



**MEDI-CLINIC**

*Private hospital group*

## **MEDI-CLINIC CORPORATION LIMITED**

Medi-Clinic Corporation Limited : Incorporated in the Republic of South  
Africa Reg. No. 1983/010725/06 Share code: MDC  
ISIN-code: ZAE000074142 ("Medi-Clinic" or "the company")

### AUDITED RESULTS OF MEDI-CLINIC CORPORATION LIMITED AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008

#### **SALIENT FEATURES**

Quantum leap into international arena

Stable performance in Southern Africa

Hirslanden integration on track

The City Hospital in Dubai to be commissioned

## Consolidated abridged INCOME STATEMENT

for the year ended 31 March	2008 R'm	% Change	2007 R'm
Revenue	9 579	79	5 364
Cost of sales	(5 381)		(2 928)
Administration and other operating expenses	(2 138)		(1 285)
Operating profit before depreciation (EBITDA)	2 060	79	1 151
Depreciation	(341)		(146)
Profit on sale of equipment	2		1
Operating profit	1 721	71	1 006
Income from associates	–*		1
Finance income	49		44
Finance cost	(685)		(88)
Profit before taxation	1 085		963
Taxation	(364)		(270)
Profit for the year	721		693
Attributable to:			
Shareholders of the company	610		582
Minority interest	111		111
	721		693
Earnings per ordinary share – cents			
Basic	144,9	(11)	162,5
Diluted	134,0		147,5
Headline earnings per ordinary share – cents			
Basic	144,5	(11)	162,2
Diluted	133,6		147,2
Earnings reconciliation:			
Profit attributable to shareholders	610		582
Profit on sale of equipment	(2)		(1)
Headline earnings	608	5	581
* Amount is less than R0,5m			

Consolidated abridged  
**BALANCE SHEET**

at 31 March	2008 R'm	2007 R'm
<b>Assets</b>		
Non-current assets	37 251	3 709
Property, equipment and vehicles	30 972	3 124
Intangible assets	6 079	419
Investments – unlisted	34	46
Derivative financial instruments	43	–
Deferred income tax assets	123	120
Current assets	4 326	1 780
Inventories	448	190
Trade and other receivables	3 077	874
Cash and cash equivalents	801	716
<b>Total assets</b>	<b>41 577</b>	<b>5 489</b>
<b>Equity and liabilities</b>		
Total equity	9 687	2 820
Share capital and reserves	8 880	2 068
Minority interest	807	752
Total liabilities	31 890	2 669
Long-term interest-bearing borrowings	23 266	996
Retirement benefit obligations	177	129
Provisions	190	–
Derivative financial instruments	595	–
Deferred income tax liabilities	5 187	5
Short-term interest-bearing borrowings	131	628
Short-term interest-free borrowings	2 344	911
<b>Total equity and liabilities</b>	<b>41 577</b>	<b>5 489</b>
Number of ordinary shares ('000)	560 260	359 369
Weighted number of ordinary shares ('000)	421 437	357 606
Diluted number of ordinary shares ('000)	455 748	394 107
Net asset value per ordinary share – cents	1 585	575
Directors' valuation of unlisted investments	34	46
<b>Capital commitments</b>		
Approved not yet contracted	319	274
Incomplete capital expenditure contracts	680	415

## Consolidated abridged CASH FLOW STATEMENT

for the year ended 31 March	2008 R'm	2007 R'm
Cash flow from operating activities	738	837
Cash generated from operations	1 517	1 187
Net finance cost	(419)	(44)
Taxation paid	(360)	(306)
Cash flow from investment activities	(16 898)	(672)
Cash flow from financing activities	16 461	43
Proceeds from issuance of ordinary shares	4 500	–
Distributions to shareholders	(189)	(178)
Distributions to minorities	(41)	(40)
Movement in borrowings	12 219	248
Share issue costs	(28)	–
Other	–	13
Net movement in cash, cash equivalents and bank overdrafts	301	208
Opening balance of cash, cash equivalents and bank overdrafts	357	149
Exchange rate fluctuations on foreign cash	129	–
Closing balance of cash, cash equivalents and bank overdrafts	787	357
Cash and cash equivalents	801	716
Bank overdrafts	(14)	(359)
	787	357

