# GROUP FINANCIAL STATEMENTS
# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MEDICLINIC INTERNATIONAL PLC

## REPORT ON THE AUDIT OF THE GROUP FINANCIAL STATEMENTS

### Our opinion

In our opinion, Mediclinic International plc's Group financial statements (the "**financial statements**"):

- give a true and fair view of the state of the Group's affairs at 31 March 2018 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("**IFRSs**") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated statement of financial position at 31 March 2018; the consolidated income statement and consolidated statement of other comprehensive income; the consolidated statement of changes in equity; the consolidated statement of cash flows for the year then ended; and the notes to the consolidated financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("**ISAs (UK)**") and applicable law. Our responsibilities under ISAs (UK) are further described in the auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

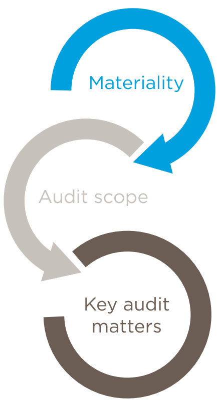
#### Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group.

Other than those disclosed in note 22 to the financial statements, we have provided no non-audit services to the Group in the period from 1 April 2017 to 31 March 2018.

### Our audit approach




#### Overview

- Overall Group materiality: £15m (2017: £14.9m) based on approximately 5% of adjusted profit before tax.
- Our audit included full scope audits at four reporting units which accounted for 92% of consolidated revenue, 83% of consolidated loss before tax and 94% of adjusted profit before tax calculated on an absolute basis. We performed centralised procedures on the equity accounted results of Spire Healthcare Group plc ("**Spire**") based on its audited financial statements at 31 December 2017.
- Impairment of intangible assets, goodwill and non-financial assets
- Impairment of the Group's associate investment in Spire
- Purchase price allocation for the acquisition of Linde Holding Biel ("**Linde**")

## The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at Group and significant component levels to respond to this risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations or through collusion. We designed audit procedures that focused on the risk that non-compliance related to, but not limited to, compliance with the Companies Act 2006, the UK Listing Rules and taxation legislation gives rise to a material misstatement in the financial statements. In assessing compliance with laws and regulations, our tests included, but were not limited to, checking the financial statement disclosures to underlying supporting documentation, enquiries of management, review of related work performed by component audit teams, review of relevant internal audit reports and discussions with external legal counsel. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud, and the risk of fraud in revenue recognition. Procedures designed to address these risks included testing of journal entries and post-close adjustments based on risk, testing and evaluation of management's key accounting estimates for reasonableness and consistency, undertaking cut-off procedures to verify proper cut-off of revenue and expenses and testing the occurrence of revenue transactions. In addition, we incorporate an element of unpredictability into our audit work each year.

## Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

| KEY AUDIT MATTER | HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER |
|---|---|
| AR **1. Impairment of intangible assets, goodwill and non-financial assets** *(refer to Audit and Risk Committee Report on page 122 and notes 6 and 7 in the Group financial statements)* | |
| The Group has £1 406m (2017: £2 156m) of intangible assets. This balance consists mainly of goodwill relating to the Mediclinic Middle East operations of £1 245m (2017: £1 401m), goodwill on the acquisition of the Swiss operations of £nil (2017: £307m), Swiss trademarks of £73m (2017: £341m) and the Al Noor brand name of £nil (2017: £23m). | Deploying our valuation experts, we obtained management's impairment calculations and tested the reasonableness of key assumptions, including cash flow forecasts and the selection of growth rates and discount rates. We challenged management to substantiate its assumptions, including comparing relevant assumptions to industry benchmarks and economic forecasts. We substantively tested the integrity of supporting calculations and corroborated certain information with third party sources. |

| KEY AUDIT MATTER | HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER |
|---|---|
| **1. Impairment of intangible assets, goodwill and non-financial assets (continued)** | |
| The Group is required to perform annual impairment tests on goodwill. The Swiss trademarks were classified as indefinite life intangible assets at the time of the respective acquisitions and the Group carries out annual impairment tests on these assets based on value-in-use calculations. These impairment tests are undertaken at the operating division level being the level at which management monitors goodwill for impairment. The Group also performed impairment assessments of individual cash generating units ("**CGUs**") which form part of these operating divisions, focusing in particular on the Swiss operating division where indicators of impairment were identified at the reporting date. Goodwill is not allocated to CGUs on the basis that the rationale for the transactions giving rise to the goodwill is to realise synergies across the entire operating division and not just within the acquired business. Assets subject to impairment assessment at the CGU level primarily comprise land and buildings.<br><br>In the current year, an impairment loss of £300m was recorded to impair the goodwill on the Swiss operations in full, £260m was recorded to partially impair the Hirslanden brand name and £84m was recorded to partially impair buildings within one Swiss CGU.<br><br>The impairment losses recorded in the current year are material to the financial statements. The recoverable amounts determined in impairment assessments are contingent on future cash flows and there is a risk if these cash flows do not meet the Group's expectations, or if significant assumptions like discount rates or growth rates change, that further impairment losses will be required.<br><br>We focused on the impairment assessments of goodwill, other indefinite life intangible assets and non-financial assets as the impairment reviews carried out by the Group contain a number of significant judgements, including the level at which goodwill is monitored for impairment and the determination of CGUs within each operating division, and estimates, including cash flow projections, growth rates and discount rates. Changes in these assumptions might lead to a significant change in the recoverable values of the related assets and therefore to the impairment losses recognised. | We agreed the underlying cash flows to approved budgets and assessed growth rates and discount rates by comparison to third party information, the Group's cost of capital and relevant risk factors. Future cash flow assumptions were evaluated in the context of current trading performance against budget and forecasts, considering the historical accuracy of budgeting and forecasting and understanding the reasons for the growth profiles used.<br><br>We evaluated management's sensitivity analyses to ascertain the impact of reasonably possible changes to key assumptions on the available headroom or the level of impairment required.<br><br>We evaluated management's judgement regarding the levels at which goodwill arising from the Swiss and Middle East acquisitions are monitored for impairment review purposes. We evaluated management's judgement regarding the determination of the respective CGUs in the Swiss operating division where impairment triggers were identified, focusing on the commercial rationale for combining certain clinical facilities into supply regions while other facilities are allocated to stand-alone CGUs. As part of this evaluation, we met with commercial management at Hirslanden to understand how these facilities are run operationally and the level of integration between facilities in different regions of Switzerland.<br><br>We compared management's impairment models to externally available data including analyst valuations. We prepared independent valuations based on alternative valuation methodologies and assumptions as part of assessing the reasonableness of the approach and outputs determined by management.<br><br>Based on our work performed, we concurred with management that impairment charges are required for the Swiss operations and that no impairment losses were required for the goodwill on the Middle East operations at 31 March 2018. We have found the judgements and estimates made by management in determining the impairment charges for Hirslanden to be materially reasonable in the context of the Group financial statements taken as a whole and the related disclosures to be appropriate.<br><br>We noted that the impairment losses affected one financial covenant calculation specified in Hirslanden's external financing agreement. We are satisfied that the Group has made appropriate arrangements to avoid any potential breach and to support continued classification of the debt as non-current at 31 March 2018. |

| KEY AUDIT MATTER | HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER |
|---|---|
| **2. Impairment of the Group's associate investment in Spire** *(refer to Audit and Risk Committee Report on page 123 and note 8 in the Group financial statements)* | |
| At 31 March 2018, the carrying value of the Group's associate investment in Spire exceeded the listed market value of the investment, which could indicate a possible impairment. The Group assessed the recoverable amount of the investment based on a value-in-use calculation and concluded that an impairment loss of £109m was required.<br><br>We focused on this area because of the significance of the impairment loss recorded in the current year and reflecting on the extent of judgement and estimation involved in the impairment assessment undertaken by management. The recoverable value of the associate is contingent on future cash flows and there is a risk that the investment will be impaired further if these cash flows do not meet expectations. | We reviewed the share price performance of Spire over the period since acquisition alongside its reported financial results. We met with the Group's nominated director on the Spire board to understand whether any indicators of impairment exist based on the underlying performance of the business and to understand Spire's recent performance trends. We reviewed the latest available financial reports published by Spire. We obtained and reviewed analyst reports to understand third party expectations of future share price performance.<br><br>Deploying our valuation experts, we obtained management's impairment assessment and tested the reasonableness of key assumptions underpinning management's value-in-use valuation of the Group's investment, including cash flow forecasts and the selection of growth rates and discount rates. We challenged management to substantiate its assumptions, including comparing relevant assumptions to third party data and economic forecasts.<br><br>We evaluated management's sensitivity analyses to ascertain the impact of reasonably possible changes to key assumptions on the level of impairment required.<br><br>Based on our work performed, we concurred with management that an impairment is required in the current year. We have found the judgements and estimates made by management in determining the impairment charge to be materially reasonable in the context of the Group financial statements taken as a whole and the related disclosures to be appropriate. |

| KEY AUDIT MATTER | HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER |
|---|---|
| **3. Purchase price allocation for the acquisition of Linde**<br>*(refer to Audit and Risk Committee Report on page 123 and note 29 in the Group financial statements)* | |
| The Group acquired 99.62% of Linde for a total consideration of £86m. The acquisition resulted in the recognition at fair value of total net assets amounting to £83m and goodwill of £3m. Net assets assumed at fair value consisted mainly of property, equipment and vehicles (£109m) and a brand name (£17m) identified as part of the purchase price allocation. Management performed the purchase price allocation with the assistance of an external expert.<br><br>We have focused on this area because judgement and estimates are involved in allocating the purchase price to the tangible and intangible assets identified in the business combination and because the valuation of intangible assets requires specialist skills and knowledge. | We obtained the purchase price allocation prepared by management. Based on discussions with management, reading the purchase agreements and leveraging our understanding of the business and industry, we critically assessed the process followed for the identification of the assets and liabilities acquired.<br><br>We obtained the third party valuations supporting the value of the buildings acquired and assessed the competence, capabilities and objectivity of the external valuation expert used by management to value the buildings.<br><br>With the assistance of our own valuation experts, we evaluated the valuation methodology adopted by management to value the brand acquired. The underlying assumptions, including the discount rate, terminal growth rate and royalty relief rate used in management's model to value the brand were tested for reasonableness by benchmarking the assumptions to industry average rates and by independently recalculating the discount rate. We evaluated the commercial rationale for the low residual goodwill valuation.<br><br>We performed specified procedures on the opening balance sheet of Linde prepared at 30 June 2017 directed at cut-off. We have specifically considered the recoverability of assets and the completeness of liabilities (including provisions for contractual commitments and for legal and other contingencies) to ensure that the opening balance sheet is appropriately stated at fair value. We have reviewed the assessment of the respective accounting policies and practices of Mediclinic and Linde prepared by management to ensure that the Group's accounting policies have been appropriately applied.<br><br>Based on our work performed, we have found the judgements and estimates made by management to be materially reasonable in the context of the Group financial statements taken as a whole and the related disclosures to be appropriate. |

## How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group, its accounting processes and controls and the industry in which it operates.

The Group financial statements are a consolidation of thirteen reporting units which include sub-consolidations of the operations in each of the Group's key markets. The Southern Africa, Switzerland and Middle East reporting units required an audit of their complete financial information due to their size. An audit was also performed over the complete financial information of the Mediclinic International plc parent company to give appropriate audit coverage. Taken together, reporting units where we performed audit work over the complete financial information accounted for 92% of consolidated revenue, 83% of consolidated loss before tax and 94% of adjusted profit before tax calculated on an absolute basis.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the reporting units by us, as the Group engagement team, or by component auditors from other PwC network firms. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the financial statements as a whole.

Recognising that not every business in each of the thirteen reporting units which comprise the Group's consolidated results and financial position is included in our Group audit scope, we considered as part of our Group audit oversight responsibility what audit coverage has been obtained in aggregate by our component teams by reference to business components at which audit work has been undertaken.

We visited our component teams in South Africa, Switzerland and the UAE, which included file reviews, attendance at key audit meetings with local management and participation in audit clearance meetings at each reporting unit. We also had regular dialogue with our component audit teams at each key reporting unit.

Further specific audit procedures over the Group consolidation and over the Group's associate interest in Spire were directly led by the Group audit team. Spire has a non co-terminous year-end to the rest of the Group and our work on Spire included review of the audited financial statements of Spire for the year ended 31 December 2017 together with subsequent events review procedures over the lag period of account.

Taken together, reporting units where we performed our audit work accounted for 92% of consolidated revenue, 95% of consolidated loss before tax and 98% of adjusted profit before tax calculated on an absolute basis. Our audit covered all reporting units that individually contributed more than 1% to consolidated revenue and more than 2% to consolidated loss before tax and to adjusted profit before tax calculated on an absolute basis.

## Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | |
|---|---|
| Overall group materiality | £15m (2017: £14.9m). |
| How we determined it | Based on approximately 5% of adjusted profit before tax, calculated as consolidated loss before tax adjusted for impairment losses, derecognition of unamortised finance expenses, accelerated amortisation of brand name, release of pre-acquisition provisions and loss on disposals of businesses. |
| Rationale for benchmark applied | We believe that adjusted profit before tax is the primary measure used by the shareholders in assessing the performance of the Group. The adjusted profit before tax measure removes the impact of significant items which do not recur from year to year or which otherwise significantly affect the underlying trend of performance from continuing operations. This is the metric against which the performance of the Group is most commonly assessed by management and reported to shareholders. We chose 5%, which is consistent with the quantitative materiality thresholds used for profit-oriented companies in this sector. |

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £4.9m and £13.4m. Certain components were audited to a local statutory audit materiality that was less than our Group audit materiality allocation.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £0.75m (2017: £0.74m) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### Going concern

In accordance with ISAs (UK) we report as follows:

| REPORTING OBLIGATION | OUTCOME |
|---|---|
| We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements. | We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern. |
| We are required to report if the directors' statement relating to going concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit. | We have nothing to report. |

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

- In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.
- With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

| STRATEGIC REPORT AND DIRECTORS' REPORT |
|---|
| In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. *(CA06)*<br>In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. *(CA06)* |

## THE DIRECTORS' ASSESSMENT OF THE PROSPECTS OF THE GROUP AND OF THE PRINCIPAL RISKS THAT WOULD THREATEN THE SOLVENCY OR LIQUIDITY OF THE GROUP

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 99 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated; and
- The directors' explanation on page 50 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "**Code**"); and considering whether the statements are consistent with the knowledge and understanding of the Group and its environment obtained in the course of the audit. (*Listing Rules*)

## OTHER CODE PROVISIONS

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 160, that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for the members to assess the Group's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group obtained in the course of performing our audit;
- The section of the Annual Report on page 120 describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee; and
- The directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 160, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditors' report.

### Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## OTHER REQUIRED REPORTING

## Companies Act 2006 exception reporting

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- certain disclosures of directors' remuneration specified by law are not made.

We have no exceptions to report arising from this responsibility.

## Appointment

Following the recommendation of the Audit and Risk Committee, we were appointed by the members on 18 March 2016 to audit the financial statements for the year ended 31 March 2016 and subsequent financial periods. The period of total uninterrupted engagement is three years, covering the years ended 31 March 2016 to 31 March 2018.

## OTHER MATTER

We have reported separately on the Company financial statements of Mediclinic International plc for the year ended 31 March 2018 and on the information in the Directors' Remuneration Report that is described as having been audited.

**Giles Hannam (Senior Statutory Auditor)**
*for and on behalf of PricewaterhouseCoopers LLP*
Chartered Accountants and Statutory Auditors
London
23 May 2018

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**AS AT 31 MARCH 2018**

| | Notes | 2018 £'m | 2017 £'m |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | **5 382** | 6 353 |
| Property, equipment and vehicles | 6 | **3 590** | 3 703 |
| Intangible assets | 7 | **1 406** | 2 156 |
| Equity accounted investments | 8 | **357** | 465 |
| Other investments and loans | 9 | **7** | 8 |
| Deferred income tax assets | 10 | **22** | 21 |
| **Current assets** | | **961** | 1 069 |
| Inventories | 11 | **90** | 90 |
| Trade and other receivables | 12 | **607** | 591 |
| Other investments and loans | 9 | **1** | 16 |
| Current income tax assets | | **1** | 2 |
| Cash and cash equivalents | 28.8 | **261** | 361 |
| Assets classified as held for sale | 31 | **1** | 9 |
| **Total assets** | | **6 343** | 7 422 |
| **EQUITY** | | | |
| **Capital and reserves** | | | |
| Share capital | 13 | **74** | 74 |
| Share premium reserve | 13 | **690** | 690 |
| Treasury shares | 13 | **(1)** | (2) |
| Retained earnings | | **5 057** | 5 525 |
| Other reserves | 14 | **(2 534)** | (2 201) |
| **Attributable to equity holders of the Company** | | **3 286** | 4 086 |
| Non-controlling interests | 16 | **87** | 78 |
| **Total equity** | | **3 373** | 4 164 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | **2 445** | 2 668 |
| Borrowings | 17 | **1 866** | 1 961 |
| Deferred income tax liabilities | 10 | **467** | 527 |
| Retirement benefit obligations | 18 | **86** | 154 |
| Provisions | 19 | **23** | 23 |
| Derivative financial instruments | 20 | **2** | 2 |
| Cash-settled share-based payment liabilities | | **1** | 1 |
| **Current liabilities** | | **525** | 590 |
| Trade and other payables | 21 | **424** | 472 |
| Borrowings | 17 | **71** | 69 |
| Provisions | 19 | **15** | 22 |
| Retirement benefit obligations | 18 | **10** | 10 |
| Derivative financial instruments | 20 | **–** | 7 |
| Current income tax liabilities | | **5** | 8 |
| Liabilities classified as held for sale | 31 | **–** | 2 |
| **Total liabilities** | | **2 970** | 3 258 |
| **Total equity and liabilities** | | **6 343** | 7 422 |

These financial statements and the accompanying notes were approved for issue by the Board of Directors on 23 May 2018 and were signed on its behalf by:

**DP Meintjes**
*Chief Executive Officer*

**PJ Myburgh**
*Chief Financial Officer*

Mediclinic International plc (Company no 08338604)

# CONSOLIDATED INCOME STATEMENT

## FOR THE YEAR ENDED 31 MARCH 2018

| | Notes | **2018 £'m** | 2017 £'m |
|---|---|---|---|
| Revenue | | **2 870** | 2 749 |
| Cost of sales | 22 | **(1 773)** | (1 696) |
| Administration and other operating expenses | 22 | **(1 387)** | (689) |
| Impairment of properties | 6 & 22 | **(84)** | – |
| Impairment of intangible assets | 7 & 22 | **(560)** | – |
| Other administration and operating expenses | 22 | **(743)** | (689) |
| Other gains and losses | 23 | **2** | (2) |
| **Operating (loss)/profit** | | **(288)** | 362 |
| Finance income | | **9** | 7 |
| Finance cost | 24 | **(94)** | (74) |
| Share of net profit of equity accounted investments | 8 | **3** | 12 |
| Impairment of equity accounted investment | 8 | **(109)** | – |
| **(Loss)/profit before tax** | | **(479)** | 307 |
| Income tax expense | 25 | **5** | (64) |
| **(Loss)/profit for the year** | | **(474)** | 243 |
| **Attributable to:** | | | |
| Equity holders of the Company | | **(492)** | 229 |
| Non-controlling interests | 16 | **18** | 14 |
| | | **(474)** | 243 |
| **(Loss)/earnings per ordinary share attributable to the equity holders of the Company – pence** | | | |
| Basic | 26 | **(66.7)** | 31.0 |
| Diluted | 26 | **(66.7)** | 31.0 |

# CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

**FOR THE YEAR ENDED 31 MARCH 2018**

| | Notes | 2018 £'m | 2017 £'m |
|---|---|---|---|
| **(Loss)/profit for the year** | | **(474)** | 243 |
| **Other comprehensive (loss)/income** | | | |
| **Items that may be reclassified to the income statement** | | **(309)** | 388 |
| Currency translation differences | 27 | **(310)** | 388 |
| Fair value adjustment – cash flow hedges | 27 | **1** | – |
| **Items that may not be reclassified to the income statement** | | **60** | 34 |
| Remeasurements of retirement benefit obligations | 27 | **60** | 34 |
| **Other comprehensive (loss)/income, net of tax** | 27 | **(249)** | 422 |
| **Total comprehensive (loss)/income for the year** | | **(723)** | 665 |
| **Attributable to:** | | | |
| Equity holders of the Company | | **(742)** | 635 |
| Non-controlling interests | | **19** | 30 |
| | | **(723)** | 665 |

STRATEGIC REPORT

GOVERNANCE AND REMUNERATION

FINANCIAL STATEMENTS
GROUP FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

| | Share capital (note 13) £'m | Capital redemption reserve (note 14) £'m | Share premium reserve (note 13) £'m | Reverse acquisition reserve (note 14) £'m | Treasury shares (note 13) £'m | Share-based payment reserve (note 14) £'m | Foreign currency translation reserve (note 14) £'m | Hedging reserve (note 14) £'m | Retained earnings £'m | Attributable to equity holders of the Company £'m | Non-controlling interests (note 16) £'m | Total equity £'m |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 April 2016** | 74 | 6 | 690 | (3 014) | (2) | 24 | 407 | 4 | 5 320 | 3 509 | 61 | 3 570 |
| Profit for the year | – | – | – | – | – | – | – | – | 229 | 229 | 14 | 243 |
| Other comprehensive income for the year | – | – | – | – | – | – | 372 | – | 34 | 406 | 16 | 422 |
| Total comprehensive income for the year | – | – | – | – | – | – | 372 | – | 263 | 635 | 30 | 665 |
| Transactions with non-controlling shareholders | – | – | – | – | – | – | – | – | 4 | 4 | (4) | – |
| Dividends paid | – | – | – | – | – | – | – | – | (62) | (62) | (9) | (71) |
| **Balance at 31 March 2017** | 74 | 6 | 690 | (3 014) | (2) | 24 | 779 | 4 | 5 525 | 4 086 | 78 | 4 164 |
| (Loss)/profit for the year | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(492)** | **(492)** | **18** | **(474)** |
| Other comprehensive (loss)/income for the year | **–** | **–** | **–** | **–** | **–** | **–** | **(311)** | **1** | **60** | **(250)** | **1** | **(249)** |
| Total comprehensive (loss)/income for the year | **–** | **–** | **–** | **–** | **–** | **–** | **(311)** | **1** | **(432)** | **(742)** | **19** | **(723)** |
| Transfer to retained earnings | **–** | **–** | **–** | **–** | **–** | **(23)** | **–** | **–** | **23** | **–** | **–** | **–** |
| Non-controlling shareholders derecognised on disposal of subsidiaries | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(1)** | **(1)** |
| Share-based payment expense | **–** | **–** | **–** | **–** | **–** | **1** | **–** | **–** | **–** | **1** | **–** | **1** |
| Settlement of Forfeitable Share Plan | **–** | **–** | **–** | **–** | **1** | **(1)** | **–** | **–** | **–** | **–** | **–** | **–** |
| Transactions with non-controlling shareholders | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(1)** | **(1)** | **1** | **–** |
| Dividends paid | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(58)** | **(58)** | **(10)** | **(68)** |
| **Balance at 31 March 2018** | **74** | **6** | **690** | **(3 014)** | **(1)** | **1** | **468** | **5** | **5 057** | **3 286** | **87** | **3 373** |

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

| | Notes | 2018 £'m Inflow/ (outflow) | (Re-presented)* 2017 £'m Inflow/ (outflow) |
|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| Cash received from customers | | **2 809** | 2 735 |
| Cash paid to suppliers and employees | | **(2 343)** | (2 243) |
| **Cash generated from operations** | 28.1 | **466** | 492 |
| Interest received | | **9** | 7 |
| Interest paid | 28.2 | **(74)** | (77) |
| Tax paid | 28.3 | **(56)** | (45) |
| **Net cash generated from operating activities** | | **345** | 377 |
| **CASH FLOW FROM INVESTMENT ACTIVITIES** | | **(319)** | (201) |
| Investment to maintain operations | 28.4 | **(112)** | (101) |
| Investment to expand operations | 28.5 | **(142)** | (131) |
| Acquisition of subsidiaries | 29 | **(83)** | – |
| Disposal of subsidiaries | 30 | **2** | 44 |
| Acquisition of investment in associate | 8 | **(2)** | (1) |
| Dividends received from equity accounted investment | | **5** | 4 |
| Proceeds from/(acquisition of) money market funds | | **13** | (16) |
| **Net cash generated before financing activities** | | **26** | 176 |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | **(108)** | (169) |
| Distributions to non-controlling interests | 16 | **(10)** | (9) |
| Distributions to shareholders | 28.6 | **(58)** | (62) |
| Proceeds from borrowings | 28.7 | **6** | 247 |
| Repayment of borrowings | 28.7 | **(30)** | (327) |
| Refinancing transaction costs | | **(12)** | (3) |
| Settlement of interest rate swap | | **(4)** | – |
| Acquisition of non-controlling interest | 16 | **–** | (15) |
| **Net (decrease)/increase in cash and cash equivalents** | | **(82)** | 7 |
| Opening balance of cash and cash equivalents | | **361** | 305 |
| Exchange rate fluctuations on foreign cash | | **(18)** | 49 |
| **Closing balance of cash and cash equivalents** | 28.8 | **261** | 361 |

* *Refer to note 2.1.*

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 31 MARCH 2018**

## 1. DESCRIPTION OF BUSINESS

Mediclinic International plc is a private hospital group with three operating divisions, namely Switzerland, Southern Africa (South Africa and Namibia) and the United Arab Emirates ("**UAE**") and with an equity investment in the United Kingdom. Its core purpose is to enhance the quality of life of patients by providing value-based healthcare services.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

### 2.1. Basis of preparation

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards ("**IFRS**"), as adopted by the European Union, including IFRS Interpretations Committee ("**IFRS IC**") and with the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements are prepared on the historical cost convention, except for the following items, which are carried at fair value or valued using another measurement basis:

- Derivative financial assets and liabilities and available-for-sale financial assets are measured at fair value;
- Retirement benefit obligations that are measured in terms of the projected unit credit method; and
- Liabilities for cash-settled share-based payments are measured at fair value.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

***Functional and presentation currency***

The consolidated financial statements and financial information are presented in pounds sterling (the presentation currency), rounded to the nearest million. The functional currency of the majority of the Group's entities, and the currencies of the primary economic environments in which they operate, is the Swiss franc, the South African rand and UAE dirham. The UAE dirham is pegged against the United States dollar at a rate of 3.6725 per US Dollar.

