GROUP FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

to the members of Mediclinic International plc

REPORT ON THE GROUP FINANCIAL STATEMENTS

OUR OPINION

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

- give a true and fair view of the state of the Group's affairs at 31 March 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("**IFRSs**") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

WHAT WE HAVE AUDITED

The financial statements, included within the Annual Report and Financial Statements, comprise:

- the consolidated statement of financial position at 31 March 2017;
- the consolidated income statement and consolidated statement of other comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report and Financial Statements, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union and applicable law.

OUR AUDIT APPROACH

OVERVIEW

- Overall group materiality: £14.9 million which represents approximately 5% of profit before tax.
- Our audit included full scope audits at six reporting units which accounted for 93% of consolidated revenue and 92% of consolidated profit before tax. We separately performed specified procedures at two further reporting units meaning that our audit covered all reporting units that individually contributed more than 1% to the Group's revenue and 3% to profit before tax.
- Finalisation of the purchase price allocation for the reverse acquisition of Al Noor
- Impairment of intangible assets and goodwill
- Valuation of associate interest in Spire Healthcare Group plc ("**Spire**")
- Risk of fraud in revenue recognition

THE SCOPE OF OUR AUDIT AND OUR AREAS OF FOCUS

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("**ISAs (UK & Ireland)**").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we 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. Procedures designed to address these risks included testing of material journal entries and post-close adjustments, testing and evaluation of management's key accounting estimates for reasonableness and consistency and undertaking cut-off procedures to verify proper cut-off of revenue and expenses. In addition, we incorporate an element of unpredictability into our audit work each year.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as areas of focus in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
1. Finalisation of the purchase price allocation of the reverse acquisition of Al Noor *(refer to Audit and Risk Committee Report on page 116 and notes 4 and 29 in the Group Financial Statements)*	
On 15 February 2016, Mediclinic completed the reverse acquisition of Al Noor for a total consideration of £1 359m. The purchase price allocation for the acquisition was considered to be provisional at 31 March 2016 and was disclosed as such in the 2016 financial statements. At that time, the Group was in discussions with UAE medical insurance funders and other third parties about conforming Al Noor's commercial practices to the rest of the Group and there was therefore uncertainty about the adequacy of provisions for the collection of accounts receivable and for insurance rejections. Management has subsequently finalised the purchase price allocation in the current financial year as required by IFRS. The net assets of Al Noor assumed by the Group have been adjusted by £14m through an additional provision for the impairment of receivables. A corresponding adjustment has been recorded to goodwill. The adjustment required to increase the provision for the impairment of receivables at the date of acquisition resulted in a rigorous assessment by management of the provision for impairment of Al Noor receivables at 31 March 2017. We focused on this area because of the extent of judgement and estimation involved in the assessment to adjust the take-on balance sheet of Al Noor as opposed to accounting for the adjustments subsequent to the acquisition as part of post-acquisition earnings. We focused on the provision for the impairment of receivables at year-end as this area requires the exercise of significant management judgement and estimation.	We obtained management's assessment of adjustments required to the take-on balance sheet of Al Noor and independently assessed the completeness of adjustments identified. We performed an independent assessment of the additional provision for the impairment of receivables at the date of the take-on balance sheet by evaluating the results of claim audits by medical insurers, ageing analyses of receivable balances and analysis of payments received subsequent to the acquisition date. We substantiated management's assessment that the additional provision related to revenue transactions which occurred before the acquisition date. We extended our testing to the assessment of recoverability of Al Noor's receivable balances at 31 March 2017. We obtained an understanding of the process followed by management to identify impaired balances and performed an independent assessment of the provision calculated by management by evaluating the results of claim audits by medical insurers where available, historical trends of disallowed claims and subsequent settlements and ageing analyses. We also tested receipts subsequent to year-end. Based on the procedures performed, we did not identify any material adjustment required to the position reported by the Group in the take-on balance sheet of Al Noor or at 31 March 2017. In addition, we considered whether any additional adjustments were required to the initial purchase price allocation that might have been required as the Group conforms Al Noor's accounting and operational practices with the rest of Mediclinic following the acquisition. We did not identify any material additional adjustments. We were also satisfied with the adequacy of the disclosures in respect of the finalisation of the purchase price allocation, comprising a restatement of certain comparative balance sheet accounts.

Area of focus	How our audit addressed the area of focus
2. Impairment of intangible assets and goodwill *(refer to Audit and Risk Committee Report on page 117 and notes 4 and 7 in the Group Financial Statements)*	
The Group has £2 156m of intangible assets. This balance consists mainly of goodwill relating to the Mediclinic Middle East operations of £1 401m, goodwill on the acquisition of the Swiss operations of £307m, Swiss trademarks of £341m and the Al Noor brand name of £28m. 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 acquisition and the Group carries out annual impairment tests based on value-in-use calculations. The Group also performed an impairment assessment of the cash generating unit ("**CGU**") to which the Al Noor brand name has been allocated as specific impairment indicators were identified for this CGU. No impairment losses were recorded during the current or prior years in respect of these assets. However, the carrying values of goodwill and intangible assets are contingent on future cash flows and there is a risk if these cash flows do not meet the Group's expectations, or if significant judgements like the discount rates or growth rates change, that the assets will be impaired. We focused on the impairment assessments of these intangible assets as the impairment reviews carried out by the Group contain a number of significant judgements, including the classification of the Swiss trademarks as indefinite life intangible assets and the level at which goodwill is monitored for impairment, and estimates, including growth rates and discount rates. Changes in these assumptions might lead to a significant change in the carrying values of the related assets.	Deploying our valuation specialists, we obtained management's impairment calculations and tested the reasonableness of key assumptions, including 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. We agreed the underlying cash flows to approved budgets and assessed growth rates and discount rates by comparison to third party information, the Group's cost of capital and relevant risk factors. Future cash flow assumptions were evaluated in the context of current trading performance against budget and forecasts, considering the historical accuracy of budgeting and forecasting and understanding the reasons for the growth profiles used. We evaluated management's sensitivity analyses to ascertain the impact of reasonably possible changes to key assumptions on the available headroom. We agree with management's assessment that the Middle East and Hirslanden goodwill impairment assessments are sensitive to reasonably possible changes to key assumptions. We evaluated management's judgement regarding the level at which goodwill arising from the Al Noor acquisition is monitored for impairment and concluded that the decision to combine Al Noor with Mediclinic Middle East for goodwill impairment review purposes is reasonable based on the initial commercial rationale for the acquisition, which included expected synergies from integrating the legacy Al Noor business with the legacy Mediclinic Middle East business that would be realised across the Middle East operating segment. Based on our work performed, we concurred with management that no impairments were required for goodwill or for the acquired intangible assets at 31 March 2017. We found that the judgements were supported by reasonable assumptions and that the disclosures in respect of the impairment assessments are a fair reflection of the judgements made by the Group.

Area of focus	How our audit addressed the area of focus
3. Valuation of associate interest in Spire *(refer to Audit and Risk Committee Report on page 117 and notes 8 and 30 in the Group Financial Statements)*	
Mediclinic acquired an interest of 29.9% in Spire Healthcare Group plc ("**Spire**") for a consideration of £437m in the prior financial year. We focused on the valuation of the investment in Spire, directing our attention in particular at the following areas: • A notional purchase price allocation is required to split the total purchase consideration between tangible assets acquired, intangible assets identified on acquisition and goodwill. As the investment is accounted for using the equity method, net assets of the investee are not recognised in the Group's statement of financial position, but the share of profits equity accounted is affected by adjustments such as additional depreciation due to fair value adjustments to tangible assets at acquisition and the amortisation of intangible assets identified and recognised separately from goodwill. The Group finalised its notional purchase price allocation with the assistance of an independent expert during the current financial year. Separately identifiable intangible assets amounting to £68 million were valued as a result of this exercise. Judgement is involved in notionally allocating the purchase price to the tangible and intangible assets identified in the acquisition together with the valuation of the intangible assets requiring specialist skills and knowledge; • The equity accounted earnings of Spire that are included in the income statement of the Group represent the year ended 31 December 2016 consistent with Spire's financial year-end, which is not co-terminous with Mediclinic's 31 March 2017 year-end. The equity accounting for Spire lags the Group's reporting period by three months as allowed by IAS 28. Application of this policy means that the Group needs to consider whether there were any significant developments at Spire between 1 January 2017 and 31 March 2017, the date to which the Group draws its consolidated financial statements; and	We obtained the report issued by the external valuation expert engaged by the Group to perform the notional purchase price allocation and to assist with the identification of identifiable assets acquired. Using our own valuation specialists, we assessed the process and methodology adopted by management's expert and the underlying assumptions and tested the mathematical accuracy of the valuation model. We substantively tested the equity accounted results of Spire recorded by the Group with reference to the audited financial statements of Spire for the year ended 31 December 2016. We instructed the auditors of Spire to perform specified procedures to support our assessment of Spire's results equity accounted by the Group. We read recent press reports of Spire and discussed with the Group's representative who sits on the board of Spire any significant or abnormal transactions that occurred in the period from 1 January 2017 to 31 March 2017, being the period not equity accounted by the Group, which could have had an effect on the results and carrying value of the associate at 31 March 2017. We evaluated the share performance of Spire over the period since acquisition with reference to its reported financial performance. We met with the Group's nominated director on the Spire board to understand whether any indicators of impairment exist based on the underlying performance of the business and we inspected the latest available financial reports of Spire. We obtained analyst consensus forecasts of the Spire share price over the next twelve months to understand third party expectations of future performance.

Area of focus	How our audit addressed the area of focus
3. Valuation of associate interest in Spire (continued)	
• At 31 March 2017, the carrying value of the 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 no impairment loss was required. We focused on this area because judgement and estimation are involved in the impairment assessment. The carrying value of the investment is contingent on future cash flows and there is a risk that the investment will be impaired if these cash flows do not meet expectations. In addition, significant transactions or events that occur between Spire's year-end and the Group's reporting date may have an impact on the carrying value of the investment.	Deploying our valuation specialists, 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 of Spire, including cash flow forecasts and the selection of growth rates and discount rates. We challenged management to substantiate its assumptions, including comparing relevant assumptions to third party data and economic forecasts. We evaluated management's sensitivity analyses to ascertain the impact of reasonably possible changes to key assumptions on the available headroom. We evaluated the disclosure regarding the sensitivity of the impairment judgement to reasonably possible changes in the key assumptions underlying the impairment assessment. Based on our work performed, we concurred with management that no impairment loss is required to the investment at 31 March 2017 and we did not identify any significant or abnormal transactions that affect the period from 1 January 2017 through 31 March 2017. We found the judgements and estimates made by management to be materially reasonable and the related disclosures to be appropriate.

Area of focus	How our audit addressed the area of focus
4. Risk of fraud in revenue recognition *(refer to Audit and Risk Committee Report on page 114)*	
Different business models apply in each of the Group's businesses as a result of different regulatory environments and relationship models between the hospitals and funders. The Group's accounting policies in respect of revenue recognition are not considered to present a significant risk of misstatement due to the simple nature of the underlying transactions and related processes. However, as with any audit an inherent risk exists that revenue may be overstated due to fraud as a result of incentives to achieve certain performance targets driven mainly by revenue.	We obtained an understanding of the different revenue streams and revenue models across the Group. In particular, we focused on the newly acquired Al Noor business more broadly as it conforms its accounting and commercial practices with the rest of the Group and on a specific Al Noor business unit that was subject to an earn-out. We evaluated the relevant controls in the revenue cycle. We used computer assisted auditing techniques or tests of details to test settled transactions from source to receipt of payment. We tested unusual journal entries impacting revenue and accounts receivable. We performed tests of details on adjustments recorded to reported revenue. We tested unsettled transactions substantively through testing of receipts subsequent to year-end, confirmation of claims with medical insurers or patient file testing to check that the underlying service happened prior to year-end. We obtained an understanding of the process followed by management to identify impaired receivable balances and performed an independent assessment of the provision calculated by management by evaluating the results of claim audits by medical insurers, historical information and ageing analyses. We performed analytical procedures designed to identify unusual trends in revenue recognition and pricing of services, including an assessment of insurance rejections. Based on the procedures performed, we have identified no material adjustments.

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 geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group financial statements are a consolidation of eight reporting units which comprise sub-consolidations of the operations in each of the Group's key markets. The South Africa, Switzerland and Dubai reporting units required an audit of their complete financial information due to their size. Audits were also performed over the complete financial information of three other reporting units (Abu Dhabi, being the legacy Al Noor business, the Mediclinic International plc parent company and Spire) to give appropriate audit coverage and to focus on specific risks associated with the acquisition of Al Noor and Spire in the prior financial year given the need to finalise the provisional purchase price accounting in the current financial year. Taken together, reporting units where we performed audit work over the complete financial information accounted for 93% of consolidated revenue and 92% of consolidated profit before tax. We separately performed specified procedures at two further reporting units meaning that our audit covered all reporting units that individually contributed more than 1% to the Group's revenue and 3% to profit before tax.

In addition, we instructed the component auditor at Spire, the one reporting unit with a non co-terminous year-end to the rest of the Group, to undertake subsequent event review procedures over the lag period of account.

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 or, in the case of Spire, other audit firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the financial statements as a whole.

Recognising that not every business in each of the eight 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 and with Spire's auditor.

Further specific audit procedures over the Group consolidation (and review procedures over the Annual Report and Financial Statements disclosures) were directly led by the Group audit team.

MATERIALITY

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

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

Overall group materiality	£14.9 million (2016: £13 million).
How we determined it	Approximately 5% of profit before tax.
Rationale for benchmark applied	We believe that profit before tax is a primary measure used by the shareholders in assessing the performance of the Group and is a generally accepted auditing benchmark.
Component materiality	For each component in our audit scope, we allocated a materiality that was less than overall group audit materiality. The range of materiality allocated to each reporting unit was between £1.5 million and £12 million. The materiality used for the audit of the parent company was £12 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.7 million (2016: £0.7 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

GOING CONCERN

Under the Listing Rules, we are required to review the directors' statement, set out on page 129, in relation to going concern.

We have nothing to report having performed our review.

Under ISAs (UK & Ireland), we are required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed.

As part of our audit, we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee of the Group's ability to continue as a going concern.

OTHER REQUIRED REPORTING

CONSISTENCY OF OTHER INFORMATION AND COMPLIANCE WITH APPLICABLE REQUIREMENTS

COMPANIES ACT 2006 REPORTING

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

ISAS (UK & IRELAND) REPORTING

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion: • information in the Annual Report and Financial Statements is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report.
• the statement given by the directors on page 129, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "**Code**"), that they consider the Annual Report and Financial Statements taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit.	We have no exceptions to report.
• the section of the Annual Report and Financial Statements on page 114, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

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

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to: • the directors' confirmation on pages 30 to 36 of the Annual Report and Financial Statements, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
• the disclosures in the Annual Report and Financial Statements that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
• the directors' explanation on page 35 of the Annual Report and Financial Statements, in accordance with provision C.2.2 of the Code, 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 whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.
Under the Listing Rules, we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.	

