THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 8 of this circular apply to the cover of this circular.

Shareholders are referred to page 6 of this circular, which sets out the action required of them with regard to the proposed transactions, full details of which are set out in this document. If you are in any doubt as to the action that you should take, please consult your broker, CSDP, banker, legal advisor, accountant or other professional advisor immediately.

If you have disposed of some or all of your ordinary shares in Medi-Clinic, then a copy of this circular, together with the attached form of proxy, should be forwarded to the purchaser to whom, or the broker, CSDP or agent through whom you disposed of your Medi-Clinic shares or your interest in Medi-Clinic shares.

A form of proxy (pink) is attached for use by certificated shareholders and dematerialised shareholders with own name registration who cannot attend the general meeting and who wish to vote at the general meeting. It should be properly completed and lodged with the transfer secretaries, Computershare Investor Services 2004 (Proprietary) Limited, to reach them by no later than 15:00 on Thursday, 6 September 2007. Dematerialised shareholders, other than those with own name registration, must inform their CSDP or broker of their intention to attend the general meeting or provide their CSDP or broker with their voting instructions should they not be able to attend the general meeting in person but wish to be represented thereat. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker concerned.

MEDI-CLINIC
Private hospital group

MEDI-CLINIC CORPORATION LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1983/010725/06)
(Share code: MDC ISIN: ZAE000074142)
("Medi-Clinic" or "the Company")

CIRCULAR TO SHAREHOLDERS OF MEDI-CLINIC

relating to:

- **the proposed acquisition by Medi-Clinic Luxembourg, a wholly-owned subsidiary of Medi-Clinic, of a 100% interest in Hirslanden, a private hospital group in Switzerland;**
- **the recapitalisation of Medi-Clinic by means of a renounceable rights offer of up to 198 675 497 ordinary par value shares in Medi-Clinic at an issue price of not less than 2 265 cents per share subsequent to the proposed acquisition becoming unconditional;**
- **the creation of 550 000 000 new ordinary shares in the authorised share capital of Medi-Clinic;**
- **the placing of sufficient ordinary shares in the authorised share capital of Medi-Clinic under the control of the directors of Medi-Clinic for the purposes of implementing the proposed rights offer; and**
- **a specific limited authority for the issue of ordinary shares for cash;**

and including:

- **revised listing particulars (prepared on the assumption that the resolutions proposed in the notice of general meeting forming part of this document will be passed at the general meeting);**
- **a notice of general meeting of shareholders; and**
- **a form of proxy to be completed by holders of certificated shares and holders of dematerialised shares with "own name" registration.**

The directors of Medi-Clinic whose names appear on page 11 of this circular, collectively and individually, accept full responsibility for the accuracy of the information given in this circular and certify that, to the best of their knowledge and belief, there are no facts the omission of which would make any statement in this circular false or misleading and that they have made all reasonable inquiries to ascertain such facts and that this circular contains all information required in law and by the JSE Listings Requirements.

The Standard Bank of South Africa Limited, which is regulated in terms of the JSE Listings Requirements, is acting for Medi-Clinic and no-one else in relation to the preparation of this circular and will not be responsible to anyone other than Medi-Clinic in relation to the preparation of this circular.

Dresdner Kleinwort Limited, which is authorised and regulated by the Financial Services Authority, is acting for Medi-Clinic and for no-one else in connection with the proposed acquisition and will not be responsible to anyone other than Medi-Clinic for providing the protections afforded to customers of Dresdner Kleinwort Limited.

Citigroup Global Markets Limited is acting as financial advisor to Medi-Clinic and no one else in connection with the matters referred to in this circular and will not be responsible to anyone other than Medi-Clinic for providing the protections afforded to clients of Citigroup Global Markets Limited nor for giving advice in relation to the matters referred to in this circular.

Date of issue: 17 August 2007

This circular is available in English only. Copies may be obtained from the registered office of Medi-Clinic, the sponsor and the transfer secretaries whose addresses are set out in the "Corporate information and advisors" section of this circular from Friday, 17 August 2007, up to and including the closing date of the proposed rights offer.

Joint financial advisors to Medi-Clinic

Standard Bank
Dresdner Kleinwort
citi

Lead independent sponsor to Medi-Clinic

PricewaterhouseCoopers
PricewaterhouseCoopers Corporate Finance (Pty) Ltd
(Registration number 1970/003711/07)

Transaction sponsor to Medi-Clinic

Standard Bank

Independent reporting accountants to Medi-Clinic

PricewaterhouseCoopers
PricewaterhouseCoopers Advisory Services (Pty) Ltd
(Registration number 1999/024417/07)

Legal advisors to Medi-Clinic

Hofmeyr
Hofmeyr Herbstein & Gihwala Inc.
(Registration number 1997/001523/21)

LENZ & STAEHELIN

BAKER & McKENZIE

CORPORATE INFORMATION AND ADVISORS

Company secretary and registered office of Medi-Clinic

G C Hattingh (B.Acc (Hons), CA(SA))
Medi-Clinic Offices
Strand Road
Stellenbosch
7600
(PO Box 456, Stellenbosch, 7599)

Company secretary and registered office of Hirslanden

P Obrist
Seefeldstrasse 214
8008
Zurich
Switzerland

Lead independent sponsor to Medi-Clinic

PricewaterhouseCoopers Corporate Finance (Proprietary) Limited
(Registration number 1970/003711/07)
2 Eglin Road
Sunninghill
2157
(Private Bag X36, Sunninghill, 2157)

Joint financial advisor and transaction sponsor to Medi-Clinic

The Standard Bank of South Africa Limited
(Registration number 1962/000738/06)
3 Simmonds Street
Johannesburg
2001
(PO Box 61344, Marshalltown, 2107)

Independent reporting accountants to Medi-Clinic

PricewaterhouseCoopers Advisory Services (Proprietary) Limited
(Registration number 1999/024417/07)
No 1 Waterhouse Place
Century City
Cape Town
7441
(PO Box 2799, Cape Town, 8000)

Bankers to Medi-Clinic

The Standard Bank of South Africa Limited
(Registration number 1962/000738/06)
3 Simmonds Street
Johannesburg
2001
(PO Box 61344, Marshalltown, 2107)

Absa Bank Limited
(Registration number 1986/004794/06)
Absa House
8th Floor, St Georges Mall
Cape Town
8001
(PO Box 4013, Cape Town, 8000)

Place of incorporation of Medi-Clinic

South Africa

Date of incorporation of Medi-Clinic

3 October 1983

Transfer secretaries to Medi-Clinic

Computershare Investor Services 2004 (Proprietary) Limited
(Registration number 2004/003647/07)
9th Floor
70 Marshall Street
Johannesburg
2001
(PO Box 61051, Marshalltown, 2107)

Legal advisors to Medi-Clinic

As to South African law

Hofmeyr Herbstein & Gihwala Inc.
(Registration number 1997/001523/21)
21st Floor, 2 Long Street
Cape Town
8001
(PO Box 1221, Cape Town, 8000)

As to Swiss law

Lenz & Staehelin
Bleicherweg 58
CH-8027 Zurich
Switzerland

As to English law

Baker & McKenzie LLP
100 New Bridge Street
London
EC4V 6JA

Joint financial advisors to Medi-Clinic

Dresdner Kleinwort Limited
(Registration number 00551334)
30 Gresham Street
London
EC2V 7PG

Citigroup Global Markets Limited
(Registration number 1763297)
Canada Square
Canary Wharf
London
E14 5LB

Auditors to Medi-Clinic

PricewaterhouseCoopers Inc.
(Registration number 1998/012055/21)
19 Oewerpark
Rokewood Avenue
Die Boord
Stellenbosch
7600
(PO Box 57, Stellenbosch, 7599)

Auditors to Hirslanden

Ernst & Young Limited
Brandschenkestrasse 100
Zurich
Switzerland
(PO Box CH-8022, Zurich)

Place of incorporation of Hirslanden

Switzerland

Date of incorporation of Hirslanden

17 February 2005

TABLE OF CONTENTS

The definitions contained in the section entitled "Definitions and interpretations" commencing on page 8 of this circular, apply, *mutatis mutandis* to the table of contents.

EXECUTIVE SUMMARY

The definitions contained in the section entitled "Definitions and interpretations" commencing on page 8 of this circular, apply, *mutatis mutandis* to this executive summary.

It was announced on SENS on 2 August 2007 and published in the press on 3 August 2007 that, subject to the fulfilment of the relevant conditions precedent, Medi-Clinic Luxembourg, a wholly-owned subsidiary of Medi-Clinic, had entered into the share purchase agreement to acquire 100% of Hirslanden, holding company of the largest private hospital group in Switzerland, from a company controlled by funds advised by the European private equity group, BC Partners. It was also announced that Medi-Clinic proposed to proceed with a rights offer in order to raise an amount of up to R4 500 million, the proceeds of which will mainly be used to pay down part of the acquisition funding raised in South Africa. The proposed rights offer is, *inter alia*, conditional on the proposed acquisition becoming unconditional.

The Hirslanden group is the leading private hospital group in Switzerland. The Hirslanden group currently comprises 13 private acute care facilities located in nine cantons with 1 275 beds and over 3 600 full-time equivalent staff. It is renowned for providing the highest level of quality care and standard of facilities. For the year ended 31 December 2006, the Hirslanden group reported gross revenue of CHF907 million and EBITDA of CHF206 million.

Hirslanden's strategy is focused on highly specialised and complex elective surgery, including cardiology, neurosurgery and orthopaedics, supported by the highest levels of nursing care and recuperative comfort. As such, Hirslanden is the embodiment of private hospital care in Switzerland. The Hirslanden group's hospitals are equipped with state-of-the-art systems and consist of 78 operating theatres, 13 cardiac catheter laboratories, six intensive care units, seven radiology institutes, physiotherapy centres in all hospitals, two sports therapy centres, two craniofacial centres and six renal dialysis stations and laboratories. The Hirslanden group provides admitting rights to over 1 400 physicians and managed 66 732 inpatient admissions during the year ended 31 December 2006.

Hirslanden's focus on treatments at the high end of the acuity spectrum – "Centres of Excellence strategy" – is very much in line with the Medi-Clinic strategy in the South African market. The proposed acquisition transforms the Company into a truly international provider of hospital services, enhancing Medi-Clinic's *Commitment to Quality Care*.

The table below highlights certain operational and financial metrics of the combined group.

Description	**Medi-Clinic**[1]	**Hirslanden**[2]	***Pro forma* combined group**	**Percentage change**
Hospitals	51	13	64	25%
Beds	6 965	1 275	8 240	18%
Operating theatres	247	78	325	32%
Staff	13 300	3 600	16 900	27%
Revenue (R'm)	5 364	4 926	10 290	92%
EBITDA (R'm)	1 151	1 119	2 270	97%

Note 1 – 31 March 2007.

Note 2 – 31 December 2006, using an exchange rate of R5.43:CHF1, being the average rate for the twelve months ended 31 December 2006.

The proposed purchase consideration for 100% of the issued share capital of Hirslanden is expected to be approximately CHF2 846 million (plus interest accruing from 1 July 2007), which represents an enterprise value of CHF3 600 million. The proposed purchase consideration is to be settled through a combination of new debt financing of up to CHF2 800 million, raised by Medi-Clinic Switzerland on a non-recourse basis to Medi-Clinic's South African operations, and an equity contribution amounting to some CHF1 075 million. Applying an exchange rate of R6.08:CHF1 (hedged through a three-month forward instrument), the total expected purchase consideration on an enterprise value basis translates into R21 888 million and the equity contribution translates into R6 536 million.

Medi-Clinic's equity contribution will initially be funded using finance provided by Standard Bank and Stanlib Asset Management (in its capacity as portfolio manager for Liberty Life).

The purpose of this circular and accompanying notice of general meeting of shareholders is to provide Medi-Clinic shareholders with information regarding the proposed transactions and in particular the proposed acquisition, and to convene a general meeting of Medi-Clinic shareholders to be held at 15:00 on Monday, 10 September 2007, at the registered office of the Company, Medi-Clinic Offices, Strand Road, Stellenbosch, 7600 at which shareholders will be asked to consider and, if deemed fit, approve resolutions for:

- the proposed acquisition by Medi-Clinic Luxembourg of a 100% interest in Hirslanden, holding company of a private hospital group in Switzerland;
- the creation of additional ordinary shares in the authorised share capital of Medi-Clinic; and
- the placing of sufficient unissued Medi-Clinic shares under the control of the directors for the purposes of implementing the proposed rights offer and issuing the rights offer shares for cash.

ACTION REQUIRED BY MEDI-CLINIC SHAREHOLDERS

The definitions contained in the section entitled "Definitions and interpretations" commencing on page 8 of this circular, apply, *mutatis mutandis* to this section on action required.

If you are in any doubt as to what action you should take, you should consult your CSDP, broker, banker, accountant, attorney or other professional advisor immediately.

A. INFORMATION RELATING TO THE GENERAL MEETING

A general meeting of Medi-Clinic shareholders will be held at 15:00 on Monday, 10 September 2007, at the registered office of the Company, Medi-Clinic Offices, Strand Road, Stellenbosch, 7600 at which shareholders will be asked to consider and, if deemed fit, approve resolutions for, *inter alia*:

- the proposed acquisition by Medi-Clinic Luxembourg of a 100% interest in Hirslanden, holding company of a private hospital group in Switzerland;
- the creation of additional ordinary shares in the authorised share capital of Medi-Clinic; and
- the placing of sufficient unissued Medi-Clinic shares under the control of the directors for the purposes of implementing the proposed rights offer and issuing the rights offer shares for cash.

Action required by holders of certificated Medi-Clinic shares and holders of dematerialised Medi-Clinic shares who have elected own-name registration

Certificated shareholders and dematerialised shareholders who have elected own-name registration in the sub-register maintained by a CSDP who are unable to attend the general meeting but wish to be represented thereat, must complete and return the form of proxy attached to this circular in accordance with the instructions contained therein to the transfer secretaries of Medi-Clinic, Computershare Investor Services 2004 (Proprietary) Limited, 9th Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) to be received by not later than 15:00 on Thursday, 6 September 2007.

Action required by holders of dematerialised Medi-Clinic shares

Dematerialised shareholders who have not elected own-name registration in the sub-register maintained by a CSDP who wish to attend the general meeting must instruct their CSDP or broker to issue them with the necessary letter of representation to attend, or, if they do not wish to attend the general meeting, they may provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between them and their CSDP or broker.

B. INFORMATION RELATING TO THE RIGHTS OFFER

The finalisation data regarding the terms and salient dates of the proposed rights offer will be published prior to the opening of the proposed rights offer. Medi-Clinic shareholders entitled to participate in the proposed rights offer will receive a letter of allocation, to be posted on opening of the proposed rights offer together with a rights offer circular, which should be read in conjunction with this circular. Extra copies of this circular will be available from the registered office of the Company and the office of the transaction sponsor and will be posted on the Medi-Clinic website (www.mediclinic.co.za) during the period of the proposed rights offer.

IMPORTANT DATES AND TIMES

SALIENT DATES FOR THE GENERAL MEETING	**2007**
Last day to lodge forms of proxy for the general meeting, by 15:00 on	Thursday, 6 September
General meeting to be held at 15:00 on	Monday, 10 September
Results of general meeting released on SENS	Monday, 10 September
Results of general meeting published in the press	Tuesday, 11 September

Notes:

1. The definitions commencing on page 8 of this circular apply, *mutatis mutandis*, to this information on important dates and times regarding the general meeting.
2. The above important dates and times in relation to the general meeting are subject to change. Any changes will be released on SENS and published in the press.
3. If the general meeting is adjourned or postponed, forms of proxy must be received by no later than 48 hours prior to the time of the adjourned or postponed general meeting (excluding Saturdays, Sundays and official South African public holidays).
4. Unless otherwise indicated, all times are South African times.

DEFINITIONS AND INTERPRETATIONS

Throughout this circular and the annexures hereto, unless the context indicates otherwise, the words in the column on the left below shall have the meaning stated opposite them in the column on the right below, reference to the singular shall include the plural and *vice versa*, words denoting one gender include the other and words and expressions denoting natural persons include juristic persons and associations of persons:

"Articles"	Articles of Association of the Company;
"BC Partners"	BC Partners Limited (Registration number 02020410), a company duly registered and incorporated under the company laws of the UK and a private equity fund advisory organisation;
"the board" or "the directors"	the board of directors of Medi-Clinic;
"broker"	any person registered as a broking member (equities) in terms of the Rules of the JSE made in accordance with the provisions of the Securities Services Act;
"business day"	any day of the week, excluding Saturdays, Sundays and all official South African public holidays;
"CAGR"	compound annual growth rate;
"certificated shareholders"	holders of certificated shares in Medi-Clinic;
"certificated shares"	Medi-Clinic shares which have not yet been dematerialised, title to which is represented by a share certificate or other documents of title;
"CHF"	Swiss Francs, the national currency of Switzerland;
"the Code"	the Securities Regulation Code on Takeovers and Mergers and the Rules of the SRP issued in terms of the Companies Act;
"Companies Act"	the South African Companies Act, 1973 (Act 61 of 1973), as amended;
"this circular" or "this document"	this bound document, dated 17 August 2007, including the proposed acquisition circular and revised listing particulars and incorporating the notice of general meeting and a form of proxy;
"conditions precedent to the proposed acquisition"	the conditions precedent to the share purchase agreement;
"CSDP"	Central Securities Depository Participant, being a "participant" as defined in section 1 of the Securities Services Act;
"dematerialised shareholders"	shareholders who hold dematerialised shares in Medi-Clinic;
"dematerialised shares"	Medi-Clinic shares which have been incorporated into the Strate system and which are no longer evidenced by documents of title;
"dependency ratio"	ratio between the number of people aged over 64 and under 20 and those aged between 20 and 64;
"documents of title"	share certificates, certified transfer deeds, balanced receipts or any other documents of title, as the case may be;
"Dresdner Kleinwort Limited"	a company duly registered and incorporated in England and Wales (Registration number 00551334);
"EBITDA"	earnings before interest, tax, depreciation and amortisation;
"effective date"	the closing date of the proposed acquisition, which is anticipated to be on or before 31 October 2007;
"Emirates Healthcare"	Emirates Healthcare Holdings Limited;

"EPS"	earnings per share;
"Exchange Control Regulations"	the Exchange Control Regulations, 1961, as amended, promulgated in terms of section 9 of the South African Currency and Exchanges Act, 1933 (Act 9 of 1933), as amended;
"the general meeting"	the general meeting of shareholders to be held at the registered office of the Company, Medi-Clinic Offices, Strand Road, Stellenbosch, 7600 at 15:00 on Monday, 10 September 2007;
"GDP"	Gross Domestic Product;
"HEPS"	headline earnings per share;
"Hirslanden"	Hirslanden Finanz AG (Registration number CH-170.3.028.088-1), a joint stock corporation incorporated and domiciled in Zurich, Switzerland;
"IFRS"	International Financial Reporting Standards;
"JSE"	the JSE Limited (Registration number 2005/022939/06), a public company incorporated in South Africa and licensed as an exchange under the Securities Services Act;
"last practicable date"	8 August 2007, the last practicable date prior to the finalisation of this circular;
"Liberty Life"	Liberty Group Limited (Registration number 1957/002788/06), a public company incorporated in South Africa and listed on the JSE;
"Listings Requirements"	Listings Requirements of the JSE, as amended from time to time by the JSE;
"Medi-Clinic" or "the Company"	Medi-Clinic Corporation Limited (Registration number 1983/010725/06), a public company incorporated in South Africa, the entire issued share capital of which is listed on the JSE;
"the Medi-Clinic Group"	Medi-Clinic and its subsidiary companies;
"Medi-Clinic Luxembourg"	Medi-Clinic Luxembourg S.à.r.l. (Registration number B129758), a private company incorporated in Luxembourg and a wholly-owned indirect subsidiary of Medi-Clinic;
"Medi-Clinic Switzerland"	a Swiss company yet to be incorporated by Medi-Clinic Luxembourg with registered seat in Switzerland, and a wholly-owned indirect subsidiary of Medi-Clinic;
"NAV"	net asset value;
"OECD"	Organisation for Economic Co-operation and Development;
"own name"	shareholders who hold shares that have been dematerialised and are registered by a CSDP on the sub-register kept by that CSDP in the name of such shareholders;
"PPE"	property, plant and equipment;
"the proposed acquisition"	the proposed acquisition by Medi-Clinic Luxembourg of a 100% interest in Hirslanden, the holding company of a private hospital group in Switzerland;
"the proposed rights offer"	a rights offer of up to 198 675 497 shares at the rights offer share price;
"the proposed transactions"	collectively, the proposed acquisition and the proposed rights offer;
"Rand" or "R"	Rand, the lawful currency of South Africa;
"the Registrar"	the Registrar of Companies in South Africa;
"register"	means the register of certificated shareholders maintained by Medi-Clinic and the sub-register of dematerialised shareholders maintained by the relevant CSDPs in terms of sections 91A and 105, respectively, of the Companies Act;

"Remgro"	Remgro Limited (Registration number 1968/006415/06), a public company incorporated in South Africa and listed on the JSE;
"the resolutions"	the resolutions reflected in the notice of general meeting included in this circular;
"revised listing particulars"	the revised listing particulars contained in this document, dated 17 August 2007, and set out in this document commencing on page 113;
"rights"	the entitlement to subscribe for Medi-Clinic shares pursuant to the proposed rights offer;
"the rights offer share price"	the price per new Medi-Clinic share to be offered to Medi-Clinic shareholders in terms of the proposed rights offer of not less than 2 265 cents per Medi-Clinic share;
"the rights offer shares"	up to 198 675 497 Medi-Clinic shares, which could be the subject of the proposed rights offer;
"RMB Asset Management"	RMB Asset Management (Proprietary) Limited, (Registration number 1987/004655/07), a private company incorporated in South Africa;
"Securities Services Act"	the Securities Services Act, 2004 (Act 36 of 2004), as amended;
"SENS"	the Securities Exchange News Service of the JSE;
"the share purchase agreement"	the acquisition agreement between Medi-Clinic Luxembourg and the Vendor, dated 2 August 2007, as amended;
"shareholders" or "Medi-Clinic shareholders"	registered holders of Medi-Clinic shares;
"shares" or "Medi-Clinic shares"	ordinary shares of R0.10 each in the issued share capital of the Company;
"South Africa"	the Republic of South Africa;
"the SRP"	the Securities Regulation Panel, established under the provisions of the Companies Act;
"Standard Bank"	The Standard Bank of South Africa Limited (Registration number 1962/000738/06), a public company incorporated in South Africa;
"Stanlib Asset Management"	Stanlib Asset Management Limited (Registration number 1969/002753/06), a public company incorporated in South Africa;
"Strate"	Strate Limited (Registration number 1998/022242/06), a public company incorporated in South Africa and a registered central securities depository in terms of the Securities Services Act, and responsible for the electronic clearing and settlement of transactions;
"TNAV"	tangible NAV;
"transfer secretaries"	Computershare Investor Services 2004 (Proprietary) Limited (Registration number 2004/003647/07), a private company incorporated in South Africa;
"the underwriters"	RMB Asset Management (for and on behalf of its clients) and Stanlib Asset Management (in its capacity as portfolio manager for Liberty Life);
"the underwriting agreement"	the agreement entered into between Medi-Clinic and the underwriters, in terms of which the underwriters agree, subject to certain limitations, to subscribe for the rights offer shares that are not taken up by shareholders in terms of the proposed rights offer, to a maximum of R1 569 million;
"UAE"	the United Arab Emirates;
"UK"	the United Kingdom;
"VAT"	Value Added Tax; and
"Vendor"	Hirslanden Healthcare SA.

MEDI-CLINIC
Private hospital group

MEDI-CLINIC CORPORATION LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1983/010725/06)
(Share code: MDC ISIN: ZAE000074142)

Directors

Executive	***Non-executive***
E de la H Hertzog *(Chairman)*	S Dakile-Hlongwane*
L J Alberts *(Chief Executive Officer)*	A R Martin*
J du T Marais	V E Msibi
D P Meintjes	A A Raath*
K H S Pretorius	M A Ramphele
J G Swiegers	W L van der Merwe*
	M H Visser
	** Independent*

CIRCULAR TO MEDI-CLINIC SHAREHOLDERS

PART I – THE PROPOSED ACQUISITION

1. INTRODUCTION

It was announced on SENS on 2 August 2007 and published in the press on 3 August 2007 that, subject to the fulfilment of the relevant conditions precedent, Medi-Clinic Luxembourg, a wholly-owned subsidiary of Medi-Clinic, had entered into a share purchase agreement to acquire 100% of Hirslanden, holding company of the largest private hospital group in Switzerland, from a company controlled by funds advised by the European private equity group, BC Partners. It was also announced that Medi-Clinic proposed to proceed with a rights offer in order to raise an amount of up to R4 500 million, the proceeds of which will mainly be used to pay down part of the acquisition funding raised in South Africa. The proposed rights offer is, *inter alia*, conditional on the proposed acquisition becoming unconditional.

The proposed acquisition constitutes a category 1 transaction in terms of the Listings Requirements. As the proposed rights offer will result in an issue of new Medi-Clinic shares which is expected to increase Medi-Clinic's issued share capital by more than 30%, Medi-Clinic is required to provide that information which must be disclosed in terms of a pre-listing statement. Since the proposed rights offer is conditional on the proposed acquisition, the information required by the Listings Requirements for a Category 1 transaction and a pre-listing statement is separately included in the revised listing particulars attached to this circular.

The purpose of this circular and the accompanying notice of general meeting of shareholders is to provide Medi-Clinic shareholders with information regarding the proposed acquisition, and to convene a general meeting to be held at 15:00 on Monday, 10 September 2007 at the registered office of the Company, Medi-Clinic Offices, Strand Road, Stellenbosch, 7600, to consider and, if deemed fit, pass the resolutions contained in the notice of general meeting which are required to be passed in order to implement the proposed transactions.

2. RATIONALE FOR THE PROPOSED ACQUISITION

Medi-Clinic is one of the three major players in the South African private hospital industry, one of the most developed and mature private hospital industries in the world. The Company has made a strategic decision to diversify geographically within its core business of acute, specialist orientated hospital care and to transform itself into a truly international hospital company. In this regard, a number of opportunities have been considered, including investments in green field operations in emerging markets as well as the acquisition of established operations in developed markets.

Medi-Clinic recently acquired a controlling interest in Emirates Healthcare, the largest private hospital group in the emirate of Dubai, which constituted the first step in unfolding this international growth strategy.

A further significant opportunity to expand internationally was identified in Hirslanden.

Medi-Clinic believes that Hirslanden presents the following attractive qualities:

- Hirslanden is a high-quality business with the following range of attributes:
  - the number one provider of acute hospital care in a highly attractive country;
  - highly competent senior management team with a proven track record, who have been well known to Medi-Clinic over a long period of time;
  - operationally efficient with stable cash flows;
  - excellent reputation with high quality facilities enabling it to attract top medical specialists; and
  - Centres of Excellence enhancing the brand and reputation;
- the proposed acquisition should be beneficial for Medi-Clinic's South African operations as significant opportunities exist through cross-pollination of know-how and best practices;
- the opportunity for synergies and cost savings to the combined Medi-Clinic Group;
- an attractive earnings growth profile supported by significant investment in existing and new facilities; and
- Hirslanden provides a solid platform for future Swiss and European expansion.

Hirslanden's focus on treatments at the high end of the acuity spectrum – "Centres of Excellence strategy" – is very much in line with the Medi-Clinic strategy in the South African market. The proposed acquisition transforms the Company into a truly international provider of hospital services, enhancing Medi-Clinic's *Commitment to Quality Care*.

3. PRINCIPAL TERMS AND CONDITIONS OF THE PROPOSED ACQUISITION

3.1 Purchase consideration

The proposed purchase price for the whole of the issued share capital of Hirslanden will be approximately (and will in any event not exceed) CHF2 846 million (plus interest accruing from 1 July 2007), which represents an enterprise value of CHF3 600 million.

3.2 Funding arrangements

Up to CHF2 800 million of new debt has been arranged by Barclays Capital, the investment banking division of Barclays Bank PLC, for Medi-Clinic Switzerland, on a non-recourse basis to Medi-Clinic's South African operations, which debt will be used to repay Hirslanden's existing debt and to pay part of the purchase price. The new debt is fully underwritten. At the last practicable date, Barclays Bank PLC was the sole underwriter. The base interest rates in respect of these facilities have been fixed. The remainder of the purchase price which, together with expenses and interest due on the purchase price in the period up until closing, is expected to amount to some CHF1 075 million, will be contributed by Medi-Clinic as equity into Medi-Clinic Luxembourg, the acquiring company, and has been hedged through a three-month forward instrument at R6.08:CHF1.

Medi-Clinic's equity contribution will initially be funded using finance provided by Standard Bank and Stanlib Asset Management (in its capacity as portfolio manager for Liberty Life).

Further details regarding the terms of the financing associated with the proposed acquisition are set out in Annexure 4 to the revised listing particulars attached to this circular.

3.3 Warranties

Limited warranties, representations and related undertakings, as are normal for a transaction of this nature, have been obtained from the Vendor and from Hirslanden's senior management.

3.4 Effective date

The effective date for the proposed acquisition will be the closing date thereof, which is anticipated to be on or before 31 October 2007.

3.5 Conditions precedent

The proposed acquisition is subject to the fulfilment of, *inter alia*, the following conditions precedent, by not later than 31 October 2007, provided that Medi-Clinic may extend this date to 30 November 2007:

- Medi-Clinic shareholders, in general meeting, approving the ordinary resolution necessary to effect the proposed acquisition; and
- obtaining the appropriate authorisations and/or determinations of various Swiss regulatory and other authorities.

4. OVERVIEW OF SWITZERLAND AND THE SWISS HEALTHCARE MARKET

4.1 Political environment

Switzerland is a federal state made up of 26 cantons. Government responsibilities are split between the confederation, the cantons and the municipalities. There is considerable decentralisation of powers to local levels of government. Cantons vary with respect to their size, demography and socio-economic situation.

Although Switzerland is not pursuing full European Union membership in the near term, it has bilateral agreements with the European Union, which have greatly facilitated the free movement of persons between the European Union member states and Switzerland. As a result, a progressive opening of labour markets between the European Union and Switzerland is taking place. There is, for instance, mutual recognition of degrees and diplomas of medical doctors and nurses.

4.2 Economic environment

Switzerland is a prosperous and stable modern market economy with low unemployment, a highly skilled labour force and a per capita GDP larger than that of big western European economies.

The Swiss historic GDP growth trend is steady with an increased rate forecast in the medium term, represented by a CAGR of 4.8% from 2007 to 2030.

Historically, the Swiss Franc has remained relatively constant against the Euro whilst appreciating relative to the United States Dollar.

4.3 Population characteristics

The Swiss population has grown from 6.8 million in 1991 to 7.6 million in 2007 at a stable and relatively low CAGR of 0.6%. Under assumptions of continued lengthening of lifetimes and stability in the fertility rate and immigration flows, the population is expected to continue to grow until 2030, only falling thereafter.

The overall dependency ratio is projected to increase from 48.5% in 2005 to 80.0% in 2050, placing increased demand on healthcare services and a strain on the public funding of healthcare. The OECD estimates that an additional 1.8% to 3.5% of GDP will be spent on healthcare in the year 2050[(1)]. Swiss healthcare spend is estimated at 11.9% of GDP, second in the world only to the United States. Between 1990 and 2000, healthcare expenditure increased at a CAGR of 4.8%, twice the Swiss GDP growth rate.

(1) Source – Projecting OECD Health and Long-term Care Expenditures. OECD 2006.

4.4 Swiss healthcare

Healthcare in Switzerland is funded by a combination of health insurance plans, the federal government and cantonal authorities. There are three categories of insurance policies available in Switzerland, being basic insurance coverage, semi-private and private insurance. Basic insurance coverage is compulsory and allows the patient no choice of doctor or hospital. Semi-private insurance allows for the choice of doctor and hospital (shared room) whereas private insurance allows for an unrestricted choice of doctor and hospital (private room).

The three principal types of healthcare insurance policies are outlined below:

Insurance policies overview

Basic insurance	Semi-private insurance	Private insurance
Referral by doctor	Referral by doctor	Referral by doctor
No choice of hospital	Restricted hospital choice	Unrestricted hospital choice
No choice of doctor	Choice of doctor	Choice of doctor
General ward	Shared room	Private room

Compulsory insurance

The federal Health Insurance Law, introduced in 1996, requires each individual residing in Switzerland to purchase basic health insurance from one of a number of competing health insurance funds. The benefits covered by compulsory health insurance are broad compared to other OECD countries. All curative treatments and diagnoses needed in the events of illness, accident and maternity are covered. Insurants have free choice of treatment in a canton listed hospital (any one of the public cantonal hospitals or potentially in a shared room of a private hospital) within the canton where they reside.

