MEDICLINIC
INTERNATIONAL

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2016

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This Annual Report is published as part of a set of reports, all of which are available on the Company's website at **www.mediclinic.com**. The icons next to each of the following reports are used as a cross-referencing tool to refer to the relevant pages of these reports or within this report.

Annual Report and Financial Statements 2016

Clinical Services Report 2016

Sustainable Development Report 2016

Notice of Annual General Meeting 2016

These reports were approved by the Company's Board on 25 May 2016 and will be available on the Company's website from the date of distribution of the Company's Notice of Annual General Meeting by no later than 21 June 2016.

GLOSSARY

Please refer to the glossary of terms used in this report on pages 223 to 224.

The Annual Report, including the Strategic Report from pages 2 to 59, was approved by the Board on 25 May 2016.

For and on behalf of the Board.

Edwin Hertzog
Non-executive Chairman

REPORT PROFILE

SCOPE, BOUNDARY AND REPORTING CYCLE

This Annual Report and Financial Statements of Mediclinic International plc (formerly Al Noor Hospitals Group plc) ("Mediclinic" or "the Company") presents the economic, social and environmental performance, and the financial results of the Mediclinic Group for the reporting period ended 31 March 2016, and covers all operations in Southern Africa, Switzerland and the UAE.

SIGNIFICANT EVENTS DURING REPORTING PERIOD

The successful completion of the Combination of Mediclinic International Limited and Al Noor Hospitals Group plc by way of a reverse takeover of Mediclinic International Limited, resulting in the continued listing of the enlarged Company on the London Stock Exchange and the secondary listings of the Company on the Johannesburg Stock Exchange and the Namibian Stock Exchange.

Other noteworthy developments during the reporting period include:

- Acquisition of a 29.9% interest in Spire Healthcare plc, a UK-based private healthcare group.
- Restructure of the MP1 Investment Holdings Proprietary Limited black economic empowerment transaction, initially implemented in 2005.

REPORTING PRINCIPLES

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

This Annual Report was prepared in accordance with the International Financial Reporting Standards, the LSE Listing Rules, the JSE Listings Requirements, the UK Corporate Governance Code, as well as the UK Companies Act, where relevant. The Company has applied the majority of the principles contained in the UK Corporate Governance Code – all the principles which the Company did not apply are explained in the Corporate Governance Statement in this Annual Report. The Company has also considered and applied many of the recommendations contained in the International Integrated Reporting Framework issued by the International Integrated Reporting Committee in December 2013. The Company's reporting on sustainable development included in the Annual Report, supplemented by the Sustainable Development Report available on the Company's website at **www.mediclinic.com**, was done in accordance with the GRI G4 Sustainability Reporting Guidelines.

EXTERNAL AUDIT AND ASSURANCE

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

Various other voluntary external accreditation, certification and assurance initiatives are followed in the Group, complementing the Group's combined assurance model, as reported on in the Risk Management section of the Annual Report. We believe that this adds to the transparency and reliability of information reported to our stakeholders.

STRATEGIC REPORT

HIGHLIGHTS

STRONG PATIENT GROWTH across all the operating platforms

CONTINUED INVESTMENTS in patient experience and clinical qualities initiatives

SUCCESSFUL COMPLETION of Mediclinic and Al Noor Combination **AND ACQUISITION** of 29.9% stake in Spire Healthcare Group

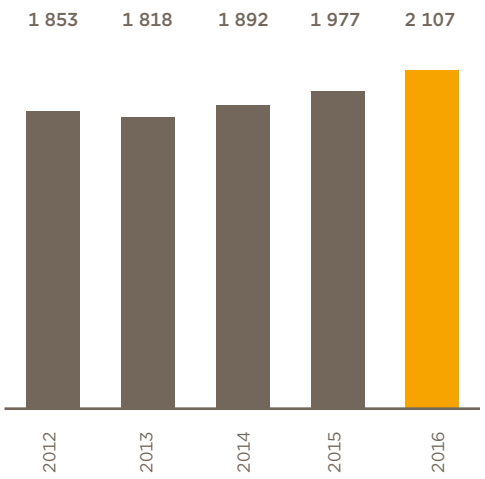
Solid financial performance with **STABLE MARGINS** and good cash generation

REVENUE GROWTH of 7% with stable margins at 20.3% driving strong underlying earnings growth

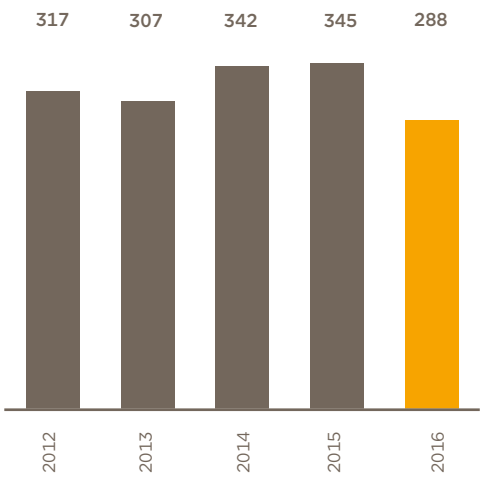
Underlying **BASIC EARNINGS PER SHARE INCREASED** by 3% to 36.7 pence

PROPOSED FINAL DIVIDEND per ordinary share of 5.24 pence

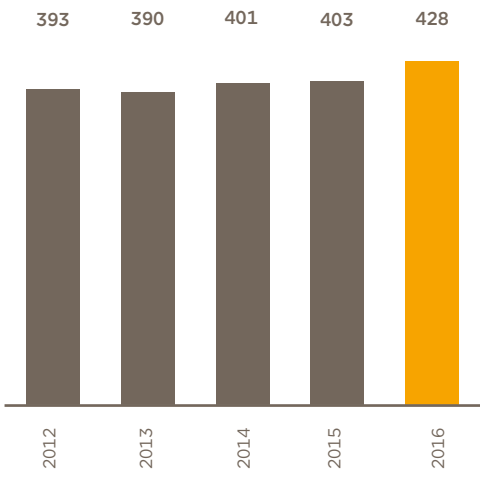
REVENUE (£'m)*



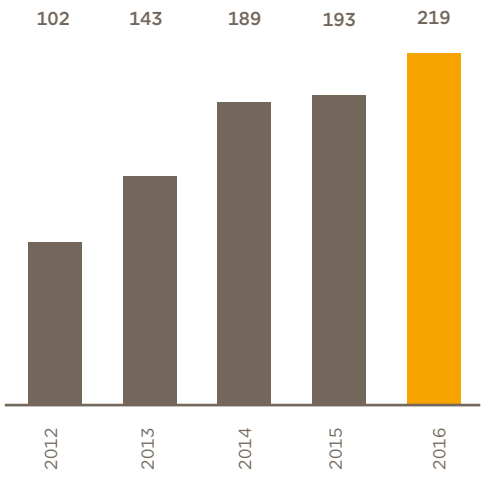
OPERATING PROFIT (£'m)*



UNDERLYING EBITDA (£'m)**



UNDERLYING EARNINGS (£'m)**



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

See the reconciliations between the statutory and underlying (non-GAAP) measures on pages 55 and 56.

AT A GLANCE

WHO WE ARE

Mediclinic is an international private healthcare group founded in 1983, with operations in South Africa, Namibia, Switzerland and the United Arab Emirates. Subsequent to the Combination of Mediclinic International Limited and Al Noor Hospitals Group plc in February 2015, the Company's primary listing is on the London Stock Exchange, with secondary listings on the South African Stock Exchange and the Namibian Stock Exchange. The Group's registered office is based in London, United Kingdom.

WHAT WE DO

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

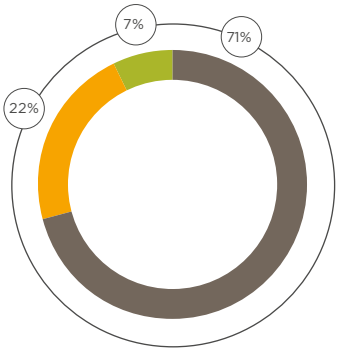
Following the Combination, the enlarged Mediclinic Group now boasts 73 hospitals and 45 clinics: Mediclinic Southern Africa operates 49 hospitals and two day clinics throughout South Africa and three hospitals in Namibia with more than 8 000 inpatient beds in total; Hirslanden operates 16 private acute care facilities and four clinics in Switzerland with more than 1 600 inpatient beds; and Mediclinic Middle East (including the Al Noor facilities) operates five hospitals and 39 clinics with more than 700 inpatient beds in the United Arab Emirates.

Mediclinic also holds a 29.9% interest in Spire Healthcare, a UK-based private healthcare group listed on the London Stock Exchange.

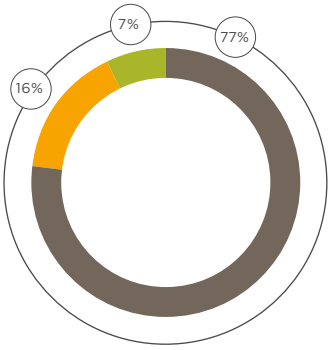
OUR VISION

To be respected internationally and preferred locally.

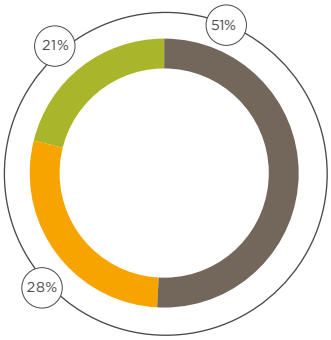
DISTRIBUTION OF THE GROUP'S **73 HOSPITALS**



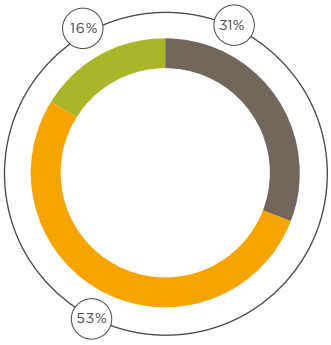
DISTRIBUTION OF THE GROUP'S **10 415 BEDS**



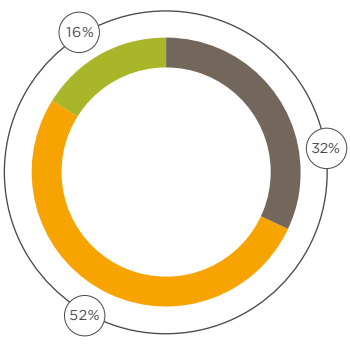
DISTRIBUTION OF THE GROUP'S **32 884 EMPLOYEES**



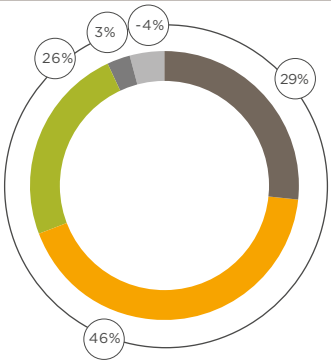
CONTRIBUTION TO GROUP UNDERLYING REVENUE (£'m) **TOTAL: £2 100m**



CONTRIBUTION TO GROUP UNDERLYING EBITDA (£'m) **TOTAL: £428m**



CONTRIBUTION TO GROUP UNDERLYING EARNINGS (£'m) **TOTAL: £219m**



Southern Africa Switzerland UAE UK Corporate

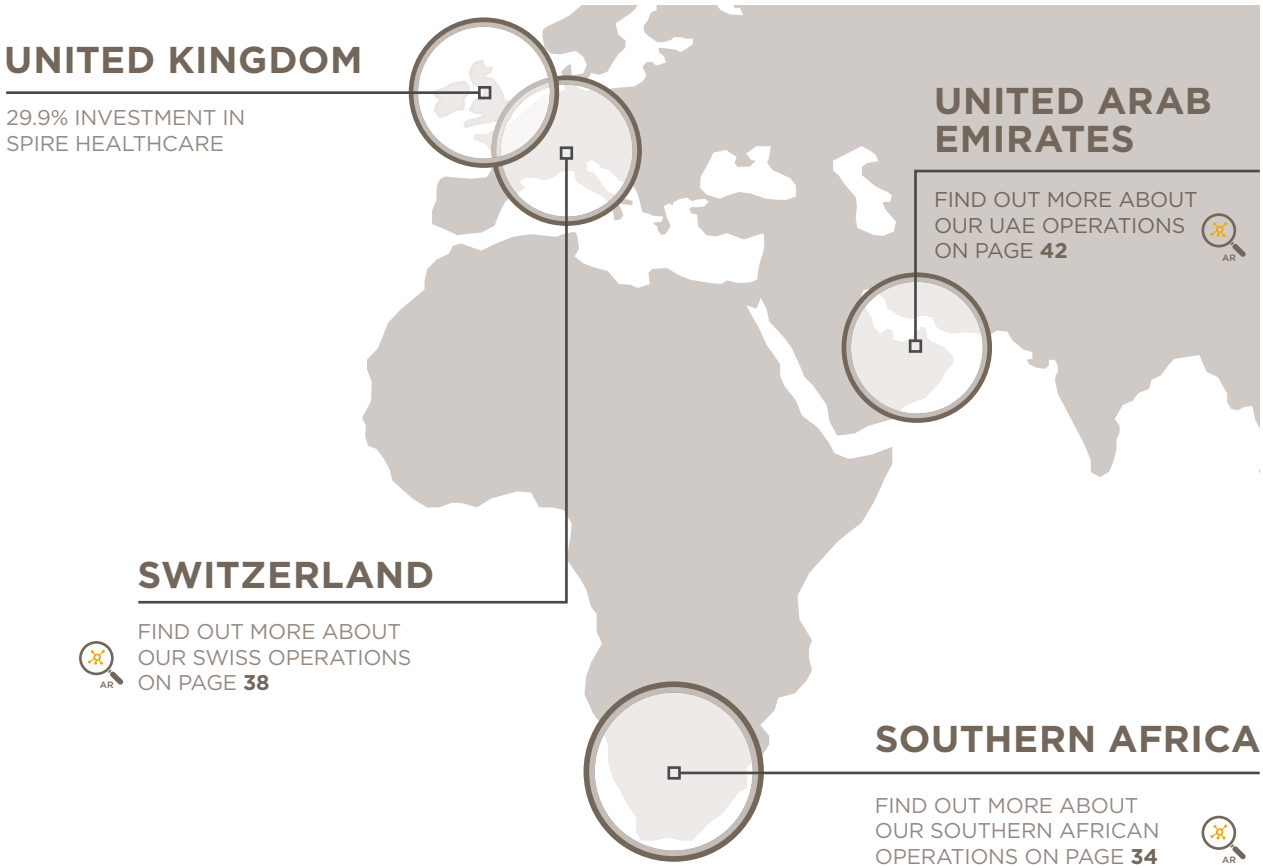
HOLDING COMPANY: MEDICLINIC INTERNATIONAL PLC

(formerly Al Noor Hospitals Group plc)

MEDICLINIC INTERNATIONAL

OPERATING PLATFORMS

	MEDICLINIC SOUTHERN AFRICA	HIRSLANDEN	MEDICLINIC MIDDLE EAST
COUNTRY OF OPERATION	South Africa and Namibia	Switzerland	United Arab Emirates
BRANDS	MEDICLINIC ER24 084 124 MEDICAL INNOVATIONS MHR	HIRSLANDEN	ميديكلينيك MEDICLINIC AL NOOR HOSPITALS GROUP
BUSINESS WEBSITES	www.mediclinic.co.za www.mhr.co.za www.medicalinnovations.co.za www.er24.co.za	www.hirslanden.ch	www.mediclinic.ae www.alnoorhospital.com
HOSPITALS AND CLINICS IN OPERATION	Operates 49 acute care private hospitals and two day clinics throughout South Africa and three hospitals in Namibia, with 8 017 beds in total. ER24 offers emergency transportation services from their 49 branches throughout South Africa.	Operates 16 acute care private hospitals with 1 677 beds and four clinics in Switzerland.	Mediclinic Middle East operates two acute care private hospitals and eight clinics in Dubai, UAE and two clinics in Abu Dhabi, UAE, with 371 beds in total. Al Noor operates three acute care private hospitals and 29 clinics, mainly in Abu Dhabi, UAE, with 350 beds in total.
NUMBER OF EMPLOYEES	16 832 (20 645 full-time equivalents, which includes 3 813 agency staff) (16 403 permanent and 429 non-permanent)	9 120 (which includes full-time and part-time permanent employees) (6 608 full-time equivalents)	Mediclinic Middle East: 2 507 Al Noor: 4 425
NATURE OF OWNERSHIP	Mediclinic Southern Africa (Pty) Ltd, a company registered in South Africa, is the holding company of the Company's operating platform in Southern Africa. It is 100% owned through wholly-owned subsidiaries (with most group operating companies partly owned and doctor shareholding in hospital investment companies).	Hirslanden AG, a company registered in Switzerland, is the holding company of the Company's operating platform in Switzerland. It is 100% owned through wholly-owned subsidiaries.	The holding company for the Mediclinic Middle East operations is Emirates Healthcare Holdings Ltd, a company registered in the British Virgin Islands, which is 100% owned through wholly-owned subsidiaries. The holding companies for the Al Noor operations are Al Noor Holdings Cayman Limited and ANMC Management Limited, companies registered in the Cayman Islands, which are 100% owned by the Company.



HOW WE GOVERN OUR BUSINESS

Our governance structures are focused on maintaining and building a sustainable business and support our commitment to be a responsible corporate citizen in every country and community in which the Group does business. The key elements of our governance structures include:

- ensuring good clinical outcomes and quality healthcare (see the Clinical Services Overview in the Annual Report, as well as the **Clinical Services Report** available on the Company's website for more information);
- maintaining strict principles of corporate governance, integrity and ethics (see the Corporate Governance Statement in the Annual Report for more information);
- effective risk management and internal controls (see the Risk Management Report in the Annual Report for more information);
- engaging with our stakeholders and responding to their legitimate expectations (see the stakeholder engagement section in the **Sustainable Development Report** available on the Company's website for more information);
- managing our business in a sustainable manner (see the Sustainable Development Highlights in the Annual Report, as well as the **Sustainable Development Report** available on the Company's website for more information); and
- offering our employees competitive remuneration packages based on the principles of fairness and affordability (see the Remuneration Report in the Annual Report for more information).

CHAIRMAN'S STATEMENT

CONTINUING A PATTERN OF CONSISTENT GROWTH

The period under review was a pivotal one for Mediclinic as we made significant progress in expanding our geographical footprint. I am pleased to report that during this eventful year, we also maintained our 30-year track record of consistent growth.

Throughout the Group, we successfully delivered an increase in bed days sold. To me, this is the most important measure of success, as it is indicative of patient choice and shows that we are retaining and attracting sufficient doctors to support our growth. This enables us to deliver operating efficiencies.

Furthermore, we made good progress towards our "One Mediclinic" initiative, through which we are investing in IT, benchmarking our performance, and ensuring that best practices are shared across our operations. This is starting to pay dividends in the form of increasing operational efficiency and helping to unlock the benefits of an integrated, international Group.

Our financial performance also reflects the robust health of the business. It is in line with our budget expectations, supporting continued growth.

INVESTING IN INTERNATIONAL EXPANSION

Our investments in the Middle East and the UK were the two key highlights of the year.

The strategic rationale for the Mediclinic and Al Noor Combination was compelling. Where possible, our preferred method of growth has always been to add to existing hospitals and expand into neighbouring territories. As such, the Al Noor Group was a perfect fit. Based on our initial experiences in South Africa and then our experience in Switzerland (which, in relative terms, was a far larger transaction), we also understand what it takes to bring disparate businesses into a single, integrated whole.

An added benefit is the Company's listing as a FTSE 100 company on the London Stock Exchange. This requires us to adapt the manner in which the business is governed. We are well-positioned to respond to this, given our long-standing emphasis on transparency and our strong ethical principles.

The 29.9% investment in Spire Healthcare was a different type of transaction, giving us exposure to the expanding UK market, providing the Group with a further opportunity to diversify into a new geography.

BOARD CHANGES

The listing of Mediclinic on the London Stock Exchange necessitated the reconstitution of the Board to reflect our increased international presence with effect from the completion date of the Combination of 15 February 2016. Sadly, we had to say farewell to two long-standing members of Mediclinic International Limited Board, Kabs Makaba and Anton Raath, and I would like to thank them for their contribution to the Group over many years. We were delighted that Ian Tyler and Seamus Keating, previously Chairman and Senior Independent Director of Al Noor respectively, agreed to continue on the Board. Ian was appointed as the Senior Independent Director and Seamus remained as an independent non-executive director of the reconstituted Board, bringing considerable insight and experience of the Middle Eastern healthcare market.

Dr Edwin de la H Hertzog

Non-executive Chairman

The Mediclinic International Limited board also had greater executive director representation. To maintain the right balance of directors on the Board, three of the previous executive directors (Koert Pretorius, CEO of Mediclinic Southern Africa; Dr Ronnie van der Merwe, Chief Clinical Officer; and Dr Ole Wiesinger, CEO of Hirslanden) were also not appointed to the new enlarged Board. The platform CEOs and other executive management attend, but not vote at, Board meetings as necessary. We plan to appoint two additional independent directors in the year ahead.

To ensure that the Group continues to benefit from a strong, stable leadership team, succession planning will be another priority for the 2016/2017 financial year. Following the announcement early this year by our Chief Financial Officer, Craig Tingle, of his intention to retire, the Board appointed Jurgens Myburgh as his successor. He will take over from Craig on 1 August 2016. Craig has played a key role in building the Mediclinic Group and on behalf of the Board, I would like to express my sincere appreciation for all his exceptional contributions.

OUTLOOK AND PROSPECTS

Whilst we are operating in a growing industry, it is a competitive one both within the private sector and often also with public sector facilities. We are very aware that staying ahead is a continuous challenge.

Having the services available of high-quality doctors, nurses and support staff is critical to the success of our business. The leading independent research company, Gallup, was commissioned during 2015 to undertake an employee engagement survey across all three our platforms for us to understand where there were opportunities to deliver improvements in the workplace. Although the results were good, we would still like to see a more positive trend, so more work will be done in this regard.

The Group has always had a long-term outlook in an industry that it knows well, enjoys participating in and where good opportunities for sensible growth have always been found. We therefore continue to believe that Mediclinic will be able to maintain a consistent growth pattern.

THANK YOU FOR YOUR CONTINUED SUPPORT

As ever, I want to express my sincere thanks to everyone who contributed to Mediclinic's continued success, including our directors, management, doctors, nurses and support staff.

In particular, the support of patients and medical professionals is absolutely vital to the sustainability of our business, and we deeply appreciate the fact that they have chosen Mediclinic ahead of alternative healthcare providers.

Finally, I would like to extend a special thank you to all our shareholders for the confidence they have placed in us.

Dr Edwin de la H Hertzog
Non-executive Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW

The period under review was one of the most significant in Mediclinic's three-decade history. Through the Combination of the businesses of Mediclinic International Limited and Al Noor Hospitals Group plc, we boosted our presence internationally, doubled the size of our UAE business in a fast-growing market, and secured a listing as a FTSE 100 company on the London Stock Exchange. With the investment in Spire Healthcare, we also established a footprint in the dynamic UK private healthcare markets. At the same time, we continued to grow volumes and revenues across all our operating platforms, while maintaining stable margins.

We now enter the 2016/17 financial year in a strong position and eager to take full advantage of our newfound scale. Despite the uncertain economic environment, the healthcare market fundamentals remain sound and we anticipate continued growth across all of our operating platforms.

This is indeed an exciting time for the Group, which promises to bring long-term value to our shareholders – with a well-balanced portfolio of operations, a leading position across a mix of attractive healthcare markets, and a strong management team at the helm.

IT ALL STARTS WITH THE PATIENTS

The very bedrock of our business is our "patients first" ethos.

Across all our operating platforms, we seek to be the first choice for patient experience, and to provide superior clinical outcomes. Importantly, we also seek to deliver a single, standardised quality of service wherever we operate.

To this end, we continued to invest heavily in our people, their training, the facilities in which they work, and the technology they use.

A particular emphasis at Mediclinic is to really understand and benchmark our performance. We therefore extended our investment in data collection and analytics using Press Ganey, an internationally renowned external research group, to measure patient experience. This has brought new levels of insight into the performance of our South African and Middle Eastern operations, and we are now ready to start a pilot in our Swiss operations.

We continued to pursue a number of projects which enable us to move towards a better integrated healthcare delivery model, with improved collaboration between the various clinical disciplines. For example, using the clinical expertise of the well-established and renowned oncology team at Hirslanden to assist with the establishment of the new oncology centre at the Mediclinic City Hospital's North Wing in Dubai that will open in the second half of 2016.

Our relentless focus on patient care helps us to build productive relationships with all stakeholder groups – where we have built high levels of trust in the quality of our service and our ethical principles over the years.

Danie Meintjes

Chief Executive Officer

BUILDING A LARGE, COHESIVE INTERNATIONAL GROUP

Our growing international scale enables us to unlock further value.

It certainly helps us to share skills and best practice across the Group, thereby contributing to our focus on patients. Scale also brings valuable synergies and cost-efficiencies. For example, since the implementation of a central buying department for the Group, we have already achieved double-digit cost savings on several of our surgical supplies and on the purchase of healthcare equipment for our clinics and hospitals.

Our clear aim is to operate as a well-integrated, networked group. Following the Combination with Al Noor, the smooth alignment of operations has been a priority. By March 2016, we confirmed the new senior management team for the Middle East, and appointed workstream leaders to map-out the detailed changes. As expected, we now face some tough integration challenges, specifically related to Information and Communications Technology and Human Resources. However, I am confident that we have a strong leadership team in our Middle Eastern operations who has a realistic understanding of the related complexities and the expertise to overcome them. We further have a wealth of experience in the broader Group that can assist where and when required.

During the period under review, we further extended our international footprint and geographical diversification with the acquisition of a 29.9% stake of Spire Healthcare, a leading private healthcare provider in the UK. Like others in the industry, we are attracted by the long-term prospects for the UK private healthcare market. We were also impressed by Spire's patient focus, as well as the quality of its people and infrastructure. By stepping in as a minority investor, with a seat on the Board, we gain valuable first-hand experience of the UK market, building relationships with a strong, stable organisation.

ACCELERATED PROGRESS TOWARDS OUR STRATEGIC GOALS

Overall, the developments during the period under review enabled us to accelerate progress against our six strategic priorities, as set out in greater detail on pages 18 to 21, in all our key markets.

In our South African operations, we increased our capacity by opening two new day clinics, together adding 52 beds, and added 80 beds to our existing hospitals. Despite the volatility of the economy and the uncertainty of the political environment, we see continued opportunity for growth, albeit at a slightly lower rate.

For our Swiss operations, the 2015/16 financial year was very satisfactory. We added several new facilities to our existing portfolio, including more than 20 new inpatient beds, outpatient facilities and consulting rooms, plus a host of technology investments. With a stable economy, a strong currency, highly trained medical staff and an aging population, Switzerland looks set to deliver stable growth and to remain a source of clinical excellence.

The acquisition of Al Noor, with operations primarily in Abu Dhabi, has accelerated our progress in this attractive Middle Eastern market. We are rapidly extending capability and capacity, with 120 new beds due to be added in 2016/17 and a further 290 beds set to follow by 2018/19.

CHIEF EXECUTIVE OFFICER'S REVIEW (continued)

A STRONG FINANCIAL PERFORMANCE

The Group experienced strong patient growth across all the operating platforms leading to revenue growth of 7%, reported in pound sterling, with a stable underlying EBITDA margin at 20.4%.

I should add that our listing on the London Stock Exchange, where we entered the FTSE 100 Index in March 2016, should further strengthen our future financial position. As well as providing a new source of lower cost capital, it leaves us less exposed to the volatility of the South African rand should we raise new capital for international expansion.

KEY OPPORTUNITIES AND CHALLENGES

Currently we view the fundamentals as remaining positive across all of our markets. With, amongst other factors, an aging population, a growing middle class, and the ongoing emergence of new, quality-of-life-enhancing medical procedures, we continue to anticipate long-term growth.

Nonetheless, we do face a number of pressure points:

- The affordability of healthcare is a matter of pressing public policy concern. This is one reason why it is so important for us to grow our scale, optimise our cost base and ensure that we offer cost-effective quality care to our patients.
- Another challenge is regulatory uncertainty. During our three-decade history, this is something we have learnt to manage. We understand the need to adapt to an ever-changing political climate; building an internationally diverse portfolio strengthens our position.
- The availability of high-quality clinical staff is an issue for the healthcare industry worldwide. We work hard to be an employer of choice and to ensure that our hospitals are regarded as the best facility for independent medical practitioners to treat their patients. We continue to invest in the training and development of our people to ensure that we attract and retain the necessary talent.
- We are aware of a growing move towards consumerism in the healthcare market, with the advent of more demanding, better-informed patients. Our "patients first" ethos is critical to creating the confidence in our patients to believe in our Company slogan of Expertise You Can Trust.

We do not underestimate these challenges, and we work hard in order to ensure that we have the necessary plans and strategies in place to mitigate them.

OUR PRIORITIES FOR 2016/17 AND BEYOND

The 2016/17 financial year is set to be another exciting year for Mediclinic.

Our number one priority is our continued focus on our patients and to remain their demonstrable first choice. Alongside this, the smooth integration of our Middle Eastern operations is a priority that will continue to receive significant management attention and support. We will furthermore seek new ways to unlock the benefits of an integrated, international healthcare Group, focused around the seamless delivery of services with the patient firmly at the centre.

I would like to thank all of our doctors, nurses, support staff and management for their dedication and commitment during the year. This underpins everything we do and, with this in mind, I am confident that we will continue to build on the significant progress made in 2015/16.

Danie Meintjes
Chief Executive Officer

ABOUT THE AL NOOR COMBINATION

The Combination of Al Noor Hospitals Group plc and Mediclinic International Limited was completed in February 2016 creating the largest private healthcare provider in the United Arab Emirates.

Al Noor provides primary, secondary and tertiary healthcare to over two million outpatients per annum through three hospitals, 29 clinics and an oncology centre, mainly in Abu Dhabi. Al Noor brings more than 4 000 experienced employees into the Mediclinic Group, including 684 physicians.

"The combined business represents a unique platform from which to pursue numerous expansion opportunities in the high-growth UAE and wider Middle East healthcare market, reinforcing our commitment to drive the delivery of world class healthcare services in the region. The combination also further diversifies Mediclinic's geographic profile internationally, gives us additional exposure to USD-based high-growth earnings, and generates incremental financial and trading benefits through a listing on the LSE."

Danie Meintjes, *CEO Mediclinic International*

KEY BENEFITS

COMPELLING STRATEGIC FIT

The combined organisation is a significant step forward for Mediclinic in the delivery of its strategic objective to create a leading international healthcare Group, underpinned by the complementary geographies of the two businesses and shared commitment to outstanding patient care.

ATTRACTIVE GROWTH OPPORTUNITIES

There are substantial unmet medical needs in the Middle East, with private healthcare growing fast in response to the needs of a rapidly expanding and ageing population, an increasing incidence of lifestyle-related medical conditions and service gaps in the current healthcare market.

SIGNIFICANT COST SYNERGIES

The close proximity of Mediclinic's operations in Dubai and the complementary nature of the two operations offer economies of scale through increased purchasing power, combining corporate functions and sharing operation teams, in addition to sharing knowledge and best practice across the Group.

GEOGRAPHIC DIVERSIFICATION

The Combination enhanced Mediclinic's well-balanced geographic portfolio across Southern Africa, Switzerland and the UAE, with exposure to the UK market through its minority stake in Spire Healthcare Group plc. The enlarged Mediclinic Middle East contributed 26% of the Group's underlying earnings for the period ended 31 March 2016.

FINANCIAL FLEXIBILITY

The Combination brings a primary listing on the Main Market of the London Stock Exchange and has been followed by inclusion in the FSTE 100 index. This will give Mediclinic access to a broader global investor base and new sources of capital at a lower cost.

3	350	684	29	2.0
HOSPITALS	BEDS	PHYSICIANS	CLINICS	MILLION OUTPATIENTS

FIVE-YEAR SUMMARY

	2016 £'m	2015 £'m	2014 £'m	2013 £'m	2012 £'m
INCOME STATEMENT					
Revenue	**2 107**	1 977	1 892	1 818	1 853
Operating profit	**288**	345	342	307	317
Profit after tax	**190**	254	223	(63)	125
Underlying revenue	**2 100**	1 977	1 892	1 829	1 853
Underlying EBITDA	**428**	403	401	390	393
Underlying earnings	**219**	193	189	143	102

	2016 pence	2015 pence	2014 pence	2013 pence	2012 pence
EARNINGS PER SHARE					
Basic earnings basis	**29.6**	44.6	41.4	(17.7)	26.3
Diluted earnings basis	**29.5**	43.8	40.5	(17.2)	25.3
Basic underlying earnings basis	**36.7**	35.8	37.3	30.9	26.0
Diluted underlying earnings basis	**36.7**	35.1	36.5	30.0	25.0
DIVIDENDS DECLARED PER SHARE	**7.90**	9.33	8.90	9.62	9.64

	2016 £'m	2015 £'m	2014 £'m	2013 £'m	2012 £'m
STATEMENTS OF FINANCIAL POSITION					
ASSETS					
Non-current assets	**5 604**	3 654	3 369	3 405	3 397
Current assets	**945**	742	638	630	656
Total assets	**6 549**	4 396	4 006	4 034	4 054
EQUITY					
Owners of the parent	**3 509**	1 779	1 390	1 223	824
Non-controlling interest	**61**	61	52	57	104
Total equity	**3 570**	1 840	1 442	1 280	928
LIABILITIES					
Non-current liabilities	**2 192**	2 114	2 096	2 324	2 656
Current liabilities	**787**	442	468	430	469
Total liabilities	**2 979**	2 556	2 564	2 754	3 126
Total equity and liabilities	**6 549**	4 396	4 006	4 034	4 054

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

- Assets and liabilities were translated at the closing sterling rates;
- Income and expenses were translated at average sterling exchange rates; and
- Differences resulting from retranslation have been recognised in the foreign currency translation reserve.

INVESTMENT CASE

DEFENSIVE INDUSTRY WITH POTENTIAL FOR LONG-TERM GROWTH

- Operating in a strongly defensive sector with demand relatively unaffected by economic cycles.
- Continued growth expected in demand for healthcare due to population growth, ageing population, consumerism, technological advancement, the burden of disease and government funding limitations.

STRONG TRACK RECORD

- Led by an experienced and proven Board and Management team with an average corporate level tenure of 20 years.
- Delivered stable and strong operational growth for almost three decades.
- Strong track record in selecting earnings-enhancing capital projects and ability to integrate and extract value from acquisitions.
- Long-term commitment since inception from Remgro, Mediclinic's largest shareholder.

INTERNATIONAL PRESENCE

- Well positioned as a trusted provider of hospital services in developing and developed markets: Southern Africa, Europe and Middle East.
- Significantly expanded presence in UAE through the Combination with Al Noor, providing leading operations in both Dubai and Abu Dhabi.
- Leading position in all the markets in which it operates (which excludes the UK).
- Geographic diversification mitigates country-specific risk.

PURE SERVICES PLAYER

- Long-term investor and manager of mostly acute care, specialist-orientated, multi-disciplinary hospitals and related outpatient facilities.
- Extensive property portfolio in prime real estate provides valuable operational flexibility and strong assets to underpin the business.

FURTHER GROWTH OPPORTUNITIES

- Significant experience in integrating and growing acquired assets.
- Committed to establishing centres of excellence and co-ordinated care initiatives, and expanding capacity via identified Greenfield projects.

COMMITMENT TO QUALITY CARE

- Sustainable, competitive advantage underpinned by continuous focus on patient safety, excellence in clinical performance and delivery of measurable, cost-effective care.

SUSTAINABILITY

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

BUSINESS MODEL

Our business model has resulted in consistent earnings growth, quality service delivery, manageable risks, and generally a business that sustains growth and value to all our stakeholders.

Our business model varies slightly in the three operating platforms. In Southern Africa our operations are supported by specialists who are not employed by the Group, but operate independently. This is a regulatory limitation in terms of the Health Professions Council of South Africa, which prohibits the employment of doctors by private hospitals, although permission has been obtained to appoint doctors in our emergency units. In Switzerland some of the supporting doctors are employed, while in the UAE the majority of the supporting doctors are employed.

OUR VISION

In line with our vision to be respected internationally and preferred locally, we are focused on creating long-term value for our stakeholders and establishing Mediclinic as a leader in the international healthcare industry.

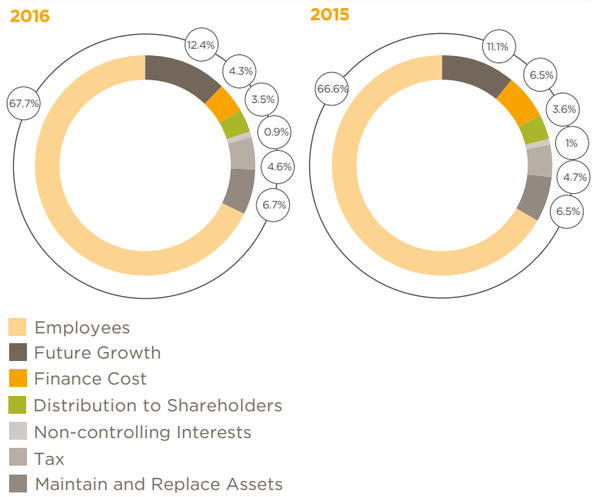
We will be respected internationally for:

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

We will be preferred locally for:

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

DISTRIBUTION OF VALUE



BUSINESS INPUTS/RESOURCES

Financial[3]
Mediclinic has a strong financial profile, underpinned by an extensive property portfolio. The Group has good access to capital and invests for growth, generating positive cash flow and a track record of good returns on its capital investments.

Manufactured[2]
Mediclinic has a leading position in the key markets in which it operates. The Group owns, develops and operates 73 high-quality hospitals and 45 clinics, providing over 10 400 beds across three regions, utilising technology of an international standard.

Human[1]
The Group employs over 32 800 permanent staff across its three platforms. During the year, the Group invested 3.6% of Mediclinic Southern Africa's payroll, 5.0% of Hirslanden's payroll and 0.3% of Mediclinic Middle East's payroll in training across all platforms, including extensive formal nurse training in Southern Africa.

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

Social and relationships[1]
Mediclinic has excellent relationships with key stakeholders, regularly engaging with employees, funders, patients, supporting doctors, suppliers, governments and communities. It has a proven commitment to ensure a high standard of ethics, social responsibility, accountability, cooperation and transparency.

Natural[1]
The Group is committed to efficient energy use in all its hospitals and continuously strives to reduce its water consumption and carbon emissions, with an increasing number of its hospitals certified to ISO 14001 standard.

1 *Please see the **Sustainable Development Report** available on the Company's website for further information.*
2 *Please see the Clinical Services Overview on pages 30 to 33 and the **Clinical Services Report** available on the Company's website for further information.*
3 *Please see the Financial Review on pages 55 to 59 of the Annual Report for further information.*

HOW WE GENERATE VALUE

INVESTING IN

Growth and expansion of the Group's world class facilities
The Group has a track record of investing in carefully selected capital projects that deliver satisfactory returns and has demonstrated the ability to integrate and extract value from acquisitions and expansions. Mediclinic builds and continuously improves its facilities across its platforms, investing in medical technology of an international standard to offer the best care possible.

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

Improving efficiencies
A relentless focus on extracting efficiencies from key business processes, using resources as effectively as possible and driving cost savings and synergies across the Group, are critical to ensure that we deliver value for money.

PROVIDING

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

DELIVERING VALUE TO

Patients
Through high-quality clinical outcomes, patient safety and integrated services.

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

BUSINESS OUTCOMES

Shareholder value
A focus on disciplined cost management and improving efficiencies has delivered a strong track record of growth in revenue and EBITDA with a final dividend to shareholders of 5.24 pence per share (refer to the Directors' Report on page 121 for a record of dividends for the year by the Company and Mediclinic International Limited prior to the Combination).

Quality healthcare services
All three platforms have seen an increase in inpatient admissions, benefiting from high quality clinical outcomes through the skill of Mediclinic's staff and supporting doctors and the standard of its facilities, generating high levels of patient satisfaction.

During the year, £264m (2015: £230m) was retained for future growth and to maintain and replace assets.

Highly skilled workforce
Over £934m (2015: £870m) was paid to employees as remuneration and other benefits, alongside investment in the training and well-being of staff, creating a motivated and engaged workforce, both in clinical and business services.

Government
The Mediclinic Group contributed over £63m (2015: £61m) in taxes and other state and local authority levies to the economies where it operates during the year.

Society
Mediclinic makes an economic and social contribution to the communities where it operates with a corporate social investment of R11.8m by Mediclinic Southern Africa, CHF2.5m by Hirslanden and AED0.8m by Mediclinic Middle East during the year. The Company was ranked joint first position in the 2015 Climate Performance Leadership Index, focusing mainly on Mediclinic Southern Africa's environmental management.

MARKET OVERVIEW

The global healthcare market is facing both challenges and opportunities. Spend is forecast to grow by 5.2% per annum to US$9.3 trillion by 2018[1], with growing populations and rising incomes increasing demand for healthcare services, whilst increasing longevity and chronic diseases are creating pressure on funding.

Cost is the biggest healthcare issue facing most countries as they try to align supply to demand. Targeted therapies, personalised medicine, genetic-based medicine, medical devices and other technology advances are delivering significant advances in patient care but driving up costs at the same time.

Healthcare providers are scaling up to address these opportunities and challenges, with consolidation becoming a key feature of the market to ensure access to technology and attract resources in an increasingly competitive market for highly qualified staff – especially doctors and nurses.

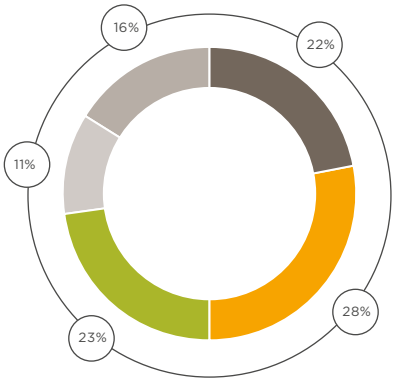
The global healthcare regulatory landscape is complex and evolving. The primary driver is patient health and safety, with government scrutiny varying widely from country to country. Patients are becoming more cost conscious and involved in healthcare decisions, with concerns about data security rising.

SOUTHERN AFRICA

MARKET SIZE

There are around 215 private hospitals in South Africa, with three major hospital groups accounting for 63% of private sector beds. The total number of private sector beds has increased steadily from 32 130 in 2010 to approximately 35 217 in 2014, constituting approximately 30% of the total number of beds in the country.

PRIVATE HOSPITAL BED MARKET SHARE (SOUTH AFRICA)



- Mediclinic Southern Africa
- Netcare
- Life Healthcare
- National Hospital Network
- Independent

Source: Econex estimate number of beds in 2014

Private health expenditure covers approximately 16.3% of the national population, representing around 4.2% of GDP. Around 8 785 048 people were insured by medical schemes in 2015[2].

MARKET STRUCTURE AND KEY DRIVERS OF GROWTH

Despite strong growth in the middle class, high levels of inequality remain a feature of South African society. Access and affordability of healthcare is the key challenge in a country characterised by slow economic growth, a low tax base, low levels of employment, high levels of poverty, a high burden of disease and an increased prevalence of chronic diseases.

Private healthcare funding in South Africa is principally provided through medical schemes and a consolidation in the medical schemes market over time has led to an increase in their bargaining power. Growth in the medical scheme market has slowed down in recent years with the number of new lives joining medical schemes decreasing from approximately 250 000 in 2010 (growth rate of 3.1%) to approximately 31 000 in 2014 (growth rate of 0.4 %[3]), and based on the latest quarterly report of the South African Council for Medical Schemes the total beneficiaries decreased by 0.3% from 31 December 2014 to 29 000 at 30 September 2015.

Care is fragmented with private hospitals providing patients with facilities such as wards, theatres and nursing care while doctors and allied healthcare professionals provide services to patients within the hospitals but are financially independent, making co-ordination of care sub-optimal.

There is a shortage of skilled resources in South Africa, where there are only 77.6 doctors per 100 000 lives, around half the world average of 152 per 100 000 lives[4] and approximately 403 nurses per 100 000 lives, which is lower than other developing countries. This is exacerbated by the high regard for South African medical professionals internationally; so, in addition to addressing the local skills shortage, South Africa has to compete with global demand for its medical staff.

REGULATORY ENVIRONMENT

The South African Government is seeking to address the shortcomings of the public health system through the phased introduction of a National Health Insurance system over the next 14 years. A White Paper outlining the financing and design of the envisaged system has been released for consultation and Mediclinic will be submitting comprehensive comments.

The South African Competition Commission is currently undertaking a market inquiry into the private healthcare sector in South Africa to both understand whether there are features of the sector

1 *Source: Deloitte 2015 Global healthcare outlook report*
2 *Source: Council for Medical Schemes Quarterly Report for the period ending 30 September 2015*
3 *Source: Council for Medical Schemes Annual Reports*
4 *Source: Econex calculations 2014*

that prevent, distort or restrict competition, and how competition in the sector can be promoted. The enquiry is due to publish its recommendations in December 2016.

SWITZERLAND

MARKET SIZE

In 2014 the Swiss healthcare market comprised 289 registered hospitals with about 1.4 million hospital visits and an average length of stay of nine days. About 40% of hospitals are in the private sector, providing about one-fifth of hospital services and employing approximately 20 000 people.

Switzerland spends around 11% of its GDP on healthcare costs, lying at second place in the ranking of OECD countries, with costs of healthcare rising to CHF71 billion in 2014. Approximately 32% of this is funded by the private sector.

MARKET STRUCTURE AND REGULATORY ENVIRONMENT

Switzerland is characterised by its federal structure with the federal government, the cantons and municipalities having different responsibilities. The healthcare sector is mainly regulated by the 26 cantons. They manage and supervise hospitals and ensure their funding in collaboration with the mandatory health insurance. Several experts criticise the multiple roles of the cantons stating that this makes it impossible for private and public hospitals to have equal opportunities and that private hospitals are at a competitive disadvantage. Hirslanden maintains a good dialogue with all relevant public authorities and is keen on having fair competition in the Swiss healthcare market.

KEY DRIVERS OF GROWTH

Switzerland has a very high life expectancy of around 83 years. The number of people over 65 years has been increasing in the last decades and will reach approximately 26% of the population by 2045. Parallel to that, the number of births has also shown a constant increase. In 2014 child births increased by 3% compared to 2013.

Diseases of the circulatory system and cancer are the most common causes of death in Switzerland at 33% and 25% respectively. In general, non-transferable chronic diseases, such as high blood pressure, diabetes and arthritis, are becoming more common.

UAE

MARKET SIZE

The market for private healthcare in the UAE reached US$10.7bn in 2015, with predicted growth rates of 12.7% CAGR to 2020 and the number of beds forecast to rise from 12 007 to 13 881 over the same period.

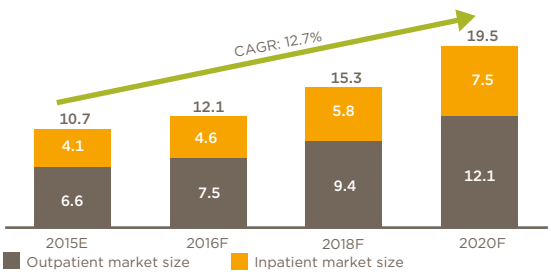
MARKET DRIVERS

The key drivers of growth are favourable demographic trends such as a continually growing population, with those aged over 65 years projected to increase by a CAGR of 19.6% from 2014–20 (Euromonitor International); a significant incidence of lifestyle diseases such as diabetes and heart disease; heightened levels of government spending on healthcare services; and broad penetration of private healthcare coverage. Although the UAE currently accounts for 26% of government spending on healthcare in the Gulf Cooperation Council (Alpen Capital), investment in healthcare could decline as a result of the lower oil price. However, this could benefit the private healthcare industry in the future as the government increasingly looks to the private sector for assistance to build a world-class healthcare system.

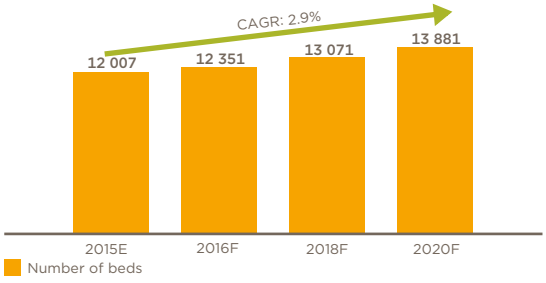
OPPORTUNITIES FOR MEDICLINIC

Mediclinic is well-positioned to respond to the market opportunities, with a strong presence in Africa and the Middle East – the regions that are expected to experience the highest growth levels of 8.7%[1] over 2014 to 2018. Its reputation for clinical excellence, combined with its size and scale allows the Group to attract and retain the talent that it needs to fuel its growth, to invest in the latest technology and to share best practice across its three platforms. High standards of compliance, ethics and transparency have been cornerstones of the way the Group operates over the last 30 years, underpinning its relationships with regulators, insurers and governments.

HEALTHCARE MARKET SIZE FORECAST (UAE)



FORECAST OF DEMAND FOR HOSPITAL BEDS (UAE)



E – Estimated F – Forecasted

Source: Alpen Capital GCC Healthcare Industry Report 2016

OUR STRATEGY, PROGRESS AND AIMS

OUR OBJECTIVE/GOAL

To provide superior clinical outcomes in a safe clinical environment, while continuously improving the general service experience for patients, in order to help maintain Mediclinic's leading positions in the markets in which it operates.

STRATEGIC PRIORITIES	DESCRIPTION	PROGRESS 2016	AIMS 2017
IMPROVE SAFE, QUALITY CLINICAL CARE AND PATIENT EXPERIENCE Focus on providing consistently high-quality care and an optimal patient experience across the Group More information on this priority is included in the **Sustainable Development Report** (material issue 1) available on the Company's website.	We provide a wide range of hospital-related clinical services throughout our operating platforms, and strive to ensure that the clinical services we provide are efficient, effective, appropriate, evidence-based and in line with modern technological advances. We will continue to focus on various initiatives across all three platforms (as adopted by the Mediclinic Group) with the aim of further improving the patient experience and to deliver integrated and co-ordinated patient-centred care in all facilities.	IMPROVE SAFE, QUALITY CLINICAL CARE • Adopted a centrally integrated clinical management structure thereby improving teamwork, implemented a clinical key performance indicator dashboard to enable improvement and appointed nursing specialists in *Southern Africa* • Reaffirmed the utilisation of the critical incident reporting system and adherence to policies and progressed with changing the approach from functional nursing to patient-centred nursing in *Switzerland* • Appointed a group patient safety officer, established a quality department, updated the patient safety strategy and implemented new clinical indicators and created a central repository in *Middle East* IMPROVE PATIENT EXPERIENCE • Introduced a standardised Patient Experience Index successfully in *Southern Africa* and *Middle East* and commenced a pilot phase in *Switzerland*	IMPROVE SAFE, QUALITY CLINICAL CARE • Continue to focus on various patient safety and clinical quality initiatives across the *Group* • Implement standardised clinical performance reports against targets and benchmarks across the *Group* IMPROVE PATIENT EXPERIENCE • Implement targeted improvement plans based on the Patient Experience Index in *Southern Africa* and *Middle East* • Implement the standardised Patient Experience Index in *Switzerland*
INVEST IN EMPLOYEES Invest in Mediclinic's employee base to continue to develop clinical competencies and address scarce skills More information on this priority is included in the **Sustainable Development Report** (material issue 2) available on the Company's website.	We continue to focus on identifying, attracting and retaining leading specialists and talented healthcare professionals at our facilities as the market competition for talent increases. We also deploy integrated talent strategies to ensure the proactive attraction of scarce skills in the areas of need as well as the retention of scarce skills in areas that have been identified as higher risk.	• Established a Global Reward Centre of Excellence to optimise reward practices across the *Group* • Introduced a standardised Employee Engagement Index successfully across the *Group* • Commenced with doubling training capacity by changing the nurse training funding model and expanding training capacity in *Southern Africa* • Increased training expenditure, in particular relating to specialist nurses, with approximately 980 apprenticeships and students, 85% of whom work in healthcare professions in *Switzerland* • Progressed with extensive Continuing Medical Education programme for clinical staff and established a new relationship with Mohamed Bin Rashid University of Medicine and Health Sciences, which will give direct access to a new pool of medical students and newly-qualified doctors in *Middle East*	• Implement targeted improvement plans based on the Employee Engagement Index across the *Group* • Integrate results of Patient Experience and Employee Engagement surveys to evaluate the impact of employee engagement improvement plans on patient experience across the *Group*
LEVERAGE INTERNATIONAL GROUP BENEFITS Continue to seek opportunities to leverage benefits of an international group More information on this priority is included in the Chief Executive Officer's Report.	We continuously look for opportunities to leverage our combined international capacity and resources to unlock synergies: namely procurement benefits from greater scale, the creation of a shared operations team in the Middle East and the combination of certain corporate functions. We promote collaboration, shared intellectual capital and resources between our platforms.	• Shared clinical skills across the *Group* • Commenced with harmonisation of systems through the introduction of SAP ERP across the *Group* • Generated savings on the procurement of major capital items and surgical and consumable products across the *Group* • Implemented initial master data management and international data warehouse projects across the *Group* • Continued collaboration between *Switzerland* and *Middle East* on centres of excellence such as Oncology and Obesity and with the inter-platform transfer of senior staff members to *Middle East*	• Continue to generate savings on the procurement of major capital items and surgical and consumable products where possible across the *Group* • Continue to standardise and centralise selective support processes across the *Group* • Continue with "Hirslanden 2020" project to improve operational efficiency in *Switzerland*

OUR STRATEGY, PROGRESS AND AIMS (continued)

STRATEGIC PRIORITIES	DESCRIPTION	PROGRESS 2016	AIMS 2017
CONTINUE TO GROW Grow via capacity and footprint expansion across the portfolio at attractive returns More information on this priority is included in the **Sustainable Development Report** (material issue 3) available on the Company's website.	We will continue to evaluate investment opportunities to grow our footprint beyond the existing operating platforms and regions that will add long-term value to shareholders; and will continue to make significant investments to grow capacity at each of the operating platforms. We are also pursuing opportunities and initiatives to improve occupancies of existing premises, expand existing facilities and acquire or create new facilities.	• Acquired a 29.9% interest in UK-based Spire Healthcare in August 2015 – growing the *Group* • Combined Al Noor Hospitals Group plc and Mediclinic International Limited in February 2016 – growing the *Group* • Commissioned two new day clinics, obtained six new day clinic licenses, commissioned 132 new beds (including the new day clinics) and acquired a controlling share in three hospitals with 256 beds in Klerksdorp (subject to conditions precedent) in *Southern Africa* • Commissioned an outpatient clinic with an integrated radiology institute in Düdingen in *Switzerland* • Acquired land to build a 188-bed hospital in Dubai, opened Mediclinic Al Hili in Al Ain and secured additional capacity at Mediclinic City Hospital in Dubai in *Middle East*	• Continue with expansion projects which should add 97 additional beds during 2016/17 in *Southern Africa* • Continue with several expansion projects, including more operating theatre capacity for both Hirslanden Klinik Stephanshorn and Hirslanden Klinik St. Anna, and an expanded emergency department for Hirslanden Klinik Im Park in *Switzerland* • Continue with several projects, including the opening of the Al Jowhara Hospital, the North Wing extension of Mediclinic City Hospital, plus the opening of the Khalifa A, Al Yaher, Ghayathi and Look Wow clinics in *Middle East*
IMPROVE EFFICIENCIES Improve efficiencies through standardisation, utilisation of group scale and use of data analytics More information on this priority is included in the **Sustainable Development Report** (material issue 3) available on the Company's website.	Due to the geographic spread of our operations, the potential of possible cost savings, less administration and improved efficiency, we have initiated international procurement initiatives with the aim of unlocking synergies and implementing standardisation for the greater benefit of the *Group*.	• Achieved significant savings on several surgical supplies and capital equipment following implementation of central procurement • Introduced direct importing and distribution of more cost-effective surgical and consumable products	• Enable growth with select key partners to strengthen our negotiating power • Identify further saving opportunities with international consolidated data comparisons and spend pattern analysis • Further integrate services where appropriate in local markets • Develop a wider range of clinical performance indicators
DELIVER INTEGRATED AND CO-ORDINATED CARE Further develop structures to encourage integrated and co-ordinated care across the Group More information on this priority is included in the **Clinical Services Report** available on the Company's website.	With the aim of ensuring that we deliver consistent cost-effective care and superior clinical outcomes at every facility, we have embarked on a number of projects to gradually move towards a better integrated clinical healthcare delivery model. The key focus area is to put the patient first through improved collaboration and co-ordination between the various clinical care providers in the clinical care process.	• Focused on closer collaboration with doctors, transparent sharing of information with funders and doctors and the appointment of Hospital Clinical Managers at a number of larger hospitals as well as collaborative pilot ventures with small groups of orthopaedic surgeons and obstetricians in *Southern Africa* • Published the conceptual model of a system provider in the national journal of doctors, and received positive feedback in *Switzerland* • Further developed the Breast and Metabolic Centres at Mediclinic City Hospital to streamline clinical processes and concluded clinical services planning for the new comprehensive Cancer Centre in *Middle East*	• Continue to develop structures to encourage integrated, collaborative and co-ordinated care across the *Group* • Continue with operational initiatives to integrate, collaborate and co-ordinate where possible and continue to pursue a multi-disciplinary approach to treatment across the *Group*

KEY PERFORMANCE INDICATORS

		2016	2015	% change
FINANCIAL				
Revenue	£'m	**2 107**	1 977	7%
EBITDA[1]	£'m	**382**	406	(6%)
Underlying EBITDA[1]	£'m	**428**	403	6%
Operating profit	£'m	**288**	345	(17%)
Earnings[2]	£'m	**177**	241	(27%)
Underlying earnings[1]	£'m	**219**	193	13%
Basic earnings per share	pence	**29.6**	44.6	(34%)
Underlying basic earnings per share[1]	pence	**36.7**	35.8	3%
Dividend per share	pence	**7.90**	9.33	(15%)
Net debt at the year end	£'m	**1 536**	1 353	14%
Capital expenditure on projects, new equipment and replacement of equipment	£'m	**186**	192	(3%)
Southern Africa	£'m	**52**	80	(35%)
Switzerland	£'m	**98**	95	3%
United Arab Emirates	£'m	**36**	17	112%

Notes:

[1] See the reconciliations between the statutory and the non-GAAP earning measures on pages 55 to 56.

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

The Al Noor acquisition has been classified as a reverse takeover in terms of IFRS 3. Since Mediclinic International Limited has been identified as the acquirer, the comparative figures are those of Mediclinic International Limited's 2015 Group results excluding Al Noor and are re-presented in pounds sterling. Al Noor's results have been consolidated from the effective date of the acquisition (15 February 2016).

Group results are subject to movements in foreign currency exchange rates. Refer to page 57 for exchange rates used to convert the operating platforms' results to pound sterling.

	2016	2015
OPERATIONAL		
Number of hospitals in operation	**73**	70
Southern Africa	**52**	52
Switzerland	**16**	16
United Arab Emirates	**5**	2
Number of clinics in operation	**45**	13
Southern Africa	**2**	0
Switzerland	**4**	3
United Arab Emirates (including Al Noor)	**39**	10
Number of licensed/registered beds (including day facility beds)	**10 415**	9 922
Southern Africa	**8 017**	7 885
Switzerland	**1 677**	1 655
United Arab Emirates (including Al Noor)	**721**	382
Number of licensed/registered theatres (including day facility theatres)	**387**	367
Southern Africa	**270**	269
Switzerland	**92**	88
United Arab Emirates (including Al Noor)	**25**	10

		2016	2015
SOCIAL, ENVIRONMENTAL AND OTHER			
Included in RobecoSam Dow Jones Sustainability Index		**Yes**	Yes
Number of employees		**32 884**	27 696
Southern Africa		**16 832**	16 522
Switzerland		**9 120**	8 749
United Arab Emirates (including Al Noor)		**6 932**	2 425
Staff turnover rate			
Southern Africa		**6.8%**	7.2%
Switzerland		**5.2%**	6.9%
United Arab Emirates		**12.4%**	11.7%
Training spend as approximate percentage of payroll			
Southern Africa		**3.6%**	3.0%
Switzerland		**5.0%**	5.0%
United Arab Emirates		**0.3%**	0.2%
Spent on corporate social investment			
Southern Africa	R'm	**11.8**	10.4
Switzerland	CHF'm	**2.5**	2.1
United Arab Emirates	AED'm	**0.8**	0.7
Transformation (South Africa only)			
BBBEE scorecard contributor level		**4**	4
Percentage black employees		**70.5%**	69.1%
Percentage black management employees		**25.7%**	25.8%
Ranking in CDP Climate Disclosure Leadership Index		**joint 1st**	joint 2nd
Total energy usage (gigajoules/bed day)		**1.652**	1.754
Southern Africa		**0.333**	0.331
Switzerland (per calendar year)		**0.477**	0.533
United Arab Emirates (hospitals only)		**0.842**	0.890

RISK MANAGEMENT, PRINCIPAL RISKS AND UNCERTAINTIES

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

RISK MANAGEMENT

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

The objective of risk management in the Group is to establish an integrated and effective risk management framework where important and emerging risks are identified, quantified and managed. An ERM software application supports the Group's risk management process in all three operating platforms. A robust assessment of the key risks in the Group culminates in the identification of the Group's principal risks, which are presented via the Audit and Risk Committee to the Board for consideration and approval.

The Group's principal risk items (grouped by COSO category and business process), the movement in risk during the financial year, together with key measures taken to mitigate these risks, are listed in the table on pages 24 to 26.

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KEY

REFERENCE	COSO CATEGORY	BUSINESS PROCESSES
1	Strategic and Market	Strategy Management; Strategic investments
2	Operational effectiveness and quality	Human resources; Information communication and technology; Clinical; Infrastructure; Marketing and corporate communication; Operations
3	Financial and reporting risks	Revenue cycle; Procure to pay cycle; Payroll cycle; Cost control; Assets management; Treasury
4	Compliance risks	Legal and secretarial; Governance risk and compliance; Environmental management
↑	Risk exposure has increased due to change in business environment, increased investments, increased dependency of operations on information technology, information sensitivity and cost involved.	
↓	Proactive and continuous monitoring, favourable results of negotiations, effective treasury and risk management processes have resulted in lowering of risk exposure.	
→	Risk exposure has not changed much as the operating and regulatory environment has more or less remained the same and enhanced risk mitigation measures have kept the risk at same level.	

