
Anti-corruption and anti-bribery	 Anti-bribery Policy¹ ERM Policy Fraud Risk Management Policy¹ Group Privacy and Data Protection Policy Regulatory Compliance Policy Ethics Code 	 Strategy overview Sustainable development overview (Material issue 3: Being an ethical and responsible corporate citizen) 	32 65
Business model	n/a	 Business model Strategy overview	40 32
Employees	 Board Diversity Policy Ethics Code Employee relations policies Group Diversity and Inclusion Strategy Health and safety policies and procedures 	 Chair's Review Group Chief Executive Officer's Report Strategy overview Business model Sustainable development overview (Material issue 2: Building stakeholder trust) 	4 24 32 40 60
Environmental matters	 Group Environmental Policy Group Sustainable Development Policy 	 Strategy overview Sustainable development overview (Material issue 1: Minimising environmental impact) 	32 55
Non-financial KPIs	n/a	 Sustainable development overview Clinical services overview 	51 68
Principal risks	ERM Policy	Risk management report	96
Respect for human rights	 Ethics Code Group Diversity and Inclusion Strategy Modern Slavery and Human Trafficking Statement 	<i>Sustainable development overview</i> (Material issue 2: Building stakeholder trust)	60
Social matters	 Ethics Code Group Supply Chain Risk Management Policy Group purpose Values 	 Chair's Review Strategy overview Business model Sustainable development overview 	4 32 40 51

Note

¹ These policies include anti-corruption matters.

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 **2021 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 2020 calendar year, unless stated otherwise.

CONTENT		2021 CLINICAL SERVICES REPORT	CLINICAL SERVICES OVERVIEW
COVID-19 ov	erview (refer to page 12 of this Annual Report)	•	n/a
Interview with Dr René Toua		•	abbreviated
Highlights		٠	۰
Mediclinic's h	nealthcare landscape	٠	abbreviated
Value equati	on index	•	n/a
Patient expe	rience	•	abbreviated
Clinical perfo	prmance	•	abbreviated
	International benchmarking	•	n/a
	Never events	•	٠
	Adverse events	•	•
	Hand hygiene	•	n/a
	Healthcare-associated infections	•	n/a
Clinical outcomes	Device-associated infections	•	n/a
outcomes	Surgical site infections	•	n/a
	Antimicrobial stewardship	•	n/a
	Mortality - adult	•	n/a
	Mortality - neonatal	٠	n/a
	Readmission, re-operation and extended stay	•	n/a
Partnerships	Partnerships		n/a
Assurance	Assurance		n/a
Clinical ethic	s summary	•	abbreviated

In addition to the information presented above, the **2021 Clinical Services Report** provides information on achievements, events, initiatives, patient feedback and case studies.

COMMITTED TO CLIENTS

Dr René Toua, Group Chief Clinical Officer, shares learnings from the past year.



Dr René Toua Group Chief Clinical Officer

Q. IN 2020, HEALTHCARE PROVIDERS HAD TO CONTEND WITH MONUMENTAL CHALLENGES. WHAT IS THE VALUE OF HAVING A CLEAR PURPOSE?

When confronted with a crisis, our clear purpose is the true north that guides us. It gives us hope, makes us more resilient and reminds us to put clients first. Our single-minded focus on enhancing the quality of life for clients is what helped us navigate the challenges.

Q. HOW DID THE GROUP'S CROSS-COUNTRY INSIGHT AND EXPERTISE BENEFIT MEDICLINIC OVER THE PAST YEAR?

We were fortunate that the pandemic reached the divisions at different times, enabling us to learn from experience and global experts, share the burden of work and capitalise on coordinating procurement processes for the Group. Working together in this way underlined that when we share our lessons, we lessen our share of the load.

"

Our single-minded focus on enhancing the quality of life for clients is what helped us navigate the challenges.

Q. WHAT DID YOU LEARN IN EMERGENCY MEDICINE THAT STOOD YOU IN GOOD STEAD FOR HANDLING THE PANDEMIC?

Uncertainty, high stakes, making decisions with imperfect information and teamwork are critical elements to emergency medicine. They are equally true for the current healthcare crisis. As such my experience has prepared me well.

Refer to page 9 of the 2021 Clinical Services Report for the full interview.





View a condensed video interview at annualreport.mediclinic.com or scan the QR code. STRATEGIC REPORT



HIGHLIGHTS

Geneva Innovation Prize 2020

Clinique La Colline and Clinique des Grangettes, as part of Association des Cliniques Privées de Genève, Genève-Cliniques (the Association of Private Hospitals of Geneva), together with the University Hospital of Geneva, were awarded the prize to highlight their remarkable collaboration during the COVID-19 pandemic.

Conference goes online

When pandemic restrictions scuppered plans to host large-scale gatherings in person, Hirslanden transformed its annual conference into an innovative online forum, a first for the business. The third Hirslanden Doctors' Summit, attended by around 200 doctors, was broadcast live on 20 November 2020.

New screening tool for COVID-19

Just one day after the WHO declared a global pandemic on 11 March 2020, Mediclinic Southern Africa launched its online assessment tool to help the public determine whether they needed to be tested. This was soon expanded to cover questions evaluating risk for hospitalisation. With a clinical team of registered nurses and paramedics on call to provide expert advice, the service disseminated vital knowledge and eased the strain on overburdened state resources.

Milestones for robotic surgery

Dr Gawie Bruwer, urologist at Mediclinic Durbanville in South Africa, carried out his 500th radical prostatectomy using the da Vinci surgical system. After introducing the da Vinci surgical system in June 2020, Mediclinic City Hospital in Dubai reached its goal number of robotic surgery cases five months ahead of expectations. It also achieved a number of firsts, with several major procedures that had never been done robotically in the UAE or the Middle East region, including minimally invasive surgery for large ventral hernias.

Pioneering transplant programme

In November 2020, Dubai's first transplant surgeries using kidneys from living donors took place thanks to a partnership between Mediclinic City Hospital, Mohammed Bin Rashid University of Medicine and Health Sciences and Al Jalila Children's Specialty Hospital. The joint collaboration, which also covers surgeries with deceased donor kidneys, has brought transplants to the fore in the UAE.

Excellence in cancer care

The CCC at Mediclinic City Hospital was awarded the 2020 Healthcare Innovation Award from Dubai Healthcare City Authority. In 2020, part of the CCC's sector-leading activities included a symposium to present the latest oncological breakthroughs. Dr Shaheenah Dawood, Mediclinic consultant oncologist with a special interest in breast cancer, was recognised as Top Emirati Contributor at the healthcare awards

200 Klinik Hirslanden among *Newsweek*'s 200 Best Hospitals in the World for 2021.

increase in research applications approved for Mediclinic Southern Africa in 2020. robotic surgeries at Mediclinic City Hospital since introducing da Vinci surgical system in June 2020. Mediclinic City Hospital in Dubai reached its goal number of robotic surgery cases five months ahead of expectations.



SWITZERLAND HIRSLANDEN

FACILITIES



Including: 7 secondary care community hospitals





10 600+ full-time employees | 60% involved in direct patient care

HEALTHCARE SERVICES.

- DIAGNOSTICS V ROUTINE ELECTIVE PROCEDURES
- 🤝 SPECIALISED TREATMENTS 💙 EMERGENCY CARE 🛛 ADVANCED TECHNOLOGY
- 🗸 RESEARCH AND TRAINING 🗸 COVID-19 VACCINATION CENTRES 🦉 COVIDEVELOPMENT
- COVID-19 ONLINE REPETITIVE TESTING 🤷 COVIDEVELOPMENT

- Care settings
- Inpatient 81%
- Day cases 4%
- Outpatient¹ 15%

WORLD-CLASS CARE

- 6 certified breast cancer centres
- CCC at Klinik Hirslanden
- Prostate cancer centre at Klinik Hirslanden
- Certified stroke centre at Klinik Hirslanden
- 4 cardiac centres
- CAR-T therapy at Klinik Hirslanden
- 9 hospitals offer robotic surgery (da Vinci surgical system at 3)
- CyberKnife at Klinik Hirslanden

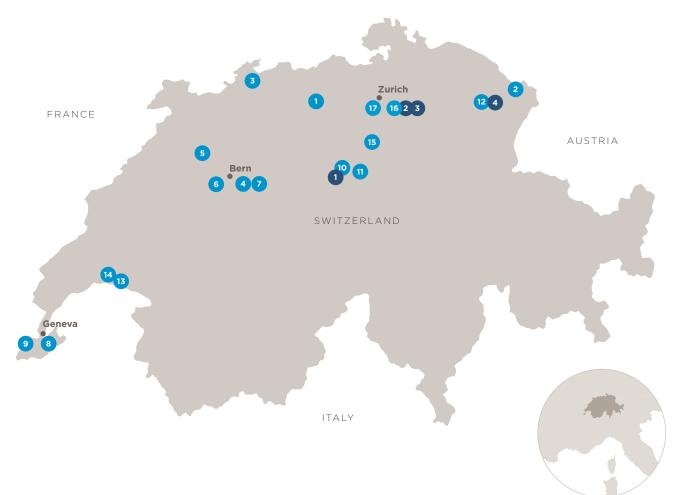
QUALITY ASSURANCE

- ISO 9001:2015 certification for all participating facilities
- German Cancer Society certification Klinik Hirslanden Cancer Centre
- Joint Accreditation Committee ISCT-Europe & EBMT accreditation – Klinik Hirslanden
- Swiss Cancer League certification Six breast cancer centres
- Swiss Cancer League and Swiss Society for Senology certification – Bern Biel Cancer Centre
- Swiss Federation of Clinical Neuro-Societies certification – Klinik Hirslanden Stroke Centre

Note

As part of a significant cooperation agreement, Hirslanden sold its three outpatient clinics to its strategic partner Medbase during the year.





Hospitals

Canton of Aarau Hirslanden Klinik Aarau¹ Canton of Appenzell Ausserrhoden

2 Klinik Am Rosenberg

Canton of Basel

3 Klinik Birshof

Canton of Bern

4 Klinik Beau-Site

- 5 Klinik Linde¹
- 6 Klinik Permanence
- 7 Salem-Spital¹

Canton of Geneva



Canton of Lucerne



11 St. Anna in Meggen

Canton of St. Gallen

12 Klinik Stephanshorn¹

Canton of Vaud

13 Clinique Bois-Cerf14 Clinique Cecil¹

Canton of Zug

15 AndreasKlinik Cham Zug¹

Canton of Zurich

16 Klinik Hirslanden¹
17 Klinik Im Park¹

Canton of Lucerne

Day case clinics

1 St. Anna im Bahnhof

Canton of Zurich



Canton of St. Gallen



SOUTH AFRICA & NAMIBIA MEDICLINIC SOUTHERN AFRICA



15 200+ full-time employees | 61% involved in direct patient care

HEALTHCARE SERVICES

✓ ROUTINE ELECTIVE PROCEDURES ✓ SPECIALISED TREATMENTS ✓ EMERGENCY CARE

🗸 TRANSPLANT MEDICINE < ADVANCED TECHNOLOGY < RESEARCH AND TRAINING



- Day cases 8%
- Outpatient 2%

WORLD-CLASS CARE

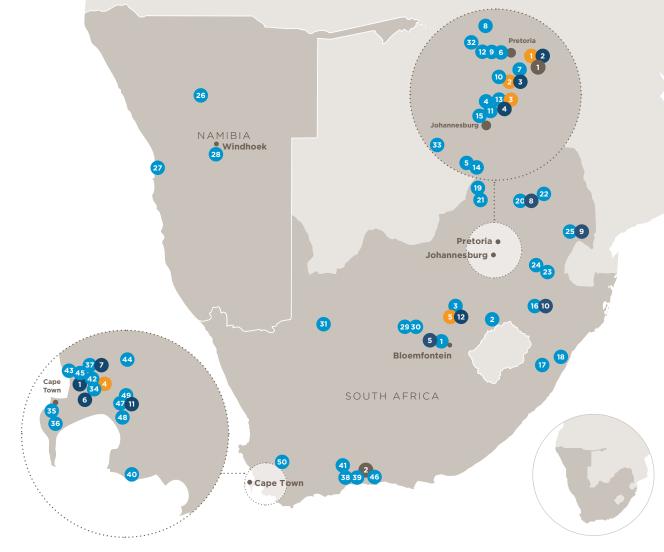
- Solid Organ Transplant Centre at Wits Donald Gordon Medical Centre in partnership with Wits University
- Haematology and Bone Marrow Transplant Centre at Mediclinic Constantiaberg
- 46 ECs
- Arthroplasty network
- 9 cardiac centres
- 2 electrophysiology centres
- Robotic surgery at Mediclinic Durbanville (da Vinci surgical system)
- 36 neonatal ICUs for high-risk infants, 30 of which form part of the Vermont Oxford Network

QUALITY ASSURANCE

37 hospitals participate in COHSASA² accreditation programme³

Notes

- ¹ Includes Intercare facilities
- ² Council for Health Service Accreditation of Southern Africa ('**COHSASA**').
- ³ The accreditation programme was paused during COVID-19 with COHSASA granting an extended grace period for reaccreditation. Reaccreditation has now restarted.



Hospitals

Free State

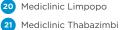
Mediclinic Bloemfontein Mediclinic Hoogland 2 3 Mediclinic Welkom Gauteng 4 Intercare Medfem Hospital Mediclinic Emfuleni 5 6 Mediclinic Heart Hospital Mediclinic Kloof Mediclinic Legae 8 9 Mediclinic Medforum Mediclinic Midstream 10 11 Mediclinic Morningside Mediclinic Muelmed 12 13 Mediclinic Sandton Mediclinic Vereeniging 14 Wits Donald Gordon 15 Medical Centre¹ KwaZulu-Natal 16 Mediclinic Newcastle

17 Mediclinic Pietermaritzburg

18 Mediclinic Victoria

Limpop	0





22 Mediclinic Tzaneen

Mpumalanga

- 23 Mediclinic Ermelo
 - Mediclinic Highveld
 - Mediclinic Nelspruit

Namibia

24

25

- 26 Mediclinic Otjiwarongo
- 27 Mediclinic Swakopmund
- 28 Mediclinic Windhoek

Northern Cape

- 29 Mediclinic Gariep (part of Mediclinic Kimberley)
- 30 Mediclinic Kimberley
- 31 Mediclinic Upington

North West

- 32 Mediclinic Brits
- 33 Mediclinic Potchefstroom

Western Cape

34 Mediclinic Cape Gate 35 Mediclinic Cape Town 36 Mediclinic Constantiaberg 37 Mediclinic Durbanville 38 Mediclinic Geneva 39 Mediclinic George 40 Mediclinic Hermanus Mediclinic Klein Karoo 41 42 Mediclinic Louis Leipoldt 43 Mediclinic Milnerton Mediclinic Paarl 44 Mediclinic Panorama 45 Mediclinic Plettenberg Bay 46 47 Mediclinic Stellenbosch 48 Mediclinic Vergelegen 49 Mediclinic Winelands Orthopaedic Hospital

50 Mediclinic Worcester

Subacute hospitals

- 1 Intercare Subacute Hospital Hazeldean
- 2 Intercare Subacute Hospital Irene
 3 Intercare Subacute Hospital Sandton



Mediclinic Stellenbosch

Welkom Medical Centre

Day Clinic

Day Clinic

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

12

THE UAE **MEDICLINIC MIDDLE EAST**

FACILITIES



7 000+ full-time employees | 60% involved in direct patient care

HEALTHCARE SERVICES _

- 🗸 OUTPATIENT CARE 🗸 REMOTE CARE 🚾 COVIDEVELOPMENT
- TELEMEDICINE 🧧 COVIDEVELOPMENT 🗸 DIAGNOSTICS
- ROUTINE ELECTIVE PROCEDURES 🔽 SPECIALISED TREATMENTS
- EMERGENCY CARE 😔 ADVANCED TECHNOLOGY 😔 RESEARCH AND TRAINING



WORLD-CLASS CARE

- CCC in the North Wing adjacent to Mediclinic City Hospital
- 5 cardiology units
- 2 cardiac centres
- Robotic surgery at Mediclinic City Hospital (da Vinci surgical system)
- Stroke centre at Mediclinic City Hospital
- 7 neonatal ICUs for high-risk infants, all of which form part of the Vermont **Oxford Network**

- College of American Pathologists accreditation - Mediclinic City Hospital laboratory
- European Association for the Study of Obesity's Collaborating Centres for Obesity Management accreditation - specialised unit at **Mediclinic Parkview Hospital**
- ISO 15189:2009 certification for all laboratories
- Joint Commission International accreditation for all facilities
- Joint Commission International accreditation - diabetes clinical programme at Mediclinic Welcare Hospital
- Surgical Review Corporation Centre of Excellence accreditation - specialised bariatric unit at **Mediclinic Airport Road Hospital**

- Inpatient 26%
- Day cases 12%
- Outpatient 62%



STRATEGIC REPORT



Hospitals

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

1 Mediclinic Deira

2

Mediclinic Dubai Mall

Outpatient clinics

1	ENEC
2	Mediclinic Al Bawadi
3	Mediclinic Al Madar
4	Mediclinic Al Mamora
5	Mediclinic Al Qusais
6	Mediclinic Al Sufouh
7	Mediclinic Al Yahar
8	Mediclinic Arabian Ranches
9	Mediclinic Baniyas
10	Mediclinic Ibn Battuta

11 Mediclinic Khalifa City 12 Mediclinic Madinat Zayed Mediclinic Meadows 13 Mediclinic Me'aisem Mediclinic Mirdif Mediclinic Mussafah Mediclinic Springs Mediclinic Zakher 18

BETTER WAYS TO CONNECT

PATIENT EXPERIENCE

Client experience refers to a wide spectrum of experiences that clients have when interacting with Mediclinic. These may be related to care or administration (i.e. settling accounts, scheduling appointments). Patient experience is a subsection of client experience and relates to the experience of a patient in any Mediclinic care setting across the continuum of care.

PRESS GANEY[®]

Mediclinic benchmarks and publicly reports on patient experience at a divisional level through Press Ganey[®], an internationally recognised leading provider of patient experience measurement for healthcare organisations. Patients are surveyed after discharge and this valuable feedback helps Mediclinic better understand patients' needs and adapt care services accordingly (Table 1).

The patient experience survey collects feedback on

the following categories:

- Admissions process
- Condition of room
- Meals
- Nurses
- Physicians
- Tests and treatments
- Experience of visitors
- Personal issues (i.e. privacy, safety, hygiene, respect)
- Discharge process
- Overall experience

In 2020, various new surveys were introduced to expand the range of patient experience insights. In addition to surveys for the EC and ambulatory surgery, Mediclinic now also garners feedback from paediatric patients with a special version of the inpatient survey. Moreover, the inpatient survey has been enhanced with additional questions for patients admitted via the hospital's EC, and Mediclinic Middle East has incorporated a special survey for virtual care patients.

TABLE 1: PRESS GANEY[®] INPATIENT RESULTS FOR THE 2020 CALENDAR YEAR

	Hirslanden	Mediclinic Southern Africa	Mediclinic Middle East	
Participating since	February 2017	October 2014	October 2014	
Total participating facilities	17	50	7	
Total surveys collected	18 072 (2019: 12 191)	42 540 (2019: 52 958)	2 262 (2019: 2 939)	
Likelihood of recommending the hospital/clinic	91.8% (2019: 92.1%)	85.0% (2019: 85.0%)	87.0% (2019: 88.6%)	

"

Mediclinic now also garners feedback from paediatric patients with a special version of the inpatient survey.

BETTER WAYS TO UNLOCK VALUE

Across the divisions, initiatives seek to improve the quality of care, provide innovative services and reduce costs for clients.

HIRSLANDEN

- Revolutionary app-based programme at Hirslanden Klinik Aarau to help cancer patients regain quality of life
- PPP with Spitäler Schaffhausen to create the Centre for Urology Zurich at Klinik Hirslanden
- Cooperation between Klinik Im Park and See-Spital Foundation to broaden offer of medical care
- Integrated geriatric care provided to municipal nursing home by Hirslanden Klinik Aarau

MEDICLINIC SOUTHERN AFRICA

- Increased uptake of Care Expert, an integrated model for hip and knee replacements, among doctors and patients
- Affiliated oncology treatment centres at several hospitals

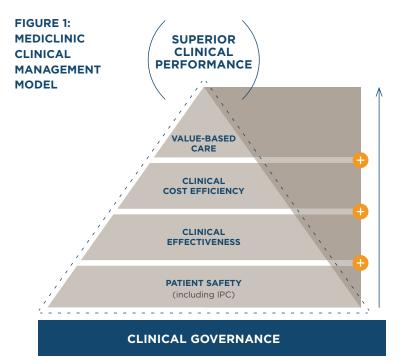
MEDICLINIC MIDDLE EAST

- Partnership with travel companies to offer PCR test with flight check-in
- Agreement with Al Murjan, Saudi Arabian business group, to establish 200-bed private hospital in Jeddah
- Progress on precision medicine offering, with kit validation, analyser training and report testing

BETTER WAYS TO CARE

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

CLINICAL OUTCOMES



CLINICAL INDICATORS

More than 150 clinical indicators are measured monthly in line with a standardised set of definitions and classifications. Many of these outcome indicators are selfreported and others are derived from administrative data. These indicators are monitored for trends and used to identify opportunities for improvement. The hospitals closely monitor their results and compare themselves with other hospitals in the same division.

Clinical indicator improvements during the year include the roll-out of an adult mortality risk adjustment model for Mediclinic Middle East; 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 compared with prior reporting periods, the applicable data in the graph is marked with an orange dot and an explanation is provided, if available. In these instances it is unlikely that the changes in the numbers are due to chance.

For more information on statistical significance and how it is calculated, refer to the 2021 Clinical Services Report.

CLINICAL OUTCOMES

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 serious adverse events in hospitals. These processes lead to an informed culture because teams learn from the adverse events to mitigate future incidents. Fundamental to this is the 'just culture' (Frankl framework) wherein employees involved in adverse events are treated fairly.

COVIDEVELOPMENT

HIRSLANDEN

The clinical outcomes of the division remained stable during the year, although occupancy rates in the first half of 2020 were lower than comparable prior periods as elective patients could not be admitted due to the pandemic.

MEDICLINIC SOUTHERN AFRICA

Most patient safety indicators saw a year-on-year decrease, especially serious adverse events, despite the challenges experienced. Some indicators such as medication errors may have been affected by a decrease in reporting, which was negatively impacted by COVID-19 surges.

MEDICLINIC MIDDLE EAST

Most of the clinical indicators that were negatively impacted by the COVID-19 pandemic during the first wave improved significantly after the peak in May/June. A centralised ICU strategy, which was initiated during the first wave of the pandemic, proved to be very effective, and daily huddles to coordinate and standardise care were reinitiated as COVID-19 admissions started to increase again towards the end of the year.

NEVER EVENTS

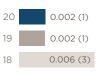
Across the divisions, the WHO surgical safety checklist is followed to decrease errors and adverse events, and increase teamwork and communication during surgery.

The implementation of the safe surgical checklist remains a key focus area. 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.

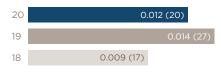
FIGURE 2: NEVER EVENTS¹

Rate per 1 000 patient days (Number of events in brackets)

Hirslanden



Mediclinic Southern Africa



Mediclinic Middle East



Note

¹ The never event rate is reported to the third decimal to negate the obscuring effect of rounding.

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An open culture where teams are comfortable discussing patient safety incidents and concerns is fostered through the inclusive completion of systems analysis of serious adverse events in hospitals.

ADVERSE EVENTS

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

HIRSLANDEN

COVIDEVELOPMENT

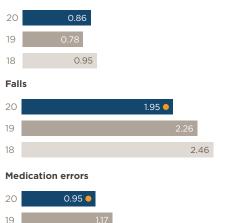
Due to operational pressures caused by the pandemic, data collection for adverse events was interrupted for three months during the year.

FIGURE 3: ADVERSE EVENTS

- Rate per 1 000 patient days
- Statistically significant

18

Hospital-associated pressure ulcers



The 10.26% increase in the hospital-associated pressure ulcer rate from 0.78 in 2019 to 0.86 in 2020 is not statistically significant.

1.41

The fall rate decreased by 13.72% from 2.26 in 2019 to 1.95 in 2020, a statistically significant change. The decrease directly relates to the incorrect use of electronic reporting forms at two hospitals. Steps are being taken to ensure correct capturing in future.

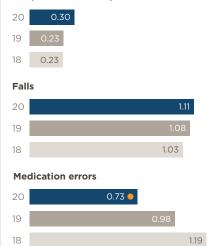
Hirslanden commenced reporting on medication errors in 2018. The 18.80% decrease in the medication error rate from 1.17 in 2019 to 0.95 in 2020 is statistically significant. Analysis of the fluctuation is difficult as the current reporting system is restrictive with limited classification and system factor analysis abilities. A multidisciplinary taskforce has been established to review medication management and develop a medication safety plan.

MEDICLINIC SOUTHERN AFRICA

FIGURE 4: ADVERSE EVENTS Rate per 1 000 patient days

Statistically significant

Hospital-associated pressure ulcers



The rate of hospital-associated pressure ulcers increased by 30.43% from 0.23 in 2019 to 0.30 in 2020. The fall rate increased by 2.78% from 1.08 in 2019 to 1.11 in 2020. Neither of these increases is statistically significant.

Medication errors per 1 000 patient days reduced by 25.51% from 0.98 in 2019 to 0.73 in 2020, a statistically significant decrease. The rate could be influenced by a lower reporting rate and does not necessarily reflect an improvement in medication safety.

The involvement of pharmacists in incorrect medication error reporting has resulted in additional reporting mechanisms for potential medication errors. Near-miss medication errors related to prescription and dispensing are recorded to show where pharmacists intervene with regard to appropriate prescription of antibiotics and other medication, and where dispensing errors are corrected before medication is given to the patient. Pharmacists are also well placed to identify certain administration errors which may not have been identified by the

nursing employees in the wards. This reporting is supplementary to the hospital event management system and is quantitative and dependent on time availability of pharmacists. 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.

COVIDEVELOPMENT

The number of reported pharmacy interventions decreased by 40% in 2020, especially in July, August and December, approximately in line with the peaks of the pandemic. Pharmacists could not review as many prescriptions as they usually do, due to fewer patients admitted, a temporary termination of team rounds, restriction of movement in the hospitals and reallocation of clinical and ward pharmacists to assist with dispensing. This resulted in a decrease in the reporting of interventions and early identification of medication errors.

CLINICAL SERVICES OVERVIEW CONTINUED

MEDICLINIC MIDDLE EAST

FIGURE 5: ADVERSE EVENTS

Rate per 1 000 patient days

• Statistically significant

Hospital-associated pressure ulcers



3.55

COVIDEVELOPMENT

18

The increase in the hospital-associated pressure ulcer rate by 39.13% from 0.23 in 2019 to 0.32 in 2020 is not statistically significant and was mainly due to COVID-19. All patients are risk assessed for pressure injuries and appropriate preventive measures are implemented.

The 11.54% decrease in the fall rate from 0.52 in 2019 to 0.46 in 2020 is not statistically significant. Fall awareness and prevention remain focus areas for Mediclinic Middle East. A multidisciplinary taskforce was established to review the fall framework and current fall prevention policies, and to investigate new technologies to identify concerning trends and opportunities for improvements.

The medication error rate increased by 210.54% from 2.94 in 2019 to 9.13 in 2020, a statistically significant change. There is a continued focus on medication management. 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. The majority of prescription errors during the period were reported at Mediclinic Parkview Hospital. A thorough multidisciplinary review revealed that many of the errors related to lack of adherence to EHR processes. These issues were effectively addressed, and the inpatient medication error rate decreased steadily for the rest of the year. Medication management policies and double-checking of medication before dispensing are continuously reinforced.

OVIDEVELOPMENT

The pandemic also contributed to the increase in the no-harm inpatient medication error rate, which peaked at the height of the first COVID-19 wave. Many pharmacists were infected during the first wave and the increased workload and lack of proper documentation were identified as possible contributing factors.

FACILITY FOCUS

Thanks to ongoing development projects, Mediclinic is positioned to provide in-demand care.

DAY CASE CLINIC

WHERE: ST. GALLEN, SWITZERLAND

The new OPERA St. Gallen, which opened on 1 July 2020, is the Group's fourth clinic in Switzerland to offer outpatient procedures. By implementing streamlined processes and leveraging medical advances, these facilities can offer same-day surgeries without compromising on quality. The day case clinic offers two operating theatres, 12 beds and various waiting and recovery rooms. Patients with additional insurance can take advantage of private rooms.

DAY CASE CLINIC

WHERE: CAPE TOWN, SOUTH AFRICA

Welcoming patients since 1 September 2020, the Mediclinic Cape Gate Day Clinic consists of two fully equipped theatres with specialised personnel that offer day surgery in the areas of dermatology, orthopaedics and ophthalmology, to name a few. The novel design uses cubicles to provide patients with private recovery areas, enhance the workflow and improve access for nurses.

HOSPITAL EXPANSION

WHERE: ABU DHABI, THE UAE

Featuring over 100 beds and providing for a range of specialities, the extension to Mediclinic Airport Road Hospital sees the facility more than double in size. The new construction, completed in 2020 and due to open in 2021, accommodates several outpatient clinics. The expansion positions the facility as Abu Dhabi's leading tertiary care private hospital and is part of a wider renovation project that has included equipment upgrades and refurbishment.

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 <i>in vitro</i> fertilisation	Centres governed by local regulatory and legal frameworkCompliance 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 ECs Reporting system for non-compliant independent doctors, HR 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, <i>inter alia</i>, 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 <i>Staphylococcus aureus</i>, 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 HR 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 legislationData privacy principles and rules apply to results
Inappropriate care	Managed by indication boards at Hirslanden, cost per event 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 CE¹-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 complianceFreedom of choice for employees regarding participation

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.

ON FIRM FOOTING TO OVERCOME THE HEALTH CRISIS



Mr Jurgens Myburgh Group Chief Financial Officer

Q&A

Q. HOW WILL THE GROUP'S CAPITAL INVESTMENT PLANS SUPPORT STRATEGY DELIVERY?

We have developed a balanced approach to capital allocation. In this, we prioritise facility maintenance for safe ongoing operations. While we pursue opportunities within our existing business, we will also implement our strategy, including growth across the continuum of care, innovation, digital transformation and regional expansion through bolt-on investments.

Q: IS THE GROUP TARGETING LEVERAGE REDUCTION AND REINSTATEMENT OF THE DIVIDEND?

Over many years we've built a high-quality asset portfolio. Apart from the operational flexibility this affords us, it means we can pursue our strategy of responsible leverage. As the uncertainty brought about by the pandemic and restrictions associated with covenant waivers dissipates, it is our intention to reinstate a dividend by this time next year.

Q: COULD YOU DESCRIBE THE PATH TO IMPROVED RETURNS?

We seek to increase returns by driving improved operating performance and growing market share through the execution of our strategy. Disciplined expansion in existing and new markets will generate returns greater than our weighted average cost of capital.



View a condensed video interview at annualreport.mediclinic.com or scan the QR code.

"

The Group prioritised the preservation of its liquidity position from the onset of the pandemic while optimising its operational response.

FINANCIAL SUMMARY

- FY21 revenue down 3% to £2 995m; down 1% in constant currency; significantly impacted in April 2020 by COVID-19-related lockdown measures and non-urgent elective procedure restrictions
- FY21 adjusted EBITDA down 21% at £426m; down 20% in constant currency; reflecting revenue impact, largely fixed employee cost base and escalation in PPE costs and staffing requirements due to isolation and quarantine regulations
- As restrictions eased elective procedures recovered driving 2H21 year-on-year revenue growth of 1%; EBITDA down 12% in 2H21 as the Group adapted to the pandemic



Klinik Stephanshorn, Switzerland

- Adjusted operating profit down 32% at £221m; reported operating profit up 214% to £209m
- Reported earnings of £68m (FY20: loss of £320m)
- Adjusted EPS down 43% at 13.7 pence
- Cash conversion 77% of adjusted EBITDA (FY20: 109%) improved in 2H21 compared with 42% at 1H21
- FY21 capital investment down 34% to £126m due to COVID-19-related operational constraints and priority to maintain liquidity
- Cash and available facilities increased to £679m at 31 March 2021, compared with £661m at 30 September 2020
- Net incurred debt reduced to £1 483m at year-end (FY20: £1 622m)
- Compliant with all waived and effective debt covenants at year-end
- Dividend remains suspended as part of the Group's broad response to maintaining its liquidity position (FY20: 3.20 pence)

GROUP RESULTS

ADJUSTED RESULTS

The Group uses adjusted income statement reporting as non-IFRS measures in evaluating performance and as a method to provide clear and consistent reporting.

Performance in the first half of the year was significantly impacted in April 2020 by COVID-19-related lockdown measures and non-urgent elective procedure restrictions. In April 2020, Group revenue was down 33% and adjusted EBITDA was down around £60m compared with the prior period. From May 2020 onwards, the moderation of restrictions resulted in a strong rebound in operating performance in Switzerland and the UAE. Southern Africa experienced a more gradual recovery during the second quarter of the financial year as it exited the first wave.

Despite a subsequent and more severe wave of the pandemic in the second half of the financial year, the Group delivered an improved financial performance supported by less restrictive lockdown measures, greater operational flexibility and counter-seasonal demand in Southern Africa and the UAE during December 2020.

Having reached the peak of the second wave early in the fourth quarter, the Group entered a transition period during which COVID-19 patient volumes began to decline, allowing more normal operating practices to resume gradually. Similar to the trend in the first half of the year, this resulted in a strong rebound in non-COVID-19 patient activity towards the end of the period.

The Group's revenue was down 3% at £2 995m (FY20: £3 083m) and down 1% in constant currency terms for the year. Stronger demand in the second half of the year delivered revenue growth of 1%.

GROUP CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

Adjusted EBITDA was down 21% at £426m (FY20: £541m) and down 20% in constant currency terms. This was a result of the revenue decline exacerbated by the largely fixed employee cost base, an escalation in PPE usage, consumables pricing and staffing requirements due to isolation and quarantine regulations. Across the Group, incremental COVID-19-related expenses totalled around £32m. The Group's adjusted EBITDA margin was 14.2% (FY20: 17.5%). Driven by stronger demand, the EBITDA margin improved sequentially in the second half of the year to 16.1%, with adjusted EBITDA down 12% in 2H21 compared with the prior year period.

Adjusted depreciation and amortisation was down 5% to £207m (FY20: £217m) reflecting lower capital investment during the period due to COVID-19-related operational constraints and liquidity preservation measures.

Adjusted operating profit was down 32% at £221m (FY20: £327m) which resulted in a lower ROIC of 3.0% compared with 4.4% in FY20.

Adjusted net finance cost was down 8% at £72m (FY20: £78m), mainly due to the reduction of base rates in South Africa and the UAE as well as translation differences caused by the depreciation of the rand, which is also the highest interest rate environment.

The adjusted tax charge of £27m (FY20: tax charge of £56m) and adjusted effective tax rate for the period of 19.3% (FY20: 22.3%) reflect the higher contribution of non-taxable income from Mediclinic Middle East. This was partly offset with an increase in the effective tax rate due to the recognition of non-deductible equity-accounted losses from the investment in Spire, as well as the non-recognition of deferred tax assets on current year tax losses at Hirslanden.

Adjusted non-controlling interests were down 41% to £11m (FY20: £18m), mainly due to lower contributions from Mediclinic Southern Africa hospitals with larger outside shareholdings. Adjusted share of net profit of equity-accounted investments was down from a profit of £2m in FY20 to a loss of £10m in FY21, reflecting the net loss reported by Spire for the 12 months ended 31 December 2020.

Both adjusted earnings and adjusted EPS were down 43% at £101m (FY20: £177m) and 13.7 pence (FY20: 24.0 pence), respectively.

At the end of FY20, the Board took the prudent and appropriate decision to suspend the dividend as part of the Group's response to maintain its liquidity position through the pandemic and maximise its support in combatting COVID-19. The Board recognises the importance of its dividend to shareholders and will keep this position under review in light of the continued uncertainties posed by the pandemic.

In arriving at adjusted operating profit, reported operating profit was adjusted for the following exceptional items:

accelerated depreciation of £10m relating to the

dismantling of two hospital wings as part of an expansion project at Hirslanden's Klinik St. Anna;

- impairment charges of £4m relating to Mediclinic Southern Africa; and
- insurance proceeds of £2m received for the loss of equipment at Mediclinic Southern Africa.

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

- recognition of an impairment charge of £481m to Mediclinic Middle East goodwill;
- recognition of an impairment charge of £33m to Hirslanden fixed assets;
- 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.

As previously reported, for the 12 months ended 31 December 2020, Spire reflected a goodwill impairment charge of £200m which gave rise to a reported loss of £234m. Since the Group had already impaired its equity investment in Spire, previously recognised impairment losses in the amount of £60m were reversed. In this context, earnings were further adjusted for the following exceptional items:

- Mediclinic's share of the equity-accounted impairment loss from Spire of £60m;
- reversal of previously recorded impairment losses against the carrying value of the equity investment in Spire of £60m; and
- remeasurement of the redemption liability related to Clinique des Grangettes of £23m.

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

- remeasurement of the redemption liability related to Clinique des Grangettes of £5m;
- recognition of an impairment charge on the equity investment in Spire of £10m; and
- the reduction of Swiss property deferred tax liabilities of £29m resulting from corporate tax reforms in Switzerland.

REPORTED RESULTS

Reported revenue was down 3% to £2 995m (FY20: £3 083m) and EBITDA was down 21% to £428m (FY20: £541m), down 1% and down 20%, respectively, in constant currency terms.

Depreciation and amortisation remained flat at £217m (FY20: £217m). Operating profit increased to £209m (FY20: loss of £184m).

Net finance cost increased by 14% to £95m (FY20: £83m).

The Group's effective tax rate for the period was 24.4% (FY20: [8.6]%). The prior period effective tax rate was impacted by exceptional non-deductible goodwill impairment charges, the impairment of the equity investment and a reduction in deferred tax liabilities that resulted from corporate tax reforms in Switzerland.

The reported earnings show a profit of $\pm 68m$ (FY20: loss of $\pm 320m$). The EPS was 9.2 pence (FY20: loss per share of 43.4 pence).

CASH CONVERSION

Cash flow conversion of 77% (FY20: 109%) improved during the second half of the year (1H21: 42%).

The first half was primarily impacted by lower receivables collections at Mediclinic Middle East compared with earlier in the period, exacerbated by the strong counter-seasonal performance in the second quarter period, increased debtors balances at Hirslanden and a normalisation in Hirslanden's trade payables balance post the initial peak's stringent liquidity preservation measures.

The second-half improvement was driven by Hirslanden and Mediclinic Middle East, despite both divisions' strong performances at the end of the period, which curtailed the overall recovery, and strong collections continuing in April 2021 at Mediclinic Middle East. The Group continues to target 90–100% cash conversion.

LIQUIDITY

Cash and available facilities remained strong in the second half, increasing to £679m at 31 March 2021, compared with £661m at 30 September 2020 and £518m at 31 March 2020.

The Group prioritised the preservation of its liquidity position from the onset of the pandemic while optimising its operational response. Restrictions on operations caused by the pandemic, in addition to decisions to postpone certain projects, reduced year-on-year capex across all three divisions.

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Cash and available facilities remained strong in the second half, increasing to £679m at 31 March 2021, compared with £661m at 30 September 2020 and £518m at 31 March 2020.

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

	2021	2020
Average rates		
Swiss franc	1.21	1.25
South African rand	21.30	18.76
UAE dirham	4.80	4.67
Year-end rates		
Swiss franc	1.30	1.20
South African rand	20.37	22.08
UAE dirham	5.07	4.56

Movements in exchange rates affected the reported earnings and reported balances in 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 decreased because of spot rate movements, amounted to £235m (FY20: increase of £175m) and was debited (FY20: credited) to the statement of comprehensive income. The main reason for the decrease was the weakening of the year-end Swiss franc and UAE dirham rates against 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 adjusted profit for the period would increase/decrease by £4m (FY20: increase/decrease by £7m) 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 adjusted profit for the period would increase/decrease by £3m (FY20: increase/decrease by £9m) 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 adjusted profit for the period would increase/decrease by £4m (FY20: increase/decrease by £4m) due to exposure to the £/AED exchange rate.

DIVISIONAL RESULTS

Group currency (millions)			Divisional	currency (millions)	1	
Year ended 31 March	2021	2020	%	2021	2020	%
Revenue	£2 995	£3 083	(3)%			
Hirslanden	£1 478	£1 438	3%	1 784	1804	(1)%
Mediclinic Southern Africa	£734	£907	(19)%	15 573	17 031	(9)%
Mediclinic Middle East	£781	£737	6%	3 760	3 445	9%
Corporate	£2	£1	100%	n/a	n/a	
Adjusted EBITDA	£426	£541	(21)%			
Hirslanden	£225	£245	(8)%	272	306	(11)%
Mediclinic Southern Africa	£106	£188	(44)%	2 209	3 536	(38)%
Mediclinic Middle East	£102	£110	(8)%	492	521	(6)%
Corporate	£(7)	£(2)	250%	n/a	n/a	
Adjusted EBITDA %						
Group	14.2%	17.5%				
Hirslanden ²	15.1%	17.0%		15.1%	17.0%	
Mediclinic Southern Africa	14.2%	20.8%		14.2%	20.8%	
Mediclinic Middle East	13.1%	15.1%		13.1%	15.1%	
Adjusted operating profit	£221	£327	(32)%			
Hirslanden	£107	£119	(10)%	128	149	(14)%
Mediclinic Southern Africa	£71	£151	(53)%	1 477	2 838	(48)%
Mediclinic Middle East	£51	£57	(11)%	248	273	(9)%
Corporate	£(8)	-	100%	n/a	n/a	
Adjusted operating profit %						
Group	7.4%	10.6%				
Hirslanden	7.1%	8.2%		7.1%	8.2%	
Mediclinic Southern Africa	9.5%	16.7%		9.5%	16.7%	
Mediclinic Middle East	6.6%	7.9%		6.6%	7.9%	

Notes

¹ Divisional currency for Hirslanden is shown in Swiss franc (CHF), Mediclinic Southern Africa in South African rand (ZAR) and Mediclinic Middle East in UAE dirham (AED).

² The EBITDA margin includes government grants of £10m (CHF13m) (FY20: nil) disclosed as 'Other income'.

The Group uses adjusted income statement reporting as non-IFRS measures in evaluating performance and to provide consistent and comparable reporting.

HIRSLANDEN

Switzerland introduced COVID-19 lockdown measures on 16 March 2020, which included the suspension of elective procedures for all hospitals. Lockdown measures were relaxed on 27 April 2020 and the resumption of elective procedures saw a strong recovery in inpatient admissions in May and June 2020. A similar trend was witnessed as the division passed through the second wave of the pandemic during the fourth quarter of the financial year. Hirslanden has engaged extensively with the cantonal authorities throughout the pandemic, and been involved in their COVID-19 response planning, testing and vaccination roll-outs.

FY21 revenue decreased by 1% to CHF1 784m (FY20: CHF1 804m), broadly recovering from the significant impact experienced in April 2020. Inpatient revenue was flat at CHF1 329m (FY20: CHF1 331m) and inpatient admissions decreased by 0.1%. In the second half of the year, revenue was flat and inpatient admissions were up 0.8%.

The general insurance mix increased to 51.0% (FY20: 49.2%), largely due to Hirslanden supporting the public health system during peaks of the pandemic. Despite the shift in insurance mix, inpatient revenue per case declined by only 0.1% due to a COVID-19-related increase in the case mix index. Average occupancy was flat at 61.1% (FY20: 61.1%).

Outpatient and day case revenue, which contributed some 20% (FY20: 21%) to total revenue in the period, was down 3%, mainly due to the sale of three outpatient clinics to Medbase as part of the broader cooperation agreement.

An increase in supply costs and additional staffing requirements during the pandemic further impacted adjusted EBITDA which declined 11% to CHF272m (FY20: CHF306m) with an adjusted EBITDA margin of 15.1% (FY20: 17.0%). COVID-19-related expenses were around CHF10m. In line with the revenue performance, Hirslanden delivered a strong sequential improvement in adjusted EBITDA margin from 13.7% in 1H21 (1H20: 16.2%) to 16.7% in 2H21 (2H20: 17.7%).

Adjusted depreciation and amortisation decreased by 9% to CHF143m (FY20: CHF157m) due to lower capital investment during the year and impairments in the prior year period. Adjusted operating profit decreased by 14% to CHF128m (FY20: CHF149m).

Adjusted net finance cost was flat at CHF58m (FY20: CHF58m).

Adjusted earnings decreased by 19% to CHF47m (FY20: CHF57m).

The division converted 66% (FY20: 116%) of adjusted EBITDA into cash generated from operations, with an improvement in the second half of the year (1H21: 44%).

Total capex spent during the year decreased by 14% to CHF81m (FY20: CHF94m) comprising maintenance capex of CHF38m (FY20: CHF43m) and expansion

capex of CHF43m (FY20: CHF51m). In line with the expected improvements in operating cash flows, the Group currently plans to proportionately increase the annual capex investment at Hirslanden while continuing to generate appropriate free cash to equity holders (including the annual debt repayments). FY22 forecast expansion capex of around CHF55m includes the first of seven years of investment in the projects at Klinik St. Anna and Hirslanden Klinik Aarau to strengthen the competitive position of these key hospitals. FY22 maintenance capex is forecast at around CHF70m. Medium-term maintenance capex is expected to be around 4–5% of revenue.

MEDICLINIC SOUTHERN AFRICA

South Africa implemented lockdown measures on 27 March 2020 to help contain the spread of the pandemic. In line with this decision, Mediclinic Southern Africa suspended elective procedures and closed standalone day case clinics. With the initial peak of the pandemic being passed in early August 2020, non-COVID-19 surgical case volumes subsequently improved, driven by a return in demand for elective procedures. The peak of the second COVID-19 wave in January 2021 gave rise to a counter-seasonal performance in December 2020, when larger patient numbers than normal were experienced as we approached the second peak. Non-COVID-19 admissions again improved in March 2021 as more normal operating practices resumed.

Mediclinic Southern Africa's revenue was down 9% to ZAR15 573m (FY20: ZAR17 031m), reflecting the significant impact experienced in April 2020. Paid patient days ('**PPDs**') decreased by 15.3% and the occupancy rate was down at 56.3% (FY20: 67.9%). Despite a gradual recovery from May 2020 onwards, 1H21 revenue and PPDs declined 19% and 25.0%, respectively. Adapting to the pandemic, performance in the second half of the year was much improved with revenue up 2% and PPDs down 5.2%. Average revenue per bed day increased by 8.2% reflecting the increase in acuity. The average length of stay was up 16.6% reflecting the longer than average stay for COVID-19 patients and a disproportionate decline in day case admissions.

The effects of supply costs and additional staffing requirements during the pandemic further impacted adjusted EBITDA, which declined 38% to ZAR2 209m (FY20: ZAR3 536m) with the adjusted EBITDA margin at 14.2% (FY20: 20.8%). In line with the revenue performance, Mediclinic Southern Africa delivered a strong sequential improvement in adjusted EBITDA margin from 8.2% in 1H21 (1H20: 20.8%) to 19.0% in 2H21 (2H20: 20.7%). COVID-19-related expenses were around ZAR323m.

Depreciation and amortisation increased by 9% to ZAR763m (FY20: ZAR698m), mainly due to increased spend on hospital infrastructure upgrades and medical equipment in the prior period in line with the division's current upgrade and maintenance cycle. Adjusted operating profit decreased by 48% to ZAR1 477m (FY20: ZAR2 838m). Net finance cost increased by 1% to ZAR561m (FY20: ZAR554m) due to lower finance income given lower cash on deposit and lower interest rates, with around half the division's interest rate exposure hedged.

Adjusted earnings decreased by 61% to ZAR519m (FY20: ZAR1 335m).

The division converted 111% (FY20: 104%) of adjusted EBITDA into cash generated from operations.

Total capex spent during the year decreased by 47% to ZAR702m (FY20: ZAR1 312m) comprising maintenance capex of ZAR302m (FY20: ZAR730m) and expansion capex of ZAR400m (FY20: ZAR582m). Key projects included the new Mediclinic Bloemfontein and Mediclinic Cape Gate day case clinics and the expansion at Mediclinic Brits and Mediclinic Legae hospitals. FY22 expansion capex is forecast to be around ZAR520m including expansion projects at Mediclinic Cape Town and Mediclinic Midstream hospitals and Mediclinic Vergelegen and Mediclinic Winelands day case clinics, in addition to further investment in IT infrastructure projects to support future growth initiatives. FY22 maintenance capex is forecast at around ZAR610m. Medium-term maintenance capex is expected to average around 3% of revenue.

MEDICLINIC MIDDLE EAST

Dubai and Abu Dhabi gradually implemented national lockdowns and curfews from March 2020 due to the pandemic. In Dubai, elective procedures were suspended and reintroduced only in May 2020. In Abu Dhabi such restrictions were not implemented, although inpatient admissions and outpatient cases were significantly impacted as a result of lockdown measures. With the lifting of restrictions from May 2020, volumes rebounded. In August 2020, counter-seasonal holiday trends caused a significant increase in volumes compared with the prior year period. During the second wave of the pandemic, a further restriction on elective surgery was imposed in Dubai from 21 January to 21 March 2021. Throughout the pandemic, outpatient cases were interrupted, improving towards the end of the period.

While the pandemic materially impacted non-COVID-19 activity levels, Mediclinic Middle East launched virtual care and pharmacy home delivery services so patients could be diagnosed and supplied with prescription medication without the need for face-to-face consultations. In addition, the division is involved in various projects supporting the health authorities including the establishment of two new laboratories for COVID-19 testing and administering vaccinations.

Mediclinic Middle East's revenue increased 9% to AED3 760m (FY20: AED3 445m), which includes around AED485m in COVID-19-related revenues. Inpatient admissions and day cases were down 2.1% and outpatient cases down 9.3%. The impact on volumes was less significant in the second half of the year, with inpatient admissions and day cases down 1.1% and outpatient cases down 4.7% compared

with 2H20. The volume impact was partly offset by an increase in the average revenue per inpatient and day case admission and outpatient cases up 17.3% and 15.1%, respectively, reflecting an increase in acuity directly and indirectly due to COVID-19.

The diagnostic-related grouping reimbursement model for inpatient procedures was implemented in Dubai on 1 September 2020. Initial results indicate that, as previously guided, the change is expected to be revenue neutral for Mediclinic.

Adjusted EBITDA decreased 6% to AED492m (FY20: AED521m) due to the sustained impact of COVID-19 on outpatient volumes in particular, lower contribution margin of COVID-19-related and new revenues exacerbated by COVID-19-related expenses that totalled around AED28m. The adjusted EBITDA margin of 13.1% (FY20: 15.1%) improved from 12.7% in 1H21 (1H20: 12.6%) to 13.5% in 2H21 (17.3%). The second half also included start-up costs associated with the commissioning of the Mediclinic Airport Road Hospital expansion and the new CCC.

Adjusted depreciation and amortisation was flat at AED248m (FY20: AED249m). Adjusted operating profit decreased by 9% to AED248m (FY20: AED273m).

Net finance cost decreased by 15% to AED78m (FY20: AED91m), mainly due to a decrease in the base rate. One third of the borrowings are hedged.

Adjusted earnings decreased by 6% to AED170m (FY20: AED181m).

The division converted 73% (FY20: 98%) of adjusted EBITDA into cash generated from operations, due to slow collections, exacerbated by the strong revenue performance in March 2021. Significant collections received in early April 2021 that were expected before year-end would have resulted in the division achieving its target of 90–100% cash conversion.

Total capex spent during the year decreased by 49% to AED124m (FY20: AED220m) comprising maintenance capex of AED36m (FY20: AED46m) and expansion capex of AED88m (FY20: AED174m). Key projects included the Mediclinic Airport Road Hospital expansion and CCC, ongoing EHR roll-out and investment in new robotics equipment. FY22 expansion capex is forecast to be the final year of major investment as the division positions for sustainable long-term growth. FY22 forecast expansion capex of around AED230m includes delayed capex investment at Mediclinic Airport Road Hospital and the EHR roll-out, in addition to key projects involving precision medicine, sports medicine, remote patient monitoring, IT infrastructure investment, critical care unit upgrades at Mediclinic Al Ain Hospital and the installation of smart lifts at the Mediclinic Al Noor Hospital. FY22 maintenance capex is forecast at around AED85m. Medium-term maintenance capex is expected to be around 2–3% of revenue with expansion capex from FY23 onwards at half the level in FY21.

FY22 GUIDANCE

Given the strong underlying demand for Mediclinic's broad range of services, the Group expects to deliver growth in revenue and EBITDA across all three divisions in FY22. With the ongoing pandemic, varied pace of vaccine rollouts and our planning assumption of potential third waves causing continuing uncertainty on the shape of the recovery, Mediclinic remains cautious as to the full impact of COVID-19 on near-term operating performance.

In Switzerland, given the potential impact of a third wave on admissions, insurance mix and operating costs,

Hirslanden expects to deliver modest revenue growth and a stable year-on-year EBITDA margin. In Southern Africa, with the ongoing impact of the pandemic on admissions and operating costs, Mediclinic Southern Africa currently expects revenue to recover to around FY20 levels and a year-on-year improvement in EBITDA margin approaching the 2H21 outturn. Mediclinic Middle East is expected to deliver mid-single digit revenue growth supported by recent expansion and upgrade projects and an improved EBITDA margin, approaching FY20 levels.

FINANCIAL POSITION

PROPERTY, EQUIPMENT AND VEHICLES, AND INTANGIBLE ASSETS

Property, equipment and vehicles decreased to £4 052m at 31 March 2021 (FY20: £4 358m), mainly due to the weakening of the year-end Swiss franc and UAE dirham rates against sterling. The depreciation charge of £196m was partly offset by ongoing investment to expand the asset base in support of growth across the continuum of care and to enhance patient experience and clinical quality.

In response to the crisis and the initial uncertainty it created, the Group delayed, postponed or reduced certain capital projects as part of a broad range of initiatives to preserve liquidity. Total capital expenditure for the period was £126m (FY20: £192m), the majority of which was invested during the second half of the year. Maintenance and expansion capex amounted to £54m (FY20: £84m) and £72m (FY20 £108m), respectively.

Mediclinic is one of the largest private healthcare providers across Europe, Middle East and Africa, with unique clinical expertise and scale. Aligned with the Group's strategic goals and balanced approach to capital allocation, Mediclinic will seek to execute on opportunities to grow within its existing business across the continuum of care, invest in various innovation and digital transformation initiatives and pursue opportunities for regional expansion through bolt-on investments at the appropriate time.

Intangible assets decreased to £1 061m at 31 March 2021 (FY20: £1 171m), mainly due to the impact of the weakening year-end UAE dirham rate against sterling on the Mediclinic Middle East goodwill.

INVESTMENT IN ASSOCIATES

SPIRE

Mediclinic holds a 29.9% investment in Spire which is equity accounted. Spire reported its full-year financial results for the period ended 31 December 2020 on 4 March 2021.

For the 12 months ended 31 December 2020, Spire reported a loss after taxation of £234m (31 December 2019: profit of £7m), which included a goodwill impairment charge of £200m. The equityaccounted portion of this impairment amounts to £60m. Following Spire's goodwill impairment charge, the Group's interest in the net asset value of Spire was higher than its carrying value of the equity investment at 30 September 2020. As a result an impairment reversal equal to the Group's share of the goodwill impairment of £60m was recognised and reported in the Group's interim financial statements. Excluding the equity-accounted goodwill impairment charge, Mediclinic's equity-accounted loss amounted to £10m (2020: income of £2m).

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In response to the crisis and the initial uncertainty it created, the Group delayed, postponed or reduced certain capital projects as part of a broad range of initiatives to preserve liquidity.

GROUP CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

NET DEBT

	2021 £'m	2020 £'m
Borrowings	1 777	1 951
Lease liabilities	676	703
Less: cash and cash equivalents	(294)	(329)
Net debt	2 159	2 325
Total equity	2 967	3 003
Debt-to-equity capital ratio	72.8%	77.4%

Net debt reduced to £2 159m at year-end (FY20: £2 325m), after an optional CHF50m debt repayment at Hirslanden in November 2020 and an AED120m scheduled repayment at Mediclinic Middle East. The leverage ratio of 5.1x at year-end (FY20: 4.3x), which reflects the impact of the pandemic on the Group's profitability, remained stable in the second half of the year (1H21: 5.2x).

The Group maintains a strategy of responsible leverage, largely using its extensive asset base to secure cost-efficient borrowings. While property ownership drives operational and financial benefits, the approach is not fixed, reflecting the business needs of the Group as it expands across the continuum of care, which includes less asset-intensive investments and partnerships.

Debt is ring-fenced within 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. In February 2021, Hirslanden successfully refinanced a CHF145m bond, reducing the coupon rate from 1.63% to 1.25%.

The debt-to-equity ratio improved to 72.8% at year-end (FY20: 77.4%).

In FY22, debt repayments are expected at Hirslanden and Mediclinic Middle East of CHF50m and AED249m, respectively. Mediclinic Middle East currently expects to continue repaying debt it incurred during the multiyear expansion period which supports the division's future growth aspirations.

COVENANTS

The Group had headroom over all covenants, waived or effective, at year-end.

At the start of the pandemic, the Group obtained covenant tests waivers, mostly for leverage ratios, where the forecast financial impact from the disruption caused by COVID-19 on the operations may have resulted in covenants being exceeded before coming back into compliance as revenues normalised. For Mediclinic Middle East and Mediclinic Southern Africa, the first of such waived covenant compliance tests will be performed at the end of June 2021 and September 2021, respectively. Hirslanden has prudently engaged with its lending banks to further extend the leverage covenant test waiver by 12 months, with the first test now to be performed at the end of September 2022.

The following table illustrates the headroom to the covenant tests:

	Status	Headroom variable	FY21 Headroom ¹	1H21 Headroom ¹	FY20 Headroom ¹	Compliant
Hirslanden						
Leverage ratio	Waived ²	EBITDA	5%	9%	17%	n/a
Economic capital ratio	Effective	Equity	30%	30%	27%	Yes
Loan to value ratio	Effective	Property value	17%	14%	17%	Yes
Mediclinic Southern Africa						
Leverage ratio	Waived ²	EBITDA	6%	(4)%	37%	n/a
Net interest cover ratio	Waived ²	EBITDA	18%	18%	47%	n/a
Mediclinic Middle East						
Leverage ratio	Waived ²	EBITDA	48%	37%	41%	n/a
Debt service coverage ratio	Effective	Cash flow	21%	41%	80%	Yes
Minimum net worth	Effective	n/a	> AED700m	> AED630m	> AED750m	Yes
Minimum monthly receivables	Effective	n/a	> AED240m ³	> AED190m ³	> AED195m ³	Yes

Notes

¹ Headroom is calculated with reference to the indicated headroom variable, keeping other inputs constant.

² Waived covenant compliance tests are to be performed at the end of June 2021 for Mediclinic Middle East, at the end of September 2021 for Mediclinic Southern Africa and at the end of September 2022 for Hirslanden.

³ Average of last three months.

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The Group's financial performance for the year ended 31 March 2021 across all three divisions was well ahead of the COVID-19-adjusted base case scenarios modelled at the beginning of the pandemic in March 2020.

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 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 net pension asset was valued by the actuaries at the end of the year and amounted to £83m (FY20: liability of £71m), consisting of a net pension asset of £110m relating to one of the plans and a net pension liability of £27m relating to four of the plans. The net pension asset is included under 'Retirement benefit assets' in the Group's statement of financial position, whereas the net pension liabilities are included under 'Retirement benefit obligations'. The increase that resulted in a net pension asset was largely due to an increase in the plan assets. In constant currency, the pension liability increased by £48m whereas the plan assets increased by £208m.

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 Clinique La Colline. At the end of the year, the value of the redemption liability related to the written put option amounted to £115m (FY20: £101m) after adjusting the liability for changes in the estimated performance. The remeasurement of the redemption liability recognised within finance cost was £23m (FY20: £5m).

GOING CONCERN

The severity, duration and full impact of the COVID-19 pandemic and its economic aftermath on the Group's businesses remain uncertain. Despite the global vaccine roll-outs and the robust operating performance for the year ended 31 March 2021, there remains a degree of risk and uncertainty as to the Group's financial performance for at least the next 12–18-month period to 30 September 2022.

The Group's financial performance for the year ended 31 March 2021 across all three divisions was well ahead of the COVID-19-adjusted base case scenarios modelled

at the beginning of the pandemic in March 2020. As evidenced in the year under review, the key impact to revenue and profitability during the pandemic was the national lockdown measures and restrictions imposed on non-urgent elective procedures. Notwithstanding the continued uncertainty due to the ongoing pandemic, it is considered reasonably unlikely that the severe restrictions previously imposed on non-urgent elective procedures will be reintroduced given the advance in COVID-19 operating protocols since March 2020.

For the purposes of assessing liquidity specifically and going concern broadly at 31 March 2021, the Group modelled a combination of severe but plausible downside scenarios on a month-by-month basis and also applied appropriate mitigation actions which would be within the Group's control. These scenarios had specific reference to:

- reduction in volumes due to the ongoing effects of the COVID-19 pandemic or a deterioration in the business environment;
- reduction in tariffs due caused by possible regulatory changes; and
- working capital and capital expenditure requirements.

Due to the mostly fixed employee cost base across the business, lower revenue due to either a reduction in tariffs or volumes has the most pronounced impact on EBITDA. Compared with the business plan, the combined adverse effect of reduction of tariffs and volumes after mitigation modelled amounts to a decline of 24% of EBITDA over the 18-month period to 30 September 2022, which is more severe than the decline in adjusted Group EBITDA of 21% during FY21. In the worst affected month, the Group EBITDA is affected by approximately 35% in the downside case when compared with the base case. In the downside case, the Group EBITDA includes an adverse impact of at least 12% per month compared with base case.

Depending on the circumstances, further mitigating actions would be available to the Group that have not been modelled. These include:

- further reductions in capital expenditure, e.g. ceasing ongoing projects;
- reductions in staff and other operating costs;
- a freeze on recruitment;
- a restriction on salary increases;
- rental relief from landlords; and
- utilising surplus cash at a corporate level.

GROUP CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

Based on the assumptions applied and the effect of mitigating actions set out above, most 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 within 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. The nearest term material maturity is a bank loan of ZAR2 575m and redeemable preference shares of ZAR1 800m that are due in September 2022. Mediclinic Southern Africa is proactively engaging with the banks on either an extension of the facility as provided for in the original loan agreement or a refinance of the entire facility. Mediclinic Southern Africa's leverage ratio is at a level where refinancing should be possible considering the current market conditions.

In addition to successfully refinancing its CHF145m bond on more favourable terms, Hirslanden has prudently engaged with its lending banks to further extend a covenant test waiver by 12 months, with the first tests now to be performed at the end of September 2022. By the time of the reinstated test, all covenants will have sufficient headroom based on the range of modelled scenarios.

Due to the proactive response to maintain the Group's liquidity position, cash and available facilities have remained strong at £679m at year-end, compared to £518m at 31 March 2020 and £661m at 30 September 2020.

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 for a period of at least 12 months from the date of approving the financial statements.