ADEQUACY OF INFORMATION AND EXPLANATIONS RECEIVED

Under the Companies Act 2006, we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

DIRECTORS' REMUNERATION

Under the Companies Act 2006, we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

CORPORATE GOVERNANCE STATEMENT

Under the Listing Rules, we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

OUR RESPONSIBILITIES AND THOSE OF THE DIRECTORS

As explained more fully in the Directors' Responsibilities Statement set out on page 129, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

WHAT AN AUDIT OF FINANCIAL STATEMENTS INVOLVES

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

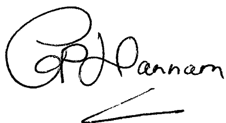
We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

OTHER MATTER

We have reported separately on the Company financial statements of Mediclinic International plc for the year ended 31 March 2017 and on the information in the Directors' Remuneration Report that is described as having been audited.



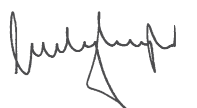
Giles Hannam (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
23 May 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 March 2017

	Notes	GROUP 2017 £'m	GROUP 2016 £'m
ASSETS			
Non-current assets		**6 353**	5 618
Property, equipment and vehicles	6	**3 703**	3 199
Intangible assets	7	**2 156**	1 941
Equity accounted investments	8	**465**	455
Other investments and loans	9	**8**	6
Derivative financial instruments	20	**–**	1
Deferred income tax assets	10	**21**	16
Current assets		**1 069**	931
Inventories	11	**90**	75
Trade and other receivables	12	**591**	547
Other investments and loans	9	**16**	–
Current income tax assets		**2**	2
Derivative financial instruments	20	**–**	2
Cash and cash equivalents	28.8	**361**	305
Assets classified as held for sale	32	**9**	–
Total assets		**7 422**	6 549
EQUITY			
Capital and reserves			
Share capital	13	**74**	74
Share premium reserve	13	**690**	690
Treasury shares	13	**(2)**	(2)
Retained earnings		**5 525**	5 320
Other reserves	14	**(2 201)**	(2 573)
Attributable to equity holders of the Company		**4 086**	3 509
Non-controlling interests	16	**78**	61
Total equity		**4 164**	3 570
LIABILITIES			
Non-current liabilities		**2 668**	2 192
Borrowings	17	**1 961**	1 524
Deferred income tax liabilities	10	**527**	446
Retirement benefit obligations	18	**154**	179
Provisions	19	**23**	24
Derivative financial instruments	20	**2**	19
Cash-settled share-based payment liability	15	**1**	–
Current liabilities		**590**	787
Trade and other payables	21	**472**	431
Borrowings	17	**69**	317
Provisions	19	**22**	19
Retirement benefit obligations	18	**10**	9
Derivative financial instruments	20	**7**	1
Current income tax liabilities		**8**	10
Liabilities classified as held for sale	32	**2**	–
Total liabilities		**3 258**	2 979
Total equity and liabilities		**7 422**	6 549

These financial statements and the accompanying notes were approved for issue by the Board of Directors on 23 May 2017 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 2017

	Notes	GROUP 2017 £'m	GROUP 2016 £'m
Revenue		**2 749**	2 107
Cost of sales	22	**(1 696)**	(1 264)
Administration and other operating expenses	22	**(689)**	(554)
Other gains and losses	23	**(2)**	(1)
Operating profit		**362**	288
Finance income		**7**	9
Finance cost	24	**(74)**	(58)
Share of net profit of equity accounted investments	8	**12**	6
Profit before tax		**307**	245
Income tax expense	25	**(64)**	(55)
Profit for the year		**243**	190
Attributable to:			
Equity holders of the Company		**229**	177
Non-controlling interests		**14**	13
		243	190
Earnings per ordinary share attributable to the equity holders of the Company – pence			
Basic	26	**31.0**	29.6
Diluted	26	**31.0**	29.5

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2017

	Notes	GROUP 2017 £'m	2016 £'m
Profit for the year		**243**	190
Other comprehensive income			
Items that may be reclassified to the income statement			
Currency translation differences	27	**388**	92
Fair value adjustment – cash flow hedges	27	**–**	2
		388	94
Items that may not be reclassified to the income statement			
Remeasurements of retirement benefit obligations	27	**34**	(56)
Other comprehensive income, net of tax	27	**422**	38
Total comprehensive income for the year		**665**	228
Attributable to:			
Equity holders of the Company		**635**	224
Non-controlling interests		**30**	4
		665	228

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2017

											GROUP	
	Share capital (note 13) £'m	Capital redemption reserve (note 13) £'m	Share premium reserve (note 13) £'m	Reverse acquisition reserve (note 13) £'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 2015	994	–	–	–	(22)	14	306	2	485	1 779	61	1 840
Profit for the year	–	–	–	–	–	–	–	–	177	177	13	190
Other comprehensive income/(loss) for the year	–	–	–	–	–	–	101	2	(56)	47	(9)	38
Total comprehensive income for the year	–	–	–	–	–	–	101	2	121	224	4	228
Shares issued (August 2015)	479	–	–	–	–	–	–	–	–	479	–	479
Share issue costs (August 2015)	(4)	–	–	–	–	–	–	–	–	(4)	–	(4)
Reverse acquisition	(1 402)	6	4 862	(3 014)	–	–	–	–	(6)	446	–	446
Share subscription (February 2016)	7	–	593	–	–	–	–	–	–	600	–	600
Reduction of share premium	–	–	(4 765)	–	–	–	–	–	4 765	–	–	–
Utilised by the Mpilo Trusts	–	–	–	–	21	–	–	–	–	21	–	21
Treasury shares purchased (Forfeitable Share Plan)	–	–	–	–	(1)	–	–	–	–	(1)	–	(1)
Share-based payment expense	–	–	–	–	–	10	–	–	–	10	–	10
Transactions with non-controlling shareholders	–	–	–	–	–	–	–	–	3	3	3	6
Dividends paid	–	–	–	–	–	–	–	–	(48)	(48)	(7)	(55)
Balance at 31 March 2016	74	6	690	(3 014)	(2)	24	407	4	5 320	3 509	61	3 570
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**

CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31 March 2017

	Notes	GROUP 2017 £'m Inflow/ (outflow)	GROUP 2016 £'m Inflow/ (outflow)
CASH FLOW FROM OPERATING ACTIVITIES			
Cash received from customers		**2 735**	2 078
Cash paid to suppliers and employees		**(2 226)**	(1 667)
Cash generated from operations	28.1	**509**	411
Interest received		**7**	9
Interest paid	28.2	**(77)**	(55)
Tax paid	28.3	**(45)**	(45)
Net cash generated from operating activities		**394**	320
CASH FLOW FROM INVESTMENT ACTIVITIES		**(218)**	(1 549)
Investment to maintain operations	28.4	**(109)**	(72)
Investment to expand operations	28.5	**(140)**	(114)
Business combinations – Al Noor acquisition	29	**–**	(17)
Al Noor Hospitals Group plc shares repurchased	29	**–**	(530)
Special dividend to existing Al Noor Hospitals Group plc shareholders	29	**–**	(383)
Proceeds on disposal of property, equipment and vehicles		**–**	1
Disposal of subsidiaries	31	**44**	–
Acquisition of investment in associate	8 & 30	**(1)**	(446)
Dividends received from equity accounted investment		**4**	2
Proceeds from money market funds		**–**	10
Acquisition of other investment and loans		**(16)**	–
Net cash generated/(utilised) before financing activities		**176**	(1 229)
CASH FLOW FROM FINANCING ACTIVITIES		**(169)**	1 242
Proceeds of shares issued	13	**–**	479
Share issue costs	13	**–**	(4)
Share subscription	13	**–**	600
Distributions to non-controlling interests	16	**(9)**	(7)
Distributions to shareholders	28.6	**(62)**	(48)
Proceeds from borrowings	28.7	**247**	302
Repayment of borrowings	28.7	**(327)**	(85)
Refinancing transaction costs		**(3)**	(6)
Settlement of Al Noor Hospitals Group plc share option scheme		**–**	(2)
Shares purchased (Forfeitable Share Plan)		**–**	(1)
Proceeds from disposal of treasury shares		**–**	12
Acquisition of non-controlling interest	16	**(15)**	(2)
Proceeds on disposal of non-controlling interest		**–**	4
Net increase in cash and cash equivalents		**7**	13
Opening balance of cash and cash equivalents		**305**	265
Exchange rate fluctuations on foreign cash		**49**	27
Closing balance of cash and cash equivalents	28.8	**361**	305

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2017

1. DESCRIPTION OF BUSINESS

Mediclinic International plc is a private hospital group with three operating platforms in Southern Africa (South Africa and Namibia), Switzerland and the United Arab Emirates and with an equity investment in the UK. Its core purpose is to enhance the quality of life of patients by providing cost-effective acute care specialised hospital services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, including IFRS Interpretations Committee (IFRS IC) 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
- 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 pound (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 South African rand, Swiss franc and United Arab Emirates dirham. The United Arab Emirates dirham is pegged against the United States dollar at a rate of 3.6725 per US Dollar.

Exchange rates

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

	GROUP	
	2017	2016
Average rates:		
Swiss franc	**1.29**	1.47
UAE dirham	**4.80**	5.54
South African rand	**18.41**	20.73
Period end rates:		
Swiss franc	**1.25**	1.38
UAE dirham	**4.59**	5.28
South African rand	**16.74**	21.21

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.

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.

Transactions which result in changes in ownership levels, where the Company has control of the subsidiary both before and after the transaction are regarded as equity transactions and are recognised directly in the statement of changes in equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the parent.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest.

Reverse acquisition accounting

On 14 October 2015, the Board of Directors of Al Noor Hospitals Group plc and the independent Board of Directors of Mediclinic International Limited announced that they had reached an agreement on the terms of a recommended combination of their respective businesses (the "**Combination**"). Given the relative size of Al Noor and Mediclinic, the Combination has been classified as a reverse takeover in terms of IFRS 3, based on the analysis of the voting rights after the combination and the composition of the Board of Directors. For the purpose of the Listing Rules of the UK Listing Authority, the Combination was also classified as a reverse takeover.

On 15 February 2016, the entire share capital of Mediclinic International Limited was acquired by Al Noor Hopitals Group plc pursuant to the Mediclinic Scheme. Al Noor Hospitals Group plc acquired all of the Mediclinic Shares that were not repurchased and cancelled by Mediclinic in the Repurchase Option. Mediclinic Shareholders were entitled to receive 0.625 new shares for every Mediclinic share held.

Al Noor Hospitals Group plc has remained the holding company of the Enlarged Group and has been renamed to "Mediclinic International plc". Mediclinic International plc wholly owns the Al Noor Hospitals Group and the Mediclinic Group, as well as the 29.9 per cent interest in Spire Heathcare plc, which was acquired by Mediclinic International Limited in August 2015.

Accordingly, these consolidated financial statements are issued in the name of Mediclinic International plc (previously Al Noor Hospitals Group plc), but are a continuation of the consolidated financial statements of Mediclinic International Limited. In accordance with IFRS 3 *Business Combinations*, the financial statements of Mediclinic International Limited, including comparative information, have been retrospectively adjusted to reflect the legal capital position of Mediclinic International plc. For further details, refer to note 29.

A capital redemption reserve and a reverse acquisition reserve were created (refer to note 13).

Al Noor's results have been consolidated in the consolidated financial statements from the effective date of the acquisition, 15 February 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation and equity accounting (continued)

b) Business combinations

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

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

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

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

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

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

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation and equity accounting (continued)

c) Investment 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 also 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 platforms in Mediclinic Southern Africa, Mediclinic Switzerland, Mediclinic 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 Executive Committee that makes strategic decisions. The Executive Committee comprises the Executive Directors.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property, equipment and vehicles (continued)

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

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 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) *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 losses. Trade names that are deemed to have a finite useful life are capitalised at the cost to the Group and amortised on the straight-line basis over its estimated useful lifetime of 1 to 20 years (2016: 5 to 20 years). Expenditure to maintain trade names is accounted for against income as incurred.

b) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary at the date of acquisition and the fair value of the non-controlling interest in the subsidiary. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates and joint ventures is included in investments in associates and joint ventures. Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("**CGUs**") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from business combinations in which goodwill arose. 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 on a *pro rata* basis.

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 – 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 recognised as an expense as incurred.

2.6 Impairment of non-financial assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial assets

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

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in current assets, except for maturities greater than 12 months after the reporting date, which are classified as non-current assets. Loans and receivables are carried at amortised cost using the effective interest rate method 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 is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

For financial assets carried at amortised cost, evidence of impairment may include indications that the receivables or a group of receivables is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. 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 investments are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in the income statement.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Offsetting of financial instruments

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

2.9 Inventories

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

2.10 Trade and other receivables

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

2.11 Cash and cash equivalents

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

2.12 Derivative financial instruments and hedging activities

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

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

The fair values of various derivative instruments used for hedging purposes are disclosed in note 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 and loss).

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Share capital

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

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

2.14 Treasury shares

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

2.15 Trade and other payables

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

2.16 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; 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Current and deferred income tax (continued)

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

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

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

2.19 Employee benefits

a) Retirement benefit costs

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

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 expense 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Employee benefits (continued)

c) Equity-settled share-based compensation

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

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

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

d) 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 exist for short-term incentives. The amounts payable to employees in respect of the short-term incentive schemes are determined based on annual business performance targets.

2.20 Revenue recognition

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

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

Discounts comprise retrospective volume discounts granted to certain customers on attainment of certain levels of purchases from the Group. These are accrued over the course of the arrangement based on estimates of the level of business expected and are adjusted at the end of the arrangement to reflect actual volumes.

In Switzerland, medical services can on occasion be charged based on provisional tariffs as delays can occur in the agreement of tariffs between providers (including the Group) and funders. When tariffs have not yet been agreed, tariff provisions are recognised as adjustments in revenue to reflect any uncertainty about collectability of amounts invoiced. Revenue continues to be recognised in these circumstances as the Group has developed significant historical experience of continuing to collect revenue for delivered services where tariff negotiations have not concluded with all relevant authorities. However, a tariff provision will be recorded when the Group identifies any uncertainty around collection of amounts invoiced for delivered services and it is probable that an outflow of resources will be required, which can be reliably estimated. The provision is calculated on the basis of historical experience of outcomes to negotiations between providers and funders and this historical experience is subject to regular reassessment based on the actual outcome to tariff negotiations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Revenue recognition (continued)

Other revenues earned are recognised on the following bases:

a) Interest income

Interest income is recognised on a time-proportioned basis using the effective interest rate method.

b) Rental income

Rental income, which is insignificant, is recognised on a straight-line basis over the term of the lease.