## Consolidated abridged STATEMENT OF RECOGNISED INCOME AND EXPENSE

for the year ended 31 March	2008 R'm	2007 R'm
Currency translation differences	2 186	2
Fair value adjustment to cash flow hedges	(254)	–
Actuarial losses	(21)	–
Net income recognised directly in equity	1 911	2
Profit for the year	721	693
Total recognised income for the year	2 632	695
Attributable to:		
Equity holders of the company	2 521	584
Minority interest	111	111
	2 632	695

Consolidated abridged  
**SEGMENTAL REPORT**

for the year ended 31 March	2008 R'm	2007 R'm
Revenue		
Southern Africa	6 056	5 364
Middle East	482	–
Switzerland	3 041	–
EBITDA		
Southern Africa	1 302	1 151
Middle East	50	–
Switzerland	708	–
Operating profit		
Southern Africa	1 143	1 006
Middle East	22	–
Switzerland	556	–
Cash generated from operations		
Southern Africa	1 226	1 187
Middle East	165	–
Switzerland	126	–
Assets		
Southern Africa	4 545	3 951
Middle East	1 576	1 538
Switzerland	35 456	–
Liabilities		
Southern Africa	4 643	2 212
Middle East	511	457
Switzerland	26 736	–
Capital commitments		
Southern Africa		
Approved not yet contracted	248	274
Incomplete capital expenditure contracts	550	214
Middle East		
Approved not yet contracted	–	–
Incomplete capital expenditure contracts	98	201
Switzerland		
Approved not yet contracted	71	–
Incomplete capital expenditure contracts	32	–
Average Rand/CHF exchange rate:	CHF1 = R6.60	
Closing Rand/CHF exchange rate:	CHF1 = R8.14	
Average Rand/AED exchange rate:	AED1 = R1.94	
Closing Rand/AED exchange rate:	AED1 = R2.20 (2007:R1.98)	

## COMMENTARY

With the acquisition of the Hirslanden group of hospitals in Switzerland, the past financial year represents a watershed year for Medi-Clinic. The acquisition represents the quantum leap into the international arena which the Group had been contemplating for many years. Although it required a significant amount of capital, Hirslanden is a high quality company in a financially stable country. It should be seen as the platform from where the Group would like to expand further into Europe in the future.

## THE GROUP

### Transactions that had a material impact on the Group results

#### *United Arab Emirates ("UAE")*

The Group obtained a controlling equity interest of 50% plus one share (with board and management control) in Emirates Healthcare for an amount of US\$53.1 million (R384.2 million), effective 27 March 2007. General Electric Company, a member of the General Electric Group, subscribed for a 6.59% equity interest. Mr Sunny Varkey, the founder and chairman of Emirates Healthcare, retained an equity interest of 43.41%. The Group also subscribed for cumulative, variable rate, participating, redeemable, convertible preference shares in Emirates Healthcare for an amount of US\$21.5 million (R155.2 million).

Emirates Healthcare owns and operates the 120-bed Welcare Hospital, one of the largest private hospitals in Dubai, along with one ambulatory surgery centre, three clinics and one specialist eye clinic with a further clinic under construction. It has also commenced with the construction of the first multi-disciplinary hospital in Dubai Health Care City ("DHCC"), The City Hospital with 210 beds, which is scheduled for commissioning towards the third quarter of 2008. In addition, Emirates Healthcare has the right to develop an additional 150-bed hospital in DHCC. This will make Emirates Healthcare the largest private healthcare provider in Dubai.

#### *Switzerland*

The Group acquired 100% of Hirslanden, the holding company of the largest private hospital group in Switzerland, with effect from 26 October 2007.

Hirslanden is the leading private hospital group in Switzerland, comprising 13 private acute care facilities located in nine cantons. It currently operates 1 301 beds, provides admitting rights to some 1 400 specialists and employs over 3 800 staff (full time equivalents).

The purchase consideration for the total issued share capital of Hirslanden was CHF2 556 million, which represented an enterprise value of CHF3 364 million.