Complementary insurance

Complementary insurance is available at an additional premium above the compulsory insurance. There are two main types of complementary insurance:

– Semi-private – in a cantonal hospital, the insurant is entitled to choose their hospital, a senior physician, and being placed in a shared room (typically 2 persons per room). In a private hospital, the insured chooses the specialist with admitting rights and accommodation is in a shared room (2 persons per room).

– Private – in a cantonal hospital, private insurance enables the choice of hospital, head physician, and entitlement to a private room. In a private hospital, the insured chooses the specialist with admitting rights and accommodation is in a private room.

5. BACKGROUND INFORMATION ON HIRSLANDEN

5.1 Business overview

The Hirslanden group is the leading private hospital group in Switzerland, enjoying a national market share close to 30% in the private hospital sector and a market share of over 40% in the cantons in which its hospitals are located. Hirslanden currently comprises 13 private acute care facilities located in nine cantons with 1 275 beds and over 3 600 full-time equivalent staff. It is renowned for providing the highest level of quality care and standard of facilities. For the year ended 31 December 2006, Hirslanden reported gross revenue of CHF907 million and EBITDA of CHF206 million.

Hirslanden serves primarily complementary insured patients, offering the highest quality treatment including a choice of doctor and high quality "hotel" services. Patients are referred to the hospital or specialist by the family physician or can approach the hospital directly for a consultation with a specialist. All hospitals have extensive outpatient facilities and some have accident and emergency ("A&E") facilities. Hirslanden hospitals offer over 100 medical Centres of Excellence, including 78 state of the art operating theatres, 13 cardiac catheter laboratories, six intensive care units, radiology institutes in seven hospitals, physiotherapy centres in all hospitals, two sports therapy centres, two craniofacial centres and six renal dialysis stations and laboratories. The Hirslanden group provides admitting rights to over 1 400 physicians and managed 66 732 inpatient admissions during the year ended 31 December 2006. Hirslanden's focus on treatments at the high end of the acuity spectrum is very much in line with the Medi-Clinic strategy in the South African market.

Hirslanden also performs procedures on basic insured patients in some cantons. This occurs if the cantons include the private hospital operators in the provision of hospital acute care for basic insured patients. Two considerations lead to the inclusion of a private hospital on a cantonal list:

- the canton relies on the private service provider to contribute to the overall provision of hospital acute care for compulsory insured patients (eg. canton of Zug and Andreas Klinik); or
- a canton makes an agreement with a private hospital in situations where the cantonal hospitals do not have the capacity in a specialised service (eg. canton of Grinsons and Klinik Hirslanden for heart surgery).

Generally, cantonal work adds scale to Hirslanden's operations absorbing fixed costs and ensuring broader recognition of the strong Hirslanden brand. Hirslanden's strategy is focused on maintaining its quality and service differentiation, relative to other hospitals (public and private), with mainly private work and further developing Centres of Excellence.

5.2 Brand

The Hirslanden brand is highly recognised throughout Switzerland, as a leader in private healthcare, offering the highest standards in nursing care and recuperative comfort. Hirslanden's Centres of Excellence strategy has reinforced market associations of high quality care with the Hirslanden brand.

Hirslanden is well regarded by practitioners and specialists practicing at its hospitals and enjoys positive referrals from family physicians.

5.3 Market share

Hirslanden is the largest private acute care hospital group in Switzerland, enjoying a national market share of approximately 30% in the private hospital sector. It is the sole supplier of private acute hospital care in the two cantons of Schaffhausen and Zug and has a leading national market share of approximately 25% in heart surgery and approximately 20% national market share in cardiac catheter laboratories. Some 4 500 babies are born in Hirslanden hospitals each year, which represents approximately 6% of all births in Switzerland.

The table below indicates the spread of Hirslanden hospitals and beds by number and market share across the regions in which Hirslanden has a presence:

Canton	Private hospitals	Private hospital beds	Hirslanden clinics	Hirslanden beds	Hirslanden market share by clinics	Hirslanden market share by beds
Aargau	3	208	1	117	33%	56%
Appenzell	2	102	1	62	50%	61%
Basel-Landschaft	4	80	1	43	25%	54%
Berne	7	887	3	300	43%	34%
Lucerne	2	172	1	154	50%	90%
Schaffhausen	1	28	1	28	100%	100%
Vaud	9	698	2	160	22%	23%
Zug	1	56	1	56	100%	100%
Zurich	9	893	2	355	22%	40%
Total/Average	**38**	**3 124**	**13**	**1 275**	**34%**	**40%**

Hirslanden is especially strong in the wealthiest and most populous cantons, such as Zurich, Zug, Lucerne, Aargau and Berne. In the private hospital sector, Hirslanden's facilities command a market share of over 40% in the cantons in which they are located. The two flagship hospitals – Klinik Hirslanden and Klinik Im Park – are located in the highly attractive Zurich market, which has a high percentage of complementary insured patients. These two hospitals enjoy a market share estimated to be over 40%.

5.4 Competitive position

Hirslanden competes with both private and public hospitals offering services to complementary and compulsory insured patients. However, Hirslanden's focus remains on the higher margin complementary privately insured patients.

Hirslanden's peers include University hospitals, large cantonal hospitals and selected private hospitals offering tertiary care. Approximately 80% of patients admitted to Hirslanden hospitals come either from the city or canton where the hospital is based and 19% originate from outside the canton of which many are from neighbouring cantons. Currently only 1.4% of inpatients originate from outside Switzerland. This split has remained relatively constant over time. Hirslanden has been able to increase the number of complementary patients for the last three years largely due to acquisitions, and has been able to maintain the high ratio of private and semi-private days to total days.

In the segment of compulsory insured patients, Hirslanden competes with public hospitals on a canton by canton basis. Competition with public hospitals is regional in relation to patients without complementary insurance. Public hospitals hold a majority of market share in relation to compulsory insured patients (65%) and complementary insured patients (57%). Hirslanden also provides services to compulsory insured patients. Hirslanden enjoys a competitive advantage over cantonal hospitals as a result of its operational efficiencies, along with more attractive service offerings. Hirslanden is well placed to gain market share from public hospitals as part of its Centres of Excellence strategy and cost efficiency.

5.5 Well-invested asset base

Hirslanden currently comprises 13 hospitals and 1 275 beds, covering most of the key cities in Switzerland. The hospitals include state-of-the-art equipment and infrastructure and 78 operating theatres following a significant investment in refurbishment and expansion capital expenditure from 1999 to 2005. Hirslanden employs over 3 600 full-time equivalent staff and owns all properties, providing a portfolio of prime real estate in key cities.

Hirslanden enjoys a strong track record in attracting and retaining leading physicians. The vast majority of the doctors who practice at its facilities are not employed by Hirslanden, but are instead granted admitting rights. Doctors sometimes work in other private hospitals but almost never in public hospitals (most cantons do not allow it). More than 1 400 physicians have admitting rights into a Hirslanden facility, giving patients the widest choice of highly skilled professionals. Approximately two thirds of physicians work exclusively at Hirslanden. Hirslanden's strategy is focussed on highly specialised and complex elective surgery, including cardiology, neurosurgery and orthopaedics, supported by the highest levels of nursing care. This has enabled Hirslanden to attract leading doctors and to build nationally recognised Centres of Excellence. These centres allow specialised practitioners to work in interdisciplinary teams which are meant to lead to excellent competence in their designated medical fields and reduce reliance on individual doctors.

5.6 Management

Hirslanden consists of a strong executive management team who have all previously managed individual hospitals in the group and have successfully overseen the expansion of the group to its current configuration and successfully implemented the Centres of Excellence strategy. Hirslanden managers are regularly invited to deliver public speeches and are cited in the media more often than any other private hospital group, as the model for hospital management in Switzerland. Medi-Clinic believes that, in contrast with green field operations, which require significant human resource allocation, it will effectively be entering into a partnership with the management team of Hirslanden in respect of the proposed acquisition.

The table below sets out details of the senior management team of Hirslanden:

Name	Age	Position	Experience
Robert Bider	60	Chief Executive Officer	Dr Bider has 25 years' experience in the healthcare industry. He joined Hirslanden in 1985, becoming Chief Executive Officer in 1990. He was Managing Director of Klinik Hirslanden for five years. Dr Bider holds a PhD in Sciences and a Masters degree from the Federal Institute of Technology, Zurich.
Joseph Rohrer	53	Chief Operating Officer	Mr Rohrer joined Hirslanden in 1989 and is a hospital management specialist, having spent seven years as Managing Director of Klinik Aarau and four years as Managing Director of Klinik Hirslanden, where he was also responsible for strategy in the Zurich area. In 2000, Mr Rohrer became Chief Operating Officer with responsibility for Hirslanden's clinics in the western region. Mr Rohrer plays a particularly important role in the conception and building of new medical centres and negotiating the recruitment of new doctors for the clinics and he has been very successful in this regard.
Reto Heierli	43	Chief Financial Officer	Mr Heierli has held a variety of roles since joining Hirslanden in 1988, including Managing Director of Klinik Im Park, Chief Financial Officer of Klinik Hirslanden and Chief Operating Officer of the eastern region. In 2002, he became Chief Financial Officer of Hirslanden. Mr Heierli is a qualified Swiss accountant.

5.7 Conclusion

Medi-Clinic believes that there exists scope for improved operating and financial performance at Hirslanden through:

- a continued move towards high-end complex procedures;
- a continued focus on recruiting additional specialists and specialist teams;
- improved facility utilisation;
- incremental capacity additions; and
- acquisition opportunities.

In addition, Medi-Clinic would strive to achieve a culture of cross-pollination between its existing operations in South Africa with that of Hirslanden in terms of international best practice. The management team is experienced, efficient and very professional and would fit and work well as part of the Medi-Clinic culture of quality care.

6. FINANCIAL INFORMATION ON HIRSLANDEN

Historical financial information on Hirslanden for the three financial years ended 31 December 2006 is set out in Annexure 2 to this circular. This should be read in conjunction with the auditors' report on such historical financial information set out in Annexure 3 to this circular.

7. INFORMATION RELATING TO THE DIRECTORS OF HIRSLANDEN

The directors of Hirslanden are:

	Designation
Mr Simon Palley	Chairman
Prof Dr Felix Gutzwiller	Member of the Board
Prof Dr Robert Leu	Member of the Board
Dr Robert Bider	Chief Executive Officer

8. MATERIAL BORROWINGS OF HIRSLANDEN

All existing debt within Hirslanden will be repaid or restructured in full on implementation of the proposed acquisition.

Up to CHF2 800 million of new debt has been arranged by Barclays Capital, the investment banking division of Barclays Bank PLC, for Medi-Clinic Switzerland, on a non-recourse basis to Medi-Clinic's South African operations, which debt will be used to repay Hirslanden's existing debt and to pay part of the purchase price. The new debt is fully underwritten. At the last practicable date, Barclays Bank PLC was the sole underwriter. The interest rates in respect of these facilities have been fixed.

Further details regarding the terms of the financing associated with the proposed acquisition which are to be introduced into Hirslanden are set out in Annexure 4 to the revised listing particulars attached to this circular.

9. SHAREHOLDERS OF HIRSLANDEN

Hirslanden is owned by the Vendor, a company ultimately owned by funds advised by BC Partners, a private equity fund management organisation. The registered address of BC Partners is 43 – 45 Portman Square, London, W1H 6DA, UK. BC Partners is not a related party to Medi-Clinic in any way. There is no restraint of trade provision or payment in terms of the share purchase agreement.

10. MATERIAL CONTRACTS ENTERED INTO BY HIRSLANDEN

To the best of knowledge of the board, the Hirslanden group has not, in the last three years preceding the last practicable date, entered into material contracts which contracts contain material outstanding obligations or settlements other than those entered into in the ordinary course of business.

11. MATERIAL ACQUISITIONS AND DISPOSALS BY HIRSLANDEN

On 30 June 2005, Hirslanden acquired 100% of the share capital of Klinik St. Anna AG, a hospital based in Lucerne, Switzerland from the "St. Anna Stiftung". The details regarding this acquisition are still subject to a confidentiality agreement with the vendor.

Save as disclosed above, there have been no other material acquisitions or disposals made by Hirslanden in the past three years.

12. MATERIAL CHANGES RELATING TO HIRSLANDEN

To the best of knowledge of the board, there have been no material adverse changes in the financial or trading position of Hirslanden since the last reported financial period.

13. LITIGATION STATEMENT RELATING TO HIRSLANDEN

To the best of knowledge of the board, Hirslanden and its subsidiaries and associated companies are currently not involved in any material legal or arbitration proceedings, including any proceedings that are pending or threatened of which Hirslanden is aware, that may have or have had a material effect on Hirslanden's financial position in the previous 12 months.

PART II – THE PROPOSED RIGHTS OFFER

14. RATIONALE FOR THE PROPOSED RIGHTS OFFER

The proposed acquisition constitutes a Category 1 transaction in terms of the Listings Requirements. As the proposed rights offer will result in an issue of new Medi-Clinic shares which is expected to increase Medi-Clinic's issued share capital by more than 30%, Medi-Clinic is required to provide that information which must be disclosed in terms of a pre-listing statement. Since the proposed rights offer is conditional on the proposed acquisition, the information required by the Listings Requirements for a Category 1 transaction and a pre-listing statement is separately included in this circular.

As outlined in Part I of this circular, Medi-Clinic's equity contribution in respect of the proposed acquisition is expected to amount to some CHF1 075 million. The board has resolved to propose a rights offer in order to raise an amount of up to R4 500 million, the proceeds of which will mainly be used to pay down part of the acquisition funding raised in South Africa.

The proposed rights offer will be undertaken at a price of not less than R22.65 per share, which price represents a discount of 7.5% to the volume weighted average price for the ten trading days prior to the date of submission by Medi-Clinic of the formal bid for Hirslanden, being 27 July 2007. The rights offer price and the final amount to be raised in terms of the proposed rights offer, and accordingly the number and ratio of the shares to be offered, will be determined in due course.

Medi-Clinic presently does not have sufficient authorised but unissued ordinary share capital to implement the proposed rights offer. In order to give effect to the proposed rights offer, Medi-Clinic shareholders will therefore be required to approve at the general meeting the resolutions relating to the proposed rights offer as set out in the notice of general meeting.

Medi-Clinic shares to be issued in terms of the proposed rights offer will be ordinary shares with a par value of 10 cent each and will rank *pari passu* with all other existing ordinary shares in terms of both voting rights and dividends. It is anticipated that an interim dividend for the six months ended 30 September 2007 will be declared prior to the closing of the proposed rights offer. Hence, the rights offer shares will not participate in such interim dividend.

The terms and salient dates of the proposed rights offer will be published as soon as the proposed acquisition becomes unconditional. Further details on the proposed rights offer will be contained in the rights offer circular that will be posted to shareholders in due course, which document must be read in conjunction with this circular. Extra copies of this circular will be available from the registered office of the Company and the office of the transaction sponsor and will be posted on the Medi-Clinic website (www.mediclinic.co.za) from the date of issue of the proposed rights offer circular and until such time as the proposed rights offer closes.

15. UNDERWRITING AND UNDERTAKING TO FOLLOW RIGHTS

In terms of the underwriting agreement, the underwriters have agreed to underwrite the proposed rights offer (to the extent that it is made to shareholders other than Remgro) to a maximum amount of R1 569 million.

In terms of the underwriting agreement, an underwriting fee equal to 1.75% of the underwritten amount, being R27 464 664 (excluding VAT), is payable by the Company to the underwriters, which underwriting commission, in the opinion of the board, is not greater than the current market rate charged by independent underwriters. Other than the underwriting fee outlined above, no other commissions or fees were paid within the past three years in respect of the issue of Medi-Clinic shares.

Further particulars of the underwriters are set out in Annexure 6 to this circular.

In addition, Remgro, a shareholder holding approximately 43% in Medi-Clinic, has irrevocably undertaken to follow its rights in respect of the proposed rights offer, and portfolio managers, representing approximately 7% of the Medi-Clinic shares in issue, have irrevocably undertaken to recommend to their clients to follow their rights.

The cumulative effect of the above contractual arrangements is that not less than 85% of the rights offer shares should be taken up.

16. **CONDITIONS**

The making of the proposed rights offer is subject to the fulfilment of, *inter alia*, the following conditions:

- the proposed acquisition becoming unconditional;
- Medi-Clinic shareholders, at the general meeting, approving the resolutions necessary for:
  - the Company to increase its authorised share capital by R55 million through the creation of 550 000 000 additional Medi-Clinic ordinary shares of 10 cents each that will rank *pari passu* in all respects with Medi-Clinic ordinary shares already in issue; and
  - sufficient authorised but unissued Medi-Clinic ordinary shares being placed under the control of the directors in order to implement the proposed rights offer; and
- the required registration by the Registrar of the special resolution forming part of the resolutions.

17. **SPECIFIC LIMITED AUTHORITY TO ISSUE SHARES FOR CASH**

If the proposed rights offer is not fully subscribed for, the board may wish to issue some or all of the rights offer shares which were not taken up by qualified shareholders or the underwriters, for cash at a price not less than the proposed rights offer price, in order to raise such capital as the board may deem necessary. The notice of general meeting includes proposed resolutions granting to the directors the authority to do so, subject to certain limitations.

18. *PRO FORMA* FINANCIAL EFFECTS OF THE PROPOSED TRANSACTIONS

18.1 The unaudited *pro forma* financial effects set out below have been prepared to assist Medi-Clinic shareholders to assess the impact of the proposed transactions on the EPS, HEPS, NAV and TNAV per share. Due to the nature of these *pro forma* financial effects, they are presented for illustrative purposes only and may not fairly present the Company's financial position or the results of its operations after the proposed transactions.

A simple consolidation of the historical financial information does not appropriately reflect the future prospects of the combined businesses due to, *inter alia*, the following factors:

- the impact of various recent investments made by Hirslanden in facilities to grow capacity and/or to improve the service offered to patients is not fully reflected in Hirslanden's historical results;
- Medi-Clinic anticipates potential synergies and efficiencies due to the joint adoption of best practices;
- the effect of financial and operational leverage in the context of fixed interest rates;
- efficiencies in the permanent funding structure; and
- movements in the ZAR/CHF exchange rate.

Consequently historical performance is not an appropriate reflection of future prospects.

The *pro forma* financial effects have been prepared in terms of the Listings Requirements and the Guide on *Pro Forma* Financial Information issued by The South African Institute of Chartered Accountants. These unaudited *pro forma* financial effects are the responsibility of the board and are provided for illustrative purposes only. The material assumptions are set out in the notes following the table. The unaudited *pro forma* financial effects set out below should be read in conjunction with the report of the independent reporting accountants, which is included as Annexure 5 to this circular.

***Pro forma* financial effects for the year ended 31 March 2007**

	Audited before the proposed transactions(1)	*Pro forma* adjustments	*Pro forma* after the proposed transactions	Percentage change
EPS (cents)	162.5	(68.8)(2)	93.7	(42.3%)
HEPS (cents)	162.2	(68.6)(2)	93.6	(42.3%)
NAV per share (cents)	575.5	596.4 (3)	1 171.9	103.6%
TNAV per share (cents)	458.9	(285.4)(3)	173.5	(62.2%)
Ordinary shares in issue (million)	359.4	198.7	558.0	55.3%
Weighted average number of ordinary shares in issue (million)	357.6	174.2	531.8	48.7%

Notes and assumptions:

1. Extracted from the published audited consolidated results of Medi-Clinic for the year ended 31 March 2007.
2. For the purposes of calculating EPS and HEPS it was assumed that:
   (a) the proposed transactions were effected on 1 April 2006;
   (b) the income statement information of Hirslanden was extracted from its audited financial statements for the year ended 31 December 2006;
   (c) Hirslanden's income statement information was converted at R5.70:CHF1, being the average rate for the 12 months ended 31 March 2007;
   (d) existing debt within Hirslanden was refinanced by new debt on acquisition;
   (e) funding facilities were used for 45 days and thereafter the proceeds of the proposed rights offer amounting to R4 500 million were utilised to partially settle the funding;
   (f) depreciation written off on the buildings of Hirslanden was adjusted due to revised accounting estimates of residual values on the assumption that the maintenance policy is in line with Medi-Clinic's policy;
   (g) taxation has been taken into account on the adjustments at the applicable tax rates.

3. For the purposes of NAV per share and TNAV per share it was assumed that:
   (a) the proposed transactions were effected on 31 March 2007;
   (b) the balance sheet information of Hirslanden was extracted from its audited financial statements for the year ended 31 December 2006;
   (c) land and buildings within Hirslanden were revalued to fair value;
   (d) deferred taxation liability at a rate of 22% was raised on the revaluation surplus in respect of the land and buildings;
   (e) existing debt within Hirslanden was refinanced by new debt on acquisition;
   (f) Hirslanden's balance sheet information was converted at R5.97:CHF1, being the closing rate at 31 March 2007; and
   (g) transaction costs of R262 million are assumed to have been paid on 31 March 2007 and have been either capitalised as part of the purchase consideration, the cost of debt or written off against reserves depending on the nature of the costs.
4. The number of shares in issue and the weighted number of shares have been adjusted with the 198 675 497 shares issued at R22.65 in terms of the proposed rights offer.
5. Medi-Clinic's inventories are valued on a first-in-first-out basis, whilst Hirslanden valued inventories on a weighted average cost basis. It was impractical to determine the effect of applying Medi-Clinic's policy to Hirslanden's inventories. However, since management is of the opinion that the effect should not be material, no adjustments have been made to Hirslanden's figures included in the *pro forma* financial information.

18.2 Presented below is the *pro forma* financial effect on HEPS assuming the optimal permanent funding structure, post the refinancing of all the bridging facilities within Hirslanden and Medi-Clinic, was in place from 1 April 2006:

	Audited Before the proposed transactions	***Pro forma* adjustments**	***Pro forma* After the proposed transactions**	**Percentage change**
HEPS (cents)	162.2	(60.7)	101.5	(37.4%)

18.3 Goodwill

The difference between the purchase consideration of R22 489 million and the net value of the assets, after revaluation of the land and buildings, of R17 552 million has provisionally been attributed to goodwill and not amortised. Post completion of the proposed acquisition, Medi-Clinic will analyse the difference further into identifiable assets and goodwill as required by IFRS 3: Business Combinations.

18.4 The capital structure of the proposed acquisition was carefully considered as to its effect on the cash flow position of the domestic operations of Medi-Clinic. In this regard, assuming a continuance of the recent performance of the domestic business, Medi-Clinic should be in a position to maintain its current policy in respect of dividends per share.

19. SHARE CAPITAL OF MEDI-CLINIC

19.1 Authorised and issued share capital prior to the proposed rights offer

The authorised and issued share capital of Medi-Clinic prior to the proposed rights offer is set out below:

	R'm
Authorised	
450 000 000 ordinary shares of 10 cents each	45
Issued	
394 338 449 ordinary shares of 10 cents each	39
Share premium	289
Treasury shares	(294)
Total issued share capital	**34**

19.2 Authorised and issued share capital after the proposed rights offer

The authorised and issued share capital of Medi-Clinic after the creation of the new shares as proposed in this circular and the implementation of the proposed rights offer would be as set out below, should no more than the underwritten amount of R1 569 million and the amount in respect of which an irrevocable undertaking has been obtained from Remgro of R1 953 million be raised by way of the proposed rights offer.

	R'm
Authorised	
1 000 000 000 ordinary shares of 10 cents each	100
Issued	
549 845 923 ordinary shares of 10 cents each	55
Share premium	3 796
Treasury shares	(294)
Total issued share capital	**3 557**

The authorised and issued share capital of Medi-Clinic after the creation of the new shares as proposed in this circular and the implementation of the proposed rights offer would be as set out below, on the assumption that the proposed rights offer amounts to R4 500 million.

	R'm
Authorised	
1 000 000 000 ordinary shares of 10 cents each	100
Issued	
593 013 946 ordinary shares of 10 cents each	59
Share premium	4 769
Treasury shares	(294)
Total issued share capital	**4 534**

20. MAJOR SHAREHOLDERS OF MEDI-CLINIC

20.1 Major shareholders prior to the proposed rights offer

Other than the shareholders listed below, the directors of Medi-Clinic are not aware of any other shareholder that directly or indirectly, has a beneficial interest of 5% or more of Medi-Clinic's issued share capital as at the last practicable date:

Shareholder	Percentage holding
Industrial Partnership Investments Limited (Remgro)	43.40%
Mpilo Investment Holdings 2 (Proprietary) Limited (Phodiso Holdings Limited)	6.87%
	50.27%

20.2 After the proposed rights offer on the basis that no qualifying shareholders take up their rights

On the basis that no qualifying shareholders, other than Remgro, take up their rights in terms of the proposed rights offer and that rights offer shares amounting to a maximum of R1 569 million are issued to the underwriters or their nominees and on the assumption that the proposed rights offer is made at an amount of R4 500 million, the names of the persons who will be reflected in Medi-Clinic's register of shareholders as holding a beneficial interest in 5% or more of the issued share capital of Medi-Clinic, is set out below:

Shareholder	Percentage holding
Industrial Partnership Investments Limited (Remgro)	46.80%
Stanlib Asset Management	9.45%
	56.25%

20.3 **Controlling shareholder**

Remgro, through a wholly-owned subsidiary, has been a controlling shareholder, as defined in the Code, of Medi-Clinic since the inception of the Company. There have been no changes in the controlling shareholder of the Medi-Clinic Group during the last five years.

21. INFORMATION RELATING TO THE DIRECTORS OF MEDI-CLINIC

Information relating to the directors of Medi-Clinic are set out in paragraph 6 and Annexure 5 to the revised listing particulars attached to this circular.

22. FINANCIAL INFORMATION RELATING TO MEDI-CLINIC

Financial information of Medi-Clinic has been set out in Annexure 1 to this circular, which contains:

- the audited consolidated balance sheets of Medi-Clinic at 31 March 2005, 2006 and 2007;
- the audited consolidated income statements of Medi-Clinic for the years ended 31 March 2005, 2006 and 2007;
- the audited consolidated cash flow statements of Medi-Clinic for the years ended 31 March 2005, 2006 and 2007;
- the audited statement of changes in equity of Medi-Clinic for the years ended 31 March 2005, 2006 and 2007; and
- the accounting policies and notes to the annual financial statements of Medi-Clinic as extracted from the annual financial statements for the year ended 31 March 2007.

23. MATERIAL LOANS TO AND FROM MEDI-CLINIC

The material loans to and from Medi-Clinic and its subsidiaries, including material inter-company loans, before and after the proposed transactions, are set out in Annexure 4 to the revised listing particulars attached to this circular.

24. MATERIAL CONTRACTS ENTERED INTO BY MEDI-CLINIC

As disclosed in the circular to shareholders dated 1 November 2005, Medi-Clinic implemented a R1.1 billion Black Ownership Initiative in December 2005 resulting in the immediate introduction of 15% black shareholding in Medi-Clinic. The Black Ownership Initiative introduced Phodiso Holdings Limited and Circle Capital Ventures (Proprietary) Limited as the strategic partners and shareholders in Medi-Clinic. The Strategic Black Partners jointly hold approximately 11% (with Phodiso Holdings Limited holding approximately 6.9% and Circle Capital Ventures (Proprietary) Limited holding approximately 4.1%) of the issued shares. Participating Employees were also introduced as shareholders of the Company through the issue of Medi-Clinic shares to The Mpilo Trust, an employee share trust formed specifically for that purpose. The Participating Employees hold approximately 4% of Medi-Clinic's issued shares.

Medi-Clinic implemented a capital restructuring programme during the financial year ended 31 March 2006 with the objective of increasing the return on shareholder equity. It entailed the reduction of the cash available to the Medi-Clinic Group and the introduction of debt funding in the amount of R700 million from Standard Bank. The debt was used to repay existing inter-company indebtedness. Details of the debt agreements entered into with Standard Bank are disclosed in Annexure 4 to the revised listing particulars attached to this circular.

Copies of the above material contracts will be available for inspection as detailed in paragraph 33 of this circular.

Save as disclosed above, the Medi-Clinic Group has not entered into any material contracts in the two years prior to the issue date of this circular, being Friday, 17 August 2007. In addition, the Medi-Clinic Group has not entered into any material contracts at any time which contain an obligation or settlement that is material to the Medi-Clinic Group at the date of issue of this document, being Friday, 17 August 2007.

25. MATERIAL CHANGES RELATING TO MEDI-CLINIC

There have been no material changes in the financial position of the Company and its subsidiaries since the end of the last financial period, other than as set out in this circular.

26. LITIGATION STATEMENT RELATING TO MEDI-CLINIC

The Medi-Clinic Group is not involved in any legal or arbitration proceedings, nor is the board aware of any proceedings which are pending or threatened, which may have or have had, in the 12-month period preceding the date of issue of this circular, a material effect on the financial position of the Medi-Clinic Group.

27. OPINIONS, RECOMMENDATIONS AND UNDERTAKINGS

27.1 The board is of the opinion that the proposed acquisition is in line with Medi-Clinic's strategy to transform itself into a truly international private hospital group. The board is of the opinion that Medi-Clinic will be able to extract synergies from the expanded group through the enhancement of facilities, refinancing of debt, etc. Taking the above into account, the board is of the unanimous opinion that the terms and conditions of the proposed acquisition will be to the long-term benefit of Medi-Clinic shareholders. Accordingly, the board recommends that shareholders vote in favour of the resolutions to be proposed at the general meeting.

Those members of the board holding Medi-Clinic shares intend to vote in favour of the resolutions to be proposed at the general meeting.

27.2 The following shareholders holding approximately 58% of the votable shares in Medi-Clinic have provided irrevocable undertakings to Medi-Clinic to vote in favour of the special and ordinary resolutions required to approve the proposed acquisition and implement the proposed rights offer.

Shareholder	Percentage holding
Industrial Partnership Investments Limited (Remgro)	43.40%
Mpilo Investment Holdings 2 (Proprietary) Limited (Phodiso Holdings Limited)	6.87%
Mpilo Investment Holdings 1 Proprietary) Limited (Circle Capital Ventures (Proprietary) Limited)	4.13%
The Mpilo Trust	3.83%
	58.23%

In addition, portfolio managers, representing approximately 13% of the votable shares in Medi-Clinic, have provided irrevocable undertakings to either recommend to their clients to vote in favour of the ordinary and special resolutions required to approve the proposed acquisition and implement the proposed rights offer, or to vote in favour of such resolutions unless otherwise instructed by their clients.

28. WORKING CAPITAL STATEMENT

The directors of Medi-Clinic are of the opinion, after considering the effect of the proposed transactions that:

28.1 the Company and its subsidiaries will be able, in the ordinary course of business, to pay its debts for a period of twelve months after the date of issue of this circular;

28.2 the assets of the Company and its subsidiaries will be in excess of the liabilities of the Company and its subsidiaries for a period of 12 months after the date of issue of this circular;

28.3 the share capital and reserves of the Company and its subsidiaries will be adequate for ordinary business purposes for a period of 12 months after the date of issue of this circular; and

28.4 the working capital of the Company and its subsidiaries will be adequate for ordinary business purposes for a period of 12 months after the date of issue of this circular.

29. DIRECTORS' RESPONSIBILITY STATEMENT

The current directors of Medi-Clinic, whose names appear on page 11 of this circular, collectively and individually, accept full responsibility for the accuracy of the information given in this circular, and certify that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this circular false or misleading, and that they have made all reasonable inquiries to ascertain such facts, and that this circular contains all information required by law and the Listings Requirements.

30. GENERAL MEETING

A general meeting of Medi-Clinic shareholders will be held at 15:00 on Monday, 10 September 2007, at the registered office of the Company, Medi-Clinic Offices, Strand Road, Stellenbosch, 7600 at which shareholders will be asked to consider and, if deemed fit, approve resolutions for:

- the proposed acquisition by Medi-Clinic Luxembourg of a 100% interest in Hirslanden, holding company of a private hospital group in Switzerland;
- the creation of additional ordinary shares in the authorised share capital of Medi-Clinic; and
- the placing of sufficient unissued Medi-Clinic shares under the control of the directors for the purposes of implementing the proposed rights offer and issuing the rights offer shares for cash.

A notice convening the general meeting forms part of this circular, to which is attached a form of proxy.

Certificated shareholders and dematerialised shareholders who have elected own-name registration in the sub-register maintained by a CSDP who are unable to attend the general meeting but wish to be represented thereat, must complete and return the form of proxy attached to this circular in accordance with the instructions contained therein, to the transfer secretaries of Medi-Clinic, Computershare Investor Services 2004 (Proprietary) Limited, 9th Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) to be received by no later than 15:00 on Thursday, 6 September 2007.

Dematerialised shareholders who have not elected own-name registration in the sub-register maintained by a CSDP who wish to attend the general meeting must instruct their CSDP or broker to issue them with the necessary Letter of Representation to attend, or, if they do not wish to attend the general meeting, they may provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between them and their CSDP or broker.