***Exchange rates***

The Group uses the average of exchange rates prevailing during the period to translate the results and cash flows of foreign subsidiaries, the joint venture and associated undertakings into pounds sterling and period-end rates to translate the net assets of those undertakings. The following exchange rates were applicable for the period:

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

***Going concern***

Having assessed the principal risks and the other matters discussed in connection with the viability statement, the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

***Cash flow statement reclassification***

The cash flow statement for the year ended 31 March 2017 has been re-presented to reclassify certain capital expenditure cash flows from cash generated from operations to cash flows from investment activities. The impact of the reclassification was a decrease in cash generated from operations from £509m to £492m and a decrease in cash outflows from investment activities from £218m to £201m. This reclassification had no impact on reported cash, profits or net assets.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Consolidation and equity accounting

#### a) *Basis of consolidation*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The results of subsidiaries are included in the consolidated financial statements from the effective date of acquisition until control is lost.

Adjustments to the financial statements of subsidiaries are made when necessary to bring their accounting policies in line with those of the Group.

All intra-company transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the Group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised.

#### b) *Business combinations*

The Group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt that are amortised as part of the effective interest and costs to issue equity, which are included in equity.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the recognition conditions of IFRS 3 *Business Combinations* are recognised at their fair values at acquisition date, except for non-current assets (or disposal company) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held-for-sale and Discontinued Operations*, which are recognised at fair value less costs to sell.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the Group assesses the classification of the acquiree's assets and liabilities and reclassifies them where the classification is inappropriate for Group purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Non-controlling interests arising from a business combination, which are present ownership interests, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, are measured either at the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets or at fair value. The treatment is not an accounting policy choice but is selected for each individual business combination, and disclosed in the note for business combinations. All other components of non-controlling interests are measured at their acquisition date fair values, unless another measurement basis is required by IFRS.

In cases where the Company held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss for the year. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously to other comprehensive income and accumulated in equity, are recognised in profit or loss as a reclassification adjustment.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest, less the fair value of the identifiable assets and liabilities of the acquiree. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Goodwill is not amortised but is tested on an annual basis for impairment or more frequently if events or changes in circumstances indicate a potential impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

Goodwill arising on acquisition of foreign entities is considered an asset of the foreign entity. In such cases, the goodwill is translated to the functional currency of the Company at the end of each reporting period with the adjustment recognised in equity through other comprehensive income.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Consolidation and equity accounting (continued)

***c) Investments in associates and joint ventures***

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Investments in associates and joint ventures are accounted for using the equity method of accounting.

Under the equity method, the equity accounted investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. Dividends received or receivable from equity accounted investments are recognised as a reduction in the carrying amount of the investment. The Group's investments in associates and joint ventures include goodwill identified on acquisition. When the Group's share of losses in an associate or joint venture equals or exceeds its interests in the investment (which includes any long-term interests that, in substance, form part of the Group's net investment), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the entity.

Unrealised gains on transactions between the Group and its equity accounted investments are eliminated to the extent of the Group's interest in these investments. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the equity accounted investments have been changed where necessary to ensure consistency with the policies adopted by the Group.

If the ownership interest in an equity accounted investment is reduced but significant influence or joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate. The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

The Group determines at each reporting date whether there is any objective evidence that the equity accounted investment is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value and recognises the amount adjacent to share of profit or loss of the investment in the income statement.

### 2.3 Segment reporting

Consistent with internal reporting, the Group's segments are identified as the three geographical operating divisions in Switzerland, Southern Africa and Middle East. The United Kingdom and Corporate segments are additional non-operating segments. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the segments, has been identified as the Group Executive Committee that makes strategic decisions. The Executive Committee comprises the executive directors and senior management as disclosed in the Annual Report on page 95.

### 2.4 Property, equipment and vehicles

Land and buildings comprise mainly hospitals and offices. All property, equipment and vehicles are shown at cost less accumulated depreciation and impairment, except for land, which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on the other assets is calculated using the straight-line method to allocate the cost less its residual value over its estimated useful life as follows:

- Buildings: 10 – 100 years
- Equipment: 3 – 10 years
- Furniture and vehicles: 3 – 8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.4 Property, equipment and vehicles (continued)**

Refer to note 2.6 for impairment of property, equipment and vehicles.

An asset is derecognised on disposal or when no future economic benefits are expected from its use. Profit or loss on disposals is determined by comparing proceeds with carrying amounts. These are included in the income statement.

## 2.5 Intangible assets

***a) Goodwill***

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest, less the fair value of the identifiable assets and liabilities of the acquiree. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates and joint ventures is included in investments in associates and joint ventures. Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment. Goodwill is carried at cost less accumulated impairment. Impairment on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("**CGUs**") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from business combinations in which goodwill arose. Management monitors goodwill for impairment at an operating segment level. Any impairment losses that are recognised are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of other assets in the CGU where the carrying amount is greater than the recoverable amount.

***b) Trade names***

Trade names have been recognised by the Group as part of a business combination. No value is placed on internally developed trade names. Trade names that are deemed to have an indefinite useful life are carried at cost less accumulated impairment. Trade names that are deemed to have a finite useful life are capitalised at the cost to the Group and amortised on a straight-line basis over its estimated useful lives of 1 to 75 years. Expenditure to maintain trade names is accounted for against income as incurred.

***c) Computer software***

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (1 to 5 years) using the straight-line method.

Internally developed computer software that is clearly associated with an identifiable and unique system, which will be controlled by the Group and have a probable future economic benefit beyond one year, are recognised as intangible assets. Costs associated with maintaining computer software or development expenditure that does not meet the recognition criteria are expensed as incurred.

## 2.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstances indicate a potential impairment. Assets that are subject to amortisation or depreciation are tested for impairment whenever events or changes in circumstances indicate a potential impairment. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The recoverable amount is calculated by estimating future cash benefits that will result from each asset and discounting those cash benefits at an appropriate discount rate. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable and independent cash flows – CGUs. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## 2.7 Financial assets

The Group classifies its financial assets in the following categories: loans and receivables, available for sale financial assets and financial assets at fair value through profit and loss. The classification depends on the purpose for which the asset was acquired. Management determines the classification of its investments at initial recognition.

Purchases and sales of investments are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not subsequently carried at fair value through profit or loss.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.7 Financial assets (continued)

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

***Loan and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in current assets, except for maturities greater than 12 months after the reporting date, which are classified as non-current assets. Loans and receivables are carried at amortised cost using the effective interest rate method less provision for impairment.

***Investments available for sale***

Other long-term investments are classified as available for sale and are included within non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. These investments are carried at fair value. Unrealised gains and losses arising from changes in the fair value of available-for-sale investments are recognised in other comprehensive income in the period in which they arise. When available-for-sale investments are either sold or impaired, the accumulated fair value adjustments are realised and included in profit or loss.

***Financial assets at fair value through profit and loss***

These instruments, consisting of financial instruments held for trading and those designated at fair value through profit and loss at inception, are carried at fair value. Derivatives are also classified as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these financial instruments are recognised in the income statement in the period in which they arise.

***Impairment***

At each reporting date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets are impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

For financial assets carried at amortised cost, evidence of impairment may include indications that the receivables or a group of receivables are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. The amount of the provision for impairment is the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the original effective interest rate. The movement in the provision is recognised in the income statement.

In the case of available-for-sale financial assets, a significant or prolonged decline in the fair value of the asset below its cost is considered an indicator that the investment is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in the income statement.

Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

### 2.8 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts, the legal enforceable right is not contingent on a future event and is enforceable in the normal course of business even in the event of default, bankruptcy or insolvency, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

### 2.9 Inventories

Inventories are measured at the lower of cost, determined on the weighted average method, or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.10 Trade and other receivables

Trade and other receivables are recognised at fair value and subsequently measured at amortised cost, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The movement in the provision is recognised in the income statement.

### 2.11 Cash and cash equivalents

Cash and cash equivalents consist of balances with banks and cash on hand and are classified as loans and receivables. Bank overdrafts are classified as financial liabilities at amortised cost and are disclosed as part of borrowings in current liabilities in the statement of financial position.

### 2.12 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Hedges of a particular risk associated with a recognised liability or a highly probable forecast transaction is designated as a cash flow hedge. The Group uses interest rate swaps as cash flow hedges.

The Group documents, at inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 20. The hedging reserve in shareholders' equity is shown in note 14. On the statement of financial position hedging derivatives are not classified based on whether the amount is expected to be recovered or settled within, or after, 12 months. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedge relationship is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedge relationship is less than 12 months.

***Cash flow hedges***

The effective portion of changes in the fair value of derivatives that is designated and qualifies as a cash flow hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in other comprehensive income are recycled to the income statement in the periods when the hedged item affects profit or loss (for example, when the interest expense on hedged variable rate borrowings is recognised in profit or loss).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

### 2.13 Share capital

Ordinary shares are classified as equity. Shares in the Company held by wholly-owned Group companies are classified as treasury shares and are held at cost.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

### 2.14 Treasury shares

Treasury shares are deducted from equity until the shares are cancelled, reissued or disposed. No gains or losses are recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. All consideration paid or received for treasury shares is recognised directly in equity.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.15 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

### 2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs are expensed when incurred, except for borrowing costs directly attributable to the construction or acquisition of qualifying assets. Borrowing cost directly attributable to the construction or acquisition of qualifying assets is added to the cost of those assets, until such time as the assets are substantially ready for their intended use. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use.

### 2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are determined by discounting the expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

### 2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; and deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date, and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.19 Employee benefits

***a) Retirement benefit costs***

The Group provides defined benefit and defined contribution plans for the benefit of employees, the assets of which are held in separate trustee administered funds. These plans are funded by payments from the employees and the Group, taking into account recommendations of independent qualified actuaries.

***Defined contribution plans***

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Each member's fund value is directly linked to the contributions and the related investment returns. The Group has no legal or constructive obligations to make further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expenses when they are due.

***Defined benefit plans***

This plan defines an amount of pension benefit an employee will receive on retirement, dependent on one or more factors such as age, years of service and compensation. The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognised immediately in the income statement. A net pension asset is recorded only to the extent that it does not exceed the present value of any economic benefit available in the form of reductions in future contributions to the plan, and any unrecognised actuarial losses and past service costs. The annual pension costs of the Group's benefit plans are charged to the income statement.

Incurred interest costs/income on the defined benefit obligations are recognised as wages and salaries.

***b) Post-retirement medical benefits***

Some Group companies provide for post-retirement medical contributions in relation to current and retired employees. The expected costs of these benefits are accounted for by using the projected unit credit method. Under this method, the expected costs of these benefits are accumulated over the service lives of the employees. Valuation of these obligations is carried out by independent qualified actuaries. All actuarial gains and losses are charged or credited to other comprehensive income in the period in which they arise.

***c) Equity-settled share-based compensation***

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.19 Employee benefits (continued)

***d) Cash-settled share-based compensation***

The Group operates cash-settled share-based compensation plans. The Group recognises the value of the services received (expense), and the liabilities to pay for those services, as the employees render service. The liabilities are measured, initially, and at each reporting date until settled, at the fair value appropriate to the scheme, taking into account the terms and conditions on which the rights were granted, and the extent to which the employees have rendered service to date, excluding the impact of any non-market-related vesting conditions. Non-market-related vesting conditions are included in the assumptions regarding the number of units expected to vest. These assumptions are revised at the end of each reporting period. All changes to the fair value of the liability are recognised in the income statement.

***e) Profit sharing and bonus plans***

The Group recognises a liability and an expense where a contractual obligation exists for short-term incentives. The amounts payable to employees in respect of the short-term incentive schemes are determined based on annual business performance targets.

### 2.20 Revenue recognition

Revenues are measured at the fair value of the consideration that has been received or is to be received and represent the amounts that can be received for services in the regular course of business when the significant risks and rewards of ownership have been transferred or services have been rendered. Discounts, sales taxes and other taxes associated with the revenues have to be deducted.

Revenue primarily comprises fees charged for inpatient and outpatient medical services. Services include charges for accommodation, theatre, medical professional services, equipment, radiology, laboratory and pharmaceutical goods used. Revenue is recorded and recognised during the period in which the medical service is provided, based on the amounts due from patients and/or medical funding entities. Fees are calculated and billed based on various tariff agreements with funders.

In Switzerland, the cost of treating inpatients with basic health insurance is fixed by the government. The pricing model is based on diagnostic related groups (“**Swiss DRGs**”) for inpatients and can be seen as a fixed fee arrangement. Invoicing occurs when the patient is discharged. Revenue is recognised over the estimated length of stay of the patient. In some cases, the pricing model for DRGs is based on provisional tariffs as delays occur in the agreement of the tariffs between the healthcare providers and the funders. When the tariffs are provisional, revenue continues to be recognised and the outstanding amount is claimed from the insurance. Tariff provisions are recognised as adjustments in revenue to reflect any uncertainty about the collectability of the amounts invoiced and collected. If a provisional tariff is changed, the insurer can claim the difference from the healthcare provider. The tariff provision is recognised when it is probable that an outflow of resources will be required to settle the obligation towards the insurer. The tariff provision is calculated based on historical experience of outcomes to negotiations between healthcare providers and funders. This is regularly reassessed based on the actual outcome of tariff negotiations.

Swiss private and semi-private patients enter into supplementary insurance contracts for costs not covered by basic health insurance. The pricing model is based on fee-for-service principles and the contract with Hirslanden includes technical medical services (such as the nursing and infrastructure). The doctor fees are agreed directly between the insurer and the relevant doctor. The revenue is recognised as the services are rendered over the period of the stay of the patient.

For Switzerland outpatient cases, the pricing model is based on the TARMED rates. The applicable TARMED rate varies depending on the relevant canton, procedure and patient. Invoicing occurs when the patient is discharged directly after the treatment and revenue is recognised at the same time.

In Southern Africa and the Middle East (Dubai) a fee-for-service model is used with funders. Mediclinic will invoice the funders for technical medical services (such as nursing, infrastructure, pharmaceutical goods, etc.). The revenue is recognised as the services are rendered over the period of the stay of the patient.

Discounts comprise retrospective volume discounts granted to certain funders on attainment of certain levels of patient visits from Mediclinic Southern Africa and Mediclinic Middle East. These are accrued over the course of the arrangement based on estimates of the level of business expected and are adjusted against revenue at the end of the arrangement to reflect actual volumes.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.20 Revenue recognition (continued)

For certain procedures in Southern Africa and the Middle East (Abu Dhabi DRGs) the fixed fee contract model is used with funders. In these scenarios, the transaction price is fixed and no adjustments can be made to the amount invoiced to the funder. Invoicing occurs when the patient is discharged. Revenue is recognised over the estimated length of stay of the patient. Efficiencies or inefficiencies is not charged to the funder and is absorbed by the operating division.

***Other income***

Other income earned are recognised on the following bases:

- Interest income is recognised on a time-proportioned basis using the effective interest rate method.
- Rental income, which is insignificant, is recognised on a straight-line basis over the term of the lease.

With the exception of interest income, all the items above are presented as revenue.

### 2.21 Cost of sales

Cost of sales consists of the cost of inventories, including obsolete stock, which have been expensed during the year, together with personnel costs and related overheads which are directly attributable to the provision of services.

In the Middle East, rebates received from suppliers are recognised when all the conditions agreed with the suppliers are met, the amount of cost of sales can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the entity.

### 2.22 Leased assets

Leases of property, equipment and vehicles where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charges is charged to the income statement over the lease period. The property, equipment and vehicles acquired under finance leasing contracts are depreciated over the useful lives of the assets or the term of the lease agreement, if shorter, and transfer of ownership at the end of the lease period is uncertain.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

### 2.23 Dividend distribution

Final dividends are recorded in the Group's financial statements in the period in which they are approved by the Company's shareholders. Interim dividends are recorded when paid.

### 2.24 Foreign currency transactions

***Transactions and balances***

Foreign currency transactions are translated into the respective Group entities' functional currencies at exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are recognised in the income statement (except when recognised in other comprehensive income as part of qualifying cash flow hedges).

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the transaction date, and those measured at fair value are translated at the exchange rate at the date that the fair value was determined. Exchange rate differences on non-monetary items are accounted for based on the classification of the underlying items.

Translation differences on non-monetary financial assets classified as available-for-sale, are included in other comprehensive income. Foreign exchange gains and losses are presented in the income statement within "Administration and other operating expenses".

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.24 Foreign currency transactions (continued)

***Group entities***

The results and financial position of all foreign operations that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the reporting date.
- Income and expenses for each income statement are translated at average exchange rates for the year.
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken directly to other comprehensive income. Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operation and translated at closing rates at the reporting date.

### 2.25 Standards, interpretations and amendments

***Published standards, amendments and interpretations effective for the 31 March 2018 financial period:***

The following published standards, amendments and interpretations are mandatory for the accounting period beginning on or after 1 April 2017 and have been adopted:

- IAS 7 (amendment) – Disclosure initiative
- IAS 12 (amendment) – Recognition of deferred tax assets for unrealised losses
- Annual improvements 2012 – 2014 cycle – Amendments and clarifications to existing IFRS standards (1 January 2017)

The implementation of these standards and amendments had no material financial impact on the reported results or financial position of the Group.

***Published standards, amendments and interpretations not yet effective and not early adopted:***

The following new standards, amendments and interpretations are expected to have an impact on the financial statements in the period of initial application.

**IFRS 9 *Financial Instruments* (1 January 2018)**

The IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are applied prospectively.

The Group plans to adopt the new standard on 1 April 2018 and will not restate comparative information. During the 2018 financial year, the Group performed a detailed impact assessment of all three aspects of IFRS 9. The assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in the 2019 financial year. Overall, the Group expects no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9. The Group expects an increase in the expected loss allowance resulting in a negative impact on equity as discussed below. In addition, the Group will implement changes in classification of certain financial instruments.

a) Classification and measurement

The Group does not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of IFRS 9.

The equity shares in non-listed companies are intended to be held for the foreseeable future. These shares are currently classified as available for sale with gains and losses recorded in other comprehensive income ("**OCI**"). The Group will apply the option to continue to present fair value changes in OCI and, therefore, the application of IFRS 9 will not have a significant impact. Unlike IAS 39, under IFRS 9 the cumulative fair value gains or losses cannot be recycled to the income statement upon the derecognition or disposal of an equity investment.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.25 Standards, interpretations and amendments (continued)

***Published standards, amendments and interpretations not yet effective and not early adopted: (continued)***

**IFRS 9 *Financial Instruments* (1 January 2018) (continued)**

a) Classification and measurement (continued)

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification of these instruments is not required.

b) Impairment

IFRS 9 requires the Group to record expected credit losses on all its loans and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected credit losses on all trade receivables. Based on current estimates, the Group has determined that the provision for impairment of receivables balance will increase by approximately 2%. The decrease in the trade receivables balance in the statement of financial position is expected to be less than £1m. This decrease is after the effect of reclassifying the disallowances in Mediclinic Middle East from operating expenses to revenue as discussed under the IFRS 15 transition below.

c) Hedge accounting

The Group determined that all existing hedge relationships currently designated in effective hedging relationships will continue to qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of IFRS 9 will not have a significant impact on the Group's financial statements. The Group currently has no hedge relationships that are ineffective.

**IFRS 15 *Revenue from Contracts with Customers* (1 January 2018)**

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard from 1 April 2018 using the modified retrospective application method. During the 2018 financial year, the Group performed a detailed impact assessment of IFRS 15. The assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in the 2019 financial year.

Revenue primarily comprises fees charged for inpatient and outpatient hospital services. The recognition and measurement of revenue does not differ materially from the principles applied by the Group under IAS 18.

In preparing to adopt IFRS 15, the Group considered the following:

a) Volume discounts

Discounts comprise retrospective volume discounts granted to certain funders on attainment of certain admission levels from Mediclinic Southern Africa and Mediclinic Middle East. These volume discounts are negotiated with funders on an annual basis. Under IFRS 15, retrospective volume discounts give rise to variable consideration. Variable consideration should be measured using the most likely outcome of the expected value. Currently, these discounts are accrued over the course of the period based on estimates of the level of business expected. This is adjusted at the end of the period to reflect the actual volumes. Volume discounts are recorded as a reduction in revenue with a corresponding entry against accruals (as volume discounts are not settled on a net basis with funders). Therefore, Mediclinic's current treatment of volume discounts is in line with the requirements of IFRS 15.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.25 Standards, interpretations and amendments (continued)

***Published standards, amendments and interpretations not yet effective and not early adopted: (continued)***

**IFRS 15 *Revenue from Contracts with Customers* (1 January 2018) (continued)**

b) Disallowances

In the Middle East, the normal business process associated with transactions with insurers includes an amount of claims disallowed (disallowance provision) which is not paid by the insurer. These disallowed claims could be for various technical or medical reasons. Currently, revenue is recognised based on the contract with the insurers and a provision for bad debt is recognised for the rejections based on historical trends. Disallowance write-offs on rejected claims is a general practice by the insurers in the Middle East. Accordingly, Mediclinic Middle East accepts and expects an amount of consideration that is less than what was originally claimed. These write-offs constitute variable consideration under IFRS 15. Variable consideration is recognised as revenue to the extent that it is highly probable that a reversal of revenue will not occur. Based on current estimates, the Group expects a reclassification from operating expenses (bad debts) to revenue of approximately £17m to account for the difference in treatment between the existing standard (IAS 18) and IFRS 15. The change will have no impact on net profit.

c) Tariff provision

In Switzerland, tariff provisions are recognised in revenue when the pricing model for DRGs is based on provisional tariffs (see note 2.20). At the time of revenue recognition, the revenue based on the provisional tariff is billed and claimed from the insurer or the canton. Subsequently, when the tariffs are finalised and payment made, the insurer can claim from the healthcare provider if the tariffs are lower than the provisional tariffs billed.