CHF2 450 million of new debt was arranged by Barclays Capital, the investment banking division of Barclays Bank plc. This is fully underwritten by Barclays Bank plc on a non-recourse basis to Medi-Clinic's Southern African operations. The debt was used to repay Hirslanden's existing debt and to pay part of the purchase consideration. The interest rates in respect of these facilities have been fixed. The interest payable on debt of CHF1 610 million, raised to finance the purchase consideration, will not be tax deductible for a period of five years.

The remainder of the purchase consideration together with expenses, interest accrued on the purchase price and other costs, amounted to CHF1 114 million and was funded by Medi-Clinic by way of a rights offer of R4 500 million (see below) and existing debt facilities within the Group.

The acquisition of Hirslanden was unanimously approved in a general meeting held on 10 September 2007 by shareholders representing 91.2% of all the company's ordinary shares in issue.

For more information about the trans-action, see the company announcement of 2 August 2007, the detailed acquisition circular by Medi-Clinic to shareholders dated 17 August 2007 ("the Circular"), the company announcements of 10 September 2007 and 26 October 2007 as well as the company announcement relating to the rights offer of 26 October 2007. All these documents are available on the company's website, [www.mediclinic.co.za](http://www.mediclinic.co.za).

### *The rights offer*

The company raised approximately R4 500 million through a rights offer that closed on 7 December 2007. Approximately R4 000 million of the proceeds was applied towards the equity contribution for the acquisition of Hirslanden and the balance will be used to fund expansion opportunities in Medi-Clinic's Southern African operations.

The rights offer was for a total of 198 675 497 Medi-Clinic shares ("rights offer shares") at a subscription price of 2 265 cents per rights offer share in the ratio of 50.38197 rights offer shares for every 100 Medi-Clinic shares held at the close of trade on Friday, 16 November 2007.

The rights offer was oversubscribed and no allocation was made to the underwriters.

The company now has 593 013 946 ordinary shares in issue and had a market capitalisation of R11.7 billion at year-end.

## Group financial performance

### *Trading results*

Due to the above transactions, the Group results are not directly comparable with those of the previous period.

Group revenue increased by 79% to R9 579 million (2007: R5 364 million) for the year under review. Operating income before interest, taxation, depreciation and amortisation (“EBITDA”) was 79% higher at R2 060 million (2007: R1 151 million). Headline earnings rose by 5% to R608 million (2007: R581 million) after incurring higher finance charges, mainly resulting from the Hirslanden transaction. Basic headline earnings per ordinary share declined by 11% to 144.5 cents (2007: 162.2 cents) due to the higher finance charges and the increased weighted number of ordinary shares resulting from the rights offer. The total dividend per ordinary share at 61.2 cents (2007: 54.1 cents) is 13% higher, in line with the Southern African performance as indicated in the Circular and in the commentary to the interim results.

The decline in the Group’s headline earnings per share was mainly as a result of the Hirslanden transaction, as anticipated at the time. This decline was adequately compensated for by the fact that the Group’s blended weighted average cost of capital (“WACC”) decreased from about 12% to about 8% at the time of the transaction, due to the lower cost of capital in Switzerland.

Comparing the Group financial results with the underlying assumptions used in the Circular, depreciation amounting to R54.8 million (CHF8.3 million) provided for in the Group financial results was not provided for in the Circular. This depreciation relates to installations in the hospitals, as opposed to equipment, which was assumed to be part of hospital buildings at the time of preparing the Circular.

### *Finance cost*

Included in the finance cost of R685 million is an amount of R53.7 million that represents interest paid on the bridge finance from the closing of the Hirslanden transaction at 26 October 2007 until the proceeds of the rights issue were received on 10 December 2007. This interest is not tax deductible and will not recur in the future.

Also included in the finance cost is an amount of R15.9 million, being the current year’s amortisation in respect of raising fees paid on the local and offshore debt. These amounts are amortised over the terms of the relevant loans in line with future cash payments as prescribed in IAS39.