31. CONSENTS

Each of the advisors whose names appear on the inside front cover of this document has consented and has not, prior to the last practicable date, withdrawn their written consent to the inclusion of their names and, where applicable, reports in the form and context in which they appear in this document.

32. COSTS

It is estimated that Medi-Clinic's expenses relating to the proposed transactions will amount to approximately R262 million. The expenses (excluding VAT) relating to the proposed transactions have been estimated at the last practicable date as detailed below:

Nature of expense	Paid/Payable to	R'000
Legal and other advisory fees	Lenz & Staehelin	15 522
	Baker & McKenzie LLP	11 054
	Hofmeyr Herbstein & Gihwala Inc.	1 000
	PricewaterhouseCoopers	398
Corporate advisory fees	Dresdner Kleinwort Limited	66 500
	Standard Bank	20 000
Due diligence fees	Booz Allen Hamilton	2 076
	PricewaterhouseCoopers	2 388
	Colliers CRE	4 935
	Marsh	226
	BMG Engineering	60

Nature of expense	Paid/Payable to	R'000
Underwriting fees	RMB Asset Management (for and on behalf of its clients)	9 965
	Stanlib Asset Management (in its capacity as portfolio manager for Liberty Group Limited)	17 500
Reporting accountants'	PricewaterhouseCoopers	400
and auditors' fees	Ernst & Young	50
JSE documentation	JSE	225
Printing and distribution fees	Ince	260
Property-related costs	Various	45 115
Stamp duties	Swiss authorities	64 177
		261 851

33. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents or copies thereof will be available for inspection by shareholders from the date of posting of this circular to the closing date of the rights offer, during normal business hours on business days at the registered office of Medi-Clinic and the offices of the lead independent sponsor of Medi-Clinic:

33.1 the memorandum and articles of association of Medi-Clinic;

33.2 a signed copy of the share purchase agreement and related undertakings;

33.3 a signed copy of the underwriting agreement;

33.4 signed copies of the loan agreements related to the proposed acquisition;

33.5 the irrevocable undertakings obtained;

33.6 the previous three years audited financial statements of Medi-Clinic;

33.7 the *pro forma* income statement and balance sheet of Medi-Clinic;

33.8 the independent reporting accountants' report on the unaudited *pro forma* financial information (*pro forma* financial effects, *pro forma* income statement and *pro forma* balance sheet) of Medi-Clinic as set out in Annexure 5 to this circular;

33.9 the previous three years audited financial statements of Hirslanden;

33.10 copies of the material contracts referred to in paragraph 24 of this circular;

33.11 copy of the Hirslanden property valuation report from Colliers CRE, currently still in draft format;

33.12 completed directors' declarations in terms of Schedule 21 of the Listings Requirements;

33.13 a copy of extracts from the Exchange Control approval for the proposed acquisition;

33.14 a copy of the Exchange Control approval for the proposed rights offer;

33.15 the written consents of Medi-Clinic's professional advisors; and

33.16 a signed copy of this circular, as authorised in writing by the board.

Signed at Stellenbosch on Friday, 17 August 2007 on behalf of the board of directors of Medi-Clinic Corporation Limited.

J G Swiegers

AUDITED HISTORIC FINANCIAL INFORMATION RELATING TO MEDI-CLINIC

The financial information set out below has been extracted without adjustment from the Medi-Clinic Group audited annual financial statements of Medi-Clinic for the financial years ended 31 March 2005, 2006 and 2007. This report of historical information is the responsibility of the directors.

Other than as detailed in the proposed acquisition circular of which this annexure forms part, no material changes in the financial position or nature of the Medi-Clinic Group have occurred since 31 March 2007, other than those arising in the normal course of business.

1. DIRECTORS' COMMENTARY

2007 Financial Year

The Black Ownership Initiative and the capital restructuring ("the transactions") implemented by Medi-Clinic in December 2005, continue to have an effect on the interpretation of the group's earnings, headline earnings per share ("HEPS") and earnings per share ("EPS").

The non-recurring effect of the transactions manifested in the following two charges to the group's income statement:

- a net STC charge of R168 million ("the STC charge") resulting from the special dividend declared as part of the capital restructuring; and
- a charge of R85 million being the IFRS charge on the share-based portion of the Black Ownership Initiative ("the BEE share-based payment").

These charges were fully reflected in the financial results for the year to 31 March 2006. The resulting low base of the group's earnings, HEPS and EPS in the previous financial year was the main reason for the substantial increases this year in these denominators of 94%, 88% and 67%, respectively.

The ongoing effect of the transactions is mainly reflected in:

- higher interest charges ("the higher interest charges") resulting from the capital restructuring implemented in December 2005. The higher interest charges consist of the aggregate of the interest income foregone on the cash balance on hand prior to the capital restructuring and the interest paid on the newly introduced debt of R700 million. Compared with the previous financial year the higher interest charges for the year under review amount to about R122 million (2006: R32 million) before taxation (therefore, representing a net amount of R90 million in higher interest charges before taxation for the year under review); and
- treasury stock: the 28,5 million new shares issued to the strategic black partners in terms of the Black Ownership Initiative are treated as treasury stock and are being released in line with payments made to Medi-Clinic by the strategic black partners relative to the original market value of these shares, being R525 million. To date 10.9 million of these shares have been released from treasury stock (1.3 million during the period under review). This leaves a balance of 17.6 million treasury shares at 31 March 2007 in addition to the existing treasury shares held by the group and the 15.8 million shares issued to the Mpilo Trust. The release of such shares from treasury stock has had and will continue to have a commensurate dilutive effect on the EPS and HEPS of the group.

In the context of the above, the core earnings of the group are emphasised in this report. The core earnings include the headline earnings of the group and the ongoing effect of the transactions, but exclude the non-recurring effect of the STC charge and the BEE share-based payment.

The transactions did not have a significant financial effect on the operational performance of the group.

With the above transactions as background, revenue, which consists mainly of hospital fees, increased by 14% to R5 364 million (2006: R4 723 million) for the year under review. Operating profit before interest, taxation, depreciation and amortisation (EBITDA) was 17% higher at R1 151 million (2006: R987 million).

After incurring the higher net interest charges of about R90 million before taxation, core earnings (which exclude the STC charge and the BEE share-based payment) rose by 5% to R581 million (2006: R553 million) resulting in an increase of 2% in core earnings per share ("CEPS") to 162.2 cents (2006: 159.3 cents). The total dividend per share at 54.1 cents for the year (2006: 53.1 cents) is 2% higher.

The group acquired a 49.9% interest in the Wits Donald Gordon Medical Centre ("WDGMC") (190 beds), a 100% interest in the Legae Private Hospital ("Legae") (137 beds) and a 51% interest in the 200-bed Protector Group effective from 1 July 2005, 1 December 2005 and 8 November 2006, respectively. (The acquisition of a controlling stake in Emirates Healthcare Holdings Limited ("Emirates Healthcare") became effective on 27 March 2007 just before year-end. Hence, no operational results for Emirates Healthcare are included in the income statement for the period under review). The current period's results are therefore, due to the above transactions, not directly comparable with those of the previous period. Excluding the increase in capacity due to these transactions, the group's revenue growth amounted to 11%.

On a comparable basis, the revenue growth of 11% was achieved through a 5% increase in in-patient bed-days, a 5% increase in the average income per bed-day and a 1% change in the case profile of patients treated. The increase in utilisation was evident in both surgical and medical cases. The number of patients admitted to our hospitals increased by 5% while the average length of stay remained fairly stable.

The group's EBITDA margin increased from 20.9% to 21.5%, mainly due to a maintained focus on operational efficiencies, as well as releases from the provision for doubtful debts as a result of improved collections from medical schemes.

The acquisition of a 49.9% interest in Emirates Healthcare, which was announced on 28 April 2006, became unconditional on 27 March 2007. This was communicated to the market in a SENS announcement on 19 April 2007. Ultimately, the group obtained a controlling equity interest of 50% plus one share, with board and management control. Emirates Healthcare owns and operates one of the two biggest private hospitals in Dubai in the United Arab Emirates, the 120-bed Welcare Hospital, along with one ambulatory surgery centre and two clinics which are in close proximity. It has also commenced with the construction of the first hospital in Dubai Health Care City ("DHCC"), the City Hospital with 210 beds, which is scheduled for commissioning towards the end of 2007 or the beginning of 2008. In addition, Emirates Healthcare has the right to develop a further hospital in DHCC and plans to develop a further three related clinics of which two will open during this year. This will make Emirates Healthcare the largest private healthcare provider in Dubai.

In terms of the transaction Medi-Clinic Middle East, a group subsidiary, subscribed for an equity interest of 50% plus one share in Emirates Healthcare for an amount of US$53.1 million (R384.2 million), while General Electric Company ("GE") a member of the General Electric Group subscribed for a 6.59% equity interest for an amount of US$7 million. Mr Sunny Varkey (the founder and chairman of Emirates Healthcare) will retain an equity interest of 43.41%. The parties will endeavour to secure a further strategic equity investor in the subsidiary of Emirates Healthcare which owns the Dubai based operating companies. To facilitate this, Medi-Clinic Middle East 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) to fund a portion of the equity contribution reserved for the strategic equity investor.

The total equity capital referred to above together with debt funding from local financial institutions in the amount of US$102 million are adequate to fund all the projects mentioned above. The debt funding is in the process of being finalised.

As mentioned in the SENS announcement of 19 April 2007 the short-term financial effect of the transaction on the group's EPS and HEPS is negligible, mainly due to the green field's nature of the investment. The group is very positive about the market outlook of Dubai and is confident about the long-term prospects of the investment. This investment in Dubai is an ideal platform to enter healthcare markets in the rest of the Gulf Coalition Countries and the Middle East.

Due to the fact that the transaction only came into effect on 27 March 2007, only the balance sheet of Emirates Healthcare on 31 March 2007, but no financial results were consolidated into the group's accounts. However, if the acquisition had occurred on 1 April 2006, the group's revenue would have increased by R409 million, EBITDA by R48 million, operating profit by R28 million and profit for the year by R24 million, of which R12 million would have been attributable to the shareholders of the group.

From an operational perspective, two senior managers of the group who were or still are members of the Board hold the positions of Human Resource Director and Chief Financial Officer of Emirates Healthcare. The hospital managers of both the Welcare Hospital and the City Hospital were seconded by the group to Emirates Healthcare in addition to about 16 nurses. Medi-Clinic was also accredited by the DHCC as Emirates Healthcare's international affiliated partner.

Cash flow continued to be strong during the period under review, mainly due to more efficient working capital management. The group converted 103% (2006: 101%) of EBITDA into cash generated from operating activities. The group's strong cash flow continues to underline the quality of its earnings. Cash and cash equivalents increased from R160 million to R716 million (of which R505 million is held by Emirates Healthcare) at 31 March 2007. Interest bearing debt increased from R922 million to R1 624 million (R307 million at Emirates Healthcare) after financing capital expenditure and acquisitions, mainly the Protector Group and Emirates Healthcare. This resulted in an increase in the debt:equity ratio from 48% to 58%.

The group did not repurchase any of its own shares. Commencing the financial year with a balance of 3 467 185 treasury shares excluding the balance of shares held by the strategic black partners which are regarded as treasury shares and the shares held by the Mpilo Trust referred to above, 1 305 273 of the treasury shares were utilised for the group's share option scheme and 347 960 for the group's long-term management incentive scheme. At year end the group therefore held 1 813 952 treasury shares.

The long-term growth trend of the group is gratifying. The compounded annual growth rate ("CAGR") of the group's revenue and EBITDA over the past seven years is 16.9% and 17.7%, respectively, while the corresponding CAGR of its distribution per ordinary share amounts to 16.4%.

2006 Financial Year

Revenue, which consists mainly of hospital fees, increased by 17% to R4 723 million (2005: R4 040 million) for the year under review. Operating profit before interest, taxation, depreciation and amortisation ("EBITDA") was 21% higher at R987 million (2005: R819 million). After incurring the higher interest charges of about R33 million before tax from the date of implementation of the capital restructuring, core earnings (which exclude the STC charge and the BEE share based payment) rose by 10% to R553 million (2005: R503 million) resulting in an increase of 8% in core earnings per share ("CEPS") to 159.3 cents (2005: 146.9 cents). Taking into account the STC charge and the BEE share-based payment, HEPS declined by 41% from 146.9 cents per share to 86.3 cents per share. The total distribution per share at 53.1 cents for the year (2005: 45.0 cents) is 18% higher.

Excluding the increase in capacity, the group's revenue growth amounted to 14%. The group's EBITDA margin increased from 20.3% to 20.9% mainly due to improved operational efficiencies.

Cash flow continued to be strong during the period under review, mainly due to more efficient working capital management. The group converted 101% (2005: 113%) of EBITDA into cash generated from operating activities. The group's strong cash flow continues to underline the quality of its earnings. The capital restructuring resulted in cash and cash equivalents declining from R849 million to R160 million while new interest bearing debt of about R700 million was introduced at the same time. Consequently, interest bearing debt increased from R240 million to R922 million. This resulted in an increase in the debt: equity ratio from 8% to 48% with a concomitant increase in the return (core earnings) on shareholders' equity from 19% to 34%.

The long-term growth trend of the group is gratifying. The compounded annual growth rate (CAGR) of the group's revenue and EBITDA over the past seven years is 17% while the corresponding CAGR of its distribution per ordinary share amounts to 19%.

2005 Financial Year

The group's revenue increased by 11% to R4 040 million (2004: R3 643 million). Operating profit before interest, taxation, depreciation and amortisation (EBITDA) increased by 14% higher to R823 million (2004: R722 million). Headline earnings attributable to ordinary shareholders of R499 million (2004: R441 million) are 13% higher than last year. Consequently the group's headline earnings per share rose by 13% to 145.7 cents (2004: 129.5 cents) per share. This enabled the company to increase its total distribution per share in respect of the reporting period by 13% to 45.0 cents (2004: 40.0 cents) per share.

Excluding the increase in capacity, the group's turnover growth amounted to 9%. The group's margin increased slightly. The EBITDA margin increased from 19.8% to 20.4% mainly as a result of benefits realised from the integration and turnaround of the Curamed Group in Pretoria.

Cash flow continued to be strong during the period under review, mainly due to more efficient working capital management. The group converted 112% (2004: 113%) of EBITDA into cash generated from operating activities. Cash and cash equivalents increased to R849 million from R451 million after financing investment activities of R176 million (2004: R325 million). Interest-bearing debt decreased from R242 million to R240 million resulting in a strengthening of the debt: equity ratio from 10% to 8%. The group's strong cash flow continues to underline the quality of its earnings.

The long-term growth trend of the group is gratifying. The compounded annual growth rate ("CAGR") of the group's revenue over the past seven years is 17% while the corresponding CAGR of its headline earnings per ordinary share amounts to 20%.

2. **CONSOLIDATED BALANCE SHEETS**

At 31 March

	Notes	2007 R'm	2006 R'm	2005 R'm
ASSETS				
Non-current assets		**3 709**	**2 617**	**2 251**
Property, plant and equipment	**10**	3 124	2 327	1 997
Intangible assets	**11**	419	48	48
Investments in associates	**12**	5	3	50
Other investments and loans	**13**	41	116	64
Deferred income tax assets	**14**	120	123	92
Current assets		**1 780**	**980**	**1 510**
Inventories	**15**	190	153	136
Trade and other receivables	**16**	874	667	525
Cash and cash equivalents		716	160	849
Total assets		**5 489**	**3 597**	**3 761**
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Ordinary shares		39	39	35
Share premium		289	289	45
Treasury shares		(297)	(310)	(38)
Share capital	**17**	31	18	42
Share-based payment reserve	**18**	101	93	3
Foreign currency translation	**18**	2	–	–
Retained earnings	**18**	1 934	1 530	2 648
		2 068	1 641	2 693
Minority interest	**19**	752	290	235
Total equity		**2 820**	**1 931**	**2 928**
LIABILITIES				
Non-current liabilities		**1 130**	**955**	**236**
Borrowings	**20**	996	848	159
Retirement benefit obligations	**21**	129	102	73
Deferred income tax liabilities	**14**	5	5	4
Current liabilities		**1 539**	**711**	**597**
Trade and other payables	**22**	903	590	483
Borrowings	**20**	628	74	81
Current income tax liabilities		8	47	33
Total liabilities		**2 669**	**1 666**	**833**
Total equity and liabilities		**5 489**	**3 597**	**3 761**

3. CONSOLIDATED INCOME STATEMENTS

For the years ended 31 March

	Notes	2007 R'm	2006 R'm	2005 R'm
Revenue		**5 364**	**4 723**	**4 040**
Cost of sales		(2 928)	(2 571)	(2 236)
Administration and other operating expenses	**23**	(1 430)	(1 288)	(1 084)
TRADING PROFIT		**1 006**	**864**	**720**
BEE share-based payment		–	(85)	–
OPERATING PROFIT		**1 006**	**779**	**720**
Income from associates	**25**	1	13	25
Profit on sale of associate		–	43	–
Consideration for the termination of agreements		–	–	50
Finance income		44	70	58
Finance cost		(88)	(45)	(29)
PROFIT BEFORE TAXATION		**963**	**860**	**824**
Taxation	**26**	(270)	(428)	(214)
PROFIT FOR YEAR		**693**	**432**	**610**
Minority interest		111	94	67
RETAINED PROFIT		**582**	**338**	**543**

4. CONSOLIDATED CASH FLOW STATEMENTS

For the years ended 31 March

	Notes	2007 R'm	2006 R'm	2005 R'm
CASH FLOW FROM OPERATING ACTIVITIES				
Cash received from customers		5 456	4 637	4 090
Cash paid to suppliers and employees		(4 269)	(3 643)	(3 167)
Cash generated from operations	**28.1**	1 187	994	923
Finance income		44	70	58
Consideration for the termination of agreements		–	–	50
Finance cost		(88)	(45)	(29)
Taxation paid	**28.2**	(306)	(448)	(243)
NET CASH FLOW FROM OPERATIONS		**837**	**571**	**759**
CASH FLOW FROM INVESTMENT ACTIVITIES		**(672)**	**(388)**	**(178)**
Investment to maintain operations	**28.3**	(139)	(118)	(93)
Investment to expand operations	**28.4**	(542)	(357)	(87)
Proceeds on sale of property, plant and equipment	**28.5**	9	3	2
Proceeds on sale of associate	**28.6**	–	84	–
		165	**183**	**581**
CASH FLOW FROM FINANCING ACTIVITIES		**43**	**(830)**	**(185)**
Proceeds of shares issued		–	3	–
Cash distributions to minorities	**19**	(40)	(39)	(34)
Distributions to shareholders	**28.7**	(178)	(1 493)	(142)
Share issue costs		–	(7)	–
Proceeds from borrowings		298	717	–
Repayments of borrowings		(50)	(28)	(21)
Treasury shares utilised		13	17	12
Net movement in cash, cash equivalents and bank overdrafts		208	(647)	396
Opening balance of cash, cash equivalents and bank overdrafts		149	796	400
Closing balance of cash, cash equivalents and bank overdrafts	**28.8**	**357**	**149**	**796**

5. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended 31 March

	2007 R'm	2006 R'm	2005 R'm
ORDINARY SHARES	**39**	**39**	**35**
Opening balance	39	35	35
Shares issued	–	4	–
SHARE PREMIUM	**289**	**289**	**45**
Opening balance	289	45	190
Shares issued	–	289	–
Capital distribution paid to shareholders	–	(45)	(145)
TREASURY SHARES	**(297)**	**(310)**	**(38)**
Opening balance	(310)	(38)	(53)
Shares acquired by the Mpilo Trust	–	(290)	–
Capital distribution received	–	1	3
Utilised by the Mpilo Trust	4	–	–
Utilised for the share option scheme	9	17	12
SHARE-BASED PAYMENT RESERVE	**101**	**93**	**3**
Opening balance	93	3	1
Employees: Value of service	8	5	2
Strategic Black Partners: value of services	–	85	–
FOREIGN CURRENCY TRANSLATION RESERVE			
Movement for the year	**2**	**–**	**–**
RETAINED EARNINGS	**1 934**	**1 530**	**2 648**
Opening balance	1 530	2 648	2 105
Share issue costs	–	(7)	–
Profit for the year	582	338	543
Dividends paid	(178)	(1 449)	–
ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**2 068**	**1 641**	**2 693**
MINORITY INTEREST	**752**	**290**	**235**
Opening balance	290	235	203
Distributions to minorities	(40)	(39)	(34)
Profit for the year	111	94	67
Minority interest acquired	391	–	(2)
Currency translation differences	2	–	–
Decrease in minority interest	(2)	–	1
TOTAL EQUITY AT END OF YEAR	**2 820**	**1 931**	**2 928**

6. GENERAL INFORMATION

Medi-Clinic Corporation Limited (the Company) and its subsidiaries ("the Group") operates multi-disciplinary private hospitals. The main business of the Group is to enhance the quality of life of patients by providing comprehensive, high-quality hospital services on a cost-effective basis.

The Company is a limited liability company incorporated and domiciled in South Africa. The address of its registered offices is:

Medi-Clinic Offices, Strand Road, Stellenbosch, 7600.

The Company is listed on the JSE Limited.

The annual consolidated financial statements for the year ended 31 March 2007 have been approved for issue by the Board of Directors on 9 May 2007.

7. 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 years presented, unless otherwise stated.

7.1 Basis of preparation

The annual consolidated financial statements of the Medi-Clinic Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The annual consolidated financial statements have been prepared on the historical cost convention, as modified by the available-for-sale financial assets, in accordance with the requirements of the South African Companies Act and the Listings Requirements of the JSE Limited.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual consolidated financial statements are disclosed in Note 9.

Standards, interpretations and amendments to published standards that are not yet effective

In the prior year the Group early adopted IFRIC 8 – Scope of IFRS 2, which was issued in January 2006, which requires that BEE transactions involving equity linked instruments be accounted for under IFRS 2 (Share-based Payments).

The following new accounting standards, amendments and interpretations have been published that are mandatory for accounting periods beginning on or after 1 April 2007 or later periods but which the entity has not early adopted and which would not have a material effect if implemented:

7.1.1 *Standards, amendments and interpretations not affecting the Group*

- IFRIC 9 (AC 442) – Re-assessment of Embedded Derivatives (effective from 1 June 2006)
- IFRIC 11 (AC 444) – IFRS 2 – Group and Treasury Share Transactions (effective from 1 March 2007)
- IFRIC 12 (AC 445) – Service Concession Arrangements (effective from 1 January 2008)
- AC 503 – Accounting for Black Economic Empowerment ("BEE") transactions (effective from 1 May 2006)

7.1.2 *Standards, amendments and interpretations affecting the Group*

- IAS 1 (AC 101) – Presentation of Financial Statements (effective from 1 January 2007). New and additional disclosures with regard to Capital Disclosures. The Group will adhere to the new requirements.
- IFRS 7 (AC 144) – Financial Instruments: Disclosures, and IFRS 4 (AC 141) – Revised. Implementation Guidance (effective from 1 January 2007). New and additional disclosures with regard to financial instruments. The Group will adhere to the new requirements.

- IFRS 8 (AC 145) – Operating Segments (effective from 1 January 2009). The standard sets requirement for disclosure about an entity's operating segments. The Group will adhere to the new requirements.
- IFRIC 10 (AC 443) – Interim Financial Reporting and Impairment (effective from 1 November 2006). The interpretation addresses the interaction between the requirements of IAS 34 and recognition of impairment losses on goodwill in IAS 36 and certain financial assets in IAS 39, and the effect of that interaction on subsequent interim and annual financial statements. The amendment will not have a significant impact on the Group's interim results.

7.2 Consolidation and equity accounting

7.2.1 *Subsidiaries*

Hospital operations that operate as partnerships or trusts, over which the Group has the power to govern the financial and operating policies, are treated as subsidiaries. This includes all companies defined as subsidiary companies in terms of the Companies Act. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

7.2.2 *Joint Ventures*

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other ventures.

The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

7.2.3 *Associates*

Companies and other entities in which the Group has an interest and over which the Group has the ability to exercise significant influence, but not control, are treated as associates on the equity method and are initially recognised at cost. According to the equity method, the share of post-acquisition reserves and retained income is included in the carrying value.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

7.3 **Segment Reporting**

The Group operates in the private hospital industry and is not significantly involved in other industries. The primary segments of the Group have been identified on a geographic basis.

7.4 **Property, plant and equipment**

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

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

- Buildings: 50 – 100 years
- Equipment: 5 – 10 years
- Furniture and vehicles: 5 – 7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Due to the system of licensing of private hospitals and the fact that licenses are linked to a specific site, it is fundamentally important that the earnings potential of a hospital building is placed on a permanent basis. The Group therefore follows a structured maintenance program with regards to hospital buildings with the specific goal to prolong the useful lifetime of these buildings.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the income statement.

7.5 **Intangible assets**

7.5.1 ***Trade names***

Trade names are capitalised at the cost to the Group and amortised on the straight-line basis over its estimated useful lifetime. In general trade names are amortised over 20 years. No value is placed on internally developed trade names. Expenditure to maintain trade names is accounted for against income as incurred.

7.5.2 ***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 of the acquired subsidiary, joint venture or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries and joint ventures are included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units ("CGU's") for the purpose of impairment testing. The allocation is made to those CGU's or groups of CGU's that are expected to benefit from business combinations in which goodwill arose. CGU's has been defined as each individual hospital of the Group.

7.5.3 *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). Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred.

7.6 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 circumstance indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstance 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGU's). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

7.7 Investments

The Group classifies its investments in the following categories: loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

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 carried at fair value through profit or loss.

Investments are derecognised when the rights to receive cash flows from the investments 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 balance sheet date, which are classified as non-current assets. Loans and receivables are carried at amortised cost using the effective interest method.

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 twelve months of the balance sheet 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 non-distributable reserves 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 income.

Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security 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 equity and recognised in the income statement.

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

7.8 Inventories

Inventories are valued at the lower of cost, determined on the first-in, first-out method, or net realisable value. The valuation excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

7.9 Trade receivables

Trade 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.

7.10 Cash and cash equivalents

Cash and cash equivalents consist of balances with banks and cash on hand. Bank overdrafts are disclosed as part of borrowings in current liabilities on the balance sheet.

7.11 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. Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

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 is recognised as an expense on grant date, with a corresponding increase in equity.

7.12 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 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 balance sheet date.

7.13 Deferred income tax

Deferred income tax is provided at current rates, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are not raised in respect of deferred income tax on assessed losses, unless it is probable that future taxable profits will be available against which the deferred tax asset can be realised in the future.

7.14 Employee benefits

7.14.1 *Retirement benefit costs*

The Group provides for retirement fund benefits to employees by contributing to defined contribution funds. These contributions are accounted for against income when the employees render the related services.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay 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.

7.14.2 *Post-employment medical benefits*

The Group provides for actuarially determined post-employment 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 spread forward over the average remaining service lives of employees.

7.14.3 *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. 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 over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

7.14.4 *Profit-sharing and bonus plans*

The Group recognises a liability and an expense for bonuses. The Group recognises an obligation where contractually obliged or where there is a past practice that has created a constructive obligation.

7.15 Revenue recognition

Revenue comprises hospital fees, net of value added taxes (VAT) and discounts and is recognised when the significant risks and rewards of ownership have been transferred or services have been rendered.

Other revenues earned are recognised on the following bases:

7.15.1 *Interest income*

Interest income is recognised on a time : proportion basis using the effective interest method.

7.15.2 ***Dividend income***

When the shareholders' right to receive payment is established.

7.16 **Cost of sales**

Cost of sales consist 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.

7.17 **Leased assets**

Leases of property, plant and equipment where the Company assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in interest bearing borrowings. The interest element of the finance charges is charged to the income statement over the lease period. The property, plant and equipment 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.

7.18 **Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

7.19 **Foreign currency transactions**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at the monthly weighted average rate of exchange for the year. Profits and losses arising on the translation of assets and liabilities of foreign entities are taken directly to equity and shown separately in a foreign currency translation reserve.

Transactions denominated in foreign currencies are accounted for at the rates of exchange ruling on the dates of the transactions. Gains and losses arising from the settlement of such transactions are recognised in the income statement.

8. **FINANCIAL RISK MANAGEMENT**

8.1 **Financial risk factors**

Normal business activities of a company exposed it to a variety of financial risks: market risk (including currency risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management programme seeks to minimise potential adverse effects on the Group's financial performance.

8.1.1 ***Market risk***

Foreign currency risk

(i) Investment in foreign operation

The Group has foreign exchange risk arising from assets in its foreign operation which are exposed to the US dollar. This risk is managed primarily through borrowing in US dollars.

(ii) Transactions in foreign currency

Exposure regarding foreign currency transactions is insignificant, but a prudent approach towards foreign cover is followed if applicable. Currently there is limited exposure and consequently no forward cover contracts.

Price risk

The Group is not exposed to commodity price risk.

8.1.2 ***Credit risk***

Financial assets which potentially subject the Group to concentrations of credit risk consist principally of cash, short-term deposits and trade and other receivables. 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 aid funders. The financial condition of these clients in relation to their credit standing is evaluated on an ongoing basis. After the provision for doubtful receivables has been brought into account, the Group does not have any significant exposure to any individual customer or counter party.

The carrying amounts of financial assets included in the balance sheet represent the Group's exposure to credit risk in relation to these assets. At 31 March 2007 and 31 March 2006, the Group did not consider there to be a significant concentration of credit risk which had not been adequately provided for.

8.1.3 ***Liquidity risk***

The Group manages liquidity risk by monitoring forecast cash flows. The borrowing powers of the Group can only be limited by the Company's holding company. No such limitation currently exists.

	2007 R'm	**2006 R'm**
Shareholders' funds and minority interests	**2 820**	1 931
Interest-bearing debt	**1 624**	922
The Group's overdraft facilities	**1 700**	1 701
Percentage interest-bearing debt to shareholders' funds	**58%**	48%

8.1.4 ***Cash flow and fair value interest rate risk***

As the Group has no significant interest bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Group policy is to maintain an appropriate mix between fixed and floating rate borrowings and placings.

31 March 2007	Floating interest rate R'm	Fixed interest rate maturing <1 year R'm	1-5 years R'm	>5 years R'm	Non-interest bearing R'm	Total R'm	Weighted average rate %
ASSETS							
Cash resources	**716**	**–**	**–**	**–**	**–**	**716**	**8.5**
Trade and other receivables	**–**	**–**	**–**	**–**	**874**	**874**	**–**
Investments and loans	**39**	**–**	**–**	**–**	**7**	**46**	**12.1**
Total financial assets	**755**	**–**	**–**	**–**	**881**	**1 636**	
LIABILITIES							
Trade and other payables	**–**	**–**	**–**	**–**	**903**	**903**	**–**
Interest-bearing debt	**840**	**72**	**163**	**549**	**–**	**1 624**	**8.6**
Total financial liabilities	**840**	**72**	**163**	**549**	**903**	**2 527**	
Financial liabilities	**(85)**	**(72)**	**(163)**	**(549)**	**(22)**	**(891)**	
31 March 2006							
Total financial assets	**261**	**–**	**–**	**–**	**685**	**946**	
Total financial liabilities	**88**	**50**	**200**	**584**	**590**	**1 512**	
Net financial assets/(liabilities)	**173**	**(50)**	**(200)**	**(584)**	**95**	**(566)**	

8.2 Fair value estimation

The fair value of investments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The fair values of investments are represented in Notes 12 and 13.

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

The fair value of long-term borrowings for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

9. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

9.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 7.5. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(b) Income taxes

The Group is subject to income taxes in both South Africa and Namibia. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) BEE transaction

The Group calculates 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 in accordance with the accounting policy stated in Note 7.11. These calculations require the use of estimates.

(d) Share-based compensation to employees

The Group use valuation models to calculate the IFRS 2 expense for share based compensation to employees. These models require a number of assumptions to be made as inputs. These include financial assumptions as well as various assumptions around individual employee behaviour.

10. PROPERTY, PLANT AND EQUIPMENT

	2007 R'm	2006 R'm
Land – cost	**130**	110
Buildings	**1 560**	1 457
Cost	**1 606**	1 478
Accumulated depreciation	**(46)**	(21)
Land and buildings	**1 690**	1 567
Equipment	**593**	485
Cost	**1 491**	1 179
Accumulated depreciation	**(898)**	(694)
Furniture and vehicles	**121**	98
Cost	**329**	264
Accumulated depreciation	**(208)**	(166)
Subtotal	**2 404**	2 150
Capital expenditure in progress	**720**	177
	3 124	2 327

Property, plant and equipment with a book value of R264 million (2006: R234 million) are encumbered as security for borrowings (see Note 20).

The register containing details of land and buildings is available for inspection by members or their proxies at the registered office of the Company. The directors are of the opinion that the market value of land and buildings materially exceeds their book value.