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

2.21 Cost of sales

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

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

Dividends are recorded in the Group's financial statements in the period in which they are approved by the Company's Board of Directors.

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 that is different from the Group's presentation currency are translated into the presentation currency as follows:

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

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

2.25 Standards, interpretations and amendments

Published standards, amendments and interpretations effective for the 31 March 2017 financial period:

The following published standards, amendments and interpretations are mandatory for the accounting period beginning on or after 1 April 2016 and have been adopted:

- IFRS 10, IFRS 12 and IAS 28 Investment entities (amendments) – Applying the consolidation exception
- IFRS 11 (amendments) – Joint arrangements
- IFRS 14 Regulatory Deferral Accounts
- IAS 1 (amendments) – Disclosure initiative
- IAS 16 and IAS 38 (amendments) – Clarification of acceptable methods of depreciation and amortisation
- IAS 16 and IAS 41 (amendments) – Agriculture: bearer plants
- IAS 27 (amendment) – Equity method in separate financial statements
- Annual improvements 2012 – 2014 cycle – Amendments and clarifications to existing IFRS standards

The implementation of these standards and amendments had no 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. Based on initial assessments, management expects the new standards to mainly affect presentation and disclosure of the financial statements, with the exception of IFRS 16: Leases which is expected to have a material impact and will be evaluated during 2018.

IFRS 9: Financial Instruments (1 January 2018)

The new standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39. IFRS 9 applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. IFRS 9 also results in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification categories.

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

The new standard requires companies to recognise revenue to depict the transfer of goods or services to customers, that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, and provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements.

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.

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

- IAS 7 (amendment) – Disclosure initiative (1 January 2017)
- IAS 12 (amendment) – Recognition of deferred tax assets for unrealised losses (1 January 2017)
- 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 2017 and 1 January 2018)
- 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

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

a) Market risk

i) Currency risk

Investments in foreign operations

The Group has investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies. Changes in the pound/Swiss franc, pound/UAE dirham and pound/South African rand exchange rate over a period of time result in increased/decreased earnings. Other than the Group's earnings and payment of dividends which are presented and declared in pound and thus exposed to currency risk, the Group is not significantly exposed to currency risk since the operating platforms predominantly operates in its local currency (including its debt).

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

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

- profit for the period would increase/decrease by £14m (31 March 2016: increase/decrease by £11m) due to exposure to the GBP/Swiss franc exchange rate;
- profit for the period would increase/decrease by £2m (31 March 2016: increase/decrease by £6m) due to exposure to the GBP/UAE dirham exchange rate;
- profit for the period would increase/decrease by £8m (31 March 2016: increase/decrease by £7m) due to exposure to the GBP/South African Rand 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 £196m (2016: increase/decrease by £112m) due to exposure to the GBP/Swiss franc exchange rate;
- foreign currency translation reserve would increase/decrease by £154m (2016: increase/decrease by £24m) due to exposure to the GBP/UAE dirham exchange rate; and
- foreign currency translation reserve would increase/decrease by £6m (2016: increase/decrease by £12m) due to exposure to the GBP/South African rand exchange rate.

ii) Interest rate risk

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

The Group manages its interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

In respect of financial assets, interest rate risk is managed by using approved counterparties that offer the best rates.

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 have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's:

- profit for the period would increase/decrease by £3m (2016: increase/decrease by £3m). This is mainly attributable to the Group's exposure to interest rates on its unhedged variable rate borrowings and cash.

iii) Other price risk

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

b) Credit risk

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

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

The carrying amounts of financial assets included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to these assets. At 31 March 2016 and 31 March 2017, 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. Given that the Group has bank facilities in place which expires during 2019/2020, the Group did not consider there to be a significant concentration of liquidity risk.

	GROUP	
	2017 £'m	2016 £'m
The Group's unused overdraft facilities are:	**95**	88

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

c) *Liquidity risk* (continued)

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

Financial liabilities	Carrying value	Contractual cash flows £'m	0 – 12 months £'m	1 – 5 years £'m	Beyond 5 years £'m
31 March 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**	**–**	**–**
31 March 2016					
Borrowings	1 841	2 025	358	1 597	70
Derivative financial instruments	20	20	8	12	–
Trade payables	200	200	200	–	–
Other payables and accrued expenses	169	169	169	–	–

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 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 underlying earnings. The Board may revise the policy at its discretion. The debt-to-adjusted capital ratios at 31 March 2017 and 31 March 2016 were as follows:

	GROUP	
	2017 £'m	2016 £'m
Borrowings	**2 030**	1 841
Less: cash and cash equivalents	**(361)**	(305)
Net debt	**1 669**	1 536
Total equity	**4 164**	3 570
Debt-to-equity capital ratio	**0.4**	0.4

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)
- Estimation of the indefinite useful life of the Swiss trade names (refer to note 7)
- Deferred tax on unremitted earnings (refer to note 10)
- Estimation of useful lives of property, equipment and vehicles (refer to note 6)

Key estimates

- 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 8.1 and note 29)

5. SEGMENTAL REPORT

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

	Reportable operating segments			Other		
	Southern Africa £'m	Switzerland £'m	Middle East £'m	United Kingdom £'m	Corporate £'m	Total £'m
Year ended 31 March 2017						
Revenue	780	1 321	648	–	–	2 749
EBITDA	165	277	71	–	(4)	509
EBITDA before management fee	170	279	74	–	(14)	509
Management fees included in EBITDA	(5)	(2)	(3)	–	10	–
Other gains and losses	–	–	1	–	(3)	(2)
Depreciation and amortisation	(25)	(76)	(44)	–	–	(145)
Operating profit	140	201	28	–	(7)	362
Income from associate	–	–	–	12	–	12
Finance income	7	–	–	–	–	7
Finance cost (excluding intersegment loan interest)	(33)	(28)	(7)	–	(6)	(74)
Total finance cost	(33)	(44)	(7)	–	10	(74)
Elimination of intersegment loan interest	–	16	–	–	(16)	–
Taxation	(32)	(32)	–	–	–	(64)
Segment result	82	141	21	12	(13)	243
At 31 March 2017						
Investments in associates	–	2	–	459	–	461
Investments in joint venture	4	–	–	–	–	4
Capital expenditure	70	128	51	–	–	249
Total segment assets	676	4 258	1 987	459	42	7 422
Total segment liabilities (excluding intersegment loan)	650	2 235	372	–	1	3 258
Total liabilities from reportable segment	650	3 140	372	–	1	4 163
Elimination of intersegment loan	–	(905)	–	–	–	(905)

5. SEGMENTAL REPORT (continued)

	Reportable operating segments			Other		
	Southern Africa £'m	Switzerland £'m	Middle East £'m	United Kingdom £'m	Corporate £'m	Total £'m
Year ended 31 March 2016						
Revenue	649	1 130	328	–	–	2 107
EBITDA	129	229	68	–	(44)	382
EBITDA before management fee	133	230	70	–	(51)	382
Management fees included in EBITDA	(4)	(1)	(2)	–	7	–
Other gains and losses	–	–	–	–	(1)	(1)
Depreciation and amortisation	(20)	(63)	(10)	–	–	(93)
Operating profit	109	166	58	–	(45)	288
Income from associate	–	–	–	6	–	6
Finance income	8	1	–	–	–	9
Finance cost (excluding intersegment loan interest)	(21)	(29)	(2)	–	(6)	(58)
Total finance cost	(21)	(46)	(2)	–	11	(58)
Elimination of intersegment loan interest	–	17	–	–	(17)	–
Taxation	(31)	(24)	–	–	–	(55)
Segment result	65	114	56	6	(51)	190
At 31 March 2016						
Investments in associates	–	1	–	451	–	452
Investments in joint venture	3	–	–	–	–	3
Capital expenditure	52	98	36	–	–	186
Total segment assets	485	3 809	1 800	451	4	6 549
Total segment liabilities (excluding intersegment loan)	370	2 094	243	–	272	2 979
Total liabilities from reportable segment	370	2 940	243	–	272	3 825
Elimination of intersegment loan	–	(846)	–	–	–	(846)

	GROUP	
	2017 £'m	2016 £'m
5. SEGMENTAL REPORT (continued)		
The total non-current assets, excluding financial instruments and deferred tax assets per geographical location, are:		
Southern Africa	**453**	322
Middle East	**1 712**	1 526
Switzerland	**3 700**	3 302
United Kingdom	**459**	451
ENTITY-WIDE DISCLOSURES		
Revenue		
From UK	**–**	–
From foreign countries	**2 749**	2 107
Revenues from external customers are primarily from hospital services.		
The total non-current assets, excluding financial instruments and deferred tax assets		
From UK	**459**	451
From foreign countries	**5 865**	5 136
6. PROPERTY, EQUIPMENT AND VEHICLES		
Land – cost	**911**	819
Buildings	**2 294**	1 952
Cost	**2 512**	2 119
Accumulated depreciation and impairment	**(218)**	(167)
Land and buildings	**3 205**	2 771
Capital expenditure in progress	**113**	131
Equipment	**328**	251
Cost	**795**	610
Accumulated depreciation	**(467)**	(359)
Furniture and vehicles	**57**	46
Cost	**218**	169
Accumulated depreciation	**(161)**	(123)
	3 703	3 199

6. PROPERTY, EQUIPMENT AND VEHICLES (continued)

	Land and buildings £'m	Capital expenditure in progress £'m	Equipment £'m	Furniture and vehicles £'m	Total £'m
Net book value at 1 April 2015	2 647	99	200	39	2 985
Additions	40	47	71	19	177
Depreciation	(25)	–	(41)	(18)	(84)
Business combinations	15	16	25	5	61
Prior year capital expenditure completed	18	(18)	–	–	–
Exchange differences	76	(13)	(4)	1	60
Net book value at 31 March 2016	2 771	131	251	46	3 199
Additions	**57**	**77**	**83**	**22**	**239**
Disposals	**–**	**–**	**–**	**–**	**–**
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**

	2017 £'m	2016 £'m
Total additions	**239**	177
To maintain operations	**105**	63
To expand operations	**134**	114

Property, equipment and vehicles with a book value of £2 730m (2016: £2 508m) are encumbered as security for borrowings (see note 17).

Included in equipment is capitalised finance lease equipment with a book value of £1m (2016: £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.

	GROUP	
	2017 £'m	2016 £'m
7. INTANGIBLE ASSETS		
Goodwill[1]	**1 715**	1 532
Cost	**1 715**	1 532
Accumulated impairment	**–**	–
Trade names	**377**	354
Cost	**399**	358
Accumulated amortisation and impairment	**(22)**	(4)
Computer software	**38**	31
Cost	**73**	54
Accumulated amortisation and impairment	**(35)**	(23)
Lease	**26**	24
Cost	**27**	24
Accumulated amortisation and impairment	**(1)**	–
	2 156	1 941

	Goodwill[1] £'m	Trade names £'m	Computer software £'m	Lease[2] £'m	Total £'m
Net book value at 1 April 2015	309	312	21	–	642
Additions	–	–	9	–	9
Amortisation	–	(2)	(7)	–	(9)
Business combinations	1 203	33	8	24	1 268
Exchange differences	20	11	–	–	31
Net book value at 31 March 2016 (restated)[1]	**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**

[1] *Restated following the finalisation of the Al Noor acquisition (see note 29)*
[2] *Relates to favourable lease contracts on buildings. The leases are characterised by fixed annual rent with no annual rent escalations for most part of the contract.*

Critical accounting estimates and judgements

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

IFRS requires the impairment assessment to be performed at the level at which goodwill is 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 platform level. This means that for the Mediclinic Middle East platform, 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 platform. 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 estimation of the indefinite useful life of the Hirslanden trade names is 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. 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 carrying amounts of significant goodwill and indefinite life trade names are considered annually for impairment testing. The impairment tests are based on value-in-use calculations. These calculations use cash flow projections based on financial budgets covering a five-year period. The discount rates used reflect specific risks related to the hospital industry. These calculations indicate that there was no impairment in the carrying value of goodwill balances and the Hirslanden trade name.

	GROUP	
	2017 £'m	2016 £'m
Carrying amount of Mediclinic Middle East goodwill	**1 401**	1 197
Carrying amount of Hirslanden goodwill	**307**	278
Carrying amount of Hirslanden indefinite life trade names	**341**	309

Impairment testing of Mediclinic Middle East goodwill

The Mediclinic Middle East goodwill originated mainly from the 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:

Future earnings is based on budgets and forecasts that is calculated on a per hospital basis. These budgets and forecasts represent management's best view of future admissions, tariffs and patient mix and include savings relating to operational and capital expenditures.

Discount rates – discount rates reflect management's estimate of the time value and the risks associated with the Middle East business. The weighted average cost of capital (WACC) has been determined by considering the respective debt and equity costs and ratios. The discount rate applied to cash flow projections is 7.8% (2016: 7.8%).

Growth rates – growth rates are based on budgeted figures and management's estimates. The estimated figures assume a stable regulatory and tariff environment. Cash flows beyond the five-year period are extrapolated using a 2.5% (2016: 2.5%) growth rate.

Sensitivity analysis – the recoverable amount calculated based on value-in-use exceeded the carrying value by approximately £259m (2016: £294m). A fall in growth rate to 1.6% (2016: 1.9%) or a rise in discount rate to 8.5% (2016: 8.3%) would reduce the headroom to nil.

Impairment testing of Hirslanden goodwill and indefinite life trade names

Key assumptions used for the value-in-use calculations for the annual impairment testing were as follows:

Future earnings is based on budgets and forecasts that is calculated on a per hospital basis. These budgets and forecasts represent management's best view of future admissions, tariffs and patient mix and include savings relating to operational and capital expenditures.

Discount rates – discount rates reflect management's estimate of the time value and the risks associated with the Hirslanden business. The weighted average cost of capital (WACC) has been determined by considering the respective debt and equity costs and ratios. The discount rate applied to cash flow projections is 4.7% (2016: 4.7%).

Growth rates – growth rates are based on budgeted figures and management's estimates. The estimated figures assume a stable regulatory and tariff environment. Cash flows beyond the five-year period are extrapolated using a 1.6% (2016: 1.6%) growth rate.