### *Foreign exchange rates*

The Rand proved to be quite volatile against the Swiss Franc and the United States Dollar (against which the UAE Dirham is pegged at AED3.675 to the US Dollar) during the year under review. The spot rate of the CHF moved from R6.11, being the exchange rate at which the Group acquired Hirslanden, to R8.14 at year end, with an average rate of R6.60 for the reporting period from 26 October 2007. The spot rate of the AED moved from R1.98 at 31 March 2007 to R2.20 at year end, with an average rate of R1.94 for the year. In terms of accounting convention the offshore balance sheets are converted at the spot rate, while the trading results in the offshore income statements are converted at the average rate. The large difference between the spot rate and the average foreign exchange rate results in a distortion when ratios between the balance sheet and the income statement are calculated in Rand. Therefore, the spot rate should also be used for translating EBITDA to achieve the actual ratio.

The resulting currency translation difference, being the amount by which the Group's interest in the equity of the two foreign platforms increased merely as a result of the movement in the spot rate, amounted to R2 186 million and was credited to the statement of recognised income and expense.

Interest-bearing borrowings increased from R1 624 million at 31 March 2007 to R23 397 million, mainly as a result of the Hirslanden transaction. It is important to note that the offshore debt amounting to R19 698 million is matched with foreign assets in the same currency. The foreign debt also has no recourse to South African assets, as stipulated by the South African Reserve Bank as well as applicable financing arrangements.

## **SOUTHERN AFRICA**

### *Financial performance*

The Southern African revenue increased by 13% to R6 056 million (2007: R5 364 million) for the year under review. EBITDA was 13% higher at R1 302 million (2007: R1 151 million).

### *Business performance*

The Southern African operations acquired a 51% interest in the 200-bed Protector hospitals effective from 8 November 2006. It also acquired from Phodiso Holdings ("Phodiso") its 49% interest in Tshwane Private Hospitals ("Tshwane"), which in turn holds a 63% interest in Curamed Holdings, as well as its 49% interest in Phodiclinics effective from 1 April 2007. Curamed Holdings owns all the group's hospitals in Pretoria with 738 beds while Phodiclinics owns the 200-bed Protector hospitals as well as the license to the 140 bed Cape Gate Medi-Clinic in the northern suburbs of the Cape Metropole.

The acquisition of Phodiso's interests in Tshwane and Phodiclinics decreases the amount attributable to minorities in the Group's income statement.

Due to the above transactions, the current period's results are not directly comparable with those of the previous period. Excluding the increase in capacity due to the acquisition of the Protector hospitals, the Southern African operations' revenue growth amounted to 12%. This revenue growth was achieved through a 3% increase in bed-days sold, a 6% increase in the average income per bed-day and a 3% change in the profile of patients treated. The increase in utilisation was evident in both surgical and medical cases. The number of patients admitted increased by 3% while the average length of stay remained the same. Volumes in the second half of the year were negatively influenced by the Easter holidays during the last two weeks of March 2008.

The Southern African operations managed to maintain its EBITDA margin at 21.5%.

In line with international best practices, the Southern African business activities were reorganised during the year into operational and hospital property groups. The property group raised R2 750 million to finance the acquisition of the hospital properties.

The Southern African operations' cash flow continued to be strong during the period under review. It converted 96% (2007: 103%) of EBITDA into cash generated from operations, despite lower cash receipts from medical schemes at year-end due to the Easter holidays during the last two weeks in March 2008. Cash and cash equivalents increased to R361 million from R211 million at 31 March 2007 after financing capital expenditure and investments.

Interest bearing debt increased from R1 316 million at 31 March 2007 to R3 699 million at year end mainly as a result of the increased debt due to the formation of the hospital property group referred to above.

### *Industry matters*

The current differences between the Department of Health and private healthcare providers over cost issues affecting private healthcare are unfortunate and reflect the lack of proper communication and co-operation between the Department of Health and the private sector providers. The draft National Health Amendment Bill published on 18 April 2008 proposes to give the Minister of Health unprecedented powers to intervene into the business activities of the private sector. Medi-Clinic believes that the draft amendments to the National Health Act are based on misinformation and that it reflects the wrong diagnosis of the real issues in the delivery of private healthcare services in South Africa.