	Land and buildings R'm	Equipment R'm	Furniture and vehicles R'm	Total R'm
At 1 April 2005				
Cost	**1 381**	**1 006**	**210**	**2 597**
Accumulated depreciation	**(16)**	**(607)**	**(132)**	**(755)**
Net book value	**1 365**	**399**	**78**	**1 842**
Year ended 31 March 2006				
Net opening book value	**1 365**	**399**	**78**	**1 842**
Capital expenditure	**92**	**149**	**33**	**274**
Business acquisitions	**125**	**29**	**18**	**172**
Disposals	**–**	**(1)**	**(1)**	**(2)**
Impairments	**(12)**	**–**	**–**	**(12)**
Depreciation per income statement	**(3)**	**(91)**	**(30)**	**(124)**
Net closing book value	**1 567**	**485**	**98**	**2 150**
At 31 March 2006				
Cost	**1 588**	**1 179**	**264**	**3 031**
Accumulated depreciation	**(21)**	**(694)**	**(166)**	**(881)**
Net book value	**1 567**	**485**	**98**	**2 150**
Year ended 31 March 2007				
Net opening book value	**1 567**	**485**	**98**	**2 150**
Capital expenditure	**15**	**142**	**43**	**200**
Business acquisitions	**117**	**78**	**12**	**207**
Currency translation differences	**–**	**1**	**–**	**1**
Disposals	**(5)**	**(1)**	**(2)**	**(8)**
Impairments	**–**	**–**	**–**	**–**
Depreciation per income statement	**(4)**	**(112)**	**(30)**	**(146)**
Net closing book value	**1 690**	**593**	**121**	**2 404**
At 31 March 2007				
Cost	**1 736**	**1 491**	**329**	**3,556**
Accumulated depreciation	**(46)**	**(898)**	**(208)**	**(1 152)**
Net book value	**1 690**	**593**	**121**	**2 404**

	2007 R'm	2006 R'm
Capital expenditure		
Capital expenditure excluding expenditure in progress	**200**	274
Capital expenditure in progress	**125**	22
Total additions	**325**	296
To maintain operations	**139**	120
To expand operations	**186**	176

11. INTANGIBLE ASSETS

	Trade names R'm	Goodwill R'm	Total R'm
At 1 April 2005			
Cost	**15**	**47**	**62**
Accumulated amortisation and impairment	**(11)**	**(3)**	**(14)**
Net book value	**4**	**44**	**48**
Year ended 31 March 2006			
Net opening book value	**4**	**44**	**48**
Business acquisitions	**–**	**1**	**1**
Amortisation charge	**(1)**	**–**	**(1)**
	3	**45**	**48**
At 31 March 2006			
Cost	**15**	**48**	**63**
Accumulated amortisation and impairment	**(12)**	**(3)**	**(15)**
Net book value	**3**	**45**	**48**
Year ended 31 March 2007			
Net opening book value	**3**	**45**	**48**
Additions	**–**	**3**	**3**
Business acquisitions	**–**	**366**	**366**
Currency translation	**–**	**2**	**2**
	3	**416**	**419**
At 31 March 2007			
Cost	**15**	**419**	**434**
Accumulated amortisation and impairment	**(12)**	**(3)**	**(15)**
Net book value	**3**	**416**	**419**

Trade names with a cost price of R2.5 million (2006: R2.5 million) have been fully impaired.

The impairment tests for goodwill 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 relating to the hospital industry.

A segment-level summary of the goodwill is presented below:

	2007 R'm	2006 R'm
Southern Africa	**48**	45
Middle East	**368**	–
	416	45

12. INVESTMENTS IN ASSOCIATES

	2007 R'm	2006 R'm
Unlisted		
Carrying value of investments in associates' equity	**1**	–
Opening balance	**–**	8
Business acquisition	**1**	–
Investment sold	**–**	(8)
	1	–
Amounts owing	**4**	3
	5	3
Director's valuation	**5**	3

The total profit of associates are R2 million (2006: R35 million) of which the Group's share is R1 million (2006: R13 million). Total revenue for the associates are R8 million.

The aggregate balance sheets of associates are summarised as follows:

	2007 R'm	2006 R'm
Non-current assets	**17**	3
Current assets	**7**	9
Total assets	**24**	12
Current liabilities	**(10)**	(5)
Shareholders' funds	**14**	7
Outside interests	**(9)**	(4)
Group's share in net assets of associates	**5**	3

13. OTHER INVESTMENTS AND LOANS

	2007 R'm	2006 R'm
Unlisted – no active market		
Loans and receivables	**41**	102
Available-for-sale: Shares	**–**	14
	41	116
Directors' valuation	**41**	116

14. DEFERRED INCOME TAX

	2007 R'm	2006 R'm
Deferred taxation is calculated on all temporary differences according to the liability method using a principal tax rate of 29% (2006: 29%)		
The movement of the deferred taxation account is as follows:		
Opening balance	**118**	88
Taxation rate change	**–**	(3)
Income statement charge for the year	**(3)**	32
Acquired during the year	**–**	1
Balance at the end of the year	**115**	**118**
The balance consists of:		
Accelerated wear and tear for tax purposes on property, plant and equipment	**(27)**	(24)
STC credits	**18**	34
Accruals and other temporary differences	**124**	108
	115	**118**
Deferred income tax assets	**120**	123
Deferred income tax liabilities	**(5)**	(5)
	115	**118**

15. INVENTORIES

	2007 R'm	2006 R'm
Inventories consist of:		
Pharmaceutical products	**173**	139
Consumables	**10**	8
Finished goods and work in progress	**7**	6
	190	**153**

The cost of inventories recognised as an expense and included in cost of sales amounted to R1 568 million (2006: R1 440 million).

There are no inventories that are valued at net realisable value.

16. TRADE AND OTHER RECEIVABLES

	2007 R'm	2006 R'm
Trade receivables	**726**	663
Less: Provision for impairment of receivables	**(91)**	(82)
Trade receivables – net	**635**	581
Other receivables	**239**	86
	874	**667**

Net trade receivables to the value of R70 million (2006: R72 million) have been ceded as security for banking facilities.

17. SHARE CAPITAL

	2007 R'm	2006 R'm
Share capital consists of ordinary shares and share premium.		
Ordinary shares		
Authorised:		
450 000 000 ordinary shares of 10 cents each (2006: 450 000 000)	**45**	**45**
Issued:		
394 338 449 ordinary shares of 10 cents each (2006: 394 338 449)	**39**	**39**
The unissued shares are under the control of the directors until the next annual general meeting.		
The directors are authorised, in the form of a general authorisation until the next annual general meeting, to buy back issued share capital of the Company.		
Share premium	**289**	**289**
Opening balance	**289**	45
Premium on shares issued	**–**	289
Distributed to shareholders	**–**	(45)
Treasury shares		
34 968 952 (2006: 38 107 775) ordinary shares of 10 cents each	**(297)**	**(310)**
Opening balance	**(310)**	(38)
Shares acquired by the Mpilo Trust	**–**	(290)
Distribution received	**–**	1
Utilised by the Mpilo Trust	**4**	–
Utilised for share option scheme	**9**	17
During the year the Mpilo Trust, an employee share trust, released 233 780 of its 15 539 758 shares to employees.		
To date, no value was received for an equivalent of 17 615 242 (2006: 18 867 052) shares issued to the strategic black partners.		
The Company, through a wholly-owned subsidiary, holds 1 813 952 (2006: 3 467 185) shares in treasury. During the year 1 305 273 (2006: 2 385 072) of these shares were utilised in terms of the executive share option scheme.		
	31	**18**

Share options

In terms of the executive share option scheme, 34 472 230 (2006: 34 472 230) ordinary shares are kept in reserve. To date 23 880 000 share options have been granted, 4 930 800 (2006: 4 275 000) share options have been forfeited and 14 187 435 (2006: 12 882 162) exercised.

No further options will be granted under the share option scheme.

Employees may exercise the existing options from grant date as follows:

- 20% of the options granted vest after 3 years;
- a further 20% of the options granted vest after 4 years;
- a further 20% of the options granted vest after 5 years;
- a further 20% of the options granted vest after 6 years; and
- a further 20% of the options granted vest after 7 years.

All options lapse after a period of eight years from the grant date.

Movement in the number of share options outstanding are:	**Average offer price**	**Number**	**Number**
Outstanding at the beginning of the year	**R8.38**	**6 722 038**	9 445 110
Options granted		**–**	70 000
Options forfeited		**(655 000)**	(408 000)
Options exercised – treasury shares utilised	**R5.71**	**(1 305 273)**	(2 385 072)
Outstanding at end of year	**R9.29**	**4 761 765**	**6 722 038**

18. RESERVES

	2007 R'm	**2006 R'm**
Share-based payment reserve		
Executive share option scheme	**9**	6
Employee share trust	**7**	2
Strategic black partners	**85**	85
	101	**93**
Foreign currency translation reserve	**2**	**–**
Distributable reserve		
Company	**39**	20
Subsidiaries and joint ventures	**1 895**	1 510
	1 934	**1 530**

19. MINORITY INTEREST

Opening balance	**290**	235
Distributions to minorities	**(40)**	(39)
Share of profits	**111**	94
Minority interest acquired	**391**	–
Currency translation differences	**2**	–
Decrease in minority interest	**(2)**	–
Minority interest in hospital activities	**752**	**290**

20. BORROWINGS

	2007 R'm	2006 R'm
Unsecured long-term bank loans	**694**	**716**
Long-term portion	**655**	694
Short-term portion	**39**	22
These loans bear interest at an average fixed rate of 9.3% per annum and are repayable in seven years		
Unsecured foreign bank loan	**302**	–
Long-term portion	**156**	–
Short-term portion	**146**	–
The loan is US dollar denominated, bears interest at a variable rate of 1.4% above the LIBOR per annum and has no fixed terms of payment.		
Secured long-term bank loans	**90**	**118**
Long-term portion	**57**	90
Short-term portion	**33**	28
These loans bear interest at an average fixed rate of 12.8% per annum and are repayable in four years. Property, plant and equipment with a book value of R135 million (2006: R134 million) are encumbered as security for these loans.		
Secured long-term bank loans	**87**	**77**
Long-term portion	**75**	64
Short-term portion	**12**	13
These loans bear interest at variable rates linked to prime over-draft rate and are repayable in periods ranging between 1 and 14 years. Property, plant and equipment with a book value of R100 million (2006: R100 million) are encumbered as security for these loans.		
Bank overdrafts	**143**	11
Borrowings in Southern African operations	**1 316**	**922**
Borrowings in Middle East operations	**308**	**–**
Secured long-term bank loans		
Long-term portion	**41**	–
Short-term portion	**39**	–
	80	–
These loans bear interest at variable rates linked to EIBOR and are repayable in periods ranging between 1 and 3 years. Property, plant and equipment with a book value of R29 million are encumbered as security for these loans.		
Unsecured long-term loan	**12**	–
The loan is unsecured, interest free and repayable within 12 to 24 months		
Bank overdrafts	**216**	–
Total borrowings	**1 624**	922
Short-term portion transferred to current liabilities	**(628)**	(74)
	996	**848**

21. RETIREMENT BENEFIT OBLIGATIONS

	2007 R'm	2006 R'm
Post-employment medical benefits		
The Group accounts for actuarially determined future medical benefits provide for the expected liability in the balance sheet.		
During the last valuation on 31 March 2007, a 6.5% (2006: 5.5%) medical inflation cost and a 8.5% (2006: 7.5%) interest rate were assumed. The average retirement age was set at 63 years (2006: 63 years).		
The assumed rates of mortality are set as follows:		
During employment: SA 1972 – 77 tables of mortality Post-employment: PA (90) tables		
Amounts recognised in the balance sheet are as follows:		
Opening balance	**102**	73
Acquired during year		3
Amounts recognised in income statement	**27**	26
Current service cost	**18**	13
Interest cost	**9**	7
Actuarial loss	**1**	7
Contributions	**(1)**	(1)
Closing balance	**129**	102
Present value of unfunded obligations	**129**	**102**

	Increase	Decrease
The effects of a 1% movement in the assumed discount rate trend are as follows:		
Defined benefit obligation	**18.1%**	(14.5%)
Defined benefit obligation plus current service cost and interest cost	**17.3%**	(13.9%)
The effects of a 1% movement in assumed subsidy increase rate are as follows:		
Defined benefit obligation	**18.0%**	(14.6%)
Defined benefit obligation plus current service cost and interest cost	**18.3%**	(14.9%)

Expected post-employment medical benefits payable for the year ended 31 March 2008 are R1.34 million.

22. TRADE AND OTHER PAYABLES

	2007 R'm	2006 R'm
Trade payables	**539**	311
Other payables and accrued expenses	**364**	279
	903	**590**

23. EXPENSES BY NATURE

	2007 R'm	2006 R'm
Auditors' remuneration		
– external audit	**3**	2
– other services	*****	*
– total value of other services provided	**–**	1
– share issue costs	**–**	(1)
Cost of inventories	**1 568**	1 440
Depreciation		
– buildings	**4**	3
– other equipment	**112**	91
– furniture and vehicles	**30**	30
Employee benefit expenses	**1 951**	1 750
Wages and salaries	**1 841**	1 661
Post-employment medical benefits (Note 21)	**27**	26
Retirement benefit costs	**75**	58
Share-based payment expense	**8**	5
Impairment of property, plant and equipment	**–**	12
Maintenance costs	**172**	154
Managerial and administration fees	**3**	3
Operating leases		
– buildings	**39**	27
– equipment	**25**	19
Trade names amortised	*****	1
Other expenses	**451**	327
General expenses	**519**	385
Profit on sale of equipment	**1**	1
Other income	**67**	57
	4 358	**3 859**
Classified as:		
Cost of sales	**2 928**	2 571
Administration and other operating expenses	**1 430**	1 288
	4 358	**3 859**

** Amounts less than R0.5 million.*

24. DIRECTORS' REMUNERATION

	2007 R'000	2006 R'000
Executive		
E de la H Hertzog*	**5 060**	4 790
L J Alberts	**4 424**	3 895
J du T Marais	**2 736**	2 579
D P Meintjes	**1 014**	2 625
K H S Pretorius	**1 118**	–
J G Swiegers	**3 584**	3 052
	17 936	**16 941**
Non-executive	**1 153**	**1 525**
W E Bührmann	**–**	213
W P Esterhuyse	**56**	183
S Dakile-Hlongwane	**99**	120
A R Martin	**194**	247
V E Msibi	**130**	69
A A Raath	**176**	225
M A Ramphele	**117**	132
C I Tingle	**–**	119
W L van der Merwe	**158**	147
M H Visser	**223**	70
	19 089	**18 466**
Paid by:		
Subsidiaries	**16 499**	16 038
Management Company*	**2 590**	2 428
	19 089	**18 466**

Detail for 2007:

Director	Salaries R'000	Retirement fund R'000	Other benefits (****) R'000	Bonus R'000	Share options R'000	Total R'000
Executive						
E de la H Hertzog*	2 069	200	146	2 645	–	5 060
L J Alberts	2 242	202	17	1 963	–	4 424
J du T Marais	1 536	138	17	1 045	–	2 736
D P Meintjes**	–	140	239	635	–	1 014
K H S Pretorius***	574	54	29	461	–	1 118
J G Swiegers	1 405	145	232	1 086	716	3 584
	7 826	**879**	**680**	**7 835**	**716**	**17 936**

Detail for 2006:

Director	Salaries R'000	Retirement fund R'000	Other benefits (****) R'000	Bonus R'000	Share options R'000	Total R'000
Executive						
E de la H Hertzog*	2 096	186	146	2 362	–	4 790
L J Alberts	1 888	168	25	1 814	–	3 895
J du T Marais	1 408	123	9	1 039	–	2 579
D P Meintjes	1 301	121	143	1 060	–	2 625
J G Swiegers	1 237	128	229	958	500	3 052
	7 930	**726**	**552**	**7 233**	**500**	**16 941**

* Dr E de la H Hertzog also earned a further R1,3m (2006: R1,2m) from M & I Group Services Limited relating to other duties. Also refer to Note 32.

** Mr D P Meintjes also earned R1,5m from a subsidiary of Emirates Healthcare Holdings Limited BVI relating to other duties.

*** Mr K H S Pretorius was appointed as a director on 8 November 2006. His director's remuneration is from this date.

**** Other benefits include medical aid and vehicle benefits.

None of the current executive directors have a fixed term contract.

Share option scheme

No shares were offered to directors in the financial year ended 31 March 2007.

The number of outstanding share options are:

	Offer price	2007 Number	2006 Number
K H S Pretorius	**R4.90**	**30 000**	–
K H S Pretorius	**R9.80**	**10 000**	–
J G Swiegers	**R2.80**	**–**	40 000
		40 000	**40 000**

25. INCOME FROM ASSOCIATES

	2007 R'm	2006 R'm
Unlisted associates		
Share of income before taxation	**1**	13
Share of taxation		
Provided by the Group	**–**	(4)
	1	**9**

26. TAXATION

	2007 R'm	2006 R'm
Taxation on income excluding income from associates	**(270)**	(424)
Taxation on income from associates		
Provided by the Group	**–**	(4)
Taxation per income statement	**(270)**	**(428)**
Current taxation		
RSA taxation	**(252)**	(251)
Foreign taxation (Namibia)	**(8)**	(6)
Secondary taxation on companies ("STC")	**(7)**	(200)
Deferred taxation		
Rate change	**–**	(3)
Current year	**13**	13
STC credits	**(16)**	19
	(270)	**(428)**
Reconciliation of rate of taxation:		
Standard rate for companies (RSA)	**29.0%**	29.0%
Adjusted for:		
Capital gains taxation	**0.4%**	1.4%
Non-taxable income	**(3.0)%**	(4.2)%
Non-deductible expenses	**0.6%**	3.6%
Minorities share of profit before taxation	**(1.5)%**	(1.4)%
Rate differences	**0.2%**	0.4%
STC	**2.3%**	21.0%
Effective tax rate	**28.0%**	**49.8%**

27. EARNINGS PER ORDINARY SHARE

Earnings reconciliation		
Profit attributable to shareholders	**582**	338
After tax profit on sale of associate	**–**	(37)
Profit on sale of property, plant and equipment	**(1)**	(1)
Headline earnings	**581**	300
Net STC on special dividend	**–**	168
BEE share-based payment	**–**	85
Core earnings	**581**	**553**
Weighted number of issued ordinary shares		
Number of issued ordinary shares at beginning of year	**394 338 449**	350 065 992
Weighted number of ordinary shares issued during year	**–**	12 372 394
Weighted number of treasury shares	**(36 732 391)**	(15 297 978)
	357 606 058	**347 140 408**
Diluted number of issued ordinary shares		
Weighted number of issued ordinary shares	**357 606 058**	347 140 408
Weighted number of treasury shares held in terms of the BEE initiative not yet released from treasury stock	**33 778 487**	41 580 447
Adjustment for outstanding share options granted	**2 722 055**	3 696 405
	394 106 570	**392 417 260**

27. **EARNINGS PER ORDINARY SHARE** (continued)

	2007	2006
Earnings per ordinary share (cents)		
Basic	**162.5**	97.1
Diluted	**147.5**	85.9
Headline earnings per ordinary share (cents)		
Basic	**162.2**	86.3
Diluted	**147.2**	76.3
Core earnings per ordinary share (cents)		
Basic	**162.2**	159.3
Diluted	**147.2**	140.9

28. CASH FLOW INFORMATION

28.1 Reconciliation of profit before taxation to cash generated from operations

	R'm	R'm
Operating profit before interest and taxation	**1 006**	779
Non-cash items		
Trade names amortised	**–**	1
Movement in share-based payment reserve	**8**	90
Depreciation	**146**	124
Impairment of property, plant and equipment	**–**	12
Movement in retirement benefit obligations	**27**	26
Profit on sale of property, plant and equipment	**(1)**	(1)
Operating income before changes in working capital	**1 186**	**1 031**
Working capital changes	**1**	**(37)**
Increase in inventories	**(18)**	(13)
Increase in trade and other receivables	**(60)**	(105)
Increase in trade and other payables	**79**	81
	1 187	**994**

28.2 Taxation paid

Liability at beginning of year	**(47)**	(33)
Business acquisitions	**–**	(5)
Provision for year	**(267)**	(457)
	(314)	**(495)**
Liability at end of year	**8**	47
	(306)	**(448)**

28.3 Investment to maintain operations

Property, plant and equipment purchased	**(139)**	(120)
Distributions from associates	**–**	4
Other investment and loans	**–**	(2)
	(139)	**(118)**

28. CASH FLOW INFORMATION (continued)

		2007 R'm	2006 R'm
28.4	**Investment to expand operations**		
	Property, plant and equipment purchased	**(186)**	(176)
	Loans granted/(repaid)	**75**	(50)
	Business acquisitions	**(426)**	(131)
	Acquisition of minority interests in hospital activities	**(5)**	–
		(542)	**(357)**
28.5	**Proceeds on sale of property, plant and equipment**		
	Book value of property, plant and equipment sold	**8**	2
	Profit per income statement	**1**	1
		9	**3**
28.6	**Proceeds on sale of associates**		
	Book value of associate	**–**	41
	Profit per income statement	**–**	43
		–	**84**
28.7	**Distributions paid to shareholders**		
	Capital distributions declared and paid during year	**–**	(45)
	Capital distributions received on treasury shares held	**–**	1
	Dividends declared and paid during year	**(178)**	(1 449)
		(178)	**(1 493)**
28.8	**Cash, cash equivalents and bank overdrafts**		
	For the purposes of the cash flow statement, cash, cash equivalents and bank overdrafts include:		
	Cash and cash equivalents	**716**	160
	Bank overdrafts	**(359)**	(11)
	Southern Africa operations (see Note 20)	**(143)**	–
	Middle East operations (see Note 20)	**(216)**	–
		357	**149**

29. COMMITMENTS

Capital commitments

	2007 R'm	2006 R'm
Incomplete capital expenditure contracts – Southern Africa	**214**	251
Incomplete capital expenditure contracts – Middle East	**201**	–
	415	251
Capital expenses authorised by the Board of Directors but not yet contracted	**274**	133
	689	**384**

These commitments will be financed from Group and borrowed funds.

29. COMMITMENTS (continued)

	2007 R'm	2006 R'm
Operating lease commitments		
The Group has entered into various operating lease agreements on premises and equipment. At 31 March 2007 and 31 March 2006, future non-cancellable minimum lease rentals are payable during the following financial years:		
Within 1 year	**38**	31
1 to 5 years	**87**	76
Over 5 years	**–**	1
	125	**108**

30. SEGMENTAL REPORT

The Group is organised into two geographic segments, which is the basis on which primary segment information is reported.

The segments are as follows:

Southern Africa operations
Middle East operations

Financial information pertaining to the geographic segments for 2007 is as follows:

	Southern Africa R'm	Middle East R'm	Total R'm
Goodwill, included in total assets	**55**	**364**	**419**
Total assets	**3 951**	**1 538**	**5 489**
Total liabilities	**2 212**	**457**	**2 669**
Capital expenditure	**325**	**–**	**325**

The Group acquired the Middle East operations at the end of the 2007 financial year and therefore no comparative or income statement information are provided.

31. RETIREMENT BENEFITS

The Group provides retirement benefits to its permanent employees as determined by the rules of retirement fund by contributing monthly to the funds.

The Group has a number of defined contribution funds which are controlled by the Pension Funds Act, 1956, and administered by financial institutions.

32. RELATED PARTY TRANSACTIONS

	2007 R'm	2006 R'm
The major shareholder of the Group is Industrial Partnership Investments Limited (Remgro Limited), which owns 43.4% (2006: 43.4%). The remaining shares are listed and widely held.		
The following transactions were carried out with related third parties:		
(i) **Transactions with shareholders**		
M & I Group Services Limited (subsidiary of Remgro Limited)		
Managerial and administration fees	**3**	3
Balance owing to	**–**	2
Remgro Finance Corporation Limited (subsidiary of Remgro Limited)		
Interest received	**–**	31
M & I Group Services Limited		
Internal audit services	**1**	1

(ii) **Key management compensation**

Directors

Information regarding the directors' remuneration appears in note 24.

33. BUSINESS ACQUISITIONS

The Group has acquired the hospitals in the Protector group (R121 million) with effect from 7 November 2006 as well as an equity interest (R387 million) of 50% plus one share in Emirates Healthcare Holdings Limited BVI ("Emirates Healthcare") on 27 March 2007.

The acquired businesses of the Protector Group contributed R34 million to the Group's revenue for the year.

During the previous year the Group has acquired the remaining 50% interest in ER24 Holdings (Pty) Ltd with effect from 1 April 2005, a 49.9% interest in the Wits University Donald Gordon Medical Centre (Pty) Ltd with effect from 1 July 2005, as well as a 100% interest in Phosido Health Services (Pty) Ltd t/a Legae Private Hospital with effect from 1 December 2005. The acquired businesses contributed revenues of R127 million for the year.

Details of net assets and goodwill acquired is:

	2007 R'm	2006 R'm
Property, plant and equipment	**(623)**	(172)
Goodwill	**(362)**	–
Investment in associates	**(1)**	15
Deferred income tax	**–**	(1)
Inventories	**(19)**	(4)
Trade and other receivables	**(146)**	(37)
Cash resources	**–**	(27)
Interest-bearing debt	**104**	35
Retirement benefit obligations	**–**	3
Trade and other payables	**152**	26
Taxation	**–**	5
Minority interest of existing shareholders	**391**	–
Value of interests acquired	**(504)**	(157)
Goodwill	**(4)**	(1)
Purchase consideration	**(508)**	**(158)**
Purchase consideration	**(508)**	(158)
Purchase consideration outstanding	**82**	–
Cash resources	**–**	27
Cash outflow on acquisition	**(426)**	**(131)**

The goodwill is attributable to the high profitability expected from the acquisition of Emirates Healthcare.

HISTORIC FINANCIAL INFORMATION RELATING TO HIRSLANDEN

INTRODUCTION

Set out below is the report of historical financial information on Hirslanden for the financial years ended 31 December 2006, 31 December 2005 and 31 December 2004. The 2006 financial statements have been consolidated for the first time at the Hirslanden Finanz AG level. The previous group consisted of Klinik Hirslanden AG and its subsidiaries. On 17 February 2005 the shareholders of Klinik Hirslanden AG incorporated Hirslanden Finanz AG as the new legal parent company of the Hirslanden group and sold their shares of Klinik Hirslanden AG according to the contract dated 24 February 2005 to Hirslanden Finanz AG. This transaction formed part of the refinancing of the debts as of 1 March 2005. As the transfer of shares was conducted between entities under 'common control', meaning that no external third party was directly involved in the transaction, it was considered as a merger of the two entities and was accounted for using the pooling of interest method (also known as 'merger accounting'). This method implies that the consolidated financial statements are presented as if Hirslanden Finanz AG had always been the legal parent of the group and that the difference between the purchase price paid and the consolidated equity of Klinik Hirslanden AG and its subsidiaries is recognised in equity. Prior year comparatives have been restated accordingly.

The consolidated income statement, balance sheet, statement of changes in equity, cash flow statement and the related notes for the year ended 31 December 2006 including comparative figures for the year ended 31 December 2005 and has been extracted, without adjustment, from the audited statutory financial statements Hirslanden Finanz AG. The consolidated income statement, balance sheet, statement of changes in equity and cash flow statement for the year ended 31 December 2004 on Klinik Hirslanden AG were added for information purposes only. The audited statutory financial statements of Hirslanden for the years ended 31 December 2006, 31 December 2005 and 31 December 2004 have been prepared in accordance with International Financial Reporting Standards and have been reported on without qualification by Ernst & Young AG.

The accounting policies of Hirslanden were compared to the accounting policies of Medi-Clinic and one divergence was identified. This relates to the valuation of inventories. Medi-Clinic values inventories on a first-in-first-out basis and Hirslanden values inventories on a weighted average cost method. The effect on Hirslanden's figures of changing the policy to comply with Medi-Clinic's has been recalculated and determined to be not material. Accordingly no adjustments have been made to Hirslanden's figures.

Other than as detailed in the proposed acquisition circular, of which this annexure forms part, no material changes in the financial position or nature of the Hirslanden group have occurred since 31 December 2006, other than those arising in the normal course of business.

The preparation of the report of historical financial information as set out in this annexure is the responsibility of the directors of Medi-Clinic.

EXTRACT FROM THE FINANCIAL REVIEW BY MANAGEMENT

2006 Financial Year

Economic environment

The overall situation in the health sector is not expected to undergo significant changes in the near future. The demand especially for high quality healthcare services is still increasing. Due to the good market position and a well established brand the Group expects to further enlarge its market share.

Results for the year

2006 was a very successful year for the Group with a solid income growth from CHF thousand 813'695 in 2005 to CHF thousand 907'199 in 2006. Management is pleased with this figure as it shows that the newly established centres have been successful.

Income tax

An analysis of the income tax charge is set out in Note 7 to the consolidated financial statements. The income tax charge as a percentage of profit before income tax was 20.6% in the current year and 24.9% in the previous year.

Proposed dividends

No dividends were paid and there have been no proposed dividends for 2006.

2005 Financial Year

Economic environment

In general two factors drive the Group's relative resilience to economic instabilities:

(i) the necessity nature of medical treatment and (ii) the relative inelasticity of private medical insurance penetration. Although the Group specialises in mainly elective medical treatment, rather than trauma procedures and therefore patients can choose to some degree when they want to undergo the procedure, these treatments are nevertheless regarded as a necessity and as such demand is non-cyclical.

The private medical insurance which is often necessary to obtain treatment at the Group can also be regarded as relatively inelastic, as it is effectively one of the last discretionary expenses to be cut by individuals in times of economic downturn, primarily due to the significantly higher cost to rejoin at a later stage and also the emotional considerations of ensuring the best possible medical care. Therefore as individuals grow older (particularly in light of the ageing Swiss population) and become more susceptible to illness, they will be especially keen to retain their private cover.

A major issue for the Group's acute care clinics is the tariff situation. The outpatient tariff TarMed that was introduced in January 2004 has lead to a short-term drop in outpatient revenues. Investment in radiology equipment as well as efficiency measures has led to increased frequencies and better margins again.

Currently a Swiss DRG (Diagnosis Related Groups; method of classifying inpatient hospital services) is being developed which should form a consistent and standardized Swiss compensation model for basic insured inpatients. Together with these fundamental works also the hospital financing model is under discussion (possible switch to a monistic or dual fixed system). With the potential introduction of Swiss DRG issues like quality, transparency and benchmarking are quickly gaining importance. Compensation will then be more price related than cost focused.

The overall situation in the health sector is not expected to undergo significant changes in the near future. Most uncertainties lie within the before mentioned TarMed tax point value and the OKP-contracts ("Obligatorische Krankenpflegeversicherung"; compulsory basic medical insurance) in Berne and Aarau.

The demand especially for high quality healthcare services is still increasing. Due to good market position and a well established brand the Group expects to further enlarge its market share.

Results for the year

2005 was another very successful year for the Group with a solid revenue growth from CHF thousands 738'614 in 2004 to CHF thousands 823'574 in 2005. Management is pleased with this figure as it shows that the newly established centres have been extremely successful. Additionally the acquisition of Klinik St. Anna during the year has also assisted in the growth of the Group.

Income tax

An analysis of the income tax charge is set out in Note 7 to the consolidated financial statements. The income tax charge as a percentage of profit before income tax was 23.5% in the current year and 20% in the previous year.

Proposed dividends

No dividends were paid in 2005. There have been no proposed dividends for 2005.

AUDITED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2006

	Notes	2006 CHF'000	2005* CHF'000	2004** CHF'000
Revenues – inpatient		689 578	612 873	564 546
Revenues – outpatient		167 226	151 910	130 980
Revenues		**856 804**	**764 783**	**695 526**
Other operating income	5.1	50 395	48 912	43 088
Total Income		**907 199**	**813 695**	**738 614**
Labour cost	5.2	372 530	333 091	303 255
Medical fees		22 561	21 188	24 319
Material consumed	5.2	218 482	196 136	175 346
Other expenses				
– Repairs and maintenance		24 647	21 670	19 244
– Insurance, public fees		5 937	4 743	4 278
– Utilities, energy		8 029	7 139	6 420
– Administrative expenses	5.2	30 167	27 982	26 276
Other operating expenses	5.2	18 848	19 503	17 818
Total Costs		**701 201**	**631 452**	**576 956**
Income from operations before depreciation, amortization, business combination and restructuring		**205 998**	**182 243**	**161 658**
Income from business combination		–	39 145	–
Gain on disposal of non-current assets	3	361	–	–
Depreciation and impairment of property, plant and equipment	8	58 465	54 566	45 628
Amortization of intangible assets	9	752	490	142
Impairment of other financial assets		200	–	–
Operating profit		**146 942**	**166 332**	**115 888**
Profit from associates and joint ventures		261	303	(114)
Interest and financial income	6.1	1 222	1 193	908
Interest and financial expenses	6.2	44 375	47 560	37 651
Profit before taxes		**104 050**	**120 268**	**79 031**
Income tax expense	7	21 416	20 175	15 821
Profit for the year		**82 634**	**100 093**	**63 210**
Attributable to:				
Equity holders of the parent		81 295	97 955	63 209
Minority interests		1 339	2 138	1
		82 634	**100 093**	**63 210**

*) Prior year comparatives have been restated to reflect amounts after the merger with Hirslanden Finanz AG (see Note 1 and 25).