Under the existing standard (IAS 37), tariff provisions are classified as a reduction in revenue, with a corresponding entry to provisions in the statement of financial position. We concluded that the tariff adjustments should not be adjusted against accounts receivable under IFRS 15 due to the fact that the original invoices are settled before the finalisation of the tariffs (unlike in the Middle East). Tariff adjustments are therefore classified as provisions as is the case under the current accounting treatment and not as a reduction in accounts receivable. This view is supported by the fact that balances due to funders are not settled on a net basis.

d) Principal versus agent considerations

Hirslanden hospitals have affiliated doctors who are partners cooperating with Hirslanden under a contractual agreement. The contracts with these affiliated doctors allow them to use the Hirslanden facilities and nursing staff. The doctors are responsible for the treatment of the patient and Hirslanden is responsible for the technical services such as the medical equipment and nursing. Swiss regulatory requirements require Hirslanden to provide statistics to the government based on all the costs incurred for patient procedures, including doctors' fees. Hirslanden therefore invoices its own technical services together with the doctors' fees to the insurer and subsequently refunds the amount of the doctors' services to the affiliated doctors. The refund paid to the doctor is recorded in revenue and thus revenue is shown on a net basis. For DRG procedures, the process is the same, but the refund is calculated using a contractually agreed-upon percentage for doctors' services.

The following indicators in IFRS 15 were considered in the assessment of whether Hirslanden is acting as a principal or as an agent in these cases:

- The affiliated doctors are responsible for fulfilling the contract of treating the patient. Every affiliated doctor needs own liability insurance for any claim against any human error of the doctor. The hospital is responsible for any process failures at the hospital.
- Hirslanden does not have discretion in establishing prices. These are determined by contracts in place between the doctor and the insurer or the relevant percentage of the total revenue for DRG procedures.
- An administrative cost contribution (a form of commission) is deducted from the doctors' fees before the transfer of these fees to the doctors.

Therefore, we have concluded that Hirslanden is acting as an agent in this scenario and revenue will be accounted for on a net basis. The same conclusion was reached under the current revenue standard and thus there will be no change in treatment upon implementation of IFRS 15.

e) Presentation and disclosure requirements

The presentation and disclosure requirements in IFRS 15 are more detailed than under the current IFRS standard. The Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.25 Standards, interpretations and amendments (continued)

***Published standards, amendments and interpretations not yet effective and not early adopted: (continued)***

**IFRS 16 *Leases* (1 January 2019)**

The new standard addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17 *Leases*, and related interpretations. In general, properties are owned by the Group with the exception of the Middle East division where properties are leased. In the 2019 financial year, the Group will evaluate the effect of IFRS 16 on its consolidated financial statements.

**Other standards**

The following new accounting standards, interpretations and amendments will have no material impact on the financial statements:

- IFRS 2 (amendment) – Classification and measurement of share-based payment transactions (1 January 2018)
- IFRS 4 – Clarification on the implementation approach together with IFRS 9 (1 January 2018)
- IAS 40 – Transfers of investment property (1 January 2018)
- IFRIC 22 – Foreign currency transactions and advance consideration (1 January 2018)
- Annual improvements 2014 – 2016 cycle – Amendments and clarifications to existing IFRS standards (1 January 2018)
- IAS 19 – Plan amendment, curtailment or settlement (1 January 2019)
- IAS 28 – Long term interests in associates and joint ventures (1 January 2019)
- IFRIC 23 – Uncertainty over income tax treatments (1 January 2019)
- Annual improvements 2015 – 2017 cycle – Amendments and clarifications to existing IFRS standards (1 January 2019)
- IFRS 17 – Insurance contracts (1 January 2021)
- IFRS 10 and IAS 28 (amendments) – Sale or contribution of assets between an investor and its associate or joint venture (postponed)

## 3. FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

Normal business activities expose the Group to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management programme seeks to minimise the effect of potential adverse events on the Group's financial performance.

***a) Market risk***

***i) Currency risk***

***Investments in foreign operations***

The Group has investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Changes in the pounds sterling/Swiss franc, pounds sterling/South African rand and pounds sterling/UAE dirham exchange rates over a period of time result in increased/decreased earnings. Other than the Group's earnings and payment of dividends which are presented and declared in sterling and thus exposed to currency risk, the Group is not significantly exposed to currency risk since the operating platforms predominantly operates and is funded in their local currency.

In the case of corporate offshore transactions and or cross-border business combinations, generally forward cover contracts are considered or taken out to minimize foreign currency risk. Currently there are no forward cover contracts in place.

The impact of a 10% change in the sterling/Swiss franc, sterling/South African rand and the sterling/UAE dirham exchange rates for a sustained period of one year is:

- profit for the period would increase/decrease by £12m (2017: increase/decrease by £14m) due to exposure to the sterling/Swiss franc exchange rate;
- profit for the period would increase/decrease by £9m (2017: increase/decrease by £8m) due to exposure to the sterling/South African Rand exchange rate;
- profit for the period would increase/decrease by £4m (2017: increase/decrease by £2m) due to exposure to the sterling/UAE dirham exchange rate;

### 3. FINANCIAL RISK MANAGEMENT (continued)

### 3.1 Financial risk factors (continued)

***a) Market risk (continued)***

***i) Currency risk (continued)***

***Investments in foreign operations (continued)***

- foreign currency translation reserve would increase/decrease by £152m (2017: increase/decrease by £196m) due to exposure to the sterling/Swiss franc exchange rate;
- foreign currency translation reserve would increase/decrease by £7m (2017: increase/decrease by £6m) due to exposure to the sterling/South African rand exchange rate; and
- foreign currency translation reserve would increase/decrease by £153m (2017: increase/decrease by £154m) due to exposure to the sterling/UAE dirham exchange rate.

***ii) Interest rate risk***

The Group's interest rate risk arises from long-term borrowings as well as short-term deposits. Borrowings and short-term deposits issued at variable rates expose the Group to cash flow interest rate risk. Interest rate derivatives expose the Group to fair value interest rate risk. Group policy is to maintain an appropriate mix between fixed and floating rate borrowings and placings.

The Group's interest rate risk arises from bank borrowings at variable interest rates. The Group manages its interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts. At year end a portion of the South African borrowings was hedged and the Swiss and Middle East borrowings was unhedged (refer to note 20). The unhedged borrowings are evaluated on a regular basis to ensure interest rate risk is managed.

With the interest rate swap agreements the Group entered into to mitigate interest rate risk, the Group did not consider there to be a significant concentration of interest rate risk.

***Interest rate sensitivity***

The sensitivity analyses below were determined based on the exposure to interest rates to net debt at the reporting date and the stipulated change taking place at the beginning of the financial year, and held constant throughout the reporting period in the case of instruments that have floating rates. The sensitivity of interest rates can be summarised as follows:

- Switzerland – at 31 March 2018, the 3M Swiss LIBOR was -0.74% (2017: -0.73%). Interest rates would have to increase by 74 basis points to have an impact on profit for the period with all other variables held constant. An increase in the interest rate of 25 basis points would have no impact on profit for the period (2017: no impact);
- Southern Africa – profit for the period would increase/decrease by £1m (2017: increase/decrease by £2m) if the interest rates had been 100 basis points higher/lower in Southern Africa with all other variables held constant; and
- Middle East – profit for the period would increase/decrease by £0.5m (2017: increase/decrease by £0.5m) if the interest rates had been 50 basis points higher/lower in the Middle East with all other variables held constant.

***iii) Other price risk***

The Group is not materially exposed to commodity or any other price risk.

***b) Credit risk***

Financial assets that potentially subject the Group to concentrations of credit risk consist principally of cash, short-term deposits, trade and other receivables and derivative financial contracts. The Group's cash equivalents and short-term deposits are placed with quality financial institutions with a high credit rating. Trade receivables are represented net of the allowance for doubtful receivables. Credit risk with respect to trade receivables is limited due to the large number of customers comprising the Group's customer base, which consists mainly of medical schemes and insurance companies. The financial condition of these clients in relation to their credit standing is evaluated on an ongoing basis. Medical schemes and insurance companies are forced to maintain minimum reserve levels. The policy for patients that do not have a medical scheme or an insurance company paying for the Group's service, is to require a preliminary payment instead. The Group does not have any significant exposure to any individual customer or counterparty.

## 3. FINANCIAL RISK MANAGEMENT (continued)

### 3.1 Financial risk factors (continued)

#### *b) Credit risk (continued)*

The Group is exposed to credit-related losses in the event of non-performance by counterparties to hedging instruments. The counterparties to these contracts are major financial institutions. The Group monitors its positions and limits the extent to which it enters into contracts with any one party.

The carrying amounts of financial assets included in the statement of financial position represent the Group's maximum exposure to credit risk in relation to these assets. At 31 March 2017 and 31 March 2018, the Group did not consider there to be a significant concentration of credit risk.

#### *c) Liquidity risk*

The Group manages liquidity risk by monitoring cash flow forecasts to ensure that it has sufficient cash to meet operational needs, while maintaining sufficient headroom on its undrawn borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

| | **2018 £'m** | 2017 £'m |
|---|---|---|
| The Group's unused overdraft facilities are: | **125** | 95 |

In addition the Group has unused banking facilities of £342m (2017: £48m).

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been prepared based on the undiscounted cash flows of financial liabilities based on the required date of repayment. The table includes both interest and principal cash flows. The analysis of derivative financial instruments has been prepared based on undiscounted net cash inflows/(outflows) that settle on a net basis.

| **Financial liabilities** | **Carrying value** | **Contractual cash flows** | **1 – 12 months** | **1 – 5 years** | **Beyond 5 years** |
|---|---|---|---|---|---|
| **31 March 2018** | | | | | |
| Borrowings | **1 937** | **2 766** | **146** | **990** | **1 630** |
| Derivative financial instruments | **2** | **2** | **1** | **1** | **–** |
| Trade payables | **210** | **210** | **210** | **–** | **–** |
| Other payables and accrued expenses | **144** | **144** | **144** | **–** | **–** |
| **31 March 2017** | | | | | |
| Borrowings | 2 030 | 2 279 | 153 | 2 048 | 78 |
| Derivative financial instruments | 9 | 9 | 7 | 2 | – |
| Trade payables | 227 | 227 | 227 | – | – |
| Other payables and accrued expenses | 167 | 167 | 167 | – | – |

## 3. FINANCIAL RISK MANAGEMENT (continued)

### 3.2 Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 17, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, retained earnings and other reserves and non-controlling interest as disclosed in notes 13, 14 and 16 respectively. The Group's Audit and Risk Committee reviews the going concern status and capital structure of the Group bi-annually. The Group balances its overall capital structure through the payment of dividends, new share issues and share buy-backs, as well as the issue of new debt or the redemption of existing debt. The Group's dividend policy is to target a pay-out ratio of between 25% and 30% of adjusted earnings. The Board may revise the policy at its discretion. The debt-to-adjusted capital ratios at 31 March 2018 and 31 March 2017 were as follows:

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

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

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. Although these estimates and assumptions are based on management's best information regarding current circumstances and future events, actual results may differ. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next financial year are discussed below.

***Critical accounting judgements***

- Level at which management monitors goodwill for impairment testing (refer to note 7)
- Useful life assigned to the Swiss trade names (refer to note 7)
- Deferred tax on unremitted earnings (refer to note 10)
- Useful lives and residual values of property, equipment and vehicles (refer to note 6)
- Determination of CGUs for impairment testing (refer to note 6)

***Key estimates***

- Impairment of properties (refer to note 6)
- Impairment of goodwill and indefinite useful life intangible assets (refer to note 7)
- Impairment of equity-accounted investments (refer to note 8)
- Recognition of deferred tax assets arising from tax losses (refer to note 10)
- Retirement benefits (refer to note 18)
- Purchase price allocation assessments (refer to note 29)

## 5. SEGMENTAL REPORT

The reportable operating segments are identified as follows: Switzerland, Southern Africa, and Middle East and additional segments are shown for the United Kingdom and Corporate.

| | | Reportable operating segments | | | Other | |
|---|---|---|---|---|---|---|
| | Total £'m | Switzerland £'m | Southern Africa £'m | Middle East £'m | United Kingdom £'m | Corporate £'m |
| **Year ended 31 March 2018** | | | | | | |
| Revenue | 2 870 | 1 349 | 877 | 643 | – | 1 |
| EBITDA | 522 | 251 | 189 | 85 | – | (3) |
| EBITDA before management fee | 522 | 254 | 194 | 88 | – | (14) |
| Management fees included in EBITDA | – | (3) | (5) | (3) | – | 11 |
| Other gains and losses | 2 | 9 | – | (7) | – | – |
| Depreciation and amortisation | (168) | (86) | (29) | (53) | – | – |
| Impairment of properties | (84) | (84) | – | – | – | – |
| Impairment of intangible assets | (560) | (560) | – | – | – | – |
| Operating (loss)/profit | (288) | (470) | 160 | 25 | – | (3) |
| Income from associate | 3 | – | – | – | 3 | – |
| Impairment of associate | (109) | – | – | – | (109) | – |
| Finance income | 9 | 1 | 7 | 1 | – | – |
| Finance cost (excluding intersegment loan interest) | (94) | (48) | (38) | (8) | – | – |
| Total finance cost | (94) | (64) | (38) | (8) | – | 16 |
| Elimination of intersegment loan interest | – | 16 | – | – | – | (16) |
| Taxation | 5 | 46 | (40) | – | – | (1) |
| **Segment result** | (474) | (471) | 89 | 18 | (106) | (4) |
| **At 31 March 2018** | | | | | | |
| Investments in associates | 352 | 2 | 2 | – | 348 | – |
| Investments in joint ventures | 5 | – | 5 | – | – | – |
| Capital expenditure | 245 | 101 | 62 | 80 | – | 2 |
| Total segment assets | 6 343 | 3 448 | 747 | 1 757 | 348 | 43 |
| Total segment liabilities (excluding intersegment loan) | 2 970 | 1 985 | 672 | 309 | – | 4 |
| Total liabilities from reportable segment | 3 827 | 2 842 | 672 | 309 | – | 4 |
| Elimination of intersegment loan | (857) | (857) | – | – | – | – |

## 5. SEGMENTAL REPORT (continued)

| | Total £'m | Reportable operating segments: Switzerland £'m | Southern Africa £'m | Middle East £'m | Other: United Kingdom £'m | Corporate £'m |
|---|---|---|---|---|---|---|
| **Year ended 31 March 2017** | | | | | | |
| Revenue | 2 749 | 1 321 | 780 | 648 | – | – |
| EBITDA | 509 | 277 | 165 | 71 | – | (4) |
| EBITDA before management fee | 509 | 279 | 170 | 74 | – | (14) |
| Management fees included in EBITDA | – | (2) | (5) | (3) | – | 10 |
| Other gains and losses | (2) | – | – | 1 | – | (3) |
| Depreciation and amortisation | (145) | (76) | (25) | (44) | – | – |
| Operating profit | 362 | 201 | 140 | 28 | – | (7) |
| Income from associate | 12 | – | – | – | 12 | – |
| Finance income | 7 | – | 7 | – | – | – |
| Finance cost (excluding intersegment loan interest) | (74) | (28) | (33) | (7) | – | (6) |
| Total finance cost | (74) | (44) | (33) | (7) | – | 10 |
| Elimination of intersegment loan interest | – | 16 | – | – | – | (16) |
| Taxation | (64) | (32) | (32) | – | – | – |
| **Segment result** | 243 | 141 | 82 | 21 | 12 | (13) |
| **At 31 March 2017** | | | | | | |
| Investments in associates | 461 | 2 | – | – | 459 | – |
| Investments in joint ventures | 4 | – | 4 | – | – | – |
| Capital expenditure | 251 | 128 | 70 | 53 | – | – |
| Total segment assets | 7 422 | 4 258 | 676 | 1 987 | 459 | 42 |
| Total segment liabilities (excluding intersegment loan) | 3 258 | 2 235 | 650 | 372 | – | 1 |
| Total liabilities from reportable segment | 4 163 | 3 140 | 650 | 372 | – | 1 |
| Elimination of intersegment loan | (905) | (905) | – | – | – | – |

| | **2018 £'m** | 2017 £'m |
|---|---|---|
| The total non-current assets, excluding financial instruments and deferred tax assets per geographical location are: | | |
| Switzerland | **2 958** | 3 700 |
| Southern Africa | **498** | 453 |
| Middle East | **1 549** | 1 712 |
| United Kingdom | **348** | 459 |

## ENTITY-WIDE DISCLOSURES

| | **2018 £'m** | 2017 £'m |
|---|---|---|
| **Revenue** | | |
| From UK | **–** | – |
| From foreign countries | **2 870** | 2 749 |

Revenues from external customers are primarily from hospital services.

| | **2018 £'m** | 2017 £'m |
|---|---|---|
| **The total non-current assets, excluding financial instruments and deferred tax assets:** | | |
| From UK | **348** | 459 |
| From foreign countries | **5 005** | 5 865 |

## 6. PROPERTY, EQUIPMENT AND VEHICLES

| | 2018 £'m | 2017 £'m |
|---|---|---|
| Land – cost | **864** | 911 |
| Buildings | **2 184** | 2 294 |
| Cost | **2 509** | 2 512 |
| Accumulated depreciation and impairment | **(325)** | (218) |
| Land and buildings | **3 048** | 3 205 |
| Capital expenditure in progress | **181** | 113 |
| Equipment | **306** | 328 |
| Cost | **810** | 795 |
| Accumulated depreciation | **(504)** | (467) |
| Furniture and vehicles | **55** | 57 |
| Cost | **224** | 218 |
| Accumulated depreciation | **(169)** | (161) |
| | **3 590** | 3 703 |

| | Land and buildings £'m | Capital expenditure in progress £'m | Equipment £'m | Furniture and vehicles £'m | Total £'m |
|---|---|---|---|---|---|
| **Net book value at 1 April 2016** | 2 771 | 131 | 251 | 46 | 3 199 |
| Additions | 57 | 77 | 83 | 22 | 239 |
| Depreciation | (37) | – | (60) | (22) | (119) |
| Prior year capital expenditure completed | 96 | (118) | 18 | 4 | – |
| Disposal of subsidiaries | (5) | – | (5) | – | (10) |
| Transfer to assets held for sale | (3) | (3) | (2) | – | (8) |
| Exchange differences | 326 | 26 | 43 | 7 | 402 |
| **Net book value at 31 March 2017** | 3 205 | 113 | 328 | 57 | 3 703 |
| Additions | **39** | **107** | **55** | **22** | **223** |
| Depreciation | **(39)** | **–** | **(70)** | **(23)** | **(132)** |
| Business combinations | **103** | **–** | **7** | **–** | **110** |
| Prior year capital expenditure completed | **28** | **(32)** | **3** | **1** | **–** |
| Impairment | **(84)** | **–** | **–** | **–** | **(84)** |
| Transfer to assets held for sale | **–** | **–** | **(1)** | **–** | **(1)** |
| Exchange differences | **(204)** | **(7)** | **(16)** | **(2)** | **(229)** |
| **Net book value at 31 March 2018** | **3 048** | **181** | **306** | **55** | **3 590** |

| | 2018 £'m | 2017 £'m |
|---|---|---|
| Total additions | **223** | 239 |
| To maintain operations | **98** | 105 |
| To expand operations | **125** | 134 |

## 6. PROPERTY, EQUIPMENT AND VEHICLES (continued)

Property, equipment and vehicles with a book value of £2 594m (2017: £2 731m) are encumbered as security for borrowings (see note 17).

Included in equipment is capitalised finance lease equipment with a book value of £2m (2017: £1m).

***Critical accounting estimates and judgements***

The estimation of the useful lives of property, equipment and vehicles is based on historical performance as well as expectations about future use and therefore requires a significant degree of judgement to be applied by management. Rates of depreciation represent management's current best estimate of the useful lives and residual values of the assets.

For a private hospital, it is fundamentally important that the earnings potential of a building is maintained on a permanent basis. The Group therefore follows a structured maintenance programme with regard to hospital buildings with the specific goal to prolong the useful lifetime of these buildings.

Property, equipment and vehicles are considered for impairment if impairment indicators are identified at an individual CGU level. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Group defines CGUs as combined inter-dependent hospitals and/or clinics or as individual hospitals depending on the geographical location or the degree of integration.

The impairment assessment is performed at CGU level and any impairment charge that arises would be allocated to the CGU's goodwill first, followed by other assets (such as property, equipment and vehicles and other intangible assets).

***Impairment of properties in Swiss CGU***

During the year, the CGUs in the Switzerland segment were tested for impairment due to changes in the market and regulatory environment in which the CGUs operate (refer to note 7 for further information about these changes). The recoverable amounts of the CGUs were based on their value in use calculations, which were determined by discounting the future cash flows that are expected to be generated from continuing use of the CGUs. The recoverable amount is the higher of the CGU's fair value less costs to sell and value in use which amounted to £448m. In determining the value in use for the CGUs, the cash flows were discounted at rates between 4.9% and 5.1%. Beyond five years, the cash flows were extrapolated using a 1.6% (2017: 1.6%) growth rate. The carrying value of one CGU was determined to be higher than its recoverable amount and as a result an impairment charge of £84m was recognised in the income statement.

## 7. INTANGIBLE ASSETS

| | **2018 £'m** | 2017 £'m |
|---|---|---|
| Goodwill | **1 253** | 1 715 |
| Cost | **1 553** | 1 715 |
| Accumulated impairment | **(300)** | – |
| Trade names | **83** | 377 |
| Cost | **386** | 399 |
| Accumulated amortisation and impairment | **(303)** | (22) |
| Computer software | **48** | 38 |
| Cost | **91** | 73 |
| Accumulated amortisation | **(43)** | (35) |
| Leases | **22** | 26 |
| Cost | **24** | 27 |
| Accumulated amortisation | **(2)** | (1) |
| | **1 406** | 2 156 |

## 7. INTANGIBLE ASSETS (continued)

| | Goodwill £'m | Trade names £'m | Computer software £'m | Leases* £'m | Total £'m |
|---|---|---|---|---|---|
| **Net book value at 1 April 2016** | 1 532 | 354 | 31 | 24 | 1 941 |
| Additions | – | – | 12 | – | 12 |
| Amortisation | – | (16) | (9) | (1) | (26) |
| Disposal of subsidiaries | (33) | – | – | – | (33) |
| Exchange differences | 216 | 39 | 4 | 3 | 262 |
| **Net book value at 31 March 2017** | 1 715 | 377 | 38 | 26 | 2 156 |
| Additions | **–** | **–** | **22** | **–** | **22** |
| Amortisation | **–** | **(24)** | **(11)** | **(1)** | **(36)** |
| Business combinations | **13** | **17** | **–** | **–** | **30** |
| Disposal of subsidiaries | **(3)** | **–** | **–** | **–** | **(3)** |
| Impairment | **(300)** | **(260)** | **–** | **–** | **(560)** |
| Exchange differences | **(172)** | **(27)** | **(1)** | **(3)** | **(203)** |
| **Net book value at 31 March 2018** | **1 253** | **83** | **48** | **22** | **1 406** |

* *Relates to favourable lease contracts on buildings. The leases are characterised by fixed annual rent with no annual rent escalations for majority of the contract.*

***Critical accounting estimates and judgements***

The Group tests annually whether goodwill and the indefinite useful life intangible assets, resulting from the Al Noor and Hirslanden acquisitions, have suffered any impairment. The recoverable amounts of CGUs have been determined based on value in use calculations. These calculations require the use of estimates in respect of growth and discount rates and assume a stable regulatory environment. Regulatory environments are subject to uncertainties that can have an impact on goodwill and the intangible assets' carrying value.

IFRS requires the impairment assessment to be performed at the level at which goodwill and trade names are monitored for impairment by management, provided that this level cannot be bigger than an operating segment. Management assesses goodwill at a Hirslanden and Mediclinic Middle East operating division level. This means that for the Mediclinic Middle East division, recoverability of goodwill is assessed by reference to the aggregated cash flows of the legacy Middle East and Al Noor businesses. The Mediclinic Middle East goodwill originated mainly from the Al Noor business combination with a portion originating from other UAE business combinations. The initial commercial rationale for the acquisition of Al Noor included expected synergies from integrating the legacy Al Noor business with the legacy MCME business that would be realised across the combined Middle East division. In accordance with IFRS, goodwill shall be allocated to all CGUs, or groups of CGUs, that are expected to benefit from the expected synergies.

The Hirslanden trade name cannot be allocated on a reasonable and consistent basis to the CGUs that consists of individual hospitals (refer to note 6). As a result, it is viewed as a corporate asset and the carrying amount of the net assets of the group of CGUs (including the allocation of trade name) is tested for impairment at Hirslanden operating division level alongside the related goodwill.