All these differences occurred while the private sector was engaging in various follow-up initiatives to respond to concerns raised at the Private Healthcare Indaba which

took place during September 2007. For instance, the private hospital sector through the Hospital Association of South Africa (HASA), engaged with the Department of Health on the National Health Reference Price List (NHRPL) process of determining benchmark tariff guidelines. HASA also prepared a detailed document responding comprehensively to the issues raised at the Private Health Indaba. Unfortunately, the Minister of Health has still not granted the industry an opportunity to discuss the document and has cancelled all meetings set up for this purpose. Important proposals to increase access to, and affordability of, healthcare are inter alia contained in the document.

The NHRPL process by which a methodology and framework to calculate benchmark tariffs will be established, is ongoing. Two international independent accounting firms have been appointed at great expense by HASA to provide their autonomous opinion on the methodology of the benchmark tariffs. It is expected that their reports will be conveyed to the Department of Health before the end of May 2008. Based on its own experience and tariff calculations, the Group is convinced that the result of the exercise will show that current tariffs charged by the Group are in actual fact lower than the benchmark tariff if scientifically calculated according to internationally accepted costing principles.

Affordability will always remain a critical issue in the healthcare industry internationally, especially so in developing countries.

Throughout the world, increased healthcare costs are driven by increased utilisation resulting from factors such as the ageing population, new technology, patient expectations and the increased burden of disease. The situation is exacerbated by an international shortage of skilled nursing staff. This leads to, and will for the foreseeable future continue to lead to, sustained pressure for higher nursing salaries.

Along with the private healthcare sector, Medi-Clinic will continue its endeavours to engage with the Department of Health to develop a process of real consultation and engagement to find joint solutions that will address the challenges facing the whole healthcare sector in South Africa. The private hospital industry is a national asset and an important pillar on which the country's future economic growth is based. It plays a pivotal role in addressing the healthcare burden of the country's population.

## SWITZERLAND

### *Financial performance*

The Group consolidated Hirslanden's results from the effective date of its acquisition, 26 October 2007. During this period, Hirslanden's revenue was R3 041 million (CHF461 million) and EBITDA was R708 million (CHF107 million).

Although not included in the Group's results, the figures below are provided to give shareholders a better understanding of the results for a full year as well as the seasonal flow of revenue and EBITDA at Hirslanden. It should be noted that the winter period over November until January has a stronger patient flow than in summer.

Hirslanden's revenue for the six months ended 31 March 2008 amounted to CHF532 million, which was 9.0% higher than the same period last year. EBITDA for the same period was CHF124 million which was 5.7% higher than the same period last year. Revenue for the twelve months ended 31 March 2008 amounted to CHF1 001 million, which was respectively 3.4% and 8.3% higher than budgeted revenue and the same period last year. EBITDA for the same period was CHF222 million, which was respectively 2.1% and 6.0% higher than budgeted EBITDA and the same period last year.

### *Business performance*

Based on a full financial year, Hirslanden's inpatient admissions increased by 4.0% while day surgery admissions improved by 7.3%. The average length of stay remained fairly constant.

The EBITDA margin declined slightly on a full year basis from 22.7% to 22.2%, mainly as a result of the start-up costs associated with the opening of new wings at Klinik Hirslanden, Klinik St Anna and Klinik Birshof. The new wings are doing better than expected and the results should be evident in the following financial year.

The number of fully operational beds are budgeted to increase to about 1 341 beds (based on the average number of beds for the year), with the addition of 35 at Klinik Hirslanden, 7 at Klinik Im Park and 13 at Klinik St. Anna.

In addition, a second LINAC oncology machine as well as a CyberKnife will be commissioned at Klinik Hirslanden during the middle of the year. The CyberKnife is a state of the art non-invasive stereo tactic radiation device for the treatment of tumours and metastases. It is the first of its kind in Switzerland and it ensures that, in comparison with conventional radiotherapy, fewer treatment sessions are required. A state of the art centre for neurology, neurosurgery and neuro-radiology will also be opened at Klinik Hirslanden during May 2008. An international centre for laparoscopic neuro-functional pelvic surgery with two renowned surgeons will furthermore open at Klinik Hirslanden during October 2008.