**) The consolidated income statement, balance sheet, statement of changes in equity and cash flow statement for the year ended 31 December 2004 on Klinik Hirslanden AG were added for information purposes only.

CONSOLIDATED BALANCE SHEET
at 31 December 2006

	Notes	2006 CHF000	2005* CHF000	2004** CHF000
ASSETS				
Non-current assets				
Property, plant and equipment	8	876 922	849 878	702 288
Intangible assets	9	36 111	34 376	33 422
Financial assets		1 409	1 441	1 469
Other financial assets	12	2 812	4 619	1 004
Investment in associates and joint ventures	10	547	1 031	777
Pension asset	13	8 879	16 913	23 966
		926 680	**908 258**	**762 926**
Current assets				
Inventories	14	28 545	28 340	26 502
Trade and other receivables	15	206 730	200 036	164 052
Prepayments		74	141	72
Cash and cash equivalents	16	21 426	29 793	36 391
		256 775	**258 310**	**227 017**
TOTAL ASSETS		**1 183 455**	**1 166 568**	**989 943**
EQUITY AND LIABILITIES				
Equity				
Share capital	17	70 100	70 100	22 500
Share premium and capital deficit	17	(133 027)	(133 299)	
Treasury shares				(1 247)
Retained earnings		173 009	91 515	114 451
		110 082	**28 316**	**135 704**
Minority interests		5 113	5 115	211
Total equity		**115 195**	**33 431**	**135 915**
Non-current liabilities				
Interest-bearing loans and borrowings	18	788 041	872 244	642 797
Provisions	19	21 850	26 747	24 454
Deferred tax liabilities	7	67 925	68 562	52 879
		877 816	**967 553**	**720 130**
Current liabilities				
Interest-bearing loans and borrowings	18	54 736	47 095	44 952
Trade and other payables	20	113 682	99 508	76 113
Income tax payable		19 133	16 672	12 582
Provisions	19	2 893	2 309	251
		190 444	**165 584**	**133 898**
Total liabilities		**1 068 260**	**1 133 137**	**854 028**
TOTAL EQUITY AND LIABILITIES		**1 183 455**	**1 166 568**	**989 943**

*) Prior year comparatives have been restated to reflect amounts after the merger with Hirslanden Finanz AG (see Notes 1 and 25)

**) The consolidated income statement, balance sheet, statement of changes in equity and cash flow statement for the year ended 31 December 2004 on Klinik Hirslanden AG were added for information purposes only

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2006**

	Attributable to equity holders of the parent					Minority interests	Total equity
	Issued capital (Note 17)	Treasury shares	Share prem. and cap. def. (Note 17)	Retained earnings	Total		
	CHF000	CHF000	CHF000	CHF000	CHF000	CHF000	CHF000
At 1 January 2006	**70 100**	**–**	**(133 299)**	**91 515**	**28 316**	**5 115**	**33 431**
Other changes in equity (IAS 32.35)				695	695		695
Changes in participation relationship			272	(496)	(224)	(1 341)	(1 565)
Profit for the year				81 295	81 295	1 339	82 634
At 31 December 2006	**70 100**	**–**	**(133 027)**	**173 009**	**110 082**	**5 113**	**115 195**

	Attributable to equity holders of the parent					Minority interests	Total equity
	Issued capital (Note 17)	Treasury shares	Share prem. and cap. def. (Note 17)	Retained earnings	Total		
	CHF000	CHF000	CHF000	CHF000	CHF000	CHF000	CHF000
At 1 January 2005 (as previously stated)	**22 500**	**(1 247)**	**34 916**	**79 535**	**135 704**	**211**	**135 915**
Merger with Hirsl. Finanz (Note 25)	47 600	1 247	(168 215)	(85 096)	(204 464)	3 068	(201 396)
Other changes in equity (IAS 32.35)	–	–	–	(743)	(743)	–	(743)
Changes in participation relationship	–	–	–	(136)	(136)	(302)	(438)
Profit for the year	–	–	–	97 955	97 955	2 138	100 093
At 31 December 2005	**70 100**	**–**	**(133 299)**	**91 515**	**28 316**	**5 115**	**33 431**

	Attributable to equity holders of the parent					Minority interests	Total equity
	Issued capital	Treasury shares	Retained earnings	Other reserves	Total		
	CHF000	CHF000	CHF000	CHF000	CHF000	CHF000	CHF000
At 1 January 2004 (as previously stated)	**22 500**	**(1 247)**	**(6 049)**	**34 916**	**50 120**	**203**	**50 323**
Effect of adopting IFRS	–	–	22 375	–	22 375	10	22 385
At 1 January 2004 (re-stated)	22 500	(1 247)	16 326	34 916	72 495	213	72 708
Changes in participation relationship	–	–	–	–	–	(3)	(3)
Profit for the year	–	–	63 209	–	63 209	1	63 210
At 31 December 2004	**22 500**	**(1 247)**	**79 535**	**34 916**	**135 704**	**211**	**135 915**

**) The consolidated income statement, balance sheet, statement of changes in equity and cash flow statement for the year ended 31 December 2004 on Klinik Hirslanden AG were added for information purposes only.

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2006

	Notes	2006 CHF000	2005* CHF000	2004 CHF000
Operating profit		**146 942**	**166 332**	**115 888**
Depreciation and amortization of operating assets		59 417	55 055	45 770
Other non-cash items		6 223	33 974	6 570
Change in net working capital		6 693	4 982	6 059
Cash generated from operations		**219 275**	**260 343**	**174 287**
Income taxes paid		(20 417)	(17 302)	(13 089)
Other income and expenses		–	25	35
Cash flow operating activities (A)		**198 858**	**243 066**	**161 233**
Purchase of property, plant and equipment		(88 897)	(59 656)	(50 615)
Disposal of property, plant and equipment		2 176	15 908	9 339
Net gain/loss on disposal of property, plant and equipment		(264)	3 268	(185)
Purchase/Disposal of financial assets, intangible and other assets		(2 105)	(2 025)	(582)
Cash flow from business combination		–	(91 997)	–
Cash flow from disposal of non-current assets	3	1 192	–	–
Cash flow used in investing activities (B)		**(87 898)**	**(134 502)**	**(42 043)**
Dividends received		20	44	25
Interest received		899	1 519	826
Interest paid		(34 978)	(36 739)	(37 651)
Other financial income and expenses		148	(20 792)	(165)
Repayment of long-term interest-bearing loans and borrowings		(85 416)	(330 652)	(68 105)
Proceeds from interest-bearing loans and borrowings		–	271 358	2 716
Capital contribution		–	100	–
Cash flow used in financing activities (C)		**(119 327)**	**(115 162)**	**(102 354)**
Net in-/decrease in cash and cash equivalents (A+B+C)	16	**(8 367)**	**(6 598)**	**16 836**
Beginning balance of cash and cash equivalents		29 793	36 391	19 555
Ending balance of cash and cash equivalents		21 426	29 793	36 391

*) Prior year comparatives have been restated to reflect amounts after the merger with Hirslanden Finanz AG (see Note 1 and 25).

**) The consolidated income statement, balance sheet, statement of changes in equity and cash flow statement for the year ended 31 December 2004 on Klinik Hirslanden AG were added for information purposes only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Hirslanden Finanz AG (the 'company'), a limited corporation domiciled in Zurich, was incorporated on 17 February 2005 in order to perform certain holding activities for the Group (Hirslanden Finanz AG and its subsidiaries). The company was incorporated as the new legal parent of the Group as described below.

Hirslanden Finanz AG is a wholly-owned subsidiary of Hirslanden Healthcare S.A., Luxembourg (financing company), which itself is a wholly owned subsidiary of Hirslanden Investment S.A., Luxembourg belonging by the majority to a fund advised by BC Partners.

The consolidated financial statements of Hirslanden Finanz AG for the year ended 31 December 2006 were authorised for issue in accordance with a resolution of the board of directors on 5 April 2007.

The group operates clinics in Switzerland based on identical principles:

- First class medical quality in line with the latest developments
- Comprehensive services from diagnosis to rehabilitation
- Skilled nursing in pleasant surroundings
- Individual ambience in each clinic
- Highly qualified specialists with experience
- A network of specialised institutes and centres of expertise

For the first time, this year's consolidated financial statements are prepared on consolidation level Hirslanden Finanz AG. The previous group consisted of Klinik Hirslanden AG and its subsidiaries. On 17 February 2005 the shareholders of Klinik Hirslanden AG incorporated Hirslanden Finanz AG as the new legal parent company of the Group and sold their shares of Klinik Hirslanden AG according to the contract dated 24 February 2005 to Hirslanden Finanz AG. This transaction formed part of the refinancing of the debts as of 1 March 2005.

As the transfer of shares was conducted between entities under 'common control', meaning that no external third party was directly involved in the transaction, it was considered as a merger of the two entities and was accounted for using the pooling of interest method (also known as 'merger accounting'). This method implies that the consolidated financial statements are presented as if Hirslanden Finanz AG had always been the legal parent of the group and that the difference between the purchase price paid and the consolidated equity of Klinik Hirslanden AG and its subsidiaries is recognised in equity. Prior year comparatives have been restated accordingly (Note 25).

Hirslanden Finanz AG holds 98.51% (2005: 97.96%) of Klinik Hirslanden AG and its subsidiaries.

On 8 December 2006 GKS (Gesellschaft zur Errichtung und zum Betrieb radioneurochirurgischer Behandlungszentren mbH, München), including its subsidiaries in Frankfurt and Krefeld has been disposed of. The consolidated financial statements include the results of GKS until 8 December 2006 (Note 3).

The consolidated financial statements 2005 include the results of Klinik St. Anna AG for the six-monthly period from its acquisition on 1 July 2005.

2. SIGNIFICANT ACCOUNTING POLICIES AND PRINCIPLES

2.1 Basis of preparation

The consolidated financial statements of Hirslanden Finanz AG, Zürich (Switzerland) and its subsidiaries are prepared in compliance with Swiss law and in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The consolidated financial statements are presented in Swiss Francs (CHF), which is the reporting currency, and all values are rounded to the nearest thousand (CHF000) except when otherwise indicated. The consolidated financial statements have been prepared in accordance with the cost method, except for the valuation of financial assets and pension asset, which are subject to fair value adjustments.

Statement of compliance

The consolidated financial statements of Hirslanden Finanz AG and all its subsidiaries have been prepared in accordance with IFRS. All standards issued by the IASB and all interpretation issued by the International Financial Reporting Interpretation Committee (IFRIC) which were in effect as of the balance sheet date have been considered in the preparation of the consolidated financial statements.

Basis of consolidation

The consolidated financial statements of Hirslanden Finanz AG for the years ended December 31, 2006 and 2005 comprise the financial statements of the company and its subsidiaries and their interest in associated companies. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses are eliminated in full. No profits and losses resulting from intra-group transactions are recognised in assets.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Minority interests represent the portion of profit or loss and the net assets of the entities that are not held completely by the Group. Minority interests are presented separately in the income statement and within equity in the consolidated balance sheet.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amended standards and new interpretations which did not have any impact on the financial statements but gave rise to additional disclosure to the extent applicable for the Group:

IAS 21	Amendments – The Effects of Changes in Foreign Exchange Rates (Net investments in a foreign operation)
IAS 39	Amendments – Financial Instruments: Recognition and Measurement (Guarantee contracts, hedges of forecast intragroup transactions, use of the fair value option)
IFRIC 4	Determining whether an Arrangement contains a Lease
IFRIC 5	Rights to Interest Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

For the prior year published consolidated financial statements 2005, IAS 19 – Amendments – Employee Benefits (revised) was early adopted.

The following new or amended standards and interpretations have become effective and will be adopted as required by the transitional provisions for the financial year beginning on 1 January 2007. They will not have a material impact on the financial statements of the Group, but give rise to additional disclosures:

IAS 1	Presentation of Financial Statements: Capital Disclosures (effective for the financial year beginning on 1 January 2007)
IFRS 7	Financial Instruments: Disclosures (1 January 2007)
IFRS 8	Operating Segments (1 May 2006)
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions (1 March 2007)
IFRIC 12	Service Concession Arrangements (1 January 2008)

Where changes have been made in the presentation of the current reporting, comparative data taken over from prior year has been reclassified or completed as required in the consolidated income statement, balance sheet and notes to the consolidated financial statements.

2.3 Significant accounting judgements and estimates

The preparation of the financial statements in conformity with IFRS requires that management and the Board of Directors make judgements and estimates which affect the amounts of the assets and liabilities, contingent liabilities, as well as the income and expenses reported in the financial statements for the reporting period. These judgements and estimates take into consideration historic experience as well as developments in the economic circumstances and are further based on management's best knowledge of current events and actions that the Group may undertake in the future.

The actual results could deviate due to the following judgement which is subject to uncertainties:

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires and estimation of the "value in use" of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also chooses a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in Note 11.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in Note 7.

Pension and other post employment benefits

The cost of defined benefit pension plans and other post employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rate, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in Note 13.

Provisions

The Group recognises a provision for "Tariff Risks" (Note 19). The Group has determined that it retains all risks based on best knowledgeable judgment/estimation at the time these financial statements were established.

Property, plant and equipment

Fixed installations as part of a building were depreciated over the useful live of 50 years until the end of financial year 2005. Starting 2006 the useful live of these fixed installations is recognised with 50 years (unchanged) for investments in outside works (e.g. canalisation) and 15 years for fixed installation inside the building.

This reassessment of the fixed inside – installations existing at 31 December 2005 lead to higher depreciations of CHF thousand 5'224 annually. This amount decreases for the first time in 2010 when the useful lives of some reassessed installations end.

2.4 Summary of significant accounting policies

Property, plant and equipment

Property, plant and equipment are valued at acquisition or construction cost less depreciation and impairment loss. Depreciation is calculated on a straight line basis over the useful life of the asset:

	Useful lives:
Land	No depreciation
Building (incl. canalisation etc.)	50 years
Fixed inside – installations and leasehold improvement	15 years
Machinery	5 – 8 years
Furniture and vehicles	5 years
Leasing equipment	6 years

Leases

The determination of whether an arrangement is, or contains a lease is based on the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of specific assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease if one of the following applies:

a) There is a change of contractual terms, other than a renewal or extension of the arrangement;
b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term
c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
d) There is substantial change on the asset.

When a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a), c) or d) and the date of renewal or extension period for scenario b).

Group as a lessee

Leases of equipment (medical machinery, etc.) where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Equipment acquired through a finance lease is capitalized at the date of inception of the lease at the present value of the minimum future lease payments. The corresponding lease obligations, excluding finance charges, are included in current or long-term financial liabilities.

Intangible assets

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Any negative difference between the acquisition price and the calculated equity is immediately recognised in the income statement. Apart from goodwill, the intangible assets which are to be capitalized are also determined when an initial consolidation takes place.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized.

Computer software

Costs associated with developing or maintaining computer software programs are recognized as an expense when incurred. Costs that are directly associated with identifiable and unique software products controlled by the Group and which will probably generate economic benefits exceeding costs beyond one year are recognized as intangible assets.

Expenditures which enhance or extend the performance of computer software programs beyond their original specifications are capitalized and added to the original cost of the software. Computer software development and integration costs recognized as assets are amortized using the straight-line method over their estimated useful lives.

	Useful lives:
Microsoft Licences	3 years
PACS Picture Archiving and Communication System for Radiology	5 years
SAP Access Authorizations	5 years
SAP Integration Costs	5 years

Impairment of assets

At each reporting date the Group assesses whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at re-valued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Non-current financial assets (including other non-current financial assets)

Non current financial assets (including other non-current financial assets) are all assigned to "assets held for sale". They are measured at fair value.

Investments in associates and joint ventures

Investments in associated companies (i.e. companies where significant influence is exercisable or Hirslanden Finanz AG directly or indirectly holds between 20% and less than 50% of the voting rights) are accounted for on a proportional basis using the equity method.

Other financial assets

Other financial assets consist of long-term receivables from associates and third parties. They are classified as loans originated by the Group and valued at amortised cost. Financial assets held to maturity are stated at their continued amortized cost. Purchases and sales of financial assets are accounted for at settlement date. Gains and losses of other financial assets are recognised in the income statement.

Inventories

Inventories are recognized at the lower of cost or net realisable value. Cost is determined by using the weighted average cost method.

Trade and other receivables

Trade receivables, which generally have 30 day terms are recognized and carried at the original invoice amount. Provisions are made when there is objective evidence that the Group will not be able to collect the debts.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks, at post and on hand. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Interest-bearing loans and borrowings

Bank loans acquired are recognized initially at the proceeds received, net of transaction costs incurred. In subsequent periods, bank loans are stated at amortized cost using the effective interest method with any difference between the proceeds (net of transaction costs) and the redemption value being recognized in the income statement.

Provisions

A provision is recognized when there exists a legal or constructive obligation arising from past events and a reliable estimate can be made of the amount that will be required to settle that obligation.

Pensions and other post-employment benefits

The Group's companies operate defined benefit pension plans for their employees, which require contributions to be made to separately administered funds. Professionally qualified independent actuaries determine annually for each plan the cost of providing benefits under the defined benefit plans using the projected unit credit method. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting year exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains and losses are recognized over the expected average remaining working lives of the employees participating in the plans. Past service costs are recognized on a straight-line basis over the average period until the amended benefits become vested. Gains or losses on the curtailment or settlement of pension benefits are recognized when the curtailment or settlement occurs. 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 unrecognized actuarial losses and past service costs. The annual pension costs of the Group's benefit plans are charged to labour cost.

Other long-term employee benefits

The Group's companies provide jubilee benefits. The liability recognized is determined annually by actuaries.

Other reserves

The incorporation of Hirslanden Finanz AG and the transfer of Klinik Hirslanden shares to Hirslanden Finanz AG have been conducted under "common control" and thus do not qualify for purchase accounting as stipulated under IFRS 3. In accordance with the "pooling of interest method" (merger accounting), no fair-value adjustments have been made when combining the carrying values of the entities. Any difference between the proceeds paid for the shares and the underlying equity was immediately taken to equity.

Revenue recognition

Revenues are valued with 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. Discounts, sales taxes and other taxes associated with the revenues have to be deducted. Internal revenue within the Group are eliminated. Revenue from the provision of services is posted in the financial year in which the services are provided.

Income taxes

Income taxes on profit or loss for the period comprise current and deferred taxes. Income taxes are recognised in the income statement except to the extent that they relate to items recognised to equity, in which case they are recognised directly in equity.

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Tax rates enacted or substantially enacted at the balance sheet date are used to determine the deferred tax expense.

Deferred tax assets are recognized to the extent that it is probably that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is treated accordingly.

Contingent liabilities

Contingent liabilities arise from conditions or situations where the outcome depends on future events. They are disclosed in the notes to the consolidated financial statements.

3. DISPOSAL OF NON-CURRENT ASSETS

GKS Gamma Knife Centres (GKS), Germany

In 2006 the revenues of the German subsidiary GKS, which operates "Gamma Knife" machines kept on declining and business outlooks showed further negative results. Therefore, in September 2006 the Executive Board decided to dispose of this entity including all related assets.

On 20 November 2006 the Board of Directors approved two contracts whereas Frankfurt and Munich operations of GKS are to be sold to a Frankfurt radio physicist for CHF thousands 790 and the minority participation Krefeld (Note 10) for CHF thousand 443 to the major associate. Closing date of the deal was 8 December 2006. Total cash received from disposal amounts to CHF thousand 1'233, minus cash sold of CHF thousand 41 results in a cash flow from disposal of non-current assets of CHF thousand 1'192.

GKS has been fully consolidated until December 8, being the date on which the Group's control over GKS ceased. The Group's profit on the disposal of GKS and all related assets amounts to CHF thousand 361.

The consolidated income statement 2006 includes the income statement of GKS until 8 December 2006. The contribution is as follows:

	2006 CHF000
Revenues	1 199
Operating costs	(1 416)
Loss from operations before depreciation and interest	**(217)**
Depreciation and interest	(62)
Loss for the period	**(279)**

4. SEGMENT INFORMATION

Group's hospital operations are legally and economically independent enterprises which enjoy autonomy in carrying on their business activities in their respective regional markets (all in Switzerland). IAS 14 (revised 1997) requires the reporting of segment information classified by business areas and geographical segments only for entities whose equity securities are publicly traded.

5. OTHER OPERATING INCOME AND OTHER OPERATING EXPENSES

5.1 Other operating income

	2006 CHF000	2005 CHF000
Income from additional services rendered to patients	8 540	7 987
Other income from additional services rendered to non-patients	10 462	8 404
Rental income	12 508	11 632
Income restaurant / cafeteria and child nursery	6 156	6 485
Gain on sales of property, plant and equipment	185	4 274
Income from doctors for administrative work	4 738	5 286
Other revenues	7 806	4 844
Total	**50 395**	**48 912**

5.2 Labour costs, material consumed, administrative expense and other operating expense

	2006 CHF000	2005 CHF000
Labour costs		
Salaries	313 460	281 966
Social charges	49 737	44 108
Other labour costs	9 333	7 017
Total labour cost	**372 530**	**333 091**
Material consumed		
Medical material consumed	189 379	169 797
Other material consumed	29 103	26 339
Total material consumed	**218 482**	**196 136**
Administrative expense		
Office supplies	4 337	4 026
Telephone and similar expenses	3 731	3 740
Representation expenses	2 800	2 224
Consulting fees IT	5 141	5 275
Other consulting fees	3 217	3 779
Publications	1 044	1 048
Advertising and promotion	7 542	6 218
Other administrative expenses	2 355	1 672
Total administrative expenses	**30 167**	**27 982**
Other operating expense		
Recycling	1 389	1 203
Rental expenses	13 058	12 876
Architect fees	500	529
Capital taxes	750	777
Public fees	320	599
Loss on sales of property, plant and equipment	449	1 006
Other expenses	2 382	2 513
Total other operating expenses	**18 848**	**19 503**

6. INTEREST AND FINANCIAL INCOME AND EXPENSES

6.1 Interest and financial income

		2006 CHF000	2005 CHF000
Interest Income	Banks	842	977
	Other	57	126
Financial income	Other	323	90
Total interest and financial income		**1 222**	**1 193**

6.2 Interest and financial expenses

		2006 CHF000	2005 CHF000
Interest expense	Other loans: UBS Ltd., London / J.P. Morgan Ltd	34 163	32 700
	Mortgage	575	495
	Hirslanden Healthcare S.A., Luxembourg (Note 22)	–	445
	Other	436	828
Financial expense	Transaction Costs	8 994	12 959
	Other	207	133
Total interest and financial expenses		**44 375**	**47 560**

7. INCOME TAX

	2006 CHF000	2005 CHF000
Income tax expense in the consolidated income statement		
Current income tax		
Current income tax charge	23 991	12 285
Adjustment in respect of current income tax of previous years	(1 938)	887
Deferred income tax		
Relating to origination on reversal of temporary differences	(637)	7 003
Income tax expense reported in the consolidated financial statements	**21 416**	**20 175**
Reconciliation:		
Net profit before income tax (2005: Excluding income from business combination)	104 050	81 123
Expected income tax rate	22.00%	22.50%
Income tax expense calculated on theoretical tax rate	**22 891**	**18 253**
Adjustments for the previous years	(1 304)	887
Effect of changes in income tax rates	(789)	–
Effect of non-recognition of tax losses in current year	552	436
Other	66	599
Total income tax	**21 416**	**20 175**
Effective income tax rate	**20.58%**	**24.87%**

	31.12.2006 CHF000	31.12.2005 CHF000
Deferred income tax based on the origin of the differences		
Deferred tax assets		
Intangible assets	30	47
Current assets	500	1 509
Provisions	460	816
Short-term liabilities	–	4 860
Loss carry forward / tax credit	726	648
Total deferred tax assets	**1 716**	**7 880**
Deferred tax liabilities		
Tangible assets	59 035	56 780
Financial assets	2 097	5 269
Current assets	4 563	5 216
Long-term liabilities	1 528	6 985
Provisions	1 768	405
Short-term liabilities	650	1 787
Total deferred tax liabilities	**69 641**	**76 442**
thereof reported in the balance sheet:		
Net deferred tax liabilities	**67 925**	**68 562**

For the expected income tax rate a weighted average rate is being used which takes into account the anticipated applicable income tax rate of the individual group subsidiaries in the corresponding tax jurisdictions. The reason for the lower effective income tax rate in comparison to the previous year is mainly a release of tax provisions relating to prior years and a reduction of the income tax rates in certain jurisdictions.

The Group does not make provisions for taxes on future payouts of retained earnings from group companies because it is probable that the related temporary differences will not reverse in the foreseeable future.

Reconciliation of deferred tax liabilities:

	2006 CHF000	2005 CHF000
Net deferred tax liabilities at 1 January	68 562	52 879
Deferred income tax expense	(637)	7 003
Deferred tax liabilities Klinik St. Anna recognised on acquisition	–	8 688
Adjustments	–	(8)
Net deferred tax liabilities at 31 December	**67 925**	**68 562**

Tax loss carry forwards

As of 31 December 2006 individual subsidiaries have tax loss carry forwards of totally CHF thousand 15’838 (Previous year: CHF thousand 8’148). Deferred tax assets are only recognised to the extent that taxable profits will be available against which the loss carry forwards can be utilised.

Tax loss carry forwards expire as follows:	CHF000
As at 31.12.2009	1 245
As at 31.12.2010	461
As at 31.12.2011	188
As at 31.12.2012	5 447
As at 31.12.2013	8 497
Total loss carry forwards	**15 838**

8. PROPERTY, PLANT AND EQUIPMENT

	Property clinic buildings CHF000	Property improve-ments CHF000	Property staff buildings CHF000	Equipment CHF000	Leasing equipment CHF000	Total CHF000
31 December 2006						
At 1 January 2006, net of accumulated depreciation and impairment	**704 842**	**26 279**	**4 030**	**110 698**	**4 029**	**849 878**
Additions	11 761	41 216	–	35 920	–	88 897
Sale of non-current asset	(1 196)	–	–	(16)	–	(1 212)
Disposals	(358)	–	–	(1 818)	–	(2 176)
Depreciation charge for the year	(29 069)	–	(101)	(28 258)	(1 037)	(58 465)
Reclassification	785	(776)	–	(9)	–	–
At 31 December 2006, net of accumulated depreciation and impairment	**686 765**	**66 719**	**3 929**	**116 517**	**2 992**	**876 922**
At 31 December 2005						
Cost	848 404	26 279	5 259	303 415	4 548	1 187 905
Accumulated depreciation and impairment	(143 562)	–	(1 229)	(192 717)	(519)	(338 027)
Net carrying amount	**704 842**	**26 279**	**4 030**	**110 698**	**4 029**	**849 878**
At 31 December 2006						
Cost	858 830	66 719	5 259	307 712	4 548	1 243 068
Accumulated depreciation and impairment	(172 065)	–	(1 330)	(191 195)	(1 556)	(366 146)
Net carrying amount	**686 765**	**66 719**	**3 929**	**116 517**	**2 992**	**876 922**

Impairment of property, plant and equipment

In 2006 no impairment adjustment on property, plant and equipment had to be considered.

Pledged assets

Property and buildings with a book value of CHF thousand 757’413 (2005: CHF thousands 735’151) are pledged to secure own liabilities (Note 21).

Fire insurance

Property and buildings are insured against fire at an amount of CHF thousand 787’727 (2005: CHF thousand 793’044), equipment at an amount of CHF thousand 269 564 (2005: CHF thousand 269’573).

9. INTANGIBLE ASSETS

Goodwill / Software licenses

31 December 2006	Goodwill CHF000	Software licences CHF000	Total CHF000
Acquisition cost			
Beginning balance 1 January	32 887	2 121	35 008
+ Additions during period	–	2 487	2 487
Balance at 31 December	**32 887**	**4 608**	**37 495**
Accumulated amortization			
Beginning balance 1 January	–	(632)	(632)
– Amortization during period	–	(752)	(752)
Balance at 31 December	**–**	**(1 384)**	**(1 384)**
Net book value 31 December	**32 887**	**3 224**	**36 111**

Goodwill / Software licenses

31 December 2005	Goodwill CHF000	Software licences CHF000	Total CHF000
Acquisition cost			
Beginning balance 1 January	32 887	677	33 564
+ Additions during period	–	989	989
+ Acquisition of the subsidiary Klinik St. Anna AG	–	458	458
– Disposals during period	–	(3)	(3)
Balance at 31 December	**32 887**	**2 121**	**35 008**
Accumulated amortization			
Beginning balance 1 January	–	(142)	(142)
– Amortization during period	–	(490)	(490)
Balance at 31 December	**–**	**(632)**	**(632)**
Net book value 31 December	**32 887**	**1 489**	**34 376**

Goodwill is reviewed annually for impairment or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

10. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

The Group has interest in several companies which are also involved in the health business. All companies are private entities that are not listed on a public stock exchange.

Investments in associates are accounted for using the equity method based on the financial statements of these entities. The financial statements of these entities are prepared for the same reporting year as the Group.

The following table illustrates the Group's share of the associates' and joint venture's equity:

	2006 CHF000	**2005** CHF000
Gamma Knife Centre, D-Krefeld (2005: 20.7%)	–	404
MediQi Zürich AG, Zürich (49%)	170	151
MediQi Cham AG, Cham (49%)	114	105
Zentrallabor Zürich, Zürich (2006: 41.4%, 2005: 40.4%)	263	281
Chinamed, Luzern (2005: 33.3%)	–	90
Total book value	**547**	**1 031**

Gamma Knife Centre, D-Krefeld

This investment has been disposed of together with Gamma Knife Centre, München on 8 December 2006 (Note 3).

Zentrallabor Zürich (ZLZ)

The entity is a joint venture of various clinics in Zürich with the purpose to conduct laboratory tests for the member clinics. Based on the co-operation and the related "buying power", ZLZ is able to provide its quality services to member clinics at lower prices. The joint venture operates using official tariffs. However, as it is considered to be a non-profit organization, it refunds its gains through discounts (Note 22) and dividends to the member clinics.

Chinamed, Luzern

The disinvestment of 33.3% interest in Chinamed, Luzern in 2006 contributed a realised loss of CHF thousand 50 to the Group.

	2006 CHF000	**2005** CHF000
Share of associates' and joint venture's balance sheet and income statement:		
Assets	1 793	2 237
Liabilities	(1 246)	(1 206)
Net assets	**547**	**1 031**
Revenues	10 383	7 065
Net income	352	189
Carrying amount of the investments	**547**	**1 031**

11. IMPAIRMENT TESTING OF GOODWILL

Goodwill acquired through business combinations has been allocated to three clinics and Sinomed AG (Chinese health centres), each defined as an individual cash-generating unit for impairment testing as follows:

- Klinik Am Rosenberg Heiden
- Klinik St. Andreas-Liebfrauenhof AG
- Klinik Birshof AG
- Sinomed AG

The recoverable amount of these units has been determined based on a value in use calculation using cash flow projections based on financial plans approved by the management covering the period until 2010. The discount rate applied to cash flow projections is between 7% and 8% (2005: between 7.5% and 8%) and cash flows beyond 2010 are extrapolated using a 1% growth rate (2005: 1%).

Carrying amount of goodwill allocated to each of the cash-generating units:

	2006 CHF000	**2005** CHF000
Klinik Am Rosenberg Heiden, Heiden	10 187	10 187
Klinik St. Andreas-Liebfrauenhof AG, Cham	4 201	4 201
Klinik Birshof AG, Münchenstein	14 973	14 973
Sinomed AG, Zürich	3 526	3 526
Carrying amount of goodwill	**32 887**	**32 887**

Key assumptions used in value in use calculation for 31 December 2006

The following describes management's key assumptions for its cash flow projections to undertake the goodwill impairment testing:

Increasing demand – demand especially for high quality medical care is still increasing.

New centres and services – through newly established centres of excellence and the additional services Hirslanden's market position could be further strengthened.

Strong market share – the Hirslanden brand is well known in the Swiss market and is attracting an increasing number of patients looking for the best quality medical treatments.

Increasing frequencies – based on the above assumptions and the historic growth the Group is expecting a further increase in the number of admissions and turnover.

12. OTHER FINANCIAL ASSETS (NON-CURRENT)

	2006 CHF000	**2005** CHF000
Loan Klinik für Schlafmedizin, Luzern (Note 22)	70	70
Escrow shares Klinik Hirslanden AG	2 352	3 899
Loans – third party	390	650
Total other financial assets (non-current)	**2 812**	**4 619**

Escrow shares Klinik Hirslanden AG

A certain number of shares of Klinik Hirslanden AG have been blocked in an escrow account pursuant to an escrow agreement dated December 5, 2002 entered into by Hirslanden Healthcare S.A. and certain investors (management and board members) who had the benefit of put option agreements to obtain shares in Klinik Hirslanden AG. Under this escrow agreement, Hirslanden Finanz AG has the right to purchase the option shares held by the investors at different dates and a fixed price of CHF 1'257.65 per share. In order to finance the acquisition of these shares, Hirslanden Finanz AG has used an amount of CHF thousand 1'547 in 2006 (2005: CHF thousand 371) out of the escrow account to purchase part of the outstanding option shares.