Sensitivity analysis – for the goodwill, the recoverable amount calculated based on value-in-use exceeded the carrying value by approximately £1 073m (2016: £1 212m). A fall in growth rate to 0.5% (2016: 0.3%) or a rise in discount rate to 5.6% (2016: 5.8%) would reduce the headroom to nil.

7. INTANGIBLE ASSETS (continued)

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 has been 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 will be complete by the end of the next financial year and the majority of these will be rebranded before 30 June 2017 given that the carrying value of the trade name asset continued to be supportable. Accelerated amortisation of £7m was recognised in March 2017 and the remainder of the balance will be amortised in the next financial year. The total amortisation recognised in the 2017 financial year relating to the Al Noor trade name amounted to £14m.

	GROUP	
	2017 £'m	2016 £'m
8. EQUITY ACCOUNTED INVESTMENTS		
Investment in associates	**461**	452
Investment in joint venture	**4**	3
	465	455
8.1 Investment in associates		
Listed investments	**459**	451
Unlisted investments	**2**	1
	461	452
Reconciliation of carrying value at the beginning and end of the period		
Opening balance	**452**	1
Total cost of equity investment (note 30)	**–**	447
Additional investment in unlisted associate	**1**	–
Share of net profit of associated companies	**12**	6
Dividends received from associated companies	**(4)**	(2)
	461	452

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

Name of entity	Country of incorporation and place of business	% ownership
Spire Healthcare Group plc	United Kingdom	29.9%

Spire Healthcare Group plc is listed on the London Stock Exchange. It does not issue publicly available quarterly financial information and has a December year-end. The associate was acquired on 24 August 2015. The investment in associate was equity accounted for the 12 months to 31 December 2016 (2016: 4 months to 31 December 2015). No significant events occurred since 1 January 2017 to the reporting date.

During the current year the notional purchase price allocation was finalised and non-contractual relationships with consultants (NCRC) were identified 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 amounts to £68m. The NCRC intangible asset will be amortised over its useful life and the carrying value is included within the purchase adjustment figure below. The amortisation charge for the current period is £4m (2016: £nil).

8. EQUITY ACCOUNTED INVESTMENTS

8.1 Investment in associates

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

	As at 31 December 2016 £'m	As at 31 December 2015 £'m
Summarised statement of financial position		
Current assets	**215**	242
Non-current assets	**1 509**	1 415
Total assets	**1 724**	1 657
Current liabilities	**(122)**	(113)
Non-current liabilities	**(567)**	(547)
Net assets	**1 035**	998
Mediclinic's effective interest	**29.9%**	29.9%
Mediclinic's effective interest in net assets	**310**	298
Purchase adjustment	**149**	153
Total carrying value of equity investment	**459**	451
Market value of listed investment at 31 March 2017	**389**	431

Although the market value of the investment is below the carrying value at 31 March 2017, management has concluded that no impairment exists. An impairment test was performed with the following key assumptions used for the value-in-use calculation:

Discount rates – discount rates reflect management's estimate of the time value and the risks associated with Spire's business. The weighted average cost of capital (WACC) has been determined by considering the respective debt and equity costs and ratios. The discount rate applied to cash flow projections is 6.3%.

Growth rates – growth rates are based on budgeted figures and management's estimates. The estimated figures assume a stable regulatory and tariff environment. Cash flows beyond the five-year period are extrapolated using a 2.5% growth rate.

Sensitivity analysis – a fall in growth rate to 2.4% or a rise in discount rate to 6.4% would remove any headroom.

	2016 £'m	2015 £'m
Summarised statement of comprehensive income		
Revenue	**926**	885
Profit from continuing operations	**54**	60
Other comprehensive income	**–**	–
Total comprehensive income	**54**	60

Refer to the Annexure for further details of investments in associates.

8. EQUITY ACCOUNTED INVESTMENTS (continued)

8.1 Investment in associates (continued)

Critical accounting estimates and judgements

During the prior financial year, the Group acquired 29.9% of Spire Healthcare Group plc and recognised this investment as an investment in an associate. At the date of acquisition a provisional notional purchase price allocation assessment did not identify any significant intangible assets other than goodwill. During the finalisation of the notional purchase price allocation, NCRC was identified as a material intangible asset. An independent valuer was used to assist in the identification and valuation of the NCRC. The NCRC acquired was valued and measured by using the Multi Period Excess Earnings Method. The valuation of NCRC used assumptions relating to future cash flows and discount rates which are based on forecasts and are therefore inherently judgemental.

The Group tests whether equity-accounted investments have suffered any impairment when a triggering event occurs, in this case the carrying value of the listed investment exceeds its market 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.

	GROUP	
	2017 £'m	2016 £'m
8.2 Investment in joint venture		
Unlisted		
Carrying value of investment in joint venture		
Opening balance	**3**	4
Share in current year losses*	**–**	–
Exchange differences	**1**	(1)
	4	3

** Amount is less than £1m.*

The Group has a 49.9% interest in Wits University Donald Gordon Medical Centre (Pty) Limited. The joint venture is accounted for by using its financial information for the twelve months ended 31 December 2016 (2016: 31 December 2015) since it has a different year-end.

Details of the joint venture appear in the Annexure.

	GROUP	
	2017 £'m	2016 £'m
9. OTHER INVESTMENTS AND LOANS		
Unlisted – no active market		
Loans and receivables*	**5**	3
Available-for-sale: Shares	**2**	1
Other receivables**	**1**	2
Short-term deposits***	**16**	–
	24	6
Non-current	**8**	6
Current	**16**	–
Total other investments and loans	**24**	6
Other investments and loans are held in the following currencies:		
Swiss franc	**2**	1
South African rand	**5**	3
UAE dirham	**17**	2
	24	6

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

	GROUP	
	2017 £'m	2016 £'m
10. DEFERRED TAX		
The movement on the deferred tax account is as follows:		
Opening balance	**430**	412
Income statement charge for the year	**21**	13
Provision for the year	**24**	13
Previously unused tax losses recognised	**(3)**	–
Exchange differences	**46**	18
Charged to other comprehensive income	**9**	(13)
Balance at the end of the year	**506**	430
Deferred income tax assets	**(21)**	(16)
Deferred income tax liabilities	**527**	446
	506	430

The deferred tax relating to current assets and current liabilities contain temporary differences that are most likely to realise in the next twelve months.

10. DEFERRED TAX (continued)

The deferred tax balance is comprised of temporary differences arising in separate legal entities. Offsetting has been applied on a legal entity basis. The table below shows the deferred tax balances and movements in the various categories before offsetting was applied:

	Tangible assets £'m	Intangible assets £'m	Current assets £'m	Provisions and others £'m	Total £'m
Deferred tax liabilities					
At 1 April 2015	392	71	6	9	478
Charged to the income statement	1	–	–	5	6
Exchange differences	16	2	–	1	19
At 31 March 2016	409	73	6	15	503
Set-off of deferred tax liabilities pursuant to set-off provisions					57
Net deferred tax liabilties at the end of the year					446
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 liabilties at the end of the year					**527**

10. **DEFERRED TAX (continued)**

	Current assets £'m	Provisions and others £'m	Long term liabilities	Derivatives £'m	Tax losses carried forward £'m	Total £'m
Deferred tax assets						
At 1 April 2015	(2)	(8)	(16)	(5)	(35)	(66)
Charged/(credited) to the income statement	–	1	(1)	1	6	7
Credited to other comprehensive income	–	–	(13)	–	–	(13)
Exchange differences	–	–	(1)	–	–	(1)
At 31 March 2016	(2)	(7)	(31)	(4)	(29)	(73)
Set-off of deferred tax assets pursuant to set-off provisions						57
Net deferred tax assets at the end of the year						(16)
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)**

Critical accounting estimates and judgements

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 considered afresh at each balance sheet date.

10. DEFERRED TAX (continued)

Critical accounting estimates and judgements (continued)

At 31 March 2017, the Group had unutilised tax losses of approximately £121m (2016: £172m) potentially available for offset against future profits. A deferred tax asset of £16m (2016: £29m) 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 relates to Switzerland, which expire after seven years. Their utilisation is dependent upon the profitability of their entities. The financial projections used in assessing the future profitability are consistent with those used in assessing the carrying value of goodwill as set out in note 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:

	GROUP	
	2017 £'m	2016 £'m
Unused tax losses not recognised as deferred tax assets		
Expiry in 1 year	**1**	1
Expiry in 2 years	**–**	1
Expiry in 3 to 7 years	**13**	6
No expiry	**33**	29
	47	37

No deferred tax liability has been recognised in respect of temporary differences relating to the unremitted earnings of overseas subsidiaries and equity accounted investments where the Group is able to control the timing of the reversal and it is probable that such differences will not reverse in the foreseeable future. Similarly tax is not provided where it is expected 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 518m (2016: £1 282m). There are no significant expected income tax consequences of earnings being distributed from Switzerland and the UAE, as there is no dividend withholding tax applicable to earnings being distributed from these operations. Although South African distributions to the UK are typically subject to dividend withholding taxes, distributions from South Africa are not expected to have income tax consequences in the foreseeable future as the operations in South Africa have a significant contributed tax capital balance from which may be paid dividends free from witholding 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

	GROUP	
	2017 £'m	2016 £'m
Inventories consist of:		
Pharmaceutical products	**79**	67
Consumables	**10**	8
Finished goods and work in progress	**1**	–
	90	75

The cost of inventories recognised as an expense and included in cost of sales amounted to £630m (2016: £481m).

	GROUP	
	2017 £'m	2016 £'m
12. TRADE AND OTHER RECEIVABLES		
Trade receivables[1]	**466**	399
Less provision for impairment of receivables	**(41)**	(19)
Trade receivables – net	**425**	380
Other receivables[2]	**166**	167
	591	547

[1] *Prior year restated following the finalisation of the Al Noor purchase price allocation (see note 29).*
[2] *Included in other receivables are Swiss unbilled services of £79m (2016: £82m). 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:

	2017 £'m	2016 £'m
South African rand*	**95**	59
Swiss franc	**367**	340
UAE dirham	**129**	148
	591	547

Included in the Group's trade receivables balance are trade receivables with a carrying value of £165m (2016: £151m) 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:

	2017 £'m	2016 £'m
Up to 3 months	**106**	99
Between 3 and 6 months	**40**	20
Over 6 months	**19**	32
	165	151

Movement in the provision for impairment of receivables

	2017 £'m	2016 £'m
Opening balance	**19**	18
Provision for receivables impairment	**26**	9
Exchange differences	**11**	–
Amounts written off as uncollectable	**(15)**	(8)
Balance at the end of the year	**41**	19

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).

* *Trade receivables to the value of £53m (2016: £41m) have been ceded as security for banking facilities.*

13. SHARE CAPITAL

Ordinary Shares	Number of shares	Share capital £'m	Share premium £'m	Capital redemption reserve** £'m	Reverse acquisition reserve*** £'m	Total £'m
At 1 April 2015	542 476 655	994	–	–	–	994
Shares issued (August 2015)	69 444 444	479	–	–	–	479
Share issue costs	–	(4)	–	–	–	(4)
At 14 February 2016	611 921 099	1 469	–	–	–	1 469
Reverse acquisition*	53 207 327	(1 402)	4 862	6	(3 014)	452
Combined capital structure on 15 February 2016	665 128 426	67	4 862	6	(3 014)	1 921
Share subscription (February 2016)	72 115 384	7	593	–	–	600
Reduction of share premium	–	–	(4 765)	–	–	(4 765)
At 31 March 2016	737 243 810	74	690	6	(3 014)	(2 244)
At 31 March 2017	**737 243 810**	**74**	**690**	**6**	**(3 014)**	**(2 244)**

* *The Company received legal advice on the scheme of arrangement and the premium on issue of share capital to Mediclinic International Limited shareholders did not qualify as merger relief under United Kingdom law.*

Reverse acquisition

The prior number of shares from 1 April 2015 to 14 February 2016 represents equivalent number of Mediclinic International Limited shares converted using the Mediclinic scheme of arrangement conversion ratio of 0.625. From 15 February 2016 the capital structure of the Group represents that of Mediclinic International plc.

** *The 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 were paid up capital of the Company.*

*** *The reverse acquisition reserve represents the net of the following adjustments resulting from the Al Noor reverse acquisition:*

- *adjustment of the capital structure (share capital and share premium) of the Group to that of the legal parent;*
- *adjustment to account for the premium on shares issued to the Mediclinic International Limited shareholders; and*
- *the share value component of the total consideration.*

Treasury Shares	Number of shares	Total £'m
At 1 April 2015	8 427 191	(22)
Repurchase of shares – Forfeitable Share Plan	129 927	(1)
Disposal of shares – Forfeitable Share Plan	(46 091)	–
Utilised by the Mpilo Trusts	(8 238 246)	21
At 31 March 2016	**272 781**	**(2)**
Utilised by the Mpilo Trusts	**(1 161)**	**–**
At 31 March 2017	**271 620**	**(2)**
The balance of the treasury shares comprise:		
Forfeitable Share Plan	**239 290**	
Mpilo Trusts	**32 330**	
	271 620	

13. SHARE CAPITAL (continued)

	GROUP	
Ordinary Shares	**2017**	2016
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.

	GROUP	
Subscriber Shares – fully paid up	**2017 £'m**	2016 £'m
Number of shares in issue:	**10**	10
Nominal value:	**10p**	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.

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 dividend access scheme (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.

	GROUP	
	2017 £'m	2016 £'m
14. OTHER RESERVES		
Other reserves comprise of:		
Equity-settled share-based payment reserves (refer to note 15)	**24**	24
Foreign currency translation reserve	**779**	407
Hedging reserve	**4**	4
Capital redemption reserve (refer to note 13)	**6**	6
Reverse acquisition reserve (refer to note 13)	**(3 014)**	(3 014)
	(2 201)	(2 573)
Movements in other reserves:		
Equity-settled share-based payment reserve (refer to note 15)	**24**	24
Opening balance	**24**	14
Share-based payment expense	**–**	10
Foreign currency translation reserve	**779**	407
Opening balance	**407**	306
Currency translation differences	**372**	101
Hedging reserve	**4**	4
Opening balance	**4**	2
Fair value adjustments of cash flow hedges, net of tax	**–**	2
15. SHARE-BASED PAYMENTS		
Equity-settled share-based payment reserve (refer to note 14 and 15.1)	**24**	24
Cash-settled share-based payment liability (refer to note 15.2)	**1**	–
Total share-based payment reserves and liabilities	**25**	24
Expenses arising from equity-settled share-based payment transactions	**–**	10
Expenses arising from cash-settled share-based payment transactions	**1**	–
Total expense arising from share-based payment transactions (refer to note 22)	**1**	10
15.1 Equity-settled share-based payment arrangements		
The balance of the equity-settled share-based payment reserve comprises:		
Executive share option scheme	**1**	1
Forfeitable Share Plan	**1**	1
Al Noor share option scheme	**(2)**	(2)
Mpilo trusts (Employee share trusts)	**17**	17
Strategic South African black partners*	**7**	7
	24	24

* *During the financial year ending 31 March 2006, the difference between the fair value of the equity instruments issued in a BEE transaction and the fair value of the cash and other assets received was recognised as an expense (grant date) and this corresponding increase in equity was booked.*

	2017 £'m	2016 £'m
Expenses arising from equity-settled share-based payment transactions		
Forfeitable Share Plan	**–**	1
Mpilo trusts	**–**	11
Al Noor share option scheme	**–**	(2)
	–	10

15. SHARE-BASED PAYMENTS (continued)

15.1 Equity-settled share-based payment arrangements (continued)

Additional disclosure for each arrangement

Mpilo trusts

The Mpilo trusts were created in 2005 for purposes of an employee share scheme to introduce Mediclinic Southern Africa employees up to first line management level as shareholders of the Group. This share-based payment arrangement is accounted for as an equity-settled share-based payment transaction. As qualifying employees leave prior to entitlement and shares become available further allocations were made to new and existing qualifying employees. The allocations of units made by the trusts were subject to lock-in periods which expired in December 2015, with the shares linked to participating employees' units either transferred to them or sold with the proceeds of the sale distributed to them.