The Hirslanden group converted only 18% of EBITDA into cash generated from operations. The reasons are twofold. The cash inflows in respect of trade and other receivables are cyclical in nature with October (the time of the opening balance sheet) normally lower while it peaks in March. The negative effect of this seasonal movement was approximately R231 million (CHF35 million). Secondly, certain transaction costs

of about R350 million (CHF53 million) were accrued in trade and other payables in the opening balance sheet of which most were paid subsequently. If these two amounts are excluded the conversion rate would have been above 90%. At year end cash and cash equivalents amounted to R400 million (CHF49 million) while interest bearing debt was R19 481 million (CHF 2 393 million) net of capitalised debt transaction fees.

The solid macro-economic qualities of Switzerland with its benign inflation, low unemployment, low cost of capital and solid growth rate, have recently been proven again when the Swiss economy remained virtually unscathed by the international credit crisis and economic uncertainty that impacted on most of the other Western economies. The reality is that Switzerland, as has become the custom, benefited from the flight to a high quality and stable environment, which resulted in its macro-economic indicators and property prices remaining intact.

### *Integration of the Hirslanden group*

The financial integration of Hirslanden has been completed successfully. The opening balance sheet and the IFRS purchase price allocation is complete and the accounting systems have been configured to accommodate the new group structure following the capital and financial restructuring. This proved to be an immense task.

Between the effective date and year end, management, together with members of the Hirslanden Board where appropriate, undertook a strategy review which included an analysis of measures to extract value from synergies between Medi-Clinic and Hirslanden. The result was an eight point plan which will be implemented in the new financial year to extract value from immediate synergies. Over the longer term, further detailed benchmarking will be done between the two groups so as to create an integrated international platform running according to best practices and defined by common definitions (as far as it is possible) across borders. Activities in the UAE form part of this process.

## **UNITED ARAB EMIRATES**

### *Financial performance*

The UAE revenue amounted to R482 million (AED249 million) for the year under review. EBITDA was R50 million (AED26 million). After incurring depreciation charges of R28 million (AED14 million) and net finance costs of R2 million (AED1 million), Emirates Healthcare contributed R18 million (AED9 million) to the Group after deducting for minority interests.

The units in full operation, being the Welcare Hospital, the Emirates Diagnostic Clinic ("EDC"), the Welcare Ambulatory Care Centre ("WACC") and the Welcare Eye Clinic ("WEC"), produced revenue of R478 million (AED246 million) and EBITDA of

R82 million (AED42 million). The Welcare Clinic Al Qusais, which opened for business on 7 July 2007, and Welcare World Health Systems (“WWHS”) had a turnover of R4 million (AED2 million), but generated start up operating losses at EBITDA level of R18 million (AED9 million). The City Hospital and the Welcare Clinic Mirdiff, both still to be commissioned, incurred start up losses of R14 million (AED7 million).

### *Business performance*

The Welcare Hospital increased its revenue (R401 million: AED207 million) and EBITDA (R64 million: AED33 million) by 15.5% and 17.2%, respectively, against the same period last year. It increased its EBITDA margin from 15.7% to 15.9%.

The three clinics in full operation, namely EDC, WACC and WEC, maintained an EBITDA margin of 23.4%.

Due to extensions of the project scope such as the creation of a maternity unit, the fitting out of shell floors, and the addition of an operating theatre, together with certain other functional improvements, the commissioning of The City Hospital has been postponed to the third quarter of 2008. The recruitment of staff, specifically also doctors and nurses, is progressing satisfactorily. Careful planning is required regarding the timing of the commissioning and staffing of the hospital. The timing of all the aspects of the commissioning and opening of the hospital holds a substantial financial risk which may impact on the earnings of the Group, particularly in the first six months.

Emirates Healthcare, through a subsidiary, WWHS, is currently making a significant investment in infrastructure, mainly in systems and human capital, to ensure a solid platform from which to take advantage of the many growth opportunities in the region.