Mr Jurgens Myburgh Group Chief Financial Officer 25 May 2021

FIVE-YEAR SUMMARY

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

	IFRS 16	IFRS 16 Pre-IFRS 16			
INCOME STATEMENTS	FY21 £'m	FY20 £'m	FY19 £'m	FY18 £'m	FY17 £'m
Revenue	2 995	3 083	2 932	2 876	2 749
Adjusted EBITDA	426	541	493	515	501
Operating (loss)/profit	209	(184)	81	(288)	362
Adjusted operating profit	221	327	330	370	360
Reported (loss)/earnings	68	(320)	(151)	(492)	229
Adjusted earnings	101	177	198	221	220
PER SHARE STATISTICS	FY21	FY20	FY19	FY18	FY17
Basic (loss)/earnings basis	pence 9.2	pence (43.4)	pence (20.5)	pence (66.7)	pence 31.0
Diluted (loss)/earnings basis	9.2	(43.4)	(20.5)	(66.7)	31.0
Basic adjusted earnings basis	13.7	24.0	26.9	30.0	29.8
Diluted adjusted earnings basis	13.7	24.0	26.9	30.0	29.8
Dividends declared per share	-	3.20	7.9	7.9	7.9
STATEMENTS OF FINANCIAL POSITION	FY21 £'m	FY20 £'m	FY19 £'m	FY18 £'m	FY17 £'m
ASSETS					
Non-current assets	5 440	5 741	5 335	5 382	6 353
Current assets	1 232	1 213	1 0 9 1	961	1069
Total assets	6 672	6 954	6 426	6 343	7 422
EQUITY					
Owners of the parent	2 849	2 890	3 151	3 286	4 086
Non-controlling interests	118	113	115	87	78
Total equity	2 967	3 003	3 266	3 373	4 164
LIABILITIES					
Non-current liabilities	3 021	3 182	2 576	2 445	2 668
Current liabilities	684	769	584	525	590
Total liabilities	3 705	3 951	3 160	2 970	3 258
Total equity and liabilities	6 672	6 954	6 426	6 343	7 422

STATEMENTS OF CASH FLOWS	FY21	FY20	FY19	FY18	FY17
Operating cash flow (£'m)	330	589	451	466	492
Adjusted EBITDA cash conversion (%)	77%	109%	91%	90%	98%

RISK MANAGEMENT REPORT

INTRODUCTION

The Group's ERM policy follows the International Committee of Sponsoring Organizations of the Treadway Commission's Internal Control – Integrated Framework and is reviewed annually. 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.

Through risk management, an integrated and effective framework is established which seeks to identify, assess and manage important and emerging risks which could impact on the Group's ability to achieve strategic, financial and operational goals, and regulatory compliance. The risk management process is fully integrated into the strategic planning process and supports the achievement of the Mediclinic Group Strategy. Refer to the **Strategy overview** on pages 32–37.



Goal 1

To become an integrated healthcare provider across the continuum of care



Goal 3

To transform our services and client engagement through innovation and digitalisation



Goal 5

To minimise our environmental impact





To improve our value proposition significantly



Goal 4

To evolve as a data-driven organisation



Goal 6

To grow in existing markets and expand into new markets

Risks are classified according to their degree of controllability and relevance to the Group's strategy. Risk management processes are tailored to the relevant risk type:

- Strategic risks Mediclinic considers it appropriate to assume some risk in achieving its strategy and generating appropriate returns for shareholders. Strategic risks are different from preventable risks in that they are not inherently undesirable. The risk management system is designed to reduce the likelihood that the assumed risks materialise and to improve Mediclinic's ability to manage or contain the risk events, should they occur.
- External risks/Threats Certain risks arise from events or circumstances external to the business's influence or control, e.g. natural disasters, geopolitical tensions, or macroeconomic changes. Management's response focuses on identifying the sources of such risks and seeking to mitigate their impact on the business.
- Internal preventable risks These risks arise from within the Group and are controllable. They are managed through active prevention by monitoring operational processes and guiding behaviours and decisions towards desired norms.

The Board is ultimately accountable for the Group's risk management processes and internal control system, and for determining the Group's risk appetite. It receives regular updates on the current and emerging risks facing the business, and considers the impact these risks may have on key stakeholders and the achievement of the Group's strategic goals.

The Audit and Risk Committee supports the Board in the management of risk and is responsible for reviewing the effectiveness of the risk management and internal control processes during the year. Refer to the **Audit and Risk Committee Report** on page 142. The Board is further supported by the Clinical Performance and Sustainability Committee, which provides governance and oversight over clinical performance and related risks and control effectiveness. Refer to the **Clinical Performance and Sustainability Committee Report** on page 154.

Principal risks are risks that can materially affect Mediclinic's business model, performance, prospects, solvency, liquidity or reputation. These are determined through a strategic risk review process where top risks are identified and assessed by divisional Executive Committees and the Group Executive Committee (with input from non-executive directors).

Risk assessments at functional, project and operational level Divisional Executive Committee risk assessments Group Executive Committee risk assessment

Principal risks

Mediclinic's risk landscape is reviewed regularly by the Group Executive Committee and the Board. Political, economic, social, technological, environmental and legal developments which may impact the Group's operations and business model viability in the short, medium or long term are reviewed to identify emerging and transition risks (i.e. climate policy or technological shifts).

The FY21 review confirmed that the principal risks remain valid and no new principal risks were identified. Pandemics and infectious diseases remain at the top of the principal risk list. COVID-19 poses an ongoing risk to the Group and affects other principal risks. The Group's operational activities may be affected by further waves and mutations of the COVID-19 virus possibly leading to suspension and postponement of elective procedures and, consequently, an impact on financial performance. Refer to the **COVID-19 overview** on pages 12–16 for more information on the Group's emergency preparedness and response to the pandemic, and the impact thus far.

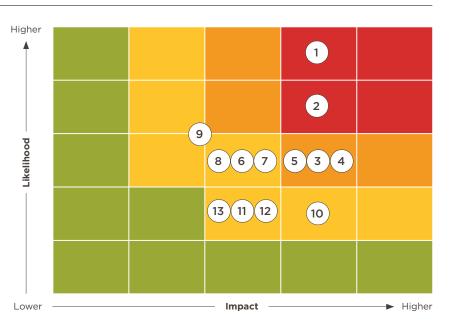
THE HEAT MAP SHOWS THE PRINCIPAL RISKS OF THE GROUP

Strategic risks

- 2. Disruptive innovation and digitalisation
- 8. Business projects
- **13.** Business investments and acquisitions

External risks/Threats

- 1. Pandemics and infectious diseases
- 3. Economic and business environment
- 4. Regulatory and compliance
- 5. Information systems security and cyberattacks
- 6. Competition
- 10. Availability and cost of capital
- Internal preventable risks
- 7. Workforce risks
- 9. Patient safety and clinical quality
- 11. Financial and credit risk
- **12.** Quality of service and operational stability



TYPE OF RISK	OWNER	RISK APPETITE	RISK RATING
External risk/Threat	Group Chief Clinical Officer	Low	<mark>Critical</mark>
PRINCIPAL RISK A pandemic occurs when an infectious disease apidly infects many people and 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.	 KEY STAKEHOLDERS Clients Employees Governments and authorities Investors Medical practitioners Professional societies CONSIDERED IN VIABILITY ASSESSMENT Yes, modelled adverse impact on volumes caused by COVID-19 pandemic. 	 KEY MITIGATION Hospital and business incident response planning Central coordination of task teams and clinical governance Monitoring Financial scenario planning Communication strategy 	TREND ● FY21 ● FY20 The risk relating to the COVID-19 pandemic remains at an elevated level. LINK TO STRATEGY ▲ Goal 1 ▲ Goal 2 ④ Goal 3

TYPE OF RISK Strategic	OWNER Group Chief Innovation Officer	RISK APPETITE Moderate to significant	RISK RATING Critical
PRINCIPAL RISK Disruptive innovation and digitalisation risks incorporate 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	 KEY STAKEHOLDERS Clients Employees Industry partners Investors Medical practitioners CONSIDERED IN VIABILITY ASSESSMENT No	 KEY MITIGATION Dedicated Innovation function which includes digital transformation Strategic planning processes Proactive monitoring Continuum of care strategy 	TREND ● FY21 ● FY20 The increased risk relates to increased demand from clients and stakeholders for adoption of virtual solutions and innovation. LINK TO STRATEGY ▲ Goal 1 ④ Goal 3

extent an organisation can exploit these opportunities by being responsive and innovative, while managing

associated risks.

TYPE OF RISK External risk/Threat	OWNER Group CFO	RISK APPETITE Moderate to significant	RISK RATING <mark>High</mark>
PRINCIPAL RISK These risks relate to the downturn in the general economic and business environments impacting the affordability of healthcare for funders and self-paying patients. The business environment risks include the effect of market dynamics on tariffs and fees.	 KEY STAKEHOLDERS Clients Governments and authorities Healthcare insurers Investors CONSIDERED IN VIABILITY ASSESSMENT Yes, modelled volume reduction and downturn in the macroeconomic and business environment. 	 KEY MITIGATION 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 	TREND ● FY21 ● FY20 The global economic environment and outlook remain weak. LINK TO STRATEGY ▲ Goal 1 ✓ Goal 2 Goal 6
4. REGULATORY AND COM	MPLIANCE		
TYPE OF RISK External risk/Threat	OWNER Group Chief Governance Officer and divisional CEOs	RISK APPETITE Low	RISK RATING <mark>High</mark>
PRINCIPAL RISK	KEY STAKEHOLDERS	KEY MITIGATION	TREND
These risks relate to adverse changes in legislation and regulations impacting on the Group, or where failure to comply with legislation and regulations may result in losses, fines, penalties or damage to reputation. The	 Governments and authorities Industry partners Investors Medical practitioners 	 Proactive engagement with stakeholders Health policy units created to conduct research and provide strategic input into reform processes Active industry participation across all 	► FY21 ▲ FY20 The risk remains stable for the period under review. It relates to the continued healthcare reform and the introduction of new legislation or regulations
Group is also exposed to an increasing compliance monitoring cost.	VIABILITY ASSESSMENT Yes, modelled reductions in tariffs and volumes.	divisionsCompany Secretarial,	LINK TO STRATEGY

reform by regulators aimed at reducing the cost of healthcare, broadening the access to quality healthcare and increasing quality standards monitoring by regulators.

The Group monitors the emerging risks from climate change in line with regulatory changes and disclosure requirements.

The actions the Group is taking to mitigate the impact of climate change, and minimise its impact on the environment, are described on page 58.

- 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
- Group's Sustainable Development Strategy addresses environmental risks (refer to page 55)

🙀 Goal 5

د¦، Goal 6

TYPE OF RISK External risk/Threat	OWNER Group Chief Information Officer	RISK APPETITE Low	RISK RATING <mark>High</mark>
PRINCIPAL RISK Information systems security 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.	 KEY STAKEHOLDERS Clients Employees and potential applicants Governments and authorities Investors CONSIDERED IN VIABILITY ASSESSMENT No	 KEY MITIGATION 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 	 TREND FY21 ● FY20 The risk relates to the continued external threat from cyberattacks and breaches, which has remained at similar levels to the prior reporting period. LINK TO STRATEGY Goal 1 Goal 3
			Goal 4
6. COMPETITION	OWNER	RISK APPETITE	Goal 4 RISK RATING
TYPE OF RISK	OWNER Group CEO and divisional CEOs	RISK APPETITE <mark>Moderate</mark>	
	Group CEO and divisional		RISK RATING
TYPE OF RISK External risk/Threat PRINCIPAL RISK This risk relates to the uncertainty created by existing and/or emerging competitors with alternative business models.	Group CEO and divisional CEOs KEY STAKEHOLDERS	Moderate KEY MITIGATION	RISK RATING Medium TREND ♥ FY21 ● FY20 Providers in the healthcare market remain competitive with a slightly improved risk exposure for the
TYPE OF RISK External risk/Threat PRINCIPAL RISK This risk relates to the uncertainty created by existing and/or emerging competitors with alternative business models. The risk includes the outmigration of care	Group CEO and divisional CEOs KEY STAKEHOLDERS • Clients • Employees • Healthcare insurers • Industry partners	Moderate KEY MITIGATION • Proactive monitoring • Strategic planning processes • Quality and value of care	RISK RATING Medium TREND ♥ FY21 ● FY20 Providers in the healthcare market remain competitive with a slightly improved
TYPE OF RISK External risk/Threat PRINCIPAL RISK This risk relates to the uncertainty created by existing and/or emerging competitors with alternative business models. The risk includes the outmigration of care (partly driven by further technological developments) and the	Group CEO and divisional CEOs KEY STAKEHOLDERS • Clients • Employees • Healthcare insurers • Industry partners • Industry partners • Investors • Medical practitioners CONSIDERED IN VIABILITY ASSESSMENT	Moderate KEY MITIGATION • Proactive monitoring • Strategic planning processes • Quality and value of care	RISK RATING Medium TREND FY21 FY20 Providers in the healthcare market remain competitive with a slightly improved risk exposure for the Group. LINK TO STRATEGY Goal 1
TYPE OF RISK External risk/Threat PRINCIPAL RISK This risk relates to the uncertainty created by existing and/or emerging competitors with alternative business models. The risk includes the outmigration of care (partly driven by further technological	Group CEO and divisional CEOs KEY STAKEHOLDERS • Clients • Employees • Healthcare insurers • Industry partners • Investors • Medical practitioners CONSIDERED IN	Moderate KEY MITIGATION • Proactive monitoring • Strategic planning processes • Quality and value of care	RISK RATING Medium TREND FY21 FY20 Providers in the healthcare market remain competitive with a slightly improved risk exposure for the Group. LINK TO STRATEGY

7. WORKFORCE RISKS

TYPE OF RISK Internal preventable risk

There is a shortage of

nursing employees in

of admitting medical

practitioners, whether

skilled labour, particularly of

The availability and support

independent or employed,

are critical to the Group's

qualified and experienced

PRINCIPAL RISK

Southern Africa.

services.

OWNER

Group Chief Strategy and Human Resources Officer and divisional CEOs

KEY STAKEHOLDERS

- Employees and potential applicants
- Investors
- Medical practitioners

CONSIDERED IN VIABILITY ASSESSMENT

Yes, modelled shortage of qualified and experienced healthcare employees.

RISK APPETITE

KEY MITIGATION

- Systems to monitor satisfaction, movement and profiles of medical practitioners
- Details on the relationship and engagement with medical practitioners provided in the

2021 Sustainable Development Report

• Employment, recruitment and retention strategies explained in the **2021 Sustainable**

Development Report

- Extensive training and skills development programme and international recruitment programme explained in the 2021 Sustainable Development Report
- The wellbeing of all employees is actively monitored and managed through well-established support structures. Refer to the 'The people who set Mediclinic apart' case study on page 18 and the 2021 Sustainable Development Report for

more information

RISK RATING <mark>Medium</mark>



Vacancies and turnover ratios in respect of skilled resources and medical practitioners are expected to remain at similar levels to the prior reporting period.

LINK TO STRATEGY



The risk includes the potential negative effect of COVID-19 on frontline healthcare workers, who are working under immense and unprecedented pressure for extended periods and putting their physical, mental and social wellbeing at risk.

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8. BUSINESS PROJECTS			
TYPE OF RISK Strategic	OWNER Group CEO, divisional CEOs and Group Chief Information Officer	RISK APPETITE Moderate	RISK RATING Medium
PRINCIPAL RISK The Group is adapting 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.	 KEY STAKEHOLDERS Clients Medical practitioners Industry partners Investors Suppliers Employees CONSIDERED IN VIABILITY ASSESSMENT Yes, modelled failure to deliver sustainable cost savings.	 KEY MITIGATION Effective project governance practices, methodologies and reporting Experienced project management teams Proactive monitoring and oversight 	 TREND FY21 ● FY20 These risks remain stable for the year under review. LINK TO STRATEGY Goal 1 Goal 2 Goal 3 Goal 6
9. PATIENT SAFETY AND C TYPE OF RISK Internal preventable risk	CLINICAL QUALITY OWNER Group Chief Clinical Officer	RISK APPETITE Low	RISK RATING <mark>Medium</mark>
PRINCIPAL RISK 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 .	 KEY STAKEHOLDERS Clients Employees and potential applicants Healthcare insurers Industry partners Medical practitioners CONSIDERED IN VIABILITY ASSESSMENT Yes, modelled reductions in volumes as well as tariffs. 	 KEY MITIGATION Refer to the 2021 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 	TREND ● FY21 ● FY20 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. LINK TO STRATEGY ▲ Goal 1 ▲ Goal 2

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.

TYPE OF RISK	OWNER	RISK APPETITE	RISK RATING
External risk/Threat	Group CFO	<mark>Moderate</mark>	<mark>Medium</mark>
PRINCIPAL RISK The Group requires capital to finance strategic expansion opportunities and/or refinance or restructure existing debt - the cost, terms and availability of which depend on prevailing market conditions.	 KEY STAKEHOLDERS Investors Banks CONSIDERED IN VIABILITY ASSESSMENT Yes, modelled increased cost of capital as well as working capital deterioration. 	 KEY MITIGATION 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 Refer to note 17 of the <i>Group annual financial</i> <i>statements</i> for further details on capital risk management and the 	TREND ● FY21 ● FY20 Interest rates are expected to remain at comparable levels during 2021. Long-term financing arrangements are in place. The Group's leverage across the divisions is at levels where the refinancing at current market conditions should be possible. LINK TO STRATEGY Goal 1 Goal 3 Gaal 6

TYPE OF RISK		RISK APPETITE	RISK RATING Medium
External risk/Threat	Group CFO Low	Mechum	
PRINCIPAL RISK	KEY STAKEHOLDERS	KEY MITIGATION	TREND
Credit risks relate to possible	 Healthcare insurers 	 Preservation of a sound 	FY21 FY20
loss due to a funder's inability	 Investors 	internal financial control	The credit risks did not
to pay the outstanding		environment	change significantly and
balance owing; default by banks and/or other	CONSIDERED IN	Effective operational risk management processes	remained stable.
deposit-taking institutions;	VIABILITY ASSESSMENT Yes, modelled working	Effective monitoring and	LINK TO STRATEGY
or the inability to recover	capital deterioration.	oversight of operations	LINK TO STRATEOT
outstanding amounts due		Regulated minimum	n/a
from patients.		solvency requirements	
Credit risk with respect to		for funders	
trade receivables consists		 Monitoring of approved 	

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 is owed by cantonal or governmentfunded programmes, which support healthcare providers with early release of payments due during COVID-19 business disruptions.

funders

Group's borrowings

• Group Treasury Policy

TYPE OF RISK nternal preventable risk	OWNER Group Chief Clinical Officer and divisional Chief Operating Officers	RISK APPETITE Low	RISK RATING <mark>Medium</mark>
 PRINCIPAL RISK Operational risks refer to diverse types of operational events with a potential for inancial loss, operational netrruptions or reputational damage. These risks refer to the quality of service and the stability of the operations, ncluding: 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 	 KEY STAKEHOLDERS Clients Employees Investors Medical practitioners CONSIDERED IN VIABILITY ASSESSMENT Not specifically. However, volume reductions have been modelled. 	 KEY MITIGATION 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 	 TREND FY21 ● FY20 These risks did not change significantly and remained stable. LINK TO STRATEGY Image: Image: Image:

VIABILITY ASSESSMENT

ASSESSMENT OF PROSPECTS

damage or business interruption.

The directors have assessed the prospects of the Group by reference to its current financial position, its recent performance, investment case, strategy, annual financial planning and risk assessment. The Group's strategy, which informs the annual financial planning process, considers factors such as technological, social, and environmental changes.

ASSESSMENT PERIOD

The directors have determined the five years to March 2026 to be an appropriate period over which to provide its viability statement as it is consistent with the annual planning period which largely reflects the benefit of investments made in the present period.

ASSESSMENT OF VIABILITY

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, 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 facilities expire.

Refer to page 219 for the maturity profile of the Group's borrowings.

TYPE OF RISK	OWNER	RISK APPETITE	RISK RATING
Strategic	Group CFO	<mark>Moderate</mark>	<mark>Medium</mark>
PRINCIPAL RISK 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.	 KEY STAKEHOLDERS Governments and authorities Industry partners Investors CONSIDERED IN VIABILITY ASSESSMENT No 	 KEY MITIGATION Strategic planning processes Due diligence processes Investment mandates Board oversight Post-acquisition management processes 	TREND ● FY21 ● FY20 The investment and governance processes remained unchanged for the period under review LINK TO STRATEGY ▲ Goal 1 ↓ Goal 3 ← ↓ Goal 6 ↓

Risk exposure has increased due to change in business environment; increased investments; increased dependency of operations on information technology; 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 the same level.

The assessment included stress tests of various severe but plausible scenarios. The impact of each scenario and certain scenarios in combination were modelled and assessed on EBITDA or profit after tax as appropriate, net debt and debt covenant tests over the five-year forecast period.

The principal risks and related key assumptions underlying each of the divisions' business plans were stress tested. Due to the mostly fixed employee cost base across the business, lower revenue due to either a reduction in tariffs or volumes has the most pronounced impact on EBITDA. Compared with the business plan, the combined adverse effect of reduction of tariffs and volumes after mitigation amounts to a decline of approximately 15% to 20% per year to EBITDA over the five-year assessment period.

Refer to page 204 for a further analysis of the going concern assertion which has been adopted in preparing the financial statements.

VIABILITY STATEMENT

The assessment described above 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 following key mitigating steps: reducing discretionary investment, initiating cost management initiatives, using drawdown of overdraft facilities, and improving net working capital days.

Considering the Group's prospects and principal risks and uncertainties, the directors confirm 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 31 March 2026.

GOVERNANCE AND REMUNERATION REPORT

CHAIR'S INTRODUCTION

I am delighted to present the Governance and Remuneration Report, my first as Chair of Mediclinic. Dr Edwin Hertzog supported and guided me during my transition from Chair Designate to Chair in July 2020, and I would like to thank him and everyone involved in my detailed induction programme, which was held remotely except for interaction with the Hirslanden team in Switzerland.

The *Corporate Governance Statement* that follows will enable you to gain an understanding of the governance responsibilities and focus of the Board throughout the past year. The Board and executive team 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. 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**.

The year under review was undoubtedly a challenging one for us all, given the significant uncertainty brought about by the COVID-19 pandemic. A key area of focus for the Board has been overseeing Mediclinic's response to the pandemic across the countries and communities in which it operates, while maintaining sound systems of risk management and internal control, and monitoring the wellbeing of employees, particularly those in frontline positions. We will continue to monitor the evolving nature of the pandemic and its significance for Mediclinic until it no longer has a material impact on the Group.

We have reviewed the composition of the Board and senior management to ensure it continues to be diverse in terms of the background, skills and experience required to support the strategic and operational direction of the business. We were delighted to welcome Mr Steve Weiner to the Board in July 2020 and, in 2021, emphasis has been placed on identifying two independent nonexecutive directors to succeed Messrs Alan Grieve and Trevor Petersen. Further details on this process and the outcome are set out in the *Nomination Committee Report* on page 160.

Following this year's Board evaluation, undertaken by Lintstock Ltd, we agreed an action plan to address the findings, which is well underway. More details can be found in the section on 'Evaluation of the Board, Committees and Chair' in the *Corporate Governance Statement* on page 134.

Due to the restrictions effected by the UK Government's response to COVID-19, we were unable to hold our 2020 AGM with investors attending in person as originally planned. Following my appointment as Chair, however, I was able to engage extensively with investors by other means. Details thereof are set out in the 'Investor engagement' section of the *Corporate Governance Statement* on page 132.

Although we would prefer to welcome investors in person to our 2021 AGM, we are unable to predict with certainty what, if any, restrictions on public meetings or travel will be in effect on the AGM date. The health and wellbeing of our investors and employees are of paramount importance to the Board. Due to the expected ongoing travel restrictions in the UK and abroad, and the fact that some directors are based outside of the UK, the entire Board will not be present. We have thus agreed to scale back our AGM again this year by hosting a purely functional meeting, limited principally to putting the resolutions to investors and calling the poll. Investors and corporate representatives are strongly encouraged to not attend in person or appoint any proxy to attend other than the chair of the meeting.

However, we understand that the event is an opportunity for investors to ask the Board questions related to the business of the Company, and we welcome such questions. To ensure that all investors have the opportunity to engage with the Board before submitting their proxy votes, we will host a live online investor engagement event on Monday, 19 July 2021 at 14:00 BST. I look forward to introducing myself to you at this event and, together with the Group CEO, Group CFO and the chairs of the Audit and Risk, Clinical Performance and Sustainability, Nomination and Remuneration committees, responding to your questions. Investors can also submit questions in writing in advance of the event. Further details are set out in the **2021 Notice of AGM**, which is available at annualreport.mediclinic.com.

During the year we scrutinised the Group's strategy, principal risks, risk appetite, and workforce engagement mechanisms and outputs. Further details of our corporate governance framework and activities for the year are included in this Annual Report, as well as in the **2021 Clinical Services Report** and the **2021 Sustainable Development Report** available at annualreport.mediclinic.com.

I am immensely grateful for the support the Board and I have received from the workforce and wider stakeholders during this uniquely testing year and remain confident that the Board, supported by an effective executive team and governance structure, is well placed to ensure the delivery of the Mediclinic Group Strategy.

logardeale

Dame Inga Beale Non-executive Chair

BOARD OF DIRECTORS

The biographies of the directors and their committee membership at 25 May 2021 (the '**Last Practicable Date**') are set out in this section.

COMMITTEE KEY

Α	Member of Audit and
	Risk Committee

C Member of Clinical Performance and Sustainability Committee

- Member of Investment Committee
- N Member of Nomination Committee
- R Member of Remuneration Committee

Chair of committee

SKILLS AND EXPERIENCE KEY

- Capital markets, investor management
- Financial, accounting and/or risk management
- Healthcare
- IT, cybersecurity
- Medical/clinical/similarly complex business
- Marketing and customer focus
- Sustainability
- Talent and culture management, HR



DAME INGA BEALE

NON-EXECUTIVE CHAIR NATIONALITY: BRITISH APPOINTED: CHAIR DESIGNATE MARCH 2020, CHAIR JULY 2020

CONTRIBUTION TO THE COMPANY AND REASONS FOR RE-ELECTION

Dame Inga has close to 40 years of business management and leadership experience in global financial services, insurance and risk management in particular, and contributes a wealth of other skills and experience to the Board. As CEO of Lloyd's of London, the insurance and reinsurance market, she initiated large-scale digital and cultural transformation programmes and led the business's expansion into Dubai, China and India. She also 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.

CAREER EXPERIENCE

From 2014 to 2018 she served as the first female CEO of Lloyd's of London. 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

Independent non-executive director of Crawford & Company and London First. She serves on the London Mayor's Business Advisory Board and is Patron of Insuring Women's Futures. She has recently been appointed to the supervisory board of NN Group N.V.

QUALIFICATIONS

Associate of the Chartered Insurance Institute since 1987, appointed Dame Commander of the Order of the British Empire in 2017 for services to the UK economy.

BOARD OF DIRECTORS CONTINUED



DR RONNIE VAN DER MERWE

GROUP CHIEF EXECUTIVE OFFICER NATIONALITY: SOUTH AFRICAN APPOINTED: JUNE 2018

CONTRIBUTION TO THE COMPANY AND REASONS FOR RE-ELECTION

Dr Van der Merwe has a strong track record of leadership and management within a large private sector healthcare organisation, including strategy, organisational development, clinical performance, adoption of technology and managing quality. He also has extensive knowledge of Mediclinic's operations. 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 expertise in healthcare data management, analytics, managed healthcare principles and reimbursement models. He established the Clinical Services, Clinical Information, Advanced Analytics, Health Information Management and central Procurement functions at Mediclinic, contributing to the growth and strategic positioning of the Group.

CAREER EXPERIENCE

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 AI 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 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

MBChB (Stellenbosch University), DA (SA) (College of Anaesthetists of South Africa), FCA (SA) (Fellowship of the College of Anaesthetists of South Africa), Advanced Management Program (Harvard Business School).



MR JURGENS MYBURGH

GROUP CHIEF FINANCIAL OFFICER NATIONALITY: SOUTH AFRICAN APPOINTED: AUGUST 2016

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.

CAREER EXPERIENCE

After 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. Subsequently, he served as CFO at Datatec Ltd, an international ICT Group, before joining Mediclinic as Group CFO in August 2016.

KEY EXTERNAL APPOINTMENTS

None.

QUALIFICATIONS

BComm Hons in Accounting (University of Johannesburg), registered with the South African Institute of Chartered Accountants (**'SAICA**').



MR ALAN GRIEVE

SENIOR INDEPENDENT DIRECTOR NATIONALITY: BRITISH AND SWISS APPOINTED: INDEPENDENT NON-EXECUTIVE DIRECTOR FEBRUARY 2016, SID JULY 2019

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, accounting 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.

CAREER 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.

KEY EXTERNAL APPOINTMENTS

Non-executive director Reinet Investments Manager SA and Reinet Fund Manager SA.

QUALIFICATIONS

BA Hons Business Administration (Heriot-Watt University), member of the Institute of Chartered Accountants of Scotland.



DR MUHADDITHA AL HASHIMI

C •O

INDEPENDENT NON-EXECUTIVE DIRECTOR NATIONALITY: EMIRATI APPOINTED: NOVEMBER 2017

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. She contributes valuable insights, especially into the Middle East operations of the Company, and has an excellent understanding of the broader geopolitical landscape.

CAREER EXPERIENCE

Dr Al Hashimi has over 20 years' experience in the healthcare and higher education industry in the UAE. She is currently the Chair of the Sharjah Private Education Authority. Previous roles include serving as CEO of Dubai Healthcare City; CEO of the Mohammed Bin Rashid Al Maktoum Academic Medical Center; Deputy CEO of Tatweer; Member of Dubai Holdings; Executive Dean of the Faculty of Health Sciences, Higher Colleges of Technology ('**HCT**'); Acting Deputy Vice Chancellor of Academic Affairs at HCT; and a Director of Education of the Harvard Medical School Dubai Center.

KEY EXTERNAL APPOINTMENTS

Member of the University of Sharjah board of trustees, member of the Audit and Compliance Committee and the Academic Committee of the University of Sharjah, and a trustee of the UAE Nursing and Midwifery Council and the UAE Genetic Diseases Association.

QUALIFICATIONS

BS in Medical Technology (University of Minnesota), MSc in Clinical Laboratory Services (University of Minnesota), Doctor of Public Health (University of Texas).

BOARD OF DIRECTORS CONTINUED



MR JANNIE DURAND



NON-EXECUTIVE DIRECTOR NATIONALITY: SOUTH AFRICAN APPOINTED: FEBRUARY 2016¹



DR FELICITY HARVEY CBE

INDEPENDENT NON-EXECUTIVE DIRECTOR NATIONALITY: BRITISH APPOINTED: OCTOBER 2017

CONTRIBUTION TO THE COMPANY AND REASONS FOR RE-ELECTION

Mr Durand has extensive knowledge and over 20 years' experience in the investment industry bringing substantial strategic and tactical expertise. He contributes valuable insights to the Board's discussions 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.

CAREER EXPERIENCE

He served as 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, serving as its representative on the Board.

KEY EXTERNAL APPOINTMENTS

Non-executive chair for the following listed companies within the Remgro group: Distell Group Holdings Ltd, RCL Foods Ltd and Rand Merchant Investment Holdings Ltd.

QUALIFICATIONS

BAcc Hons in Accountancy (Stellenbosch University), MPhil in Management Studies (Oxford University), registered with SAICA.

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, he was a founding member and ultimately became the CEO of the Vodacom Group. He holds an MEng in Electronic Engineering (Stellenbosch University) and an Executive MBA (Stellenbosch University).

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 an important perspective to the Board's discussions and to the Clinical Performance and Sustainability Committee, particularly as developments in technology continue to accelerate. She also plays a crucial role in supporting management in the development and implementation of the Company's sustainability strategy.

CAREER EXPERIENCE

Throughout her career, Dr Harvey has gained an indepth knowledge of the health sector, mainly through her work in the medical field. She is a clinician by background and 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.

KEY EXTERNAL APPOINTMENTS

Non-executive director of Guy's and St Thomas' NHS Foundation Trust, London; non-executive director of Halcyon TopCo Ltd; visiting professor at the Institute of Global Health Innovation, Imperial College London; Chair of the WHO Independent Oversight and Advisory Committee for Health Emergencies.

QUALIFICATIONS

MBBS (St Bartholomew's Medical College, University of London), PgDip in Clinical Microbiology (The Royal London Hospital College, University of London), MBA (Henley Management College). She was appointed Commander of the Order of the British Empire in 2008, and is an Honorary Fellow of the Royal College of Physicians and a Fellow of the Faculty of Public Health, as well as a member of Chapter Zero, the UK Chapter of the World Economic Forum's Climate Governance Initiative.



MR DANIE MEINTJES

NON-EXECUTIVE DIRECTOR NATIONALITY: SOUTH AFRICAN APPOINTED: NON-EXECUTIVE DIRECTOR AUGUST 2018, NON-EXECUTIVE DIRECTOR FOR WORKFORCE ENGAGEMENT APRIL 2019

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 employee 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.

CAREER EXPERIENCE

He served as CEO of Mediclinic from 2010 up to his retirement on 1 June 2018. He was appointed as an executive director and Group CEO of the Company on 15 February 2016. Mr Meintjes served in various management positions in the Remgro group before joining Mediclinic in 1985 as the Hospital Manager of Mediclinic Sandton. He became a member of Mediclinic's Executive Committee in 1995 and 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

Non-executive director of Capitec Bank Holdings Ltd and Capitec Bank Ltd.

QUALIFICATIONS

BPL Hons in Industrial Psychology (University of the Free State), Advanced Management Program (Harvard Business School).



DR ANJA OSWALD

INDEPENDENT NON-EXECUTIVE DIRECTOR NATIONALITY: SWISS APPOINTED: JULY 2018

CONTRIBUTION TO THE COMPANY AND REASONS FOR RE-ELECTION

Dr Oswald supports the Board with her knowledge and experience in digital transformation and digital ecosystems as well as with her tremendous network in different fields. In addition, with her unique insights into day-to-day operations in the broader political and regulatory context of private healthcare in Switzerland and her experience as a medical specialist, general manager and board member of various companies and start-up companies, she brings a wealth of knowledge and practical experience.

CAREER EXPERIENCE

She was previously Deputy Medical Officer in the Department of Health, Head of Medical and Pharmaceutical Services, as well as a member of various cantonal, regional and national committees in Swiss health administration authorities and worked closely with political opinion leaders. She was also CEO of a healthcare start-up company and worked for several years as a medical specialist in various hospitals.

KEY EXTERNAL APPOINTMENTS

CEO of Klinik Sonnenhalde AG, member of the boards of Integrierte Psychiatrie Winterthur, Zippsafe AG, a spin-off of ETH in the industry field that produces smart locker solutions, and Past-President of the Association of Private Hospitals in Basel.

QUALIFICATIONS

MD-PhD (University of Basel), specialising in Orthopaedic Surgery and Traumatology, as well as in Sports Medicine, Executive MBA (University of Rochester-Bern). She holds a certificate in General Management (University of Bern) as well as a certificate of the Swiss Board School (International Center for Corporate Governance of the University of St. Gallen).

BOARD OF DIRECTORS CONTINUED



MR TREVOR PETERSEN

INDEPENDENT NON-EXECUTIVE DIRECTOR NATIONALITY: SOUTH AFRICAN APPOINTED: FEBRUARY 2016

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 from 2012 and through the successful merger of Mediclinic International and Al Noor Hospitals Group plc in February 2016. Through his career in accountancy and audit, Mr Petersen has valuable experience, which informs his role on the Mediclinic Board and its committees.

CAREER EXPERIENCE

Previously a lecturer at the University of Cape Town, he took up a partnership in the merged firm of PricewaterhouseCoopers Inc in 1996. 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 has served professional membership associations such as the SAICA and was elected the Chair of its national body in 2006 and 2007.

KEY EXTERNAL APPOINTMENTS

Lead independent non-executive director of Media24 (Pty) Ltd.

QUALIFICATIONS

BComm Hons in Financial Management (University of Cape Town), registered with SAICA.



MR TOM SINGER

INDEPENDENT NON-EXECUTIVE DIRECTOR NATIONALITY: BRITISH APPOINTED: JULY 2019

CONTRIBUTION TO THE COMPANY AND REASONS FOR RE-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, provide important input. He also brings a thorough understanding of the UK-listed company environment. His career and background make him ideally suited to succeed Mr Grieve as chair of the Audit and Risk Committee.

CAREER EXPERIENCE

Previously 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

Non-executive director of Halfords Group plc and DP Eurasia NV, an operator of pizza restaurants in Turkey and Russia.

QUALIFICATIONS

BSc Hons Finance and Accounting (University of Bristol), qualified chartered accountant, Advanced Management Programme (INSEAD).



MR STEVE WEINER

INDEPENDENT NON-EXECUTIVE DIRECTOR NATIONALITY: AMERICAN APPOINTED: JULY 2020

CONTRIBUTION TO THE COMPANY AND REASONS FOR ELECTION

Mr Weiner brings significant healthcare and international consumer goods experience in executive and non-executive finance and business transformation leadership roles in large, complex organisations in developed and developing markets.

CAREER EXPERIENCE

He spent most of his career in finance with the international consumer goods group Unilever, most recently as Group Controller responsible for performance management, accounting, reporting and control. He was a member of Unilever's Global Finance Leadership Team, working closely with the group's board and Audit Committee. As non-executive director of Guy's and St Thomas' NHS Foundation Trust, one of the largest NHS Foundation Trusts in the UK, he chaired the Audit Committee from 2014 to 2018.

KEY EXTERNAL APPOINTMENTS

Non-executive director of Guy's and St Thomas' NHS Foundation Trust and of King's College Hospital NHS Foundation Trust.

QUALIFICATIONS

Masters in Finance (Columbia University), BSc in Management (Rutgers University).



Mediclinic Milnerton

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 108 of this Annual Report.



GROUP CHIEF GOVERNANCE OFFICER NATIONALITY: SOUTH AFRICAN

Mr 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 Governance Officer.

QUALIFICATIONS: BAcc Hons (Stellenbosch University), Advanced Management Program (Harvard Business School), registered with the SAICA.



DR DIRK LE ROUX

GROUP CHIEF INFORMATION OFFICER NATIONALITY: SOUTH AFRICAN

Dr Le Roux joined Mediclinic in August 2014 as the Group ICT Executive and was appointed to his current position of Group Chief Information Officer on 11 August 2014. Prior to joining Mediclinic, he served in various managerial roles, including as Managing Director of ThinkWorx Consulting, Chief Information Officer 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: DComm in Informatics (University of Pretoria), MBA *cum laude* (North-West University), PgDip in Data Metrics (Unisa), BEng in Civil Engineering (University of Pretoria).



MR MAGNUS OETIKER

GROUP CHIEF STRATEGY AND HUMAN RESOURCES OFFICER NATIONALITY: SWISS

Mr 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 HR 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, real estate and catering as CEO. In February 2018, he was appointed Group Chief Strategy and Human Resources Officer.

QUALIFICATIONS: BSc in Business Administration (Zurich University of Applied Sciences), Executive MBA (University of Zurich).



GROUP CHIEF CLINICAL OFFICER NATIONALITY: SOUTH AFRICAN

Dr 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 is vice Chair of the board of trustees for Remedi, the in-house medical aid scheme. She was appointed Group Chief Clinical Officer with effect from 1 July 2018.

QUALIFICATIONS: MBChB

(Stellenbosch University), MPhil in Emergency Medicine (Patient Safety and Clinical Decision Making) (University of Cape Town), PgCert in Project Management (University of Stellenbosch Business School).



DR TYSON WELZEL

GROUP CHIEF INNOVATION OFFICER NATIONALITY: GERMAN AND SOUTH AFRICAN

Before joining the Group, Dr Welzel fulfilled clinical and academic roles acquiring extensive experience in private and public healthcare. He is also a founder of the CoE in Emergency Medicine in Bern. In 2016, he joined Mediclinic, taking responsibility for clinical governance and health technology assessments, before being appointed as Group General Manager: Innovation in 2019. He subsequently joined the Group Executive Committee in October 2020 as Group Chief Innovation Officer.

QUALIFICATIONS: MBChB (University of Cape Town), European Masters in Disaster Medicine (University of Eastern Piedmont), MMedSc in Clinical Epidemiology (Stellenbosch University), Masters in International Management (McGill University).



MR KOERT PRETORIUS

CHIEF EXECUTIVE OFFICER: MEDICLINIC SOUTHERN AFRICA NATIONALITY: SOUTH AFRICAN

Mr 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: BCompt in Accounting Science (University of the Free State), Master of Business Leadership (Unisa).



DR DANIEL LIEDTKE

CHIEF EXECUTIVE OFFICER: HIRSLANDEN NATIONALITY: SWISS

Dr 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.

QUALIFICATIONS: Doctor of Business Administration (Charles Sturt University), Master of Health Administration (FHS St. Gallen), DO in Osteopathic Medicine (Swiss Conference of Cantonal Health Directors), BSc in Physiotherapy (Swiss Confederation), Certificate in Car Electronics (Federal certificate).



MR DAVID HADLEY

CHIEF EXECUTIVE OFFICER: MEDICLINIC MIDDLE EAST NATIONALITY: BRITISH

Mr Hadley joined Mediclinic in 1993 and filled various administrative roles in HR, 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: BComm

(Unisa), MBA *cum laude* (University of Liverpool).

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

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

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE AND LISTING RULES

This 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 Code published by the FRC (www.frc.org.uk).

During FY21 and up to the Last Practicable Date, the Company complied with all the provisions of the Code, with the following exceptions:

• **Provision 9** (regarding the independence of the chair on appointment)

The Company's former Chair, Dr Hertzog, was not considered independent 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 served as Chair until his retirement upon the conclusion of the Company's 2020 AGM. He was succeeded by Dame Inga Beale, who was deemed independent by the Board upon her appointment as Chair on 22 July 2020.

• **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 158 for more). However, in accordance with the Company's relationship agreement with its principal shareholder, Remgro (the '**Relationship Agreement**'), further details of which are provided on page 139, 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.

Furthermore, the process for the appointment of the new Chair was not managed by the Nomination Committee, but by an independent panel of the Board, which excluded Dr Hertzog and any director with a possible conflict of interest.

• **Provision 3** (regarding regular engagement by the chair with major shareholders) Until Dame Inga's appointment, engagement with major shareholders was conducted primarily through the Group CEO, Group CFO and Head of Investor Relations, who provided regular feedback to the Board. A proactive and comprehensive engagement schedule with major shareholders was planned to introduce the Chair and to garner their views on governance, performance against strategy and the Group's response to COVID-19. Due to COVID-19-related travel restrictions, these meetings occurred via video conference. Dame Inga intends to have regular engagement with investors going forward, in person, once it becomes practical to do so. Refer to the 'Investor engagement' section on page 132 of this Statement for more information.



Mediclinic Midstream, South Africa

- NEDICANCE E
- Provision 36 (regarding post-employment shareholding requirements)
 The previous Remuneration Policy, approved by shareholders in July 2017 and applicable until 22 July 2020, did not include a formal policy for post-employment shareholding requirements. However, the requirement was introduced in the current Remuneration Policy, approved by shareholders on 22 July 2020, to ensure compliance with this provision.

 Refer to the summary of the Remuneration Policy on page 167 of the Remuneration Committee Report.
- **Provision 40 and 41** (regarding engagement with investors and the workforce) The Remuneration Committee has engaged with

"

The Board 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. investors on the Company's Remuneration Policy and outcome. However, as explained on page 171 of the *Remuneration Committee Report*, the Committee has not directly engaged with the workforce on remuneration matters.

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 adopted a robust corporate governance framework to assist it in exercising its responsibilities. It has full and effective control of the Company and approves all material decisions.

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 terms of reference of each Board committee are available on the Company's website at www.mediclinic.com. Reports on the role, composition and activities of these committees are included after this Statement.

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, as summarised in **Figure 1**. The segregation of the roles of the Chair and the Group CEO enhances the Board's independent oversight of executive management and ensures that no one individual on the Board has unfettered powers or authority.

FIGURE 1: CORPORATE GOVERNANCE FRAMEWORK



GROUP EXECUTIVE COMMITTEE

CHAIR

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 has a clear understanding of shareholders' views

GROUP CEO

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

SENIOR INDEPENDENT DIRECTOR KEY RESPONSIBILITIES

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

- 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

COMPANY SECRETARY

Link Company Matters Limited

KEY RESPONSIBILITIES

- Acts as Secretary to the Board, Board committees and 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

INVESTMENT COMMITTEE

KEY RESPONSIBILITIES

- Provides strategic input and direction on capital allocation and growth opportunities in new geographies
- Reviews and approves or makes recommendations to the Board regarding proposed investments and capital expenditures, depending on authority levels
- Review and makes recommendations to the Board regarding debt funding, as well as refinancing of existing debt facilities
- Monitors performance of approved investments

Details of the membership and key responsibilities of the Audit and Risk Committee, Clinical Performance and Sustainability Committee, Nomination Committee and Remuneration Committee are set out in the separate reports for these committees on pages 142, 154, 158 and 164, respectively.

MEETING ATTENDANCE

The names of the directors who served during FY21 are set out in **Table 1** below, together with their attendance of Board and Investment Committee meetings held. 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. Despite the challenges posed by COVID-19, directors' external appointments had no or extremely limited impact on their attendance of Board and committee meetings.

NAME ¹	DESIGNATION	DATE OF APPOINTMENT TO BOARD	NUMBER OF BOARD MEETINGS ATTENDED ²	DATE OF APPOINTMENT TO INVESTMENT COMMITTEE	NUMBER OF INVESTMENT COMMITTEE MEETINGS ATTENDED ³
Dame Inga Beale	Non-executive Chair	26/03/2020	7/7	01/09/2020	2/2
Dr Edwin Hertzog ¹	Non-executive Chair (retired)	15/02/2016	2/2	19/02/2016	1/1
Dr Ronnie van der Merwe	Group Chief Executive Officer	01/06/2018	7/7	25/07/2018	2/2
Mr Jurgens Myburgh	Group Chief Financial Officer	01/08/2016	7/7	01/08/2016	2/2
Mr Alan Grieve	Senior Independent Director	15/02/2016	7/7	19/02/2016	2/2
Dr Muhadditha Al Hashimi	Independent Non-executive Director	01/11/2017	7/7	-	
Mr Jannie Durand	Non-executive Director	15/02/2016	7/7	19/02/2016	2/2
Dr Felicity Harvey	Independent Non-executive Director	03/10/2017	7/7	-	
Mr Danie Meintjes ⁴	Non-executive Director	15/02/2016	7/7	19/02/2016	1/2
Dr Anja Oswald⁵	Independent Non-executive Director	25/07/2018	6/7	_	
Mr Trevor Petersen	Independent Non-executive Director	15/02/2016	7/7	-	
Mr Tom Singer	Independent Non-executive Director	24/07/2019	7/7	-	
Mr Steve Weiner ⁶	Independent Non-executive Director	22/07/2020	5/5	_	

TABLE 1: BOARD AND INVESTMENT COMMITTEE MEETING ATTENDANCE

Notes

⁴ Mr Danie Meintjes was unable to attend one scheduled meeting of the Investment Committee due to an unexpected, urgent and unavoidable commitment, but provided his input beforehand to the chair of the committee.

⁵ Dr Anja Oswald was unable to attend one Board meeting due to unexpected personal reasons, but provided her input beforehand to the Chair of the Board.
 ⁶ Mr Steve Weiner was appointed to the Board on 22 July 2020 and attended all subsequent scheduled Board meetings.

¹ Apart from Dr Edwin Hertzog, who retired from the Board and its committees upon the conclusion of the Company's 2020 AGM, the composition of the Board and the Investment Committee is shown at 31 March 2021. Refer to the *Nomination Committee Report* on page 158 for details of changes to the Board anticipated during FY22.

² The attendance reflects the number of scheduled Board meetings held during FY21. Between the Company's financial year-end and the Last Practicable Date, the Board held one scheduled and one ad hoc meeting, which were attended by all directors or at least the requisite quorum.

³ The attendance reflects the number of scheduled meetings of the Investment Committee held during FY21. The Investment Committee held five additional ad hoc meetings during the reporting period to address urgent matters, which were either attended by all members of the Investment Committee or at least the quorum required under its terms of reference. The Investment Committee held one meeting between the Company's financial year-end and the Last Practicable Date.

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.

At the date of this Annual Report, the Board comprised the independent Chair, two executive directors, seven independent non-executive directors and two nonexecutive directors. The Company complies with the Code recommendation that at least half the Board, excluding the Chair, should be independent.

Further details on the assessment of the independence of non-executive directors are set out on page 138. Further details on forthcoming changes to the composition of the Board are set out in the *Nomination Committee Report* on page 159.

Mr Durand is not considered to be independent owing to his role as Remgro's representative on the Board and 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 reelection as a non-executive director and, after careful deliberation, concluded that his re-election would be in the best interest of the Group and all its stakeholders, taking into account the overall composition of the Board and his knowledge and experience of the industry and the business gained over 30 years in different capacities across the organisation.

The Board seeks to construct an effective, robust, wellbalanced 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 159 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 geographical 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 Weiner during the year under review.

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.

Refer to the Nomination Committee Report on page 158 for more information on Board diversity, the Board Diversity Policy, the diversity of the Group Executive Committee and the Executive Committees of each division (including a breakdown of race for Southern Africa, in line with local requirements), and changes to the Board anticipated during FY22.

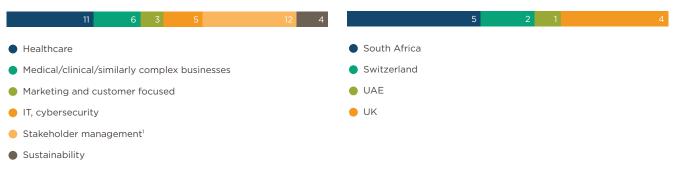
FIGURE 2: BOARD COMPOSITION AND DIVERSITY¹

Independence² (%)

- Independent non-executive directors Non-executive directors Executive directors Ethnicity³ (%) Gender Female: 33% Diverse ethnicity: 17% Male: 67% White: 83% Tenure⁴ (%) Non-executive directors Notes The composition of the Board < 1 year: 10%</p> is shown at the Last Practicable Date. > 1 year and ≤ 3 years: 30% ² Excludes the Chair of the Board. ³ Diverse ethnicity refers to > **3** years and ≤ **6** years: 20% individuals with evident heritage from African, Asian, Middle > 6 years: 40% Eastern and South American regions, or from another ethnic group, as defined by the Parker Report.
 - ⁴ Tenure is calculated at 31 March 2021, from the date of first appointment as a director of Mediclinic International plc or its predecessor companies.

Relevant industry experience (number of directors)

Country of residence (number of directors)



Note

¹ Refer to **Stakeholder engagement** on page 44 for more information on the Group's stakeholders.

PRINCIPAL BOARD RESPONSIBILITIES AND ACTIVITIES

KEY RESPONSIBILITIES

- Entrepreneurial oversight
- Evolving corporate strategy and purpose
- Progress monitoring of strategic goal execution
- Encoding of Group purpose in operational policies and practices
- Agreeing the nature and extent of the principal risks
- Establishing and overseeing a prudent and effective risk management and internal control framework
- Engaging with shareholders and other stakeholders

The Board's annual agenda plan is designed to ensure that sufficient time is allocated to address all necessary matters. Agendas are adjusted throughout 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 non-executive directors to discuss any concerns. The agendas were restructured during the course of FY21 to prioritise matters for decision and discussion.

TABLE 2: BOARD'S FY21 FOCUS AREAS

Key:

As described in the Strategy overview on page 32.As described in the Risk management report on page 96.	
To become an integrated healthcare provider 1 Strategic risks across the continuum of care	
2 External risks/Threats	
significantly 3 Internal preventable risks	
To transform the Group's services and client engagement through innovation and digitalisation	S
1 Minimising environmental impacts	
2 Building stakeholder trust	
To minimise the Group's environmental impact 3 Being an ethical and responsible corporate	e citizen

To grow in existing markets and expand into new markets

BOARD'S FOCUS AREAS	STRATEGIC GOALS	PRINCIPAL RISKS AND UNCERTAINTIES	SUSTAINABLE DEVELOPMENT MATERIAL ISSUES
PURPOSE, STRATEGY AND CULTURE			
Oversaw and approved evolution of the Group corporate strategy, purpose, vision and values, associated strategic goals and five-year business plan, with due consideration for evolving market conditions and impact of COVID-19 on the Group's business model and operations. Monitored progress on the execution of the strategy by way of in-depth presentations by Group Executive Committee every six months and reporting at each Board meeting by Group CEO	£ क्रि ि 🔇 ा 🔁	1, 2, 3	1, 2, 3
Ensured purpose, culture and values are embedded in operational policies and practices; monitored culture to ensure it is appropriate and aligned with strategy, purpose and values, based on management reports on matters such as internal audits, compliance, ethics and fraud, doctor and patient satisfaction, clinical performance, and employee statistics and engagement surveys	▲ 제 函 ③ ③ ↔	3	2, 3
> Refer to the <i>Strategy overview</i> on page 32 and sect	ion on 'Stakeholders' in th	nis table.	
Considered requests for approval of material investments, such as the expansion of Hirslanden Klinik St. Anna and Hirslanden Klinik Aarau	品 机 ®	1, 2, 3	1, 2, 3
CLINICAL PERFORMANCE			
Discussed regular reports from the Group Chief Clinical Officer and Clinical Performance and Sustainability Committee on each division's response to COVID-19, clinical performance, Ward-to-Board accountability and divisional clinical sub-goals	की यी छि दी र् _{ष्य} क	1, 2, 3	2, 3
Refer to the <i>Clinical services overview</i> on page 68.	^ 		
OPERATIONAL PERFORMANCE			
Discussed regular reports from the Group CEO on the operating performance of the Group and the impact of COVID-19 pandemic, as well as annual deep dives presented by the divisional CEOs	초 제 🖻 친 🕲 💠	2, 3	1, 2, 3
Discussed initiatives to address decline in volumes due to national lockdowns, tariff pressure and outmigration of care, and to drive greater cost efficiencies	jan an a	2, 3	2, 3

Refer to the *Group Chief Executive Officer's Report* on page 24.

CORPORATE GOVERNANCE STATEMENT CONTINUED

BOARD'S FOCUS AREAS	STRATEGIC GOALS	PRINCIPAL RISKS AND UNCERTAINTIES	SUSTAINABLE DEVELOPMENT MATERIAL ISSUES
FINANCIAL PERFORMANCE, CORPORATE REPORTIN	NG, TAX STRATEGY AND	DIVIDENDS	
Discussed regular reports from the Group CFO on Group and divisional forecasts and actual financial performance relative to FY21 budget	$\operatorname{All}_{w_{w}^{l}}$	2, 3	n/a
Reviewed and approved half-year, Q3 and full-year trading updates via a Board committee, half-year financial report, annual report and corresponding results announcement and investor presentations	a al ₽ 3 3 + +++++++++++++++++++++++++++++++	2, 3	3
Reviewed and approved the Group and divisional FY22 budget and updated five-year plan, incorporating the anticipated short- and medium-term impact of COVID-19	赤 제 🖻 회 🕲 💠	2, 3	1, 2, 3
Considered and approved decisions to suspend the FY20/FY21 final dividend and FY21 interim dividend	n/a	3	n/a

> Refer to the *Group Chief Financial Officer's Report* on page 84.

RISK MANAGEMENT AND INTERNAL CONTROLS			
Reviewed and approved an updated risk appetite statement and considered biannual reports from the Group General Manager: Risk Services on the Group's risk management framework, internal control system and statutory and regulatory compliance	品 机 全 (1) 🔇 🕀	1, 2, 3	1, 2, 3
Conducted a robust assessment of emerging and principal risks and uncertainties as well as mitigating actions and reviewed the assessment of going concern and long-term viability	a al € € ® ↔	1, 2, 3	1, 2, 3
Conducted robust assessment of effectiveness of risk management processes and material internal controls and confirmed their continued efficacy despite changes in the operating environment due to COVID-19	류 제	2, 3	3

> Refer to the *Risk management report* on page 96 and the *Audit and Risk Committee Report* on page 142.

BOARD'S FOCUS AREAS	STRATEGIC GOALS	PRINCIPAL RISKS AND UNCERTAINTIES	SUSTAINABLE DEVELOPMENT MATERIAL ISSUES
ICT AND DIGITAL TRANSFORMATION			
Considered regular reports from the Group Chief Information Officer on ICT infrastructure, strategy, risks and their potential impact, existing controls and mitigants, and proposed enhancements	AT 🔁 🖞	1, 2, 3	3
Closely monitored the implementation of major IT projects and received reports from the newly appointed Group Chief Innovation Officer on the adoption of new technology and digital transformation	AT 🔁 ป็	1, 2, 3	3

Refer to the *Audit and Risk Committee Report* on page 142.

LEADERSHIP			
Considered feedback from Nomination Committee on succession planning and diversity in respect of the Board, its committees and senior management	a al € € ® ⊕	1, 2, 3	1, 2, 3
Considered progress against Hampton-Alexander Review targets for Board and senior leadership and their direct reports, and compliance with Parker Report's ethnic diversity targets	a di € € & ⊕	1, 2, 3	1, 2, 3
Considered and approved recommendations of Nomination Committee for appointments to the roles of SID; chair of the Investment, Audit and Risk, and Remuneration committees; and non-executive directors	की बी ⊉ बि 🕲 सी,	1, 2, 3	1, 2, 3
Reviewed outcomes and agreed and implemented actions arising from the evaluation of the Board and its committees	afta vil € 2 3 €	1, 2, 3	1, 2, 3

Refer to the *Nomination Committee Report* on page 158 and the section on 'Evaluation of the Board, committees and Chair' on page 134.

STAKEHOLDERS			
Received and discussed biannual reports from the designated non-executive director for workforce engagement, outlining the outcomes from the annual employee engagement survey and feedback and insight from all Group levels, supplemented by feedback from management; discussed updates on workforce wellbeing during COVID-19	£ ती ⊵ ि & ∯	3	2
The Company's purpose, values and culture underpin all decisions taken by the Board but were particularly evident in discussions and decisions regarding COVID-19 and its impact on the workforce.			

CORPORATE GOVERNANCE STATEMENT CONTINUED

BOARD'S FOCUS AREAS	STRATEGIC GOALS	PRINCIPAL RISKS AND UNCERTAINTIES	SUSTAINABLE DEVELOPMENT MATERIAL ISSUES
STAKEHOLDERS (CONTINUED)			
Reviewed the Group's key stakeholders and approved the addition of professional societies; reviewed the methods of engagement (including with the workforce) and concluded they were effective	ata al e © ⊕	2, 3	1, 2, 3
Considered regular reports on investor views	ि की कि ि 🛞 ∯	1, 2	1, 2, 3
Ensured effective follow-up regarding investors' matters reflected in 2020 AGM voting and took feedback into consideration when responding	n/a	2	3

Refer to Stakeholder engagement on page 44, the Sustainable development overview on page 51, the 'Stakeholder interests and Board engagement' section of this Statement on page 127 and the Section 172 statement on page 48.

SUSTAINABLE DEVELOPMENT			
Discussed and approved Group Sustainable Development Strategy and ESG goals	®.	1, 2, 3	1, 2, 3
Monitored B-BBEE initiatives undertaken in South Africa	A al ₽ () () () () () () () () () () () () () (2	2

Refer to the Sustainable development overview on page 51 and the Clinical Performance and Sustainability Committee Report on page 154.

CORPORATE GOVERNANCE			
 Reviewed and approved Group policies and procedures, including: 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 management; and tax strategy 	n/a	2, 3	1, 2, 3
Reviewed and approved directors' proposed external appointments (including expected time commitments) and ensured conflicts of interest, including those arising from significant shareholdings, were clearly identified and managed, as set out on page 138	n/a	n/a	3

STAKEHOLDER INTERESTS AND BOARD ENGAGEMENT

The Group has identified the following priority stakeholder groups: clients, communities, employees and potential applicants, governments and authorities, healthcare insurers, industry associations, industry partners, investors, media, medical practitioners, professional societies and suppliers.

Below, more information is provided on the Group's most material stakeholders for the year under review, 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.

Refer to *Stakeholder engagement* on page 44 for more information.

TABLE 3: BOARD ENGAGEMENT

STAKEHOLDER	IMPORTANCE	BOARD ENGAGEMENT/ CONSIDERATION DURING DISCUSSIONS/ DECISION-MAKING	
오다 Land Clients	The wellbeing of clients and building long-term relationships with them form the cornerstone of the business and the Group's ability to pursue its purpose	 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 	
	 WHAT MATTERS TO THEM Easy access to safe, quality and cost-effective healthcare by means of world-class facilities and technology Appropriate care settings Treatment information The right to make decisions on their care Client experience Personal data and patient rights 	 Considers ethics reports Reviews information security and data privacy arrangements Considers impact of decisions and dividends on facilities, services and investments 	

CORPORATE GOVERNANCE STATEMENT CONTINUED

STAKEHOLDER	IMPORTANCE	BOARD ENGAGEMENT/ CONSIDERATION DURING DISCUSSIONS/ DECISION-MAKING	
Employees and potential applicants	The exceptional talent and dedication of employees, whose behaviour is guided by the organisational values, enable sustained success	 Reviews regular reports from designated non-executive director for workforce engagement and monitors implementation of resultant action plans Workforce reports include: 	
	 WHAT MATTERS TO THEM Recognition Flexible work arrangements Competitive remuneration An ethical, safe, fair and healthy working environment Access to training and development opportunities 	 employee retention and turnover annual Gallup® employee engagement survey results Group Diversity and Inclusion Strategy progress training and performance management progress absenteeism internal communication channels Monitors remuneration arrangements Communicates with employees through electronic communication and video broadcasts 	
STAKEHOLDER	IMPORTANCE	BOARD ENGAGEMENT/ CONSIDERATION DURING DISCUSSIONS/ DECISION-MAKING	
Governments and authorities	Having a business model founded on compliance with applicable legislation and regulations within Mediclinic's geographies safeguards the Company's ability to offer services and operate facilities	 Encourages a constructive dialogue with the Group's regulators Monitors clinical, regulatory and legal compliance through regular management reports 	
	 WHAT MATTERS TO THEM Healthcare legislation and regulation compliance Initiatives and collaboration on issues such as skills shortages and the cost of private healthcare Universal access to affordable, quality healthcare 		

STAKEHOLDER	IMPORTANCE	BOARD ENGAGEMENT/ CONSIDERATION DURING DISCUSSIONS/ DECISION-MAKING
Investors	As the owners and providers of equity and debt capital to the Group, investors can rightly expect that their needs be understood and addressed	 Considers investors' views and feedback, including detailed feedback obtained through investor perception studies Seeks to increase the amount and quality of engagement with investors to ensure a clear understanding of their views
	 WHAT MATTERS TO THEM Profitable growth Financial sustainability and performance (including coping with COVID-19) Diverse opportunities for long-term value creation The Group's strategic and ESG goals (including response to climate change) Regulatory environment Operational drivers of each division Remuneration Policy 	 Consults major investors regarding focus areas 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
STAKEHOLDER	IMPORTANCE	BOARD ENGAGEMENT/ CONSIDERATION DURING DISCUSSIONS/ DECISION-MAKING
STAKEHOLDER	IMPORTANCE For the success of the business, it is vital Mediclinic attracts and retains medical practitioners since affiliated doctors refer their patients to or treat their patients in the Group's facilities	CONSIDERATION DURING DISCUSSIONS/

STAKEHOLDER	IMPORTANCE	BOARD ENGAGEMENT/ CONSIDERATION DURING DISCUSSIONS/ DECISION-MAKING
Suppliers	Mediclinic believes in building long-term relationships of mutual trust and respect with suitable suppliers to ensure a sustainable and uninterrupted supply chain and ethically sourced products	 Reviews and approves the Company's arrangements to prevent 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
	WHAT MATTERS TO THEMFair and transparent negotiationsTimeous payment	 Regularly considers fraud and ethics reports (including whistleblowing)

> For more information, refer to:

- COVID-19 overview on page 12;
- *Business model* on page 40;
- Stakeholder engagement on page 44;
- Section 172 statement on page 48;
- 'Employee engagement' and 'Preventing bribery and corruption' in the *Sustainable development overview* on pages 63 and 66, respectively;
- the 'Workforce engagement' section of this Statement below;
- the 'Investor engagement' section of this Statement on page 132; and
- the 2021 Sustainable Development Report, available at annualreport.mediclinic.com.

WORKFORCE ENGAGEMENT

Employee wellbeing has been of the utmost importance to the Group's COVID-19 response and engagement agenda, and at the forefront of every decision made by the Board. Listening and responding to employee 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 that will help deliver the Group's strategic goals.

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 **2021 Sustainable Development Report**, available at annualreport.mediclinic.com.

Mr Meintjes is the designated non-executive director responsible for engagement with the Group's workforce. As the former Group CEO and with his prior experience as divisional Human Resources Executive, he was closely involved with the Company's approach to engaging with, investing in and rewarding the Group's employees. Given his knowledge and experience gained over 30 years in different capacities at Mediclinic, the Board considers him well positioned to oversee engagement efforts and relay the voice of the workforce. Mr Meintjes' responsibilities in this regard 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 HR-related matters reported on the ethics lines;
- 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 Strategy and Human Resources Officer and his team in accordance with a work plan designed to support Mr Meintjes in the fulfilment of this role. The Board received a number of dashboards and detailed reports throughout FY21, which enabled the Board to assess and monitor the culture of each division and themes arising from the employee engagement programmes. The reports continued to evolve during the year in response to questions and observations by management and the Board.