Summary of the allocations:

Allocation	Qualifying date	Issue price	Participating shares*	Expiry date
First allocation**	1 Dec 2005	R18.40	80	31 Dec 2015
Second allocation	1 Dec 2009	R18.08	50	31 Dec 2015
Third allocation	1 Dec 2010	R18.59	100	31 Dec 2015
Fourth allocation	1 Dec 2012	R17.20	70	31 Dec 2015***
Fifth allocation			18 shares for every completed year of service	31 Dec 2015

* *Per qualifying employee for each completed year of service since previous allocation.*

** *Initial 1 000 shares per qualifying employee and additional 80 shares for every year completed service prior 1 December 2005.*

*** *During the prior year, the expiry date of the Fourth Allocation was changed from 31 March 2018 to 31 December 2015.*

Movement in the number of Mpilo shares outstanding are:	Outstanding price per share	31 March 2017 Number	31 March 2016 Number
Outstanding at the beginning of the year	**R17.82**	**n/a**	7 197 831
Mpilo shares forfeited		**n/a**	(119 296)
Fifth allocation		**n/a**	1 159 711
Mpilo shares vested	**R16.28**	**n/a**	(8 238 246)
Outstanding at the end of the period		**–**	–

Forfeitable Share Plan

The Mediclinic International Limited Forfeitable Share Plan ("**FSP**") was approved by the Company's shareholders in July 2014 as a long-term incentive scheme for selected senior management (Executive Directors and prescribed officers). This share-based payment arrangement is accounted for as an equity-settled share-based payment transaction. With the change in control and the acquisition of the Al Noor Hospitals Group plc, the performance conditions of FSP have been finalised to the extent that the performance conditions were met as at 30 September 2015. The FSP shares will vest after the vesting period has lapsed.

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

15. SHARE-BASED PAYMENTS (continued)

15.1 Equity-settled share-based payment arrangements (continued)

Forfeitable Share Plan (continued)

	Weighted average fair value at grant date offer price	31 March 2017 Number	31 March 2016 Number
Opening balance	R87.41	239 290	155 454
Granted	R107.23	–	129 927
Shares sold		–	(46 091)
Vested		–	–
Closing balance		239 290	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 have been used to determine the fair value of the TSR performance condition:

	GROUP	
	2017 %	2016 %
Risk-free rate	7.49%	7.49%
Dividend yield	1.0%	1.0%
Volatility	20%	20%

Apart from the FSP, there are no other share option schemes in place. Therefore, no director exercised any rights in relation to share option schemes during the reporting period. Share options exercised by Al Noor Hospital Group plc directors before the acquisition date (15 February 2016) are regarded as a pre-acquisition transaction in these consolidated financial statements.

15.2 Cash-settled share-based payment arrangements

Long-term incentive plan awards (“LTIP”)

The LTIP awards is 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 underlying earnings per share (60% weighting).

	GROUP	
	2017 £’m	2016 £’m
Opening balance	–	–
Share-based payment expense	1	–
Benefits paid	–	–
Closing balance	1	–

15. SHARE-BASED PAYMENTS (continued)

15.2 Cash-settled share-based payment arrangements (continued)

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

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

	Average price range (pence)	31 March 2017 Number of units
Opening balance		–
Granted	866 – 1 059	287 694
Vested	866 – 1 059	(3 683)
Lapsed		–
Closing balance		284 011

Valuation assumptions relating to outstanding units:	First allocation	Second allocation
Grant date	14 June 2016*	14 June 2016**
Vesting date	14 June 2019	14 June 2021
Outstanding units	120 922	150 657
Closing share price	712	712
Risk-free interest rate	0.14%	0.26%
Expected dividend yield	1.19%	1.19%
Volatility	34.50%	34.50%

* *12 232 units were allocated on 1 September 2016*
** *49 281 units were allocated on 1 August 2016*

Certain awards were also granted to management that were subject only to service conditions. These awards were granted on 1 September 2016 and vests on different dates between 1 September 2016 and 14 June 2019. In the current year, the total number of these awards granted was 16 115. 3 683 of these awards vested in 2017.

	GROUP	
	2017 £'m	2016 £'m
16. NON-CONTROLLING INTERESTS		
Opening balance	61	61
Transactions with non-controlling shareholders*	(4)	3
Dividends to non-controlling interests	(9)	(7)
Share of total comprehensive income	30	4
Share of profit	14	13
Currency translation differences	16	(9)
Non-controlling interests in hospital activities	78	61

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

16. NON-CONTROLLING INTERESTS (continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests:

	Ownership interest held by NCI		Accumulated non-controlling interests in statement of financial position		Profit allocated to non-controlling interests	
	2017 %	2016 %	**2017 £'m**	2016 £'m	**2017 £'m**	2016 £'m
Mediclinic (Pty) Ltd*	**3.7%**	3.4%	**7**	5	**2**	1
Curamed Holdings (Pty) Ltd (group)*	**30.4%**	30.3%	**21**	15	**4**	3

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

* *Place of business: South Africa*

	Mediclinic (Pty) Ltd	
	2017 £'m	2016 £'m
Current assets	**129**	90
Non-current assets	**167**	124
Current liabilities	**(150)**	(116)
Non-current liabilities	**(32)**	(22)
Revenue	**350**	294
Profit for the year	**38**	35
Other comprehensive income	**–**	1
Total comprehensive income	**38**	36
Net cash inflow from operating activities	**55**	64
Net cash (outflow)/inflow from investing activities	**(27)**	1
Net cash (outflow)/inflow from financing activities	**(27)**	65
Net cash inflow/(outflow)	**1**	(1)

	Curamed Holdings (Pty) Ltd (group)	
	2017 £'m	2016 £'m
Current assets	**45**	35
Non-current assets	**37**	23
Current liabilities	**(12)**	(7)
Non-current liabilites	**(3)**	(2)
Revenue	**60**	51
Profit for the year	**13**	11
Other comprehensive income	**–**	–
Total comprehensive income	**13**	11
Net cash inflow from operating activities	**16**	11
Net cash outflow from investing activities	**(9)**	(3)
Net cash outflow from financing activities	**(7)**	(7)
Net cash inflow	**–**	2

17. BORROWINGS

	GROUP 2017 £'m	GROUP 2016 £'m
Bank loans	**1 642**	1 581
Preference shares	**199**	90
Listed bonds	**189**	170
	2 030	1 841
Non-current borrowings	**1 961**	1 524
Current borrowings	**69**	317
Total borrowings	**2 030**	1 841

		2017 £'m Non-current	2017 £'m Current	2016 £'m Non-current	2016 £'m Current
Southern African operations (denominated in South African rand)					
Secured bank loan one[1]	The loan bears interest at the 3 month JIBAR variable rate plus a margin of 1.51% (2016: 1.51%) compounded quarterly, and is repayable on 3 June 2019.	**176**	**1**	139	1
Secured bank loan two[1]	The loan bears interest at the 3 month JIBAR variable rate plus a margin of 1.69% and is repayable on 3 June 2019.	**72**	**-**	-	-
Secured bank loan three[1]	The loan bears interest at the 3 month JIBAR variable rate plus a margin of 1.06% (2016: 1.06%) compounded quarterly. £7m was repaid on 1 September 2016 and the remaining amount will be repaid on 9 October 2017.	**-**	**7**	5	5
Secured bank loan four[1]	The loan bears interest at the 3 month JIBAR variable rate plus a margin of 1.51% (2016: 1.51%) compounded quarterly, and is repayable on 3 June 2019.	**30**	**-**	9	-
Secured bank loan five[2]	These loans bear interest at variable rates linked to the prime overdraft rate and are repayable in periods ranging between one and 12 years.	**4**	**1**	4	1
Preference shares[1]	Dividends are payable monthly at a rate of 69% of prime interest rate (10.5%) (2016: 10.5%). £6m shares was redeemed on 1 September 2016 and the balance will be redeemed on 3 June 2019.	**108**	**1**	85	5
Preference shares*	Dividends are payable semi-annually at a rate of 73% of the prime interest rate (10.5%) (2016: 10.5%). The amount is repayable on 29 June 2020.	**90**	**-**	-	-
Middle East operations (denominated in UAE dirham)					
Secured bank loan one[3*]	The loan bears interest at variable rates linked to the 3M LIBOR and a margin of 2.75% (2016: 2%) with respective four-year and five-year amortising terms, expiring in June 2020 and May 2021.	**154**	**19**	50	3
Balance carried forward		**634**	**29**	292	15

		2017 £'m Non-current	2017 £'m Current	2016 £'m Non-current	2016 £'m Current
17. BORROWINGS (continued)					
Balance carried forward		**634**	**29**	292	15
Swiss operations (denominated in Swiss franc)					
Secured bank loan one[4]	These loans bear interest at variable rates linked to the 3M LIBOR plus 1.5% and 2.85% (2016: 3M LIBOR plus 1.5% and 2.85%) and are repayable by 31 July 2020. The non-current portion includes capitalised financing costs of £22m (2016: £26m).	**1 138**	**40**	1 062	36
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.	**189**	**–**	170	–
United Kingdom operations (denominated in pound)					
Secured bank loan one*	The loan bears interest at variable rates linked to LIBOR with a minimum base rate of 1% plus 3.75%.	**–**	**–**	–	266
		1 961	**69**	1 524	317

[1] *Property and equipment with a book value of £231m (2016: £160m) are encumbered as security for these loans. Cash and cash equivalents of £9m (2016: £12m) and trade receivables of £52m (2016: £41m) have also been ceded as security for these borrowings.*

[2] *Property, equipment and vehicles with a book value of £16m (2016: £12m) are encumbered as security for these loans. Net trade receivables of £1m (2016: £1m) has also been ceded as security for these loans.*

[3] *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. Properties with a book value of £nil (2016: £100m) are encumbered as security for this loan.*

[4] *The loan is secured by Swiss properties with a book value of £2,483m (2016: £2 248m) and Swiss bank accounts with a book value of £142m (2016: £128m).*

* *During the period, the bridge facility of £266m in the United Kingdom was repaid. In South Africa, the Group entered a new long-term bank loan of £71m (ZAR1.2bn) and issued redeemable preference shares of £90m (ZAR1.5bn) which are classified as a financial liability. In the Middle East, the Group entered a new long-term bank loan of £181m (AED831m). Other than these transactions and foreign currency movements on translation of local currency borrowings to pound, there is no significant change in the Group's borrowings.*

	GROUP	
	2017 £'m	2016 £'m
18. RETIREMENT BENEFIT OBLIGATIONS		
Statement of financial position obligations for:		
Swiss pension benefit obligation	**73**	119
South African post-retirement medical benefit obligation	**35**	24
UAE end-of-service benefit obligation	**56**	45
	164	188
Total retirement benefit obligations	**164**	188
Short-term portion of retirement benefit obligations	**(10)**	(9)
Non-current retirement benefit obligations	**154**	179
Total amount charged to the income statement:		
Swiss pension benefit obligation	**23**	30
South African post-retirement medical benefit obligation	**5**	4
UAE end-of-service benefit obligation	**8**	4
	36	38
Total amount (credit)/charged to other comprehensive income:		
Swiss pension benefit obligation		
South African post-retirement medical benefit obligation	**(45)**	66
UAE end-of-service benefit obligation	**–**	(1)
	2	4
	(43)	69

None of the Directors of Mediclinic International plc participate in Swiss pension benefits or the UAE end-of-service benefit. One Executive Director (2016: two) of Mediclinic International plc participates in the South African post-retirement medical benefit obligation.

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.

(a) Swiss pension benefit obligation

The Group's Swiss operations has four (2016: five) defined benefit pension plans, namely:

Pensionskasse Hirslanden (cash balance plan)

Vorsorgestiftung VSAO (cash balance plan) (Association for Swiss Assistant and Senior Doctors)

Radiotherapie Hirslanden AG; Pension fund at foundation "pro" (cash balance plan)

Clinique La Colline SA; Pension fund at banque cantonal vaudois (cash balance plan)

Effective 1 January 2017 active insured members for the Swissana pension plan have been transferred into the Hirslanden and VSAO pension plans.