The acquisition of the remaining 1'870 shares out of the escrow account in the amount of CHF thousands 2'352 is due in June 2007.

Loan – third party

Interest on loans is earned at commercial borrowing rates of 3.0% – 5.5% on loans to third parties.

The above disclosed carrying amounts are reasonable approximations of fair value.

13. PENSION BENEFITS

The Group has five defined benefit pension plans:

- Personalvorsorge der Klinik Hirslanden AG (cash balance plan)
- Personalvorsorge der Klinik Salem (final salary plan)
- Personalvorsorge der Klinik Birshof (cash balance plan)
- Personalvorsorge der Klinik Am Rosenberg Heiden (cash balance plan)
- Pensionskasse Klinik St. Anna (cash balance plan, acquisition of Klinik St. Anna AG on 1 July 2005)

The membership of the two pension funds Klinik Salem and Klinik Birshof have been transferred to the Hirslanden pension fund as at 1 January 2007, their defined benefit obligations have been calculated based on the Hirslanden pension plan as at 31 December 2006.

The pension plans cover all employees for risk benefits (death and disability). Cover for retirement benefit begins on 1 January following the 24^{th} birthday. The retirement pension for the cash balance plans is based on the level of the retirement credits, the interest rate to be credited and the conversion rate applied at retirement age. Risk benefits are related to pensionable salary. The maximum retirement pension of the final salary plan of Klinik Salem is 55% of the pensionable salary.

Net benefit expense (recognised in Labour cost)

	2006 CHF000	2005 CHF000
Current service cost	27 945	27 920
Interest on benefit obligation	12 048	10 560
Expected return on plan assets	(19 425)	(16 438)
Amortisation of unrecognised actuarial loss	3 436	–
Amortisation of unrecognised prior year service gain	(3 375)	–
Impact of change in limitation resulting from IAS 19 §58 (b)	16 682	10 920
Expected employee contributions	(17 947)	(15 771)
Net benefit expense	**19 364**	**17 191**
Actual return on plan assets	**23 603**	**34 744**
Amount recognised in balance sheet as at 31 December		
Defined benefit obligation	432 316	403 235
Fair value of plan assets	519 162	476 209
Excess of assets of funded obligations	**(86 846)**	**(72 974)**
Unrecognised actuarial (loss) / gain	19 505	16 512
Amount not recognised as an asset because of limitation in IAS 19 §58 (b)	58 462	41 640
Net balance sheet liability / (asset) as at 31 December	**(8 879)**	**(14 822)**
Pension asset	(8 879)	(16 913)
Pension liability (Note 19)	–	2 091
Changes in the present value of defined benefit obligation		
Opening defined benefit obligation	403 235	333 393
Service cost	27 945	27 920
Interest cost	11 917	10 560
Benefits paid	(12 018)	(9 269)
Actuarial gain	4 612	6 045
Business combination	(3 375)	34 586
Closing defined benefit obligation	**432 316**	**403 235**
Changes in fair value of plan assets		
Opening fair value of plan assets	476 209	381 855
Employer contributions	13 421	11 425
Employee contributions	17 947	15 771
Benefits paid	(12 018)	(9 269)
Expected return on plan assets	19 434	16 438
Actuarial gain	4 169	18 306
Business combination	–	41 683
Closing fair value of plan assets	**519 162**	**476 209**

The Group expects to contribute TCHF 22'018 to its defined benefit pension plans in 2007.

The major categories of plan assets as a percentage of the fair value of the total plan assets are as follows:

Asset allocation

	2006	2005
Fixed income investments	44.0%	47.0%
Equity investments	32.0%	30.0%
Real estate	17.0%	14.0%
Cash	3.0%	5.0%
Insurance contracts	4.0%	4.0%

Based on this asset allocation the expected rate of return has been set at 4% both for 2006 and 2005. The expected return is calculated as a weighted average of the investment strategy and the expected returns by investment category. The assumptions for the individual investment categories of the plan assets are based on long-term market expectations over the period during which the employee benefit obligations will fall due for payment.

The employee benefit funds do not hold any property, plant and equipment which are used by consolidated or associated companies.

The principal assumptions used in determining pension benefit obligations are:

Assumptions

	2006	**2005**
Discount rates	3.0%	3.0%
Interest rate on retirement credits	2.5%	2.5%
Expected return on plan assets	4.0%	4.0%
Future salary increases	1.5%	1.5%
Inflation	1.0%	1.0%
Pension increases for Hirslanden plan	1.0%	1.0%
Pension increases for the other plans	0.0%	0.0%

Amounts for the current and previous two periods are as follows:

	2006 CHF000	**2005** CHF000	**2004** CHF000
Defined benefit obligation	432 316	403 235	333 393
Plan assets	519 162	476 209	381 855
Surplus	86 846	72 974	48 462
Experience adjustments on plan liabilities	4 612	6 045	–
Experience adjustments on plan assets	4 169	18 306	4 251

14. INVENTORIES

	2006 CHF000	**2005** CHF000
Medical material – (at cost)	25 980	25 908
Other – (lower of cost or net realisable value)	2 565	2 432
Total inventories	**28 545**	**28 340**

15. TRADE AND OTHER RECEIVABLES (CURRENT)

Trade receivables	157 513	161 174
Other receivables	40 131	31 932
Prepaid expenses / accrued assets(1)	9 086	6 930
Total trade and other receivables (current)	**206 730**	**200 036**

1) incl. 2005: CHF thousand 60 Zentrallabor Zurich (note 22).

Trade receivables are non-interest bearing and are generally on 30 – 90 days' terms.

16. CASH AND CASH EQUIVALENTS

Cash on hand	257	235
Cash at post	247	1 129
Cash at banks	20 922	28 429
Total cash and cash equivalents	**21 426**	**29 793**

Cash at banks and post earn a very low interest of <1% per annum. The fair value of cash and cash equivalents is CHF thousand 21'426 (2005: CHF thousand 29'793).

As of 31 December 2006, the Group has CHF thousand 30'000 (2005: CHF thousand 30'000) of un-drawn committed borrowing facilities available of which all conditions had been met.

To secure own obligations bank deposits in the amount of CHF thousand 20'858 (2005: CHF thousand 26'652) are pledged (Note 21).

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following:

	2006 CHF000	**2005** CHF000
Total cash as of 1 January	29 793	36 391
Total cash as of 31 December	21 426	29 793
Net In-/Decrease in cash and cash equivalents	**(8 367)**	**(6 598)**

17. ISSUED CAPITAL AND RESERVES

	2006 Number	**2005** Number
Ordinary shares		
Ordinary shares of CHF 100 each, authorised, issued and fully paid	70 100	70 100
	CHF000	CHF000
Share premium and capital deficit		
Share premium	28 440	28 440
Capital deficit	(161 467)	(161 739)
Total share premium and capital deficit	**(133 027)**	**(133 299)**

Nature and purpose of other reserves

Share premium

This share premium reserve is in connection with a capital increase of Hirslanden Finanz AG dated 24 February 2005.

Capital deficit

This capital deficit originates from the merger of Klinik Hirslanden AG with Hirslanden Finanz AG on 24 February 2005 (Note 2.4 Other reserves and Note 25). In 2006 this deficit decreased by CHF thousand 272 due to the acquisition of Klinik Hirslanden shares blocked in the escrow account (Note 12).

18. INTEREST-BEARING LOANS AND BORROWINGS

Current		Effective interest rate	Maturity	2006 CHF000	2005 CHF000
Mortgage Klinik St. Anna		2.27/2.38	31 Aug, 5 Sep	8 200	8 200
Leasing Klinik St. Anna				1 379	1 385
Other loans:			30 June/28		
UBS Ltd., London/J.P. Morgan Ltd.			August/31 Dec	44 960	37 510
Accrued interest			31 December	197	–
Total secured – current (Note 21)				**54 736**	**47 095**
Non-current					
Mortgage Klinik St. Anna		4.25/2.48	2009	7 300	16 400
Other loans:					
UBS Ltd., London/J.P. Morgan Ltd.					
Term A	until 19.10.06: 2.125+LIBOR from 19.10.06: 1.875+LIBOR		1 March 2012	360 000	399 960
Term B	until 19.10.06: 2.625+LIBOR from 19.10.06: 2.375+LIBOR		1 March 2013	225 000	225 000
Term C	until 19.10.06: 3.125+LIBOR from 19.10.06: 3.125+LIBOR		1 March 2014	150 040	187 531
Term E	until 19.10.06: 2.125+LIBOR from 19.10.06: 1.875+LIBOR		1 March 2012	45 000	50 000
				787 340	**878 891**
Transaction costs				(552)	(9 546)
				786 788	**869 345**
Leasing Klinik St. Anna				1 253	2 566
Total secured – non-current (Note 21)				**788 041**	**871 911**
Borrowing from third parties				–	333
Total non-current				**788 041**	**872 244**

Mortgage

Total mortgage of CHF thousand 15'500 (2005: CHF thousand 24 600) is secured by mortgage certificates of CHF thousand 24'000.

Other loans

On 1 March 2005 the Group refinanced the existing loan with a new syndicate lead by UBS Limited, London as new agent. With this refinancing the Group repaid the high yield Mezzanine facility and the existing Senior facility with an all Senior loan of which CHF thousand 50 000 was drawn in June 2005 to finance the Klinik St. Anna acquisition.

To secure own obligations to UBS Ltd., London/J.P. Morgan Europe Ltd., London in the amount of CHF thousand 825 000 (2005: CHF thousand 900 000), assets have been pledged (Note 21).

Transaction Costs

All loans and borrowings are initially recognised at the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

In connection with the refinancing of the debt as of 1 March 2005 the Group paid transaction expenses of CHF thousand 22'505. The amortization in 2006 amounted to CHF thousand 8'994 (2005: CHF thousand 12'959) and was booked in the profit and loss account under the position "interest and financial expense" (Note 6.2).

Finance Leases

All lease agreements are based on market conditions and are related to medical equipment. There are no significant subleases. The book value of fixed assets under finance leases is presented in Note 8 (Property, Plant and Equipment). No assets are pledged in relation to the finance leases.

	2006 CHF000	**2005** CHF000
Total future minimum lease fees	2 754	4 210
Less interest costs	122	259
Present value of future minimum lease fees	**2 632**	**3 951**
Payable not later than one year	1 379	1 385
Payable later than one year and not later than five years	1 253	2 566

The above disclosed carrying amounts of the interest-bearing loans and borrowings are reasonable approximations of fair value.

19. PROVISIONS

31 December 2006	Employee jubilee benefits	Legal cases	Pension fund	Tariff risks	Miscella-neous	Total
	CHF000	CHF000	CHF000	CHF000	CHF000	CHF000
At 1 January 2006	10 887	8 504	2 091	6 432	1 142	29 056
Sale of a subsidiary	–	–	–	–	(496)	(496)
Arising during the year	2 759	267	–	753	411	4 190
Utilised	(1 010)	–	–	(1 352)	(73)	(2 435)
Unused amounts reversed	(36)	(169)	(2 091)	(3 276)	–	(5 572)
At 31 December 2006	**12 600**	**8 602**	**–**	**2 557**	**984**	**24 743**
Current 2006	1 050	332	–	1 177	334	2 893
Non current 2006	11 550	8 270	–	1 380	650	21 850
At 31 December 2006	**12 600**	**8 602**	**–**	**2 557**	**984**	**24 743**

31 December 2005	Employee jubilee benefits	Legal cases	Pension fund	Tariff risks	Miscella-neous	Total
	CHF000	CHF000	CHF000	CHF000	CHF000	CHF000
At 1 January 2005	9 038	8 195	3 488	2 560	1 424	24 705
Acquisition of a subsidiary	1 150	–	–	250	50	1 450
Arising during the year	1 683	354	–	3 783	266	6 086
Utilised	(964)	–	–	(159)	(374)	(1 497)
Unused amounts reversed	(20)	(45)	(1 397)	(2)	(224)	(1 688)
At 31 December 2005	**10 887**	**8 504**	**2 091**	**6 432**	**1 142**	**29 056**
Current 2005	–	–	2 091	–	218	2 309
Non current 2005	10 887	8 504	–	6 432	924	26 747
At 31 December 2005	**10 887**	**8 504**	**2 091**	**6 432**	**1 142**	**29 056**

Employee jubilee benefits

This provision is for benefits granted to employees for long-service. The annually paid amount to employees was CHF thousand 1'010 in 2006 (2005: CHF thousand 964). It is expected that costs incurred will gradually increase in the future years.

Tariff risks

For tariff risks there are several provisions in place mainly in relation to the TarMed tax point value and the OKP (“obligatorische Krankenpflegeversicherung”); major positions are:

- CHF thousand 500 for tax point value reduction at Klinik Hirslanden (CHF thousand 514 were released because reclaims from insurance companies were lower than expected and CHF thousand 36 utilized in 2006)
- CHF thousand 450 for tax point value reduction at Klinik Im Park (CHF thousand 466 were released because reclaims from insurance companies were lower than expected and CHF thousand 34 utilized in 2006)
- CHF thousand 500 for tax point value reduction at Klinik Aarau (CHF thousand 990 were released in 2006 because the risk for a retrospective tax point value reduction has decreased)
- CHF thousand 177 for tax point value reduction at clinics in Berne (CHF thousand 1’205 were released because reclaims from insurance companies were lower than expected and CHF thousand 1’034 utilized in 2006)
- CHF thousand 500 for OKP due to different tariff interpretations at clinics in Berne (CHF thousand 500 built in 2006)

Legal cases

The major provision (CHF thousand 8’000) is related to a claim from Santésuisse (central Switzerland) against Andreas Klinik about an excess amount of beds in the past. In the first instance the local court judged in favour of Hirslanden but Santésuisse took the case to the federal insurance court in Lucerne where it is now pending.

20. TRADE AND OTHER PAYABLES (CURRENT)

	2006 CHF000	2005 CHF000
Trade payables (1)	74 629	57 690
Other payables (2)	12 751	16 008
Accrued payables	26 302	25 810
Total trade and other payables (current)	**113 682**	**99 508**

1) incl. payables to Zentrallabor, Zürich (ZLZ)
2006: CHF thousand 541 /2005: CHF thousand 0 (Note 22)

2) incl. payables to pension funds
2006: CHF thousand 164/2005: CHF thousand 324

Terms and conditions of the above financial liabilities:

For terms and conditions relating to related parties, refer to Note 22.

Trade payables are non-interest bearing and are normally settled on 60-day terms.

Other payables are non-interest bearing and are normally settled between 1 – 60 days.

21. COMMITMENTS AND CONTINGENCIES

Rent commitments

The Group has entered into commercial leases on items of plant. There are no restrictions placed upon the lessee by entering into these contracts. The respective expense is recognised in the rental expenses (see note 5.2).

Future minimum rentals payable under non-cancellable rental contracts as at 31 December are as follows:

	2006 CHF000	**2005** CHF000
Within one year	12 545	11 645
After one year but not more than five years	33 662	40 965
More than five years	126 470	129 487
	172 677	**182 097**

Leases

The Group has no substantial agreements which are or contain a lease according to IFRIC 4 (Note 2.4)

Income guarantees

As part of the expansion of its network of specialist institutes and centres of expertise the group has individually agreed to guarantee a minimal net income for a start-up period of three years. Payments under such guarantees become due, if the net income taken in from the collaboration does not meet the amounts guaranteed and consist – as a maximum – of the difference between the amounts granted and the amounts taken in. There were no payments under the above mentioned income guarantees in 2006 as the net income individually generated met or exceeded the amounts guaranteed.

Total of net income guaranteed:

2007:	TCHF 759
2008:	TCHF 797
2009:	TCHF 655

Capital commitments

At 31 December 2006, some Group companies are liable jointly and individually for eventual losses of their joint-venture engagement “Zentrallabor, Zürich” according to Swiss Code of Obligations § 530 *et sqq*.

Rights of pledge

As security for the due and punctual fulfillment of the secured obligations the Group pledges to UBS Ltd., London (Security trustee), on behalf of and for the benefit of the finance parties, generally all of its assets (except leasing equipment, Note 8), claims, rights and benefits which can be validly pledged under Swiss law, as they appear at any time in the books of the respective pledger (subsidiary), wherever located.

Pledged assets:

	2006 CHF000	**2005** CHF000
Secured liabilities current (Note 18)	54 736	47 095
Secured liabilities non-current (Note 18)	788 041	871 911
Total secured liabilities	**842 777**	**919 006**
On property, plant and equipment with a book-value of (Note 8)	757 413	735 151
On bank deposits in the amount of (Note 16)	20 858	26 652
On share certificates of specific individual subsidiaries	p.m.	p.m.
On potential claims of property insurance policies	p.m.	p.m.

22. RELATED PARTY DISCLOSURES

The consolidated financial statements include the financial statements of Hirslanden Finanz AG and the subsidiaries listed in the following table.

Name	Country of incorporation	% equity interest 2006	2005
Klinik Hirslanden AG, Zürich	Switzerland	98.5	97.9
Klinik "Im Park" AG, Zürich	Switzerland	100.0	100.0
Hirslanden Klinik Aarau AG, Aarau	Switzerland	100.0	100.0
Beau-Site AG, Bern	Switzerland	100.0	100.0
Clinique Cecil SA, Lausanne	Switzerland	100.0	100.0
Klinik Belair AG, Schaffhausen	Switzerland	100.0	100.0
Klinik St. Andreas-Liebfrauenhof AG, Cham	Switzerland	100.0	100.0
Andreas Klinik AG Cham, Cham	Switzerland	100.0	100.0
Clinique Bois-Cerf SA, Lausanne	Switzerland	100.0	100.0
Klinik Birshof AG, Müchenstein	Switzerland	99.8	99.8
Betriebsgesellschaft Am Rosenberg Heiden, Heiden	Switzerland	100.0	100.0
Klinik Am Rosenberg Heiden, Heiden	Switzerland	99.1	99.0
Salem-Spital AG, Bern	Switzerland	100.0	100.0
Sinomed AG, Zürich	Switzerland	100.0	100.0
Klinik St. Anna AG, Luzern	Switzerland	100.0	100.0
GKS Ges. zur Errichtung und zum Betrieb radioneur ochirurgischer Behandlungszentren mbH, München (incl. GKF Gamma-Knife, Frankfurt)	Germany	–	100.0

Hirslanden Finanz AG is the parent entity of these subsidiaries, whereas Hirslanden Investments S.A. is the ultimate parent.

The following table provides the total amount of transactions, which have been entered into with related parties for the relevant financial year (for information regarding outstanding balances at the year-end, refer to Note 20).

		Interest from related parties CHF000	Other income from related parties CHF000	Amounts owed by related parties CHF000	Purchases from related parties CHF000	Interests paid to related parties CHF000	Amounts owed to related parties CHF000
Related party							
Entity with significant influence over the group							
Hirslanden Healthcare S.A., Luxembourg	2006	–	–	–	–	–	–
	2005	–	–	–	–	445	–
Associate:							
MediQi Zürich AG, Zürich	2006	–	56	–	–	–	–
	2005	5	177	–	–	–	–
Klinik für Schlafmedizin, Luzern	2006	–	–	70	–	–	–
	2005	3	–	70	–	–	–
Joint venture in which the parent is a venturer:							
Zentrallabor Zurich, Zurich	2006	–	1 070	–	6 896	–	541
	2005	–	–	60	4 528	–	–
Other related party							
Key management personnel of the group:							
Director's loan (Note 12)	2006	–	–	–	–	–	–
	2005	4	–	–	–	–	–

Transaction with related party

Associate

MediQi Zürich AG, Zürich
The Group has a 49% interest in MediQi Zürich AG (2005: 49%)

Joint venture in which the parent is a venturer

Zentrallabor Zürich, Zürich (ZLZ)
The Group has a 41.4% interest in ZLZ (2005: 40.4%).

Terms and conditions of transactions with related parties

Purchases from related party and fees for services rendered to related party are made at normal market prices. CHF thousand 1'070 (2005: CHF thousand Nil) from ZLZ represent a special discount granted on purchases since ZLZ is a non-profit organisation. Purchased services of CHF thousand 6'896 (2005: CHF thousand 4'528) are shown net of discounts.

Interests earned from related party correspond with commercial borrowing rates. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2006, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2005: Nil). This assessment is undertaken each financial year through examining the financial position of each related party.

Compensation of key management personnel of the Group

Executive and directors compensation

In 2006, there were 15 (2005: 15) Executive committee members (Group Management) and Business Unit Heads ("Executives").

The total compensation for the key management was as follows:

	2006	2005
	CHF000	CHF000
Short-term employee benefits	6 787	6 172
Post-employment pension and medical benefits	698	685
Total compensation paid to key management personnel	**7 485**	**6 857**

Based on an agreement dated 1 November 2002 the Group offers key management to participate with shares and bonds of Hirslanden Investments SA. Thereof the key management holds the following shares and bonds of the ultimate parent:

	2006	2005
	Number	Number
Shares of Hirslanden Investments SA, nominal value of CHF 2 each	75 175	74 800
Bonds of Hirslanden Investments SA, nominal value of CHF 2 each (1)	131 389	130 734

1) Each bond includes an embedded option for one share of Hirslanden Investments SA

Shares and bonds are settled in cash at the time a member of the key management leaves the Group. The amount to be paid depends on the respective decision of the board of directors at that time and is between the fair value of the shares and bonds and the nominal value of the shares and bonds.

During 2006, Hirslanden Investments S.A. sold 375 shares and 655 bonds (sale price 400 CHF per share, 0 CHF per bond) to key management.

The key management owns as well shares of Klinik Hirslanden AG:

	2006	2005
	Number	Number
Shares of Klinik Hirslanden AG, nominal value of CHF 100 each	1 870	3 100

In 2006 Hirslanden Finanz AG bought 1'230 (2005: 295) shares of Klinik Hirslanden AG for CHF 1'257.65 each from the key management.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans and overdraft, finance leases and cash deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also entered into derivative transactions for interest rate swaps in the previous years. The purpose was to manage the interest rate risks arising from the Group's operations and its sources of finance. The interest rate swap expired at the end of 2005 and has not been replaced.

The Group's policy on allowing trading in financial instruments is under review.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, credit risk and to a very minor extent foreign currency risk. The board reviews and agrees policies for managing each of these risks and they are summarized below.

Credit risk

More than 95% of Hirslanden Group's customers are insurance companies which are under federal control (forced to have enough reserves). Therefore credit-worthiness is very high and risk for non-payment is very low. If a patient does not have an insurance company paying for the Group's services the policy is to require a preliminary payment instead. The Group's maximum exposure to credit risk amounts to CHF thousand 2.784 (2005: CHF thousand 4'824). This amount is recognised as a bad debt allowance.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdraft, bank loans and finance leases. The Group's policy is that the overdraft (ancillary facility of CHF thousand 30'000) is not being used on a regular basis.

Foreign currency risk

The only business unit outside of Switzerland (GKS) was sold at the end of 2006. Until then approximately 0.1% (2005: 0.2%) of the Group's revenue was in a foreign currency (Euro) and therefore no exchange rate hedging is needed.

Commodity price risk

The Group's exposure to price risk is minimal assuming that potential price increases could be shifted to the customer.

24. EVENTS AFTER THE BALANCE SHEET DATE

There are no events after the balance sheet date.

25. RECONCILIATION MERGER KLINIK HIRSLANDEN AG WITH HIRSLANDEN FINANZ AG

CONSOLIDATED BALANCE SHEET at 31 December 2005

	Notes	Consolidated Klinik Hirslanden AG 2005 CHF000	Hirslanden Finanz AG 2005 CHF000	Total 2005 CHF000	Adjustments merger dated 17 February 2005 CHF000	Adjustments 31 December 2005 CHF000	Consolidated Hirslanden Finanz AG 2005 CHF000
ASSETS							
Non current assets							
Property, plant and equipment	8	849 878		849 878			849 878
Intangible assets	9	34 376	0	34 376			34 376
Financial assets		1 441		1 441			1 441
Other financial assets	12	23 381	(18 762)	4 619			4 619
Investment in associates and joint ventures	10	1 031	300 371	301 402	(300 059)	(312)	1 031
Pension asset	13	16 914		16 914			16 913
		927 021	281 609	1 208 630	(300 059)	(312)	908 258
Current assets							
Inventories	14	28 340		28 340			28 340
Trade and other receivables	15	200 036		200 036			200 036
Prepayments		141		141			141
Cash and cash equivalents	16	29 687	106	29 793			29 793
		258 204	106	258 310			258 310
Total assets		**1 185 225**	**281 715**	**1 466 940**	**(300 059)**	**(312)**	**1 166 568**
EQUITY AND LIABILITIES							
Equity							
Share capital	17	22 500	70 100	92 600	(22 500)	0	70 100
Treasury shares	17	(1 247)		(1 247)	1 247	0	0
Capital and other reserves	17	34 916	28 440	63 356	(196 655)	0	(133 299)
Retained earnings		79 535	0	79 535	(85 839)	(136)	(6 440)
Result of the period		104 797	(5 447)	99 350	620	(2 015)	97 955
Total retained earnings		**184 332**	**(5 447)**	**178 885**	**(85 219)**	**(2 151)**	**91 515**
Total equity before minority interests		240 501	93 093	333 594	(388 346)	(4 302)	28 316
Minority interests		208		208	3 068	1 839	5 115
Total equity		**240 709**	**93 093**	**333 802**	**(385 278)**	**(2 463)**	**33 431**
Non-current liabilities							
Interest bearing loans and borrowings	18	698 782	173 462	872 244			872 244
Provisions	19	26 747		26 747			26 747
Deferred tax liabilities	7	68 562		68 562			68 562
		794 091	173 462	967 553			967 553
Current liabilities							
Interest bearing loans and borrowings	18	32 047	15 048	47 095			47 095
Trade and other payables	20	99 491	17	99 508			99 508
Income tax payable	7	16 577	95	16 672			16 672
Provisions	19	2 309		2 309			2 309
		150 424	15 160	165 584			165 584
Total liabilities		**944 515**	**188 622**	**1 133 137**			**1 133 137**
TOTAL EQUITY AND LIABILITIES		**1 185 224**	**281 715**	**1 466 939**	**(385 278)**	**(2 463)**	**1 166 568**

CONSOLIDATED INCOME STATEMENT for the year ended 31 December 2005

	Notes	Consolidated Klinik Hirslanden AG 2005 CHF000	Hirslanden Finanz AG 2005 CHF000	Consolidated Hirslanden Finanz AG 2005 CHF000
Revenues – inpatient		612 873		612 873
Revenues – outpatient		151 910		151 910
Revenues		764 783		764 783
Other operating income	5.1	48 912		48 912
Total income		**813 695**		**813 695**
Labour costs	5.2	333 091		333 091
Medical fees		21 188		21 188
Material consumed		196 136		196 136
Other expenses	5.2	0		0
Repairs and maintenance		21 670		21 670
Insurance, public fees		4 743		4 743
Utilities		7 139		7 139
Administrative expenses	5.2	27 917	65	27 982
Other operating expenses	5.2	19 408	95	19 503
Total costs		**631 292**	**160**	**631 452**
Income from operations before depr., amort., business combination and restructuring		**182 403**	**(160)**	**182 243**
Income from business combination	3	39 145		39 145
Depreciation and impairment of property, plant and equipment	8	54 566		54 566
Amortization of intangible assets	9	490		490
Operating profit		**166 492**	**(160)**	**166 332**
Profit from associates and joint ventures		303		303
Interest and financial income	6.1	1 609	(416)	1 193
Interest and financial expenses	6.2	43 432	4 128	47 560
Profit before taxes		**124 972**	**(4 704)**	**120 268**
Income tax expense	7	20 175	0	20 175
Profit for the year		**104 797**	**(4 704)**	**100 093**
Attributable to:				
Equity holders of the parent		104 797	(4 704)	97 955
Minority interests		0	0	2 138
		104 797	(4 704)	100 093

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2005

	Consolidated Klinik Hirslanden AG 2005	Adjustments merger date 17 February 2005	Consolidated Hirslanden Finanz AG 2005
	CHF000	CHF000	CHF000
Operating profit	166 491	(159)	166 332
Cash flow from operating activities	156 374	86 692	243 066
Cash flow used in investing activities	(134 502)	–	(134 502)
Cash flow used in financing activities	(28 576)	(86 586)	(115 162)
Net in-/decrease in cash and cash equivalents	**(6 704)**	**106**	**(6 598)**

Although, reconciliation of the cash flow statement shows totals net per caption, cash inflows and cash outflows within the captions were significant. See cash flow statement for further details.

26. SERVICE CONCESSION ARRANGEMENT

The clinics of the Hirslanden Group have the concession to operate acute care hospitals and to offer medical treatments to inpatients and outpatients. The concessions are granted by the Cantons in which the respective hospital is located.

Furthermore each Canton issues a hospital list based on Art. 39 KVG (health insurance act). The right to deliver medical treatment to inpatients at the expense of the compulsory healthcare insurance is regulated by these Cantonal hospital lists. Overall Hirslanden does offer approximately 28% of its services to basic insured inpatients. Only in the Cantons Aargau, Baselland, Bern, Luzern, Schaffhausen and Zug inpatient treatments with compulsory healthcare insurance are of a higher percentage. The hospital lists can change over time driven by a political process. Currently no such changes are pending or announced. Furthermore Art. 39 d KVG does state explicitly that privately owned healthcare providers have to be adequately included in the inpatient service provision.

COMFORT LETTER RELATING TO THE HISTORICAL FINANCIAL INFORMATION OF HIRSLANDEN

"Medi-Clinic Corporation Limited
Strand Road
PO Box 456
7600 Stellenbosch
South Africa

Zurich, August 10, 2007

Circular to shareholders of Medi-Clinic Corporation Limited ("Medi-Clinic") relating to the proposed acquisition by Medi-Clinic of Hirslanden Finanz AG and the proposed recapitalisation of Medi-Clinic

Dear Sirs

We have audited, in accordance with auditing standards promulgated by the profession in Switzerland and with International Standards on Auditing ("ISA") as published by the International Federation of Accountants, the consolidated balance sheets of Hirslanden Finanz AG (the "Company") as of December 31, 2006 including comparative figures for 2005, the related consolidated income statements, consolidated statements of cash flow, consolidated statements of changes in equity and the notes thereto for the years ended December 31, 2006 including comparative figures for 2005 prepared in accordance with International Financial Reporting Standards ("IFRS"), (the "Audited Consolidated Financial Statements"), all included in the Circular dated August 17, 2007 (the "Circular") relating to the public offering of the shares of Medi-Clinic; our reports with respect thereto are also included in the Circular.

We have audited, in accordance with auditing standards promulgated by the profession in Switzerland and with ISA as published by the International Federation of Accountants, the consolidated balance sheets of Klinik Hirslanden AG (the "Hirslanden AG") as of December 31, 2005 and 2004, the related consolidated income statements, consolidated statements of cash flow, consolidated statements of changes in equity and the notes thereto for the one year periods ended December 31, 2005 and 2004, prepared in accordance with IFRS, (the "Audited Consolidated Hirslanden AG Financial Statements"), our report with respect thereto is also included in the circular.

In connection with the Circular:

1. We are independent Swiss certified auditors with respect to the Company and its subsidiaries (together the "Group") within the meaning of Swiss law and pursuant to the Rules promulgated by the Swiss Institute of Certified Accountants and tax consultants and are elected as statutory auditors in accordance with Article 727 ff. of the Swiss Code of Obligations and the bylaws of the Company.
2. We have not audited any financial statements of the Group, the Company and Hirslanden AG as of any date or for any period subsequent to December 31, 2006. The purpose (and therefore the scope) of our audits was to enable us to express our opinion on the Audited Consolidated Financial Statements and the Audited Consolidated Hirslanden AG Financial Statements, but not on any financial statements for any interim period within the periods covered by such financial statements. Therefore, we are unable to express and do not express any opinion on the financial position, results of operations, or cash flows as of any date or for any period subsequent to December 31, 2006.
3. We have performed the procedures agreed with you and enumerated below with respect to events subsequent to the last financial year-end (December 31, 2006) in order to identify any subsequent events that would have been disclosed in the December 31, 2006 results in terms of IFRS had we issued our audit report on August 8, 2007. Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The procedures to August 8, 2007 were performed solely for purposes of this letter and are summarized as follows:

(a) At your request, for purposes of this letter, we have read the 2007 minutes of meetings of the shareholders, of the Board of Directors and the Group Management of the Company, as set forth in the minute books through August 8, 2007 (the "Cut-off Date"), officials of the Company and its subsidiaries having advised us that the minutes of all such meetings through that date were set forth therein;

(b) We have read the unaudited consolidated financial statements of the Company and subsidiaries from January 1, 2007 to June 30, 2007, furnished to us by the Company; and

(c) We have inquired of Company officials who have responsibility for financial and accounting matters as to whether: (i) the unaudited consolidated financial statements referred to in 3(a) are stated on a basis consistent with that of the audited consolidated financial statements included in the Circular and (ii) they are aware of any matters in the period between January 1, 2007 and Cut-off Date that would have a material effect on, or require disclosure in, the Audited Consolidated Financial Statements.