Mediclinic City Hospital, the UAE

The main areas of concern emerging from workforce engagement discussed by the Board during FY21 were:

- difficulty managing stress at work and Mediclinic's support in this; and
- maintaining personal wellbeing during COVID-19 for all employees, but especially among frontline workers.

A physically and mentally healthy workforce is fundamental to the delivery of the Mediclinic Group Strategy. The negative impact of COVID-19 has magnified the workforce-related risks for the Group, as discussed in the **Risk management report** on page 96.

The Board reviewed the existing and planned workforce engagement channels, with due consideration for recommendations by the designated non-executive director, and was satisfied that these provide an effective means of collecting feedback from and providing feedback to the Group-wide workforce.

The Board noted and was satisfied with the additional measures implemented to ensure employee safety during COVID-19. In addition, continued team engagement was encouraged to ensure team support and cohesion. Team engagement results and themes stemming from the diversity and inclusion section of the annual Gallup® employee engagement survey were explored in these meetings to ensure progress on engagement and diversity and inclusion goals. The survey indicated workforce concerns around:

- the theme of empowerment, with specific reference to the encouragement of individual growth and career development opportunities for all; and
- diversity and inclusion, with a particular focus on gender, ethnicity and age.

Feedback on the themes of 'I belong' and 'I am valued' showed good improvement during the FY21 survey.

- The distribution of the Group's employees per division is included in the Sustainable development overview on page 61, with only one employee (Head of Investor Relations) based in the UK.
- Refer to 'Preparedness and response to COVID-19' in the Section 172 statement on page 49 for further detail, and the Chair's Review on page 4 and the Nomination Committee Report on page 158 for diversity and inclusion-related actions.

DIVERSITY AND INCLUSION

The Group values diversity and provides equal opportunities in its workplace. It 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 FY21, the Board reviewed the Group Diversity and Inclusion Policy approved in 2020, which sets out the Group's strategy and goals for establishing and maintaining a diverse and inclusive workforce, and actively monitored its implementation.

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.

Refer to the Nomination Committee Report on page 158 and the 2021 Sustainable Development Report available at annualreport.mediclinic.com for more information.

INVESTOR ENGAGEMENT

The Chair, Group CEO, Group CFO, SID and Head of Investor Relations are responsible for investor relations, including effective, regular and transparent communication on matters such as operational and financial performance, regulatory changes, governance and strategy. In addition, they are responsible for ensuring that the Board has a clear understanding of investors' views on these matters. The Board committee chairs are available to engage with investors on significant matters related to their areas of responsibility. The Chair has ensured that the Board as a whole has a clear understanding of the views of the investors and the Board believes that appropriate and proportionate mechanisms exist to acquire a good understanding of major investors' key areas of concern and support.

Management is supported by and in constant dialogue with the Company's corporate brokers. The Management Disclosure Committee assists the Board to ensure the timely and accurate disclosure of all information required by law and regulatory authorities, including those arising from its listing on the LSE and JSE. The Company seeks to maintain a forum for open discussion on key market and Company-specific matters and values investors' opinions and the time they make available to engage with the Company.

During the year, Mediclinic sought feedback on the Group's FY21 LTIP performance measures and award levels and the FY21 STI performance measures. The Chair of the Remuneration Committee engaged with a number of major investors and institutional investor representative bodies on these matters. Refer to the Annual Remuneration Report on pages 172–176 for more information.

As a result of the UK Government's measures relating to public gatherings in response to COVID-19, the Group could not hold its 2020 AGM with investors attending in person. In the interest of transparent engagement, the Board invited questions to be submitted prior to the meeting and committed to providing responses. While no questions were received from retail investors, the Group engaged with institutional investors to address matters raised.

Typical investor relations programme

Regular face-to-face engagement with capital markets, including:

- investor meetings
- attendance at investor conferences
- roadshows
- presentations
- site visits
- ad hoc events with investors, sell-side analysts and sales teams



Virtual interactions



Material published on Mediclinic's website

Management and Investor Relations participated in 18 roadshows, investor conferences and ad hoc capital market events



Chair held one-on-one meetings with 14 major international and South African investors



Meetings with more than 135 unique financial institutions

Investors are invited to provide feedback directly to management and Investor Relations. The Board also receives regular formal feedback through quarterly reports prepared by QuantiFire, a third-party service provider that collects opinions and confidence measures from investors.

As planned, the Group conducted an investor and analyst perception study following the previous one completed in FY19. A report on the findings was presented to the Board in March 2021.

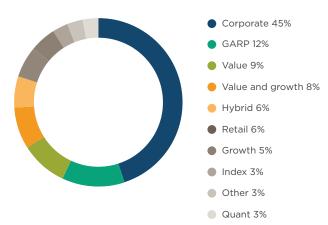
Investor perception study results

76 participating investors and sell-side analysts The following strengths, weaknesses, opportunities and threats were identified by participants:

STRENGTHS	WEAKNESSES	
 Quality of care and clinical outcomes Geographical footprint and diversification Strong management Brand loyalty Operational expertise Well-invested asset base 	 High level of balance sheet debt Historic capital allocation - overpayment for acquisitions Swiss business (related to points above) Emphasis on quality of care reduces margins Geographical footprint Exposure to regulatory change Slow to innovate 	
OPPORTUNITIES	THREATS	
 Growth and expansion in the Middle East/the UAE Broaden range of healthcare services Demographic change driving increased demand Operational improvements Digitalisation Better capital allocation Deleveraging COVID-19 recovery - pent-up demand 	 Increased or changing regulations Pressure to provide low-cost healthcare Pressure on tariffs from healthcare insurers Shift from inpatient to outpatient procedures and care Increased competition and market disruptors Limited growth opportunities in South Africa 	

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.

FIGURE 3: STYLE OF FUND MANAGER BREAKDOWN (%)



ENGAGEMENT WITH SHAREHOLDERS

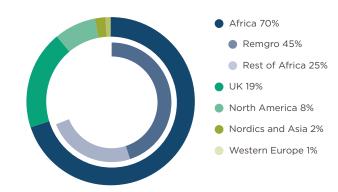
FOLLOWING THE 2020 AGM

At the Company's 2020 AGM, the resolution to authorise the directors to allot ordinary shares (Resolution 18) received 79.65% support from shareholders. In accordance with the Code, the Company sought to engage with key shareholders after the AGM to ensure it fully understood the reasons behind the result and published an update on the Group's website on 22 January 2021.

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.

Most South African shareholders acknowledge that they operate under policies that do not permit support of the standard UK-level of authority to allot ordinary shares, although a number do understand the Company's position. As Mediclinic is a UK premiumlisted 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 views of all shareholders are important to Mediclinic and the Board will continue to engage with South African shareholders on this topic; however, as the voting outcome reflects the difficulty in balancing the expectations of different markets, it is possible this outcome will continue.

FIGURE 4: GEOGRAPHICAL HOLDINGS (%)



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. The Board regards the evaluation process as an important way to monitor progress.

FY20 EVALUATION

TABLE 4: PROGRESS ON FY20 BOARD EVALUATION KEY ACTIONS

KEY ACTIONS	STATUS	
Increase opportunities for non-executive directors' involvement in Group strategy development, in particular the strategic sub-goals for digital transformation and innovation.	> Refer to the 'Principal Board responsibilities and activities' section of this Statement on page 122.	
Increase opportunities for discussion of potential and emerging risks by the Board.	The Board received specific briefings from external and internal experts, including on the macroeconomic backdrop for each division and particular emerging risks. The Board also held a detailed discussion and approved the revised risk appetite statement.	
Identify and introduce new methods for the Board to access external expertise and insights into digital business transformation and other pertinent matters.	Refer to the the 'Principal Board responsibilities and activities' section of this Statement on page 122.	
Maintain focus on continuous improvement in the quality of information provided to the Board.	Refer to the 'Principal Board responsibilities and activities' section of this Statement on page 122.	

FY21 EVALUATION

Under the Code, companies are recommended to conduct an externally facilitated board and committee evaluation every three years. Since the last one was conducted in FY18, the Company was due to have such an evaluation this financial year. The Committee, however, in the light of both the fact that the period in question was the Chair's first year at the helm of the Board and the ongoing uncertainty caused by COVID-19, agreed that a full externally facilitated Board evaluation be delayed until FY22. Instead, the FY21 evaluation was conducted as a questionnaire-only self-evaluation facilitated by the independent evaluator Lintstock Ltd, to strengthen the evidence and rigour of the exercise. Lintstock Ltd conducted the externally facilitated Board evaluation in FY18, but has no other connection with the Company or any individual director.

The evaluation focused on the Board and its committees' composition, knowledge and behaviours, processes and support, work undertaken during FY21 and priorities for change in FY22. For the Board, the questionnaire also focused on:

- the flow of information to the Board during the pandemic and priorities to best position the Company for recovery;
- the Board's oversight of strategy, risk management, employees and other stakeholders;
- succession planning;
- and the effectiveness of its committees.

The anonymity of responses was guaranteed throughout the process in order to promote candid feedback.

KEY ACTIONS

The results of the evaluation of the Board committees were considered by the relevant committee prior to their presentation and discussion at the Board meeting held in February 2021, together with the results for the evaluation of the Board itself and key actions identified for subsequent follow-up during the year.

Refer to the committees' reports for details of the actions from their evaluations and to page 163 of the *Nomination Committee Report* for information on the impact of the Board evaluation on Board composition.

Summary of actions agreed upon for the Board for FY22:

- Increase visibility on succession planning at Board level.
- Increase opportunities for reporting on Group and divisional competitors to the Board.
- Continue to identify and introduce new methods for the Board to access external expertise and insights into digital business transformation and other pertinent matters.
- Increase opportunities for discussion on the Company's risk appetite at Board level.
- Maintain focus on continuous improvement in the quality of information provided to the Board by way of management information dashboards.

ACCOUNTABILITY

RISK MANAGEMENT AND INTERNAL CONTROLS RELATING TO FINANCIAL REPORTING

The Group has a comprehensive risk management and internal control system designed to identify and appropriately mitigate the emerging and principal risks faced by the business and ensure the accuracy and reliability of the Group's financial reporting, while facilitating the delivery and sustainability of the Group's strategic goals.

Key features of the Group's internal financial 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;
- annual self-assessments of the effectiveness of controls by the relevant management teams;

- an annual IT general control assessment conducted by the external auditor on the business applications on which the financial close process relies;
- assurance on key processes and IT audits as part of the internal audit coverage; 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.

The Board is responsible for reviewing and confirming the effectiveness of the Group's risk management and material internal controls, including those relating to the financial reporting process. Although the responsibility for 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.



FIGURE 5: GROUP RISK MANAGEMENT GOVERNANCE STRUCTURE

An overview of the Group's overall approach to risk management can be found in the *Risk management report* on page 96. Refer to page 148 for more information on the role of the Audit and Risk Committee in relation to risk management and internal controls.

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.

An eight-week awareness campaign to remarket the Company's ethics lines was rolled out in the final quarter of the financial year in each division, including orientation material for new employees. The Board receives regular updates on fraud and ethics matters (including instances of whistleblowing) and the Audit and Risk Committee reviews and reports to the Board on the effectiveness of the ethics lines annually.

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 **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 142 for more information.

COMPETITION LEGISLATION

The Group supports and adheres to the relevant competition and antitrust 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 jurisdiction.

In terms of the Namibian Competition Act, No. 2 of 2003, Mediclinic Southern Africa's pharmacies in Namibia are part of an investigation into the determination of pharmacy prices at all retail pharmacies in the country. The division received comprehensive legal advice from competition experts.

No legal action for anti-competitive, antitrust 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, HR 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.

ICT governance is done in the context of the Group's overall governance, in general, and of the Group's risk management structures and processes, specifically. The Group's risk management system is used to capture and track all ICT risks, audit findings, mitigating actions and responsibilities. Central to ICT governance is the Group's ICT Management Committee ('**ICT Manco**') and its ICT architecture and information security subcommittees. The ICT Manco is a subcommittee of the Group Executive Committee and membership consists of the Group Chief Information Officer, divisional Chief Information Officers and the Head of HR Systems. This committee focuses on delivering the Group ICT strategy through collaboration, standardisation and synergies, including:

- enabling the digitalisation of Mediclinic's business model and services;
- modernisation of ICT service and solution delivery and provisioning;
- ensuring a high-performing and cost-efficient ICT function;
- 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 as well as access control, change management and disaster recovery.

The ICT Manco is supported by the Group's Information Security Committee. 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.

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 incidents during the year under review. Although the Group was not a victim of a cyberattack during the past year, there was a security incident in Hirslanden that affected administrative data in its non-patient IT network. This was rapidly resolved, with no impact to patient safety or clinical services and only very minor disruption to a limited number of administrative functions. Based on investigations, there is no evidence that any data, including patient data, was accessed and all files impacted by the incident were fully restored.

DIRECTORS

> Refer to page 107 for the directors' biographies.

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 22 July 2020 (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 meetings with the Group Executive Committee and other senior management to orientate and familiarise the new directors with the healthcare industry as well as Mediclinic's business, strategy and goals, and key risks; and, pending the lifting of local lockdown restrictions, operational site visits.

Mr Weiner was appointed during the year under review and has completed a comprehensive Board induction programme tailored to his 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 stand for re-election annually. Accordingly, Mr Weiner (appointed on 22 July 2020) will stand for election at the Company's 2021 AGM. All other directors will stand for re-election.

Taking into account the result of the Board evaluation carried out during the year under review and 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 and the election of Mr Weiner.

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. These 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. These qualifying third-party indemnity provisions (as defined in the Act) were in force for the benefit of all directors who held office during FY21 and up to the approval of the Annual Report. 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

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.

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.

In addition, directors are reminded at each Board meeting of their duty to declare any new conflicts of interest, interests in proposed transactions, 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.

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 do not conflict with their duties and commitments as directors of the Company.

The independence of the non-executive directors was reviewed, 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 with reference to factors that could affect a director's independence as set out in the Code and by considering the conduct, independence of thought and judgement exhibited by the independent directors during Board and committee meetings. While two non-executive directors, Messrs Durand and Meinties, are considered to be non-independent due to the nature of their existing or prior relationship with the Company, the Board is satisfied that the other non-executive directors are independent and 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.

Refer to the *Remuneration Committee Report* on page 164 for more information on the committee's responsibilities, directors' service contracts and letters of appointment, directors' remuneration, and directors' shareholding and share interests in the issued shares of the Company.

OTHER DISCLOSURES

ARTICLES OF ASSOCIATION

The Company's Articles may be amended by way of a special resolution of the shareholders. At the AGM of the Company held on 22 July 2020, shareholders approved the adoption of new Articles by way of a special resolution. 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:
 - 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 with three committed extensions exercised, expiring in September 2026 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;
 - CHF0.25bn senior secured capex facility; and
 CHF0.1bn senior secured revolving facility.
 With reference to the facility agreement, there
 will be a change in the calculation of the variable
 - interest rate from LIBOR to Swiss average rate overnight ('**SARON**'). South African senior secured borrowings totalling
 - ZAR6.2bn, bearing interest at Johannesburg Interbank Average Rate ('JIBAR') plus a margin of 1.71% to 1.81% until September 2021, thereafter 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 1.77% until September 2021, thereafter 1.65%, expiring in September 2022 with uncommitted extension options.
 - UAE amortising senior secured borrowings of USD250m bearing interest at US dollar LIBOR plus a margin of 1.85%, with the last payment in July 2023.

PRINCIPAL SHAREHOLDER AND RELATIONSHIP AGREEMENT

Remgro held 44.56% of the issued ordinary share capital of the Company, at the Last Practicable Date.

Under the Relationship Agreement between the Company and Remgro, 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.
- Neither Remgro nor any of its associates will propose, or procure the proposal of, a shareholder resolution that is intended or appears to be intended to circumvent the proper application of the Listing Rules.

The Company 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 35 to the *Group annual financial statements* on page 274.

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,

CORPORATE GOVERNANCE STATEMENT CONTINUED

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 decisionmakers 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. The allowance for payments of this kind during FY21 was reduced to CHF3 000, but no such payments were effected during the reporting period. Payments of this kind made by Hirslanden in FY20 totalled CHF63 225. 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 annual financial statements*, as set out on pages 196–288 and approved by the Board on 25 May 2021, 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 84, the *Risk management report* on page 96 and the *Audit and Risk Committee Report* on page 142.

EVENTS AFTER THE REPORTING PERIOD

On 10 May 2021, a fire broke out at Klinik Hirslanden and caused significant damage to one of the building wings. Since the EC, ICU and operating theatres were not damaged by the fire, the hospital remains operational. Although the amount of damage caused by the fire has not been determined, insurance cover for the damage to the property, equipment and supplies is in place, including cover for the losses incurred due to business interruption.

The directors are not aware of any other matter or circumstance arising between the end of the financial year and Last Practicable Date that would significantly affect the operations of the Group or the results of its operations.

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
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 139
Agreements with a controlling shareholder	None other than the relationship agreement referred to on page 139
Provision of services by a controlling shareholder	None other than the services provided by Remgro described in note 35 to the Group annual financial statements on page 274
Interest capitalised	Notes 6 and 26 to the Group annual financial statements on pages 223 and 264, respectively

There are no other disclosures to be made under LR 9.8.4.

DIRECTORS' REPORT

This Statement incorporates by reference the Audit and Risk Committee Report, the Clinical Performance and Sustainability Committee Report, the Nomination Committee Report and the Remuneration Committee Report. The information set out in this Statement, together with the following disclosures included in this Annual Report and incorporated by reference, constitutes the Directors' Report of the Company for FY21, as contemplated in the Act:

	LOCATION IN ANNUAL REPORT
Strategic Report Sets out those matters required to be disclosed in the Directors' Report which are considered to be of strategic importance	Pages 1-105
- Strategy and future developments	<i>Strategy overview</i> on page 32
- Research and development	Clinical research activities referred to on page 83, with further detail available in the 2021 Clinical Services Report available at annualreport. mediclinic.com
- Greenhouse gas emissions	Sustainable development overview on page 51, with further detail available in the 2021 Sustainable Development Report available at annualreport.mediclinic.com
Stakeholder engagement by the Board	'Stakeholder interests and Board engagement' section of this Statement on page 127
Statement of directors' responsibilities	Page 182
Financial risk management objectives and policies	Notes to the Group annual financial statements on pages 203-276
Shareholder information	Pages 296-298

For and on behalf of the Board.

lager beale

Dame Inga Beale Non-executive Chair 25 May 2021

AUDIT AND RISK COMMITTEE REPORT



Mr Alan Grieve Chair of the Audit and Risk Committee

This is my final report as Chair of the Audit and Risk Committee (the 'Committee'), as I will be stepping down from the Committee on 13 September 2021 and retire from the Board on 14 February 2022, as described in the Nomination Committee Report. I will be succeeded as Committee Chair by Mr Tom Singer, who joined the Committee upon his appointment to the Board in 2019. I would like to thank the members of the Committee, the management team, and the external and internal auditors for their hard work and support during my tenure, but especially during this past year, when we have all had to continue to work under the challenges imposed by the COVID-19 pandemic. This report provides details of the activities of the Committee during FY21 and up to the Last Practicable Date, to provide an insight into how the Committee discharged its responsibilities. I trust you will find this report to be informative and that you take assurance from the work we have undertaken.

"

The role of the Committee is to assist with the Board's oversight responsibilities in relation to the Group's financial and narrative reporting, internal control system and risk management processes.

TABLE 1: COMMITTEE COMPOSITION AND MEETING ATTENDANCE

NAME ¹	DESIGNATION	DATE OF APPOINTMENT TO COMMITTEE	NUMBER OF SCHEDULED MEETINGS ATTENDED ²
Mr Alan Grieve (Committee Chair)	Senior Independent Director	15/02/2016 (as member) 24/07/2019 (as Chair)	4/4
Mr Trevor Petersen	Independent Non-executive Director	15/02/2016	4/4
Mr Tom Singer	Independent Non-executive Director	24/07/2019	4/4
Mr Steve Weiner ³	Independent Non-executive Director	22/07/2020	2/34

Notes

¹ The composition of the Committee is shown at 31 March 2021. As discussed in the **Nomination Committee Report**, Messrs Grieve and Petersen will step down from the Committee in September 2021 and the Board is in the process of identifying and appointing two independent non-executive directors, which will ensure that the Committee continues to meet the membership criteria under the Code throughout FY22.

² The attendance reflects the number of scheduled meetings held during the financial year.

³ Mr Steve Weiner was appointed as a member of the Committee upon his appointment to the Board on 22 July 2020.

⁴ Mr Weiner was unable to attend one Committee meeting due to a conflicting commitment. Messrs Weiner and Grieve liaised in advance regarding the key matters under consideration.



Mediclinic Cape Gate Day Clinic, South Africa

FIGURE 1: COMMITTEE MEMBERS' SKILLS AND EXPERIENCE

Chartered accountant

- Former CFO or Group Controller of a UK-listed company
- Competence relevant to the healthcare sector

The Committee normally holds four meetings during the financial year, with one of these meetings dedicated primarily to an extensive review of riskrelated matters. Two additional ad hoc meetings were held during FY21 mainly to discuss an insurance proposal, treasury management-related matters and the results of the Committee's evaluation. One ad hoc meeting and one scheduled meeting were held between the Company's financial year-end and the Last Practicable Date, to approve this Annual Report and accounts and related matters. 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.

The Group CEO, Group CFO, the Group Chief Governance Officer and the Company Secretary attend all meetings. Representatives from the external auditor are also invited to attend all meetings. Other attendees from time to time include the Board Chair, Mr Pieter Uys (alternate to Mr Jannie Durand), the Group Chief Information Officer and the Group General Managers for finance, risk services and internal audit, as well as other relevant management members, as required.

Each scheduled meeting is held in advance of a Board meeting, allowing the Committee's Chair to report to the Board on the key matters discussed. The Committee meets privately without management present after scheduled meetings, as necessary. Private meetings are held at least once a year with the external auditor, the Group General Manager: Internal Audit 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 assist with the Board's oversight responsibilities in relation to the Group's financial and narrative reporting, internal control system and risk management processes, Internal Audit function and the relationship with the external auditor, as well as ethical conduct, governance and compliance. The following sections of this report describe the key activities of the Committee in each of these areas. The Committee's terms of reference, which comply with the FCA's Disclosure and Transparency Rules and the Code and are reviewed annually by the Committee and the Board, are available on the 'Governance' section of the Company's website at www.mediclinic.com.

During the period under review, the Committee discussed the possibility of allocating its responsibilities to separate, standalone risk and audit committees. Following discussion, the Committee decided against such separation but took a number of measures during the course of the year in order to strengthen oversight, as described in the 'Effectiveness of the risk management processes and internal control system' section on page 148.

The Committee also discussed the UK Government's white paper on 'Restoring trust in audit and corporate governance', in terms of its impact on the role of the Committee, the Finance function and the Group's risk management and internal control system and assurance processes, including the mandate and resourcing of the Internal Audit function and the current external audit arrangements.

FINANCIAL REPORTING

The Committee ensures the integrity of the Group's financial and narrative reporting, including its 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 management and the external auditor, as relevant. The principal areas of focus during the reporting period and up to the Last Practicable Date were:

- 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 impact of the ongoing pandemic, the budget agreed for the year, guidance provided to investors and market expectations, and consideration of the requirement to provide further updates to the market.
- The significant accounting policies and practices adopted by the Group, their 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, material assumptions and estimates (as detailed in the section on 'Significant financial reporting matters'), and the sensitivity of outcomes to reasonably possible adverse or favourable changes in key assumptions.
- An assessment of the Company's going concern status and long-term viability, including the Group's capital maintenance strategy, actual liquidity position and covenant compliance, to ensure that sufficient resources remained available to meet the Company's needs. This included the recommendation to the Board to suspend the FY21 final and interim dividend, in order to preserve the Company's liquidity.
- Group tax matters, tax risks and assurances received from the Company's tax advisors as part of the year-end financial close process, 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 the Company's website at www.mediclinic.com.
- Key elements raised in the auditor's feedback and formal reports, in particular the going concern assessment and the goodwill impairment

assessments, as set out in the external auditor's report on pages 184-195. This includes testing of the auditor's overall conclusions, to ensure the delivery of a high-quality audit.

- The clarity of disclosures and the processes followed to ensure the integrity of the information provided in the Group's periodic financial reports, including adjusted performance measures, and an evaluation that they present a fair, balanced and understandable assessment of the Group's position and prospects.
- The Committee's annual review of the competence of the Group-wide Finance function.
- Management's proposed incremental approach to providing internal and independent external assurance on the Group's ESG reporting, in response to the growing expectations and forthcoming requirements in this area.
- Compliance with relevant accounting standards and statutory, regulatory and good practice reporting requirements, including the recommendations published by the FRC during the financial year.

The Committee also discussed with management and the external auditor the impact of COVID-19 on the accounting and auditing timetable for the FY20 and FY21 annual reports and financial statements and the FY21 half-year results, and ensured appropriate steps were taken to safeguard the quality of the Group's reporting and of the external audit. While the publication of the FY20 full-year results was delayed by approximately two weeks, the Group and the external auditor had adapted sufficiently to the new processes necessitated by the pandemic, and the publication of the FY21 half-year and full-year results proceeded as originally planned.

SIGNIFICANT FINANCIAL REPORTING MATTERS

The significant financial reporting matters and principal areas of judgement considered by the Committee in relation to the 2021 half-year and full-year financial statements, including matters communicated by the external auditor to the Committee, are set out below. The Committee discussed with management and the external auditor their separate reports on each matter, focusing in particular on key assumptions and sensitivity analyses and areas where there had been differences of opinion, 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.

ISSUE	WORK UNDERTAKEN BY THE COMMITTEE AND OUTCOMES
Goodwill and non-financial assets (CGU level) impairment reviews (see notes 6 and 7 to the <i>Group annual</i> <i>financial</i> <i>statements</i>)	 The key issues considered were: the impairment assessment and test of the Mediclinic Middle East and Hirslanden goodwill; and whether any indication existed that non-financial assets at an individual cash-generating unit ('CGU') level at the divisions may be impaired. 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. The business plans incorporated changes in the markets in which the divisions operate. 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 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 judgements and assumptions applied in business plans, and was satisfied that management had developed its forecasts based on the best available evidence at this time, including in relation to the likely evolution and potential impact of COVID-19. Based on its challenge of the key assumptions and associated sensitivities, the Committee concurred with the impairment booked against the carrying value of some CGUs within Mediclinic Southern Africa.
	The Committee discussed the external auditor's feedback and considered its conclusion regarding the impairment assessments.
	The Committee also considered the sensitivities to changes in assumptions and the related disclosures required by IAS 36 <i>Impairment of Assets</i> and IAS 1 <i>Presentation of Financial Statements.</i> Considering all the above, management responses and the external auditor's views, the Committee was satisfied that the assumptions used were reasonable and, together with related disclosures, were appropriately presented.
Going concern	The key issues considered were: • the going concern status of the Group for a period of at least 12 months from the date of this report; and
(see note 2.1 to the <i>Group</i> <i>annual</i> <i>financial</i> <i>statements</i>)	 the impact of the COVID-19 pandemic on the liquidity of the business. As part of the year-end process, management performed a monthly liquidity analysis per division extending to September 2022 that included a base and downside case scenario per division. The Committee evaluated the key assumptions used in preparing these scenarios, including risk scenarios and expected impact of further COVID-19 waves on the business. The Committee considered the 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. A key factor considered was the impact of COVID-19 on the 18-month period ending 30 September 2022.
	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 there is sufficient headroom in the covenant calculations.
	After evaluating management's assessment and the auditor's report on the going concern assumption, the Committee recommended to the Board to approve the going concern assumption for the Group's financial statements, together with related disclosures.

TABLE 2: SIGNIFICANT ISSUES CONSIDERED IN RELATION TO THE FINANCIAL STATEMENTS

TABLE 2: SIGNIFICANT ISSUES CONSIDERED IN RELATION TO THE FINANCIAL STATEMENTS CONTINUED

ISSUE	WORK UNDERTAKEN BY THE COMMITTEE AND OUTCOMES
Viability assessment	The key issue considered was: • the Group's long-term viability assessment.
(see the Risk management report in this Annual Report)	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 2026.
Carrying value of equity	The key issues considered were: • the impairment assessment of the equity investment in Spire at half year; and • the carrying value of the equity investment in Spire at year-end.
investment in Spire	At half year the Committee reviewed the key assumptions used in the impairment assessment. At year-end the Committee considered whether there was objective evidence that the equity investment in Spire significantly improved.
(see note 8 to the <i>Group</i> <i>annual</i> <i>financial</i> <i>statements</i>)	Based on Spire's earnings and earnings forecast the Committee concluded that there has not been a significant improvement to support a reversal of the previously recognised impairment charges.
Swiss pension fund	The key issue considered was: • the carrying value of the Swiss pension fund.
(see note 19 to the <i>Group</i> <i>annual</i> <i>financial</i> <i>statements</i>)	The Committee reviewed the main assumptions underlying the valuation of the pension 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 also received a comprehensive presentation from the actuarial consultants to the Swiss pension fund on key figures, obligations and trends around Swiss pension funds.
	Following its review and the above discussion, the Committee was satisfied with the value of the Swiss pension fund and the associated disclosures.
Recoverability of Mediclinic Middle East receivables	 The key issue considered was: recoverability of Mediclinic Middle East trade receivables and if sufficient impairment for credit losses have been recognised. The Committee obtained an understanding of the year-on-year increase in the outstanding
	The Committee obtained an understanding of the year-on-year increase in the outstanding receivable balances and evaluated the provision for expected credit losses and disallowances. The Committee concluded that the Mediclinic Middle East receivables are adequately provided for and took note of the collections after year-end, and also noted that cash conversion improved compared with the half year.

ISSUE	WORK UNDERTAKEN BY THE COMMITTEE AND OUTCOMES
Classification and presentation of exceptional	The key issue considered was:the Group's use of non-IFRS measures and the judgement applied to determine whether the items were exceptional.
items	The Committee reviewed the exceptional items for FY21, amounting to £33m after taking related tax and deferred tax into account (£35m before tax) of which £23m related to the remeasurement of redemption liability (written put option). Details of the exceptional items are set out in the <i>Group Chief Financial Officer's Report</i> on page 84.
	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 <i>Group Chief Financial Officer's Report</i> 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 and the related disclosure of these items in the <i>Group Chief Financial Officer's Report</i> 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.
Income statement reclassification	The Group changed the presentation of its operating expenses on the face of the income statement from an analysis-by-function to an analysis-by-nature and restated comparatives.
	The Committee considered and evaluated the proposed cost categories and the rationale for the change and satisfied itself that the new approach better reflects the nature of how the business is managed and provides more relevant information.

TABLE 2: SIGNIFICANT ISSUES CONSIDERED IN RELATION TO THE FINANCIAL STATEMENTS CONTINUED

FAIR, BALANCED AND UNDERSTANDABLE REPORTING AND THE USE OF ADJUSTED MEASURES

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 following measures were adopted to ensure that this Annual Report meets that requirement:

- 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 Group annual financial statements.

- It also considered whether all key events reported to the Board and its committees during the year, both positive and negative, were adequately reflected, together with reporting by the external auditor of any material inconsistencies.
- The Committee reviewed the use of adjusted measures by the Group as described in the *Group Chief Financial Officer's Report*.
- A comprehensive review of the entire Annual Report was carried out by the directors.
- 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 FY21 and from the financial year-end to the Last Practicable Date.

AUDIT AND RISK COMMITTEE REPORT CONTINUED

Based on all the above, the Committee advised the Board that, in its opinion, this Annual Report, taken as a whole, was fair, balanced, 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.

EFFECTIVENESS OF RISK MANAGEMENT PROCESSES AND INTERNAL CONTROL SYSTEM

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 97-105 and page 135 of this Annual Report, respectively. 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. 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 Committee's work in this area and the assurance processes in place.

The Committee considers the effectiveness of the Group's risk management and internal control system during its discussions at every meeting. It also receives regular reports from management on particular issues requested by the Committee, or identified from the Company's risk management, internal audit or compliance processes or reports on fraud and ethical matters (including any instances of whistleblowing). These are supplemented by feedback on the internal control environment provided by the external auditor as part of their half-year review and in their formal report on the full-year audit. In addition, where appropriate, the Group seeks assurance from external experts. Recommendations arising from the above processes are communicated to the relevant business areas by the Risk Management or Internal Audit functions, as appropriate, and the Committee receives regular progress reports on implementation and further requirements identified. Once a year, the Committee conducts a formal review of the effectiveness of the Group's risk management and internal control system.

As previously mentioned, the Committee decided against recommending to the Board the separation of its audit and risk-related activities to a separate, standalone risk committee. Instead, it decided to allocate more time to focused discussions on risk matters. As a result, the following matters were explored in-depth this year:

- a comprehensive review of the Group's risk appetite and updated risk appetite statement, with a particular focus on the risks associated with strategic goals and their management and governance processes;
- strengthening of procedures to scan for and identify emerging risks;
- further enhancements to risk reporting to the Committee and the Board; and
- strengthening of Board-level risk oversight by allocating

responsibility for the top risks affecting the Group's strategy to the Board or a relevant committee. The Committee made suggestions to improve the proposed process to ensure these risks continued to be considered in the Board and committees' regular discussions, as well as in more detailed reviews presented by internal or external experts, and to ensure that the output of these discussions fed into the Committee and the annual review of the Group's principal risks conducted by the Committee on behalf of the Board.

Other key focus areas of the Committee in relation to the Group's risk management and internal control system and their effectiveness during the reporting period and from the financial year-end to the Last Practicable Date are set out below.

- Annual policy reviews, including the Committee's terms of reference, risk management and compliance policies.
- Relevant statutory, regulatory and good practice developments.
- The Group's ERM Policy, framework and processes, including risk tools incorporated across the Group.
- The evolution of emerging and principal risks for the Group as a whole and other topical risks and associated mitigants. One of the key risks identified by the Committee for detailed consideration was the highly elevated risk of stress adversely affecting Mediclinic's employees, as a result of dealing with the effects of the COVID-19 pandemic coupled with change in the organisation at the strategic level.
- The Group's key insurance arrangements and policies as well as the pension fund arrangements at Hirslanden and a high-level risk assessment from the division's perspective, including the latest scheme valuation for the Hirslanden Pension Plan at 31 December 2020, good funding position, current coverage ratio, and levers available in the event that the fund fell into deficit.
- Ensuring that the Group maintained an effective risk management and control environment despite the challenges and limitations imposed by COVID-19, such as working from home and extended restrictions on national and international travel.
- Following the downgrading of South Africa's financial institutions' credit ratings in December 2020, reviewing and approving amendments to the Group Treasury Policy subject to the introduction of enhanced controls, monitoring and reporting requirements for the management of cash held in Southern Africa by Group entities.
- Regular reports from the Internal Audit function identifying any particular aspects of the Group's internal controls that required enhancement and corresponding action plans and follow-up reports.
- The Internal Audit function's annual report on the effectiveness of the Group's internal controls, presented to the Committee at its May meeting, and the control findings set out in the external auditor's reports.
- Feedback from management on fraud and ethical matters (including whistleblowing), litigation and regulatory compliance.

- Progress against the ERM, internal audit and compliance plans for FY21, which were completed as planned despite the ongoing challenges posed by COVID-19, and approving the corresponding plans for FY22.
- Further enhancement of the integrated reporting received on financial, operational, clinical and compliance risk management processes, systems of internal control and sources of internal and external assurances.

At the request of the Board, the Committee carried out an assessment of the Group's emerging and principal risks before the Last Practicable Date. This included a review of the Group's ERM Policy, framework and processes, the Group's risk appetite statement, any changes in the emerging and principal risks facing the Group, 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, as reviewed by the Committee and approved by the Board, are described on pages 97-105 of this Annual Report.

At its May 2020 and May 2021 meetings, the Committee also reviewed the effectiveness of the Group's internal control system, including all material financial, operational, regulatory compliance and (subject to the agreed separation of responsibilities agreed with the Clinical Performance and Sustainability Committee) clinical controls, in accordance with the FRC *Guidance on Risk Management, Internal Control and related Financial and Business Reporting.* The Committee considered reports from the Risk Management, Internal Audit and Compliance functions, which reflected the outcomes of various peer reviews, control self-assessments, the delivery of the ERM plan and the internal audit plan and status of any corrective actions taken by management in response to their findings.

In addition to these internal assurances, the Committee took into account the findings from the external auditor's evaluation of the internal control environment performed during the full-year audit and other external assurances commissioned, as well as its own observations throughout the year under review. Following due consideration, the Committee concluded that the Group continued to have an effective risk management and control environment despite the challenges posed by COVID-19. No significant failings or weaknesses were identified and processes were in place to ensure that the necessary actions were taken to build and strengthen any areas for improvement identified by the review. The Board considered the Committee's findings in relation to the effectiveness of the Group's systems of risk management and internal control, and was satisfied that throughout the year under review and up to the Last Practicable Date, the Group risk management and internal control environment continued to be effective.

INTERNAL AUDIT

The Internal Audit function is a key element of the Group's internal control environment. Strong reliance is placed on the Group's Combined Assurance Model, which uses control self-assessment techniques to assure on key risk areas. It is responsible for undertaking risk-based internal audits 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. Recommendations from internal audits are communicated to the relevant business areas and progress on their implementation is tracked by the Internal Audit function. The function's responsibilities also include providing independent appraisal and assurance to the Committee of the effectiveness of the Group's risk management processes and internal control system.

The Internal Audit function reports functionally to the Committee and administratively to the Group Chief Governance Officer. It works closely with the Group Risk Management function and engages 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 Group continued to supplement its in-house Internal Audit capacity by contracting in specialist services as required to ensure the optimisation of resources.

The key topics relating to internal audit considered by the Committee during the reporting period and from the financial year-end to the Last Practicable Date are set out below.

- Progress on the completion of the internal audit plan for FY21, including reports on internal audits, key findings, management action plans and progress on their implementation despite the challenges posed by COVID-19. These audits included the internal audit of key hospital-related processes, major transformational projects, IT-related projects, ad hoc and process audits. The clinical audits have oversight by the Clinical Performance and Sustainability Committee, but the Committee is updated on the key clinical audit findings.
- Annual assessment of the effectiveness of the Group's internal controls (as described earlier in this report).
- Scrutiny of the internal audit plan for the following financial year, including the methodology and deliverables. The plan is set on a three-year rolling basis, with the focus areas being determined and updated annually. The Internal Audit function will continue to adopt a risk-based approach to audits for FY22 and intends to focus on the audit of key hospital processes, clinical audits, IT audits, process-based audits and selected sustainability and governance audits.
- Annual assessment of the development, resourcing and effectiveness of the Internal Audit function.
 The Committee conducted this review at its May 2020 and May 2021 meetings, taking into account reports received from and discussions with the Group General Manager: Internal Audit, a robust discussion of the self-assessment of the function presented to the Committee, and feedback provided by management and the external auditor in separate private meetings

with the Committee. The Committee continues to be satisfied with the effectiveness, resourcing, independence and standing of the Internal Audit function in terms of delivering its current mandate, and noted that consideration was being given to assessing and preparing for the outcome of the UK Government's consultation on strengthening directors' responsibility and accountability for the effectiveness of internal control and risk management procedures.

- Review of the Internal Audit function's mandate.
- Private meeting with the Group General Manager: Internal Audit, without management.

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 external 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, Mr Neil Grimes, was appointed in June 2020 for FY21. 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 and between the financial year-end and the Last Practicable Date in relation to the external audit are set out below.

- The matters set out in the external auditor's pre-year-end report on accounting, auditing and control matters, the year-end audit report and the external auditor's review of the half-year results, as discussed earlier in this report.
- Progress of the external audit against the audit plan and any impediments posed by the pandemic.
- The quality and effectiveness of the external audit and the external auditor's independence and objectivity.
- The reappointment of the external auditor, taking into account feedback received during a private meeting with management and a private meeting of Committee members.
- The external audit plan for FY21 and proposed fees.
- The non-audit services expenditure incurred in respect of FY21.
- The non-audit services authorised thresholds for FY22.
- The policy on the external auditor's independence and for approval of non-audit services.
- Private meetings with the external auditor, without the presence of management.

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 any contentious issues, challenge management on their judgements and the quality of disclosures, and scrutinise the external auditor's analysis and work.

EVALUATION OF THE EXTERNAL AUDITOR

In order to form a view on the quality of the audit and the effectiveness of the process, the Committee considered its own observations and interactions with the auditor, as well as feedback from management and others who had regular contact with the external auditor in the course of its activities. As the FY21 external audit neared finalisation, this group of persons was asked to evaluate the performance of the external auditor, 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 on the FY21 external audit drawn from the questionnaire and from the separate meetings with the external auditor and management was discussed by the Committee at the meeting held in May 2021. Matters discussed included: the smooth transition to the new lead audit partner; areas of discussion between the external auditor, management and the Committee: the external auditor's robust but constructive challenge to management's assertions and areas of significant judgement; and the overall thoroughness of their work

A key aspect considered by the Committee was evidence of the external auditor's professional scepticism and challenge in its reports as well as during Committee discussions, particularly on issues such as: the impairment assessments of the Mediclinic Middle East and Hirslanden goodwill; the impairment assessment of the equity investment in Spire at the half year; the carrying value of the equity investment in Spire at yearend; the recoverability of receivables at Mediclinic Middle East, and adequacy of provisions for credit losses and disallowances; and the going concern assessment.

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 2020. Any opportunities for improvement in the quality of the external audit and the effectiveness of the process were discussed with the lead audit partner and his team. Following this review, the Committee was satisfied that PwC had carried out its duties in a diligent, professional and effective manner and recommended to the Board that a resolution to reappoint PwC as the Company's auditor be proposed to shareholders at the 2021 AGM.

EXTERNAL AUDITOR'S INDEPENDENCE

The Committee is also responsible for annually assessing the independence and objectivity of the external auditor and adopts a two-fold approach to do so. Firstly, the Committee 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, designed to safeguard the independence of the external auditor.

In their external audit report for FY21, 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 FY21 external audit, Mr Grimes, was appointed with effect from June 2020 and is therefore not due for rotation until June 2025. The key audit partners for Hirslanden, Mediclinic Southern Africa and Mediclinic Middle East were appointed in FY19, FY18 and FY21, respectively, with rotation due after FY24, FY23 and FY26. The Committee also considered the Group's usage of PwC for the provision of non-audit services and the updated Non-audit Services Policy referred to below. 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. 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 2021.

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.

The fees paid to PwC in respect of non-audit services amounted to approximately £0.7m or 29% of the statutory audit fees. Approximately £0.4m of the nonaudit service fees were in respect of reviews conducted in relation to the financial statements for the six months ended 30 September 2020. Therefore, excluding the half-year reviews, non-audit service fees as a percentage of statutory audit fees amounted to 7%. Refer to note 24 to the *Group annual financial statements* on page 263 for more information on the fees paid for audit and non-audit services during the year under review. In addition, an amount of approximately £0.2m 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 diagnostic-related grouping 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.

REAPPOINTMENT

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 FY21 was effective; and that the auditor remains objective and independent. Accordingly, the Committee recommended to the Board that the reappointment of PwC as the Company's external auditor be proposed to shareholders at the Company's 2021 AGM.

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. In terms of the UK Competition and Market Authority ('CMA') rules, 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. The planning for this retendering has already commenced, with the intention for the tender process to be completed during the 2022 calendar year and the Board making the corresponding recommendation to shareholders at the Company's 2023 AGM, allowing the external auditor selected as a result of that process to conduct the audit for the financial year commencing 1 April 2023, 10 years after the Company's initial listing

GOVERNANCE, COMPLIANCE AND ETHICAL CONDUCT

The Group is focused on conducting its business in an honest, fair and ethical manner – a principle actively 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 governance, compliance and ethical conduct (which have all been mentioned previously in this Committee Report, in the context of the Committee's other responsibilities) are set out below.

- Potential division of the Committee into separate, stand-alone audit and risk committees.
- Annual review of the Committee's terms of reference and all material internal controls, risk management and compliance policies and procedures.
- Relevant statutory, regulatory and good practice developments.

AUDIT AND RISK COMMITTEE REPORT CONTINUED

- Group Tax Strategy and key tax considerations across the Group.
- Management's reports on regulatory compliance across the Group.
- Management's report on fraud and ethical matters (including any instances of whistleblowing).
- Management's report on any litigation cases.

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 under review, at the Board's request, the Committee also received regular feedback from the Group General Manager: Risk Services on all material cases and incidents reported on the ethics lines, or by other means, including any instances of whistleblowing, and how these were managed. The Committee satisfied itself that the arrangements in place for addressing these matters were appropriate, proportionate and effective, and provided regular reports to the Board on any major issues and developments. Refer to the *Sustainable development overview* on page 65 for further details on the ethics lines.

Refer to the *Sustainable development overview* on page 66 for further details on business conduct, ethics, and anti-corruption and anti-bribery matters. Details of the Clinical Performance and Sustainability Committee are provided on page 154.

COMMITTEE EVALUATION

The Committee reviewed its performance as part of the annual evaluation of the Board and its committees, which is described on page 134 of the *Corporate Governance Statement*. The external auditor and other regular attendees were invited to participate in the evaluation of the Audit and Risk Committee. 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 2021 meeting. The Committee will implement plans to progress the agreed actions, monitor the resultant outcomes and incorporate these into the next performance evaluation.

PROGRESS ON KEY FY21 PRIORITIES	
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	➢ Refer to the 'Role and key areas of activity' and 'Effectiveness of risk management processes and internal control system' sections of this report on pages 143 and 148 and to the 'Risk management and internal controls' section of the <i>Corporate Governance Statement</i> on page 135
Continuing to monitor the development of the in-house Internal Audit function and the audit processes introduced during the reporting period	▶ Refer to the 'Internal Audit' section of this report on page 149
Managing the Group's corporate reporting on ESG matters	Refer to the 'Financial reporting' section of this report on page 144
Monitoring the ongoing impact of COVID-19 on the Group's liquidity, covenant compliance and financial reporting	Refer to the 'Financial reporting' section of this report on page 144

FY22 PRIORITIES

The Committee will, among other matters, focus on:

- monitoring and reviewing the operation of new procedures established under the strengthened risk management framework;
- the quality of reporting on climate-related and other ESG matters;
- reviewing and preparing to address the relevant reforms that emerge from the UK Government's white paper on restoring trust in audit and corporate governance;
- continuing to monitor the impact of COVID-19 on accounting, audit, risk management and internal control matters; and

• introducing further regular expert training on developments in accounting, audit and reporting matters.

Approved and signed on behalf of the Committee.

Mr Alan Grieve Chair of the Audit and Risk Committee 25 May 2021



CLINICAL PERFORMANCE AND SUSTAINABILITY COMMITTEE REPORT



Dr Felicity Harvey Chair of the Clinical Performance and Sustainability Committee

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The main focus of the Committee during FY21 was overseeing and supporting the Group's clinical preparedness for, and response to, the pandemic.

As Chair of the Clinical Performance and Sustainability Committee (the '**Committee**'), it is my pleasure to report on its activities for FY21, including key focus areas, together with the priorities for FY22.

COMMITTEE COMPOSITION AND MEETING ATTENDANCE

TABLE 1: COMMITTEE COMPOSITION AND MEETING ATTENDANCE

NAME ¹	DESIGNATION	DATE OF APPOINTMENT TO COMMITTEE	NUMBER OF SCHEDULED MEETINGS ATTENDED ²
Dr Felicity Harvey (Committee Chair)	Independent Non-executive Director	03/10/2017	5/5
Dr Muhadditha Al Hashimi	Independent Non-executive Director	01/04/2018	5/5
Dr Anja Oswald³	Independent Non-executive Director	01/03/2021	0/1
Dr Ronnie van der Merwe	Group Chief Executive Officer	25/07/2018	5/5
Mr Steve Weiner ⁴	Independent Non-executive Director	22/07/2020	4/4

Notes

¹ The composition of the Committee is shown at 31 March 2021.

² The attendance reflects the number of scheduled meetings held during the financial year. Details of additional meetings are set out alongside.

³ Dr Oswald was appointed as a member of the Committee with effect from 1 March 2021 to provide additional clinical and healthcare expertise, as identified during the review of the Committee's effectiveness. She was unable to attend one subsequent meeting of the Committee due to an engagement arranged prior to her appointment to the Committee.

⁴ Mr Weiner was appointed as a member of the Committee upon his appointment to the Board on 22 July 2020.

FIGURE 1: COMMITTEE MEMBERS' SKILLS AND EXPERIENCE

FIGURE 2: COMMITTEE COMPOSITION

Healthcare sector

- Medical/clinical/similarly complex businesses
- HR/talent management/culture management
- Other stakeholder management¹
- Sustainability

Note

Refer to **Stakeholder engagement** on page 44 for more information on the Group's stakeholders.

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The Committee held five meetings during the year under review, one of which was dedicated to facilitating discussions on clinical performance and the sustainable development strategy for the Group and each division. In addition, one meeting was held between the Company's financial year-end and the Last Practicable Date which was attended by all members at the time, except for Dr Anja Oswald. Each scheduled meeting is held in advance of Board meetings, allowing the Committee's Chair to report to the Board on the key matters discussed.

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, as is the Group Chief Governance Officer, who is responsible for the Group's sustainable development management. 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:

- promoting 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 Committee is 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.

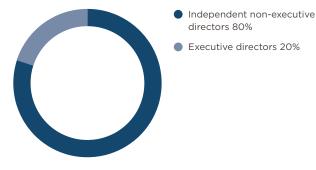
The key focus areas of the Committee during the year under review and resultant outcomes are set out below.

CLINICAL PERFORMANCE

COVID-19

The main focus of the Committee during FY21 was overseeing and supporting the Group's clinical preparedness for, and response to, the pandemic, including the impact on frontline workers and on administrative and corporate functions; predictions of a second and third wave; coordination between divisions; and executive oversight at Group level.

Refer to the COVID-19 overview on page 12 for more information on the Group's response to the pandemic.



GOVERNANCE

The Committee continued to oversee and support the progress 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. 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 ('CPCs') 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 providing re-assurance and creating value for the Company and its stakeholders. Evidence of this is emerging at Hirslanden, where the framework has been introduced and is being embedded. At Mediclinic Southern Africa and Mediclinic Middle East, the framework has been embedded for more than a year and has continued to enhance the transparency, understanding and management of adverse events across both these divisions.

The hospital-level CPCs are led by and consist of experienced and reputable medical practitioners, as well as hospital management. These committees identify clinical performance areas for potential improvement and then devise and implement action plans to bring about the necessary improvements.

CLINICAL MANAGEMENT MODEL

The Group's clinical management model is based on a clinical performance framework consisting of four components: patient safety, clinical effectiveness, clinical cost efficiency and value-based care.

The Patient Safety Company (**'TPSC'**) software is being implemented across all three divisions, providing an integrated clinical event management system and uniform reporting across the Group. At Mediclinic Middle East, a pilot project of TPSC implementation was successfully completed.

Refer to the 2021 Clinical Services Report for more information on the project. 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:

- expanding and standardising indicators and indices across the continuum of care; and
- adopting more standardised key performance indicators for specialities, definitions and interpretations across all three divisions, while still meeting local reporting needs to address regulatory requirements or particular focus areas.

The Committee monitors progress in this regard. 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 year, the Committee deepened its oversight of clinical risk management, controls and procedures through enhanced reporting from management and clinical audits conducted by the Internal Audit function. Despite disruptions caused by COVID-19, there was clinical audit coverage across all three divisions. Follow-up audits were conducted at Mediclinic Southern Africa and Mediclinic Middle East, and four clinical audits were conducted at Hirslanden.

The clinical audits found compliance with most controls for high-risk clinical areas. For non-compliance, corrective actions were formulated and implemented, some immediately and others over a longer period, and monitored by the divisional CPC, to ensure completion.

OTHER FOCUS AREAS

- Evaluated compliance with the Group's patient safety approach, which informed the patient safety workshop attended by the Board in September 2020; quality clinical care standards, policies and procedures; and regulations and accreditation standards at divisional level.
- Reviewed progress on the implementation of the patient safety framework.
- Continued to review the work of the Patient Safety Committee to standardise and enhance collaboration across the Group, assist in reinforcing the Group's strengths, and identify and prioritise focus areas.
- Reviewed progress on integrating client experience and clinical care, improving client experience and expanding the measurement of patient experience to all care settings.
- Reviewed progress on the implementation of EHRs across all three divisions.
- Monitored the implementation of a clinical adverse event and clinical risk management solution suitable for the Group to further strengthen patient safety procedures.
- Reviewed clinical effectiveness and cost efficiencies.
- Reviewed the outcomes and follow-up actions arising from patient and doctor satisfaction surveys.

- Evaluated the schedule of key stakeholders and recommended the addition of professional societies to the Board.
- Reviewed progress on the development of an integrated care delivery system.
- Monitored the implementation of virtual care projects.
- Reviewed and approved the annual *Clinical services overview* in this Annual Report and the **2021 Clinical Services Report** available at annualreport.mediclinic.com.

SUSTAINABLE DEVELOPMENT

The Committee, among other matters:

- Monitored the implementation of the Group Sustainable Development Strategy, approved by the Board in FY20, which consolidated the Group's various ESG initiatives and implements a structured, consistent and systematic approach. The Committee received feedback from the respective departments on the implementation of objectives on a biannual basis, with sub-goals and objectives reviewed annually. New objectives and revised timelines were recommended to the Board for approval. More information on the Group Sustainable Development Strategy is available under 'Sustainable development' in the 'Governance' section of the Company's website.
- Reviewed and approved proposed policy changes to ensure alignment to the Group Sustainable Development Strategy, including the Group Sustainable Development Policy, the Group Environmental Policy and the Ethics Code, all available on the Company's website at www.mediclinic.com.
- Monitored the sustainable development performance of the Group, especially:
 - engagement with key stakeholders and key outcomes from such engagement (including patient and employee engagement surveys);
 - 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;
 - environmental impact management;
 - fraud and ethics;
 - compliance, including the governance of advertising and compliance with consumer protection legislation; and
 - CSI.
- Monitored the results of the Company's participation in various sustainability indices and assessments, notably the Company's inclusion in the FTSE4Good Index.
- Confirmed the key sustainability priorities as recommended by management and reported on page 54 and in the 2021 Sustainable Development Report available at annualreport.mediclinic.com.
- Reviewed and approved the annual *Sustainable development overview* included in this Annual Report and the **2021 Sustainable Development Report**.

As referred to below, 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 compliance universe aspects within the Group, as allocated to the Committee and set out in their terms of reference. The discussion included evaluating relevant risk and control self-assessments and concluded that no matters of material non-compliance were identified. Where non-compliance was identified, corrective actions were formulated, and implementation will be monitored.

ASSURANCE

The Committee considered the need to maintain the current external and internal assurance measures of the Group's non-financial reporting as applied for FY21, 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 reviewed its performance as part of the annual evaluation of the Board and its committees, which is described on page 134 of the *Corporate Governance Statement*. Subsequently, the Committee provided management with guidance on the matters set out below, to further strengthen its oversight:

- the adoption of a regular quarterly reporting cycle for clinical performance data instead of following the Committee meeting cycle, to facilitate comparisons;
- further improvements to external orientation on clinical performance; and
- enhancing the monitoring of sustainable development by engaging the Committee in more strategic sessions.

Cognisant of the above, 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.

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 2021 AGM to this report, which should be read in conjunction with the **2021 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.
Review of the clinical performance indicators and identification of trends	Refer to the 'Clinical management model' section of this Committee Report.
Implementation of advanced technology for improved clinical information and performance	Refer to the 'Other focus areas' section of this Committee Report.
Continued monitoring of the Company's sustainable development	Refer to the 'Sustainable development' section of this Committee Report.

FY22 PRIORITIES

The Committee will, among other matters, focus on:

- continuing to improve the comparability of reporting within and across all three divisions;
- continuing to provide 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 goals;
- monitoring progress on the implementation of a software solution for the management of clinical adverse events;
- monitoring progress on the implementation of EHRs at Hirslanden, Mediclinic Southern Africa and Mediclinic Middle East;
- monitoring progress on the clinical internal audits;
- 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 25 May 2021

NOMINATION COMMITTEE REPORT



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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.

Dame Inga Beale Chair of the Nomination Committee

As Chair of the Nomination Committee ('**the Committee**'), it is my pleasure to report on its activities for FY21, together with the priorities for FY22.

COMMITTEE COMPOSITION AND MEETING ATTENDANCE

The current Committee composition meets the requirements of the Code, with the majority of members being independent non-executive directors. The Chair of the Board is the Chair of the Committee but does not chair the meeting when Board Chair succession is discussed.

TABLE 1: COMMITTEE COMPOSITION AND MEETING ATTENDANCE

NAME ¹	DESIGNATION	DATE OF APPOINTMENT TO COMMITTEE	NUMBER OF SCHEDULED MEETINGS ATTENDED ²
Dame Inga Beale (Committee Chair)	Non-executive Chair ³	26/03/2020	2/2
Mr Alan Grieve	Senior Independent Director	15/02/2016	2/2
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 2021. Dr Edwin Hertzog retired from the Board on 22 July 2020.

² The attendance reflects the number of scheduled meetings held during the financial year. Details of additional meetings are set out below.

³ Dame Inga was deemed to be independent upon appointment.

The Committee normally holds two scheduled meetings during a financial year. During FY21, the Committee held three additional ad hoc meetings to consider non-executive directors' succession and recruitment, and Mr Weiner's appointment as non-executive director. The Committee held five ad hoc meetings during FY21 and two ad hoc meetings between the Company's financial year-end and the Last Practicable Date to discuss further plans for non-executive director succession and the progress of these plans, discussed alongside. 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. Other attendees of the Committee meetings, regularly and upon invitation, include the Group CEO, the Group Chief Strategy and Human Resources Officer and the Group General Manager: Talent Management.

ROLE AND KEY AREAS OF ACTIVITY

The role of the Committee is to assist the Board in:

- reviewing succession planning within the Board, the Group Executive Committee and their direct reports;
- reviewing the structure, size and composition, including diversity and independence, of the Board and its committees;
- identifying potential candidates to be appointed as directors or members of Board committees, as the need arises;
- establishing and overseeing the process for the annual evaluation of the Board, its committees, the Chair and individual directors; and
- establishing the Board Diversity Policy and reviewing diversity progress within the Board, the Group Executive Committee and their direct reports.

The Committee is 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.

BOARD AND OTHER SUCCESSION PLANNING

During the year under review, Dame Inga progressed from Chair Designate to Chair of the Board upon the conclusion of the 2020 AGM and Dr Edwin Hertzog's retirement. Simultaneously, Dame Inga was also appointed Chair of the Nomination Committee.

A key activity for the Committee during the reporting period was leading the search for an independent non-executive director to succeed Mr Seamus Keating, who stepped down from the Board on 31 March 2020. The Committee considered the existing skills, experience and composition of the Board, including gender and ethnic diversity, as well as the requirement for skills and knowledge of the Board and its committees for the future strategic needs of the business, and compiled a role specification. The Committee considered the nominations received from Board members and the qualifying candidates that the independent external search party, MWM Consulting Limited, had identified in a previous recruitment process. Through this, the Committee was able to identify four potential candidates for its shortlist, which included sufficient diverse and high-calibre individuals without the need to incur the expense of appointing an external search party. Taking the aforementioned into consideration, as well as the importance of the candidate's background in UK-listed companies and financial and risk awareness, the Committee recommended the appointment of Mr Steve Weiner to the Board. It highlighted his background, which fulfilled the role specification, and, additionally, his understanding of healthcare based on

his experience as a non-executive director at two large, complex NHS trusts. The Board subsequently approved Mr Weiner's appointment as an independent non-executive director of the Company, and his appointment as a member of the Audit and Risk Committee and Clinical Performance and Sustainability Committee with effect from 22 July 2020. He was also appointed as a member of the Remuneration Committee with effect from 11 November 2020.

The Committee also initiated the process to fill the vacancy that will be created by Mr Grieve's resignation as the SID. At the ninth anniversary of his appointment on 13 September 2021, he may no longer be seen to meet the independence criteria set out in the Code. An internal selection process in which members of the Board were invited to apply for the role of the SID followed. The key attributes of each applicant, including the skills, experience, knowledge and responsibilities of the applicants, were considered against the specification for the role, which reflected the criteria as set out in the Code and the relevant guidance. Subsequently, Dr Felicity Harvey, Chair and member of the Clinical Performance and Sustainability Committee since October 2017, was selected to succeed Mr Grieve as SID effective from 13 September 2021.

Similarly, the Committee initiated the process to identify chair successors for the Audit and Risk Committee and Remuneration Committee to succeed Messrs Grieve and Petersen, respectively, from September 2021, the ninth anniversary of their initial appointments as directors of Mediclinic International Limited. Mr Tom Singer will succeed Mr Grieve as Chair of the Audit and Risk Committee effective from 13 September 2021 and Mr Weiner will succeed Mr Petersen as Remuneration Committee Chair effective from the same date. The Committee notes that, upon appointment, Mr Weiner will not meet the Code requirement for remuneration committee chairs to have served on a remuneration committee for at least 12 months prior to their appointment. However, the Committee has every confidence that Mr Weiner has the appropriate skills and experience to carry out the role. He has also attended five Remuneration Committee meetings since being appointed as a member of the committee and is therefore familiar with its discussions and workings. In addition, his appointment to the Audit and Risk and Clinical Performance and Sustainability committees upon joining the Board gives him excellent insights in terms of setting appropriate financial and non-financial performance measures and targets for the STI and LTIP schemes. In the interests of continuity and an effective handover, the Committee has recommended to the Board that Messrs Grieve and Petersen remain on the Board, albeit in a non-independent capacity, from 12 September 2021 until the expiry of their second three-year term on 14 February 2022. The Board, excluding the Chair, will continue to comprise a majority of independent directors throughout FY22.

In addition, the Committee sought to identify candidates to succeed Messrs Grieve and Petersen as independent non-executive directors to ensure the Board continues to comply with the Code requirements on independence throughout FY22. The Committee compiled a list of objective criteria for the roles following an assessment of the existing skills, experience and composition of the Board; the effect of these resignations; the Code's requirements for these positions; the current and future needs of the business; and the benefits of a diverse Board. Odgers Berndtson Limited, an external search agency, was appointed 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. As at the date of the report, the Committee was in the process of actively recruiting new non-executive directors. Further announcements will follow at the conclusion of the recruitment process.

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, the outcome of the annual Board evaluation, non-executive directors' length of service and a detailed skills matrix of the Board.

The method facilitating workforce engagement was reviewed by the Committee, whereafter it was recommended to the Board that it had fulfilled the Board's obligations for FY21, thus meeting the requirements of the Code. The Committee further deemed that the method remains appropriate for the Company and recommended it continues to be adopted going forward. The method was, however, enhanced through the inclusion of Mr Danie Meintjes, the appointed non-executive director for workforce engagement, in executive feedback sessions on *Your Voice* employee engagement survey results and biannual meetings with each divisional Chief Human Resources Officer to assess their progress and challenges.

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, updated by each director to confirm their skills ahead of the discussion, and the outcome of the Board evaluation. The areas reviewed included the Board members' experience, independence, diversity, tenure, geographical knowledge, ESG experience, sustainability skills and knowledge of the Company as a whole.

In addition to Mr Weiner's appointment, as discussed under 'Board and other succession planning', Dr Anja Oswald was appointed to the Clinical Performance and Sustainability Committee and therefore stepped down as a member of the Remuneration Committee, both with effect from 1 March 2021. In this, the Committee recognised her background, skills and experience in healthcare and the need for additional clinical expertise on the Clinical Performance and Sustainability Committee highlighted by that committee's own evaluation.

Following Dame Inga's appointment as independent non-executive director and member of the Nomination Committee on 26 March 2020, and her subsequent appointment as Chair of the Board upon the conclusion of the 2020 AGM, she was 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

The Committee reviewed the Board Diversity Policy, which applies to the Board and the Group Executive Committee, and received feedback from the divisions regarding progress against their diversity and inclusion goals during FY21 and plans for continued improvement going forward. The Committee also received feedback from the FY21 diversity and inclusion culture survey and were informed of the actions taken to address Group and divisional themes highlighted by the results.