The estimation of the indefinite useful life of the Hirslanden trade name was previously based on the expectation that there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the Group. The useful lives of both the Hirslanden trade name and the other Swiss trade names were considered as part of the annual impairment test and were subsequently changed from indefinite useful lives to finite useful lives effective 31 March 2018. The respective useful lives of the Hirslanden trade name and the other Swiss trade names were determined based on an analysis of relevant factors, such as the effect of technological changes on the delivery of healthcare services, patient attendance, the effect of regulatory changes in healthcare and the possible actions by competitors. Based on the analysis, a useful life of 75 years was allocated to the remaining Hirslanden trade name and a useful life of 25 years was allocated to the other Swiss trade names reflecting the relative significance, geographical coverage and longevity of the Group's trade names in Switzerland. The impact going forward is approximately an additional £2m annual amortisation charge. This expectation requires a significant degree of management judgement.

## 7. INTANGIBLE ASSETS (continued)

***Impairment testing of significant goodwill balances and indefinite useful life trade name***

The Group tests goodwill and indefinite useful life trade names for impairment on an annual basis or more frequently if there are indications that these assets may be impaired. The annual impairment assessment is performed at year end when the budget process is finalised. The Group's impairment assessment compares the carrying value of the group of CGUs with its recoverable amount. The group of CGUs for goodwill impairment assessment purposes are identified on a segmental or operating division level in terms of IFRS 8.

The recoverable amount of a group of CGUs is determined by its value in use which is derived from discounted cash flow calculations. The key inputs to its calculations are described below.

**Forecasts**

The Group's operating divisions are required to submit budgets for the next financial year and forecasts for the following four years, which are approved by the Board. Future earnings in the value in use calculation are based on these budgets and forecasts that is calculated on a per hospital basis and considers both internal and external market information. These budgets and forecasts represent management's best view of future revenues and cash flows.

**Growth rates**

Growth rates are determined from budgeted and forecasted revenue. Terminal growth rates are country specific and determined based on the forecast market growth rates and considers long term inflation. A stable regulatory and tariff environment is assumed. Growth rates have been benchmarked against external data for the relevant markets.

**Discount rates**

The weighted average cost of capital ("**WACC**") was determined by considering the respective debt and equity costs and ratios. The discount rate is based on the risk-free rate for government bonds adjusted for a risk premium to reflect the increased risk of investing in equities. Discount rates are lower for the operating divisions which operate in more mature markets with low inflation and higher for those operating in markets with a higher inflation. Discount rates reflect the time value and the risks associated with the segment or operating division cash flows. The assumptions used in the calculation of the discount rate are benchmarked to externally available data.

The impairment calculations indicated that there was impairment in the carrying value of the Hirslanden goodwill and the Hirslanden indefinite useful life trade name. The calculation for the Mediclinic Middle East goodwill indicated no impairment.

***Impairment of the Hirslanden goodwill and the Hirslanden indefinite useful life trade name***

The recoverable amount of the Hirslanden group of CGUs was based on its value in use and amounted to £3 240m. This was determined by discounting the future cash flows to be generated from the continuing use of the Hirslanden group of CGUs. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use.

Regulatory changes implemented on 1 January 2018 (new TARMED tariffs and regulations that require enhanced outmigration of medical treatments) as well as the changing market in Switzerland had a significant impact on the Hirslanden value in use calculation both for the five year forecast period as well as the determination of the terminal value. As a result, the carrying amount of the group of CGUs was determined to be higher than its recoverable amount and an impairment of £300m and £260m was recognised against goodwill and the trade name, respectively.

***Impairment testing of Hirslanden goodwill and indefinite useful life trade names***

The Hirslanden goodwill of £nil (2017: £307m) originated mainly from the Hirslanden business combination and other smaller business combinations (refer to note 29). The Hirslanden trade name of £37m (2017: £319m) originated from the Hirslanden business combination. Key assumptions used for the value in use calculations for the annual impairment testing were as follows:

*Discount rates* – The discount rate applied to cash flow projections is 5.0% (2017: 4.7%).

*Growth rates* – The terminal growth rate beyond five years are extrapolated using a 1.6% (2017: 1.6%) growth rate.

## 7. INTANGIBLE ASSETS (continued)

***Impairment testing of Hirslanden goodwill and indefinite useful life trade names (continued)***

*Forecasts* – In comparison with the prior year, forecasted cash flows were adjusted downwards as a result of changes in the regulatory and market environment (including new TARMED tariffs and regulations that require enhanced outmigration of medical treatments).

The carrying amount of the goodwill and Hirslanden indefinite useful life trade name was impaired during the year. The impairment charge recognised in the income statement consisted of £300m for the impairment of goodwill and £260m for the impairment of the Hirslanden indefinite useful life trade name.

***Impairment testing of Mediclinic Middle East goodwill***

The Mediclinic Middle East goodwill with a carrying amount of £1 245m (2017: £1 401m) originated mainly from the Al Noor Hospital Group plc (Al Noor) business combination, with a portion originating from other UAE business combinations. Key assumptions used for the value in use calculations for the annual impairment testing were as follows:

*Discount rates* – The discount rate applied to cash flow projections is 8.7% (2017: 7.8%).

*Growth rates* – The terminal growth rate beyond five years are extrapolated using a 3.0% (2017: 2.5%) growth rate.

*Sensitivity analysis* – The recoverable amount calculated based on value in use exceeded the carrying value by approximately £245m (2017: £259m). A fall in growth rate to 1.4% (2017: 1.6%) or a rise in discount rate to 9.6% (2017: 8.5%) would reduce the headroom to nil.

***Al Noor trade name***

On 15 February 2016, an intangible asset relating to the Al Noor trade name of £33m was recognised as part of the acquisition of Al Noor. The useful life of the asset was determined to be five years. Up until the end of February 2017, £7m of the trade name was amortised. Following the announcement on 21 February 2017 regarding the rebranding of all Al Noor facilities to Mediclinic, the carrying value and the useful economic life of the trade name recognised were reassessed. The rebranding of all the Al Noor hospitals and clinics was completed during the current year. Accelerated amortisation of £7m was recognised in the previous financial year and the remainder of the balance of £23m was amortised in the current year.

## 8. EQUITY ACCOUNTED INVESTMENTS

| | **2018 £'m** | 2017 £'m |
|---|---|---|
| Investment in associates | **352** | 461 |
| Investment in joint venture | **5** | 4 |
| | **357** | 465 |

### 8.1 Investment in associates

| | **2018 £'m** | 2017 £'m |
|---|---|---|
| Listed investment | **348** | 459 |
| Unlisted investments | **4** | 2 |
| | **352** | 461 |
| ***Reconciliation of carrying value at the beginning and end of the period*** | | |
| Opening balance | **461** | 452 |
| Additional investment in unlisted associate | **2** | 1 |
| Share of net profit of associated companies | **3** | 12 |
| Impairment of listed associate | **(109)** | – |
| Dividends received from associated companies | **(5)** | (4) |
| | **352** | 461 |

## 8. EQUITY ACCOUNTED INVESTMENTS (continued)

### 8.1 Investment in associates (continued)

Set out below are details of the associate which is material to the Group:

| | Country of incorporation and place of business | % ownership |
|---|---|---|
| Spire Healthcare Group plc (Spire) | **United Kingdom** | **29.9%** |

Spire is listed on the London Stock Exchange. It does not issue publicly available quarterly financial information and has a December year-end. The investment in associate was equity accounted for the 12 months to 31 December 2017 (2017: 31 December 2016). No significant events occurred since 1 January 2018 to the reporting date.

Non-contractual relationships with consultants ("**NCRC**") were identified as part of the notional purchase price allocation as the only significant intangible asset. The fair value of the total NCRC asset was determined as £225m and the remaining useful life was assessed as 22 years. The Group's 29.9% portion of the asset amounted to £68m at the acquisition date.

During the year, an impairment loss was recognised on the Spire investment. The impairment charge decreased the notional goodwill recognised to £nil (2017: £75m) and the remainder of the impairment charge of £34m decreased the notional NCRC intangible. The carrying amount of the NCRC intangible will be amortised over its remaining useful life. The amortisation charge for the current period is £2m (2017: £4m).

Summarised financial information in respect of the Group's material associate is set out below.

| | **As at 31 Dec 2017 £'m** | As at 31 Dec 2016 £'m |
|---|---|---|
| **Summarised statement of financial position** | | |
| Non-current assets | **1 555** | 1 509 |
| Current assets | **179** | 215 |
| Total assets | **1 734** | 1 724 |
| Non-current liabilities | **(571)** | (567) |
| Current liabilities | **(125)** | (122) |
| **Net assets** | **1 038** | 1 035 |
| Mediclinic's effective interest | **29.9%** | 29.9% |
| Mediclinic's effective interest in net assets | **310** | 310 |
| Transaction costs capitalised | **10** | 10 |
| NCRC | **28** | 64 |
| Goodwill | **–** | 75 |
| **Total carrying value of equity investment** | **348** | 459 |
| Market value of listed investment at 31 March* | **251** | 389 |
| **Summarised statement of comprehensive income** | | |
| Revenue | **932** | 926 |
| Profit from continuing operations | **17** | 54 |
| Other comprehensive income | **–** | – |
| **Total comprehensive income** | **17** | 54 |

* *The market value of the listed investment on 22 May 2018 was £304m.*

*Refer to the Annexure on page 247 for further details of investments in associates.*

## 8. EQUITY ACCOUNTED INVESTMENTS (continued)

### 8.1 Investment in associates (continued)

***Critical accounting estimates and judgements***

The Group tests whether equity accounted investments have suffered any impairment when indicators of impairment are identified, in this case the significant and prolonged decline in the fair value of the investment below its carrying value. The value in use calculation of the investment is based on a discounted cash flow model. These calculations require the use of estimates in respect of growth and discount rates and it assumes a stable regulatory environment.

At 30 September 2017, the market value of the investment in Spire was £270m, which was below the carrying value. An impairment test was performed by updating the key assumptions applied in the value in use calculation performed at 31 March 2017. In particular, the Group adjusted the value in use calculation for the guidance announced by Spire in September 2017 about the current financial performance and about the related impact on short- and medium-term growth rates and revisited the other key assumptions in this context. As a result, an impairment loss of £109m was recorded against the carrying value.

At year end, another impairment test, updated for latest guidance announced by Spire in March 2018, was performed and indicated no further impairment losses. The following key assumptions were used in the calculation:

*Discount rates* – a discount rate of 5% was applied to the discreet period cash flow projections and a discount rate of 7% was applied to the terminal year.

*Growth rates* – a terminal growth rate of 2.5% was applied in the calculation.

*Sensitivity analysis* – an increase in the discount rate or a decrease in the growth rate will likely give rise to further impairment as there is little headroom to the current carrying value.

### 8.2 Investment in joint venture

| | **2018 £'m** | 2017 £'m |
|---|---|---|
| **Reconciliation of carrying value at the beginning and end of the period** | | |
| Opening balance | **4** | 3 |
| Exchange differences | **1** | 1 |
| | **5** | 4 |

The Group has a 49.9% interest in Wits University Donald Gordon Medical Centre (Pty) Ltd. The unlisted joint venture is accounted for by using its financial information for the 12 months ended 31 December 2017 (2017: 31 December 2016) since it has a different year-end.

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Details of the joint venture appear in the Annexure on page 247.

## 9. OTHER INVESTMENTS AND LOANS

| | 2018 £'m | 2017 £'m |
|---|---|---|
| ***Unlisted – no active market*** | | |
| Loans and receivables* | **7** | 5 |
| Available-for-sale: Shares | **1** | 2 |
| Other receivables** | **–** | 1 |
| Short-term deposits*** | **–** | 16 |
| | **8** | 24 |
| Non-current | **7** | 8 |
| Current | **1** | 16 |
| **Total other investments and loans** | **8** | 24 |
| ***Other investments and loans are held in the following currencies:*** | | |
| Swiss franc | **1** | 2 |
| South African rand | **7** | 5 |
| UAE dirham | **–** | 17 |
| | **8** | 24 |

* *Supported by the underlying business' financial position, the credit quality of the loans is considered satisfactory.*
** *The other receivables relate to prepaid lease agreements in the UAE.*
*** *This related to fixed deposits in the UAE, the maturity date of these deposits were during July 2017.*

## 10. DEFERRED TAX

The movement on the deferred tax account is as follows:

| | 2018 £'m | 2017 £'m |
|---|---|---|
| Opening balance | **506** | 430 |
| Income statement charge for the year | **(59)** | 21 |
| Provision for the year | **(59)** | 24 |
| Previously unused tax losses recognised | **–** | (3) |
| Exchange differences | **(38)** | 46 |
| Business combinations | **20** | – |
| Charged to other comprehensive income | **16** | 9 |
| **Balance at the end of the year** | **445** | 506 |
| Deferred income tax assets | **(22)** | (21) |
| Deferred income tax liabilities | **467** | 527 |
| | **445** | 506 |

## 10. DEFERRED TAX (continued)

The deferred tax relating to current assets and current liabilities contain temporary differences that are most likely to realise in the next 12 months. The deferred tax balance comprises temporary differences arising in separate legal entities. Offsetting has been applied on a legal entity basis. The table below shows the deferred tax balances and movements in the various categories before offsetting was applied:

| | Tangible assets £'m | Intangible assets £'m | Current assets £'m | Provisions and others £'m | Total £'m |
|---|---|---|---|---|---|
| **Deferred tax liabilities** | | | | | |
| **At 1 April 2016** | 409 | 73 | 6 | 15 | 503 |
| Charged/(credited) to the income statement | 3 | – | – | (1) | 2 |
| Exchange differences | 43 | 7 | 1 | 2 | 53 |
| **At 31 March 2017** | 455 | 80 | 7 | 16 | 558 |
| Set-off of deferred tax liabilities pursuant to set-off provisions | | | | | (31) |
| **Net deferred tax liabilities at the end of the year** | | | | | 527 |
| **At 1 April 2017** | **455** | **80** | **7** | **16** | **558** |
| Credited to the income statement | **(10)** | **(55)** | **–** | **(1)** | **(66)** |
| Business combinations | **17** | **5** | **–** | **–** | **22** |
| Exchange differences | **(30)** | **(7)** | **–** | **(1)** | **(38)** |
| **At 31 March 2018** | **432** | **23** | **7** | **14** | **476** |
| Set-off of deferred tax liabilities pursuant to set-off provisions | | | | | **(9)** |
| **Net deferred tax liabilities at the end of the year** | | | | | **467** |

The impairment of the trade names (£260m) and the impairment of the properties (£84m) lead to the release of deferred tax liabilities in the "Tangible assets" and "Intangible assets" categories of £55m and £13m respectively. Refer to notes 6 and 7 regarding the impairment charge recognised.

| | Current assets £'m | Provisions and others £'m | Long-term liabilities £'m | Derivatives £'m | Tax losses carried forward £'m | Total £'m |
|---|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | | |
| **At 1 April 2016** | (2) | (7) | (31) | (4) | (29) | (73) |
| Charged to the income statement | – | – | 1 | 2 | 16 | 19 |
| Charged to other comprehensive income | – | – | 9 | – | – | 9 |
| Exchange differences | – | – | (4) | – | (3) | (7) |
| **At 31 March 2017** | (2) | (7) | (25) | (2) | (16) | (52) |
| Set-off of deferred tax assets pursuant to set-off provisions | | | | | | 31 |
| **Net deferred tax assets at the end of the year** | | | | | | (21) |
| **At 1 April 2017** | **(2)** | **(7)** | **(25)** | **(2)** | **(16)** | **(52)** |
| (Credited)/charged to the income statement | **–** | **(2)** | **–** | **1** | **8** | **7** |
| Charged to other comprehensive income | **–** | **–** | **15** | **1** | **–** | **16** |
| Business combinations | **–** | **–** | **(2)** | **–** | **–** | **(2)** |
| **At 31 March 2018** | **(2)** | **(9)** | **(12)** | **–** | **(8)** | **(31)** |
| Set-off of deferred tax assets pursuant to set-off provisions | | | | | | **9** |
| **Net deferred tax assets at the end of the year** | | | | | | **(22)** |

## 10. DEFERRED TAX (continued)

***Critical accounting estimates and judgements***

**Recognition of deferred tax assets**

The Group has tax losses and other deductible temporary differences that have the potential to reduce tax payments in future years. Deferred tax assets are only recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable, having regard to the projected future taxable income of these entities and after taking into account specific risk factors that affect the recovery of these assets. Management uses the same profit projections for these purposes as are used by the business, for example in assessing the carrying value of goodwill. Management's judgement in this area is applied on a case-by-case basis due to the jurisdictional nature of taxation. This analysis is reconsidered at each balance sheet date.

At 31 March 2018, the Group had unutilised tax losses of approximately £96m (2017: £121m) potentially available for offset against future profits. A deferred tax asset of £8m (2017: £16m) has been recognised in respect of losses based on profitability from approved budgets and business plans. No deferred tax asset has been recognised in respect of the remaining losses due to the unpredictability and availability of future profit streams in the relevant jurisdictions. The majority of the unrecognised losses relate to the Mediclinic International plc in the United Kingdom, which have no expiry, and the remainder relate to Switzerland, which expire after seven years. Their utilisation is dependent on the profitability of the related entities. The financial projections used in assessing the future profitability are consistent with those used in assessing the carrying value of goodwill as set out in note 7. The rate of utilisation of these losses will depend on the incidence and timing of profits within each entity which consequently impacts their recognition as deferred tax assets.

Unused tax losses for the Group are as follows:

| | **2018 £'m** | 2017 £'m |
|---|---|---|
| ***Unused tax losses not recognised as deferred tax assets*** | | |
| Expiry in 1 year | **–** | 1 |
| Expiry in 2 years | **18** | – |
| Expiry in 3 to 7 years | **5** | 13 |
| No expiry | **40** | 33 |
| | **63** | 47 |

**Deferred tax on unremitted earnings**

The Group recognised a deferred tax liability of £1m (2017: £nil) in respect of temporary differences relating to unremitted earnings. This liability relates to non-resident shareholder tax of the Group's Namibian subsidiaries and the amount is included in the "provisions and other" category of deferred tax liabilities above. No deferred tax liability has been recognised for the other foreign subsidiaries and equity accounted investments of the Group where the Group is able to control the timing of any distributions and it is not probable that any distributions will be made in the foreseeable future. Similarly, tax is not provided where it is expected at the reporting date that such distributions will not give rise to a tax liability. The gross timing difference in this regard amounts to £1 616m (2017: £1 518m). There are no significant expected income tax consequences of earnings being distributed from Switzerland and the UAE, as there is no dividend withholding tax applicable to earnings being distributed from these operations neither should there be any tax liability on the receipt of these dividends. Although South African distributions to the UK are typically subject to dividend withholding taxes, distributions from South Africa are not expected to have income tax consequences in the foreseeable future as the operations in South Africa have a significant contributed tax capital balance from which may be paid dividends free from withholding tax. In line with the South African Reserve Bank requirement, it is intended that dividends to the South African resident shareholders on the South African share register will be paid from the dividend access scheme. Refer to note 13 for details on the dividend access scheme.

## 11. INVENTORIES

| | 2018 £'m | 2017 £'m |
|---|---|---|
| ***Inventories consist of:*** | | |
| Pharmaceutical products | **80** | 79 |
| Consumables | **10** | 10 |
| Finished goods and work in progress | **–** | 1 |
| | **90** | 90 |

The cost of inventories recognised as an expense and included in cost of sales amounted to £683m (2017: £630m).

## 12. TRADE AND OTHER RECEIVABLES

| | 2018 £'m | 2017 £'m |
|---|---|---|
| Trade receivables | **485** | 466 |
| Less provision for impairment of receivables | **(45)** | (41) |
| Trade receivables – net | **440** | 425 |
| Other receivables* | **167** | 166 |
| | **607** | 591 |

* *Included in other receivables are Swiss unbilled services of £79m (2017: £79m). More than 92% will be recovered by Swiss insurance companies and federal authorities (cantons). Swiss insurance companies are subject to regular creditworthiness checks (e.g. minimum reserve levels).*

Trade and other receivables are categorised as loans and receivables. The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

| | 2018 £'m | 2017 £'m |
|---|---|---|
| Swiss franc | **380** | 379 |
| South African rand | **90** | 83 |
| UAE dirham | **137** | 129 |
| | **607** | 591 |

Trade receivables to the value of £61m (2017: £53m) have been ceded as security for banking facilities.

Included in the Group's trade receivables balance are trade receivables with a carrying value of £167m (2017: £165m) that are past due at the reporting date, but which the Group has not impaired as there has not been a significant change in credit quality and the amounts are still considered to be recoverable. The ageing of these receivables are as follows:

| | 2018 £'m | 2017 £'m |
|---|---|---|
| Up to 3 months | **90** | 106 |
| Between 3 and 6 months | **41** | 40 |
| Over 6 months | **36** | 19 |
| | **167** | 165 |

## 12. TRADE AND OTHER RECEIVABLES (continued)

| | 2018 £'m | 2017 £'m |
|---|---|---|
| ***Movement in the provision for impairment of receivables*** | | |
| Opening balance | **41** | 19 |
| Provision for receivables impairment | **23** | 26 |
| Exchange differences | **(10)** | 11 |
| Amounts written off as uncollectable | **(9)** | (15) |
| **Balance at the end of the year** | **45** | 41 |

Amounts written off during the year relate to individually identified accounts that are considered to be uncollectable.

Provision for impairment of receivables is based on historical collection trends, current market conditions and expected future cash flows.

Management considers the credit quality of the unprovided trade receivables to be high in light of the nature of these trade receivables as described in note 3.1(b).

## 13. SHARE CAPITAL

| | 2018 £'m | 2017 £'m |
|---|---|---|
| **Issued share capital** | | |
| Share capital | **74** | 74 |
| Share premium | **690** | 690 |
| Treasury shares | **(1)** | (2) |
| | **763** | 762 |

| **Ordinary Shares** | 2018 | 2017 |
|---|---|---|
| Number of shares in issue | **737 243 810** | 737 243 810 |
| Nominal value | **10p** | 10p |

Value: indicating nominal and share premium amount

Rights of the Ordinary Shares (the "**Ordinary Shares**") to profits: All dividends shall be declared and paid according to the amounts paid up on the Ordinary Shares.

Rights of the Ordinary Shares to capital: If there is a return of capital on winding-up or otherwise, the Ordinary Shares shall confer full rights but they do not confer any rights of redemption, and shall rank after the Subscriber Shares.

Voting rights of the Ordinary Shares: The Ordinary Shares shall confer, on each holder of the Ordinary Shares, the right to receive notice of and to attend, speak and vote at all general meetings of the Company. Each Ordinary Share carries the right to one vote on a poll.

## 13. SHARE CAPITAL (CONTINUED)

| **Treasury Shares** | **Number of shares** | **Total £'m** |
|---|---|---|
| At 1 April 2016 | 272 781 | (2) |
| Utilised by the Mpilo Trusts | (1 161) | – |
| At 31 March 2017 | 271 620 | (2) |
| Vesting of Forfeitable Share Plan | **(137 948)** | **1** |
| At 31 March 2018 | **133 672** | **(1)** |
| **The balance of the treasury shares comprise:** | | |
| Forfeitable Share Plan | **101 342** | |
| Mpilo Trusts | **32 330** | |
| | **133 672** | |

| **Subscriber Shares – fully paid up** | **2018** | 2017 |
|---|---|---|
| Number of shares in issue | **–** | 10 |
| Nominal value (pence) | **–** | 10p |

Value: indicating nominal and share premium amount

10 issued Ordinary Shares were converted into and designated as Subscriber Shares of 10 pence each. The Subscriber Shares carry no rights to receive any of the profits of the Company available for distribution by way of dividend or otherwise. If there is a return of capital on a winding-up or otherwise, the assets of the Company available for distribution among the members shall be applied first in repaying in full to the holder of the Subscriber Shares the amount paid up on such shares.

Except as provided above, the Subscriber Shares shall not carry any right to participate in profits or assets of the Company. The holders of the Subscriber Shares shall not be entitled to receive notice of or attend and vote at any general meeting of the Company unless a resolution is proposed which varies, modifies, alters or abrogates any of the rights attaching to the Subscriber Shares.