PRINCIPAL RISK	MOVEMENT IN 2016	DESCRIPTION OF RISK	MITIGATION OF RISK
REGULATORY RISK 1 4	→	Adverse changes in laws and regulations impacting on the Group or the failure to comply with laws and regulations which may result in losses, fines, prosecution or damage to reputation. The risk also includes ethical and governance risks that refer to unexpected negative consequences of unethical actions or the failure of the control and oversight mechanisms which were designed and implemented to uphold the ethical standards and controls of the Group.	• Proactive engagement strategies with stakeholders • Health policy units created to conduct research and provide strategic input into reform processes • Active industry participation across all platforms • Company secretarial and/or legal departments support operational management, monitor regulatory developments and, where necessary, obtain expert legal advice for the effective implementation of compliance initiatives • Compliance risks identified and assessed as part of departmental risk registers • Visible ethical leadership • Monitoring and investigation of incidents reported on the Ethics Line • Board-level oversight

PRINCIPAL RISK	MOVEMENT IN 2016	DESCRIPTION OF RISK	MITIGATION OF RISK
COMPETITION 1	→	The risk relating to the uncertainty created by the existence of competitors or the emergence of new competitors with their own strategies.	• Proactive monitoring • Strategic planning processes • Quality and value of care processes
BUSINESS INVESTMENT AND ACQUISITION RISKS 1	↑	The increased financial exposure relating to major strategic business investments and acquisitions. During the last financial year, Mediclinic made strategic investments in Spire Healthcare, as well as acquired the Al Noor Hospitals Group.	• Strategic planning processes • Due diligence processes • Investment mandates • Board oversight • Post-acquisition management processes
ECONOMIC AND BUSINESS ENVIRONMENT 1	→	The downturn in the general economic and business environment, including all those factors that affect a Company's operations, customers, competitors, stakeholders, suppliers and industry trends. The business environment risk includes the power of funders and the potential negative impact on tariffs and fees resulting from the shift of the relative negotiating power towards funders, away from healthcare service providers.	• Systems to monitor developments in the economic and business environment of trends and early warning indicators • Proactive monitoring and negotiation by Group's Funder Relations Departments • Focus on quality and continuum of care to reinforce Company position
OPERATIONAL AND CREDIT RISKS 2 3	↓	Operational risk refers to various types of operational events with a potential for financial loss. Credit risk is the risk of loss due to a funder's inability to pay the outstanding balance owing, default by banks and/or other deposit-taking institutions, or the inability to recover outstanding amounts due from the patient.	• Preservation of a sound internal financial control environment • Effective risk management processes • Extensive combined assurance processes • Monitoring of operations through KPIs • Continuous enhancement of operational efficiency and cost reduction • Regulated minimum solvency requirements for funders • Monitoring of approved funders • Treasury policy • Board-level oversight
AVAILABILITY AND COST OF CAPITAL (Including financing and liquidity risk) 3	↓	The cost, terms and availability of capital to finance strategic expansion opportunities and/or the refinancing or restructuring of existing debt which has been affected by prevailing capital market conditions. The impact of negative interest rates currently prevalent in Switzerland.	• Long-term planning of capital requirements and cash-flow forecasting • Scrutiny of cash-generating capacity within the Group • Proactive and long-term agreements with banks and other funders relating to funding facilities • Monitoring of compliance with requirements of debt covenants • Further details on capital risk management and the Group's borrowings are contained in the annual financial statements

RISK MANAGEMENT, PRINCIPAL RISKS AND UNCERTAINTIES (continued)

PRINCIPAL RISK	MOVEMENT IN 2016	DESCRIPTION OF RISK	MITIGATION OF RISK
CLINICAL RISKS 1 2	→	All clinical risks associated with the provision of clinical care resulting in undesirable clinical care or clinical outcomes. The risks include a pandemic and disease outbreak: a pandemic is an epidemic of infectious disease that is spreading through human populations across a large region. Disease outbreak involves highly infectious diseases with a high mortality rate. Such risks may also result in damage to the Mediclinic brand equity. Brand equity refers to the value of the Group's brand names.	• Refer to the **Clinical Services Report** for a detailed analysis of the strategies to manage and monitor clinical risks • A Group-wide clinical risk register implemented per platform • Accreditation processes • Clinical governance processes • Monitoring of clinical performance indicators • Implementation of comprehensive processes for infection control and prevention • Marketing and communication strategies • Focus on quality management processes • Stakeholder engagement and disclosure strategies
INFORMATION SYSTEMS SECURITY AND AVAILABILITY RISK 2	↑	Information systems security risk (including cyber risk) relates to the unauthorised access to information systems, failure of data integrity and confidentiality. Availability risk relates to the instances where systems are not available for use by its intended users. A risk which is closely associated with Information Systems risk is project delivery. Project Delivery risk refers to issues or occurrences that may potentially interfere with successful completion of projects, including its scope, timeliness and appropriateness of delivery.	• Comprehensive IT logical access, change and physical access controls • Disaster recovery planning • System design and architecture • Group ICT Security Committee • Experienced project management team • Proactive monitoring and oversight • Reallocation of tasks and resources
QUALITY AND STABILITY OF OPERATIONAL SERVICES 2 3	→	The risk refers to the quality of service and the stability of the operations. It includes but is not limited to: • Incidents of poor service or incidents where operational management fails to respond effectively to complaints. • Operational interruptions which refer to any disruption of the facility and may include the threat of disrupted power or water supply. • Fire and allied perils causing damage or business interruption.	• Patient satisfaction surveys (both internal and external) • Complaints monitoring • Training programmes • Supervision of service levels • Emergency backup power generation • Emergency planning • Plans to deal with disasters • Extensive fire-fighting and detection systems, including comprehensive maintenance processes • Comprehensive insurance to deal with financial impact of potential disasters
AVAILABILITY, RECRUITMENT AND RETENTION OF SKILLED RESOURCES AND MEDICAL PRACTITIONERS 2 3	→	The availability and support of admitting doctors, whether independent or employed, are critical to the services the Group provides. There is a shortage of skilled labour, particularly a shortage of qualified and experienced nursing staff in Southern Africa.	• Monitoring of doctor satisfaction, movement and doctors' profiles • Details on the relationship with doctors provided in the **Sustainable Development Report**. • The employment, recruitment and retention strategies explained in the **Sustainable Development Report**. • Extensive training and skills development programme, and foreign recruitment programme, further explained in the **Sustainable Development Report**.

INTERNAL CONTROL

The Group upholds an effective control environment, including a comprehensive system of internal controls. These are designed to ensure that risks are mitigated and that the Group's objectives are attained. The system includes monitoring mechanisms and ensures that appropriate actions are taken to correct deficiencies when they are identified. Also included is a comprehensive system of financial reporting and forecasting. The Chief Financial Officer and Group Financial Manager oversee the internal controls relating to financial information and reporting, tax and treasury.

The Al Noor business operated its own system of internal controls which was being monitored for its effectiveness by the previous Al Noor Board's Audit and Risk Committee. Their system of internal control included a risk management function, a set of defined financial controls and an internal audit function. Formal integration projects are underway to fully integrate the Al Noor business with Mediclinic under the guidance of the Mediclinic Middle East leadership. The first phase, which included the implementation of new organisational structures and the implementation of Mediclinic policies, has been successfully completed. The next phases will include the development and integration of IT systems and related processes.

Each operating platform executed its assurance plans. These plans comprise various assurance processes, including internal and external audit processes, which are in place to evaluate the effectiveness of key controls designed to mitigate the principal risks identified in each operating platform.

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

Each of the operating platforms has, in addition to the abovementioned assurance processes, implemented further independent assurance processes with professional organisations which are summarised in the table on page 28.

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

EFFECTIVENESS OF RISK MANAGEMENT PROCESS AND SYSTEM OF INTERNAL CONTROL

The Board, via the Audit and Risk Committee, regularly receives reports on and considers the activities of the internal and external auditors of Mediclinic Southern Africa, Hirslanden and Mediclinic Middle East and the Group's risk management function. The Board, via the Audit and Risk Committee, is satisfied that there is an effective risk management process in place and that there were no significant failings or weaknesses identified in the system of internal control during the period under review within the Group.

RISK MANAGEMENT, PRINCIPAL RISKS AND UNCERTAINTIES (continued)

ASSURANCE OUTPUT*	BUSINESS PROCESSES ASSURED	PROVIDER
External calculation of carbon footprint based on carbon emissions data of Mediclinic Southern Africa	Carbon footprint calculation	Carbon Calculated
ISO 14001:2004 certification of 41 of Mediclinic Southern Africa's 52 hospitals	Environmental management system	British Standard Institute, as accredited by UKAS (United Kingdom Accreditation Service)
COHSASA accreditation of 30 of Mediclinic Southern Africa's 36 participating hospitals, with the remaining eight hospitals undergoing the renewal process	Quality standards of healthcare facilities	COHSASA (Council for Health Services Accreditation of Southern Africa), which is accredited by ISQua (the International Society for Quality in Health Care)
BBBEE Level 4 contributor verification	Broad-based black economic empowerment	Empowerdex
ISO 9001:2008 certification of 15 out of 16 Hirslanden hospitals and Hirslanden Corporate Office	Process and Quality management	Swiss Association for Quality and Management Systems (SQS)
Self-assessment against EFQM (European Foundation for Quality Management) Excellence Model by 15 out of 16 Hirslanden hospitals and Hirslanden Corporate Office	Assessment against the EFQM Excellence Model, a framework for organisational management systems aimed at promoting sustainable excellence within organisations	EFQM Excellence Model
ISO 14001:2015 certification of Hirslanden Klinik Belair	Environmental management system	Swiss Association for Quality and Management Systems (SQS)
JCI accreditation of both Mediclinic Middle East hospitals and accreditation of eight clinics in Dubai as well as accreditation of all three Al Noor hospitals	Quality and safety of patient care	Joint Commission International Accreditation (JCIA)
ISO 15189:2009 certification of the pathology laboratories of both Mediclinic Middle East hospitals and all five clinics with in-house laboratories	Pathology laboratories of both Mediclinic Middle East hospitals and five clinics	International Organization for Standardization (ISO)
College of American Pathologists (CAP) re-accreditation of the pathology laboratory of Mediclinic City Hospital	Pathology laboratory of Mediclinic City Hospital	College of American Pathologists

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

Key: *Mediclinic Southern Africa* *Hirslanden* *Mediclinic Middle East*

VIABILITY STATEMENT

In accordance with provision C.2.2 of the 2014 revision of the Code, the Board has made an assessment of the prospects of the Group over a period extending beyond the 12 months which is the focus of the 'Going Concern' basis of accounting.

The Board has adopted a three-year time frame for the assessment, as this is in line with the Group's loan facilities' refinancing period and the business planning period, including the financial forecasts. The assessment is consequently based on each of the operating platforms' business plans, which reflect the current Group strategies and their associated risks and the directors' best estimations of their future prospects. The Al Noor business, which is in the process of being integrated into the Mediclinic Middle East platform, was included in the sensitivity analysis and stress tested in the same manner as the other platforms as discussed further in this statement.

The Audit and Risk Committee monitors the Group's risk management process and system of internal control via a mandate from the Board (see page 109). The principal risks, as detailed on pages 24 to 26, were identified by these systems and, for the purposes of the viability assessment, severe but plausible scenarios reflecting these risks were identified for each of the Group's operating platforms to form the basis for stress testing.

The potential impact of each scenario was modelled on each operating platform's EBITDA, profit after tax, net debt and debt covenants over the three-year forecast period.

The key assumptions underlying the operating platforms' business plans that were flexed in the stress testing included:

- reductions in tariffs and fees;
- reductions in number of bed days sold;
- increased competition;
- the macro-economic and business environment;
- the shortage and availability of qualified and experienced nursing staff;
- the investment in Group initiatives not being successfully implemented;
- expansion projects not achieving projections and expectations;
- a larger increase in accounts receivable (debtor days) than expected; and
- a delay in the opening of new branches.

The Board considered the viability of the Group both in the context of the individual risks listed above and in combination.

This analysis showed that the business would be able to withstand any of the severe but plausible scenarios by taking management action in the normal course of business. The Directors therefore have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their detailed assessment, ending on 31 March 2019.

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

CLINICAL SERVICES OVERVIEW

INTRODUCTION

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

Mediclinic strives to ensure that the clinical services provided throughout the Group are efficient, effective, appropriate, evidence-based and in line with modern technological advances. To give our stakeholders some insight into our efforts in this regard, we have been publishing this report for many years. To get a better view of more of the information that we have available regarding this topic, we recommend that the full **Clinical Services Report** on our website should also be read. Interpreting and acting on this clinical information are regarded as essential for the Company to live its slogan of "Expertise you can trust." as well as for growing the Company.

During the year under review, the focus at Mediclinic Clinical Services has mainly been on improving safety and quality of care in support of the Mediclinic goal of "Patients First", and clinical services development in support of the Mediclinic goal of "Transforming from a facility to healthcare systems provider". Satisfactory progress has been made, and many of the initiatives will be continued in the new financial year.

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

CLINICAL PERFORMANCE HIGHLIGHTS AND CHALLENGES

- Mediclinic Southern Africa has improved its clinical outcomes in a number of areas. The APACHE®IV mortality index, measuring performance of critical care units, reduced from 1.45 in 2014 to 1.35 in 2015. Healthcare-associated infections ("**HAIs**") still remain one of the highest risks to patients and the rate of HAI reduced from 2.70 per 1 000 patient days in 2013 to 2.21 per 1 000 patient days in 2015 (**Figure 1**). Hand hygiene compliance is an important measure in the prevention of HAIs and has increased steadily over the last three years from 67% to 76% in 2015.

FIGURE 1: HEALTHCARE ASSOCIATED INFECTIONS – MEDICLINIC SOUTHERN AFRICA (2013 – 2015)

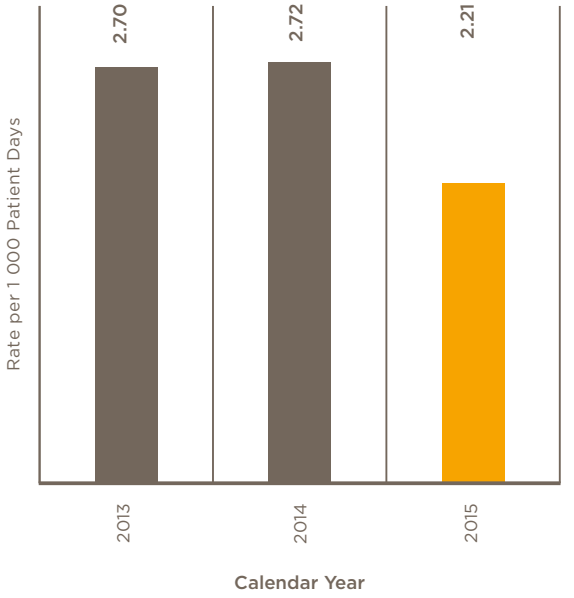
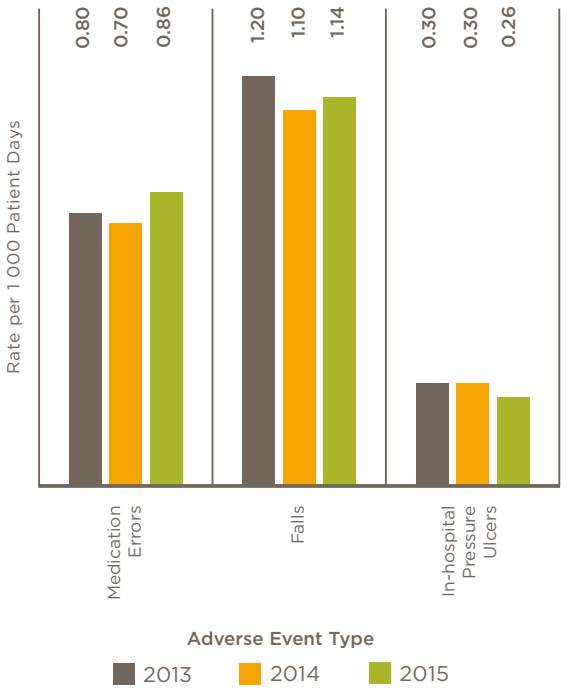


FIGURE 2: ADVERSE EVENTS – MEDICLINIC SOUTHERN AFRICA (2013 – 2015)



- An increase was seen in the rate of medication errors (0.70 per 1 000 patient days in 2014 to 0.86 per 1 000 patient days in 2015) and falls (1.10 per 1 000 patient days in 2014 to 1.14 per 1 000 patient days in 2015) (**Figure 2**). These measures are regarded as nursing-sensitive indicators and correlate with the general concerns regarding the number and skill of available nursing staff. The readmission rate and the extended length of stay rate have also shown an increasing trend over the last three years, from 7.3% to 7.7% and 10.28% to 10.81% respectively and are receiving attention.
- Hirslanden has the highest case mix in the Group reflecting the complexity of cases treated. However, clinical outcomes remain excellent as is demonstrated by low infection rates and other outcome measures. The fall rate decreased from 2.5 per 1 000 patient days in 2014 to 2.1 per 1 000 patient days in 2015. Pressure ulcers also decreased from 1.1 per 1 000 patient days to 1.0 per 1 000 patient days. Over the last three years the ventilator-associated pneumonia ("**VAP**") decreased from 5.6 per 1 000 device days to 4.3 per 1 000 device days (**Figure 3**). The Simplified Acute Physiology Score (SAPS) II mortality index remains well below the benchmark of 0.44 at 0.20. The unscheduled readmission rate also decreased from 1.44% in 2014 to 1.28% in 2015.
- The catheter-associated urinary tract infections ("**CAUTI**") showed a slight decrease when compared to 2014. Ventilator-associated pneumonias decreased slightly in 2015. However, the central line-associated bloodstream infections ("**CLABSI**") increased significantly in 2015. The trend was visible during the first half of the year. Action plans were implemented and the rate decreased in the second half of the year with further improvements expected. The measures that are reported for United Arab Emirates refer to the outcomes of the Dubai operations only. Al Noor indicators are in the process of being re-evaluated as part of a process to standardise all indicators in the combined group. Falls decreased from 0.5 per 1 000 patient days in 2014 to 0.3 per 1 000 patient days in 2015. Pressure ulcers also reduced from 0.6 per 1 000 patient days to 0.5 per 1 000 patient days while medication errors remained the same at 0.6 per 1 000 patient days (**Figure 4**). The HAI rate increased slightly from 1.5 per 1000 patient days in 2014 to 1.6 per 1 000 patient days in 2015. The rate of catheter-associated urinary tract infections decreased over the last three years from 0.9 per 1 000 device days to 0.3 per 1 000 device days. The rate of CLABSI remained the same as 2014 at 2.4 per 1 000 device days. The overall mortality rate remains low at 0.18%. The APACHE®IV mortality index is 0.42 and well below 1. The VAP rate has increased significantly from 3.8 per 1 000 device days to 7.6 per 1 000 device days. This is due to a marked increase at Mediclinic Welcare Hospital caring for more complex cases.

FIGURE 3: DEVICE–ASSOCIATED AND SURGICAL SITE INFECTIONS – HIRSLANDEN (2013 – 2015)

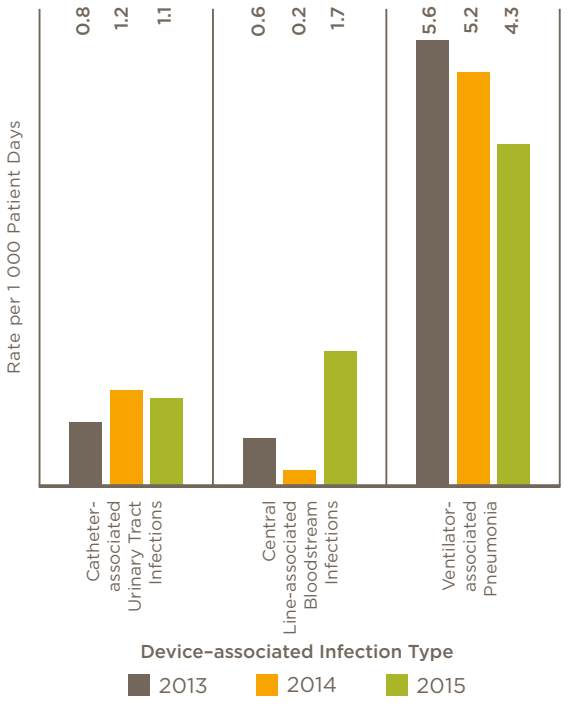
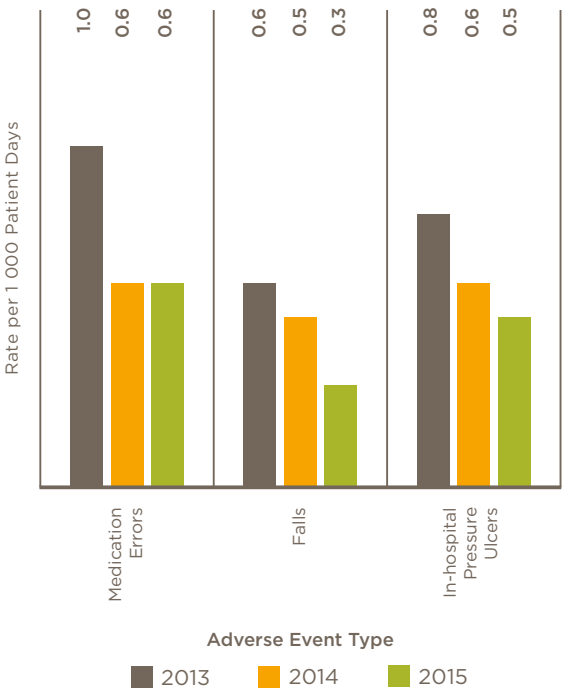


FIGURE 4: ADVERSE EVENTS – MEDICLINIC MIDDLE EAST (2013 – 2015)



CLINICAL SERVICES OVERVIEW (continued)

PROGRESS AGAINST CURRENT OBJECTIVES

"PATIENTS FIRST" AT MEDICLINIC

Mediclinic Southern Africa adopted a centrally integrated clinical management structure which resulted in improving teamwork. A clinical Key Performance Indicator ("**KPI**") dashboard, that visually displays statistical information to hospitals to enable management of performance and quality improvement initiatives, was developed and implemented. Nursing specialists have been appointed in critical care, theatre management, obstetrics and neonatology to centrally coordinate a number of projects aimed at improving clinical care in these areas.

Hirslanden reaffirmed the utilisation of its critical incident reporting system and adherence to policies. Audits on a number of indicators showed that data was accurate and appropriate action taken when areas in need of improvement were identified. A change in approach from functional nursing to patient-centred nursing has made good progress, which resulted in a new nursing skill and grade-mix pilot project.

Mediclinic Middle East appointed a group patient safety officer, established a quality department and updated its patient safety strategy. New clinical indicators were implemented, and a central repository created. Standardisation and improvement of clinical information and documentation made good progress, and the development of clinical KPIs for doctors is well underway. The clinical services departments of Mediclinic Middle East and Al Noor have been combined and initial steps were taken to integrate all activities.

TRANSFORM FROM AN INFRASTRUCTURE PROVIDER TO A HEALTHCARE SYSTEMS PROVIDER

Mediclinic Southern Africa focused on closer collaboration with doctors, transparent sharing of information with funders and doctors, and patient-centred care. Clinical managers were appointed at four larger hospitals, and early indications are that these positions contribute to improved patient safety and quality of care. Collaborative ventures with small groups of orthopaedic surgeons and obstetricians have been launched as pilot projects to improve clinical care and efficiency.

In 2015, Hirslanden published its conceptual model of a system provider in "Schweizerische Ärztezeitung", the national journal of doctors, and received positive feedback. Based on this model, the existing structures of anaesthesia, general internal medicine and accident & emergency are going to be improved and aligned.

An academic collaboration with Mohamed Bin Rashid University of Health Sciences has been signed to accredit Mediclinic Middle East as an external training facility for medical students. The current Breast and Metabolic centres at Mediclinic City Hospital underwent further development to streamline clinical processes, and clinical services planning for the new comprehensive cancer centre has been concluded.

CLINICAL INFORMATION SYSTEMS

Mediclinic Southern Africa embarked on a multi-year programme to transform from a paper-based system of clinical documentation to a clinical information system. The strategic objective is to add functionality incrementally, add business value continuously and limit expenses and risk to the business while allowing an agile approach. The first phase, which aims to collate information currently in disparate systems and ultimately deliver an Electronic Medical Record at point of care to view information, has been making satisfactory progress.

Hirslanden has been making good progress with its clinical information system project and maintains an emphasis on the importance of standardised processes in ensuring successful implementation.

Mediclinic Middle East has postponed its selection and implementation process of a new clinical health information system, as Al Noor has a similar need. A new combined process will be followed to select and implement a single solution for both businesses.

FUTURE OBJECTIVES

PATIENTS FIRST

Mediclinic Southern Africa will update its patient safety strategy, upscale nursing skills training in the areas of theatre, obstetrics and infection control, revise the current nursing management model, improve the measurement of clinical performance through various initiatives, share clinical information with doctors, and further reduce infection rates through various initiatives.

Hirslanden will review compliance with its patient safety strategy, audit patient safety at all hospitals, implement additional clinical indicators, and develop positive outcomes indicators.

Mediclinic Middle East will focus on the full integration of clinical services of the combined group, formulate a clinical strategy for the combined group, implement clinical KPIs for doctors, implement new clinical indicators, and implement a clinical indicator dashboard.

TRANSFORM FROM AN INFRASTRUCTURE PROVIDER TO A HEALTHCARE SYSTEMS PROVIDER

Mediclinic Southern Africa will appoint clinical managers at 10 additional hospitals and also implement selective clinical pathways led by doctors, and a new emergency medicine services model.

Hirslanden will start to define and evaluate the quality of treatment plans, develop a process to enable early recovery after orthopaedic surgery, and develop a common structure and model for all highly specialised medicine services.

Mediclinic Middle East will implement the new comprehensive cancer centre services and processes in the Mediclinic City Hospital North Wing, and develop clinical pathways as part of preparing for the implementation of Diagnosis Related Groups.

CLINICAL INFORMATION SYSTEMS

Mediclinic Southern Africa will conclude Phase 1 of its clinical information system project.

Hirslanden will define electronic documentation in its catheter laboratories and A&E departments, re-evaluate its radiology information system, and introduce medication source data in its clinical information system.

Mediclinic Middle East will follow a combined selection process in identifying an appropriate clinical information system for the combined group.

DIVISIONAL REVIEW – SOUTHERN AFRICA

Koert Pretorius

Chief Executive Officer: Mediclinic Southern Africa

CEO's statement

"We are pleased to report that Mediclinic Southern Africa achieved good operational and financial results for the period under review. We made significant progress towards improving patient safety, the quality of clinical care, and the quality of the patient experience. We further embedded our new operational structure and continued to focus on operational efficiency, whilst, at the same time, growing the business at existing hospitals as well as through an acquisition. The operating platform (the platform) also continued to address a number of matters in the wider business environment. For example, the South African Competition Commission's market inquiry into the private healthcare sector."

Koert Pretorius
Chief Executive Officer, Mediclinic Southern Africa

KEY STATISTICS

52 NUMBER OF HOSPITALS	2 NUMBER OF DAY CLINICS	8 017 NUMBER OF LICENSED BEDS
270 NUMBER OF THEATRES	16 832 NUMBER OF EMPLOYEES	

KEY FINANCIAL HIGHLIGHTS

During the period under review, Mediclinic Southern Africa delivered revenue growth of 9%. This was achieved through a 2.9% increase in bed days sold and a 6.3% increase in the average revenue per bed day. The number of patients admitted increased by 1.3%, while the average length of stay increased by 1.6%. Underlying EBITDA margin increased to 21.4%.

Mediclinic Southern Africa continued to invest in the business. During the period under review, the Southern African operations spent R758m (2015: R1 131m) on expansion capital projects and new equipment and R317m (2015: R306m) on the replacement of existing equipment.

KEY OPERATIONAL HIGHLIGHTS

The number of licensed hospital and day clinic beds increased from 7 885 to 8 017 during the period under review.

ACQUISITIONS

During the period under review, Mediclinic Southern Africa commenced with the acquisition of a controlling share in Matlosana Medical Health Services Proprietary Limited ("MMHS"), based in Klerksdorp in the North-West Province. Although substantially completed, this transaction remains subject to a number of conditions precedent.

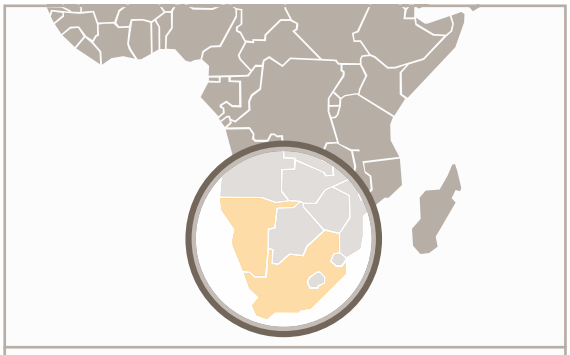
MMHS owns two multi-disciplinary hospitals, Wilmed Park Hospital (144 licensed beds) and Sunningdale Hospital (62 licensed beds), as well as a 51% share in Parkmed Neuro Clinic, a psychiatric hospital with 50 licensed beds. This proposed acquisition, pending final approval by the MMHS shareholders and the Competition Commission, supports Mediclinic's core focus of providing acute care, multi-disciplinary specialist hospital services.

BUILDING PROJECTS

Other highlights during the year include the completion of building projects at several hospitals and the commissioning of two day clinics in Polokwane and Durbanville. Altogether, this added 132 new beds. A new training centre was also commissioned in Polokwane during January 2016. Other building projects included various expansion and upgrade projects.

Building projects in progress, which should be completed during 2016/17, should add 97 additional beds. The number of licensed beds across the platform is therefore set to increase from 8 017 to 8 114 during the coming financial year.

Finally, several additional building projects are due for completion in 2017/18, which are set to add a further 402 beds.



R13 450m

+9%

REVENUE

R2 877m

+10%

UNDERLYING EBITDA

1 954 365

+2.9%

BED DAYS SOLD

+6.3%

AVERAGE REVENUE PER BED DAY

81.9%

PATIENT EXPERIENCE INDEX

3.67

EMPLOYEE ENGAGEMENT

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

DIVISIONAL REVIEW – SOUTHERN AFRICA (continued)

EFFICIENCY AND PATIENT CARE DEVELOPMENTS

Mediclinic Southern Africa progressed with several improvements to its core processes during the period under review.

For example, a new SAP solution for financial and central procurement processes was successfully embedded at the corporate offices, and the rollout to all Mediclinic Southern Africa hospitals will commence during 2016/17. In addition, a new Workforce Management solution was rolled out throughout Mediclinic Southern Africa, which is intended to improve employee time and attendance and scheduling processes, and is fully integrated with the platform's payroll and nursing forecasting systems.

The Press Ganey patient experience measurement index was also implemented across the platform, which allows us to objectively survey, evaluate and manage the improvement of the patient experience at all Mediclinic Southern Africa facilities. During the period under review, targeted action plans for improvement, specific to each of the facilities, were successful in improving the patient experience index steadily from 81.1% for 2014/15 to 81.9%.

In addition, the platform commenced with the implementation of the Gallup employee engagement management system. Based on the results of the first survey, Mediclinic Southern Africa is in the process of developing detailed plans to improve employee engagement at all levels throughout the Group.

MARKET OVERVIEW

The South African private healthcare market is well-established, well-equipped and has been growing steadily, although recently at a declining rate. The market offers incremental growth opportunities to expand existing hospitals, and establish new hospitals and day clinics. Challenges include lowering healthcare costs across the value chain in a fragmented market, whilst at the same time improving outcomes for patients, attracting and retaining qualified staff and investing in infrastructure and medical technology. Furthermore, the government is seeking to address the shortcomings of the public health system through the phased introduction of a National Health Insurance system.

Refer to the Market Overview section on pages 16 to 17 for more details.

SUSTAINABILITY

PEOPLE

The attraction and retention of high-quality medical professionals is fundamental to Mediclinic Southern Africa's sustainability. The platform therefore deploys integrated talent strategies to ensure that scarce skills can be attracted and retained, particularly in those areas with the highest demand and/or risk.

Mediclinic Southern Africa and the industry as a whole faces a shortage of trained nurses and, as a short-term measure, has been recruiting nurses from India. The longer-term solution is to increase local training; to this end, the platform plans to significantly increase its training capacity over the coming few years. Related achievements during the year include the relocation to a bigger site for the Learning Centre Limpopo, and the commissioning of a satellite campus in Pietermaritzburg for the Learning Centre Central Region.

Our training and development function is registered as a Private Higher Education Institution. It offers a Diploma in General Nursing Science and a Diploma in Operating Department Assistance (to deliver training of skilled healthcare personnel and sustain quality outcomes), and an Advanced Diploma in Health Services Management and Leadership (to equip managers with the relevant skills). More recently, we have obtained registration to offer a Diploma in Emergency Medical Care (aimed at providing skilled healthcare personnel for Emergency Medical Services), and the first cohort of learners commenced training in January 2016. Mediclinic Southern Africa also provides Enrolled Nursing programmes accredited by the South African Nursing Council.

A total of 776 learners completed undergraduate programmes and 34 learners completed postgraduate programmes during the 2015 academic year. A further 799 learners completed in-house structured training programmes.

We introduced a Mediclinic Leadership Academy in 2013, which focuses on the Group's culture and values to ensure sustainability. During the 2015 academic year, this academy has already been attended by 750 delegates.

Formal succession planning is a well-established process for Mediclinic Southern Africa, and the Talent Review Committee has established talent pools for relevant key positions. This provides an important foundation for development initiatives that will continue during the year ahead to ensure tailored development of our talent pools.

SOCIETY

To demonstrate its commitment to local society, the platform supports South Africa's National Department of Health with its Public Health Enhancement Fund. This joint initiative between the public and private sectors, aims to increase the availability and the skills of public sector medical personnel for the benefit of the people of South Africa. Mediclinic Southern Africa contributes 0.75% of its net profit after tax to this fund annually, which helps the country's government to expand the intake of medical students, support postgraduate students pursuing health-related studies, build additional capacity in the management of tuberculosis, HIV and AIDS, and provide support to the Leadership and Management Academy for Health.

The significant contribution made to this fund during the year (amounting to £0.5m) has, to a large extent, replaced the platform's funding of other corporate social investment contributions.

ENVIRONMENT

Mediclinic Southern Africa is committed to minimising its environmental impact and ensuring that its environmental management systems and practices are aligned with international best practice, based on the ISO 14001:2015 Specification for Environmental Management Systems. Its performance is assessed by the British Standards Institute.

As of the end of the period under review, 41 of Mediclinic Southern Africa's 52 hospitals were ISO 14001 certified. At the same time, all 52 hospitals had been ISO 14001-trained to follow consistent environmental management practices and were subject to annual internal audits. The new Mediclinic Midstream will be externally certified during the course of 2016/17.

In 2015, Mediclinic Southern Africa achieved joint first place ranking in the most recent Climate Disclosure Project's Leadership Index of the Top 100 companies on the JSE. This index focuses on climate change governance, risk management, performance, transparency, and data management.

OUTLOOK

As in the past, there remain many incremental growth opportunities in Southern Africa. Opportunities include the expansion of Mediclinic Southern Africa's existing hospitals, and the establishment of new hospitals and day clinics, as well as potential services relating to mental health.

At the same time, we are continuing to focus strategically on the value that we deliver to patients, by continuing to improve the safety and quality of its clinical care, the quality of the patient experience, and opportunities to improve operational efficiency. The platform will also continue to focus on opportunities to develop an integrated Southern African private healthcare delivery model for the future.

We believe that we are well-positioned to address various other challenges in the business environment, for example those relating to the regulatory environment and the continuing skills shortages.

Overall, the platform remains optimistic about the future of Mediclinic Southern Africa.

DIVISIONAL REVIEW – SWITZERLAND

Ole Wiesinger

Chief Executive Officer: Hirslanden

CEO's statement

"For Hirslanden, the 2015/16 financial year was characterised by further growth of the core business alongside the continued implementation of standardised, platform-wide structures and processes. The opening of our fourth outpatient clinic in Düdingen (in the canton of Fribourg) alongside our new radiology institutes, reinforce Hirslanden's role as the largest medical network in Switzerland. With an unconditional focus on medical quality and patient satisfaction, as well as an improved efficiency through consistent structures and processes, patient benefits are at the core of Hirslanden's approach.

Looking forward, the public policy environment creates a number of uncertainties. For example, any changes to immigration policy could have an impact on our employment practices and we continue to engage with the authorities on matters such as the planning of highly specialised medicine (HSM). We are conscious that the rate of growth in patients with basic insurance has slowed; however, we are confident of achieving stable growth and will remain a source of clinical excellence for the wider Mediclinic Group."

Dr Ole Wiesinger
Chief Executive Officer, Hirslanden

KEY STATISTICS

16 NUMBER OF HOSPITALS	4 NUMBER OF CLINICS	1 677 NUMBER OF BEDS
92 NUMBER OF THEATRES	9 120 NUMBER OF EMPLOYEES	

KEY FINANCIAL HIGHLIGHTS

Hirslanden delivered revenue growth of 6% to CHF1 657m during the period under review. This resulted in an underlying EBITDA of CHF325m compared to CHF303m in the previous year, with the underlying EBITDA margin increasing from 19.4% to 19.7%.

This strong performance was driven by 5.4% growth in inpatient admissions. Although the average length of stay reduced slightly, the average revenue per case nonetheless increased by 0.5%. In addition, a number of productivity measures and cost savings implemented during the year contributed to the improved EBITDA margin.

Importantly, Hirslanden continued to invest in the business. This included CHF68m (2015: CHF72m) on capital projects and new equipment, CHF76m (2015: CHF70m) on replacing existing equipment, and CHF38m (2015: CHF38m) on repairing and maintaining property and equipment, which was accounted for in the financial year.

KEY OPERATIONAL HIGHLIGHTS

The number of inpatient beds increased from 1 655 to 1 677 during the period under review, mainly due to the opening of new bed wards at Hirslanden Klinik Stephanshorn and Hirslanden Klinik Aarau.

NEW SITES AND FACILITIES

During the year, Hirslanden did not acquire any new hospitals but did open several significant new sites. In August 2015, for example, Hirslanden Lausanne inaugurated its new 600m² radiology institute, the Institut de radiologie de l'ouest lausannois (IROL), enabling patients to benefit from new state-of-the-art medical equipment like a 3T MRI scanner and a 128-layer computed tomography machine. In November 2015, Hirslanden Clinique Cecil in Lausanne opened a new hybrid operating theatre and an outpatient surgery unit. Combined with the January 2016 opening of the new Praxiszentrum Düdingen (outpatient clinic) with an integrated radiology institute in the canton of Fribourg, Hirslanden now operates four outpatient clinics and 13 radiology institutes, and is represented in 12 cantons.

Alongside these major new sites, Hirslanden also completed a number of other important development projects, including:

- a new doctors offices' and a new radiology department for Hirslanden Klinik Birshof in June 2015;
- a new ophthalmology operating theatre for Hirslanden Clinique Bois-Cerf in August 2015;
- a new maternity ward for Hirslanden Andreas Klinik in November 2015; and
- an enlarged emergency department, intensive care unit and heart catheter laboratory for Hirslanden Klinik Aarau in January 2016.

CHF1 657m

+6%

REVENUE

CHF325m

+7%

UNDERLYING EBITDA

469 167

+3.4%

BED DAYS SOLD

+0.5%

AVERAGE INCOME PER BED DAY

94%

PATIENT SATISFACTION

3.85

EMPLOYEE ENGAGEMENT

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

DIVISIONAL REVIEW – SWITZERLAND (continued)

Throughout 2015/16, Hirslanden made a number of notable investments in new medical equipment and technology. Highlights include: two new state-of-the-art linear accelerators at Hirslanden Klinik Aarau and Klinik Hirslanden; a new O-arm® Surgical Imaging system at Hirslanden Clinique La Colline; further MRI scanners at Hirslanden Clinique Bois-Cerf and Hirslanden Klinik St. Anna; and an additional CT scanner at Klinik Hirslanden.

Meanwhile, building work commenced on several ongoing expansion projects, including more operating theatre capacity for both Hirslanden Klinik Stephanshorn and Hirslanden Klinik St. Anna, and an expanded emergency department for Hirslanden Klinik Im Park.

EFFICIENCY IMPROVEMENTS

The ongoing strategic programme, Hirslanden 2020, is intended to increase the efficiency of all Hirslanden hospitals and establish consistent processes throughout the platform. This focuses on various critical paths or journeys, such as patient registration through to payment, or employee recruitment through to resignation, and seeks to introduce related process improvements.

During 2015/16, various IT process improvements were identified, which are due for implementation within the corporate headquarters and at Hirslanden hospitals. The aim is to establish a consistent, group-wide business model with streamlined IT systems and organisational structures.

MARKET OVERVIEW

The Swiss private healthcare market is one of the best-funded in the developed world and continues to grow steadily. Hirslanden is the largest medical network and the largest private hospital group in Switzerland, and works effectively within a high-quality healthcare system where the population enjoys freedom of choice and high-quality services in both the public and private sector. Challenges include working within an environment regulated by 26 cantons that supervise and manage hospitals and ensure their funding in collaboration with the mandatory health insurance (see the Market Overview section on page 17 for more details).

SUSTAINABILITY

QUALITY MANAGEMENT

The quality management system followed at Hirslanden is based on the ISO 9001:2008 standard, against which 15 of the platform's 16 hospitals are certified (the remaining hospital, Hirslanden Clinique La Colline, is due to be certified in 2016). Through this process, all Hirslanden hospitals and operations follow the "Business Excellence" model set out by the European Foundation for Quality Management.

Hirslanden's hospitals are also participating in an international Quality Medicine Initiative (Austria, Germany and Switzerland). Through this initiative, each participating hospital publishes a series of quality performance indicators, which may be supplemented by external peer reviews. Hirslanden also participates in the National Association for Quality Development in Clinics and Hospitals. In combination, these initiatives demonstrate that Hirslanden works to the highest quality standards.

PEOPLE

The recruitment of nursing staff, especially in specialised nursing, is a major challenge for all Swiss hospitals. For this reason, Hirslanden is committed to the further training and education of specialist nurses, implements professional recruitment practices and offers attractive working conditions and career opportunities.

Hirslanden also provides a range of training programmes for all types and levels of employment. For example: during 2015/16 more than 1 000 apprentices received formal training (federal certificate, higher college, college or graduate students) across 30 professions, mainly as healthcare professionals. Hirslanden's leadership talent management process aims to improve the identification of leadership potential and develop leadership skills; and the platform's in-house leadership and management courses were attended by 385 management employees (up from 326 in 2014/15).

ENVIRONMENT

The continuous improvement of Hirslanden's environmental performance is evidence of the platform's commitment to responsible and sustainable business. For example, all Hirslanden hospitals have been supplied with 100% sustainable electricity since the start of 2014. And, in order to be even more disciplined in environmental management, the Hirslanden Executive Committee has defined guidelines that cover issues ranging from training and construction measures to the choice of suppliers.

During 2015/16, a structured environmental management pilot project was conducted at Hirslanden Klinik Belair, and has been successfully integrated into the hospital's ISO 14001:2015 quality management certification. Lessons learnt from this initiative will be applied to other Hirslanden hospitals.

OUTLOOK

One of the most significant trends in the Swiss healthcare market is the ongoing shift of basic medical treatments from the inpatient to the outpatient sector. As a result, total costs in the outpatient sector are seeing a significant increase and currently stand at around CHF24.9 billion. It is important for Hirslanden to continue to respond to this trend, with the opening of new outpatient clinics and the creation of an integrated medical network that facilitates the access to healthcare for patients – especially because outpatient clinics are a well-established route for the subsequent allocation of patients to hospitals and specialists.

In response to this, the establishment of outpatient clinics as well as outpatient surgery units is now part of the Hirslanden 2020 strategic programme. This programme, which came into full force in 2015/16, has two main goals: to increase the efficiency of the existing business by implementing consistent systems and processes, and to develop new areas of business, such as outpatient facilities. In a fast-changing environment it is important for Hirslanden to realise potential synergies by integrating all hospitals and clinics within an overarching system of standardised structures with a consistent business model.

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

DIVISIONAL REVIEW – UAE

David Hadley

Chief Executive Officer, Mediclinic Middle East

CEO's statement

"Mediclinic Middle East continued to perform in line with expectations, despite the weaker economic conditions brought about by the continued decline in oil prices. We are satisfied with the performance of the hospitals in particular, which have produced good results irrespective of significant new direct competitive activity and increased regulatory reform. Going forward, the Combination with the Al Noor Hospitals Group offers significant new opportunities. The integration process is well underway, and we look forward to this exciting next phase of development for Mediclinic Middle East."

David Hadley
Chief Executive Officer, Mediclinic Middle East

KEY STATISTICS

MCME:	2 NUMBER OF HOSPITALS	10 NUMBER OF CLINICS	371 NUMBER OF INPATIENT BEDS
	12 NUMBER OF THEATRES	2 507 NUMBER OF EMPLOYEES	
AL NOOR:	3 NUMBER OF HOSPITALS	29 NUMBER OF CLINICS	350 NUMBER OF INPATIENT BEDS
	13 NUMBER OF THEATRES	4 425 NUMBER OF EMPLOYEES	

KEY FINANCIAL HIGHLIGHTS

Mediclinic Middle East achieved an 8% growth in revenue to AED1 544m in 2015/16 (excluding AED258.7m which was contributed by Al Noor for the 46 trading days since the Combination), compared to AED1 430m in the previous year. This resulted in an 11% increase in EBITDA of AED345m (2015: AED312m) (excluding AED40m which was contributed by Al Noor), and an underlying EBITDA margin of 22.3% (2015: 21.8%).

This strong performance was driven through 6% growth in clinic outpatient attendance and 2% growth in hospital outpatient attendance, backed up by 3% growth in hospital inpatient admissions, and 6% growth in bed days sold. At the same time, the average hospital inpatient revenue per bed day grew by 2.3%. All of this is a direct reflection of the more acute and specialised inpatient procedures being performed across the platform.

KEY OPERATIONAL HIGHLIGHTS

The main operational highlight of 2015/16 was the successful Combination of Mediclinic International with the Abu Dhabi-based Al Noor Hospitals Group. This positions Mediclinic as a clear leader in the UAE private healthcare sector with complementary coverage across Dubai and Abu Dhabi, enhancing the platform's geographic presence in this attractive growth market.

Following the completion of the Combination in mid-February 2016, a senior leadership team was selected to take the combined company forward.

Another key highlight was the opening of the new Mediclinic Al Hili facility in Al Ain, as well as progress towards the completion of several new projects scheduled for 2016/17, all of which will further increase Mediclinic's presence in the UAE. These include the opening of the Al Jowhara Hospital, the North Wing extension of Mediclinic City Hospital, plus the opening of the Khalifa A, Al Yaher, Ghayathi and Look Wow clinics. Work is also underway on the second hospital at Airport Road as well as the Mediclinic Parkview Hospital, both of which are due to be completed in 2019.

Efficiency savings were another clear theme. For example, our status as an international Group brought many procurement savings, the planned centralisation of laboratory services will bring further efficiencies and, over time, we believe the integration of Mediclinic and Al Noor will bring considerable synergies.

AED1 544m

+8%

REVENUE

AED345m

+11%

EBITDA

76 021

+6%

BED DAYS SOLD

+2.3%

AVERAGE INCOME PER BED DAY

80.3%

PATIENT EXPERIENCE INDEX

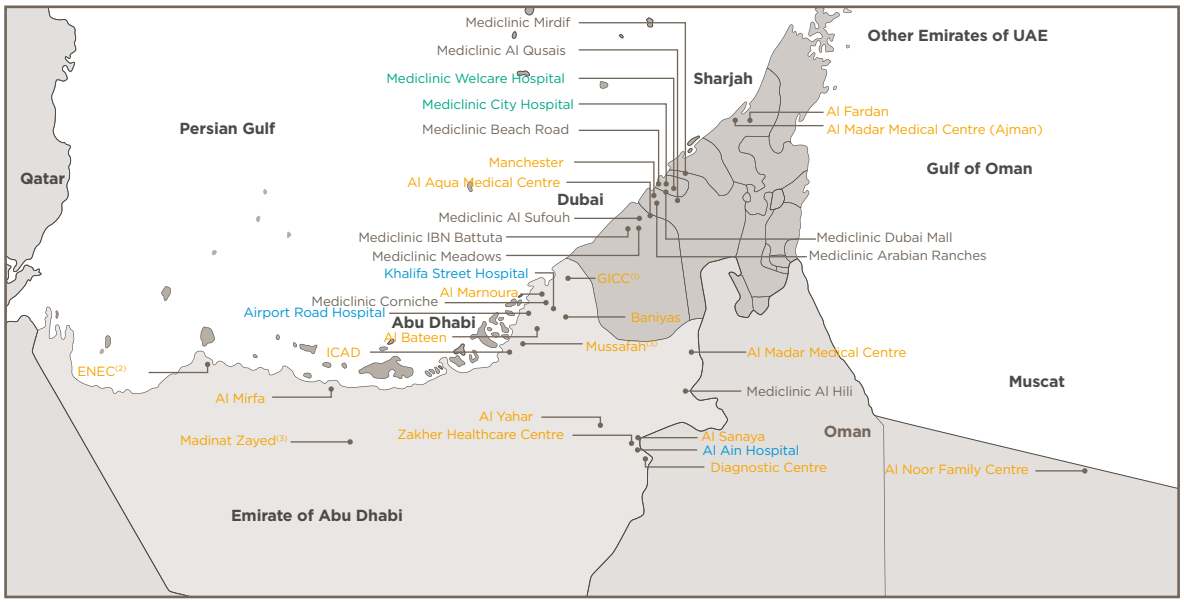
3.75

EMPLOYEE ENGAGEMENT

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

DIVISIONAL REVIEW – UAE (continued)

COMBINED PLATFORM CREATES A CLEAR LEADER, WITH UNRIVALLED COVERAGE ACROSS THE UAE



Notes:
1. Gulf International Cancer Centre
2. Emirates Nuclear Energy Corporation
3. Mussafah and Madinat Zayed include two clinics each.

Al Noor Clinics
Al Noor Hospitals
Mediclinic Clinics
Mediclinic Hospitals

MARKET OVERVIEW

Although the region faces a low oil price environment and softening of consumer sentiment, the Middle East remains a growth market, where the Combination of Mediclinic International and the Al Noor Hospitals Group has created a clear leader in the UAE private healthcare sector.

Opportunities include the provision of services for a growing and ageing population, which is facing an increased incidence of lifestyle-related medical conditions, in a region where governments are seeking to diversify their economies away from dependence on oil revenues. Meanwhile, key challenges include any further softening of the region's economy, changes to the regulatory environment, the rising cost of healthcare, and increased competition with the arrival of new international entrants (see the Market Overview section on page 17 for more details).

SUSTAINABILITY

PATIENT EXPERIENCE

Delivering a seamless, high-quality patient experience is key to the success of Mediclinic Middle East's business. The increase in inpatient admissions and outpatient attendance is an indication that the platform has secured patient trust. Meanwhile, the first full-year results of the Press Ganey patient survey show that Mediclinic Middle East is delivering a good patient experience, with inpatient satisfaction at 80.3% and outpatient satisfaction at 79.9%. Significant opportunities for improvement do exist, however, and strategies for improvement of the patient experience are a focus for 2016/17. The Press Ganey survey will also be extended to all Al Noor facilities.

The platform seeks to communicate with patients through many channels to ensure that information is relayed quickly, accurately and at the convenience of the patient or prospective patient. These channels include free health checks, seminars and talks, and the positioning of Mediclinic Middle East doctors as figures of authority through media appearances and social media. Mediclinic Middle East's Facebook pages also achieved 86% growth in follower numbers during 2015/16.

PEOPLE

The UAE remains an attractive employment destination, although high inflation does put pressure on salaries. During 2015/16, Mediclinic Middle East again secured an increase in employee numbers in Dubai, with 3% growth. Meanwhile the Combination with Al Noor brought an additional 4 425 employees to the platform, taking total staff numbers to 6 932. We look to attract and retain the very best professionals with market-related salaries and benefits, including life insurance and permanent disability benefits, comprehensive training, open communication and sound management practices.

Mediclinic Middle East continued to organise medical education sessions, both at an individual facility level and at a corporate level, for its employed and community-based doctors. This scheme is extremely popular with our doctors and is a key component of our retention strategy.

COMMUNITY

Mediclinic Middle East is involved in various social and charitable community activities, which support healthcare, welfare, education and sport. The platform contributed AED814 000 (AED740 000 in 2014/5) on event sponsorship and charitable activities during 2015/16, including AED427 000 on medical services for the Al Jalila Foundation (an initiative set up by the Ruler of Dubai to support underprivileged children). Corporate social investment initiatives run by the platform included charity campaigns using Facebook, free health screenings, health talks and awareness campaigns on particular health topics.

Whilst individual units work at a local level to support their chosen causes, at a corporate level Mediclinic Middle East takes part in major community events such as World Health Day, World Heart Day and World Diabetes Day, with free health check-ups for the general public at locations across Dubai.

Mediclinic has budgeted AED445 000 for community initiatives in 2016/17, with an additional AED750 000 in services as part of its partnership with the Al Jalila Foundation.

ENVIRONMENT

Mediclinic Middle East is aware of its environmental responsibilities and undertakes significant efforts to minimise the effects of its operations on the environment. New projects have been designed to incorporate the latest environmental technology, making use of solar panels for the heating of water and electricity generation and sustainable materials, which have minimal impact on the environment, are being used wherever possible.

OUTLOOK

The economic outlook for the UAE is mixed, with its fortunes linked fundamentally to issues such as the oil price and US economic policy, which affects the strength of the dollar to which the UAE dirham is linked. Despite this, the next financial year for Mediclinic Middle East promises to be both challenging and rewarding as the integration with the Al Noor Hospital Group continues. Key focus areas are the implementation of an inclusive and effective business strategy for the combined group, finalisation of a comprehensive ICT strategy, further improvement of the patient experience, standardisation of doctor remuneration and rewards, identification of further operational efficiencies, the development of a tariff strategy in Abu Dhabi, and the delivery of new projects already underway.

Mediclinic City Hospital's North Wing project is due to open in the second half of 2016/17 and, with it, the comprehensive cancer centre that is being developed in association with Hirslanden. The possibility of expansion in Abu Dhabi's Western region will also be explored.

Meanwhile, preparations will continue for the introduction of DRGs (diagnostic-related groupings), and the platform will maintain dialogue with government authorities on regulatory changes within the UAE healthcare sector.

SUSTAINABLE DEVELOPMENT HIGHLIGHTS

INTRODUCTION

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

STAKEHOLDER ENGAGEMENT AND MATERIAL ISSUES

Mediclinic recognises its accountability to its stakeholders and is committed to effective and regular engagement with them, and to publicly report on its sustainability performance. Mediclinic's key stakeholders are those groups that have a material impact on, or are materially impacted by, Mediclinic and our operations.

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

In order to focus our reporting on material issues, the Group undertook a materiality assessment in 2014, which is reviewed annually to identify those sustainable development issues which are most significant for the business, and directly affect the Group's ability to create value for our key stakeholders. The guidance on determining materiality contained in the GRI G4 Sustainability Reporting Guidelines and the International Integrated Reporting Framework was used during the materiality assessment. The process was also informed by the views, concerns and expectations of our key stakeholders: patients, doctors, employees and trade unions, suppliers, healthcare funders, government and authorities, industry associations, investors, community and the media.

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

Our five material issues, as identified in our materiality assessment process, are:

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

This report provides an overview of each of the five material issues. More detailed information on our stakeholder engagement, material issues and sustainability performance is included in the **Sustainable Development Report** and the **GRI G4 Disclosure Index** available on the Company's website at **www.mediclinic.com**.

SDR

FIGURE 1: MATERIALITY ASSESSMENT MATRIX

MATERIAL ISSUE 1: PROVIDE QUALITY HEALTHCARE SERVICES

KPIs

MORTALITY* (per calendar year)

Southern Africa	**1.02** inpatient mortality index (2014: 1.04)	↓
Switzerland	**1.01%** inpatient mortality rate (2014: 0.93%)	↑
UAE	**0.18%** inpatient mortality rate (2014: 0.16%)	↑

* *Whilst Mediclinic Southern Africa reports a mortality index, Hirslanden and Mediclinic Middle East report on the unadjusted mortality rate and not the standardised mortality Index. Further, the results of the platforms are not directly comparable as the platforms differ significantly on the scope of services provided, burden of disease, units of measurement and definition of indicators.*

FALL RATE* (per 1 000 patient days) (per calendar year)

Southern Africa	**1.14** (2014: 1.10)	↑
Switzerland	**2.1** (2014: 2.5)	↓
UAE	**0.3** (2014: 0.5)	↓

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

RE-ADMISSION RATES* (per calendar year)

Southern Africa	**7.7** 30-day re-admission rate (all causes) (2014: 7.5)	↑
Switzerland	**1.28** 15-day unscheduled re-admission rate (2014: 1.44)	↓
UAE	**1.3** 30-day related re-admission rate (2014: 1.7)	↓

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

HIGHLIGHTS

- Strong clinical governance programme in place to measure clinical performance
- New Patient Experience Index rolled out to improve the patient experience
- Continued with significant capital investments across all platforms
- Centralised procurement initiatives gaining momentum to achieve cost savings

PATIENT SAFETY, QUALITY CARE AND CLINICAL OUTCOMES

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

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

Key patient safety indicators are monitored across our operations. Patient safety surveys are regularly undertaken to measure and identify areas for improvement. All management members are trained in the basic principles of patient safety and quality improvement. Patient safety officers have been appointed on all platforms to lead the patient safety initiative.

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

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

SUSTAINABLE DEVELOPMENT HIGHLIGHTS (continued)

PATIENT SATISFACTION AND EXPERIENCE*

Southern Africa	**82%** (2015: 81%)	↑
Switzerland*	**94%** (2015: 92%)	↓
UAE	**80%** (2015: 81%)	↓

* *The results of Hirslanden are not comparable with the results of Mediclinic Southern Africa and Mediclinic Middle East as the standardised Patient Experience Index has not been rolled out to Hirslanden. The results of Hirslanden are based on the ANQ (the Swiss National Association for Quality Development satisfaction survey.*

CAPITAL INVESTMENTS ON PROJECTS, NEW EQUIPMENT AND REPLACEMENT OF EQUIPMENT

Southern Africa	**R1 075m** (2015: R1 437m)	↓
Switzerland*	**CHF144m** (2015: CHF142m)	↑
UAE	**AED203m** (2015: AED100m)	↑

PATIENT SATISFACTION AND EXPERIENCE

In line with our "patients first" ethos, and to ensure operational excellence across all platforms, we monitor our patients' experience across the Group.

In 2014, the Group created a single, standardised Patient Experience Index ("**PEI**") with the objective of achieving incremental and sustainable improvement in patient experience over time. This is managed by Press Ganey, an internationally recognised patient experience measurement and management agency. The index has been implemented in Mediclinic Southern Africa and Mediclinic Middle East since October 2014, and will be rolled out across Hirslanden and Al Noor in the course of the year ahead. Since implementation of the PEI, we have improved our survey response rates and implementation of follow-up actions as follows:

- More than 30 000 surveys received to date
- More than 450 training interventions
- 80% of e-surveys are completed within the first week
- Average e-survey response rate is 21%
- Average e-mail capturing rate on admission is 64%. This has doubled in a year.
- Ten improvement opportunities have been designated for every hospital

Corporate initiatives as a result of feedback from the surveys include: the critical re-evaluation of hospital food services with a strong clinical link, providing all staff within the Group with enhanced skills for dealing with patients, and a focus on patient engagement by involving the patient and family members in the treatment process. Noise reduction and effective medication counselling also remain a focus, with continued reinforcement around the service elements designed to reduce anxiety and instil feelings of safety in all our patients.

Refer to the graph on this page for the patient satisfaction level of Hirslanden based on the ANQ (Swiss National Association for Quality Development), and the Patient Experience Index of Mediclinic Southern Africa and Mediclinic Middle East.

FACILITIES AND EQUIPMENT

To ensure a safe and user-friendly environment for both our patients and employees, we strive to provide high-quality healthcare facilities and technology, focusing on capital investments, maintenance of facilities, and optimal use of facilities. As a result, the Group continuously invests in capital projects and new equipment to expand and refurbish our facilities and the replacement of existing equipment, as well as on the repair and maintenance of existing property and equipment.

COST OF HEALTHCARE

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

ACCREDITATION

Hospitals are high-risk environments in which complex treatment processes are executed using sophisticated equipment and techniques. The process of external accreditation ensures that international standards are adhered to in all aspects of hospital operations, as also included in the combined assurance table on page 28 of the Annual Report.

For more details on accreditation, please refer to the **Clinical Services Report** available on the Company's website.

MATERIAL ISSUE 2: ADDRESS SHORTAGE OF HEALTHCARE PRACTITIONERS

KPIs

STAFF TURNOVER RATE

Southern Africa	**6.8%** (2015: 7.2%)	↓
Switzerland	**5.2%** (2015: 6.9%)	↓
UAE	**12.4%** (2015: 11.7%)	↑

PERCENTAGE OF PAYROLL INVESTED IN TRAINING AND SKILLS DEVELOPMENT

Southern Africa	**3.6%** (2015: 3.0%)	↑
Switzerland	**5.0%** (2015: 5.0%)	-
UAE	**0.3%** (2015: 0.2%)	↑

REMUNERATION AND RECOGNITION OF STAFF

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

HIGHLIGHTS

- Increased investment in training and skills development by Mediclinic Southern Africa
- Designed and implemented inter-platform development programme to provide cross-platform exposure to high-performing individuals
- Introduced standardised employee engagement survey across the Group

EMPLOYEE RECRUITMENT AND RETENTION

Recruiting suitably qualified personnel is vital for delivering a high-quality healthcare service. For this reason, we invest significant time and resources in supporting hospitals in recruiting and retaining staff and promoting the Group as an employer of choice. We offer market-related salaries based on the principles of internal equity, external equity and affordability.

We have sound performance management procedures in place to recognise good performance and offer extensive opportunities for career development and training, all of which contribute to a contented and engaged workforce.

Some examples of the Group's initiatives to retain current employees include:

- maintaining a pleasant working environment, with leadership that acts with honesty and integrity;
- providing training and development opportunities for both clinical and non-clinical staff;
- following fair management practices;
- remunerating employees competitively, offering family-friendly benefits and incentivising performance through bonus schemes; and
- communicating with staff and involving them in the day-to-day business decisions.

With the increased shortage of qualified staff, there is increased competition in the market place for quality staff, and as a result, a greater emphasis is being placed on retention and employee training and development. An employee discharge management process is in place to monitor the reasons for staff turnover.

SUSTAINABLE DEVELOPMENT HIGHLIGHTS (continued)

TRAINING AND SKILLS DEVELOPMENT

The Group continues to invest significantly in training and skills development to maintain and improve quality service delivery. The percentage of payroll invested in training and skills development by each of the Group's operating platforms is provided on page 23 of the Annual Report.

Our commitment to providing quality care for our patients can only be ensured if our staff has appropriate, evolving skill sets, which is reflected in the number of learning initiatives undertaken each year. A consistent performance management system is applied throughout the Group, which allows us to identify and manage training needs of individual employees, and to discuss career development. Succession planning is standardised on an organisational level in all three operating platforms and a Group Talent Review is performed annually. Critical talent (such as nurses and pharmacists), as well as high-performing individuals with potential, are identified and supported through tailored development initiatives. An inter-platform development programme, which offers a series of secondments across platforms, has been designed to help these individuals excel at Mediclinic.

SUPPORT OF EXTERNAL TRAINING INSTITUTIONS

The Group is committed to educational development in all three of its operating platforms and provides financial and other support towards healthcare education. Financial support of R8.0m (2015: R4.5m) was provided to academic institutions in Southern Africa, mainly through sponsorships to medical schools and bursaries to external students that applied for financial assistance.

EMPLOYEE HEALTH AND SAFETY

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

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

EMPLOYEE SATISFACTION AND ENGAGEMENT

During the year, Mediclinic, in partnership with Gallup, introduced the Your Voice employee engagement survey across all operating platforms to measure levels of engagement, identify gaps at a departmental level and support line managers to implement action plans to address concerns. Overall, the Group achieved a 65% participation rate in the Your Voice survey and 32% of employees showed high levels of engagement.