4. We report our findings below:

   The procedures performed by us, referred to in items 3(a) to (c) above did not identify any matter in the period between January, 1 2007 and the Cut-off Date that would have a material effect on, or require disclosure in, the Audited Consolidated Financial Statements and the Company officials who have responsibility for financial and accounting matters also confirmed as such to us.

5. Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance thereon.

6. Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

7. This letter is intended to be used only by the addressees of this letter outside the United States of America in connection with the offer or sale of securities. We will accept no duty or responsibility to and deny any liability to any party in respect of any use of this comfort letter in relation to any offering or sale of securities in the United States of America.

8. This letter is solely for the information of the addressees and to assist the board of Medi-Clinic (as defined in the Circular) in conducting and documenting their investigation of the affairs of the Company in connection with the offering of the securities covered by the Circular and to comply with the Listings Requirements of the JSE Limited, and is not to be used, circulated, quoted or otherwise referred to within or without the underwriting group for any other purpose, including but not limited to, the registration, purchase or sale of securities. We provide our consent for this letter to be included in the Circular to be distributed to Medi-Clinic shareholders.

Yours sincerely,

Ernst & Young Ltd

Andreas Traxler
Director

Peter Dauwalder
Partner"

AUDIT REPORT RELATING TO THE HISTORICAL FINANCIAL INFORMATION OF HIRSLANDEN – 2006/2005

"Ernst & Young Ltd
Brandschenkestrasse 100
P.O. Box
CH-8022 Zurich

To the General Meeting of
Hirslanden Finanz AG, Zürich

Zurich, April 10, 2007

Report of the group auditors

As group auditors, we have audited the consolidated financial statements (balance sheet, income statement, statement of changes in equity, cash flow statement and notes, pages 8 to 49) of Hirslanden Finanz AG for the year ended December 31, 2006.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards and with International Standards on Auditing (ISA), which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Andreas Traxler
Swiss Certified Accountant
(in charge of the audit)

Martin Gröli
Swiss Certified Accountant"

AUDIT REPORT RELATING TO THE HISTORICAL FINANCIAL INFORMATION OF HIRSLANDEN – 2005/2004

"Ernst & Young Ltd
Brandschenkestrasse 100
P.O. Box
CH-8022 Zurich

To the General Meeting of
Klinik Hirslanden AG

Zurich, April 5, 2006

Report of the group auditors

As group auditors, we have audited the consolidated financial statements (balance sheet, income statement, statement of changes in equity, cash flow statement and notes, pages 9 to 50) of Klinik Hirslanden AG for the year ended December 31, 2005.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with International Standards on Auditing, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law and the consolidation and valuation principles as set out in the notes.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Andreas Traxler
Swiss Certified Accountant
(in charge of the audit)

Alessandro Miolo
Swiss Certified Accountant"

UNAUDITED *PRO FORMA* BALANCE SHEET AND INCOME STATEMENT OF THE MEDI-CLINIC GROUP

The unaudited *pro forma* balance sheet at 31 March 2007 and income statement of the Medi-Clinic Group for the year then ended is set out below.

The unaudited *pro forma* balance sheet and income statement have been prepared for illustrative purposes only to provide information on how the proposed transactions might have impacted on the financial position and results of the Group. Because of their nature, the unaudited *pro forma* balance sheet and income statement may not be a fair reflection of the Group's financial position after the transaction, nor of its future earnings.

The unaudited *pro forma* balance sheet and income statement as set out below should be read in conjunction with the report of the independent reporting accountants which is included as Annexure 5 to this circular.

The directors of Medi-Clinic are responsible for the preparation of the unaudited *pro forma* balance sheet and income statement.

The unaudited *pro forma* balance sheet and income statement have been prepared on the basis that the proposed transactions will be accounted for using acquisition accounting principles, with the goodwill arising being capitalised. Other than the revaluation of land and buildings, no account has been taken of any fair value adjustments, which may arise on the proposed acquisition.

Medi-Clinic's inventories are valued on a first-in-first-out basis, whilst Hirslanden valued inventories on an average cost basis. It was impractical to determine the effect of applying Medi-Clinic's policy to Hirslanden's inventories. However, since management is of the opinion that the effect should not be material, no adjustments have been made to Hirslanden's figures included in the *pro forma* financial information.

UNAUDITED *PRO FORMA* BALANCE SHEET OF THE MEDI-CLINIC GROUP

The unaudited *pro forma* balance sheet of the Medi-Clinic Group as at 31 March 2007 has been prepared on the assumption that the proposed transactions were effected on 31 March 2007.

	Medi-Clinic[1] 31 March 2007 R'm	Hirslanden[2] 31 December 2006 R'm	*Pro forma* adjustments R'm	*Pro forma* after the proposed transactions R'm
ASSETS				
Non-current assets	3 709	5 533	20 311	29 553
Property, plant and equipment	3 124	5 235	15 374 [3]	23 733
Intangible assets	419	216	4 937 [4]	5 572
Investments – unlisted	46	82	–	128
Deferred taxation	120	–	–	120
Current assets	1 780	1 533	–	3 313
Inventories	190	170	–	360
Receivables and prepayments	874	1 235	–	2 109
Cash and cash equivalents	716	128	–	844
Total assets	5 489	7 066	20 311	32 866
EQUITY				
Capital and reserves				
Share capital and premium	328	657	3 843[5]	4 828
Treasury shares	(297)	–	–	(297)
Reserves	2 037	–	(28)[6]	2 009
Shareholders' funds	2 068	657	3 815	6 540
Minority interest	752	30	–	782
Total equity	2 820	687	3 815	7 322
LIABILITIES				
Non-current liabilities	1 130	5 240	16 823	23 193
Borrowings	996	4 704	13 441 [6]/[7]	19 141
Deferred income tax liabilities	5	406	3 382 [3]	3 793
Retirement benefit obligations	129	130	–	259
Current liabilities	1 539	1 139	(327)	2 351
Trade and other payables	903	698	–	1 601
Borrowings	628	327	(327) [7]	628
Current income tax liabilities	8	114	–	122
Total liabilities	2 669	6 379	16 496	25 544
Total equity and liabilities	5 489	7 066	20 311	32 866
Net asset value per share	575.5			1 171.9
Tangible net asset value per share	458.9			173.5
Ordinary shares in issue (millions)	359.4			558.0

Notes:

1. The Medi-Clinic financial information has been extracted without adjustment from Medi-Clinic's published consolidated audited results for the year ended 31 March 2007.
2. The Hirslanden financial information has been extracted from Hirslanden's audited results for the year ended 31 December 2006. The Hirslanden balance sheet was converted at R5.97:CHF1, being the ruling rate at 31 March 2007.
3. Hirslanden's land and buildings were revalued by external valuators for purposes of the proposed transactions to a fair value of R19 896 million. A deferred tax liability was provided for at 22%, being Hirslanden's effective tax rate, on the revaluation surplus.

4. The difference between the purchase consideration of R22 489 million and the net value of the assets, after revaluation of the land and buildings, of R17 552 million has provisionally been attributed to goodwill and not amortised. Post completion of the proposed acquisition, Medi-Clinic will analyse the difference further into identifiable assets and goodwill as required by IFRS 3: Business Combinations.
5. Adjustments to the share capital and share premium account consist of the following:

• Elimination of Hirslanden's equity	(R657 million)
• 198 675 497 shares issued at R22.65 in terms of the proposed rights offer	R4 500 million

6. Transaction costs of R262 million are assumed to have been paid on 31 March 2007 and has been allocated as follows:

Capitalised as part of the proposed purchase consideration	R181 million
Costs associated with the issue of shares	R28 million
Costs associated with the raising of debt	R53 million

7. Existing debt within Hirslanden of R5 031 million was repaid and the business refinanced with net loans raised to the amount of R18 198 million after utilising the R4 500 million raised in terms of the proposed rights offer.

UNAUDITED *PRO FORMA* INCOME STATEMENT OF THE MEDI-CLINIC GROUP

The unaudited *pro forma* income statement of the Medi-Clinic Group for the year ended 31 March 2007 has been prepared on the assumption that the proposed transactions were effected on 1 April 2006.

	Medi-Clinic[1] 31 March 2007 R'm	Hirslanden[2] 31 December 2006 R'm	*Pro forma* adjustments R'm	*Pro forma* after the proposed transactions R'm
Revenue	5 364	5 171	–	10 535
Cost of sales	(2 928)	(2 790)	–	(5 718)
Administration and other operating expenses	(1 430)	(1 543)	166 [3]	(2 807)
Operating profit	1 006	838	166	2 010
Income from associates	1	2	–	3
Finance income	44	7	–	51
Finance cost	(88)	(253)	(911)[4]	(1 252)
Profit before taxation	963	594	(745)	812
Taxation	(270)	(122)	197 [5]	(195)
Profit for year	693	472	(548)	617
Attributable to:				
Equity holders of the Company	582	465	(548)	499
Minority interests	111	7	–	118
	693	472	(548)	617
Headline earnings reconciliation				
Profit attributable to shareholders	582	465	(548)	499
Profit on sale of property, plant and equipment	(1)	–	–	(1)
Headline earnings	581	465	(548)	498
Earnings per ordinary share (cents)				
Undiluted	162.5			93.7
Diluted	147.5			87.7
Headline earnings per ordinary share (cents)				
Undiluted	162.2			93.6
Diluted	147.2			87.5
Weighted average number of shares (millions)	357.6			531.8
Diluted number of shares (millions)	394.1			568.3

Notes:

1. The Medi-Clinic financial information has been extracted without adjustment from Medi-Clinic's published consolidated audited results for the year ended 31 March 2007.
2. The Hirslanden financial information has been extracted from Hirslanden's audited results for the year ended 31 December 2006. The Hirslanden income statement was converted at R5.70:CHF1, being the average rate for the 12 months to 31 March 2007.
3. Depreciation written off on the buildings of Hirslanden was adjusted due to revised accounting estimates of residual values on the assumption that the maintenance policy is in line with Medi-Clinic's policy.
4. Finance costs in respect of existing debt within Hirslanden was reversed and replaced with the finance costs relating to the new loans raised. Finance cost in respect of the bridge funding facilities that were utilised for 45 days and settled through the proceeds of the proposed rights offer has also been included in finance costs. Details of the terms of the financing in respect of the proposed acquisition are set out in Annexure 4 to the revised listing particulars attached to this circular.
5. Taxation has been taken into account on the adjustments at the applicable tax rates.

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE UNAUDITED *PRO FORMA* FINANCIAL INFORMATION OF THE MEDI-CLINIC GROUP

"10 August 2007

The Directors
Medi-Clinic Corporation Limited
PO Box 456
Stellenbosch
7599

Dear Ladies and Gentlemen

Independent reporting accountant's assurance report on the *pro forma* financial information of Medi-Clinic Corporation Limited ("Medi-Clinic")

We have performed our limited assurance engagement in respect of the *pro forma* financial information set out in paragraph 18.1 of Part III and Annexure 4 of the circular to Medi-Clinic shareholders be issued on or about 17 August 2007 ("the Circular") issued in connection with the acquisition of the entire issued share capital of Hirslanden Private Clinic Group ("the acquisition") and the proposed rights offer of R4.5 billion to Medi-Clinic shareholders ("the rights offer") (collectively referred to as "the proposed transactions"). The *pro forma* financial information has been prepared in accordance with the requirements of the JSE Limited ("JSE") Listings Requirements, for illustrative purposes only, to provide information about how the proposed transactions might have affected the reported historical financial information presented, had the corporate action been undertaken at the commencement of the period or at the date of the *pro forma* balance sheet being reported on.

Directors' responsibility

The directors of Medi-Clinic are responsible for the compilation, contents and presentation of the *pro forma* financial information contained in the Circular and for the financial information from which it has been prepared. Their responsibility includes determining that: the *pro forma* financial information has been properly compiled on the basis stated; the basis is consistent with the accounting policies of Medi-Clinic and the *pro forma* adjustments are appropriate for the purposes of the *pro forma* financial information disclosed in terms of the JSE Listings Requirements.

Reporting accountants' responsibility

Our responsibility is to express our limited assurance conclusion on the *pro forma* financial information included in the Circular. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements applicable to *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and the *Guide on Pro forma Financial Information* issued by The South African Institute of Chartered Accountants.

This standard requires us to obtain sufficient appropriate evidence on which to base our conclusion.

We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the *pro forma* financial information, beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Sources of information and work performed

Our procedures consisted primarily of comparing the unadjusted financial information with the source documents, considering the *pro forma* adjustments in light of the accounting policies of Medi-Clinic, considering the evidence supporting the *pro forma* adjustments and discussing the adjusted *pro forma* financial information with the directors of Medi-Clinic in respect of the corporate actions that are the subject of the Circular.

In arriving at our conclusion, we have relied upon financial information prepared by the directors of Medi-Clinic and other information from various public, financial and industry sources.

While our work performed has involved an analysis of the historical published audited financial information and other information provided to us, our assurance engagement does not constitute an audit or review of any of the underlying financial information conducted in accordance with *International Standards on Auditing or International Standards on Review Engagements* and accordingly, we do not express an audit or review opinion.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement, We believe our evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on our examination of the evidence obtained, nothing has come to our attention, which causes us to believe that:

– the *pro forma* financial information has not been properly compiled on the basis stated;

– such basis is inconsistent with the accounting policies of Medi-Clinic; and

– the adjustments are not appropriate for the purposes of the *pro forma* financial information as disclosed in terms of Sections 8.17 and 8.30 of the JSE Listings Requirements.

Yours faithfully

J F BASSON
Director: Transaction Services

PricewaterhouseCoopers Advisory Services (Proprietary) Limited

1 Waterhouse Place
Century City, 7441"

INFORMATION ON THE UNDERWRITERS

The proposed rights offer has been partially underwritten by Stanlib Asset Management (in its capacity as portfolio manager for Liberty Life) and RMB Asset Management (for and on behalf of its clients). Details pertaining to the underwriters as required by the JSE Listings Requirements are set out below:

LIBERTY GROUP LIMITED

1. **Occupation**

   Financial Services

2. **Directors**

   Executive

   J B Hemphill
   R G Tomlinson

   Non-executive

   D E Cooper *(Chairman)*
   H I Appelbaum
   A W B Band
   D A Hawton
   S J Macozoma
   J H Maree
   L Patel
   A Romanis
   T D A Ross
   M J Shaw
   S P Sibisi
   B S Tshabalala

3. **Company Secretary**

   Dumisani Mtshali

4. **Date and place of incorporation**

   1957 South Africa

5. **Registration number**

   1957/002788/06

6. **Registered office**

   1 Ameshoff Street, Braamfontein, Johannesburg, 2001

7. **Auditors**

   PricewaterhouseCoopers Inc.

8. **Bankers**

   Standard Bank

9. **Authorised share capital**

   400 000 000 ordinary shares of 10 cent each

10. **Issued share capital**

    288 956 191 ordinary shares of 10 cent each

11. **Beneficial interest of directors of Medi-Clinic**

    None

RMB ASSET MANAGEMENT

1. **Occupation**

   Investment Management

2. **Directors**

   Executive

   L B van der Merwe
   C Booth

   Non-executive

   B J Van Der Ross
   L L Dippenaar
   P K Harris
   E P January
   R J Hutchison
   A T Nzimande
   E B Nieuwoudt
   M W Pfaff
   F J C Truter

   Alternate Director: N A S Kruger (Appointed June 2007)

3. **Company Secretary**

   Ms Glenda Drake

4. **Date and place of incorporation**

   25 September 1987 South Africa

5. **Registration number**

   1987/004655/07

6. **Registered office**

   4 Merchant Place, 1 Fredman Drive, Sandton, 2196

7. **Auditors**

   PricewaterhouseCoopers Inc.

8. **Bankers**

   First National Bank

9. **Authorised share capital**

   1000 ordinary shares of R1.00 each

10. **Issued share capital**

    1000 ordinary shares of R1.00 each

11. **Beneficial interest of directors of Medi-Clinic**

    None

MEDI-CLINIC
Private hospital group

MEDI-CLINIC CORPORATION LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1983/010725/06)
(Share code: MDC ISIN: ZAE000074142)
("Medi-Clinic" or "the Company")

NOTICE OF GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given that a general meeting of the shareholders of Medi-Clinic will be held at the registered office of the Company, Medi-Clinic Offices, Strand Road, Stellenbosch, 7600 at 15:00 on Monday, 10 September 2007, to consider and if deemed fit, to pass the following special and ordinary resolutions with or without modification in the manner required by the Companies Act, 61 of 1973, as amended ("the Companies Act") and subject to the Listings Requirements of the JSE Limited ("the JSE").

SPECIAL RESOLUTION NUMBER 1

"RESOLVED THAT, subject to the passing of ordinary resolutions 1 and 2, the authorised ordinary share capital of Medi-Clinic, comprising 450 000 000 ordinary shares of 10 cent each, be and is hereby increased to 1 000 000 000 ordinary shares by the creation of a further 550 000 000 ordinary shares having a par value of 10 cent each, which shall rank *pari passu* in all respects with the existing ordinary shares in Medi-Clinic."

The reason for special resolution number 1 is to increase the authorised share capital of the Company so as to enable, *inter alia*, the implementation of the proposed rights offer described in the circular to Medi-Clinic shareholders dated 17 August 2007 of which this notice forms part. The effect of passing special resolution number 1 will be to increase the authorised share capital of the Company by 550 000 000 ordinary shares having a par value of 10 cent each.

ORDINARY RESOLUTION NUMBER 1

"RESOLVED THAT, the proposed acquisition by Medi-Clinic Luxembourg S.à.r.l., a wholly owned subsidiary of Medi-Clinic, of all the issued shares in the capital of Hirslanden Finanz AG, as referred to and described in the circular to Medi-Clinic shareholders dated 17 August 2007 of which this notice forms part, be and is hereby approved."

ORDINARY RESOLUTION NUMBER 2

"RESOLVED THAT, subject to the passing and registration of special resolution number 1 above and the passing of ordinary resolution 1 above, 198 675 497 of the unissued ordinary shares of the Company are hereby placed under the control of the directors of the Company in terms of section 221 and section 222 of the Companies Act, No. 61 of 1973, as a specific and limited authority to allot and issue up to all of such shares, at a price of not less than 2 265 cents per share, pursuant the implementation of the proposed rights offer referred to in the circular to Medi-Clinic shareholders dated 17 August 2007 of which this notice forms part."

ORDINARY RESOLUTION NUMBER 3

"RESOLVED THAT, subject to the passing and registration of special resolution number 1 above and the passing of ordinary resolutions 1 and 2 above, 198 675 497 of the unissued ordinary shares of the Company (being the same shares which are also the subject of ordinary resolution number 2 above) ("rights offer reserved shares") are hereby placed under the control of the directors of the Company in terms of section 221 and section 222 of the Companies Act, No. 61 of 1973, as a specific and limited authority to allot and issue any or all of the rights offer reserved shares which were not issued pursuant the implementation of the proposed rights offer referred to in the circular to Medi-Clinic shareholders dated 17 August 2007 of which this notice forms part, for cash at a price of not less than 2 265 cents per share.

This Ordinary Resolution Number 3 is required, under the JSE Listings Requirements, to be passed by achieving a 75% majority of the votes cast in favour of such resolution by all members present or represented by proxy and entitled to vote, at the annual general meeting.

VOTING AND PROXIES

On a show of hands every shareholder present in person or by proxy and, if a shareholder is a body corporate, its representative shall have one vote irrespective of the number of shares he/she holds or represents, and on a poll every shareholder present in person or by proxy and if the person is a body corporate, its representative, shall be entitled to that proportion of the total votes in the Company which the aggregate amount of the par value of the shares held by him bears to the aggregate amount of the par value of all the shares issued by the Company.

Each shareholder is entitled to appoint one or more proxies (who need not be a member of the Company) to attend, speak and on a poll, to vote in his stead.

A form of proxy (pink) is attached for completion by holders of certificated shares and holders of dematerialised shares with own name registration who are unable to attend the general meeting in person and who wish to vote at the meeting. Forms of proxy must be completed and received by the Company's transfer secretaries, Computershare Investor Services 2004 (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001, or by post to PO Box 61051, Marshalltown, 2107 to be received by no later than 15:00 on Thursday, 6 September 2007. Holders of certificated shares and/or holders of dematerialised shares with own name registration who complete and lodge forms of proxy will nevertheless be entitled to attend and vote in person at the general meeting to the exclusion of their appointed proxy should such member wish to do so. Holders of dematerialised shares, other than with own name registration, must inform their CSDP or broker of their intention to attend the general meeting and obtain the necessary authorisation from their CSDP or broker to attend the general meeting or provide their CSDP or broker with their voting instructions should they not be able to attend the general meeting in person but wish to be represented thereat. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker concerned.

By order of the board

G C HATTINGH
Company Secretary

17 August 2007

MEDI-CLINIC
Private hospital group

MEDI-CLINIC CORPORATION LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1983/010725/06)
(Share code: MDC ISIN: ZAE000074142)
("Medi-Clinic" or "the Company")

FORM OF PROXY FOR MEDI-CLINIC SHAREHOLDERS

For use at the general meeting to be held at Medi-Clinic Offices, Strand Road, Stellenbosch at 15:00, on Monday, 10 September 2007.

Only for use by shareholders who have not dematerialised their Medi-Clinic shares or who have dematerialised their Medi-Clinic shares with own name registration or who are nominees of a Central Securities Depository Participant ("CSDP") or brokers on the sub-registers of the Company.

Shareholders who have dematerialised their Medi-Clinic shares with a CSDP or broker, other than own name registration, must arrange with the CSDP or broker concerned to provide them with the necessary authorisation to attend the general meeting or the shareholders concerned must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the custody agreement entered into between the shareholder and the CSDP or broker concerned.

I/We (full names in BLOCK LETTERS)

of (address in BLOCK LETTERS)

Telephone (work) ( ) Telephone (home) ( )

being the registered holder/s of ordinary shares in the Company, appoint (see note 1):

1. or failing him/her,

2. or failing him/her,

3. the Chairman of the general meeting,

as my/our proxy to act on my/our behalf at the general meeting which will be held for the purpose of considering, and if deemed fit, passing with or without modification, the special and ordinary resolutions to be proposed thereat and at any adjournment or postponement thereof, and to vote for and/or against such resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name/s, in accordance with the following instructions (see note 2):

		Insert the number of votes exercisable (one vote per share)		
		For	**Against**	**Abstain**
Special resolution number 1	Increase in authorised share capital			
Ordinary resolution number 1	Acquisition of Hirslanden			
Ordinary resolution number 2	Authority to issue shares in terms of the proposed rights offer			
Ordinary resolution number 3	Specific authority to issue shares for cash			

Please indicate instructions to proxy in the space provided above by the insertion therein of the relevant number of ordinary shares in the Company.

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder of the Company) to attend, speak and vote in place of that shareholder at the general meeting. Proxies must be lodged at the registered office of the Company not less than 48 hours before the time for holding the general meeting (excluding Saturdays, Sundays and official South African public holidays).

Signed at on 2007

Signature(s) Assisted by me (where applicable)

Please read the notes on the reverse side hereof.

Notes:

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting "the Chairman of the general meeting", but any such deletion must be initialled by the shareholder. The person whose name stands first on the form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of shares held by that shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the general meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy, but the total votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by the proxy. Should a shareholder only want to vote in respect of some of the shares held by it, it should indicate its instructions in this regard by inserting only the number of shares held by that shareholder in respect of which it wants to vote in the appropriate box.
3. Forms of proxy must be lodged with or posted to the Company's transfer secretaries, Computershare Investor Services 2004 (Proprietary) Limited, 9th Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), to reach them by no later than 15:00 on Thursday, 6 September 2007.
4. The completion and lodging of this form of proxy by certificated shareholders and shareholders who have dematerialised their shares and who have elected own-name registration through a CSDP, will not preclude the relevant shareholder from attending the general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms thereof. Shareholders who have dematerialised their shares and who have not elected own-name registration through a CSDP or broker, who wish to attend the general meeting, must instruct their CSDP or broker to issue them with the necessary authority to attend.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. on behalf of a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this form of proxy, unless previously recorded by the Company or waived by the Chairman of the general meeting.
6. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
7. The Chairman of the general meeting may reject or accept any form of proxy, which is completed and/or received, other than in compliance with these notes, in the Chairman's discretion.
8. A minor must be assisted by his/her parent or guardian, unless the relevant documents establishing his/her capacity are produced or have been registered by the Company.
9. Where there are joint holders of shares:
   - any one holder may sign this form of proxy; and
   - the vote of the senior joint holder, as determined by the order in which the names stand in the Company's register of shareholders, will be accepted.

MEDI-CLINIC
Private hospital group

MEDI-CLINIC CORPORATION LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1983/010725/06)
(Share code: MDC ISIN: ZAE000074142)
("Medi-Clinic" or "the Company")

REVISED LISTING PARTICULARS

(Issued in terms of the JSE Listings Requirements)

The "Corporate information and advisors" section on page 1 of this circular and the "Definitions and interpretation" section commencing on page 8 of this circular apply *mutatis mutandis* to these revised listing particulars.

These revised listing particulars have been prepared on the assumption that the special and ordinary resolutions proposed in the notice of general meeting forming part of the circular, dated 17 August 2007, to which these revised listing particulars are attached, will be approved at the general meeting of Medi-Clinic shareholders to be held on Monday, 10 September 2007 and, where applicable, registered by the Registrar and that the proposed transactions will have been implemented.

These revised listing particulars do not constitute an invitation to the public to subscribe for shares in the Company, but are issued in compliance with the Listings Requirements for the purposes of providing information to the public with regard to Medi-Clinic after the implementation of the proposed transactions.

The JSE has approved the listing of an additional 198 675 497 Medi-Clinic ordinary shares with a par value of ten cents per share, which shares rank *pari passu* with the existing Medi-Clinic ordinary shares. At the date of listing of the additional Medi-Clinic ordinary shares, the Company's share capital will comprise 1 000 000 000 authorised ordinary shares and 593 013 946 issued ordinary shares of ten cents each and a share premium of R4 769 million.

The directors of Medi-Clinic whose names appear on page 115 of these revised listing particulars, collectively and individually, accept full responsibility for the accuracy of the information given in these revised listing particulars and certify that, to the best of their knowledge and belief, there are no facts the omission of which would make any statement in these revised listing particulars false or misleading and that they have made all reasonable inquiries to ascertain such facts and that these revised listing particulars contains all information required in law and by the Listings Requirements.

The Standard Bank of South Africa Limited, which is regulated in terms of the Listings Requirements, is acting for Medi-Clinic and no one else in relation to the preparation of these revised listing particulars and will not be responsible to anyone other than Medi-Clinic in relation to the preparation of these revised listing particulars.

Joint financial advisor to Medi-Clinic

Standard Bank

Lead independent sponsor to Medi-Clinic

PRICEWATERHOUSECOOPERS
PricewaterhouseCoopers
Corporate Finance (Pty) Ltd
(Registration number 1970/003711/07)

Transaction sponsor to Medi-Clinic

Standard Bank

Independent reporting accountants to Medi-Clinic

PRICEWATERHOUSECOOPERS
PricewaterhouseCoopers
Advisory Services (Pty) Ltd
(Registration number 1999/024417/07)

Legal advisors to Medi-Clinic

Hofmeyr
Hofmeyr Herbstein & Gihwala Inc.
(Registration number 1997/001523/21)

Date of issue: 17 August 2007

CONTENTS

MEDI-CLINIC
Private hospital group

MEDI-CLINIC CORPORATION LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1983/010725/06)
(Share code: MDC ISIN: ZAE000074142)

Directors

Executive

E de la H Hertzog *(Chairman)*
L J Alberts *(Chief Executive Officer)*
J du T Marais
D P Meintjes
K H S Pretorius
J G Swiegers

Non-executive

S Dakile-Hlongwane*
A R Martin*
V E Msibi
A A Raath*
M A Ramphele
W L van der Merwe*
M H Visser

** Independent*

REVISED LISTING PARTICULARS

1. INTRODUCTION

As the proposed rights offer will result in an issue of new Medi-Clinic shares which will increase Medi-Clinic's issued share capital by more than 30%, Medi-Clinic is required to provide that information which must be disclosed in terms of a pre-listing statement.

These revised listing particulars have been prepared on the assumption that the special and ordinary resolutions proposed in the notice of general meeting forming part of the circular, dated 17 August 2007, to which these revised listing particulars are attached, will be approved at the general meeting of Medi-Clinic shareholders to be held on Monday, 10 September 2007 and, where applicable, registered by the Registrar and that the proposed transactions will have been implemented.

2. BACKGROUND INFORMATION ON MEDI-CLINIC

2.1 Incorporation

Medi-Clinic was incorporated in South Africa in 1983 as a limited liability public company. The Company was listed on the JSE in 1986.

2.2 Background

Medi-Clinic was founded in 1983 when the current Chairman, Dr Edwin Hertzog, was commissioned by the then Rembrandt Group to undertake a feasibility study on private hospitals. Dr Hertzog's research was so conclusive that the Rembrandt Group decided to support the development of Panorama Medi-Clinic, which today remains Medi-Clinic's flagship hospital in the Western Cape. At the same time, Medi-Clinic purchased Leeuwendal and Medipark, two small private hospitals in Cape Town. This was soon followed by the acquisition of the then largest private hospital in the country, the Sandton Clinic. In 1986, Medi-Clinic, with seven hospitals including 1 500 beds, listed on the JSE.

A period of steady growth led to a significant breakthrough in 1995 when the takeover of the Medicor Group added another 1 100 beds to Medi-Clinic. Thereafter the Hydromed and Hospiplan Groups were acquired. In December 2002 Medi-Clinic expanded its network of hospitals further by the acquisition of the Curamed Group of private hospitals in Pretoria, in association with a black empowerment group. Since then, Phodiso Clinics (Proprietary) Limited has taken over the interest of the black empowerment group.

Medi-Clinic implemented a R1.1 billion Black Ownership Initiative in December 2005 resulting in the immediate introduction of 15% black shareholding in Medi-Clinic. The Black Ownership Initiative introduced Phodiso Holdings Limited and Circle Capital Ventures (Proprietary) Limited (collectively "the Strategic Black Partners") as the strategic partners and shareholders in Medi-Clinic. The Strategic Black Partners jointly hold approximately 11% (with Phodiso Holdings Limited holding approximately 6.9% and Circle Capital Ventures (Proprietary) Limited holding approximately 4.1%) of the issued shares. All employees up to and including first line management level ("Participating Employees") were also introduced as shareholders of the Company through the issue of Medi-Clinic shares to The Mpilo Trust, an employee share trust formed specifically for that purpose. The Participating Employees hold approximately 4% of Medi-Clinic's issued shares.

In 2007, Medi-Clinic acquired an equity interest of 50% plus one share in Emirates Healthcare for an amount of US$53.1 million (R384.2 million). Emirates Healthcare owns and operates one of the two biggest private hospitals in Dubai in the UAE, the 120-bed Welcare Hospital, along with one ambulatory surgery centre and two clinics which are in close proximity. It has also commenced with the construction of the first hospital in Dubai Health Care City ("DHCC"), the City Hospital with 210 beds, which is scheduled for commissioning during the first quarter of 2008. In addition, Emirates Healthcare has the right to develop a further hospital in DHCC and plans to develop a further three related clinics of which two will open during this year. This will make Emirates Healthcare the largest private healthcare provider in Dubai.

2.3 Nature of business

Medi-Clinic is an established leader in the private hospital industry in South Africa, holding a market share of approximately 26%. It has 6 965 beds and approximately 13 300 full-time employees servicing 50 hospitals in Southern Africa and one hospital, one ambulatory surgery centre and two clinics in Dubai. Medi-Clinic also provides consulting rooms for doctors in private practice and a one-stop service for patients.

2.4 Material changes

There have been no material changes in the business of Medi-Clinic during the past five years. Remgro, through a wholly owned subsidiary, has been a controlling shareholder, as defined in the Code, of Medi-Clinic since the inception of the Company. There have been no changes in the controlling shareholder and trading objects of the Group during the last five years.

2.5 Prospects for the enlarged Medi-Clinic group

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. South Africa is no exception and its ageing medical scheme population has mirrored these healthcare developments. These global trends are set to continue both locally and abroad as standards of living increase, quality of life expectations increase, life expectancy grows and older individuals make up an increasing proportion of the population. This bodes well for cost-effective, trusted private healthcare providers as patients increasingly place emphasis on the quality of care provided.