The Subscriber Shares were cancelled during the year.

***Dividend Access Scheme ("DAS")***
A wholly-owned subsidiary of the Company, Mediclinic International (RF) (Pty) Ltd, formed a Dividend Access Trust to comply with a South African Reserve Bank requirement that dividends from a South African source due to South African shareholders on the South African share register must be paid locally to avoid an outflow of funds from South Africa.

The beneficiaries of the trust are the South African shareholders of the Company who hold their shares via the South African share register on the relevant record date in respect of each distribution paid through the DAS. The Dividend Access Trust does not participate in any profits.

When a dividend is declared by the Company, the Dividend Access Trust would receive a dividend from Mediclinic International (RF) (Pty) Ltd, which in turn is paid over to the Company's transfer secretaries in South Africa, who arrange for the payment of the relevant amount to the South African shareholders (the beneficiaries of the trust) through the usual dividend payment procedures, as if they were dividends received from Mediclinic International plc. To the extent that the dividends due to South African shareholders are not ultimately funded from Mediclinic International (RF) (Pty) Ltd, they receive those dividends as normal dividends from Mediclinic International plc. The South African shareholders' entitlement to receive dividends declared by Mediclinic International plc is reduced by any amounts they receive via the trust.

## 14. OTHER RESERVES

| | 2018 £'m | 2017 £'m |
|---|---|---|
| **Other reserves comprise of:** | | |
| Equity-settled share-based payment reserves (refer to note 15) | **1** | 24 |
| Foreign currency translation reserve | **468** | 779 |
| Hedging reserve | **5** | 4 |
| Reverse acquisition reserve* | **(3 014)** | (3 014) |
| Capital redemption reserve** | **6** | 6 |
| | **(2 534)** | (2 201) |
| ***Movements in other reserves*** | | |
| **Equity-settled share-based payment reserves (refer to note 15)** | **1** | 24 |
| Opening balance | **24** | 24 |
| Share-based payment expense | **1** | – |
| Settlement of Forfeitable Share Plan | **(1)** | – |
| Transfer to retained earnings | **(23)** | – |
| **Foreign currency translation reserve** | **468** | 779 |
| Opening balance | **779** | 407 |
| Currency translation differences | **(311)** | 372 |
| **Hedging reserve** | **5** | 4 |
| Opening balance | **4** | 4 |
| Fair value adjustments of cash flow hedges, net of tax | **1** | – |

### *Reverse acquisition*

During February 2016, Mediclinic completed the combination between Al Noor Hospitals Group plc (Al Noor) and Mediclinic International Limited. The combination was classified as a reverse acquisition.

* *The reverse acquisition reserve represents the net of the following adjustments resulting from the Al Noor reverse acquisition:*
- *adjustment of the capital structure (share capital and share premium) of the Group to that of the legal parent;*
- *adjustment to account for the premium on shares issued to the Mediclinic International Limited shareholders; and*
- *the share value component of the total consideration.*

** *The UK Companies Act provides that where shares of a company are repurchased and funded by a new issue of shares, the amount by which the Company's issued share capital is diminished on cancellation of the shares are transferred to a capital redemption reserve to maintain capital. The reduction of the Company's share capital shall be treated as if the capital redemption reserve was paid up capital of the Company.*

## 15. SHARE-BASED PAYMENTS

| | 2018 £'m | 2017 £'m |
|---|---|---|
| Equity-settled share-based payment reserve (refer to note 14 and 15.1) | **1** | 24 |
| Cash-settled share-based payment liability (refer to note 15.2) | **1** | 1 |
| **Total share-based payment reserves and liabilities** | **2** | 25 |

### 15.1 Equity settled share-based payment arrangements

| | 2018 £'m | 2017 £'m |
|---|---|---|
| **The balance of the equity-settled share-based payment reserve comprise:** | | |
| Executive share option scheme* | **–** | 1 |
| Forfeitable Share Plan | **1** | 1 |
| Al Noor share option scheme* | **–** | (2) |
| Mpilo trusts (employee share trusts)* | **–** | 17 |
| Strategic South African black partners* | **–** | 7 |
| | **1** | 24 |
| **Expenses arising from equity-settled share-based payment transactions** | | |
| Forfeitable Share Plan | **1** | – |
| | **1** | – |

* *During the financial year, the balance of the reserve relating to the executive share option scheme, the Al Noor share option scheme, the Mpilo Trusts and the strategic South African black partners were transferred to retained earnings. These share-based payment arrangements were settled in the previous financial years.*

***Forfeitable Share Plan***

The Mediclinic International Limited Forfeitable Share Plan ("**FSP**") was approved by the Company's shareholders in July 2014 as a long-term incentive scheme for selected senior management (executive directors and prescribed officers). This share-based payment arrangement is accounted for as an equity-settled share-based payment transaction. With the change in control and the acquisition of Al Noor, the performance conditions of FSP have been finalised to the extent that the performance conditions were met as at 30 September 2015. The performance conditions constitute a combination of: absolute total shareholder return ("**TSR**") (40% weighting) and adjusted diluted headline earnings per share (60% weighting). The vesting of the shares granted in 2015 are subject to continued employment. The remaining shares will vest after the vesting period has lapsed in June 2018.

| | Weighted average fair value at grant date offer price | 2018 Number of shares | 2017 Number of shares |
|---|---|---|---|
| Opening balance | **R87.41** | **239 290** | 239 290 |
| Granted | | **–** | – |
| Shares sold | | **–** | – |
| Vested | | **(137 948)** | – |
| **Closing balance** | | **101 342** | 239 290 |

A valuation has been determined and an expense recognised over a three-year period. The fair value of the TSR performance condition has been determined by using the Monte Carlo simulation model and for the headline earnings per share performance condition, consensus forecasts have been used. The following assumptions were used with the valuation of the scheme: risk-free rate of 7.49%, dividend yield of 1.0% and volatility of 20%.

Apart from the FSP, there are no other share option schemes in place. Therefore, no director exercised any rights in relation to share option schemes during the reporting period.

## 15. SHARE-BASED PAYMENTS (continued)

### 15.2 Cash-settled share-based payment arrangements

***Long-term incentive plan ("LTIP") awards***

The LTIP awards are phantom shares awarded to selected senior management. This share-based payment arrangement is accounted for as a cash-settled share-based payment transaction.

Under the LTIP, conditional phantom shares are granted to selected employees of the Group. The vesting of these shares are subject to continued employment and is conditional upon achievement of performance targets, measured over a three-year period. The performance conditions for the year under review constitute a combination of: absolute total shareholder return ("**TSR**") (40% weighting) and adjusted earnings per share (60% weighting).

| | **2018 £'m** | 2017 £'m |
|---|---|---|
| Opening balance | **1** | – |
| Share-based payment expense* | **–** | 1 |
| Benefits paid | **–** | – |
| **Closing balance** | **1** | 1 |

* *Amount is less than £0.5m.*

A reconciliation of the movement in the LTIP award units is detailed below:

| | **Average price (pence)** | **2018 Number of shares** | 2017 Number of shares |
|---|---|---|---|
| Opening balance | | **284 011** | – |
| Granted | **781 – 1 059** | **593 492** | 287 694 |
| Vested | **809 – 1 000** | **(1 657)** | (3 683) |
| Lapsed | | **–** | – |
| **Closing balance** | | **875 846** | 284 011 |

Valuation assumptions relating to the outstanding units:

| | **2017 LTIP allocation** | 2016 LTIP allocation |
|---|---|---|
| Grant date | **1 June 2017** | 14 June 2016* |
| Vesting date | **1 June 2020/2022*** | 14 June 2019/2021** |
| Outstanding units | **593 492** | 271 579 |
| Closing share price | **601** | 601 |
| Risk-free interest rate | **0.82% – 1.01%** | 0.74% – 0.89% |
| Expected dividend yield | **0.0%** | 0.0% |
| Volatility | **34.7%** | 34.7% |

* *49 281 units were allocated on 1 August 2016*
** *101 376 units vests on 31 July 2018 and 49 281 units vests on 14 June 2021*
*** *129 626 units vests on 31 July 2018 and 65 263 units vests on 1 June 2022*

Certain awards were also granted to management that were subject only to service conditions. These awards were granted on 1 September 2016 and vest on different dates between 1 September 2016 and 14 June 2019. The total number of these awards granted was 16 115. Of these awards, 3 683 vested in 2017 and 1 657 units of these awards vested in 2018.

## 16. NON-CONTROLLING INTERESTS

| | 2018 £'m | 2017 £'m |
|---|---|---|
| Opening balance | **78** | 61 |
| Transactions with non-controlling shareholders* | **1** | (4) |
| Dividends to non-controlling shareholders | **(10)** | (9) |
| Non-controlling shareholders derecognised on disposal of subsidiaries | **(1)** | – |
| Share of total comprehensive income | **19** | 30 |
| Share of profit | **18** | 14 |
| Currency translation differences | **1** | 16 |
| **Non-controlling interest** | **87** | 78 |

* *In the prior year, the statement of cash flows includes an amount of £15m relating to the acquisition of non-controlling interest. Included in this amount is £14m which relates to the acquisition of the minority share in Al Madar Medical Centre LLC in the prior year.*

Details of non-wholly-owned subsidiaries that have material non-controlling interests ("**NCIs**"):

| | 2018 | 2017 |
|---|---|---|
| **Mediclinic (Pty) Ltd**** | | |
| Ownership interest held by NCI | **3.6%** | 3.7% |
| Accumulated non-controlling interests in statement of financial position | **7** | 7 |
| Profit allocated to non-controlling interests | **2** | 2 |
| **Curamed Holdings (Pty) Ltd (group)**** | | |
| Ownership interest held by NCI | **30.4%** | 30.4% |
| Accumulated non-controlling interests in statement of financial position | **22** | 21 |
| Profit allocated to non-controlling interests | **4** | 4 |

** *Place of business: South Africa*

## 16. NON-CONTROLLING INTERESTS (continued)

Summarised financial information in respect of the Group's subsidiaries that has material NCIs is set out below. The summarised financial information below represents amounts before inter-group eliminations.

| | 2018 £'m | 2017 £'m |
|---|---|---|
| **Mediclinic (Pty) Ltd** | | |
| Non-current assets | **168** | 167 |
| Current assets | **158** | 129 |
| Non-current liabilities | **(36)** | (32) |
| Current liabilities | **(161)** | (150) |
| Revenue | **391** | 350 |
| Profit for the year | **39** | 38 |
| Other comprehensive income | **–** | – |
| Total comprehensive income | **39** | 38 |
| Net cash inflow from operating activities | **62** | 55 |
| Net cash outflow from investing activities | **(15)** | (27) |
| Net cash outflow from financing activities | **(45)** | (27) |
| Net cash inflow | **1** | 1 |
| **Curamed Holdings (Pty) Ltd (group)** | | |
| Non-current assets | **50** | 37 |
| Current assets | **38** | 45 |
| Non-current liabilities | **(3)** | (3) |
| Current liabilities | **(12)** | (12) |
| Revenue | **66** | 60 |
| Profit for the year | **13** | 13 |
| Other comprehensive income | **–** | – |
| Total comprehensive income | **13** | 13 |
| Net cash inflow from operating activities | **15** | 16 |
| Net cash outflow from investing activities | **(14)** | (9) |
| Net cash outflow from financing activities | **(8)** | (7) |
| Net cash outflow | **(7)** | – |

## 17. BORROWINGS

| | 2018 £'m | 2017 £'m |
|---|---|---|
| Bank loans | **1 559** | 1 642 |
| Preference shares | **200** | 199 |
| Listed bonds | **176** | 189 |
| Other liabilities | **2** | – |
| | **1 937** | 2 030 |
| Non-current borrowings | **1 866** | 1 961 |
| Current borrowings | **71** | 69 |
| **Total borrowings** | **1 937** | 2 030 |

## 17. BORROWINGS (continued)

| | | **2018 £'m Non-current** | **2018 £'m Current** | 2017 £'m Non-current | 2017 £'m Current |
|---|---|---|---|---|---|
| **Swiss operations (denominated in Swiss franc)** | | | | | |
| Secured bank loan one[1] | These loans bear interest at variable rates linked to the 3M LIBOR plus 1.25% (2017: 3M LIBOR plus 1.5% and 2.85%) and are repayable by 16 October 2023. The non-current portion includes capitalised financing costs of £11m (2017: £22m). | **1 085** | **26** | 1 138 | 40 |
| Secured bank loan two[1] | These loans were acquired as part of the Linde acquisition and bear interest linked to the 3M LIBOR plus 0.92% and are repayable during May 2023. | **13** | **–** | – | – |
| Secured bank loan three[2] | This fixed interest mortgage loan was acquired as part of the Linde acquisition and bears interest at 0.9% compounded quarterly. The loan is repayable by December 2023. | **7** | **–** | – | – |
| Listed bonds | The listed bonds consist of CHF145m 1.625% and CHF90m 2% Swiss franc bonds. The bonds are repayable on 25 February 2021 and 25 February 2025 respectively. | **176** | **–** | 189 | – |
| Secured long term finance[3] | These liabilities bear interest at variable rates ranging between 1% and 12% (2017: 8% and 12%) and are repayable in equal monthly payments in periods ranging from one to five years. | **1** | **1** | – | – |
| **Balance carried forward** | | **1 282** | **27** | 1 327 | 40 |

*[1] The loan is secured by Swiss properties with a book value of £2 326m (2017: £2 483m) and Swiss bank accounts with a book value of £64m (2017: £142m).*
*[2] These loans are secured by mortgage notes on the properties and buildings of the Linde Group.*
*[3] Equipment with a book value of £2m (2017: £1m) is encumbered as security for these loans.*

## 17. BORROWINGS (continued)

| | | 2018 £'m Non-current | 2018 £'m Current | 2017 £'m Non-current | 2017 £'m Current |
|---|---|---|---|---|---|
| **Balance carried forward** | | **1 282** | **27** | 1 327 | 40 |
| **Southern African operations (denominated in South African rand)** | | | | | |
| Secured bank loan one[4] | The loan bears interest at the 3 month JIBAR variable rate plus a margin of 1.51% (2017: 1.51%) compounded quarterly, and is repayable on 3 June 2019. | **208** | **2** | 206 | 1 |
| Secured bank loan two[4] | The loan bears interest at the 3 month JIBAR variable rate plus a margin of 1.69% (2017: 1.69%) compounded quarterly and is repayable on 15 December 2020. | **73** | **-** | 72 | – |
| Secured bank loan three[4] | The loan bears interest at the 3 month JIBAR variable rate plus a margin of 1.06% (2017: 1.06%) compounded quarterly. The remaining amount was repaid on 9 October 2017. | **-** | **-** | – | 7 |
| Secured bank loan four[5] | These loans bear interest at variable rates linked to the prime overdraft rate and are repayable in periods ranging between one and twelve years. | **6** | **2** | 4 | 1 |
| Preference shares[4] | Dividends are payable monthly at a rate of 69% of prime interest rate (10.0%) (2017: 10.5%). The outstanding balance will be redeemed on 3 June 2019. | **108** | **1** | 108 | 1 |
| Preference shares | Dividends are payable semi-annually at a rate of 73% of the prime interest rate (10.0%) (2017: 10.5%). The amount is repayable on 29 June 2020. | **91** | **-** | 90 | – |
| **Middle East operations (denominated in UAE dirham)** | | | | | |
| Secured bank loan one[6] | The loan bears interest at variable rates linked to the 3M LIBOR and a margin of 2.50% (2017: 2.75%) with respective 4-year and 5-year amortising terms, expiring in June 2020 and May 2021. | **98** | **39** | 154 | 19 |
| | | **1 866** | **71** | 1 961 | 69 |

4 *Property and equipment with a book value of £251m (2017: £231m) are encumbered as security for these loans. Cash and cash equivalents of £34m (2017: £9m) and trade receivables of £60m (2017: £52m) have also been ceded as security for these borrowings.*

5 *Property, equipment and vehicles with a book value of £15m (2017: £16m) are encumbered as security for these loans. Net trade receivables of £1m (2017: £1m) have also been ceded as security for these loans.*

6 *Shares of investments in Emirates Healthcare Holdings Limited and Emirates Healthcare Limited are encumbered as security for these loans as well as an account pledge on receivable collection accounts.*

## 17. BORROWINGS (continued)

On 16 October 2017, Hirslanden signed a new facility agreement for the secured bank loans. The financing amounts to £1.5bn (CHF2bn), including a £1.2bn (CHF1.5bn) term loan, £308m (CHF400m) capex facility and £77m (CHF100m) revolving facility. The effective date for funding and closing is 31 October 2017.

The refinancing agreement in Hirslanden has been treated as an extinguishment of the original financial liability due to the substantial modifications of the terms (including the term of the financing and the margin). As a result, the original financial liability was derecognised and a new financial liability was recognised. The unamortised portion of the capitalised finance cost of the original agreement of £19m was derecognised as a result of the extinguishment of the liability (refer to note 24).

## 18. RETIREMENT BENEFIT OBLIGATIONS

| | **2018 £'m** | 2017 £'m |
|---|---|---|
| **Statement of financial position obligations for:** | | |
| Swiss pension benefit obligation | **4** | 73 |
| South African post-retirement medical benefit obligation | **40** | 35 |
| UAE end-of-service benefit obligation | **52** | 56 |
| | **96** | 164 |
| Total retirement benefit obligations | **96** | 164 |
| Short-term portion of retirement benefit obligations | **(10)** | (10) |
| **Non-current retirement benefit obligations** | **86** | 154 |
| **Total amount charged to the income statement:** | | |
| Swiss pension benefit obligation | **34** | 23 |
| South African post-retirement medical benefit obligation | **6** | 5 |
| UAE end-of-service benefit obligation | **9** | 8 |
| | **49** | 36 |
| **Total amount credited to the other comprehensive income:** | | |
| Swiss pension benefit obligation | **(74)** | (45) |
| South African post-retirement medical benefit obligation | **–** | – |
| UAE end of service benefit obligation | **(2)** | 2 |
| | **(76)** | (43) |

***Critical accounting estimates and judgements***

The cost of defined benefit pension plans, post-retirement medical benefit liability obligations and the UAE end-of-service obligations are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty and can have a material impact on the valuations. Details of the key assumptions for each relevant obligation, together with the sensitivities of the carrying value of the obligations, are disclosed below.

## 18. RETIREMENT BENEFIT OBLIGATIONS (continued)

***(a) Swiss pension benefit obligation***

The Group's Swiss operations has six defined benefit pension plans, namely:

- Pensionskasse Hirslanden (cash balance plan)
- Vorsorgestiftung VSAO (cash balance plan) (Association for Swiss Assistant and Senior Doctors)
- Radiotherapie Hirslanden AG; Pension fund at foundation "pro" (cash balance plan)
- Clinique La Colline SA; Pension fund at banque cantonal vaudois (cash balance plan)
- Privatklinik Linde AG; Pension fund at foundation Gemini (cash balance plan)
- Röntgeninstitut Cham AG; Pension fund at foundation Swisscanto (cash balance plan)

| **Swiss pension benefit obligation** | **2018 £'m** | 2017 £'m |
|---|---|---|
| ***Statement of financial position*** | | |
| **Amounts recognised in the statement of financial position are as follows:** | | |
| Present value of funded obligations | **1 045** | 1 086 |
| Fair value of plan assets | **(1 041)** | (1 013) |
| **Net pension liability** | **4** | 73 |
| **The movement in the defined benefit obligation over the period is as follows:** | | |
| Opening balance | **1 086** | 949 |
| Current service cost | **37** | 35 |
| Interest cost | **6** | 4 |
| Past service cost | **(4)** | (13) |
| Employee contributions | **34** | 30 |
| Benefits paid | **(35)** | (16) |
| Business combinations | **39** | – |
| Actuarial gain | **(45)** | (3) |
| Exchange differences | **(73)** | 100 |
| **Balance at the end of the year** | **1 045** | 1 086 |
| **The movement of the fair value of plan assets over the period is as follows:** | | |
| Opening balance | **1 013** | 830 |
| Employer contributions | **38** | 35 |
| Plan participants contributions | **34** | 30 |
| Benefits paid from fund | **(35)** | (16) |
| Business combinations | **28** | – |
| Interest income on plan assets | **6** | 4 |
| Return on plan assets greater than discount rate | **29** | 42 |
| Administration costs | **(1)** | (1) |
| Exchange differences | **(71)** | 89 |
| **Balance at the end of the year** | **1 041** | 1 013 |

## 18. RETIREMENT BENEFIT OBLIGATIONS (continued)

| Swiss pension benefit obligation (continued) | 2018 £'m | 2017 £'m |
|---|---|---|
| ***Statement of financial position (continued)*** | | |
| **Net pension liability reconciliation** | | |
| Opening net liability | **73** | 119 |
| Expenses recognised in the income statement | **34** | 23 |
| Contributions paid by employer | **(38)** | (35) |
| Business combinations | **11** | – |
| Exchange differences | **(2)** | 11 |
| Actuarial gain | **(74)** | (45) |
| **Closing net liability** | **4** | 73 |
| ***Statement of other comprehensive income*** | | |
| **Amounts recognised in other comprehensive income are as follows:** | | |
| Actuarial loss – experience | **(6)** | (9) |
| Actuarial gain due to liability assumption changes | **51** | 12 |
| Return on plan assets greater than discount rate | **29** | 42 |
| **Total other comprehensive income** | **74** | 45 |
| ***Income statement*** | | |
| **Amounts recognised in the income statement are as follows:** | | |
| Current service cost | **37** | 35 |
| Past service cost | **(4)** | (13) |
| Interest on liability | **6** | 4 |
| Interest on plan assets | **(6)** | (4) |
| Administration cost | **1** | 1 |
| | **34** | 23 |
| Actual return on plan assets | **35** | 46 |
| ***Principal actuarial assumptions on statement of financial position*** | | |
| Discount rate | **0.75%** | 0.55% |
| Future salary increases | **1.75%** | 1.50% |
| Future pension increases | **0.00%** | 0.00% |
| Inflation rate | **1.25%** | 1.00% |
| ***Number of plan members*** | | |
| Active members | **9 168** | 8 969 |
| Pensioners | **844** | 744 |

## 18. RETIREMENT BENEFIT OBLIGATIONS (continued)

| Swiss pension benefit obligation (continued) | 2018 £'m | 2018 % | 2017 £'m | 2017 % |
|---|---|---|---|---|
| **Asset allocation** | | | | |
| **Quoted investments** | | | | |
| Fixed income investments | **352** | **33.8%** | 338 | 33.4% |
| Equity investments | **247** | **23.7%** | 255 | 25.2% |
| Real estate | **28** | **2.7%** | 60 | 5.9% |
| Other | **138** | **13.3%** | 98 | 9.7% |
| | **765** | **73.5%** | 751 | 74.1% |
| **Non-quoted investments** | | | | |
| Fixed income investments | **4** | **0.4%** | 3 | 0.3% |
| Equity investments | **13** | **1.2%** | 12 | 1.2% |
| Real estate | **207** | **19.9%** | 181 | 17.9% |
| Other | **52** | **5.0%** | 66 | 6.5% |
| | **276** | **26.5%** | 262 | 25.9% |
| | **1 041** | **100.0%** | 1 013 | 100.0% |

***Assumptions and sensitivity analysis***

| Impact on defined benefit obligation | Base assumption | Change in assumption | Increase | Decrease |
|---|---|---|---|---|
| Discount rate | **0.75%** | **0.25%** | **(2.6%)** | **2.7%** |
| Salary growth rate | **1.75%** | **0.50%** | **0.8%** | **(0.8%)** |
| Pension growth rate | **0.00%** | **0.25%** | **2.3%** | **0.0%** |

| | Change in assumption | Increase by 1 year in assumption | Decrease by 1 year in assumption |
|---|---|---|---|
| Life expectancy (mortality) | **1 year in expected life time of plan participant** | **2.0%** | **(2.0%)** |

The Group accounts for actuarially determined future pension benefits and provides for the expected liability in the statement of financial position. The assumptions used to calculate the expected liability are based on actuarial advice. The discount rate is based on market yields obtained on high quality corporate bonds that have durations consistent with the term of the obligation. It has been assumed that salary growth rate will take place at a rate in line with price inflation.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

## 18. RETIREMENT BENEFIT OBLIGATIONS (continued)

***(a) Swiss pension benefit obligation (continued)***

***Assumptions and sensitivity analysis (continued)***

Expected employer contributions to be paid to the pension plans for the year ended 31 March 2018 are £32m and it is anticipated that these contributions will remain at a similar level in the foreseeable future subject to change in financial conditions.