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

MATERIAL ISSUE 3: CREATING AND SUSTAINING SHAREHOLDER VALUE

KPIs

DIVIDEND PER SHARE* (in pence)

7.90 (2015: 9.33)	↓

* *The total dividend for the year ended 31 March 2016 in pound sterling comprises the proposed final dividend of 5.24 pence per share and the equivalent interim dividend (adjusted for the 0.625 exchange ratio) of 2.66 pence per share, paid in December 2015 by Mediclinic International Limited.*

REVENUE

£2 107m (2015: £1 977m)	↑

EBITDA

£382m (2015: £406m)	↓

UNDERLYING EBITDA

£428m (2015: £403m)	↑

UNDERLYING EBITDA MARGINS (PLATFORMS)

Group	**20.4%** (2015: 20.4%)	–
Southern Africa	**21.4%** (2015: 21.3%)	↑
Hirslanden	**19.7%** (2015: 19.4%)	↑
UAE* (excluding Al Noor)	**22.3%** (2015: 21.8%)	↑

* *Following the Al Noor acquisition on 15 February 2016 (46 trading days up to year end), Al Noor contributed AED258.7m to revenue and AED46.1m to EBITDA to MCME, resulting in a margin of 17.8%.*

INVESTMENT IN CAPITAL PROJECTS AND NEW EQUIPMENT (PLATFORMS)

Southern Africa	**R758m** (2015: R1 131m)	↓
Hirslanden	**CHF68m** (2015: CHF72m)	↓
UAE	**AED171m** (2015: AED75m)	↑

INVESTMENT IN REPLACEMENT OF EQUIPMENT (PLATFORMS)

Southern Africa	**R317m** (2015: R306m)	↑
Hirslanden	**CHF76m** (2015: CHF70m)	↑
UAE	**AED32m** (2015: AED25m)	↑

HIGHLIGHTS

- Successful completion of the combination of Mediclinic International Limited and Al Noor Hospitals Group in February 2016
- Successful rights issue and acquisition of a 29.9% interest in LSE-listed Spire Healthcare Group plc during 2015
- Underlying EBITDA margin stable at 20.4% for the Group

EXPENDITURE ON REPAIRS AND MAINTENANCE (PLATFORMS)

Southern Africa	**R275m** (2015: R305m)	↓
Hirslanden	**CHF38m** (2015: CHF38m)	–
UAE	**AED24m** (2015: AED20m)	↑

ACCEPTABLE SHAREHOLDER RETURNS

The total dividend per share for the period under review is 7.90 pence (2015: 9.33 pence).

The Group's dividend policy is set out in the Financial Review on page 59.

PROFITABILITY

The Group's strong focus on efficiencies has ensured that the underlying EBITDA margin remained stable at 20.4%.

For more information please refer to the Divisional Reviews and the Financial Review included in the Annual Report.

GROWING THE BUSINESS

During 2015, Mediclinic acquired a 29.9% stake in Spire Healthcare, our first investment in the UK private healthcare market. We then completed the combination of Mediclinic International Limited and Al Noor Hospitals Group plc in February 2016 to become the largest private healthcare operator in the UAE. This merger will create tangible value for the Group over the longer term. As a healthcare group of this size, quality and reputation, Mediclinic has a significant opportunity to increase revenues and drive profitability in this market. Moreover, our move into the FTSE 100 index on the London Stock Exchange in March 2016 increased our exposure to international investment.

For further details on the Al Noor Combination and the acquisitions and expansions by the Group's operating platforms, please refer to the Chief Executive Officer's Review and the Divisional Reviews included in the Annual Report.

SUSTAINABLE DEVELOPMENT HIGHLIGHTS (continued)

MATERIAL ISSUE 4: RESPONSIBLE USE OF NATURAL RESOURCES

KPIs

TOTAL CO_2 EMISSIONS PER BED DAY

Southern Africa	**111 kg (per CDP 2015)** (CDP 2014: 115 kg)	↓
Switzerland (per calendar year)	**13 kg** (2014: 14 kg)	↓
UAE*	**246 kg (per CDP 2015)** (CDP 2014: 239 kg)	↑

WATER USAGE (KL/BED DAY)

Southern Africa	**0.694 kl** (2015: 0.664 kl)	↑
Switzerland (per calendar year)	**0.664 kl** (2014: 0.664 kl)	–
UAE*	**1.125 kl** (2015: 1.165 kl)	↓

ENERGY CONSUMPTION (GJ/BED DAY)

Southern Africa	**0.333 gj** (2015: 0.331 gj/bed day)	↑
Switzerland (per calendar year)	**0.477 gj** (2015 calendar year) (2014: 0.533 gj/bed day)	↓
UAE*	**0.842 gj** (2015: 0.890 gj/bed day)	↓

WASTE RECYCLED

Southern Africa	**1 197 tonnes** (2015: 800.8 tonnes)	↑
Switzerland (per calendar year)	**630 tonnes** (2014: 400 tonnes)	↑
UAE	**87 tonnes** (2015: 86 tonnes)	↑

* *The intensity measures of CO_2 emissions, water usage and energy consumption per day are not appropriate for the UAE, and not comparable with that of Southern Africa and Switzerland, as the total emissions, water usage and energy consumption include only two hospitals, with outpatient consultations, and 10 clinics with only outpatient consultation (i.e. no bed days). During the year ahead a more appropriate intensity measure will be determined for the Group.*

ENVIRONMENTAL MANAGEMENT

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

HIGHLIGHTS

- Southern Africa was ranked joint 1st in the Climate Disclosure Leadership Index in 2015 for consistent high levels of disclosure on our emissions over the past eight years
- Three Hirslanden hospitals recognised as CO_2-reduced businesses by the Swiss Energy Agency for the Economy on behalf of the Swiss Federal Office of Energy
- Total energy consumption per bed day have reduced across Hirslanden and Mediclinic Middle East, with Mediclinic Southern Africa's consumption remaining stable

Our main environmental impacts are the utilisation of resources, predominantly energy, through electricity consumption and water, and the disposal of hazardous waste. We are fully aware of the need to use resources responsibly and recognise the risks that regulatory changes, environmental constraints and climate change present to our operations and we are committed to minimising our environmental impacts to the extent possible.

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

CARBON EMISSIONS

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

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

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

ENERGY EFFICIENCY

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

The total energy consumption per bed day has remained stable, with a slight increase in Mediclinic Southern Africa, and has decreased in Hirslanden and Mediclinic Middle East. The direct and indirect energy consumption per platform, for the periods as specified therein, is reported in the **Sustainable Development Report**.

WATER USAGE

Our platforms in Southern Africa and UAE can suffer from significant water shortages, so it is critical for the Group to monitor water consumption closely.

We also have various measures in place to minimise water consumption, including reclaiming water, monitoring hot water consumption and installing water meters and control sensors.

The total water usage has increased ever so slightly at Mediclinic Southern Africa and Hirslanden, but decreased at Mediclinic East. The total volume of water withdrawn from water utilities throughout the Group, for the periods as specified therein, is reported in the **Sustainable Development Report**.

WASTE MANAGEMENT

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

MATERIAL ISSUE 5: GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY

KPIs

CALLS TO ETHICS LINES

Southern Africa	**104** (2015: 148)
Switzerland	**17** (2015: 8)
UAE	**1** (2015: 1)

NO INCIDENTS OF MATERIAL NON-COMPLIANCE WITH LAWS

CONTRIBUTION TO CSI INITIATIVES

Southern Africa	**R11.8m** (2015: R10.4m)	↑
Switzerland	**CHF2.5m** (2015: CHF2.1m)	↑
UAE	**AED814 000** (2015: AED740 000)	↑

HIGHLIGHTS

- Total complaints to Ethics Line declined
- Mediclinic Southern Africa maintained level 4 BBBEE contributor status
- No incidents of material non-compliance with laws or regulations
- Group-wide Code of Business Ethics has been rolled out to Al Noor's employees
- Contributed R10.5m to the South African Department of Health's Public Health Enhancement Fund

ETHICS AND GOVERNANCE

Our commitment to ethical standards is set out in the Group's values and is supported by the Group Code of Business Conduct and Ethics, which provides a framework for the standards of business conduct and ethics that are required of all business divisions, directors and employees. The Code is available to all staff and is included in new employee inductions. We have also put in place a range of policies, processes and standards to support the Group's governance and corporate social investment programmes.

Good progress was made to define and integrate relevant laws and potential risks in the risk registers of the various platforms and departments during the year. As in previous years, there were no incidents of material non-compliance with any laws, regulations, accepted standards or codes applicable to the Group or fines against the Group during the period under review.

SUSTAINABLE DEVELOPMENT HIGHLIGHTS (continued)

EFFECTIVE RISK MANAGEMENT

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

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

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

COMPLIANCE WITH LAWS AND REGULATION

Compliance with all relevant laws, regulations, accepted standards or codes is integral to the Group's risk management process and is monitored. Good progress was made to define and integrate relevant laws and potential risks in the risk registers of the various platforms and departments during the year. As in previous years, there were no incidents of material non-compliance with any laws, regulations, accepted standards or codes applicable to the Group or fines against the Group during the period under review.

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

Mediclinic Southern Africa is assessed annually by an accredited verification agency against the generic scorecard criteria set by the Department of Trade and Industry ("**dti**"), the latest results of which are available on Mediclinic Southern Africa's website at **www.mediclinic.co.za**. During the year, the Group maintained its status as a Level 4 contributor status on the generic BBBEE scorecard, reflecting its commitment to promoting BBBEE with regard to procurement, ownership, socio-economic development and enterprise development. The score achieved during the most recent assessment increased from 68.93 to 73.06.

CORPORATE SOCIAL INVESTMENT ("CSI")

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

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

The CSI spend per platform is provided on page 53.

FINANCIAL REVIEW

Group revenue increased by 7% to £2 107m (2015: £1 977m) for the period under review.

Underlying operating profit before interest, tax, depreciation and amortisation ("underlying EBITDA") was 6% higher at £428m (2015: £403m) and basic underlying earnings per share were 3% higher at 36.7 pence (2015: 35.8 pence).

Effective from 24 August 2015, the Group acquired a 29.9% shareholding in Spire. As Spire's financial year end is 31 December, the income from associate was not recognised for the three months from January 2016 to March 2016. Underlying *pro forma* earnings were adjusted to include the income from associate for that period. Basic underlying *pro forma* earnings per share were 5% higher at 37.5 pence (2015: 35.8 pence).

Underlying margins remained stable at 20.4%.

EARNINGS RECONCILIATION

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

FINANCIAL REVIEW (continued)

	Total £'m	Corporate £'m	Switzerland £'m	Southern Africa £'m	Middle East £'m	United Kingdom £'m
2015 STATUTORY RESULTS						
Revenue	**1 977**	–	1 044	691	242	–
Operating profit	**345**	2	161	137	45	–
Profit attributable to equity holders	**241**	2	124	73	42	–
RECONCILIATIONS						–
Operating profit	**345**	2	161	137	45	–
Add back:						–
- Other gains and losses	**(24)**	(2)	(13)	(9)	–	–
- Depreciation	**85**	–	55	22	8	–
EBITDA	**406**	–	203	150	53	–
One-off and exceptional items:						–
Impairment of property and equipment	**2**	–	–	2	–	–
Profit on sale of property, equipment and vehicles	**(5)**	–	–	(5)	–	–
Underlying EBITDA	**403**	–	203	147	53	–
Profit attributable to equity holders	**241**	2	124	73	42	–
One-off and exceptional items:						–
Impairment of property	**2**	–	–	2	–	–
Tax	**–**	–	–	–	–	–
Insurance proceeds	**(9)**	–	–	(9)	–	–
Tax	**1**	–	–	1	–	–
Gain on disposal of subsidiary	**(2)**	–	(2)	–	–	–
Tax	**–**	–	–	–	–	–
Profit on disposal of property, equipment and vehicles	**(5)**	–	–	(5)	–	–
Tax	**1**	–	–	1	–	–
Realised gain on foreign currency forward contract	**(2)**	(2)	–	–	–	–
Tax	**–**	–	–	–	–	–
Ineffective cash flow hedges	**19**	–	19	–	–	–
Tax	**(4)**	–	(4)	–	–	–
Swiss tax rate charges relating to prior years	**(40)**	–	(40)	–	–	–
Tax	**–**	–	–	–	–	–
Discount on loan repayment	**(11)**	–	(11)	–	–	–
Tax	**2**	–	2	–	–	–
Underlying earnings	**193**	–	88	63	42	–
Weighted average number of shares (millions)	**540.3**					
Underlying earnings per share (pence)	**35.8**					

The current Group results include the following exceptional and one-off items which were adjusted to determine underlying earnings:

- One-off transaction costs of £41m (£41m after tax) relating to the Al Noor acquisition. The transaction cost is mainly comprised of advisor fees and South African securities transfer tax.
- A one-off non-cash IFRS 2 accelerated share-based payment charge of £10m (£10m after tax) relating to employee share trusts for Southern African employees.

  After the announcement of the proposed Mediclinic/Al Noor Combination, the trustees of the employee trusts and the relevant participating employer companies agreed to accelerate the vesting of the underlying assets of the trusts to the beneficiaries and to close down the trusts. The underlying shares were sold in two book building exercises previously announced in December 2015 and January 2016.
- £7m (£5m after tax) was released in respect of a pre-acquisition Swiss tariff provision. When Mediclinic acquired the Hirslanden business in 2007, a provision relating to a specific tariff dispute was included in the opening accounts. After lengthy judicial processes and a court ruling in the 2013 financial year an increased provision was made which was excluded in the measurement of underlying performance for the year. The dispute has now been finally settled and the balance of the provision released. Given that the exceptional charge was adjusted from underlying earnings in 2013, its release has been treated consistently by being excluded from underlying earnings in 2016.
- £8m (£7m after tax) mark-to-market fair value gain, relating to the ineffective Swiss interest rate swaps. The Group uses floating-to-fixed interest rate swaps on certain loan agreements to hedge against interest movements which have the economic effect of converting floating rate borrowings to fixed rate borrowings. The Group applies hedge accounting and therefore fair value adjustments are booked to the consolidated statement of comprehensive income.

  With the removal of the Swiss franc/euro peg during January 2015 and the introduction of negative interest rates in Switzerland, the Swiss interest rate hedges became ineffective once Libor is below zero as bank funding at Libor plus relevant margins is subject to a zero rate Libor floor. Effective from 1 October 2014, the mark-to –market movements are charged to the income statement. As these are non-cash flow items and to provide balanced operational reporting the Group excluded the charge in the measurement of underlying performance in the 2015 financial year and consistently excludes the gain arising this year. The swaps expire in 2017 and 2018.
- Al Noor post-acquisition restructuring costs of £2m.
- Loss of £1m on foreign currency forward contracts.

FOREIGN EXCHANGE RATES

Although the Group reports its results in pound sterling, the underlying operation segments earnings are generated in Swiss franc, UAE dirham and the South African rand. Consequently, movement in exchange rates affected the reported earnings and reported balances in the statement of financial position. The impact of a 10% change in the GBP/South African rand exchange rates for a sustained period of one year is: profit for the year would increase/decrease by £7m (2015: increase/decrease by £10m) due to exposure to the GBP/South African rand exchange rate.

The following exchange rates were applicable during the period:

	2016	Variance	2015
Average rates:			
Swiss franc	**1.47**	(2.0%)	1.50
UAE dirham	**5.54**	(6.4%)	5.92
South African rand	**20.73**	16.3%	17.82
Period-end rates:			
Swiss franc	**1.38**	(4.2%)	1.44
UAE dirham	**5.28**	(2.8%)	5.43
South African rand	**21.21**	17.7%	18.02

FINANCIAL REVIEW (continued)

MEDICLINIC/AL NOOR COMBINATION

The Combination became effective on 15 February 2016. The results of Al Noor have been consolidated from that date. The integration of Al Noor is ongoing and the performance until now is in line with expectations.

The fair value exercise over the opening balance sheet of Al Noor remains provisional at 31 March 2016 as permitted by IFRS 3. Since the Group is in discussions with UAE medical insurance funders and other third parties about conforming Al Noor's commercial practices with the rest of the Group, there is still a degree of uncertainty about the fair value of certain acquired assets and liabilities. This is expected to be finalised during the next year.

CASH FLOW

The Group continued to deliver strong cash flow. The Group converted 96% (2015: 109%) of underlying EBITDA into cash generated from operations. Cash and cash equivalents increased from £265m to £305m.

INTEREST-BEARING BORROWINGS

Interest-bearing borrowings increased from £1 618m to £1 841m. The increase is mainly because of the bridge facility which was utilised to fund the tender offer to Al Noor Hospitals Group plc shareholders. The refinancing of the bridge is underway and details will be provided on conclusion thereof.

	2016 £'m	2015 £'m
Interest-bearing	**1 841**	1 618
Less: cash and cash equivalents	**(305)**	(265)
Net debt	**1 536**	1 353
Total equity	**3 570**	1 840
Debt-to-equity capital ratio	**0.4**	0.7

ASSETS

Intangible assets increased from £642m at 31 March 2015 to £1 927m at 31 March 2016 mainly because of the goodwill recognised in respect of the Al Noor acquisition.

TAX

The Group's effective tax rate was increased from 4.3% to 22.4%. In the prior year, the tax rate was impacted by the release of £43m Swiss income tax liabilities in relation to historic uncertain tax positions. For the period under review, the transaction cost relating to the Al Noor Combination was non-deductible for tax purposes and this had a tax effect of £10m. Furthermore, the non-deductibility of the accelerated IFRS 2 charges affected the tax charge by £3m.

WEIGHTED AVERAGE NUMBER OF SHARES ADJUSTMENT

During the period under review, shares were issued at a discount. As required by the accounting standards (IAS 33 paragraph 26), an adjustment was made to the weighted average number of shares in issue for the current and the prior year. Basic earnings per share for the prior year was adjusted and decreased by 1.1 pence from 45.7 pence to 44.6 pence and basic underlying earnings per share for the prior year decreased by 0.8 pence from 36.6 to 35.8 pence.

UNDERLYING NON-IFRS FINANCIAL MEASURES

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

The Group's non-IFRS measures are intended to remove from reported earnings volatility associated with the following types of one-off income and charges:

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

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

INVESTMENT IN ASSOCIATE AND CORPORATE EXPENDITURE

On 24 August 2015, the Group acquired a 29.9% shareholding in Spire for £447m. The investment in Spire contributed £6m to the Group's underlying earnings.

In addition, corporate expenditure was incurred amounting to £8m, of which £6m relates to the finance charges in respect of the bridge facility.

DIVIDEND POLICY AND DIVIDEND

Following the completion of the Combination of Mediclinic International Limited and Al Noor, the Board has reviewed and amended the dividend policy to target a pay-out ratio of between 25% and 30% of underlying earnings. The Board may revise the policy from time to time.

The Board proposes a final dividend of 5.24 pence per ordinary share for the year ended 31 March 2016. Together with the interim dividend of 1.66 pence per share for the six months ended 30 September 2015 (paid on 7 December 2015), the total final proposed dividend reflects a 25% distribution of underlying Group earnings attributable to ordinary shareholders.

Shareholders on the South African register will be paid the ZAR cash equivalent of 119.5244 cents (101.5957 cents net of dividend withholding tax) per share. The ZAR cash equivalent has been calculated using the following exchange rate: £1:ZAR22.81, being the 5 day average ZAR/GBP exchange rate on Friday, 20 May 2016 at 3:00pm GMT Bloomberg.

The Strategic Report, comprising pages 2 to 59, was approved by the Board and signed on its behalf by:

Edwin Hertzog
Non-executive Chairman

GOVERNANCE AND REMUNERATION

BOARD OF DIRECTORS

Dr Edwin Hertzog | Ian Tyler | Seamus Keating

Danie Meintjes | Craig Tingle | Desmond Smith

Dr Edwin Hertzog

Non-executive director and Chairman of the Board

Appointed
15 February 2016

As a specialist anaesthetist, Dr Edwin Hertzog was invited to join the then Rembrandt Group (now Remgro) in 1983 and became the first Managing Director of Mediclinic International Limited at its establishment during that year. In 1992 he became executive Chairman of the Company until August 2012 when he retired from his executive role, but remained on the Board as non-executive Chairman. He continues as the Chairman of the Company subsequent to the reverse takeover by the Company of Mediclinic International Limited. He continues to serve as non-executive Deputy Chairman of Remgro and is a past non-executive director of the Distell, Total (SA) and Transhex groups. He is also a past Chairman of the Hospital Association of South Africa as well as the Council of Stellenbosch University and holds the following qualifications: M.B. Ch.B., M.Med., F.F.A. (SA) and Ph.D. (honoris causa).

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

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

Danie Meintjes

Chief Executive Officer

Appointed
15 February 2016

Danie Meintjes has been the Chief Executive Officer of Mediclinic International Limited since May 2010 and continues as the Chief Executive Officer of the Company subsequent to the reverse takeover by the Company of Mediclinic International Limited. He served in various management positions in the Remgro group, before joining the Mediclinic Group in 1985 as the Hospital Manager of Mediclinic Sandton. Mr Meintjes was appointed as a member of Mediclinic's Executive Committee in 1995 and as a director in 1996. He holds an Honours degree in Industrial Psychology from the University of the Free State and completed the Advanced Management Program at Harvard Business School.

Committee memberships: Disclosure Committee, Investment Committee, Clinical Performance and Sustainability Committee

Ian Tyler

Senior Independent Director

Appointed
5 June 2013

Ian Tyler undertakes the role of Senior Independent Director for the Company. He served as Chief Executive Officer of Balfour Beatty plc from January 2005 to March 2013, having been the Chief Operating Officer since August 2002 and prior to that, Finance Director. He is currently the Chairman of Bovis Homes Group plc and Cairn Energy plc and is a non-executive director of BAE Systems plc. Until 14 February 2016 he was Chairman of Al Noor Hospital Group plc and he continues to serve as an independent non-executive director of the Company subsequent to the reverse takeover by the Company of Mediclinic International Limited. He is also Chairman of AWE Management Limited, a joint venture between Lockheed Martin, Jacobs and Serco. Mr Tyler is qualified as a Chartered Accountant.

Committee memberships: Nomination Committee (Chairman), Audit and Risk Committee, Disclosure Committee (Chairman), Remuneration Committee and Clinical Performance and Sustainability Committee

Craig Tingle

Chief Financial Officer

Appointed
15 February 2016

Craig Tingle joined the Mediclinic Group in 1990 and has a career spanning over 25 years in the healthcare industry in executive and non-executive capacities. He was appointed as the Financial Director of Mediclinic International Limited in 1992 and continues as the Chief Financial Officer of the Company subsequent to the reverse takeover by the Company of Mediclinic International Limited. After his resignation from the position of Financial Director in 1999, he stayed on as a non-executive director until 2005, when he was appointed Chief Financial Officer of Mediclinic's operations in Dubai. Mr Tingle was appointed Chief Financial Officer of Mediclinic in September 2010. He holds a B.Sc. (Forestry) degree from the University of Stellenbosch and an Honours degree in Accounting Science from the University of South Africa. He is also a qualified Chartered Accountant with the South African Institute of Chartered Accountants.

As previously announced, Mr Tingle will retire on 15 June 2016.

Committee memberships: Disclosure Committee, Investment Committee

Seamus Keating

Independent non-executive director

Appointed
5 June 2013

Seamus Keating has over 20 years' experience in the global technology sector in both finance and operational roles and was a main board director of Logica plc from 2002 until April 2012 having joined Logica as Group Finance Director in 1999. He was Logica plc Chief Financial Officer from 2002 until 2010 when he became Chief Operating Officer and head of its Benelux operations. Prior to his role at Logica plc, he worked for the Olivetti Group from 1989 until 1999 in senior finance roles in the UK and Italy. Mr Keating was non-executive director and chairman of the audit committee of Mouchel plc from November 2010 to September 2012. He is currently Chairman of First Derivatives plc and a non-executive director of BGL Group. He has been Chairman of Mi-pay Group plc since April 2014. He continues to serve as an independent non-executive director of the Company subsequent to the reverse takeover by the Company of Mediclinic International Limited. He is a fellow of the Chartered Institute of Management Accountants.

Committee memberships: Audit and Risk Committee, Investment Committee

Desmond Smith

Independent non-executive director

Appointed
15 February 2016

Desmond Smith was the Chief Executive Officer of the Sanlam Group from April 1993 to December 1997 and of the Reinsurance Group of America (South Africa) from March 1999 to March 2005. He is the present Chairman of both companies. During his career he has served on various boards. Mr Smith was appointed as an independent non-executive director of the Mediclinic International Limited in 2008 and also as the Lead Independent Director of Mediclinic in 2010. Mr Smith continues as an independent non-executive director of the Company subsequent to the reverse takeover by the Company of Mediclinic International Limited. He is an actuary by profession having qualified as a Fellow of the Institute of Actuaries (London) and is a past-president of both the Actuarial Society of South Africa (1996) and the International Actuarial Association (2012).

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

Alan Grieve

Independent non-executive director

Appointed
15 February 2016

Alan Grieve worked with Price Waterhouse & Co (now PricewaterhouseCoopers) and Arthur Young (now Ernst & Young) prior to joining Compagnie Financière Richemont S.A.'s predecessor companies in 1986. He is a former Director of Corporate Affairs of Compagnie Financière Richemont SA, as well as non-executive director of Reinet Investments Manager SA. Mr Grieve holds a degree in business administration from Heriot-Watt University and is a member of the Institute of Chartered Accountants. Mr Grieve was appointed as an independent non-executive director of Mediclinic International Limited in September 2012 and continues as an independent non-executive director of the Company subsequent to the reverse takeover by the Company of Mediclinic International Limited.

Committee memberships:
Audit and Risk Committee, Investment Committee

Prof Dr Robert Leu

Independent non-executive director

Appointed
15 February 2016

Robert Leu is professor emeritus of the University of Bern in Switzerland. Complementary to his academic career as full professor in economics at the Universities of St. Gallen and Bern, Prof Leu has acted as economic adviser to executive and legislative bodies on all policy levels in Switzerland and to international institutions, in particular to the WHO, the OECD and the World Bank. Since 1993 he has served on the Board of Directors of various companies, in particular Hirslanden, Arcovita (President) and Visana (Vice President since 2014). He is also President of the Alliance for a Free Health Care System in Switzerland since 2013. Prof Leu was appointed as an independent non-executive director of Mediclinic International Limited in 2010 and continues as an independent non-executive director of the Company subsequent to the reverse takeover by the Company of Mediclinic International Limited. He obtained both his master's degree and his doctorate in economics from the University of Basel.

Committee memberships:
Nomination Committee, Remuneration Committee

Nandi Mandela

Independent non-executive director

Appointed
15 February 2016

Nandi Mandela is a director of Linda Masinga & Associates, a town planning and consultancy firm since 2003. Prior to that she was employed by the Tongaat-Hulett Group from 1992 to 1997, before joining BP where she worked in various sales and public affairs positions from 1997 to 2003. Ms Mandela was appointed as an independent non-executive director of Mediclinic International Limited in 2012 and continues as an independent non-executive director of the Company subsequent to the reverse takeover by the Company of Mediclinic International Limited. Ms Mandela holds a Bachelor's degree in Social Science from the University of Cape Town, completed the Associate in Management programme at the University of Cape Town and obtained a Certificate in Strategic Management from the New York New School University.

Committee memberships:
Clinical Performance and Sustainability Committee

Trevor Petersen

Independent non-executive director

Appointed
15 February 2016

In 1996 Mr Petersen resigned from the University of Cape Town ("UCT") to take up a partnership in the merged firm of PricewaterhouseCoopers Inc. He served as a partner of the national firm from 1997 to 2009 and served as the Partner-in-Charge of Cape Town and as Chairman of the Western Cape Region. Mr Petersen currently serves as the Chairman of the Finance Committee of UCT. He is an independent non-executive director on the boards of Petmin Ltd and Media24 (Pty) Ltd (a subsidiary of Naspers Ltd) and is currently the Managing Trustee of the Woodside Village Trust. Trevor has served professional membership associations such as the South African Institute of Chartered Accountants and was elected the Chairman of the national body in 2006 and 2007. He was appointed as an independent non-executive director of Mediclinic International Limited in 2012 and continues as an independent non-executive director of the Company subsequent to the reverse takeover by the Company of Mediclinic International Limited. He holds an Honours Degree in Accountancy from the University of Cape Town and is also a qualified Chartered Accountant with the South African Institute of Chartered Accountants.

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

Jannie Durand

Non-executive director

Appointed
15 February 2016

Jannie Durand joined the Rembrandt group on 1 April 1996. He was appointed as the Chief Executive Officer of Remgro Limited on 7 May 2012. In his current role with more than 19 years' experience in the investment industry, he acts as non-executive director of various companies, including, Distell Group Limited, FirstRand Limited, Grindrod Limited, RCL Foods Limited and RMI Holdings Limited. Mr Durand was appointed as a non-executive director of Mediclinic International Limited in June 2012 and continues as a non-executive director of the Company subsequent to the reverse takeover by the Company of Mediclinic International Limited. He holds an Honours Degree in Accountancy from the University of Stellenbosch and a Masters of Philosophy in Management Studies from Oxford University. He is also a qualified Chartered Accountant with the South African Institute of Chartered Accountants.

Committee memberships:
Investment Committee, Nomination Committee

SENIOR MANAGEMENT
AS AT 31 MARCH 2016

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

The biographies of Danie Meintjes, Chief Executive Officer, and Craig Tingle, Chief Financial Officer (retiring on 15 June 2016) are provided on pages 60 to 61.

Gert Hattingh

Group Services Executive

Gert Hattingh joined the Mediclinic Group in 1991 as group accountant. He served in various management positions in the Mediclinic Group and was appointed as the Company Secretary in 2010 and Group Services Executive in 2011. He holds an Honours Degree in Accountancy from the University of Stellenbosch and completed the Advanced Management Program at Harvard Business School. He is also a qualified Chartered Accountant with the South African Institute of Chartered Accountants.

Dr Dirk le Roux

Group ICT Executive

Dr Dirk le Roux joined Mediclinic in August 2014 as the Group ICT Executive. Prior to joining Mediclinic, he served in various managerial roles including as Managing Director of ThinkWorx Consulting, Chief Information Officer at Media24, General Manager for IT Strategy and Risk at ABSA Bank Limited, as well as the Head of IT at the Development Bank of Southern Africa. He holds a DCom (Informatics) degree from the University of Pretoria, a Master in Business Administration (cum laude), a Postgraduate Diploma in Data Metrics and a Bachelor in Civil Engineering.

Dr Ronnie van der Merwe

Chief Clinical Officer

Dr Ronnie van der Merwe is a specialist anaesthetist who worked in the medical insurance industry before joining the Group in 1999 as Clinical Manager. He established the Clinical Information, Advanced Analytics, Health Information Management and Clinical Services functions at Mediclinic, and is currently appointed as the Mediclinic Group's Chief Clinical Officer since 2007. He was appointed as a director of Mediclinic International Limited in 2010 up to the Combination. He holds the medical degree M.B.Ch.B from the University of Stellenbosch, a diploma in Anaesthetics from the College of Anaesthetists of South Africa (DA (SA)) and completed the Fellowship of the College of Anaesthetists of South Africa (FCA (SA)). He also completed the Advanced Management Programme at Harvard Business School.

David Hadley

Chief Executive Officer: Mediclinic Middle East (including Al Noor)

David Hadley joined the Mediclinic Group in 1993, and worked in a variety of administrative roles in human resources, finance, operations and hospital management before being seconded to Dubai in 2007 to oversee the opening of Mediclinic City Hospital. He was appointed as the Chief Executive Officer of Mediclinic Middle East in 2009 and has also served as a member of Mediclinic's Executive Committee since 2011. Mr Hadley holds a Bachelor's degree in Commerce from the University of South Africa and a Master in Business Administration (with distinction) from the University of Liverpool.

Koert Pretorius

Chief Executive Officer: Mediclinic Southern Africa

Koert Pretorius joined the Group in 1998 as the regional manager of the central region of Mediclinic's operations in South Africa, after which he was appointed as the Chief Operating Officer of the Mediclinic Group in 2003. He was appointed as the Chief Executive Officer of Mediclinic Southern Africa in 2008 and also served as a director of Mediclinic International Limited in 2006 up to the Combination. He holds a Bachelor degree in Accounting Science from the University of the Free State and a Master of Business Leadership degree from the University of South Africa.

Dr Ole Wiesinger

Chief Executive Officer: Hirslanden

Dr Ole Wiesinger joined the Hirslanden group in 2004 as the Hospital Manager of Klinik Hirslanden. He was appointed as the Chief Executive Officer of the Hirslanden group and also served as a director of Mediclinic International Limited from 2008 up to the Combination. Prior to joining Hirslanden, he served in various management positions of the MGS-Euromed Group in Germany from 1995 and was appointed as the Chief Executive Officer of MGS-Euromed Group from 2003 to 2004. He holds a doctorate in medicine from the University of Erlangen, Germany and a Postgraduate Diploma in Health Economics from the European Business School, Germany.

CHAIRMAN'S INTRODUCTION

Throughout our three-decade history, Mediclinic has always aspired to be a highly disciplined, well-run company, and this is reflected in our standards of governance. Since the earliest days, the Board has set out to lead by example. As a result, I believe that Mediclinic is respected by its shareholders and its wider stakeholders as a thoroughly ethical and transparent business that is focused on being the first choice for patient experience and providing superior clinical outcomes.

The Combination and the premium listing on the London Stock Exchange in February 2016 necessitated some governance changes. The Board's operations are conducted in London. The Board and Board committees have been reconstituted and a critical review of the Group's governance policies has been executed.

In making these changes, we have been following the guidance of our advisors, and are seeking to embed the highest standards of governance and reporting expected of a FTSE100 listed company. We have also applied the main principles and complied with the relevant provisions of the UK Corporate Governance Code, save as otherwise indicated in this report. In doing so, we continue to focus on the performance of the Board through, for example, a thorough induction process, regular briefings, and formal evaluation surveys. Overall, I would characterise the directors as a well-informed group of international business and healthcare experts with a strong team spirit, who work with responsibility and efficiency to guide Mediclinic towards its long-term strategic goals.

During 2015/16, the Board's attention was focused on the Combination and the seamless integration of the Al Noor operations into the Group. We have also been keen to ensure that our investment in Spire Healthcare brings two-way benefits to the respective organisations. These topics will continue to be a central focus for us in the year ahead.

At the same time, the disciplined allocation of capital is always a serious responsibility for the Board as, in this industry, it is vital to continually invest in new facilities and technologies, whilst maintaining our margins.

Another area of focus will be succession planning, to ensure that we continue to benefit from a strong, stable leadership team. In addition, we will continue to strengthen the Board by recruiting additional independent directors from a diverse range of backgrounds. In turn, this should add to our collective credentials, and bring more rigour to our governance.

Edwin Hertzog
Non-executive Chairman

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

The corporate governance disclosures in this report set out the governance structure of the Company prior to the Combination, whilst known as Al Noor Hospitals Group plc; but are predominantly focused on the Company since the Combination on 15 February 2016, now named Mediclinic International plc. Throughout this report, where ongoing responsibilities and arrangements are disclosed, it is in respect of the Company post-Combination. The governance structure of the Company prior to the Combination, is materially the same as previously disclosed in the 2014 Al Noor Annual Report and Financial Statements.

COMPLIANCE WITH UK CORPORATE GOVERNANCE CODE

The Board is committed to maintaining the highest standards of corporate governance and the highest standards of integrity and ethics. With the exceptions as noted below, the Company is compliant with the provisions of the UK Corporate Governance Code published in September 2014 by the Financial Reporting Council (the "**UK Corporate Governance Code**" or the "**Code**"):

i) *Provision A.3.1: the Chairman should on appointment meet the independence criteria set out in provision B.1.1.*

Under the Code, the Company's Chairman, Dr Edwin Hertzog, is not considered to be an independent director given his involvement as Chief Executive of Mediclinic International Limited until his appointment as Chairman, in 1992. Nonetheless, given his in-depth industry knowledge and experience, the Board considers it is in the best interests of the Company that he serves as Chairman.

ii) *Provision B.2.1: a Nomination Committee should lead the process for board appointments and make recommendations to the Board.*

Appointments to the Board are recommended by the Nomination Committee and further details on the Committee and the appointment process can be found on pages 100 to 103. In accordance with the Company's relationship agreement with its principal shareholder, Remgro Limited ("**Remgro**"), Remgro is entitled to appoint up to a maximum of three directors to the Board. Mr Jannie Durand represents Remgro on the Board of Directors and was appointed by Remgro at the time of the Combination. His appointment was therefore not led by the Nomination Committee. With the exception of this appointment in terms of the relationship agreement, the Nomination Committee considers and recommends all other appointments to the Board. On 7 April 2016, the Board appointed, after consideration by the Nomination Committee, Mr Pieter Uys as an alternate director to Mr Jannie Durand.

The Board is currently considering further appointments to the Board and the recruitment for any additional appointments will be led by the Nomination Committee, which will be considering overall Board composition and how female representation on the Board and diversity in general can be increased.

iii) *Provision B.6: The Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.*

Due to the timing of the Combination, an evaluation of the Board, its Committees and individual directors was not undertaken during the year as the reconstituted Board and its Committees had either only met once or not at all prior to the financial year end. An internal evaluation is planned for the year ahead, as further explained on page 71.

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

Prior to the Combination, the Company was also compliant with the provisions of the UK Corporate Governance Code, except with regard to the following, as reported on in the prospectus dated 19 November 2015 issued by the Company in relation to the Combination:

i) a majority of the members of the Nomination, Remuneration and Audit and Risk Committees were not independent non-executive directors;

ii) Ian Tyler, who was the Chairman of the Board prior to the Combination, was also the Chairman of the Remuneration Committee; and

iii) Ian Tyler was also a member of the Audit and Risk Committee.

BOARD STRUCTURE AND ROLES

The roles of the Chairman, CEO (and the separation of these two roles), the non-executive directors and the Company Secretary are outlined below.

CHAIRMAN

The principal role of the Chairman is to lead the Board effectively and provide direction and focus to its discussions. The Chairman is the guardian of the Board's decision-making processes and also promotes high standards of integrity, probity and corporate governance throughout the Group and at Board level. He also facilitates effective contributions by the non-executive directors, promotes a culture of openness and debate, and, encourages constructive relations between executive and non-executive directors. Dr Edwin Hertzog works closely with Mr Danie Meintjes, the CEO, to ensure that the actions and strategies proposed and agreed by the Board are implemented efficiently.

The Chairman's other significant commitments are indicated in his biography on page 60.

CHIEF EXECUTIVE OFFICER ("CEO")

Mr Danie Meintjes, as the Group CEO, leads the management team, manages the business of the Group, develops and oversees the implementation of all Board approved actions, the strategic direction of the Group and its commercial objectives. The CEO also supports the Chairman to ensure that appropriate governance standards are spread throughout the Group. Mr Meintjes also oversees the executive management team, which assists him in carrying out management of the business. Further details on the executive management team can be found on page 62.

SEPARATION OF CHAIRMAN AND CEO ROLES

In compliance with the Code, there is a distinct division of responsibilities between the Chairman and the CEO, which has been agreed by the Board. The roles are separate, and the Company has a policy which clearly establishes the distinction between the running of the Board and the executive responsibility for the running of the Company's business. The partnership and relationship of Dr Edwin Hertzog and Mr Danie Meintjes is based on mutual trust and is facilitated by regular contact between the two. The separation of authority enhances independent oversight of executive management by the Board and helps to ensure that no one individual on the Board has unfettered powers or authority.

NON-EXECUTIVE DIRECTORS

The non-executive directors are suitably placed to constructively challenge Board discussion and decisions. They provide a strong, independent element to the Board's composition and support management on the development of strategic direction and proposals. As explained in more detail below, the non-executive directors collectively add independent judgement and a range of skills and experience which contribute to Board discussion and debate. The Board believes that the non-executive directors bring a wide range and balance of skills and international business experience to Mediclinic.

SENIOR INDEPENDENT DIRECTOR ("SID")

Mr Ian Tyler was appointed as a director and served as Chairman to the Board of what was known as Al Noor Hospitals Group plc from 2013, until completion of the Combination. Following the Combination, Mr Ian Tyler was appointed as the SID, and in this role he principally acts as a sounding board to the Chairman and as an intermediary for the other directors.

Mr Ian Tyler has extensive experience with investors and maintains an active understanding of the Company's major shareholders and in respect of any concerns they may have, which he does through face-to-face meetings. In addition, the SID receives updates from the Executive Committee which reports on any issues they have been made aware of by investors and receives briefings from the Company Secretary on corporate governance issues which relate to investors.

The SID has not yet met privately with the non-executive directors to appraise the performance of the Chairman, as there have only been three Board meetings held since the Combination. The SID will convene a private meeting by February 2017 at the latest, which will coincide with the evaluation of the Board and its Committees.

COMPANY SECRETARY

Capita Company Secretarial Services Limited served as the Company Secretary of the Company prior to the Combination and continues to do so following the Combination. The Company Secretary is responsible for providing guidance to the Board collectively and to the directors individually with regard to their duties, responsibilities and powers; and ensuring the proper administration of the proceedings and matters relating to the Board, the Company and the shareholders of the Company in accordance with applicable legislation and procedures.

The Board has unlimited access to the Company Secretary, who advises the Board and the Board Committees on relevant matters, including compliance with the Group's policies and procedures, the Listing Rules, legislation and regulations relevant to the Company and the UK Corporate Governance Code and other governance standards. The Board is of the opinion that the Company Secretary is competent and has the requisite qualifications and experience to effectively execute its duties.

CORPORATE GOVERNANCE STATEMENT (continued)

BOARD COMPOSITION AND DIVERSITY

A list of the Company's current directors, including their biographies, who were in office during the year and up to the date of signing the financial statements, can be found on pages 60 to 61.

Following the Combination, the Board comprises seven independent non-executive directors, two non-executive directors and two executive directors from wide-ranging backgrounds and with varying industry and professional experience. This is compliant with the Code, which recommends that at least half the Board should be independent. The Company regards all of the non-executive directors other than Dr Edwin Hertzog and Mr Jannie Durand to be independent in character and judgement, and therefore free from any business or other relationship or circumstances that could potentially materially interfere with the exercise of their respective and collective independent judgement.

Mediclinic recognises the importance and benefits of having a diverse Board, and believes diversity at Board level is an essential element in maintaining a competitive advantage. Diversity covers various skills, regional and industry experience, background, race, gender and other distinctions between directors. The Board seeks to build an effective, robust, well balanced and complementary Board, whose capability is appropriate for the nature, complexity and strategic demands of the business. The Nomination Committee leads the process for Board appointments as further detailed in the Nomination Committee Report included in this Annual Report.

The Board and the Nomination Committee actively consider the structure, size and composition when contemplating succession planning for the year ahead. They remain cognisant of the need to balance the composition of the Board and its Committees, and the need to refresh this progressively over time so that the experience of existing and longer serving directors can be complemented by new external perspectives and insights from new appointees.

The incumbent non-executive directors come from a wide range of industries, backgrounds and geographic locations and have appropriate experience of organisations with international reach. Whilst we recognise that the existing skills and expertise of the current Board are extensive, the Board intends to recruit two additional non-executive directors during the year ahead to further deliver a diverse range of core skills (including financial, clinical, healthcare industry and operations expertise) and increase female representation on the Board. Whilst no quota regarding gender balance is imposed, the Nomination Committee and Board remain committed to ensuring that the business reflects a diverse Board (including from a perspective of ethnicity and gender), at all levels of seniority, when considering Board appointments and internal promotions, whilst always seeking to ensure that each post is offered strictly on merit to the best available candidate.

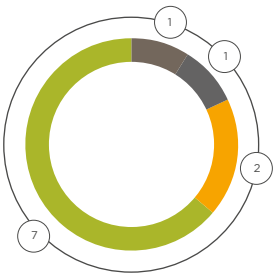
The Board's diversity policy statement is set out on page 66. For details on the diversity of the Group, including a breakdown by gender, age and race (only for purposes of South Africa) on the Board and senior management roles see the Directors' Report on page 120.

BOARD FUNCTIONING

HOW THE BOARD OPERATES

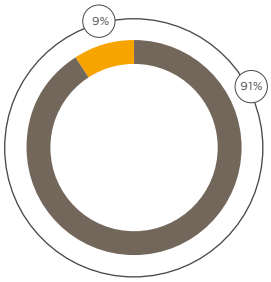
The Board is responsible for the effective oversight of the Group. It also agrees the strategic direction and governance structure that helps to achieve the delivery of long-term success of the Company and wider Group, and in turn to deliver value to its investors. The full responsibilities of the Board are outlined in the matters reserved for the Board. The Board also delegates authority to its Committees to carry out certain tasks on its behalf, so that it can operate efficiently and give the right level of attention and consideration to relevant matters. Further information on the Committees of the Board can be found on pages 69 to 70, and, in the Committee reports on pages 74 and 100 to 115.

BOARD COMPOSITION



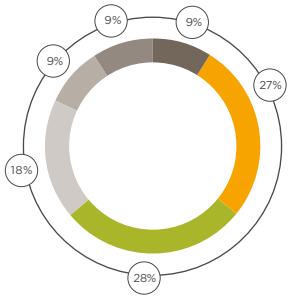
- Non-executive Chairman
- Non-executive director
- Executive directors
- Independent non-executive directors

GENDER



- Male
- Female

INDUSTRY SECTOR EXPERIENCE



- Academia
- Finance
- Healthcare
- Infrastructure
- Insurance
- Consumer goods

BOARD PROGRAMME

The agendas for the Board meetings held since the Combination and prior to the publication of this report are detailed below. The agendas were shaped to ensure focused consideration of our strategic priorities in the year ahead.

FEBRUARY

- Update on Combination
- Review of Group policies and procedures
- Review of Board Committees and their composition
- Investor relations update in respect of UK and South African shareholders

APRIL

- Review of strategic Group goals, objectives and budgets
- Review of five-year forecasts
- Feedback on risk management
- Review of shareholder movements on the UK and South African shareholder registers

MAY

- Review and approval of financial results for 2016, as well as annual report and financial statements, notice of annual general meeting, annual clinical services report and annual sustainable development report
- Recommendation of final dividend payment to shareholders
- Review of going concern and viability statement
- Re-appointment of auditor
- Review of principal risks and uncertainties
- Regulatory, legal and governance update
- Review of shareholder movements on the UK and South African shareholder registers
- In depth clinical governance presentation

BOARD MEETING ATTENDANCE

During the period under review, the directors met face-to-face seven times prior to the Combination, and once subsequent thereto.

The non-executive directors have the opportunity to meet without the executive directors present after each Board meeting. Since the Combination, the Chairman met three times with the Board's non-executive directors after each of the three Board meetings held, without the executive directors or any executive management team being present.

For attendance of the Board Committee meetings, please refer to the respective Committee reports which follow this section, on pages 82, 101, 105 and 108 respectively.

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ATTENDANCE OF BOARD MEETINGS

NAME	DATE OF APPOINTMENT	DATE OF RESIGNATION	NUMBER OF BOARD MEETINGS ATTENDED PRIOR TO COMBINATION	NUMBER OF BOARD MEETINGS ATTENDED AFTER COMBINATION[4]
Faisal Belhoul[1]	5 June 2013	21 April 2015	5 of 5	n/a
Seamus Keating	5 June 2013	–	7 of 7	1 of 1
Sheikh Mansoor Bin Butti Al Hamed[1]	5 June 2013	15 February 2016	0 of 7	n/a
Mubarak Matar Al Hamiri[1]	5 June 2013	15 February 2016	5 of 7	n/a
Ahmad Nimer[1]	5 June 2013	15 February 2016	6 of 7	n/a
Ian Tyler	5 June 2013	–	7 of 7	1 of 1
William J. Ward[1]	5 June 2013	15 February 2016	7 of 7	n/a
Dr Kassem Alom[1]	20 June 2013	15 February 2016	7 of 7	n/a
Khaldoun Haj Hasan[1]	7 November 2013	21 April 2015	5 of 5	n/a
William S. Ward[1]	7 November 2013	15 February 2016	7 of 7	n/a
Ronald Lavater[1]	1 October 2014	15 February 2016	7 of 7	n/a
Jannie Durand[2]	15 February 2016	–	n/a	1 of 1
Alan Grieve[2]	15 February 2016	–	n/a	1 of 1
Dr Edwin Herzog[2]	15 February 2016	–	n/a	1 of 1
Prof Dr Robert Leu[2]	15 February 2016	–	n/a	1 of 1
Nandi Mandela[2]	15 February 2016	–	n/a	1 of 1
Danie Meintjes[2]	15 February 2016	–	n/a	1 of 1
Trevor Petersen[2]	15 February 2016	–	n/a	1 of 1
Desmond Smith[2]	15 February 2016	–	n/a	1 of 1
Craig Tingle[2, 3]	15 February 2016	–	n/a	1 of 1

[1] *These directors served during the period under review and were appointed to the entity when it was known as Al Noor Hospitals Group plc, prior to the Combination. They retired on the date of completion of the Combination on 15 February 2016, unless retired earlier as indicated in the table above.*

[2] *These directors were appointed following completion of the Combination on 15 February 2016, all of whom are previous directors of Mediclinic International Limited.*

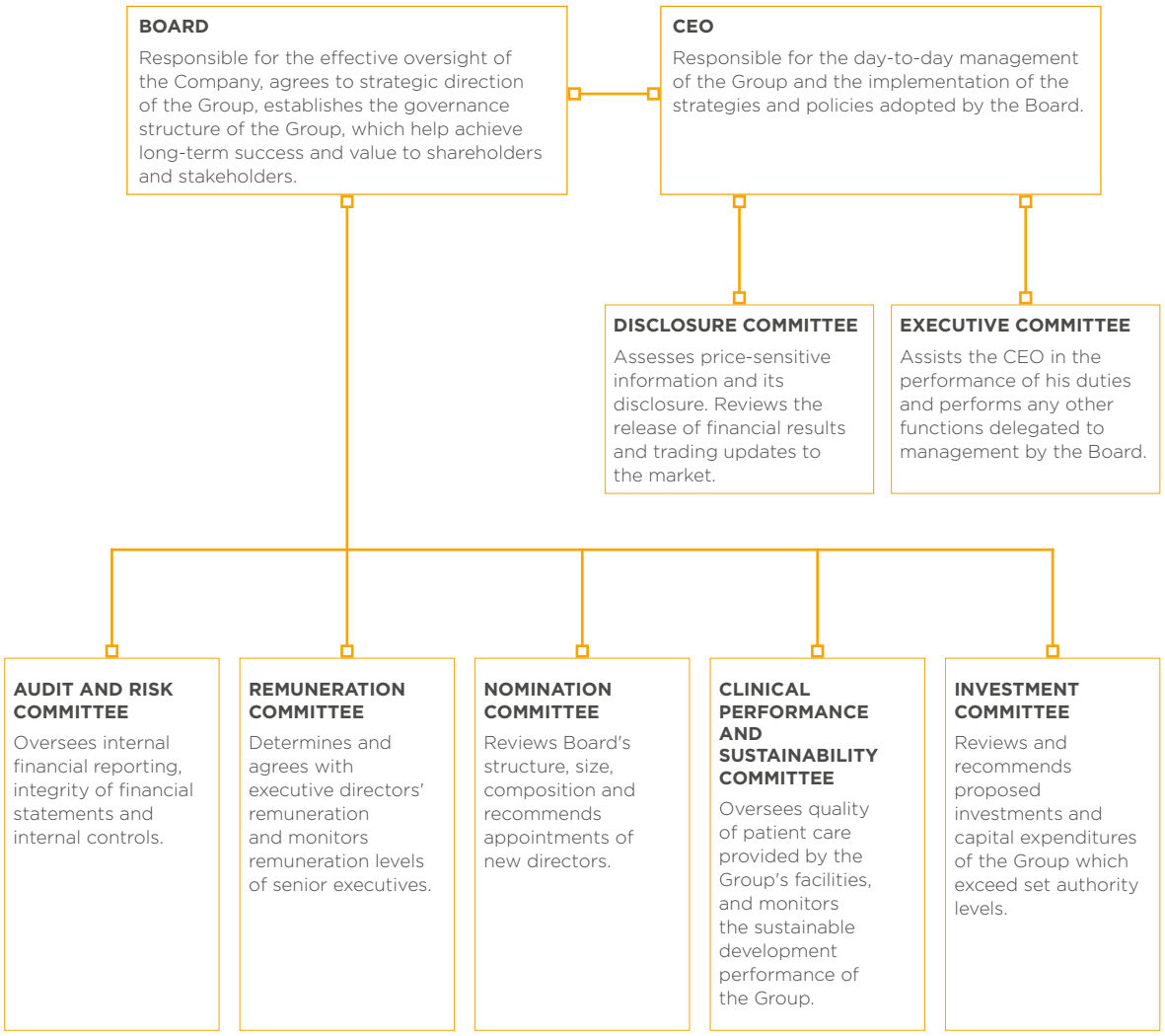
[3] *Craig Tingle will retire on 15 June 2016. His successor, Jurgens Myburgh, will be appointed to the Board with effect from 1 August 2016.*

[4] *Two Board meetings were held since the Company's financial year end.*

CORPORATE GOVERNANCE STATEMENT (continued)

GOVERNANCE FRAMEWORK

The Board has adopted a robust corporate governance framework with clearly defined responsibilities in order to support the Group's strategic direction and continue to facilitate long-term shareholder value. Subsequent to the Combination, the Board and its Committees paid focus to evaluating and assessing the policies governing the Board and its Committees. A diagram outlining the governance framework is shown below.



EXECUTIVE COMMITTEE

The Executive Committee is established as a management committee and not a committee of the Board. It is managed and overseen by the Group CEO in support of his responsibility for the overall management of the Company's business. The committee meets on a regular basis to consider, *inter alia*, investment opportunities, operational matters and other aspects of strategic importance to the Group. They are continuously in contact with the Group's management teams of Southern Africa, Switzerland and the United Arab Emirates to ensure effective communication, decision-making and execution of strategies. The terms of reference of the Executive Committee are codified setting out their role and responsibilities, specifically with regard to their authority levels, which are reviewed annually by management and communicated to the Board. The biographies of the Executive Committee members are provided on page 62.

The current composition of the Executive Committee is as follows:

Danie Meintjes	Chief Executive Officer and Chairman of Executive Committee
Craig Tingle[1]	Chief Financial Officer
David Hadley	Chief Executive Officer: Mediclinic Middle East
Gert Hattingh	Group Services Executive
Dr Dirk le Roux	Group ICT Executive
Koert Pretorius	Chief Executive Officer: Mediclinic Southern Africa
Dr Ronnie van der Merwe	Chief Clinical Officer
Dr Ole Wiesinger	Chief Executive Officer: Hirslanden (Switzerland)

DISCLOSURE COMMITTEE

The Disclosure Committee is established as a management committee, to assist and inform the decisions of the Board concerning the identification of price sensitive information and is responsible for making recommendations about how and when the Company should disclose such information. The Committee comprises two executive directors, one independent non-executive director and one Executive Committee member. The Disclosure Committee is chaired by Mr Ian Tyler. The membership of the Committee is set out below:

Ian Tyler	Senior Independent Director and Chairman of the Committee
Danie Meintjes	Chief Executive Officer
Craig Tingle[1]	Chief Financial Officer
Gert Hattingh	Group Services Executive

[1] *Craig Tingle will retire on 15 June 2016. His successor, Jurgens Myburgh, will be appointed to the Board with effect from 1 August 2016.*

COMMITTEES OF THE BOARD

The Board has established five Committees, so that it can delegate matters and operate effectively giving full consideration to some key matters which should be considered by and dealt with by the Board only. The full terms of reference of each Committee of the Board are available in the corporate governance section of the Company's website at **www.mediclinic.com**. Reports on the role, composition and activities undertaken during the year of the Audit and Risk Committee, Remuneration Committee, Nomination Committee and the Clinical Performance and Sustainability Committee are detailed on pages 74 to 115.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee assists the Board in discharging its responsibilities with regard to financial reporting, external and internal audits and controls, including reviewing and monitoring the integrity of the Group's annual and interim financial statements. It also reviews and monitors the Group's relationship with its external auditors, reviews the effectiveness of the external audit process, and reviews the effectiveness of the Group's internal control review function. The Committee comprises five independent non-executive directors and the Committee has sufficient relevant and financial experience, in accordance with the requirements of the Code. The Committee is chaired by Mr Desmond Smith and more detail on the functioning of the Committee can be found in the Committee report on pages 107 to 115.

NOMINATION COMMITTEE

The Nomination Committee assists the Board in discharging its responsibilities relating to the composition and make-up of the Board and any committees of the Board. It is also responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as directors or committee members as the need may arise. The Committee comprises four independent non-executive directors and two non-executive directors, and is in full compliance with the Code as the majority of the Committee's members are deemed to be independent. The Committee is chaired by Mr Ian Tyler and more detail on the functioning of the Committee can be found in the Committee report on pages 100 to 103.

REMUNERATION COMMITTEE

The Remuneration Committee assists the Board in determining its responsibilities in relation to remuneration, including making recommendations to the Board on the Company's policy on executive remuneration. The Committee is responsible for establishing the parameters and governance framework of the Group's remuneration policy and determining the individual remuneration and benefits package of each of the Company's executive directors and other members of executive management. The Committee comprises three independent non-executive directors, which is fully compliant with the Code. The Committee is chaired by Mr Trevor Petersen and more details on the functioning of the Committee can be found in the Remuneration Report on pages 74 to 99.

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CLINICAL PERFORMANCE AND SUSTAINABILITY COMMITTEE

The Board has established a Clinical Performance and Sustainability Committee, which although not a requirement of the Code, assists the Board in:

(i) promoting a culture of excellence in patient safety, quality of care and patient experience, by *inter alia*, monitoring the clinical performance of the Group;

(ii) 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 chaired by Dr Edwin Hertzog and comprises two independent non-executive directors, one non-executive director and one executive director. More detail on the functioning of the Committee can be found in its report on pages 104 to 106.

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INVESTMENT COMMITTEE

The Board has established an Investment Committee, which is primarily responsible for reviewing and making recommendations to the Board regarding proposed investments and capital expenditures of the Group that exceed set authority levels. The Committee is chaired by Dr Edwin Hertzog and meets on an *ad hoc* basis. The membership of the Committee is set out below:

Dr Edwin Hertzog	Non-executive director and Chairman of Committee
Jannie Durand	Non-executive director
Alan Grieve	Independent non-executive director
Seamus Keating	Independent non-executive director
Danie Meintjes	Chief Executive Officer
Craig Tingle[1]	Chief Financial Officer

[1] *Craig Tingle will retire on 15 June 2016. His successor, Jurgens Myburgh, will be appointed to the Board with effect from 1 August 2016.*

DIRECTORATE MATTERS

APPOINTMENT AND TENURE

All non-executive directors serve on the basis of letters of appointment which are available for inspection at the Company's registered office. The letters of appointment set out the time commitment expected of non-executive directors who, on appointment, undertake that they will have sufficient time to meet what is required of them.

The non-executive directors are appointed for a term of three years, subject to earlier termination, including provision for early termination by either the Company or the non-executive director on three months' notice. In accordance with the Company's Articles of Association, all directors must retire by rotation and seek re-election by shareholders every three years. However, it is intended that the directors will each retire and submit themselves for re-election by shareholders annually.

DIRECTORS' INDUCTION AND TRAINING

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

Following appointment to the Board, directors receive a comprehensive induction tailored to their individual needs and requirements. The induction includes face-to-face meetings with executive management and operational site visits to provide an understanding of the business, strategy, commercial objectives and key risks.

The Board is kept up to date on legal, regulatory and governance matters by the Company Secretary who prepares papers for Board meetings, and also by presentations from internal and external advisers. Additional training is available on request, where appropriate, so that Directors can update their skills and knowledge as applicable. As part of the Combination the directors were provided with training in respect of their legal, regulatory and governance responsibilities and obligations in accordance with the UK regulatory regime.

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. The Company has provided for both indemnities and directors officers' insurance to the directors in connection with their duties and responsibilities.

DIRECTOR ELECTION/RE-ELECTION

Following recommendations from the Nomination Committee, the Board considers that all directors continue to be effective, committed to their roles and have sufficient time available to perform their duties. As set out in the Nomination Committee report on page 103, and in accordance with the Code, all of the directors appointed during the year will be submitting themselves for election at the 2016 annual general meeting, this being their first annual general meeting since appointment. Mr Ian Tyler and Mr Seamus Keating, who, this being their third annual general meeting since appointment, will be submitting themselves for re-election in accordance with the Articles of Association, and the Code.

DIRECTORS' CONFLICTS OF INTEREST

In accordance with the Companies Act 2006 (the "**Act**") and the Company's Articles of Association (the "**Articles**"), the Board may authorise any matter that otherwise may involve any of the directors breaching his or her duty to avoid conflicts of interest. The Board has adopted a procedure to address these requirements, which includes the directors completing detailed conflict of interest questionnaires on appointment. The matters disclosed in the questionnaires are reviewed by the Board following the directors appointment and annually thereafter and, if considered appropriate, authorised in accordance with the Act and the Articles.

Conflicts of interest as well as any gifts and hospitality received by and provided by directors are kept under review by the Board.

BOARD, COMMITTEE AND INDIVIDUAL DIRECTOR EVALUATION

The Board intends to undertake an internal performance evaluation in order to address the performance and effectiveness of it and its Committees. Due to the timing of the Combination, an evaluation of the Board, its Committees and individual directors was not undertaken during the year as the reconstituted Board and Committees had either only met once or not at all prior to the financial year end. An internal evaluation by way of questionnaire will be conducted next year and an externally facilitated performance evaluation will be conducted every three years thereafter. The SID, who is responsible for conducting the performance appraisal of the Chairman, intends on convening a meeting with the non-executive directors, without the Chairman being present, by February 2017, which will coincide with the annual evaluation of the Board and its Committees.

SHAREHOLDER ENGAGEMENT

Responsibility for shareholder relations rests with the Chairman, the CEO, CFO and SID. Collectively, they ensure that there is effective, regular and clear communication with shareholders on matters such as governance and strategy. In addition, they are responsible for ensuring that the Board understands the views of shareholders on matters such as governance and strategy. The Board is supported by the Company's corporate brokers with whom we are in constant dialogue. It is intended that an investor relations programme be formally established and which will include formal meetings with investors to discuss the Group's interim and final results. It is also intended that, during intervening periods, the Company will continue its dialogue with the investor community by meeting key investor representatives and holding investor roadshows. The directors will also be available at the Company's annual general meeting and look forward to meeting shareholders then. Further details on how the SID engages with shareholders are detailed on page 65. The Company is in the process of recruiting an investor relations specialist, who will be responsible for leading the Company's annual investor relations programme which will include roadshows.

ANNUAL GENERAL MEETING ("AGM")

The Company's first AGM since the Combination will take place at 15:00 (UK time) on 20 July 2016 at the Rosewood London Hotel, 252 High Holborn, London, WC1V 7EN, United Kingdom. All ordinary shareholders have the opportunity to attend and vote, in person or by proxy. The Notice of AGM, can be found on the investor relations section of the Company's website **www.mediclinic.com**, and is being posted in a separate booklet at the same time as this report. The Notice of AGM sets out the business of the meeting and provides explanatory notes on all resolutions. Separate resolutions are proposed in respect of each substantive issue. The AGM is the Company's principal forum for communication with private shareholders. The Chairman of the Board and the Chairmen of the Board Committees, together with senior management will be available to answer shareholders' questions at the AGM.

CORPORATE GOVERNANCE STATEMENT (continued)

ACCOUNTABILITY

INTERNAL CONTROLS AND PROCEDURES

The Group has in place a comprehensive system of internal controls, designed to ensure that risks are mitigated and that the Group's objectives are attained. The Board recognises its responsibilities to present a fair, balanced and understandable assessment of the Group's position and prospects. It is accountable for reviewing and approving the effectiveness of internal controls operated by the Group, including financial, operational and compliance controls, and risk management. The Board also recognises its responsibility in respect of the Group's risk management process and system of internal control, and, oversees the activities of the Group's external auditors and the Group's risk management function which have been delegated to the Audit and Risk Committee.