DIVERSITY POLICY

The Board supports the principle of boardroom diversity in general and takes boardroom skills diversity seriously. It believes that the Board will 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; and considers these matters regularly at Board and Committee meetings. 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, market best practice and the performance of peer companies.

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 Company.

The Board Diversity Policy has four objectives to support the Board's commitment to diversity. These objectives also support the delivery of the Group's strategic priorities by drawing on a wide pool of talent, introducing a broader range of perspectives and insights, reducing the risk of 'group think', and supporting an inclusive culture across the Group.

TABLE 2: PROGRESS AGAINST OBJECTIVES

OBJECTIVE	PROGRESS
The Board will remain committed to achieving a diverse Board and executive management	During the year, the Board agreed to the appointment of Mr Weiner as independent non-executive director. He complements the current Board composition, not just in terms of background, but also in his breadth of skills, knowledge and experience, as described in the aforementioned process of his recruitment.
including aspects such as age, gender, ethnicity, education and professional background.	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 each division through short- and long-term succession planning. Activities during the year included strategies and interventions to encourage engagement of women in senior management; campaigning to increase awareness of diversity and inclusion; improving the B-BBEE standing of Mediclinic Southern Africa and its subsidiary companies; and promoting Emiratisation at Mediclinic Middle East. The Committee also took into account the increased focus on ethnic diversity as sparked by the ongoing activities of the Black Lives Matter movement worldwide.
	Where the Company has been unable to promote candidates to new positions from within, it has identified the desired criteria for external candidates. Both these activities have been embedded to support the Executive Committees, with general diversity featuring as one of the key priorities.
	The Board and the executive management remain committed to achieving diversity and will continue to recommend appointments based on merit, skills, experience, independence and knowledge required by the Board, the executive management and the Company.
The Committee will annually consider and make recommendations,	The Committee reviewed the Board Diversity Policy and was satisfied that the objectives remained relevant. The Committee remains committed to progressing the objectives for FY22.
if applicable, to the Board on its diversity objectives.	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	The Committee reviewed the composition of the Board and its committees, specifically the balance of skills, experience, independence, knowledge and diversity. 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 during the year and plans for continued improvement during FY22.
diversity, in addition to considering the balance of skills, experience, independence and knowledge.	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 and at the date of this report. Mr Petersen's resignation from the Board will impact this balance, a fact the Committee will ensure is considered in the recruitment process for Messrs Petersen and Grieve's replacements.
	The Committee is pleased to report that, at the date of this Annual Report, the Board had 33% female representation, in line with the 2020 target recommended by the Hampton-Alexander Review. This proportion may change throughout the coming year as new non-executive directors are appointed.
	The Group's workforce has 75% female representation overall. As referenced in the 2021 Sustainable Development Report , a target has been set of at least 40% female and at least 40% male representation at middle management and more senior levels of the organisation.
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.	Mr Weiner was identified from a diverse list of candidates, each of whom was assessed on merit, against an agreed set of criteria 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.

ORGANISATIONAL DIVERSITY

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 below.

		RACE (ONLY IN RESPECT OF SOUTHERN AFRICA)							AGE (YEARS) AT 31/03/2021				
		BLA	CK ²	WF	IITE	MA	\LE	FEM	IALE	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	10		n,	/a		9	90%	1	10%	5	50%	5	50%
Hirslanden Executive Committee	7	n/a			7	100%	_	_	4	57%	3	43%	
Mediclinic Southern Africa Executive Committee	11	3	27% ²	8	73%	9	82%	2	18%	2	18%	9	82%
Mediclinic Middle East Executive Committee	10	n/a			9	90%	1	10%	6	60%	4	40%	

TABLE 3: RACE, GENDER AND AGE REPRESENTATION ON GOVERNANCE BODIES

TABLE 4: RACE, GENDER AND AGE REPRESENTATION OF DIRECT REPORTS TO GOVERNANCE BODIES

		RACE (ONLY IN RESPECT OF SOUTHERN AFRICA)			GENDER			AGE (YEARS) AT 31/03/2021					
		BLA	CK ²	WH	IITE	MA	LE	FEM	ALE	30-50		> 50	
	TOTAL NO OF DIRECT REPORTS ¹	NO.	%	NO.	%	NO.	%	NO.	%	NO.	%	NO.	%
Group Executive Committee	29		n,	/a		19	66%	10	34%	18	62%	11	38%
Hirslanden Executive Committee	68	n/a		41	60%	27	40%	44	65%	24	35%		
Mediclinic Southern Africa Executive Committee	61	16	26%²	45	74%	24	39%	37	61%	26	43%	35	57%
Mediclinic Middle East Executive Committee	77	n/a			51	66%	26	34%	61	79%	16	21%	

Notes

¹ Total membership shown at 31 March 2021.

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 1: GENDER REPRESENTATION - GROUP EMPLOYEES AND SENIOR MANAGERS1

Group employees (%)			Senior managers (%)		
	74%	26%	22%	78%	
• Female 22 601			Female 31		
Male 7 779			Male 110		

Note

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).

COMMITTEE EVALUATION

The Committee reviewed its performance as part of the annual evaluation of the Board and its committees, which is described on page 134 of the *Corporate Governance Statement*. No significant issues requiring improvement were identified and the Committee and the Board concluded that the Committee operated effectively during the year under review.

EVALUATION OF THE COMPOSITION, STRUCTURE AND FUNCTIONING OF THE BOARD

When considering the election or re-election of directors or appointment of new 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 were also taken into account in the selection criteria for new appointments to the Board and its committees.

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 2021 AGM.

FY22 PRIORITIES

The Committee will, among other matters, focus on:

- continuing the development of succession plans and the talent pipeline towards key Group and divisional roles;
- 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 Group Diversity and Inclusion Strategy.

Signed on behalf of the Committee.

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Dame Inga Beale Chair of the Nomination Committee 25 May 2021

REMUNERATION COMMITTEE REPORT



Mr Trevor D Petersen Chair of the Remuneration Committee 25 May 2021

LETTER FROM THE CHAIR

On behalf of the Remuneration Committee (the '**Committee**'), it is my pleasure to present the Directors' Remuneration Report for FY21. I would like to thank Dr Anja Oswald, who stepped down from the Committee effective on 1 March 2021, for the counsel that she provided as a member of the Committee since July 2018, and formally welcome Dame Inga Beale and Mr Steve Weiner who joined the Committee during the financial year. This will be my last report, as I will be stepping down from the Committee with effect from 13 September 2021 and handing over to my successor as Chair, Mr Weiner.

The report comprises the following sections:

- This letter, which provides an overview of the key decisions made on remuneration during FY21 (refer to pages 164–166)
- A summary of the Directors' Remuneration Policy approved by investors at the 2020 AGM (97.31% vote in favour) and how it will be implemented in FY22 (refer to pages 167-169)
- The annual Remuneration Report, which describes how the Remuneration Policy was applied during FY21 (refer to pages 172-181)

FY21 PERFORMANCE CONTEXT

The Group delivered a robust operating performance during the year, demonstrating ongoing operational and financial resilience.

Mediclinic has been unwavering in its support of relevant health authorities throughout the pandemic while continuing to execute on its strategy, accelerating its innovation and digital transformation initiatives and launching numerous new partnerships and collaborations. These, alongside its focus on expanding its integrated services across the continuum of care, support long-term sustainable growth across the Group.

Financial performance in the first half of the year was significantly impacted in April 2020 by the sudden onset of COVID-19-related lockdown measures and non-urgent elective procedure restrictions. Despite the more severe second wave of the pandemic placing even greater demand on the Group's healthcare facilities and employees, Mediclinic adapted well through agility and resilience, implementing lessons learned from the first wave, to deliver a solid second-half performance with revenue growth of 1%.

Refer to the COVID-19 overview on page 12, the Group Chief Executive Officer's Report on page 24 and the Group Chief Financial Officer's Report on page 84 for more detailed information.

IMPACT OF COVID-19 ON REMUNERATION

As set out on page 196 of the 2020 Annual Report, the Committee postponed certain decisions in relation to executive remuneration given the significant uncertainty at the time and the Group's priority being to maintain its liquidity position and maximise its operational support to relevant health authorities and governments in tackling the pandemic. An update on such decisions is provided below.

- FY20 STI outcome: Following careful review of all relevant factors, the Committee approved the final outcome of the FY20 STI award in November 2020 and applied its discretion to reduce the formulaic outcome by 60% (from 42% of maximum to 17% of maximum). The Committee considered this to be a fair outcome taking into account Group performance in FY20, bonus outcomes for the wider employee group (where bonuses to facility-based employees were paid in full based on the formulaic outcome) and the investor experience. In line with the Remuneration Policy, 50% of the STI outcome was deferred into shares for two years.
- FY21 salary increases: After thorough review, the Committee approved the previously planned salary increases of 5.5% for the executive directors in line with the average salary increases granted to Mediclinic Southern Africa and Mediclinic Group Services employees, effective from 1 October 2020, excluding back-pay for the period April-September 2020.
- FY21 LTIP awards: It was intended for the FY21 LTIP awards to be based on adjusted EPS, relative total shareholder return ('**TSR**'), ROIC and client experience (10% of award). However, given the global

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Mediclinic has been unwavering in its support of relevant health authorities throughout the pandemic while continuing to execute on its strategy, accelerating its innovation and digital transformation initiatives.

uncertainty caused by COVID-19, the Committee deferred a decision on award levels and the underlying performance targets. Following consultation with investors, the LTIP awards were granted in December 2020. In line with the RNS announcement published on 15 December 2020, details of award levels and the underlying performance targets for these awards are provided on page 175.

In addition to the above, all directors and divisional CEOs voluntarily donated 30% of their fees and salaries for three months (1 April to 30 June 2020) to charitable causes related to the pandemic. All other Group and divisional Executive Committee members made similar donations to related charities in their respective countries.

PERFORMANCE OUTCOMES IN FY21

As set out on page 195 of the 2020 Annual Report, it was intended for the FY21 STI to be based on Group adjusted earnings before interest and taxes ('**EBIT**') performance and subject to adjustments based on performance against financial and non-financial subset indicators for each of the three divisions.

COVID-19 has had a significant impact on clinical quality and client experience assessments. While the business continues to take each of these areas seriously given their importance to long-term sustainable performance, it has not been possible to measure performance on a robust and consistent basis for FY21. Therefore, the Committee determined that it was not appropriate to set formal targets for the subset indicators for FY21. Rather, the Committee agreed that the FY21 outcome would be determined initially by adjusted EBIT performance (i.e. on a formulaic basis, in line with the approach taken in previous years), with the outcomes then reviewed based on overall business performance, including underlying financial performance, clinical quality and client experience (with input from the Clinical Performance and Sustainability Committee), and employee engagement. The Committee would then use its judgement to consider performance and determine whether it was appropriate to make any downward adjustments to the formulaic STI outcome.

As set out in more detail on page 174, the Group achieved EBIT of £239.0m for FY21, which was ahead of the stretch EBIT target of £230.4m. This resulted in a formulaic STI of 100% of the maximum. Following consideration of the formulaic outcome, the Committee reviewed clinical quality, client experience and employee engagement performance in considering whether it would be appropriate to make any adjustment. Key highlights for the year are listed below.

- Effectively managing the impact of COVID-19 across all divisions, with the Group working collaboratively as an integrated team, by ensuring that expertise and experience were shared across the Group when little was known about COVID-19. This allowed divisions that experienced later waves to learn from others and improve patient outcomes.
- Establishing proactive measures to protect patients, employees, affiliated doctors and allied health professionals to ensure the sustainability of the business.
- Managing resources proactively, ranging from equipment, availability of beds, logistics, medication and oxygen, to ensure no division ran out of supplies or required equipment. The scale on which products were purchased also ensured fair prices in a competitive environment with rapid escalation of prices.
- Rapidly responding to rising caseloads as a result of COVID-19 across Hirslanden and Mediclinic Middle East, and in particular Mediclinic Southern Africa. Not only did the Group support national responses to the pandemic, during this period the relationships with local governments and authorities, regulators and independent doctors were strengthened.
- Establishing innovative measures to allow patients to stay in touch with loved ones at a time when face-to-face visits were not possible.
- Maintaining employee engagement levels across the Group in line with 2019 scores at 3.98.

Reflecting on the above, the Committee felt that the formulaic outcome was an appropriate reflection of overall performance, and the performance and leadership by the executives of the business through COVID-19. The above said, the Committee was acutely aware that the

REMUNERATION COMMITTEE REPORT CONTINUED

dividend remains suspended as part of the Group's broad response to maintaining its liquidity position, and as such, the Committee determined that it would be appropriate for the release of any STI to be conditional on the Group's dividend being reinstated. The cash proportion of the bonus (50%) will therefore be deferred until such time and 50% of the bonus award will continue to be deferred into shares, with the awards subject to the usual vesting period and the Group dividend being reinstated.

LTIP awards granted in June 2018 will lapse based on adjusted EPS and relative TSR performance over the three-year performance period. ▶ Refer to page 175 for further details.

IMPLEMENTATION IN FY22

Mr Jurgens Myburgh will receive a 3.6% base compensation increase effective 1 April 2021, in line with the average increase awarded to the wider South African workforce.

The Committee has been mindful that Dr Ronnie van der Merwe's base compensation has been positioned at the lower end of the market compared with peers since his appointment as Group CEO in June 2018. Therefore, after careful consideration of Dr Van der Merwe's performance since his appointment as Group CEO, including strategically positioning the Group for the future through team alignment and development, driving increased efficiencies and patient quality across all three divisions, as well as his exceptional leadership and commitment during the COVID-19 pandemic, the Committee agreed a base compensation increase of 7.1%.

Both Mr Myburgh and Dr Van der Merwe's increases were calculated based on a constant currency exchange rate of £1: ZAR21.38 to eliminate the effect of a fluctuating exchange rate.

While the Committee recognises that such salary increases are not common in the current climate, the Committee felt it was important to reflect the calibre of the individual in the role. Even once the increase has been implemented, Dr Van der Merwe's total compensation opportunity will continue to be positioned between lower quartile and median of equivalent size FTSE 250 companies.

FY22 STI awards will continue to be based on Group adjusted EBIT performance, with the financial and non-financial subset indicators reinstated for each of the three divisions. Refer to page 167 for further details.

It is intended that an FY22 LTIP award will be granted to Dr Van der Merwe and Mr Myburgh, respectively, in line with the normal maximum levels under the Remuneration Policy. The Committee will consider the Company's share price at the time of grant when finalising the quantum of awards. It will use its discretion to amend the vesting outcome where it considers that it is not representative of business performance. This includes consideration of any potential 'windfall gains' at the point of vesting. > Refer to page 168 for further details of the awards basis.

REMUNERATION POLICY REVIEW

During FY22, and under the leadership of the new Committee Chair, the Committee intends to undertake a comprehensive review of the Remuneration Policy and incentive framework for executive directors and senior management across the Group to ensure that it:

- continues to support the Group's key remuneration principles;
- appropriately incentivises the executive directors and senior management to deliver on the Group strategic goals and create long-term shareholder value; and
- continues to adhere to good corporate governance.

While conscious of the external environment, the review will consider in detail whether the Group's current remuneration offering is market competitive and supports delivery of the Group's strategic priorities and future growth.

Following the review, the Committee intends to consult with major investors on any recommended changes with the view to putting a revised Remuneration Policy for executive directors to a binding shareholder vote at the 2022 AGM.

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 decisionmaking. The Committee remains committed to open and transparent dialogue with investors and welcomes any feedback or comments.

The Committee believes that the Remuneration Policy operated as intended during FY21 and it considers that the remuneration received by executive directors was appropriate in terms of Group and personal performance, the significant role played by the Group in national efforts to tackle the pandemic and the experience of investors and employees. The Committee remains committed to open and transparent dialogue with investors and welcomes any feedback or comments.

Mr Trevor D Petersen Chair of the Remuneration Committee 25 May 2021

SUMMARY OF REMUNERATION POLICY

The following section provides a summary of the Directors' Remuneration Policy approved by investors at the AGM held on 22 July 2020. The full policy can be found under the 'Governance' section of the Company's website at www.mediclinic.com. There are no proposals to amend the policy at the 2021 AGM.

The Remuneration Policy supports the execution of the Company's long-term strategy in a way that is consistent with its culture and values (through appropriate performance metrics used for the purpose of the STI and LTIP); appropriately aligns executives' remuneration with the interests of investors (through the use of appropriate stretching performance targets for incentive awards and settlement of deferred shares and LTIP awards through shares); and complies with the Code.

ELEMENT OF PAY	PURPOSE AND LINK TO STRATEGY	TERMS	GROUP CEO	GROUP CFO		
Base	• To attract, retain	Comprising of	£544 677 ¹	£390 315 ¹		
compensation	and motivate talented individuals who are critical to the Group's success	a Board fee denominated in £ (reflecting the Board's UK status) and a base salary denominated in ZAR (reflecting the location where the executive directors reside).	Base salaries are reviewed annually with any increases normally taking effect on 1 April of each year. Salaries are appropriately benchmarked and reflect the role, job size and responsibility as well as the performance and effectiveness of the individual.			
Annual STI	• To encourage and reward delivery of the Group's annual financial	Maximum opportunity (% of base compensation)	150%	133%		
	and operational goals • To encourage share ownership and align with	Performance conditions	Bonus determined by Group adjusted EBIT, with the outturn reduced based on performance against financial and strategic subset indicators of the three divisions.			
	investors' interests		Targets are not published in advance as they are deemed commercially sensitive; however, details 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.			
		Deferral	50% compulsory deferral for two years, subject to employment conditions only and settled in Company shares.			

TABLE 1: EXECUTIVE DIRECTOR REMUNERATION POLICY OVERVIEW AND FY22 IMPLEMENTATION

Note

Annualised remuneration payable in South African rand translated into sterling at a rate of £1: ZAR21.30 at 31 March 2021. Note that the change to the base compensation figures disclosed above from last year resulted from fluctuations in the sterling: rand exchange rate during the year.

REMUNERATION COMMITTEE REPORT CONTINUED

ELEMENT OF PAY	PURPOSE AND LINK TO STRATEGY	TERMS	GROUP CEO		GROUP CFO			
LTIP	 To balance performance pay between achieving 	Maximum opportunity (% of base compensation)	200%		150%	150%		
	financial and strategic performance goals and delivering sustainable outperformance	Performance conditions	MEASURE	WEIGHTING	THRESHOLD (25%)	TARGET (62.5%)	MAX. (100%)	
			Adjusted EPS growth	40%	28p	35p	42p	
			Relative TSR ¹	25%	Median	Straight line	Upper quartile	
	• To encourage		ROIC ²	25%	5.0%	5.5%	6.25%	
	share ownership and align with investors'		Client satisfaction	10%	82.85%	85.85%	88.85%	
	interests		outturns (upw		e discretion to o ard) considering verformance.			
		Performance/ deferral period					t to	
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, excluding Board fee, 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			al insurance, life alary, as person	e insurance of be ally selected.	etween 5-7	' times	
Share ownership guidelines	• Alignment of executive directors'	Requirement as a % of base compensation	225%		200%			
Post- cessation shareholding requirement	interests with those of investors	Executive direct cessation at a le or the sharehold Full post-cessati cessation, reduc	vel equal to the ling requiremer on shareholdin	lower of the ad t immediately g requirement	ctual shareholdi prior to departu to be held for 12	ng on depa ire. ! months fo	arture	

Notes
¹ Measured against the FTSE 250, excluding financial services and extraction companies.
² ROIC is net operating profit less adjusted tax expressed as a percentage of average invested capital.

TABLE 2: NON-EXECUTIVE DIRECTORS' FEES IN FY21

BASE FEES	FEE FROM 1 APRIL 2020	FEE FROM 1 APRIL 2021	INCREASE
Chair of the Board	£280 000	£280 000	0%
Base Board fee	£63 000	£63 000	0%
COMMITTEE CHAIR/SENIOR INDEPENDENT DIRECTOR FE	EES		
Audit and Risk Committee	£16 000	£16 000	0%
Clinical Performance and Sustainability Committee	£10 000	£12 000	20%1
Investment Committee	£10 000	£10 000	0%
Nomination Committee	£10 000	n/a²	n/a
Remuneration Committee	£16 000	£16 000	0%
Senior Independent Director	£25 000	£11 0003	(40%) ³
COMMITTEE MEMBER FEES			
Audit and Risk Committee	£10 000	£10 000	0%
Clinical Performance and Sustainability Committee	£7 000	£8 000	14%1
Investment Committee	£7 000	£7 000	0%
Nomination Committee	£7 000	£7 000	0%
Remuneration Committee	£10 000	£10 000	0%

Notes

¹ To better reflect the relative time commitment required for the Clinical Performance and Sustainability Committee, increases have been made to the fees for both the Committee Chair and its members.

² The Nomination Committee is currently chaired by the Board Chair who receives an all-inclusive fee. Should this change, the fee will be £11 000.

³ The revised fee for the SID will apply from the date on which a new SID is appointed.

SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

Executive directors' service contracts do not have a fixed expiry date. However, they are terminable either by the Company or by the executive director providing six months' notice.

TABLE 3: 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)

Non-executive directors have letters of appointment setting out the terms under which they provide their services to the Company. The dates of their original appointment and expiry of their current three-year term are shown below.

TABLE 4: NON-EXECUTIVE DIRECTORS' APPOINTMENT DATE AND EXPIRY OF CURRENT TERM

NON-EXECUTIVE DIRECTOR	DATE OF APPOINTMENT	EXPIRY OF CURRENT TERM
Dame Inga Beale	26 March 2020	25 March 2023
Mr Alan Grieve	15 February 2016	14 February 2022
Dr Muhadditha Al Hashimi	1 November 2017	30 October 2023
Mr Jannie Durand	15 February 2016	14 February 2022
Dr Felicity Harvey	3 October 2017	2 October 2023
Mr Danie Meintjes	15 February 2016	31 July 2024
Dr Anja Oswald	25 July 2018	31 July 2021
Mr Trevor Petersen	15 February 2016	14 February 2022
Mr Tom Singer	24 July 2019	23 July 2022
Mr Steve Weiner	22 July 2020	21 July 2023

ADHERENCE TO THE 2018 CORPORATE GOVERNANCE CODE PRINCIPLES

The following design principles from the Code were considered by the Committee when developing the Remuneration Policy.

Clarity	 The Committee welcomes open and frequent dialogue with investors on the approach to remuneration. The Committee looks to provide clear disclosure of how the Remuneration Policy has been implemented in the year and how it 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 Mediclinic Group Strategy.
Simplicity	 A market-standard annual bonus and LTIP structure is followed. The structure is simple and well understood by both investors 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. 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 investors. 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.
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 client satisfaction. Adherence to the Company philosophy of always putting <i>Patients First</i> 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.

INVESTOR VOTING AND ENGAGEMENT

The Directors' Remuneration Report for FY20 and the Directors' Remuneration Policy were approved by investors at the Company's 2020 AGM with 99.19% and 97.31% of votes cast in their favour, respectively.

	FOR	%	AGAINST	%	WITHHELD	TOTAL SHARES VOTED	% OF ISSUED SHARES VOTED
FY20 Directors' Remuneration Report	644 127 734	99.19	5 283 387	0.81	2 384 045	649 411 121	88.09
Remuneration Policy	633 886 281	97.31	17 494 687	2.69	414 198	651 380 968	88.35

TABLE 5: SHAREHOLDER VOTING ON REMUNERATION MATTERS

The Committee considers the AGM to be an opportunity to engage with investors, 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 investors and their representative bodies regarding any material changes to the Remuneration Policy or its implementation.

The Committee consulted with major investors during FY20 on the changes to the Remuneration Policy and details of how their feedback was considered when updating the Remuneration Policy are set out on page 194 of the 2020 Annual Report.

During FY21, the Committee also consulted with major investors on the FY21 STI performance metrics and FY21 LTIP quantum and performance metrics/targets.

On both occasions, the Committee was grateful for the time and constructive feedback that investors provided.

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 include multiple jurisdictions, the Committee currently does not formally consult with employees in respect of the design of the 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.

While not specifically consulted on executive remuneration, feedback from employees is gathered through a wide range of electronic and in-person channels, including the annual Gallup® employee engagement survey, focus groups, performance reviews, leadership video conferences, internal campaigns and employee wellness programmes. In FY21, the Board received and discussed biannual reports from the designated non-executive director for workforce engagement, outlining the outcomes from the annual employee engagement survey and feedback and insight from all levels within the Group, supplemented by feedback from management; and discussed updates on workforce wellbeing during COVID-19.

When determining executive director remuneration arrangements, including base compensation increases, the Committee takes account of 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 the annual STI is generally in line with the policy for remuneration of management within the Group.

Similarly, the structure of the executive directors' pay policy on the LTIP 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 REPORT¹

Note

¹ Throughout the Annual Remuneration Report, South African rand remuneration was translated into sterling at a rate of £1: ZAR21.30 at 31 March 2021 and £1: ZAR18.76 at 31 March 2020.

DIRECTORS' REMUNERATION

This section sets out the single figure tables showing the remuneration for the executive and non-executive directors for FY21 and FY20. Further information on these figures is set out in the subsequent sections.

TABLE 6: SINGLE TOTAL FIGURES OF DIRECTORS' REMUNERATION (AUDITED)

FIXED PAY			VARIABLE PAY						
		SALARY & FEES £'0001	BENEFITS £'000	PENSION £'000	SUBTOTAL £'000	STI £'000²	LTI £'000	SUBTOTAL £'000	TOTAL £'0003
EXECUTIVE DIRECTORS									
Dr Ronnie van	FY21	497	7	39	543	742	0	742	1285
der Merwe	FY20	543	15	43	601	138	0	138	739
Mr Jurgens	FY21	369	6	27	402	488	0	488	890
Myburgh	FY20	401	11	30	442	91	0	91	533

		FIXED PAY				
		FEES £'000	BENEFITS⁴ £'000	TOTAL £'000		
NON-EXECUTIVE CHAIR⁵						
Dama Inga Poala	FY21	219	0	219		
Dame Inga Beale	FY20	1	0	1		
Dr Edwin Hertzog	FY21	87	2	89		
Di Edwin Hertzog	FY20	281	6	287		
NON-EXECUTIVE DIRECTORS						
Dr Muhadditha Al Hashimi	FY21	70	1	71		
Dr Munadditha Al Hashimi	FY20	70	3	73		
Mr Jannie Durand ⁶	FY21	79	3	82		
Mr Jannie Durand [®]	FY20	77	6	83		
Mr Alan Grieve	FY21	118	0	118		
Mr Alan Greve	FY20	106	1	107		
Dr Falicity Harvoy	FY21	80	0	80		
Dr Felicity Harvey	FY20	80	0	80		
Mr Donio Maintias	FY21	70	2	72		
Mr Danie Meintjes	FY20	70	6	76		
Dr. Ania Cowald	FY21	80	2	82		
Dr Anja Oswald	FY20	80	4	84		
Mr Trevor Petersen	FY21	89	3	92		
Mr frevor Petersen	FY20	96	7	103		
Mr. Tom Singer	FY21	83	0	83		
Mr Tom Singer ⁷	FY20	54	0	54		
Mr Steve Weiner ⁸	FY21	60	0	60		

Notes

⁴ Benefits to non-executive directors comprise reimbursement of reasonable travel, accommodation and subsistence expenses plus the associated tax. No such benefits were paid in FY21 as all Board and committee meetings took place via video conferencing due to COVID-19-related travel restrictions.

⁵ Dame Inga was appointed as non-executive director and Chair Designate of the Company on 26 March 2020, and succeeded Dr Hertzog upon his retirement as non-executive director and Chair on 22 July 2020.

⁶ Mr Durand's fees are paid to Remgro and include services rendered by Mr Durand or his alternate, Mr Pieter Uys.

⁷ Mr Singer was appointed as non-executive director of the Company on 24 July 2019.

⁸ Mr Weiner was appointed as non-executive director of the Company on 22 July 2020.

¹ All directors voluntarily committed to donating 30% of their salaries and fees for three months (1 April to 30 June 2020) to charitable causes related to the pandemic. The figures reported in Table 6 are before the voluntary donations.

² As noted on page 164, the Committee approved an FY20 STI outcome equal to 17% of the maximum opportunity in November 2020. The FY20 STI and total remuneration figures have therefore been restated.

³ The formulaic outcome of the STI was 100% of the maximum, however, the Committee determined that the cash proportion of the bonus (50%) will be deferred until the dividend has been reinstated and 50% of the bonus award will continue to be deferred into shares, with the awards subject to the usual two-year vesting period and the Group dividend being reinstated.

BASE COMPENSATION (AUDITED)

Base salaries and Board fees are reviewed annually in March, with any changes ordinarily effective from 1 April. However, as noted on page 164, a decision on FY21 salary increases for executive directors was delayed until October 2020. Following careful review, the Committee approved the previously planned annual salary increases of 5.5% for the executive directors, albeit effective from 1 October 2020 (with no back payment the annualised increase for the full year was 2.25%). The 5.5% increase was in line with the average increase for the South African workforce which was introduced from 1 April 2020 for all non-managerial positions.

TABLE 7: BASE COMPENSATION FOR FY21

EXECUTIVE DIRECTOR	BOARD FEE (£'000)	SALARY	TOTAL BASE COMPENSATION (£'000)
Dr Ronnie van der Merwe	63	9 248	497
Mr Jurgens Myburgh	63	6 510	369

Mr Myburgh received a 3.6% salary increase effective 1 April 2021, in line with the average increase awarded to the wider South African workforce.

As set out in the letter from the Committee Chair, the Committee has been mindful that Dr Van der Merwe's base compensation has been positioned at the lower end of the market compared with peers since his appointment as Group CEO in June 2018. Therefore, after careful consideration of Dr Van der Merwe's performance since his appointment as Group CEO, including strategically positioning the Group for the future through team alignment and development, driving increased efficiencies and patient quality across all three divisions, as well as his exceptional leadership and commitment during the COVID-19 pandemic, the Committee agreed a base compensation increase of 7.1%.

BENEFITS AND PENSION (AUDITED)

The benefits that form part of Dr Van der Merwe and Mr Myburgh's remuneration include private medical insurance, life insurance and reimbursements for reasonable business-related expenses (e.g. travel, accommodation subsistence, including where appropriate any associated taxes).

The executive directors participated in the Mediclinic Southern Africa defined contribution fund and received a company pension contribution equal to 9.0% of base salary, not including Board fee, 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.

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.

PRIOR YEAR AWARDS (AUDITED)

FY20 STI AWARDS

Following careful review of all relevant factors, the Committee approved the final outcome of the FY20 STI award in November 2020 and applied its discretion to reduce the formulaic outcome by 60% (from 42% of maximum to 17% of maximum). The Committee considered this to be a fair outcome taking into account Group performance in FY20, bonus outcomes for the wider employee group (where bonuses to facility-based employees were paid in full based on the formulaic outcome) and the investors' experience.

TABLE 8: FY20 STI AWARDS

EXECUTIVE DIRECTOR	ACTUAL BONUS (£) ¹	ACTUAL BONUS AS A % OF ANNUAL BASE COMPENSATION	MAXIMUM BONUS OPPORTUNITY AS A % OF ANNUAL BASE COMPENSATION
Dr Ronnie van der Merwe	138 412	25.5%	150%
Mr Jurgens Myburgh	90 842	22.7%	133%

Note

¹ Figures converted to sterling at a rate of £1: ZAR18.76 at 31 March 2020.

In line with the Remuneration Policy, 50% of the STI outcome was deferred into shares for two years subject to continued employment only.

EXECUTIVE DIRECTOR	DATE OF GRANT		NUMBER OF SHARES ¹	FACE VALUE £'000
Dr Ronnie van der Merwe	20/11/2020	Chara Aurorda	20 391	63
Mr Jurgens Myburgh	20/11/2020	Share Awards	13 383	42

Note

Number of shares granted was based on the five-day average middle market quotation prior to grant of an LSE share (£3.11) and converted from sterling to ZAR63.66 using the Spot exchange rate on 19 November 2020 (£1: ZAR20.45).

FY21 STI AWARDS

As set out in the letter from the Committee Chair, given the significant impact on clinical quality and client experience assessments, the FY21 STI was based on Group adjusted EBIT performance targets only. Following consideration of the formulaic outcome, the Committee reviewed clinical quality, client experience and employee engagement performance in considering whether it would be appropriate to make any adjustment. Key highlights for the year are listed below.

- Effectively managing the impact of COVID-19 across all divisions, with the Group working collaboratively as an integrated team, by ensuring that expertise and experience were shared across the Group when little was known about COVID-19. This allowed divisions that experienced later waves to learn from others and improve patient outcomes.
- Establishing proactive measures to protect patients, employees, affiliated doctors and allied health professionals to ensure the sustainability of the business.
- Managing resources proactively, ranging from equipment, availability of beds, logistics, medication and oxygen, to ensure no division ran out of supplies or required equipment. The scale on which products were purchased also ensured fair prices in a competitive environment with rapid escalation of prices.

- Rapidly responding to rising caseloads as a result of COVID-19 across Hirslanden and Mediclinic Middle East, and in particular Mediclinic Southern Africa. Not only did the Group support national responses to the pandemic, during this period the relationships with local governments and authorities, regulators and independent doctors were strengthened.
- Establishing innovative measures to allow patients to stay in touch with loved ones at a time when face-to-face visits were not possible.
- Maintaining employee engagement levels across the Group in line with 2019 scores at 3.98.

Reflecting on the above, the Committee felt that the formulaic outcome was an appropriate reflection of overall performance, and the performance and leadership by the executives of the business through COVID-19. The above said, the Committee was acutely aware that the dividend remains suspended as part of the Group's broad response to maintaining its liquidity position, and as such, the Committee determined that it would be appropriate for the release of any STI to be conditional on the Group's dividend being reinstated. The cash proportion of the bonus (50%) will therefore be deferred until such time and 50% of the bonus award will continue to be deferred into shares, with the awards subject to the usual vesting period and the Group dividend being reinstated.

FIGURE 1: SUMMARY OF THE PERFORMANCE CONDITIONS AND ACHIEVEMENT AGAINST TARGETS

The achieved Group adjusted EBIT for the purposes of the executive directors' STI comprises Group adjusted EBIT excluding the impact of STI bonus accruals for eligible participants (£27.8m) and subject to add backs of certain exceptional income and charges (£3.6m).

Group achieved adjusted EBIT		239m
Stretch adjusted EBIT		230m
Threshold adjusted EBIT	194m	

TABLE 9: FY21 STI AWARDS

EXECUTIVE DIRECTOR	ACTUAL BONUS (£)	ACTUAL BONUS AS A % OF ANNUAL BASE COMPENSATION	OPPORTUNITY AS A % OF ANNUAL BASE
Dr Ronnie van der Merwe	741 596	150%	150%
Mr Jurgens Myburgh	487 821	133%	133%

The STI bonus payable for the FY21 will be settled in shares, with 50% of the award deferred for a period of two years. Deferred shares will be subject to continued employment. This deferral is not subject to any further conditions.

LTIP AWARDS VESTED TO EXECUTIVE DIRECTORS (AUDITED)

In June 2018, an LTIP award equal to 200% and 150% of base compensation was granted to Dr Van der Merwe and Mr Myburgh, respectively. An LTIP award was also granted to Mr Meintjes in respect of his prior role as Group CEO. The awards were based on adjusted EPS performance and relative TSR performance versus the FTSE 100 over the three financial years to 31 March 2021.

No LTIP awards are due to vest in view of the actual performance compared with the threshold targets.

TABLE 10: 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	(23.0%)	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)	(46.6%)	0%

LTIP AWARDS GRANTED TO EXECUTIVE DIRECTORS (AUDITED)

As set out on pages 164–165, the FY21 LTIP awards were deferred due to the global uncertainty caused by the pandemic. Following consultation with investors, the LTIP awards were granted in December 2020.

An FY21 LTIP award equal to 200% and 150% of base compensation was granted to Dr Van der Merwe and Mr Myburgh, respectively. The Committee considered it appropriate to grant awards in line with the normal maximum levels under the Remuneration Policy taking into account:

- Share price performance: since the grant of the FY20 LTIP (19 June 2019) (and noting the impact of the pandemic) the share price has remained broadly flat.
- The level of stretch included in the performance targets.

The Committee is mindful of share price performance in recent years and external guidance on 'windfall gains'. It will use its discretion to amend the vesting outcome where it considers that it is not representative of business performance. This includes consideration of any potential 'windfall gains' at the point of vesting, taking into account:

- underlying financial performance over the vesting period;
- share price performance over the vesting period on an absolute basis and compared with the market; and
- any significant events prior to grant (e.g. the COVID-19 pandemic) and during the vesting period that may have impacted the Company's share price or the market as a whole.

REMUNERATION COMMITTEE REPORT CONTINUED

The adjusted EPS and ROIC targets have been set taking into account both internal and external forecasts. Despite the uncertainty, the Committee believes that the targets are appropriately balanced in terms of being:

- stretching so that they proportionately reward performance; and
- motivational and incentivising to the executive team.

TABLE 11: FY21 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 ²	END OF PERFOR- MANCE PERIOD	PERFORMANCE CONDITIONS
Dr Ronnie van der Merwe	14/12/2020	Conditional Share	390 661	1 074	200%	31/03/2023	See Table 12
Mr Jurgens Myburgh		Awards	216 411	595	150%		below

Notes

¹ Number of shares granted based on the five-day average middle market quotation prior to grant of an LSE share (£2.75) and translated into sterling at a rate of £1: ZAR20.02 on 13 December 2020.

² Annual base salary translated into sterling at a rate of £1: ZAR20.02 on 13 December 2020.

TABLE 12: FY21 LTIP PERFORMANCE CONDITIONS

PERFORMANCE CONDITION	WEIGHTING	THRESHOLD TARGET (25% VESTING)	TARGET (62.5% VESTING)	MAXIMUM TARGET (100% VESTING)
Adjusted EPS for FY23 (measured on a constant currency basis)	40%	25 pence	29 pence	33 pence
TSR ranked relative to constituents of the FTSE 250 excluding financial services and extraction companies (measured over three financial years)	25%	Median of peers (50 th percentile)	(62.5 th percentile)	Upper quartile of peers (75 th percentile)
ROIC for FY23	25%	4.5%	5.0%	6.0%
Client experience index	10%	Measured independently by Press Ganey® based on the consolidated score of the three divisions' achievement over the performance period. Awards measured based on performance in each year in the performance period and, as such, details on the performance targets and outcome will be included in the year of vesting.		

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, thus only settled at the end of a five-year period from the grant date.

PAYMENTS TO PAST DIRECTORS AND PAYMENTS FOR LOSS OF OFFICE (AUDITED)

No payments that have not been reported previously or in this report were made to past directors, and no loss of office payments were made during FY21.

DIRECTORS' SHAREHOLDING AND SHARE INTERESTS (AUDITED)

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 £2.86 per share at 31 March 2021.

TABLE 13: DIRECTORS' SHAREHOLDINGS AND SHARE INTERESTS

EXECUTIVE DIRECTOR	SHARE- HOLDING GUIDELINES AS A % OF ANNUAL BASE COMPEN- SATION	SHARES HELD AT 31 MARCH 2020	SHARES HELD AT 31 MARCH 2021	% OF ANNUAL BASE COMPEN- SATION	OUTSTANDING UNVESTED LTIP AWARDS WITH PERFORMANCE CONDITIONS ¹	DEFERRED STI SHARES ¹	SHARE- HOLDING REQUIREMENT MET
Dr Ronnie van der Merwe	225%	51 630	51 630	29.7%	764 098	20 391	Progress being made
Mr Jurgens Myburgh	200%	83 000	90 500	70.2%	422 867	13 383	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 50% of the net of tax value of any cash-settled share awards paid to them under the LTIP, deferred bonus plan or other awards, to purchase shares in the Company until they meet their shareholding guideline.

TABLE 14: NON-EXECUTIVE DIRECTORS' SHAREHOLDINGS

NON-EXECUTIVE DIRECTOR	AT 31 MARCH 2020	AT 31 MARCH 2021 ¹
Dame Inga Beale	_	_
Dr Edwin Hertzog ¹	394 276	394 276
Mr Alan Grieve	7 500	7 500
Dr Muhadditha Al Hashimi	_	_
Mr Jannie Durand	_	_
Dr Felicity Harvey	_	_
Mr Danie Meintjes	142 063	123 900
Dr Anja Oswald	_	_
Mr Trevor Petersen	_	_
Mr Tom Singer	_	_
Mr Pieter Uys ¹	417	417
Mr Steve Weiner	n/a	_

Notes

¹ Or, if earlier, the date of retirement as a non-executive director of the Company.

² Mr Uys is the alternate to Mr Durand.

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.

SHARE DILUTION LIMITS

The Company is committed to protecting investors' 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.

CHANGE IN REMUNERATION LEVELS

Table 15 shows the percentage change in remuneration from FY20 to FY21 for each of the directors compared with that for an average employee. Given that both the executive directors as well as the majority of the nonexecutive directors, with comparable values alongside, reside in South Africa, the Southern Africa workforce has been used as a comparator group (currently there is only one employee employed by Mediclinic International plc, based in the UK).

	FY20 to FY21				
	SALARY AND FEES	BENEFITS	STI		
EXECUTIVE DIRECTORS					
Dr Ronnie van der Merwe ¹	2.4%	(49.2%) ²	508.4% ³		
Mr Jurgens Myburgh ¹	2.3%	(41.7%) ²	509.8% ³		
NON-EXECUTIVE CHAIR					
Dame Inga Beale ⁴	n/a	n/a	_		
NON-EXECUTIVE DIRECTOR	RS				
Mr Alan Grieve⁵	11.3%	(61.3%)	-		
Dr Muhadditha Al Hashimi	0.0%	(69.7%)	_		
Mr Jannie Durand ⁶	2.3%	(52.7%)	_		
Dr Felicity Harvey	0.0%	0.0%	_		
Mr Danie Meintjes	0.0%	(64.9%)	_		
Dr Anja Oswald	(0.3%)	(47.2%)	-		
Mr Trevor Petersen	(7.1%)	(55.1%)	-		
Mr Tom Singer ⁷	0.0%	0.0%	_		
Mr Steve Weiner ⁸	n/a	n/a	-		
AVERAGE EMPLOYEE	5.5%	3.9%	118%		

TABLE 15: COMPARATIVE PERCENTAGE CHANGE IN REMUNERATION: EXECUTIVE DIRECTORS AND EMPLOYEES

Notes

¹ Percentage change between the executive directors' base compensation, benefits and STI between FY20 and FY21 paid in South African rand.

² Benefits include private medical insurance, life insurance and reimbursements for reasonable business-related expenses. Company contributions to pension equal to 9.0% of base salary, not including Board fee, and increased by 2.8% for Dr Van der Merwe and 2.7% for Mr Myburgh.

³ The formulaic outcome of the STI was 100% of the maximum, however, the Committee determined that the cash proportion of the bonus (50%) will be deferred until the dividend has been reinstated and 50% of the bonus award will continue to be deferred into shares, with the awards subject to the usual two-year vesting period and the Group dividend being reinstated.

⁴ Dame Inga was appointed as non-executive director and Chair Designate of the Company on 26 March 2020, and succeeded Dr Hertzog as Chair on 22 July 2020.

⁵ Mr Grieve assumed the role of SID and Chair of the Audit and Risk Committee following the retirement of Mr Desmond Smith at the Company's 2019 AGM on 24 July 2019.

 $^{\rm 6}\,$ Mr Durand was appointed Chair of the Investment Committee with effect 1 September 2020.

⁷ Mr Singer was appointed as a non-executive director of the Company on 24 July 2019 and as a member of the Remuneration Committee on

13 November 2019. As such, figures have been annualised.

⁸ Mr Weiner was appointed as non-executive director of the Company on 22 July 2020.

CEO PAY RATIO

While the Company has fewer than 250 UK-based employees and therefore is not required to disclose a ratio, the Committee felt that it was appropriate to voluntarily disclose the CEO-to-all-employee-pay ratio, given the Company's commitment to high standards of transparency and good governance.

TABLE 16: FY21 CEO PAY RATIO

	CEO	25 [™] PERCENTILE	50 TH PERCENTILE	75 [™] PERCENTILE
Ratio		111:1	57:1	21:1
Total pay and benefits	£1 283 532	£11 611	£22 553	£61 716
Salary	£497 157	£8 912	£16 664	£56 603

The Company chose to adopt Option A methodology in calculating the ratio on the basis that it is a robust approach and is preferred by investors and proxy voting agencies.

The Group CEO's single figure of remuneration for FY21 was used for the calculation ratio as detailed on page 172. All employees' pay (excluding the Group CEO, non-executive directors, interns and students) was annualised as from 1 April 2020 and translated into sterling at a rate of £1: ZAR21.30, AED4.80 and CHF1.21 at 31 March 2021.

The Committee anticipates that there is likely to be changes in the ratio in future years and disclosures as the Group CEO's total remuneration has a greater portion of pay delivered as variable remuneration, which is consistent with the Company's remuneration principles.

PERFORMANCE AND PAY PERFORMANCE

Figure 2 shows the value at 31 March 2021 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.

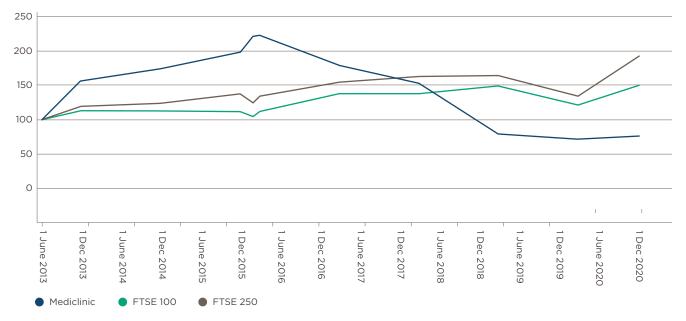


FIGURE 2: MEDICLINIC TOTAL SHAREHOLDER RETURN COMPARED WITH FTSE 100 AND FTSE 250

TABLE 17: TOTAL GROUP CEO REMUNERATION SINCE INCEPTION

	YEAR ENDED 31 DECEMBER				YEAR ENDED 31 MARCH								
_	2012	2013	2014	2014	2015	1 Jan- 15 Feb 2016	15 Feb- 31 Mar 2016	2017	2018	1 Apr- 31 May 20181	1 Jun 2018– 31 Mar 2019 ²	2020	2021
GROUP CEO	Dr Ka	ssem /	Alom	Mr Rona	ld Lava	ter	Mr Dan	ie Meint	jes¹		Dr Ronr	nie van de	er Merwe ²
Total remuneration £'000	326	361	290	170	702	2 165	79	1029	1 126	138	600	739	1 285
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%	17.0% ³	100.0%4
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	50.0%	100.0%4
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%	0.0%

Notes

¹ Mr Meintjes retired as Group CEO on 31 May 2018.

 $^{\rm 2}\,$ Dr Van der Merwe was appointed as Group CEO on 1 June 2018.

³ As noted on page 173, the Committee approved an FY20 STI outcome equal to 17% of the maximum opportunity in November 2020. The FY20 STI and total remuneration figures have therefore been restated.

⁴ As noted on page 174, the release of the FY21 STI is conditional on the Group dividend being reinstated.

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.

RELATIVE IMPORTANCE OF SPEND ON PAY

TABLE 18: COMPARISONS SPEND ON EMPLOYEE COSTS

	FY21 £'m	FY20 £'m	CHANGE %
Employee costs ¹	1 381	1 367	1%
Dividends paid	_	59	(100)%

Note

¹ FY20 employee costs re-presented to be consistent with the expense by nature income statement presentation.

COMMITTEE COMPOSITION AND MEETING ATTENDANCE

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 19: COMMITTEE COMPOSITION AND MEETING ATTENDANCE

NAME	DESIGNATION	DATE OF APPOINTMENT TO COMMITTEE	NUMBER OF SCHEDULED MEETINGS ATTENDED ²
Mr Trevor Petersen (Committee Chair)	Independent Non-executive Director	15/02/2016	4/4
Dame Inga Beale ³	Non-executive Chair	01/06/2020	3/3
Mr Tom Singer	Independent Non-executive Director	13/11/2019	4/4
Mr Steve Weiner ⁴	Independent Non-executive Director	11/11/2020	2/2

Notes

¹ The composition of the Committee is shown at 31 March 2021. Dr Oswald stepped down from the Committee on 1 March 2021.

² The attendance reflects the number of scheduled meetings held during the financial year.

³ Dame Inga was appointed as a member of the Committee on 1 June 2020 and attended all Committee meetings that took place after the date of her appointment. She was deemed independent upon appointment.

⁴ Mr Weiner was appointed as a member of the Committee on 11 November 2020 and attended all Committee meetings that took place after the date of his appointment.

Four additional ad hoc meetings were held during the financial year to deal with urgent matters. One scheduled meeting was 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.

As noted in the Nomination Committee Report on page 159, Mr Petersen intends to step down from the Committee on 13 September 2021 and will be replaced by Mr Weiner as Chair. 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 Strategy and Human Resources Officer, the Group Executive: Reward and representatives from Deloitte LLP, all of whom provide significant support to the Committee. None of the aforementioned attend as a right, nor do they attend when their own remuneration is under discussion.

ROLE AND KEY AREAS OF ACTIVITY

The role of the Committee is to assist the Board in:

- determining the Group's remuneration strategy and policy, having regard for the alignment of incentives and rewards with the Group's culture;
- reviewing remuneration and related policies for the workforce across the Group, taking these into

account when setting the Remuneration Policy;

- establishing the operation of appropriate parameters for the Group's performance-related pay schemes; and
- determining the total remuneration package for the Chair of the Board and each element of the total individual remuneration package for each executive director, other members of the Group Executive Committee and certain other executives (including the Group Company Secretary) and ensuring these support and are linked to the Mediclinic Group Strategy and promote its long-term sustainable success.

The Committee is 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.

The Committee Chair presents a summary of material matters to the Board and meeting minutes are circulated to all directors. The Committee reports to investors annually by way of this report and the Chair attends the AGM to address any questions that arise.

Including routine monitoring and approval activities, the material issues discussed by the Committee during the year under review and between the financial yearend and the Last Practicable Date are summarised alongside.

TABLE 20: MATERIAL ISSUES DISCUSSED BY THE COMMITTEE

AREA	DISCUSSIONS
Awards	 Considered and approved the STI payment for FY20. Considered and approved the quantum, performance metrics and targets for the FY21 STI and LTIP awards.
Remuneration levels	 Considered and approved FY21 salary increases for executive directors and the Group Executive Committee, with a decision being delayed until October given the impact of COVID-19. Considered and approved FY22 salary increases for executive directors and the Group Executive Committee. Reviewed and approved overall FY22 salary increases of all employee groups of each division. Reviewed and approved the FY22 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.

EXTERNAL 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 21 below.

TABLE 21: EXTERNAL 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 investor perspectives 	£102 850 based on time charges for work completed	Tax advisory services Share plan valuation

The Remuneration Committee reviewed the independence and objectivity of Deloitte LLP, taking into consideration its experience and management's feedback, together with the assurances provided by Deloitte LLP that it has effective internal processes to ensure it is able to provide remuneration consultancy services that meet these two critical requirements. Following this review, the Remuneration Committee is satisfied that Deloitte LLP has maintained independence and objectivity and has no conflicts of interest with the Company that may impact on such.

This Committee Report has been prepared on behalf of the Board by the Committee, in accordance with the

Code, the Listing Rules, the Act, and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended).

Signed on behalf of the Committee.

N

Mr Trevor D Petersen Chair of the Remuneration Committee 25 May 2021

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 annual financial statements and the Company annual 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 annual financial statements and for the Company annual 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 107 of this Annual Report, confirm that, to the best of their knowledge:

- the Company annual 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 annual 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.

Dr Ronnie van der Merwe Group Chief Executive Officer 25 May 2021

Mr Jurgens Myburgh Group Chief Financial Officer 25 May 2021

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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 277.

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 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 25 May 2021. 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MEDICLINIC INTERNATIONAL PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion, Mediclinic International plc's Group annual financial statements and Company annual financial statements (the **"financial statements**"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2021 and of the Group's profit and the Group's and Company's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements 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 Consolidated and Company statements of financial position as at 31 March 2021; the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Company statements of changes in equity and the Consolidated and Company statements 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.

SEPARATE OPINION IN RELATION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ADOPTED PURSUANT TO REGULATION (EC) NO 1606/2002 AS IT APPLIES IN THE EUROPEAN UNION

As explained in note 2 to the financial statements, the Group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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.

Other than those disclosed in Note 24, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

OUR AUDIT APPROACH

OVERVIEW

AUDIT SCOPE

- Our Group audit included full scope audits at three reporting components. We performed centralised audit procedures on the equity accounted results of Spire Healthcare Group plc ('**Spire**') based on its audited financial statements at 31 December 2020. We have also audited selected financial statement line items of the Company to support the Group audit.
- Taken together, the reporting components, where we conducted audit procedures, together with central work performed at the Group level, accounted for 95% of consolidated revenue, 88% of consolidated profit before tax and 90% of consolidated adjusted profit before tax.

KEY AUDIT MATTERS

- Going concern assessment in response to economic uncertainties from COVID-19 (Group)
- Impairment of goodwill and other non-financial assets (Group)
- Impact of COVID-19 (Group and Company)
- Impairment assessment of the Company's investment in subsidiaries (Company)

MATERIALITY

- Overall Group materiality: £10.8 million (2020: £12.4 million) based on approximately 5% of the three-year average of adjusted profit before tax (2020: 5% of adjusted profit before tax).
- Overall Company materiality: £33.0 million (2020: £35.0 million) based on approximately 1% of total assets.
- Performance materiality: £8.1 million (Group) and £24.7 million (Company).

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.

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.

Impairment of the Group's associate investment in Spire, and adoption of IFRS 16 *Leases*, which were key audit matters last year, are no longer included. For Spire, the assessed risk related to valuation of the investment in Spire has reduced at year-end following the assessment of indicators of impairment, including reference to Spire's quoted market value at the Balance Sheet date. In relation to the adoption of IFRS 16 *Leases*, this was applicable to the previous year's audit and there were no new complexities identified with ongoing accounting in this area for the current year's audit. Otherwise, the key audit matters below are consistent with last year.

KEY AUDIT MATTER

1. GOING CONCERN ASSESSMENT IN RESPONSE TO ECONOMIC UNCERTAINTIES FROM COVID-19 (GROUP) (refer to *Group Chief Financial Officer's Report*, *Audit and Risk Committee Report* and note 2.1 in the consolidated financial statements)

The COVID-19 pandemic has had a significant impact on the global economy and on the markets in which the Group operates. The severity and duration of the impact of the COVID-19 pandemic and its economic aftermath on all businesses, including Mediclinic, remains 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 2021 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 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 financial years which encompass a best estimate of this impact, including a forecast of monthly liquidity for the next 18 months to September 2022. Management separately considered a number of potential downside scenarios, preparing a severe but plausible downside case which models a reduction in tariffs due to possible regulatory changes and a reduction in volumes due to the deterioration in the business environment or steps taken by governments to contain the spread of COVID-19. In doing so, management made estimates and applied assumptions that are critical to the outcome of the Group's going concern assessment. These forecasts were prepared in conjunction with an assessment of the Group's liquidity and covenant compliance for the period through to 30 September 2022.

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. 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 2022. Where management's projections indicated a potential covenant breach, management agreed waivers at each division for those specific covenants at risk of breach.

We focused on this area given the importance of the going concern judgement in the context of the basis of preparation of the 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.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We evaluated management's going concern assessment and we performed testing procedures at each division and for the Group as a whole. Refer to the 'Conclusions relating to going concern' section within this report for the procedures that we performed to address the key audit matter and our conclusions.

KEY AUDIT MATTER

2. IMPAIRMENT OF GOODWILL AND OTHER NON-FINANCIAL ASSETS (GROUP)

(refer to *Audit and Risk Committee Report* and notes 2, 4, 6 and 7 in the consolidated financial statements)

The Group has £1 061 million (2020: £1 171 million) of intangible assets. This balance consists mainly of goodwill relating to the Mediclinic Middle East operations amounting to £834 million (2020: £928 million) and goodwill of £100 million (2020: £97 million) relating to Switzerland. The Group also has property, equipment and vehicles of £4 052 million (2020: £4 358 million).

The Group is required to perform annual impairment tests on goodwill. 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 two exceptions are the acquisition of Les Grangettes completed in 2018 where goodwill is assessed for impairment at the CGU level given the existence of a significant non-controlling interest, and to discrete acquisitions in Southern Africa in which case the goodwill is allocated to that CGU. Other assets subject to impairment assessment at the CGU level primarily comprise land and buildings.

In the current year, an impairment loss of £4 million was recorded to partially impair goodwill and property and equipment within seven Southern Africa CGUs.

We focused on the impairment assessments of goodwill, intangible assets, property, equipment and vehicles and other non-financial assets. These 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 future cash flow projections, growth rates and discount rates. There is greater risk and uncertainty in the forecast cash flows at 31 March 2021 as a consequence of the COVID-19 pandemic and its expected impact on the Group's future operations. Changes in these assumptions might lead to a change in the recoverable values of the related assets and therefore to any impairment losses recognised.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We used our valuation experts to assist us in our assessment of management's impairment calculations and we 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 forecasts 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, impacts of COVID-19, 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.

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.

INDEPENDENT AUDITORS' REPORT CONTINUED

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER CONTINUED	Where impairments were identified by management relating to the Southern African 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 disclosures about sensitivities in note 6 and 7 of the consolidated financial statements in relation to the Swiss and Middle East operations.				
	Based on the procedures performed, we noted no material issues arising from our work.				
KEY AUDIT MATTER	3. IMPACT OF COVID-19 (GROUP AND COMPANY) (refer to Audit and Risk Committee Report)				
	 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 and Company financial statements at 31 March 2021, focusing on the potential impact on the Group's and Company'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 and other non-financial assets; 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 Group and Company financial statements as its impact is significant and widespread, both in terms of the impact on a range of the Group's and Company's accounting estimates, including but not limited to going concern and impairment, and in terms of related disclosures in the Annual Report.				
	In addition, management's way of working, including the operation of controls, has been impacted by COVID-19 as a result of a large number of employees working remotely and using technology enabled working practices.				
	Our own ways of working have also changed which has meant virtual review meetings and electronic review processes (instead of in-person visits and hard copy reviews) being performed using virtual technology tools.				
HOW OUR AUDIT ADDRESSED THE	We considered the financial reporting and audit implications of the COVID-19 pandemic on our audit risk assessment.				
KEY AUDIT MATTER	We issued 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 performed procedures to assess any control implications arising from the change in management's ways of working. Based on the work performed at the Group level and by the component teams we did not identify any evidence of a material deterioration in the control environment.				
	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 2021.				

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER CONTINUED

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 and non-financial assets; and
- The impairment assessment of the Company's investments in subsidiaries.

All of our oversight procedures were undertaken remotely using video conferencing and remote audit workpaper reviews to satisfy ourselves as to the sufficiency of audit work performed at the components.

Based on the procedures performed, we noted no material issues from our work.

KEY AUDIT MATTER

4. IMPAIRMENT ASSESSMENT OF THE COMPANY'S INVESTMENT IN SUBSIDIARIES (COMPANY) (refer to *Audit and Risk Committee Report* and notes 2 and 3 in the Company financial statements)

Investments in subsidiaries are accounted for at cost less impairment in the Company statement of financial position. At 31 March 2021, the Company held investments in subsidiaries with a carrying value of £3 311 million.

In the current financial year, impairment indicators were identified in connection with the Company's investment in the Southern Africa operations due to the impact of the deterioration in the macroeconomic environment and an impairment test was therefore performed by management for this investment held. Management's analysis resulted in no impairment charges.

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 charges that had been recorded in prior financial years. The assessment requires the application of management judgement, particularly in determining whether any impairment indicators have arisen that trigger the need for an impairment test 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.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

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 2021 and to the valuations implied by other models, including valuation models prepared for impairment testing purposes at divisions which were subject to audit procedures as part of our Group audit.

The key assumptions used in the impairment models were consistent with those used for impairment testing as described in the key audit matter "Impairment of goodwill and other non-financial assets (Group)".

We evaluated management's sensitivity analyses to ascertain the impact of reasonably possible changes to key assumptions on the level of impairment required. We separately evaluated the difference between the investment carrying values and the Group's market capitalisation.

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.

HOW WE TAILORED THE AUDIT SCOPE

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group financial statements involve a consolidation of 15 reporting units, certain of which are subconsolidations of the operations in each of the Group's key markets. The sub-consolidations were deemed to be components for our audit and comprise the Group's three main divisions: Southern Africa, Switzerland and the Middle East. These components 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 components 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.

We instructed, supervised and reviewed the audit work of each of our component audit teams in South Africa, Switzerland and the Middle East, which included audit work paper reviews, participation in key audit discussions with local management and participation in audit clearance meetings at each component. We also maintained 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 procedures over the Annual Report and audit of the financial statement disclosures were directly led by the Group audit team.

Taken together, the component audit work, together with work performed at the Group level, accounted for 95% of consolidated revenue, 88% of consolidated profit before tax and 90% of 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:

	Financial statements - Group	Financial statements – Company
Overall materiality	£10.8 million (2020: £12.4 million).	£33.0 million (2020: £35.0 million).
How we determined it	Approximately 5% of three-year average of adjusted profit before tax (2020: 5% of adjusted profit before tax)	Approximately 1% of total assets (2020: 1% of total assets)
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 Group's profit before tax has been adjusted for insurance proceeds, accelerated depreciation and amortisation, fair value adjustments on derivative contracts, impairment of properties and goodwill and remeasurement loss of put option liability. 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. Adjusted profitability measures are metrics against which the performance of the Group is most commonly assessed by management and reported to shareholders. We believe that using a three-year average adjusted profit before tax is a more appropriate measure as it smooths the impact of fluctuation of the Group's results as a result of the COVID-19 pandemic.	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 considered appropriate. For 2021 and 2020, 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 £9.7 million (2020: £11.1 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.

For each reporting 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 £6.0 million and £9.0 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality. We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £8.1 million for the Group financial statements and £24.7 million for the Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £1 million (Group audit) (2020: £1 million) and £1 million (Company audit) (2020: £1 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

CONCLUSIONS RELATING TO GOING CONCERN

The going concern assessment in response to economic uncertainties from COVID-19 was identified as a key audit matter for the reasons set out in the 'Key audit matters' section. Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Assessing both the base case budgets and strategic financial plan prepared by management and the severe but plausible downside case which was used to sensitise the base case model.
- In relation to the budget and strategic financial plan, we 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.
- We evaluated the key assumptions in the forecasts and considered whether these assumptions appeared reasonable, for example by comparing forecast sales to trends during the 2021 financial year. We assessed whether management's downside case was severe but plausible. In respect of COVID-19, we evaluated the extent and duration of the expected impact on the Group's operations assumed in the base case and downside case by comparison to the Group's experience during the first and second waves of the pandemic.
- With regard to mitigation of anticipated revenue declines under the severe but plausible downside scenarios, 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 Leverage ratio covenant waiver agreed in April 2021 at Hirslanden, we obtained and confirmed the terms of the covenant waiver agreement.
- We recalculated management's forecast covenant compliance calculations through to 30 September 2022 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 there is sufficient liquidity 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 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 evaluated and with the testing which we performed. We found that the disclosures provided an explanation of the directors' assessment that was consistent with the evidence we obtained.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this 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 our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

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 in respect of the financial statements for the year ended 31 March 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report in respect of the financial statements.

DIRECTORS' REMUNERATION

In our opinion, the part of the Remuneration Committee Report to be audited has been properly prepared in accordance with the Companies Act 2006.

CORPORATE GOVERNANCE STATEMENT

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
 The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' 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 its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit and Risk Committee.

We have nothing to report in respect of our responsibility to report when 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 in respect of the financial statements, 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 and 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 Group or 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to healthcare 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 financial statements such as the Companies Act 2006. 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 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 component auditors included:

- Enquires 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;
- Inspection of reporting from the Group's whistleblowing helpline and, if applicable, the results of management's further investigations;
- Challenging assumptions and judgements made by management in relation to the Group's and Company'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. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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 obtained 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 Remuneration Committee 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 six years, covering the years ended 31 March 2016 to 31 March 2021.