	GROUP	
	2017 £'m	2016 £'m
18. RETIREMENT BENEFIT OBLIGATIONS (continued)		
***(a) Swiss pension benefit obligation* (continued)**		
Statement of financial position		
Amounts recognised in the statement of financial position are as follows:		
Present value of funded obligations	**1 086**	949
Fair value of plan assets	**(1 013)**	(830)
Net pension liability	**73**	119
The movement in the defined benefit obligation over the period is as follows:		
Opening balance	**949**	797
Current service cost	**35**	29
Interest cost	**4**	7
Past service cost	**(13)**	–
Employee contributions	**30**	26
Benefits paid	**(16)**	(8)
Actuarial loss – experience	**9**	14
Actuarial (gain)/loss change in financial assumption	**(12)**	45
Exchange differences	**100**	39
Balance at end of year	**1 086**	949
The movement of the fair value of plan assets over the period is as follows:		
Opening balance	**830**	750
Employer contributions	**35**	30
Plan participants contributions	**30**	26
Benefits paid from fund	**(16)**	(8)
Interest income on plan assets	**4**	7
Return on plan assets greater/(less) than discount rate	**42**	(7)
Administration cost paid	**(1)**	(1)
Exchange differences	**89**	33
Balance at end of year	**1 013**	830
Statement of financial position		
Opening net liability	**119**	47
Expenses recognised in the income statement	**23**	30
Contributions paid by employer	**(35)**	(30)
Exchange differences	**11**	6
Actuarial (gain)/loss recognised in other comprehensive income	**(45)**	66
Closing net liability	**73**	119
Statement of other comprehensive income		
Amounts recognised in other comprehensive income are as follows:		
Actuarial loss – experience	**(9)**	(14)
Actuarial gain/(loss) due to liability assumption changes	**12**	(45)
Return on plan assets greater/(less) than discount rate	**42**	(7)
Total comprehensive income	**45**	(66)
Income statement		
Amounts recognised in the income statement are as follows:		
Current service cost	**35**	29
Past service cost	**(13)**	–
Interest on liability	**4**	7
Interest on plan assets	**(4)**	(7)
Administration cost paid	**1**	1
Total expense	**23**	30

	GROUP 2017 £'m	GROUP 2016 £'m
18. RETIREMENT BENEFIT OBLIGATIONS (continued)		
Actual return on plan assets	**46**	(1)
***(a) Swiss pension benefit obligation* (continued)**		
Principal actuarial assumptions on statement of financial position		
Discount rate	**0.55%**	0.45%
Future salary increases	**1.50%**	1.50%
Future pension increases	**0.00%**	0.00%
Inflation rate	**1.00%**	1.00%
Number of plan members		
Active members	**8 969**	8 617
Pensioners	**744**	694
	9 713	9 311

Asset allocation	31 March 2017 £'m	31 March 2017 %	31 March 2016 £'m	31 March 2016 %
Quoted investments				
Fixed income investments	**338**	**33.3%**	288	34.7%
Equity investments	**255**	**25.2%**	197	23.7%
Real estate	**60**	**5.9%**	67	8.1%
Other	**98**	**9.7%**	72	8.7%
	751	**74.1%**	624	75.2%
Non-quoted investments				
Fixed income investments	**3**	**0.3%**	3	0.3%
Equity investments	**12**	**1.2%**	10	1.2%
Real estate	**181**	**17.9%**	137	16.5%
Other	**66**	**6.5%**	56	6.8%
	262	**25.9%**	206	24.8%
	1 013	**100.0%**	830	100.0%

	Impact on defined benefit obligation			
	Base assumption	Change in assumption	Increase	Decrease
Discount rate	0.55%	0.25%	(2.7%)	2.9%
Salary growth rate	1.50%	0.50%	0.7%	(0.7%)
Pension growth rate	0.00%	0.25%	2.4%	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	2.3%	(2.3%)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit 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.

18. RETIREMENT BENEFIT OBLIGATIONS (continued)

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

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

Expected employer contributions to be paid to the pension plans for the year ended 31 March 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 13.6 years (2016: 14.3 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 2017				
Defined benefit obligation	**73**	**220**	**898**	**1 191**
31 March 2016				
Defined benefit obligation	57	170	731	958

The Swiss defined benefit pension plans expose the Group to some actuarial and investment risks.

The pension plans provides employees of the Hirslanden Group with post-employment, death-in-service and disability benefits in accordance with the Federal Law on Occupational Old-age. These funds are separate legal entities from the Hirslanden Group. The funds' governing bodies consists 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 fund. In addition, the investment of the plan assets is based on regulations developed by the governing body in accordance with the legal investment guidelines (BVV2). The investment committee of the governing body is responsible for their implementation. The governing body has mandated the investment activity to Complementa Investment Controlling AG, as the global custodian. The investment strategy complies with the legal guidelines and is rather conservative. Alternative investments and unhedged foreign currency positions are rare.

The benefits of the pension plans 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.

If an employee leaves the Hirslanden Group or the pension plans before reaching retirement age, legally they are to transfer the vested benefits to a new pension plan. On retirement, the participant may decide to withdraw the benefits as an annuity or a lump-sum.

As per the pension law in Switzerland, benefits provided by the pension funds are financed through annual contributions. If insufficient investment returns or actuarial losses lead to a funding gap, the governing body is legally obliged to take actions to close this gap within 5 years to a maximum of 7 years. Such actions may include additional contributions by the respective group companies and the beneficiaries. The current financial situation of the 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 provide for the expected liability in the statement of financial position.

During the last valuation on 31 March 2017 a 8.65% (2016: 9.25%) medical inflation cost and a 9.60% (2016: 10.25%) interest rate were assumed. The average retirement age was set at 63 years (2016: 63 years).

The assumed rates of mortality are as follows:
During employment: SA 85/90 tables of mortality
Post-employment: PA(90) tables

	GROUP	
Amounts recognised in the statement of financial position are as follows:	**2017 £'m**	2016 £'m
Opening balance	**24**	26
Amounts recognised in the income statement	**5**	4
Current service cost	**2**	2
Interest cost	**3**	2
Benefits paid	**(1)**	–
Exchange differences	**7**	(5)
Actuarial gain recognised in other comprehensive income	**–**	(1)
Present value of unfunded obligations	**35**	24

The effect of a 1% movement in the assumed health cost trend rate is as follows:	**2017 Increase**	**2017 Decrease**
Defined benefit obligation	**17%**	**(14%)**
Aggregate of the current service cost and interest cost	**19%**	**(15%)**

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 following are the principle actuarial assumptions:	**2017**	2016
Discount rate	**4.0%**	4.2%
Future salary increases	**3.5%**	3.5%
Average retirement age	**60 years**	60 years
Annual turnover rate	**9.3%**	12.8%

	GROUP	
Amounts recognised in the statement of financial position are as follows:	**2017 £'m**	2016 £'m
Opening balance	**45**	15
Amounts recognised in the income statement	**8**	4
Current service cost	**6**	3
Interest cost	**2**	1
Contributions	**(4)**	(1)
Business combinations	**–**	22
Disposal of subsidiaries	**(1)**	–
Classified as held for sale	**(1)**	–
Exchange differences	**7**	1
Actuarial loss recognised in other comprehensive income	**2**	4
Present value of unfunded obligations	**56**	45
Current portion of retirement benefit obligations	**10**	9
Non-current retirement benefit obligations	**46**	36
	56	45

The effect of a 1% movement in the future salary increases rate is as follows:	**2017 Increase**	**2017 Decrease**
Defined benefit obligation	**7%**	**(6%)**
Aggregate of the current service cost and interest cost	**10%**	**(8%)**

Expected employer contributions to be paid to the UAE end-of-service benefit obligation for the year ended 31 March 2018 are £11m.

19. PROVISIONS

	Employee benefits £'m	Legal cases and other £'m	Tariff risks £'m	Total £'m
Year ended 31 March 2016				
Opening balance	14	1	31	46
Charged to the income statement	2	1	4	7
Utilised during the year	(2)	–	–	(2)
Unused amounts reversed	–	–	(10)	(10)
Exchange differences	1	–	1	2
Balance at the end of the year	15	2	26	43
At 31 March 2016				
Current	2	–	17	19
Non-current	13	2	9	24
	15	2	26	43
Year ended 31 March 2017				
Opening balance	**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**
Balance at the end of the year	**17**	**5**	**23**	**45**
At 31 March 2017				
Current	**2**	**5**	**15**	**22**
Non-current	**15**	**–**	**8**	**23**
	17	**5**	**23**	**45**

(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.

	GROUP	
	2017 £'m	2016 £'m
Provisions are expected to be payable during the following financial years:		
Within 1 year	**22**	19
After one year but not more than five years	**16**	18
More than five years	**7**	6
	45	43

20. DERIVATIVE FINANCIAL INSTRUMENTS

	Assets 2017 £'m	Liabilities 2017 £'m	Assets 2016 £'m	Liabilities 2016 £'m
Non-current				
Interest rate swaps – cash flow hedges	–	2	1	19
Total non-current	–	2	1	19
Current				
Interest rate swaps – cash flow hedges	–	7	–	–
Forward exchange contracts	–	–	–	1
Call option	–	–	2	–
Total current	–	7	2	1
Total derivative financial instruments	–	9	3	20

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 2017, the Group had twelve effective interest rate swap contracts (31 March 2016: eight) for borrowings specifically in Southern Africa. The value of borrowings hedged by the interest rate derivatives and the rates applicable to these contracts are as follows:

	Borrowings hedged £'m	Fixed interest payable	Interest receivable	Fair value gain/(loss) for the year £'m
31 March 2017				
1 to 3 years*	184	5.5 – 8.1%	3 month JIBAR/ 69% of prime interest rate	–
31 March 2016				
1 to 5 years*	80	5.5 – 8.1%	3 month JIBAR/ 69% of prime interest rate	1

** The interest rate swap agreement reset every 3 months on 1 June, 1 September, 1 December and 1 March with a final reset on 1 September 2017 for £19m, on 1 March 2019 for £60m, on 3 June 2019 for £76m and on 2 March 2020 for £30m. There is no ineffective portion recognised in the profit and loss that arises from the cash flow hedges.*

20. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Ineffective interest rate swaps

Due to the current negative interest rates in Switzerland, the hedge relationship in respect of the 3 month Swiss LIBOR interest rate swaps became ineffective since the interest on the borrowings is capped at a rate of 0% but is fully considered as interest payments on the swap. Hedge accounting discontinued from the date when hedge effectiveness could not be demonstrated, i.e. from 1 October 2014.

	GROUP	
	2017 £'m	2016 £'m
Opening balance	**(19)**	(26)
Fair value adjustments booked through profit and loss (finance cost)	**13**	8
Exchange differences	**(1)**	(1)
Balance at the end of the period	**(7)**	(19)

	Nominal value £'m	Fixed interest payable	Interest receivable
31 March 2017			
Beyond 1 year **	**1 200**	**0.112% and 0.239%**	**3 month Swiss LIBOR**
31 March 2016			
Beyond 2 years **	1 122	0.112% and 0.239%	3 month Swiss LIBOR

*** The interest rate swap agreement resets every 3 months on 31 March, 30 June, 30 September and 31 December with a final reset on 31 March 2018 and termination date on 30 September 2017 and 30 June 2018.*

21. TRADE AND OTHER PAYABLES

	GROUP	
	2017 £'m	2016 £'m
Trade payables	**227**	200
Other payables and accrued expenses	**167**	169
Social insurance and accrued leave pay	**70**	55
Value added tax	**8**	7
	472	431

	GROUP	
	2017 £'m	2016 £'m
22. EXPENSES BY NATURE		
Fees paid to the Group's auditors for the following services:		
Audit of the parent company and consolidated financial statements	**0.3**	0.4
Audit company subsidiaries	**1.8**	1.9
Audit services	**2.1**	2.3
Audit related services	**0.5**	1.1
Tax advice	**0.4**	0.4
Tax compliance	**–**	0.3
All other services	**0.1**	0.2
	3.1	4.3
Cost of inventories	**630**	481
Depreciation – buildings (note 6)	**37**	25
– equipment (note 6)	**60**	41
– furniture and vehicles (note 6)	**22**	18
Employee benefit expenses	**1 231**	934
Wages and salaries	**1 181**	875
Retirement benefit costs – defined contribution plans	**13**	11
Retirement benefit costs – defined benefit obligations (note 18)	**36**	38
Share-based payment expense (note 15)	**1**	10
Increase in provision for impairment for receivables (note 12)	**26**	9
Maintenance costs	**50**	44
Operating leases – buildings	**53**	32
– equipment	**3**	2
Amortisation of intangible assets (note 7)	**26**	9
Other expenses	**244**	219
General expenses	**244**	220
Profit on disposal of property, equipment and vehicles	**–**	(1)
	2 385	1 818
Classified as:		
Cost of sales	**1 696**	1 264
Administration and other operating expenses	**689**	554
	2 385	1 818
Depreciation and amortisation is classified as:		
Cost of sales	**107**	76
Administration and other operating expenses	**38**	17
	145	93
	No	No
Number of employees	**32 625**	32 884
23. OTHER GAINS AND LOSSES		
Fair value adjustments on derivative contracts	**1**	(1)
Foreign exchange rate losses on corporate transactions	**(3)**	–
	(2)	(1)

	GROUP	
	2017 £'m	2016 £'m
24. FINANCE COSTS		
Interest expense	**58**	44
Interest rate swaps	**11**	11
Amortisation of capitalised financing costs	**7**	5
Fair value gains on ineffective cash flow hedges	**(13)**	(8)
Preference share dividend	**12**	6
Less: amounts included in the cost of qualifying assets	**(1)**	–
	74	58
25. INCOME TAX EXPENSE		
Current tax		
Current year	**46**	41
Previous year	**(3)**	1
Deferred tax (note 9)	**21**	13
Taxation per income statement	**64**	55
Composition		
UK tax	**–**	–
Foreign tax	**64**	55
	64	55
Reconciliation of rate of taxation:		
UK statutory rate of taxation	**20.0%**	20.0%
Adjusted for:		
Capital gains taxed at different rates	**–**	0.1%
Benefit of tax incentives	**(0.2%)**	(0.2%)
Share of net profit of equity accounted investments	**(0.8%)**	(0.5%)
Non-deductible expenses*	**1.8%**	5.6%
Non-controlling interests' share of profit before tax	**(0.3%)**	(0.3%)
Effect of different tax rates**	**0.7%**	(3.9%)
Income tax rate changes	**–**	(0.2%)
Non-recognition of tax losses in current year	**0.9%**	1.8%
Recognition of tax losses relating to prior years***	**(0.5%)**	(0.4%)
Prior year adjustment	**(0.8%)**	0.4%
Effective tax rate	**20.8%**	22.4%

* *The impact of the following non-deductive expenses on the tax rate in the prior year was an increase of 4.2% (£10m):*
– Transaction costs in relation to the Al Noor transaction were not deductible for tax purposes as these costs are capital of nature. The tax effect of this amounted £8m which resulted in an increase in the effective tax rate.
– Non-deductible accelerated IFRS 2 charges increased the tax charge by £2m.

** *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. Compared to the comparative period, the effect of different tax rates increased mainly due to the proportional higher contribution by the Southern Africa operating segment and lower proportional contribution from the UAE.*

*** *A deferred tax asset of approximately £3m was recognised in respect of previously unrecognised assessed tax losses in South Africa due to improvements in local profitability.*

The income tax liability includes an amount of approximately £3m (2016: £8m) relating to unresolved tax matters. The range of possible outcomes relating to this liability is not considered to be material.