The Audit and Risk Committee assists the Board in keeping under review the effectiveness of the Company's internal controls and risk management systems, reviewing and approving the internal controls and risk management disclosures made by the Group and matters relating to compliance, whistleblowing and fraud. The Board has a process in place which, with assistance from the Audit and Risk Committee, includes the review of internal controls systems and risk management arrangements. This follows the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. A review of the Group's risk management approach is further discussed in the Strategic Report on pages 24 to 29. For detail on the management and mitigation of each principal risk see pages 24 to 26. The Group's viability statement is detailed on page 29 of the Strategic Report. Please also refer to pages 107 to 115, for further detail in relation to the Audit and Risk Committee's role.

The Company's Enterprise-Wide Risk Management Policy is benchmarked against the international Committee of Sponsoring Organisations of the Treadway Commission framework, which defines the risk management objectives, methodology, process and the responsibilities of the various risk management role-players for the Group. The objective of risk management within the Group is to establish an integrated and effective risk management framework where important risks are identified, quantified and managed in order to achieve an optimal risk/reward profile. The use of an integrated approach ensures that risk management is incorporated into daily operational management processes and therefore allows management to focus on core activities.

Compliance with all relevant laws, regulations, accepted standards or codes is integral to the Group's risk management process and is monitored.

The Group's governance structure of risk management is illustrated below.

GOVERNANCE STRUCTURE OF RISK MANAGEMENT

ETHICS AND COMPLIANCE

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

SLAVERY AND HUMAN TRAFFICKING

The Board has considered the Modern Slavery Act 2015, which aims to address slavery, servitude, forced or compulsory labour and human trafficking; and introduced a new disclosure obligation requiring the Company to publish a slavery and human trafficking statement for each financial year of the Company reporting on the steps the Group has taken during the financial year to ensure that slavery and human trafficking is not taking place. A link to the Company's slavery and human trafficking statement can be found on the home page of the Company's website at **www.mediclinic.com**.

FRAUD AND CORRUPTION

The Group adopts a no-tolerance policy with regard to unethical business conduct, in particular also fraud and corruption, which is addressed in the Ethics Code and the Company's Anti-bribery Policy. Strict policies relating to any invitations, gifts or donations received from suppliers or any other party, in terms of which personnel are compelled to declare these to management for approval, apply throughout the Group.

The Audit and Risk Committee assesses incidents of attempted fraud or corruption throughout the Group at each committee meeting. Depending on the nature of an incident, the incident is investigated either by contracted forensic investigators or by internal audit or by management. These investigations will determine the nature of the corrective action taken, which may include formal criminal action against the perpetrator and/or disciplinary action or possible dismissal in case of employee involvement as well as a review of the controls of the affected business process area.

No new material incidents of fraud or corruption were reported throughout the Group during the reporting period.

COMPETITION LAWS

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

The South African Competition Commission is currently undertaking a market inquiry into the private healthcare sector in South Africa. Mediclinic is participating in the inquiry, with the assistance of expert competition attorneys and advocates who guide Mediclinic through the process.

No legal action for anti-competitive, anti-trust or similar conduct was instituted against the Group during the reporting period.

INFORMATION SECURITY AND CUSTOMER PRIVACY

Information security policies and controls are in place throughout the Group regulating, *inter alia*, the processing, use and protection of own and third-party information. There were no substantiated complaints regarding a breach of customer privacy or loss of customer data against the Group during the reporting period.

COMPLIANCE

Compliance with all relevant laws, regulations, accepted standards or codes is integral to the Group's risk management process and is monitored. As in previous years, there were no incidents of material non-compliance with any laws, regulations, accepted standards or codes applicable to the Group or fines against the Group during the reporting period.

The Corporate Governance Statement, comprising pages 64 to 73 was approved by the Board on 25 May 2016 and signed on its behalf by:

Edwin Hertzog
Non-executive Chairman

DIRECTORS' REMUNERATION REPORT

LETTER FROM THE REMUNERATION COMMITTEE CHAIRMAN

Dear Shareholder,

In February 2016, the Combination of Mediclinic International Limited and Al Noor Hospitals Group plc by way of a reverse takeover of Mediclinic International Limited was completed, resulting in the continued listing of the enlarged Company, renamed to Mediclinic International plc, on the LSE and the secondary listing of the Company on the JSE and NSX (the "**Combination**"). Shortly before the Combination of the businesses, a new Directors' Remuneration Policy was put to shareholders, which was intended to serve the needs of the combined Group, recognising the structures and governance expected of a FTSE-100 listed company. This policy remains in place and the Remuneration Committee considers it fit for purpose. No changes are therefore proposed to the policy, which is presented for information in the first half of this report.

The second half of this report contains information on payments and awards made, and cover the 15-month period up to 31 March 2016 for the Company. In addition, *pro forma* information relating to Mediclinic International Limited has been included in a separate section at the end.

Comment on the overall performance in the year and resulting variable pay awards are dealt with extensively in the Remuneration Policy document that follows.

The Combination triggered the vesting of ANHG's long-term incentives ("**LTI**") and the way in which these were treated (including the performance against targets) is reported below. Vesting in respect of the Mediclinic's incentives was also accelerated with performance being tested on 30 September 2015 as reported herein. The vesting date of the incentive remains unchanged subject to service conditions being met. A special bonus was also awarded to the CEO of Al Noor in connection with the transaction and the details of this are set out herein.

Following the Combination, we announced that our CFO, Craig Tingle, was to retire in June 2016. The Committee has yet to make a final determination on how the outstanding awards held by Craig Tingle will be treated, and will announce this at the time and in next year's Remuneration Report. Shortly before the production of this report, we announced that Jurgens Myburgh would replace Mr Tingle. Details of his remuneration are set out in the section dealing with the coming year.

Remuneration for 2016

In reviewing remuneration for executive directors for 2016, the Committee has adopted the following structure:

- The base compensation for the executive directors has been reviewed against the market for UK-listed company executives operating in similar international companies. As a result, we have decided to make an exceptional and significant increase in base compensation levels.
- The structure and quantum of the annual bonus for the executive directors is set in line with market practice, with performance measures selected to drive alignment with shareholders' interests. Deferral of half of annual bonus into equity is now required, with shares held for three years.
- Performance shares will be granted annually under LTI, with vesting after three years based on earnings per share ("**EPS**") growth and relative total shareholder return ("**TSR**") conditions, which we believe provide strong alignment between the executives and shareholders. This alignment is further strengthened by share ownership guidelines.

The Committee believes these structures are appropriate for the Company and are in the best interests of shareholders. We look forward to your support for the Remuneration Report.

Trevor D Petersen

Chairman of the Remuneration Committee
25 May 2016

The approach to disclosure in this Remuneration Report is to show results for the period 1 January 2015 to 31 March 2016 for the entity Mediclinic International plc ("**MIP**"), including the period it was formerly known as Al Noor Hospitals Group plc ("**ANHG**"). ANHG became known as MIP from 15 February 2016 as a result of the Combination.

Additionally, appended are the remuneration of the former directors of Mediclinic International Limited ("**MIL**") who are now directors of MIP for the period 1 April 2015 to 15 February 2016 for the entity MIL together with results for the period 15 February 2016 to 31 March 2016 for MIP to show a 12-month *pro forma* period for MIL and the combined entity MIP.

DIRECTORS' REMUNERATION POLICY

At the ANHG general meeting held in December 2015, 98.6% of shareholders approved a revised Remuneration Policy. The policy was developed taking into account the principles of the UK Corporate Governance Code and takes account of the views of major shareholders and proxy agencies, as expressed during previous engagement on remuneration matters.

There is no requirement to hold a vote on the policy in 2016, since no changes are proposed to that previously approved. The policy is set out below for information only. The remuneration scenarios on page 79 have been updated, as have details of the executives' service contracts.

POLICY CHANGES APPROVED IN DECEMBER 2015 COMPARED TO THE ANHG 2014 APPROVED POLICY

Annual short-term incentive ("**STI**")	The portion of the STI which is deferred is at the discretion of the Committee (previously 50% was specified).
Long-term incentive plan ("**LTIP**")	Flexibility was introduced to vary the weightings of the EPS and TSR components (previously the policy specified 50% of the awards to be subject to EPS and 50% subject to TSR). The new policy allows for the introduction of a broader range of companies in the TSR comparator group(s). Weighting of EPS and TSR measures has not been specified (previously the policy allowed only for 50% of the awards to be subject to EPS and 50% subject to TSR). The new policy allows for more flexibility with regards to the TSR comparator groups.
Benefits and pension	Previously ANHG had no Group-wide pension scheme, but did allow for an end-of-service gratuity as required by UAE Labour Law. The new policy allows for a defined pension contribution scheme, under which whereby directors can receive a Company contribution up to 10% of salary. Some changes were made to the benefits provided under the policy. Previously the ANHG policy allowed for private medical insurance, use of a company car and driver, car insurance, private fuel card, airfare tickets and housing and utility expenses. See policy table on pages 76 to 78 for benefits provided for under the new policy.
Service contracts	The executive directors' notice periods may be up to 12 months (previously no more than six months).

The changes made to the policy provide increased flexibility in a number of areas; however, in general the Committee has not sought to use this flexibility in practice, as will be seen from the proposed remuneration for 2016/17.

POLICY OVERVIEW

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

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

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

DIRECTORS' REMUNERATION REPORT (continued)

CONSIDERATION OF SHAREHOLDER VIEWS

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

SUMMARY OF THE DIRECTORS' REMUNERATION POLICY

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

ELEMENT OF PAY	PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE CRITERIA
BASE COMPENSATION[1]	• To attract, retain and motivate talented individuals who are critical to the Group's success	• Reviewed annually by the Committee or, if appropriate, in the event of a change in an individual's position or responsibilities • Base compensation levels set to reflect the experience and capabilities of the individual as well as the scope and scale of the role • Increases to base compensation may reflect individual performance as well as the pay and conditions in the workforce	• There is no prescribed maximum annual increase. The Committee takes into account remuneration levels in comparable organisations in the geographies in which the Company operates and in which it competes for talent. It is guided by the increase for the workforce generally. • On occasion, it may also recognise other factors such as additional responsibility, or an increase in the scale or scope of the role	• Not applicable
ANNUAL STI[3]	• To encourage and reward delivery of the Group's annual financial and operational objectives • To encourage share ownership and provide further alignment with shareholders	• Performance targets are reviewed annually by the Committee and are set to ensure they are linked to strategic objectives and are appropriately demanding, taking into account economic conditions and risk factors • A portion of the bonus paid (the amount at the discretion of the Committee) may be deferred in shares, which are released ratably over two years, subject to continued employment • Dividends that accrue on the deferred shares during the vesting period may be paid in cash or shares at the time of vesting • Clawback[2] provisions will apply for overpayments due to misstatement or error and other circumstances in respect of future bonus payments and also apply to previous payments made under the ANHG bonus scheme	• Maximum opportunity of 150% of base compensation	• At least 75% of the STI will be based on Group financial performance[2] • Performance below threshold results in zero payment. Payments increase from 0% to 100% of the maximum opportunity for levels of performance between threshold and maximum performance targets

ELEMENT OF PAY	PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE CRITERIA
LTIP[4]	• To balance performance pay between the achievement of financial performance objectives and delivering sustainable stock market out-performance • To encourage share ownership and provide further alignment with shareholders	• Annual awards of conditional shares with vesting dependent on the achievement of performance conditions over a three-year period • Performance targets are reviewed annually by the Committee and are set appropriate to the economic outlook and risk factors prevailing at the time, ensuring that such targets remain challenging in the circumstances, whilst remaining realistic enough to motivate and incentivise management • Dividends that accrue during the vesting period may be paid in cash or shares at the time of vesting, to the extent that shares vest • Clawback[2] provisions apply for overpayments due to misstatement or error and other circumstances	• Maximum opportunity of 200% of base compensation	• Performance is assessed against EPS growth and relative TSR metrics, which are measured independently[4] • No more than 25% of an award will vest for achieving threshold performance, increasing *pro rata* to full vesting for achievement of maximum performance targets
PENSION/ RETIREMENT BENEFITS	• To help recruit and retain high-performing executives • To provide employees with long-term savings via pension provisions	• Participation into a defined contribution pension scheme	• Directors can receive a Company contribution (of up to 10% of salary)	• Not applicable
BENEFITS	• To provide a market-competitive level of benefits to ensure the executive directors' well-being	• Benefits may include but are not limited to: – private medical insurance – death and disability insurance – leave and long service awards • Other ancillary benefits, including relocation and travel expenses, may be offered, as required, including an allowance towards reasonable fees for professional services such as legal, tax and financial advice	• Actual value of benefits provided	• Not applicable

ELEMENT OF PAY	PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE CRITERIA
NON-EXECUTIVE DIRECTORS' FEE	• Set to attract, retain and motivate talented individuals through the provision of market competitive fees	• Reviewed periodically by the Committee or, if appropriate, in the event of a change in an individual's position or responsibilities • Fee levels are set by reference to market rates, responsibility and time commitments and the pay and conditions in the workplace	• As for the executive directors there is no prescribed maximum annual increase. The Committee is guided by the general increase for the broader workforce, but on occasion may recognise an increase in certain circumstances, such as assumed additional responsibility or an increase in the scale or scope of the role	• N/A

Notes:

[1] Base compensation may include base salary plus fixed cash allowances, which are a normal part of the fixed remuneration package for employees in some countries in which the Company operates.

[2] There are no malus provisions as the Company believes that the current clawback provisions appropriately address the risk of non-payment.

[3] The Annual STI is focused predominantly on key financial performance indicators, to reflect how successful the Group has been in managing its operations. The balance is determined on how well the executive directors performed against annual Group operational targets including measures of clinical excellence.
The current executive directors STI is calculated on the combined financial EBITDA performance of the three Platforms, weighted relative to their respective EBITDA contribution. The threshold and stretch targets are based on a percentage of the respected approved budgeted EBITDA.

[4] The LTIP incentive rewards significant long-term returns to shareholders and long-term financial growth.
Targets are set on sliding scales that take account of internal strategic planning and external market expectations for the Company. Only modest rewards are available for achieving threshold performance with maximum rewards requiring substantial out-performance of challenging strategic plans approved at the start of each year or on the date of award, as the case may be.
The Committee operates LTI arrangements for the executive directors in accordance with their respective rules, the Listing Rules and the rules of relevant tax authorities where relevant. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of the plans. These include (but are not limited to) the following:

- *Who participates;*
- *The timing of the grant of award and/or payment;*
- *The size of an award (up to plan limits) and/or a payment;*
- *Discretion relating to the measurement of performance in the event of a change of control or reconstruction;*
- *Determination of a good leaver (in addition to any specified categories) for incentive plan purposes;*
- *Adjustments required in certain circumstances (e.g. rights issues, corporate restructuring and special dividends); and*
- *The ability to adjust existing performance conditions for exceptional events so that they can still fulfil their original purpose.*

The relative weights between TSR and EPS are determined annually by the Remuneration Committee. For the current reporting period TSR and EPS carried a weight of 50% respectively. For the 2016/2017 allocations EPS weight is 60% and TSR 40%.

PREVIOUS AWARDS

Authority was given to the Company to honour any commitments entered into with current or former directors before they became a director (such as, the vesting or exercise of past share awards) or before this policy came into effect, including those granted by companies in the Group prior to that company becoming part of the Group. For example, certain directors continue to hold awards granted under the terms of the Mediclinic Forfeitable Share Plan.

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

When considering the executive directors' remuneration structure and levels, the Committee reviews base compensation and STI arrangements for the management team, to ensure that there is a coherent approach across the Group. The STI arrangements operate on a similar basis across the senior management team. The key difference in the policy for executive directors is that remuneration is more heavily weighted towards long-term variable pay than other employees. This ensures that there is a clear link between the value created for shareholders and the remuneration received by the executive directors.

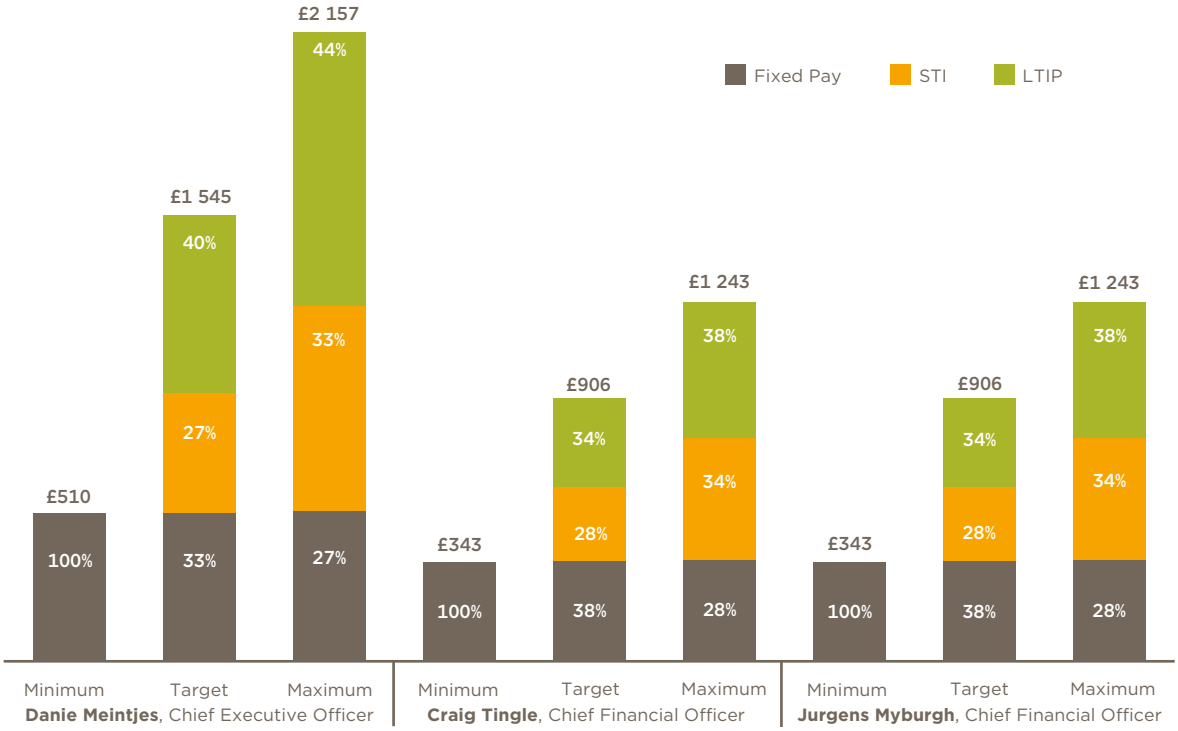
The Committee does not formally consult with employees in respect of the design of the executive director Remuneration Policy, although the Committee will keep this under review.

REMUNERATION SCENARIOS FOR THE EXECUTIVE DIRECTORS

The total remuneration for each of the executive directors that could result from the remuneration policy in 2016/2017 is shown below under three different performance levels – below threshold (when only fixed pay is receivable), on target and maximum. The chart highlights that the performance-related elements of the package comprise a significant portion of total remuneration at on-target and maximum performance.

Remuneration is earned in pounds sterling (GBP) and South African rand (ZAR). The ZAR portion of the remuneration package is translated into GBP at a rate of £1: ZAR20.73.

EXECUTIVE DIRECTOR REMUNERATION (£'000)



Assumptions:

1 *Salary levels applying as at 1 April 2016.*
2 *The value of taxable benefits is based on the expected cost in the year ended 31 March 2017 of benefits and cash allowances.*
3 *The value of pension contribution is based on a Company contribution of 9% of salary.*
4 *Minimum performance assumes no award is earned under the STI plan and no vesting is achieved under the LTIP; at on-target, 60% of a maximum bonus is earned under the STI plan and 65% of a maximum bonus is achieved under the LTIP; and at maximum full vesting under both plans.*
5 *Share price movement and dividend accrual have been excluded from the above analysis.*

DIRECTORS' REMUNERATION REPORT (continued)

DIRECTORS' RECRUITMENT AND PROMOTIONS

The policy on the recruitment or promotion of an executive director takes into account the need to attract, retain and motivate the best person for each position, while at the same time ensuring a close alignment between the interests of shareholders and management.

If a new executive director were appointed, the Committee would seek to align the remuneration package with the Remuneration Policy approved by shareholders, save that there would be discretion to award a combined STI and LTIP of up to 400% of base compensation inclusive of potential buyout rewards. Flexibility would be retained to set base compensation at the level necessary to facilitate the hiring of candidates of appropriate calibre in external markets and make awards or payments in respect of deferred remuneration arrangements forfeited on leaving a previous employer. In terms of remuneration to compensate for forfeited awards, the Committee would look to replicate the arrangements being forfeited as closely as possible and in doing so, would take account of relevant factors including the nature of the deferred remuneration, performance conditions and the time over which they would have vested or been paid. The face and/or expected values of the award(s) offered will not materially exceed the value ascribed to the award(s) foregone.

For an internal appointment, any incentive amount awarded in respect of a prior role may be allowed to vest on its original terms, or adjusted as relevant to take into account the appointment. Any other ongoing remuneration obligations existing prior to appointment may continue.

The Committee may also agree that the Company will meet certain relocation and incidental expenses as appropriate.

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

DIRECTORS' SERVICE AGREEMENTS AND PAYMENTS FOR LOSS OF OFFICE

The Committee seeks to ensure that contractual terms of the executive director's service agreement reflect best practice. It is the Company's policy that all executive directors have rolling contracts that can be terminated by the employee in line with his service agreement.

The revised service agreements of the current and future executive directors are terminable on six months' notice, a change effective from the date of the Combination.

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

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

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

Shares under the deferred STI and LTI arrangements are subject to the rules which contain discretionary provisions setting out the treatment of awards

where a participant leaves for designated reasons (i.e. participants who leave early on account of injury, disability or ill health, death, a sale of their employer or business in which they were employed, statutory redundancy, retirement or any other reason at the discretion of the Committee). In these circumstances a participant's awards will not be forfeited on cessation of employment and instead will continue to vest on the normal vesting date or earlier at the discretion of the Committee, subject to the performance conditions attached to the relevant awards. The awards will, other than in exceptional circumstances, be scaled back *pro rata* for the period of the incentive year worked by the director.

In addition to the above payments, the Committee may make any other payments determined by a court of law in respect of the termination of a director's contract. The Company may, however terminate the contract of any executive director summarily in accordance with the terms of their service agreement.

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

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

The dates of the executive directors' service contracts are:

Danie Meintjes	01 April 2016 – Joined Group 01/08/1981
Craig Tingle	01 April 2016 – Joined Group 01/02/2006

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

NON-EXECUTIVE DIRECTORS' TERMS OF ENGAGEMENT

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

All non-executive directors, except for Dr Edwin Hertzog and Mr Jannie Durand were considered to be independent of the Company.

The dates of the terms of engagement of the non-executive directors are:

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

All the non-executive directors listed above, excluding Ian Tyler and Seamus Keating, previously served on the Board of MIL. At the time of the Combination they resigned from the Board of MIL and were appointed as directors of MIP pursuant to letters of appointment on terms in line with those above. Ian Tyler and Seamus Keating previously served on the Board of ANHG and also signed new letters of appointment at the time of the Combination.

DIRECTORS' ANNUAL REMUNERATION REPORT

This part of the report has been prepared in accordance with Part 4 of The Large and Medium-sized Companies and Groups (Financial Statements and Reports) (Amendment) Regulations 2013 and 9.8.6R of the Listing Rules. The Annual Report on Remuneration will be put to an advisory shareholder vote at the 2016 annual general meeting. Certain specified information on pages 84 to 89 has been audited.

Information contained in this section relates to ANHG for the period from 1 January 2015 up to the date of the Combination (15 February 2016), and to MIP from the Combination to 31 March 2016. A separate section which follows this report describes the arrangements for MIL for the period from 1 April 2015 to 31 March 2016. This additional disclosure is provided for information only and does not form part of this report for the purposes of the reporting regulations. Furthermore, due to an overlap in the reporting periods; it includes some payments which are also disclosed in this main section of this report. Providing this *pro forma* this information is intended to provide shareholders with clear information about the remuneration of MIL directors appointed to the MIP Board for the financial year ended 31 March 2016.

RESPONSIBILITIES OF THE COMMITTEE

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

MEMBERS AND ACTIVITIES OF THE COMMITTEE

The Committee members prior to the Combination (ANHG) were Ian Tyler (Chairman), Seamus Keating and, up to his resignation on 22 April 2015, Faisal Belhoul. Following the Combination, the Committee members were Trevor Petersen (Chairman), Robert Leu and Ian Tyler. All members were independent non-executive directors, save Ian Tyler, who was non-executive Chairman before the Combination but considered independent thereafter. Following the Combination, Jannie Durand attends Committee meetings at the invitation of the Committee, but is not a voting member.

None of the Committee members have day-to-day involvement with the business, nor do they have any personal financial interest, except as shareholders, in the matters to be recommended. The Company Secretary acts as Secretary to the Committee. The number of formal meetings held during the period under review and the attendance by each member is shown in the table below. The Committee also held informal discussions as required.

REMUNERATION COMMITTEE MEETING ATTENDANCE

NAME	ROLE	NUMBER OF ANHG COMMITTEE MEETINGS ATTENDED PRIOR TO THE COMBINATION (01/01/2015 – 15/02/2016)	NUMBER OF MIP COMMITTEE MEETINGS ATTENDED AFTER THE COMBINATION (15/02/2016 – 31/03/2016)[4]
Ian Tyler	Senior Independent Director	2 of 2	1 of 1
Trevor Petersen[1] (Committee Chairman)	Independent non-executive director	n/a	1 of 1
Seamus Keating[2]	Independent non-executive director	2 of 2	n/a
Faisal Belhoul[3]	Non-executive director	2 of 2	n/a
Prof Dr Robert Leu[1]	Independent non-executive director	n/a	1 of 1

1 *Appointed following the Combination on 15 February 2016. Their biographies can be found on page 61 of the report.*
2 *Following the Combination, Seamus Keating continued to serve as a director of the Company, but no longer as a member of the Remuneration Committee.*
3 *Faisal Belhoul resigned as a director and a member of the Committee on 21 April 2015.*
4 *One Committee meeting was held since the Company's financial year end.*

EXTERNAL ADVICE RECEIVED

During the 15-month period to 31 March 2016, the ANHG and MIP Committees received independent advice on remuneration matters from New Bridge Street ("**NBS**"), a trading name of Aon plc. NBS was selected through a competitive tendering process at the time of the initial public offering of ANHG and their appointment has been reviewed annually by the ANHG Committee and again following the Combination. The Committee remains of the opinion that NBS remains independent and provides robust and objective advice. NBS is a member of the Remuneration Consultants Group and adheres to the Voluntary Code of Conduct in relation to executive remuneration consulting in the UK. The fees paid to NBS for advice to the Committees for the 15-month period to 31 March 2016, based on time charges for work completed, were £222 538. No additional fees were paid by the Company to NBS in respect of other services.

SHAREHOLDER VOTING AT AGM

The Policy Report was put to a binding shareholder vote at the ANHG general meeting held on 15 December 2015. At the same meeting, a resolution was approved to pay a special bonus to the CEO. At the previous AGM, the 2014 Annual Report on Remuneration was put to an advisory shareholder vote.

At last year's ANHG annual general meeting held on 12 May 2015, the following votes were received from shareholders:

	FOR	%	AGAINST	%	WITHHELD	TOTAL
Remuneration Report	95 193 433	99.63	348 867	0.37	496 231	95 542 300

At the ANHG general meeting held on 15 December 2015, the following votes were received from shareholders:

	FOR	%	AGAINST	%	WITHHELD	TOTAL
Remuneration Policy	85 445 949	98.62	1 194 996	1.38	0	86 640 945
CEO special bonus	54 533 333	63.61	31 192 548	36.39	915 064	86 640 945

DIRECTORS' REMUNERATION REPORT (continued)

DIRECTORS' REMUNERATION EARNED IN THE 15-MONTH PERIOD TO 31 MARCH 2016 AT MEDICLINIC INTERNATIONAL PLC (FORMERLY AL NOOR HOSPITALS GROUP PLC) (AUDITED)

The table below summarises the directors' remuneration received in the 15-month period to 31 March 2016 for directors serving on the Boards of ANHG and MIP. The comparative figures for the previous financial year are the 12-month period to 31 December 2014, as disclosed in the 2014 Directors' Remuneration Report for ANHG.

		SALARY AND FEES £000	BENEFITS £000	ANNUAL BONUS £000	LONG-TERM INCENTIVES £000	PENSION £000	OTHER £000	TOTAL REMUNERATION £000
EXECUTIVE DIRECTORS								
Ronald Lavater[1]	2015/16	583	42	155	960	57	1 070	2 867
	2014	129	12	22	0	0	7	170
Danie Meintjes[2]	2015/16	37	0	38	0	3	0	79
	2014	0	0	0	0	0	0	0
Craig Tingle[2]	2015/16	28	0	22	0	3	0	53
	2014	0	0	0	0	0	0	0
NON-EXECUTIVE CHAIRMAN								
Ian Tyler[3]	2015/16	239						239
	2014	200						200
Edwin Hertzog[3]	2015/16	31						31
	2014	0						0
NON-EXECUTIVE DIRECTORS								
Dr Kassem Alom[4]	2015/16	101						101
	2014	318						318
Seamus Keating[3]	2015/16	100						100
	2014	80						80
William J. Ward[5]	2015/16	84						84
	2014	75						75
Mubarak Matar Al Hamiri[5]	2015/16	73						73
	2014	65						65
William S. Ward[5]	2015/16	73						73
	2014	65						65
Sheikh Mansoor Bin Butti[5]	2015/16	0						0
	2014	0						0
Ahmad Nimer[5]	2015/16	0						0
	2014	0						0
Faisal Belhoul[5]	2015/16	0						0
	2014	0						0
Khaldoun Haj Hasan[5]	2015/16	0						0
	2014	0						0

		SALARY AND FEES £000	BENEFITS £000	ANNUAL BONUS £000	LONG-TERM INCENTIVES £000	PENSION £000	OTHER £000	TOTAL REMUNERATION £000
Desmond Smith[3]	2015/16	9						9
	2014	0						0
Trevor D Petersen[3]	2015/16	11						11
	2014	0						0
Nandi Mandela[3]	2015/16	8						8
	2014	0						0
Robert Leu[3]	2015/16	9						9
	2014	0						0
Alan Grieve[3]	2015/16	10						10
	2014	0						0
Jannie Durand[3]	2015/16	8						8
	2014	0						0
Non-Executive Director Total	2015/16	755						755
	2014	803						803

[1] *Ronald Lavater's remuneration includes payments for the period 1 January 2015 – 15 February 2016 when he held the role of CEO of ANHG. His remuneration was set in US dollars (USD) and is reported in pound sterling (GBP) using an exchange rate of £1: USD1.45. Mr Lavater's reported bonus payment includes his 2015 annual bonus; a special bonus relating to the Combination, which is described in this report included under "other" payments.*

[2] *Danie Meintjes and Craig Tingle's remuneration includes payments for the period 15 February – 31 March 2016 when they held the roles of CEO and CFO of MIP. Their remuneration is paid in South African rand (ZAR) and reported in GBP using an exchange rate of £1: ZAR20.73. The annual bonus if a 'pro rated' amount of 46 days for the period 15 February 2016 to 31 March 2016. Full details of their annual bonuses are disclosed as part of the pro forma statement of Directors' remuneration.*

[3] *Ian Tyler and Seamus Keating's remuneration consists of the period 1 January 2015 – 31 March 2016 and relates to their roles at both ANHG and MIP. Edwin Hertzog, Desmond Smith, Trevor D Petersen, Nandi Mandela, Robert Leu, Alan Grieve and Jannie Durand's remuneration consists of the period after Combination and until 31 March 2016. They are paid in GBP.*

[4] *Dr Kassem Alom's remuneration includes payments for the period 1 January 2014 – 1 October 2014 when he held the role of CEO of ANHG as well as the period 1 January 2015 – 15 February 2016, when he held the role of Vice Chairman of ANHG. His remuneration is paid in UAE dirhams (AED) and reported in GBP using an exchange rate of £1: AED5.95 for 2014 and £1: AED5.32 for 2016.*

[5] *William J. Ward, Mubarak Hamiri, William S. Ward served as non-executive Directors at ANHG for the period 1 January 2015 to 15 February 2016 . Sheikh Mansoor Bin Butti, Ahmad Nimer, Khaldoun Haj Hasan and Faisal Belhoul (all of whom were shareholder representatives) received no payment from the Company for their services as a director in the period 1 January 2015 – 15 February 2016. Faisal Belhoul stepped down from his position on 22 April 2015.*

DIRECTORS' REMUNERATION REPORT (continued)

The sections below provide further detail of the remuneration shown in the table on pages 84 to 85.

SALARIES FOR 2015/16 (AUDITED)

Ronald Lavater's salary during the period up to the Combination was USD750 000 per annum.

Danie Meintjes and Craig Tingle's salary in the table on pages 84 to 85 reflects a pro rated amount for their salaries in the period from the Combination to 31 March 2016. Their salaries for the period were R762 000 and R570 847 respectively. All numbers have been converted to pounds sterling.

BENEFITS FOR 2015/16 (AUDITED)

Ronald Lavater's benefits included private medical insurance, the use of a company car and a driver, car insurance, private fuel card, airfare tickets, housing and utility expenses.

Danie Meintjes and Craig Tingle's benefits include private medical insurance.

DIRECTORS' PENSION ENTITLEMENT (AUDITED)

ANHG did not operate a pension scheme and accordingly no element of remuneration was pensionable. Retirement benefits were, however, provided in accordance with the local labour law of the UAE. The value of statutory end-of-service benefits payable to Ronald Lavater as an employee based in the UAE is included in the table.

Mediclinic offers membership of a defined contribution fund for its Mediclinic Southern Africa employees and a defined benefit fund for its Hirslanden employees. Retirement benefits are provided to employees of Mediclinic Middle East according to the local labour laws of the UAE.

The executive directors participate in the Mediclinic Southern Africa defined contribution fund and are eligible for a 9% Company pension contribution, in line with the policy. No executive director has a prospective entitlement to a defined benefit pension.

ANHG ANNUAL BONUS FOR 2015 (AUDITED)

The maximum bonus payable for 2015 for the ANHG CEO was 150% of salary. The annual bonus was assessed at 80% against financial and 20% against operational objectives, including measures of clinical excellence, to provide a rounded assessment of the Group's and the individual's performance.

The measures, targets and performance against them are set out in the table below.

The resulting bonus was paid in February 2016 and, in light of the vesting of all share awards at the time of the Combination, was paid in cash and not required to be deferred. Clawback provisions apply to the payment.

ANHG SPECIAL BONUS (AUDITED)

In light of the proposed combination with Mediclinic, the Remuneration Committee of ANHG determined that a special bonus should be offered to the CEO, Ronald Lavater in order to incentivise performance up to the Combination and promote stability among the senior population at this time. The amount of the special bonus was to be up to USD1.5m (i.e. two times annual salary) paid in cash, and would be contingent on the Committee's assessment of the execution of the transaction and the organisational stability and continued strong performance of the Company in the period up to the Combination. In order to promote the retention of Mr Lavater in the period immediately following the Combination, the payment was to be paid in two equal instalments three and nine months after the Combination completed.

MEASURE	WEIGHTING	SUMMARY OF TARGETS	RESULT	% OF MAXIMUM	% OF SALARY
Adjusted EBITDA[1]	70%	Threshold: USD106.4m Target: USD112.0m Maximum: USD123.2m	Threshold not achieved	0%	0%
Cash conversion	10%	Threshold: 84.0% Target: 87.5% Maximum: 89.0%	Threshold not achieved	0%	0%
Operational and quality measures	20%	Achievement of key strategic milestones, including those relating to medical quality, patient satisfaction and corporate development.	All milestones were fully achieved	100%	30%
TOTAL	**100%**				**30%**

[1] *The bonus amounts are audited, however, the adjusted EBITDA, cash conversion, and operational and quality measures all relate to the legacy Al Noor Hospitals Group plc and have not been audited as part of the financial statements.*

Since this proposed payment fell outside the ANHG Remuneration Policy at the time it was required to be put to shareholders. It was approved at the ANHG general meeting on 15 December 2015.

Shortly prior to the Combination, the ANHG Remuneration Committee confirmed that the performance conditions attaching to the special bonus had been fully achieved.

At the ANHG general meeting on 15 December 2015, shareholders approved a payment to Ronald Lavater of a retention bonus of USD1.5m.

ANHG LTI AWARDS GRANTED IN 2015/16 (AUDITED)

A conditional share award under the LTIP was made to Ronald Lavater on 28 April 2015 with a value at grant of 175% of salary.

	DATE OF GRANT	NUMBER OF SHARES[1]	FACE VALUE	FACE VALUE AS A PERCENTAGE OF SALARY	END OF PERFORMANCE PERIOD	PERFORMANCE CONDITIONS
Ronald Lavater	28 April 2015	97 398	USD1 312 500	175%	31 December 2017	See table below

[1] *The number of shares to be granted was determined based on the average share price over the five dealing days prior to grant, which was £8.87 and translated at the exchange rate at grant £1: USD1.52.*

At grant, vesting of 50% of the award was based on EPS growth and the remaining 50% would be determined by TSR, with half of that amount measured relative to the FTSE World Healthcare Index and the other half against a tailored group of healthcare companies operating in markets similar to the Company.

PERFORMANCE CONDITION	WEIGHTING	THRESHOLD TARGET (25% VESTING)	STRETCH TARGET (100% VESTING)
EPS growth	50%	6% per annum	15% per annum
TSR vs Healthcare sector peers	25%	In line with index	8.5% per annum above the index
TSR vs Healthcare sector peers	25%	Median of peers	Upper quartile of peers

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

The treatment of this award as a result of the Combination is set out in a separate section below.

ANHG LTI AWARDS VESTING IN 2015/16 – RONALD LAVATER (AUDITED)

Under the rules of the LTIP, the Committee had discretion as to the treatment of outstanding awards as a result of the financial events which followed the Combination. The Committee judged that it was appropriate that awards should vest subject to the extent that the relevant performance conditions had been achieved.

For all awards, the final value has been calculated using £11.68 (the mid-market closing price on 10 February 2016, being the last relevant trading day before the shares went ex-dividend) and, where relevant, the impact of dividends foregone in the vesting periods elapsed has been taken into consideration.

2014 ANHG Deferred Annual Bonus (audited)

Ronald Lavater held an award of 1 231 shares under the 2014 deferred bonus plan whose vesting was subject only to continued service. This award vested in full and the value of the award on 15 February 2016 was £14 585.

2014 ANHG LTIP (audited)

Conditional share awards granted under the 2014 LTIP were subject to an EPS condition and TSR conditions relative to a sector-specific group and an index:

PERFORMANCE CONDITION	THRESHOLD TARGET (25% VESTING)	STRETCH TARGET (100% VESTING)	ACTUAL	% VESTING
EPS growth (50%)	6% per annum	15% per annum	12.38% per annum	**39.1%** (50% of 78.15% vesting)
TSR vs World Healthcare Index (25%)	In line with index	8.5% per annum above the index	4.9% per annum above the index	**16.8%** (25% of 67.36% vesting)
TSR vs Healthcare sector peers (25%)	Median of peers	Upper quartile of peers	Between median and upper quartile	**9.5%** (25% of 37.91% vesting)
TOTAL VESTING				**65.4%**

EPS performance was measured over the two financial years from grant. The TSR performance condition was tested based upon performance to 10 February 2016.

At the time of the Combination, Ronald Lavater held an award of shares under the 2014 cycle of the ANHG LTIP, which was treated as shown in the table below, and settled in cash.

	DATE OF GRANT	NUMBER OF SHARES	% VESTING	NUMBER OF SHARES VESTING	VALUE OF VESTING SHARES	NUMBER OF SHARES LAPSING
Ronald Lavater	25 November 2014	20 978	65.4%	13 719	£162 024	7 259

2015 ANHG LTIP (audited)

The 2015 awards were granted subject to conditions similar to the 2014 awards. However, as only one financial year had elapsed since grant, the Committee understood that the EPS performance period could not be tested robustly and therefore exercised its discretion under the plan rules to exclude this element and test the award based wholly on the TSR performance conditions.

PERFORMANCE CONDITION	THRESHOLD TARGET (25% VESTING)	STRETCH TARGET (100% VESTING)	ACTUAL	% VESTING
TSR vs World Healthcare Index (50%)	In line with index	8.5% per annum above the index	13.6% per annum above the index	**50%** (50% of 100% vesting)
TSR vs Healthcare sector peers (50%)	Median of peers	Upper quartile of peers	Between median and upper quartile	**19.9%** (50% of 39.75% vesting)
TOTAL VESTING				**69.9%**

The TSR vesting outcomes are based upon performance to 10 February 2016.

At the time of the Combination, Ronald Lavater held an award of shares under the 2015 cycle of the ANHG LTIP, which was treated as shown in the table below, and settled in cash.

	DATE OF GRANT	NUMBER OF SHARES	% VESTING	NUMBER OF SHARES VESTING	VALUE OF SHARES VESTING	NUMBER OF SHARES LAPSING
Ronald Lavater	28 April 2015	97 398	69.9%	68 081	£797 711	29 317

TERMINATION ARRANGEMENTS FOR RONALD LAVATER

Ronald Lavater stepped down from the role of Chief Executive Officer on the date of the Combination. He received normal pay and benefits up to this date and six months' salary in lieu of notice. He received a bonus of £155 000 in February 2016 which, in light of the Combination, was not required to be deferred. He also received a special bonus, approved at the ANHG general meeting on 15 December 2015 of USD1.5m. There are conditions attached to the bonus whereby he would lose his entitlement to the bonus if he does not meet the required service conditions.

Upon the date of the Combination, Ronald Lavater's outstanding LTIP awards vested and he received £162 024 for the 2014 LTIP and £797 711 for the 2015 LTIP, in cash. He also received awards vesting under the deferred bonus plan on 15 February 2016 with a value of £14 585.

PAYMENTS TO FORMER DIRECTORS (AUDITED)

In addition to the amounts disclosed above, no further payments were made to former directors of MIP or ANHG in the 15-month period to 31 March 2016.

PAYMENTS FOR LOSS OF OFFICE (AUDITED)

No payments were made in respect of loss of office during the 15-month period to 31 March 2016.

DIRECTORS' SHAREHOLDING AND SHARE INTERESTS (AUDITED)

The following table sets out the directors' beneficial shareholding, whether held directly or indirectly, and share interests.

	BENEFICIALLY OWNED AT 31 MARCH 2016[1]	OUTSTANDING LTIP AWARDS	OUTSTANDING DEFERRED ANNUAL BONUS AWARDS[2]	SHAREHOLDING REQUIREMENT MET[3]
EXECUTIVE DIRECTORS				
Danie Meintjes	118 215	0	83 372	Yes
Craig Tingle	68 969	0	47 516	Yes
Ronald Lavater[4]	0	0	0	n/a
NON-EXECUTIVE DIRECTORS				
Dr Edwin Hertzog	3 754 855	–	–	n/a
Desmond Smith	–	–	–	n/a
Ian Tyler[5]	–	–	12 090	n/a
Seamus Keating	–	–	–	n/a
Trevor Petersen	–	–	–	n/a
Nandi Mandela	–	–	–	n/a
Prof Dr Robert Leu	–	–	–	n/a
Alan Grieve	–	–	–	n/a
Jannie Durand	–	–	–	n/a

1 *There were no changes to the interests of the directors in the ordinary shares of the Company in the period from 31 March 2016 to 25 May 2016. Full details of the Directors' shareholdings and share allocations are given in the Company's Register of Directors' Interests, which is open to inspection at the Company's registered office during business hours.*

2 *The DAB awards above includes conditional and forfeitable share awards where the performance has been tested but shares have not yet been released and are subject to service conditions only.*

3 *The shareholding requirements for directors of MIP are 225% (CEO) and 200% (CFO) of salary respectively.*

4 *All conditional share options allocated to Ronald Lavater was settled in cash.*

5 *On 20 June 2013, the Board granted Ian Tyler £50 000 (8 695) ordinary shares at a share price of £5.75. To preserve his position after the Combination of Al Noor and Mediclinic, and the subsequent expected drop in share price, the Company has increased the number of shares allocated to 12 090. The shares will vest net of any tax on the third anniversary of grant subject to Ian's continued service to the Group as a non-executive director on the Board.*

PERCENTAGE CHANGE IN REMUNERATION LEVELS

The table below shows salary, benefits and annual bonus for the CEO Ronald Lavater in the 12-month period to 31 December 2015 versus the prior 12 months, compared to the change over the same period for the other ANHG employees:

	% CHANGE
Chief Executive Officer	
Salary	0%
Benefits	(22.9%)
Bonus	76%
All employees	
Salary	13.8%
Benefits	(0.6%)
Bonus	(32.8%)

RELATIVE IMPORTANCE OF THE SPEND ON PAY

The table below shows the spend on staff costs in the 12-month period to 31 December 2015, compared to returns to shareholders over the same period:

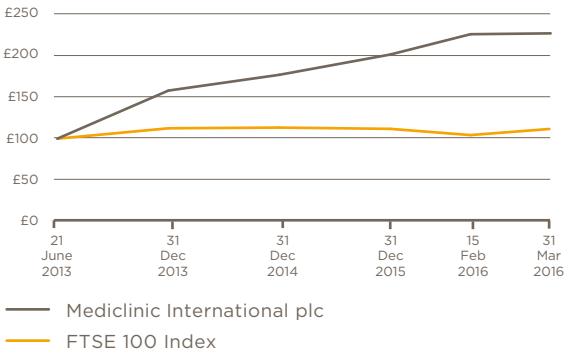
	2015/16 £000	2014/15 £000	% CHANGE
Staff costs	150 044	136 790	9.7%
All employees	14 878[1]	15 702	(5.2%)

[1] *Excludes the special dividend of £383.3 million paid on Combination.*

PERFORMANCE GRAPH AND CEO PAY

This graph shows the value, at 31 March 2016, of £100 invested in MIP (and previously Al Noor Hospitals Group) since inception compared with the value of £100 invested in the FTSE 100 Index on the same date. The intervening points are the financial year ends prior to the data of Combination and the date of the Combination.

TOTAL SHAREHOLDER RETURN



Source: Thomson Reuters

The table below shows the total remuneration for the CEO over the same period. Consistent with the calculation methodology for the single figure for total remuneration, the total remuneration figure includes the total annual bonus award based on that year's performance and the LTIP award based on the three-year performance period ending in the relevant year. The annual bonus payout and LTIP award vesting level as a percentage of the maximum opportunity are also shown for this year for both Ronald Lavater and Danie Meintjes for the period in which they served as CEO.

	YEAR ENDING 31 DECEMBER					1 JAN 2016 – 15 FEB 2016	15 FEB 2016 – 31 MARCH 2016
	2012	2013	2014	2014	2015		
Chief Executive Officer	Dr Kassem Alom	Dr Kassem Alom	Dr Kassem Alom	Ronald Lavater	Ronald Lavater	Ronald Lavater	Danie Meintjes
Total remuneration £000	326	361	290	170	702	2 165	79
Annual bonus %				11.8%	20.0%	n/a	78%
DAB				100%			0%
LTIP vesting %				65.4%	69.9%	n/a	

IMPLEMENTATION OF THE REMUNERATION POLICY FOR THE 2016/2017 FINANCIAL YEAR

SALARY

Following the Combination, the salaries of the CEO and CFO were reviewed. The Committee considered their remuneration packages in the context of other London-listed companies of similar size and international footprint. The incumbents' pay in their previous roles at MIL had been set with reference to both local South African pay levels and a broader international comparison, but given the widening geographic footprint of the Group, the Committee was minded to place greater weight on the international comparators going forward. As a result the salaries for Danie Meintjes and Craig Tingle have been increased by 40% and 22% respectively.

	SALARY FROM 1 APRIL 2016 £000	SALARY FROM 1 APRIL 2015 £000	% INCREASE
Danie Meintjes	471	337	40%
Craig Tingle	319	261	22%

Translated into GBP at a rate of £1: ZAR20.73 at 1 April 2016 and £1: ZAR17.82 at 1 April 2015.

STI 2017

The executive directors have a maximum STI opportunity of 150% (CEO) and 100% (CFO) of annual salary. Of the achieved award, 50% will be deferred in equity with a three-year holding period subject to continued employment.

The performance measure for the executive directors' STI is calculated on a weighted average of the Company's three operating platforms.

	FINANCIAL	CLINICAL AND PATIENT QUALITY
Southern Africa (24.8%)	EBITDA Hospital EBITDA margin Employment costs Debtor days	Clinical care quality indicator Patient expenses indicator Employment Equity
Switzerland (46.6%)	EBITDA Regional EBITDA margin Cash conversion	Patient satisfaction Safe surgery rate Patient mix
Middle East (28.6%)	EBITDA Employment costs Debtor days	Inpatient and outpatient satisfaction

For each platform, EBITDA outcome determines the total amount of available bonus, with the other financial and clinical/patient measures used to adjust this number.

We do not publish details of the financial targets in advance since these are commercially confidential. We will publish achievement against these targets at the same time as we disclose bonus payments in the annual report, so that shareholders can evaluate performance against those targets.

LTIP TO BE GRANTED IN 2016

The Committee intends to grant an LTIP conditional award to the executive directors in 2016 over shares with a value of 200% (CEO) and 150% (CFO) of salary. Upon vesting, awards will be settled in shares, dependent on the achievement of performance conditions over a three-year period. Vesting of 60% of the award will be based on EPS growth and the remaining 40% will be determined by TSR measured relative to the FTSE 100.

Vested shares are subject to a holding period of two years following the vesting date and dividends that accrue during the vesting period may be paid in cash or shares at the time of vesting, to the extent that shares vest.

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

The award will be subject to clawback provisions.

PERFORMANCE CONDITION	THRESHOLD TARGET (25% VESTING)	STRETCH TARGET (100% VESTING)
EPS growth (60%)	5% per annum	12% per annum
TSR vs FTSE 100 (40%)	Median of peers	Upper quartile of peers

PENSION ENTITLEMENT

Mediclinic offers membership of a defined contribution fund for its Mediclinic Southern Africa and a defined benefit fund for its Hirslanden employees. Retirement benefits are provided to employees of Mediclinic Middle East according to the local labour laws of the UAE.

The executive directors partake in the Mediclinic Southern Africa defined contribution fund and will be eligible for a 9% Company pension contribution, in line with the policy.

FEES FOR THE CHAIRMAN AND NON-EXECUTIVE DIRECTORS

The Chairman and non-executive directors remuneration is determined by the Board, based on the responsibility and time committed to the Group's affairs and appropriate market comparisons. Individual non-executive directors do not take part in decisions regarding their own fees. The Chairman and non-executive directors receive no other benefits and do not participate in short-term or long-term reward schemes.

In light of the Combination, a review of non-executive and Chairman fees has been undertaken and a summary of the current fees and those for 2016/17 are set out below:

BASE FEES	FEE FROM 15 FEBRUARY 2016	FEE FROM 1 APRIL 2015	% INCREASE
Chairman	**£250 000**	£200 000	25%
Base Board Fee	**£60 000**	£65 000	(8%)
Audit and Risk Committee Chair	**£15 000**	£10 000	50%
Remuneration Committee Chair	**£15 000**	£10 000	50%
Nomination Committee Chair	**£0**	£0	–
Clinical Performance and Sustainability[3] Committee Chair	**£10 000**	£10 000	0%
Investment Committee Chair	**£10 000**	n/a	–
Senior Independent Director	**£25 000**	£5 000[1]	400%
COMMITTEE MEMBER FEES			
Audit and Risk Committee	**£10 000**	n/a[2]	–
Remuneration Committee	**£10 000**	n/a[2]	–
Nomination Committee	**£0**	n/a[2]	–
Clinical Performance and Sustainability[3] Committee	**£6 600**	n/a[2]	–
Investment Committee	**£6 600**	n/a[2]	–

[1] *Ian Tyler, previously the ANHG Chairman, has been appointed as the Senior Independent Director for MIP subsequent to the Combination.*

[2] *The Committee member fees were previously included in the fixed base Board fee.*

[3] *The Quality Committee was reconstituted as the Clinical Performance and Sustainability Committee in May 2016.*

TERMINATION ARRANGEMENTS FOR CRAIG TINGLE

Craig Tingle will step down from the role of Chief Financial Officer on 15 June 2016.

He will receive normal pay and benefits up to this time. No further payments have been agreed at this time. Any such payments, if made, would be disclosed shortly after his departure.

PACKAGE FOR JURGENS MYBURGH

Jurgens Myburgh takes on the role of Chief Financial Officer from 1 August 2016. He will receive a base salary of £319 000 per annum and receive benefits including private medical insurance. The Company will provide pension contributions of 9% of salary.

His bonus opportunity will be up to 100% of base salary (*pro rata* in the first year of appointment) and he will be eligible for awards under the 2016 LTIP grant, with his first award granted as soon as is practicable post joining and on similar terms to the 2016 awards granted to other executive directors.

Signed on behalf of the Remuneration Committee.

Trevor D Petersen
Chairman of the Remuneration Committee
25 May 2016

PRO FORMA STATEMENT OF DIRECTORS' REMUNERATION AT MEDICLINIC INTERNATIONAL LIMITED FOR THE FINANCIAL YEAR ENDING 31 MARCH 2016 (including Mediclinic International plc (formerly Al Noor Hospitals Group plc) in respect of the period from 15 February 2016 to 31 March 2016)

This part of the report is not required under the reporting regulations. It is provided for information only and does not form part of the Directors' Remuneration Report that will be subject to a vote at the annual general meeting.

The table below summarises Directors' remuneration received in the financial year ended 31 March 2016 for all MIL directors' appointed to the MIP Board. For the period from 1 April 2015 up to the Combination (15 February 2016) payments in respect of MIL are captured. From the date of the Combination until 31 March 2016, payments in respect of MIP are captured. The comparative figures for the previous financial year are the 12-month period to 31 March 2015, as disclosed in the 2015 Directors' Remuneration Report for MIL.

		SALARY £000	PENSION £000	ANNUAL BONUS £000	LONG-TERM INCENTIVES £000	OTHER BENEFITS £000	TOTAL REMUNERATION £000
EXECUTIVE DIRECTORS							
Danie Meintjes	2015/16	286	26	395	439	1	1 146
	2014/15	314	28	208	0	4	554
Craig Tingle	2015/16	215	20	249	250	2	736
	2014/15	245	22	162	0	2	431
NON-EXECUTIVE CHAIRMAN							
Edwin Hertzog	2015/16	72					72
	2014/15	37					37

		SALARY £000	PENSION £000	ANNUAL BONUS £000	LONG-TERM INCENTIVES £000	OTHER BENEFITS £000	TOTAL REMUNERATION £000
NON-EXECUTIVE DIRECTORS							
Alan Grieve	2015/16	124					124
	2014/15	78					78
Robert Leu	2015/16	123					123
	2014/15	78					78
Nandi Mandela	2015/16	35					35
	2014/15	16					16
Trevor D Petersen	2015/16	48					48
	2014/15	27					27
Desmond Smith	2015/16	58					58
	2014/15	31					31
JJ Durand	2015/16	30					30
	2014/15	22					22
NON-EXECUTIVE DIRECTOR TOTAL	2015/16	490					490
	2014/15	289					289

The sections below provide further detail of the remuneration shown in the table above.

SALARIES FOR 2015/16

Danie Meintjes' and Craig Tingle's salary in the table above reflects their salaries in the period from 1 April 2015 to 31 March 2016. Their salaries for the year were R14 780 167 and R10 118 970 respectively, translated into GBP at a rate of £1:ZAR20.73 at 31 March 2016.

BENEFITS FOR 2015/16

Danie Meintjes' and Craig Tingle's benefits include private medical insurance.

The executive directors participated in the Mediclinic Southern Africa defined contribution fund and received a 9% Company pension contribution, in line with the policy.

MIL ANNUAL BONUS FOR 2015/16

For 2015/16, the annual bonus opportunity for the CEO and CFO was 133% and 100% of salary respectively. The bonuses of Mediclinic International management are determined by a weighted average of the platform bonuses achieved.

The full annual bonus payable in the 2015/16 financial year will be paid in cash, subject to employment. Clawback provisions will apply.

The measures, targets and performance against them are set out below:

DANIE MEINTJES

MEASURE	WEIGHTING	ACHIEVED % OF MAXIMUM	WEIGHTED ACHIEVED % OF MAXIMUM	% OF SALARY
MCSA Bonus achieved	36%	58%	21%	28%
MCCH Bonus achieved	50%	94%	47%	63%
MCME Bonus achieved	14%	75%	10%	14%
TOTAL	**100%**		**78%**	**105%**

Consequently, the annual bonus achieved was 78% of a maximum bonus, therefore the amount awarded to Danie Meintjes was £236 163 (105% of salary, i.e. 78% of his 133% of salary). Translated into GBP at an exchange rate of £1: ZAR22.81 at 15 February 2016.

CRAIG TINGLE

MEASURE	WEIGHTING	ACHIEVED % OF MAXIMUM	WEIGHTED ACHIEVED % OF MAXIMUM	% OF SALARY
MCSA Bonus achieved	36%	58%	21%	21%
MCCH Bonus achieved	50%	94%	47%	47%
MCME Bonus achieved	14%	75%	10%	11%
TOTAL	**100%**		**78%**	**80%**

Consequently, the annual bonus achieved was 78% of a maximum bonus, therefore the amount awarded to Craig Tingle was £137 544 (78% of salary, i.e. 78% of his 100% of salary). Translated into GBP at a rate of £1: ZAR22.81 at 15 February 2016.

MIL LTI AWARDS VESTING IN 2015/16 – DANIE MEINTJES AND CRAIG TINGLE

Mediclinic International executives participate in a LTIP, namely a Forfeitable Share Plan ("FSP"). Awards in terms of the FSP to executives are dependent upon achievement of challenging pre-determined Company performance conditions and remain subject to the final discretionary approval of the Board. The purpose of the FSP is to provide executives with the opportunity to acquire shares in Mediclinic, ensuring that participant's interests are strategically aligned with shareholder interests. It further serves as a retention mechanism for strategic talent and a tool to attract prospective employees.

Participation in the scheme is at the discretion of the Remuneration Committee and is generally limited to employees whose role or contribution could directly influence the performance of the Group.

The performance conditions constitute a combination of absolute total shareholder return ("**TSR**") and normalised diluted headline earnings per share ("**HEPS**").

2014 MIL LTIP

PERFORMANCE SHARES

Award Date	31 July 2014
Employment Period	1 August 2014 – 31 May 2017
Performance Period	1 April 2014 – 31 March 2017
Vesting Date	The later of 31 May 2017 or the date upon which the Remuneration Committee has satisfied themselves that the Performance Condition has been met

	DATE OF GRANT	NUMBER OF SHARES [1]	FACE VALUE £000	END OF PERFORMANCE PERIOD	PERFORMANCE CONDITIONS
Danie Meintjes	31 July 2014	49 423	294	31 March 2017	See table below
Craig Tingle	31 July 2014	27 700	165	31 March 2017	See table below

[1] *The number of shares to be granted was determined based on the volume weighted average share price over one month prior to grant, which was £5.95 and translated at the exchange rate at grant of £1: ZAR18.02.*

PERFORMANCE CONDITION	THRESHOLD TARGET (30% VESTING)	STRETCH TARGET (100% VESTING)	ACTUAL	% VESTING
Absolute TSR (40%)	11%	18%	33.97%	40%
HEPS (60%)	Compounded South African Consumer Price Index ("CPI") growth plus 2%	Compounded CPI growth plus 6%	Growth above compounded CPI of 6.57%	60%
TOTAL VESTING				**100%**

Due to the change of control of the Company occurring before the vesting date the performance period was brought forward to 30 September 2015 and accordingly tested. Final vesting will take place on the original vesting date, subject to service conditions being met.

Absolute TSR (40%) – was measured by taking the average TSR for 20 trading days preceding and including the start of the performance period (1 April 2014) and the average TSR for 20 trading days preceding and including the end of the performance period (30 September 2015). Absolute TSR performance was calculated with reference to the compounded annual growth rate in TSR.

HEPS (60%) – The growth in HEPS for the period 1 April 2014 to date must be greater than or equal to the growth in the South African Consumer Price Index ("CPI") for the same period plus a fixed percentage per annum. Given that the performance period is shorter, the actual 2014 HEPS and the estimate 2016 HEPS were used.

The value of these awards at the end of the performance period, being 30 September 2015, was calculated as £259 965 for Danie Meintjes and £145 702 for the Craig Tingle, calculated at a share price of £5.26 per share.

DIRECTORS' REMUNERATION REPORT (continued)

2015 MIL LTIP

PERFORMANCE SHARES

Award Date	23 June 2015
Employment Period	1 June 2015 – 31 May 2018
Performance Period	1 April 2015 – 31 March 2018
Vesting Date	The later of 31 May 2018 or the date upon which the Remuneration Committee has satisfied themselves that the Performance Condition has been met

	DATE OF GRANT	NUMBER OF SHARES[1]	FACE VALUE £000	END OF PERFORMANCE PERIOD	PERFORMANCE CONDITIONS
Danie Meintjes	23 June 2015	43 524	196	31 March 2018	See table below
Craig Tingle	23 June 2015	25 405	114	31 March 2018	See table below

[1] *The number of shares to be granted was determined based on the volume weighted average share price over one month prior to grant, which was £4.50 and translated at the exchange rate at grant of £1: ZAR19.22.*

PERFORMANCE CONDITION	THRESHOLD TARGET (30% VESTING)	STRETCH TARGET (100% VESTING)	ACTUAL	% VESTING
Absolute TSR (40%)	8.5%	15.5%	Implied TSR growth 10.11%	18%
HEPS (60%)	Compounded South African Consumer Price Index ("CPI") growth plus 2%	Compounded CPI growth plus 6%	Growth above compounded CPI of 7.72%	60%
TOTAL VESTING				**78%**

Due to the change of control of the Company occurring before the vesting date, the performance period was brought forward to 30 September 2015 and accordingly tested. Final vesting will take place on the original vesting date subject to service conditions being met.

Absolute TSR (40%) – Given that the period to measure TSR is too short, the fair value (or expected value) valuation of the FSP instruments used for IFRS 2 to book the P&L charge for the three years of the grant, as determined by PWC actuarial service line, was used as basis.

The fair value (or expected value) of the FSP instrument for IFRS 2 purposes was calculated as 46.1 cents in the rand (or 46.1%). This fair value calculation is an indication of the vesting probability of the FSP instruments (i.e. 46.1%) and results in an implied TSR growth of 10.11% (see table on page 98).

HEPS (60%) – The estimate growth in HEPS from 1 April 2015 to 31 March 2016 must be greater than or equal to: The growth in the South African Consumer Price Index ("CPI") between 1 April 2015 and 31 March 2016 plus a fixed percentage per annum for the performance period.

The value of these awards at the end of the performance period, being 30 September 2015, was calculated as £178 572 for Danie Meintjes and £104 232 for the Craig Tingle, calculated at a share price of £5.26 per share.

NOMINATION COMMITTEE REPORT

Ian Tyler

Chairman of the Nomination Committee

Dear Shareholder,

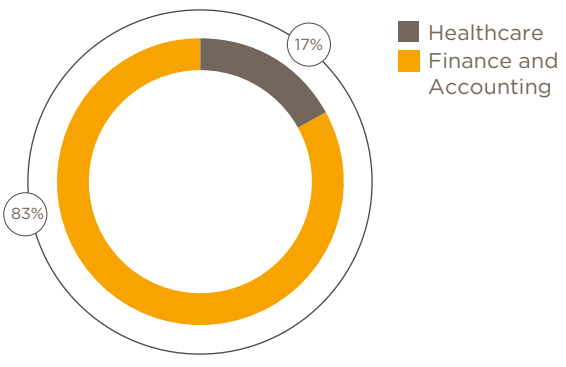
Following the completion of the Combination of Al Noor Hospitals Group plc ("Al Noor") and Mediclinic International Limited (the "Combination") on 15 February 2016, it is my pleasure to report on the activities of the Nomination Committee (the "Committee") for the year to 31 March 2016. As part of the completion process, the membership of the Board and its Committees was refreshed. The Committee believes that these appointments and the inclusion of independent non-executive directors have provided additional financial, strategic, clinical and industry skills and expertise to both the Board and its Committees. The Committee has, following the Combination, been predominantly focused on succession planning, diversity and the composition of the Board and its Committees, which is explained in more detail in this report.