Neil Gnnies

Neil Grimes (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors London 25 May 2021

GROUP ANNUAL FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2021

	Notes	2021 £'m	2020 £'m
ASSETS			
Non-current assets		5 440	5 741
Property, equipment and vehicles	6	4 052	4 358
Intangible assets	7	1 061	1 171
Equity-accounted investments	8	171	181
Retirement benefit asset	19	110	-
Other investments and loans	9	12	9
Deferred income tax assets	10	34	22
Current assets		1 232	1 213
Inventories	11	109	104
Trade and other receivables	12	826	766
Other investments and loans	9	2	2
Current income tax assets		1	2
Derivative financial instruments	21	-	2
Cash and cash equivalents	30.8	294	329
Assets classified as held-for-sale	33	-	8
Total assets		6 672	6 954
EQUITY			
Capital and reserves			
Share capital	13	74	74
Share premium reserve	13	690	690
Retained earnings		4 523	4 327
Other reserves	14	(2 438)	(2 201)
Attributable to equity holders of the Company		2 849	2 890
Non-controlling interests	16	118	113
Total equity		2 967	3 003

CONSOLIDATED STATEMENT OF FINANCIAL POSITION CONTINUED

AT 31 MARCH 2021

		2021	2020
LIABILITIES	Notes	£'m	£'m
Non-current liabilities		3 021	3 182
Borrowings	17	1 686	1 787
Lease liabilities	18	621	654
Deferred income tax liabilities	10	425	427
Retirement benefit obligations	19	127	168
Provisions	20	37	36
Derivative financial instruments	21	124	109
Cash-settled share-based payment liabilities	15	1	1
Current liabilities		684	769
Trade and other payables	22	498	515
Borrowings	17	91	164
Lease liabilities	18	55	49
Provisions	20	19	17
Retirement benefit obligations	19	14	14
Derivative financial instruments	21	2	2
Current income tax liabilities		5	4
Liabilities classified as held-for-sale	33	-	4
Total liabilities		3 705	3 951
Total equity and liabilities		6 672	6 954

These financial statements and the accompanying notes as set out on pages 196–288 were approved for issue by the Board of Directors on 25 May 2021 and were signed on its behalf by:

mfunf

Mr Jurgens Myburgh

Group Chief Financial Officer

Dr Ronnie van der Merwe Group Chief Executive Officer

Mediclinic International plc (Company no 08338604)

The notes on pages 203-288 form an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £'m	(Re-presented) ¹ 2020 £'m
Revenue	23	2 995	3 083
Other income	24	13	-
Employee benefit and contractor costs	24	(1 4 4 8)	(1446)
Consumables and supplies		(719)	(691)
Care-related costs		(145)	(136)
Infrastructure-related costs	24	(110)	(113)
Service costs		(147)	(147)
Provision for expected credit losses	24	(11)	(9)
Depreciation and amortisation	24	(217)	(217)
Impairment of property, equipment and vehicles	6 & 24	(3)	(30)
Impairment of intangible assets	7 & 24	(1)	(482)
Other gains and losses	25	2	4
Operating profit/(loss)	24	209	(184)
Finance income		4	9
Finance cost	26	(99)	(92)
Share of net (loss)/profit of equity-accounted investments	8	(70)	2
Reversal of impairment/(impairment) of equity-accounted investment	8	60	(10)
Profit/(loss) before tax		104	(275)
Income tax expense	27	(25)	(24)
Profit/(loss) for the period		79	(299)
Attributable to:			
Equity holders of the Company		68	(320)
Non-controlling interests	16	11	21
		79	(299)
Profit/(loss) per ordinary share attributable to the equity holders of the Company – pence			
Basic	28	9.2	(43.4)
Diluted	28	9.2	(43.4)

Note

¹ Refer to note 2.1.

The notes on pages 203-288 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £'m	2020 £'m
Profit/(loss) for the year		79	(299)
Other comprehensive (loss)/income			
Items that may be reclassified to the income statement		(235)	169
Currency translation differences	29	(235)	175
Realised fair value hedge adjustments transferred to income			
statement	29	2	-
Fair value adjustment – cash flow hedges	29	(2)	(6)
Items that may not be reclassified to the income statement		127	(21)
Remeasurements of retirement benefit obligations	29	127	(17)
Effect of changes in income tax rates	29	-	(4)
Other comprehensive (loss)/income, net of tax	29	(108)	148
Total comprehensive loss for the year		(29)	(151)
Attributable to:			
Equity holders of the Company		(45)	(161)
Non-controlling interests	16	16	10
		(29)	(151)

The notes on pages 203-288 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2021

	Share capital (note 13) £'m	Capital redemption reserve (note 14) £'m	Share premium reserve (note 13) £'m	
Balance at 31 March 2019	74	6	690	
IFRS 16 transition adjustment	_	-	-	
Restated at 1 April 2019	74	6	690	
(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	
Profit for the year	_	-	_	
Other comprehensive (loss)/income for the year	_		-	
Total comprehensive (loss)/income for the year		-	_	
Equity-settled share-based payment ¹	-	-	-	
Transactions with non-controlling shareholders	-	-	-	
Dividends paid	_	-	-	
Balance at 31 March 2021	74	6	690	

Note ¹ Less than £0.5m for the year under review.

The notes on pages 203-288 form an integral part of these financial statements.

acquis	erve reserv	y n Hedging ye reserve (note 14)	Retained earnings	Attributable to equity holders of the Company £'m	Non- controlling interests (note 16) £'m	Total equity £'m
(3 (14) 62	8 (2)	4 769	3 151	115	3 266
	_		(37)	(37)	-	(37)
(3 0	14) 62	8 (2)	4 732	3 114	115	3 229
	-		(320)	(320)	21	(299)
	- 18	7 (6)	(22)	159	(11)	148
	- 18	7 (6)	(342)	(161)	10	(151)
	-		(4)	(4)	3	(1)
	-		(59)	(59)	(15)	(74)
(3 (14) 81	5 (8)	4 327	2 890	113	3 003
	-		68	68	11	79
	- (23	7) –	124	(113)	5	(108)
	- (23	7) –	192	(45)	16	(29)
	-		-	-	-	-
	_		4	4	(3)	1
	-		-	-	(8)	(8)
(3 0	14) 57	8 (8)	4 523	2 849	118	2 967

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2021

		2021 £'m	2020 £'m
	Notes	Inflow/(outflow)	Inflow/(outflow)
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	30.1	330	589
Interest received		4	9
Interest paid	30.2	(70)	(83)
Tax paid	30.3	(29)	(59)
Net cash generated from operating activities		235	456
CASH FLOW FROM INVESTMENT ACTIVITIES		(137)	(182)
Investment to maintain operations	30.4	(56)	(81)
Investment to expand operations	30.5	(80)	(102)
Acquisition of subsidiaries	31	(2)	(12)
Disposal of subsidiaries	32	4	9
Acquisition of investment in associate	8	(1)	(1)
Dividends received from equity-accounted investment		-	5
Proceeds from other investments and loans		1	-
Increase in other investments and loans		(4)	(2)
Proceeds from insurance claim		1	-
Proceeds on disposal of property, equipment and vehicles		-	2
Net cash generated before financing activities		98	274
CASH FLOW FROM FINANCING ACTIVITIES		(130)	(207)
Distributions to non-controlling interests	16	(8)	(15)
Distributions to shareholders	30.6	-	(59)
Transaction with non-controlling interest	16	1	(1)
Proceeds from borrowings	30.7	115	15
Repayment of borrowings	30.7	(196)	(101)
Refinancing transaction costs	30.7	(3)	(1)
Repayment of lease liabilities	30.7	(39)	(45)
Net increase in cash and cash equivalents		(32)	67
Opening balance of cash and cash equivalents		329	265
Exchange rate fluctuations on foreign cash		(3)	(3)
Closing balance of cash and cash equivalents	30.8	294	329

The notes on pages 203-288 form an integral part of these financial statements.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

1. DESCRIPTION OF BUSINESS

Mediclinic 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.

2.1. Basis of preparation

The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ('**IFRS**') and the applicable legal requirements of the Companies Act 2006. In addition to complying with international accounting standards in conformity with the requirements of the Companies Act 2006, the consolidated financial statements also comply with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. There are no differences for the Group in applying IFRS as issued by the IASB and IFRS. The financial statements are prepared on the historical cost convention, except for the following items, which are carried at fair value or valued using another measurement basis:

- Derivative financial assets and liabilities, 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 Group'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 currencies 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:

	2021	2020
Average rates		
Swiss franc	1.21	1.25
South African rand	21.30	18.76
UAE dirham	4.80	4.67
Year-end rates		
Swiss franc	1.30	1.20
South African rand	20.37	22.08
UAE dirham	5.07	4.56

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.1. Basis of preparation (continued)

Going concern

The severity, duration and full impact of the COVID-19 pandemic and its economic aftermath on the Group's businesses remain uncertain. Despite the global vaccine roll-outs and the robust operating performance for the year ended 31 March 2021, there remains a degree of risk and uncertainty as to the Group's financial performance for at least the next 12–18-month period to 30 September 2022.

The Group's financial performance for the year ended 31 March 2021 across all three divisions was well ahead of the COVID-19-adjusted base case scenarios modelled at the beginning of the pandemic in March 2020. As evidenced in the year under review, the key impact to revenue and profitability during the pandemic was the national lockdown measures and restrictions imposed on non-urgent elective procedures. Notwithstanding the continued uncertainty due to the ongoing pandemic, it is considered reasonably unlikely that the severe restrictions previously imposed on non-urgent elective procedures will be reintroduced given the advance in COVID-19 operating protocols since March 2020.

For the purposes of assessing liquidity specifically and going concern broadly at 31 March 2021, the Group modelled a combination of severe but plausible downside scenarios on a month-by-month basis and also applied appropriate mitigation actions which would be within the Group's control. These scenarios had specific reference to:

- reduction in volumes due to the ongoing effects of the COVID-19 pandemic or a deterioration in the business environment;
- reduction in tariffs due caused by possible regulatory changes; and
- working capital and capital expenditure requirements.

Due to the mostly fixed employee cost base across the business, lower revenue due to either a reduction in tariffs or volumes has the most pronounced impact on EBITDA. Compared with the business plan, the combined adverse effect of reduction of tariffs and volumes after mitigation modelled amounts to a decline of 24% of EBITDA over the 18-month period to 30 September 2022, which is more severe than the decline in adjusted Group EBITDA of 21% during FY21. In the worst affected month, the Group EBITDA is affected by approximately 35% in the downside case when compared with the base case. In the downside case, the Group EBITDA includes an adverse impact of at least 12% per month compared with base case.

Depending on the circumstances, further mitigating actions would be available to the Group that have not been modelled. These include:

- further reductions in capital expenditure, e.g. ceasing ongoing projects;
- reductions in staff and other operating costs;
- a freeze on recruitment;
- a restriction on salary increases;
- rental relief from landlords; and
- utilising surplus cash at a corporate level.

Based on the assumptions applied and the effect of mitigating actions set out above, most 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 within 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. The nearest term material maturity is a bank loan of ZAR2 575m and redeemable preference shares of ZAR1 800m that are due in September 2022. Mediclinic Southern Africa is proactively engaging with the banks on either an extension of the facility as provided for in the original loan agreement or a refinance of the entire facility. Mediclinic Southern Africa's leverage ratio is at a level where refinancing should be possible considering the current market conditions.

In addition to successfully refinancing its CHF145m bond on more favourable terms, Hirslanden has prudently engaged with its lending banks to further extend a covenant test waiver by 12 months, with the first tests now to be performed at the end of September 2022. By the time of the reinstated test, all covenants will have sufficient headroom based on the range of modelled scenarios.

Due to the proactive response to maintain the Group's liquidity position, cash and available facilities have remained strong at £679m at year-end, compared to £518m at 31 March 2020 and £661m at 30 September 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.1. Basis of preparation (continued)

Going concern (continued)

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 for a period of at least 12 months from the date of approving the financial statements.

Income statement reclassification

During the period under review, the Group changed the presentation of its operating expenses in the Consolidated Income Statement from an analysis by function to an analysis by nature. Comparatives have been changed to conform to the new presentation. The rationale for the change is to align the presentation of expenses with that of the internal management reports and to provide a more robust disaggregation of the Group's activities that better reflects the nature of the business. The Group believes that the change in presentation of expenses results in more relevant information for the users and enhanced disclosure on the face of the income statement. The prior period expenses of £3 271m for the year ended 31 March 2020 previously classified as 'Cost of sales' (£1 960m) and 'Administration and other operating expenses' (£1 311m) have been reclassified by nature of expense as set out in the table below.

Category	Description
Employee benefit and contractor costs	Includes employee benefit expenses for all staff, contractor costs and other employee-related costs.
Consumables and supplies	Includes the cost of all inventories, including obsolete stock, which have been expensed during the year.
Care-related costs	Includes costs closely linked to providing a service or care to patients and enhancing patient experience, and includes catering, laundry, cleaning, security services and other patient-related costs.
Infrastructure-related costs	Includes repairs and maintenance, rates and taxes, utilities, rent expensed in terms of IFRS 16 and other infrastructure-related costs.
Service costs	Includes all other administrative and operating expenses and non-specific service costs rendered, including, but not limited to, consulting, marketing, travel and audits.
Provision for expected credit losses	Consists of the movement in the allowance for expected credit losses recognised in terms of IFRS 9.
Depreciation and amortisation	Includes depreciation on property, equipment and vehicles and right-of-use assets, as well as amortisation of intangible assets.

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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.2. Consolidation and equity accounting (continued)

b) Business combinations

The Group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets 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, which 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.

In cases where the Group 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. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.2. Consolidation and equity accounting (continued)

c) Investments in associates and joint ventures (continued)

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, which makes strategic decisions. The Group Executive Committee comprises the executive directors and senior management as disclosed in the Annual Report on pages 108 and 114-115.

Intersegment transactions are eliminated and shown separately in the Segmental report. Refer to note 5.

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
• Eurniture 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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 a CGU level, except for the Mediclinic Middle East goodwill, which is monitored at an operating segment level. Any impairment losses that are recognised are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of other assets in the CGU where the carrying amount is greater than the recoverable amount.

b) Trade names

Trade names have been recognised by the Group as part of a business combination. No value is placed on internally developed trade names. Trade names 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. 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)
- 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 Group 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.7. Financial assets (continued)

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Equity instruments and instruments managed on a portfolio basis

The Group subsequently measures all equity investments and instruments managed on a portfolio basis 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 these investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit and loss. Upon derecognition of these 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.

Impairment losses on these investments measured at FVOCI or FVPL are not reported separately from other changes in fair value.

Instruments managed on a portfolio basis (other than equity instruments) consist of highly liquid investments in money market funds that do not meet the maturity criteria of IAS 7 *Statement of Cash Flows* and therefore cannot be classified as cash and cash equivalents.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

There are two measurement categories into which the Group 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.

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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.7. Financial assets (continued)

Impairment (continued)

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.
 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

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.

hedge that quantity of hedged item.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.11. Derivative financial instruments and hedging activities (continued)

Cash flow hedges (continued)

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.

2.15. 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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.16. Borrowings (continued)

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.

Provision for malpractice claims is made at the year-end for the estimated cost of claims incurred but not settled at the end of each reporting period, including the cost of claims incurred but not yet reported to the Group. The estimated cost of claims includes expenses to be incurred in settling claims. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. The Group does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and statistical analysis for the claims incurred but not reported.

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)

a) Retirement benefit costs (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) Equity-settled share-based compensation

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

e) Profit sharing and bonus plans

The Group recognises a liability and an expense where a contractual obligation exists for short-term incentives. The amounts payable to employees in respect of the short-term incentive schemes are determined based on annual business performance targets.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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. 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 and presented as part of revenue.
- Government grants that compensate the Group for loss of revenue are recognised in profit or loss when they become receivable and are presented as other income. Refer to note 24 for additional information regarding government grants.

2.21. Consumables and supplies

Consumables and supplies consist of the cost of inventories, including obsolete stock, which have been expensed during the year.

Rebates received from suppliers are recognised when all the conditions agreed with the suppliers are met, the amount of cost of supplies can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the entity.

2.22. Leases

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.22. Leases (continued)

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.

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. Low-value assets comprise small items of medical and other equipment. Low-value assets contribute an insignificant portion of the Group's rental payments expensed in terms of IFRS 16.

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.

COVID-19-related rent concessions

The Group has applied COVID-19-Related Rent Concessions – Amendment to IFRS 16. The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assesses whether there is a lease modification. Rent concessions are included in other gains and losses.

2.23. Dividend distribution

Final dividends are recorded in the Group's financial statements in the period in which they are approved by the Company's shareholders. Interim dividends are recorded and paid in the period in which they are approved by the directors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.24. Foreign currency transactions

Transactions and balances

Foreign currency transactions are translated into the respective Group entities' functional currencies at exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement (except when recognised in other comprehensive income as part of qualifying cash flow hedges).

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the transaction date, and those measured at fair value are translated at the exchange rate at the date that the fair value was determined. Exchange rate differences on non-monetary items are accounted for based on the classification of the underlying items.

Translation differences on non-monetary financial assets measured at FVOCI are included in other comprehensive income. Foreign exchange gains and losses are presented in the income statement in other gains and losses.

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 during 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.

2.25. Standards, interpretations and amendments

Published standards, amendments and interpretations effective for the 31 March 2021 financial period:

The following published standards, amendments and interpretations are mandatory for the accounting period beginning on or after 1 April 2020 and have been adopted:

• IFRS 3 *Definition of a Business* amendments (1 January 2020)

- IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform Phase 1 (1 January 2020)
- IAS 1 and IAS 8 Definition of Material amendments (1 January 2020)

The Group has also elected to adopt the following amendments early:

• IFRS 16 *Leases* - COVID-19-related Rent Concessions (1 June 2020)

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 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform Phase 2 (1 January 2021)
- IFRS 4 *Insurance Contracts* (1 January 2021)
- IFRS 17 Insurance Contracts (1 January 2023)
- IAS 16 Property, Plant and Equipment: Proceeds before Intended Use amendments (1 January 2022)
- IAS 37 Onerous Contracts Cost of Fulfilling a Contract amendments (1 January 2022)
- Annual improvements 2018–2020 cycle Amendments and clarifications to existing IFRS standards (1 January 2022)
- IAS 1 Classification of Liabilities as Current or Non-current amendments (1 January 2023)

i) Currency risk

Investments in foreign operations

FINANCIAL RISK MANAGEMENT

3.1. Financial risk factors

Market risk

3.

a)

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.

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.

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 £1m (2020: increase/decrease by £5m) due to exposure to the sterling/Swiss franc exchange rate;
- profit for the period would increase/decrease by £3m (2020: increase/decrease by £9m) due to exposure to the sterling/South African rand exchange rate;
- profit for the period would increase/decrease by £4m (2020: increase/decrease by £4m¹) due to exposure to the sterling/UAE dirham exchange rate;
- foreign currency translation reserve would increase/decrease by £162m (2020: increase/decrease by £143m) due to exposure to the sterling/Swiss franc exchange rate;
- foreign currency translation reserve would increase/decrease by £13m (2020: increase/decrease by £14m) due to exposure to the sterling/South African rand exchange rate; and
- foreign currency translation reserve would increase/decrease by £114m (2020: increase/decrease by £113m) 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 and assets issued at fixed interest rates 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.

Financial instruments issued at fixed rates expose the Group to fair value interest rate risk. The Group's exposure to fair value interest rate risk is not considered to be significant due to the short-term nature of the investments.

Note

¹ Profit for the period excludes the Mediclinic Middle East goodwill impairment charge.

3. FINANCIAL RISK MANAGEMENT CONTINUED

3.1. Financial risk factors (continued)

a) Market risk (continued)ii) Interest rate risk (continued)

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 2021, the 3M Swiss LIBOR was -0.75% (2020: -0.62%). Interest rates would have to increase by 75 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 (2020: no impact).
- Southern Africa: Profit for the period would decrease/increase by £0.7m (2020: decrease/increase by £0.9m) 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 decrease/increase by £0.4m (2020: decrease/increase by £0.5m) if the interest rates had been 50 basis points higher/lower in the Middle East with all other variables held constant.

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, derivative financial contracts, and reinsurance used to manage insurance risk. 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. 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 and expected credit losses were assessed at the end of the year.

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 2020 and 31 March 2021, 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 the 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.

	2021 £'m	2020 £'m
The Group's unused banking and overdraft facilities	385	189

3. FINANCIAL RISK MANAGEMENT CONTINUED

3.1. Financial risk factors (continued)

c) Liquidity risk (continued)

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been 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 2021					
Borrowings	1 777	2 550	147	1 5 4 9	854
Lease liabilities	676	886	59	217	610
Derivative financial instruments	126	130	8	122	-
Trade payables	235	235	235	-	-
Other payables and accrued expenses	206	206	206	-	-
31 March 2020					
Borrowings	1 951	2 822	219	1596	1007
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	-	-

d) Insurance risk

The risk that an insured event occurs and the amount of the resulting claim is uncertain. The risks covered by the Group's insurance policies include property damage and business interruption, malpractice claims, directors' and officers' liability, commercial crime and cyber risk. The Group manages insurance risk by outsourcing claims handling to service providers who review the claims on a regular basis and by pursuing early settlement of claims to reduce its exposure to unpredictable developments.

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 biannually. 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. Although a dividend suspension is in place, 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 2021 and 31 March 2020 were as follows:

	2021 £'m	2020 £'m
Borrowings	1 777	1 951
Lease liabilities	676	703
Less: cash and cash equivalents	(294)	(329)
Net debt	2 159	2 325
Total equity	2 967	3 003
Debt-to-equity capital ratio	72.8%	77.4%

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be incorrect. Detailed information about each of these estimates and judgements is included in the notes as 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)
- Remeasurement of redemption liability (written put option) (refer to note 21)

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			ther	
Year ended 31 March 2021	Total £'m	Switzerland £'m	Southern Africa £'m	Middle East £'m	United Kingdom £'m	Corporate £'m
Revenue	2 995	1 478	734	781	-	2
					<u>.</u>	
EBITDA	428	225	108	102	-	(7)
EBITDA before management fee	428	231	114	105	-	(22)
Group Services fees included in EBITDA ¹	-	(6)	(6)	(3)	-	15
Other gains and losses	2	-	1	1	-	-
Depreciation and amortisation	(217)	(128)	(36)	(52)	-	(1)
Impairment of property, equipment and vehicles	(3)	-	(3)	-	-	-
Impairment of intangible assets	(1)	-	(1)	-	-	-
Operating profit/(loss)	209	97	69	51	-	(8)
Loss from associate	(70)	-	-	-	(70)	-
Reversal of impairment of associate	60	-	-	-	60	-
Finance income	4	-	3	-	-	1
Finance cost (excluding intersegment loan interest)	(99)	(54)	(29)	(16)	-	-
Total finance cost	(99)	(72)	(29)	(16)	-	18
Elimination of intersegment loan interest ¹	-	18	-	-	-	(18)
Taxation	(25)	(11)	(14)	-	-	-
Segment result	79	32	29	35	(10)	(7)
At 31 March 2021						
Investments in associates	167	3	2	5	157	-
Investments in joint ventures	4	-	4	-	-	-
Capital expenditure for the year ²	126	67	33	26	-	-
Total segment assets	6 672	3 972	740	1 701	157	102
Total segment liabilities (excluding intersegment loan)	3 705	2 470	602	624	-	9
Total liabilities from reportable segment	4 635	3 400	602	624	-	9
Elimination of intersegment loan	(930)	(930)	-	-	-	-

Notes

¹ Intersegment transactions' pricing is determined on an arm's length basis. ² Relates to additions to non-current assets other than financial instruments, deferred tax assets and net defined benefit assets.

5. SEGMENTAL REPORT CONTINUED

		Reportal	ole operating se	egments	0	ther
Year ended 31 March 2020	Total £'m	Switzerland £'m	Southern Africa £'m	Middle East £'m	United Kingdom £'m	Corporate £'m
Revenue	3 083	1 4 3 8	907	737	_	1
EBITDA	541	245	188	110	_	(2)
EBITDA before management fee	541	251	194	113	_	(17)
Group Services fees included in EBITDA ¹	_	(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 ¹	_	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 ²	192	75	69	47	_	1
Total segment assets	6 954	4 192	680	1838	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)	_	_	_	_

Notes

¹ Intersegment transactions' pricing is determined on an arm's length basis.

² Relates to additions to non-current assets other than financial instruments, deferred tax assets and net defined benefit assets.

5. SEGMENTAL REPORT CONTINUED

	2021 £'m	2020 £'m
The total non-current assets, excluding financial instruments and deferred tax assets, per geographical location are:		
Switzerland	3 330	3 499
Southern Africa	518	484
Middle East	1 389	1559
United Kingdom	157	168
ENTITY-WIDE DISCLOSURES		
Revenue		
From UK	-	-
From foreign countries	2 995	3 083
Revenues from external customers are primarily from hospital services		

6. PROPERTY, EQUIPMENT AND VEHICLES

	2021 £'m	2020 £'m
Land – cost	886	959
Buildings	2 181	2 336
Cost	2 845	2 997
Accumulated depreciation and impairment	(664)	(661)
Land and buildings	3 067	3 295
Capital expenditure in progress	85	81
Right-of-use assets	625	675
Cost	739	739
Accumulated depreciation	(114)	(64)
Equipment	237	264
Cost	931	961
Accumulated depreciation	(694)	(697)
Furniture and vehicles	38	43
Cost	213	216
Accumulated depreciation and impairment	(175)	(173)
	4 052	4 358

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 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
Additions	13	49	59	35	8	164
Disposals	-	-	(1)	-	-	(1)
Depreciation	(60)	-	(49)	(72)	(15)	(196)
Transfer between asset classes	4	-	(12)	7	1	-
Prior year capital expenditure completed	34	(44)	-	9	1	_
Impairment	(3)	-	-	-	-	(3)
Borrowing cost capitalised	1	_	-	-	-	1
Lease remeasurements	_	-	8	-	-	8
Exchange differences	(217)	(1)	(55)	(6)	-	(279)
Net book value at 31 March 2021	3 067	85	625	237	38	4 052

	2021 £'m	2020 £'m
Total additions (excluding additions on right-of-use assets)	105	169
To maintain operations	46	76
To expand operations	59	93

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6. PROPERTY, EQUIPMENT AND VEHICLES CONTINUED

The right-of-use assets were recognised during the prior year with the adoption of IFRS 16 *Leases*. Refer to note 18 for further information on leases.

Property, equipment and vehicles with a book value of £2 696m (2020: £2 869m) are encumbered as security for borrowings (see note 17).

The impact of climate change on the assets' useful lives was considered at year-end and no significant impacts were identified.

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

Due to the significant impact the COVID-19 pandemic had on the Southern Africa segment, its CGUs were assessed for impairment at 31 March 2021. The recoverable amounts of the CGUs tested for impairment were based on fair-value-less-cost-to-sell calculations. The determination of fair-value-less-cost-to-sell calculations uses level 3 valuation techniques. In determining the fair-value-less-cost-to-sell for the CGUs, the cash flows were discounted at a rate of 12.7%. Beyond five years a growth rate of 4.5% was used. The recoverable amount of three CGUs (£5m in total) was determined to be lower than their individual carrying values and as a result an impairment charge of £3m (2020: £nil) was recognised in the income statement relating to property, equipment and vehicles. The recoverable amount of 43 CGUs was higher than their carrying values and had sufficient headroom. After recognition of the impairment charges, the carrying amounts of the CGUs are not sensitive to reasonably possible changes in the discount rate and the terminal growth rate.

No impairment indicators were identified for the Swiss and Middle East CGUs at 31 March 2021. In the prior year, the carrying value of one Swiss 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 relating to property, equipment and vehicles.

Some CGUs within Hirslanden remain sensitive to reasonably possible changes in key assumptions in the fair-valueless-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. In determining the fair-value-less-cost-to-sell for the CGUs, the cash flows were discounted at rates between 4.9% and 5.2% (2020: 4.8% and 5.1%). An increase in the discount rate of 0.7% would lead to an impairment charge of approximately £19m and a decrease of 7% in the cash flow projections would result in an impairment charge of approximately £1m. A decrease of the terminal year growth rate to 0% would not result in impairment.

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 are 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 year ending 31 March 2020, Klinik Belair was sold and a reversal of previously recognised impairment charges in respect of properties of £4m was recognised.

Change in accounting estimate

During the year, an expansion project, which will include the construction of new hospital wings at a hospital in Hirslanden, was approved. The existing hospital wings will be dismantled at the end of the financial year ending 31 March 2023 and will be replaced by a new construction as part of the expansion project. As a result, the estimated useful life of the existing hospital wings has been reduced and the depreciation of these assets' carrying value accelerated. For the year ended 31 March 2021, the accelerated depreciation included in the depreciation charge amounts to £10m. The accelerated depreciation in FY2022 and FY2023 will amount to £19m each year.

7. INTANGIBLE ASSETS

	2021 £'m	2020 £'m
Goodwill	946	1047
Cost	1 689	1862
Accumulated impairment	(743)	(815)
Trade names	45	54
Cost	424	420
Accumulated amortisation and impairment	(379)	(366)
Computer software	70	70
Cost	162	150
Accumulated amortisation	(92)	(80)
	1 061	1 171

	Goodwill £'m	Trade names £'m	Computer software £'m	Leases ¹ £'m	Total £'m
Net book value at 1 April 2019	1450	53	60	23	1586
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	1047	54	70	-	1 171
Additions	-	-	21	-	21
Amortisation	-	(4)	(17)	-	(21)
Business combinations	3	-	-	-	3
Impairment	(1)	-	-	-	(1)
Exchange differences	(103)	(5)	(4)	-	(112)
Net book value at 31 March 2021	946	45	70	-	1 061

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.

	2021 £'m	2020 £'m
Total additions	21	23
To maintain operations	8	8
To expand operations	13	15

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 a CGU level, except for the Mediclinic Middle East goodwill, which is monitored at an operating segment level. This means that for the Mediclinic Middle East division, recoverability of goodwill is assessed by reference to the aggregated cash flows of the legacy Middle East and Al Noor businesses. The Mediclinic Middle East goodwill originated mainly from the Al Noor business combination with a portion originating from other UAE business combinations. The initial commercial rationale for the acquisition of Al Noor included expected synergies from integrating the legacy Al Noor business with the legacy 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 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 and encompass a best estimate of the short- and long-term impact of the COVID-19 pandemic. The cash flow forecast includes the purchase of environmentally friendly equipment.

Growth rates

Growth rates are determined from budgeted and forecast revenue. Terminal year 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 £834m (2020: £928m) 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 8.7% (2020: 8.8%).
- Growth rates The terminal growth rate beyond five years is 3.0% (2020: 3.0%).
- *Forecasts* Represents management's best view of future revenues and cash flows over a five-year period and is comparable with the forecast used in the prior year.

The recoverable amount was determined to be higher than the carrying value and consequently no impairment was recognised against goodwill during the year under review. In the prior year, an impairment of £481m was recognised against goodwill.

Sensitivity analysis

An increase in the discount rate by 0.6% combined with a decrease in the terminal growth rate by 0.5% would reduce the headroom to £nil. A decrease in forecast cash flows by 9% would also reduce headroom to £nil.

These changes are not considered reasonably possible to occur within the next 12 months. However, as the key assumptions have the potential to vary over time, these are therefore highlighted as a key accounting estimate.

Impairment testing of Hirslanden goodwill and trade names

Hirslanden goodwill with a carrying amount of £100m that originated from the business combination of Hirslanden OPERA Zumikon AG in the current year and Clinique des Grangettes in previous years has been tested for impairment.

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 5.1% (2020: 5.0%).
- Growth rates The terminal growth rate beyond five years was 1.6% (2020: 1.6%).
- *Forecasts* Represents management's best view of future revenues and cash flows over a five-year period and is comparable with the forecast used in the prior year.

Sensitivity analysis

An increase in the discount rate by 2.7% (2020: 1.2%) combined with a decrease in the terminal growth rate by 1.6% (2020: 1.2%) would reduce the headroom to £nil.

These changes are not considered reasonably possible to occur within the next 12 months.

Impairment testing of Southern Africa goodwill

Southern Africa goodwill with a carrying amount of £14m has been tested for impairment. The recoverable amount has been determined based on fair-value-less-cost-to-sell discounted cash flow calculations by applying a discount rate of 12.7% and a terminal year growth rate beyond five years of 4.5%. As a result, the carrying amount of the goodwill of five CGUs was determined to be higher than its recoverable amount and an impairment of £1m was recognised against goodwill.

8. EQUITY-ACCOUNTED INVESTMENTS

	2021 £'m	2020 £'m
Investment in associates	167	177
Investment in joint venture	4	4
	171	181

8.1. Investment in associates

	2021 £'m	2020 £'m
Listed investment	157	168
Unlisted investments	10	9
	167	177
Reconciliation of carrying value at the beginning and end of the year		
Opening balance	177	189
Additional investment in unlisted associate	1	1
Share of net profit of associated companies	(70)	2
Reversal of impairment/(impairment) of listed associate	60	(10)
Dividends received from associated companies	-	(5)
Exchange differences	(1)	-
	167	177

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 2020 (2020: 31 December 2019). No significant events occurred between 1 January 2021 and the reporting date.

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 2020 £'m	At 31 Dec 2019 £'m
Summarised statement of financial position		
Non-current assets	1 992	2 233
Current assets	250	205
Total assets	2 242	2 438
Non-current liabilities	(1 295)	(1 301)
Current liabilities	(254)	(198)
Net assets	693	939
Mediclinic's effective interest	29.9%	29.9%
Mediclinic's effective interest in net assets after impairments	157	168
Market value of listed investment at 31 March	201	94
Summarised statement of comprehensive income		
Revenue	920	981
Profit from continuing operations	(237)	7
Other comprehensive income	(1)	(2)
Total comprehensive income	(238)	5
Dividends received from associate	-	5

Refer to note 38 for further details of investments in associates.

Critical accounting estimates and judgements

The Group assesses 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.

Spire's loss for the period under review included a goodwill impairment charge of £200m. The equity-accounted portion of this impairment amounts to £60m. Accumulated impairment charges recognised by the Group in prior periods amount to £283m. Following Spire's goodwill impairment charge, the Group's interest in the net asset value of Spire was higher than its carrying value of the equity investment at 30 September 2020. As a result an impairment reversal equal to the Group's share of the goodwill impairment of £60m was recognised and reported in the Group's interim financial statements.

At 31 March 2021, the market value of the investment in Spire was £201m, which was higher than the carrying value of £157m. The Group considers the assessment of impairment reversal in the context of the financial performance of Spire, volatility of the share price during the period and the ongoing impact of the COVID-19 pandemic, among other factors. No further impairment reversal has been recorded.

The following key assumptions which were used in the calculation in the prior year:

- Discount rates a discount rate of 6.9% was applied to cash flow projections.
- Growth rates a terminal growth rate of 2.0% was applied in the calculation.

8. EQUITY-ACCOUNTED INVESTMENTS CONTINUED

8.2. Investment in joint venture

	2021 £'m	2020 £'m
Reconciliation of carrying value at the beginning and end of the year		
Opening balance	4	4
	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 2020 (2020: 31 December 2019) since it has a different year-end.

Details of the joint venture appear in note 38.

9. OTHER INVESTMENTS AND LOANS

	2021 £'m	2020 £'m
Debt instruments at amortised cost	9	9
Equity instruments at FVPL (unlisted shares)	-	2
Equity instruments at FVPL (listed shares)	1	-
Equity instruments at FVOCI (unlisted shares)	2	-
Investments in money market funds	2	-
	14	11
Non-current	12	9
Current	2	2
Total other investments and loans	14	11
Other investments and loans are held in the following currencies:		
Swiss franc	5	3
South African rand	5	6
UAE dirham	2	2
US dollar	2	-
	14	11

Debt instruments at amortised cost

Debt instruments at amortised cost include loans receivable from doctors and other parties. For details on loans to related parties, refer to note 35.

Loans receivable inherently expose the company to credit risk, being the risk that the company will incur financial loss if counterparties fail to make payments as they fall due.

Loans receivable are subject to the impairment provisions of IFRS 9 *Financial Instruments*, which require a loss allowance to be recognised for all exposures to credit risk. The loss allowance for loans receivable is calculated based on 12-month expected losses if the credit risk has not increased significantly since initial recognition. In cases where the credit risk has increased significantly since initial recognition, the loss allowance is calculated based on lifetime expected credit losses. The loss allowance is updated to either 12-month or lifetime expected credit losses at each reporting date based on changes in the credit risk since initial recognition. If a loan is considered to have a low credit risk at the reporting date, then it is assumed that the credit risk has not increased significantly since initial recognition. On the other hand, if a loan is in arrears more than 90 days, then it is assumed that there has been a significant increase in credit risk since initial recognition.

No credit losses were recognised on the loans receivable (2020: nil).

10. DEFERRED TAX

The movement on the deferred tax account is as follows:

	2021 £'m	2020 £'m
Opening balance	405	401
Income statement credit for the year	(6)	(30)
Exchange differences	(34)	35
Change in accounting policy	-	(2)
Disposal of subsidiaries	-	(1)
Business combinations	-	1
Charged to other comprehensive income	26	1
Balance at year-end	391	405
Deferred income tax assets	(34)	(22)
Deferred income tax liabilities	425	427
	391	405

The deferred tax relating to current assets and current liabilities contains temporary differences that are likely to be realised 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	Financial assets £'m	Total £'m
Deferred tax liabilities						
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
At 1 April 2020	407	13	7	19	-	446
Charged to the income statement	3	-	1	-	1	5
Charged to other comprehensive income	_	_	_	_	20	20
Exchange differences	(29)	(1)	_	(2)	(1)	(33)
At 31 March 2021	381	12	8	17	20	438
Set-off of deferred tax liabilities pursuant to set-off provisions						(13)
Net deferred tax liabilities at year-end						425

10. DEFERRED TAX CONTINUED

	Current liabilities £'m	Provisions and other £'m	Long-term liabilities £'m	Derivatives £'m	Leases £'m	Tangible assets £'m	Tax losses carried forward £'m	Total £'m
Deferred tax assets								
At 1 April 2019	(2)	(6)	(22)	-	-	-	(9)	(39)
Charged/(credited) to the income statement	-	(3)	(2)	(1)	-	-	1	(5)
Charged/(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)
At 1 April 2020	(2)	(7)	(20)	(3)	(2)	-	(7)	(41)
Credited to the income statement	_	(2)	(1)	-	_	(3)	(5)	(11)
Charged to other comprehensive income	-	-	6	-	-	-	-	6
Exchange differences	-	(1)	-	1	(1)	-	-	(1)
At 31 March 2021	(2)	(10)	(15)	(2)	(3)	(3)	(12)	(47)
Set-off of deferred tax assets pursuant to set-off provisions								13
Net deferred tax assets at year-end								(34)

10. DEFERRED TAX CONTINUED

At 31 March 2021, the Group had unutilised tax losses of approximately £172m (2020: £121m) potentially available for offset against future profits. A deferred tax asset of £12m (2020: £7m) has been recognised in respect of tax 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 not recognised as deferred tax assets for the Group are as follows:

	2021 £'m	2020 £'m
UNUSED TAX LOSSES NOT RECOGNISED AS DEFERRED TAX ASSETS		
Expiry in 1 year	4	1
Expiry in 2 years	-	2
Expiry in 3-7 years	52	35
No expiry	54	51
	110	89

Critical accounting estimates and judgements

Deferred tax on unremitted earnings

The Group recognised a deferred tax liability of £1m (2020: £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 293m (2020: £1 294m). 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

	2021 £'m	2020 £'m
Inventories consist of:		
Pharmaceutical products	97	94
Consumables	11	10
Finished goods and work in progress	1	-
	109	104

The cost of inventories recognised as an expense and included in consumables and supplies amounted to £719m (2020: £691m¹). Write-downs of inventories to net realisable value amounted to £6m (2020: £3m). These were recognised as an expense during the year and included in consumables and supplies in the income statement.

Note ¹ Refer to note 2.1.

12. TRADE AND OTHER RECEIVABLES

	2021 £'m	(Re- presented) ¹ 2020 £'m
Financial instruments		
Trade receivables	740	687
Loss allowance	(22)	(19)
	718	668
Other receivables	56	54
	774	722
Non-financial instruments		
Prepayments and deposits	47	40
Other receivables	5	4
	52	44
Total trade and other receivables	826	766

Note

¹ Swiss unbilled services (£106m), previously presented as other receivables, have been reclassified to trade receivables due to its similar characteristics.

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:

	2021 £'m	2020 £'m
Swiss franc	489	472
South African rand	81	77
UAE dirham	255	217
US dollar	1	-
	826	766

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 due¹ £'m	31-60 days past due £'m	61-90 days past due £'m	More than 90 days past due £'m	Total £'m
2021						
Gross carrying amount	436	55	41	27	181	740
Loss allowance	(2)	-	(1)	(1)	(18)	(22)
Net carrying amount	434	55	40	26	163	718
Expected loss rate	0.36%	0.95%	1.82%	4.34%	9.93%	

	Current £'m	1-30 days past due¹ £'m	31–60 days past due¹ £'m	61-90 days past due £'m	More than 90 days past due £'m	Total £'m
2020						
Gross carrying amount	417	55	35	23	157	687
Loss allowance	(1)	-	-	(1)	(17)	(19)
Net carrying amount	416	55	35	22	140	668
Expected loss rate	0.32%	0.00%	0.00%	4.35%	10.83%	

Note

¹ Loss allowance is less than £0.5m.

	2021 £'m	2020 £'m
Movement in the loss allowance		
Opening balance	19	18
Loss allowance	12	9
Amounts written off as uncollectable	(8)	(7)
Unused amounts reversed	(1)	(1)
Balance at year-end	22	19

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.

Other receivables are considered to have low credit risk, and the loss allowance provision recognised during the period was therefore limited to 12 months' expected credit losses. Other receivables are considered to have low credit risk where they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The expected credit losses for other receivables are insignificant.

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).

Trade receivables to the value of £295m (2020: £254m) have been ceded as security for banking facilities.

13. SHARE CAPITAL

	2021 £'m	2020 £'m
Issued share capital		
Share capital	74	74
Share premium	690	690
	764	764

Ordinary shares	2021 £'m	2020 £'m
Number of shares in issue and fully paid	737 243 810	737 243 810
Nominal value	10p	10p

Treasury shares

During the prior year, the remaining 32 330 treasury shares held by Mpilo Trust were disposed of. The Group does not have any treasury shares at 31 March 2021 (31 March 2020: nil).

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 a dividend received from Mediclinic International plc. To the extent that 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

	2021 £'m	2020 £'m
Other reserves comprise:		
Foreign currency translation reserve	578	815
Hedging reserve	(8)	(8)
Reverse acquisition reserve ¹	(3 014)	(3 014)
Capital redemption reserve ²	6	6
	(2 438)	(2 201)
Movements in other reserves		
Foreign currency translation reserve	578	815
Opening balance	815	628
Currency translation differences	(237)	187
Hedging reserve	(8)	(8)
Opening balance	(8)	(2)
Realised fair value hedge adjustments transferred to income statement	2	_
Fair value adjustments of cash flow hedges, net of tax	(2)	(6)

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 AI 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 is 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

Long-term incentive plan ('LTIP') awards

Under the LTIP, conditional phantom shares are awarded to selected senior management (including executive directors). The LTIP awards share-based payment arrangement that will be settled in cash is accounted for as a cash-settled share-based payment transaction in terms of IFRS 2 and the LTIP awards that will be settled in shares will be accounted for as an equity-settled share-based payment transaction.

	2021 £'m	2020 £'m
Cash-settled share-based payment liability	1	1
Equity-settled share-based payment reserve ¹	-	-
Total share-based payment reserves and liabilities	1	1
Expenses arising from equity-settled share-based payment transactions ¹	-	-
Expenses arising from cash-settled share-based payment transactions ¹	-	1
Total expense (refer to note 24)	-	1

Note

¹ Less than £0.5m for the year under review.

Cash-settled share-based payment arrangements

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 of the 2018 and 2019 LTIP awards; 25% weighting of the 2020 LTIP awards), earnings per share ('**EPS**') (60% weighting of the 2018 and 2019 LTIP awards; 40% weighting of the 2020 LTIP awards), return on invested capital ('**ROIC**') (25% weighting of the 2020 LTIP awards) and patient experience index (10% weighting of the 2020 LTIP awards).

	2021 £'m	2020 £'m
Opening balance	1	-
Share-based payment expense ¹	-	1
Closing balance	1	1

Note

¹ Less than £0.5m for the year under review.

A reconciliation of the movement in the LTIP award units is detailed below:

	Average price (pence)	2021 Number of units	2020 Number of units
Opening balance		3 877 820	2 047 733
Granted	286	1 852 340	2 109 925
Vested	300	-	(8 259)
Lapsed		(622 067)	(271 579)
Closing balance		5 108 093	3 877 820

15. SHARE-BASED PAYMENTS CONTINUED

Cash-settled share-based payment arrangements (continued)

Valuation assumptions relating to the outstanding units:

	2020 LTIP allocation	2019 LTIP allocation	2018 LTIP allocation ¹
Grant date	13 December 2020	19 June 2019	15 June 2018
Vesting date	13 December 2023	1 June 2022/2024	15 June 2021/2023
Outstanding units	1852340	2 088 813	1 166 940
Closing share price	286	286	286
Risk-free interest rate	0.02%	0.19%	0.18%
Expected dividend yield	0.00%	0.00%	0.00%
Volatility	37.00%	41.80%	42.30%

Note

¹ The performance period for the 2018 Awards has elapsed with the Company being below the performance targets. None of the 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 various dates between 1 September 2016 and 14 June 2019. The total number of these awards granted was 16 115. Of these awards, the remaining 8 259 vested in 2020.

Equity-settled share-based payment arrangements

The vesting of these shares is subject to continued employment and is conditional upon achievement of four performance targets, measured over a three-year period. The performance conditions for the year under review constitute a combination of TSR (25% weighting), adjusted EPS (40% weighting), ROIC (25% weighting) and the Group's consolidated patient experience index score (10% weighting).

The shares vest in December 2023.

The share-based payment expense relating to equity-settled share-based payment arrangements was less than £0.5m during the year (2020: £nil).

	Average price (pence)	2021 Number of units	2020 Number of units
Opening balance		-	-
Granted	270	607 072	-
Closing balance		607 072	-

Valuation assumptions relating to the outstanding units:

	2020 LTIP allocation
Grant date	13 December 2020
Vesting date	13 December 2023
Outstanding units	607 072
Share price of Mediclinic International plc share on grant date (denominated in sterling)	270
Risk-free interest rate	(0.13)%
Expected dividend yield	0%
Volatility	43.80%

16. NON-CONTROLLING INTERESTS

	2021 £'m	2020 £'m
Opening balance	113	115
Transactions with non-controlling shareholders	(3)	3
Dividends to non-controlling shareholders	(8)	(15)
Share of total comprehensive income	16	10
Share of profit	11	21
Currency translation differences	2	(12)
Share of other comprehensive income	3	1
Non-controlling interest	118	113

Details of the ownership interest held by material non-controlling interests ('NCI') are as follows:

	Country of business	2021	2020
Curamed Holdings (Pty) Ltd (group)	South Africa	26.6%	30.2%
Grangettes Group	Switzerland	40.0%	40.0%
Mediclinic Limpopo Trust	South Africa	50.0%	50.0%

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.

31 March 2021	Mediclinic Limpopo Trust £'m	Curamed Holdings (Pty) Ltd (group) £'m	Grangettes Group £'m
Summarised balance sheet			
Non-current assets	11	51	337
Current assets	29	38	78
Non-current liabilities	-	(4)	(185)
Current liabilities	(4)	(10)	(51)
Net assets	36	75	179
Accumulated NCI in statement of financial position	18	19	36
Summarised statement of comprehensive income			
Revenue	21	57	160
Profit for the year	6	9	15
Other comprehensive income	-	-	8
Total comprehensive income	6	9	23
Profit allocated to NCI	3	1	6
Dividends paid to NCI	2	1	5
Summarised cash flows			
Cash flows from operating activities	7	5	23
Cash flows from investing activities	(1)	(3)	(5)
Cash flows from financing activities	(4)	(2)	(34)
Net increase/(decrease) in cash and cash equivalents	2	-	(16)

16. NON-CONTROLLING INTERESTS CONTINUED

31 March 2020	Mediclinic Limpopo Trust £'m	Curamed Holdings (Pty) Ltd (group) £'m	Grangettes Group £'m
Summarised balance sheet	£III	Em	EIII
Non-current assets	10	43	354
Current assets	24	33	72
Non-current liabilities	_	(3)	(208)
Current liabilities	(3)	(10)	(38)
Net assets	31	63	180
Accumulated NCI in statement of financial position	16	19	34
Summarised statement of comprehensive income			
Revenue	25	69	142
Profit for the year	9	13	19
Other comprehensive income	_	-	1
Total comprehensive income	9	13	20
Profit allocated to NCI	4	3	8
Dividends paid to NCI	2	2	7
Summarised cash flows			
Cash flows from operating activities	10	18	25
Cash flows from investing activities	(1)	(5)	(3)
Cash flows from financing activities	(5)	(8)	(27)
Net increase/(decrease) in cash and cash equivalents	4	5	(5)

Transactions with non-controlling interests

During the period under review, the Group entered into various transactions where it acquired additional interests in non-controlling interests and disposed of non-controlling interests without losing control. The effect on the equity attributable to the owners during the year is summarised as follows:

	2021 £'m	2020 £'m
Carrying amount of non-controlling interests acquired/(disposed of)	3	3
Consideration received from/(paid to) non-controlling interests	1	(1)
Increase in equity attributable to owners of the Company	4	2

17. BORROWINGS

	2021 £'m	2020 £'m
Bank loans	1 507	1673
Preference shares	89	82
Listed bonds	181	196
	1 777	1 951
Non-current borrowings	1 686	1 787
Current borrowings	91	164
Total borrowings	1 777	1 951

_		2021 £'m Non-current	2021 £'m Current	2020 £'m Non-current	2020 £'m Current
	Swiss operations (denominated in Swiss franc)				
Secured bank Ioan one ¹	This loan bears interest at variable rates linked to the 3M LIBOR plus 1.25%. With reference to the Facility agreement, there will be a change in the calculation of the variable interest rate from LIBOR to SARON. CHF50m is redeemable annually on 30 September with the final outstanding balance redeemable on 30 September 2026. The repayment on 30 September 2020 was suspended, but management decided to make a voluntary repayment in November 2020. The non- current portion includes capitalised financing costs of £13m (2020: £13m).	986	38	1 156	_
Secured bank Ioan two²	These loans were acquired as part of the Linde acquisition and bear interest at a fixed rate of 1.12%. CHF0.5m is repayable on 30 June and 31 December every year. The remaining balances are repayable during May 2023.	13	1	15	1
Secured bank Ioan three²	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	_
Listed bonds	The listed bonds consist of CHF90m at 2.00% and CHF145m at 1.25% Swiss franc bonds. The bonds are repayable on 25 February 2025 and 25 February 2026, respectively. In February 2021, one of the existing bonds was repaid (CHF145m at 1.63%) and a new bond of CHF145m at 1.25% was issued.	181	_	75	121
	Balance carried forward	1 188	39	1254	122

Notes

¹ The loan is secured by mortgage notes on Swiss properties and buildings to the value of £2 382m (2020: £2 580m) and Swiss bank accounts with a book value of £81m (2020: £149m).

² These loans are secured by mortgage notes on the properties and buildings of the Linde Group.

17. BORROWINGS CONTINUED

		2021 £'m Non-current	2021 £'m Current	2020 £'m Non-current	2020 £'m Current
	Balance carried forward	1 188	39	1254	122
	Southern African operations (denominated in South African rand)				
Secured bank Ioan one ¹	The loan bears interest at the 3M JIBAR variable rate plus a margin of 1.71% (2020: 1.49%) compounded quarterly and is repayable on 26 September 2022. £20m (2020: £18m) of the loan has been hedged.	126	1	116	1
Secured bank Ioan two¹	The loan bears interest at the 3M JIBAR variable rate plus a margin of 1.81% (2020: 1.59%) compounded quarterly and is repayable on 26 September 2023. £175m (2020: £162m) of the loan has been hedged.	176	1	162	1
Other secured bank loans ²	These loans bear interest at variable rates linked to the prime overdraft rate and are repayable in periods ranging between one and 12 years.	3	1	3	1
Preference shares ¹	Dividends are payable monthly at a rate of 72% of 3M JIBAR plus a margin of 1.77% (2020: 1.65%). The outstanding balance will be redeemed on 26 September 2022.	89	_	82	_
Bank overdraft		-	-	-	13
	Middle East operations (denominated in US dollar)				
Secured bank Ioan one ³	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. £51m (2020: £65m) of the loan has				
	been hedged.	104	49	170	26
		1 686	91	1 787	164

Notes

Property and equipment with a book value of £296m (2020: £271m) are encumbered as security for these loans. Cash and cash equivalents of £5m (2020: £1m) and trade receivables of £53m (2020: £51m) have also been ceded as security for these borrowings.
 Property, equipment and vehicles with a book value of £18m (2020: £18m) are encumbered as security for these loans. Net trade receivables of £1m (2020: £1m) have also been ceded as security for these loans. Net trade receivables of £1m (2020: £1m) have also been ceded as security for these loans.

³ 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

Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	2021 £'m	2020 £'m
Right-of-use assets		
Buildings	621	672
Equipment	4	3
	625	675
Right-of-use assets per geographical market		
Switzerland	390	414
Southern Africa	27	29
The United Arab Emirates	208	232
	625	675

	2021	2020
	£'m	£'m
Lease liabilities		
Switzerland	408	416
Southern Africa	38	38
The United Arab Emirates	230	249
	676	703
Of which are:		
- Non-current lease liabilities	621	654
- Current lease liabilities	55	49
	676	703

18. LEASES CONTINUED

Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2021 £'m	2020 £'m
Depreciation charge of right-of-use assets		
Buildings	48	45
Equipment	1	1
	49	46
Interest expense (included in finance cost)	20	21
Expense relating to short-term leases and leases of low-value assets	8	12
COVID-19-related rent concessions	(1)	-

The total cash outflow for leases, excluding short-term leases and leases of low-value assets, was £56m (2020: £63m).

The Group negotiated rent concessions with its landlords at a number of buildings in the Middle East as a result of the severe impact of the COVID-19 pandemic during the year. The Group applied the practical expedient for COVID-19-related rent concessions consistently to eligible rent concessions. The amount recognised in profit or loss of £1m (2020: £nil) reflects changes in lease payments arising from rent concessions to which the Group has applied the practical expedient for COVID-19-related rent concessions.

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 which is within the control of the lessee.

19. RETIREMENT BENEFIT OBLIGATIONS

	2021 £'m	2020 £'m
Statement of financial position obligations for:		
Swiss pension benefit asset	(110)	-
Swiss pension benefit obligation	27	71
South African post-retirement medical benefit obligation	37	28
UAE end-of-service benefit obligation	77	83
	141	182
Total retirement benefit obligations	141	182
Short-term portion of retirement benefit obligations	(14)	(14)
Non-current retirement benefit obligations	127	168
Total retirement benefit assets	(110)	-
Short-term portion of retirement benefit assets	-	-
Non-current retirement benefit assets	(110)	_
Total amount charged to the income statement:		
Swiss pension benefit obligation	38	40
South African post-retirement medical benefit obligation	5	6
UAE end-of-service benefit obligation	11	10
	54	56
Total amount charged/(credited) to the other comprehensive income:		
Swiss pension benefit obligation	(152)	12
South African post-retirement medical benefit obligation	2	(8)
UAE end-of-service benefit obligation	(3)	13
	(153)	17

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 is 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.

The sensitivity analyses presented in each section overleaf 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 defined benefit obligation recognised within the statement of financial position.

19. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

a) Swiss pension benefit obligation

The Group's Swiss defined benefit pension plans are as follows:

- Pensionskasse Hirslanden
- Vorsorgestiftung VSAO (Association for Swiss Assistant and Senior Doctors)
- Hirslanden Clinique La Colline SA
- Hirslanden Klinik Linde AG
- Clinique des Grangettes SA
- Hirslanden OPERA Zumikon AG

Swiss pension benefit obligation	2021 £'m	2020 £'m
Statement of financial position		
Amounts recognised in the statement of financial position are as follows:		
Present value of funded obligations	1 261	1 321
Fair value of plan assets	(1 344)	(1250)
Net pension liability	(83)	71
Presented as:		
Net pension asset	(110)	-
Net pension liability	27	71
	(83)	71
The movement in the defined benefit obligation over the year is as follows:		
Opening balance	1 321	1 216
Current service cost	37	39
Interest cost	6	6
Employee contributions	39	37
Benefits paid	(46)	(58)
Business combinations	2	-
Actuarial (gain)/loss	10	(22)
Exchange differences	(108)	103
Balance at year-end	1 261	1 321
The movement of the fair value of plan assets over the year is as follows:		
Opening balance	1 250	1164
Employer contributions	43	40
Plan participants' contributions	39	37
Benefits paid from fund	(46)	(58)
Business combinations	1	-
Interest income on plan assets	6	6
Return on plan assets greater than discount rate	162	(35)
Administration costs	(1)	(1)
Exchange differences	(110)	97
Balance at year-end	1 344	1 250

19. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

a) Swiss pension benefit obligation (continued)

Swiss pension benefit obligation (continued)	2021 £'m	2020 £'m
Statement of financial position (continued)		
Net pension liability reconciliation		
Opening net liability	71	52
Expenses recognised in the income statement	38	40
Contributions paid by employer	(43)	(40)
Business combinations	1	-
Exchange differences	2	7
Actuarial (gain)/loss	(152)	12
Closing net (asset)/liability	(83)	71
Statement of other comprehensive income		
Amounts recognised in other comprehensive income are as follows:		
Actuarial loss - experience	(25)	(6)
Actuarial gain/(loss) due to demographic assumption changes	67	23
Actuarial gain/(loss) due to financial assumption changes	(52)	5
Return on plan assets greater than discount rate	162	(34)
Total other comprehensive income	152	(12)
Income statement		
Amounts recognised in the income statement are as follows:		
Current service cost	37	39
Interest on liability	6	6
Interest on plan assets	(6)	(6)
Administration cost	1	1
	38	40
Actual return on plan assets	168	(28)
Principal actuarial assumptions on statement of financial position		
Discount rate	0.20%	0.45%
Future salary increases	1.50%	1.50%
Future pension increases	0.00%	0.00%
Inflation rate	1.00%	1.00%
Number of plan members		
Active members	10 075	9 710
Pensioners	1 171	1063
	11 246	10 773

19. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

a) Swiss pension benefit obligation (continued)

Asset allocation	2021 £'m	2021 %	2020 £'m	2020 %
Quoted investments				
Fixed income investments	437	32.5%	430	34.4%
Equity investments	418	31.1%	315	25.2%
Real estate	20	1.5%	21	1.7%
Other	109	8.1%	118	9.4%
	984	73.2%	884	70.7%
Non-quoted investments				
Fixed income investments	28	2.1%	30	2.4%
Equity investments	1	0.1%	-	0.0%
Real estate	237	17.6%	249	19.9%
Other	94	7.0%	87	7.0%
	360	26.8%	366	29.3%
	1 3 4 4	100.0%	1250	100.0%

Risk exposure

Through its defined benefit pension plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility: The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit.

Changes in bond yields: A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Inflation risks: The pension obligations are linked to salary and pension inflation, and higher inflation will lead to higher liabilities. The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy: The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

19. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

a) Swiss pension 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	0.20%	0.25%	2.9%	2.8%
Salary growth rate	1.50%	0.50%	0.7%	0.7%
Pension growth rate	0.00%	0.25%	2.0%	0.0%
	Base assumption	Change in assumption	Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy (mortality)	BVG 2020 with CMI improvements	1 year in expected lifetime of plan participants	2.0%	2.0%

The Group accounts for actuarially determined future pension benefits and provides for the expected liability in the statement of financial position. The assumptions used to calculate the expected liability are based on actuarial advice. The discount rate is based on market yields obtained on high-quality corporate bonds that have durations consistent with the term of the obligation.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

Expected employer contributions to be paid to the pension plans for the year ended 31 March 2022 amount to £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 11.5 years (2020: 13.5 years). The maturity profile of the defined benefit obligation is as follows:

	= 1 year<br £'m	1-5 years £'m	> 5 years £'m	Total £'m
At 31 March 2021				
Defined benefit obligation	119	325	848	1 292
At 31 March 2020				
Defined benefit obligation	93	277	1040	1 410

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 is responsible for their implementation. The governing body has mandated the investment activity to Complementa Investment Controlling AG, as the global custodian.

19. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

a) Swiss pension benefit obligation (continued)

Additional information on Swiss defined benefit pension plans (continued)

Pensionskasse Hirslanden (continued)

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% 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.

Other pension plans

Other pension plans exist for the latest acquired subsidiaries (Hirslanden Clinique La Colline SA, Hirslanden Klinik Linde AG, Clinique des Grangettes and Hirslanden OPERA Zumikon AG) 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, the money originally brought in to 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.

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.

19. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

b) South African post-retirement medical benefit obligation

The Group's Southern African operations have a post-retirement medical benefit obligation for employees who joined before 1 July 2012. The Southern African operations subsidise the contributions payable to the group medical aid in respect of certain eligible retired employees. The subsidy obligations are unfunded and the benefit payment obligations are met as they fall due.

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 2.9% in excess of consumer price inflation.

In the last valuation on 31 March 2021, an 11.40% (2020: 10.40%) medical inflation rate and a 13.70% (2020: 13.40%) discount rate were assumed. The average retirement age was set at 63 years (2020: 63 years).

The assumed rates of mortality are as follows:

- During employment: SA 85/90 tables of mortality
- Post-employment: PA(90) tables

South African post-retirement medical benefit obligation	2021 £'m	2020 £'m
Amounts recognised in the statement of financial position are as follows:		
Opening balance	28	37
Amounts recognised in the income statement	5	6
Current service cost	1	2
Interest cost	4	4
Benefits paid	(1)	(1)
Actuarial loss/(gain) recognised in other comprehensive income	2	(8)
Exchange differences	3	(6)
Present value of unfunded obligations	37	28

Risk exposure

Through its defined benefit post-retirement medical benefit obligation, the Group is exposed to a number of risks, the most significant of which are detailed below:

Changes in bond yields: A decrease in corporate bond yields will increase medical benefit obligations.

Inflation risks: The medical benefit obligations are linked to medical inflation, and higher inflation will lead to higher liabilities.

Assumptions and sensitivity analysis

Impact on defined benefit obligation	Base assumption	Change in assumption	Increase in obligation	Decrease in obligation
Discount rate	13.70%	0.50%	6.0%	7.0%
Medical inflation rate	11.40%	1.00%	15.0%	12.0%

The expected post-employment medical benefits payable for the year ended 31 March 2022 amount to £1m.

19. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

b) South African post-retirement medical benefit obligation (continued)

Assumptions and sensitivity analysis (continued)

The weighted average duration of the defined benefit obligation is 15 years (2020: 15 years). The maturity profile of the defined benefit obligation is as follows:

	= 1 year<br £'m	1–5 years £'m	5-10 years £'m	Total £'m
At 31 March 2021				
Defined benefit obligation	1	9	24	34
At 31 March 2020				
Defined benefit obligation	1	7	19	27

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:

For the 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 severance pay obligations are unfunded and the benefit payment obligations are met as they fall due.

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.

UAE end-of-service benefit obligation	2021 £'m	2020 £'m
The following are the principal actuarial assumptions:		
Discount rate	1.98%	1.03%
Future salary increases	2.10%	2.10%
Average retirement age	60 years	60 years
Annual turnover rate	8.53%	10.30%

	2021 £'m	2020 £'m
Amounts recognised in the statement of financial position are as follows:		
Opening balance	83	60
Amounts recognised in the income statement	11	10
Current service cost	10	8
Interest cost	1	2
Benefits paid	(5)	(4)
Classified as held-for-sale	-	1
Actuarial (gain)/loss recognised in other comprehensive income	(3)	13
Exchange differences	(9)	3
Present value of unfunded obligations	77	83
Current portion of retirement benefit obligations	14	14
Non-current retirement benefit obligations	63	69
	77	83

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	1.98%	1.00%	6.7%	7.7%
Future salary increases	2.10%	1.00%	7.4%	6.7%

The expected employer contributions to be paid to the UAE end-of-service benefit obligation for the year ended 31 March 2022 amount to £14m.