Emirates Healthcare converted 331% of EBITDA into cash generated from operations. This figure is distorted due to high creditors at year end mainly due to retentions on The City Hospital project. If this effect is excluded, the conversion rate would be about 108%. Cash and cash equivalents decreased to R40 million (AED18 million) from R505 million (AED255 million) at 31 March 2007, while interest bearing debt decreased from R307 million (AED155 million) at 31 March 2007 to R217 million (AED98 million). The cash flow from a net cash position of R198 million (AED100 million) at 31 March 2007 to a net debt position at year end of R177 million (AED80 million) was utilised to finance capital expenditure, mainly the construction of The City Hospital.

## **PROSPECTS**

The Group has managed to transform itself into a truly international, acute care hospital business. During the next financial year, more than half of its revenue and EBITDA will be derived from sources outside South Africa.

Three platforms for growth have been established. The South African private hospital industry is one of the most developed and mature in the world. It offers a great deal to the international world specifically in terms of best practices relating to cost effectiveness and quality of care. The Hirslanden group should act as a solid platform for future Swiss and European expansion of the Group. The investment in Emirates Healthcare, which is more green fields by nature, offers a platform for incremental growth in the Middle East where a growing need for cost-effective, quality private healthcare exists.

The Group has invested in skills and infrastructure over many years to enable it to better measure the quality and outcomes of its care. This growing knowledge will now be applied on an international level to gain market share and to fulfil the Group's vision of being regarded as the most respected and trusted provider of hospital services by patients, doctors and funders of healthcare.

Management has identified certain high level synergies between its Swiss and Southern African operations. These synergies should have a positive effect on the EBITDA of the Group. Some of these synergies will also have a positive effect on both the Southern African and UAE operations. In addition, management will embark on in-depth benchmarking exercises to identify best practices with a view to implement such best practices throughout the combined Group. The aim is to create an integrated international platform capable of seamlessly integrating and transferring its skills and know-how across borders. This has been achieved on a geographically smaller scale within the Southern African group as part of the various acquisitions that took place in Southern Africa over many years.

It should be kept in mind that the start-up costs of The City Hospital in Dubai will have an impact on the earnings of the Group, particularly in the first six months. Overall, the Group remains optimistic about its operational prospects for the next year.

## **CHANGES TO THE BOARD OF DIRECTORS**

Dr R H Bider and Mr J C Cohen were co-opted as directors on 1 February 2008, while Mr D K Smith was co-opted on 31 March 2008.

## **REPORTS OF THE INDEPENDENT AUDITORS**

The annual financial statements have been audited by PricewaterhouseCoopers Inc. and their unqualified audit reports on the comprehensive annual financial statements and the abridged financial statements are available for inspection at the registered office of the company.

## BASIS OF PREPARATION

The financial results have been prepared in accordance with the recognition and measurement requirements of IFRS and the disclosure requirements of IAS 34. Accounting policies are consistent with those adopted in prior years.

## DIVIDEND TO SHAREHOLDERS

The board of directors declared a final dividend of 41.9 cents per ordinary share.

In compliance with the requirements of STRATE, the following dates are applicable:

Last date to trade cum dividend	Thursday, 12 June 2008
First date of trading ex dividend	Friday, 13 June 2008
Record date	Friday, 20 June 2008
Payment date	Monday, 23 June 2008

Share certificates may not be dematerialised/rematerialised from Friday, 13 June 2008, to Friday, 20 June 2008, both days inclusive.

Signed on behalf of the board of directors:

**E DE LA H HERTZOG**

*Chairman*

**L J ALBERTS**

*Chief Executive Officer*

**Stellenbosch, 14 May 2008**

[www.mediclinic.co.za](http://www.mediclinic.co.za)

DIRECTORS: E de la H Hertzog (Chairman), L J Alberts (Chief Executive Officer), R H Bider (*Swiss*), J C Cohen (*British*), S Dakile-Hlongwane, J du T Marais, A R Martin, D P Meintjes, V E Msibi, K H S Pretorius, A A Raath, M A Ramphela, D K Smith, J G Swiegers, W L van der Merwe, M H Visser SECRETARY: G C Hattingh

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SPONSOR: Rand Merchant Bank (A division of FirstRand Bank Limited)