COMMITTEE COMPOSITION AND MEETING ATTENDANCE

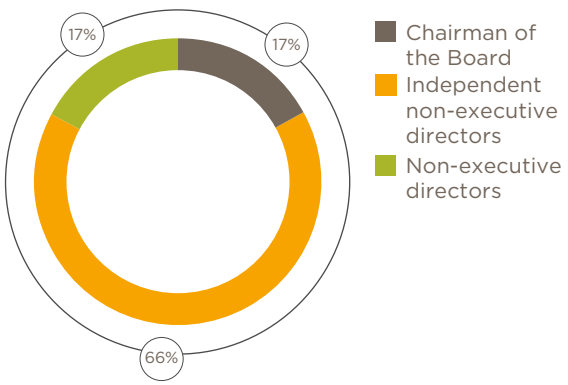
The current composition of the Committee meets the requirements of the UK Corporate Governance Code 2014 (the "**Code**"), with the majority of members being independent non-executive directors. The appointments of all the directors to the Board (other than myself and Seamus Keating, who were appointed in 2013) took place on 15 February 2016, following the Combination. Biographical details of all Committee members are included on pages 60 to 61.

The composition and attendance of Committee meetings are set out in the table on page 101.

COMMITTEE EXPERIENCE



COMMITTEE COMPOSITION



NOMINATION COMMITTEE MEETING ATTENDANCE

NAME	ROLE	NUMBER OF COMMITTEE MEETINGS ATTENDED PRIOR TO COMBINATION	NUMBER OF COMMITTEE MEETINGS ATTENDED AFTER COMBINATION[2]
Mubarak Matar Al Hamiri[1]	Independent non-executive director	1 of 1	n/a
Dr. Kassem Alom[1]	Non-executive director	1 of 1	n/a
William S. Ward[1]	Independent non-executive director	1 of 1	n/a
Ian Tyler (Committee Chairman)	Senior Independent Director	1 of 1	–
Jannie Durand	Non-executive director	n/a	–
Dr Edwin Hertzog	Non-executive director	n/a	–
Prof Dr Robert Leu	Independent non-executive director	n/a	–
Trevor Petersen	Independent non-executive director	n/a	–
Desmond Smith	Independent non-executive director	n/a	–

[1] *These Committee members served during the year and were appointed in 2013 to the entity when it was known as Al Noor Hospitals Group plc, prior to the Combination. They retired on the date of completion of the Combination on 15 February 2016.*
[2] *Two ad hoc Committee meetings were held since the Company's financial year end.*

The Company Secretary is Secretary to the Committee and attends all meetings. Other attendees at Committee meetings may, from time to time, and upon invitation from the Committee, include the Chief Executive Officer, Danie Meintjes and Karin Walters, Talent and Organisational Development General Manager.

ROLE AND RESPONSIBILITIES

The Committee is responsible for evaluating the structure, size and composition of the Board and its Committees, and gives consideration to the skills, knowledge, experience and diversity within each. The Committee also considers succession planning of executive and non-executive directors, including the Chairman.

Leadership, strategic issues and commercial changes affecting the Company and the market in which it operates are kept under review by the Committee: to ensure the needs of the Group (both executive and non-executive) are met, with a view to providing the continued ability of the Group to compete effectively in the marketplace. In addition, the Committee makes recommendations regarding the appointments of Chairmen of the Audit and Risk Committee and Remuneration Committee respectively, and, in consultation with the relevant chairmen, also makes recommendations regarding other appointments to these Board Committees. When considering appointments to the Board, the Committee considered each candidate's time commitments and any potential conflicts of interest.

The Board welcomes the recommendations of the Davies Review of Women on Boards. The Board not only supports the principles of boardroom diversity, it also takes boardroom skills diversity seriously and actively considers this matter regularly at Board and Nomination Committee meetings. The Board believes that maintaining an appropriate balance of skills, knowledge, experience and backgrounds is imperative and is related to it being able to perform its role effectively. A Board skills diversity policy has been adopted and as part of the Committee's role in identifying and nominating suitable candidates for the Board's approval in the course of succession planning, the Committee will continue to review candidates from a variety of backgrounds with the objective of the Board becoming more diverse. Further detail on the Board and Company's commitment to diversity can be found on page 66 of the Annual Report.

In accordance with the Code, each director will be subject to annual re-election at the annual general meeting ("AGM"). To this end, the Committee evaluates the best interests of the Company as a whole and recommends the elections or re-elections to the Board, where considered appropriate.

NOMINATION COMMITTEE REPORT (continued)

MAIN ACTIVITIES

The Committee, in its current form, met twice in the period following the Combination and up to the Last Practicable Date. The attendance of Committee meetings attendance is shown on page 101 of this report. The Committee's activities during the financial year are detailed herein and include the position prior to and following the Combination.

PRIOR TO COMBINATION: AL NOOR HOSPITALS GROUP PLC

During the year, (and prior to the Combination), the areas of focus for the Nomination Committee of the entity formerly known as Al Noor Hospitals Group plc, the UK entity, included a review of the composition, balance, skills and diversity of the Board as a whole. Following this review, a search for an additional non-executive director to enhance the independence, clinical experience and female representation on the Board was undertaken. Heidrick & Struggles (UK) Limited, a leading executive search firm who assisted Al Noor with the recruitment of a non-executive director in 2013 and Chief Executive Officer in 2014, was appointed to assist with the search of a potential non-executive director. However, the recruitment process was postponed as a result of the reverse takeover of Mediclinic International Limited and subsequent Combination.

The Board and Committee evaluation process for Al Noor was scheduled to take place in March of this year and thus was not completed for the year to 31 March 2016 as the Combination was effective on 15 February 2016.

MEDICLINIC INTERNATIONAL LIMITED

In the run up to the Combination, the predominant focus of the Nomination Committee of Mediclinic International Limited, being the South African entity, was focused on preparation and appointments for the Board of the combined entities. The Committee considered the composition of the Board upon completion of the Combination and made recommendations to the Board accordingly. Particular consideration was given to ensure the Board was collectively independent, had balance and a range of suitable skills, expertise and experience.

Prior to the Combination, the Nomination Committee of Mediclinic International Limited completed self-evaluation feedback. The results were considered and discussed and the Committee was satisfied that it had carried out its duties effectively throughout the year.

AFTER THE COMBINATION: MEDICLINIC INTERNATIONAL PLC (FORMERLY AL NOOR HOSPITALS GROUP PLC)

Since the Combination, the Committee has reviewed and updated its terms of reference and Board policy on Diversity. The Committee's main focus since the Combination has been the appointment of an alternate director to Mr Jannie Durand and the recruitment of Mr Jurgens Myburgh as successor for the current Chief Financial Officer, Mr Craig Tingle, who in February 2016 announced he would be retiring later in the year.

In accordance with the Company's relationship agreement with its principal shareholder, Remgro Limited ("**Remgro**"), Remgro is entitled to appoint up to a maximum of three directors to the Board (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 directors). Mr Jannie Durand represents Remgro on the Board of directors and was appointed at the time of the Combination. Mr Pieter Uys was appointed as an alternate director to Jannie Durand on 7 April 2016. Mr Pieter Uys is the Head of Strategic Investment at Remgro and provides the Board with additional knowledge and experience in global investment, strategy and finance. Shareholder approval will be sought for all directors appointed at the time of the Combination, excluding the alternate director Pieter Uys. The Articles of Association of the Company permit any director to appoint any person to be their alternate and each director may at their discretion remove an alternate director so appointed.

Over the course of the search for a successor for Mr Craig Tingle, the Committee considered both internal and external candidates. Following an extensive appointment process against set criteria, Jurgens Myburgh was identified as the successful candidate due to his extensive financial background, in-depth knowledge of the Company and experience of working for a geographically diverse and dual listed company. Accordingly, the Committee recommended the appointment to the Board, which was approved on 10 May 2016.

The Committee actively considers the structure, size and composition of the Board when contemplating succession planning for the year ahead. Whilst it recognises that the existing skills and expertise of the current Board is extensive, it intends to appoint two additional non-executive directors during 2016 and 2017 to further deliver a diverse range of core skills (including financial, clinical, healthcare industry and operations expertise) and increase female representation on the Board.

BOARD AND COMMITTEE EVALUATION

As detailed above, due to the timing of the Combination, an evaluation of the Board and its Committees was not recently undertaken as the Board and its Committees had met once prior to the financial year end. An internal evaluation by way of questionnaire will be conducted next year and an externally facilitated performance evaluation will be conducted every three years thereafter.

DIRECTORS ELECTION AND RE-ELECTION

The directors (other than myself and Mr Seamus Keating) will all stand for election as it is the first AGM since our respective appointments. In accordance with the recommendation for FTSE 350 companies set out in the Code, Mr Seamus Keating and I will stand for annual re-election as we were appointed in 2013. All of the Company's directors will stand for re-election at the 2017 AGM. The biographical details of the current directors can be found on pages 60 to 61. The terms and conditions of appointment of non-executive directors, which includes their expected time commitment, are available for inspection at the Company's registered office.

Signed on behalf of the Nomination Committee

Ian Tyler
Chairman of the Nomination Committee
25 May 2016

CLINICAL PERFORMANCE AND SUSTAINABILITY COMMITTEE REPORT

Edwin Hertzog

Chairman of the Clinical Performance and Sustainability Committee

Dear Shareholder,

Following the completion of the Combination of Al Noor Hospitals Group plc ("Al Noor") and Mediclinic International Limited on 15 February 2016, a Quality Committee was established by the Board, with materially the same terms of reference as the Al Noor Quality Committee prior to the Combination. The Quality Committee was subsequently renamed to the Clinical Performance and Sustainability Committee (the "Committee") and its role was expanded to also include the monitoring of the Group's sustainable development and to fulfil the statutory duties of a social and ethics committee in terms of the SA Companies Act, which role was fulfilled by the Social and Ethics Committee of Mediclinic International Limited prior to the Combination. It is my pleasure to report on the activities of the Committee for the reporting period ended 31 March 2016, as further detailed herein.

COMMITTEE COMPOSITION AND MEETING ATTENDANCE

The Committee is chaired by Dr Edwin Hertzog and comprises two independent non-executive directors, one non-executive director and one executive director, who are suitably skilled and experienced. The Chief Clinical Officer, Dr Ronnie van der Merwe, and the Group Services Executive (who is also responsible for the Group's sustainable development management), Gert Hattingh, are invited on a permanent basis to attend and speak at all Committee meetings. Other relevant members of management are invited to attend Committee meetings from time to time. The Company Secretary is Secretary to the Committee and attends all meetings.

The composition and attendance of Committee meetings during the period under review are set out in the table on page 105.

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As referred to on page 64, the Board is considering making further appointments to the Board. The composition of the Committee will be reviewed thereafter to consider the appointment of a further Committee member with suitable clinical background.

CLINICAL PERFORMANCE AND SUSTAINABILITY COMMITTEE MEETING ATTENDANCE

NAME	ROLE	NUMBER OF COMMITTEE MEETINGS ATTENDED PRIOR TO COMBINATION	NUMBER OF COMMITTEE MEETINGS ATTENDED AFTER COMBINATION[2]
Dr Kassem Alom[1]	Non-executive director	3 of 3	n/a
Ahmad Nimer[1]	Non-executive director	3 of 3	n/a
William J. Ward[1]	Independent non-executive director	3 of 3	n/a
William S. Ward[1]	Independent non-executive director	3 of 3	n/a
Dr Edwin Hertzog (Committee Chairman)	Non-executive director	n/a	–
Nandi Mandela	Independent non-executive director	n/a	–
Danie Meintjes	Chief Executive Officer	n/a	–
Ian Tyler	Independent non-executive director and Senior Independent Director	3 of 3	–

[1] *These Committee members served during the year and were appointed in 2013 to the entity when it was known as Al Noor Hospitals Group plc, prior to the Combination. They retired on the date of completion of the Combination on 15 February 2016.*
[2] *One Committee meeting was held since the Company's financial year end.*

ROLE AND RESPONSIBILITIES

The responsibilities and functioning of the Committee are governed by a formal terms of reference approved by the Board, which is subject to regular review, but at least annually.

The Committee is responsible for (a) promoting a culture of excellence in patient safety, quality of care and patient experience, by *inter alia*, monitoring the clinical performance of the Group; and (b) ensuring that the Group is and remain a good and responsible corporate citizen by monitoring the sustainable development performance of the Group.

CLINICAL PERFORMANCE

In relation to its clinical performance functions, the Committee is responsible for, *inter alia*:

- monitoring the clinical performance of the Group;
- evaluating patient safety, infection prevention and control performance and quality improvement performance;
- evaluating compliance with the Company's patient safety and quality clinical care standards, policies and procedure and regulation and accreditation standards at the operating platforms; and
- evaluating the annual Clinical Services Report and other publicly reported clinical content.

SUSTAINABILITY

In relation to its sustainability functions, the Committee is responsible for, *inter alia*:

- developing and reviewing the Group's policies with regard to the commitment, governance and reporting of the Group's sustainable development performance, including the Group Sustainable Development Policy, Group Environmental Policy and Code of Business Conduct and Ethics, which are available on the Company's website at **www.mediclinic.com**;
- monitoring the sustainable development performance of the Group, with specific regard to stakeholder engagement, health and public safety, broad-based black economic empowerment (in South Africa only), labour relations and working conditions, training and skills development of our employees, management of the Group's environmental impacts, ethics and compliance and corporate social investment;
- annually revising, in conjunction with management, the material sustainability issues;
- reviewing and approving the annual sustainability content included in the Annual Report and the **Sustainable Development Report** published on the Company's website; and
- determining and making recommendations to the Board on the need for external assurance of the Group's public reporting in sustainable development performance.

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CLINICAL PERFORMANCE AND SUSTAINABILITY COMMITTEE REPORT (continued)

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

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. The Committee will continue to monitor whether additional forms of assurance are required in future.

ANNUAL GENERAL MEETING

In terms of the SA Companies Act, a social and ethics committee must, through one of its members, report to the shareholders at the company's annual general meeting on the matters within its mandate. As the Committee is performing the role and function of a social and ethics committee in terms of the SA Companies Act, the Committee will fulfil this function by referring shareholders to this report by the Committee, read with the **Sustainable Development Report**, at the Company's annual general meeting on 20 July 2016. Any specific questions to the Committee may be sent to the Company Secretary prior to the meeting.

MAIN ACTIVITIES

The Committee, in its current form, has only met once since the Combination and up to the reporting period ended 31 March 2016, at which meeting the main focus was on:

- refining the Committee's terms of reference;
- reviewing and approving the annual **Clinical Services Report** and clinical performance information included in the Annual Report;
- reviewing and approving the annual **Sustainable Development Report** and the sustainability information included in the Annual Report;
- confirming the key sustainability priorities reported on pages 47 to 54 and the **Sustainable Development Report** published on the Company's website; and
- reviewing the Company's first slavery and human trafficking statement in terms of the Modern Slavery Act 2015.

COMMITTEE EVALUATION

Due to the timing of the Combination, a formal evaluation of the Committee was not possible this year. An internal evaluation will be conducted during the year ahead and annually thereafter.

The Committee is satisfied with the Group's performance in each of the areas listed above, as further reported on in the Annual Report on pages 30 to 33 and 46 to 54, as well as in the **Clinical Services Report** and the **Sustainable Development Report** published on the Company's website.

Signed on behalf of the Clinical Performance and Sustainability Committee

Edwin Hertzog
Chairman of the Clinical Performance and Sustainability Committee
25 May 2016

AUDIT AND RISK COMMITTEE REPORT

Desmond Smith

Chairman of the Audit and Risk Committee

Dear Shareholder,

Following the completion of the Combination of Al Noor Hospitals Group plc ("Al Noor") and Mediclinic International Limited on 15 February 2016, it is my pleasure to report on the activities of the Audit and Risk Committee (the "**Committee**") for the reporting period ended 31 March 2016. The Committee has remained focused on routine items such as its review of the financial results and ensuring the ongoing effectiveness of the Company's internal control and risk management arrangements. The Committee's main focus up to 15 February 2016 was the Combination. In the time following the Combination, the Committee has undertaken financial reviews of each Mediclinic platform, discussed accounting, tax and audit issues, the viability statement and conferred on the integration of the Al Noor Hospitals Group with the Group, as a result of the Combination. Other activities and areas of focus of the Committee for the year are explained in more detail in the remainder of this report.

During the year, the Committee has been focused on meeting the viability statement requirements of the Financial Reporting Council's ("**FRC**") UK Corporate Governance Code (the "**Code**"). The Committee has, in conjunction with this, reviewed the stress testing undertaken by management of the Group's principal risks and uncertainties which support the viability statement.

The Committee has accordingly recommended to the Board a viability statement, which seeks to examine the Company's longer term solvency and viability, and which is detailed on page 29. It was agreed that three years would be an appropriate time frametime frame to base the long-term viability statement as it takes into account the strategy, principal risks and uncertainties of the wider Group. The Committee has reviewed the stress testing undertaken by management and recommended that the Board confirm they can reasonably expect the Group to continue to be in operation and meet its liabilities as they fall due, over the course of the three-year assessment period. The Committee will remain focused on evaluating the internal control, risk management and internal audit arrangements for the Group and the integration of Al Noor Hospitals Group.

The internal audit function was historically outsourced to Remgro Internal Audit. The Committee benchmarked itself against best practice of the FTSE 100 companies, and concluded that the Group will exit the outsourced Remgro Internal Audit arrangement and will bring more internal audit resource in-house, including a Head of Internal Audit.

Finally, the Committee has considered the UK implementation of the EU Audit Directive and Regulation and has considered and updated its non-audit services policy. This is explained in more detail on page 114.

AUDIT AND RISK COMMITTEE REPORT (continued)

COMMITTEE COMPOSITION AND MEETING ATTENDANCE

The composition of the Committee remains in compliance with the Code, which provides that all members should be independent non-executive Directors. Details on the composition of the Committee are explained and shown in the table and charts below. The appointments of all the Directors to the Board and this Committee (other than Ian Tyler and Seamus Keating, who were appointed in 2013) took place on 15 February 2016, following the Combination.

The Directors consider that each member of the Committee has recent and relevant financial experience for the purposes of the Code and the FRC's Guidance on Audit Committees. The Board is also satisfied that the combined knowledge and experience of its members is such that the Committee exercises its duties in an effective, informed and responsible manner.

The composition and attendance of Committee meetings during the period under review are set out in the table below.

AUDIT AND RISK COMMITTEE MEETING ATTENDANCE

NAME	QUALIFICATIONS	NUMBER OF COMMITTEE MEETINGS ATTENDED PRIOR TO THE COMBINATION	NUMBER OF COMMITTEE MEETINGS ATTENDED AFTER THE COMBINATION[3]
Desmond Smith[1] (Committee Chairman)	B.Sc., FASSA	n/a	–
Alan Grieve[1]	B.A. (Hons), CA	n/a	–
Seamus Keating[1]	FCMA	2 of 2	–
Trevor Petersen[1]	B.Comm. (Hons), CA(SA)	n/a	–
Ian Tyler	ACA, B.Comm	2 of 2	–
William Ward[2]	B.A., M.B.A.	2 of 2	n/a

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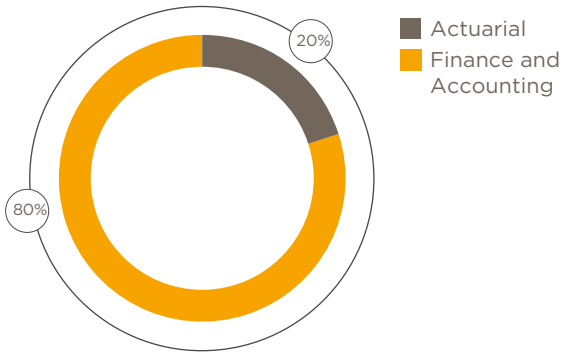
1 *Appointed following the Combination on 15 February 2016. Their biographies can be found on pages 60 to 61 of the report.*
2 *Retired as a member of the Board and the Committee on 15 February 2016, being the completion date of the Combination.*
3 *Two Committee meetings were held since the Company's financial year end.*

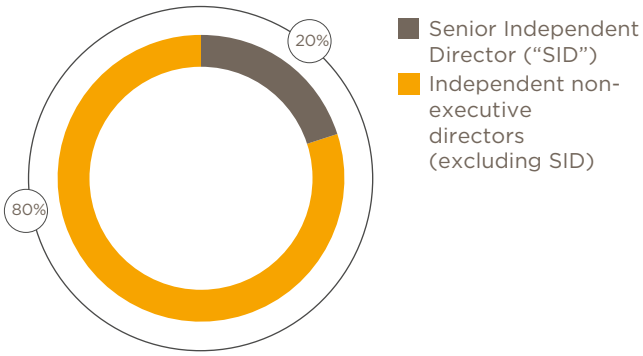
The Company Secretary is Secretary to the Committee and attends all meetings. Other attendees at Committee meetings may differ from time to time, and upon invitation from the Committee include Danie Meintjes (Chief Executive Officer), Craig Tingle (Chief Financial Officer), Edwin Hertzog (Company Chairman), Pieter Uys (alternate Director to Jannie Durand), and relevant management members. The Committee may also invite representatives from the internal auditors (Remgro Internal Audit) and the external auditors (PricewaterhouseCoopers LLP and PricewaterhouseCoopers Inc.).

The composition and professional experience of the Committee is shown below.

COMMITTEE EXPERIENCE



COMMITTEE COMPOSITION



ROLE AND RESPONSIBILITIES

The Committee assists the Board with its responsibility regarding financial reporting, internal controls and risk management systems, compliance, whistleblowing and fraud, as well as internal audit and external audit. The Committee's responsibilities include but are not limited to:

- reviewing and monitoring the integrity of the Company's financial statements and announcements including: a review of the significant financial reporting judgements contained therein, assessing the basis on which the Company has been determined a going concern, ensuring a robust assessment of the principal risks facing the Company and the prospects of the Company when considering the viability statement reported to shareholders, and a judgement on whether the financial reports are fair, balanced and understandable;
- reviewing accounting policies, accounting treatments and disclosures in financial reports;
- assessing the Group's systems of internal financial and accounting control;
- assessing and reviewing the effectiveness of the Company's internal financial and accounting control;
- overseeing and assessing the Group's management of all principal risks including: financial reporting risks, internal financial controls, fraud risks as they relate to financial reporting and ICT risks as they relate to financial reporting;
- ensuring Group-wide standards are set for achieving compliance with relevant laws and regulations;
- reviewing the adequacy and security of the Company's arrangements for its employees regarding possible wrongdoing in financial reporting or other matters, fraud detecting procedures and bribery prevention systems and controls;
- monitoring and reviewing the effectiveness of the Group's internal audit function in the context of the Group's overall risk management system;
- overseeing the Company's relationship with its external auditors;
- making recommendations to the Board as to the appointment or reappointment of the external auditors, reviewing their terms of engagement and engagement for non-audit services, and monitoring the external auditors' independence, objectivity and effectiveness;
- reviewing the scope of the external audit, its findings and the effectiveness of the audit process;
- reviewing the overall relationship with the external audit firm including the provision of non-audit services to ensure that independence and objectivity are maintained;
- ensuring and confirming compliance with the CMA order;
- reviewing, monitoring and approving the Company's policy in respect of tax planning; and
- reviewing, monitoring and approving the Company's policy in respect of the financing of the Company.

Further details on the Committee's duties can be found in its terms of reference which are available on the Company's website **www.mediclinic.com**.

MAIN ACTIVITIES

The Committee, in its current form, met twice in the period following the Combination and up to the publication of this report. A summary of the Committee's principal activities during the financial year are detailed below and include the position prior to and following the Combination.

PRIOR TO COMBINATION: AL NOOR HOSPITALS GROUP PLC ("**Al Noor**")

During the year, (and prior to the Combination), the Committee was predominantly focused on the Combination. Other areas of the Committee's focus included a review of the Group's half yearly financial statements, the considerations in respect of the viability statement, principal risks and uncertainties, risk management and internal controls framework, goodwill and impairment, non-audit services policy, Committee terms of reference, business ethics, Code of Conduct, internal audit plan and key priorities. The Committee also instructed management to implement the SAP accounting system and discussed rejection provisions in respect of payer relations.

MEDICLINIC INTERNATIONAL LIMITED

The predominant focus of the Audit and Risk Committee of the South African entity known as Mediclinic International Limited, was on the Combination. Other areas of the Committee's focus included reviewing the categories and thresholds of non-audit services that the external auditors may provide, assessing the effectiveness of the Group's internal control, accounting function and policies, and evaluating the risk and control procedures, reviewing the interim financial statements and going concern status of Mediclinic International Limited and its three operating platform companies. The Committee also considered matters relating to the external and internal audit, tax issues and fraud and ethics.

AUDIT AND RISK COMMITTEE REPORT (continued)

FOLLOWING THE COMBINATION: MEDICLINIC INTERNATIONAL PLC (FORMERLY AL NOOR HOSPITALS GROUP PLC)

Since the Combination, the Committee has been principally focused on the following: i) monitoring the risk management process and systems of internal control for the Group through the review of the activities of its operating platforms in Southern Africa, Switzerland and the Middle East, the Group's internal and external auditors, and the Group's risk management function; ii) approval of the external audit engagement and fees; iii) review of the internal audit reports and approval of the internal audit engagement and fees for the 2016/17 financial year; iv) considering and making recommendations to the Board relating to the Group's Annual Report, the financial statements and any other reports (with reference to the financial affairs of the Group) for external distribution or publication, including those required by any regulatory or statutory body; v) review of the Committee's terms of reference, as well as policies regarding Enterprise-wide Risk management, external auditor independence and non-audit services.

The Committee has continued to monitor and keep abreast of regulatory developments across all jurisdictions throughout the year. Amongst those considered, it has discussed its additional responsibilities in respect of the Code and EU Audit reform.

SIGNIFICANT ISSUES

The Committee, through a process of consultation with both management and the external auditor, considered the following significant issues relating to the presentation of the Group's financial statements. The principal accounting policies applied in the preparation of the annual financial statements are detailed on pages 141 to 152. If applicable, further detail in the notes to the financial statements relating to the below issues are referenced as indicated.

SIGNIFICANT ISSUES CONSIDERED	STEPS TAKEN BY THE COMMITTEE
The disclosure and accounting of the Al Noor reverse acquisition in the financial statements	The Committee reviewed the purchase price allocation including: • determining of the acquisition date; • identifying the acquirer and acquiree; • the allocation of tangible and intangible assets at fair value; and • the recognition of goodwill. The Committee considered the alignment of Al Noor's accounting policies and the reasonableness of the adjustments made to the opening balance sheet and considered legal and any other contingent liabilities. The Committee was satisfied with the disclosure of the reverse acquisition in the financial statements. The acquisition of Al Noor for a total consideration of £1.3bn led to the recognition of goodwill to the value of £1 189m and intangible assets of £57m. Refer to notes 6 and 28 to the financial statements on pages 159 and 191 to 195. The Committee also reviewed management's approach to the full retrospective application of the Group's change in its presentation currency from rand (ZAR) to pound sterling (GBP) following the transaction.
The disclosure and accounting of a 29.9% associate interest in Spire in the financial statements	The Committee was satisfied that the Group is able to exert sufficient influence over the financial and operating decisions of Spire to support management's judgement that the investment should be equity accounted, with Spire being treated as an associate of the Group. The Committee considered the carrying value of the Group's investment at 31 March 2016, including an assessment of share price movements since year end, concurring with management's judgement that there is no indication of a significant or prolonged decline in value which might require an impairment charge. In addition, the Committee reviewed the disclosures relating to the Group's acquisition of its stake in Spire, determining these disclosures to be balanced and understandable. The Investment in Associate balance as at 31 March 2016 amounted to £451m, and the Income from Associate for the period under review amounted to £6m. Please also refer to note 7 to the financial statements on pages 161 to 162.

SIGNIFICANT ISSUES CONSIDERED	STEPS TAKEN BY THE COMMITTEE
Revenue recognition and provisions impacting on accounts receivable	The Committee reviewed the Group's accounting policies as well as the basis for the calculations in respect of revenue recognition and provisions impacting accounts receivable, specifically the following: • tariff risk provisions relating to billing in accordance with provisional health insurance base rates, where these rates have not yet been finalised between providers and funders, and also to historical tariff disputes at certain of the Group's Swiss hospitals. The Committee considered and was satisfied with management's judgement and best estimate based on available information; and • insurance claim rejections by the health insurance companies and the resulting provision for unrecoverable sales. The Committee assessed and was satisfied with management's judgement, which was based on historic events, to determine the rejection provision. Please also refer to note 2.20 to the financial statements on page 151.
Impairment of intangible assets, goodwill and certain Swiss properties	The Committee reviewed the annual impairment testing of recognised goodwill and the indefinite life intangible asset. The Committee considered the reasonableness of the cash flow projections which were based on the most recent budget approved by the Board and reflected management's expectations of revenue growth, operating costs and margins based on past experience and knowledge of the industry. Long-term growth rates for periods not covered by the annual budget were challenged to ensure they were appropriate in the countries in which the relevant operating platforms operate. The Committee also reviewed and challenged the key assumptions made in deriving these projections: discount rates, growth rates, and expected changes in tariffs, admissions and patient mix. The Committee also considered the adequacy of the disclosures in respect of the key assumptions and sensitivities. Refer to note 6 to the financial statements for more details of these assumptions. The Committee was satisfied that the discount rates assumptions appropriately reflected current market assessments of the time value of money and the risks associated with the particular assets. The other key assumptions were all considered to be reasonable. The external auditor explained the results of their own review of the estimate of value in use, including their challenge of management's underlying cash flow projections, as well as the long-term growth assumptions and discount rates. On the basis of their audit work, and their challenge of the key assumptions and associated sensitivities, they concurred with management's conclusion that no impairments were required. Please also refer to note 6 to the financial statements on pages 159 to 160.
Capital expenditure relating to buildings	The Committee considered the appropriateness of the capitalisation of capital expenditure incurred in respect of hospital buildings as well as the depreciation thereof. The Committee evaluated management's judgement applied in respect of the residual value and useful lives of buildings and also considered whether management's estimate for deprecation rates were appropriate. The Committee was satisfied with the capitalisation and depreciation policies of buildings that were applied. Please also refer to note 5 to the financial statements on page 157.
Viability assessment	The Committee has reviewed the Company's new viability statement and, in particular, understanding the analysis which was prepared by management and supports the Board's view that the Company will be able to continue in operation and meet its liabilities as they fall due over the longer period assessed.

AUDIT AND RISK COMMITTEE REPORT (continued)

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board believes that effective risk management underpins the running of a successful business and is integral to the objective of constantly adding value to the Group. It has adopted an integrated and effective risk management framework, at both an operational and strategic level; identifying, quantifying and managing principal risks in order to achieve an optimal risk/reward profile. This has been incorporated into the daily operational management processes, allowing management to focus on core activities. The Board has a clear process for identifying, evaluating and managing the principal risks faced by the Group for the period under review and up to the date of the report. The process is reviewed annually by the Board and is in accordance with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting and the requirements of the Code.

The Group's Enterprise-wide Risk Management Policy is benchmarked against the international Committee of Sponsoring Organisations of the Treadway Commission framework, which defines the risk management objectives, methodology, process and the responsibilities of the various risk management role-players for the Group. This policy provides structure within which directors and management can operate in order to reinforce a strong risk management culture throughout the Group. It sets the tone and acts as a starting point for all other components of risk management and control in providing the necessary discipline and structure.

The Board retains full and effective control over the Company and is responsible for monitoring management's implementation of board decisions and strategies. The Board ensures that the Group complies with all the relevant laws, regulations and codes of business practice. The Committee assists the Board, by routinely reviewing and monitoring the risk management process and Group internal control systems.

INTERNAL AUDIT

The Board is ultimately responsible for overseeing the establishment of effective internal control systems which are reviewed by the Committee, and which facilitate the delivery of and sustain the Group's financial, operational and strategic objectives.

During the year, the Committee of Al Noor received regular reports on the control environment from its Internal Audit Director who was supported by an internal audit team, as well as outsourcing certain internal audit reviews to Deloitte LLP. This Committee reviewed and considered the key improvement themes and areas for focus, and assessed the responsiveness of management in addressing internal audit actions.

The internal audit function in relation to Mediclinic International Limited was outsourced to Remgro Internal Audit who regularly attended Committee meetings and reported on the findings of their investigations. They were responsible for measuring the effectiveness of the system of internal financial control in respect of each operating platform within the Group.

Since the Combination, the Committee has considered and discussed with Remgro Internal Audit, the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

While the Committee continues to believe that Remgro Internal Audit is effective in its provision of internal audit and compliance services to the Group, it has taken the opportunity, following the completion of the Al Noor transaction and the Group's entry into the FTSE 100, to consider what internal audit arrangement would be most appropriate for the Group going forward. As part of this consideration, the Committee has evaluated the various internal audit arrangements in place across the FTSE 100. As a result of this exercise, the Committee has concluded that the Group will exit the outsourced Remgro Internal Audit arrangement and will bring more internal audit resource in-house, including a Head of Internal Audit. This change in the Group's internal audit arrangements will be made in a phased manner to avoid any disruption to the Group's internal audit and compliance activities during the hand-over process. The Committee will provide an update about the progress being made in effecting this change in its future reports to shareholders.

EXTERNAL AUDIT

During the year, KPMG LLP resigned and PricewaterhouseCoopers LLP ("PwC UK") was appointed auditor of the Company, following shareholder approval granted at the 15 December 2015 general meeting in respect of the change of auditor.

The Committee is responsible for overseeing the external auditors on behalf of the Board, including approving the annual audit work plan and approving the audit fee.

EXTERNAL AUDITOR INDEPENDENCE, EFFECTIVENESS AND RE-APPOINTMENT

The Committee is committed to ensuring that the Group receives a high-quality and effective statutory audit. It is responsible for monitoring the performance, objectivity and independence of the external auditor (PwC) and undertakes a formal evaluation process each year. This process involves an examination of five main performance criteria including robustness of the audit process, independence and objectivity, quality of delivery, quality of people and service, and value-added advice.

The Committee has evaluated the effectiveness of PwC South Africa as auditors of Mediclinic International Limited for the period up to the Combination, 15 February 2016, and PwC UK as auditors post-Combination of the newly formed Group, Mediclinic International plc (formerly Al Noor Hospitals Group plc).

As this is PwC UK's first year with the Group, the Committee was only able to assess their work as from the Combination up to the financial year-end. The assessment resulted in the following observations:

- PwC UK demonstrated a good understanding of the business and its values;
- The team was challenging, but supportive on technical matters; and
- The establishment of a combined approach towards the significant issues debated.

The external auditor receives copies of all relevant Committee papers and minutes of all Committee meetings. As part of the Committee's assessment of the external auditor, separate meetings have been held between the non-executive directors and the external auditor, without management being present.

The Committee is satisfied that the services provided by the auditor have been of high quality and has concluded that the auditor remains objective and independent. Accordingly, it has recommended to the Board the re-appointment of PwC UK as the Company's external auditor is proposed to shareholders at the 2016 AGM.

AUDIT TENDER

This is the first year that the UK current lead audit partner, Giles Hannam, has been involved in the audit of the Group. As a result of the UK's implementation of the EU's mandatory firm rotation requirements, and in accordance with the Committee's terms of reference, the Company is required to ensure that the external auditor's contract is put out to tender at least every 10 years, with the proviso that no single firm may serve as the Company's auditor for a period exceeding 20 years. Under these arrangements, the external audit must be put out to tender no later than for the financial year commencing 1 April 2023.

NON-AUDIT SERVICES

The Committee believes that it may be appropriate in certain circumstances for the Company to engage its external auditor to provide non-audit services. It has established a policy which seeks to ensure the independence and objectivity of the external auditor is not compromised.

Examples of prohibited non-audit services are bookkeeping services, valuation services, payroll services, legal services, designing risk management systems or management in the audited entity. For other services, it can be more efficient or prudent to engage the external auditor rather than another party, on the basis that the service will not compromise independence or objectivity, is a natural extension of the audit or if there are overriding business, efficiency or confidentiality reasons which make the external auditors most suited to provide the service.

The Committee determines the pre-approved monetary thresholds for each category of non-audit services in the beginning of each financial year. When determining this, the nature of the non-audit services, the individual fee levels of each category and the aggregate fee amount relative to the external audit fee are taken into account. Feedback on non-audit services performed is given at each meeting and when necessary further approvals for increased fees are discussed.

During the year, fees for the non-audit service work carried out by PwC were abnormally high. This exceptional level reflects the considerable services PwC has provided relating to the Al Noor Combination, particularly in relation to the Class 1 Circular. The Committee considered that hiring PwC to undertake these non-audit services was in the best interests of shareholders because:

- PwC possessed the type of expertise, experience, size and international scope to handle such a complex transaction.
- The Company benefited specifically from PwC's in-depth knowledge and understanding of our business.

AUDIT AND RISK COMMITTEE REPORT (continued)

To maintain the external auditor's independence and objectivity, the Committee requires that an independent partner is appointed to lead any non-audit services. We anticipate that non-audit fees payable to PwC will return to more normalised levels in 2017 following the completion of any services related to the Al Noor Combination.

Looking forward, the Committee has considered the UK implementation of the EU Audit Directive including the introduction of prohibitions for certain types of non-audit service. In response to these new requirements, the Committee has asked management to update the Group's non-audit services policy in order to ensure compliance from the application date for the Group, namely 1 April 2017. The Committee will provide an update about the new non-audit services policy in its future reports to shareholders, including an overview of the additional non-audit services, which will be prohibited in 2017, and the cap which will be imposed on the level of non-audit fees payable to PwC by comparison to its audit fees.

FEES

Refer to note 21 to the Consolidated Financial Statements on page 186 for detail on the remuneration of the auditor.

In addition to the non-audit services described above, PwC South Africa also provided audit and non-audit services to Remgro Limited and tax services to two directors on the Board during the year. The Committee is satisfied and comfortable that the tax services provided to the directors did not compromise the independence of the auditor, as the directors (Dr Edwin Hertzog and Mr Jannie Durand) were not involved in financial reporting oversight, nor did they sit on the Committee. In addition, the services which were provided to them are not prohibited under regulations.

COMPETITION AND MARKETS AUTHORITY STATUTORY AUDIT SERVICES ORDER 2014 ("CMA Order")

During the year, the Company has complied with the mandatory audit processes and the Committee has complied with the responsibility provisions required by it in connection with the CMA Order. The work of the Committee in discharging its responsibilities is explained in more detail in this report on page 113.

FAIR, BALANCED AND UNDERSTANDABLE

The Committee is satisfied that one of the key compliance requirements of the Group's financial statements, for the Annual Report to be fair, balanced and understandable has been met, having reviewed a summary of the approach taken by management in the preparation of the report to ensure that it met the requirements of the Code. Accordingly, the Committee has recommended that the Board confirm the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable.

ETHICAL CONDUCT

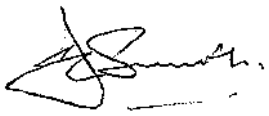
The Group remains focused on conducting its business in an honest, fair and ethical manner, a principle which is actively endorsed by the Board and management. The Committee oversees the Group's processes for handling the business ethics code and anti-bribery policy. This includes receiving regular feedback from the risk manager regarding incidents reported on the ethics lines and the effectiveness of the lines. The Board has also established a Clinical Performance and Sustainability Committee, the details of which can be found on page 70 of the Corporate Governance Statement.

The Group's Code of Business Conduct and Ethics provides a framework for directors and employees within the Group of the standards of business conduct and ethics that is required of them, and which applies to all business divisions within the Group. It serves to ensure that the highest ethical standards are maintained in all dealings with the Group's stakeholders. It is available to all staff and communicated to new employees during their induction. The code contains the Group's whisteblowing arrangements, setting out the details of the Group's ethics lines. Any employee or external stakeholder is able to report any wrongdoing throughout the Group on a confidential and anonymous basis to the ethics lines. All complaints are investigated in accordance with the code.

The Group adopts a no-tolerance policy with regard to unethical business conduct, in particular also fraud and corruption, which is addressed in the Code of Business Conduct and Ethics. Also in place is an Anti-bribery Policy which supports its commitment to ensure compliance with all anti-bribery and corruption laws and regulations. The Group has strict policies relating to any invitations, gifts or donations received from suppliers or any other party, and employees throughout the Group are compelled to declare these to management for approval. Staff members involved in the contracting, negotiating and purchasing of equipment or consumables are also bound to strict ethical principles, ensuring that an impeccable standard of integrity is maintained in the Group's business relationships.

Copies of the Code of Business Conduct and Ethics and the Anti-bribery Policy can be found on the governance section of the Company's website at **www.mediclinic.com**.

Signed on behalf of the Audit and Risk Committee.



Desmond Smith
Chairman of the Audit and Risk Committee
25 May 2016

DIRECTORS' REPORT

The directors of Mediclinic International plc (formerly Al Noor Hospitals Group plc) are pleased to present the Company's Directors' Report for the period to 31 March 2016. The information contained in this report provides details of Mediclinic International plc following the completion of the Combination of Al Noor Hospitals Group plc and Mediclinic International Limited.

DISCLOSURES INCORPORATED BY REFERENCE

The following disclosures required to be included in this Directors' Report have been incorporated by way of reference to other sections of this report or the **Sustainable Development Report** available on the Company's website, and should be read in conjunction with this report:

- Corporate Governance Statement – refer to pages 64 to 73 of the report;
- strategy and relevant future developments – refer to pages 18 to 21 of the Strategic Report;
- financial risk management objectives and policies – refer to the Risk Management Report included in the Strategic Report on pages 24 to 29 and note 3 to the financial statements on pages 152 to 155;
- research and development activities – various activities, such as the standardised patient experience index, the standardised employee engagement initiatives, research by health policy units, referred to on pages 7, 8, 19, 24, 48 and 50, respectively, of the Strategic Report;
- greenhouse gas emissions – refer to page 52 of the Strategic Report and the **Sustainable Development Report**;
- corporate social responsibility and corporate social investment – refer to page 54 of the Strategic Report and the **Sustainable Development Report**.

DIRECTORS

All the directors who served during the reporting period are listed in the Corporate Governance Statement on pages 67. Biographies of all the current directors of the Company are provided on pages 60 to 61.

In accordance with the provisions of the UK Corporate Governance Code, all members of the Board wishing to continue their appointments seek re-election by the shareholders. Accordingly, Ian Tyler and Seamus Keating will retire and seek re-election at the annual general meeting to be held on 20 July 2016.

In terms of the Company's Articles of Association, any director appointed as such by the Board of directors shall retire at the following annual general meeting and shall be eligible for election. Jannie Durand, Alan Grieve, Dr Edwin Hertzog, Prof Dr Robert Leu, Nandi Mandela, Danie Meintjes, Trevor Petersen, Craig Tingle and Desmond Smith were appointed by the Board following completion of the Combination of the Company (then named Al Noor Hospitals Group plc) and Mediclinic International Limited with effect from 15 February 2016. These directors will retire and seek election by the shareholders at the annual general meeting to be held on 20 July 2016.

Remgro Limited, through wholly-owned subsidiaries, ("**Remgro**") holds 44.56% of the issued ordinary shares of the Company and is therefore regarded as a controlling shareholder of the Company, for the purposes of the Listing Rules. The Listing Rules require that independent non-executive directors of a company with a controlling shareholder must be elected by a majority of votes cast by independent shareholders, in addition to a majority of votes cast by all shareholders in the company. The resolutions proposed at the annual general meeting for the election of the independent non-executive directors of the Company will therefore be taken on a poll and the votes cast by (i) independent shareholders and (ii) all shareholders will be calculated separately. Such resolutions will be passed only if a majority of votes cast by independent shareholders are in favour, in addition to a majority of votes cast by all shareholders being in favour.

All directors' biographies can be found on pages 60 to 61.

APPOINTMENT AND REMOVAL OF DIRECTORS

The rules relating to the appointment and removal of the Directors are contained in the Company's Articles of Association.

POWERS OF DIRECTORS

The general powers of the directors are contained within relevant UK legislation and the Company's Articles of Association. The directors are entitled to exercise all powers of the Company, subject to any limitations imposed by the Articles of Association or applicable legislation.

DIRECTORS' INTERESTS

The interests of the directors of the Company at 31 March 2016 in the issued shares of the Company disclosed in accordance with the FCA's Listing Rules are given in the Remuneration Report on page 89. The Remuneration Report also sets out details of any changes in those interests between the year end and 25 May 2016.

INDEMNIFICATION OF DIRECTORS

The Company has entered into a deed of indemnity with each director who served during the year under identical terms. The deeds indemnify the directors in accordance with the applicable laws of England against all liability incurred as a director or employee of the Company or of certain other entities. In addition, the Company has put into place directors' and officers' indemnity insurance.

COMPENSATION FOR LOSS OF OFFICE

There are no agreements in place with any director that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Company's share plans may cause options and awards granted under such plans to vest on a takeover. Further information on directors' service contracts and their notice periods and any vested awards to previous directors made following the Combination can be found in the Remuneration Report on pages 80 to 81.

ARTICLES OF ASSOCIATION

The Articles of Association may be amended by way of a special resolution of the members. At the general meeting held on 15 December 2015, shareholders approved by special resolution that the amended Articles of Association would take effect at the date of completion of the Combination, which occurred on 15 February 2016.

RELATED-PARTY TRANSACTIONS

Following the announcement made on 7 August 2015 and the general meeting held on 24 August 2015, the Company undertook a related-party transaction to lease premises from United Al Saqr Group LLC. Sheikh Mohammed Bin Butti Al Hamed, a Director and principal shareholder of the pre-Combination entity Al Noor Hospitals Group plc, had a controlling interest in United Al Saqr Group. At the general meeting, 99.34% of the shares voted approved the related-party transaction. Sheikh Mohammed Bin Butti Al Hamed is no longer a shareholder of the Company, as the entire shareholding held through Sapor Business Corp, was tendered to Al Noor Hospitals Group plc for cancellation, as announced on 8 February 2016.

Details on all related-party transactions are contained within note 33 of the consolidated financial statements on page 200.

SHARE CAPITAL AND CONTROL

The Company's ordinary issued share capital as at 31 March 2016 was 737 243 810 ordinary shares of £0.10 each which have a primary listing on the London Stock Exchange and secondary listings on the Johannesburg and Namibian stock exchanges. The ordinary share class represent over 99.9% of the Company's total issued share capital.

In addition to the ordinary shares, the Company also has a class of 10 subscriber shares of £0.10 each which are not admitted to trading on a regulated market. The subscriber shares carry no rights to receive any of the profits of the Company available for distribution by way of dividend or otherwise. If there is a return of capital on a winding-up or otherwise, the assets of the Company available for distribution among the members shall be applied first in repaying in full to the holder of the subscriber shares the amount paid up on such shares. Except as provided above, the subscriber shares shall not carry any right to participate in profits or assets of the Company. The holders of the subscriber shares shall not be entitled to receive notice of or attend and vote at any general meeting of the Company unless a resolution is proposed which varies, modifies, alters or abrogates any of the rights attaching to the subscriber shares.

The subscriber shares represent less than 0.01% of the Company's total issued share capital. Further information on the Company's issued share capital can be found on pages 168 to 171 in the Notes to the financial statements. As outlined in the Company's prospectus dated 19 November 2015, the Company intends to purchase and cancel the 10 subscriber shares and a resolution to this effect has been included in the notice of annual general meeting ("**AGM**") for consideration by shareholders.

There are no known arrangements under which financial rights are held by a person other than the holder of the shares. The Company has no intention to complete a market purchase of its shares and will not seek this authority at the 2016 AGM.

Shares acquired through the Company's share schemes and plans rank equally with the other shares in issue and have no special rights.

RESTRICTION ON VOTING RIGHTS

Mediclinic International Limited, implemented a black ownership initiative in 2015, which had the effect of introducing Phodiso Holdings Limited and MP1 Investment Holdings (Pty) Ltd as shareholders of Mediclinic through two special purpose vehicle companies, Mpilo Investment Holdings 1 (RF) (Pty) Ltd (subsequently restructured in 2015 with the Mediclinic shares currently held by Mpilo 1 Newco (RF) (Pty) Ltd) ("**Mpilo 1**") and Mpilo Investment Holdings 2 (RF) (Pty) Ltd ("**Mpilo 2**"). As at 25 May 2016, Mpilo 1 held 1.49% of the issued share capital of the Company and Mpilo 2 held 3.33%. 10 958 198 (representing 1.49% of the issued shares of the Company) of the Mediclinic shares held by Mpilo 1 are restricted and subject to a lock-in period restricting the disposal of its shareholding before 31 December 2019. Similarly, all the Mediclinic shares held by Mpilo 2 are restricted and subject to a lock-in period expiring on 31 December 2018.

The Company's Articles of Association provide that, unless the directors determine otherwise, a shareholder shall not be entitled to vote, either personally or by proxy, at any general meeting or to exercise any other right conferred by membership if:

- any call or other sum payable to the Company in respectin respect of that share remains unpaid; or
- such shareholder, having been duly served with a notice to provide the Company with information under section 793 of the UK Companies Act, has failed to do so within 14 days, for so long as the default continues.

ACQUISITION OF OWN SHARES

In connection with the Combination of Mediclinic International Limited and Al Noor Hospitals Group plc concluded in February 2016, a total of 63 658 876 ordinary shares of 10 pence each were successfully tendered at a price of £8.32 per ordinary share and were cancelled on 17 February 2016 pursuant to a court-approved reduction of capital approved by shareholders at the General Meeting held on 15 December 2015. Following the reduction of capital, the Company has a total of 737 243 810 ordinary shares of £0.10 each in issue.

SUBSTANTIAL SHAREHOLDERS

As at year end and as at 25 May 2016, being the Last Practicable Date, the following shareholders have notified the Company, in accordance with Disclosure and Transparency Rule 5, of their interest of 3% or more in the Company's issued share capital.

	ORDINARY SHARES	% VOTING RIGHTS
Remgro Limited (through wholly-owned subsidiaries)	328 497 888	44.56%
Public Investment Corporation Soc Limited	55 482 294	7.53%
Mpilo Investment Holdings 2 (RF) (Pty) Ltd	24 582 960	3.33%

PRINCIPAL SHAREHOLDER AND RELATIONSHIP AGREEMENT

In accordance with Listing Rule 9.8.4(14), the Company has set out below a statement describing the relationship agreement entered into between the Company and its principal shareholder, Remgro Limited. As at 25 May 2016, Remgro Limited, through wholly-owned subsidiaries, held 44.56% of the issued ordinary share capital of the Company.

Prior to the Combination, the Company entered into a Relationship Agreement with Remgro Limited on 14 October 2015, which entity was also the principal shareholder of Mediclinic International Limited. That agreement came into effect on 15 February 2016, on completion of the Combination.

Under the Relationship Agreement, Remgro Limited undertakes to comply with the following independence provisions set out in the agreement, as required under the Listing Rules:

- transactions and arrangements between the Company and itself (and/or its associates) are, and will be, at arm's length and on normal commercial terms;
- neither it nor any of its associates will take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules; and
- neither it nor any of its associates will propose, or procure the proposal of, a shareholder resolution that is intended or appears to be intended to circumvent the proper application of the Listing Rules.

The Company has complied with the above independence provisions and, in so far as it is aware, the Principal Shareholder has complied with the independence provisions and the procurement obligation set out in the Relationship Agreement from the 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 by a Principal Shareholder Group, the relevant Principal Shareholder shall be 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 directors.

If a Principal Shareholder ceases to hold 10% of the Company's share capital (or 10% of the aggregate voting rights in the Company), the rights and obligations of that Principal Shareholder Relationship Agreement shall terminate. The ordinary shares owned by the Principal Shareholders rank *pari passu* with the other ordinary shares in all respects.

SIGNIFICANT AGREEMENTS

The following agreements are considered significant in terms of their potential impact on the business of the Group as a whole and that could alter or terminate on the change of control of the Company:

- The Relationship Agreement entered into between the Company and its principal shareholder, Remgro Limited, as referred to on page 118: the agreement does not include a change of control provision, but does terminate if (i) the Company's ordinary shares cease to be listed and admitted to trading on the LSE's main market for listed securities; or (ii) the Remgro Group, taken together, ceases to hold the minimum interest of 10% in the Company.
- The various facilities and finance agreements throughout the Group are regarded as significant and contain change of control provisions:
  - the Company's £400m senior facility agreement concluded in 2015 with FirstRand Bank Limited (acting through its Rand Merchant Bank division) and Morgan Stanley, which is in the process of being refinanced;
  - Hirslanden's CHF1.65bn term and revolving credit facilities agreements concluded in 2008 with, among others, Barclays Bank plc;
  - Hirslanden's CHF90m bonds and the CHF145m bonds concluded in 2015;
  - Mediclinic Southern Africa's R7.4bn amended and restated facility concluded in 2016 with, among others, Rand Merchant Bank, Standard Bank and Absa Capital;
  - Mediclinic Middle East's AED33m and US$140.5m amended and restated facility agreement concluded in 2015 with Standard Chartered Bank.

POLITICAL PAYMENTS

During the year, the Company, through its Hirslanden subsidiary, made payments to a number of political parties, institutions and associations in Switzerland which totalled CHF36 000 (2015: CHF14 571). Contributing to political campaigns through third-party contributions is an official and standard practice in Switzerland. In line with best practice, a resolution to authorise the Company to make political payments up to £100 000 has been included for shareholder consideration in the Notice of AGM. It is not the policy of the Company to make donations to EU or any other political organisations or to incur other political expenditure and the directors have no intention of changing that policy. However, as a result of broad definitions used in the UK Companies Act, normal business activities of the Company, which might not be considered political donations or expenditure in the normal sense, may be construed as political expenditure or as a donation to a political party or other political organisation and fall within the restrictions of the Companies Act 2006. Sponsorship, subscriptions, payment of expenses, paid leave for employees fulfilling public duties, and support for bodies representing the business community in policy review or reform, may fall within the scope of these matters. The Board has therefore decided to propose the resolution.

EMPLOYEES

The Company operates an equal opportunities policy which endeavours to treat individuals fairly and not to discriminate on the basis of sex, race, ethnic origin or disability or on any other basis. Applications for employment are fully considered on their merits, and employees are given appropriate training and equal opportunities for career development and promotion.

The Company is committed to ensuring that adequate policies and procedures are in place to enable disabled applicants to receive training to perform safely and effectively and to provide development opportunities to ensure they reach their full potential. Where an individual becomes disabled during the course of their employment with the Company, Mediclinic will seek to provide wherever possible, continued employment on normal terms and conditions. Adjustments will be made to the environment and duties or alternatively suitable new roles within the Company will be secured with additional training where necessary.

A breakdown by gender, age and race (only for purposes of South Africa) on the Board and senior management roles as at year end is included is illustrated in **Figure 1**. The proportion of female employees throughout the Group as at year end is illustrated in **Figure 2**.

The Group's employees are a highly valued asset. The employees' trust and respect are vital to Mediclinic's success. Listening and responding to the Group's employee needs through effective communication and sound relations are important components in being regarded as an employer of choice among existing and prospective employees and vital to maintain an engaged, loyal workforce. Engagement with employees is conducted through various communication methods, including leadership video conferences, intranet, periodic employee surveys, performance reviews, staff magazines, and staff wellness and recognition programmes.

FIGURE 1: RACE, GENDER AND AGE REPRESENTATION ON GOVERNANCE BODIES

	TOTAL NO OF MEMBERS	RACE				GENDER				AGE			
		BLACK		WHITE		MALE		FEMALE		30–50 YRS		> 50 YRS	
		NO	%	NO	%	NO	%	NO	%	NO	%	NO	%
Mediclinic International Board	11	n/a	n/a	n/a	n/a	10	91%	1	9%	2	18%	9	82%
Mediclinic International Executive Committee	8	n/a	n/a	n/a	n/a	8	100%	–	–	1	12.5%	7	87.5%
Mediclinic Southern Africa Executive Committee	10	3	30%	7	70%	9	90%	1	10%	6	60%	4	40%
Hirslanden Executive Committee	5	n/a	n/a	n/a	n/a	5	100%	–	–	4	80%	1	20%
Mediclinic Middle East Executive Committee	9	n/a	n/a	n/a	n/a	6	67%	3	33%	5	56%	4	44%

FIGURE 2: WORKFORCE COMPOSITION BY GENDER

	2015		2016	
	NUMBER	%	**NUMBER**	**%**
Southern Africa*				
Female	13 455	81.44%	**13 654**	**81.12%**
Male	3 067	18.56%	**3 178**	**18.88%**
Switzerland				
Female	6 749	77.14%	**7 011**	**76.88%**
Male	2 000	22.86%	**2 109**	**23.12%**
UAE – MCME*				
Female	1 442	59.46%	**1 504**	**59.99%**
Male	983	40.54%	**1 003**	**40.01%**

* *The gender split of Mediclinic Middle East as at 31 March 2016 excludes the Al Noor employees.*

During the year, the leading independent research company, Gallup, was commissioned to undertake an annual employee engagement survey across all three our platforms for us to understand where there are opportunities to deliver improvements in the workplace. Further details regarding the Group's employee engagement are included in the **Sustainable Development Report** available on the Company's website.

Continuous training and development of the Group's employees across all three platforms ensures retention of staff, in particular where the skills shortage is most critical, and proper succession planning. Further details on the Group's training initiatives can be found in the Sustainable Development Highlights on pages 49 to 50 and the **Sustainable Development Report** available on the Company's website.

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the directors confirms that:

- to the best of their knowledge and belief, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

EVENTS AFTER THE REPORTING PERIOD

Since year-end, the following material events have taken place:

During May 2016 the Group obtained additional bank facilities in the amount of R1.2 billion (approximately £54m). The loans will carry interest at three month Jibar plus a margin of 1.69% and is fully repayable in June 2019.

GOING CONCERN STATUS

Having considered the principal risks and the viability assessment, the directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements, further details of which are included in the Audit and Risk Committee Report from pages 107 to 115, and the Viability Assessment on page 29.

DIVIDEND

The Directors are recommending a final dividend of 5.24 pence per ordinary share to be paid on 25 July 2016 to all ordinary shareholders who were on the register of members at the close of business on 17 June 2016.

Prior to the Combination, the Company adopted a dividend policy which looked to maximise shareholder value and reflect its strong earnings potential and cash flow characteristics, while allowing it to retain sufficient capital to fund ongoing operating requirements and to invest in the Company's long-term growth. Following Completion, the Company adopted a dividend policy to reflect the underlying earnings and growth of the business, while retaining sufficient capital to fund ongoing operations and to invest in the Company's long-term growth. The Company aims to pay a dividend of between 25% and 30% of underlying earnings. The Board may revise the dividend policy from time to time.

The ability of the Company to pay dividends is dependent on a number of factors and there is no assurance that the Company will pay dividends, or if a dividend is paid, what the amount of such dividend will be.

Information on the Company's dividend access scheme can be found in the **Notice of Annual General Meeting**.

Figure 3 below details the dividends declared by the Company and Mediclinic International Limited (pre-Combination) to its holders of ordinary shares during the reporting period.

FIGURE 3: DIVIDENDS

	COMPANY		MEDICLINIC INTERNATIONAL LIMITED	
	2015	2014	2015	2014
	UK PENCE		SA CENTS (GROSS)	
Interim dividend	4.1	3.7	36.0	31.0
Special dividend*	328.0	–	–	–
Final dividend	5.24	9.0	n/a	75.5
Total dividend	337.34	12.7	36.0	106.5

* *A special dividend was approved by shareholders at the general meeting held on 15 December 2015 subject to completion of the Combination.*

DIRECTORS' REPORT (continued)

EXISTENCE OF OVERSEAS BRANCHES

For the purposes of the UK Listing Rules Disclosure and Transparency Rule 4.1.11(5), the Company has established an overseas branch in South Africa.

REQUIREMENTS OF THE LISTING RULES

The following table provides references to where the information required by the Listing Rule 9.8.4R is disclosed:

LISTING RULE REQUIREMENT	LOCATION IN ANNUAL REPORT
A statement of the amount of interest capitalised during the period under review and details of any related tax relief.	Not applicable
Information required in relation to the publication of unaudited financial information.	Not applicable
Details of any long-term incentive schemes.	Remuneration Report, pages 74 to 99
Details of any arrangements under which a Director has waived emoluments, or agreed to waive any future emoluments, from the Company.	Not applicable
Details of any non-pre-emptive issues of equity for cash.	As part of the Al Noor Combination, Remgro subscribed for 72 115 384 new shares in the Company at a cash subscription of £8.32 per shares, as approved in general meeting by the Company's shareholders on 15 December 2015.
Details of any non-pre-emptive issues of equity for cash by any unlisted major subsidiary undertaking.	No such share allotments
Details of parent participation in a placing by a listed subsidiary.	Not applicable
Details of any contract of significance in which a Director is or was materially interested.	Not applicable
Details of any contract of significance between the Company (or any of its subsidiaries) and a controlling shareholder.	None, other than the Relationship Agreement referred to on page 118.
Details of any contract for the provision of services to the Company (or any of its subsidiaries) by a controlling shareholder.	The internal audit function of the Group is outsourced to Remgro Internal Audit, which forms part of the Remgro group. As referred to in the Audit and Risk Committee Report, the Committee plans to review the internal audit function, with a view to bringing this in-house rather than outsourcing this function to a third party.
Details of waiver of dividends by a shareholder.	Not applicable
Board statement in respect of relationship agreement with the controlling shareholder.	Directors' Report, page 118

This Annual Report, including this Directors' Report, as well as the Strategic Report from pages 2 to 59, and the Corporate Governance Statement from pages 64 to 73, was approved by the Board and signed on its behalf by:

Edwin Hertzog
Non-executive Chairman
25 May 2016

DIRECTORS' RESPONSIBILITY STATEMENT

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union and are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors are responsible for preparing the annual financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the Group and parent company financial statements in accordance with International Financial Reporting Standards (**IFRSs**), as adopted by the European Union. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Company and Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs, as adopted by the European Union, have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

The directors confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report, Risk Management Report (including Viability Statement), Financial Review and Divisional Reviews contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

The consolidated financial statements have been prepared on a going concern basis and the directors believe that the Group will continue to be in operation in the foreseeable future.

The consolidated financial statements as set out on pages 136 to 209, have been approved by the Board of Directors and are signed on their behalf by:

Danie Meintjes
Chief Executive Officer
25 May 2016

Craig Tingle
Chief Financial Officer
25 May 2016

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GROUP FINANCIAL STATEMENTS

GENERAL INFORMATION

These financial statements are the consolidated financial statements for the Group consisting of Mediclinic International plc and its subsidiaries. A list of subsidiaries is included from page 202 to 208.

Mediclinic International plc (the Company) is a public limited company, which is listed on the London Stock Exchange and is incorporated and domiciled in England and Wales. The Company has secondary listings on the Johannesburg Stock Exchange and the Namibian Stock Exchange. A wholly-owned subsidiary, Hirslanden AG issued bonds on the SIX. The Company changed its name from Al Noor Hospitals Group plc to Mediclinic International plc on 15 February 2016.

Registered address:
40 Dukes Place
London
EC3A 7NH
United Kingdom

The main business of the Group is to provide comprehensive, high-quality hospital and related services on a cost-effective basis.

The financial statements were authorised for issue by the directors on 25 May 2016. No authority was given to anyone to amend the financial statements after the date of issue.