The weighted average duration of the defined benefit obligation is 7 years (2020: 7 years). The maturity profile of the defined benefit obligation is as follows:

	= 1 year<br £'m	1-5 years £'m	5-10 years £'m	Total £'m
At 31 March 2021				
Defined benefit obligation	14	32	47	93
At 31 March 2020				
Defined benefit obligation	14	36	48	98

Post-employment benefits for key management personnel

One non-executive director participates in the South African post-retirement medical benefit obligation. Of the key management personnel, which comprise the Group Executive Committee, two participate in the Swiss pension benefits, four in the South African post-retirement medical benefit obligation and one in the UAE end-of-service benefit.

20. PROVISIONS

	2021 £'m	2020 £'m
Non-current	37	36
Employee benefits	13	16
Legal cases and other	2	2
Tariff risks	22	18
Current	19	17
Employee benefits	3	3
Legal cases and other	8	4
Tariff risks	8	10
	56	53

	Employee benefits £'m	Legal cases and other £'m	Tariff risks £'m	Total £'m
Opening balance at 1 April 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
Charged to the income statement	2	7	10	19
Utilised during the year	(3)	(1)	(2)	(6)
Unused amounts reversed	(1)	(1)	(4)	(6)
Exchange differences	(1)	(1)	(2)	(4)
Closing balance at 31 March 2021	16	10	30	56

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.

Provisions are expected to be payable during the following financial years:

	2021 £'m	2020 £'m
Within one year	19	17
After one year but not more than five years	32	29
More than five years	5	7
	56	53

21. DERIVATIVE FINANCIAL INSTRUMENTS

	2021 £'m Assets	2021 £'m Liabilities	2020 £'m Assets	2020 £'m Liabilities
Non-current				
Interest rate swaps – cash flow hedges	-	9	-	8
Written put option (redemption liability)	-	115	-	101
	-	124	-	109
Current				
Interest rate swaps - cash flow hedges	-	1	-	2
Forward exchange contracts	-	1	2	-
	-	2	2	2
	-	126	2	111

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 2021, the Group had 16 (2020: 16) effective interest rate swap contracts 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 2021				
1-3 years ¹	195	6.20-7.20%	3 month JIBAR/ 69% of prime interest rate	(2)
As at 31 March 2020				
1-3 years ¹	180	6.90-7.30%	3 month JIBAR/ 69% of prime interest rate	(6)

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 2022 for £53m; 1 September 2022 for £46m and 1 March 2023 for £97m. 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 (£51m) (2020: £65m) 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 less than £0.5m during the current financial year.

21. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

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 £12m (2020: £10m).

	2021 £'m	2020 £'m
Movement in the redemption liability	Em	EIII
Opening balance at 1 April	101	88
Business combinations	-	-
Charged to the income statement		
Remeasurement of redemption liability	23	5
Unwinding of discount	1	1
Exchange differences	(10)	7
Closing balance at 31 March	115	101

22. TRADE AND OTHER PAYABLES

	2021 £'m	2020 £'m
Trade payables	235	260
Other payables and accrued expenses	206	204
Social insurance and accrued leave pay	46	43
Value added tax	11	8
	498	515

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

	2021 £'m	2020 £'m
Major service lines		
Inpatient revenue	1 926	1989
Day cases and outpatient revenue	952	979
Rental income	31	34
Corporate	2	1
Other revenue	84	80
	2 995	3 083

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.

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 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. The complexity of procedures during the open period plays a role in determining the average CMI.

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.

23. REVENUE CONTINUED

- 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 their 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.

Set out below is a breakdown of Switzerland's revenue:

	2021 £'m	2020 £'m
Inpatient revenue	1 102	1 0 6 1
Day cases and outpatient revenue	301	296
Rental income	21	21
Other revenue	54	60
	1 478	1 4 3 8

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 length 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.

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).

23. REVENUE CONTINUED

Set out below is a breakdown of the Southern Africa revenue:

	2021 £'m	2020 £'m
Inpatient revenue	618	742
Day cases and outpatient revenue	93	137
Rental income	9	13
Other revenue	14	15
	734	907

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. From September 2020, the fixed-fee contract model is used with funders for a limited number of procedures.

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).

At Mediclinic 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 revenue:

	2021 £'m	2020 £'m
Inpatient revenue	206	186
Day cases and outpatient revenue	558	546
Rental income	1	-
Other revenue	16	5
	781	737

Rental income

The rental income received from external parties during the year from the letting of consulting rooms, parking, etc. was £31m (2020: £34m). 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. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is presented after including the following:

	2021 £'m	(Re-presented) ¹ 2020 £'m
Employee benefit and contractor costs	1 4 4 8	1446
Wages and salaries	1 242	1 2 3 6
Swiss social security costs	71	60
Retirement benefit costs - defined contribution plans	14	14
Retirement benefit costs - defined benefit obligations (refer to note 19)	54	56
Share-based payment expense (refer to note 15)	-	1
Affiliated and independent doctor costs	53	53
Other staff-related costs	14	26
Infrastructure-related costs	110	113
Maintenance costs	61	68
Short-term leases and leases of low-value assets		
Buildings	8	9
Other	41	36
Increase in provision for impairment of receivables (refer to note 12)	11	9
Depreciation (refer to note 6)	196	197
Buildings	60	51
Right-of-use assets	49	46
Equipment	72	82
Furniture and vehicles	15	18
Amortisation of intangible assets (refer to note 7)	21	20
Impairments (refer to notes 6 and 7)	4	512
Impairment of property, equipment and vehicles	3	34
Reversal of impairment of property	-	(4)
Impairment of goodwill	1	482
Balance carried forward	1 790	2 297

Note

¹ Refer to note 2.1.

24. OPERATING PROFIT/(LOSS) CONTINUED

	2021 £'m	(Re-presented) ¹ 2020 £'m
Balance carried forward	1 790	2 297
Fees paid to the Group's auditors for the following services:		
Audit of the parent Company and consolidated financial statements	0.7	0.7
Audit of Company subsidiaries	2.4	1.8
Audit services	3.1	2.5
Audit-related services ²	0.4	0.3
Other assurance services ²	0.2	0.2
	3.7	3.0
Other expenses	1 0 0 7	971
Other gains and losses	(2)	(4)
	2 799	3 267
Number of employees	33 606	33 140

Note

¹ Refer to note 2.1.

² A description of the non-audit services is included in the Audit and Risk Committee's report.

Other income

Other income mainly comprises government grants (£10m) and insurance proceeds received (£2m).

Government grants

Switzerland introduced COVID-19 lockdown measures on 16 March 2020, which included the suspension of elective procedures for all hospitals until 27 April 2020. These measures were taken to ensure capacity for COVID-19 patients. Hirslanden has engaged extensively with the cantonal authorities and been involved in their pandemic response planning.

In response to these measures, cantonal authorities introduced some financial support for hospitals in Switzerland. The Group has been awarded government grants to partially compensate for loss of revenue due to the ban on elective procedures and for additional costs incurred.

Total government grants of £10m (2020: £nil) were recognised as other income.

In addition to the government grants recognised as other income, the Swiss government also introduced a wage subsidy programme in response to the COVID-19 pandemic. Total wage subsidies of £6m (2020: £nil) were recognised against related employee costs. There are no outstanding balances of deferred income or receivables related to these grants at 31 March 2021.

25. OTHER GAINS AND LOSSES

	2021 £'m	2020 £'m
Foreign exchange differences	-	3
Fair value adjustments on derivative contracts	-	1
Remission of debt	1	-
COVID-19-related rent concessions	1	-
	2	4

26. FINANCE COST

	2021 £'m	2020 £'m
Interest expense on financial liabilities not at FVPL	42	57
Interest on lease liabilities	20	21
Interest rate swaps	7	1
Amortisation of capitalised financing costs	3	3
Remeasurement of redemption liability (written put option)	23	5
Unwinding of discount on redemption liability	1	1
Preference share dividend	4	7
Less: amounts included in cost of qualifying assets	(1)	(3)
	99	92

Capitalised borrowing costs

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's general borrowings during the year, in this case between 4.8% and 8.0% (2020: between 8.6% and 8.9%).

27. INCOME TAX EXPENSE

	2021 £'m	2020 £'m
Current tax		
Current year	31	54
Deferred tax credit (refer to note 10)	(6)	(30)
Taxation per income statement	25	24
Composition		
UK tax	-	-
Foreign tax	25	24
	25	24

	2021 £'m	2020 £'m
Reconciliation of rate of taxation:		
UK statutory rate of taxation	19.0%	19.0%
Adjusted for:		
Benefit of tax incentives	(0.8)%	0.2%
Share of net profit of equity-accounted investments	2.0%	0.2%
Non-deductible expenses ¹	9.0%	(35.9)%
Non-controlling interests' share of profit before tax	(0.9)%	0.4%
Effect of different tax rates ²	(9.0)%	(0.1)%
Income tax rate changes ³	(1.5)%	10.2%
Non-recognition of tax losses in current year	6.6%	(1.1)%
Derecognition of tax losses relating to prior years	-	(0.7)%
Recognition of tax losses relating to prior years	(1.1)%	-
Utilisation of previously unrecognised tax losses	(0.1)%	(0.1)%
Withholding taxes	0.1%	(0.1)%
Prior year adjustment	1.1%	(0.6)%
Effective tax rate ⁴	24.4%	(8.6)%

Notes

¹ The remeasurement of the redemption liability of £23m is not deductible for tax purposes. The tax effect amounted to £4m (impact of 4.2% in effective tax rate). In the prior year, the impairment of the listed associate of £10m and the impairment of goodwill of £482m were not deductible for tax purposes. The tax effect amounted to £93m (impact of 34.0% 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 and profit from Hirslanden which is subject to an expected income tax rate of 16.5% (2020: 17.9%).

³ In the prior year, 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 If adjusting items and their related tax effect, as explained in the Group Chief Financial Officer's Report, are excluded from the effective tax rate calculation, the adjusted effective tax rate would be 19.3% (2020: 22.3%). Comparing the adjusted effective tax rate with the prior year, the decrease is mainly due to a higher contribution of non-taxable income from Mediclinic Middle East compared to the prior year. This was partly offset with an increase in the effective tax rate due to the recognition of non-deductible equity-accounted losses from the investment in Spire, as well as the non-recognition of deferred tax assets on current year tax losses in the Switzerland segment.

28. EARNINGS PER ORDINARY SHARE

	2021 £'m	2020 £'m
Earnings/(loss) per ordinary share (pence)		
Basic (pence)	9.2	(43.4)
Diluted (pence)	9.2	(43.4)
Earnings reconciliation		
Earnings/(loss) attributable to equity holders of the Company	68	(320)
Adjusted for:		
No adjustments	-	-
Earnings/(loss) for basic and diluted EPS	68	(320)

Number of ordinary shares

At 31 March 2021, the weighted average number of ordinary shares in issue was 737 243 810 (2020: 737 212 010). There were no dilutive treasury shares in issue at 31 March 2021 (2020: nil). The treasury shares previously issued to the Mpilo Trusts¹ were sold during March 2020.

Equity-settled LTIP awards

Equity-settled LTIP awards granted to employees are considered to be potential ordinary shares. They have been included in the determination of diluted EPS if the required performance conditions would have been met at the reporting date, and to the extent to which they are dilutive. The awards have not been included in the determination of basic EPS. Details relating to the LTIP awards are set out in note 15.

The 607 072 awards granted on 13 December 2020 are not included in the calculation of diluted EPS because the required performance conditions were not met for the year ended 31 March 2021. These options could potentially dilute basic EPS in the future.

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.

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 01/2021 (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:

	2021 £'m	2020 £'m
Headline earnings per share		
Earnings/(loss) for basic and diluted EPS	68	(320)
Adjustments		
(Reversal of impairment)/impairment of equity-accounted investment	(60)	10
Impairment of properties, equipment and intangible assets, net of tax	4	509
Insurance proceeds for impaired equipment, net of tax	(1)	-
Associate's impairment of goodwill	60	-
Associate's reversal of impairment of property, plant and equipment	-	(1)
Headline earnings	71	198
HEPS (pence)	9.6	26.9
Diluted HEPS (pence)	9.6	26.9

29. OTHER COMPREHENSIVE INCOME

	2021 £'m	2020 £'m
Components of other comprehensive income		
Currency translation differences	(235)	175
Fair value adjustments - cash flow hedges	(2)	(6)
Realised fair value hedge adjustments transferred to income statement	2	-
Remeasurement of retirement benefit obligations	127	(17)
Effect of changes in income tax rates on retirement benefit obligations	-	(4)
Other comprehensive (loss)/income, net of tax	(108)	148

	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 2021				
Currency translation differences	(237)	-	2	(235)
Fair value adjustments - cash flow hedges	(2)	-	-	(2)
Realised fair value hedge adjustments transferred to income statement	2	-	-	2
Remeasurement of retirement benefit obligations	150	(26)	3	127
Other comprehensive (loss)/income	(87)	(26)	5	(108)
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/(loss)	160	(1)	(11)	148

30. CASH FLOW INFORMATION

	2021 £'m	2020 £'m
30.1. Reconciliation of profit before taxation to cash generated from operations		
Profit/(loss) before taxation	104	(275)
Adjustments for:		
Finance cost – net	95	83
Share of net profit of equity-accounted investments	10	(2)
Share-based payments	-	1
Depreciation and amortisation	217	217
Loss allowance of trade receivables	11	9
Movement in provisions	12	5
Movement in retirement benefit obligations	6	10
Impairment of properties and intangible assets	3	512
Impairment of equity-accounted investment	1	10
Fair value adjustments on derivative contracts	-	(1)
Insurance proceeds	(2)	-
Other non-cash items	(2)	-
Operating income before changes in working capital	455	569
Working capital changes	(125)	20
(Increase)/decrease in inventories	(10)	(15)
Increase in trade and other receivables	(129)	(11)
Increase in trade and other payables	14	46
	330	589
30.2.Interest paid		
Finance cost per income statement	99	92
Non-cash items		
Amortisation of capitalised financing fees	(3)	(3)
Borrowing costs capitalised	1	3
Remeasurement of redemption liability	(23)	(5)
Unwinding of discount of redemption liability	(1)	(1)
Accrued interest on lease liability	(3)	(3)
	70	83

30. CASH FLOW INFORMATION CONTINUED

	2021 £'m	2020 £'m
30.3.Tax paid		
Liability at the beginning of the year	2	7
Provision for the year	31	54
	33	61
Liability at year-end	(4)	(2)
	29	59
30.4.Investment to maintain operations		
Property, equipment and vehicles purchased	46	76
Intangible assets purchased	8	8
Movement in capital expenditure payables	2	(3)
	56	81
30.5.Investment to expand operations		
Property, equipment and vehicles purchased	59	93
Intangible assets purchased	13	15
Movement in capital expenditure payables	8	(6)
	80	102

30.6.Dividends	Date paid/payable	Dividend per share (pence)	2021 £'m	2020 £'m
Dividends declared				
Year ended 31 March 2021				
Interim dividend	n/a	-	-	
Final dividend	n/a	-	-	
		-		
Year ended 31 March 2020				
Interim dividend	17 December 2019	3.20		24
Final dividend	n/a	_		-
		3.20	-	24
Dividends paid				
Dividends paid during the year			-	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 interim and final dividend.

30 CASH FLOW INFORMATION CONTINUED

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 2021			· · · · · · · · · · · · · · · · · · ·	
Opening balance	1 951	10	703	2 664
Cash flow movements				
Proceeds from borrowings	115	-	-	115
Repayment of borrowings	(196)	-	-	(196)
Repayment of lease liabilities	-	-	(39)	(39)
Refinancing transaction cost	(3)	-	-	(3)
Non-cash items				
Amortisation of capitalised financing fees	3	-	-	3
Hedging losses reclassified to profit and loss	-	(2)	-	(2)
Fair value changes	-	2	-	2
New lease commitments entered into during the year	-	-	59	59
Lease commitments terminated during the year	-	-	(1)	(1)
Remeasurement of lease liabilities	-	-	8	8
Accrued interest on lease liabilities	-	-	3	3
Exchange rate differences	(93)	-	(57)	(150)
Closing balance	1 777	10	676	2 463
Year ended 31 March 2020				
Opening balance	1982	2	_	1984
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

30. CASH FLOW INFORMATION CONTINUED

3. Cash and cash equivalents	2021 £'m	2020 £'m
For the purposes of the statement of cash flows, cash, cash equivalents and bank overdrafts include:		
Cash and cash equivalents	294	329
Cash, cash equivalents and bank overdrafts are denominated in the following currencies:		
Swiss franc ¹	88	158
South African rand ²	112	93
UAE dirham ³	31	33
Sterling ⁴	56	37
US dollar ⁵	7	8
	294	329

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.

 $^{\scriptscriptstyle 2}$ The counterparties have a minimum Ba2 credit rating by Moody's.

³ The counterparties have a minimum A1 credit rating by Moody's.

⁴ The counterparties have a minimum A1 credit rating by Moody's.

⁵ The counterparties have a minimum A1 credit rating by Moody's.

Exchange controls in South Africa may restrict the use of certain cash balances at Mediclinic Southern Africa. These restrictions are not expected to have any material effect on the Group's ability to meet its ongoing obligations.

Cash and cash equivalents denominated in Swiss franc amounting to £81m (2020: £149m) and South African bank accounts denominated in South African rand amounting to £5m (2020: £1m) 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:

	2021 £'m	2020 £'m
Cash flow on acquisition:		
OPERA Zumikon	(2)	-
Denmar Specialist Psychiatric Hospital	-	(12)
	(2)	(12)

OPERA Zumikon

Effective on 1 April 2020, Hirslanden AG acquired 100% of the shares of the day case clinic, OPERA Zumikon, for £3m. The total identifiable net assets comprised cash and cash equivalents of £1m and retirement benefit obligations of £1m. Considering the cash and cash equivalents acquired of £1m, the net cash flow on acquisition was £2m.

OPERA specialises in outpatient surgery. The goodwill of £3m arising from the acquisition is attributable to the acquired workforce and economies of scale expected from the business combination. None of the goodwill recognised is expected to be deductible for income tax purposes.

Revenue and profit contribution

The acquired business contributed revenues of £2m and net profit of less than £0.5m to the Group for the period from 1 April 2020 to 31 March 2021.

32. DISPOSAL OF SUBSIDIARIES

During the current year, the Group disposed of the outpatient clinics at Hirslanden Praxiszentrum am Bahnhof, Schaffhausen AG, Hirslanden Bern AG and Hirslanden Freiburg AG, Düdingen, to Medbase with effect from 1 June 2020. The Group also disposed of Mediclinic Howick, which was part of the Southern Africa division with effect from 1 March 2021.

In the prior year, the Group disposed of Klinik Belair AG, Schaffhausen, which was part of the Switzerland division, as well as Mediclinic Ghayathi Clinic, a branch of Mediclinic Hospitals LLC in Abu Dhabi that was part of the Middle East segment.

	2021 £'m	2020 £'m
Analysis of assets and liabilities over which control was lost		
Property, equipment and vehicles	7	10
Trade and other receivables	-	2
Cash and cash equivalents	-	2
Other assets	1	-
Lease liabilities	(3)	-
Deferred income tax liabilities	-	(1)
Trade and other payables	-	(2)
Other liabilities	(1)	-
Net assets disposed of	4	11
Consideration received		
Cash and cash equivalents	4	11
Total consideration	4	11
Gain/(loss) on disposal of subsidiary		
Consideration received	4	11
Net assets disposed of	(4)	(11)
Gain/(loss) on disposal	-	-
Net cash inflow		
Total cash flow on disposal of subsidiary	4	11
Less: cash and cash equivalents disposed of	_	(2)
Net cash inflow on disposal	4	9

33. DISPOSAL GROUPS HELD FOR SALE

During the prior year, management decided to sell three outpatient clinics within the Switzerland segment. These outpatient clinics were sold with effect from 1 June 2020. Refer to note 32 for more details.

	2021 £'m	2020 £'m
Analysis of assets and liabilities held for sale		
Assets		
Property, equipment and vehicles	-	7
Trade and other receivables	-	1
Total assets	-	8
Liabilities		
Lease liabilities	-	4
Total liabilities	-	4

34. COMMITMENTS

	2021 £'m	2020 £'m
Capital commitments		
Incomplete capital expenditure contracts	190	114
Switzerland	125	30
Southern Africa	55	70
Middle East	10	14
Capital expenses authorised by the Board of Directors but not yet contracted	77	123
Switzerland	12	2
Southern Africa	39	96
Middle East	26	25
	267	237

Other commitments

In terms of a forward contract in the Middle East, the Group has a current obligation to pay £3m. This best estimate of the obligation is determined based on an earnings multiple and is contractually capped to an amount of £76m.

These commitments will be financed from Group cash flow and borrowed funds.

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.

		2021 £'m	2020 £'m
Total of net income guaranteed:			
April 2020 - March 2021		-	4
April 2021 - March 2022		3	2
April 2022 - March 20231		-	_
April 2023 – March 2024 ¹		-	-
		3	6
Nete	-		

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.

35. RELATED-PARTY TRANSACTIONS

Remgro Ltd owns, through various subsidiaries (Remgro Healthcare [Pty] Ltd, Remgro Health Ltd and Remgro Jersey GBP Ltd), 44.56% (2020: 44.56%) of the Company's issued share capital.

The following transactions were carried out with related parties:

		2021 £'m	2020 £'m
i)	Transactions with shareholders		
	Remgro Management Services Ltd (subsidiary of Remgro Ltd)		
	Managerial and administration fees	0.3	0.4
ii)	Key management compensation ¹		
	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	8	5
iii)	Transactions with associates and joint ventures		
	Zentrallabor Zürich		
	Fees earned	-	(1)
	Purchases	11	8
	Wits University Donald Gordon Medical Centre (Pty) Ltd		
	Fees paid	2	2
	Agency fees received	(1)	(2)
	Spire Healthcare Group plc		
	Non-executive director fee ²	-	-
iv)	Loans to related parties		
	Wits University Donald Gordon Medical Centre (Pty) Ltd	2	2
	Bourn Hall LLC	2	2
	Zentrallabor Zürich ZLZ ³	-	-
v)	Other receivables & payables due from/(to) related parties		
	Wits University Donald Gordon Medical Centre (Pty) Ltd	2	2
	Zentrallabor Zürich ZLZ	(1)	(1)

Notes

¹ Details of directors' remuneration are contained in the *Remuneration Committee Report* on pages 164–181.

² Amount is less than £0.1m.

³ Amount is less than £0.5m.

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.

The loan to Wits University Donald Gordon Medical Centre (Pty) Ltd is interest free and repayable on demand. The loan to Bourn Hall LLC earns interest at a rate of 7% per annum and is repayable in March 2022. The loan to Zentrallabor Zürich ZLZ is interest free and repayable in August 2022.

FINANCIAL STATEMENTS

36. 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	2021 £'m	2020 £'m
Financial assets		
Other investments and loans	5	2
Derivative financial instruments	-	2
Financial liabilities		
Derivative financial instruments	(11)	(10)

- Investments in money market funds and listed equity instruments classified as financial assets at FVPL (part of other investments and loans): The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.
- Unlisted equity instruments at FVPL and FVOCI (part of other investments and loans): The fair value of these financial instruments is not based on observable market data. These assets are grouped as level 3.
- Derivative financial instruments: These financial instruments consist of interest rate swaps, put/call agreements and forward contracts and are measured at the present value of estimated future cash flows 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. Put/call agreements and forward contracts are grouped as level 3.

36. FINANCIAL INSTRUMENTS CONTINUED

Financial instruments not carried at fair value in the statement of financial position	2021 £'m	(Re- presented) ¹ 2020 £'m
Financial assets		
Other investments and loans	9	9
Trade and other receivables	774	722
Cash and cash equivalents	294	329
Financial liabilities		
Borrowings	(1 777)	(1 951)
Lease liabilities	(676)	(703)
Derivative financial instruments	(115)	(101)
Trade and other payables	(441)	(464)

Note

¹ The comparative for trade and other receivables has been re-presented to include Swiss unbilled services and other receivables that are considered to be financial instruments. Refer to note 12 for additional information.

- Cash and cash equivalents, trade and other receivables, trade and other payables, and other investments and loans not carried at fair value: 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.

37. EVENTS AFTER THE REPORTING DATE

On 10 May 2021, a fire broke out at Klinik Hirslanden and caused significant damage to one of the building wings. Since the EC, ICU and operating theatres were not damaged by the fire, the hospital remains operational. Although the amount of damage caused by the fire has not been determined, insurance cover for the damage to the property, equipment and supplies is in place, including cover for the losses incurred due to business interruption.

The directors are not aware of any matter or circumstance arising since the end of the financial year that would significantly affect the operations of the Group or the results of its operations.

38. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

SUBSIDIARIES

		Country of		Interest in capital ¹	
		incorporation		31 March 2021	31 March
Company	Registered office address	and place of business	Principal activities	%	2020 %
Mediclinic CHF Finco Limited	IFC 5, St Helier, Jersey, JE1 1ST	Jersey	Treasury	100.0	100.0
Mediclinic Holdings Netherlands B.V.	Schiekade 830, 3032 AL Rotterdam	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	Jersey	Intermediary holding company	100.0	100.0
INDIRECTLY HELD THE	ROUGH MEDICLINIC CHF FINCO L	IMITED			
Mediclinic Jersey Limited	IFC 5, St Helier, Jersey, JE1 1ST	Jersey	Intermediary holding company	100.0	100.0
INDIRECTLY HELD THE	ROUGH MEDICLINIC HOLDINGS N	ETHERLANDS 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 THE	ROUGH MEDICLINIC LUXEMBOUR	G S.À.R.L.			
Hirslanden AG	Boulevard Lilienthal 2, 8152 Glattpark (Opfikon)	Switzerland	Intermediary holding company and operating company of Hirslanden	100.0	100.0
INDIRECTLY HELD THE	ROUGH 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 Klinik Aarau AG	Schänisweg, 5000 Aarau	Switzerland	Healthcare services	100.0	100.0
Hirslanden Klinik Linde AG	Blumenrain 105, 2503 Biel/Bienne	Switzerland	Healthcare services	100.0	100.0
Hirslanden Klinik Am Rosenberg AG	Hasenbühlstrasse 11, 9410 Heiden	Switzerland	Healthcare services	100.0	100.0
Hirslanden La Colline Grangettes SA	Chemin des Grangettes 7, c/o Clinique des Grangettes SA 1224 Chene-Bougeries	Switzerland	Healthcare services	60.0	60.0
Hirslanden Lausanne SA	Avenue d'Ouchy 31, 1006 Lausanne	Switzerland	Healthcare services	100.0	100.0
Hirslanden OPERA AG²	Boulevard Lilienthal 2, 8152 Glattpark (Opfikon)	Switzerland	Hirslanden OPERA AG	100.0	100.0

				Interest i	n capital ¹
Company	Registered office address	Country of incorporation and place of business	Principal activities	31 March 2021 %	31 March 2020 %
Hirslanden Praxiszentrum am Bahnhof, Schaffhausen AG ²	Bleichestrasse 3, 8200 Schaffhausen	Switzerland	Healthcare services	-	100.0
Hirslanden Precise AG	Forchstrasse 452 8702 Zollikon	Switzerland	Healthcare services	100.0	-
Hirslanden Venture Capital AG	Boulevard Lilienthal 2 8152 Glattpark (Opfikon)	Switzerland	Healthcare services	100.0	-
IMRAD SA	Avenue d'Ouchy 31, Clinique Bois-Cerf c/o Hirslanden Lausanne SA, 1006 Lausanne	Switzerland	Healthcare services	75.0	100.0
Klinik Birshof AG	Alte Reinacherstrasse 28, 4142 Münchenstein	Switzerland	Healthcare services	99.9	99.7
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
INDIRECTLY HELD THE	ROUGH HIRSLANDEN KLINIK AM	ROSENBERG AG			
Klinik am Rosenberg Heiden AG	Hasenbühlstrasse 11, 9410 Heiden	Switzerland	Healthcare services	99.2	99.2
INDIRECTLY HELD THE	ROUGH HIRSLANDEN LA COLLIN		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 THE	ROUGH GRANGETTES HEALTHCA	RE SA			
Clinique des Grangettes SA	Chemin des Grangettes 7, 1224 Chene-Bougeries	Switzerland	Healthcare services	60.0	60.0
Dianecho SA	Rue de Courage 116, 1205 Genève	Switzerland	Healthcare services	43.9	43.9
INDIRECTLY HELD THE	ROUGH HIRSLANDEN OPERA AG	2			
Hirslanden OPERA Zumikon AG	Morgental 35, 8126 Zumikon	Switzerland	Healthcare services	100.0	_
Hirslanden OPERA St. Gallen AG	Schuppisstrasse 10, 9016 St. Gallen	Switzerland	Healthcare services	100.0	_
INDIRECTLY HELD THE	ROUGH IMRAD SA				
Hirslanden Freiburg AG, Düdingen	Bahnhofplatz 2a, 3186 Düdigen	Switzerland	Healthcare services	75.0	100.0

		Country of		Interest i	n capital ¹
		incorporation and place of		31 March 2021	31 March 2020
Company	Registered office address	business	Principal activities	%	%
INDIRECTLY HELD THI	ROUGH MEDICLINIC INTERNATIO	NAL (RF) (PTY)	LTD		
Mediclinic Group Services (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Provision of group services within Mediclinic	100.0	100.0
Mediclinic Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Intermediary holding company	100.0	100.0
INDIRECTLY HELD THI		VICES (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 THE	ROUGH MEDICLINIC INVESTMEN	TS (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
INDIRECTLY HELD THI	ROUGH MEDICLINIC SOUTHERN	AFRICA (PTY) LT	D		
Curamed Holdings (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Intermediary holding company	73.4	69.8
Denmar Specialist Psychiatric Hospital (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Mental healthcare services	100.0	100.0
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 (50% plus 1 share)	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Intermediary holding company	-	50.0
Intelimed (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Managed care organisation (dormant)	100.0	100.0
Intercare Group Hospital Holdings (Pty) Ltd (Hospitals)	Glenfair Office Block, Lynnwood & Daventry Roads, Lynnwood 0081	South Africa	Healthcare services	59.2	50.1
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	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 ²	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	66.8	66.7
Mediclinic Finance Corporation (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Treasury	100.0	100.0

				Interest i	n capital ¹
		Country of incorporation		31 March 2021	31 March 2020
Company	Registered office address	and place of business	Principal activities	%	2020 %
Mediclinic Holdings (Namibia) (Pty) Ltd	Grant Thornton Neuhaus, 12 th floor, Sanlam Centre, 157 Independence Avenue, Windhoek	Namibia	Intermediary holding company	100.0	100.0
Mediclinic Lephalale (Pty) Ltd²	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	93.0	93.2
Mediclinic Midstream (Pty) Ltd²	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	81.8	81.8
Mediclinic Paarl (Pty) Ltd²	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 Renal Services (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	100.0	-
Mediclinic Renal Services Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	100.0	-
Mediclinic Stellenbosch (Pty) Ltd²	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	87.3	87.3
Mediclinic Tzaneen (Pty) Ltd² (50% plus one share)	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	50.0	50.0
Newcastle Private Hospital (Pty) Ltd ² (50% plus one share, including B class shares)	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	51.3	51.3
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 ² (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
	ROUGH CURAMED HOLDINGS (P	TY) LTD			
Curamed Hospitals (Pty) Ltd ²	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

	Country of		Interest i	n capital ¹	
	- · · · · <i>m</i> · · ·	incorporation and place of		31 March 2021 %	31 March 2020
	Registered office address	business	Principal activities	70	%
	•	• 		76.0	76.0
(Pty) Ltd ²	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	76.0	76.0
INDIRECTLY HELD THE	ROUGH ER24 HOLDINGS (PTY) L	TD			
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	Emergency medical services	-	99.0
INDIRECTLY HELD THE	ROUGH HOWICK PRIVATE HOSP	ITAL HOLDINGS (PTY) LTD		
Howick Private Hospital (Pty) Ltd ²	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	-	100.0
INDIRECTLY HELD THE	ROUGH MEDICLINIC (PTY) LTD				
Mediclinic Ermelo (Pty) Ltd²	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	59.8	58.1
Mediclinic Hermanus (Pty) Ltd²	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	53.2	53.2
Mediclinic Kimberley (Pty) Ltd ²	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	89.6	89.6
Mediclinic Limpopo (Pty) Ltd ^{2&3} (50% plus 1 share)	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	50.0	50.0
Mediclinic Potchefstroom (Pty) Ltd ²	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	87.7	85.6
Mediclinic Upington (Pty) Ltd ²	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	50.0	50.0
INDIRECTLY HELD THE	ROUGH MEDICLINIC LIMPOPO (F	PTY) LTD ^{2&3}			
Mediclinic Limpopo Day Clinic (Pty) Ltd ²	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	56.4	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

	Country of			Interest in capital ¹	
		Country of incorporation and place of		31 March 2021	31 March 2020
Company	Registered office address	business	Principal activities	%	%
HOSPITAL INVESTMEN	IT 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	91.4	90.5
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	81.0
Mediclinic George Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	99.5	99.3
Mediclinic Highveld Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	97.1	97.1
Mediclinic Hoogland Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	98.8	98.9
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	87.5	88.0
Mediclinic Louis Leipoldt Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	99.9	99.9
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	82.3	81.3

		Country of		Interest in capital ¹			
		incorporation		31 March 2021	31 March 2020		
Company	Registered office address	and place of business	Principal activities	%	%		
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	77.6		
Mediclinic Plettenberg Bay Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	93.0	93.0		
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	82.2		
Mediclinic Vereeniging Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	99.4	98.5		
Mediclinic Vergelegen Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	94.9	94.8		
Mediclinic Welkom Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	91.6	91.5		
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 BLOEMFONTEIN INVESTMENTS (PTY) LTD							
Mediclinic Bloemfontein Day Clinic Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Day case clinic investment company	100.0	-		
INDIRECTLY HELD THE	ROUGH MEDICLINIC CAPE GATE II	NVESTMENTS (F	PTY) LTD				
Mediclinic Cape Gate Day Clinic Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Day case clinic investment company	100.0	100.0		
INDIRECTLY HELD THROUGH MEDICLINIC DURBANVILLE INVESTMENTS (PTY) LTD							
Mediclinic Durbanville Day Clinic Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Day case clinic investment company	85.2	85.2		

				Interest in capital ¹	
		Country of incorporation		31 March 2021	31 March 2020
Company	Registered office address	and place of business	Principal activities	%	2020
INDIRECTLY HELD THE	ROUGH MEDICLINIC MORNINGSID		5 (PTY) LTD		
Sandton Day Hospital (Pty) Ltd ⁴	Glenfair Office Block, Lynnwood & Daventry Roads, Lynnwood 0081	South Africa	Healthcare services	70.0	70.0
Sandton Sub-Acute Hospital (Pty) Ltd⁴	Glenfair Office Block, Lynnwood & Daventry Roads, Lynnwood 0081	South Africa	Healthcare services	70.0	70.0
INDIRECTLY HELD THE		NVESTMENTS (P	TY) LTD		
Mediclinic Nelspruit Day Clinic Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Day case clinic investment company	100.0	100.0
INDIRECTLY HELD THE		N INVESTMENTS	(PTY) LTD		
Mediclinic Vergelegen Day Clinic Investments (Pty) Ltd		South Africa	Day case clinic investment company	100.0	-
INDIRECTLY HELD THE		ESTMENTS (PT)	() LTD		
Welkom Medical Centre (Free State) (Pty) Ltd ²	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	83.5	79.5
INDIRECTLY HELD THE	ROUGH MEDICLINIC HOLDINGS (1	NAMIBIA) (PTY)	LTD		
Mediclinic Capital (Namibia) (Pty) Ltd	Grant Thornton Neuhaus, 12 th floor, Sanlam Centre, 157 Independence Avenue, Windhoek	Namibia	Investment holding company	100.0	100.0
Mediclinic Otjiwarongo (Pty) Ltd²	Grant Thornton Neuhaus, 12 th floor, Sanlam Centre, 157 Independence Avenue, Windhoek	Namibia	Healthcare services	100.0	100.0
Mediclinic Properties (Swakopmund) (Pty) Ltd	Grant Thornton Neuhaus, 12 th floor, Sanlam Centre, 157 Independence Avenue, Windhoek	Namibia	Property ownership and management	100.0	100.0
Mediclinic Properties (Windhoek) (Pty) Ltd	Grant Thornton Neuhaus, 12 th floor, Sanlam Centre, 157 Independence Avenue, Windhoek	Namibia	Property ownership and management	100.0	100.0
Mediclinic Swakopmund (Pty) Ltd²	Grant Thornton Neuhaus, 12 th floor, Sanlam Centre, 157 Independence Avenue, Windhoek	Namibia	Healthcare services	98.9	98.9
Mediclinic Windhoek (Pty) Ltd²	Grant Thornton Neuhaus, 12 th floor, Sanlam Centre, 157 Independence Avenue, Windhoek	Namibia	Healthcare services	97.4	97.1

		Country of	Country of		n capital ¹
		incorporation and place of		31 March 2021	31 March 2020
Company	Registered office address	business	Principal activities	%	%
INDIRECTLY HELD THE	ROUGH MEDICLINIC STELLENBOS	CH (PTY) LTD ²			
Mediclinic Winelands (Pty) Ltd²	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	50.1	50.1
Mediclinic Stellenbosch Day Clinic (Pty) Ltd²	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Dormant	76.1	76.1
INDIRECTLY HELD THE	ROUGH MEDICLINIC TZANEEN (P	TY) LTD ²			
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 THE	ROUGH MEDICLINIC VICTORIA HO	SPITAL (PTY) L	TD		
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 THE	ROUGH MEDICLINIC MIDDLE EAST		IITED		
Emirates Healthcare Holdings Limited	IFC 5, St Helier, Jersey, JE1 1ST	Jersey	Intermediary holding company	100.0	100.0
Mediclinic International Co Limited	6 th floor, 65 Gresham Street, London, EC2V 7NQ	United Kingdom	Dormant	100.0	100.0
Mediclinic KSA Holdings Limited	IFC 5, St Helier, Jersey, JE1 1ST	Jersey	Intermediary holding company	100.0	-
INDIRECTLY HELD THE		GS LIMITED			
Al Murjan Medical Centre Company	Jeddah, PO Box 52558, Postal code 21544	Kingdom of Saudi Arabia	Limited liability company	1%	
INDIRECTLY HELD THE	ROUGH EMIRATES HEALTHCARE H	OLDINGS LIMIT	ED		
Emirates Healthcare Limited⁵	IFC 5, St Helier, Jersey, JE1 1ST	Jersey	Healthcare services	100.0	100.0
Welcare World Holdings Limited	C/O Tricor Group, Office: 2 nd floor Palm Grove House, Wickhams Cay PO Box 3340, Road Town Tortola	British Virgin Islands	Healthcare services	-	100.0
	ROUGH EMIRATES HEALTHCARE L	.IMITED⁵			
Delah Cafe FZ LLC	Ground floor, Mediclinic City Hospital, Building no 35 and 37, Dubai Healthcare City, Al Razi Street, Dubai	The UAE	Food and catering	100.0	100.0
Mediclinic Al Qusais Clinic LLC	Plot no 284/243, Shop 3-5, Legend Middle East Building, Al Qusais	The UAE	Healthcare services	49.0	49.0
Mediclinic Beach Road LLC	First floor, Dubai International Properties, Dubai	The UAE	Healthcare services (dormant)	49.0	49.0

				Interest in capital ¹	
		Country of incorporation		31 March 2021	31 March 2020
Company	Registered office address	and place of business	Principal activities	%	%
Mediclinic City Hospital FZ LLC	Building no 35 and 37, Dubai Healthcare City, Al Razi Street, Dubai	The UAE	Healthcare services	100.0	100.0
Mediclinic Clinics Investment LLC	Third floor, Dubai Mall, Parcel ID 345897, Dubai	The UAE	Healthcare services	49.0	49.0
Mediclinic Hospitals LLC (Al Noor Hospital) ⁶⁸⁷	Sheikh Mohamed Bin Butti Building, Sheikh Khalifa Street, Abu Dhabi	The UAE	Healthcare services	49.0	49.0
Mediclinic Ibn Battuta Clinic LLC	Shop 142, China Cluster, Retail Corp, Ibn Battuta Mall, Dubai	The UAE	Healthcare services	49.0	49.0
Mediclinic Medical Stores Co LLC	Store no 19, Mohamed Abdul Rahmen, Al Khubeissi, Deira, Alkhubaisi	The UAE	Procurement	49.0	49.0
Mediclinic Mirdif Clinic LLC	Ground floor, Office 13, Uptown Mirdif Building, Parcel no 321-224 Mirdif, Dubai	The UAE	Healthcare services	49.0	49.0
Mediclinic Parkview Hospital LLC	Mediclinic Middle East management services, FZ.LLC Building, Al Barsha South 3, Dubai	The UAE	Healthcare services	49.0	49.0
Pharma Light Medical Store LLC	Shop 27, Plot no 49, Musaffah, M38, Abu Dhabi	The UAE	Medical store/ procurement	49.0	49.0
Welcare Hospitals Limited	IFC 5, St Helier, Jersey, JE1 1ST	Jersey	Healthcare services	100.0	100.0
Welcare World Health Systems Limited	IFC 5, St Helier, Jersey, JE1 1ST	Jersey	Healthcare services	100.0	100.0
INDIRECTLY HELD THE	ROUGH MEDICLINIC HOSPITALS LL	C (AL NOOR H	OSPITAL) ^{6&7}		
Al Noor Hospital Clinics – Al Ain [®]	Al Ain Town Center, Sheikh Mohammed Bin Butti Al Hamed Building, Al Ain	The UAE	Intermediary holding company	49.0	49.0
Al Madar Medical Center Pharmacy LLC ⁹	Al Jimi, Al Jimi Ali Jumaa Ali Darmaki Building, Al Mouror Street, Abu Dhabi Island, Jabr Mohamed Ghanem Sultan Al Suwaidi, Al Ain	The UAE	Healthcare services	49.0	49.0
Mediclinic - Al Mamora LLC ¹⁰	Jabr Mohamed Ghanem Sultan Al Suwaidi, Al Mouror Street, Abu Dhabi Island	The UAE	Healthcare services	99.0	99.0
Mediclinic Khalifa City LLC ¹¹	Mabkhoot Saleh Al Mansouri Building, plot no 14, Eastern South 42, Khalifa City, Abu Dhabi	The UAE	Healthcare services	49.0	49.0
Mediclinic Hospitals - Al Musafah Specialty Clinics LLC	Musafah Sh 10 Parcel ID 401, Floor no. M, 1&2 Huashel Saeed, Khaseeb Al Yakooubi Building, Abu Dhabi	The UAE	Healthcare services	49.0	49.0

				Interest in capital ¹		
Company	Country of incorporation and place of any Registered office address business Principal activities		Principal activities	31 March 2021 %	31 March 2020 %	
Mediclinic Pharmacy - Al Musaffah 2 LLC	Madinat Mohamed Bin Zayed, Sh 10 Parcel ID 401, Huashel Saeed, Khaseeb Al Yakooubi Building, Abu Dhabi	The UAE	Healthcare services	49.0	49.0	
INDIRECTLY HELD THE	ROUGH WELCARE HOSPITALS LIN	IITED (JERSEY)				
Mediclinic Welcare Hospital LLC	Deira Nasser Abdullah Hussein Lootah Building, Al Garhood, Dubai	The UAE	Healthcare services	49.0	49.0	
INDIRECTLY HELD THE	ROUGH WELCARE WORLD HEALT	H SYSTEMS LIM	ITED			
	Floor 5-7, Publishing Pavilion, Dubai Production City, Dubai	The UAE	Healthcare management	100.0	100.0	

Notes

FZ LLC

- ¹ The equity interest in the UAE entities is disclosed herein, with the beneficial interest further explained in the notes.
- further explained in the notes. ² Controlled through long-term management agreements.
- ³ Operating through trusts or partnerships.
- ⁴ Managed by Intercare.
- ⁵ In terms of constitutional and contractual arrangements, the Group has full management control and economic interest in the listed entities.
- ⁶ Al Nahda International Holding LLC holds 100% share capital of Al Noor Commercial Investments Sole Proprietorship LLC ('ANCI'). In terms of 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 agreed that Al Nahda International Holding LLC will become the sole shareholder of ANCI and the local sponsor for all the group entities registered in Abu Dhabi (i.e. of Mediclinic Hospitals LLC [Al Noor Hospital] and its subsidiaries and the 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 Emirates Healthcare Limited ('**EHL**'). Given that management, voting rights and the dividend rights have been assigned to EHL, all dividends declared by Mediclinic Hospitals LLC (Al Noor Hospital) are paid directly to EHL. As per the termination agreement dated 21 August 2017, between Al Noor Golden Commercial Investment LLC ('**ANGCI**'), Sheikh Mohamed Bin Butti Al Hamid, Al Noor Commercial Investment LLC, ANMC Management Limited ('**ANMC**'), Al Noor Holdings Cayman and EHL, the parties agreed to terminate the following:

- a) The relationship management agreement entered into between ANGCI, Sheikh Bin Butti and Mediclinic Hospitals LLC (Al Noor Hospital) on 20 May 2013;
- b) The relationship agreement entered into between ANGCI, ANCI and Mediclinic Hospitals LLC (AI Noor Hospital) on 20 May 2013;
- c) The management agreement entered between ANCI and ANMC on 20 May 2013; and
- d) A shareholder's agreement entered into between Sheikh Bin Butti, The First Arabian Corporation LLC, Al Noor Cayman, ANMC and ANCI on 20 May 2013.
- ⁷ EHL 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 EHL. EHL 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).

services

- ⁸ 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 Marking 40% held by an analysis of the second s
- Mediclinic Hospitals LLC (AI Noor Hospital). ⁹ Mediclinic Hospitals LLC (AI Noor Hospital) holds 49% of the issued share capital of AI 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%. Mediclinic Hospitals LLC (AI Noor Hospital)'s effective beneficial interest in the entity is therefore 99%.
- ¹⁰ Mediclinic Hospitals LLC (Al Noor Hospital) holds 99% and ANCI holds 1% of the issued share capital of Mediclinic Al Mamora LLC.
- ¹¹ Mediclinic Hospitals (AI 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 (AI Noor Hospital) is entitled to receive 99% of distributions by the company and ANCI is entitled to receive 1%. Mediclinic Hospitals LLC (AI Noor Hospital)'s effective beneficial interest in the entity is therefore 99%.

38. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES CONTINUED

JOINT VENTURES

			INTEREST IN CAPITAL		
COMPANY	COUNTRY OF INCORPORATION AND PLACE OF BUSINESS	PRINCIPAL ACTIVITIES	31 March 2021 %	31 March 2020 %	
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	
GRGB Santé SA, Genève ¹	Chemin de Beau-Soleil 20, 1206 Genève, Switzerland	Healthcare services	30.0	30.0	
Centre de Chirurgie Ambulatoire (CCA) - HUG Hirslanden SA, Genève 3	Rue Gabrielle-Perret-Gentil 4, c/o Les hôpitaux universitaires de Genève, 1205 Genève, Switzerland	Healthcare services	50.0	-	

Note

¹ Shareholding indirectly held through Clinique des Grangettes SA.

ASSOCIATES¹

		INTEREST IN CAPITAL		BOOK VALUE OF INVESTMENT	
COMPANY	REGISTERED OFFICE ADDRESS	31 March 2021 %	31 March 2020 %	31 March 2021 £'m	31 March 2020 £'m
Listed					
Spire Healthcare Group plc (held through Mediclinic Jersey Limited)	3 Dorset Rise, London, EC4Y 8EN	29.9	29.9	157	168
Unlisted					
Intercare Holdings Proprietary Limited	Glenfair Office Block, Lynnwood & Daventry Roads, Lynnwood 0081	34.0	34.0	2	2
Bourn Hall International MENA Limited	Dubai World Trade Centre, 9 th floor, PO Box 9275, Dubai, the UAE	30.0	30.0	5	5
Zentrallabor Zürich, Zürich ²	Forchstrasse 452, 8702 Zollikon	49.47	45.96	1	2
Baukonsortium, Cham	Rigistrasse 1, 6330 Cham	24.0	24.0	1	-
EFG Parkierung Rigistrasse, Cham ³	Rigistrasse 1, 6330 Cham	25.0	24.9	-	-
Centre de Reeducation et de Physiotherapie SA ³	Avenue de la Roseraie 76 A, 1205 Genève	20.0	20.0	-	_
Centre de Physiotherapie du Sport S.à.r.l. ³	Chemin Thury 7A, 1206 Genève	23.0	23.0	-	_
CORTS AG, Maur ³	c/o ETU Treuhand und Unternehmensberatung, Ch. Lutz, Zürichstrasse 268, 8122 Binz	37.78	30.0	-	-
Hystrix Medical AG	Bahnhofstrasse 47 4900, Langenthal	8.68	-	1	-
				167	177

Notes

¹ The nature of the activities of the associates is similar to the major activities of the Group.

² Hirslanden does not control Zentrallabor Zürich.

 $^{^{\}scriptscriptstyle 3}$ Book value is less than £0.5m.

COMPANY ANNUAL FINANCIAL STATEMENTS

COMPANY STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2021

	Notes	2021 £'m	2020 £'m
Non-current assets			
Investment in subsidiaries	3	3 311	3 311
Current assets			
Cash and cash equivalents		54	35
Derivatives		-	2
Total assets		3 365	3 348
EQUITY			
Share capital	5	74	74
Capital redemption reserve		6	6
Share premium	5	690	690
Retained earnings		2 568	2 547
Total equity		3 338	3 317
Current liabilities			
Other payables		1	2
Amount due to related parties	4	26	29
Total liabilities		27	31
		3 365	3 348

These financial statements as set out on pages 289–295 were approved and authorised for issue by the Board of Directors and signed on their behalf by:

Dr Ronnie van der Merwe Group Chief Executive Officer 25 May 2021

Mr Jurgens Myburgh Group Chief Financial Officer 25 May 2021

Mediclinic International plc (Company no 08338604)

The notes on pages 292-295 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2021

	Share capital £'m	Capital redemption reserve £'m	Share premium reserve £'m	Retained earnings £'m	Total
At 1 April 2019	74	6	690	2 773	3 543
Loss for the year	-	-	-	(167)	(167)
Dividends paid in the year		-	-	(59)	(59)
At 30 March 2020	74	6	690	2 547	3 317
Profit for the year		-	-	21	21
At 31 March 2021	74	6	690	2 568	3 338

The notes on pages 292-295 form an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £'m	2020 £'m
Operating activities			
Profit/(loss) before tax		21	(167)
Adjustments for:			
Other income	6	-	(35)
Impairment of investments	3	-	233
Fair value adjustment on derivative contracts		-	(2)
Foreign exchange differences		(3)	-
Dividend income		(23)	(35)
Net cash used in operating activities before movements in working capital		(5)	(6)
Change in balances with related parties		-	1
Change in other payables		(1)	1
Net cash used in operating activities		(6)	(4)
Investing activities			
Proceeds from derivative		2	-
Dividend received	4	23	35
Net cash generated from investing activities		25	35
Financing activities			
Dividend paid	6	-	(24)
Net cash used in financing activities		-	(24)
Net movement in cash and cash equivalents		19	7
Cash and cash equivalents at the beginning of the year		35	28
Cash and cash equivalents at the end of the year		54	35

The notes on pages 292-295 form an integral part of these financial statements.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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. 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 annual 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 have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ('**IFRS**') and the applicable legal requirements of the Companies Act 2006. In addition to complying with international accounting standards in conformity with the requirements of the Companies Act 2006, the financial statements also comply with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. There are no differences for the Company in applying IFRS as issued by the IASB and IFRS. The financial statements are prepared on the historical-cost convention, as modified by the revaluation of certain financial instruments to fair value through profit or loss.

2.2. Functional and presentation currency

The financial statements and financial information are presented in sterling, rounded to the nearest million.

2.3. Going concern

The Company annual 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 annual financial statements* for more detail relating to the going concern basis of accounting used in preparing the financial statements.

2.4. 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.

	2021 £'m	2020 £'m
Shares at cost	5 916	5 916
Less: accumulated impairment charge	(2 605)	(2 605)
Closing balance	3 311	3 311

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 31 March 2021, an impairment indicator was identified in respect of Mediclinic International (RF) (Pty) Ltd, the holding company of Mediclinic Southern Africa. Refer to note 6 in the *Group annual financial statements* for key assumptions used in the fair-value-less-cost-to-sell calculations. The recoverable amount exceeded the carrying value and consequently no impairment was recognised.

No indicators for impairment for the investments in Mediclinic CHF Finco Limited, Mediclinic Holdings Netherlands B.V. and Mediclinic Middle East Holdings Limited were identified at 31 March 2021.

In the prior period, 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 was impaired due to the changes in the macroeconomic environment. 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.

Refer to note 38 of the *Group annual financial statements* 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.

	2021 £'m	2020 £'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	26	29
c) Dividends received from related parties		
Mediclinic CHF Finco Ltd	2	5
Mediclinic Holdings Netherlands B.V.	21	20
Mediclinic Middle East Holdings Ltd	-	8
Mediclinic International (RF) (Pty) Ltd	-	2
	23	35

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. Information regarding the Group's subsidiaries and associates can be found in note 38 to the **Group annual financial statements** on page 277.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

5. SHARE CAPITAL

	2021 £'m	2020 £'m
Issued and fully paid 737 243 810 (2020: 737 243 810) shares of 10 pence each	74	74

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.

6. DIVIDENDS

The Company did not declare interim dividends for FY21 or final dividends for FY20 during the year under review. In the prior year, the Company declared interim dividends for FY20 and final dividends for FY19 amounting to £59m. The Company paid £24m of these dividends and the remainder of £35m 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 a dividend 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 annual financial statements.

7. AUDITOR'S REMUNERATION

The Company incurred an amount of £0.7m (2020: £0.7m) to its auditor in respect of the audit of the Company and Group's financial statements for the year ended 31 March 2021. The fee includes an amount of £0.1m (2020: £0.1) in respect of prior years.

Fees paid to the Company's auditors for other services amounted to £0.1m (2020: £0.2m).

8. TAXATION

At 31 March 2021, the Company had unutilised tax losses of approximately £54m (2020: £51m). 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 the 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 annual 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 the reporting period based on existing contractual repayment arrangements was as follows:

	Carryi amou £'	nt	Contractual cash flows £'m	1 year or less £'m
31 March 2021				
Other payables		1	1	1
Related-party payables	2	6	26	26
	2	7	27	27
31 March 2020				
Other payables		2	2	2
Related-party payables	2	9	29	29
	3	51	31	31

9.5. Foreign currency risk

The Company has an insignificant exposure regarding foreign currency, but a prudent approach towards foreign cover is followed where applicable.

SHAREHOLDER INFORMATION

SHARE CAPITAL AND SHAREHOLDERS

STRUCTURE

The Company's ordinary issued share capital at 31 March 2021 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 annual financial statements** on page 237.

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 pages 175–176.

	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES	% OF ISSUED SHARE CAPITAL
LSE register (registered)	393	240 035 667	32.56
JSE ¹ register (beneficial) comprising:	17 002	497 208 143	67.44
- certificated	1 037	463 916	0.06
- dematerialised	15 965	496 744 227	67.38
Total	17 395	737 243 810	100.00

Note

¹ Due to the shareholder data on the JSE register being determined every Friday, the data shown above was obtained at 26 March 2021, being the last practical date.

The Company has no intention to complete a market purchase of its ordinary shares and will not seek this authority at the Company's 2021 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 the Disclosure Guidance and Transparency Rules of their interest of 3% or more in the Company's issued share capital:

TABLE 2: FY21 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	71 180 057	9.66	03/04/2020
Genesis Investment Management LLP	36 787 877	4.99	24/11/2020

Between 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	74 518 729	10.11	23/04/2021

2021 ANNUAL GENERAL MEETING

The Company's AGM will take place at 15:00 (BST) on Tuesday, 27 July 2021 at Rosewood London Hotel, 252 High Holborn, London, WC1V 7EN, UK. Shareholders should read the **2021 Notice of AGM** carefully should they plan to attend. The **2021 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

The Board took the difficult decision to suspend the dividend at the end of FY20. This was part of a broad range of proactive measures taken to conserve liquidity. It is very aware of the importance of dividends to many of its shareholders. However, at such an uncertain time with reduced visibility on the duration or the full impact of the crisis, the Board believes it remains prudent to prioritise liquidity preservation measures and, therefore, has decided not to propose a final dividend and will keep the position on future dividend payments under regular review.

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 annual financial statements* on page 237.

The dividends declared by the Company to its ordinary shareholders during the reporting period are summarised below:

TABLE 3: FY21 DIVIDENDS DECLARED

	FY20	FY21
Interim dividend	3.20	n/a
Final dividend	n/a	n/a
Total dividend	3.20	n/a

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: +44 333 300 1930 Email: info@mediclinic.com Website: www.mediclinic.com

TOLL-FREE ETHICS LINES AND EMAIL

Switzerland Tel: 0800 005 316 South Africa Tel: 0800 005 316 Namibia Tel: 0800 003 313 MTC Networks: 081 91847 The UAE Tel: 800 1 55000

Email: mediclinic@tip-offs.com

LISTING

FTSE sector: Health Care – Health Care Providers – Health Care Facilities 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)

COMPANY SECRETARY

Link Company Matters Limited Caroline Emmet 6th Floor, 65 Gresham Street London, EC2V 7NQ, United Kingdom Tel: +44 333 300 1930 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

UΚ

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

ornoral

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 adviso

UK Slaughter and May **SOUTH AFRICA** Cliffe Dekker Hofmeyr Inc.

Remuneration consultant Deloitte LLP

Communication agency

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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; the impact of pandemics, including COVID-19; 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
Act	the United Kingdom Companies Act 2006
AGM	annual general meeting
AI	artificial intelligence
ANCI	Al Noor Commercial Investments Sole Proprietorship LLC
ANGCI	Al Noor Golden Commercial Investment LLC
ANMC	ANMC Management Limited
Annual Report	this annual report with financial statements for the reporting period ended 31 March 2021
Articles	the Company's Articles of Association as adopted on 22 July 2020
B-BBEE	broad-based black economic empowerment
Board or Board of Directors	the board of directors of Mediclinic
BUPA	British United Provident Association
ССС	comprehensive cancer centre
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	cash-generating unit
СМА	the UK's Competition and Market Authority
CMI	case mix index
CO ₂ e	carbon dioxide equivalent
Code	the UK Corporate Governance Code published by the FRC in July 2018
CoE	Centre of Excellence
COHSASA	Council for Health Service Accreditation of Southern Africa
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
СРС	Clinical Performance Committee
CSI	corporate social investment
DAS	Dividend Access Scheme
DRG	diagnostic-related grouping
EBIT	earnings before interest and taxes
EBITDA	earnings before interest, tax, depreciation and amortisation

GLOSSARY OF TERMS CONTINUED

TERM	MEANING
EC	emergency centre
EHL	Emirates Healthcare Limited
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
FVOCI	fair value through other comprehensive income
FVPL	fair value through profit or loss
FY20/prior financial year	the financial year ended on 31 March 2020
FY21/reporting period/year under review/period under review	the financial year ended on 31 March 2021
FY22/next financial year	the financial year ending 31 March 2022
FY23	the financial year ending 31 March 2023
GDP	gross domestic product
GDPR	General Data Protection Regulation
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
НСТ	Higher Colleges of Technology, Abu Dhabi
HEPS	headline earnings per share
HIE	health information exchange
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

SInternational Accounting StandardITinformation communication technologyIT Mancothe Group's ICT Management CommitteeUintensive care unitRSInternational Financial Reporting StandardsfoSecinformation- and cybersecurityCinfection prevention and controlA or ISAs (UK)International Standards of Auditing (UK)BARJohannesburg Interbank Average RateSEthe stock exchange of South Africa based in JohannesburgPIkey performance indicatorast Practicable Datethe date of the approval of the Annual Report, being 25 May 2021BORLondon Interbank Offered Ratesting Rulesthe listing rules issued by the Financial Conduct Authoritysting Requirementsthe listing requirements of the JSESEthe stock exchange operated by London Stock Exchange plc, based in LondonTIPlong-term incentive plan for executivesediclinic Middle Eastthe 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 South Africa and Namibia, trading under the Mediclinic brand, with Mediclinic Southern Africaediclinic Southern AfricaMediclinic International (RF) (Pty) Ltd (previously Mediclinic International Ltd)plio1Mplio1 Newco (RF) (Pty) Ltd, a subsidiary of MP1 Investment Holdings (Pty) Ltd and shareholder through a B-BBEE schemeClnon-controlling interests	TERM	MEANING
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	Mpilo 1	
HS the UK's National Health Service	NCI	non-controlling interests
	NHS	the UK's National Health Service
SX Namibian Stock Exchange	NSX	Namibian Stock Exchange
CR polymerase chain reaction, used in testing for COVID-19	PCR	polymerase chain reaction, used in testing for COVID-19

GLOSSARY OF TERMS CONTINUED

TERM	MEANING
PH	<i>Pensionskasse Hirslanden</i> , the fund which provides post-employment, death-in-service and disability benefits
PPDs	paid patient days
PPE	personal protective equipment
PPPs	public-private partnerships
PV	photovoltaic
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 2021
ROIC	return on invested capital
SA Companies Act	the South African Companies Act, No. 71 of 2008
SAICA	South African Institute of Chartered Accountants
SARON	Swiss average rate overnight
Section 172	Section 172 of the United Kingdom Companies Act 2006
SID	Senior Independent Director
Spire	Spire Healthcare Group plc, a leading UK-based private healthcare group listed on the LSE
Statement	Corporate Governance Statement
STI	short-term incentive
TARMED	national outpatient tariff in Switzerland
TCFD	Task Force on Climate-related Financial Disclosures
TPSC	The Patient Safety Company
TSR	total shareholder return
UAE	the United Arab Emirates
UK	the United Kingdom of Great Britain and Northern Ireland
US	the United States
WACC	weighted average cost of capital
WHO	World Health Organization

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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 277.

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 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 25 May 2021. 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MEDICLINIC INTERNATIONAL PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion, Mediclinic International plc's Group annual financial statements and Company annual financial statements (the **"financial statements**"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2021 and of the Group's profit and the Group's and Company's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements 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 Consolidated and Company statements of financial position as at 31 March 2021; the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Company statements of changes in equity and the Consolidated and Company statements 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.

SEPARATE OPINION IN RELATION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ADOPTED PURSUANT TO REGULATION (EC) NO 1606/2002 AS IT APPLIES IN THE EUROPEAN UNION

As explained in note 2 to the financial statements, the Group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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.

Other than those disclosed in Note 24, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

OUR AUDIT APPROACH

OVERVIEW

AUDIT SCOPE

- Our Group audit included full scope audits at three reporting components. We performed centralised audit procedures on the equity accounted results of Spire Healthcare Group plc ('**Spire**') based on its audited financial statements at 31 December 2020. We have also audited selected financial statement line items of the Company to support the Group audit.
- Taken together, the reporting components, where we conducted audit procedures, together with central work performed at the Group level, accounted for 95% of consolidated revenue, 88% of consolidated profit before tax and 90% of consolidated adjusted profit before tax.

KEY AUDIT MATTERS

- Going concern assessment in response to economic uncertainties from COVID-19 (Group)
- Impairment of goodwill and other non-financial assets (Group)
- Impact of COVID-19 (Group and Company)
- Impairment assessment of the Company's investment in subsidiaries (Company)

MATERIALITY

- Overall Group materiality: £10.8 million (2020: £12.4 million) based on approximately 5% of the three-year average of adjusted profit before tax (2020: 5% of adjusted profit before tax).
- Overall Company materiality: £33.0 million (2020: £35.0 million) based on approximately 1% of total assets.
- Performance materiality: £8.1 million (Group) and £24.7 million (Company).

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.

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.

Impairment of the Group's associate investment in Spire, and adoption of IFRS 16 *Leases*, which were key audit matters last year, are no longer included. For Spire, the assessed risk related to valuation of the investment in Spire has reduced at year-end following the assessment of indicators of impairment, including reference to Spire's quoted market value at the Balance Sheet date. In relation to the adoption of IFRS 16 *Leases*, this was applicable to the previous year's audit and there were no new complexities identified with ongoing accounting in this area for the current year's audit. Otherwise, the key audit matters below are consistent with last year.