The weighted average duration of the defined benefit obligation is 12.9 years (2017: 13.6 years). The maturity profile of the defined benefit obligation is as follows:

| | <= 1 year £'m | 1 – 5 years £'m | > 5 years £'m | Total £'m |
|---|---|---|---|---|
| **31 March 2018** | | | | |
| Defined benefit obligation | **73** | **219** | **877** | **1 169** |
| **31 March 2017** | | | | |
| Defined benefit obligation | 73 | 220 | 898 | 1 191 |

***Pension plan results***

The assumptions underlying the valuation of the Swiss pension obligation were reassessed during the year and as a result the following adjustments were made:

- The discount rate used to value plan obligations has changed from 0.55% to 0.75%.
- The assumed underlying inflation rate was increased from 1.00% to 1.25%, impacting the salary increase rate.
- The future mortality improvement rates have been based on the 2016 CMI mortality improvement rates with a 1.25% long-term trend rate.

The change in the above mentioned assumptions coupled with an increase in the fair value of the plan assets resulted in a decrease of the net liability after taking into account the additional defined benefit liability of £11m acquired through business combinations (refer to note 29).

***Additional information on Swiss defined benefit pension plans***

Additional information are provided for the largest two Swiss defined benefit pension plans:

**Pensionskasse Hirslanden**

For employees of Hirslanden Group in Switzerland, the Pensionskasse Hirslanden ("**PH**") Fund provides post-employment, death-in-service and disability benefits in accordance with the Federal Law on Occupational Old-age, Survivor's and Disability Insurance (German: BVG). PH Fund is a foundation and an entity legally separate from Hirslanden Group. The PH Fund's governing body is composed of an equal number of employer and employee representatives. This governing body determines the level of benefits and the investment strategy for the plan assets based on asset-liability analyses performed periodically. The basis for these asset-liability analyses are the statutory pension obligations, as these largely determine the cash flows of the PH Fund. In addition, the investment of the plan assets is based on regulations developed by the governing body in accordance with the legal investment guidelines (BVV2). The investment committee of the governing body is responsible for their implementation.

The investment strategy complies with the legal guidelines and is relatively conservative. Alternative investments and unhedged foreign currency positions are rare.

The benefits of the pension plan are substantially higher than the legal minimum. They are determined by the employer's and employee's contributions and interest granted on the plan members' accumulated savings; the interest rate is determined annually by the governing body in accordance with the legal framework (defined contribution, as defined by the occupational pension law). The employee's and the employer's contributions are determined based on the insured salary and range from 1.25% to 15.5% of the insured salary depending on the age of the beneficiary.

## 18. RETIREMENT BENEFIT OBLIGATIONS (continued)

### *(a) Swiss pension benefit obligation (continued)*

#### *Additional information on Swiss defined benefit pension plans (continued)*

**Pensionskasse Hirslanden (continued)**

If an employee leaves Hirslanden Group or the pension plan respectively before reaching retirement age, the law provides for the transfer of the vested benefits to the new pension plan. These vested benefits comprise the employee's and the employer's contributions plus interest, the money originally brought in to the pension plan by the beneficiary. On reaching retirement age, the plan participant may decide whether to withdraw the benefits in the form of an annuity or (partly) as a lump-sum payment. The pension law requires adjusting pension annuities for inflation depending on the financial condition of the pension fund. Although the pension plan is fully funded at present in accordance with the pension law, the financial situation of the PH Fund will not allow for inflation adjustments.

The pension law in Switzerland envisages that benefits provided by a pension fund are fully financed through the annual contributions defined by the regulations. If insufficient investment returns or actuarial losses lead to a plan deficit as defined by the pension law, the governing body is legally obliged to take actions to close the funding gap within a period of five years to a maximum of seven years. Besides adjustments to the level of benefits, such actions could also include additional contributions from respective Group companies and the beneficiaries. The current financial situation of the PH Fund does not require such restructuring actions. None of the Group companies benefit from any plan surpluses.

**VSAO**

For employed physicians of Hirslanden Group in Switzerland, the VSAO Pension Fund provides post-employment, death-in-service and disability benefits in accordance with the Federal Law on Occupational Old-age, Survivor's and Disability Insurance (German: BVG). VSAO Fund is a foundation and an entity legally separate from Hirslanden Group. The Fund's governing body is composed of an equal number of employer and employee representatives. The investment of the plan assets is in accordance with the legal investment guidelines (BVV2).

The benefits of the pension plan are substantially higher than the legal minimum. They are determined by the employer's and employee's contributions and interest granted on the plan members' accumulated savings; the interest rate is determined by the governing body in accordance with the legal framework (defined contribution, as defined by the occupational pension law).

If an employee leaves Hirslanden Group or the pension plan respectively before reaching retirement age, the law provides for the transfer of the vested benefits to the new pension plan. These vested benefits comprise the employee's and the employer's contributions plus interest, the money originally brought in to the pension plan by the beneficiary. On reaching retirement age, the plan participant may decide whether to withdraw the benefits in the form of an annuity or as a lump-sum payment. The employee's and the employer's contributions are 14% of the insured salary.

The pension law in Switzerland envisages that benefits provided by a pension fund are fully financed through the annual contributions defined by the regulations. If insufficient investment returns or actuarial losses lead to a plan deficit as defined by the pension law, the governing body is legally obliged to take actions to close the funding gap within a period of five years to a maximum of seven years. Besides adjustments to the level of benefits, such actions could also include additional contributions from respective Group companies and the beneficiaries. The current financial situation of the VSAO Pension Fund does not require such restructuring actions. None of the Group companies benefit from any plan surpluses.

## 18. RETIREMENT BENEFIT OBLIGATIONS (continued)

***(b) South African post-retirement medical benefit obligation***

The Group's Southern African operations have a post-retirement medical benefit obligation for employees who joined before 1 July 2012.

The Group accounts for actuarially determined future medical benefits and provides for the expected liability in the statement of financial position. The assumptions used to calculate the expected liability are based on actuarial advice. The discount rate is based on market yields obtained on high quality corporate bonds which have durations consistent with the term of the obligation. It has been assumed that medical inflation will take place at a rate of 2.40% in excess of consumer price inflation.

In the last valuation on 31 March 2018, an 8.10% (2017: 8.65%) medical inflation rate and a 9.10% (2017: 9.60%) discount rate were assumed. The average retirement age was set at 63 years (2017: 63 years).

The assumed rates of mortality are as follows:

- During employment: SA 85/90 tables of mortality
- Post-employment: PA(90) tables

| | **2018 £'m** | 2017 £'m |
|---|---|---|
| **Amounts recognised in the statement of financial position are as follows:** | | |
| Opening balance | **35** | 24 |
| Amounts recognised in the income statement | **6** | 5 |
| Current service cost | **2** | 2 |
| Interest cost | **4** | 3 |
| Benefits paid | **(1)** | (1) |
| Exchange differences | **–** | 7 |
| **Present value of unfunded obligations** | **40** | 35 |

***Assumptions and sensitivity analysis***

| **Impact on defined benefit obligation** | **Base assumption** | **Change in assumption** | **Increase** | **Decrease** |
|---|---|---|---|---|
| Discount rate | **9.10%** | **0.50%** | **(7.0%)** | **8.0%** |
| Medical inflation rate | **8.10%** | **1.00%** | **16.0%** | **(13.0%)** |

Expected post-employment medical benefits payable for the year ended 31 March 2019 is £1m.

## 18. RETIREMENT BENEFIT OBLIGATIONS (continued)

### *(c) UAE end-of-service benefit obligation*

In terms of UAE labour law, employees are entitled to severance pay at the end of employment. Severance pay is calculated as follows:

First five years of service: between 7 and 30 days' wage per year of service and thereafter 30 days per additional year. The employee benefit was actuarially determined.

The Group accounts for actuarially determined future end-of-service benefits and provides for the expected liability in the statement of financial position. The assumptions used to calculate the expected liability are based on actuarial advice. The discount rate is based on market yields obtained on high quality corporate bonds which have durations consistent with the term of the obligation.

| | **2018** | 2017 |
|---|---|---|
| **The following are the principal actuarial assumptions:** | | |
| Discount rate | **3.4%** | 4.0% |
| Future salary increases | **2.0%** | 3.5% |
| Average retirement age | **60 years** | 60 years |
| Annual turnover rate | **10.3%** | 9.3% |

| | **2018 £'m** | 2017 £'m |
|---|---|---|
| **Amounts recognised in the statement of financial position are as follows:** | | |
| Opening balance | **56** | 45 |
| Amounts recognised in the income statement | **9** | 8 |
| Current service cost | **7** | 6 |
| Interest cost | **2** | 2 |
| Contributions | **(6)** | (4) |
| Disposal of subsidiaries | **–** | (1) |
| Classified as held for sale | **–** | (1) |
| Exchange differences | **(5)** | 7 |
| Actuarial (gain)/loss recognised in other comprehensive income | **(2)** | 2 |
| **Present value of unfunded obligations** | **52** | 56 |
| Current portion of retirement benefit obligations | **10** | 10 |
| Non-current retirement benefit obligations | **42** | 46 |
| | **52** | 56 |

## 18. RETIREMENT BENEFIT OBLIGATIONS (continued)

***Assumptions and sensitivity analysis***

| Impact on defined benefit obligation | Base assumption | Change in assumption | Increase | Decrease |
|---|---|---|---|---|
| Discount rate | **3.35%** | **1.00%** | **(6.0%)** | **7.0%** |
| Future salary increases | **2.00%** | **1.00%** | **6.0%** | **(6.0%)** |

Expected employer contributions to be paid to the UAE end-of-service benefit obligation for the year ended 31 March 2019 are £11m.

None of the Directors of Mediclinic International plc participate in Swiss pension benefits or the UAE end-of-service benefit. One Executive Director of Mediclinic International plc participates in the South African post-retirement medical benefit obligation.

## 19. PROVISIONS

| | **2018 £'m** | 2017 £'m |
|---|---|---|
| **Non-current** | **23** | 23 |
| Employee benefits | **14** | 15 |
| Tariff risks | **9** | 8 |
| **Current** | **15** | 22 |
| Employee benefits | **2** | 2 |
| Legal cases and other | **5** | 5 |
| Tariff risks | **8** | 15 |
| | **38** | 45 |

| | Employee benefits £'m | Legal cases and other £'m | Tariff risks £'m | Total £'m |
|---|---|---|---|---|
| Opening balance at 1 April 2016 | 15 | 2 | 26 | 43 |
| Charged to the income statement | 3 | 7 | 7 | 17 |
| Utilised during the year | (2) | (3) | (1) | (6) |
| Unused amounts reversed | – | (1) | (11) | (12) |
| Exchange differences | 1 | – | 2 | 3 |
| **Closing balance at 31 March 2017** | 17 | 5 | 23 | 45 |
| Charged to the income statement | **2** | **2** | **4** | **8** |
| Utilised during the year | **(2)** | **(2)** | **(5)** | **(9)** |
| Unused amounts reversed | **–** | **(1)** | **(5)** | **(6)** |
| Business combinations | **–** | **–** | **2** | **2** |
| Exchange differences | **(1)** | **1** | **(2)** | **(2)** |
| **Closing balance at 31 March 2018** | **16** | **5** | **17** | **38** |

## 19. PROVISIONS (continued)

***(a) Employee benefits***

This provision is for benefits granted to employees for long service.

***(b) Legal cases and other***

This provision relates to third-party excess payments for malpractice claims which are not covered by insurance and other costs for legal claims.

***(c) Tariff risks***

This provision relates to compulsory health insurance tariff risks in Switzerland and other tariff disputes at some of the Group's Swiss hospitals.

| | **2018 £'m** | 2017 £'m |
|---|---|---|
| Provisions are expected to be payable during the following financial years: | | |
| Within one year | **15** | 22 |
| After one year but not more than five years | **16** | 16 |
| More than five years | **7** | 7 |
| | **38** | 45 |

## 20. DERIVATIVE FINANCIAL INSTRUMENTS

| | **2018 £'m** | 2017 £'m |
|---|---|---|
| **Non-current** | | |
| Interest rate swaps – cash flow hedges | **2** | 2 |
| | **2** | 2 |
| **Current** | | |
| Interest rate swaps – cash flow hedges* | **–** | 7 |
| | **–** | 7 |
| | **2** | 9 |

* *Amount is less than £1m in current year.*

***Effective interest rate swaps***

In order to hedge specific exposures in the interest rate repricing profile of existing borrowings, the Group uses interest rate derivatives to generate the desired interest profile. At 31 March 2018, the Group had ten effective interest rate swap contracts (2017: twelve) for borrowings specifically in Southern Africa. The value of borrowings hedged by the interest rate derivatives and the rates applicable to these contracts are as follows:

## 20. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

| | Borrowings hedged £'m | Fixed interest payable | Interest receivable | Fair value gain/(loss) for the year £'m |
|---|---|---|---|---|
| **31 March 2018** | | | | |
| 1 to 3 years* | **222** | **6.9 – 7.7%** | **3 month JIBAR/ 69% of prime interest rate** | **1** |
| **31 March 2017** | | | | |
| 1 to 3 years* | 184 | 5.5 – 8.1% | 3 month JIBAR/ 69% of prime interest rate | – |

* *The interest rate swap agreement resets every three months on 1 June, 1 September, 1 December and 1 March with a final reset on 3 June 2019 for £60m, 2 March 2020 for £30m, 1 June 2020 for £89m and on 1 September 2020 for £42m. There is no ineffective portion recognised in the profit and loss that arises from the cash flow hedges.*

***Ineffective interest rate swaps***

Due to the current negative interest rates in Switzerland, the hedge relationship in respect of the 3 month Swiss LIBOR interest rate swaps became ineffective since the interest on the borrowings is capped at a rate of 0% but is fully considered as interest payments on the swap. Hedge accounting discontinued from the date when hedge effectiveness could not be demonstrated, i.e. from 1 October 2014. During the financial year, as part of the refinance of the Swiss debt, the swap contract was cancelled and an amount of £4m was agreed for the early redemption of the swap.

| | 2018 £'m | 2017 £'m |
|---|---|---|
| Opening balance | **(7)** | (19) |
| Fair value adjustments booked through profit and loss (finance cost) | **4** | 13 |
| Settlement of swap | **4** | – |
| Exchange differences | **(1)** | (1) |
| Balance at the end of the period | **–** | (7) |

## 21. TRADE AND OTHER PAYABLES

| | 2018 £'m | 2017 £'m |
|---|---|---|
| Trade payables | **210** | 227 |
| Other payables and accrued expenses | **144** | 167 |
| Social insurance and accrued leave pay | **62** | 70 |
| Value added tax | **8** | 8 |
| | **424** | 472 |

## 22. EXPENSES BY NATURE

| | 2018 £'m | 2017 £'m |
|---|---|---|
| Fees paid to the Group's auditors for the following services: | | |
| Audit of the parent company and consolidated financial statements | **0.4** | 0.3 |
| Audit company subsidiaries | **2.0** | 1.8 |
| Audit services | **2.4** | 2.1 |
| Audit related services | **0.4** | 0.5 |
| Tax advice | **–** | 0.4 |
| All other services | **0.2** | 0.1 |
| | **3.0** | 3.1 |
| Cost of inventories | **665** | 630 |
| Depreciation (note 6) | **132** | 119 |
| Buildings | **39** | 37 |
| Equipment | **70** | 60 |
| Furniture and vehicles | **23** | 22 |
| Employee benefit expenses | **1 293** | 1 231 |
| Wages and salaries | **1 228** | 1 181 |
| Retirement benefit costs – defined contribution plans | **15** | 13 |
| Retirement benefit costs – defined benefit obligations (note 18) | **49** | 36 |
| Share-based payment expense (note 15) | **1** | 1 |
| Increase in provision for impairment of receivables (note 12) | **23** | 26 |
| Maintenance costs | **52** | 50 |
| Operating leases | **57** | 56 |
| Buildings | **54** | 53 |
| Equipment | **3** | 3 |
| Amortisation of intangible assets (note 7) | **36** | 26 |
| Impairments (note 6 and 7) | **644** | – |
| Impairment of properties | **84** | – |
| Impairment of goodwill | **300** | – |
| Impairment of trade names | **260** | – |
| Other expenses | **255** | 244 |
| | **3 160** | 2 385 |
| Classified as: | | |
| Cost of sales | **1 773** | 1 696 |
| Administration and other operating expenses | **1 387** | 689 |
| | **3 160** | 2 385 |
| Depreciation and amortisation is classified as: | | |
| Cost of sales | **112** | 107 |
| Administration and other operating expenses | **56** | 38 |
| | **168** | 145 |
| Number of employees | **31 504** | 32 625 |

## 23. OTHER GAINS AND LOSSES

| | 2018 £'m | 2017 £'m |
|---|---|---|
| Release of pre-acquisition Swiss provision | 9 | – |
| Loss on disposal of subsidiaries | (7) | – |
| Foreign exchange rate losses on corporate transactions | – | (3) |
| Fair value adjustments on derivative contracts | – | 1 |
| | 2 | (2) |

## 24. FINANCE COST

| | 2018 £'m | 2017 £'m |
|---|---|---|
| Interest expenses | 55 | 58 |
| Interest rate swaps | 6 | 11 |
| Amortisation of capitalised financing costs | 5 | 7 |
| Derecognition of unamortised financing costs | 19 | – |
| Fair value gains on ineffective cash flow hedges | (4) | (13) |
| Preference share dividend | 15 | 12 |
| Less: amounts included in cost of qualifying assets | (2) | (1) |
| | 94 | 74 |

## 25. INCOME TAX EXPENSE

| | 2018 £'m | 2017 £'m |
|---|---|---|
| Current tax | | |
| Current year | 56 | 46 |
| Previous year | (2) | (3) |
| Deferred tax (credit)/charge (note 10) | (59) | 21 |
| **Taxation per income statement** | (5) | 64 |
| | | |
| **Composition** | | |
| UK tax | – | – |
| Foreign tax | (5) | 64 |
| | (5) | 64 |

## 25. INCOME TAX EXPENSE (continued)

| | 2018 | 2017 |
|---|---|---|
| **Reconciliation of rate of taxation:** | | |
| UK statutory rate of taxation | **19.0%** | 20.0% |
| Adjusted for: | | |
| Benefit of tax incentives | **0.1%** | (0.2%) |
| Share of net profit of equity accounted investments | **0.1%** | (0.8%) |
| Non-deductible expenses[1] | **(18.0%)** | 1.8% |
| Non-controlling interests' share of profit before tax | **0.2%** | (0.3%) |
| Effect of different tax rates[2] | **0.7%** | 0.7% |
| Effect of differences between deferred and current tax rates[3] | **(0.6%)** | – |
| Non-recognition of tax losses in current year | **(0.5%)** | 0.9% |
| Recognition/derecognition of tax losses relating to prior years | **(0.2%)** | (0.5%) |
| Prior year adjustment | **0.3%** | (0.8%) |
| **Effective tax rate[4]** | **1.1%** | 20.8% |

1 *The impact of the following non-deductible expenses on the tax rate was a decrease of 17.3% (£83m):*
- *Impairment of goodwill of £300m was not deductible for tax purposes. The tax effect amounted to £61m (decrease of 12.7% in effective tax rate).*
- *Impairment of the listed associate of £109m was not deductible for tax purposes. The tax effect amounted to £21m (decrease of 4.4% in effective tax rate).*
- *Loss on disposal of subsidiaries of £7m was not deductible for tax purposes. The tax effect amounted to £1m (decrease of 0.2% in effective tax rate).*

2 *The effect of different tax rates can be attributed to the following items:*
- *Accelerated amortisation of £23m (2017: £7m) was recognised on the Al Noor trade names during the year. The profits earned in the UAE are not subject to income tax. The tax effect amounted to £4m (decrease of 0.8% in effective tax rate) (2017: £1m).*
- *The effect of different tax rates is mainly because of profit earned from South Africa, which is subject to an income tax rate of 28%, reduced by profit earned from the UAE, which is not subject to income tax.*

3 *The impairment of the trade names (£260m) and the impairment of the properties (£84m) in Switzerland led to the release of a deferred tax liability of £68m. A reconciling item arises because the tax rate applied in calculating the deferred tax liabilities was lower than the current statutory rate of taxation.*

4 *If the impairment charges (and related deferred tax effect) discussed in point 3 above together with the items listed in points 1 and 2 were excluded from the effective tax rate calculation, the adjusted effective tax rate would be 20.8% (2017: 20.4%). The higher proportional contribution towards profits from the Southern Africa segment increased the adjusted effective tax rate. The adjusted effective tax rate also decreased slightly with the higher proportional contribution towards profits from the Middle East segment.*

The income tax liability includes an amount of approximately £1m (2017: £3m) relating to unresolved tax matters. The range of possible outcomes relating to this liability is not considered to be material.

## 26. EARNINGS PER ORDINARY SHARE

| | 2018 £'m | 2017 £'m |
|---|---|---|
| **(Loss)/earnings per ordinary share (pence)** | | |
| Basic (pence) | **(66.7)** | 31.0 |
| Diluted (pence) | **(66.7)** | 31.0 |
| **Earnings reconciliation** | | |
| (Loss)/profit attributable to equity holders of the Company | **(492)** | 229 |
| Adjusted for: | | |
| No adjustments | **–** | – |
| **(Loss)/earnings for basic and diluted earnings per share** | **(492)** | 229 |

| **Number of shares reconciliation** | 2018 Number of shares | 2017 Number of shares |
|---|---|---|
| ***Weighted average number of ordinary shares in issue for basic earnings per share*** | | |
| Number of ordinary shares in issue at the beginning of the year | **737 243 810** | 737 243 810 |
| Weighted average number of treasury shares | **(133 672)** | (303 656) |
| BEE shareholder | **–** | (31 238) |
| Mpilo Trusts | **(32 330)** | (33 128) |
| Forfeitable Share Plan | **(101 342)** | (239 290) |
| | **737 110 138** | 736 940 154 |
| ***Weighted average number of ordinary shares in issue for diluted earnings per share*** | | |
| Weighted average number of ordinary shares in issue | **737 110 138** | 736 940 154 |
| Weighted average number of treasury shares held not yet released from treasury stock | **133 672** | 303 656 |
| BEE shareholder* | **–** | 31 238 |
| Mpilo Trusts | **32 330** | 33 128 |
| Forfeitable Share Plan | **101 342** | 239 290 |
| | **737 243 810** | 737 243 810 |

* *Represents the equivalent weighted average number of shares for which no value has been received from the BEE shareholder (Mpilo Investment Holdings 2 (RF) (Pty) Ltd) in terms of the Group's black ownership initiative.*

Mpilo Investment Holdings 1 (RF) (Pty) Ltd and Mpilo Investment Holdings 2 (RF) (Pty) Ltd are structured entities that are not consolidated due to the Group not having control. These companies are investment holding companies and were incorporated as part of the Mediclinic BEE transaction. The companies hold ordinary shares in Mediclinic International plc on which it receives dividends. These dividends are used to repay the outstanding debt of the companies. The outstanding debt referred to is provided by third parties with no recourse to the Group.