All press releases, financial reports and other information are available on our website: **www.mediclinic.com.**

INDEPENDENT AUDITORS' REPORT

to the members of Mediclinic International plc
(formerly Al Noor Hospitals Group plc)

REPORT ON THE GROUP FINANCIAL STATEMENTS

Our opinion

In our opinion, Mediclinic International plc's Group financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's affairs at 31 March 2016 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the consolidated statement of financial position at 31 March 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of other comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited. The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union and applicable law.

Our audit approach

Overview

- Overall Group materiality: £13 million which is based on 5% of profit before tax after adjustment for one-off transaction costs incurred relating to the combination between Al Noor Hospitals Group plc and Mediclinic International Limited.

- Our audit included full scope audits at three significant reporting units, a full scope audit of the parent company and specified procedures at two further reporting units which accounted for 90% of consolidated revenue, 99% of consolidated profit before tax and 90% of consolidated adjusted profit before tax and covered all reporting units that individually contributed more than 2% to the Group's revenue and 3% to adjusted profit before tax.
- Accounting for the reverse acquisition of Al Noor Hospitals Group plc
- Accounting for the acquisition of a 29.9% associate interest in Spire Healthcare Group plc ("Spire")
- Measurement of revenue adjustments
- Impairment of intangible assets and goodwill
- Capital expenditure in respect of buildings

Context

The focus of our audit attention was directed by key developments in the operations of the Group during the year.

The most significant development in the year was the acquisition of Al Noor Hospitals Group plc ("Al Noor") by Mediclinic International Limited in a reverse takeover transaction, with the enlarged Group being re-named Mediclinic International plc (the "Group" or "Mediclinic"). The Group also acquired a significant associate interest in Spire Healthcare Group plc during the year.

PricewaterhouseCoopers LLP ("PwC UK") was appointed as auditors of the enlarged Group on 21 March 2016. Prior to the merger with Al Noor, PricewaterhouseCoopers Inc. ("PwC South Africa") had been the auditors of Mediclinic International Limited and KPMG LLP ("KPMG") had audited Al Noor. In light of this being our first year audit of the enlarged Group, we performed a review of the prior year audit working papers of Al Noor (KPMG) and Mediclinic (PwC South Africa) and we considered the key management judgements in the opening balance sheet of the Group at 1 April 2015.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud, and the risk of fraud in revenue recognition. Procedures designed to address these risks included testing of material journal entries and post-close adjustments, testing and evaluation of management's key accounting estimates for reasonableness and consistency, undertaking cut-off procedures to verify proper cut-off of revenue and expenses and testing the existence and accuracy of revenue transactions. In addition, we incorporate an element of unpredictability into our audit work each year.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as areas of focus in the table on the opposite page. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the Group financial statements as a whole. Any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
1. Accounting for the reverse acquisition of Al Noor On 15 February 2016, Mediclinic completed the reverse acquisition of Al Noor through a scheme of arrangement. Mediclinic shareholders exchanged their shares in Mediclinic for shares in Al Noor, which resulted in Mediclinic becoming the accounting acquirer in the business combination although Al Noor is the legal parent. Of the total consideration of £1 359m, £913m was paid to Al Noor shareholders in cash in the form of a special dividend and a share repurchase offer, with the balance of £446m being the deemed share element in the reverse takeover. We focused on this transaction because of judgement involved in the purchase price allocation, the materiality of the transaction and the complexity of the associated accounting, tax and disclosures, directing our attention in particular at the following areas: • The acquisition of Al Noor for a total consideration of £1 359m has led to the recognition of goodwill of £1 189m and intangible assets of £65m. Judgement is involved in allocating the purchase price to the tangible and intangible assets identified in the business combination together with the valuation of the intangible assets requiring specialist skills and knowledge. In addition, the accounting for the reverse acquisition involved the quantification of a deemed element of consideration payable to Al Noor shareholders for shares that Mediclinic would have had to issue to Al Noor shareholders in return for their proportionate equity interest in the combined entity. This directly impacted the total amount of goodwill recognised in the transaction; • The presentation and disclosure of the business combination in the financial statements is unusual because the reverse takeover resulted in Mediclinic being the accounting acquirer although Al Noor is the legal parent company of the Group. The equity and comparative numbers in the consolidated financial statements relate to Mediclinic, whereas the legal shareholding relates to Al Noor; • The acquisition of Al Noor was effected through a scheme of arrangement approved by a Court of Law and was preceded by a number of internal restructuring steps; • The effective date of the transaction did not coincide with a reporting period end and the opening balance sheet of Al Noor therefore needed to be prepared at 15 February 2016. Management has undertaken a fair value exercise to conform Al Noor's opening balance sheet to Mediclinic's accounting policies and disclosure practices and to consider the completeness and accuracy of opening balances, including provisions for asset recoverability and contingencies; and	We evaluated management's assessment that it is the shareholders of Mediclinic – the legal subsidiary – that effectively control the combined business following the transaction, even though Al Noor is the legal parent, concluding that Mediclinic should be identified as the accounting acquirer in the business combination. The transaction has been treated as a reverse acquisition on this basis. We obtained the report issued by the external valuation experts engaged by the Group and used to perform the provisional purchase price allocation and to assist with the identification of identifiable assets in the business combination. Using our own valuation specialists, we assessed the process and methodology adopted by management's experts and the underlying assumptions, the most important of which were the discount rate and relief from royalty rates used in their models, and tested the mathematical accuracy of the valuation models for each of the significant intangible assets acquired. We evaluated the methodology and tested the mathematical accuracy of the calculations of the Group for the deemed consideration of £1 359m paid to Al Noor shareholders. We corroborated the underlying information inputs, including the share prices, exchange ratios and foreign exchange rates with independent data sources and we checked the contractual agreements. We obtained the signed contractual agreements relating to the reverse acquisition and read significant contract terms relevant to the accounting and disclosures in the financial statements. We substantively tested journal entries and supporting workings and evidence relating to the accounting for the exchange of shares, special dividend and internal restructuring steps, agreeing them to the contracts and to the terms of the scheme of arrangement. We evaluated the capital and equity movements of both Al Noor, the legal acquirer, and Mediclinic, the accounting acquirer, for accuracy by comparison to the terms of the scheme of arrangement and whether the Group's disclosures in respect of the reverse acquisition were reasonable and reflected the transaction terms. Deploying our tax specialists, we evaluated the external tax opinions obtained by management and determined that the steps taken by the Group in effecting the transaction were consistent with the advice obtained and in compliance with relevant tax laws and regulations.

Area of focus	How our audit addressed the area of focus
• The Group changed its presentation currency from Rand (ZAR) to Pounds (GBP) following the transaction. Accounting standards require full retrospective application of this presentation resulting in the retrospective adjustment of all the comparatives in the financial statements	We instructed our component team in Dubai to perform specific procedures on the opening balance sheet of Al Noor prepared at 15 February 2016 directed at cut-off. We have specifically considered the recoverability of assets and the completeness of liabilities (including provisions for contractual commitments and for legal and other contingencies) to ensure that the opening balance sheet is appropriately stated at fair value. Recognising that the Group is in discussions with UAE medical insurance funders and other third parties about conforming Al Noor's commercial practices with the rest of the Group, we have specifically considered whether provisions for collection of accounts receivable and insurance rejections are sufficient and whether there is any need to record additional liabilities for contingencies that might arise. We have reviewed the assessment of the comparative accounting policies and practices of Mediclinic and Al Noor prepared by management and we have audited the adjustments made to conform accounting policies. Following the adoption of a new presentation currency, we obtained management's calculations for the revised presentation of the comparatives and evaluated the assumptions used by reference to the Group's stated accounting policies and the requirements of IAS 21. We also compared the financial information of each of the components underpinning the consolidation to previously audited financial information and checked the historical exchange rates used to external third party sources. We tested the restatement calculations to check mathematical accuracy. Based on the procedures performed, we did not identify any material adjustment required to the position reported by the Group. We were also satisfied with the adequacy of the disclosures in respect of the Al Noor acquisition and the related change in presentation currency.

Area of focus	How our audit addressed the area of focus
2. Accounting for the acquisition of a 29.9% associate interest in Spire During August 2015, Mediclinic acquired a 29.9% interest in Spire Healthcare Group plc ("Spire") for consideration of £437m, financed by way of a rights issue of Mediclinic shares. We focused on this transaction because of its size, directing our attention in particular at the following areas: • The transaction has been treated as an investment in an associate as a result of the Group's judgement that it is able to exert significant influence over the financial and operating policy decisions of Spire, meaning that it equity accounts for its 29.9% interest in Spire's results from August 2015; • The equity accounted earnings of Spire that are included in the income statement of the Group represent the four month period from the date of acquisition to 31 December 2015 consistent with Spire's financial year-end which is not co-terminous with Mediclinic's 31 March 2016 year-end. In other words, the equity accounting for Spire lags the Group's reporting period by three months as allowed by IAS 28. Application of this policy means that the Group needs to consider whether there were any significant developments at Spire between 1 January 2016 and 31 March 2016, the date to which the Group draws its consolidated financial statements, which are not otherwise included in the Group's Annual Report but which should be disclosed; and • At 31 March 2016, the carrying value of the investment in Spire exceeded the listed market value of the investment, which could indicate a possible impairment. We focused on this area because judgement is involved in the impairment assessment. The carrying value of the associate is contingent on future cash flows and there is a risk that the investment will be impaired if these cash flows do not meet expectations. In addition, significant transactions or events that occur between the associate's year-end and the Group's reporting date may have an impact on the carrying value of the associate.	We assessed management's classification of the investment as an associate with reference to the Group's percentage voting power in the investee and participation on Spire's board of directors, concluding that the Group does have significant influence over Spire and that equity accounting as an associate is therefore appropriate. We substantively tested the equity accounted results and reserve movements of Spire recorded by the Group with reference to the audited financial statements of Spire for the year ended 31 December 2015. We have reviewed the share performance of Spire over the period since acquisition with reference to its reported financial performance. We met with the Group's nominated director on the Spire board to understand whether any indicators of impairment exist based on the underlying performance of the business and we reviewed the latest available financial reports of Spire. We obtained analyst consensus forecasts of the Spire share price over the next twelve months to understand third party expectations of future performance. We reviewed the recent press reports of Spire and discussed with the Group's nominated director any significant or abnormal transactions that occurred in the period from 1 January 2016 to 31 March 2016, being the period not equity accounted by the Group, which could have had an effect on the results and carrying value of the associate at 31 March 2016. As a result of our work, we concluded that there is no evidence of a significant or prolonged decline in value that would require impairment of the Group's investment in Spire at 31 March 2016 and we have not identified any significant or abnormal transactions that affect the period from 1 January 2016 through 31 March 2016. We have found the judgements made by management to be materially reasonable on this basis.

Area of focus	How our audit addressed the area of focus
3. Measurement of revenue adjustments The Group's accounting policies in respect of revenue recognition are not considered to present a significant risk of misstatement due to the simple nature of the underlying transactions and related processes. However, different business models apply in each of the Group's businesses as a result of different regulatory environments as well as different relationship models between the hospitals and funders. We specifically focused on areas where management judgement is applied in the measurement of adjustments to reported revenue numbers, the most significant of which is the tariff risk provisions at the Group's Swiss hospitals amounting to £26m (2015: £31m). These provisions relate to tariff risk associated with billing in accordance with provisional base rates, where these rates have not yet been finally agreed and approved between providers and funders, and to historical tariff disputes at certain of the Group's Swiss hospitals. We focused on this area as the eventual outcome of the tariff negotiations is uncertain and the positions taken by management are based on judgement and estimates.	We discussed the status of significant known actual and potential tariff risk disputes as well as risks relating to the use of provisional base rates with management and with third party tariff specialists. We obtained evidence to support management's decision to provide and the rationale for the provisions, including reading correspondence regarding the disputes. We also considered external information sources to support the positions taken. We considered the range of possible outcomes and considered whether management's provisions sits at the appropriate point within this range. We evaluated the historical accuracy of tariff risk provisioning including any significant adjustments to prior year provisions recorded during the year. Based on the procedures performed, we did not identify any material differences from our testing to the provisions recorded by the Group.

Area of focus	How our audit addressed the area of focus
4. Impairment of intangible assets and goodwill The Group has £1 927m of intangible assets, including trade names of £309m and goodwill of £278m that relate to the acquisition of the Swiss operations in 2007. Of the remaining balance, £1 197m relates to goodwill on the Al Noor transaction. The Swiss trade names were classified as indefinite life intangible assets at the time of the acquisition and the Group carries out annual impairment tests based on value-in-use calculations. The Al Noor goodwill was also assessed based on updated cash flow forecasts taking into account latest projections and synergies from the acquisition. No impairments were recorded during the current or prior years in respect of these assets. However, the carrying values of goodwill and intangible assets are contingent on future cash flows and there is a risk if these cash flows do not meet the Group's expectations, or if significant judgements like the discount rates or growth rates change, that the assets will be impaired. We focused on the impairment of goodwill and indefinite life intangible assets as these have indefinite lives and the impairment reviews carried out by the Group contain a number of significant judgements and estimates including growth rates and discount rates. Changes in these assumptions might lead to a significant change in the carrying values of the related assets.	Deploying our valuation specialists, we obtained management's impairment calculations and tested the reasonableness of key assumptions, including profit forecasts and the selection of growth rates and discount rates. We challenged management to substantiate its assumptions, including comparing relevant assumptions to industry benchmarks and economic forecasts. We substantively tested the integrity of supporting calculations and corroborated certain information with third party sources. We agreed the underlying cash flows to approved budgets and assessed growth rates and discount rates by comparison to third party information, the Group's cost of capital and relevant risk factors. Future cash flow assumptions were also challenged through comparison to current trading performance against budget and forecasts, considering the historical accuracy of budgeting and forecasting and understanding of the reasons for the growth profiles used. We evaluated management's sensitivity analyses to ascertain the impact of reasonably possible changes to key assumptions on the available headroom, focusing in particular on the Swiss cash generating unit ("CGU") which is more sensitive to change. We considered the need for additional sensitivity disclosures for this CGU as required by IAS 36 and we agree with management's decision to provide these additional disclosures for the Swiss business in note 6 given that reasonably possible changes in the discount rate and growth rate would give rise to an impairment. We note that management has also provided this additional disclosure for the four Al Noor CGUs as there is limited headroom given that Al Noor has only recently been acquired. The purchase price allocation exercise for Al Noor remains provisional at 31 March 2016, including the allocation of goodwill to each of the Al Noor CGUs, and this allocation will be concluded by the Group within the 12 month hindsight period allowed by IFRS 3 to the extent that new information about conditions at the acquisition date become available. Based on our work performed, we concurred with management that no impairments were required for the Swiss goodwill and intangible assets and for the Al Noor goodwill at 31 March 2016. We found that the judgements were supported by reasonable assumptions and that the disclosures in respect of the impairment assessments are a fair reflection of the judgements made by the Group.

Area of focus	How our audit addressed the area of focus
5. Capital expenditure in respect of buildings The Group holds property, equipment and vehicles of £3 199m (2015: £2 985m) of which £2 771m (2015: £2 647m) relates to land and buildings. The Group owns most of the hospital properties from which it operates in Southern Africa and Switzerland and as a result incurs significant amounts of capital expenditure annually. The Group capitalises the cost of major refurbishment projects and depreciates these costs over a period of 10 to 20 years. Depreciation charges on the core elements of buildings are usually immaterial as a result of the Group's substantial maintenance programme, giving rise to relatively high residual values expected at the end of their useful lives, unless circumstances indicate that lower residual values or reduced useful economic lives are required. We focused on the capitalisation and depreciation policies of buildings due to the significant amount of capital expenditure incurred each year. In South Africa, the carrying value of buildings is relatively low compared to their market value as most of the assets were constructed a long time ago in a high inflationary environment. However, the buildings in Switzerland were revalued to their fair values at the time of the business combination in 2007 and as a result more closely reflect their current market value. Accordingly, the Group monitors these assets more carefully for potential impairment indicators. Hospitals in the Middle East are generally leased.	We obtained analyses of significant capital expenditure projects concluded or in progress during the year and tested significant additions to supporting documentation. Based on discussions with management, surveyors and project accountants, we assessed the assumptions used in the allocation of costs to different components of the buildings by reference to building plans, quantity surveyor reports and contractor invoices. We confirmed that the Group applied its capitalisation policies consistently to these new projects. We assessed the useful lives and residual values of components of buildings that depreciate over a shorter period of time with reference to the actual write-offs experienced by the Group and to the scheduled hospital upgrade programme followed by the Group. Based on our work performed, we did not identify any material variation from management's assessment. We read minutes and management reports and compared maintenance expenses in the income statement to the prior year and budgeted amounts as possible indicators of inconsistent application of the component approach to capitalisation of assets. We tested capital additions to ensure that maintenance expenditure had not been inappropriately capitalised. We obtained the Group's analyses for the impairment assessment of the Swiss properties. Deploying our own valuation specialists, we tested the reasonableness of key assumptions used by management's third party real estate experts who performed the property valuations for the Group. We challenged the assumptions, including the capitalisation rates and market rentals, by comparing relevant assumptions to industry norms. As a result of our work, we were satisfied with management's decision not to impair any of the Group's properties during the year ended 31 March 2016 and we have found the judgements to be supported by reasonable assumptions.

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 geographical structure of the Group, the accounting processes and controls and the industry in which the Group operates.

The Group financial statements are a consolidation of 16 reporting units which comprise the parent company, the Group's holding company structure and sub-consolidations of the operations in each of the Group's key markets. The South Africa, Switzerland and Dubai reporting units required an audit of their complete financial information due to their size. The parent company is subject to a statutory audit in the UK. Specific audit procedures over significant balances and transactions were performed at two other reporting units (Abu Dhabi, being the legacy Al Noor business, and Spire) to give appropriate audit coverage and to focus on specific risks associated with the acquisition of both businesses during the financial period. None of the reporting units excluded from our Group audit scope individually contributed more than 2% to consolidated revenue or 3% to adjusted profit before tax.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the reporting units by us, as the Group engagement team, or by component auditors from other PwC network firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the financial statements as a whole.

Recognising that not every business in each of the 16 reporting units which comprise the Group's consolidated results and financial position is included in our Group audit scope, we considered as part of our Group audit oversight responsibility what audit coverage has been obtained in aggregate by our component teams by reference to business components at which audit work has been undertaken.

In light of this being a first year audit, we visited our component teams in South Africa, Switzerland and Dubai, which included file reviews, attendance at key audit meetings with local management and participation in audit clearance meetings at each reporting unit. This included review with the component team in Dubai of the audit evidence following completion of its specific audit procedures at Al Noor. We also had regular dialogue with our component audit teams at each key reporting unit.

Further specific audit procedures over the Group consolidation (and review procedures over the Annual Report disclosures) were directly led by the Group audit team.

Taken together, reporting units where we performed our audit work accounted for 90% of consolidated revenue, 99% of consolidated profit before tax and 90% of consolidated adjusted profit before tax.

Materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£13 million
How we determined it	Based on 5% of profit before tax after adjustment for one-off transaction costs incurred relating to the combination between Al Noor Hospitals Group plc and Mediclinic International Limited.
Rationale for benchmark applied	Management uses an adjusted measure of earnings in describing the Group's performance (defined as "underlying") as it believes that it reflects the underlying trading performance of the Group by eliminating the volatility inherent in one-off items. We took this measure into account in determining our materiality by removing the one-off impact of costs relating to the Al Noor transaction completed during the year as an adjustment to profit before tax used for our materiality benchmark.
Component materiality	For each component in our audit scope, we allocated a materiality that was less than overall Group audit materiality. The range of materiality allocated to each significant reporting unit was between £5.6 million and £6.6 million. The materiality used for the audit of the parent company was £10 million.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £0.7 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern
Under the Listing Rules, we are required to review the directors' statement, set out on page 123, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland), we are required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit, we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

OTHER REQUIRED REPORTING

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion:	
• information in the Annual Report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report.
• the statement given by the directors on page 123, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit.	We have no exceptions to report.
• the section of the Annual Report on pages 107 to 115, as required by provision C.3.8 of the Code, describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee.	We have no exceptions to report.

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

Under ISAs (UK & Ireland), we are required to report to you if we have anything material to add or to draw attention to in relation to:

• the directors' confirmation on pages 24 to 29 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
• the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
• the directors' explanation on page 29 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Under the Listing Rules, we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Adequacy of information and explanations received

Under the Companies Act 2006, we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration
Under the Companies Act 2006, we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement
Under the Listing Rules, we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the directors
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

OTHER MATTER

We have reported separately on the parent company financial statements of Mediclinic International plc for the 15 month period ended 31 March 2016 and on the information in the Directors' Remuneration Report that is described as having been audited.

Giles Hannam (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London
25 May 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 March 2016

	Notes	GROUP 2016 £'m	(Restated) 2015 £'m	(Restated) 2014 £'m
ASSETS				
Non-current assets		**5 604**	3 654	3 368
Property, equipment and vehicles	5	**3 199**	2 985	2 817
Intangible assets	6	**1 927**	642	523
Equity accounted investments	7	**455**	4	4
Other investments and loans	8	**4**	5	4
Receivables	11	**2**	–	–
Derivative financial instruments	19	**1**	1	3
Deferred income tax assets	9	**16**	17	17
Current assets		**945**	742	637
Inventories	10	**75**	60	51
Trade and other receivables	11	**561**	415	384
Current income tax assets		**2**	2	2
Derivative financial instruments	19	**2**	–	–
Cash and cash equivalents	27.8	**305**	265	200
Total assets		**6 549**	4 396	4 005
EQUITY				
Capital and reserves				
Share capital	12	**74**	994	821
Share premium reserve	12	**690**	–	–
Treasury shares	12	**(2)**	(23)	(22)
Retained earnings	13	**5 320**	485	321
Other reserves	12, 14	**(2 573)**	323	268
Attributable to equity holders of the Company		**3 509**	1 779	1 388
Non-controlling interests	15	**61**	61	51
Total equity		**3 570**	1 840	1 439
LIABILITIES				
Non-current liabilities		**2 192**	2 114	2 096
Borrowings	16	**1 524**	1 550	1 630
Deferred income tax liabilities	9	**446**	429	412
Retirement benefit obligations	17	**179**	87	34
Provisions	18	**24**	22	18
Derivative financial instruments	19	**19**	26	2
Current liabilities		**787**	442	470
Trade and other payables	20	**431**	335	288
Borrowings	16	**317**	68	95
Provisions	18	**19**	24	20
Retirement benefit obligations	17	**9**	1	1
Derivative financial instruments	19	**1**	1	–
Current income tax liabilities		**10**	13	66
Total liabilities		**2 979**	2 556	2 566
Total equity and liabilities		**6 549**	4 396	4 005

These financial statements and the accompanying notes were approved for issue by the Board of Directors on 25 May 2016 and were signed on its behalf by:

D Meintjes
Chief Executive Officer

CI Tingle
Chief Financial Officer

CONSOLIDATED INCOME STATEMENT
for the year ended 31 March 2016

	Notes	GROUP 2016 £'m	GROUP (Restated) 2015 £'m
Revenue		**2 107**	1 977
Cost of sales	21	**(1 264)**	(1 184)
Administration and other operating expenses	21	**(554)**	(472)
Other gains and losses	22	**(1)**	24
Operating profit		**288**	345
Finance income		**9**	6
Finance cost	23	**(58)**	(85)
Share of profit of equity accounted investments	7	**6**	–
Profit before tax		**245**	266
Income tax expense	24	**(55)**	(12)
Profit for the year		**190**	254
Attributable to:			
Equity holders of the Company		**177**	241
Non-controlling interests		**13**	13
		190	254
Earnings per ordinary share attributable to the equity holders of the Company – pence			
Basic	25	**29.6**	44.6
Diluted	25	**29.5**	43.8

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2016

	Notes	GROUP 2016 £'m	GROUP (Restated) 2015 £'m
Profit for the year		**190**	254
Other comprehensive income			
Items that may be reclassified to the income statement			
Currency translation differences	26	**92**	59
Fair value adjustment – cash flow hedges	26	**2**	(5)
		94	54
Items that may not be reclassified to the income statement			
Actuarial gains and losses	26	**(56)**	(31)
Other comprehensive income, net of tax	26	**38**	23
Total comprehensive income for the year		**228**	277
Attributable to:			
Equity holders of the Company		**224**	264
Non-controlling interests		**4**	13
		228	277

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2016

	GROUP											
	Share capital (note 12) £'m	Capital redemption (note 12) £'m	Share premium reserve (note 12) £'m	Reverse acquisition reserve (note 12) £'m	Treasury shares (note 12) £'m	Share-based payment reserve (note 14) £'m	Foreign currency translation reserve (note 14) £'m	Hedging reserve (note 14) £'m	Retained earnings (note 13) £'m	Share-holders' equity £'m	Non-controlling interests (note 15) £'m	Total equity £'m
Balance at 31 March 2014 (restated in £)	821	–	–	–	(21)	13	247	7	321	1 388	51	1 439
Profit for the year	–	–	–	–	–	–	–	–	241	241	13	254
Other comprehensive income/(loss) for the year	–	–	–	–	–	–	59	(5)	(31)	23	–	23
Total comprehensive income for the year	–	–	–	–	–	–	59	(5)	210	264	13	277
Shares issued	177	–	–	–	–	–	–	–	–	177	–	177
Share issue costs	(4)	–	–	–	–	–	–	–	–	(4)	–	(4)
Treasury shares purchased (Forfeitable Share Plan)	–	–	–	–	(1)	–	–	–	–	(1)	–	(1)
Share-based payment expense	–	–	–	–	–	1	–	–	–	1	–	1
Transactions with non-controlling shareholders	–	–	–	–	–	–	–	–	1	1	4	5
Dividends paid	–	–	–	–	–	–	–	–	(47)	(47)	(7)	(54)
Balance at 31 March 2015 (restated in £)	994	–	–	–	(22)	14	306	2	485	1 779	61	1 840
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**177**	**177**	**13**	**190**
Other comprehensive income/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**101**	**2**	**(56)**	**47**	**(9)**	**38**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**101**	**2**	**121**	**224**	**4**	**228**
Shares issued (August 2015)	**479**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**479**	**–**	**479**
Share issue costs (August 2015)	**(4)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(4)**	**–**	**(4)**
Reverse acquisition	**(1 402)**	**6**	**4 862**	**(3 014)**	**–**	**–**	**–**	**–**	**(6)**	**446**	**–**	**446**
Share subscription (February 2016)	**7**	**–**	**593**	**–**	**–**	**–**	**–**	**–**	**–**	**600**	**–**	**600**
Reduction of share premium	**–**	**–**	**(4 765)**	**–**	**–**	**–**	**–**	**–**	**4 765**	**–**	**–**	**–**
Utilised by the Mpilo Trusts	**–**	**–**	**–**	**–**	**21**	**–**	**–**	**–**	**–**	**21**	**–**	**21**
Treasury shares purchased (Forfeitable Share Plan)	**–**	**–**	**–**	**–**	**(1)**	**–**	**–**	**–**	**–**	**(1)**	**–**	**(1)**
Share-based payment expense	**–**	**–**	**–**	**–**	**–**	**10**	**–**	**–**	**–**	**10**	**–**	**10**
Transactions with non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3**	**3**	**3**	**6**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(48)**	**(48)**	**(7)**	**(55)**
Balance at 31 March 2016	**74**	**6**	**690**	**(3 014)**	**(2)**	**24**	**407**	**4**	**5 320**	**3 509**	**61**	**3 570**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2016

	Notes	GROUP 2016 £'m Inflow/ (outflow)	GROUP (Restated) 2015 £'m Inflow/ (outflow)
CASH FLOW FROM OPERATING ACTIVITIES			
Cash received from customers		**2 078**	1 980
Cash paid to suppliers and employees		**(1 667)**	(1 540)
Cash generated from operations	27.1	**411**	440
Interest received		**9**	6
Interest paid	27.2	**(55)**	(57)
Tax paid	27.3	**(45)**	(52)
Net cash generated from operating activities		**320**	337
CASH FLOW FROM INVESTMENT ACTIVITIES		**(1 549)**	(257)
Investment to maintain operations	27.4	**(72)**	(68)
Investment to expand operations	27.5	**(114)**	(124)
Business combinations	28	**(17)**	(81)
Al Noor Hospitals Group plc shares repurchased	28	**(530)**	–
Special dividend to existing Al Noor Hospitals Group plc shareholders	28	**(383)**	–
Proceeds on disposal of property, equipment and vehicles	27.6	**1**	5
Disposal of subsidiary	30	**–**	3
Acquisition of investment in associate	29	**(446)**	–
Dividends received from equity accounted investment		**2**	–
Proceeds from money market fund		**10**	–
Insurance proceeds		**–**	9
Loans advanced		**–**	(1)
Net cash (utilised)/generated before financing activities		**(1 229)**	80
CASH FLOW FROM FINANCING ACTIVITIES		**1 242**	(23)
Proceeds of shares issued	12	**479**	177
Share issue costs	12	**(4)**	(4)
Share subscription (February 2016)	12	**600**	–
Distributions to non-controlling interests	15	**(7)**	(7)
Distributions to shareholders	27.7	**(48)**	(47)
Proceeds from borrowings		**302**	279
Repayment of borrowings		**(85)**	(417)
Refinancing transaction costs		**(6)**	(7)
Settlement of Al Noor Hospitals Group plc share option scheme		**(2)**	–
Shares purchased (Forfeitable Share Plan)		**(1)**	(1)
Proceeds from disposal of treasury shares		**12**	–
Acquisition of non-controlling interest		**(2)**	–
Proceeds on disposal of non-controlling interest		**4**	4
Net increase in cash and cash equivalents		**13**	57
Opening balance of cash and cash equivalents		**265**	198
Exchange rate fluctuations on foreign cash		**27**	10
Closing balance of cash and cash equivalents	27.8	**305**	265

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2016

1. DESCRIPTION OF BUSINESS

Mediclinic International plc is a private hospital Group with three operating platforms in Southern Africa (South Africa and Namibia), Switzerland and the United Arab Emirates, with an equity investment in the UK. Its core purpose is to enhance the quality of life of patients by providing cost-effective acute care specialised hospital services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, including IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements are prepared on the historical cost convention, as modified by the revaluation of certain financial instruments to fair value.

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 annual financial statements, are disclosed in note 4.

Functional and presentation currency

The financial statements and financial information are presented in pound sterling, rounded to the nearest million. The functional currency of the majority of the Group's entities, and the currencies of the primary economic environments in which they operate, is the South African rand, Swiss franc and United Arab Emirates dirham. The United Arab Emirates dirham is pegged against the United States dollar at a rate of 3.6725 per US dollar. Due to the reverse acquisition which occurred during the financial year, the Group's presentation currency changed from the South African rand in 2015 to pound sterling in 2016. A change in presentational currency is a change in accounting policy which is accounted for retrospectively. Financial information reported in rand in the prior year's financial statements has been translated to sterling using the procedures outlined below:

- Assets and liabilities were translated at the closing sterling rates;
- Income and expenses were translated at average sterling exchange rates; and
- Differences resulting from retranslation have been recognised in the foreign currency translation reserve.

The comparative numbers have been restated for the change in presentation currency.

Within the consolidated income statement certain line items were reclassified for the year ended 31 March 2015. The reclassifications had no impact on the reported profit or net asset measures of the Group.

The following reclassifications have been made to the consolidated income statement:

1) The mark-to-market loss of £19m relating to the ineffective cash flow hedge has been reclassified from other gains or losses to finance cost as the ineffective portion of the hedge should match the classification of the hedged item.

2) Operating profit includes other gains of £24m. Previously it was shown below operating profit to present the income statement by function in terms of IAS 1.

3) Depreciation and amortisation of £68m and £17m has been included in cost of sales and administration and other operating expenses respectively (refer to note 21) in order to present the income statement by function in terms of IAS 1.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following reclassification has been made to the statement of financial position:

The UAE end of service benefit obligation of £15m was reclassified from provisions to retirement benefit obligations (refer to note 17).

The table below shows the impact on the consolidated income statement and statement of financial position:

Financial statement line item	2015 figures as presented in prior year	Reclassi-fication	2015 figures as presented in current year
Consolidated income statement			
Cost of sales	(1 116)	(68)	(1 184)
Administration and other operating expenses	(455)	(17)	(472)
Other gains and losses	5	19	24
Depreciation and amortisation	(85)	85	–
Finance cost	(66)	(19)	(85)
Effect on profit before tax	(1 717)	–	(1 717)
Consolidated statement of financial position			
Retirement benefit obligations	72	15	87
Provisions	37	(14)	23
Non-current liabilities	109	1	110
Provisions	24	(1)	23
Current liabilities	24	(1)	23
Total liabilities	133	–	133

Going concern

Having assessed the principal risks and the other matters discussed in connection with the viability statement, the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Implementation of new accounting standards

The adoption of new and revised accounting standards during the year had no impact on the reported results or financial position of the Group. Refer to note 34 for new accounting standards and amendments which has been issued but is not yet effective.

2.2 Consolidation and equity accounting

a) Basis of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The results of subsidiaries are included in the consolidated financial statements from the effective date of acquisition until control is lost.

Adjustments to the financial statements of subsidiaries are made when necessary to bring their accounting policies in line with those of the Group.

All intra-company transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the Group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Transactions which result in changes in ownership levels, where the company has control of the subsidiary both before and after the transaction are regarded as equity transactions and are recognised directly in the statement of changes in equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the parent.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest.

Reverse acquisition accounting
On 14 October 2015, the board of directors of Al Noor Hospitals Group plc and the independent board of directors of Mediclinic International Limited announced that they had reached an agreement on the terms of a recommended combination of their respective businesses (the "Combination"). Given the relative size of Al Noor and Mediclinic, the Combination has been classified as a reverse takeover in terms of IFRS 3, based on the analysis of the voting rights after the combination and the composition of the Board of directors. For the purpose of the Listing Rules of the UK Listing Authority, the Combination was also classified as a reverse takeover.

On 15 February 2016, the entire share capital of Mediclinic International Limited was acquired by Al Noor Hospitals Group plc pursuant to the Mediclinic Scheme. Al Noor Hospitals Group plc acquired all of the Mediclinic Shares that were not repurchased and cancelled by Mediclinic in the Repurchase Option. Mediclinic Shareholders were entitled to receive 0.62500 new shares for every Mediclinic share held.

Al Noor Hospitals Group plc has remained the holding company of the Enlarged Group and has been renamed to "Mediclinic International plc". Mediclinic International plc wholly owns the Al Noor Hospitals Group and the Mediclinic Group, as well as the 29.9% interest in Spire Healthcare plc, which was acquired by Mediclinic International Limited in August 2015.

Accordingly, these consolidated financial statements are issued in the name of Mediclinic International plc (previously Al Noor Hospitals Group plc), but are a continuation of the consolidated financial statements of Mediclinic International Limited. In accordance with IFRS 3 Business Combinations, the financial statements of Mediclinic International Limited, including comparative information, have been retrospectively adjusted to reflect the legal capital position of Mediclinic International plc. For further details, refer to note 28.

A capital redemption reserve and a reverse acquisition reserve were created (refer to note 12).

Al Noor's results have been consolidated in the consolidated financial statements from the effective date of the acquisition, 15 February 2016.

b) Business combinations

The Group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt that are amortised as part of the effective interest and costs to issue equity, which are included in equity.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the recognition conditions of IFRS 3 Business Combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal company) that are classified as held-for-sale in accordance with IFRS 5 Non-current Assets Held-for-sale and Discontinued Operations, which are recognised at fair value less costs to sell.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the Group assesses the classification of the acquiree's assets and liabilities and reclassifies them where the classification is inappropriate for Group purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-controlling interests arising from a business combination, which are present ownership interests, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, are measured either at the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets or at fair value. The treatment is not an accounting policy choice but is selected for each individual business combination, and disclosed in the note for business combinations. All other components of non-controlling interests are measured at their acquisition date fair values, unless another measurement basis is required by IFRSs.

In cases where the Company held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss for the year. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously to other comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

Goodwill arising on acquisition of foreign entities is considered an asset of the foreign entity. In such cases the goodwill is translated to the functional currency of the company at the end of each reporting period with the adjustment recognised in equity through to other comprehensive income.

c) Investment in associate

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 associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition. If the ownership interest in an associate is reduced but significant influence 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. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to share of profit/(loss) of associates in the income statement. Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in associates are recognised in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Investment in joint venture

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. Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures 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. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures. Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Segment reporting

Consistent with internal reporting, the Group's segments are identified as Mediclinic Southern Africa, Mediclinic Switzerland, Mediclinic Middle East, equity investment in the United Kingdom and corporate. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee that makes strategic decisions. The Executive Committee comprises the executive directors and other senior management.

2.4 Property, equipment and vehicles

Land and buildings comprise mainly hospitals and offices. All property, equipment and vehicles are shown at cost less subsequent depreciation and impairment, except for land, which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on the other assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as follows:

- Buildings: 10 – 100 years
- Leasehold improvements: 10 years or over the lease contract if shorter
- Equipment: 3 – 10 years
- Furniture and vehicles: 3 – 8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Profit or loss on disposals is determined by comparing proceeds with carrying amounts. These are included in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Intangible assets

a) Trade names

Trade names that are deemed to have an indefinite useful life are carried at cost less accumulated impairment losses. Trade names that are deemed to have a finite useful life are capitalised at the cost to the Group and amortised on the straight-line basis over its estimated useful lifetime of 15 to 20 years. No value is placed on internally developed trade names. Expenditure to maintain trade names is accounted for against income as incurred.

b) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary at the date of acquisition and the fair value of the non-controlling interest in the subsidiary. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates and joint ventures is included in investments in associates and joint ventures. Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The allocation is made to those CGUs or Groups of CGUs that are expected to benefit from business combinations in which goodwill arose. CGUs have been defined as the operating platforms.

c) Computer software

Acquired computer software licences and internally developed software programmes are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (1 – 5 years). Costs associated with maintaining computer software programmes or development expenditure that does not meet the recognition criteria are recognised as an expense as incurred.

2.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The recoverable amount is calculated by estimating future cash benefits that will result from each asset and discounting those cash benefits at an appropriate discount rate. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows – CGUs. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Financial assets

The Group classifies its financial assets in the following categories: loans and receivables, available-for-sale financial assets and financial assets at fair value through profit and loss. The classification depends on the purpose for which the asset was acquired. Management determines the classification of its investments at initial recognition.

Purchases and sales of investments are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not subsequently carried at fair value through profit or loss.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in current assets, except for maturities greater than 12 months after the reporting date, which are classified as non-current assets. Loans and receivables are carried at amortised cost using the effective interest rate method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments available-for-sale

Other long-term investments are classified as available-for-sale and are included within non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. These investments are carried at fair value. Unrealised gains and losses arising from changes in the fair value of available-for-sale investments are recognised in other comprehensive income in the period in which they arise. When available-for-sale investments are either sold or impaired, the accumulated fair value adjustments are realised and included in profit or loss.

Financial assets at fair value through profit and loss

These instruments, consisting of financial instruments held-for-trading and those designated at fair value through profit and loss at inception, are carried at fair value. Derivatives are also classified as held-for-trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these financial instruments are recognised in the income statement in the period in which they arise.

Impairment

At each reporting date the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the receivables or a group of receivables is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. In the case of available-for-sale financial assets, a significant or prolonged decline in the fair value of the asset below its cost is considered an indicator that the investments are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in the income statement.

Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2.8 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts, the legal enforceable right is not contingent of a future event and is enforceable in the normal course of business even in the event of default, bankruptcy and insolvency, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.9 Inventories

Inventories are valued at the lower of cost, determined on the weighted average method, or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10 Trade and other receivables

Trade and other receivables are recognised at fair value and subsequently measured at amortised cost, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the provision is recognised in the income statement.

2.11 Cash and cash equivalents

Cash and cash equivalents consist of balances with banks and cash on hand and are classified as loans and receivables. Bank overdrafts are classified as financial liabilities at amortised cost and are disclosed as part of borrowings in current liabilities in the statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Hedges of a particular risk associated with a recognised liability or a highly probable forecast transaction is designated as a cash flow hedge. The Group uses interest rate swaps as cash flow hedges.

The Group documents, at inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 19. 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 qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in other comprehensive income are recycled to the income statement in the periods when the hedged item affects profit or loss (for example, when the interest expense on hedged variable rate borrowings is recognised in profit and loss).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

2.13 Share capital

Ordinary shares are classified as equity. Shares in the Company held by wholly-owned Group companies are classified as treasury shares and are held at cost.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

2.14 Treasury shares

Treasury shares are deducted from equity until the shares are cancelled, reissued or disposed of. No gains or losses are recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. All consideration paid or received for treasury shares is recognised directly in equity.

2.15 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Accounts payable is classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs are expensed when incurred, except for borrowing costs directly attributable to the construction or acquisition of qualifying assets. Borrowing cost directly attributable to the construction or acquisition of qualifying assets is added to the cost of those assets, until such time as the assets are substantially ready for their intended use. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use.

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Employee benefits

a) Retirement benefit costs

The Group provides defined benefit and defined contribution plans for the benefit of employees, the assets of which are held in separate trustee administered funds. These plans are funded by payments from the employees and the Group, taking into account recommendations of independent qualified actuaries.

Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to make further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due.

Defined benefit plans

A defined benefit plan is a plan that is not a defined contribution plan. 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) Share-based compensation

The Group operates a equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

d) Profit sharing and bonus plans

The Group recognises a liability and an expense where a contractual obligation exist for short-term incentives. The amounts payable to employees in respect of the short-term incentive schemes are determined based on annual business performance targets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Revenue recognition

Revenues are measured at the fair value of the consideration that has been received or is to be received and represent the amounts that can be received for services in the regular course of business when the significant risks and rewards of ownership have been transferred or services have been rendered. Discounts, sales taxes and other taxes associated with the revenues have to be deducted.

Revenue primarily comprises fees charged for inpatient and outpatient hospital services. Services include charges for accommodation, theatre, medical professional services, equipment, radiology, laboratory and pharmaceutical goods used. Revenue is recorded and recognised during the period in which the hospital service is provided, based upon the amounts due from patients and/or medical funding entities. Fees are calculated and billed based on various tariff agreements with funders.

Discounts comprise retrospective volume discounts granted to certain customers on attainment of certain levels of purchases from the Group. These are accrued over the course of the arrangement based on estimates of the level of business expected and are adjusted at the end of the arrangement to reflect actual volumes.

In Switzerland, medical services can on occasion be charged based on provisional tariffs as delays can occur in the agreement of tariffs between providers (including the Group) and funders. When tariffs have not yet been agreed, tariff provisions are recognised as adjustments in revenue to reflect any uncertainty about collectibility of amounts invoiced. Revenue continues to be recognised in these circumstances as the Group has developed significant historical experience of continuing to collect revenue for delivered services where tariff negotiations have not concluded with all relevant authorities. However, a tariff provision will be recorded when the Group identifies any uncertainty around collection of amounts invoiced for delivered services and it is probable that an outflow of resources will be required, which can be reliably estimated. The provision is calculated on the basis of historical experience of outcomes to negotiations between providers and funders and this historical experience is subject to regular reassessment based on the actual outcome to tariff negotiations.

Other revenues earned are recognised on the following bases:

a) Interest income

Interest income is recognised on a time-proportioned basis using the effective interest rate method.

b) Rental income

Rental income, which is insignificant, is recognised on a straight-line basis over the term of the lease.

With the exception of interest income, all the items above are presented as revenue.

2.21 Cost of sales

Cost of sales consists of the cost of inventories, including obsolete stock, which have been expensed during the year, together with personnel costs and related overheads which are directly attributable to the provision of services, but excludes depreciation and amortisation.

2.22 Leased assets

Leases of property, equipment and vehicles where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in interest-bearing borrowings. The interest element of the finance charges is charged to the income statement over the lease period. The property, equipment and vehicles acquired under finance leasing contracts are depreciated over the useful lives of the assets or the term of the lease agreement if shorter and transfer of ownership at the end of the lease period is uncertain.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.23 Dividend distribution

Dividends are recorded in the Group's financial statements in the period in which they are approved by the Company's shareholders.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Foreign currency transactions

Transactions and balances

Transactions in foreign currencies are translated to the functional currency at the rates of exchange ruling on the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income. Foreign exchange gains and losses are presented in the income statement within 'Administration and other operating expenses'.

Group entities

The results and financial position of all foreign operations that have a functional currency that is different from the Group's presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the reporting date.
- Income and expenses for each income statement are translated at average exchange rates for the year.
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation exchange differences arising from the translation of the net investment in foreign operations are taken directly to other comprehensive income. Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operation and translated at closing rates at the reporting date.

2.25 Exchange rates

The Group uses the average of exchange rates prevailing during the period to translate the results and cash flows of overseas subsidiaries, the joint venture and associated undertakings into pound sterling and period end rates to translate the net assets of those undertakings. The following exchange rates were applicable during the period:

	2016	2015
Average rates:		
Swiss franc	**1.47**	1.50
UAE dirham	**5.54**	5.92
South African rand	**20.73**	17.82
Period end rates:		
Swiss franc	**1.38**	1.44
UAE dirham	**5.28**	5.43
South African rand	**21.21**	18.02

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

In respect of the Group's financial instruments, normal business activities expose the Group to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management programme seeks to minimise potential adverse effects on the Group's financial performance.

a) Market risk

i) Currency risk

Investments in foreign operations

The Group has investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies. Changes in the pound sterling/Swiss franc, pound sterling/UAE dirham and pound sterling/South African rand exchange rate over a period of time result in increased/decreased earnings. Other than the Group's earnings and payment of dividends which are presented and declared in Sterling and thus exposed to currency risk, the Group is not significantly exposed to currency risk since the operating platforms predominantly operates in its local currency (including its debt).

In the case of corporate offshore transactions and or cross-border business combinations, generally forward cover contracts are considered or taken out to minimise foreign currency risk. Currently there are no forward cover contracts in place.

3. FINANCIAL RISK MANAGEMENT (continued)

The impact of a 10% change in the pound sterling/Swiss franc, pound sterling/South African rand and the pound sterling/UAE dirham exchange rates for a sustained period of one year is:

- profit for the period would increase/decrease by £11m (2015: increase/decrease by £12m) due to exposure to the GBP/Swiss franc exchange rate;
- profit for the period would increase/decrease by £6m (2015: increase/decrease by £4m) due to exposure to the GBP/UAE dirham exchange rate;
- profit for the period would increase/decrease by £7m (2015: increase/decrease by £10m) due to exposure to the GBP/South African rand exchange rate;
- foreign currency translation reserve would increase/decrease by £112m (2015: increase/decrease by £106m) due to exposure to the GBP/Swiss franc exchange rate; and
- foreign currency translation reserve would increase/decrease by £24m (2015: increase/decrease by £20m) due to exposure to the GBP/UAE dirham exchange rate.
- foreign currency translation reserve would increase/decrease by £12m (2015: increase/decrease by £10m) due to exposure to the GBP/South African rand exchange rate.

ii) Interest rate risk

The Group's interest rate risk arises from long-term borrowings as well as short-term deposits. Borrowings and short-term deposits issued at variable rates expose the Group to cash flow interest rate risk. Interest rate derivatives expose the Group to fair value interest rate risk. Group policy is to maintain an appropriate mix between fixed and floating rate borrowings and placings.

The Group manages its interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's:

- profit for the period would increase/decrease by £3m (2015: increase/decrease by £1m). This is mainly attributable to the Group's exposure to interest rates on its unhedged variable rate borrowings and cash.

iii) Other price risk

The Group is not materially exposed to commodity or any other price risk.

b) Credit risk

Financial assets that potentially subject the Group to concentrations of credit risk consist principally of cash, short-term deposits and trade and other receivables and derivative financial contracts. The Group's cash equivalents and short-term deposits, are placed with quality financial institutions with a high credit rating. Trade receivables are represented net of the allowance for doubtful receivables. Credit risk with respect to trade receivables is limited due to the large number of customers comprising the Group's customer base, which consists mainly of medical schemes and insurance companies. The financial condition of these clients in relation to their credit standing is evaluated on an ongoing basis. Medical schemes and insurance companies are forced to maintain minimum reserve levels. The policy for patients that do not have a medical scheme or an insurance company paying for the Group's service, is to require a preliminary payment instead. The Group does not have any significant exposure to any individual customer or counterparty.

The Group is exposed to credit-related losses in the event of non-performance by counterparties to hedging instruments. The counterparties to these contracts are major financial institutions. The Group monitors its positions and limits the extent to which it enters into contracts with any one party.

The carrying amounts of financial assets included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to these assets. At 31 March 2015 and 31 March 2016, the Group did not consider there to be a significant concentration of credit risk.

3. FINANCIAL RISK MANAGEMENT (continued)

c) Liquidity risk

The Group manages liquidity risk by monitoring cash flow forecasts to ensure that it has sufficient cash to meet operational needs, while maintaining sufficient headroom on its undrawn borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Given that the Group has bank facilities in place which expires during 2019/2020, the Group did not consider there to be a significant concentration of liquidity risk.

	2016 £'m	2015 £'m
The Group's unused overdraft facilities are:	**88**	94

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the required date of repayment. The table includes both interest and principal cash flows. The analysis of derivative financial instruments has been drawn up based on undiscounted net cash inflows/(outflows) that settle on a net basis.

Financial liabilities	**Carrying value**	**Contractual cash flows £'m**	**0 – 12 months £'m**	**1 – 5 years £'m**	**Beyond 5 years £'m**
31 March 2016					
Interest-bearing borrowings	**1 841**	**2 025**	**358**	**1 597**	**70**
Derivative financial instruments	**20**	**20**	**8**	**12**	**–**
Trade payables	**200**	**200**	**200**	**–**	**–**
Other payables and accrued expenses	**169**	**169**	**169**	**–**	**–**
31 March 2015					
Interest-bearing borrowings	1 618	1 774	103	605	1 066
Derivative financial instruments	27	28	8	20	–
Trade payables	157	157	157	–	–
Other payables and accrued expenses	120	120	120	–	–

3.2 Fair value of financial instruments

The fair value of financial assets and liabilities are determined as follows:

a) ***Cash and cash equivalents, trade and other receivables:*** The carrying amounts reported in the statement of financial position approximate fair values because of the short-term maturities of these amounts.

b) ***Borrowings and trade and other payables:*** The carrying amounts reported in the statement of financial position approximate fair values determined on the basis of a discounted cash flow methodology.

c) ***Financial assets at fair value through profit and loss:*** The fair value of these financial instruments is derived from quoted prices in active markets for identical assets.

d) ***Derivative financial instruments:*** Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

e) ***Available-for-sale financial assets:*** The carrying amounts reported in the statement of financial position are determined based on an appropriate valuation methodology.

Financial instruments that are measured at fair value in the statement of financial position, are disclosed by level of the following fair value hierarchy:

- 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).

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 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 16, 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 12, 13, 14 and 15 respectively. The Group's Audit and Risk Committee reviews the going concern status and capital structure of the Group annually. The Group balances its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt. The debt-to-adjusted capital ratios at 31 March 2016 and 31 March 2015 were as follows:

	2016 £'m	2015 £'m
Borrowings	**1 841**	1 618
Less: cash and cash equivalents	**(305)**	(265)
Net debt	**1 536**	1 353
Total equity	**3 570**	1 840
Debt-to-equity capital ratio	**0.4**	0.7

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Estimated impairment of goodwill and intangible asset

The Group tests annually whether goodwill and the indefinite useful life intangible asset, resulting from the Al Noor and Swiss acquisitions, have suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates in respect of growth and discount rates and it assumes a stable regulatory environment. Regulatory environments are subject to uncertainties. The uncertainties in the regulatory environments can have an impact on the recoverability of the goodwill and the intangible asset's recoverable amount. Refer to note 6.

b) Retirement benefits

The cost of defined benefit pension plans, post-retirement medical benefit liability obligations, and UAE end of service obligations are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in note 17.

c) Property, equipment and vehicles

The estimation of the useful lives of property, equipment and vehicles is based on historical performance as well as expectations about future use and therefore requires a significant degree of judgement to be applied by management. These depreciation rates represent management's current best estimate of the useful lives and residual values of the assets.

For a private hospital it is fundamentally important that the earnings potential of a building is maintained on a permanent basis. The Group therefore follows a structured maintenance programme with regard to hospital buildings with the specific goal to prolong the useful lifetime of these buildings.

d) Provision for tariff risks

Provisions were raised for risks related to Swiss tariff risk, including historic tariff disputes at various Swiss hospitals. The provisions are determined by management and represent an estimate based on the information available. Additional disclosure of these estimates of provisions is included in note 18. Tariff provisions are charged or released to revenue in the income statement.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

e) Purchase price allocation

Critical accounting estimates and assumptions were made in the purchase price allocation of the Al Noor acquisition in accordance with IFRS 3, Business Combinations. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date. The fair value of an asset or liability represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. We used an independent valuer to assist in the valuation of Al Noor's opening balance sheet.

The more material estimates and assumptions relate mainly to the identification and valuation of intangible assets and the determination of the useful lives of these assets. The valuation of the identified intangible assets uses assumptions relating to future cash flows and discount rates which are based on forecasts and are therefore inherently judgemental. The key judgements applied were as follows:

- The trademarks acquired were measured by applying the Relief From Royalty (RFR) methodology. RFR estimates the value of the trademark based on amounts an unrelated party will pay as a percentage of revenue for use of the trade mark. A royalty factor has been applied based on comparable transactions. The selected royalty factor reflects that the Al Noor trademark is specific to the Abu Dhabi market; and
- Certain favourable lease terms were identified in the acquired business, resulting from fixed rental terms that extend beyond a five-year period. The identified intangible asset has been estimated as the difference between the present value of the existing contractual rent schedule and the lease schedule using current market prices, discounted to present value.

The purchase price allocation exercise considered whether any other intangible assets should be identified, including consideration of customer contracts and non-contractual relationships. However, no other material assets were separately identifiable.

The excess of the consideration over the fair value of the net identifiable assets acquired has been recorded as goodwill. The relative proportion of identified intangible assets to goodwill was also considered and was benchmarked to other transactions in the healthcare sector. Goodwill represents benefits from Al Noor's geographic footprint and expansion opportunities, synergies from a combined business in the UAE and a skilled workforce assembled at the operating facilities.

In addition, a fair value exercise was undertaken for all of the other assets and liabilities acquired as a result of the transaction in order to ensure completeness of liabilities in the opening balance sheet for all contractual and other obligations and to ensure that all assets are stated at their recoverable amounts. An exercise was also undertaken to conform the Al Noor business to the accounting policies of the Group.

The purchase price allocation for the Al Noor transaction remains provisional at 31 March 2016 as the Group has one year from the acquisition date to re-measure the fair values of the acquired assets and liabilities and resulting goodwill if new information is obtained relating to conditions that existed at the acquisition date.

f) Income taxes

The Group has tax losses and other deductible temporary differences that have the potential to reduce tax payments in future years. Deferred tax assets are only recognised to the extent that their recovery is probable, having regard to the projected future taxable income of these entities and after taking into account specific risk factors that affect the recovery of these assets. Management uses the same profit projections for these purposes as are used by the business, for example in assessing the carrying value of goodwill. Management's judgement in this area is applied on a case-by-case basis due to the jurisdictional nature of taxation. This analysis is considered afresh at each balance sheet date.

5. PROPERTY, EQUIPMENT AND VEHICLES

	GROUP	
	2016 £'m	2015 £'m
Land – cost	**819**	778
Buildings	**1 952**	1 869
Cost	**2 119**	1 998
Accumulated depreciation	**(166)**	(127)
Accumulated impairment	**(1)**	(2)
Land and buildings	**2 771**	2 647
Equipment	**251**	200
Cost	**610**	488
Accumulated depreciation	**(359)**	(288)
Furniture and vehicles	**46**	39
Cost	**169**	140
Accumulated depreciation	**(123)**	(101)
Subtotal	**3 068**	2 886
Capital expenditure in progress	**131**	99
	3 199	2 985

5. PROPERTY, EQUIPMENT AND VEHICLES (continued)

	Land and buildings £'m	Capital expen-diture in progress £'m	Equipment £'m	Furniture and vehicles £'m	Total £'m
At 1 April 2014					
Cost	2 646	62	419	118	3 245
Accumulated depreciation	(103)	–	(243)	(82)	(428)
Net book value	2 543	62	176	36	2 817
Year ended 31 March 2015					
Net opening book value	2 543	62	176	36	2 817
Capital expenditure	55	48	54	20	177
Business combinations	1	–	7	1	9
Exchange differences	61	–	3	–	64
Disposals	(2)	–	–	–	(2)
Prior year capital expenditure completed	11	(11)	–	–	–
Impairment losses*	(2)	–	–	–	(2)
Depreciation per income statement	(20)	–	(40)	(18)	(78)
Net closing book value	2 647	99	200	39	2 985
At 31 March 2015					
Cost	2 776	99	488	140	3 503
Accumulated depreciation	(127)	–	(288)	(101)	(516)
Accumulated impairment	(2)	–	–	–	(2)
Net book value	2 647	99	200	39	2 985
Year ended 31 March 2016					
Net opening book value	**2 647**	**99**	**200**	**39**	**2 985**
Capital expenditure	**40**	**47**	**71**	**19**	**177**
Exchange differences	**76**	**(13)**	**(4)**	**1**	**60**
Disposals	**–**	**–**	**–**	**–**	**–**
Business combinations	**15**	**16**	**25**	**5**	**61**
Prior year capital expenditure completed	**18**	**(18)**	**–**	**–**	**–**
Depreciation per income statement	**(25)**	**–**	**(41)**	**(18)**	**(84)**
Net closing book value	**2 771**	**131**	**251**	**46**	**3 199**
At 31 March 2016					
Cost	**2 938**	**131**	**610**	**169**	**3 848**
Accumulated depreciation	**(166)**	**–**	**(359)**	**(123)**	**(648)**
Accumulated impairment	**(1)**	**–**	**–**	**–**	**(1)**
Net book value	**2 771**	**131**	**251**	**46**	**3 199**

* *An impairment charge was booked after the earnings potential of the original part of the Mediclinic Vergelegen Hospital building was significantly affected after a flood caused damage to the building.*

		GROUP	
		2016 £'m	2015 £'m
5.	**PROPERTY, EQUIPMENT AND VEHICLES (continued)**		
	Total additions	**177**	177
	To maintain operations	**63**	53
	To expand operations	**114**	124

Property, equipment and vehicles with a book value of £2 508m (2015: £2 410m) are encumbered as security for borrowings (see note 16).

Included in equipment is capitalised finance lease equipment with a book value of £1m (2015: £1m).

		Lease* £'m	Software and IT projects £'m	Trade names £'m	Goodwill £'m	Total £'m
6.	**INTANGIBLE ASSETS**					
	At 1 April 2014					
	Cost	–	19	287	228	534
	Accumulated amortisation and impairment	–	(9)	(2)	–	(11)
	Net book value	–	10	285	228	523
	Year ended 31 March 2015					
	Net opening book value	–	10	285	228	523
	Amortisation charge	–	(5)	(2)	–	(7)
	Additions	–	15	–	–	15
	Business combinations	–	1	12	63	76
	Exchange differences	–	–	17	18	35
	Net closing book value	–	21	312	309	642
	At 31 March 2015					
	Cost	–	35	316	309	660
	Accumulated amortisation and impairment	–	(14)	(4)	–	(18)
	Net book value	–	21	312	309	642
	Year ended 31 March 2016					
	Net opening book value	**–**	**21**	**312**	**309**	**642**
	Amortisation charge	**–**	**(7)**	**(2)**	**–**	**(9)**
	Additions	**–**	**9**	**–**	**–**	**9**
	Business combinations	**24**	**8**	**33**	**1 189**	**1 254**
	Exchange differences	**–**	**–**	**11**	**20**	**31**
	Net closing book value	**24**	**31**	**354**	**1 518**	**1 927**
	At 31 March 2016					
	Cost	**24**	**54**	**358**	**1 518**	**1 954**
	Accumulated amortisation and impairment	**–**	**(23)**	**(4)**	**–**	**(27)**
	Net book value	**24**	**31**	**354**	**1 518**	**1 927**

* *Relates to a favourable lease contracts on buildings. The leases are characterised by fixed annual rent without annual rent escalations for most part of the contract.*

6. INTANGIBLE ASSETS (continued)

Impairment testing of significant goodwill balances and indefinite useful life trade name

The carrying amounts of significant goodwill and Swiss indefinite life trade names is considered annually for impairment testing. The impairment tests are based on value-in-use calculations. These calculations use cash flow projections based on financial budgets covering a five-year period. The discount rates used reflect specific risks related to the hospital industry. These calculations indicate that there was no impairment in the carrying value of goodwill balances and the Swiss trade names.

	GROUP	
	2016	2015
	£'m	£'m
Carrying amount of Al Noor goodwill	**1 197**	–
Carrying amount of Swiss goodwill	**278**	267
Carrying amount of Swiss indefinite life trade names	**309**	297

Impairment testing of Al Noor goodwill

The Al Noor goodwill comprises four CGUs and the key assumptions for the impairment testing are the same.

Key assumptions used for the value-in-use calculations for the annual impairment testing were as follows:

Future earnings is based on budgets and forecasts that represents management best view of future admissions, tariffs and patient mix and includes savings relating to operational and capital expenditures.

Discount rates – discount rates reflect management's estimate of the time value and the risks associated with the Al Noor business. The weighted average cost of capital (WACC) has been determined by considering the respective debt and equity costs and ratios. The discount rate applied to cash flow projections is 7.8%.

Growth rates – growth rates are based on budgeted figures and management's estimates. The estimated figures assume a stable regulatory and tariff environment. Cash flows beyond the five-year period are extrapolated using a 2.5% growth rate.

Sensitivity analysis – for the goodwill, the recoverable amount calculated based on value in use exceeded the carrying value by approximately £292m. A fall in growth rate to 1.9% (which will also include the possible effect of changes in budgeted margins) or a rise in discount rate to 8.3% would remove the remaining headroom.

Impairment testing of Swiss goodwill and indefinite life trade names

Key assumptions used for the value-in-use calculations for the annual impairment testing were as follows:

Discount rates – discount rates reflect management's estimate of the time value and the risks associated with the Swiss business. The weighted average cost of capital (WACC) has been determined by considering the respective debt and equity costs and ratios. The pre-tax discount rate applied to cash flow projections is 4.7% (2015: 5.8%).

Growth rates – growth rates are based on budgeted figures and management's estimates. The estimated figures assume a stable regulatory and tariff environment. Cash flows beyond the five-year period are extrapolated using a 1.6% (2015: 1.6%) growth rate.

Sensitivity analysis – for the goodwill, the recoverable amount calculated based on value in use exceeded the carrying value by approximately £1 212m (2015: £326m). A fall in growth rate to 0.3% (2015: 1.1%) (which will also include the possible effect of changes in budgeted margins) or a rise in discount rate to 5.8% (2015: 6.2%) would remove the remaining headroom.

		GROUP	
		2016 £'m	2015 £'m
7.	**EQUITY ACCOUNTED INVESTMENTS**		
	Investment in associates	**452**	–
	Investment in joint venture	**3**	4
		455	4
7.1	**Investment in associates**		
	Listed investment	**451**	–
	Unlisted investment	**1**	–
		452	–
	Reconciliation of carrying value at the beginning and end of the period		
	Listed investment		
	Total cost of equity investment (note 29)	**447**	–
	Share of profit of associated company	**6**	–
	Dividend received from associated company	**(2)**	–
		451	–

Set out below are details of the associate which is material to the Group:

Name of entity	Country of incorporation and place of business	% ownership
Spire Healthcare Group plc	United Kingdom	29.9%

Spire Healthcare Group plc is listed on the London Stock Exchange. It does not issue publicly available quarterly financial information and has a December year end. The associate was acquired on 24 August 2015. The investment in associate was equity accounted for the four months to 31 December 2015. No significant events occurred since 1 January 2016 to the reporting date.