	GROUP 2017 £'m	GROUP 2016 £'m
26. EARNINGS PER ORDINARY SHARE		
Earnings per ordinary share (pence)		
Basic (pence)	**31.0**	29.6
Diluted (pence)	**31.0**	29.5
Number of shares reconciliation		
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**	542 473 328
Al Noor Hospitals Group plc shares prior to reverse acquisition	**–**	14 688 077
Al Noor Hospitals Group plc shares repurchased	**–**	(8 000 842)
Weighted average number of ordinary shares issued during the year (August 2015)	**–**	41 742 562
Weighted average number of ordinary shares issued during the year (February 2016)	**–**	9 063 634
Adjustment for equity raising – Rights Offer (August 2015) (IAS 33 para 26)**	**–**	5 239 773
Weighted average number of treasury shares	**(303 656)**	(6 764 447)
BEE shareholder	**(31 238)**	(521 142)
Mpilo Trusts	**(33 128)**	(5 995 653)
Forfeitable Share Plan	**(239 290)**	(247 652)
	736 940 154	598 442 085
Weighted average number of ordinary shares in issue for diluted earnings per share		
Weighted average number of ordinary shares in issue	**736 940 154**	598 442 085
Weighted average number of treasury shares held not yet released from treasury stock	**303 656**	768 793
BEE shareholder*	**31 238**	521 141
Mpilo Trusts	**33 128**	–
Forfeitable Share Plan	**239 290**	247 652
	737 243 810	599 210 878

The prior year number of shares have been converted using the Mediclinic scheme of arrangement conversion ratio of 0.625 Mediclinic International plc shares for each Mediclinic International Limited share held.

* *Represents the equivalent weighted average number of shares for which no value has been received from the BEE shareholder (Mpilo Investment Holdings 2 (RF) (Pty) Ltd) in terms of the Group's black ownership initiative. To date, no value was received for an equivalent of 31 238 (2016: 521 141) shares issued to the strategic black partner.*

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

** *The shares were issued at a price lower than the fair value of the shares before the equity capital raised in June 2014 and Rights Offer in August 2015. As a result, the weighted average number of shares was adjusted in accordance with IAS 33 paragraph 26.*

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 02/2015 (Revised) 'Headline Earnings'. The table below sets out a reconciliation of basic EPS and HEPS in accordance with that circular. Disclosure of HEPS is not a requirement of IFRS, but it is a commonly used measure of earnings in South Africa. The table below reconciles the profit for the financial year attributable to equity holders of the parent to headline earnings and summarises the calculation of basic HEPS:

	GROUP	
	2017 £'m	2016 £'m
Profit for the financial period attributable to equity holders of the parent	**229**	177
Adjustments		
Impairment of property	**–**	–
Insurance proceeds	**–**	–
Gain on disposal of subsidiary	**–**	–
Profit on disposal of property, equipment and vehicles	**–**	–
Headline earnings	**229**	177
Headline earnings per share (pence)	**31.0**	29.6
Diluted headline earnings per share (pence)	**31.0**	29.5

27. OTHER COMPREHENSIVE INCOME

Components of other comprehensive income

	2017 £'m	2016 £'m
Currency translation differences	**388**	92
Fair value adjustment – cash flow hedges	**–**	2
Remeasurements of retirement benefit obligations	**34**	(56)
Other comprehensive income, net of tax	**422**	38

	Attributable to equity holders of the Company (before tax) £'m	Tax charge attributable to equity holders of the Company £'m	Attributable to non-controlling interest (after tax) £'m	Total £'m
Year ended 31 March 2017				
Currency translation differences	**372**	**–**	**16**	**388**
Fair value adjustment – cash flow hedges	**–**	**–**	**–**	**–**
Remeasurements of retirement benefit obligations	**43**	**(9)**	**–**	**34**
Other comprehensive income	**415**	**(9)**	**16**	**422**
Year ended 31 March 2016				
Currency translation differences	101	–	(9)	92
Recycling of fair value adjustments of derecognised cash flow hedge	1	–	–	1
Fair value adjustment – cash flow hedges	1	–	–	1
Remeasurements of retirement benefit obligations	(69)	13	–	(56)
Other comprehensive income	34	13	(9)	38

		GROUP	
		2017 £'m	2016 £'m
28.	**CASH FLOW INFORMATION**		
28.1	**Reconciliation of profit before taxation to cash generated from operations**		
	Profit before taxation	**307**	245
	Adjustments for:		
	Finance cost – net	**67**	49
	Share of net profit of equity accounted investments	**(12)**	(6)
	Other gains and losses	**2**	1
	Share-based payment	**1**	10
	Depreciation and amortisation	**145**	93
	Impairment provision of trade receivables	**26**	–
	Movement in provisions	**(1)**	5
	Movement in retirement benefit obligations	**(4)**	9
	Profit on disposal of property, equipment and vehicles	**–**	(1)
	Operating income before changes in working capital	**531**	405
	Working capital changes	**(22)**	6
	Increase in inventories	**(4)**	(1)
	(Increase)/decrease in trade and other receivables	**(14)**	4
	(Decrease)/increase in trade and other payables	**(4)**	3
		509	411
28.2	**Interest paid**		
	Finance cost per income statement	**74**	58
	Refinancing costs shown as financing activities	**(3)**	(6)
	Non-cash items		
	Amortisation of capitalised financing fees	**(7)**	(5)
	Fair value gains on ineffective cash flow hedges	**13**	8
		77	55
28.3	**Tax paid**		
	Liability at the beginning of the period	**8**	11
	Provision for the period	**43**	42
		51	53
	Liability at the end of the period	**(6)**	(8)
		45	45
28.4	**Investment to maintain operations**		
	Property, equipment and vehicles purchased	**105**	63
	Intangible assets purchased	**6**	9
	Less non-cash flow items	**(2)**	–
		109	72
28.5	**Investment to expand operations**		
	Property, equipment and vehicles purchased	**134**	114
	Intangible assets purchased	**6**	–
		140	114

28. CASH FLOW INFORMATION (continued)

28.6 Dividends declared

	Date paid/ payable	Dividend per share (pence)	2017 £'m	2016 £'m
Year ended 31 March 2017				
Interim dividend	**12 December 2016**	**3.20**	**23**	
Final dividend	**31 July 2017**	**4.70**	**35**	
		7.90		
Year ended 31 March 2016				
Interim dividend	7 December 2015	2.66		15
Final dividend	25 July 2016	5.24		39
		7.90	**58**	54

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 31 July 2017 from retained earnings has not been recognised as a liability on 31 March 2017.

	GROUP	
	2017 £'m	2016 £'m
Dividends paid during the period	**62**	48

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 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**
Year ended 31 March 2016			
Opening balance	1 618	26	1 644
Cash flow movements			
Proceeds from borrowings	302	–	302
Repayment of borrowings	(85)	–	(85)
Non-cash items			
Amortisation of capitalised financing fees	5	–	5
Fair value changes	–	(9)	(9)
Exchange rate differences	1	–	1
Closing balance	1 841	17	1 858

	GROUP	
	2017 £'m	2016 £'m
28. CASH FLOW INFORMATION (continued)		
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	**361**	305
Cash, cash equivalents and bank overdrafts are denominated in the following currencies:		
South African rand*	**96**	74
Swiss franc**	**148**	131
UAE dirham***	**83**	100
Pound****	**34**	–
	361	305

* *The counterparties have a minimum Baa2 credit rating by Moody's.*
** *The facility agreement of the Swiss subsidiary restricts the distribution of cash. The counterparties have a minimum A2 credit rating by Moody's and a minimum A credit rating by Standard & Poor's.*
*** *The counterparties have a minimum BBB+ by Standard & Poor's.*
**** *The counterparty has a Aa2 credit rating by Moody's.*

Cash and cash equivalents denominated in South African rands amounting to £12m (2016 : £12m) has been ceded as security for borrowings (see note 17).

29. BUSINESS COMBINATIONS

There were no significant business combinations during the current year. Al Noor Hospitals Group plc was acquired in the prior year.

	GROUP
	2016 £'m Cash flow on acquisition
Al Noor Hospitals Group plc	17

Al Noor Hospitals Group plc

On 15 February 2016, Mediclinic completed the combination between Al Noor Hospitals Group plc and Mediclinic International Limited. The combination was classified as a reverse takeover. After the reverse takeover, the Group is considered to be one of the world's leading international private healthcare groups, with deep operational expertise and a well-balanced geographic profile in Southern Africa, Switzerland, the United Arab Emirates and in the UK (through a minority stake in Spire). The purchase price allocation calculation has been finalised and retrospective adjustments have been made to the calculation (refer to footnote 2 on the next page). The transaction resulted in £1 203m (restated) goodwill being recognised. Goodwill represents the earnings potential of the established Al Noor business with a geographical footprint in Abu Dhabi as well as synergies from a combined business in the UAE and a skilled workforce assembled at the operating facilities.

29. BUSINESS COMBINATIONS (continued)

Al Noor Hospitals Group plc (continued)

	GROUP 2016 £'m Cash flow on acquisition
Purchase consideration at 15 February 2016	
Special dividend (£3.28 per share)	383
Tender offer (limited to £1bn with special dividend, £8.32 per share)	530
Value of share element[1]	446
Total consideration transferred	1 359
Recognised amounts of identifiable assets acquired and liabilities assumed (provisional purchase price allocation)	
Assets	
Property, equipment and vehicles	61
Intangible assets	65
Other investments and loans	2
Inventories	14
Trade and other receivables[2]	97
Derivative financial instruments	2
Investment in money market funds	10
Cash and cash equivalents	24
Total assets	275
Liabilities	
Retirement benefit obligations	22
Trade and other payables	92
Total liabilities	114
Total identifiable net assets at fair value	161
Non-controlling interest	(5)
Goodwill[2]	1 203
Total	1 359
Analysis of cash flow on acquisition	
Transaction costs incurred in reverse acquisition	(41)
Net cash acquired with the subsidiary	24
Net cash flow on acquisition	(17)

[1] *The value of the share element represents the equivalent fair value of the shares at date of acquisition that the acquirer (Mediclinic International Limited) would have issued to the shareholders of Al Noor Hospitals Group plc if equity instruments of the acquirer had to be issued.*

[2] *The fair value exercise over the opening balance sheet of Al Noor remained provisional at 31 March 2016 as permitted by IFRS 3. During the year the Group has made progress to conform Al Noor's commercial practices with the rest of the Group. For this reason the fair value of acquired trade and other receivables was adjusted to align with the Group's policies. A fair value adjustments of £14m was made to the opening balance of trade and other receivables as a result of the finalisation of the purchase price allocation. This adjustment resulted in a change in the goodwill figure recorded in the prior year's financial statements.*

Critical accounting estimates and judgements

Critical accounting estimates and assumptions were made in the purchase price allocation of the Al Noor acquisition in accordance with IFRS 3, Business Combinations. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date. The fair value of an asset or liability represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. An independent valuer was used to assist in the valuation of Al Noor's opening balance sheet. During the current year the purchase price allocation was finalised for the Al Noor acquisition and retrospective adjustments were made. Refer to the retrospective adjustments made above.

	GROUP 2016 £'m Cash flow on acquisition
30. CASH FLOW ON ACQUISITION OF INVESTMENT IN ASSOCIATE	
Spire Healthcare Group plc	446

Spire Healthcare Group plc is a leading private healthcare group in the UK with a national network of 39 hospitals across the United Kingdom. The investment in Spire provides Mediclinic with a further opportunity to diversify into an attractive new geography with a strong currency. The Group and Spire will benefit from collaboration, with the potential to unlock procurement benefits and knowledge transfer.

On 22 June 2015, Remgro through its wholly-owned subsidiary, Remgro Jersey Ltd (subsequently renamed to Mediclinic Jersey Ltd), acquired 119 923 335 Spire shares equivalent to a 29.9% shareholding. The purchase of the equity investment were negotiated jointly by Mediclinic and Remgro with the seller. Mediclinic acquired Remgro's indirect shareholding in Spire for an amount equal to the aggregate of the purchase price paid by Remgro Jersey Ltd, transaction costs and funding costs, totalling approximately £446m. The Spire acquisition was effected through a series of transactions which ultimately resulted in Mediclinic, through a wholly-owned subsidiary (Mediclinic Jersey Limited) directly holding the 29.9% interest in Spire from 24 August 2015.

Purchase consideration paid, comprise of the following:	GROUP 2016 £'m Cash flow on acquisition
Purchase price paid to Remgro	437
Transaction cost	10
Total cost of equity investment	447
Less cash acquired in subsidiary (Mediclinic Jersey Ltd)	(1)
Cash flow on acquisition of investment in associate	446

31. DISPOSAL OF SUBSIDIARIES

The Group disposed of the following companies that were part of the Middle East segment: Rochester Wellness LLC, Emirates American Company for Medical Services LLC, Abu Dhabi Medical Services LLC and National Medical Services LLC.

	GROUP 2017 £'m Cash flow on acquisition
Consideration received	
Cash and cash equivalents	**47**
Consideration receivable	**1**
Other non-cash items	**3**
	51

31. DISPOSAL OF SUBSIDIARIES (continued)

	GROUP
	2017 £'m Cash flow on acquisition
Analysis of assets and liabilities over which control was lost	
Assets	
Property, equipment and vehicles	10
Goodwill	33
Trade and other receivables	10
Cash and cash equivalents	3
Total assets	56
Liabilities	
Retirement benefit obligations	1
Trade and other payables	4
Total liabilities	5
Net assets disposed of	51
Gain on disposal of subsidiary	
Consideration received	51
Net assets disposed of	(51)
Gain on disposal	–
Total cashflow on disposal of subsidiary	47
Less: cash and cash equivalents balanced disposed of	(3)
Net cash flow on disposal	44

32. DISPOSAL GROUPS HELD FOR SALE

Before the end of the financial year, management decided to sell the following clinics within the Mediclinic Middle East segment: Mediclinic Beach Road Clinic, Mediclinic Corniche Medical Centre, Lookwow Oneday Surgery and Pharmacy, 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.

Accordingly, assets and liabilities of these clinics are disclosed as held for sale as the classification requirements of IFRS 5 have been met at 31 March 2017.

	GROUP	
	2017 £'m	2016 £'m
Analysis of assets and liabilities held for sale		
Assets		
Property, equipment and vehicles	8	–
Inventories	1	–
Total assets	9	–
Liabilities		
Retirement benefit obligations	1	–
Trade and other payables	1	–
Total liabilities	2	–

	GROUP 2017 £'m	GROUP 2016 £'m
33. COMMITMENTS		
Capital commitments		
Incomplete capital expenditure contracts	**170**	92
Southern Africa	**61**	57
Switzerland	**13**	10
Middle East	**96**	25
Capital expenses authorised by the Board of Directors but not yet contracted	**227**	212
Southern Africa	**153**	70
Switzerland	**19**	18
Middle East	**55**	124
	397	304

These commitments will be financed from Group and borrowed funds.