## 26. EARNINGS PER ORDINARY SHARE (continued)

***Headline earnings per ordinary share***

The Group is required to calculate headline earnings per share (HEPS) in accordance with the JSE Limited (JSE) Listings Requirements, determined by reference to the South African Institute of Chartered Accountants' circular 04/2018 (Revised) 'Headline Earnings'. The table below sets out a reconciliation of basic EPS and HEPS in accordance with that circular. Disclosure of HEPS is not a requirement of IFRS, but it is a commonly used measure of earnings in South Africa. The table below reconciles the profit for the financial year attributable to equity holders of the parent to headline earnings and summarises the calculation of basic HEPS:

| | **2018 £'m** | 2017 £'m |
|---|---|---|
| ***Headline earnings per share*** | | |
| **(Loss)/earnings for basic and diluted earnings per share** | **(492)** | 229 |
| Adjustments | | |
| Impairment of equity accounted investment | **109** | – |
| Impairment of properties and intangible assets | **576** | |
| Loss on disposal of subsidiaries | **7** | – |
| Associate's impairment of property, plant and equipment | **3** | – |
| **Headline earnings** | **203** | 229 |
| Headline earnings per share (pence) | **27.6** | 31.0 |
| Diluted headline earnings per share (pence) | **27.6** | 31.0 |

## 27. OTHER COMPREHENSIVE INCOME

| | **2018 £'m** | 2017 £'m |
|---|---|---|
| ***Components of other comprehensive income*** | | |
| Currency translation differences | **(310)** | 388 |
| Fair value adjustments – cash flow hedges | **1** | – |
| Remeasurement of retirement benefit obligations | **60** | 34 |
| **Other comprehensive income, net of tax** | **(249)** | 422 |

| | **Attributable to equity holders of Company (before tax) £'m** | **Tax charge attributable to equity holders of the Company £'m** | **Attributable to non-controlling interest (after tax) £'m** | **Total £'m** |
|---|---|---|---|---|
| **Year ended 31 March 2018** | | | | |
| Currency translation differences | **(311)** | **–** | **1** | **(310)** |
| Fair value adjustments – cash flow hedges | **1** | **–** | **–** | **1** |
| Remeasurement of retirement benefit obligations | **76** | **(16)** | **–** | **60** |
| **Other comprehensive income** | **(234)** | **(16)** | **1** | **(249)** |
| **Year ended 31 March 2017** | | | | |
| Currency translation differences | 372 | – | 16 | 388 |
| Remeasurement of retirement benefit obligations | 43 | (9) | – | 34 |
| **Other comprehensive income** | 415 | (9) | 16 | 422 |

## 28. CASH FLOW INFORMATION

| | 2018 £'m | (Re-presented)* 2017 £'m |
|---|---|---|
| **28.1 Reconciliation of profit before taxation to cash generated from operations** | | |
| (Loss)/profit before taxation | **(479)** | 307 |
| Adjustments for: | | |
| Finance cost – net | **85** | 67 |
| Share of net profit of equity accounted investments | **(3)** | (12) |
| Other gains and losses | **–** | 2 |
| Share-based payments | **1** | 1 |
| Depreciation and amortisation | **168** | 145 |
| Impairment provision of trade receivables | **23** | 26 |
| Movement in provisions | **(7)** | (1) |
| Movement in retirement benefit obligations | **3** | (4) |
| Impairment of properties and intangible assets | **644** | – |
| Impairment of equity accounted investment | **109** | – |
| Loss on disposal of subsidiaries | **7** | – |
| Release of pre-acquisition Swiss provision | **(9)** | – |
| Operating income before changes in working capital | **542** | 531 |
| Working capital changes | **(76)** | (39) |
| Increase in inventories | **(3)** | (4) |
| Increase in trade and other receivables | **(61)** | (14) |
| Decrease in trade and other payables | **(12)** | (21) |
| | **466** | 492 |
| **28.2 Interest paid** | | |
| Finance cost per income statement | **94** | 74 |
| Refinancing costs shown as financing activities | **–** | (3) |
| Non-cash items | | |
| Amortisation of capitalised financing fees | **(5)** | (7) |
| Derecognition of unamortised financing fees | **(19)** | – |
| Fair value gains on ineffective cash flow hedges | **4** | 13 |
| | **74** | 77 |
| **28.3 Tax paid** | | |
| Liability at the beginning of the period | **6** | 8 |
| Provision for the period | **54** | 43 |
| | **60** | 51 |
| Liability at the end of the period | **(4)** | (6) |
| | **56** | 45 |
| **28.4 Investment to maintain operations** | | |
| Property, equipment and vehicles purchased | **98** | 105 |
| Intangible assets purchased | **10** | 6 |
| Movement in capital expenditure payables | **4** | (10) |
| | **112** | 101 |

## 28. CASH FLOW INFORMATION (continued)

| | 2018 £'m | (Re-presented)* 2017 £'m |
|---|---|---|
| **28.5 Investment to expand operations** | | |
| Property, equipment and vehicles purchased | **125** | 134 |
| Intangible assets purchased | **12** | 6 |
| Movement in capital expenditure payables | **5** | (9) |
| | **142** | 131 |

* *Refer to note 2.1.*

| | Date paid/ payable | Dividend per share (pence) | 2018 £'m | 2017 £'m |
|---|---|---|---|---|
| **28.6 Dividends** | | | | |
| **Dividends declared** | | | | |
| **Year ended 31 March 2018** | | | | |
| Interim dividend | **18 December 2017** | **3.20** | **24** | |
| Final dividend | **30 July 2018** | **4.70** | **35** | |
| | | **7.90** | | |
| **Year ended 31 March 2017** | | | | |
| Interim dividend | 12 December 2016 | 3.20 | | 23 |
| Final dividend | 31 July 2017 | 4.70 | | 35 |
| | | 7.90 | **59** | 58 |
| **Dividends paid** | | | | |
| Dividends paid during the period | | | **58** | 62 |

Under IFRS, dividends are only recognised in the financial statements when authorised by the Board of Directors (for interim dividends) or when authorised by the shareholders (for final dividends). The aggregate amount of the proposed dividend expected to be paid on 30 July 2018 from retained earnings has not been recognised as a liability on 31 March 2018.

## 28. CASH FLOW INFORMATION (continued)

### 28.7 Changes in liabilities arising from financing activities

| | Total borrowings £'m | Net derivative financial instruments held to hedge borrowings £'m | Total £'m |
|---|---|---|---|
| **Year ended 31 March 2018** | | | |
| Opening balance | **2 030** | **9** | **2 039** |
| Cash flow movements | | | |
| Proceeds from borrowings | **6** | **–** | **6** |
| Repayment of borrowings | **(30)** | **–** | **(30)** |
| Settlement of interest rate swap | **–** | **(4)** | **(4)** |
| Refinancing transaction cost | **(12)** | **–** | **(12)** |
| Non-cash items | | | |
| Amortisation of capitalised financing fees | **5** | **–** | **5** |
| Derecognition of unamortised financing fees | **19** | **–** | **19** |
| Fair value changes | **–** | **(5)** | **(5)** |
| Business combinations | **25** | **–** | **25** |
| Exchange rate differences | **(106)** | **2** | **(104)** |
| **Closing balance** | **1 937** | **2** | **1 939** |
| **Year ended 31 March 2017** | | | |
| Opening balance | 1 841 | 17 | 1 858 |
| Cash flow movements | | | |
| Proceeds from borrowings | 247 | – | 247 |
| Repayment of borrowings | (327) | – | (327) |
| Non-cash items | | | |
| Amortisation of capitalised financing fees | 7 | – | 7 |
| Fair value changes | – | (13) | (13) |
| Exchange rate differences | 262 | 5 | 267 |
| **Closing balance** | 2 030 | 9 | 2 039 |

## 28. CASH FLOW INFORMATION (continued)

| | 2018 £'m | 2017 £'m |
|---|---|---|
| **28.8 Cash and cash equivalents** | | |
| For the purposes of the statement of cash flows, cash, cash equivalents and bank overdrafts include: | | |
| Cash and cash equivalents | **261** | 361 |
| Cash, cash equivalents and bank overdrafts are denominated in the following currencies: | | |
| Swiss franc* | **71** | 96 |
| South African rand** | **116** | 148 |
| UAE dirham*** | **46** | 83 |
| Pounds sterling**** | **28** | 34 |
| | **261** | 361 |

* *The facility agreement of the Swiss subsidiary restricts the distribution of cash. The counterparties have a minimum A2 credit rating by Moody's and a minimum A credit rating by Standard & Poor's.*
** *The counterparties have a minimum Baa3 credit rating by Moody's.*
*** *The counterparties have a minimum BBB+ by Standard & Poor's.*
**** *The counterparty has a Aa3 credit rating by Moody's.*

Cash and cash equivalents denominated in South African rand amounting to £34m (2017: £9m) and Swiss bank accounts denominated in Swiss franc amounting to £64m (2017: £142m) have been ceded as security for borrowings (see note 17).

## 29. BUSINESS COMBINATIONS

The following business combinations occurred during the current year:

| | 2018 £'m |
|---|---|
| **Cash flow on acquisition:** | |
| Linde Holding Biel/Bienne AG | **(74)** |
| Rontgeninstitut Cham AG | **(9)** |
| | **(83)** |

***Linde Holding Biel/Bienne AG***

With a public take-over offer on 30 June 2017, Hirslanden acquired within four closings a total of 99.62% of the share capital of Linde Holding Biel/Bienne AG for £86m (CHF107m) and obtained control over the company. Lindenpark Immobilien AG and Privatklinik Linde AG are both 100% subsidiaries of Linde Holding Biel/Bienne AG (Linde Group). The revaluation of the trade name and equipment resulted in retrospective adjustments to the provisionally determined PPA values that were disclosed at 30 September 2017.

The Linde Group is a leading private hospital in the Biel-Seeland-Bernese Jura region offering a wide range of medical care, focusing on movement and sports medicine, interdisciplinary cancer treatment, breast cancer centre, obstetrics, urology and radiology. Adherence to high quality standards is illustrated by numerous certifications. It provides the Group with the opportunity to enter the hospital market of the Biel-region, including improved access to the private- and semi-private patient market in the region. Furthermore, Linde Group will serve as an important referring hospital to Hirslanden Bern AG and Hirslanden Klinik Aarau AG, facilitating recruitment of highly-specialised medicine patients (heart surgery, thoracic surgery) from the growing area of the Espace Mittelland.

The goodwill of £3m (CHF3.6m) arising from the acquisition is attributable to the acquired workforce and economies of scale expected from combining the operations of Hirslanden and the Linde Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

## 29. BUSINESS COMBINATIONS (continued)

The following table summarises the consideration paid for the Linde Group, the fair value of assets acquired and liabilities assumed at the acquisition date.

| | 2018 £'m |
|---|---|
| **Recognised amounts of identifiable assets acquired and liabilities assumed** | |
| Assets | |
| Property, equipment and vehicles | **109** |
| Intangible assets | **17** |
| Inventories | **1** |
| Trade and other receivables | **9** |
| Cash and cash equivalents | **12** |
| Deferred tax assets | **2** |
| **Total assets** | **150** |
| Liabilities | |
| Borrowings | **25** |
| Provisions | **2** |
| Retirement benefit obligations | **10** |
| Deferred tax liabilities | **22** |
| Trade and other payables | **8** |
| **Total liabilities** | **67** |
| Total identifiable net assets at fair value | **83** |
| Non-controlling interest at fair value | **–** |
| Goodwill | **3** |
| **Consideration transferred for the business** | **86** |
| Cash flow on acquisition | |
| Net cash acquired with subsidiary | **12** |
| Cash paid | **(86)** |
| **Net cash flow on acquisition** | **(74)** |

The fair value of trade and other receivables is £9m. The best estimate at acquisition date of the contractual cash flows not expected to be collected are £0.1m.

From the date of acquisition, Linde Group has contributed £41m to revenue and £2m to the profit before tax of the Group. If the combination had taken place at the beginning of the financial year, revenue from the Linde Group would have been £58m and the profit before tax contribution would have been £3m.

## 29. BUSINESS COMBINATIONS (continued)

***Röntgeninstitut Cham AG***

On 30 August 2017, Hirslanden acquired 85% of the share capital of Röntgeninstitut Cham AG for £9m (CHF11.5m). As a result, the Group's equity interest in Röntgeninstitut Cham AG increased from 15% to 100%, obtaining control of the company.

Radiology is an integral part of a hospital and therefore, almost every one of the Group's hospitals has its own radiology unit. Röntgeninstitut Cham AG will provide radiology services for the patients of AndreasKlinik AG Cham. The goodwill of £10m (CHF12.6m) arising from the acquisition is attributable to the acquired workforce and economies of scale expected from combining the operations of Röntgeninstitut Cham AG and AndreasKlinik AG Cham. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid for Röntgeninstitut Cham AG, the fair value of assets acquired and liabilities assumed at the acquisition date.

| | 2018<br>£'m |
|---|---|
| **Recognised amounts of identifiable assets acquired and liabilities assumed** | |
| Assets | |
| Property, equipment and vehicles | **1** |
| Trade and other receivables | **1** |
| **Total assets** | **2** |
| Liabilities | |
| Retirement benefit obligations | **1** |
| **Total liabilities** | **1** |
| Total identifiable net assets at fair value | **1** |
| Non-controlling interest at fair value | **–** |
| Goodwill | **10** |
| Consideration transferred for the business | **11** |
| Fair value of the Group's existing 15% portion | **(2)** |
| **Cash flow on acquisition** | **9** |
| Cash flow on acquisition | |
| Net cash acquired with subsidiary | **–** |
| Cash paid | **(9)** |
| **Net cash flow on acquisition** | **(9)** |

***Critical accounting estimates and judgements***

Critical accounting estimates and assumptions were made in the purchase price allocation of the acquisitions in accordance with IFRS 3 *Business Combinations*. The purchase consideration for the acquisition is allocated over the net fair value of identifiable assets, liabilities and contingent liabilities with any excess consideration representing goodwill. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date. The determination of the fair value of the assets, liabilities and contingent liabilities acquired requires significant estimates and assumptions. Any intangible assets acquired as part of the business combination are recognised at fair value which is based on management's judgement and includes assumptions on the timing and amount of future cash flows generated by the assets as well as the selection of an appropriate discount rate.

## 30. DISPOSAL OF SUBSIDIARIES

The Group disposed of the following companies that were part of the Middle East segment during the year: Lookwow One Day Surgery Company LLC and the following branches of Mediclinic Hospitals LLC: Mirfa, Ajman, Hamdan Pharmacy, Sanaya and ICAD. During the prior year, the following companies were disposed of: Rochester Wellness LLC, Emirates American Company for Medical Services LLC, Abu Dhabi Medical Services LLC and National Medical Services LLC.

| | **2018 £'m** | 2017 £'m |
|---|---|---|
| **Analysis of assets and liabilities over which control was lost** | | |
| Property, equipment and vehicles | **8** | 10 |
| Goodwill | **3** | 33 |
| Trade and other receivables | **–** | 10 |
| Cash and cash equivalents | **–** | 3 |
| Retirement benefit obligations | **–** | (1) |
| Trade and other payables | **(1)** | (4) |
| Non-controlling interest derecognised | **(1)** | – |
| **Net assets disposed of** | **9** | 51 |
| **Consideration received** | | |
| Cash and cash equivalents | **2** | 47 |
| Consideration receivable | **–** | 1 |
| Other non-cash items | **–** | 3 |
| **Total consideration** | **2** | 51 |
| **(Loss)/gain on disposal of subsidiary** | | |
| Consideration received | **2** | 51 |
| Net assets disposed of | **(9)** | (51) |
| **(Loss)/gain on disposal** | **(7)** | – |
| **Net cash inflow** | | |
| Total cash flow on disposal of subsidiary | **2** | 47 |
| Less: cash and cash equivalents disposed of | **–** | (3) |
| **Net cash inflow on disposal** | **2** | 44 |

## 31. DISPOSAL GROUPS HELD FOR SALE

During the 2017 financial year, management decided to sell the following clinics within the Mediclinic Middle East segment: Mediclinic Beach Road LLC, Mediclinic Corniche Medical Centre LLC, Lookwow One Day Surgery Company LLC, Lookwow One Day Pharmacy LLC, Al Noor Sanaiya Clinic and Pharmacy, Al Noor ICAD Clinic and Pharmacy, Al Noor International Medical Centre (Sharjah), Al Noor Hamdan Street Pharmacy, Al Madar Ajman Clinic and Pharmacy and Al Madar Diagnostic Centre-Al Ain.

All the clinics were disposed of during the year with the exception of the following: Mediclinic Beach Road LLC and Mediclinic Corniche Medical Centre LLC were closed and the accordingly the assets of these clinics were written off or transferred to other clinics within the Group where possible. The liabilities classified as held for sale relating to these clinics were settled. The only remaining clinic that is classified as held for sale is Al Madar Diagnostic Centre-Al Ain.

| | **2018 £'m** | 2017 £'m |
|---|---|---|
| ***Analysis of assets and liabilities held for sale*** | | |
| **Assets** | | |
| Property, equipment and vehicles | **1** | 8 |
| Inventories | **–** | 1 |
| **Total assets** | **1** | 9 |
| **Liabilities** | | |
| Retirement benefit obligations | **–** | 1 |
| Trade and other payables | **–** | 1 |
| **Total liabilities** | **–** | 2 |

## 32. COMMITMENTS

| | **2018 £'m** | 2017 £'m |
|---|---|---|
| ***Capital commitments*** | | |
| **Incomplete capital expenditure contracts** | **138** | 170 |
| Switzerland | **14** | 13 |
| Southern Africa | **77** | 61 |
| Middle East | **47** | 96 |
| **Capital expenses authorised by the Board of Directors but not yet contracted** | **204** | 227 |
| Switzerland | **15** | 19 |
| Southern Africa | **142** | 153 |
| Middle East | **47** | 55 |
| | **342** | 397 |

These commitments will be financed from Group and borrowed funds.

## 32. COMMITMENTS (continued)

**Operating lease commitments**

The Group has entered into various operating lease agreements on premises and equipment. The future non-cancellable minimum lease rentals are payable during the following financial years:

| | 2018 £'m | 2017 £'m |
|---|---|---|
| Within 1 year | **47** | 45 |
| 1 to 5 years | **147** | 166 |
| Beyond 5 years | **413** | 366 |
| | **607** | 577 |

**Income guarantees**

As part of the expansion of network of specialist institutes in Switzerland and centres of expertise the Group has agreed to guarantee a minimum net income to these specialists for a start-up period of three to five years. Payments under such guarantees become due if the net income from the collaboration does not meet the amounts guaranteed. There were no payments under the above mentioned income guarantees in the reporting period as the net income individually generated met or exceeded the amounts guaranteed.

| *Total of net income guaranteed:* | 2018 £'m | 2017 £'m |
|---|---|---|
| April 2016 to March 2017 | **–** | 4 |
| April 2017 to March 2018 | **–** | 1 |
| April 2018 to March 2019 | **3** | – |
| April 2019 to March 2020 | **1** | – |
| April 2020 to March 2021 | **1** | – |
| | **5** | 5 |

**Contingent liabilities**

***Litigation***

The Group is not aware of any pending legal claims that are not covered by the Group's extensive insurance programmes.

## 33. RELATED PARTY TRANSACTIONS

Remgro Limited owns, through various subsidiaries (Remgro Healthcare (Pty) Ltd, Remgro Health Ltd and Remgro Jersey GBP Ltd) 44.56% (2017: 44.56%) of the Company's issued share capital.

The following transactions were carried out with related parties:

| | | 2018 £'m | 2017 £'m |
|---|---|---|---|
| i) | ***Transactions with shareholders*** | | |
| | **Remgro Management Services Ltd (subsidiary of Remgro Ltd)** | | |
| | Managerial and administration fees | **0.3** | 0.3 |
| | Internal audit services | **0.2** | 0.2 |
| | **V&R Management Services AG (subsidiary of Remgro Ltd)** | | |
| | Administration fees* | **–** | – |
| ii) | ***Key management compensation*** | | |
| | Key management includes the directors (executive and non-executive) and members of the executive committee. | | |
| | **Salaries and other short term benefits** | | |
| | Short-term benefits | **6** | 6 |
| | Post employment benefits* | **–** | – |
| | Share-based payment | **1** | 1 |
| iii) | ***Transactions with associates*** | | |
| | **Zentrallabor Zurich** | | |
| | Fees earned | **(2)** | (1) |
| | Purchases | **8** | 10 |
| | **Spire Healthcare Group plc** | | |
| | Non-executive director fee* | **–** | – |
| | **Wits University Donald Gordon Medical Centre (Pty) Ltd** | | |
| | Fees paid | **2** | 2 |

* *Amount is less than £0.5m*

## 34. FINANCIAL INSTRUMENTS

Financial instruments measured at fair value in the statement of financial position, are classified using a fair value hierarchy that reflects the significance of the inputs used in the valuation. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Input (other than quoted prices included within level 1) that is observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 – Input for the asset or liability that is not based on observable market data (unobservable input).

| Financial instruments carried at fair value in the statement of financial position | 2018 £'m | 2017 £'m |
|---|---|---|
| **Financial assets** | | |
| Other investments and loans (available-for-sale assets) | **1** | 2 |
| **Financial liabilities** | | |
| Derivative financial instruments | **(2)** | (9) |

## 34. FINANCIAL INSTRUMENTS (continued)

- Available-for-sale assets (part of other investments and loans): Fair value is based on appropriate valuation methodologies being discounted cash flow or actual net asset value of the investment. These assets are grouped as level 2.
- Derivative financial instruments: Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates. Based on the degree to which the fair value is observable, the interest rate swaps and forward contracts are grouped as level 2.

| Financial instruments not carried at fair value in the statement of financial position | 2018 £'m | 2017 £'m |
|---|---|---|
| **Financial assets** | | |
| Other investments and loans | **7** | 22 |
| Trade and other receivables | **440** | 425 |
| Cash and cash equivalents | **261** | 361 |
| **Financial liabilities** | | |
| Borrowings | **(1 937)** | (2 030) |
| Trade and other payables | **(354)** | (394) |

- Cash and cash equivalents, trade and other receivables, trade and other payables and other investments and loans: Due to the expected short-term maturity of these financial instruments, their carrying value approximate their fair value.
- Borrowings: The fair value of long-term borrowings is based on discounted cash flows using the effective interest rate method. As the interest rates of long-term borrowings are all market related, their carrying values approximate their fair value.

## 35. EVENTS AFTER THE REPORTING DATE

No material events occurred between the reporting date and the date the financial statements were authorised for issue.