A provisional notional purchase price allocation assessment did not identify any significant intangible assets other than goodwill.

Summarised financial information in respect of the Group's material associate is set out below.	As at 31 Dec 2015 £'m
Summarised statement of financial position	
Current assets	**243**
Non-current assets	**1 415**
Total assets	**1 657**
Current liabilities	**(113)**
Non-current liabilities	**(547)**
Net assets	**998**
Mediclinic's effective interest	**29.9%**
Mediclinic's effective interest in net assets	**298**
Goodwill purchase adjustment	**153**
Total carrying value of equity investment	**451**
Market value of listed investment at 31 March 2016	**431**

Although the market value of the investment is below the carrying value at 31 March 2016, management has concluded that no impairment exists. The market value of the investment has not been at a level below its cost for a prolonged period and the shortfall is not considered to be significant.

		As at 31 Dec 2015 £'m
7.	**EQUITY ACCOUNTED INVESTMENTS (continued)**	
	Summarised statement of comprehensive income	
	Revenue	**885**
	Profit from continuing operations	**60**
	Other comprehensive income	**–**
	Total comprehensive income	**60**

		GROUP	
		2016 £'m	2015 £'m
	Unlisted investment		
	Opening balance	**–**	–
	Share in current year profits/(losses)	**–**	–
	Additional amounts invested	**1**	–
	Exchange differences	**–**	–
		1	–
	The aggregate information of the associate that is not individually material:		
	The Group's share of profit (loss)*	**–**	–
	The Group's share of other comprehensive loss*	**–**	–
	The Group's share of total comprehensive loss*	**–**	–
	Aggregate carrying amount of Group's investment in associate*	**–**	–

For the year ended 31 March 2016, the associate is accounted for by using its financial information for the 12 months ended 31 December 2015, since it has a different financial year end.

* *Amount is less than £1m.*

Refer to the annexure for further details of investments in associates.

7.2	**Investment in joint venture**		
	Unlisted		
	Carrying value of investment in joint venture		
	Opening balance	**4**	4
	Share in current year losses*	**–**	–
	(Loans repaid)/Additional amounts invested*	**–**	–
	Exchange differences	**(1)**	–
		3	4
	The aggregate information of joint venture that is not individually material:		
	The Group's share of profit (loss)*	**–**	–
	The Group's share of total comprehensive loss*	**–**	–
	Aggregate carrying amount of Group's interest in this joint venture	**3**	4

For the year ended 31 March 2016, the joint venture is accounted for by using its financial information for the 12 months ended 31 December 2015, since it has a different financial year end.

* *Amount is less than £1m.*

Details of the joint venture appear in the Annexure.

		GROUP	
		2016 £'m	2015 £'m
8.	**OTHER INVESTMENTS AND LOANS**		
	Unlisted – no active market		
	Loans and receivables*	**3**	4
	Available-for-sale: Shares	**1**	1
		4	5
	Other investments and loans are held in the following currencies:		
	Swiss franc: CHF1m (2015: CHF2m)	**1**	1
	South African rand	**3**	4
	UAE dirham	**–**	–
		4	5

* *Supported by the underlying business's financial position, the credit quality of the loans is considered satisfactory.*

9.	**DEFERRED TAX**		
	The movement on the deferred tax account is as follows:		
	Opening balance	**412**	395
	Income statement charge for the year	**13**	12
	Provision for the year	**13**	12
	Tax rate changes	**–**	–
	Business acquisitions	**–**	4
	Exchange differences	**18**	11
	Charged to other comprehensive income	**(13)**	(10)
	Balance at the end of the year	**430**	412
	Deferred income tax assets	**(16)**	(17)
	Deferred income tax liabilities	**446**	429
		430	412

The deferred tax relating to current assets and current liabilities contain temporary differences that are most likely to realise in the next 12 months.

9. DEFERRED TAX (continued)

The deferred tax balance is comprised of temporary differences arising in separate legal entities. Offsetting has been applied on a legal entity basis. The table below shows the deferred tax balances and movements in the various categories before offsetting was applied:

	Tangible assets £'m	Intangible assets £'m	Financial assets £'m	Current assets £'m	Provisions and others £'m	Total £'m
Deferred tax liabilities						
At 1 April 2014	382	64	–	6	8	460
Charged/(credited) to the income statement	–	–	–	–	–	–
Charged/(credited) to other comprehensive income	–	–	–	–	–	–
Charged directly to equity	–	–	–	–	–	–
Exchange differences	10	3	–	–	–	13
Acquisition of subsidiary	–	4	–	–	1	5
At 31 March 2015	392	71	–	6	9	478
Set-off of deferred tax liabilities pursuant to set-off provisions						(49)
Net deferred tax liabilities at the end of the year						429
At 1 April 2015	**392**	**71**	**–**	**6**	**9**	**478**
Charged/(credited) to the income statement	**1**	**–**	**–**	**–**	**5**	**6**
Charged/(credited) to other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**
Charged directly to equity	**–**	**–**	**–**	**–**	**–**	**–**
Exchange differences	**16**	**2**	**–**	**–**	**1**	**19**
Acquisition of subsidiary	**–**	**–**	**–**	**–**	**–**	**–**
At 31 March 2016	**409**	**73**	**–**	**6**	**15**	**503**
Set-off of deferred tax liabilities pursuant to set-off provisions						**(57)**
Net deferred tax liabilities at the end of the year						**446**

9. DEFERRED TAX (continued)

	Current assets £'m	Provisions and others £'m	Long-term liabilities £'m	Deriva-tives £'m	Tax losses carried forward £'m	Total £'m
Deferred tax assets						
At 1 April 2014	(1)	(7)	(7)	–	(52)	(67)
Charged/(credited) to the income statement	–	(1)	(2)	(4)	17	10
Charged/(credited) to other comprehensive income	–	–	(8)	(2)	–	(10)
Charged directly to equity	–	–	–	–	–	–
Exchange differences	(1)	–	(1)	1	–	(1)
Acquisition of subsidiary	–	–	2	–	–	2
At 31 March 2015	(2)	(8)	(16)	(5)	(35)	(66)
Set-off of deferred tax liabilities pursuant to set-off provisions						49
Net deferred tax assets at the end of the year						(17)
At 1 April 2015	**(2)**	**(8)**	**(16)**	**(5)**	**(35)**	**(66)**
Charged/(credited) to the income statement	**–**	**1**	**(1)**	**1**	**6**	**7**
Charged/(credited) to other comprehensive income	**–**	**–**	**(13)**	**–**	**–**	**(13)**
Charged directly to equity	**–**	**–**	**–**	**–**	**–**	**–**
Exchange differences	**–**	**–**	**(1)**	**–**	**–**	**(1)**
Acquisition of subsidiary	**–**	**–**	**–**	**–**	**–**	**–**
At 31 March 2016	**(2)**	**(7)**	**(31)**	**(4)**	**(29)**	**(73)**
Set-off of deferred tax liabilities pursuant to set-off provisions						**57**
Net deferred tax assets at the end of the year						**(16)**

Deferred income tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable.

9. DEFERRED TAX (continued)

At 31 March 2016, the Group had unutilised tax losses of approximately £18m (2015: £14m) potentially available for offset against future profits. A deferred tax asset of £29m (2015: £35m) has been recognised in respect of gross losses based on profitability from approved budgets and business plans. No deferred tax asset has been recognised in respect of the remaining gross losses due to the unpredictability and availability of future profit streams in the relevant jurisdictions. The majority of the unrecognised losses relate to Switzerland, which expire after 7 years. Their utilisation is dependent upon the profitability of their entities. The financial projections used in assessing the future profitability are consistent with those used in assessing the carrying value of goodwill as set out in note 6. The rate of utilisation of these losses will occur at different rates due to the incidence and timing of profits within these entities which consequently impacts their recognition as deferred tax assets. In Switzerland, tax losses expire after 7 years, unused tax losses in Switzerland are as follows:

	GROUP	
	2016 £'m	2015 £'m
Unused tax losses not recognised as deferred tax assets		
Expiry in 1 year	**1**	1
Expiry in 2 years	**9**	1
Expiry in 3 to 7 years	**6**	9
No expiry	**2**	3
	18	14

No deferred tax liability has been recognised in respect of temporary differences arising on investments in subsidiaries and equity accounted investments where the Group is able to control the timing of the reversal and it is probable that such differences will not reverse in the foreseeable future. Similarly tax is not provided where it is expected that such distributions will not give rise to a tax liability at the reporting date. The gross timing difference in this regard amounts to £522m (2015: £421m). There are no significant expected income tax consequences of earnings being distributed from Switzerland and the UAE, as there is no dividend withholding tax applicable to earnings being distributed from these operations. Although South African distributions to the UK are typically subject to dividend withholding taxes, distributions from South Africa are not expected to have income tax consequences in the foreseeable future as the operations in South Africa have a significant contributed tax capital balance from which may be paid dividends free from withholding tax. In line with the South African Reserve Bank requirement, it is intended that dividends to South African resident shareholders on the South African share register will be paid from a planned dividend access share scheme.

10. INVENTORIES

	GROUP	
	2016 £'m	2015 £'m
Inventories consist of:		
Pharmaceutical products	**67**	53
Consumables	**8**	6
Finished goods and work in progress	**–**	1
	75	60

The cost of inventories recognised as an expense and included in cost of sales amounted to £481m (2015: £455m).

11. TRADE AND OTHER RECEIVABLES

	GROUP 2016 £'m	GROUP 2015 £'m
Trade receivables	**413**	311
Less provision for impairment of receivables	**(19)**	(18)
Trade receivables – net	**394**	293
Other receivables*	**167**	122
	561	415

* *Included in other receivables are Swiss unbilled services of £82m (2015: £68m). More than 92% will be recovered by Swiss insurance companies and federal authorities (cantons). Swiss insurance companies are subject to regular credit-worthiness checks (e.g. minimum reserve levels).*

Non-current receivables**	**2**	–

** *The non-current receivable relates to a 25-year prepaid lease agreement in the UAE.*

Trade and other receivables are categorised as loans and receivables. The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

South African rand***	**59**	68
Swiss franc	**340**	299
UAE dirham	**162**	48
	561	415

*** *Trade receivables to the value of £41m (2015: £46m) have been ceded as security for banking facilities.*

Included in the Group's trade receivables balance are trade receivables with a carrying value of £151m (2015: £98m) that are past due at the reporting date, but which the Group has not impaired as there has not been a significant change in credit quality and the amounts are still considered to be recoverable. The ageing of these receivables are as follows:

Up to 3 months	**99**	70
Over 3 months	**52**	28
	151	98

Movement in the provision for impairment of receivables		
Opening balance	**18**	14
Provision for receivables impairment	**9**	10
Exchange differences	**–**	1
Amounts written off as uncollectable	**(8)**	(7)
Balance at the end of the year	**19**	18

Amounts written off during the year relate to individually identified accounts that are considered to be uncollectable.

Provision for impairment of receivables is based on historical collection trends, current market conditions and expected future cash flows.

Management considers the credit quality of the fully performing trade receivables to be high in light of the nature of these trade receivables as described in note 3.1(b).

Included in the Group's other receivables balance are other receivables with a carrying value of £nil (2015: £1m) that are past due at the reporting date.

12. SHARE CAPITAL

Ordinary shares	Number of shares	Share capital £'m	Capital redemption reserve** £'m	Share premium £'m	Reverse Acquisition reserve*** £'m	Total £'m
At 1 April 2014	516 851 655	821	–	–	–	821
Shares issued	25 625 000	177	–	–	–	177
Share issue costs	–	(4)	–	–	–	(4)
At 31 March 2015	542 476 655	994	–	–	–	994
Shares issued (August 2015)	**69 444 444**	**479**	**–**	**–**	**–**	**479**
Share issue costs	**–**	**(4)**	**–**	**–**	**–**	**(4)**
At 14 February 2016	**611 921 099**	**1 469**	**–**	**–**	**–**	**1 469**
Reverse acquisition*	**53 207 327**	**(1 402)**	**6**	**4 862**	**(3 014)**	**452**
Combined capital structure on 15 February 2016	**665 128 426**	**67**	**6**	**4 862**	**(3 014)**	**1 921**
Share subscription (February 2016)	**72 115 384**	**7**	**–**	**593**	**–**	**600**
Reduction of share premium	**–**	**–**	**–**	**(4 765)**	**–**	**(4 765)**
	737 243 810	**74**	**6**	**690**	**(3 014)**	**(2 244)**

* *The Company received legal advice on the scheme of arrangement and the premium on issue of share capital to Mediclinic International Limited shareholders did not qualify as merger relief under United Kingdom law.*

Reverse acquisition

The prior number of shares from 1 April 2015 to 14 February 2016 represents equivalent number of Mediclinic International Limited shares converted using the Mediclinic scheme of arrangement conversion ratio of 0.625. From 15 February 2016 the capital structure of the Group represents that of Mediclinic International plc.

** *The Companies Act provides that where shares of a company are repurchased and funded by a new issue of shares, the amount by which the Company's issued share capital is diminished on cancellation of the shares are transferred to a capital redemption reserve to maintain capital. The reduction of the Company's share capital shall be treated as if the capital redemption reserve were paid up capital of the Company.*

*** *The reverse acquisition reserve represents the net of the following adjustments resulting from the Al Noor reverse acquisition:*
– adjustment of the capital structure (share capital and share premium) of the Group to that of the legal parent;
– adjustment to account for the premium on shares issued to the Mediclinic International Limited shareholders; and
– the share value component of the total consideration.

12. SHARE CAPITAL (continued)

	Number of shares	Total £'m
Treasury shares		
At 1 April 2014	8 450 612	(21)
Repurchase of shares – Forfeitable Share Plan	155 454	(1)
Utilised by the Mpilo Trusts	(178 875)	–
At 31 March 2015	**8 427 191**	**(22)**
Repurchase of shares – Forfeitable Share Plan	**129 927**	**(1)**
Disposal of shares – Forfeitable Share Plan	**(46 091)**	**–**
Utilised by the Mpilo Trusts	**(8 238 246)**	**21**
At 31 March 2016	**272 781**	**(2)**
The balance of the treasury comprise:		
Forfeitable Share Plan	**239 290**	
Mpilo Trusts	**33 491**	
	272 781	

* *The prior year number of shares have been converted using the Mediclinic scheme of arrangement conversion ratio of 0.625 Mediclinic International plc shares for each Mediclinic International Limited share held.*

	GROUP 2016
Ordinary shares	
Number of shares in issue:	**737 243 810**
Nominal value:	**10p**

Value: indicating nominal and share premium amount
Rights of the Ordinary Shares (the "Ordinary Shares") to profits: All dividends shall be declared and paid according to the amounts paid up on the Ordinary Shares.

Rights of the Ordinary Shares to capital: If there is a return of capital on winding-up or otherwise, the Ordinary shares shall confer full rights but they do not confer any rights of redemption, and shall rank after the Subscriber Shares.

Voting rights of the Ordinary Shares: The Ordinary Shares shall confer, on each holder of the Ordinary Shares, the right to receive notice of and to attend, speak and vote at all general meetings of the Company. Each Ordinary Share carries the right to one vote on a poll.

	GROUP 2016
Subscriber shares – fully paid up	
Number of shares in issue:	**10**
Nominal value:	**10p**

Value: indicating nominal and share premium amount
10 issued Ordinary Shares were converted into and designated as subscriber shares of 10 pence each. The Subscriber Shares carry no rights to receive any of the profits of the Company available for distribution by way of dividend or otherwise. If there is a return of capital on a winding-up or otherwise, the assets of the Company available for distribution among the members shall be applied first in repaying in full to the holder of the Subscriber Shares the amount paid up on such shares.

Except as provided above, the Subscriber Shares shall not carry any right to participate in profits or assets of the Company. The holders of the Subscriber Shares shall not be entitled to receive notice of or attend and vote at any general meeting of the Company unless a resolution is proposed which varies, modifies, alters or abrogates any of the rights attaching to the Subscriber Shares.

12. SHARE CAPITAL (continued)

Mpilo trusts

The Mpilo trusts were created in 2005 for purposes of an employee share scheme to introduce Mediclinic Southern Africa employees up to first line management level as shareholders of the Group. This share-based payment arrangement is accounted for as an equity-settled share-based payment transaction. As qualifying employees leave prior to entitlement and shares become available further allocations were made to new and existing qualifying employees. The allocations of units made by the trusts were subject to lock-in periods which expired in December 2015, with the shares linked to participating employees units either transferred to them or sold with the proceeds of the sale distributed to them.

Summary of the allocations:

Allocation	Qualifying date	Issue price	Partici-pating shares*	Expiry date
First allocation**	1 Dec 2005	R18.40	80	31 Dec 2015
Second allocation	1 Dec 2009	R18.08	50	31 Dec 2015
Third allocation	1 Dec 2010	R18.59	100	31 Dec 2015
Fourth allocation	1 Dec 2012	R17.20	70	31 Dec 2015***
Fifth allocation			18 shares for every completed years service	31 Dec 2015

* *Per qualifying employee for each completed year of service since previous allocation.*
** *Initial 1 000 shares per qualifying employee and additional 80 shares for every year completed service prior 1 December 2005.*
*** *During the year, the expiry date of the Fourth Allocation was changed from 31 March 2018 to 31 December 2015.*

Movement in the number of Mpilo shares outstanding are:	Outstanding price per share	31 March 2016 Number	31 March 2015 Number
Outstanding at the beginning of the year	**R17.82 (2015: R17.50)**	**7 197 831**	7 830 994
Mpilo shares forfeited		**(119 296)**	(454 288)
Fifth allocation		**1 159 711**	–
Mpilo shares vested	**R16.28 (2015: R17.84)**	**(8 238 246)**	(178 875)
Outstanding at the end of the period	**2015: R17.82**	**–**	7 197 831

The share-based payment charge relating to the Mpilo trust grants are shown in note 14 and note 21.

Forfeitable Share Plan

The Mediclinic International Limited Forfeitable Share Plan ("FSP") was approved by the Company's shareholders in July 2014 as a long-term incentive scheme for selected senior management (executive directors and prescribed officers). This share-based payment arrangement is accounted for as an equity-settled share-based payment transaction. With the change in control and the acquisition of the Al Noor Hospitals Group plc, the performance conditions of FSP have been finalised to the extent that the performance conditions were met as at 30 September 2015. The FSP shares will vest after the vesting period has lapsed.

12. SHARE CAPITAL (continued)

Under the FSP, conditional share awards are granted to selected employees of the Group. The vesting of these shares are subject to continued employment, and is conditional upon achievement of performance targets, measured over a three-year period. The performance conditions for the year under review constitute a combination of: absolute total shareholder return ("TSR") (40% weighting) and underlying diluted headline earnings per share (60% weighting).

	Weighted average fair value at grant date offer price	31 March 2016 Number	31 March 2015 Number
Opening balance	**R87.41**	**155 454**	–
Granted	**R107.23**	**129 927**	155 454
Shares sold		**(46 091)**	–
Vested		**–**	–
Closing balance		**239 290**	155 454

A valuation has been determined and an expense recognised over a three-year period. The fair value of the TSR performance condition has been determined by using the Monte Carlo simulation model and the fair value of the headline earning per share performance condition, consensus forecasts have been used. The share-based payment charge relating to the Forfeitable Share Plan are shown in note 14 and note 21.

The following assumptions have been used to determine the fair value of the TSR performance condition:

Risk-free rate	**7.49%**	**6.9%**
Dividend yield	**1.0%**	**1.5%**
Volatility	**20%**	**20%**

Apart from the FSP, there are no other share option schemes in place. Therefore, no director exercised any rights in relation to share option schemes during the reporting period. Al Noor Hospital Group plc directors which exercised options before the acquisition date (15 February 2016) is regarded as a pre-acquisition transaction in these Group financial statements.

	GROUP	
	2016 £'m	2015 £'m
13. RETAINED EARNINGS		
Opening balance	**485**	321
Profit for the year	**177**	241
Dividends paid	**(48)**	(47)
Capital redemption on tender offer	**(6)**	–
Reduction of share premium	**4 765**	–
Actuarial gains and losses	**(56)**	(31)
Transactions with non-controlling shareholders	**3**	1
Balance at the end of the year	**5 320**	485

		GROUP	
		2016 £'m	2015 £'m
14.	**OTHER RESERVES**		
	Share-based payment reserve	**24**	14
	Opening balance	**14**	13
	Forfeitable Share Plan	**1**	–
	Mpilo trusts	**11**	1
	Al Noor share option scheme	**(2)**	–
	The balance of the share-based payment reserve comprise:		
	Executive share option scheme	**1**	1
	Forfeitable share plan	**1**	–
	Al Noor share option scheme	**(2)**	–
	Mpilo trusts (Employee share trusts)	**17**	6
	Strategic South African black partners*	**7**	7
		24	14
	Foreign currency translation reserve	**407**	306
	Opening balance	**306**	247
	Currency translation differences	**101**	59
	Hedging reserve	**4**	2
	Opening balance	**2**	7
	Fair value adjustments of cash flow hedges, net of tax	**2**	(6)
	Recycling of fair value adjustments of derecognised cash flow hedge, net of tax	**–**	1
15.	**NON-CONTROLLING INTERESTS**		
	Opening balance	**61**	51
	Transactions with non-controlling shareholders	**3**	4
	Dividends to non-controlling interests	**(7)**	(7)
	Share of total comprehensive income	**4**	13
	Share of profit	**13**	13
	Currency translation differences	**(9)**	–
	Non-controlling interests in hospital activities	**61**	61

* *During the financial year ending 31 March 2006, the difference between the fair value of the equity instruments issued in a BEE transaction and the fair value of the cash and other assets received was recognised as an expense (grant date) and this corresponding increase in equity was booked.*

15. NON-CONTROLLING INTERESTS (continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests:

	Profit allocated to non-controlling interests		Ownership interest held by NCI	
	2016 £'m	2015 £'m	**2016 %**	2015 %
Mediclinic (Pty) Ltd*	**1**	1	**3.4%**	3.4%
Curamed Holdings (Pty) Ltd Group*	**3**	4	**30.3%**	30.3%

Summarised financial information in respect of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before inter-group eliminations. The comparatives are for the year ended 31 March 2015.

* *Place of business: South Africa*

	Mediclinic (Pty) Ltd	
Current assets	**90**	56
Non-current assets	**124**	155
Current liabilities	**(116)**	(128)
Non-current liabilities	**(22)**	(23)
Equity attributable to owners of the Company	**(71)**	(53)
Non-controlling interests	**(5)**	(6)
Revenue	**294**	320
Profit for the year	**35**	32
Other comprehensive income	**1**	(1)
Total comprehensive income	**36**	31
Total comprehensive income allocated to non-controlling interests	**1**	1
Dividends paid to non-controlling interests	**1**	1
Net cash inflow from operating activities	**64**	46
Net cash inflow (outflow) from investing activities	**1**	(38)
Net cash inflow (outflow) from financing activities	**65**	(17)
Net cash outflow	**(1)**	(9)

	Curamed Holdings (Pty) Ltd group	
Current assets	**35**	38
Non-current assets	**23**	25
Current liabilities	**(7)**	(10)
Non-current liabilities	**(2)**	(2)
Equity attributable to owners of the Company	**(34)**	(35)
Non-controlling interests	**(15)**	(16)
Revenue	**51**	55
Profit for the year	**11**	12
Other comprehensive income	**–**	–
Total comprehensive income	**11**	12
Total comprehensive income allocated to non-controlling interests	**–**	4
Dividends paid to non-controlling interests	**2**	2
Net cash inflow from operating activities	**11**	15
Net cash (outflow) from investing activities	**(3)**	(3)
Net cash (outflow) from financing activities	**(7)**	(7)
Net cash inflow	**2**	6

		GROUP	
		2016 £'m	2015 £'m
16.	**BORROWINGS**		
	Secured long-term bank loans*	**140**	166
	Long-term portion	**139**	165
	Short-term portion	**1**	1
	Capitalised financing costs – long-term	**–**	–
	The long-term bank loan bears interest at the 3 month Jibar variable rate plus a margin of 1.51% (2015: 1.51%) compounded quarterly, and is repayable on 2 June 2019.		
	Preference shares*	**90**	111
	Long-term portion	**85**	105
	Short-term portion	**5**	6
	Dividends are payable monthly at a rate of 69% of prime overdraft rate. £5m shares must be redeemed on 1 September 2016 and 1 September 2017 and the balance of £85m on 2 June 2019.		
	Secured long-term bank loan*	**10**	18
	Long-term portion	**5**	12
	Short-term portion	**5**	6
	The long-term bank loan bears interest at the 3 month Jibar variable rate plus a margin of 1.06% (2015: 1.06%) compounded. £5m must be redeemed on 1 September 2016 and the balance of £5m on 8 October 2017.		
	Secured long-term bank loan*	**9**	11
	Long-term portion	**9**	11
	Short-term portion	**–**	–
	The long-term bank loan bears interest at the 3 month Jibar variable rate plus a margin of 1.51% (2015: 1.31%) compounded quarterly, and is repayable on 2 June 2019.		
	Secured long-term bank loans	**5**	7
	Long-term portion	**4**	6
	Short-term portion	**1**	1
	These loans bear interest at variable rates linked to the prime overdraft rate and are repayable in periods ranging between one and twelve years. Property, equipment and vehicles with a book value of £12m (2015: £15m) are encumbered as security for these loans. Net trade receivables of £1m (2015: £1m) has also been ceded as security for these loans.		
	Borrowings in Southern African operations	**254**	313

* *Property and equipment with a book value of £160m (2015: £150m), cash and cash equivalents of £12m (2015: £10m) and trade receivables of £41m (2015: £46m) have been ceded as security for these borrowings.*

		GROUP	
		2016 £'m	2015 £'m
16.	**BORROWINGS (continued)**		
	Secured long-term bank loans	**53**	56
	Long-term portion	**50**	38
	Short-term portion	**3**	19
	Capitalised financing costs – long-term	**–**	(1)
	This loan bears interest at variable rates linked to the 3M Libor and a margin of 2.0% (2015: 2.75%) and is amortising until 31 March 2020 (2015: June 2017). Properties with a book value of £100m (2015: £83m) are encumbered as security for this loan.		
	Borrowings in Middle East operations	**53**	56
	Secured long-term bank loans	**1 098**	1 084
	Long-term portion	**1 088**	1 079
	Short-term portion	**36**	35
	Capitalised financing costs – long-term	**(26)**	(30)
	These loans bear interest at a variable rate linked to the 3M Libor plus 1.5% and 2.85% (2015: 3M Libor plus 2.0% and 3.5%) and is repayable by July 2020. The loan is secured by: Swiss properties with a book value of £2 248m (2015: £2 161m); and Swiss bank accounts with a book value of £128m (2015: £138m).		
	Listed bonds	**170**	164
	Long-term portion	**170**	164
	Short-term portion	**–**	–
	The listed bonds consist of CHF145m 1.625% and CHF90m 2.0% Swiss franc bonds. The bonds are repayable on 25 February 2021 and 25 February 2025 respectively.		
	Secured long-term finance	**–**	1
	Long-term portion	**–**	1
	Short-term portion	**–**	–
	These loans bear interest at interest rates ranging between 3% and 12% (2015: 3% and 12%) and are repayable in equal monthly payments in periods ranging from one to seven years. Equipment with a book value of £1m (2015: £1m) is encumbered as security for these loans.		
	Borrowings in Swiss operations	**1 268**	1 249
	Secured long-term bank loans	**266**	–
	Long-term portion	**–**	–
	Short-term portion	**266**	–
	Capitalised financing costs – long-term	**–**	–
	This loan bears interest at variable rates linked to Libor with a minimum base rate of 1% plus 3.75%. The facility is secured in favour of lenders over the shares in Mediclinic International Limited and of Mediclinic CHF Finco Limited, Mediclinic Middle East Holdings Limited and Mediclinic Holdings Netherlands B.V.		
	Borrowings in the United Kingdom	**266**	–
	Total borrowings	**1 841**	1 618
	Short-term portion transferred to current liabilities	**(317)**	(68)
	Non-current borrowings	**1 524**	1 550

		GROUP	
		2016 £'m	2015 £'m
17.	**RETIREMENT BENEFIT OBLIGATIONS**		
	Statement of financial position obligations for:		
	Swiss pension benefit obligation	**119**	47
	South African post-retirement medical benefit obligation	**24**	26
	UAE end of service benefit obligation	**45**	15
		188	88
	Total retirement benefit obligations	**188**	88
	Short-term portion of retirement benefit obligations	**(9)**	(1)
	Non–current retirement benefit obligations	**179**	87
	Total amount charged to the income statement:		
	Swiss pension benefit obligation	**30**	26
	South African post-retirement medical benefit obligation	**4**	4
	UAE end of service benefit obligation	**4**	3
		38	33
	Total amount charged/(credit) to other comprehensive income:		
	Swiss pension benefit obligation	**(66)**	(37)
	South African post-retirement medical benefit obligation	**1**	(3)
	UAE end of service benefit obligation	**(4)**	–
		(69)	(40)

None of the directors of Mediclinic International plc participate in Swiss pension benefits or the UAE end of service benefit. The two executive directors of Mediclinic International plc participate in the South African post-retirement medical benefit obligation.

(a) Swiss pension benefit obligation

The Group's Swiss operations has five (2015: five) defined benefit pension plans, namely:

Pensionskasse Hirslanden (cash balance plan)
Vorsorgestiftung VSAO (cash balance plan) (Association for Swiss Assistant and Senior Doctors)
Radiotherapie Hirslanden AG; Pension fund at foundation "pro" (cash balance plan)
Clinique La Colline SA; Pension fund at banque cantonal vaudois (cash balance plan)
Swissana Clinic AG; Pension fund at foundation "Nest" (cash balance plan)

	GROUP	
	2016 £'m	2015 £'m
Statement of financial position		
Amounts recognised in the statement of financial position are as follows:		
Present value of funded obligations	**949**	797
Fair value of plan assets	**(830)**	(750)
Net pension liability	**119**	47

		GROUP	
		2016 £'m	2015 £'m
17.	**RETIREMENT BENEFIT OBLIGATIONS (continued)**		
	(a) Swiss pension benefit obligation (continued)		
	The movement in the defined benefit obligation over the period is as follows:		
	Opening balance	**797**	640
	Current service cost	**29**	26
	Interest cost	**7**	12
	Employee contributions	**26**	24
	Benefits paid	**(8)**	(8)
	Actuarial loss – experience	**14**	7
	Actuarial demographical loss assumption	**–**	(17)
	Actuarial financial loss assumption	**45**	76
	Acquisition	**–**	16
	Exchange differences	**39**	21
	Balance at end of year	**949**	797
	The movement of the fair value of plan assets over the period is as follows:		
	Opening balance	**750**	637
	Employer contributions	**30**	27
	Plan participants contributions	**26**	24
	Benefits paid from fund	**(8)**	(8)
	Interest income on plan assets	**7**	13
	Return on plan assets greater/(less) than discount rate	**(7)**	28
	Acquisition	**–**	10
	Administration cost paid	**(1)**	(1)
	Exchange differences	**33**	20
	Balance at end of year	**830**	750
	Statement of financial position		
	Opening net liability	**47**	3
	Expense as above	**30**	26
	Contributions paid by employer	**(30)**	(27)
	Exchange differences	**6**	3
	Actuarial loss recognised in equity	**66**	37
	Acquisitions	**–**	5
	Closing net liability	**119**	47
	Statement of comprehensive income		
	Amounts recognised in other comprehensive income are as follows:		
	Actuarial (loss) – experience	**(14)**	(7)
	Actuarial (loss) due to liability assumption changes	**(45)**	(58)
	Return on plan assets greater/(less) than discount rate	**(7)**	28
	Total comprehensive income	**(66)**	(37)

		GROUP	
		2016 £'m	2015 £'m
17.	**RETIREMENT BENEFIT OBLIGATIONS (continued)**		
	(a) Swiss pension benefit obligation (continued)		
	Income statement		
	Amounts recognised in the income statement are as follows:		
	Current service cost	**29**	26
	Past service cost	**–**	–
	Interest on liability	**7**	12
	Interest on plan assets	**(7)**	(13)
	Administration cost paid	**1**	1
	Settlement gain	**–**	–
	Total expense	**30**	26
	Actual return on plan assets	**(1)**	41
	Principal actuarial assumptions on statement of financial position		
	Discount rate	**0.45%**	0.90%
	Future salary increases	**1.50%**	1.50%
	Future pension increases	**0.00%**	0.00%
	Inflation rate	**1.00%**	1.00%
	Number of plan members		
	Active members	**8 617**	8 219
	Pensioners	**694**	640
		9 311	8 859
	Experience adjustment		
	On plan liabilities: loss	**14**	7
	On plan assets: (gain)/loss	**7**	(28)

17. RETIREMENT BENEFIT OBLIGATIONS (continued)

(a) Swiss pension benefit obligation (continued)

Asset allocation	2016 £'m	2016 %	2015 £'m	2015 %
Quoted investments				
Fixed income investments	**288**	**34.7%**	268	35.7%
Equity investments	**197**	**23.7%**	185	24.7%
Real estate	**67**	**8.1%**	82	10.9%
Other	**72**	**8.7%**	78	10.4%
	624	**75.2%**	613	81.7%
Non-quoted investments				
Fixed income investments	**3**	**0.3%**	2	0.3%
Equity investments	**10**	**1.2%**	10	1.4%
Real estate	**137**	**16.5%**	88	11.7%
Other	**56**	**6.8%**	37	4.9%
	206	**24.8%**	137	18.3%
	830	**100.0%**	750	100.0%

			Impact on defined benefit obligation	
	Base assumption	Change in assumption	Increase	Decrease
Discount rate	0.5%	0.3%	(2.9%)	3.1%
Salary growth rate	1.5%	0.5%	0.8%	(0.8%)
Pension growth rate	0.0%	0.3%	2.5%	–

	Change in assumption	Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy (mortality)	1 year in expected life time of plan participant	2.4%	(2.4%)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credited method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Expected employer contributions to be paid to the pension plans for the year ended 31 March 2017 are £25m.

17. RETIREMENT BENEFIT OBLIGATIONS (continued)

(a) Swiss pension benefit obligation (continued)

The weighted average duration of the defined benefit obligation is 14.3 years (2015: 13.4 years).
The maturity profile of the defined benefit obligation is as follows:

	< 1 year £'m	1 – 5 years £'m	> 5 years £'m	Total £'m
31 March 2016				
Defined benefit obligation	**57**	**170**	**731**	**958**
31 March 2015				
Defined benefit obligation	51	154	667	872

The Swiss defined benefit pension plans exposes the Group to some actuarial and investment risks.

The pension plans provides employees of the Hirslanden Group with post-employment, death-in-service and disability benefits in accordance with the Federal Law on Occupational Old-age. It is separate legal entities from the Hirslanden Group. The funds' governing bodies consists of an equal number of employer and employee representatives.

The benefits of the pension plans are substantially higher than the legal minimum. The employee's and employer's contributions is based on their insured salary and range from 1.25% to 15.5% for Pensionskasse Hirslanden and 14% for VSAO.

If an employee leaves the Hirslanden Group or the pension plans before reaching retirement age, legally they are to transfer the vested benefits to a new pension plan. On retirement, the participant may decide to withdraw the benefits as an annuity or a lump-sum.

As per the pension law in Switzerland, benefits provided by the pension funds are financed through annual contributions. If insufficient investment returns or actuarial losses lead to a funding gap, the governing body is legally obliged to take actions to close this gap within 5 years to a maximum of 7 years. Such actions may include additional contributions by the respective Group companies and the beneficiaries.

17. RETIREMENT BENEFIT OBLIGATIONS (continued)

(b) South African post-retirement medical benefit obligation

The Group's Southern African operations have a post-retirement medical benefit obligation for employees who joined before 1 July 2012.

The Group accounts for actuarially determined future medical benefits and provide for the expected liability in the statement of financial position.

During the last valuation on 31 March 2016 a 9.25% (2015: 7.1%) medical inflation cost and a 10.25% (2015: 8.1%) interest rate were assumed. The average retirement age was set at 63 years (2015: 63 years).

	GROUP	
	2016 £'m	2015 £'m
The assumed rates of mortality are as follows:		
During employment: SA 85/90 tables of mortality		
Post-employment: PA(90) tables		
Amounts recognised in the statement of financial position are as follows:		
Opening balance	**26**	21
Amounts recognised in the income statement	**4**	4
Current service cost	**2**	2
Interest cost	**2**	2
Contributions	**–**	–
Exchange differences	**(5)**	(2)
Actuarial (gain)/loss recognised in other comprehensive income	**(1)**	3
Present value of unfunded obligations	**24**	26

The effect of a 1% movement in the assumed health cost trend rate is as follows:	**2016 Increase**	**2016 Decrease**
Defined benefit obligation	**17%**	**(14%)**
Aggregate of the current service cost and interest cost	**19%**	**(15%)**

Historical information: The present value of the Group's post-retirement medical benefits at 31 March 2014 was £21m, 31 March 2013: £22m and 31 March 2012: £28m.

Expected employer contributions to be paid to the post-retirement medical benefit liability for the year ended 31 March 2017 are £0.5m.

17. RETIREMENT BENEFIT OBLIGATIONS (continued)

(c) UAE end of service benefit obligation

In terms of UAE labour law, employees are entitled to severance pay at the end of employment. Severance pay is calculated as follows:

First 5 years of service: between 7 and 30 days wage per year of service and thereafter 30 days per additional year.

	GROUP	
	2016 £'m	2015 £'m
The employee benefit was actuarially determined:		
The following are the principle actuarial assumptions:		
Discount rate	**4.2%**	7.4%
Future salary increases	**3.5%**	3.5%
Average retirement age	**60 years**	60 years
Annual turnover rate	**12.8%**	12.8%
	£'m	£'m
Amounts recognised in the statement of financial position are as follows:		
Opening balance	**15**	11
Amounts recognised in the income statement	**4**	3
Current service cost	**3**	2
Interest cost	**1**	1
Contributions	**(1)**	(1)
Business combinations	**22**	–
Exchange differences	**1**	2
Actuarial loss recognised in other comprehensive income	**4**	–
Present value of unfunded obligations	**45**	15
Current portion of retirement benefit obligations	**9**	1
Non-current retirement benefit obligations	**36**	14
	45	15

The effect of a 1% movement in the assumed health cost trend rate is as follows:	**2016 Increase**	**2016 Decrease**
Defined benefit obligation	**7%**	**(6%)**
Aggregate of the current service cost and interest cost	**9%**	**(8%)**

Expected employer contributions to be paid to the post-retirement medical benefit liability for the year ended 31 March 2017 are £4m.

18. PROVISIONS

	Employee benefits £'m	Legal cases and other £'m	Tariff risks £'m	Total £'m
Year ended 31 March 2015				
Opening balance	12	1	26	39
Charged to the income statement	4	–	10	14
Utilised during the year	(1)	–	(1)	(2)
Unused amounts reversed	–	–	(6)	(6)
Exchange differences	(1)	–	2	1
Balance at the end of the year	14	1	31	46
At 31 March 2015				
Current	3	–	21	24
Non-current	11	1	10	22
	14	1	31	46
Year ended 31 March 2016				
Opening balance	**14**	**1**	**31**	**46**
Charged to the income statement	**2**	**1**	**4**	**7**
Utilised during the year	**(2)**	**–**	**–**	**(2)**
Unused amounts reversed	**–**	**–**	**(10)**	**(10)**
Exchange differences	**1**	**–**	**1**	**2**
Balance at the end of the year	**15**	**2**	**26**	**43**
At 31 March 2016				
Current	**2**	**–**	**17**	**19**
Non-current	**13**	**2**	**9**	**24**
	15	**2**	**26**	**43**

(a) Employee benefits
This provision is for benefits granted to employees for long service.

(b) Legal cases and other
This provision relates to third-party excess payments for malpractice claims which are not covered by insurance and other costs for legal claims.

(c) Tariff risks
This provision relates to compulsory health insurance tariff risks in Switzerland and other tariff disputes at some of the Group's Swiss hospitals.

	2016 £'m	2015 £'m
Provisions are expected to be payable during the following financial years:		
Within 1 year	**19**	24
After one year but not more than five years	**18**	13
More than five years	**6**	9
	43	46

19. DERIVATIVE FINANCIAL INSTRUMENTS

	GROUP		GROUP	
	2016 £'m	**2016 £'m**	2015 £'m	2015 £'m
	Assets	**Liabilities**	Assets	Liabilities
Interest rate swaps – cash flow hedges				
Non-current	**1**	**19**	1	26
Current	**–**	**–**	–	1
Subtotal	**1**	**19**	1	27
Forward exchange contracts	**–**	**1**	–	–
Call option	**2**	**–**	–	–
	3	**20**	1	27

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 2016, the Group had eight effective interest rate swap contracts (31 March 2015: six). The value of borrowings hedged by the interest rate derivatives and the rates applicable to these contracts are as follows:

	Borrowings hedged £'m	**Fixed interest payable**	**Interest receivable**	**Fair value gain/(loss) for the year £'m**
31 March 2015				
1 to 3 years*	106	5.5 – 8.4%	3 month Jibar	–
3 to 5 years*	15	7.6%	3 month Jibar	–
31 March 2016				
1 to 3 years*	**67**	**5.5 – 8.1%**	**3 month Jibar**	**1**
3 to 5 years**	**13**	**7.6%**	**3 month Jibar**	**–**

* *The interest rate swap agreement reset every 3 months on 1 June, 1 September, 1 December and 1 March with a final reset on 1 September 2017 and 1 March 2019. There is no ineffective portion recognised in the profit and loss that arises from the cash flow hedges.*

** *The interest rate swap agreements reset every 3 months on 1 June, 1 September, 1 December and 1 March with a final reset on 3 June 2019. There is no ineffective portion recognised in the profit and loss that arises from the cash flow hedges.*

19. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Ineffective interest rate swaps

Due to the current negative interest rates in Switzerland, the hedge relationship in respect of the 3 month Swiss Libor interest rate swaps became ineffective since the interest on the borrowings is capped at a rate of 0% but is fully considered as interest payments on the swap. Hedge accounting discontinued from the previous reporting period when hedge effectiveness could be demonstrated, i.e. from 1 October 2014.

	GROUP	
	2016 £'m	2015 £'m
Opening balance	**(26)**	3
Fair value adjustments through other comprehensive income	**–**	(8)
Fair value adjustments booked through profit and loss (finance cost)	**8**	(19)
Exchange differences	**(1)**	(2)
Balance at the end of the period	**(19)**	(26)

31 March 2015	**Nominal value £'m**	**Fixed interest payable**	**Interest receivable £'m**
3 years and beyond*	1 128	0.112% and 0.239%	3 month Swiss Libor
31 March 2016			
Beyond 2 years*	**1 122**	**0.112% and 0.239%**	**3 month Swiss Libor**

* *The interest rate swap agreement resets every 3 months on 31 March, 30 June, 30 September and 31 December with a final reset on 31 March 2018 and termination date on 30 June 2018.*

Based on the degree to which the fair values are observable, the interest rate swaps and the forward contracts are grouped as Level 2.

Call option

As per an Al Noor shareholders' agreement, Al Noor Medical Company, Al Noor Hospital and Al Noor Pharmacy LLC has an option to buy 25% minority shares with effect from 1 January 2016. Fair value of this option has been recognised as a derivative asset as at 31 March 2016.

	GROUP	
	2016 £'m	2015 £'m
Forward contracts		
Loss recognised in the income statement	**(1)**	–

Based on the degree to which the fair values are observable, the interest rate swaps and the forward contracts are Grouped as Level 2.

	GROUP	
	2016 £'m	2015 £'m
20. TRADE AND OTHER PAYABLES		
Trade payables	**200**	157
Other payables and accrued expenses	**169**	120
Social insurance and accrued leave pay	**55**	53
Value added tax	**7**	5
	431	335

		GROUP	
		2016 £'m	2015 £'m
21.	**EXPENSES BY NATURE**		
	Fees paid to the Group's auditors for the following services:		
	Audit of the parent Company and consolidated financial statements	**0.4**	–
	Audit Company subsidiaries	**1.9**	1.0
	Audit services	**2.3**	1.0
	Audit-related services	**1.1**	0.3
	Tax advice	**0.4**	0.2
	Tax compliance	**0.3**	–
	All other services	**0.2**	–
		4.3	1.5
	Cost of inventories	**481**	455
	Depreciation – buildings	**25**	20
	– equipment	**41**	40
	– furniture and vehicles	**18**	18
	Employee benefit expenses	**934**	870
	Wages and salaries	**875**	825
	Retirement benefit costs – defined contribution plans	**11**	11
	Retirement benefit costs – defined benefit obligations (note 17)	**38**	33
	Share-based payment expense (note 14)	**10**	1
	Impairment of property	**–**	2
	Increase in impairment provision for receivables (note 11)	**1**	3
	Maintenance costs	**44**	46
	Managerial and administration fees	**–**	–
	Operating leases – buildings	**32**	26
	– equipment	**2**	2
	Amortisation of intangible assets	**9**	7
	Other expenses	**227**	165
	General expenses	**228**	170
	Profit on disposal of property, equipment and vehicles	**(1)**	(5)
		1 818	1 656
	Classified as:		
	Cost of sales	**1 264**	1 184
	Administration and other operating expenses	**554**	472
		1 818	1 656
	Depreciation and amortisation is classified as:		
	Cost of sales	**76**	68
	Administration and other operating expenses	**17**	17
		93	85
		Number	Number
	Number of employees	**32 884**	27 696

		GROUP	
		2016 £'m	2015 £'m
22.	**OTHER GAINS AND LOSSES**		
	(Losses)/gains on foreign currency forward contracts	**(1)**	2
	Gain on disposal of subsidiary	**–**	2
	Discount on loan repayment	**–**	11
	Insurance proceeds	**–**	9
		(1)	24

		GROUP	
		2016 £'m	(Restated) 2015 £'m
23.	**FINANCE COST**		
	Interest expense	**44**	49
	Interest rate swaps	**11**	4
	Amortisation of capitalised financing costs	**5**	8
	Fair value (gains)/losses on ineffective cash flow hedges	**(8)**	19
	Preference share dividend	**6**	7
	Less: amounts included in the cost of qualifying assets	**–**	(2)
		58	85
24.	**INCOME TAX EXPENSE**		
	Current tax		
	Current year	**41**	44
	Previous year	**1**	(44)
	Deferred tax (note 9)	**13**	12
	Taxation per income statement	**55**	12
	Composition		
	UK tax	**–**	–
	Foreign tax	**55**	12
		55	12
	Reconciliation of rate of taxation:		
	UK statutory rate of taxation****	**20.0%**	21.0%
	Adjusted for:		
	Capital gains taxed at different rates	**0.1%**	(0.6%)
	Non-taxable income	**(0.3%)**	(0.6%)
	Non-deductible expenses*	**5.6%**	2.0%
	Non-controlling interests' share of profit before tax	**(0.3%)**	(0.3%)
	Effect of different tax rates***	**(4.3%)**	(1.4%)
	Income tax rate changes	**(0.2%)**	–
	Non-recognition of tax losses in current year	**1.8%**	0.6%
	Recognition of tax losses relating to prior years	**(0.4%)**	–
	Prior year adjustment**	**0.4%**	(16.4%)
	Effective tax rate	**22.4%**	4.3%

* *Non-deductible expenses in the current year were impacted by:*
- *Transaction costs in relation to the Al Noor transaction was not deductible for tax purposes as these costs are capital of nature. The tax effect of this amounted £10m which resulted in an increase in the effective tax rate.*
- *Non-deductible accelerated IFRS 2 charges increased the tax charge by £3m.*

** *In the prior year, Swiss income tax liabilities was released in respect of historical uncertain tax positions after settlement with tax authorities. This reduced the tax charge by £43m.*

*** *The effect of different tax rates is mainly because of profit earned from South Africa which is subject to income tax rate of 28%, reduced by profit earned from the UAE which is not subject to income tax.*

**** *The statutory income tax rate in the UK reduced from 21% to 20% since 1 April 2015.*

The income tax liability includes an amount of approximately £8m (2015: £7m) relating to unresolved tax matters. The range of possible outcomes relating to this liability is not considered to be material.

		GROUP	
		2016 Pence	(Restated) 2015 Pence
25.	**EARNINGS PER ORDINARY SHARE**		
	Basic	**29.6**	44.6
	Diluted	**29.5**	43.8

	GROUP	
Number of shares reconciliation	2016 Number	(Restated) 2015*** Number
Weighted average number of ordinary shares in issue for basic earnings per share		
Number of ordinary shares in issue at the beginning of the year	**542 473 328**	516 848 328
Al Noor Hospitals Group plc shares prior to reverse acquisition	**14 688 077**	–
Al Noor Hospitals Group plc shares repurchased	**(8 000 842)**	–
Weighted average number of ordinary shares issued during the year (August 2015)	**41 742 562**	–
Weighted average number of ordinary shares issued during the year (February 2016)	**9 063 634**	–
Weighted average number of ordinary shares issued during the year (June 2014)	**–**	19 868 151
Adjustment for equity raising – Private placement (June 2014) (IAS 33 para 26)**	**–**	378 641
Adjustment for equity raising – Rights Offer (August 2015) (IAS 33 para 26)**	**5 239 773**	13 135 323
Weighted average number of treasury shares	**(6 764 447)**	(9 957 753)
BEE shareholder	**(521 142)**	(1 503 618)
Mpilo Trusts	**(5 995 653)**	(8 377 728)
Forfeitable Share Plan	**(247 652)**	(76 407)
	598 442 085	540 272 690
Weighted average number of ordinary shares in issue for diluted earnings per share		
Weighted average number of ordinary shares in issue	**598 442 085**	540 272 690
Weighted average number of treasury shares held in terms of the BEE initiative not yet released from treasury stock	**768 793**	9 957 753
BEE shareholder*	**521 141**	1 503 618
Mpilo Trusts	**–**	8 377 728
Forfeitable Share Plan	**247 652**	76 407
	599 210 878	550 230 443

The prior year number of shares have been converted using the Mediclinic scheme of arrangement conversion ratio of 0.625 Mediclinic International plc shares for each Mediclinic International Limited share held.

* *Represents the equivalent weighted average number of shares for which no value has been received from the BEE shareholder (Mpilo Investment Holdings 2 (RF) (Pty) Ltd) in terms of the Group's black ownership initiative. To date, no value was received for an equivalent of 521 141 (2015: 1 158 198) shares issued to the strategic black partner.*

Mpilo Investment Holdings 1 (RF) (Pty) Ltd and Mpilo Investment Holdings 2 (RF) (Pty) Ltd are structured entities that are not consolidated due to the Group not having control. These companies are investment holding companies and were incorporated as part of the Mediclinic BEE transaction. The companies hold ordinary shares in Mediclinic International plc (2015: Mediclinic International Limited) on which it receives dividends. These dividends are used to repay the outstanding debt of the companies. The outstanding debt referred to is provided by third parties with no recourse to the Group.

** *The shares were issued at a price lower than the fair value of the shares before the equity capital raised in June 2014 and Rights Offer in August 2015. As a result, the weighted average number of shares was adjusted in accordance with IAS 33 paragraph 26.*

*** *The 2015 number of shares have been adjusted with the exchange ratio of 0.625 (1 Mediclinic International Limited share was exchanged for 0.625 AL Noor Hospitals Group plc share in terms of the Mediclinic scheme of arrangement).*

25. EARNINGS PER ORDINARY SHARE (continued)

Headline earnings per ordinary share

The Group is required to calculate headline earnings per share (HEPS) in accordance with the JSE Limited (JSE) Listings Requirements, determined by reference to the South African Institute of Chartered Accountants' circular 02/2013 (Revised) 'Headline Earnings'. The table below sets out a reconciliation of basic EPS and HEPS in accordance with that circular. Disclosure of HEPS is not a requirement of IFRS, but it is a commonly used measure of earnings in South Africa. The table below reconciles the profit for the financial year attributable to equity holders of the parent to headline earnings and summarises the calculation of basic HEPS:

	GROUP	
	2016 £'m	(Restated) 2015 £'m
Profit for the financial period attributable to equity holders of the parent	**177**	241
Adjustments		
Impairment of property	**–**	2
Insurance proceeds	**–**	(8)
Gain on disposal of subsidiary	**–**	(2)
Profit on disposal of property, equipment and vehicles	**–**	(4)
Headline earnings	**177**	229
Headline earnings per share (pence)	**29.6**	42.4
Diluted headline earnings per share (pence)	**29.5**	41.6

26. OTHER COMPREHENSIVE INCOME

Components of other comprehensive income

Currency translation differences	**92**	59
Fair value adjustment – cash flow hedges	**2**	(5)
Actuarial gains and losses	**(56)**	(31)
Other comprehensive income, net of tax	**38**	23

Year ended 31 March 2015	**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**
Currency translation differences	59	–	–	59
Recycling of fair value adjustments of derecognised cash flow hedge	1	–	–	1
Fair value adjustment – cash flow hedges	(8)	2	–	(6)
Actuarial gains and losses	(39)	8	–	(31)
Other comprehensive income	13	10	–	23
Year ended 31 March 2016				
Currency translation differences	**101**	**–**	**(9)**	**92**
Recycling of fair value adjustments of derecognised cash flow hedge	**1**	**–**	**–**	**1**
Fair value adjustment – cash flow hedges	**1**	**–**	**–**	**1**
Actuarial gains and losses	**(69)**	**13**	**–**	**(56)**
Other comprehensive income	**34**	**13**	**(9)**	**38**

		GROUP	
		2016 £'m	(Restated) 2015 £'m
27.	**CASH FLOW INFORMATION**		
27.1	**Reconciliation of profit before taxation to cash generated from operations**		
	Profit before taxation	**245**	266
	Adjustments for:		
	Finance cost – net	**49**	79
	Share of net profit of equity accounted investments	**(6)**	–
	Other gains and losses	**1**	(24)
	Share-based payment	**10**	1
	Depreciation and amortisation	**93**	85
	Impairment losses	**–**	2
	Movement in provisions	**5**	8
	Movement in retirement benefit obligations	**9**	2
	Profit on disposal of property, equipment and vehicles	**(1)**	(5)
	Operating income before changes in working capital	**405**	414
	Working capital changes	**6**	26
	Increase in inventories	**(1)**	(5)
	Increase in trade and other receivables	**4**	(7)
	Increase in trade and other payables	**3**	38
		411	440
27.2	**Interest paid**		
	Finance cost per income statement	**58**	85
	Refinancing costs shown as financing activities	**(6)**	–
	Non-cash items		
	Amortisation of capitalised financing fees	**(5)**	(8)
	Other non-cash flow finance expenses	**–**	(1)
	Fair value (gains)/losses on ineffective cash flow hedges	**8**	(19)
		55	57
27.3	**Tax paid**		
	Liability at the beginning of the period	**11**	64
	Exchange differences	**–**	–
	Provision for the period	**42**	(1)
		53	63
	Liability at the end of the period	**(8)**	(11)
		45	52
27.4	**Investment to maintain operations**		
	Property, equipment and vehicles purchased	**63**	53
	Intangible assets purchased	**9**	15
	Loans to subsidiaries	**–**	–
		72	68
27.5	**Investment to expand operations**		
	Property, equipment and vehicles purchased	**114**	124
27.6	**Proceeds on disposal of property, equipment and vehicles**		
	Book value of property, equipment and vehicles sold	**–**	2
	Profit per income statement	**1**	5
	Sale price receivable	**–**	(2)
	Exchange differences	**–**	–
		1	5

		GROUP	
		2016 £'m	(Restated) 2015 £'m
27.	**CASH FLOW INFORMATION (continued)**		
27.7	**Distributions paid to shareholders**		
	Dividends declared and paid during the period	**48**	47
	Dividends not recognised at the end of the reporting period:		
	In addition to the above dividends, following the reporting date, the directors have recommended the payment of a final dividend of 5.24 pence per ordinary share. The aggregate amount of the proposed dividend expected to be paid on 25 July 2016 from retained earnings. As at 31 March 2016, no liability has been recognised.		
27.8	**Cash and cash equivalents**		
	For the purposes of the statement of cash flows, cash, cash equivalents and bank overdrafts include:		
	Cash and cash equivalents	**305**	265
	Cash, cash equivalents and bank overdrafts are denominated in the following currencies:		
	South African rand*	**74**	83
	Swiss franc**	**131**	139
	UAE dirham***	**100**	43
	Euro	**–**	–
		305	265

* *The counterparties have a minimum Baa2 credit rating by Moody's.*
** *The facility agreement of the Swiss subsidiary restricts the distribution of cash. The counterparties have a minimum A2 credit rating by Moody's and a minimum A credit rating by Standard & Poor's.*
*** *The counterparties have a minimum BBB+ credit rating.*

Cash and cash equivalents denominated in South African rands amounting to £12m (31 March 2015: £10m) has been ceded as security for borrowings (see note 16).

		GROUP	
		2016 Cash flow on acquisition £'m	(Restated) 2015 Cash flow on acquisition £'m
28.	**BUSINESS COMBINATIONS**		
	Al Noor Hospitals Group plc	**17**	–
	Clinique La Colline	**–**	75
	Swissana Clinic AG Meggen	**–**	6
		17	81

28. BUSINESS COMBINATIONS (continued)

Al Noor Hospitals Group plc

On 15 February 2016, Mediclinic completed the combination between Al Noor Hospitals Group plc and Mediclinic International Limited. The combination of Al Noor Hospitals Group plc and Mediclinic International became unconditional on 15 February 2016. The directors recognise the strong strategic merit in the transaction, with an excellent strategic fit between the operations in the UAE and the creation of a leading international private healthcare operator with a well-balanced geographic profile. The combination is classified as a reverse take-over.

Following implementation of the Combination, it is expected that Al Noor, as enlarged by the acquisition of Mediclinic (the "Enlarged Group"), will be one of the world's leading international private healthcare groups, with deep operational expertise and a well-balanced geographic profile in Southern Africa, Switzerland, the United Arab Emirates and in the UK through a minority stake in Spire.

The goodwill of £1 189m arising from the acquisition is attributable to the earnings potential of the established Al Noor business with a geographical footprint in Abu Dhabi. Goodwill represents benefits from the geographic footprint and expansion, synergies from a combined business in the UAE and a skilled workforce assembled at the operating facilities. None of the goodwill recognised is expected to be deductible for income tax purposes.

The fair value exercise over the opening balance sheet of Al Noor remains provisional at 31 March 2016 as permitted by IFRS 3. Since the Group is in discussions with UAE medical insurance funders and other third parties about conforming Al Noor's commercial practices with the rest of the Group, there is still a degree of uncertainty about the fair value of certain acquired assets and liabilities. This is expected to be finalised during the next year. The following table summarises the consideration paid for Al Noor Hospital Group and the provisional fair value of assets acquired and liabilities assumed at the acquisition date.

	GROUP 2016 £'m
Purchase consideration at 15 February 2016	
Special dividend (£3.28 per share)	**383**
Tender offer (limited to £1bn with special dividend, £8.32 per share)	**530**
Value of share element*	**446**
Total consideration transferred	**1 359**
Recognised amounts of identifiable assets acquired and liabilities assumed (provisional purchase price allocation)	
Assets	
Property, equipment and vehicles	**61**
Intangible assets	**65**
Non-current receivable	**2**
Inventories	**14**
Trade and other receivables	**111**
Derivative financial instruments	**2**
Investment in money market funds	**10**
Cash and cash equivalents	**24**
Total assets	**289**
Liabilities	
Retirement benefit obligations	**22**
Trade and other payables	**92**
Total liabilities	**114**
Total identifiable net assets at fair value	**175**
Non-controlling interest	**(5)**
Goodwill	**1 189**
Total	**1 359**

* *The value of the share element represents the equivalent fair value of the shares at date of acquisition that the acquirer (Mediclinic International Limited) would have issued to the shareholders of Al Noor Hospitals Group plc if equity instruments of the acquirer had to be issued.*

28. BUSINESS COMBINATIONS (continued)

Acquisition-related costs of £41m have been charged to administrative expenses in the consolidated income statement.

The fair value of trade and other receivables is £111m and includes trade receivables with a fair value of £95m. The gross contractual amount for trade receivables due is £121m, of which £95m is expected to be collectible.

From the date of acquisition, Al Noor Hospitals Group has contributed £50m of revenue and £4m to the net profit before tax of the Group. If the business combination had taken place at the beginning of the financial year, revenue from continuing operations would have been £333m and the net profit for the Group would have been £56m.

	GROUP 2016 £'m
Analysis of cash flow on acquisition	
Transaction costs incurred in reverse acquisition	**(41)**
Net cash acquired with the subsidiary	**24**
Net cash flow on acquisition	**(17)**

Clinique La Colline

On 25 June 2014, Hirslanden acquired a 100% interest in the operating company of Clinique la Colline. Clinique La Colline is a private hospital based in Geneva, Switzerland.

The goodwill of £62m arising from the acquisition is attributable to the earnings potential of the business. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid for Clinique La Colline Group, the fair value of assets acquired and liabilities assumed at the acquisition date.

	GROUP (Restated) 2015 £'m
Consideration at 25 June 2014	
Cash	76
Total consideration transferred	76
Recognised amounts of identifiable assets acquired and liabilities assumed	
Assets	
Property, equipment and vehicles	7
Intangible assets	18
Inventories	1
Trade and other receivables	10
Cash and cash equivalents	2
Total assets	38
Liabilities	
Borrowings	10
Provisions	1
Pension liability	4
Deferred tax liabilities	4
Trade and other payables	5
Total liabilities	24
Total identifiable net assets at fair value	14
Goodwill	62
Total	76

28. BUSINESS COMBINATIONS (continued)

Acquisition-related costs of £1m have been charged to administrative expenses in the consolidated income statement.

The fair value of trade and other receivables is £10m and includes trade receivables with a fair value of £9m. The gross contractual amount for trade receivables due is £10m, of which £nil is expected to be uncollectible.

From the date of acquisition, Clinique la Colline has contributed £32m of revenue and £6m to the net profit of the Group. If the business combination had taken place at the beginning of the prior year, revenue from continuing operations would have been £42m and the net profit for the Group would have been £7m.

	GROUP (Restated) 2015 £'m
Analysis of cash flow on acquisition	
Total consideration transferred	(76)
Net cash acquired with the subsidiary	2
Net cash flow on acquisition	(74)

Swissana Clinic AG Meggen

On 8 August 2014, Hirslanden acquired a 100% interest in the operating company of Swissana Clinic Meggen. Swissana Clinic Meggen is a private hospital based in Meggen, Switzerland.

The goodwill of £6m arising from the acquisition is attributable to the earnings potential of the business. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid for Swissana Clinic AG Meggen, the fair value of assets acquired and liabilities assumed at the acquisition date.

	GROUP (Restated) 2015 £'m
Consideration at 8 August 2014	
Cash	6
Total consideration transferred	
Recognised amounts of identifiable assets acquired and liabilities assumed	
Assets	
Property, equipment and vehicles	2
Trade and other receivables	1
Total assets	3
Liabilities	
Borrowings	1
Pension liability	1
Trade and other payables	1
Total liabilities	3
Total identifiable net assets at fair value	–
Goodwill	6
Total	6

28. BUSINESS COMBINATIONS (continued)

Acquisition-related costs of £nil have been charged to administrative expenses in the consolidated income statement.

The fair value of trade and other receivables is £1m and includes trade receivables with a fair value of £1m. The gross contractual amount for trade receivables due is £1m, of which £nil is expected to be uncollectible.

From the date of acquisition, Swissana Clinic Meggen has contributed £4m of revenue and £nil to the net profit of the Group. If the combination had taken place at the beginning of the prior year, revenue from continuing operations would have been £6m and the net profit for the Group would have been £nil.