KEY AUDIT MATTER

1. GOING CONCERN ASSESSMENT IN RESPONSE TO ECONOMIC UNCERTAINTIES FROM COVID-19 (GROUP) (refer to *Group Chief Financial Officer's Report*, *Audit and Risk Committee Report* and note 2.1 in the consolidated financial statements)

The COVID-19 pandemic has had a significant impact on the global economy and on the markets in which the Group operates. The severity and duration of the impact of the COVID-19 pandemic and its economic aftermath on all businesses, including Mediclinic, remains 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 2021 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 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 financial years which encompass a best estimate of this impact, including a forecast of monthly liquidity for the next 18 months to September 2022. Management separately considered a number of potential downside scenarios, preparing a severe but plausible downside case which models a reduction in tariffs due to possible regulatory changes and a reduction in volumes due to the deterioration in the business environment or steps taken by governments to contain the spread of COVID-19. In doing so, management made estimates and applied assumptions that are critical to the outcome of the Group's going concern assessment. These forecasts were prepared in conjunction with an assessment of the Group's liquidity and covenant compliance for the period through to 30 September 2022.

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. 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 2022. Where management's projections indicated a potential covenant breach, management agreed waivers at each division for those specific covenants at risk of breach.

We focused on this area given the importance of the going concern judgement in the context of the basis of preparation of the 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.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We evaluated management's going concern assessment and we performed testing procedures at each division and for the Group as a whole. Refer to the 'Conclusions relating to going concern' section within this report for the procedures that we performed to address the key audit matter and our conclusions.

KEY AUDIT MATTER

2. IMPAIRMENT OF GOODWILL AND OTHER NON-FINANCIAL ASSETS (GROUP)

(refer to *Audit and Risk Committee Report* and notes 2, 4, 6 and 7 in the consolidated financial statements)

The Group has £1 061 million (2020: £1 171 million) of intangible assets. This balance consists mainly of goodwill relating to the Mediclinic Middle East operations amounting to £834 million (2020: £928 million) and goodwill of £100 million (2020: £97 million) relating to Switzerland. The Group also has property, equipment and vehicles of £4 052 million (2020: £4 358 million).

The Group is required to perform annual impairment tests on goodwill. 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 two exceptions are the acquisition of Les Grangettes completed in 2018 where goodwill is assessed for impairment at the CGU level given the existence of a significant non-controlling interest, and to discrete acquisitions in Southern Africa in which case the goodwill is allocated to that CGU. Other assets subject to impairment assessment at the CGU level primarily comprise land and buildings.

In the current year, an impairment loss of £4 million was recorded to partially impair goodwill and property and equipment within seven Southern Africa CGUs.

We focused on the impairment assessments of goodwill, intangible assets, property, equipment and vehicles and other non-financial assets. These 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 future cash flow projections, growth rates and discount rates. There is greater risk and uncertainty in the forecast cash flows at 31 March 2021 as a consequence of the COVID-19 pandemic and its expected impact on the Group's future operations. Changes in these assumptions might lead to a change in the recoverable values of the related assets and therefore to any impairment losses recognised.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We used our valuation experts to assist us in our assessment of management's impairment calculations and we 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 forecasts 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, impacts of COVID-19, 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.

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.

INDEPENDENT AUDITORS' REPORT CONTINUED

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER CONTINUED	Where impairments were identified by management relating to the Southern African 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 disclosures about sensitivities in note 6 and 7 of the consolidated financial statements in relation to the Swiss and Middle East operations.
	Based on the procedures performed, we noted no material issues arising from our work.
KEY AUDIT MATTER	3. IMPACT OF COVID-19 (GROUP AND COMPANY) (refer to Audit and Risk Committee Report)
	 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 and Company financial statements at 31 March 2021, focusing on the potential impact on the Group's and Company'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 and other non-financial assets; 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 Group and Company financial statements as its impact is significant and widespread, both in terms of the impact on a range of the Group's and Company's accounting estimates, including but not limited to going concern and impairment, and in terms of related disclosures in the Annual Report.
	In addition, management's way of working, including the operation of controls, has been impacted by COVID-19 as a result of a large number of employees working remotely and using technology enabled working practices.
	Our own ways of working have also changed which has meant virtual review meetings and electronic review processes (instead of in-person visits and hard copy reviews) being performed using virtual technology tools.
HOW OUR AUDIT ADDRESSED THE	We considered the financial reporting and audit implications of the COVID-19 pandemic on our audit risk assessment.
KEY AUDIT MATTER	We issued 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 performed procedures to assess any control implications arising from the change in management's ways of working. Based on the work performed at the Group level and by the component teams we did not identify any evidence of a material deterioration in the control environment.
	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 2021.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER CONTINUED

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 and non-financial assets; and
- The impairment assessment of the Company's investments in subsidiaries.

All of our oversight procedures were undertaken remotely using video conferencing and remote audit workpaper reviews to satisfy ourselves as to the sufficiency of audit work performed at the components.

Based on the procedures performed, we noted no material issues from our work.

KEY AUDIT MATTER

4. IMPAIRMENT ASSESSMENT OF THE COMPANY'S INVESTMENT IN SUBSIDIARIES (COMPANY) (refer to *Audit and Risk Committee Report* and notes 2 and 3 in the Company financial statements)

Investments in subsidiaries are accounted for at cost less impairment in the Company statement of financial position. At 31 March 2021, the Company held investments in subsidiaries with a carrying value of £3 311 million.

In the current financial year, impairment indicators were identified in connection with the Company's investment in the Southern Africa operations due to the impact of the deterioration in the macroeconomic environment and an impairment test was therefore performed by management for this investment held. Management's analysis resulted in no impairment charges.

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 charges that had been recorded in prior financial years. The assessment requires the application of management judgement, particularly in determining whether any impairment indicators have arisen that trigger the need for an impairment test 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.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

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 2021 and to the valuations implied by other models, including valuation models prepared for impairment testing purposes at divisions which were subject to audit procedures as part of our Group audit.

The key assumptions used in the impairment models were consistent with those used for impairment testing as described in the key audit matter "Impairment of goodwill and other non-financial assets (Group)".

We evaluated management's sensitivity analyses to ascertain the impact of reasonably possible changes to key assumptions on the level of impairment required. We separately evaluated the difference between the investment carrying values and the Group's market capitalisation.

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.

HOW WE TAILORED THE AUDIT SCOPE

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group financial statements involve a consolidation of 15 reporting units, certain of which are subconsolidations of the operations in each of the Group's key markets. The sub-consolidations were deemed to be components for our audit and comprise the Group's three main divisions: Southern Africa, Switzerland and the Middle East. These components 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 components 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.

We instructed, supervised and reviewed the audit work of each of our component audit teams in South Africa, Switzerland and the Middle East, which included audit work paper reviews, participation in key audit discussions with local management and participation in audit clearance meetings at each component. We also maintained 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 procedures over the Annual Report and audit of the financial statement disclosures were directly led by the Group audit team.

Taken together, the component audit work, together with work performed at the Group level, accounted for 95% of consolidated revenue, 88% of consolidated profit before tax and 90% of 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:

	Financial statements - Group	Financial statements – Company
Overall materiality	£10.8 million (2020: £12.4 million).	£33.0 million (2020: £35.0 million).
How we determined it	Approximately 5% of three-year average of adjusted profit before tax (2020: 5% of adjusted profit before tax)	Approximately 1% of total assets (2020: 1% of total assets)
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 Group's profit before tax has been adjusted for insurance proceeds, accelerated depreciation and amortisation, fair value adjustments on derivative contracts, impairment of properties and goodwill and remeasurement loss of put option liability. 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. Adjusted profitability measures are metrics against which the performance of the Group is most commonly assessed by management and reported to shareholders. We believe that using a three-year average adjusted profit before tax is a more appropriate measure as it smooths the impact of fluctuation of the Group's results as a result of the COVID-19 pandemic.	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 considered appropriate. For 2021 and 2020, 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 £9.7 million (2020: £11.1 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.

For each reporting 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 £6.0 million and £9.0 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality. We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £8.1 million for the Group financial statements and £24.7 million for the Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £1 million (Group audit) (2020: £1 million) and £1 million (Company audit) (2020: £1 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

CONCLUSIONS RELATING TO GOING CONCERN

The going concern assessment in response to economic uncertainties from COVID-19 was identified as a key audit matter for the reasons set out in the 'Key audit matters' section. Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Assessing both the base case budgets and strategic financial plan prepared by management and the severe but plausible downside case which was used to sensitise the base case model.
- In relation to the budget and strategic financial plan, we 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.
- We evaluated the key assumptions in the forecasts and considered whether these assumptions appeared reasonable, for example by comparing forecast sales to trends during the 2021 financial year. We assessed whether management's downside case was severe but plausible. In respect of COVID-19, we evaluated the extent and duration of the expected impact on the Group's operations assumed in the base case and downside case by comparison to the Group's experience during the first and second waves of the pandemic.
- With regard to mitigation of anticipated revenue declines under the severe but plausible downside scenarios, 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 Leverage ratio covenant waiver agreed in April 2021 at Hirslanden, we obtained and confirmed the terms of the covenant waiver agreement.
- We recalculated management's forecast covenant compliance calculations through to 30 September 2022 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 there is sufficient liquidity 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 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 evaluated and with the testing which we performed. We found that the disclosures provided an explanation of the directors' assessment that was consistent with the evidence we obtained.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this 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 our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

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 in respect of the financial statements for the year ended 31 March 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report in respect of the financial statements.

DIRECTORS' REMUNERATION

In our opinion, the part of the Remuneration Committee Report to be audited has been properly prepared in accordance with the Companies Act 2006.

CORPORATE GOVERNANCE STATEMENT

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
 The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' 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 its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit and Risk Committee.

We have nothing to report in respect of our responsibility to report when 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 in respect of the financial statements, 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 and 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 Group or 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to healthcare 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 financial statements such as the Companies Act 2006. 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 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 component auditors included:

- Enquires 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;
- Inspection of reporting from the Group's whistleblowing helpline and, if applicable, the results of management's further investigations;
- Challenging assumptions and judgements made by management in relation to the Group's and Company'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. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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 obtained 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 Remuneration Committee 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 six years, covering the years ended 31 March 2016 to 31 March 2021.

Neil Gnnies

Neil Grimes (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors London 25 May 2021

GROUP ANNUAL FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2021

	Notes	2021 £'m	2020 £'m
ASSETS			
Non-current assets		5 440	5 741
Property, equipment and vehicles	6	4 052	4 358
Intangible assets	7	1 061	1 171
Equity-accounted investments	8	171	181
Retirement benefit asset	19	110	-
Other investments and loans	9	12	9
Deferred income tax assets	10	34	22
Current assets		1 232	1 213
Inventories	11	109	104
Trade and other receivables	12	826	766
Other investments and loans	9	2	2
Current income tax assets		1	2
Derivative financial instruments	21	-	2
Cash and cash equivalents	30.8	294	329
Assets classified as held-for-sale	33	-	8
Total assets		6 672	6 954
EQUITY			
Capital and reserves			
Share capital	13	74	74
Share premium reserve	13	690	690
Retained earnings		4 523	4 327
Other reserves	14	(2 438)	(2 201)
Attributable to equity holders of the Company		2 849	2 890
Non-controlling interests	16	118	113
Total equity		2 967	3 003

CONSOLIDATED STATEMENT OF FINANCIAL POSITION CONTINUED

AT 31 MARCH 2021

		2021	2020
LIABILITIES	Notes	£'m	£'m
Non-current liabilities		3 021	3 182
Borrowings	17	1 686	1 787
Lease liabilities	18	621	654
Deferred income tax liabilities	10	425	427
Retirement benefit obligations	19	127	168
Provisions	20	37	36
Derivative financial instruments	21	124	109
Cash-settled share-based payment liabilities	15	1	1
Current liabilities		684	769
Trade and other payables	22	498	515
Borrowings	17	91	164
Lease liabilities	18	55	49
Provisions	20	19	17
Retirement benefit obligations	19	14	14
Derivative financial instruments	21	2	2
Current income tax liabilities		5	4
Liabilities classified as held-for-sale	33	-	4
Total liabilities		3 705	3 951
Total equity and liabilities		6 672	6 954

These financial statements and the accompanying notes as set out on pages 196–288 were approved for issue by the Board of Directors on 25 May 2021 and were signed on its behalf by:

mfunf

Mr Jurgens Myburgh

Group Chief Financial Officer

Dr Ronnie van der Merwe Group Chief Executive Officer

Mediclinic International plc (Company no 08338604)

The notes on pages 203-288 form an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £'m	(Re-presented) ¹ 2020 £'m
Revenue	23	2 995	3 083
Other income	24	13	-
Employee benefit and contractor costs	24	(1 4 4 8)	(1446)
Consumables and supplies		(719)	(691)
Care-related costs		(145)	(136)
Infrastructure-related costs	24	(110)	(113)
Service costs		(147)	(147)
Provision for expected credit losses	24	(11)	(9)
Depreciation and amortisation	24	(217)	(217)
Impairment of property, equipment and vehicles	6 & 24	(3)	(30)
Impairment of intangible assets	7 & 24	(1)	(482)
Other gains and losses	25	2	4
Operating profit/(loss)	24	209	(184)
Finance income		4	9
Finance cost	26	(99)	(92)
Share of net (loss)/profit of equity-accounted investments	8	(70)	2
Reversal of impairment/(impairment) of equity-accounted investment	8	60	(10)
Profit/(loss) before tax		104	(275)
Income tax expense	27	(25)	(24)
Profit/(loss) for the period		79	(299)
Attributable to:			
Equity holders of the Company		68	(320)
Non-controlling interests	16	11	21
		79	(299)
Profit/(loss) per ordinary share attributable to the equity holders of the Company – pence			
Basic	28	9.2	(43.4)
Diluted	28	9.2	(43.4)

Note

¹ Refer to note 2.1.

The notes on pages 203-288 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £'m	2020 £'m
Profit/(loss) for the year		79	(299)
Other comprehensive (loss)/income			
Items that may be reclassified to the income statement		(235)	169
Currency translation differences	29	(235)	175
Realised fair value hedge adjustments transferred to income			
statement	29	2	-
Fair value adjustment – cash flow hedges	29	(2)	(6)
Items that may not be reclassified to the income statement		127	(21)
Remeasurements of retirement benefit obligations	29	127	(17)
Effect of changes in income tax rates	29	-	(4)
Other comprehensive (loss)/income, net of tax	29	(108)	148
Total comprehensive loss for the year		(29)	(151)
Attributable to:			
Equity holders of the Company		(45)	(161)
Non-controlling interests	16	16	10
		(29)	(151)

The notes on pages 203-288 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2021

	Share capital (note 13) £'m	Capital redemption reserve (note 14) £'m	Share premium reserve (note 13) £'m	
Balance at 31 March 2019	74	6	690	
IFRS 16 transition adjustment	_	-	-	
Restated at 1 April 2019	74	6	690	
(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	
Profit for the year	_	-	_	
Other comprehensive (loss)/income for the year	_		-	
Total comprehensive (loss)/income for the year		-	_	
Equity-settled share-based payment ¹	_	-	-	
Transactions with non-controlling shareholders	-	-	-	
Dividends paid	_	-	-	
Balance at 31 March 2021	74	6	690	

Note ¹ Less than £0.5m for the year under review.

The notes on pages 203-288 form an integral part of these financial statements.

Revers acquisitio reserv (note 14 £'i	n translation e reserve -) (note 14)	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
(3 014) 628	(2)	4 769	3 151	115	3 266
-	-	-	(37)	(37)	-	(37)
(3 014) 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)
(3 014) 815	(8)	4 327	2 890	113	3 003
-	-	-	68	68	11	79
-	(237)	-	124	(113)	5	(108)
-	(237)	-	192	(45)	16	(29)
-	-	-	-	-	-	-
-	-	-	4	4	(3)	1
-	-	-	_		(8)	(8)
(3 014) 578	(8)	4 523	2 849	118	2 967

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2021

		2021 £'m	2020 £'m
	Notes	Inflow/(outflow)	Inflow/(outflow)
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	30.1	330	589
Interest received		4	9
Interest paid	30.2	(70)	(83)
Tax paid	30.3	(29)	(59)
Net cash generated from operating activities		235	456
CASH FLOW FROM INVESTMENT ACTIVITIES		(137)	(182)
Investment to maintain operations	30.4	(56)	(81)
Investment to expand operations	30.5	(80)	(102)
Acquisition of subsidiaries	31	(2)	(12)
Disposal of subsidiaries	32	4	9
Acquisition of investment in associate	8	(1)	(1)
Dividends received from equity-accounted investment		-	5
Proceeds from other investments and loans		1	-
Increase in other investments and loans		(4)	(2)
Proceeds from insurance claim		1	-
Proceeds on disposal of property, equipment and vehicles		-	2
Net cash generated before financing activities		98	274
CASH FLOW FROM FINANCING ACTIVITIES		(130)	(207)
Distributions to non-controlling interests	16	(8)	(15)
Distributions to shareholders	30.6	-	(59)
Transaction with non-controlling interest	16	1	(1)
Proceeds from borrowings	30.7	115	15
Repayment of borrowings	30.7	(196)	(101)
Refinancing transaction costs	30.7	(3)	(1)
Repayment of lease liabilities	30.7	(39)	(45)
Net increase in cash and cash equivalents		(32)	67
Opening balance of cash and cash equivalents		329	265
Exchange rate fluctuations on foreign cash		(3)	(3)
Closing balance of cash and cash equivalents	30.8	294	329

The notes on pages 203-288 form an integral part of these financial statements.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

1. DESCRIPTION OF BUSINESS

Mediclinic 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.

2.1. Basis of preparation

The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ('**IFRS**') and the applicable legal requirements of the Companies Act 2006. In addition to complying with international accounting standards in conformity with the requirements of the Companies Act 2006, the consolidated financial statements also comply with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. There are no differences for the Group in applying IFRS as issued by the IASB and IFRS. The financial statements are prepared on the historical cost convention, except for the following items, which are carried at fair value or valued using another measurement basis:

- Derivative financial assets and liabilities, 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 Group'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 currencies 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:

	2021	2020
Average rates		
Swiss franc	1.21	1.25
South African rand	21.30	18.76
UAE dirham	4.80	4.67
Year-end rates		
Swiss franc	1.30	1.20
South African rand	20.37	22.08
UAE dirham	5.07	4.56

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.1. Basis of preparation (continued)

Going concern

The severity, duration and full impact of the COVID-19 pandemic and its economic aftermath on the Group's businesses remain uncertain. Despite the global vaccine roll-outs and the robust operating performance for the year ended 31 March 2021, there remains a degree of risk and uncertainty as to the Group's financial performance for at least the next 12–18-month period to 30 September 2022.

The Group's financial performance for the year ended 31 March 2021 across all three divisions was well ahead of the COVID-19-adjusted base case scenarios modelled at the beginning of the pandemic in March 2020. As evidenced in the year under review, the key impact to revenue and profitability during the pandemic was the national lockdown measures and restrictions imposed on non-urgent elective procedures. Notwithstanding the continued uncertainty due to the ongoing pandemic, it is considered reasonably unlikely that the severe restrictions previously imposed on non-urgent elective procedures will be reintroduced given the advance in COVID-19 operating protocols since March 2020.

For the purposes of assessing liquidity specifically and going concern broadly at 31 March 2021, the Group modelled a combination of severe but plausible downside scenarios on a month-by-month basis and also applied appropriate mitigation actions which would be within the Group's control. These scenarios had specific reference to:

- reduction in volumes due to the ongoing effects of the COVID-19 pandemic or a deterioration in the business environment;
- reduction in tariffs due caused by possible regulatory changes; and
- working capital and capital expenditure requirements.

Due to the mostly fixed employee cost base across the business, lower revenue due to either a reduction in tariffs or volumes has the most pronounced impact on EBITDA. Compared with the business plan, the combined adverse effect of reduction of tariffs and volumes after mitigation modelled amounts to a decline of 24% of EBITDA over the 18-month period to 30 September 2022, which is more severe than the decline in adjusted Group EBITDA of 21% during FY21. In the worst affected month, the Group EBITDA is affected by approximately 35% in the downside case when compared with the base case. In the downside case, the Group EBITDA includes an adverse impact of at least 12% per month compared with base case.

Depending on the circumstances, further mitigating actions would be available to the Group that have not been modelled. These include:

- further reductions in capital expenditure, e.g. ceasing ongoing projects;
- reductions in staff and other operating costs;
- a freeze on recruitment;
- a restriction on salary increases;
- rental relief from landlords; and
- utilising surplus cash at a corporate level.

Based on the assumptions applied and the effect of mitigating actions set out above, most 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 within 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. The nearest term material maturity is a bank loan of ZAR2 575m and redeemable preference shares of ZAR1 800m that are due in September 2022. Mediclinic Southern Africa is proactively engaging with the banks on either an extension of the facility as provided for in the original loan agreement or a refinance of the entire facility. Mediclinic Southern Africa's leverage ratio is at a level where refinancing should be possible considering the current market conditions.

In addition to successfully refinancing its CHF145m bond on more favourable terms, Hirslanden has prudently engaged with its lending banks to further extend a covenant test waiver by 12 months, with the first tests now to be performed at the end of September 2022. By the time of the reinstated test, all covenants will have sufficient headroom based on the range of modelled scenarios.

Due to the proactive response to maintain the Group's liquidity position, cash and available facilities have remained strong at £679m at year-end, compared to £518m at 31 March 2020 and £661m at 30 September 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.1. Basis of preparation (continued)

Going concern (continued)

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 for a period of at least 12 months from the date of approving the financial statements.

Income statement reclassification

During the period under review, the Group changed the presentation of its operating expenses in the Consolidated Income Statement from an analysis by function to an analysis by nature. Comparatives have been changed to conform to the new presentation. The rationale for the change is to align the presentation of expenses with that of the internal management reports and to provide a more robust disaggregation of the Group's activities that better reflects the nature of the business. The Group believes that the change in presentation of expenses results in more relevant information for the users and enhanced disclosure on the face of the income statement. The prior period expenses of £3 271m for the year ended 31 March 2020 previously classified as 'Cost of sales' (£1 960m) and 'Administration and other operating expenses' (£1 311m) have been reclassified by nature of expense as set out in the table below.

Category	Description
Employee benefit and contractor costs	Includes employee benefit expenses for all staff, contractor costs and other employee-related costs.
Consumables and supplies	Includes the cost of all inventories, including obsolete stock, which have been expensed during the year.
Care-related costs	Includes costs closely linked to providing a service or care to patients and enhancing patient experience, and includes catering, laundry, cleaning, security services and other patient-related costs.
Infrastructure-related costs	Includes repairs and maintenance, rates and taxes, utilities, rent expensed in terms of IFRS 16 and other infrastructure-related costs.
Service costs	Includes all other administrative and operating expenses and non-specific service costs rendered, including, but not limited to, consulting, marketing, travel and audits.
Provision for expected credit losses	Consists of the movement in the allowance for expected credit losses recognised in terms of IFRS 9.
Depreciation and amortisation	Includes depreciation on property, equipment and vehicles and right-of-use assets, as well as amortisation of intangible assets.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.2. Consolidation and equity accounting (continued)

b) Business combinations

The Group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets 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, which 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.

In cases where the Group 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. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.2. Consolidation and equity accounting (continued)

c) Investments in associates and joint ventures (continued)

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, which makes strategic decisions. The Group Executive Committee comprises the executive directors and senior management as disclosed in the Annual Report on pages 108 and 114-115.

Intersegment transactions are eliminated and shown separately in the Segmental report. Refer to note 5.

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
• Eurniture 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 a CGU level, except for the Mediclinic Middle East goodwill, which is monitored at an operating segment level. Any impairment losses that are recognised are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of other assets in the CGU where the carrying amount is greater than the recoverable amount.

b) Trade names

Trade names have been recognised by the Group as part of a business combination. No value is placed on internally developed trade names. Trade names 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. 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)
- 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 Group 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.7. Financial assets (continued)

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Equity instruments and instruments managed on a portfolio basis

The Group subsequently measures all equity investments and instruments managed on a portfolio basis 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 these investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit and loss. Upon derecognition of these 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.

Impairment losses on these investments measured at FVOCI or FVPL are not reported separately from other changes in fair value.

Instruments managed on a portfolio basis (other than equity instruments) consist of highly liquid investments in money market funds that do not meet the maturity criteria of IAS 7 *Statement of Cash Flows* and therefore cannot be classified as cash and cash equivalents.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

There are two measurement categories into which the Group 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.7. Financial assets (continued)

Impairment (continued)

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.

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.
 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

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.

hedge that quantity of hedged item.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.11. Derivative financial instruments and hedging activities (continued)

Cash flow hedges (continued)

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.

2.15. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.16. Borrowings (continued)

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.

Provision for malpractice claims is made at the year-end for the estimated cost of claims incurred but not settled at the end of each reporting period, including the cost of claims incurred but not yet reported to the Group. The estimated cost of claims includes expenses to be incurred in settling claims. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. The Group does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and statistical analysis for the claims incurred but not reported.

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)

a) Retirement benefit costs (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) Equity-settled share-based compensation

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

e) Profit sharing and bonus plans

The Group recognises a liability and an expense where a contractual obligation exists for short-term incentives. The amounts payable to employees in respect of the short-term incentive schemes are determined based on annual business performance targets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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. 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 and presented as part of revenue.
- Government grants that compensate the Group for loss of revenue are recognised in profit or loss when they become receivable and are presented as other income. Refer to note 24 for additional information regarding government grants.

2.21. Consumables and supplies

Consumables and supplies consist of the cost of inventories, including obsolete stock, which have been expensed during the year.

Rebates received from suppliers are recognised when all the conditions agreed with the suppliers are met, the amount of cost of supplies can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the entity.

2.22. Leases

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.22. Leases (continued)

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.

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. Low-value assets comprise small items of medical and other equipment. Low-value assets contribute an insignificant portion of the Group's rental payments expensed in terms of IFRS 16.

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.

COVID-19-related rent concessions

The Group has applied COVID-19-Related Rent Concessions – Amendment to IFRS 16. The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assesses whether there is a lease modification. Rent concessions are included in other gains and losses.

2.23. Dividend distribution

Final dividends are recorded in the Group's financial statements in the period in which they are approved by the Company's shareholders. Interim dividends are recorded and paid in the period in which they are approved by the directors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.24. Foreign currency transactions

Transactions and balances

Foreign currency transactions are translated into the respective Group entities' functional currencies at exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement (except when recognised in other comprehensive income as part of qualifying cash flow hedges).

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the transaction date, and those measured at fair value are translated at the exchange rate at the date that the fair value was determined. Exchange rate differences on non-monetary items are accounted for based on the classification of the underlying items.

Translation differences on non-monetary financial assets measured at FVOCI are included in other comprehensive income. Foreign exchange gains and losses are presented in the income statement in other gains and losses.

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 during 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.

2.25. Standards, interpretations and amendments

Published standards, amendments and interpretations effective for the 31 March 2021 financial period:

The following published standards, amendments and interpretations are mandatory for the accounting period beginning on or after 1 April 2020 and have been adopted:

• IFRS 3 *Definition of a Business* amendments (1 January 2020)

- IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform Phase 1 (1 January 2020)
- IAS 1 and IAS 8 Definition of Material amendments (1 January 2020)

The Group has also elected to adopt the following amendments early:

• IFRS 16 *Leases* - COVID-19-related Rent Concessions (1 June 2020)

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 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform Phase 2 (1 January 2021)
- IFRS 4 *Insurance Contracts* (1 January 2021)
- IFRS 17 Insurance Contracts (1 January 2023)
- IAS 16 Property, Plant and Equipment: Proceeds before Intended Use amendments (1 January 2022)
- IAS 37 Onerous Contracts Cost of Fulfilling a Contract amendments (1 January 2022)
- Annual improvements 2018–2020 cycle Amendments and clarifications to existing IFRS standards (1 January 2022)
- IAS 1 Classification of Liabilities as Current or Non-current amendments (1 January 2023)

i) Currency risk

Investments in foreign operations

FINANCIAL RISK MANAGEMENT

3.1. Financial risk factors

Market risk

3.

a)

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.

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.

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 £1m (2020: increase/decrease by £5m) due to exposure to the sterling/Swiss franc exchange rate;
- profit for the period would increase/decrease by £3m (2020: increase/decrease by £9m) due to exposure to the sterling/South African rand exchange rate;
- profit for the period would increase/decrease by £4m (2020: increase/decrease by £4m¹) due to exposure to the sterling/UAE dirham exchange rate;
- foreign currency translation reserve would increase/decrease by £162m (2020: increase/decrease by £143m) due to exposure to the sterling/Swiss franc exchange rate;
- foreign currency translation reserve would increase/decrease by £13m (2020: increase/decrease by £14m) due to exposure to the sterling/South African rand exchange rate; and
- foreign currency translation reserve would increase/decrease by £114m (2020: increase/decrease by £113m) 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 and assets issued at fixed interest rates 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.

Financial instruments issued at fixed rates expose the Group to fair value interest rate risk. The Group's exposure to fair value interest rate risk is not considered to be significant due to the short-term nature of the investments.

Note

¹ Profit for the period excludes the Mediclinic Middle East goodwill impairment charge.

3. FINANCIAL RISK MANAGEMENT CONTINUED

3.1. Financial risk factors (continued)

a) Market risk (continued)ii) Interest rate risk (continued)

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 2021, the 3M Swiss LIBOR was -0.75% (2020: -0.62%). Interest rates would have to increase by 75 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 (2020: no impact).
- Southern Africa: Profit for the period would decrease/increase by £0.7m (2020: decrease/increase by £0.9m) 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 decrease/increase by £0.4m (2020: decrease/increase by £0.5m) if the interest rates had been 50 basis points higher/lower in the Middle East with all other variables held constant.

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, derivative financial contracts, and reinsurance used to manage insurance risk. 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. 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 and expected credit losses were assessed at the end of the year.

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 2020 and 31 March 2021, 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 the 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.

	2021 £'m	2020 £'m
The Group's unused banking and overdraft facilities	385	189

3. FINANCIAL RISK MANAGEMENT CONTINUED

3.1. Financial risk factors (continued)

c) Liquidity risk (continued)

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been 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 2021					
Borrowings	1 777	2 550	147	1 5 4 9	854
Lease liabilities	676	886	59	217	610
Derivative financial instruments	126	130	8	122	-
Trade payables	235	235	235	-	-
Other payables and accrued expenses	206	206	206	-	-
31 March 2020					
Borrowings	1 951	2 822	219	1596	1007
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	-	-

d) Insurance risk

The risk that an insured event occurs and the amount of the resulting claim is uncertain. The risks covered by the Group's insurance policies include property damage and business interruption, malpractice claims, directors' and officers' liability, commercial crime and cyber risk. The Group manages insurance risk by outsourcing claims handling to service providers who review the claims on a regular basis and by pursuing early settlement of claims to reduce its exposure to unpredictable developments.

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 biannually. 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. Although a dividend suspension is in place, 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 2021 and 31 March 2020 were as follows:

	2021 £'m	2020 £'m
Borrowings	1 777	1 951
Lease liabilities	676	703
Less: cash and cash equivalents	(294)	(329)
Net debt	2 159	2 325
Total equity	2 967	3 003
Debt-to-equity capital ratio	72.8%	77.4%

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be incorrect. Detailed information about each of these estimates and judgements is included in the notes as 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)
- Remeasurement of redemption liability (written put option) (refer to note 21)

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 2021	Total £'m	Switzerland £'m	Southern Africa £'m	Middle East £'m	United Kingdom £'m	Corporate £'m
Revenue	2 995	1 478	734	781	-	2
					<u>.</u>	
EBITDA	428	225	108	102	-	(7)
EBITDA before management fee	428	231	114	105	-	(22)
Group Services fees included in EBITDA ¹	-	(6)	(6)	(3)	-	15
Other gains and losses	2	-	1	1	-	-
Depreciation and amortisation	(217)	(128)	(36)	(52)	-	(1)
Impairment of property, equipment and vehicles	(3)	-	(3)	-	-	-
Impairment of intangible assets	(1)	-	(1)	-	-	-
Operating profit/(loss)	209	97	69	51	-	(8)
Loss from associate	(70)	-	-	-	(70)	-
Reversal of impairment of associate	60	-	-	-	60	-
Finance income	4	-	3	-	-	1
Finance cost (excluding intersegment loan interest)	(99)	(54)	(29)	(16)	-	-
Total finance cost	(99)	(72)	(29)	(16)	-	18
Elimination of intersegment loan interest ¹	-	18	-	-	-	(18)
Taxation	(25)	(11)	(14)	-	-	-
Segment result	79	32	29	35	(10)	(7)
At 31 March 2021						
Investments in associates	167	3	2	5	157	-
Investments in joint ventures	4	-	4	-	-	-
Capital expenditure for the year ²	126	67	33	26	-	-
Total segment assets	6 672	3 972	740	1 701	157	102
Total segment liabilities (excluding intersegment loan)	3 705	2 470	602	624	-	9
Total liabilities from reportable segment	4 635	3 400	602	624	-	9
Elimination of intersegment loan	(930)	(930)	-	-	-	-

Notes

¹ Intersegment transactions' pricing is determined on an arm's length basis. ² Relates to additions to non-current assets other than financial instruments, deferred tax assets and net defined benefit assets.

5. SEGMENTAL REPORT CONTINUED

		Reportable operating segments		0	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 4 3 8	907	737	_	1
EBITDA	541	245	188	110	_	(2)
EBITDA before management fee	541	251	194	113	_	(17)
Group Services fees included in EBITDA ¹	_	(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 ¹	_	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 ²	192	75	69	47	_	1
Total segment assets	6 954	4 192	680	1838	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)	_	_	_	_

Notes

¹ Intersegment transactions' pricing is determined on an arm's length basis.

² Relates to additions to non-current assets other than financial instruments, deferred tax assets and net defined benefit assets.

5. SEGMENTAL REPORT CONTINUED

	2021 £'m	2020 £'m
The total non-current assets, excluding financial instruments and deferred tax assets, per geographical location are:		
Switzerland	3 330	3 499
Southern Africa	518	484
Middle East	1 389	1559
United Kingdom	157	168
ENTITY-WIDE DISCLOSURES		
Revenue		
From UK	-	-
From foreign countries	2 995	3 083
Revenues from external customers are primarily from hospital services		

6. PROPERTY, EQUIPMENT AND VEHICLES

	2021 £'m	2020 £'m
Land – cost	886	959
Buildings	2 181	2 336
Cost	2 845	2 997
Accumulated depreciation and impairment	(664)	(661)
Land and buildings	3 067	3 295
Capital expenditure in progress	85	81
Right-of-use assets	625	675
Cost	739	739
Accumulated depreciation	(114)	(64)
Equipment	237	264
Cost	931	961
Accumulated depreciation	(694)	(697)
Furniture and vehicles	38	43
Cost	213	216
Accumulated depreciation and impairment	(175)	(173)
	4 052	4 358

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 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
Additions	13	49	59	35	8	164
Disposals	-	-	(1)	-	-	(1)
Depreciation	(60)	-	(49)	(72)	(15)	(196)
Transfer between asset classes	4	-	(12)	7	1	-
Prior year capital expenditure completed	34	(44)	-	9	1	_
Impairment	(3)	-	-	-	-	(3)
Borrowing cost capitalised	1	-	-	-	-	1
Lease remeasurements	_	-	8	-	-	8
Exchange differences	(217)	(1)	(55)	(6)	-	(279)
Net book value at 31 March 2021	3 067	85	625	237	38	4 052

	2021 £'m	2020 £'m
Total additions (excluding additions on right-of-use assets)	105	169
To maintain operations	46	76
To expand operations	59	93

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6. PROPERTY, EQUIPMENT AND VEHICLES CONTINUED

The right-of-use assets were recognised during the prior year with the adoption of IFRS 16 *Leases*. Refer to note 18 for further information on leases.

Property, equipment and vehicles with a book value of £2 696m (2020: £2 869m) are encumbered as security for borrowings (see note 17).

The impact of climate change on the assets' useful lives was considered at year-end and no significant impacts were identified.

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

Due to the significant impact the COVID-19 pandemic had on the Southern Africa segment, its CGUs were assessed for impairment at 31 March 2021. The recoverable amounts of the CGUs tested for impairment were based on fair-value-less-cost-to-sell calculations. The determination of fair-value-less-cost-to-sell calculations uses level 3 valuation techniques. In determining the fair-value-less-cost-to-sell for the CGUs, the cash flows were discounted at a rate of 12.7%. Beyond five years a growth rate of 4.5% was used. The recoverable amount of three CGUs (£5m in total) was determined to be lower than their individual carrying values and as a result an impairment charge of £3m (2020: £nil) was recognised in the income statement relating to property, equipment and vehicles. The recoverable amount of 43 CGUs was higher than their carrying values and had sufficient headroom. After recognition of the impairment charges, the carrying amounts of the CGUs are not sensitive to reasonably possible changes in the discount rate and the terminal growth rate.

No impairment indicators were identified for the Swiss and Middle East CGUs at 31 March 2021. In the prior year, the carrying value of one Swiss 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 relating to property, equipment and vehicles.

Some CGUs within Hirslanden remain sensitive to reasonably possible changes in key assumptions in the fair-valueless-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. In determining the fair-value-less-cost-to-sell for the CGUs, the cash flows were discounted at rates between 4.9% and 5.2% (2020: 4.8% and 5.1%). An increase in the discount rate of 0.7% would lead to an impairment charge of approximately £19m and a decrease of 7% in the cash flow projections would result in an impairment charge of approximately £1m. A decrease of the terminal year growth rate to 0% would not result in impairment.

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 are 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 year ending 31 March 2020, Klinik Belair was sold and a reversal of previously recognised impairment charges in respect of properties of £4m was recognised.

Change in accounting estimate

During the year, an expansion project, which will include the construction of new hospital wings at a hospital in Hirslanden, was approved. The existing hospital wings will be dismantled at the end of the financial year ending 31 March 2023 and will be replaced by a new construction as part of the expansion project. As a result, the estimated useful life of the existing hospital wings has been reduced and the depreciation of these assets' carrying value accelerated. For the year ended 31 March 2021, the accelerated depreciation included in the depreciation charge amounts to £10m. The accelerated depreciation in FY2022 and FY2023 will amount to £19m each year.

7. INTANGIBLE ASSETS

	2021 £'m	2020 £'m
Goodwill	946	1047
Cost	1 689	1862
Accumulated impairment	(743)	(815)
Trade names	45	54
Cost	424	420
Accumulated amortisation and impairment	(379)	(366)
Computer software	70	70
Cost	162	150
Accumulated amortisation	(92)	(80)
	1 061	1 171

	Goodwill £'m	Trade names £'m	Computer software £'m	Leases ¹ £'m	Total £'m
Net book value at 1 April 2019	1450	53	60	23	1586
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	1047	54	70	-	1 171
Additions	-	-	21	-	21
Amortisation	-	(4)	(17)	-	(21)
Business combinations	3	-	-	-	3
Impairment	(1)	-	-	-	(1)
Exchange differences	(103)	(5)	(4)	-	(112)
Net book value at 31 March 2021	946	45	70	-	1 061

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.

	2021 £'m	2020 £'m
Total additions	21	23
To maintain operations	8	8
To expand operations	13	15

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 a CGU level, except for the Mediclinic Middle East goodwill, which is monitored at an operating segment level. This means that for the Mediclinic Middle East division, recoverability of goodwill is assessed by reference to the aggregated cash flows of the legacy Middle East and Al Noor businesses. The Mediclinic Middle East goodwill originated mainly from the Al Noor business combination with a portion originating from other UAE business combinations. The initial commercial rationale for the acquisition of Al Noor included expected synergies from integrating the legacy Al Noor business with the legacy 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 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 and encompass a best estimate of the short- and long-term impact of the COVID-19 pandemic. The cash flow forecast includes the purchase of environmentally friendly equipment.

Growth rates

Growth rates are determined from budgeted and forecast revenue. Terminal year 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 £834m (2020: £928m) 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 8.7% (2020: 8.8%).
- Growth rates The terminal growth rate beyond five years is 3.0% (2020: 3.0%).
- *Forecasts* Represents management's best view of future revenues and cash flows over a five-year period and is comparable with the forecast used in the prior year.

The recoverable amount was determined to be higher than the carrying value and consequently no impairment was recognised against goodwill during the year under review. In the prior year, an impairment of £481m was recognised against goodwill.

Sensitivity analysis

An increase in the discount rate by 0.6% combined with a decrease in the terminal growth rate by 0.5% would reduce the headroom to £nil. A decrease in forecast cash flows by 9% would also reduce headroom to £nil.

These changes are not considered reasonably possible to occur within the next 12 months. However, as the key assumptions have the potential to vary over time, these are therefore highlighted as a key accounting estimate.

Impairment testing of Hirslanden goodwill and trade names

Hirslanden goodwill with a carrying amount of £100m that originated from the business combination of Hirslanden OPERA Zumikon AG in the current year and Clinique des Grangettes in previous years has been tested for impairment.

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 5.1% (2020: 5.0%).
- Growth rates The terminal growth rate beyond five years was 1.6% (2020: 1.6%).
- *Forecasts* Represents management's best view of future revenues and cash flows over a five-year period and is comparable with the forecast used in the prior year.

Sensitivity analysis

An increase in the discount rate by 2.7% (2020: 1.2%) combined with a decrease in the terminal growth rate by 1.6% (2020: 1.2%) would reduce the headroom to £nil.

These changes are not considered reasonably possible to occur within the next 12 months.

Impairment testing of Southern Africa goodwill

Southern Africa goodwill with a carrying amount of £14m has been tested for impairment. The recoverable amount has been determined based on fair-value-less-cost-to-sell discounted cash flow calculations by applying a discount rate of 12.7% and a terminal year growth rate beyond five years of 4.5%. As a result, the carrying amount of the goodwill of five CGUs was determined to be higher than its recoverable amount and an impairment of £1m was recognised against goodwill.

8. EQUITY-ACCOUNTED INVESTMENTS

	2021 £'m	2020 £'m
Investment in associates	167	177
Investment in joint venture	4	4
	171	181

8.1. Investment in associates

	2021 £'m	2020 £'m
Listed investment	157	168
Unlisted investments	10	9
	167	177
Reconciliation of carrying value at the beginning and end of the year		
Opening balance	177	189
Additional investment in unlisted associate	1	1
Share of net profit of associated companies	(70)	2
Reversal of impairment/(impairment) of listed associate	60	(10)
Dividends received from associated companies	-	(5)
Exchange differences	(1)	-
	167	177

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 2020 (2020: 31 December 2019). No significant events occurred between 1 January 2021 and the reporting date.

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 2020 £'m	At 31 Dec 2019 £'m
Summarised statement of financial position		
Non-current assets	1 992	2 233
Current assets	250	205
Total assets	2 242	2 438
Non-current liabilities	(1 295)	(1 301)
Current liabilities	(254)	(198)
Net assets	693	939
Mediclinic's effective interest	29.9%	29.9%
Mediclinic's effective interest in net assets after impairments	157	168
Market value of listed investment at 31 March	201	94
Summarised statement of comprehensive income		
Revenue	920	981
Profit from continuing operations	(237)	7
Other comprehensive income	(1)	(2)
Total comprehensive income	(238)	5
Dividends received from associate	-	5

Refer to note 38 for further details of investments in associates.

Critical accounting estimates and judgements

The Group assesses 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.

Spire's loss for the period under review included a goodwill impairment charge of £200m. The equity-accounted portion of this impairment amounts to £60m. Accumulated impairment charges recognised by the Group in prior periods amount to £283m. Following Spire's goodwill impairment charge, the Group's interest in the net asset value of Spire was higher than its carrying value of the equity investment at 30 September 2020. As a result an impairment reversal equal to the Group's share of the goodwill impairment of £60m was recognised and reported in the Group's interim financial statements.

At 31 March 2021, the market value of the investment in Spire was £201m, which was higher than the carrying value of £157m. The Group considers the assessment of impairment reversal in the context of the financial performance of Spire, volatility of the share price during the period and the ongoing impact of the COVID-19 pandemic, among other factors. No further impairment reversal has been recorded.

The following key assumptions which were used in the calculation in the prior year:

- Discount rates a discount rate of 6.9% was applied to cash flow projections.
- Growth rates a terminal growth rate of 2.0% was applied in the calculation.

8. EQUITY-ACCOUNTED INVESTMENTS CONTINUED

8.2. Investment in joint venture

	2021 £'m	2020 £'m
Reconciliation of carrying value at the beginning and end of the year		
Opening balance	4	4
	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 2020 (2020: 31 December 2019) since it has a different year-end.

Details of the joint venture appear in note 38.

9. OTHER INVESTMENTS AND LOANS

	2021 £'m	2020 £'m
Debt instruments at amortised cost	9	9
Equity instruments at FVPL (unlisted shares)	-	2
Equity instruments at FVPL (listed shares)	1	-
Equity instruments at FVOCI (unlisted shares)	2	-
Investments in money market funds	2	-
	14	11
Non-current	12	9
Current	2	2
Total other investments and loans	14	11
Other investments and loans are held in the following currencies:		
Swiss franc	5	3
South African rand	5	6
UAE dirham	2	2
US dollar	2	-
	14	11

Debt instruments at amortised cost

Debt instruments at amortised cost include loans receivable from doctors and other parties. For details on loans to related parties, refer to note 35.

Loans receivable inherently expose the company to credit risk, being the risk that the company will incur financial loss if counterparties fail to make payments as they fall due.

Loans receivable are subject to the impairment provisions of IFRS 9 *Financial Instruments*, which require a loss allowance to be recognised for all exposures to credit risk. The loss allowance for loans receivable is calculated based on 12-month expected losses if the credit risk has not increased significantly since initial recognition. In cases where the credit risk has increased significantly since initial recognition, the loss allowance is calculated based on lifetime expected credit losses. The loss allowance is updated to either 12-month or lifetime expected credit losses at each reporting date based on changes in the credit risk since initial recognition. If a loan is considered to have a low credit risk at the reporting date, then it is assumed that the credit risk has not increased significantly since initial recognition. On the other hand, if a loan is in arrears more than 90 days, then it is assumed that there has been a significant increase in credit risk since initial recognition.

No credit losses were recognised on the loans receivable (2020: nil).

10. DEFERRED TAX

The movement on the deferred tax account is as follows:

	2021 £'m	2020 £'m
Opening balance	405	401
Income statement credit for the year	(6)	(30)
Exchange differences	(34)	35
Change in accounting policy	-	(2)
Disposal of subsidiaries	-	(1)
Business combinations	-	1
Charged to other comprehensive income	26	1
Balance at year-end	391	405
Deferred income tax assets	(34)	(22)
Deferred income tax liabilities	425	427
	391	405

The deferred tax relating to current assets and current liabilities contains temporary differences that are likely to be realised 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	Financial assets £'m	Total £'m
Deferred tax liabilities						
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
At 1 April 2020	407	13	7	19	-	446
Charged to the income statement	3	-	1	-	1	5
Charged to other comprehensive income	_	_	_	_	20	20
Exchange differences	(29)	(1)	_	(2)	(1)	(33)
At 31 March 2021	381	12	8	17	20	438
Set-off of deferred tax liabilities pursuant to set-off provisions						(13)
Net deferred tax liabilities at year-end						425

10. DEFERRED TAX CONTINUED

	Current liabilities £'m	Provisions and other £'m	Long-term liabilities £'m	Derivatives £'m	Leases £'m	Tangible assets £'m	Tax losses carried forward £'m	Total £'m
Deferred tax assets								
At 1 April 2019	(2)	(6)	(22)	-	-	-	(9)	(39)
Charged/(credited) to the income statement	-	(3)	(2)	(1)	-	-	1	(5)
Charged/(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)
At 1 April 2020	(2)	(7)	(20)	(3)	(2)	_	(7)	(41)
Credited to the income statement	_	(2)	(1)	-	_	(3)	(5)	(11)
Charged to other comprehensive income	-	-	6	-	-	-	-	6
Exchange differences	-	(1)	-	1	(1)	-	-	(1)
At 31 March 2021	(2)	(10)	(15)	(2)	(3)	(3)	(12)	(47)
Set-off of deferred tax assets pursuant to set-off provisions								13
Net deferred tax assets at year-end								(34)

10. DEFERRED TAX CONTINUED

At 31 March 2021, the Group had unutilised tax losses of approximately £172m (2020: £121m) potentially available for offset against future profits. A deferred tax asset of £12m (2020: £7m) has been recognised in respect of tax 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 not recognised as deferred tax assets for the Group are as follows:

	2021 £'m	2020 £'m
UNUSED TAX LOSSES NOT RECOGNISED AS DEFERRED TAX ASSETS		
Expiry in 1 year	4	1
Expiry in 2 years	-	2
Expiry in 3-7 years	52	35
No expiry	54	51
	110	89

Critical accounting estimates and judgements

Deferred tax on unremitted earnings

The Group recognised a deferred tax liability of £1m (2020: £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 293m (2020: £1 294m). 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

	2021 £'m	2020 £'m
Inventories consist of:		
Pharmaceutical products	97	94
Consumables	11	10
Finished goods and work in progress	1	-
	109	104

The cost of inventories recognised as an expense and included in consumables and supplies amounted to £719m (2020: £691m¹). Write-downs of inventories to net realisable value amounted to £6m (2020: £3m). These were recognised as an expense during the year and included in consumables and supplies in the income statement.

Note ¹ Refer to note 2.1.

12. TRADE AND OTHER RECEIVABLES

	2021 £'m	(Re- presented) ¹ 2020 £'m
Financial instruments		
Trade receivables	740	687
Loss allowance	(22)	(19)
	718	668
Other receivables	56	54
	774	722
Non-financial instruments		
Prepayments and deposits	47	40
Other receivables	5	4
	52	44
Total trade and other receivables	826	766

Note

¹ Swiss unbilled services (£106m), previously presented as other receivables, have been reclassified to trade receivables due to its similar characteristics.

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:

	2021 £'m	2020 £'m
Swiss franc	489	472
South African rand	81	77
UAE dirham	255	217
US dollar	1	-
	826	766

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 due¹ £'m	31-60 days past due £'m	61-90 days past due £'m	More than 90 days past due £'m	Total £'m
2021						
Gross carrying amount	436	55	41	27	181	740
Loss allowance	(2)	-	(1)	(1)	(18)	(22)
Net carrying amount	434	55	40	26	163	718
Expected loss rate	0.36%	0.95%	1.82%	4.34%	9.93%	

	Current £'m	1-30 days past due¹ £'m	31–60 days past due¹ £'m	61-90 days past due £'m	More than 90 days past due £'m	Total £'m
2020						
Gross carrying amount	417	55	35	23	157	687
Loss allowance	(1)	-	-	(1)	(17)	(19)
Net carrying amount	416	55	35	22	140	668
Expected loss rate	0.32%	0.00%	0.00%	4.35%	10.83%	

Note

¹ Loss allowance is less than £0.5m.

	2021 £'m	2020 £'m
Movement in the loss allowance		
Opening balance	19	18
Loss allowance	12	9
Amounts written off as uncollectable	(8)	(7)
Unused amounts reversed	(1)	(1)
Balance at year-end	22	19

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.

Other receivables are considered to have low credit risk, and the loss allowance provision recognised during the period was therefore limited to 12 months' expected credit losses. Other receivables are considered to have low credit risk where they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The expected credit losses for other receivables are insignificant.

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).

Trade receivables to the value of £295m (2020: £254m) have been ceded as security for banking facilities.

13. SHARE CAPITAL

	2021 £'m	2020 £'m
Issued share capital		
Share capital	74	74
Share premium	690	690
	764	764

Ordinary shares	2021 £'m	2020 £'m
Number of shares in issue and fully paid	737 243 810	737 243 810
Nominal value	10p	10p

Treasury shares

During the prior year, the remaining 32 330 treasury shares held by Mpilo Trust were disposed of. The Group does not have any treasury shares at 31 March 2021 (31 March 2020: nil).

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 a dividend received from Mediclinic International plc. To the extent that 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

	2021 £'m	2020 £'m
Other reserves comprise:		
Foreign currency translation reserve	578	815
Hedging reserve	(8)	(8)
Reverse acquisition reserve ¹	(3 014)	(3 014)
Capital redemption reserve ²	6	6
	(2 438)	(2 201)
Movements in other reserves		
Foreign currency translation reserve	578	815
Opening balance	815	628
Currency translation differences	(237)	187
Hedging reserve	(8)	(8)
Opening balance	(8)	(2)
Realised fair value hedge adjustments transferred to income statement	2	_
Fair value adjustments of cash flow hedges, net of tax	(2)	(6)

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 AI 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 is 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

Long-term incentive plan ('LTIP') awards

Under the LTIP, conditional phantom shares are awarded to selected senior management (including executive directors). The LTIP awards share-based payment arrangement that will be settled in cash is accounted for as a cash-settled share-based payment transaction in terms of IFRS 2 and the LTIP awards that will be settled in shares will be accounted for as an equity-settled share-based payment transaction.

	2021 £'m	2020 £'m
Cash-settled share-based payment liability	1	1
Equity-settled share-based payment reserve ¹	-	-
Total share-based payment reserves and liabilities	1	1
Expenses arising from equity-settled share-based payment transactions ¹	-	-
Expenses arising from cash-settled share-based payment transactions ¹	-	1
Total expense (refer to note 24)	-	1

Note

¹ Less than £0.5m for the year under review.

Cash-settled share-based payment arrangements

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 of the 2018 and 2019 LTIP awards; 25% weighting of the 2020 LTIP awards), earnings per share ('**EPS**') (60% weighting of the 2018 and 2019 LTIP awards; 40% weighting of the 2020 LTIP awards), return on invested capital ('**ROIC**') (25% weighting of the 2020 LTIP awards) and patient experience index (10% weighting of the 2020 LTIP awards).

	2021 £'m	2020 £'m
Opening balance	1	-
Share-based payment expense ¹	-	1
Closing balance	1	1

Note

¹ Less than £0.5m for the year under review.

A reconciliation of the movement in the LTIP award units is detailed below:

	Average price (pence)	2021 Number of units	2020 Number of units
Opening balance		3 877 820	2 047 733
Granted	286	1 852 340	2 109 925
Vested	300	-	(8 259)
Lapsed		(622 067)	(271 579)
Closing balance		5 108 093	3 877 820

15. SHARE-BASED PAYMENTS CONTINUED

Cash-settled share-based payment arrangements (continued)

Valuation assumptions relating to the outstanding units:

	2020 LTIP allocation	2019 LTIP allocation	2018 LTIP allocation ¹
Grant date	13 December 2020	19 June 2019	15 June 2018
Vesting date	13 December 2023	1 June 2022/2024	15 June 2021/2023
Outstanding units	1852340	2 088 813	1 166 940
Closing share price	286	286	286
Risk-free interest rate	0.02%	0.19%	0.18%
Expected dividend yield	0.00%	0.00%	0.00%
Volatility	37.00%	41.80%	42.30%

Note

¹ The performance period for the 2018 Awards has elapsed with the Company being below the performance targets. None of the 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 various dates between 1 September 2016 and 14 June 2019. The total number of these awards granted was 16 115. Of these awards, the remaining 8 259 vested in 2020.

Equity-settled share-based payment arrangements

The vesting of these shares is subject to continued employment and is conditional upon achievement of four performance targets, measured over a three-year period. The performance conditions for the year under review constitute a combination of TSR (25% weighting), adjusted EPS (40% weighting), ROIC (25% weighting) and the Group's consolidated patient experience index score (10% weighting).

The shares vest in December 2023.

The share-based payment expense relating to equity-settled share-based payment arrangements was less than £0.5m during the year (2020: £nil).

	Average price (pence)	2021 Number of units	2020 Number of units
Opening balance		-	-
Granted	270	607 072	-
Closing balance		607 072	-

Valuation assumptions relating to the outstanding units:

	2020 LTIP allocation
Grant date	13 December 2020
Vesting date	13 December 2023
Outstanding units	607 072
Share price of Mediclinic International plc share on grant date (denominated in sterling)	270
Risk-free interest rate	(0.13)%
Expected dividend yield	0%
Volatility	43.80%

16. NON-CONTROLLING INTERESTS

	2021 £'m	2020 £'m
Opening balance	113	115
Transactions with non-controlling shareholders	(3)	3
Dividends to non-controlling shareholders	(8)	(15)
Share of total comprehensive income	16	10
Share of profit	11	21
Currency translation differences	2	(12)
Share of other comprehensive income	3	1
Non-controlling interest	118	113

Details of the ownership interest held by material non-controlling interests ('NCI') are as follows:

	Country of business	2021	2020
Curamed Holdings (Pty) Ltd (group)	South Africa	26.6%	30.2%
Grangettes Group	Switzerland	40.0%	40.0%
Mediclinic Limpopo Trust	South Africa	50.0%	50.0%

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.

31 March 2021	Mediclinic Limpopo Trust £'m	Curamed Holdings (Pty) Ltd (group) £'m	Grangettes Group £'m
Summarised balance sheet			
Non-current assets	11	51	337
Current assets	29	38	78
Non-current liabilities	-	(4)	(185)
Current liabilities	(4)	(10)	(51)
Net assets	36	75	179
Accumulated NCI in statement of financial position	18	19	36
Summarised statement of comprehensive income			
Revenue	21	57	160
Profit for the year	6	9	15
Other comprehensive income	-	-	8
Total comprehensive income	6	9	23
Profit allocated to NCI	3	1	6
Dividends paid to NCI	2	1	5
Summarised cash flows			
Cash flows from operating activities	7	5	23
Cash flows from investing activities	(1)	(3)	(5)
Cash flows from financing activities	(4)	(2)	(34)
Net increase/(decrease) in cash and cash equivalents	2	-	(16)

16. NON-CONTROLLING INTERESTS CONTINUED

31 March 2020	Mediclinic Limpopo Trust £'m	Curamed Holdings (Pty) Ltd (group) £'m	Grangettes Group £'m
Summarised balance sheet	£III	Em	EIII
Non-current assets	10	43	354
Current assets	24	33	72
Non-current liabilities	_	(3)	(208)
Current liabilities	(3)	(10)	(38)
Net assets	31	63	180
Accumulated NCI in statement of financial position	16	19	34
Summarised statement of comprehensive income			
Revenue	25	69	142
Profit for the year	9	13	19
Other comprehensive income	_	-	1
Total comprehensive income	9	13	20
Profit allocated to NCI	4	3	8
Dividends paid to NCI	2	2	7
Summarised cash flows			
Cash flows from operating activities	10	18	25
Cash flows from investing activities	(1)	(5)	(3)
Cash flows from financing activities	(5)	(8)	(27)
Net increase/(decrease) in cash and cash equivalents	4	5	(5)

Transactions with non-controlling interests

During the period under review, the Group entered into various transactions where it acquired additional interests in non-controlling interests and disposed of non-controlling interests without losing control. The effect on the equity attributable to the owners during the year is summarised as follows:

	2021 £'m	2020 £'m
Carrying amount of non-controlling interests acquired/(disposed of)	3	3
Consideration received from/(paid to) non-controlling interests	1	(1)
Increase in equity attributable to owners of the Company	4	2

17. BORROWINGS

	2021 £'m	2020 £'m
Bank loans	1 507	1673
Preference shares	89	82
Listed bonds	181	196
	1 777	1 951
Non-current borrowings	1 686	1 787
Current borrowings	91	164
Total borrowings	1 777	1 951

_		2021 £'m Non-current	2021 £'m Current	2020 £'m Non-current	2020 £'m Current
	Swiss operations (denominated in Swiss franc)				
Secured bank Ioan one ¹	This loan bears interest at variable rates linked to the 3M LIBOR plus 1.25%. With reference to the Facility agreement, there will be a change in the calculation of the variable interest rate from LIBOR to SARON. CHF50m is redeemable annually on 30 September with the final outstanding balance redeemable on 30 September 2026. The repayment on 30 September 2020 was suspended, but management decided to make a voluntary repayment in November 2020. The non- current portion includes capitalised financing costs of £13m (2020: £13m).	986	38	1 156	_
Secured bank Ioan two²	These loans were acquired as part of the Linde acquisition and bear interest at a fixed rate of 1.12%. CHF0.5m is repayable on 30 June and 31 December every year. The remaining balances are repayable during May 2023.	13	1	15	1
Secured bank Ioan three²	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	_
Listed bonds	The listed bonds consist of CHF90m at 2.00% and CHF145m at 1.25% Swiss franc bonds. The bonds are repayable on 25 February 2025 and 25 February 2026, respectively. In February 2021, one of the existing bonds was repaid (CHF145m at 1.63%) and a new bond of CHF145m at 1.25% was issued.	181	_	75	121
	Balance carried forward	1 188	39	1254	122

Notes

¹ The loan is secured by mortgage notes on Swiss properties and buildings to the value of £2 382m (2020: £2 580m) and Swiss bank accounts with a book value of £81m (2020: £149m).

² These loans are secured by mortgage notes on the properties and buildings of the Linde Group.

17. BORROWINGS CONTINUED

		2021 £'m Non-current	2021 £'m Current	2020 £'m Non-current	2020 £'m Current
	Balance carried forward	1 188	39	1254	122
	Southern African operations (denominated in South African rand)				
Secured bank Ioan one ¹	The loan bears interest at the 3M JIBAR variable rate plus a margin of 1.71% (2020: 1.49%) compounded quarterly and is repayable on 26 September 2022. £20m (2020: £18m) of the loan has been hedged.	126	1	116	1
Secured bank Ioan two¹	The loan bears interest at the 3M JIBAR variable rate plus a margin of 1.81% (2020: 1.59%) compounded quarterly and is repayable on 26 September 2023. £175m (2020: £162m) of the loan has been hedged.	176	1	162	1
Other secured bank loans ²	These loans bear interest at variable rates linked to the prime overdraft rate and are repayable in periods ranging between one and 12 years.	3	1	3	1
Preference shares ¹	Dividends are payable monthly at a rate of 72% of 3M JIBAR plus a margin of 1.77% (2020: 1.65%). The outstanding balance will be redeemed on 26 September 2022.	89	_	82	_
Bank overdraft		-	-	-	13
	Middle East operations (denominated in US dollar)				
Secured bank Ioan one ³	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. £51m (2020: £65m) of the loan has				
	been hedged.	104	49	170	26
		1 686	91	1 787	164

Notes

Property and equipment with a book value of £296m (2020: £271m) are encumbered as security for these loans. Cash and cash equivalents of £5m (2020: £1m) and trade receivables of £53m (2020: £51m) have also been ceded as security for these borrowings.
 Property, equipment and vehicles with a book value of £18m (2020: £18m) are encumbered as security for these loans. Net trade receivables of £1m (2020: £1m) have also been ceded as security for these loans. Net trade receivables of £1m (2020: £1m) have also been ceded as security for these loans.

³ 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

Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	2021 £'m	2020 £'m
Right-of-use assets		
Buildings	621	672
Equipment	4	3
	625	675
Right-of-use assets per geographical market		
Switzerland	390	414
Southern Africa	27	29
The United Arab Emirates	208	232
	625	675

	2021	2020
	£'m	£'m
Lease liabilities		
Switzerland	408	416
Southern Africa	38	38
The United Arab Emirates	230	249
	676	703
Of which are:		
- Non-current lease liabilities	621	654
- Current lease liabilities	55	49
	676	703

18. LEASES CONTINUED

Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2021 £'m	2020 £'m
Depreciation charge of right-of-use assets		
Buildings	48	45
Equipment	1	1
	49	46
Interest expense (included in finance cost)	20	21
Expense relating to short-term leases and leases of low-value assets	8	12
COVID-19-related rent concessions	(1)	-

The total cash outflow for leases, excluding short-term leases and leases of low-value assets, was £56m (2020: £63m).

The Group negotiated rent concessions with its landlords at a number of buildings in the Middle East as a result of the severe impact of the COVID-19 pandemic during the year. The Group applied the practical expedient for COVID-19-related rent concessions consistently to eligible rent concessions. The amount recognised in profit or loss of £1m (2020: £nil) reflects changes in lease payments arising from rent concessions to which the Group has applied the practical expedient for COVID-19-related rent concessions.

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 which is within the control of the lessee.