# ANNEXURE – INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

## SUBSIDIARIES

| *Company* | Country of incorporation and place of business | Principal activities | Interest in capital[1] 31 March 2018 % | 31 March 2017 % |
|---|---|---|---|---|
| Al Noor Holdings Cayman Limited ("**ANH Cayman**") | Cayman Islands | Intermediary holding company | **100.0** | 100.0 |
| ANMC Management Limited ("**ANMC Management**") | Cayman Islands | Intermediary holding company and manager of Al Noor Golden | **100.0** | 100.0 |
| Mediclinic CHF Finco Limited | Jersey | Treasury | **100.0** | 100.0 |
| Mediclinic Holdings Netherlands B.V. | Netherlands | Intermediary holding company | **100.0** | 100.0 |
| Mediclinic International (RF) (Pty) Ltd | South Africa | Intermediary holding company | **100.0** | 100.0 |
| Mediclinic Middle East Holdings Limited | Jersey | Intermediary holding company | **100.0** | 100.0 |

| *Group* | | | | |
|---|---|---|---|---|
| **Indirectly held through Mediclinic CHF Finco Limited** | | | | |
| Mediclinic Jersey Limited | Jersey | Intermediary holding company | **100.0** | 100.0 |
| **Indirectly held through Mediclinic International (RF) (Pty) Ltd** | | | | |
| Mediclinic Investments (Pty) Ltd | South Africa | Intermediary holding company | **100.0** | 100.0 |
| Mediclinic Group Services (Pty) Ltd (previously held through Mediclinic Investments (Pty) Ltd) | South Africa | Provision of group services within the Mediclinic Group | **100.0** | 100.0 |
| **Indirectly held through Mediclinic Investments (Pty) Ltd** | | | | |
| Mediclinic Europe (Pty) Ltd | South Africa | Deregistered | **–** | 100.0 |
| Mediclinic Middle East Investment Holdings (Pty) Ltd | South Africa | Dormant | **100.0** | 100.0 |
| Mediclinic Southern Africa (Pty) Ltd | South Africa | Intermediary holding company | **100.0** | 100.0 |
| **Indirectly held through Mediclinic Group Services (Pty) Ltd** | | | | |
| Mediclinic Management Services (Pty) Ltd | South Africa | Deregistered | **–** | 100.0 |
| Medical Innovations (Pty) Ltd (previously held through Mediclinic Southern Africa (Pty) Ltd) | South Africa | Hospital equipment and procurement | **100.0** | 100.0 |
| **Indirectly held through Mediclinic Southern Africa (Pty) Ltd** | | | | |
| Curamed Holdings (Pty) Ltd | South Africa | Intermediary holding company | **69.6** | 69.6 |
| ER24 Holdings (Pty) Ltd | South Africa | Intermediary holding company | **100.0** | 100.0 |
| Hedrapix Investments (Pty) Ltd | South Africa | Dormant | **100.0** | 100.0 |
| Howick Private Hospital Holdings (Pty) Ltd* (50% plus 1 share) | South Africa | Intermediary holding company | **50.0** | 50.0 |
| Medical Human Resources (Pty) Ltd | South Africa | Management of healthcare staff | **100.0** | 100.0 |
| Mediclinic (Pty) Ltd (ordinary shares and Mediclinic Head Office Hospital shares) | South Africa | Intermediary holding company and operating company of Mediclinic Southern Africa | **100.0** | 100.0 |
| Mediclinic Brits (Pty) Ltd* | South Africa | Healthcare services | **67.8** | 65.2 |
| Mediclinic Finance Corporation (Pty) Ltd | South Africa | Treasury | **100.0** | 100.0 |
| Mediclinic Holdings (Namibia) (Pty) Ltd | Namibia | Intermediary holding company | **100.0** | 100.0 |
| Mediclinic Lephalale (Pty) Ltd* | South Africa | Healthcare services | **91.2** | 87.3 |
| Mediclinic Midstream (Pty) Ltd* | South Africa | Healthcare services | **81.1** | 81.1 |
| Mediclinic Midstream Properties (Pty) Ltd | South Africa | Dormant | **100.0** | 100.0 |
| Mediclinic Paarl (Pty) Ltd* | South Africa | Healthcare services | **75.9** | 75.2 |
| Mediclinic Properties (Pty) Ltd | South Africa | Property ownership and management | **100.0** | 100.0 |
| Mediclinic Tzaneen (Pty) Ltd* (50% plus one share) | South Africa | Healthcare services | **50.0** | 50.0 |
| **Indirectly held through Mediclinic Southern Africa (Pty) Ltd** | | | | |
| Medipark Clinic (Pty) Ltd | South Africa | Dormant | **–** | 100.0 |
| Newcastle Private Hospital (Pty) Ltd* (50% plus one share) | South Africa | Healthcare services | **50.0** | 50.0 |
| Practice Relief (Pty) Ltd | South Africa | Provision of debt collection and related services | **100.0** | 100.0 |
| Victoria Hospital (Pty) Ltd* (50% plus one share) | South Africa | Healthcare services | **50.0** | 50.0 |
| **Indirectly held through Mediclinic Holdings (Namibia) (Pty) Ltd** | | | | |
| Mediclinic Capital (Namibia) (Pty) Ltd | Namibia | Investment holding company | **100.0** | 100.0 |
| Mediclinic Otjiwarongo (Pty) Ltd | Namibia | Healthcare services | **100.0** | 100.0 |
| Mediclinic Properties (Swakopmund) (Pty) Ltd | Namibia | Property ownership and management | **100.0** | 100.0 |
| Mediclinic Properties (Windhoek) (Pty) Ltd | Namibia | Property ownership and management | **100.0** | 100.0 |
| Mediclinic Swakopmund (Pty) Ltd | Namibia | Healthcare services | **99.0** | 97.2 |
| Mediclinic Windhoek (Pty) Ltd | Namibia | Healthcare services | **96.5** | 96.5 |

STRATEGIC REPORT

GOVERNANCE AND REMUNERATION

FINANCIAL STATEMENTS
GROUP FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

## SUBSIDIARIES (continued)

| *Company* | Country of incorporation and place of business | Principal activities | Interest in capital[1] 31 March 2018 % | Interest in capital[1] 31 March 2017 % |
|---|---|---|---|---|
| **Hospital Investment Companies** | | | | |
| Mediclinic Bloemfontein Investments (Pty) Ltd | South Africa | Hospital investment company | **98.9** | 98.9 |
| Mediclinic Cape Gate Investments (Pty) Ltd | South Africa | Hospital investment company | **90.9** | 92.8 |
| Mediclinic Cape Town Investments (Pty) Ltd | South Africa | Hospital investment company | **99.0** | 99.0 |
| Mediclinic Constantiaberg Investments (Pty) Ltd | South Africa | Hospital investment company | **75.5** | 75.6 |
| Mediclinic Durbanville Investments (Pty) Ltd | South Africa | Hospital investment company | **99.4** | 99.4 |
| Mediclinic Emfuleni Investments (Pty) Ltd | South Africa | Hospital investment company | **83.0** | 84.1 |
| Mediclinic George Investments (Pty) Ltd | South Africa | Hospital investment company | **97.3** | 97.2 |
| Mediclinic Highveld Investments (Pty) Ltd | South Africa | Hospital investment company | **98.5** | 98.6 |
| Mediclinic Hoogland Investments (Pty) Ltd | South Africa | Hospital investment company | **99.1** | 99.2 |
| Mediclinic Kathu Investments (Pty) Ltd | South Africa | Dormant | **100.0** | 100.0 |
| Mediclinic Klein Karoo Investments (Pty) Ltd | South Africa | Hospital investment company | **100.0** | 100.0 |
| Mediclinic Legae Investments (Pty) Ltd | South Africa | Hospital investment company | **91.8** | 93.1 |
| Mediclinic Louis Leipoldt Investments (Pty) Ltd | South Africa | Hospital investment company | **99.6** | 99.6 |
| Mediclinic Milnerton Investments (Pty) Ltd | South Africa | Hospital investment company | **99.4** | 99.4 |
| Mediclinic Morningside Investments (Pty) Ltd | South Africa | Hospital investment company | **79.5** | 79.0 |
| Mediclinic Nelspruit Investments (Pty) Ltd | South Africa | Hospital investment company | **98.7** | 98.7 |
| Mediclinic Panorama Investments (Pty) Ltd | South Africa | Hospital investment company | **99.2** | 98.7 |
| Mediclinic Pietermaritzburg Investments (Pty) Ltd | South Africa | Hospital investment company | **77.4** | 76.4 |
| Mediclinic Plettenberg Bay Investments (Pty) Ltd | South Africa | Hospital investment company | **93.0** | 95.0 |
| Mediclinic Sandton Investments (Pty) Ltd | South Africa | Hospital investment company | **94.0** | 92.9 |
| Mediclinic Secunda Investments (Pty) Ltd | South Africa | Hospital investment company | **81.8** | 81.8 |
| Mediclinic Stellenbosch Investments (Pty) Ltd | South Africa | Hospital investment company | **72.7** | 90.8 |
| Mediclinic Vereeniging Investments (Pty) Ltd | South Africa | Hospital investment company | **98.5** | 99.0 |
| Mediclinic Vergelegen Investments (Pty) Ltd | South Africa | Hospital investment company | **92.9** | 93.1 |
| Mediclinic Welkom Investments (Pty) Ltd | South Africa | Hospital investment company | **91.0** | 91.4 |
| Mediclinic Worcester Investments (Pty) Ltd | South Africa | Hospital investment company | **97.3** | 97.3 |
| **Indirectly held through Mediclinic (Pty) Ltd** | | | | |
| Mediclinic Barberton (Pty) Ltd* | South Africa | Healthcare services | **77.0** | 77.0 |
| Mediclinic Ermelo (Pty) Ltd* | South Africa | Healthcare services | **52.2** | 50.1 |
| Mediclinic Hermanus (Pty) Ltd* | South Africa | Healthcare services | **53.2** | 53.2 |
| Mediclinic Kimberley (Pty) Ltd* | South Africa | Healthcare services | **89.4** | 89.4 |
| Mediclinic Limpopo (Pty) Ltd[$]* | South Africa | Healthcare services | **50.0** | 50.0 |
| Mediclinic Potchefstroom (Pty) Ltd* | South Africa | Healthcare services | **86.1** | 86.8 |
| Mediclinic Upington (Pty) Ltd* | South Africa | Healthcare services | **50.0** | 50.0 |
| **Indirectly held through Howick Private Hospital Holdings (Pty) Ltd** | | | | |
| Howick Private Hospital (Pty) Ltd* | South Africa | Healthcare services | **100.0** | 100.0 |
| **Indirectly held through Mediclinic Limpopo (Pty) Ltd** | | | | |
| Mediclinic Limpopo Day Clinic (Pty) Ltd | South Africa | Day clinic investment company | **60.2** | 60.2 |
| Mediclinic Limpopo Investments (Pty) Ltd | South Africa | Investment holding company | **100.0** | 100.0 |
| **Indirectly held through Mediclinic Durbanville Investments (Pty) Ltd** | | | | |
| Mediclinic Durbanville Day Clinic (Pty) Ltd | South Africa | Day clinic investment company | **89.9** | 89.9 |
| **Indirectly held through Mediclinic Tzaneen (Pty) Ltd** | | | | |
| Mediclinic Tzaneen Investments (Pty) Ltd | South Africa | Investment holding company | **100.0** | 100.0 |
| **Indirectly held through Mediclinic Victoria Hospital (Pty) Ltd** | | | | |
| Victoria Hospital Investments (Pty) Ltd | South Africa | Investment holding company | **100.0** | 100.0 |
| **Indirectly held through Curamed Holdings (Pty) Ltd** | | | | |
| Curamed Hospitals (Pty) Ltd | South Africa | Healthcare services | **100.0** | 100.0 |
| Curamed Properties (Pty) Ltd | South Africa | Property ownership and management | **100.0** | 100.0 |
| **Indirectly held through Curamed Hospitals (Pty) Ltd** | | | | |
| Mediclinic Thabazimbi (Pty) Ltd | South Africa | Healthcare services | **76.0** | 76.0 |
| **Indirectly Held through ER24 Holdings (Pty) Ltd** | | | | |
| ER24 EMS (Pty) Ltd | South Africa | Emergency medical services | **100.0** | 100.0 |
| ER24 Trademarks (Pty) Ltd | South Africa | Intellectual property holding company | **100.0** | 100.0 |

* *Controlled through long-term management agreements*

| Company | Country of incorporation and place of business | Principal activities | Interest in capital[1] 31 March 2018 % | 31 March 2017 % |
|---|---|---|---|---|
| **Indirectly held through Mediclinic Holdings Netherlands B.V.** | | | | |
| Mediclinic Luxembourg S.à.r.l | Luxembourg | Intermediary holding company | **100.0** | 100.0 |
| **Indirectly held through Mediclinic Luxembourg S.à.r.l.** | | | | |
| Hirslanden AG | Switzerland | Intermediary holding company and operating company of the Hirslanden group | **100.0** | 100.0 |
| **Indirectly held through Hirslanden AG** | | | | |
| AndreasKlinik AG Cham | Switzerland | Healthcare services | **100.0** | 100.0 |
| Hirslanden Bern AG | Switzerland | Healthcare services | **100.0** | 100.0 |
| Hirslanden Clinique La Colline SA | Switzerland | Healthcare services | **100.0** | 100.0 |
| Hirslanden Freiburg AG, Düdingen | Switzerland | Healthcare services | **100.0** | 100.0 |
| Hirslanden Klinik Aarau AG | Switzerland | Healthcare services | **100.0** | 100.0 |
| **Indirectly held through Hirslanden AG** | | | | |
| Hirslanden Klinik Am Rosenberg AG | Switzerland | Healthcare services | **100.0** | 100.0 |
| Hirslanden Lausanne SA | Switzerland | Healthcare services | **100.0** | 100.0 |
| IMRAD SA | Switzerland | Healthcare services | **80.0** | 80.0 |
| Klinik Belair AG | Switzerland | Healthcare services | **100.0** | 100.0 |
| Klinik Birshof AG | Switzerland | Healthcare services | **99.7** | 99.7 |
| Klinik St. Anna AG | Switzerland | Healthcare services | **100.0** | 100.0 |
| Klinik Stephanshorn AG | Switzerland | Healthcare services | **100.0** | 100.0 |
| Radiotherapie Hirslanden AG | Switzerland | Healthcare services | **100.0** | 100.0 |
| Röntgeninstitut Cham AG | Switzerland | Healthcare services | **100.0** | 15.0 |
| Linde Holding Biel/Bienne AG | Switzerland | Healthcare services | **99.7** | – |
| **Indirectly held through Hirslanden Klinik am Rosenberg AG** | | | | |
| Klinik am Rosenberg Heiden AG | Switzerland | Healthcare services | **99.2** | 99.2 |
| **Indirectly held through Linde Holding Biel/Bienne AG** | | | | |
| Hirslanden Klinik Linde AG (Previously Privatklinik Linde AG) | Switzerland | Healthcare services | **100.0** | – |
| Lindenpark Immobilien AG | Switzerland | Healthcare services | **100.0** | – |
| **Indirectly held through Hirslanden Bern AG** | | | | |
| Herzchirurgie Hirslanden Bern AG | Switzerland | Healthcare services | **100.0** | – |
| **Indirectly held through Mediclinic Middle East Holdings Limited** | | | | |
| Mediclinic International Co Limited | United Kingdom | Dormant | **100.0** | 100.0 |
| Emirates Healthcare Holdings Limited | British Virgin Islands | Intermediary holding company | **100.0** | 100.0 |
| **Indirectly held through Emirates Healthcare Holdings Limited** | | | | |
| Welcare World Holdings Limited | British Virgin Islands | Healthcare services | **100.0** | 100.0 |
| Emirates Healthcare Limited | British Virgin Islands | Healthcare services | **100.0** | 100.0 |
| **Indirectly held through Emirates Healthcare Limited** | | | | |
| American Healthcare Management Systems Limited | British Virgin Islands | Management services | **100.0** | 100.0 |
| Delah Cafe FZ LLC (incorporated in October 2016) | UAE | Food and catering | **100.0** | 100.0 |
| Emirates Healthcare Estates Limited | British Virgin Islands | Property management | **100.0** | 100.0 |
| Mediclinic Al Quasis Clinic LLC[2] | UAE | Healthcare services | **49.0** | 49.0 |
| Mediclinic Beach Road LLC[2] | UAE | Healthcare services | **49.0** | 49.0 |
| Mediclinic City Hospital FZ LLC | UAE | Healthcare services | **100.0** | 100.0 |
| Mediclinic Clinics Investment LLC[2] | UAE | Healthcare services | **49.0** | 49.0 |
| Mediclinic Ibn Battuta Clinic LLC[2] | UAE | Healthcare services | **49.0** | 49.0 |
| Mediclinic Medical Stores Co LLC[2] | UAE | Procurement | **49.0** | 49.0 |
| Mediclinic Mirdif Clinic LLC[2] | UAE | Healthcare services | **49.0** | 49.0 |
| Mediclinic Parkview Hospital LLC[2] | UAE | Healthcare services | **49.0** | 49.0 |
| Mediclinic Al Bahr Clinic LLC (previously named Manchester Clinic LLC) | UAE | Healthcare services | **49.0** | 49.0 |
| Welcare Hospitals Limited (BVI) | British Virgin Islands | Healthcare services | **100.0** | 100.0 |
| Welcare World Health Systems Limited | British Virgin Islands | Healthcare services | **100.0** | 100.0 |
| Mediclinic Hospitals LLC[4] | UAE | Healthcare services | **49.0** | – |
| Pharma Light Medical Store LLC | UAE | Medical store/procurement | **49.0** | – |
| **Indirectly held through Welcare Hospitals Limited (BVI)** | | | | |
| Mediclinic Welcare Hospital LLC[2] | UAE | Healthcare services | **49.0** | 49.0 |

## SUBSIDIARIES (continued)

| *Company* | Country of incorporation and place of business | Principal activities | Interest in capital[1] 31 March 2018 % | 31 March 2017 % |
|---|---|---|---|---|
| **Indirectly held through Welcare World Holdings Limited** | | | | |
| Mediclinic Corniche Medical Centre LLC[2] | UAE | Healthcare services | **49.0** | 49.0 |
| Mediclinic Pharmacy LLC[2] | UAE | Healthcare services (pharmacy) | **49.0** | 49.0 |
| **Indirectly held through Welcare World Health Systems Limited** | | | | |
| Mediclinic Middle East Management Services FZ LLC | UAE | Healthcare management services | **100.0** | 100.0 |
| **Indirectly held through Al Noor Holdings Cayman Limited and ANMC Management Limited** | | | | |
| Al Noor Golden Commercial Investment LLC ("**Al Noor Golden**")[3] | UAE | Intermediary holding company | **49.0** | 49.0 |
| **Indirectly held through Al Noor Golden Commercial Investment LLC** | | | | |
| Al Noor Hospital Clinics – Al Ain[9] | UAE | Intermediary holding company | **99.0** | – |
| **Indirectly held through Mediclinic Hospitals LLC** | | | | |
| Al Madar Medical Center LLC[5] (previously Al Madar Group) | UAE | Healthcare services | **73.0** | 73.0 |
| Al Madar Medical Center Pharmacy LLC[10] | UAE | Healthcare Services | **49.0** | 49.0 |
| Mediclinic Al Mamora LLC (previously named Al Noor Hospital Family Care Centre – Al Mamoora LLC)[6] | UAE | Healthcare Services | **99.0** | 100.0 |
| Mediclinic Khalifa City Clinic LLC (previously named Al Noor Hospital Medical Centre Khalifa City LLC)[7] | UAE | Healthcare Services | **49.0** | 49.0 |
| Mediclinic Aspetar LLC (previously named Aspetar Al Madar Medical Center LLC)[8] | UAE | Healthcare services | **49.0** | 49.0 |
| Mediclinic Pharmacy Aspetar LLC (previously named Aspetar Al Madar Medical Pharmacy)[11] | UAE | Healthcare services | **49.0** | 49.0 |

***Notes***

1 *The actual equity interest in the UAE entities are disclosed herein, with the beneficial interest further explained in the notes.*

2 *In terms of the constitutional and contractual arrangements the Group has full management control and an economic interest of 100% in these UAE entities.*

3 *Al Noor Holdings Cayman Limited ("ANH Cayman") holds 48% and ANMC Management Limited ("ANMC Management") holds 1% in the share capital of Al Noor Golden Commercial Investment LLC ("Al Noor Golden"), collectively 49%. The remaining 51% is held by a third party shareholder, Al Noor Commercial Investment Owner Al Nahda International Holdings – Sole Proprietorship LLC ("ANCI"). The constitutional documents of Al Noor Golden provide ANH Cayman with the right to receive up to 98% of all distributions by Al Noor Golden, ANMC Management the right to receive 1%, and ANCI the right to receive the remaining 1%. In terms of the Mudaraba Agreement, ANH Cayman has the right to receive 99% of ANCI's right to receive 1% of the distributions of Al Noor Golden. Al Noor Cayman and ANMC Management therefore, collectively, have an effective beneficial interest of 99% in Al Noor Golden.*

*Al Nahda International Holding LLC holds 100% share capital of Al Noor Commercial Investments Owner Al Nahda International Holding – Sole proprietorship LLC. As per the Shareholders Agreement dated 17 May 2017, executed between Emirates Healthcare Limited, Al Nahda International Limited, Al Noor Commercial Investment LLC and Mediclinic Hospitals LLC, the parties have agreed that Al Nahda International Holding LLC will become the sole shareholder of ANCI and the local sponsor for the group (OPCO of Mediclinic Hospitals LLC and its subsidiaries and their respective registered branches and operational units from time to time). In terms of this agreement ANCI holds 51% of the share capital of Mediclinic Hospitals LLC and Emirates Healthcare Limited BVI holds the remaining 49%. By virtue of this shareholders agreement, the parties have agreed that ANCI and Mediclinic Hospitals LLC will be managed and controlled by EHL. Every dividend declared by Mediclinic Hospitals LLC will be paid directly to Emirates Healthcare Limited. Accordingly, the management, voting rights and the dividend rights have been assigned to Emirates Healthcare Limited. As per the termination agreement dated 21 August 2017, between Al Noor Golden Commercial Investment LLC, Sheikh Mohamed Bin Butti Al Hamid, Al Noor Commercial Investment LLC, ANMC Management Limited, Al Noor Holdings Cayman and Emirates Healthcare Limited whereby the parties agreed to terminate the following:*

*a) Relationship management agreement entered into between ANGCI, Sheikh Bin Butti and the OPCO on 20 May 2013 ("Relationship Agreement 1");*

*b) The relationship agreement entered into between ANGCI, ANCI and OPCO on 20 May 2013 ("Relationship Management Agreement 2");*

*c) The management agreement entered into between ANCI, ANMC Management on 20 May 2013 ("Management Agreement"); and*

*d) A shareholders agreement entered into between Sheikh Bin Butti, The First Arabian Corporation LLC, Al Noor Cayman, ANMC Management and ANCI on 20 May 2013 ("Shareholders Agreement").*

4 *Emirates Healthcare Limited BVI holds 49% of the issued share capital of Mediclinic Hospitals LLC, with the remaining 51% held by ANCI. Emirates Healthcare Limited BVI has the right to be appointed as the proxy of ANCI, to attend and to vote at all shareholder meetings of Mediclinic Hospitals LLC.*

5 *Mediclinic Hospitals LLC holds 73% of the issued share capital of Al Madar Medical Center LLC, with the remaining 27% interest held by ANCI. The Memorandum of Association of the company provides that Mediclinic Hospitals LLC is entitled to receive 99% of distributions by the company and ANCI is entitled to receive 1%. The group's effective beneficial interest in the entity is therefore 99%.*

6 *Mediclinic Hospitals LLC holds 99% and ANCI holds 1% in the issued share capital of Mediclinic Al Mamora LLC, collectively 100%.*

7 *Mediclinic Hospitals holds 49% of the issued share capital of Mediclinic – Khalifa City Clinic LLC, with the remaining 51% held by ANCI. The Memorandum of Association of the company provides that Al Noor Golden is entitled to receive 99% of distributions by the company and ANCI is entitled to receive 1%. The group's effective beneficial interest in the entity is therefore 99%.*

8 *Mediclinic Hospitals LLC holds 49% of the issued share capital of Mediclinic Aspetar LLC, with the remaining 51% held by ANCI. The Memorandum of Association of the company provides that Mediclinic Hospitals LLC is entitled to receive 99% of distributions by the company and ANCI is entitled to receive 1%. The group's effective beneficial interest is therefore 99%.*

9 *Al Noor Golden holds 99% of the issued share capital of Al Noor Hospital Clinics – Al Ain LLC, with the remaining 1% held by ANCI.*

10 *Mediclinic Hospitals holds 49% of the issued share capital of Mediclinic Pharmacy Aspetar LLC, with the remaining 51% interest held by ANCI. The Memorandum of Association of the company provides that Mediclinic Hospitals LLC is entitled to receive 99% of distributions by the company and ANCI is entitled to receive 1%. The Group's effective beneficial interest in the entity is therefore 99%.*

11 *Mediclinic Hospitals LLC holds 49% of the issued share capital of Aspetar Al Madar Medical Pharmacy LLC, with the remaining 51% held by ANCI. Mediclinic Hospitals LLC holds 99% of the company interest with ANCI holding 1% of the company interest.*

* *Controlled through long-term management agreements*

$ *Operating through trusts or partnerships*

## JOINT VENTURES

| Company | Country of incorporation and place of business | Principal activities | Interest in capital 31 March 2018 % | Interest in capital 31 March 2017 % |
|---|---|---|---|---|
| Wits University Donald Gordon Medical Centre (Pty) Ltd | South Africa | Healthcare services | **49.9** | 49.9 |

## ASSOCIATES

| | Interest in capital | | Book value of investment | |
|---|---|---|---|---|
| **Company** | **31 March 2018 %** | 31 March 2017 % | **31 March 2018 £'m** | 31 March 2017 £'m |
| *Listed:* | | | | |
| Spire Healthcare Group plc (held through Mediclinic Jersey Limited) | **29.9** | 29.9 | **348** | 459 |
| *Unlisted:* | | | | |
| Intercare Medical Proprietary Limited | **34.0** | – | **2** | – |
| Zentrallabor Zürich, Zürich | **50.0** | 53.0 | **2** | 2 |
| Baukonsortium, Cham* | **24.0** | 24.0 | **–** | – |
| EFG Parkierung Rigistrasse, Cham* | **25.0** | 25.0 | **–** | – |
| Centre de Reeducation et de Physiotherapie SA* | **20.0** | 20.0 | **–** | – |
| Centre de Physiotherapie du Sport S.à.r.l.* | **23.0** | 23.0 | **–** | – |
| CORTS AG, Maur* | **30.0** | – | **–** | – |
| | | | **352** | 461 |

The nature of the activities of the associates is similar to the major activities of the Group.

* *Book value is less than £0.5m.*