	GROUP (Restated) 2015 £'m
Analysis of cash flow on acquisition	
Total consideration transferred	(6)
Net cash acquired with the subsidiary	–
Net cash flow on acquisition	(6)

29. CASH FLOW ON ACQUISITION OF INVESTMENT IN ASSOCIATE

	GROUP 2016 Cash flow on acquisition £'m
Spire Healthcare Group plc	**446**

On 24 August 2015, the Group acquired 119 923 335 shares in Spire Healthcare Group plc, the equivalent to a 29.9% shareholding. Spire Healthcare Group plc is a leading private healthcare group in the UK with a national network of 39 hospitals across the United Kingdom. The investment in Spire provides Mediclinic with a further opportunity to diversify into an attractive new geography with a strong currency. The Group and Spire will benefit from collaboration, with the potential to unlock procurement benefits and knowledge transfer.

On 22 June 2015, Remgro through its wholly-owned subsidiary, Remgro Jersey Ltd (subsequently renamed to Mediclinic Jersey Ltd), acquired 119 923 335 Spire shares equivalent to a 29.9% shareholding. The purchase of the equity investment were negotiated jointly by Mediclinic and Remgro with the seller. Mediclinic acquired Remgro's indirect shareholding in Spire for an amount equal to the aggregate of the purchase price paid by Remgro Jersey Ltd, transaction costs and funding costs, totalling approximately £446m. The Spire acquisition was effected through a series of transactions which ultimately resulted in Mediclinic, through a wholly-owned subsidiary (Mediclinic Jersey Limited) directly holding the 29.9% interest in Spire.

Purchase consideration paid, comprise of the following:

Purchase price paid to Remgro (refer to note 33)	**437**
Transaction cost	**10**
Total cost of equity investment	**447**
Less cash acquired in subsidiary (Mediclinic Jersey Ltd)	**(1)**
Cash flow on acquisition of investment in associate	**446**

		GROUP (Restated) 2015 £'m
30.	**DISPOSAL OF SUBSIDIARY**	
	On 19 February 2015, the Group disposed Med-Immo La Colline SA.	
	Consideration received at 19 February 2015	
	Consideration received in cash and cash equivalents	3
	Analysis of assets and liabilities over which control was lost	
	Assets	
	Property, equipment and vehicles	1
	Cash and cash equivalents	–
	Total assets	1
	Liabilities	
	Borrowings	–
	Total liabilities	–
	Net assets disposed of	1
	Gain on disposal of subsidiary	
	Consideration received	3
	Net assets disposed of	(1)
	Gain on disposal	2
	Total cash flow on disposal of subsidiary	3
	Less: cash and cash equivalents balanced disposed of	–
	Net cash flow on disposal	3

		GROUP 2016 £'m	GROUP (Restated) 2015 £'m
31.	**COMMITMENTS**		
	Capital commitments		
	Incomplete capital expenditure contracts	**92**	110
	Southern Africa	**57**	45
	Switzerland	**10**	29
	Middle East	**25**	36
	Capital expenses authorised by the Board of Directors but not yet contracted	**212**	101
	Southern Africa	**70**	84
	Switzerland	**18**	9
	Middle East	**124**	8
		304	211
	These commitments will be financed from Group and borrowed funds.		
	Operating lease commitments		
	The Group has entered into various operating lease agreements on premises and equipment. The future non-cancellable minimum lease rentals are payable during the following financial years:		
	Within 1 year	**41**	25
	1 to 5 years	**139**	73
	Beyond 5 years	**322**	143
		502	241

	GROUP	
	2016 £'m	(Restated) 2015 £'m
31. COMMITMENTS (continued)		
Income guarantees		
As part of the expansion of network of specialist institutes in Switzerland and centres of expertise the Group has agreed to guarantee a minimum net income to these specialists for a start-up period of three to five years. Payments under such guarantees become due, if the net income from the collaboration does not meet the amounts guaranteed. There were no payments under the above mentioned income guarantees in the reporting period as the net income individually generated met or exceeded the amounts guaranteed.		
Total of net income guaranteed:		
April 2015 to March 2016	**6**	2
April 2016 to March 2017	**3**	1
April 2017 to March 2018	**–**	–
April 2018 to March 2019	**–**	–
	9	3

Contingent liabilities

Litigation

The Group is not aware of any pending legal claims that are not covered by the Group's extensive insurance programmes.

32. SEGMENTAL REPORT

The reportable operating segments are identified as follows: Mediclinic Southern Africa, Mediclinic Switzerland, Mediclinic Middle East, United Kingdom and an additional reporting segment is shown for Corporate. The comparatives have been changed to conform with current presentation. United Kingdom and Corporate are shown as operating segments.

Year ended 31 March 2016	Southern Africa £'m	Switzer-land £'m	Middle East £'m	United Kingdom £'m	Corporate £'m	Total £'m
Revenue	**649**	**1 130**	**328**	**–**	**–**	**2 107**
EBITDA	**129**	**229**	**68**	**–**	**(51)**	**375**
EBITDA before management fee	**133**	**230**	**70**	**–**	**–**	**–**
Management fees included in EBITDA	**(4)**	**(1)**	**(2)**	**–**	**7**	**7**
Other gains and losses	**–**	**–**	**–**	**–**	**(1)**	**(1)**
Depreciation and amortisation	**(20)**	**(63)**	**(10)**	**–**	**–**	**(93)**
Operating profit	**109**	**166**	**58**	**–**	**(45)**	**288**
Income from associate	**–**	**–**	**–**	**6**	**–**	**6**
Finance income	**8**	**1**	**–**	**–**	**–**	**9**
Finance cost	**(21)**	**(46)**	**(2)**	**–**	**(6)**	**(75)**
Taxation	**(31)**	**(24)**	**–**	**–**		**(55)**
Segment result	**65**	**97**	**56**	**6**	**(51)**	**173**
At 31 March 2016						
Investments in associates	**–**	**1**	**–**	**451**	**–**	**452**
Investments in joint venture	**3**	**–**	**–**	**–**	**–**	**3**
Capital expenditure	**52**	**98**	**36**	**–**	**–**	**186**
Total segment assets	**485**	**3 809**	**1 800**	**451**	**4**	**6 549**
Segment liabilities	**370**	**2 940**	**243**	**–**	**272**	**3 825**

32. SEGMENTAL REPORT (continued)

Year ended 31 March 2015	(Restated) Southern Africa £'m	(Restated) Switzer-land £'m	(Restated) Middle East £'m	(Restated) United Kingdom £'m	(Restated) Corporate £'m	(Restated) Total £'m
Revenue	691	1 044	242	–	–	1 977
EBITDA	150	203	53	–	(6)	400
EBITDA before management fee	154	204	54	–	–	–
Management fees included in EBITDA	(4)	(1)	(1)	–	6	6
Other gains and losses	9	13	–	–	2	24
Depreciation and amortisation	(22)	(55)	(8)	–	–	(85)
Operating profit	137	161	45	–	2	345
Income from associate	–	–	–	–	–	–
Income from joint venture	–	–	–	–	–	–
Finance income	5	–	–	–	–	5
Finance cost	(23)	(74)	(3)	–	–	(100)
Taxation	(33)	21	–	–	–	(12)
Segment result	86	108	42	–	2	238
At 31 March 2015						
Investments in associates	–	–	–	–	–	–
Investments in joint venture	4	–	–	–	–	4
Capital expenditure	80	94	17	–	–	191
Total segment assets	527	3 615	252	–	2	4 396
Segment liabilities	436	2 511	127	–	–	3 074

32. SEGMENTAL REPORT (continued)

Reconciliation of segment result, assets and liabilities

Segment result	2016 £'m	2015 £'m
Total profit from reportable segments	**173**	238
Elimination of intersegment loan interest	**17**	15
Profit for the year	**190**	253
Liabilities		
Total liabilities from reportable segments	**3 825**	3 074
Elimination of intersegment loan	**(846)**	(520)
	2 979	2 554
The total non-current assets, excluding financial instruments and deferred tax assets per geographical location, are:		
Southern Africa	**322**	340
Middle East	**1 512**	154
Switzerland	**3 302**	3 142
United Kingdom	**451**	n/a
ENTITY-WIDE DISCLOSURES		
Revenue		
From UK	**–**	–
From foreign countries	**2 107**	1 977
Revenues from external customers are primarily from hospital services.		
The total non-current assets, excluding financial instruments and deferred tax assets		
From UK	**451**	–
From foreign countries	**5 136**	3 636

		GROUP	
		2016 £'m	(Restated) 2015 £'m
33.	**RELATED-PARTY TRANSACTIONS**		
	Remgro Limited owns, through various subsidiaries (Remgro Healthcare Holdings (Pty) Ltd, Remgro Health Limited and Remgro Jersey GBP Limited) 44.56% (2015: 41.35%) of the Company's issued share capital.		
	The following transactions were carried out with related third parties:		
i)	**Transactions with shareholders**		
	Share subscription		
	Remgro Group and its subsidiaries	**600**	–
	In addition to the share subscription (February 2016), Remgro also participated in the Rights Offer (August 2015).		
	Remgro Management Services Limited (subsidiary of Remgro Limited)		
	Managerial and administration fees*	**–**	–
	Internal audit services*	**–**	–
	Management fee relating to the acquisition of equity investment (Spire Healthcare Group plc)	**2**	–
	Underwriting fees in respect of the rights offer	**4**	–
	Balance due to	**–**	–
	V&R Management Services AG (subsidiary of Remgro Limited)		
	Administration fees*	**–**	–
	Acquisition of equity investment (Spire Healthcare Group plc)		
	During the period under review, Mediclinic International Limited and Remgro Limited jointly negotiated the terms of the transaction to acquire an equity investment in Spire Healthcare Group plc with the seller. Refer to note 29 for additional information.		
ii)	**Key management compensation**		
	Key management includes the directors (executive and non-executive) and members of the Executive Committee.		
	Salaries and other short-term benefits	**4**	3
	Short-term benefits	**4**	3
	Post-employment benefits*	**–**	–
	Share-based payment	**–**	–
iii)	**Transactions with associates**		
	Zentrallabor Zürich (ZLZ)		
	Fees earned	**(1)**	(1)
	Purchases	**7**	7
	Spire Healthcare Group plc		
	Non-executive director fee*	**–**	n/a

* *Amount is less than £0.5m.*

34. STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

Certain new and revised IFRSs have been issued but are not yet effective for the Group's 2016 financial year. The Group has not early adopted the new and revised IFRSs that are not yet effective.

New and revised IFRSs affecting mainly presentation and disclosure:

IFRS 9: Financial Instruments (1 January 2018)
The new standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39. IFRS 9 applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. IFRS 9 also results in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification categories.

IFRS 15: Revenue from Contracts with Customers (1 January 2018)
The new standard requires companies to recognise revenue to depict the transfer of goods or services to customers, that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, and provides guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.

IFRS 16: Leases (1 January 2019)
The new standard addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17 'Leases', and related interpretations.

The amendments to following standards will have no material effect on the financial statements:

IFRS 10 Consolidated Financial Statements (1 January 2016)
IFRS 11 Joint Arrangements (1 January 2016)
IFRS 12 Disclosure of Interest in Other Entities (1 January 2014 & 1 January 2016)
IFRS 14 Regulatory Deferral Accounts (1 January 2016)
IAS 1 Presentation of Financial Statements (1 January 2016)
IAS 16 Property, Plant and Equipment (1 January 2016)
IAS 27 Consolidated and Separate Financial Statements (1 January 2016)
IAS 28 Investments in Associates and Joint Ventures (1 January 2016)
IAS 36 Impairment of Assets (1 January 2016)
IAS 38 Intangible Assets (1 January 2016)

There are numerous other amendments to existing standards relating to the Annual Improvements process 2012-14 cycle (1 January 2016) that are not yet effective for the Company. Each of these has been assessed, and will not have a material impact on the financial statements.

35. EVENTS AFTER THE REPORTING DATE

At the time the financial statements were authorised for issue, the following events had taken place which have not been recognised as at 31 March 2016:

Since year-end, the following material events have taken place:

During May 2016 the Group obtained additional bank facilities in the amount of R1.2 billion (approximately £54m). The loans will carry interest at 3 month Jibar plus a margin of 1.69% and is fully repayable in June 2019.

ANNEXURE – INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

SUBSIDIARIES

Company	Country of incorporation and place of business	Principal activities	Interest in capital[1] 2016 %	Interest in capital[1] 2015 %
Al Noor Holdings Cayman Limited ("ANH Cayman")	Cayman Islands	Intermediary Holding Company	**100.0**	100.0
ANMC Management Limited ("ANMC Management")	Cayman Islands	Intermediary Holding Company and manager of Al Noor Golden	**100.0**	100.0
Mediclinic CHF Finco Limited (previously held indirectly through Mediclinic Investments (Pty) Ltd)	Jersey	Treasury	**100.0**	100.0
Mediclinic Holdings Netherlands B.V (previously held indirectly through Mediclinic Europe (Pty) Ltd)	Netherlands	Intermediary Holding Company	**100.0**	100.0
Mediclinic International Limited	South Africa	Intermediary Holding Company	**100.0**	n/a
Mediclinic Middle East Holdings Limited (previously held indirectly through Mediclinic Middle East Investment Holdings (Pty) Ltd)	Jersey	Intermediary Holding Company	**100.0**	100.0
Group				
Indirectly held through Mediclinic CHF Finco Limited				
Mediclinic Jersey Limited	Jersey	Intermediary Holding Company	**100.0**	n/a
Indirectly held through Mediclinic International Limited				
Mediclinic Investments (Pty) Ltd	South Africa	Intermediary Holding Company	**100.0**	100.0
Indirectly held through Mediclinic Investments (Pty) Ltd				
Business Ventures Investments No 1871 (Pty) Ltd	Jersey	Dormant (deregistration in process)	**100.0**	n/a
Mediclinic Europe (Pty) Ltd	South Africa	Dormant	**100.0**	100.0
Mediclinic Group Services (Pty) Ltd	South Africa	Provision of Group services within the Mediclinic Group	**100.0**	100.0
Mediclinic Middle East Investment Holdings (Pty) Ltd	South Africa	Dormant	**100.0**	100.0
Mediclinic Southern Africa (Pty) Ltd	South Africa	Intermediary Holding Company	**100.0**	100.0
Indirectly held through Mediclinic Group Services (Pty) Ltd				
Mediclinic Management Services (Pty) Ltd	South Africa	Dormant	**100.0**	100.0
Indirectly held through Mediclinic Southern Africa (Pty) Ltd				
Curamed Holdings (Pty) Ltd	South Africa	Intermediary Holding Company	**69.8**	69.8
ER24 Holdings (Pty) Ltd	South Africa	Intermediary Holding Company	**100.0**	100.0
Hedrapix Investments (Pty) Ltd	South Africa	Dormant	**100.0**	100.0
Howick Private Hospital Holdings (Pty) Ltd	South Africa	Intermediary Holding Company	**50.0**	50.0
Medical Human Resources (Pty) Ltd	South Africa	Management of Healthcare Staff	**100.0**	100.0
Medical Innovations (Pty) Ltd	South Africa	Hospital Equipment	**100.0**	100.0

SUBSIDIARIES

Group	Country of incorporation and place of business	Principal activities	Interest in capital[1] 2016 %	Interest in capital[1] 2015 %
Mediclinic (Pty) Ltd (ordinary shares and Mediclinic Head Office Hospital Shares)	South Africa	Intermediary Holding Company and operating Company of Mediclinic Southern Africa	**100.0**	100.0
Mediclinic Brits (Pty) Ltd*	South Africa	Healthcare Services	**64.1**	60.5
Mediclinic Finance Corporation (Pty) Ltd	South Africa	Treasury	**100.0**	100.0
Mediclinic Holdings (Namibia) (Pty) Ltd	Namibia	Intermediary Holding Company	**100.0**	100.0
Mediclinic Lephalale (Pty) Ltd	South Africa	Healthcare Services	**87.3**	86.3
Mediclinic Midstream (Pty) Ltd	South Africa	Healthcare Services	**81.1**	100.0
Mediclinic Midstream Properties (Pty) Ltd	South Africa	Dormant	**100.0**	100.0
Mediclinic Paarl (Pty) Ltd*	South Africa	Healthcare Services	**74.6**	74.6
Mediclinic Properties (Pty) Ltd	South Africa	Property Ownership and Management	**100.0**	100.0
Mediclinic Tzaneen (Pty) Ltd* (50% plus 1 share)	South Africa	Healthcare Services	**50.0**	49.4
Medipark Clinic (Pty) Ltd	South Africa	Dormant	**100.0**	100.0
Newcastle Private Hospital (Pty) Ltd* (50% plus 1 share)	South Africa	Healthcare Services	**50.0**	15.1
Phodiclinics (Pty) Ltd	South Africa	Dormant (deregistration in process)	**100.0**	100.0
Practice Relief (Pty) Ltd	South Africa	Provision of debt collection and related services	**100.0**	100.0
Victoria Hospital (Pty) Ltd* (50% plus 1 share)	South Africa	Healthcare Services	**50.0**	33.7
Indirectly held through Mediclinic Holdings (Namibia) (Pty) Ltd				
Mediclinic Capital (Namibia) (Pty) Ltd	Namibia	Investment Holding Company	**100.0**	100.0
Mediclinic Otjiwarongo (Pty) Ltd	Namibia	Healthcare Services	**96.0**	94.0
Mediclinic Properties (Swakopmund) (Pty) Ltd	Namibia	Property Ownership and Management	**100.0**	100.0
Mediclinic Properties (Windhoek) (Pty) Ltd	Namibia	Property Ownership and Management	**100.0**	100.0
Mediclinic Swakopmund (Pty) Ltd	Namibia	Healthcare Services	**97.2**	97.3
Mediclinic Windhoek (Pty) Ltd	Namibia	Healthcare Services	**96.4**	96.6

ANNEXURE – INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

SUBSIDIARIES

Group	Country of incorporation and place of business	Principal activities	Interest in capital[1] 2016 %	Interest in capital[1] 2015 %
Hospital Investment Companies				
Mediclinic Bloemfontein Investments (Pty) Ltd	South Africa	Hospital Investment Company	**98.7**	99.0
Mediclinic Cape Gate Investments (Pty) Ltd	South Africa	Hospital Investment Company	**93.5**	92.8
Mediclinic Cape Town Investments (Pty) Ltd	South Africa	Hospital Investment Company	**99.0**	99.1
Mediclinic Constantiaberg Investments (Pty) Ltd	South Africa	Hospital Investment Company	**75.6**	77.1
Mediclinic Durbanville Investments (Pty) Ltd	South Africa	Hospital Investment Company	**99.4**	99.8
Mediclinic Emfuleni Investments (Pty) Ltd	South Africa	Hospital Investment Company	**82.9**	87.1
Mediclinic George Investments (Pty) Ltd	South Africa	Hospital Investment Company	**98.6**	98.9
Mediclinic Highveld Investments (Pty) Ltd	South Africa	Hospital Investment Company	**98.6**	98.7
Mediclinic Hoogland Investments (Pty) Ltd	South Africa	Hospital Investment Company	**99.2**	99.2
Mediclinic Kathu Investments (Pty) Ltd	South Africa	Dormant	**100.0**	100.0
Mediclinic Klein Karoo Investments (Pty) Ltd	South Africa	Hospital Investment Company	**100.0**	100.0
Mediclinic Legae Investments (Pty) Ltd	South Africa	Hospital Investment Company	**94.3**	95.9
Mediclinic Louis Leipoldt Investments (Pty) Ltd	South Africa	Hospital Investment Company	**99.6**	99.9
Mediclinic Milnerton Investments (Pty) Ltd	South Africa	Hospital Investment Company	**99.4**	99.4
Mediclinic Morningside Investments (Pty) Ltd	South Africa	Hospital Investment Company	**79.7**	84.8
Mediclinic Nelspruit Investments (Pty) Ltd	South Africa	Hospital Investment Company	**98.6**	98.6
Mediclinic Panorama Investments (Pty) Ltd	South Africa	Hospital Investment Company	**99.1**	99.5
Mediclinic Pietermaritzburg Investments (Pty) Ltd	South Africa	Hospital Investment Company	**76.9**	78.3
Mediclinic Plettenberg Bay Investments (Pty) Ltd	South Africa	Hospital Investment Company	**94.5**	94.5
Mediclinic Sandton Investments (Pty) Ltd	South Africa	Hospital Investment Company	**92.8**	93.7
Mediclinic Secunda Investments (Pty) Ltd	South Africa	Hospital Investment Company	**81.8**	81.5
Mediclinic Stellenbosch Investments (Pty) Ltd	South Africa	Hospital Investment Company	**90.8**	90.9
Mediclinic Vereeniging Investments (Pty) Ltd	South Africa	Hospital Investment Company	**99.0**	99.0
Mediclinic Vergelegen Investments (Pty) Ltd	South Africa	Hospital Investment Company	**94.3**	94.5
Mediclinic Welkom Investments (Pty) Ltd	South Africa	Hospital Investment Company	**92.2**	93.4
Mediclinic Worcester Investments (Pty) Ltd	South Africa	Hospital Investment Company	**99.3**	99.3

SUBSIDIARIES

Group	Country of incorporation and place of business	Principal activities	Interest in capital[1] 2016 %	Interest in capital[1] 2015 %
Indirectly held through Mediclinic (Pty) Ltd				
Mediclinic Barberton (Pty) Ltd†*	South Africa	Healthcare Services	**77.0**	77.0
Mediclinic Ermelo (Pty) Ltd†*	South Africa	Healthcare Services	**50.1**	50.1
Mediclinic Hermanus (Pty) Ltd* (50% plus 1 share)	South Africa	Healthcare Services	**50.0**	34.8
Mediclinic Kimberley (Pty) Ltd*	South Africa	Healthcare Services	**88.6**	88.7
Mediclinic Limpopo (Pty) Ltd†*	South Africa	Healthcare Services	**50.0**	50.0
Mediclinic Potchefstroom (Pty) Ltd*	South Africa	Healthcare Services	**88.7**	88.3
Mediclinic Upington (Pty) Ltd*	South Africa	Healthcare Services	**50.0**	40.8
Indirectly held through Howick Private Hospital Holdings (Pty) Ltd				
Howick Private Hospital (Pty) Ltd*	South Africa	Healthcare Services	**100.0**	100.0
Indirectly held through Mediclinic Limpopo (Pty) Ltd				
Mediclinic Limpopo Day Clinic (Pty) Ltd (previously Flashing Star Trading (Pty) Ltd)	South Africa	Day Clinic Investment Company	**64.7**	n/a
Mediclinic Limpopo Investments (Pty) Ltd	South Africa	Investment Holding Company	**100.0**	100.0
Indirectly held through Mediclinic Durbanville Investments (Pty) Ltd				
Mediclinic Durbanville Day Clinic (Pty) Ltd (Hedrapth Investments (Pty) Ltd)	South Africa	Day Clinic Investment Company	**89.9**	100.0
Indirectly held through Mediclinic Tzaneen (Pty) Ltd				
Mediclinic Tzaneen Investments (Pty) Ltd	South Africa	Investment Holding Company	**100.0**	100.0
Indirectly held through Mediclinic Victoria Hospital (Pty) Ltd				
Victoria Hospital Investments (Pty) Ltd	South Africa	Investment Holding Company	**100.0**	100.0
Indirectly held through Curamed Holdings (Pty) Ltd				
Curamed Hospitals (Pty) Ltd	South Africa	Healthcare Services	**100.0**	100.0
Curamed Properties (Pty) Ltd	South Africa	Property Ownership and Management	**100.0**	100.0
Indirectly held through Curamed Hospitals (Pty) Ltd				
Mediclinic Thabazimbi (Pty) Ltd	South Africa	Healthcare Services	**76.0**	75.0
Indirectly Held through ER24 Holdings (Pty) Ltd				
ER24 EMS (Pty) Ltd	South Africa	Emergency Medical Services	**100.0**	100.0
ER24 Trademarks (Pty) Ltd	South Africa	Intellectual Property Holding Company	**100.0**	100.0
Indirectly held through Mediclinic Holdings Netherlands B.V.				
Mediclinic Luxembourg S.à.r.l	Luxembourg	Intermediary Holding Company	**100.0**	100.0

ANNEXURE – INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

SUBSIDIARIES

Group	Country of incorporation and place of business	Principal activities	Interest in capital[1] 2016 %	2015 %
Indirectly held through Mediclinic Luxembourg S.à.r.l.				
Hirslanden AG	Switzerland	Intermediary Holding Company and operating Company of the Hirslanden Group	**100.0**	100.0
Indirectly held through Hirslanden AG				
Andreas Klinik AG Cham	Switzerland	Healthcare Services	**100.0**	100.0
Clinique La Colline SA	Switzerland	Healthcare Services	**–**	100.0
Hirslanden Bern AG	Switzerland	Healthcare Services	**100.0**	100.0
Hirslanden Clinique La Colline SA	Switzerland	Healthcare Services	**100.0**	100.0
Hirslanden Freiburg AG, Düdingen	Switzerland	Healthcare Services	**100.0**	100.0
Hirslanden Klinik Aarau AG	Switzerland	Healthcare Services	**100.0**	100.0
Hirslanden Klinik am Rosenberg AG	Switzerland	Healthcare Services	**100.0**	100.0
Hirslanden Lausanne SA	Switzerland	Healthcare Services	**100.0**	100.0
IMRAD SA	Switzerland	Healthcare Services	**80.0**	80.0
Klinik am Rosenberg Heiden AG (indirectly held through Hirslanden Klinik am Rosenberg AG)	Switzerland	Healthcare Services	**99.1**	99.1
Klinik Belair AG	Switzerland	Healthcare Services	**100.0**	100.0
Klinik Birshof AG	Switzerland	Healthcare Services	**99.7**	99.7
Klinik St. Anna AG	Switzerland	Healthcare Services	**100.0**	100.0
Klinik Stephanshorn AG	Switzerland	Healthcare Services	**100.0**	100.0
Polyclinique La Colline SA	Switzerland	Healthcare Services	**–**	100.0
Radiotherapie Hirslanden AG	Switzerland	Healthcare Services	**100.0**	100.0
Swissana Clinic AG, Meggen	Switzerland	Healthcare Services	**–**	100.0
Indirectly held through Mediclinic Middle East Holdings Limited				
Mediclinic International Co Limited	United Kingdom	Intermediary Holding Company	**100.0**	n/a
Emirates Healthcare Holdings Limited	British Virgin Islands	Intermediary Holding Company	**100.0**	100.0
Indirectly held through Emirates Healthcare Holdings Limited				
Welcare World Holdings Limited	British Virgin Islands	Healthcare Services	**100.0**	100.0
Emirates Healthcare Limited	British Virgin Islands	Healthcare Services	**100.0**	100.0
Indirectly held through Emirates Healthcare Limited				
American Healthcare Management Systems Limited	British Virgin Islands	Management Services	**100.0**	100.0
Emirates Healthcare Estates Limited	British Virgin Islands	Property Management	**100.0**	100.0
Mediclinic Al Quasis Clinic LLC[4]	UAE	Healthcare Services	**49.0**	49.0
Mediclinic Beach Road LLC[4]	UAE	Healthcare Services	**49.0**	49.0
Mediclinic City Hospital FZ LLC	UAE	Healthcare Services	**100.0**	100.0
Mediclinic Clinics Investment LLC[4]	UAE	Intermediary Holding Company	**49.0**	49.0

SUBSIDIARIES

Group	Country of incorporation and place of business	Principal activities	Interest in capital[1] 2016 %	Interest in capital[1] 2015 %
Mediclinic Ibn Battuta Clinic LLC[4]	UAE	Healthcare Services		
Mediclinic Medical Stores Co LLC[4]	UAE	Healthcare Services	**49.0**	49.0
Mediclinic Middle East Management Services FZ LLC (indirectly held through World Health Systems Limited)	UAE	Healthcare Management Services	**100.0**	100.0
Mediclinic Mirdif Clinic LLC[4]	UAE	Healthcare Services	**49.0**	49.0
Mediclinic Creek Hospital FZ LLC	UAE	Healthcare Services	**–**	100.0
Mediclinic Parkview Hospital LLC	UAE	Healthcare Services	**49.0**	n/a
Mediclinic Welcare Hospital LLC (indirectly held through Welcare Hospitals Limited)	UAE	Healthcare Services	**49.0**	49.0
Welcare Hospitals Limited	British Virgin Islands	Healthcare Services	**100.0**	100.0
Welcare World Health Systems Limited	British Virgin Islands	Healthcare Services	**100.0**	100.0
Indirectly held through Welcare World Holdings Limited				
Mediclinic Corniche Medical Centre LLC	UAE	Healthcare Services	**49.0**	49.0
Mediclinic Pharmacy LLC	UAE	Healthcare Services (Pharmacy)	**49.0**	49.0
Indirectly held through Al Noor Holdings Cayman Limited/ANMC Management Limited				
Al Noor Golden Commercial Investment LLC ("Al Noor Golden")[2]	UAE	Intermediary Holding Company	**49.0**	49.0
Indirectly held through Al Noor Golden/its subsidiaries				
Al Noor Medical Company – Al Noor Hospital – Al Noor Pharmacy and Al Noor Warehouse LLC ("ANMC")[5]	UAE	Intermediary Holding Company and Operating Company for Al Noor Group	**99.0**	99.0
Al Hospital Family Care Centre – Al Mamoora LLC[6]	UAE	Healthcare Services	**100.0**	100.0
Emirates American Company for Medical Services LLC[7]	UAE	Healthcare Services	**100.0**	100.0
Rochester Wellness LLC[8]	UAE	Healthcare Services	**49.0**	n/a
Abu Dhabi Medical Services LLC[9]	Oman	Healthcare Services	**70.0**	70.0
National Medical Services LLC[9]	Oman	Healthcare Services	**70.0**	n/a
Manchester International Medical Centre LLC (previously named British Urology Centre LLC)[10]	UAE	Healthcare Services	**73.0**	73.0
Al Madar Medical Centre LLC (previously named Al Madar Group LLC)[11]	UAE	Healthcare Services	**48.0**	48.0
Aspetar Al Madar Reha LLC[12]	UAE	Healthcare Services	**48.0**	n/a
Look Wow One Day Surgery Company LLC	UAE	Healthcare Services	**76.0**	n/a
Manchester Clinic LLC[13]	UAE	Healthcare Services	**24.0**	24.0

ANNEXURE – INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

SUBSIDIARIES

1 *The actual equity interest in the UAE entities are disclosed herein, with the beneficial interest further explained in the notes.*
2 *ANH Cayman holds 48% and ANMC Management holds 1% in the share capital of Al Noor Golden, collectively 49%. The remaining 51% is held by Al Noor Commercial Investment LLC ("ANCI").3 The constitutional documents of Al Noor Golden provide that ANH Cayman has the right to receive up to 89% of all distributions by Al Noor Golden, ANMC Management the right to receive 1%, and ANCI the right to receive the remaining 10%. In terms of the Mudaraba Agreement, ANH Cayman has the right to receive 99% of ANCI's right to receive 10% of the distributions of Al Noor Golden. Al Noor Cayman and ANMC Management therefore, collectively, have an effective beneficial interest of 99.9% in Al Noor Golden.*
3 *The First Arabian Corporation LLC holds 99.33% and Sheikh Mohammed Bin Butti Al Hamed holds the remaining 0.67% in ANCI. ANCI holds 51% of the issued share capital of Al Noor Golden, and 1% of the issued share capital of ANMC and 51% of the issued share capital of Manchester Clinic LLC Pursuant to a shareholders agreement and a Mudaraba agreement, 99% of ANCI's profit or loss should be distributed to ANC Cayman.*
4 *In terms of the constitutional and contractual arrangements the Group has full management control and an economic interest of 100% in these UAE entities.*
5 *ANCI holds the remaining 1% in the issued share capital of ANMC. Al Noor Golden has the right to be appointed as the proxy of ANCI, to attend and vote at all shareholder meetings of ANMC.*
6 *ANMC holds 99% and Al Noor Golden holds 1% in the issued share capital of Al Noor Hospital Family Care Centre – AL Mamoora LLC, collectively 100%.*
7 *ANMC holds 99% and Al Noor Golden holds 1% in the issued share capital of Emirates American Company for Medical Services LLC (trading as Gulf International Cancer Centre/GICC), collectively 100%.*
8 *ANCI holds the remaining 51% in the issued share capital of Rochester Wellness LLC, which was acquired from 19 October 2015. The constitutional documents of Rochester Wellness LLC provide that ANCI has the right to receive 20% of the net profits, and ANMC as the right to receive the remaining 80%. The Group's effective beneficial interest in the entity is therefore 80%.*
9 *ANMC holds 70% in the issued share capital of Abu Dhabi Medical Services LLC and National Medical Services LLC, respectively, The remaining 30% interest in these entities is held by a third-party shareholder as a bare nominee. ANMC therefore holds a 100% beneficial interest in these entities.*
10 *ANCI holds the remaining 27% in the issued share capital of Manchester International Medical Centre LLC. The constitutional documents of Manchester International Medical Centre LLC provide that ANCI has the right to receive 10% of the net profits, and ANMC has the right to receive the remaining 90%. The Group's effective beneficial interest in the entity is therefore 80%.*
11 *ANCI holds 27% and a third-party shareholder holds 25% in the issued share capital of Al Madar Medical Centre LLC. The constitutional documents of Al Madar Medical Centre LLC provide that ANMC has the right to receive 74% of the net profits, Dr Manasra has the right to receive 25%, and ANCI the right to receive the remaining 1%. The Group's effective beneficial interest in the entity is therefore 74%.*
12 *ANCI holds 27% and a third-party shareholder holds 25% in the issued share capital of Aspetar Al Madar Reha LLC. The constitutional documents of Aspetar Al Madar Reha LLC provide that ANMC has the right to receive 74% of the net profits, Dr Manasra has the right to receive 25%, and ANCI the right to receive the remaining 1%. The Group's effective beneficial interest in the entity is therefore 74%.*
13 *ANCI holds 51% and a third-party shareholder holds 25% in the issued share capital of Manchester Clinic LLC. The constitutional documents of Manchester Clinic LLC provide that ANMC has the right to receive 55% of the net profits, Dr Manasra has the right to receive 25%, and ANCI the right to receive the remaining 20%. The Group's effective beneficial interest in the entity is therefore 55%.*

* *Controlled through long-term management agreements.*
† *Operating through trusts or partnerships.*

JOINT VENTURES

Company	Country of incorporation and place of business	Principal activities	Interest in capital 2016 %	Interest in capital 2015 %
Wits University Donald Gordon Medical Centre (Pty) Ltd	South Africa	Healthcare Services	**49.9**	49.9

ASSOCIATES

Group	Interest in capital 2016 %	Interest in capital 2015 %	Book value of investment 2016 £'m	Book value of investment 2015 £'m
Listed:				
Spire Healthcare Group plc (held through Mediclinic Jersey Limited)	**29.9**	n/a	**451**	n/a
Unlisted:				
Zentrallabor Zürich, Zürich	**56.0**	57.0	**1**	–
			452	–

The nature of the activities of the associates is similar to the major activities of the Group.

COMPANY FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

to the members of Mediclinic International plc
(formerly Al Noor Hospitals Group plc)

REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

Our opinion

In our opinion, Mediclinic International plc's parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the parent company's affairs at 31 March 2016 and of its cash flows for the 15 month period (the "period") then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Accounts (the "Annual Report"), comprise:

- the statement of financial position at 31 March 2016;
- the statement of cash flows for the 15 month period then ended;
- the statement of changes in equity for the 15 month period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and as applied in accordance with the provisions of the Companies Act 2006.

OTHER REQUIRED REPORTING

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Directors' Report for the period for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the parent company acquired in the course of performing our audit; or
- otherwise misleading.

We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006, we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement on page 123, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

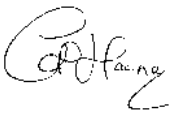
We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

OTHER MATTER

We have reported separately on the Group financial statements of Mediclinic International plc for the year ended 31 March 2016.



Giles Hannam (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London
25 May 2016

COMPANY STATEMENT OF FINANCIAL POSITION as at 31 March and 31 December

	Notes	31 March 2016 £'m	(Restated) 31 December 2014 £'m	(Restated) 31 December 2013 £'m
Non-current assets				
Investment in subsidiaries	3	**5 916**	456	456
Current assets				
Amounts due from related parties	4	**47**	–	1
Cash and cash equivalents		**–**	6	–
Total current assets		**47**	6	1
Total assets		**5 963**	462	457
Equity				
Share capital	5	**74**	12	12
Capital redemption reserve	5	**6**	–	–
Share premium	5	**690**	448	448
Retained earnings/(accumulated losses)	5	**4 899**	(1)	(5)
Share-based payment reserve	5	**1**	2	2
Treasury shares	5	**(2)**	–	–
Total equity		**5 668**	461	457
Current liabilities				
Other payables		**3**	1	–
Amount due to related parties	4	**26**	–	–
Bank borrowing	7	**265**	–	–
Derivatives payables		**1**	–	–
Total liabilities		**295**	1	–
Total equity and liabilities		**5 963**	462	457

These financial statements and the accompanying notes were approved for issue by the Board of Directors on 25 May 2016 and were signed on its behalf by:

D Meintjes
Chief Executive Officer

CI Tingle
Chief Financial Officer

The notes on pages 215 to 220 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the period ended 31 March 2016 and the year ended 31 December 2014

	Share capital £'m	Capital redemp-tion reserve £'m	Share premium £'m	Retained earnings/ (Accu-mulated losses) £'m	Share based payment reserve £'m	Treasury shares £'m	Total £'m
At 1 January 2014	12	–	448	(5)	2	–	457
Profit for the year	–	–	–	19	–	–	19
Transactions with owners of the Company:							
Addition to share-based payment reserve	–	–	–	–	1	–	1
Reversal of share-based payment reserve	–	–	–	–	(1)	–	(1)
Dividend paid	–	–	–	(15)	–	–	(15)
At 31 December 2014	12	–	448	(1)	2	–	461
At 1 January 2015	**12**	**–**	**448**	**(1)**	**2**	**–**	**461**
Profit for the period	**–**	**–**	**–**	**91**	**–**	**–**	**91**
Transactions with owners of the Company:							
Reduction of share premium	**–**	**–**	**(448)**	**448**	**–**	**–**	**–**
Special dividends declared	**–**	**–**	**–**	**(383)**	**–**	**–**	**(383)**
Dividends paid in the year 2015	**–**	**–**	**–**	**(15)**	**–**	**–**	**(15)**
Reversal of share-based payment reserve	**–**	**–**	**–**	**–**	**(1)**	**–**	**(1)**
Addition of share-based payment reserve	**–**	**–**	**–**	**–**	**1**	**–**	**1**
Tender offer (repurchase of shares)	**(6)**	**6**	**(523)**	**(6)**	**–**	**–**	**(529)**
Remgro subscription	**7**	**–**	**593**	**–**	**–**	**–**	**600**
Repurchase of Mediclinic shares	**61**	**–**	**5 385**	**–**	**–**	**–**	**5 446**
Additional to treasury shares	**–**	**–**	**–**	**–**	**–**	**(2)**	**(2)**
Settlement of share-based payment reserve	**–**	**–**	**–**	**–**	**(2)**	**–**	**(2)**
Addition to share-based payment reserve	**–**	**–**	**–**	**–**	**1**	**–**	**1**
Transfer of share premium/ Capital reduction	**–**	**–**	**(4 765)**	**4 765**	**–**	**–**	**–**
At 31 March 2016	**74**	**6**	**690**	**4 899**	**1**	**(2)**	**5 668**

The notes on pages 215 to 220 form an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

for the period ended 31 March 2016 and the year ended 31 December 2014

	2016 for 15 months £'m	2014 for 12 months £'m
Operating activities		
Profit for the period/year	**91**	19
Adjustments for:		
Finance costs	**6**	–
Loss from derivatives instruments	**1**	–
Dividend income	**(147)**	(23)
Net cash used in operating activities before movements in working capital	**(49)**	(4)
Change in balances with related parties	**13**	–
Change in other payables	**1**	1
Net cash used in operating activities	**(35)**	(3)
Investing activities		
Dividend received	**99**	24
Repurchase of shares	**(530)**	–
Issue of shares	**600**	–
Special dividends paid	**(383)**	–
Net cash generated from/(used in) financing activities	**(214)**	24
Financing activities		
Obtaining a bank loan	**313**	–
Repayment of bank loan	**(46)**	–
Payment of facility fees of bank loan	**(5)**	–
Settlement of share option reserve	**(2)**	–
Interest paid	**(2)**	–
Dividend paid	**(15)**	(15)
Net cash generate from/(used in) financing activities	**243**	(15)
Net movement in cash and cash equivalents	**(6)**	6
Cash and cash equivalents at the beginning of the year	**6**	–
Cash and cash equivalents at the end of the period/year	**–**	6

The notes on pages 215 to 220 form an integral part of these interim accounts.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. STATUS AND ACTIVITY

Mediclinic International plc (the "Company" or "Parent") is a Company which was incorporated in England and Wales on 20 December 2012. The address of the registered office of the Company is C/O Capita Company Secretarial Services, 1st Floor, 40 Dukes Place, London, EC3A 7NH. The registered number of the Company is 08338604. There is no ultimate controlling party. The domicile of the Company is the United Kingdom. The Company is a public liability company operating mainly in the United Arab Emirates (UAE).

The core purpose of the Company's subsidiaries is to enhance the quality of life of patients by providing cost-effective acute care specialised hospital services.

The Company changed its name from Al Noor Hospitals Group plc to Mediclinic International plc on 15 February 2016.

The financial year has been changed from 31 December to 31 March with effect from 15 February 2016 (the effective date of the reverse acquisition).

These financial statements are the separate financial statements of the parent company only and the financial statements of the Group are prepared and presented separately. The financial statements are available at the registered office of Al Noor Hospitals Group plc C/O Capita Company Secretarial Services, 1st Floor, 40 Dukes Place, London, EC3A 7NH.

2. BASIS OF PREPARATION

The Company's principal accounting policies applied in the preparation of these financial statements are the same as those set out in note 2 of the Group's financial statements, except as noted below. These policies have been consistently applied to all the years presented.

Investments in subsidiaries are carried at cost less any accumulated impairment.

Dividend income is recognised when the right to receive payment is established.

The Company is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual income statement as part of these financial statements.

(a) Statement of compliance

These financial statements include activities for the period from 1 January 2015 to 31 March 2016 ("the period"). The comparative information include activities for the period from 1 January 2014 to 31 December 2014 ("the year").

On 14 October 2015, the board of directors of Al Noor Hospitals Group plc and the independent board of directors of Mediclinic International Limited announced that they had reached an agreement on the terms of a recommended combination of their respective businesses (the "Combination").

Al Noor Hospitals Group plc has remained the holding company of the (Enlarged) Group and has been renamed to "Mediclinic International plc".

(b) Basis of measurement

The financial statements of the Company are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, including IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements are prepared on the historical cost convention, as modified by the revaluation of certain financial instruments to fair value.

(c) Functional and presentation currency

The financial statements and financial information are presented in pound sterling, rounded to the nearest million. Due to the reverse acquisition which occurred during the financial year, the Company's presentation currency changed from the United States Dollar (USD) in 2015 to the pound sterling in 2016, the primary economic environment in which the Company operates. A change in presentational currency is a change in accounting policy which is accounted for retrospectively. Financial information reported in rand in the prior year's financial statements has been restated to pound sterling using the procedures outlined below:

- Assets and liabilities were translated at the closing sterling rates;
- Income and expenses were translated at average sterling exchange rates; and.
- Differences resulting from retranslation have been recognised in the foreign currency translation reserve.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

3. INVESTMENT IN SUBSIDIARIES

This investment is stated at cost less impairment, if any.

	Ownership %	31 March 2016 £'m	31 Dec 2014 £'m
Al Noor Holdings Cayman Limited *(refer to note a)*	100%	**456**	456
ANMC Management Limited	100%	**–**	–
Mediclinic CHF Finco Limited *(refer to note b)*	100%	**1 195**	–
Mediclinic Holdings Netherlands B.V. *(refer to note b)*	100%	**796**	–
Mediclinic Middle East Holdings Limited *(refer to note b)*	100%	**855**	–
Mediclinic International Limited *(refer to note b)*	100%	**2 614**	–
		5 916	456

(a) This represents the cost of investment in Al Noor Holdings Cayman Limited, a wholly-owned subsidiary of the Company. The Company issued shares to the existing shareholders of Al Noor Holdings Cayman Limited in exchange for shares already held in all the operating companies. The cost of investment represents the Company's shares of net assets of Al Noor Holdings Cayman Limited at the date of the Group restructuring. In addition, the Company has made an additional capital contribution to the equity capital of Al Noor Holdings Cayman Limited amounting to GBP89m.

(b) The investment in these subsidiaries were acquired as part of the assets transfer agreement between the Company and Al Noor Hospital Group plc on 14 February 2016.

The activities of the subsidiary are the operation of medical hospitals and clinics and the sale of pharmaceuticals, medical supplies and related equipment.

4. RELATED-PARTY BALANCES AND TRANSACTIONS

Related parties comprise the subsidiaries the Shareholders, key management personnel and those entities over which the parent, the ultimate parent, the directors or the Company can exercise significant influence or which can significantly influence the Company.

(a) Key management personnel

Key management includes the directors (executive and non-executive) and members of the Executive Committee.

	31 March 2016 £'m	31 Dec 2014 £'m
Short-term benefits	**4**	2
Salaries and other short-term benefits	**4**	2

(b) Amount due from a related party:

Mediclinic International Limited	**47**	–

This amount included the dividends declared by Mediclinic International Limited on 31 March 2016.

(c) Amount due to a related party:

Al Noor Medical Company – Al Noor Hospital – Al Noor Pharmacy LLC	**26**	–

This amount included the transaction and operational expenses paid by Al Noor Medical Company – Al Noor Hospital– Al Noor Pharmacy LLC on behalf of the Company. This amount is payable on demand.

4. RELATED-PARTY BALANCES AND TRANSACTIONS (continued)

Following the announcement made on 7 August 2015 and the general meeting held on 24 August 2015, the Company undertook a related-party transaction to lease premises from United Al Saqr Group LLC. Sheikh Mohammed Bin Butti Al Hamed, a Director and principal shareholder of the pre-Combination entity Al Noor Hospitals Group plc, had a controlling interest in United Al Saqr Group. At the general meeting, 99.34% of the shares voted approved the related-party transaction. Sheikh Mohammed Bin Butti Al Hamed is no longer a shareholder of the Company, as the entire shareholding held through Sapor Business Corp, was tendered to Al Noor Hospitals Group plc for cancellation, as announced on 8 February 2016.

Information regarding the Group's subsidiaries and associates can be found in the Annexure to the Consolidated Financial Statements.

5. SHARE CAPITAL AND RESERVES

	31 March 2016 £'m	31 Dec 2014 £'m
Issued and fully paid 737 243 810 (31 December 2014: 116 866 203) shares of 10 pence each	**74**	12

Movement of issued share capital and share premium:

	Number of shares	**Share capital £'m**	**Capital redemption £'m**	**Share premium £'m**	**Total £'m**
1 January 2015	116 866 203	12	–	448	460
Reduction of share premium	**–**	**–**	**–**	**(448)**	**(448)**
Remgro subscription	**72 115 384**	**7**	**–**	**593**	**600**
Shares issued to Mediclinic International Limited shareholders	**611 921 099**	**61**	**–**	**5 385**	**5 446**
Tender offer	**(63 658 876)**	**(6)**	**6**	**(523)**	**(523)**
Second capital reduction		**–**	**–**	**(4 765)**	**(4 765)**
At 31 March 2016	**737 243 810**	**74**	**6**	**690**	**770**
At 31 December 2014	**116 866 203**	**12**	**–**	**448**	**460**

(a) The directors of the Company, having taken legal advice, have redesignated share premium in aggregate of £448m from the share premium account to retained earnings. On 20 and 21 January 2016 the Company applied to the court for a reduction of the Company's share premium balance to the amounts of £359m and £89m respectively.

(b) On 16 February 2016, the Company applied to the Court proposed reduction of share capital from £80 million to £74m and reduction of share premium from £5 454m (US$8 655m) to £690m (US$1 billion). Accordingly, an amount of £4 765m has been transferred from the share premium account to retained earnings.

(c) The Company received legal advice on the scheme of arrangement and the premium on issue of share capital to Mediclinic International Limited shareholders did not qualify as merger relief under United Kingdom law.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

5. SHARE CAPITAL AND RESERVES (continued)

Retained earnings

	31 March 2016 £'m	31 Dec 2014 £'m
As at 1 January	**(1)**	(5)
Profit for the year	**91**	19
First reduction of capital	**448**	–
Second reduction of capital	**4 765**	–
Capital redemption on repurchase of shares	**(6)**	–
Dividends paid	**(398)**	(15)
As at 31 March/December	**4 899**	(1)

Other reserves

	Share-based payment reserve £'m	Treasury Shares £'m	Total £'m
1 January 2014	2	–	2
Equity-settled share-based payment	1	–	1
Reversal of equity-settled share-based payment	(1)	-	(1)
1 January 2015	**2**	**–**	**2**
Reversal of share-based payment reserve	**(1)**	**–**	**(1)**
Addition of share-based payment reserve	**2**	**–**	**2**
Settlement of share-based payment reserve	**(2)**	**–**	**(2)**
Addition to treasury shares	**–**	**(2)**	**(2)**
At 31 March 2016	**1**	**(2)**	**(1)**

6. DIVIDENDS

The Company paid special dividends of £383m (dividends per share £3.28) to previous shareholders of Al Noor Hospitals Group plc on 26 February 2016.

In addition, the Company paid interim dividends for 2015 and final dividends for 2014 amounting to £15m during the period. These dividends were subject to Board approval.

Details on the final proposed dividend has been disclosed in note 27.7 to the consolidated financial statements.

7. BANK BORROWING

The Company has obtained a short-term bridge facility of £400m of which £313m was drawn down on 24 February 2016. This loan is payable within the next financial year. This loan bears interest at variable rates linked to Libor with a minimum base rate of 1% plus 3.75%. The facility is secured in favour or lenders over the shares in Mediclinic International Limited and of Mediclinic CHF Finco Limited, Mediclinic Middle East Holdings Limited and Mediclinic Holdings Netherlands B.V.

	31 March 2016 £'m	31 Dec 2014 £'m
As at 1 January	**–**	–
Drawdown during the period	**313**	–
Repaid during the period	**(47)**	–
	266	–
Unamortised facility costs	**(1)**	–
As at 31 March/December	**265**	–

8. AUDITOR'S REMUNERATION

The Company paid or accrued an amount of £352 989 (31 December 2014: £73 674) to its auditor in respect of the audit of the Company and Group's financial statements for the year ended 31 March 2016.

9. SHARE-BASED PAYMENT RESERVE

Forfeitable Share Plan

The Mediclinic International Limited Forfeitable Share Plan ("FSP") was approved by the Company's shareholders in July 2014 as a long-term incentive scheme for selected senior management (executive directors and prescribed officers). This share-based payment arrangement is accounted for as an equity-settled share-based payment transaction. With the change in control and the acquisition of the Al Noor Hospitals Group plc, the performance conditions of FSP have been finalised to the extent that the performance conditions were met as at 30 September 2015. The FSP shares will vest after the vesting period has lapsed.

Under the FSP, conditional share awards are granted to selected employees of the Group. The vesting of these shares are subject to continued employment, and is conditional upon achievement of performance targets, measured over a three-year period. The performance conditions for the year under review constitute a combination of: absolute total shareholder return ("TSR") (40% weighting) and underlying diluted headline earnings per share (60% weighting).

	31 March 2016	31 Dec 2014
Number of shares transferred from Mediclinic International Limited	**239 290**	–
Closing balance	**239 290**	–

A valuation has been determined and an expense recognised over a three-year period. The fair value of the TSR performance condition has been determined by using the Monte Carlo simulation model and the fair value of the headline earning per share performance condition, consensus forecasts have been used.

The following assumptions have been used to determine the fair value of the TSR performance condition:

Risk-free rate	**7.49%**	6.90%
Dividend yield	**1.0%**	1.5%
Volatility	**20%**	20%

Apart from the FSP, there are no other share option schemes in place. Therefore, no director exercised any rights in relation to share option schemes during the reporting period. Al Noor Hospital Group plc directors which exercised options before the acquisition date (15 February 2016) is regarded as a pre-acquisition transaction in these Group financial statements.

10. FINANCIAL INSTRUMENTS

(a) Capital risk management

The Company manages its capital to ensure it is able to continue as a going concern while maximising the return on equity. The Company does not have a formalised optimal target capital structure or target ratios in connection with its capital risk management objective. The Company's overall strategy remains unchanged from the prior year. The Company is not subject to externally imposed capital requirements.

(b) Financial risk management objectives

The Company is exposed to the following risks related to financial instruments-credit risk, liquidity risk, foreign currency risk and interest rate risk. The Company does not enter into or trade in financial instruments, investments in securities, including derivative financial instruments, for speculative or risk management purposes.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

10. FINANCIAL INSTRUMENTS (continued)

(c) Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. There is no credit risk involve on the Company's financial statements except for the amount due from a related party disclosed below:

	31 March 2016 £'m	31 Dec 2014 £'m
Amount due from a related party	47	–

(d) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Directors of the Company, who has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity risk is the risk that the Company will be unable to meet its funding requirements. The table below summarises the maturity profile of the Company's non-derivative financial liabilities. The contractual maturities of the financial liabilities have been determined on the basis of the remaining period at the end of reporting period to the contractual repayment date. The maturity profile is monitored by management to ensure adequate liquidity is maintained. The maturity profile of the liabilities at the end of reporting period based on existing contractual repayment arrangements was as follows:

	Carrying amount £'m	Contractual cash flows £'m	1 year or less £'m	More than one year £'m
31 March 2016				
Other payables	**3**	**3**	**3**	**–**
Bank borrowing	**265**	**265**	**265**	**–**
Derivative payables	**1**	**1**	**1**	**–**
Related-party payables	**26**	**26**	**26**	**–**
	295	**295**	**295**	**–**
31 December 2014				
Other payables	1	1	1	–

(e) Interest rate risk

The Company's interest rate risk arises from short-term borrowing. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Interest rate expose the Company to fair value interest rate risk. The Company's policy is to maintain an appropriate mix between fixed and floating rate borrowings.

SHAREHOLDER INFORMATION

FINANCIAL CALENDAR

Last date to trade cum dividend (SA register)	Thursday, 9 June 2016
First date of trading ex-dividend (SA register)	Friday, 10 June 2016
First date of trading ex-dividend (UK register)	Thursday, 16 June 2016
Record date for final dividend	Friday, 17 June 2016
2016 annual general meeting (London)	Wednesday, 20 July 2016
Final dividend payment date	Monday, 25 July 2016
Financial half year	Friday, 30 September 2016
Half year results announcement and presentation	November 2016

DIVIDENDS

The Company's dividend policy, details of the final dividend declared and the proposed dividend access trust established for South African resident shareholders are provided in the Directors' Report on pages 116 to 122 and in Note 9 to the financial statements.

DISTRIBUTION OF ORDINARY SHAREHOLDERS AS AT 31 MARCH 2016

	Number of beneficial shareholders	Number of shares	% of issued
UK register	**737**	162 590 037	22.05%
SA register	**40 380**	574 653 773	77.95%
Certificated	**1 124**	423 061	0.06%
Dematerialised	**39 256**	574 230 712	77.89%
Total	**41 117**	737 243 810	100.00%

SHARE PRICE

The latest share price information can be found on the Company's website at **www.mediclinic.com** or through your broker.

SHAREHOLDER SERVICES AND CONTACTS

SHAREHOLDER ENQUIRIES

Enquiries relating to shareholdings, including notification of change of address, queries regarding the loss of a share certificate and dividend payments should be made to the Company's Registrars:

SHAREHOLDERS ON THE SA REGISTER:

South African Transfer Secretary

Computershare Investor Services (Pty) Ltd
70 Marshall Street, Johannesburg, 2001
Postal address: PO Box 61051, Marshalltown, 2107
Tel: +27 11 370 5000
Fax: +27 11 688 7716

Namibian Transfer Secretary

Transfer Secretaries (Proprietary) Limited
4 Robert Mugabe Avenue, Windhoek
Postal address: PO Box 2401, Windhoek
Tel: +264 61 227 647
Fax: +264 61 248 531

SHAREHOLDERS ON THE UK REGISTER:

UK Registrar

Capita Asset Services
The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, United Kingdom
Tel: 0871 664 0300 (UK only)
Tel: +44 20 8639 3399 (if dialling from outside the UK)

Lines are open during normal business hours from 8:30am – 5:30pm Monday to Friday and charged at the standard rate. You can also use their website to check and maintain your records. Details can be found at www.capitaassetservices.com.

UK Share Dealing Service

The UK Registrars offer a share dealing service which allows you to buy and sell the Company's shares if you are a UK resident. You can deal in your shares on the internet or by telephone. Log on to http://www.capitadeal.com or call 0871 664 0364 (calls cost to 10p per minute plus network extras) for more details on this service.

ShareGift

If you only have a small number of shares whose value makes it difficult to sell, you may wish to consider donating to charity through ShareGift, an independent charity share donation scheme. For further details please contact Capita Asset Services or ShareGift, telephone +44 20 7930 3737 or visit www.sharegift.org.

COMPANY INFORMATION

COMPANY NAME AND NUMBER
Mediclinic International plc (formerly Al Noor Hospitals Group plc)
(incorporated and registered in England and Wales)
Company number: 08338604

REGISTERED OFFICE
Mediclinic International plc, 40 Dukes Place, London, EC3A 7NH, United Kingdom
Postal address: PO Box 456, Stellenbosch, 7599
Tel: +44 20 7954 9600 Fax: +44 20 7954 9886
Ethics Line: +27 12 543 5332/Toll-free 0800 005 316 (South Africa only)/ethics@mediclinic.com

LISTING
FTSE sector: Health Care Equipment & Services
ISIN code: GB00B8HX8Z88
SEDOL Number: B8HX8Z8
EPIC Number: MDC
Primary listing: London Stock Exchange (share code: MDC)
Secondary listing: JSE Limited (share code: MEI)
Secondary listing: Namibian Stock Exchange (share code: MEP)

E-MAIL AND WEBSITE
info@mediclinic.com
www.mediclinic.com

DIRECTORS*
Dr Edwin Hertzog (Chairman) (South African), Danie Meintjes (Chief Executive Officer) (South African), Craig Tingle* (Chief Financial Officer) (South African), Jannie Durand (ne) (South African), Alan Grieve (ind ne) (British), Seamus Keating (ind ne) (Irish), Prof Dr Robert Leu (ind ne) (Swiss), Nandi Mandela (ind ne) (South African), Trevor Petersen (ind ne) (South African), Desmond Smith (ind ne) (South African), Ian Tyler (snr ind) (British), Pieter Uys (alternate to Jannie Durand) (South African)

* *Jurgens Myburgh will be appointed as an executive director and the Chief Financial Officer of the Company with effect from 1 August 2016, in the place of Craig Tingle who retires on 15 June 2016.*

COMPANY SECRETARY
Capita Company Secretarial Services Limited
Ms Victoria Dalby
Tel: +44 20 7954 9600

INVESTOR RELATIONS CONTACT
Mr Gert Hattingh
ir@mediclinic.com

CORPORATE ADVISORS

Auditor
PricewaterhouseCoopers LLP
London

Corporate Broker and Sponsors
Corporate broker: Morgan Stanley & Co International plc
JSE (South Africa) sponsor: Rand Merchant Bank (a division of FirstRand Bank Limited)
NSX (Namibia) sponsor: Simonis Storm Securities (Pty) Ltd

Legal Advisors
English legal advisors: Slaughter and May
South African legal advisors: Cliffe Dekker Hofmeyr Inc.

Remuneration Consultant
New Bridge Street

Communication Agency
Bell Pottinger

GLOSSARY

TERM	MEANING
Annual Report	this annual report and financial statements for the reporting period ended 31 March 2016
Al Noor	the Al Noor Hospitals Group which was acquired by the Company on 15 February 2016 by way of a reverse takeover
Articles	the Company's Articles of Association as adopted in General Meeting on 15 December 2015
Board	the board of directors of Mediclinic International plc (formerly Al Noor Hospitals Group plc)
CAGR (%)	compounded annual growth rate
cash conversion (%)	cash generated from operations divided by normalised EBITDA
CCU	critical care unit
CDLI	Carbon Disclosure Leadership Index
Combination	the combination of Al Noor Hospitals Group plc and Mediclinic International Limited, which was completed on 15 February 2016
Company or Mediclinic or Mediclinic International	Mediclinic International plc (formerly Al Noor Hospitals Group plc)
DRG	Diagnosis Related Grouping
Emirates Healthcare	Emirates Healthcare Holdings Limited BVI, the intermediary holding company of the Group's operations in the United Arab Emirates, which is referred to as Mediclinic Middle East throughout the report
FCA	the United Kingdom Financial Conduct Authority
GDP	gross domestic product
GRI G4	the fourth revision of the Sustainability Reporting Guidelines developed by the Global Reporting Initiative
Group	Mediclinic International and its three operating platforms in Southern Africa, Switzerland and the United Arab Emirates ("Group" refers to one of the Group's operating platforms, as the context may indicate, as defined below)
Group	one of the operating platforms of the Group, as the context may indicate (please note that "Group" is as defined in this definition and "Group" refers to the entire Mediclinic Group as defined above)
HAI	healthcare-associated infection
Hirslanden	the Group's operations in Switzerland, trading under the Hirslanden brand, with Hirslanden AG as the intermediary holding company of the Group's operations in Switzerland
JCI	Joint Commission International, an international quality measurement accreditation organisation, aimed at improving quality of care

GLOSSARY (continued)

TERM	MEANING
JSE	JSE Limited, the stock exchange of South Africa based in Johannesburg
Last Practicable Date	the date of approval of the Annual Report by the Board, being 25 May 2016
Listing Rules	the listing rules of the FCA applicable to companies listed on the LSE, subject to the oversight of the United Kingdom Listing Authority
LSE	the stock exchange operated by London Stock Exchange plc
Mediclinic or Mediclinic International	Mediclinic International plc (formerly Al Noor Hospitals Group plc)
Mediclinic Middle East	the Group's operations in the United Arab Emirates, trading under the Mediclinic brand, with Emirates Healthcare Holdings Limited BVI as the intermediary holding company of the Group's operations in the United Arab Emirates
Mediclinic Southern Africa	the Group's operations in South Africa and Namibia, trading under the Mediclinic brand, with Mediclinic Southern Africa (Pty) Ltd as the intermediary holding company of the Group's operations in South Africa and Namibia
next financial year	the financial year which commenced on 1 April 2016 and ending on 31 March 2017
NSX	the Namibian Stock Exchange based in Windhoek, Namibia
operating platform/s	Mediclinic Southern Africa, Hirslanden (Switzerland) and Mediclinic Middle East and their subsidiaries and associated entities, or any one of them as the context may indicate
period under review	the financial year which commenced on 1 April 2015 and ended on 31 March 2016
reporting period	the financial year which commenced on 1 April 2015 and ended on 31 March 2016
SA	the Republic of South Africa
SA Companies Act	the South African Companies Act, 71 of 2008, as amended
UAE	United Arab Emirates
UK	the United Kingdom of Great Britain and Northern Ireland
UK Companies Act	the United Kingdom Companies Act of 2006, as amended

FORWARD–LOOKING STATEMENTS

This Annual Report contains certain forward-looking statements relating to the financial condition, results of operations and businesses of Mediclinic and the Group, including certain plans and objectives of the Group. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. Forward-looking statements include, among other things, statements concerning the potential exposure of Mediclinic to market risks and statements expressing management's expectations, beliefs, estimates, forecasts, projections and assumptions, including as to future potential cost savings, synergies, earnings, cash flow, production and prospects. These forward-looking statements are identified by their use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "goals", "intend", "may", "objectives", "outlook", "plan", "probably", "project", "risks", "seek", "should", "target", "will" and similar terms and phrases.