Operating lease commitments

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

	GROUP 2017 £'m	GROUP 2016 £'m
Within 1 year	**45**	41
1 to 5 years	**166**	139
Beyond 5 years	**366**	322
	577	502

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:	GROUP 2017 £'m	GROUP 2016 £'m
April 2015 to March 2016	**–**	6
April 2016 to March 2017	**4**	3
April 2017 to March 2018	**1**	–
April 2018 to March 2019	**–**	–
	5	9

Contingent liabilities

Litigation

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

	GROUP	
	2017 £'m	2016 £'m
34. RELATED-PARTY TRANSACTIONS		
Remgro Limited owns, through various subsidiaries (Remgro Healthcare (Pty) Limited, Remgro Health Limited and Remgro Jersey GBP Limited) 44.56% (2016: 44.56%) of the Company's issued shared capital.		
The following transactions were carried out with related third parties:		
i) Transactions with shareholders		
Share subscription – Remgro Group and its subsidiaries	**–**	600
In addition to the share subscription (February 2016), Remgro also participated in the Right Offer (August 2015).		
Remgro Management Services Limited (subsidiary of Remgro Limited)		
Managerial and administration fees	**0.30**	0.20
Internal audit services	**0.20**	0.10
Management fee relating to the acquisition of equity investment (Spire Healthcare Group plc)	**–**	2
Underwriting fees in respect of the rights offer	**–**	4
V & R Management Services AG (subsidiary of Remgro Limited)		
Administration fees*	**–**	–
Acquisition of equity investment (Spire Healthcare Group plc)		
During the prior period, Mediclinic International (RF) (Pty) Ltd (previously Mediclinic International Ltd) and Remgro Limited jointly negotiated the terms of the transaction to acquire an equity investment in Spire Healthcare Group plc with the seller. Refer to note 30 for additional information.		
ii) Key management compensation		
Key management includes the Directors (Executive and Non-executive) and members of the Executive Committee.		
Salaries and other short-term benefits	**7**	4
Short-term benefits	**6**	4
Post-employment benefits*	**–**	–
Share-based payment	**1**	–
iii) Transactions with associates		
Zentrallabor Zürich (ZLZ)		
Fees earned	**(1)**	(1)
Purchases	**10**	7
Spire Healthcare Group plc		
Non-executive Director fee*	**–**	–

* *Amount is less than £0.5m.*

35. FINANCIAL INSTRUMENTS

Financial instruments that are 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).

	GROUP	
Financial instruments carried at fair value in the statement of financial position	**2017 £'m**	2016 £'m
Financial assets		
Other investments and loans (available-for-sale assets)	**2**	1
Derivative financial instruments	**–**	3
Financial liabilities		
Derivative financial instruments	**(9)**	(20)

- 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.

	GROUP	
Financial instruments not carried at fair value in the statement of financial position	**2017 £'m**	2016 £'m
Financial assets		
Other investments and loans	**22**	5
Trade and other receivables	**425**	380
Cash and cash equivalents	**361**	305
Financial liabilities		
Borrowings	**(2 030)**	(1 841)
Trade and other payables	**(394)**	(369)

- 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.

36. 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 2017 %	Interest in capital[1] 31 March 2016 %
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
Indirectly held through Mediclinic Investments (Pty) Ltd				
Business Ventures Investments No 1871 (Pty) Ltd	Jersey	Deregistered	**–**	100.0
Mediclinic Europe (Pty) Ltd	South Africa	Dormant (deregistration in process)	**100.0**	100.0
Mediclinic Group Services (Pty) Ltd	South Africa	Provision of group services within the Mediclinic group	**100.0**	100.0
Mediclinic Middle East Investment Holdings (Pty) Ltd	South Africa	Dormant	**100.0**	100.0
Mediclinic Southern Africa (Pty) Ltd	South Africa	Intermediary holding company	**100.0**	100.0
Indirectly held through Mediclinic Group Services (Pty) Ltd				
Mediclinic Management Services (Pty) Ltd	South Africa	Dormant (deregistration in process)	**100.0**	100.0
Indirectly held through Mediclinic Southern Africa (Pty) Ltd				
Curamed Holdings (Pty) Ltd	South Africa	Intermediary holding company	**69.6**	69.8
ER24 Holdings (Pty) Ltd	South Africa	Intermediary holding company	**100.0**	100.0
Hedrapix Investments (Pty) Ltd	South Africa	Dormant	**100.0**	100.0
Howick Private Hospital Holdings (Pty) Ltd	South Africa	Intermediary holding company	**50.0**	50.0
Medical Human Resources (Pty) Ltd	South Africa	Management of healthcare staff	**100.0**	100.0
Medical Innovations (Pty) Ltd	South Africa	Hospital equipment	**100.0**	100.0
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	**65.2**	64.1
Mediclinic Finance Corporation (Pty) Ltd	South Africa	Treasury	**100.0**	100.0
Mediclinic Holdings (Namibia) (Pty) Ltd	Namibia	Intermediary holding company	**100.0**	100.0
Mediclinic Lephalale (Pty) Ltd	South Africa	Healthcare services	**87.3**	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	**75.2**	74.6
Mediclinic Properties (Pty) Ltd	South Africa	Property ownership and management	**100.0**	100.0
Mediclinic Tzaneen (Pty) Ltd* (50% plus 1 share)	South Africa	Healthcare services	**50.0**	50.0

SUBSIDIARIES (continued)

Company	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2017 %	31 March 2016 %
Indirectly held through Mediclinic Southern Africa (Pty) Ltd				
Medipark Clinic (Pty) Ltd	South Africa	Dormant	**100.0**	100.0
Newcastle Private Hospital (Pty) Ltd* (50% plus 1 share)	South Africa	Healthcare services	**50.0**	50.0
Phodiclinics (Pty) Ltd	South Africa	Deregistered	**–**	100.0
Practice Relief (Pty) Ltd	South Africa	Provision of debt collection and related services	**100.0**	100.0
Victoria Hospital (Pty) Ltd* (50% plus 1 share)	South Africa	Healthcare services	**50.0**	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**	96.0
Mediclinic Properties (Swakopmund) (Pty) Ltd	Namibia	Property ownership and management	**100.0**	100.0
Mediclinic Properties (Windhoek) (Pty) Ltd	Namibia	Property ownership and management	**100.0**	100.0
Mediclinic Swakopmund (Pty) Ltd	Namibia	Healthcare services	**97.2**	97.2
Mediclinic Windhoek (Pty) Ltd	Namibia	Healthcare services	**96.5**	96.4
Hospital Investment Companies				
Mediclinic Bloemfontein Investments (Pty) Ltd	South Africa	Hospital investment company	**98.9**	98.7
Mediclinic Cape Gate Investments (Pty) Ltd	South Africa	Hospital investment company	**92.8**	93.5
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	**75.6**	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	**84.1**	82.9
Mediclinic George Investments (Pty) Ltd	South Africa	Hospital investment company	**97.2**	98.6
Mediclinic Highveld Investments (Pty) Ltd	South Africa	Hospital investment company	**98.6**	98.6
Mediclinic Hoogland Investments (Pty) Ltd	South Africa	Hospital investment company	**99.2**	99.2
Mediclinic Kathu Investments (Pty) Ltd	South Africa	Dormant	**100.0**	100.0
Mediclinic Klein Karoo Investments (Pty) Ltd	South Africa	Hospital investment company	**100.0**	100.0
Mediclinic Legae Investments (Pty) Ltd	South Africa	Hospital investment company	**93.1**	94.3
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	**79.0**	79.7
Mediclinic Nelspruit Investments (Pty) Ltd	South Africa	Hospital investment company	**98.7**	98.6
Mediclinic Panorama Investments (Pty) Ltd	South Africa	Hospital investment company	**98.7**	99.1
Mediclinic Pietermaritzburg Investments (Pty) Ltd	South Africa	Hospital investment company	**76.4**	76.9
Mediclinic Plettenberg Bay Investments (Pty) Ltd	South Africa	Hospital investment company	**95.0**	94.5
Mediclinic Sandton Investments (Pty) Ltd	South Africa	Hospital investment company	**92.9**	92.8
Mediclinic Secunda Investments (Pty) Ltd	South Africa	Hospital investment company	**81.8**	81.8
Mediclinic Stellenbosch Investments (Pty) Ltd	South Africa	Hospital investment company	**90.8**	90.8
Mediclinic Vereeniging Investments (Pty) Ltd	South Africa	Hospital investment company	**99.0**	99.0
Mediclinic Vergelegen Investments (Pty) Ltd	South Africa	Hospital investment company	**93.1**	94.3
Mediclinic Welkom Investments (Pty) Ltd	South Africa	Hospital investment company	**91.4**	92.2
Mediclinic Worcester Investments (Pty) Ltd	South Africa	Hospital investment company	**97.3**	99.3

SUBSIDIARIES (continued)

Company	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2017 %	31 March 2016 %
Indirectly held through Mediclinic (Pty) Ltd				
Mediclinic Barberton (Pty) Ltd*	South Africa	Healthcare services	**77.0**	77.0
Mediclinic Ermelo (Pty) Ltd*	South Africa	Healthcare services	**50.1**	50.1
Mediclinic Hermanus (Pty) Ltd* (50% plus 1 share)	South Africa	Healthcare services	**53.2**	50.0
Mediclinic Kimberley (Pty) Ltd*	South Africa	Healthcare services	**89.4**	88.6
Mediclinic Limpopo (Pty) Ltd$*	South Africa	Healthcare services	**50.0**	50.0
Mediclinic Potchefstroom (Pty) Ltd*	South Africa	Healthcare services	**86.8**	88.3
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**	64.7
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
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

SUBSIDIARIES (continued)

Company	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2017 %	31 March 2016 %
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
Indirectly held through Hirslanden Klinik am Rosenberg AG				
Klinik am Rosenberg Heiden AG	Switzerland	Healthcare services	**99.2**	99.1
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**	–
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
The Manchester Clinic LLC[2] (previously held by Mediclinic Hospitals LLC)	UAE	Healthcare services	**49.0**	24.0
Welcare Hospitals Limited	British Virgin Islands	Healthcare services	**100.0**	100.0
Welcare World Health Systems Limited	British Virgin Islands	Healthcare services	**100.0**	100.0
Indirectly held through Welcare Hospitals Limited				
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 2017 %	31 March 2016 %
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 / 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				
Mediclinic Hospitals LLC (previously named Al Noor Medical Company – Al Noor Hospital – Al Noor Pharmacy and Al Noor Warehouse LLC)[4]	UAE	Intermediary holding company and operating company for Al Noor business	**99.0**	99.0
Indirectly held through Mediclinic Hospitals LLC				
Al Noor Hospital Family Care Centre – Al Mamoora LLC[6]	UAE	Healthcare services	**100.0**	100.0
Emirates American Company for Medical Services LLC	UAE	Sold during the year	**–**	100.0
Rochester Wellness LLC	UAE	Sold during the year	**–**	49.0
Abu Dhabi Medical Services LLC	Oman	Sold during the year	**–**	70.0
National Medical Services LLC	Oman	Sold during the year	**–**	70.0
Al Noor Hospital Medical Centre Khalifa City LLC[7]	UAE	Healthcare services	**49.0**	–
Al Madar Medical Centre LLC[5]	UAE	Healthcare services	**73.0**	48.0
Aspetar Al Madar Medical Center LLC (previously named Aspetar Al Madar Rehabilitation Centre LLC)[8]	UAE	Healthcare services	**49.0**	48.0
Al Noor Hospital Clinics Al Ain LLC	UAE	Healthcare services	**99.0**	99.0
Pharmalight Medical Stores LLC	UAE	Procurement	**99.0**	–
Indirectly held through Al Madar Medical Centre LLC				
Lookwow Oneday Surgery Company LLC	UAE	Healthcare services	**76.0**	76.0
Lookwow Pharmacy LLC[9]	UAE	Healthcare services (pharmacy)	**49.0**	–

SUBSIDIARIES (continued)

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 Al Noor Commercial Investment LLC ("**ANCI**"). The constitutional documents of Al Noor Golden provide ANH Cayman with the right to receive up to 89% of all distributions by Al Noor Golden, ANMC Management the right to receive 1%, and ANCI the right to receive the remaining 10%. In terms of the Mudaraba Agreement, ANH Cayman has the right to receive 99% of ANCI's right to receive 10% of the distributions of Al Noor Golden. Al Noor Cayman and ANMC Management therefore, collectively, have an effective beneficial interest of 99.9% in Al Noor Golden.*

The First Arabian Corporation LLC holds 99.33% and Sheikh Mohammed Bin Butti Al Hamed holds the remaining 0.67% in ANCI. ANCI holds 51% of the issued share capital of Al Noor Golden, and 1% of the issued share capital of Mediclinic Hospitals LLC. ANMC Management is appointed as the manager of ANCI. Pursuant to a shareholders agreement and a Mudaraba agreement, 99% of ANCI's profit or loss should be distributed to ANH Cayman.

[4] *Al Noor Golden holds 99% of the issued share capital of Mediclinic Hospitals LLC, with the remaining 1% held by ANCI. Al Noor Golden has the right to be appointed at the proxy of ANCI, to attend and 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 Al Noor Golden holds 1% in the issued share capital of Al Noor Hospital Family Care Centre – AL Mamoora LLC, collectively 100%.*

[7] *Al Noor Golden holds 49% of the issued share capital of Al Noor Hospital Medical Center – Khalifa City 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 Aspetar Al Madar Medical Center 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 Madar Medical Center LLC holds 49% of the issued share capital of Lookwow Pharmacy LLC, with the remaining 51% held by a third party. The Memorandum of Association of the company provides that Al Madar Medical Center LLC is entitled to receive 76% of distributions by the company and the third party is entitled to receive 24%. The Group's effective beneficial interest is therefore 76%.*

[*] *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 2017 %	Interest in capital 31 March 2016 %
Wits University Donald Gordon Medical Centre (Pty) Ltd	South Africa	Healthcare services	**49.9**	49.9

ASSOCIATES

Company	Interest in capital 31 March 2017 %	Interest in capital 31 March 2016 %	Book value of investment 31 March 2017 £'m	Book value of investment 31 March 2016 £'m
Listed:				
Spire Healthcare Group plc (held through Mediclinic Jersey Limited)	**29.9**	29.9	**459**	451
Unlisted:				
Zentrallabor Zürich, Zürich	**53.0**	56.0	**2**	1
Baukonsortium, Cham*	**24.0**	24.0	**–**	–
Centre de Reeducation et de Physiotherapie SA*	**20.0**	20.0	**–**	–
Centre de Physiotherapie du Sport S.à.r.l.*	**23.0**	–	**–**	–
			461	452

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

* *Book value is less than £0.5m.*