19. RETIREMENT BENEFIT OBLIGATIONS

	2021 £'m	2020 £'m
Statement of financial position obligations for:		
Swiss pension benefit asset	(110)	-
Swiss pension benefit obligation	27	71
South African post-retirement medical benefit obligation	37	28
UAE end-of-service benefit obligation	77	83
	141	182
Total retirement benefit obligations	141	182
Short-term portion of retirement benefit obligations	(14)	(14)
Non-current retirement benefit obligations	127	168
Total retirement benefit assets	(110)	-
Short-term portion of retirement benefit assets	-	-
Non-current retirement benefit assets	(110)	_
Total amount charged to the income statement:		
Swiss pension benefit obligation	38	40
South African post-retirement medical benefit obligation	5	6
UAE end-of-service benefit obligation	11	10
	54	56
Total amount charged/(credited) to the other comprehensive income:		
Swiss pension benefit obligation	(152)	12
South African post-retirement medical benefit obligation	2	(8)
UAE end-of-service benefit obligation	(3)	13
	(153)	17

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 is 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.

The sensitivity analyses presented in each section overleaf 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 defined benefit obligation recognised within the statement of financial position.

19. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

a) Swiss pension benefit obligation

The Group's Swiss defined benefit pension plans are as follows:

- Pensionskasse Hirslanden
- Vorsorgestiftung VSAO (Association for Swiss Assistant and Senior Doctors)
- Hirslanden Clinique La Colline SA
- Hirslanden Klinik Linde AG
- Clinique des Grangettes SA
- Hirslanden OPERA Zumikon AG

Swiss pension benefit obligation	2021 £'m	2020 £'m
Statement of financial position		
Amounts recognised in the statement of financial position are as follows:		
Present value of funded obligations	1 261	1 321
Fair value of plan assets	(1 344)	(1250)
Net pension liability	(83)	71
Presented as:		
Net pension asset	(110)	-
Net pension liability	27	71
	(83)	71
The movement in the defined benefit obligation over the year is as follows:		
Opening balance	1 321	1 216
Current service cost	37	39
Interest cost	6	6
Employee contributions	39	37
Benefits paid	(46)	(58)
Business combinations	2	-
Actuarial (gain)/loss	10	(22)
Exchange differences	(108)	103
Balance at year-end	1 261	1 321
The movement of the fair value of plan assets over the year is as follows:		
Opening balance	1 250	1164
Employer contributions	43	40
Plan participants' contributions	39	37
Benefits paid from fund	(46)	(58)
Business combinations	1	-
Interest income on plan assets	6	6
Return on plan assets greater than discount rate	162	(35)
Administration costs	(1)	(1)
Exchange differences	(110)	97
Balance at year-end	1 344	1 250

19. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

a) Swiss pension benefit obligation (continued)

Swiss pension benefit obligation (continued)	2021 £'m	2020 £'m
Statement of financial position (continued)		
Net pension liability reconciliation		
Opening net liability	71	52
Expenses recognised in the income statement	38	40
Contributions paid by employer	(43)	(40)
Business combinations	1	-
Exchange differences	2	7
Actuarial (gain)/loss	(152)	12
Closing net (asset)/liability	(83)	71
Statement of other comprehensive income		
Amounts recognised in other comprehensive income are as follows:		
Actuarial loss - experience	(25)	(6)
Actuarial gain/(loss) due to demographic assumption changes	67	23
Actuarial gain/(loss) due to financial assumption changes	(52)	5
Return on plan assets greater than discount rate	162	(34)
Total other comprehensive income	152	(12)
Income statement		
Amounts recognised in the income statement are as follows:		
Current service cost	37	39
Interest on liability	6	6
Interest on plan assets	(6)	(6)
Administration cost	1	1
	38	40
Actual return on plan assets	168	(28)
Principal actuarial assumptions on statement of financial position		
Discount rate	0.20%	0.45%
Future salary increases	1.50%	1.50%
Future pension increases	0.00%	0.00%
Inflation rate	1.00%	1.00%
Number of plan members		
Active members	10 075	9 710
Pensioners	1 171	1063
	11 246	10 773

19. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

a) Swiss pension benefit obligation (continued)

Asset allocation	2021 £'m	2021 %	2020 £'m	2020 %
Quoted investments				
Fixed income investments	437	32.5%	430	34.4%
Equity investments	418	31.1%	315	25.2%
Real estate	20	1.5%	21	1.7%
Other	109	8.1%	118	9.4%
	984	73.2%	884	70.7%
Non-quoted investments				
Fixed income investments	28	2.1%	30	2.4%
Equity investments	1	0.1%	-	0.0%
Real estate	237	17.6%	249	19.9%
Other	94	7.0%	87	7.0%
	360	26.8%	366	29.3%
	1 3 4 4	100.0%	1250	100.0%

Risk exposure

Through its defined benefit pension plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility: The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit.

Changes in bond yields: A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Inflation risks: The pension obligations are linked to salary and pension inflation, and higher inflation will lead to higher liabilities. The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy: The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

19. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

a) Swiss pension 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	0.20%	0.25%	2.9%	2.8%
Salary growth rate	1.50%	0.50%	0.7%	0.7%
Pension growth rate	0.00%	0.25%	2.0%	0.0%
	Base assumption	Change in assumption	Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy (mortality)	BVG 2020 with CMI improvements	1 year in expected lifetime of plan participants	2.0%	2.0%

The Group accounts for actuarially determined future pension benefits and provides for the expected liability in the statement of financial position. The assumptions used to calculate the expected liability are based on actuarial advice. The discount rate is based on market yields obtained on high-quality corporate bonds that have durations consistent with the term of the obligation.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

Expected employer contributions to be paid to the pension plans for the year ended 31 March 2022 amount to £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 11.5 years (2020: 13.5 years). The maturity profile of the defined benefit obligation is as follows:

	= 1 year<br £'m	1-5 years £'m	> 5 years £'m	Total £'m
At 31 March 2021				
Defined benefit obligation	119	325	848	1 292
At 31 March 2020				
Defined benefit obligation	93	277	1040	1 410

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 is responsible for their implementation. The governing body has mandated the investment activity to Complementa Investment Controlling AG, as the global custodian.

19. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

a) Swiss pension benefit obligation (continued)

Additional information on Swiss defined benefit pension plans (continued)

Pensionskasse Hirslanden (continued)

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% 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.

Other pension plans

Other pension plans exist for the latest acquired subsidiaries (Hirslanden Clinique La Colline SA, Hirslanden Klinik Linde AG, Clinique des Grangettes and Hirslanden OPERA Zumikon AG) 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, the money originally brought in to 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.

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.

19. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

b) South African post-retirement medical benefit obligation

The Group's Southern African operations have a post-retirement medical benefit obligation for employees who joined before 1 July 2012. The Southern African operations subsidise the contributions payable to the group medical aid in respect of certain eligible retired employees. The subsidy obligations are unfunded and the benefit payment obligations are met as they fall due.

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 2.9% in excess of consumer price inflation.

In the last valuation on 31 March 2021, an 11.40% (2020: 10.40%) medical inflation rate and a 13.70% (2020: 13.40%) discount rate were assumed. The average retirement age was set at 63 years (2020: 63 years).

The assumed rates of mortality are as follows:

- During employment: SA 85/90 tables of mortality
- Post-employment: PA(90) tables

South African post-retirement medical benefit obligation	2021 £'m	2020 £'m
Amounts recognised in the statement of financial position are as follows:		
Opening balance	28	37
Amounts recognised in the income statement	5	6
Current service cost	1	2
Interest cost	4	4
Benefits paid	(1)	(1)
Actuarial loss/(gain) recognised in other comprehensive income	2	(8)
Exchange differences	3	(6)
Present value of unfunded obligations	37	28

Risk exposure

Through its defined benefit post-retirement medical benefit obligation, the Group is exposed to a number of risks, the most significant of which are detailed below:

Changes in bond yields: A decrease in corporate bond yields will increase medical benefit obligations.

Inflation risks: The medical benefit obligations are linked to medical inflation, and higher inflation will lead to higher liabilities.

Assumptions and sensitivity analysis

Impact on defined benefit obligation	Base assumption	Change in assumption	Increase in obligation	Decrease in obligation
Discount rate	13.70%	0.50%	6.0%	7.0%
Medical inflation rate	11.40%	1.00%	15.0%	12.0%

The expected post-employment medical benefits payable for the year ended 31 March 2022 amount to £1m.

19. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

b) South African post-retirement medical benefit obligation (continued)

Assumptions and sensitivity analysis (continued)

The weighted average duration of the defined benefit obligation is 15 years (2020: 15 years). The maturity profile of the defined benefit obligation is as follows:

	= 1 year<br £'m	1–5 years £'m	5-10 years £'m	Total £'m
At 31 March 2021				
Defined benefit obligation	1	9	24	34
At 31 March 2020				
Defined benefit obligation	1	7	19	27

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:

For the 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 severance pay obligations are unfunded and the benefit payment obligations are met as they fall due.

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.

UAE end-of-service benefit obligation	2021 £'m	2020 £'m
The following are the principal actuarial assumptions:		
Discount rate	1.98%	1.03%
Future salary increases	2.10%	2.10%
Average retirement age	60 years	60 years
Annual turnover rate	8.53%	10.30%

	2021 £'m	2020 £'m
Amounts recognised in the statement of financial position are as follows:		
Opening balance	83	60
Amounts recognised in the income statement	11	10
Current service cost	10	8
Interest cost	1	2
Benefits paid	(5)	(4)
Classified as held-for-sale	-	1
Actuarial (gain)/loss recognised in other comprehensive income	(3)	13
Exchange differences	(9)	3
Present value of unfunded obligations	77	83
Current portion of retirement benefit obligations	14	14
Non-current retirement benefit obligations	63	69
	77	83

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	1.98%	1.00%	6.7%	7.7%
Future salary increases	2.10%	1.00%	7.4%	6.7%

The expected employer contributions to be paid to the UAE end-of-service benefit obligation for the year ended 31 March 2022 amount to £14m.

The weighted average duration of the defined benefit obligation is 7 years (2020: 7 years). The maturity profile of the defined benefit obligation is as follows:

	= 1 year<br £'m	1-5 years £'m	5-10 years £'m	Total £'m
At 31 March 2021				
Defined benefit obligation	14	32	47	93
At 31 March 2020				
Defined benefit obligation	14	36	48	98

Post-employment benefits for key management personnel

One non-executive director participates in the South African post-retirement medical benefit obligation. Of the key management personnel, which comprise the Group Executive Committee, two participate in the Swiss pension benefits, four in the South African post-retirement medical benefit obligation and one in the UAE end-of-service benefit.

20. PROVISIONS

	2021 £'m	2020 £'m
Non-current	37	36
Employee benefits	13	16
Legal cases and other	2	2
Tariff risks	22	18
Current	19	17
Employee benefits	3	3
Legal cases and other	8	4
Tariff risks	8	10
	56	53

	Employee benefits £'m	Legal cases and other £'m	Tariff risks £'m	Total £'m
Opening balance at 1 April 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
Charged to the income statement	2	7	10	19
Utilised during the year	(3)	(1)	(2)	(6)
Unused amounts reversed	(1)	(1)	(4)	(6)
Exchange differences	(1)	(1)	(2)	(4)
Closing balance at 31 March 2021	16	10	30	56

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.

Provisions are expected to be payable during the following financial years:

	2021 £'m	2020 £'m
Within one year	19	17
After one year but not more than five years	32	29
More than five years	5	7
	56	53

21. DERIVATIVE FINANCIAL INSTRUMENTS

	2021 £'m Assets	2021 £'m Liabilities	2020 £'m Assets	2020 £'m Liabilities
Non-current				
Interest rate swaps – cash flow hedges	-	9	-	8
Written put option (redemption liability)	-	115	-	101
	-	124	-	109
Current				
Interest rate swaps - cash flow hedges	-	1	-	2
Forward exchange contracts	-	1	2	-
	-	2	2	2
	-	126	2	111

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 2021, the Group had 16 (2020: 16) effective interest rate swap contracts 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 2021				
1-3 years ¹	195	6.20-7.20%	3 month JIBAR/ 69% of prime interest rate	(2)
As at 31 March 2020				
1-3 years ¹	180	6.90-7.30%	3 month JIBAR/ 69% of prime interest rate	(6)

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 2022 for £53m; 1 September 2022 for £46m and 1 March 2023 for £97m. 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 (£51m) (2020: £65m) 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 less than £0.5m during the current financial year.

21. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

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 £12m (2020: £10m).

	2021 £'m	2020 £'m
Movement in the redemption liability	Em	EIII
Opening balance at 1 April	101	88
Business combinations	-	-
Charged to the income statement		
Remeasurement of redemption liability	23	5
Unwinding of discount	1	1
Exchange differences	(10)	7
Closing balance at 31 March	115	101

22. TRADE AND OTHER PAYABLES

	2021 £'m	2020 £'m
Trade payables	235	260
Other payables and accrued expenses	206	204
Social insurance and accrued leave pay	46	43
Value added tax	11	8
	498	515

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

	2021 £'m	2020 £'m
Major service lines		
Inpatient revenue	1 926	1989
Day cases and outpatient revenue	952	979
Rental income	31	34
Corporate	2	1
Other revenue	84	80
	2 995	3 083

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.

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 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. The complexity of procedures during the open period plays a role in determining the average CMI.

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.

23. REVENUE CONTINUED

- 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 their 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.

Set out below is a breakdown of Switzerland's revenue:

	2021 £'m	2020 £'m
Inpatient revenue	1 102	1 0 6 1
Day cases and outpatient revenue	301	296
Rental income	21	21
Other revenue	54	60
	1 478	1 4 3 8

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 length 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.

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).

23. REVENUE CONTINUED

Set out below is a breakdown of the Southern Africa revenue:

	2021 £'m	2020 £'m
Inpatient revenue	618	742
Day cases and outpatient revenue	93	137
Rental income	9	13
Other revenue	14	15
	734	907

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. From September 2020, the fixed-fee contract model is used with funders for a limited number of procedures.

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).

At Mediclinic 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 revenue:

	2021 £'m	2020 £'m
Inpatient revenue	206	186
Day cases and outpatient revenue	558	546
Rental income	1	-
Other revenue	16	5
	781	737

Rental income

The rental income received from external parties during the year from the letting of consulting rooms, parking, etc. was £31m (2020: £34m). 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. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is presented after including the following:

	2021 £'m	(Re-presented) ¹ 2020 £'m
Employee benefit and contractor costs	1 4 4 8	1446
Wages and salaries	1 242	1 2 3 6
Swiss social security costs	71	60
Retirement benefit costs - defined contribution plans	14	14
Retirement benefit costs - defined benefit obligations (refer to note 19)	54	56
Share-based payment expense (refer to note 15)	-	1
Affiliated and independent doctor costs	53	53
Other staff-related costs	14	26
Infrastructure-related costs	110	113
Maintenance costs	61	68
Short-term leases and leases of low-value assets		
Buildings	8	9
Other	41	36
Increase in provision for impairment of receivables (refer to note 12)	11	9
Depreciation (refer to note 6)	196	197
Buildings	60	51
Right-of-use assets	49	46
Equipment	72	82
Furniture and vehicles	15	18
Amortisation of intangible assets (refer to note 7)	21	20
Impairments (refer to notes 6 and 7)	4	512
Impairment of property, equipment and vehicles	3	34
Reversal of impairment of property	-	(4)
Impairment of goodwill	1	482
Balance carried forward	1 790	2 297

Note

¹ Refer to note 2.1.

24. OPERATING PROFIT/(LOSS) CONTINUED

	2021 £'m	(Re-presented) ¹ 2020 £'m
Balance carried forward	1 790	2 297
Fees paid to the Group's auditors for the following services:		
Audit of the parent Company and consolidated financial statements	0.7	0.7
Audit of Company subsidiaries	2.4	1.8
Audit services	3.1	2.5
Audit-related services ²	0.4	0.3
Other assurance services ²	0.2	0.2
	3.7	3.0
Other expenses	1 0 0 7	971
Other gains and losses	(2)	(4)
	2 799	3 267
Number of employees	33 606	33 140

Note

¹ Refer to note 2.1.

² A description of the non-audit services is included in the Audit and Risk Committee's report.

Other income

Other income mainly comprises government grants (£10m) and insurance proceeds received (£2m).

Government grants

Switzerland introduced COVID-19 lockdown measures on 16 March 2020, which included the suspension of elective procedures for all hospitals until 27 April 2020. These measures were taken to ensure capacity for COVID-19 patients. Hirslanden has engaged extensively with the cantonal authorities and been involved in their pandemic response planning.

In response to these measures, cantonal authorities introduced some financial support for hospitals in Switzerland. The Group has been awarded government grants to partially compensate for loss of revenue due to the ban on elective procedures and for additional costs incurred.

Total government grants of £10m (2020: £nil) were recognised as other income.

In addition to the government grants recognised as other income, the Swiss government also introduced a wage subsidy programme in response to the COVID-19 pandemic. Total wage subsidies of £6m (2020: £nil) were recognised against related employee costs. There are no outstanding balances of deferred income or receivables related to these grants at 31 March 2021.

25. OTHER GAINS AND LOSSES

	2021 £'m	2020 £'m
Foreign exchange differences	-	3
Fair value adjustments on derivative contracts	-	1
Remission of debt	1	-
COVID-19-related rent concessions	1	-
	2	4

26. FINANCE COST

	2021 £'m	2020 £'m
Interest expense on financial liabilities not at FVPL	42	57
Interest on lease liabilities	20	21
Interest rate swaps	7	1
Amortisation of capitalised financing costs	3	3
Remeasurement of redemption liability (written put option)	23	5
Unwinding of discount on redemption liability	1	1
Preference share dividend	4	7
Less: amounts included in cost of qualifying assets	(1)	(3)
	99	92

Capitalised borrowing costs

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's general borrowings during the year, in this case between 4.8% and 8.0% (2020: between 8.6% and 8.9%).

27. INCOME TAX EXPENSE

	2021 £'m	2020 £'m
Current tax		
Current year	31	54
Deferred tax credit (refer to note 10)	(6)	(30)
Taxation per income statement	25	24
Composition		
UK tax	-	-
Foreign tax	25	24
	25	24

	2021 £'m	2020 £'m
Reconciliation of rate of taxation:		
UK statutory rate of taxation	19.0%	19.0%
Adjusted for:		
Benefit of tax incentives	(0.8)%	0.2%
Share of net profit of equity-accounted investments	2.0%	0.2%
Non-deductible expenses ¹	9.0%	(35.9)%
Non-controlling interests' share of profit before tax	(0.9)%	0.4%
Effect of different tax rates ²	(9.0)%	(0.1)%
Income tax rate changes ³	(1.5)%	10.2%
Non-recognition of tax losses in current year	6.6%	(1.1)%
Derecognition of tax losses relating to prior years	-	(0.7)%
Recognition of tax losses relating to prior years	(1.1)%	-
Utilisation of previously unrecognised tax losses	(0.1)%	(0.1)%
Withholding taxes	0.1%	(0.1)%
Prior year adjustment	1.1%	(0.6)%
Effective tax rate ⁴	24.4%	(8.6)%

Notes

¹ The remeasurement of the redemption liability of £23m is not deductible for tax purposes. The tax effect amounted to £4m (impact of 4.2% in effective tax rate). In the prior year, the impairment of the listed associate of £10m and the impairment of goodwill of £482m were not deductible for tax purposes. The tax effect amounted to £93m (impact of 34.0% 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 and profit from Hirslanden which is subject to an expected income tax rate of 16.5% (2020: 17.9%).

³ In the prior year, 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 If adjusting items and their related tax effect, as explained in the Group Chief Financial Officer's Report, are excluded from the effective tax rate calculation, the adjusted effective tax rate would be 19.3% (2020: 22.3%). Comparing the adjusted effective tax rate with the prior year, the decrease is mainly due to a higher contribution of non-taxable income from Mediclinic Middle East compared to the prior year. This was partly offset with an increase in the effective tax rate due to the recognition of non-deductible equity-accounted losses from the investment in Spire, as well as the non-recognition of deferred tax assets on current year tax losses in the Switzerland segment.

28. EARNINGS PER ORDINARY SHARE

	2021 £'m	2020 £'m
Earnings/(loss) per ordinary share (pence)		
Basic (pence)	9.2	(43.4)
Diluted (pence)	9.2	(43.4)
Earnings reconciliation		
Earnings/(loss) attributable to equity holders of the Company	68	(320)
Adjusted for:		
No adjustments	-	-
Earnings/(loss) for basic and diluted EPS	68	(320)

Number of ordinary shares

At 31 March 2021, the weighted average number of ordinary shares in issue was 737 243 810 (2020: 737 212 010). There were no dilutive treasury shares in issue at 31 March 2021 (2020: nil). The treasury shares previously issued to the Mpilo Trusts¹ were sold during March 2020.

Equity-settled LTIP awards

Equity-settled LTIP awards granted to employees are considered to be potential ordinary shares. They have been included in the determination of diluted EPS if the required performance conditions would have been met at the reporting date, and to the extent to which they are dilutive. The awards have not been included in the determination of basic EPS. Details relating to the LTIP awards are set out in note 15.

The 607 072 awards granted on 13 December 2020 are not included in the calculation of diluted EPS because the required performance conditions were not met for the year ended 31 March 2021. These options could potentially dilute basic EPS in the future.

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.

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 01/2021 (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:

	2021 £'m	2020 £'m
Headline earnings per share		
Earnings/(loss) for basic and diluted EPS	68	(320)
Adjustments		
(Reversal of impairment)/impairment of equity-accounted investment	(60)	10
Impairment of properties, equipment and intangible assets, net of tax	4	509
Insurance proceeds for impaired equipment, net of tax	(1)	-
Associate's impairment of goodwill	60	-
Associate's reversal of impairment of property, plant and equipment	-	(1)
Headline earnings	71	198
HEPS (pence)	9.6	26.9
Diluted HEPS (pence)	9.6	26.9

29. OTHER COMPREHENSIVE INCOME

	2021 £'m	2020 £'m
Components of other comprehensive income		
Currency translation differences	(235)	175
Fair value adjustments - cash flow hedges	(2)	(6)
Realised fair value hedge adjustments transferred to income statement	2	-
Remeasurement of retirement benefit obligations	127	(17)
Effect of changes in income tax rates on retirement benefit obligations	-	(4)
Other comprehensive (loss)/income, net of tax	(108)	148

	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 2021				
Currency translation differences	(237)	-	2	(235)
Fair value adjustments - cash flow hedges	(2)	-	-	(2)
Realised fair value hedge adjustments transferred to income statement	2	-	-	2
Remeasurement of retirement benefit obligations	150	(26)	3	127
Other comprehensive (loss)/income	(87)	(26)	5	(108)
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/(loss)	160	(1)	(11)	148

30. CASH FLOW INFORMATION

	2021 £'m	2020 £'m
30.1. Reconciliation of profit before taxation to cash generated from operations		
Profit/(loss) before taxation	104	(275)
Adjustments for:		
Finance cost – net	95	83
Share of net profit of equity-accounted investments	10	(2)
Share-based payments	-	1
Depreciation and amortisation	217	217
Loss allowance of trade receivables	11	9
Movement in provisions	12	5
Movement in retirement benefit obligations	6	10
Impairment of properties and intangible assets	3	512
Impairment of equity-accounted investment	1	10
Fair value adjustments on derivative contracts	-	(1)
Insurance proceeds	(2)	-
Other non-cash items	(2)	-
Operating income before changes in working capital	455	569
Working capital changes	(125)	20
(Increase)/decrease in inventories	(10)	(15)
Increase in trade and other receivables	(129)	(11)
Increase in trade and other payables	14	46
	330	589
30.2.Interest paid		
Finance cost per income statement	99	92
Non-cash items		
Amortisation of capitalised financing fees	(3)	(3)
Borrowing costs capitalised	1	3
Remeasurement of redemption liability	(23)	(5)
Unwinding of discount of redemption liability	(1)	(1)
Accrued interest on lease liability	(3)	(3)
	70	83

30. CASH FLOW INFORMATION CONTINUED

	2021 £'m	2020 £'m
30.3.Tax paid		
Liability at the beginning of the year	2	7
Provision for the year	31	54
	33	61
Liability at year-end	(4)	(2)
	29	59
30.4.Investment to maintain operations		
Property, equipment and vehicles purchased	46	76
Intangible assets purchased	8	8
Movement in capital expenditure payables	2	(3)
	56	81
30.5.Investment to expand operations		
Property, equipment and vehicles purchased	59	93
Intangible assets purchased	13	15
Movement in capital expenditure payables	8	(6)
	80	102

30.6.Dividends	Date paid/payable	Dividend per share (pence)	2021 £'m	2020 £'m
Dividends declared				
Year ended 31 March 2021				
Interim dividend	n/a	-	-	
Final dividend	n/a	-	-	
		-		
Year ended 31 March 2020				
Interim dividend	17 December 2019	3.20		24
Final dividend	n/a	_		-
		3.20	-	24
Dividends paid				
Dividends paid during the year			-	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 interim and final dividend.

30 CASH FLOW INFORMATION CONTINUED

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 2021			· · · · · · · · · · · · · · · · · · ·	
Opening balance	1 951	10	703	2 664
Cash flow movements				
Proceeds from borrowings	115	-	-	115
Repayment of borrowings	(196)	-	-	(196)
Repayment of lease liabilities	-	-	(39)	(39)
Refinancing transaction cost	(3)	-	-	(3)
Non-cash items				
Amortisation of capitalised financing fees	3	-	-	3
Hedging losses reclassified to profit and loss	-	(2)	-	(2)
Fair value changes	-	2	-	2
New lease commitments entered into during the year	-	-	59	59
Lease commitments terminated during the year	-	-	(1)	(1)
Remeasurement of lease liabilities	-	-	8	8
Accrued interest on lease liabilities	-	-	3	3
Exchange rate differences	(93)	-	(57)	(150)
Closing balance	1 777	10	676	2 463
Year ended 31 March 2020				
Opening balance	1982	2	_	1984
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

30. CASH FLOW INFORMATION CONTINUED

3. Cash and cash equivalents	2021 £'m	2020 £'m
For the purposes of the statement of cash flows, cash, cash equivalents and bank overdrafts include:		
Cash and cash equivalents	294	329
Cash, cash equivalents and bank overdrafts are denominated in the following currencies:		
Swiss franc ¹	88	158
South African rand ²	112	93
UAE dirham ³	31	33
Sterling ⁴	56	37
US dollar ⁵	7	8
	294	329

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.

 $^{\scriptscriptstyle 2}$ The counterparties have a minimum Ba2 credit rating by Moody's.

³ The counterparties have a minimum A1 credit rating by Moody's.

⁴ The counterparties have a minimum A1 credit rating by Moody's.

⁵ The counterparties have a minimum A1 credit rating by Moody's.

Exchange controls in South Africa may restrict the use of certain cash balances at Mediclinic Southern Africa. These restrictions are not expected to have any material effect on the Group's ability to meet its ongoing obligations.

Cash and cash equivalents denominated in Swiss franc amounting to £81m (2020: £149m) and South African bank accounts denominated in South African rand amounting to £5m (2020: £1m) 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:

	2021 £'m	2020 £'m
Cash flow on acquisition:		
OPERA Zumikon	(2)	-
Denmar Specialist Psychiatric Hospital	-	(12)
	(2)	(12)

OPERA Zumikon

Effective on 1 April 2020, Hirslanden AG acquired 100% of the shares of the day case clinic, OPERA Zumikon, for £3m. The total identifiable net assets comprised cash and cash equivalents of £1m and retirement benefit obligations of £1m. Considering the cash and cash equivalents acquired of £1m, the net cash flow on acquisition was £2m.

OPERA specialises in outpatient surgery. The goodwill of £3m arising from the acquisition is attributable to the acquired workforce and economies of scale expected from the business combination. None of the goodwill recognised is expected to be deductible for income tax purposes.

Revenue and profit contribution

The acquired business contributed revenues of £2m and net profit of less than £0.5m to the Group for the period from 1 April 2020 to 31 March 2021.

32. DISPOSAL OF SUBSIDIARIES

During the current year, the Group disposed of the outpatient clinics at Hirslanden Praxiszentrum am Bahnhof, Schaffhausen AG, Hirslanden Bern AG and Hirslanden Freiburg AG, Düdingen, to Medbase with effect from 1 June 2020. The Group also disposed of Mediclinic Howick, which was part of the Southern Africa division with effect from 1 March 2021.

In the prior year, the Group disposed of Klinik Belair AG, Schaffhausen, which was part of the Switzerland division, as well as Mediclinic Ghayathi Clinic, a branch of Mediclinic Hospitals LLC in Abu Dhabi that was part of the Middle East segment.

	2021 £'m	2020 £'m
Analysis of assets and liabilities over which control was lost		
Property, equipment and vehicles	7	10
Trade and other receivables	-	2
Cash and cash equivalents	-	2
Other assets	1	-
Lease liabilities	(3)	-
Deferred income tax liabilities	-	(1)
Trade and other payables	-	(2)
Other liabilities	(1)	-
Net assets disposed of	4	11
Consideration received		
Cash and cash equivalents	4	11
Total consideration	4	11
Gain/(loss) on disposal of subsidiary		
Consideration received	4	11
Net assets disposed of	(4)	(11)
Gain/(loss) on disposal	-	-
Net cash inflow		
Total cash flow on disposal of subsidiary	4	11
Less: cash and cash equivalents disposed of	-	(2)
Net cash inflow on disposal	4	9

33. DISPOSAL GROUPS HELD FOR SALE

During the prior year, management decided to sell three outpatient clinics within the Switzerland segment. These outpatient clinics were sold with effect from 1 June 2020. Refer to note 32 for more details.

	2021 £'m	2020 £'m
Analysis of assets and liabilities held for sale		
Assets		
Property, equipment and vehicles	-	7
Trade and other receivables	-	1
Total assets	-	8
Liabilities		
Lease liabilities	-	4
Total liabilities	-	4

34. COMMITMENTS

	2021 £'m	2020 £'m
Capital commitments		
Incomplete capital expenditure contracts	190	114
Switzerland	125	30
Southern Africa	55	70
Middle East	10	14
Capital expenses authorised by the Board of Directors but not yet contracted	77	123
Switzerland	12	2
Southern Africa	39	96
Middle East	26	25
	267	237

Other commitments

In terms of a forward contract in the Middle East, the Group has a current obligation to pay £3m. This best estimate of the obligation is determined based on an earnings multiple and is contractually capped to an amount of £76m.

These commitments will be financed from Group cash flow and borrowed funds.

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.

		2021 £'m	2020 £'m
Total of net income guaranteed:			
April 2020 - March 2021		-	4
April 2021 - March 2022		3	2
April 2022 - March 20231		-	_
April 2023 – March 2024 ¹		-	_
		3	6
Nete	-		

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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

35. RELATED-PARTY TRANSACTIONS

Remgro Ltd owns, through various subsidiaries (Remgro Healthcare [Pty] Ltd, Remgro Health Ltd and Remgro Jersey GBP Ltd), 44.56% (2020: 44.56%) of the Company's issued share capital.

The following transactions were carried out with related parties:

		2021 £'m	2020 £'m
i)	Transactions with shareholders		
	Remgro Management Services Ltd (subsidiary of Remgro Ltd)		
	Managerial and administration fees	0.3	0.4
ii)	Key management compensation ¹		
	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	8	5
iii)	Transactions with associates and joint ventures		
	Zentrallabor Zürich		
	Fees earned	-	(1)
	Purchases	11	8
	Wits University Donald Gordon Medical Centre (Pty) Ltd		
	Fees paid	2	2
	Agency fees received	(1)	(2)
	Spire Healthcare Group plc		
	Non-executive director fee ²	-	-
iv)	Loans to related parties		
	Wits University Donald Gordon Medical Centre (Pty) Ltd	2	2
	Bourn Hall LLC	2	2
	Zentrallabor Zürich ZLZ ³	-	-
v)	Other receivables & payables due from/(to) related parties		
	Wits University Donald Gordon Medical Centre (Pty) Ltd	2	2
	Zentrallabor Zürich ZLZ	(1)	(1)

Notes

¹ Details of directors' remuneration are contained in the *Remuneration Committee Report* on pages 164–181.

² Amount is less than £0.1m.

³ Amount is less than £0.5m.

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.

The loan to Wits University Donald Gordon Medical Centre (Pty) Ltd is interest free and repayable on demand. The loan to Bourn Hall LLC earns interest at a rate of 7% per annum and is repayable in March 2022. The loan to Zentrallabor Zürich ZLZ is interest free and repayable in August 2022.

FINANCIAL STATEMENTS

36. 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	2021 £'m	2020 £'m
Financial assets		
Other investments and loans	5	2
Derivative financial instruments	-	2
Financial liabilities		
Derivative financial instruments	(11)	(10)

- Investments in money market funds and listed equity instruments classified as financial assets at FVPL (part of other investments and loans): The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.
- Unlisted equity instruments at FVPL and FVOCI (part of other investments and loans): The fair value of these financial instruments is not based on observable market data. These assets are grouped as level 3.
- Derivative financial instruments: These financial instruments consist of interest rate swaps, put/call agreements and forward contracts and are measured at the present value of estimated future cash flows 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. Put/call agreements and forward contracts are grouped as level 3.

36. FINANCIAL INSTRUMENTS CONTINUED

Financial instruments not carried at fair value in the statement of financial position	2021 £'m	(Re- presented) ¹ 2020 £'m
Financial assets		
Other investments and loans	9	9
Trade and other receivables	774	722
Cash and cash equivalents	294	329
Financial liabilities		
Borrowings	(1 777)	(1 951)
Lease liabilities	(676)	(703)
Derivative financial instruments	(115)	(101)
Trade and other payables	(441)	(464)

Note

¹ The comparative for trade and other receivables has been re-presented to include Swiss unbilled services and other receivables that are considered to be financial instruments. Refer to note 12 for additional information.

- Cash and cash equivalents, trade and other receivables, trade and other payables, and other investments and loans not carried at fair value: 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.

37. EVENTS AFTER THE REPORTING DATE

On 10 May 2021, a fire broke out at Klinik Hirslanden and caused significant damage to one of the building wings. Since the EC, ICU and operating theatres were not damaged by the fire, the hospital remains operational. Although the amount of damage caused by the fire has not been determined, insurance cover for the damage to the property, equipment and supplies is in place, including cover for the losses incurred due to business interruption.

The directors are not aware of any matter or circumstance arising since the end of the financial year that would significantly affect the operations of the Group or the results of its operations.

38. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

SUBSIDIARIES

		Country of	Country of		Interest i	n capital ¹
		incorporation		31 March 2021	31 March	
Company	Registered office address	and place of business	Principal activities	%	2020 %	
Mediclinic CHF Finco Limited	IFC 5, St Helier, Jersey, JE1 1ST	Jersey	Treasury	100.0	100.0	
Mediclinic Holdings Netherlands B.V.	Schiekade 830, 3032 AL Rotterdam	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	Jersey	Intermediary holding company	100.0	100.0	
INDIRECTLY HELD THE	ROUGH MEDICLINIC CHF FINCO L	IMITED				
Mediclinic Jersey Limited	IFC 5, St Helier, Jersey, JE1 1ST	Jersey	Intermediary holding company	100.0	100.0	
INDIRECTLY HELD THE	ROUGH MEDICLINIC HOLDINGS N	ETHERLANDS 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 THE	ROUGH MEDICLINIC LUXEMBOUR	G S.À.R.L.				
Hirslanden AG	Boulevard Lilienthal 2, 8152 Glattpark (Opfikon)	Switzerland	Intermediary holding company and operating company of Hirslanden	100.0	100.0	
INDIRECTLY HELD THE	ROUGH 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 Klinik Aarau AG	Schänisweg, 5000 Aarau	Switzerland	Healthcare services	100.0	100.0	
Hirslanden Klinik Linde AG	Blumenrain 105, 2503 Biel/Bienne	Switzerland	Healthcare services	100.0	100.0	
Hirslanden Klinik Am Rosenberg AG	Hasenbühlstrasse 11, 9410 Heiden	Switzerland	Healthcare services	100.0	100.0	
Hirslanden La Colline Grangettes SA	Chemin des Grangettes 7, c/o Clinique des Grangettes SA 1224 Chene-Bougeries	Switzerland	Healthcare services	60.0	60.0	
Hirslanden Lausanne SA	Avenue d'Ouchy 31, 1006 Lausanne	Switzerland	Healthcare services	100.0	100.0	
Hirslanden OPERA AG²	Boulevard Lilienthal 2, 8152 Glattpark (Opfikon)	Switzerland	Hirslanden OPERA AG	100.0	100.0	

				Interest i	n capital ¹
Company	Registered office address	Country of incorporation and place of business	Principal activities	31 March 2021 %	31 March 2020 %
Hirslanden Praxiszentrum am Bahnhof, Schaffhausen AG ²	Bleichestrasse 3, 8200 Schaffhausen	Switzerland	Healthcare services	-	100.0
Hirslanden Precise AG	Forchstrasse 452 8702 Zollikon	Switzerland	Healthcare services	100.0	-
Hirslanden Venture Capital AG	Boulevard Lilienthal 2 8152 Glattpark (Opfikon)	Switzerland	Healthcare services	100.0	-
IMRAD SA	Avenue d'Ouchy 31, Clinique Bois-Cerf c/o Hirslanden Lausanne SA, 1006 Lausanne	Switzerland	Healthcare services	75.0	100.0
Klinik Birshof AG	Alte Reinacherstrasse 28, 4142 Münchenstein	Switzerland	Healthcare services	99.9	99.7
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
INDIRECTLY HELD THE	ROUGH HIRSLANDEN KLINIK AM	ROSENBERG AG			
Klinik am Rosenberg Heiden AG	Hasenbühlstrasse 11, 9410 Heiden	Switzerland	Healthcare services	99.2	99.2
INDIRECTLY HELD THE	ROUGH HIRSLANDEN LA COLLIN		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 THE	ROUGH GRANGETTES HEALTHCA	RE SA			
Clinique des Grangettes SA	Chemin des Grangettes 7, 1224 Chene-Bougeries	Switzerland	Healthcare services	60.0	60.0
Dianecho SA	Rue de Courage 116, 1205 Genève	Switzerland	Healthcare services	43.9	43.9
INDIRECTLY HELD THE	ROUGH HIRSLANDEN OPERA AG	2			
Hirslanden OPERA Zumikon AG	Morgental 35, 8126 Zumikon	Switzerland	Healthcare services	100.0	_
Hirslanden OPERA St. Gallen AG	Schuppisstrasse 10, 9016 St. Gallen	Switzerland	Healthcare services	100.0	_
INDIRECTLY HELD THE	ROUGH IMRAD SA				
Hirslanden Freiburg AG, Düdingen	Bahnhofplatz 2a, 3186 Düdigen	Switzerland	Healthcare services	75.0	100.0

		Country of		Interest i	n capital ¹
		incorporation and place of		31 March 2021	31 March 2020
Company	Registered office address	business	Principal activities	%	%
INDIRECTLY HELD THI	ROUGH MEDICLINIC INTERNATIO	NAL (RF) (PTY)	LTD		
Mediclinic Group Services (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Provision of group services within Mediclinic	100.0	100.0
Mediclinic Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Intermediary holding company	100.0	100.0
INDIRECTLY HELD THI		VICES (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 THE	ROUGH MEDICLINIC INVESTMEN	TS (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
INDIRECTLY HELD THI	ROUGH MEDICLINIC SOUTHERN	AFRICA (PTY) LT	D		
Curamed Holdings (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Intermediary holding company	73.4	69.8
Denmar Specialist Psychiatric Hospital (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Mental healthcare services	100.0	100.0
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 (50% plus 1 share)	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Intermediary holding company	-	50.0
Intelimed (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Managed care organisation (dormant)	100.0	100.0
Intercare Group Hospital Holdings (Pty) Ltd (Hospitals)	Glenfair Office Block, Lynnwood & Daventry Roads, Lynnwood 0081	South Africa	Healthcare services	59.2	50.1
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	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 ²	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	66.8	66.7
Mediclinic Finance Corporation (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Treasury	100.0	100.0

				Interest i	n capital ¹
		Country of incorporation		31 March 2021	31 March 2020
Company	Registered office address	and place of business	Principal activities	%	2020 %
Mediclinic Holdings (Namibia) (Pty) Ltd	Grant Thornton Neuhaus, 12 th floor, Sanlam Centre, 157 Independence Avenue, Windhoek	Namibia	Intermediary holding company	100.0	100.0
Mediclinic Lephalale (Pty) Ltd²	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	93.0	93.2
Mediclinic Midstream (Pty) Ltd²	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	81.8	81.8
Mediclinic Paarl (Pty) Ltd²	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 Renal Services (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	100.0	-
Mediclinic Renal Services Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	100.0	-
Mediclinic Stellenbosch (Pty) Ltd²	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	87.3	87.3
Mediclinic Tzaneen (Pty) Ltd² (50% plus one share)	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	50.0	50.0
Newcastle Private Hospital (Pty) Ltd ² (50% plus one share, including B class shares)	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	51.3	51.3
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 ² (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
	ROUGH CURAMED HOLDINGS (P	TY) LTD			
Curamed Hospitals (Pty) Ltd ²	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

		Country of		Interest i	n capital ¹
	- · · · · <i>m</i> · · ·	incorporation and place of		31 March 2021 %	31 March 2020
	Registered office address	business	Principal activities	70	%
	•	• 		76.0	76.0
(Pty) Ltd ²	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	76.0	76.0
INDIRECTLY HELD THE	ROUGH ER24 HOLDINGS (PTY) L	TD			
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	Emergency medical services	-	99.0
INDIRECTLY HELD THE	ROUGH HOWICK PRIVATE HOSP	ITAL HOLDINGS (PTY) LTD		
Howick Private Hospital (Pty) Ltd ²	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	-	100.0
INDIRECTLY HELD THE	ROUGH MEDICLINIC (PTY) LTD				
Mediclinic Ermelo (Pty) Ltd²	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	59.8	58.1
Mediclinic Hermanus (Pty) Ltd²	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	53.2	53.2
Mediclinic Kimberley (Pty) Ltd ²	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	89.6	89.6
Mediclinic Limpopo (Pty) Ltd ^{2&3} (50% plus 1 share)	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	50.0	50.0
Mediclinic Potchefstroom (Pty) Ltd ²	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	87.7	85.6
Mediclinic Upington (Pty) Ltd ²	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	50.0	50.0
INDIRECTLY HELD THE	ROUGH MEDICLINIC LIMPOPO (F	PTY) LTD ^{2&3}			
Mediclinic Limpopo Day Clinic (Pty) Ltd ²	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	56.4	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

				Interest i	n capital ¹
		Country of incorporation and place of		31 March 2021	31 March 2020
Company	Registered office address	business	Principal activities	%	%
HOSPITAL INVESTMEN	T 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	91.4	90.5
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	81.0
Mediclinic George Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	99.5	99.3
Mediclinic Highveld Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	97.1	97.1
Mediclinic Hoogland Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	98.8	98.9
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	87.5	88.0
Mediclinic Louis Leipoldt Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	99.9	99.9
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	82.3	81.3

		Country of		Interest in	in capital ¹	
		incorporation		31 March 2021	31 March 2020	
Company	Registered office address	and place of business	Principal activities	%	%	
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	77.6	
Mediclinic Plettenberg Bay Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	93.0	93.0	
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	82.2	
Mediclinic Vereeniging Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	99.4	98.5	
Mediclinic Vergelegen Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	94.9	94.8	
Mediclinic Welkom Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	91.6	91.5	
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 THE	ROUGH MEDICLINIC BLOEMFONT	EIN INVESTMEN	TS (PTY) LTD			
Mediclinic Bloemfontein Day Clinic Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Day case clinic investment company	100.0	-	
INDIRECTLY HELD THROUGH MEDICLINIC CAPE GATE INVESTMENTS (PTY) LTD						
Mediclinic Cape Gate Day Clinic Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Day case clinic investment company	100.0	100.0	
INDIRECTLY HELD THE	ROUGH MEDICLINIC DURBANVILL		S (PTY) LTD			
Mediclinic Durbanville Day Clinic Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Day case clinic investment company	85.2	85.2	

		Country - f		Interest i	n capital ¹
		Country of incorporation		31 March 2021	31 March 2020
Company	Registered office address	and place of business	Principal activities	%	2020
INDIRECTLY HELD THE	ROUGH MEDICLINIC MORNINGSID		5 (PTY) LTD		
Sandton Day Hospital (Pty) Ltd ⁴	Glenfair Office Block, Lynnwood & Daventry Roads, Lynnwood 0081	South Africa	Healthcare services	70.0	70.0
Sandton Sub-Acute Hospital (Pty) Ltd⁴	Glenfair Office Block, Lynnwood & Daventry Roads, Lynnwood 0081	South Africa	Healthcare services	70.0	70.0
INDIRECTLY HELD THE		NVESTMENTS (P	TY) LTD		
Mediclinic Nelspruit Day Clinic Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Day case clinic investment company	100.0	100.0
INDIRECTLY HELD THE		N INVESTMENTS	(PTY) LTD		
Mediclinic Vergelegen Day Clinic Investments (Pty) Ltd		South Africa	Day case clinic investment company	100.0	-
INDIRECTLY HELD THE		ESTMENTS (PT)	() LTD		
Welkom Medical Centre (Free State) (Pty) Ltd ²	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	83.5	79.5
INDIRECTLY HELD THE	ROUGH MEDICLINIC HOLDINGS (1	NAMIBIA) (PTY)	LTD		
Mediclinic Capital (Namibia) (Pty) Ltd	Grant Thornton Neuhaus, 12 th floor, Sanlam Centre, 157 Independence Avenue, Windhoek	Namibia	Investment holding company	100.0	100.0
Mediclinic Otjiwarongo (Pty) Ltd²	Grant Thornton Neuhaus, 12 th floor, Sanlam Centre, 157 Independence Avenue, Windhoek	Namibia	Healthcare services	100.0	100.0
Mediclinic Properties (Swakopmund) (Pty) Ltd	Grant Thornton Neuhaus, 12 th floor, Sanlam Centre, 157 Independence Avenue, Windhoek	Namibia	Property ownership and management	100.0	100.0
Mediclinic Properties (Windhoek) (Pty) Ltd	Grant Thornton Neuhaus, 12 th floor, Sanlam Centre, 157 Independence Avenue, Windhoek	Namibia	Property ownership and management	100.0	100.0
Mediclinic Swakopmund (Pty) Ltd²	Grant Thornton Neuhaus, 12 th floor, Sanlam Centre, 157 Independence Avenue, Windhoek	Namibia	Healthcare services	98.9	98.9
Mediclinic Windhoek (Pty) Ltd²	Grant Thornton Neuhaus, 12 th floor, Sanlam Centre, 157 Independence Avenue, Windhoek	Namibia	Healthcare services	97.4	97.1

		Country of		Interest i	n capital ¹
		incorporation and place of		31 March 2021	31 March 2020
Company	Registered office address	business	Principal activities	%	%
INDIRECTLY HELD THE	ROUGH MEDICLINIC STELLENBOS	CH (PTY) LTD ²			
Mediclinic Winelands (Pty) Ltd²	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	50.1	50.1
Mediclinic Stellenbosch Day Clinic (Pty) Ltd²	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Dormant	76.1	76.1
INDIRECTLY HELD THE	ROUGH MEDICLINIC TZANEEN (P	TY) LTD ²			
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 THE	ROUGH MEDICLINIC VICTORIA HO	SPITAL (PTY) L	TD		
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 THE	ROUGH MEDICLINIC MIDDLE EAST		IITED		
Emirates Healthcare Holdings Limited	IFC 5, St Helier, Jersey, JE1 1ST	Jersey	Intermediary holding company	100.0	100.0
Mediclinic International Co Limited	6 th floor, 65 Gresham Street, London, EC2V 7NQ	United Kingdom	Dormant	100.0	100.0
Mediclinic KSA Holdings Limited	IFC 5, St Helier, Jersey, JE1 1ST	Jersey	Intermediary holding company	100.0	-
INDIRECTLY HELD THE		GS LIMITED			
Al Murjan Medical Centre Company	Jeddah, PO Box 52558, Postal code 21544	Kingdom of Saudi Arabia	Limited liability company	1%	
INDIRECTLY HELD THE	ROUGH EMIRATES HEALTHCARE H	OLDINGS LIMIT	ED		
Emirates Healthcare Limited⁵	IFC 5, St Helier, Jersey, JE1 1ST	Jersey	Healthcare services	100.0	100.0
Welcare World Holdings Limited	C/O Tricor Group, Office: 2 nd floor Palm Grove House, Wickhams Cay PO Box 3340, Road Town Tortola	British Virgin Islands	Healthcare services	-	100.0
	ROUGH EMIRATES HEALTHCARE L	.IMITED⁵			
Delah Cafe FZ LLC	Ground floor, Mediclinic City Hospital, Building no 35 and 37, Dubai Healthcare City, Al Razi Street, Dubai	The UAE	Food and catering	100.0	100.0
Mediclinic Al Qusais Clinic LLC	Plot no 284/243, Shop 3-5, Legend Middle East Building, Al Qusais	The UAE	Healthcare services	49.0	49.0
Mediclinic Beach Road LLC	First floor, Dubai International Properties, Dubai	The UAE	Healthcare services (dormant)	49.0	49.0

				Interest i	n capital ¹
		Country of incorporation		31 March 2021	31 March 2020
Company	Registered office address	and place of business	Principal activities	%	%
Mediclinic City Hospital FZ LLC	Building no 35 and 37, Dubai Healthcare City, Al Razi Street, Dubai	The UAE	Healthcare services	100.0	100.0
Mediclinic Clinics Investment LLC	Third floor, Dubai Mall, Parcel ID 345897, Dubai	The UAE	Healthcare services	49.0	49.0
Mediclinic Hospitals LLC (Al Noor Hospital) ⁶⁸⁷	Sheikh Mohamed Bin Butti Building, Sheikh Khalifa Street, Abu Dhabi	The UAE	Healthcare services	49.0	49.0
Mediclinic Ibn Battuta Clinic LLC	Shop 142, China Cluster, Retail Corp, Ibn Battuta Mall, Dubai	The UAE	Healthcare services	49.0	49.0
Mediclinic Medical Stores Co LLC	Store no 19, Mohamed Abdul Rahmen, Al Khubeissi, Deira, Alkhubaisi	The UAE	Procurement	49.0	49.0
Mediclinic Mirdif Clinic LLC	Ground floor, Office 13, Uptown Mirdif Building, Parcel no 321-224 Mirdif, Dubai	The UAE	Healthcare services	49.0	49.0
Mediclinic Parkview Hospital LLC	Mediclinic Middle East management services, FZ.LLC Building, Al Barsha South 3, Dubai	The UAE	Healthcare services	49.0	49.0
Pharma Light Medical Store LLC	Shop 27, Plot no 49, Musaffah, M38, Abu Dhabi	The UAE	Medical store/ procurement	49.0	49.0
Welcare Hospitals Limited	IFC 5, St Helier, Jersey, JE1 1ST	Jersey	Healthcare services	100.0	100.0
Welcare World Health Systems Limited	IFC 5, St Helier, Jersey, JE1 1ST	Jersey	Healthcare services	100.0	100.0
INDIRECTLY HELD THE	ROUGH MEDICLINIC HOSPITALS LL	C (AL NOOR H	OSPITAL) ^{6&7}		
Al Noor Hospital Clinics – Al Ain [®]	Al Ain Town Center, Sheikh Mohammed Bin Butti Al Hamed Building, Al Ain	The UAE	Intermediary holding company	49.0	49.0
Al Madar Medical Center Pharmacy LLC ⁹	Al Jimi, Al Jimi Ali Jumaa Ali Darmaki Building, Al Mouror Street, Abu Dhabi Island, Jabr Mohamed Ghanem Sultan Al Suwaidi, Al Ain	The UAE	Healthcare services	49.0	49.0
Mediclinic - Al Mamora LLC ¹⁰	Jabr Mohamed Ghanem Sultan Al Suwaidi, Al Mouror Street, Abu Dhabi Island	The UAE	Healthcare services	99.0	99.0
Mediclinic Khalifa City LLC ¹¹	Mabkhoot Saleh Al Mansouri Building, plot no 14, Eastern South 42, Khalifa City, Abu Dhabi	The UAE	Healthcare services	49.0	49.0
Mediclinic Hospitals - Al Musafah Specialty Clinics LLC	Musafah Sh 10 Parcel ID 401, Floor no. M, 1&2 Huashel Saeed, Khaseeb Al Yakooubi Building, Abu Dhabi	The UAE	Healthcare services	49.0	49.0

				Interest i	n capital ¹
Company	Registered office address	Country of incorporation and place of business	Principal activities	31 March 2021 %	31 March 2020 %
Mediclinic Pharmacy - Al Musaffah 2 LLC	Madinat Mohamed Bin Zayed, Sh 10 Parcel ID 401, Huashel Saeed, Khaseeb Al Yakooubi Building, Abu Dhabi	The UAE	Healthcare services	49.0	49.0
INDIRECTLY HELD THE	ROUGH WELCARE HOSPITALS LIN	IITED (JERSEY)			
Mediclinic Welcare Hospital LLC	Deira Nasser Abdullah Hussein Lootah Building, Al Garhood, Dubai	The UAE	Healthcare services	49.0	49.0
INDIRECTLY HELD THE	ROUGH WELCARE WORLD HEALT	H SYSTEMS LIM	ITED		
	Floor 5-7, Publishing Pavilion, Dubai Production City, Dubai	The UAE	Healthcare management	100.0	100.0

Notes

FZ LLC

- ¹ The equity interest in the UAE entities is disclosed herein, with the beneficial interest further explained in the notes.
- further explained in the notes. ² Controlled through long-term management agreements.
- ³ Operating through trusts or partnerships.
- ⁴ Managed by Intercare.
- ⁵ In terms of constitutional and contractual arrangements, the Group has full management control and economic interest in the listed entities.
- ⁶ Al Nahda International Holding LLC holds 100% share capital of Al Noor Commercial Investments Sole Proprietorship LLC ('ANCI'). In terms of 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 agreed that Al Nahda International Holding LLC will become the sole shareholder of ANCI and the local sponsor for all the group entities registered in Abu Dhabi (i.e. of Mediclinic Hospitals LLC [Al Noor Hospital] and its subsidiaries and the 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 Emirates Healthcare Limited ('**EHL**'). Given that management, voting rights and the dividend rights have been assigned to EHL, all dividends declared by Mediclinic Hospitals LLC (Al Noor Hospital) are paid directly to EHL. As per the termination agreement dated 21 August 2017, between Al Noor Golden Commercial Investment LLC ('**ANGCI**'), Sheikh Mohamed Bin Butti Al Hamid, Al Noor Commercial Investment LLC, ANMC Management Limited ('**ANMC**'), Al Noor Holdings Cayman and EHL, the parties agreed to terminate the following:

- a) The relationship management agreement entered into between ANGCI, Sheikh Bin Butti and Mediclinic Hospitals LLC (Al Noor Hospital) on 20 May 2013;
- b) The relationship agreement entered into between ANGCI, ANCI and Mediclinic Hospitals LLC (AI Noor Hospital) on 20 May 2013;
- c) The management agreement entered between ANCI and ANMC on 20 May 2013; and
- d) A shareholder's agreement entered into between Sheikh Bin Butti, The First Arabian Corporation LLC, Al Noor Cayman, ANMC and ANCI on 20 May 2013.
- ⁷ EHL 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 EHL. EHL 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).

services

- Mediclinic Hospitals LLC (AI Noor Hospital). ⁹ Mediclinic Hospitals LLC (AI Noor Hospital) holds 49% of the issued share capital of AI 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%. Mediclinic Hospitals LLC (AI Noor Hospital)'s effective beneficial interest in the entity is therefore 99%.
- ¹⁰ Mediclinic Hospitals LLC (Al Noor Hospital) holds 99% and ANCI holds 1% of the issued share capital of Mediclinic Al Mamora LLC.
- ¹¹ 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%. Mediclinic Hospitals LLC (Al Noor Hospital)'s effective beneficial interest in the entity is therefore 99%.

38. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES CONTINUED

JOINT VENTURES

			INTEREST IN	I CAPITAL
COMPANY	COUNTRY OF INCORPORATION AND PLACE OF BUSINESS	PRINCIPAL ACTIVITIES	31 March 2021 %	31 March 2020 %
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
GRGB Santé SA, Genève ¹	Chemin de Beau-Soleil 20, 1206 Genève, Switzerland	Healthcare services	30.0	30.0
Centre de Chirurgie Ambulatoire (CCA) - HUG Hirslanden SA, Genève 3	Rue Gabrielle-Perret-Gentil 4, c/o Les hôpitaux universitaires de Genève, 1205 Genève, Switzerland	Healthcare services	50.0	-

Note

¹ Shareholding indirectly held through Clinique des Grangettes SA.

ASSOCIATES¹

			N CAPITAL	BOOK VALU INVESTMEN	
COMPANY	REGISTERED OFFICE ADDRESS	31 March 2021 %	31 March 2020 %	31 March 2021 £'m	31 March 2020 £'m
Listed					
Spire Healthcare Group plc (held through Mediclinic Jersey Limited)	3 Dorset Rise, London, EC4Y 8EN	29.9	29.9	157	168
Unlisted					
Intercare Holdings Proprietary Limited	Glenfair Office Block, Lynnwood & Daventry Roads, Lynnwood 0081	34.0	34.0	2	2
Bourn Hall International MENA Limited	Dubai World Trade Centre, 9 th floor, PO Box 9275, Dubai, the UAE	30.0	30.0	5	5
Zentrallabor Zürich, Zürich ²	Forchstrasse 452, 8702 Zollikon	49.47	45.96	1	2
Baukonsortium, Cham	Rigistrasse 1, 6330 Cham	24.0	24.0	1	-
EFG Parkierung Rigistrasse, Cham ³	Rigistrasse 1, 6330 Cham	25.0	24.9	-	-
Centre de Reeducation et de Physiotherapie SA ³	Avenue de la Roseraie 76 A, 1205 Genève	20.0	20.0	-	_
Centre de Physiotherapie du Sport S.à.r.l.³	Chemin Thury 7A, 1206 Genève	23.0	23.0	-	-
CORTS AG, Maur ³	c/o ETU Treuhand und Unternehmensberatung, Ch. Lutz, Zürichstrasse 268, 8122 Binz	37.78	30.0	-	-
Hystrix Medical AG	Bahnhofstrasse 47 4900, Langenthal	8.68	-	1	-
				167	177

Notes

¹ The nature of the activities of the associates is similar to the major activities of the Group.

² Hirslanden does not control Zentrallabor Zürich.

 $^{^{\}scriptscriptstyle 3}$ Book value is less than £0.5m.

COMPANY ANNUAL FINANCIAL STATEMENTS

COMPANY STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2021

	Notes	2021 £'m	2020 £'m
Non-current assets			
Investment in subsidiaries	3	3 311	3 311
Current assets			
Cash and cash equivalents		54	35
Derivatives		-	2
Total assets		3 365	3 348
EQUITY			
Share capital	5	74	74
Capital redemption reserve		6	6
Share premium	5	690	690
Retained earnings		2 568	2 547
Total equity		3 338	3 317
Current liabilities			
Other payables		1	2
Amount due to related parties	4	26	29
Total liabilities		27	31
		3 365	3 348

These financial statements as set out on pages 289–295 were approved and authorised for issue by the Board of Directors and signed on their behalf by:

Dr Ronnie van der Merwe Group Chief Executive Officer 25 May 2021

Mr Jurgens Myburgh Group Chief Financial Officer 25 May 2021

Mediclinic International plc (Company no 08338604)

The notes on pages 292-295 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2021

	Share capital £'m	Capital redemption reserve £'m	Share premium reserve £'m	Retained earnings £'m	Total
At 1 April 2019	74	6	690	2 773	3 543
Loss for the year	-	-	-	(167)	(167)
Dividends paid in the year		-	-	(59)	(59)
At 30 March 2020	74	6	690	2 547	3 317
Profit for the year		-	-	21	21
At 31 March 2021	74	6	690	2 568	3 338

The notes on pages 292-295 form an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £'m	2020 £'m
Operating activities			
Profit/(loss) before tax		21	(167)
Adjustments for:			
Other income	6	-	(35)
Impairment of investments	3	-	233
Fair value adjustment on derivative contracts		-	(2)
Foreign exchange differences		(3)	-
Dividend income		(23)	(35)
Net cash used in operating activities before movements in working capital		(5)	(6)
Change in balances with related parties		-	1
Change in other payables		(1)	1
Net cash used in operating activities		(6)	(4)
Investing activities			
Proceeds from derivative		2	-
Dividend received	4	23	35
Net cash generated from investing activities		25	35
Financing activities			
Dividend paid	6	-	(24)
Net cash used in financing activities		-	(24)
Net movement in cash and cash equivalents		19	7
Cash and cash equivalents at the beginning of the year		35	28
Cash and cash equivalents at the end of the year		54	35

The notes on pages 292-295 form an integral part of these financial statements.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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. 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 annual 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 have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 (**'IFRS'**) and the applicable legal requirements of the Companies Act 2006. In addition to complying with international accounting standards in conformity with the requirements of the Companies Act 2006, the financial statements also comply with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. There are no differences for the Company in applying IFRS as issued by the IASB and IFRS. The financial statements are prepared on the historical-cost convention, as modified by the revaluation of certain financial instruments to fair value through profit or loss.

2.2. Functional and presentation currency

The financial statements and financial information are presented in sterling, rounded to the nearest million.

2.3. Going concern

The Company annual 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 annual financial statements* for more detail relating to the going concern basis of accounting used in preparing the financial statements.

2.4. 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.

	2021 £'m	2020 £'m
Shares at cost	5 916	5 916
Less: accumulated impairment charge	(2 605)	(2 605)
Closing balance	3 311	3 311

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 31 March 2021, an impairment indicator was identified in respect of Mediclinic International (RF) (Pty) Ltd, the holding company of Mediclinic Southern Africa. Refer to note 6 in the *Group annual financial statements* for key assumptions used in the fair-value-less-cost-to-sell calculations. The recoverable amount exceeded the carrying value and consequently no impairment was recognised.

No indicators for impairment for the investments in Mediclinic CHF Finco Limited, Mediclinic Holdings Netherlands B.V. and Mediclinic Middle East Holdings Limited were identified at 31 March 2021.

In the prior period, 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 was impaired due to the changes in the macroeconomic environment. 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.

Refer to note 38 of the *Group annual financial statements* 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.

	2021 £'m	2020 £'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	26	29
c) Dividends received from related parties		
Mediclinic CHF Finco Ltd	2	5
Mediclinic Holdings Netherlands B.V.	21	20
Mediclinic Middle East Holdings Ltd	-	8
Mediclinic International (RF) (Pty) Ltd	-	2
	23	35

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. Information regarding the Group's subsidiaries and associates can be found in note 38 to the **Group annual financial statements** on page 277.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

5. SHARE CAPITAL

	2021 £'m	2020 £'m
Issued and fully paid 737 243 810 (2020: 737 243 810) shares of 10 pence each	74	74

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.

6. DIVIDENDS

The Company did not declare interim dividends for FY21 or final dividends for FY20 during the year under review. In the prior year, the Company declared interim dividends for FY20 and final dividends for FY19 amounting to £59m. The Company paid £24m of these dividends and the remainder of £35m 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 a dividend 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 annual financial statements.

7. AUDITOR'S REMUNERATION

The Company incurred an amount of £0.7m (2020: £0.7m) to its auditor in respect of the audit of the Company and Group's financial statements for the year ended 31 March 2021. The fee includes an amount of £0.1m (2020: £0.1) in respect of prior years.

Fees paid to the Company's auditors for other services amounted to £0.1m (2020: £0.2m).

8. TAXATION

At 31 March 2021, the Company had unutilised tax losses of approximately £54m (2020: £51m). 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 the 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 annual 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 the reporting period based on existing contractual repayment arrangements was as follows:

	Carryii amoui £'	nt	Contractual cash flows £'m	1 year or less £'m
31 March 2021				
Other payables		1	1	1
Related-party payables	2	6	26	26
	2	7	27	27
31 March 2020				
Other payables		2	2	2
Related-party payables	2	9	29	29
	3	1	31	31

9.5. Foreign currency risk

The Company has an insignificant exposure regarding foreign currency, but a prudent approach towards foreign cover is followed where applicable.