Medi-Clinic operates in a blend of developing and mature markets, each with its own unique prospects.

Prospects in South Africa include:

- revitalisation of existing facilities;
- establishment of new facilities to meet the demand for private healthcare arising from economic growth and the continued expansion of South Africa's major metropolitan areas as well as bigger rural towns;
- increased utilisation of facilities stemming from an ageing population; and
- increasing medical scheme membership.

Prospects in the UAE include:

- growth in a previously underdeveloped healthcare industry within a booming local economy;
- assisting local government to develop the industry as a whole;
- expansion of existing facilities;
- introduction of new technologies and treatments; and
- providing a stable platform for entering healthcare markets in the rest of the Gulf Coalition Countries and the Middle East.

Prospects in Switzerland include:

- a stable macro-economic environment, with low interest rates and benign inflation; and
- growth in the Swiss private hospital market, driven by a combination of factors, such as:
  - ageing Swiss population;
  - economic growth;
  - increasing levels of disposable income;
  - technological advances;
  - patient expectations;
  - opportunity for skills and knowledge transfer between Switzerland and South Africa leading to operational efficiencies; and
  - providing a stable platform for further growth and expansion into neighbouring countries.

Medi-Clinic believes that experience gained through its hospital developments and domestic acquisitions over the past 24 years as well as the recent acquisition of Emirates Healthcare, places the Group in a unique position to capitalise on opportunities that present themselves. Medi-Clinic will continue to deliver on its core purpose of enhancing the quality of life of patients by providing comprehensive, cost-effective, high quality hospital services. Hirslanden has a strong management team and the company has a track record of solid growth. It is not expected that Hirslanden will place undue operational demands on the Group.

Medi-Clinic's core focus remains firmly based on South Africa and it will continue its efforts to improve the affordability of healthcare in South Africa, as exemplified by the commissioning of international consultants to assist the Group in developing an alternative healthcare delivery model suitable for South African circumstances. Medi-Clinic expects to continue its track record of consistent growth in operating profit based on meeting the needs of the market.

3. *PRO FORMA* FINANCIAL EFFECTS OF THE PROPOSED TRANSACTIONS

The *pro forma* balance sheet and income statement, illustrating the financial effects of the proposed transactions and incorporating all material assumptions used in calculating the *pro forma* information, is set out in Annexure 4 to the proposed acquisition circular.

The reporting accountants' report on the *pro forma* financial effects, balance sheet and income statement is contained in Annexure 5 to the proposed acquisition circular.

4. SHARE CAPITAL OF MEDI-CLINIC

The share capital of Medi-Clinic before and after the proposed transactions is set out in paragraph 19 of the proposed acquisition circular to which these revised listing particulars are attached.

All the authorised and issued Medi-Clinic shares are of the same class and rank *pari passu* in all respects.

4.1 **Options or preferential rights**

There are no contracts or arrangements, either actual or proposed, in terms of which any option or preferential right of any kind has been given by the Group to any person to subscribe for shares in Medi-Clinic or any of its subsidiaries.

4.2 **Changes in share capital**

There were no changes in the authorised share capital of Medi-Clinic or any of its subsidiaries during the preceding three years.

2007

There was no movement in the number of issued ordinary shares of Medi-Clinic or any of its subsidiaries during the 2007 financial year. During the year, 1 251 810 Medi-Clinic shares were released from the original 28 498 919 treasury shares issued to the BEE shareholders, as described below. Furthermore, The Mpilo Trust released 233 780 shares to employees. The Group also released 1 653 233 treasury shares held through a wholly-owned subsidiary.

2006

44 272 457 new ordinary shares were issued during the 2006 financial year in respect of the Group's BEE ownership initiative. Details of this issue are summarised below:

Date of issue	Issued to	Number of Medi-Clinic shares issue	Issue price per share
19 December 2005	The Mpilo Trust	15 773 538	R18.40
19 December 2005	Mpilo Investment Holdings 2 (Proprietary) Limited (Phodiso Holdings Limited)	17 811 824	R0.10*
19 December 2005	Mpilo Investment Holdings 1 (Proprietary) Limited (Circle Capital Ventures (Proprietary) Limited)	10 687 095	R0.10*

* In respect of the shares issued at par value to Phodiso Holdings Limited and Circle Capital Ventures (Proprietary) Limited, Medi-Clinic will be entitled to receive all dividends earned by the strategic black partners on their total interest of 11% until the market value of R525 million (valued at R18.40 per share) less the par value of the shares so acquired has been repaid to the Company. The number of shares issued to Phodiso Holdings Limited and Circle Capital Ventures (Proprietary) Limited, to the extent that the amount to be repaid as explained above has not been received, as well as the shares issued to The Mpilo Trust, are treated as treasury shares.

There were no changes in the issued share capital of the Company's subsidiaries during 2006.

2005

There were no changes in the issued share capital of Medi-Clinic or its subsidiaries during 2005.

4.3 **Control of unissued authorised share capital**

In terms of resolutions passed at the last annual general meeting of the Company, 39 433 845 Medi-Clinic shares have been placed under the control of the directors, and the directors have been granted a general authority to issue such shares for cash, subject to the provisions of the Companies Act and the Listings Requirements. In addition, in terms of resolutions to be passed at the general meeting, a maximum of 198 675 497 Medi-Clinic shares are to be placed under the control of the directors, subject to the provisions of the Companies Act and the Listings Requirements, in order to effect the proposed rights offer and with the authority to issue the rights offer shares for cash at not less than the rights offer price.

4.4 **Preferential conversion and/or exchange rights**

There are no preferential conversion and/or exchange rights in respect of the share capital of Medi-Clinic.

4.5 **Voting rights and rights to dividends, profits or capital**

All the shares have equal voting rights and rank *pari passu* in respects of dividends, profits or capital distributions and liquidation distributions in respect of the winding up of Medi-Clinic.

4.6 **Variation of rights**

The rights attaching to Medi-Clinic shares may only be varied by a special resolution passed by the requisite majority of Medi-Clinic shareholders in general meeting.

4.7 **Other classes of securities and listings on other exchanges**

There are no other classes of securities listed and no securities of the Company are listed on any stock exchanges, other than the JSE. There are no debentures in the Company.

5. MAJOR SHAREHOLDERS OF MEDI-CLINIC

Details of the major shareholders of Medi-Clinic subsequent to the implementation of the proposed transactions are set out in paragraph 20 of the proposed acquisition circular to which these revised listing particulars are attached.

6. INFORMATION RELATING TO THE DIRECTORS OF MEDI-CLINIC

6.1 **Current directors of Medi-Clinic**

The details relating to the directors are set out in Annexure 5 to these revised listing particulars.

6.2 **Appointment, qualification, remuneration and borrowing powers of directors**

6.2.1 The relevant provisions of the articles of association of Medi-Clinic concerning the appointment, qualification, remuneration and borrowing powers of the Company and its subsidiaries, exercisable by the directors, are set out in Annexure 6 to these revised listing particulars.

The borrowing powers of the directors of the Group have not been exceeded during the three years preceding the date of these revised listing particulars. There is no exchange control or other restrictions on the borrowing powers of the Company or any of its subsidiaries other than those controls that pertain to all South African residents.

Emoluments and benefits paid to each executive and non-executive director individually for the period ended 31 March 2007 have been set out in the table below:

Director	Salaries R'000	Retirement fund R'000	Other benefits(4) R'000	Bonus R'000	Share options R'000	Directors fees R'000	Total R'000
Executive							
E de la H Hertzog*(1)	2 069	200	146	2 645			5 060
L J Alberts*	2 242	202	17	1 963			4 424
J du T Marais*	1 536	138	17	1 045			2 736
D P Meintjes*(2)	–	140	239	635			1 014
K H S Pretorius*(3)	574	54	29	461			1 118
J G Swiegers*	1 405	145	232	1 086	716		3 584
Non-executive							
S Dakile-Hlongwane***						99	99
W P Esterhuyse~***						56	56
A R Martin***						194	194
V E Msibi**						130	130
A A Raath***						176	176
M A Ramphele**						117	117
W L van der Merwe***						158	158
M H Visser**						223	223
	7 826	**879**	**680**	**7 835**	**716**	**1 153**	**19 089**

Notes:

* denotes executive directors.

** denotes non-executive directors.

*** denotes independent non-executive directors.

~ denotes that director has resigned.

(1) Dr E de la H Hertzog also earned a further R1.3 million (2006: R1.2 million) from M & I Group Services Limited relating to other duties.

(2) Mr D P Meintjes also earned R1.5 million from a subsidiary of Emirates Healthcare Holdings Limited BVI relating to other duties.

(3) Mr K H S Pretorius was appointed as a director on 8 November 2006. His director's remuneration is from this date.

(4) Other benefits include medical aid and vehicle benefits.

6.2.2 Mr A R Martin received directors' remuneration from ER24 Holdings (Pty) Ltd, an indirect subsidiary through Medipark Clinic (Pty) Ltd, in the amount of R125 928 for the 2007 financial year.

Save as disclosed above, none of the directors of Medi-Clinic received any payments from Medi-Clinic's subsidiaries and fellow subsidiaries, associates, joint ventures or entities that provide management or advisory services to Medi-Clinic.

6.2.3 There will be no variation in the remuneration of any of the directors of Medi-Clinic as a consequence of the proposed transactions.

No fees have been paid or accrued to a third party *in lieu* of directors' fees.

6.3 Directors' interests in Medi-Clinic

6.3.1 *Prior to the proposed transactions*

The direct beneficial and indirect beneficial holdings of the directors of Medi-Clinic in the issued share capital (excluding treasury shares) of Medi-Clinic as at the last practicable date are as follows:

	Shares beneficially held directly	Percentage held of shares in issue	Shares beneficially held indirectly	Percentage held of shares in issue	Shares non-beneficially held directly	Percentage held of shares in issue	Shares non-beneficially held indirectly	Percentage held of shares in issue
E de la H Hertzog*	–	–	1 753 066	0.445%	6 702	0.002%	–	–
L J Alberts*	284 904	0.072%	24 416	0.006%	–	–	–	–
S Dakile-Hlongwane***	–	–	–	–	–	–	–	–
J du T Marais*	34 402	0.009%	3 685	0.001%	–	–	–	–
A R Martin***	–	–	1 915	0.000%	–	–	–	–
D P Meintjes*	62 186	0.016%	500	0.000%	–	–	–	–
V E Msibi** (see note 1)	–	–	–	–	–	–	–	–
K H S Pretorius*	74 306	0.019%	–	–	–	–	–	–
A A Raath***	–	–	–	–	–	–	–	–
M A Ramphele** (see note 2)	–	–	–	–	–	–	–	–
J G Swiegers*	54 543	0.014%	172 005	0.044%	–	–	13 405	0.003%
W L van der Merwe***	957	0.000%	–	–	–	–	–	–
M H Visser**	–	–	–	–	–	–	–	–

* denotes executive directors

** denotes non-executive directors

*** denotes independent non-executive directors

Note 1: Dr V E Msibi holds an effective interest of 24.8% in the issued ordinary shares of Mpilo Investment Holdings 2 (Pty) Ltd through his shareholding in Phodiso Holdings Limited.

Note 2: Dr M A Ramphele holds an effective interest of 23.71% in the issued ordinary shares of Mpilo Investment Holdings 1 (Pty) Ltd through her indirect interest in Circle Capital Ventures (Proprietary) Limited through the Ramphele Family Trust.

6.3.2 ***Subsequent to the proposed transactions***

The direct beneficial and indirect beneficial holdings of the directors of Medi-Clinic in the issued share capital (excluding treasury shares) of Medi-Clinic subsequent to the proposed transactions are set out in the table below, based on the assumption that the directors take up their full entitlement in terms of the proposed rights offer:

	Shares beneficially held directly	Percentage held of shares in issue	Shares beneficially held indirectly	Percentage held of shares in issue	Shares non-beneficially held directly	Percentage held of shares in issue	Shares non-beneficially held indirectly	Percentage held of shares in issue
E de la H Hertzog *	–	–	2 636 295	0.445%	10 079	0.002%	–	–
L J Alberts*	428 444	0.072%	36 717	0.006%	–	–	–	–
S Dakile-Hlongwane***	–	–	–	–	–	–	–	–
J du T Marais*	51 734	0.009%	3,685	0.001%	–	–	–	–
A R Martin***	–	–	5 542	0.000%	–	–	–	–
D P Meintjes*	93 517	0.016%	752	0.000%	–	–	–	–
V E Msibi**	–	–	–	–	–	–	–	–
K H S Pretorius*	111 743	0.019%	–	–	–	–	–	–
A A Raath***	–	–	–	–	–	–	–	–
M A Ramphele**	–	–	–	–	–	–	–	–
J G Swiegers*	82 023	0.014%	258 665	0.044%	–	–	20 159	0.003%
W L van der Merwe***	1 439	0.000%	–	–	–	–	–	–
M H Visser**	–	–	–	–	–	–	–	–

* denotes executive directors

** denotes non-executive directors

*** denotes independent non-executive directors

6.3.3 Mr K H S Pretorius exercised the following share options on 6 August 2007:

- 30 000 share options at a strike price of R4.90 per option; and
- 10 000 share options at a strike price of R9.80 per option.

Mr K H S Pretorius also purchased 20 000 shares on the open market on 7 August 2007.

Save as disclosed above, there has been no change in the shareholding of the Company's directors between the end of the last financial year and the last practicable date.

6.3.4 There will be no change in the directors' shareholdings in Medi-Clinic as a result of the proposed transactions, other than in terms of the proposed rights offer.

6.3.5 Details of the individual share options held by Medi-Clinic directors on the last practicable date are set out below:

Name	Date granted	Exercise price per option	Options awarded	Options exercised	Closing balance
K H S Pretorius	1 October 2000	R4.90	150 000	120 000	30 000
	1 September 2003	R9.80	50 000	10 000	40 000
			200 000	**130 000**	**70 000**

6.3.6 No director of Medi-Clinic has or has had a direct or indirect material beneficial interest in any transactions effected by Medi-Clinic during the current or immediately preceding financial year, or in any earlier year which remains in any respect outstanding or unperformed.

6.3.7 None of the current executive directors have a fixed term contract.

6.4 Additional information pertaining to the directors

All of the directors have completed directors' declarations in terms of Schedule 21 of the Listings Requirements relating to the appointment of new directors. Copies of the declarations are available for inspection as detailed in paragraph 33 of the proposed acquisition circular.

No payments have been made to any director, either directly or indirectly, by the Company or any other person in the three years preceding the date of these revised listing particulars to induce him to become, or to qualify him as a director or otherwise for services rendered by him or by the associate's company or the associate entity in connection with the promotion or formation of the Company.

No loans have been made by the Company to any of its directors nor has any security been furnished by the Company on behalf of any of its directors or managers.

None of the directors of Medi-Clinic have:

- been declared bankrupt, insolvent or have entered into any individual voluntary compromise arrangements;
- entered into any receiverships, compulsory liquidations, creditors voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company where such directors are or were directors with an executive function during the preceding 12 months;
- entered into any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such directors are or were partners during the preceding 12 months;
- entered into any receiverships of any assets of such person or of a partnership of which the person is or was a partner at the time of or during the preceding 12 months;
- been publicly criticised by a statutory or regulatory authority, including recognised professional bodies or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company; and/or
- been involved in any offence of dishonesty, fraud or embezzlement.

7. MEDI-CLINIC SHARE TRADING HISTORY

A table setting out the history of the performance of Medi-Clinic shares on the JSE has been included as Annexure 1 to these revised listing particulars.

8. FINANCIAL INFORMATION RELATING TO MEDI-CLINIC

The historical financial information of Medi-Clinic for the three years ended 31 March 2005, 31 March 2006 and 31 March 2007 is set out in Annexure 1 to the proposed acquisition circular.

9. SUBSIDIARY COMPANIES OF MEDI-CLINIC

Details of the subsidiary companies of Medi-Clinic are set out in Annexure 2 to these revised listing particulars.

10. MATERIAL LOANS TO AND FROM MEDI-CLINIC

Material loans to Medi-Clinic and its subsidiaries, including material inter-company loans, before and after the proposed transactions are set out in Annexure 4 to these revised listing particulars.

During the 2003 financial year, Medi-Clinic Limited, a wholly owned subsidiary of Med-Clinic advanced a loan of R41 million to Tshwane Private Hospitals (Proprietary) Limited ("Tshwane Private Hospitals"), a joint venture company owned 50,95% by Medi-Clinic and 49,05% by Phodiso Clinics (Proprietary) Limited. Tshwane Private Hospitals holds a 63% interest in Curamed Holdings Limited. The loan was a bridging facility to fund Phodiso Clinics (Proprietary) Limited's portion of the Curamed Holdings Limited transaction. The loan is secured against Phodiso Clinics (Proprietary) Limited's shares in Tshwane Private Hospitals, bears interest at a market related rate, linked to the prime overdraft rate and has no fixed terms of repayment. The loan is convertible into preference shares if not refinanced.

Save as disclosed above, at the date of these revised listing particulars, Medi-Clinic and its subsidiaries have no material loans receivable and have not made any loans or furnished any security to or for the benefit of any director or manager or any associates of any director or manager of Medi-Clinic.

11. **DIVIDENDS**

The dividend policy of Medi-Clinic is determined by its board of directors from time to time, based on the results of the Company and anticipated funding requirements associated with its growth strategy and dividends may be settled in whole or in part in such manner as the directors may at the time of determining the dividend direct. The present policy of Medi-Clinic is that dividends, if declared, will be payable within three months after the end of the interim period or year end in respect of which the dividends were declared. A dividend of 54.1 cents per share was declared by the Company in respect of the financial year ended 31 March 2007.

In terms of Medi-Clinic's articles of association, a dividend, if unclaimed, may be invested or otherwise made use of by the directors for the benefit of the Company until claimed, provided that dividends unclaimed for a period of three years may be declared forfeited by the directors for the benefit of the Company.

12. **TRANSACTION-RELATED FEES, COMMISSIONS, INTERESTS AND COSTS**

No amounts are payable or have been paid, nor have any other benefit accrued, to any promoter during the three years preceding the date of these revised listing particulars.

No commissions are payable or have been paid in respect of any underwriting or sub-underwriting arrangements during the three years preceding the date of these revised listing particulars, other than the underwriting commission payable to the underwriters, as discussed in paragraph 15 to the proposed acquisition circular, pertaining to the proposed rights offer.

No commissions, discounts, brokerages or other special terms have been granted in respect of the issue of any equity or debt instrument during the three years preceding the date of these revised listing particulars.

No promoter holds any material beneficial interest in the promotion of the Company or in any material acquisition or proposed acquisition of the Company or has done so for the three years preceding the date of these revised listing particulars.

13. **PRELIMINARY AND ISSUE EXPENSES**

The Company has incurred no preliminary expenses within the three years preceding the date of these revised listing particulars, other than as disclosed in paragraph 32 of the proposed acquisition circular. The costs of concluding and implementing the proposed transactions, which costs are borne by Medi-Clinic, are set out in paragraph 32 of the circular.

14. **CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES OF MEDI-CLINIC**

The details relating to material commitments is set out in note 29 to the financial statements for the year ended 31 March 2007 contained in Annexure 1 to the proposed acquisition circular. At the last practicable date, Medi-Clinic and its subsidiaries had no contingent liabilities.

The details relating to lease payments have been disclosed in Annexure 3 to these revised listing particulars.

15. **MATERIAL CONTRACTS ENTERED INTO BY MEDI-CLINIC**

Paragraph 24 of the proposed acquisition circular provides details of material contracts entered into by the Medi-Clinic Group during the two years preceding the last practicable date, which were not in the ordinary course of business.

Save as disclosed in paragraph 24 of the proposed acquisition circular, the Medi-Clinic Group has not entered into any material contracts in the two years prior to the issue date of these revised listing particulars, being Friday, 17 August 2007. In addition, the Medi-Clinic Group has not entered into any material contracts at any time which contain an obligation or settlement that is material to the Group at the date of issue of these revised listing particulars, being Friday, 17 August 2007.

16. **MATERIAL ACQUISITIONS AND DISPOSALS BY MEDI-CLINIC**

The acquisition of a 50% plus one share interest in Emirates Healthcare became unconditional on 27 March 2007. This was communicated to the market in a SENS announcement on 19 April 2007. Emirates Healthcare owns and operates one of the two biggest private hospitals in Dubai in the UAE, the 120-bed Welcare Hospital, along with one ambulatory surgery centre and two clinics which are in close proximity. In terms of the transaction Medi-Clinic Middle East (Proprietary) Limited ("Medi-Clinic Middle East"), a Group subsidiary, subscribed for an equity interest of 50% plus one share in Emirates Healthcare for an amount of US$53.1 million (R384.2 million), while General Electric Company ("GE") a member of the General Electric Group subscribed for a 6.59% equity interest for an amount of US$7 million. Mr Sunny Varkey (the founder and chairman of Emirates Healthcare) will retain an equity interest of 43.41%. The parties will endeavour to secure a further strategic equity investor in the subsidiary of Emirates Healthcare which owns the Dubai based operating companies. To facilitate this, Medi-Clinic Middle East 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) to fund a portion of the equity contribution reserved for the strategic equity investor. The total equity capital referred to above together with debt funding from local financial institutions in the amount of US$102 million are adequate to fund all the projects mentioned above. The debt funding is in the process of being finalised.

The Group acquired the hospitals in the Protector Group for R121 million through a 51% subsidiary (Phodiclinics (Proprietary) Limited) with effect from 7 November 2006 from the liquidators of Protector Group Medical Services (Proprietary) Limited (in liquidation). This acquisition was funded using the Company's own funds.

Medi-Clinic acquired 100% of Phodiso Clinics (Proprietary) Limited (trading as Legae Private Hospital now as Legae Medi-Clinic) for R81 million from Phodiso Clinics (Proprietary) Limited and Lifecare Clinics (Proprietary) Limited with effect from 1 December 2005. This acquisition was funded using the Company's own funds.

Medi-Clinic invested R65 million in the Wits Donald Gordon Medical Centre as a result of which the Company obtained a 49.9% share in Wits University Donald Gordon Medical Centre (Proprietary) Limited with effect from 1 July 2005. This acquisition was funded using the Company's own funds.

Information regarding the vendors in respect of each material acquisition detailed above is set out in paragraph 17 of these revised listing particulars.

There have been no material disposals, as defined, made by Medi-Clinic in the past three years.

Details of material acquisitions and disposals by Hirslanden in the last three years are detailed in paragraph 11 of the proposed acquisition circular.

17. **MATERIAL VENDORS**

Hirslanden is to be acquired from Hirslanden Healthcare SA, a company ultimately owned by various funds advised by BC Partners, a private equity fund advisory organisation. The registered address of BC Partners is 43 – 45 Portman Square, London, W1H 6DA, UK. BC Partners is not a related party to Medi-Clinic in any way.

No promoter or director has any beneficial interest in terms of the proposed acquisition.

The interest in Emirates Healthcare was acquired from the Varkey Group, a private healthcare group based in Dubai. The registered address of the Varkey Group is P O Box 8607, Dubai, UAE. The Varkey Group is not a related party to Medi-Clinic in any way.

The hospitals in the Protector Group were acquired from the liquidators of Protector Group Medical Services (Proprietary) Limited (in liquidation).The registered address of the vendor is D & T Trust, 2nd Floor, 5 Girton Road, Parktown, Johannesburg, 2193. The vendor is not a related party to Medi-Clinic in any way.

Legae Medi-Clinic was acquired from Phodiso Clinics (Proprietary) Limited and Lifecare Clinics (Proprietary) Limited whose registered addresses are as follows:

– Phodiso Clinics (Proprietary) Limited – 421 Pretorius Street, 1st Floor, Curator Building, Pretoria, 0001; and
– Lifecare Clinics (Proprietary) Limited – Oxford Manor, 21 Chaplin Road, Illovo, Johannesburg, 2196.

The 49.9% share in the Wits Donald Gordon Medical Centre was acquired in Wits University Donald Gordon Medical Centre (Proprietary) Limited whose registered address is 21 Eton Road, Parktown, Johannesburg, 2000 through an allotment and issue of shares. Wits University Donald Gordon Medical Centre (Proprietary) Limited is not a related party to Medi-Clinic in any way.

For all the material acquisitions during the preceding three years discussed under paragraph 16:

– the above vendors did not acquire the respective assets during the preceding three years;
– the vendors are not precluded from carrying on business in competition with Medi-Clinic, although this is not their stated intention and there were no restraint of trade provisions or payments to the vendors; and
– the above vendors have provided warranties that are normal to transactions of this nature.

There have been no payments, in cash or securities, to any promoter in the three years preceding the date of these revised listing particulars, nor have any payments been proposed in this regard.

18. PRINCIPAL IMMOVABLE PROPERTIES OWNED AND LEASED BY MEDI-CLINIC

Details of the principal immovable properties owned and leased by Medi-Clinic are set out in Annexure 3 to these revised listing particulars.

19. MATERIAL CHANGES RELATING TO MEDI-CLINIC

There have been no material changes in the financial position of the Company and its subsidiaries since the end of the last financial period, other than as set out in the proposed acquisition circular.

20. LITIGATION STATEMENT RELATING TO MEDI-CLINIC

Paragraph 26 of the proposed acquisition circular provides details on material legal or arbitration proceedings or legal actions.

21. CORPORATE GOVERNANCE OF MEDI-CLINIC

Medi-Clinic has, since its incorporation in 1983, always upheld strict principles of corporate governance and the highest standard of integrity and ethics, as embodied in the King II Report on Corporate Governance ("the King Report").

The board of directors accepts full responsibility for corporate governance and is committed to ensuring a high standard of discipline, independence, ethics, responsibility, equity, social responsibility, accountability, co-operation and transparency. The board believes that the group has materially complied with the principles of the King Report and has met the Listings Requirements.

Refer to Annexure 7 to these revised listing particulars for further information on Medi-Clinic's Corporate Governance.

22. WORKING CAPITAL STATEMENT

The directors of Medi-Clinic are of the opinion, after considering the effect of the proposed transactions that:

22.1 the Company and its subsidiaries will be able in the ordinary course of business to pay its debts for a period of 12 months after the date of issue of these revised listing particulars;

22.2 the assets of the Company and its subsidiaries will be in excess of the liabilities of the Company and its subsidiaries for a period of 12 months after the date of issue of these revised listing particulars;

22.3 the share capital and reserves of the Company and its subsidiaries will be adequate for ordinary business purposes for a period of 12 months after the date of issue of these revised listing particulars; and

22.4 the working capital of the Company and its subsidiaries will be adequate for ordinary business purposes for a period of 12 months after the date of issue of these revised listing particulars.

23. **DIRECTORS' RESPONSIBILITY STATEMENT**

The current directors of Medi-Clinic, whose names appear on page 115 of these revised listing particulars, collectively and individually accept full responsibility for the accuracy of the information given in these revised listing particulars, and certify that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in these revised listing particulars false or misleading, and that they have made all reasonable inquiries to ascertain such facts, and that these revised listing particulars contain all information required by law and the Listings Requirements.

24. **CONSENTS**

Each of the advisors whose names appear on the inside front cover of this document has consented and has not, prior to the last practicable date, withdrawn their written consent to the inclusion of their names in these revised listing particulars.

25. **COSTS**

It is estimated that Medi-Clinic's expenses relating to the proposed transactions will amount to approximately R262 million. The expenses (excluding VAT) relating to the proposed transactions have been estimated at the last practicable date as detailed below:

Nature of expense	Paid/Payable to	R'000
Legal and other advisory fees	Lenz & Staehelin	15 522
	Baker & McKenzie LLP	11 054
	Hofmeyr Herbstein & Gihwala Inc.	1 000
	PricewaterhouseCoopers	398
Corporate advisory fees	Dresdner Kleinwort Limited	66 500
	Standard Bank	20 000
Due diligence fees	Booz Allen Hamilton	2 076
	PricewaterhouseCoopers	2 388
	Colliers CRE	4 935
	Marsh	226
	BMG Engineering	60
Underwriting fees	RMB Asset Management (for and on behalf of its clients)	9 965
	Stanlib Asset Management (in its capacity as portfolio manager for Liberty Group Limited)	17 500
Reporting accountants' and auditors' fees	PricewaterhouseCoopers	400
	Ernst & Young	50
JSE documentation inspection fees and listing fees	JSE	225
Printing and distribution fees	Ince	260
Property-related costs	Various	45 115
Stamp duties	Swiss authorities	64 177
		261 851

26. **DOCUMENTS AVAILABLE FOR INSPECTION**

Paragraph 33 of the proposed acquisition circular provides details on the documents available for inspection.

Signed at Stellenbosch on Friday, 17 August 2007 on behalf of the board of directors of Medi-Clinic Corporation Limited.

J G Swiegers

TRADING HISTORY OF MEDI-CLINIC SHARES ON THE JSE

The trading history of Medi-Clinic shares on the JSE is set out below:

			High (cents)	Low (cents)	Volume
Quarterly					
2004	June	30	1 286	1 180	8 946 337
	September	30	1 301	1 150	13 765 173
	December	30	1 520	1 285	10 811 107
2005	March	31	1 585	1 400	10 160 638
	June	30	1 700	1 420	19 400 705
	September	30	2 000	1 600	22 383 226
	December	31	2 230	1 770	50 997 162
2006	March	31	2 125	1 785	20 185 636
	June	30	2 150	1 740	18 144 378
Monthly					
2006	June	30	1 975	1 740	6 040 260
	July	31	1 940	1 810	2 918 101
	August	31	2 200	1 880	15 336 028
	September	30	2 190	2 000	8 896 001
	October	31	2 165	1 950	7 226 112
	November	30	2 500	2 125	8 278 954
	December	31	2 600	2 300	5 043 193
2007	January	31	2 620	2 400	4 028 971
	February	28	2 860	2 551	5 247 412
	March	31	2 700	2 500	3 580 635
	April	30	2 620	2 500	5 937 400
	May	31	2 695	2 500	6 492 097
	June	30	2 640	2 400	6 476 075
Daily					
2007	July	2	2 530	2 441	179 414
		3	2 450	2 430	242 539
		4	2 455	2 446	30 813
		5	2 505	2 500	287 974
		6	2 505	2 500	86 534
		9	2 550	2 500	104 545
		10	2 580	2 530	986 439
		11	2 585	2 550	115 598
		12	2 606	2 530	10 165 292
		13	2 580	2 500	5 279
		16	2 500	2 480	124 500
		17	2 500	2 500	49 996
		18	2 630	2 500	189 896
		19	2 590	2 540	252 975
		20	2 580	2 540	98 705
		23	2 502	2 500	69 095
		24	2 470	2 412	272 568
		25	2 439	2 318	629 896

			High (cents)	Low (cents)	Volume
Daily					
2007	July	26	2 361	2 215	247 402
		27	2 300	2 268	68 788
		30	2 250	2 200	428 004
		31	2 250	2 220	308 202
	August	1	2 350	2 199	229 035
		2	2 500	2 250	625 177
		3	2 300	2 150	1 370 928
		6	2 159	2 115	262 750
		7	2 199	2 130	795 042
		8*	2 185	2 150	498 967

* Last practicable date.

DETAILS OF SUBSIDIARY COMPANIES OF MEDI-CLINIC

Name of subsidiary company	Registration number	Percentage held	Held by	Nature of business
Medi-Clinic Investments Limited	1968/003378/06	100	Medi-Clinic Corporation Limited	Investment in and operation of private healthcare facilities
Aukland Medicine Distributors (Pty) Ltd	1996/016733/07	100	Medi-Clinic Investments Limited	Procurement of pharmaceutical items
Howick Private Hospital Holdings Limited	2002/013282/06	49.7	Medi-Clinic Investments Limited	Ownership, management and operation of private healthcare facilities
Legae Medi-Clinic (Pty) Ltd	1993/070151/07	100	Medi-Clinic Investments Limited	Ownership, management and operation of private healthcare facilities
Medical Human Resources (Pty) Ltd	1983/011839/07	100	Medi-Clinic Investments Limited	Placement agency for nursing and administration staff for healthcare industry
Medical Innovations (Pty) Ltd	1967/002540/07	100	Medi-Clinic Investments Limited	Manufacturer and distributor of medical equipment
Medi-Clinic Limited	1969/009218/06	100	Medi-Clinic Investments Limited	Ownership, management and operation of private healthcare facilities
Medi-Clinic Holdings (Namibia) (Pty) Ltd	88/085	100	Medi-Clinic Investments Limited	Ownership, management and operation of private healthcare facilities
Medi-Clinic Europe (Pty) Ltd	2006/003430/07	100	Medi-Clinic Investments Limited	Holding, administrative and investment company
Medi-Clinic Middle East (Pty) Ltd	2005/037246/07	100	Medi-Clinic Investments Limited	Ownership, management and operation of private healthcare facilities
Medi-Clinic Properties (Pty) Ltd	2006/003456/07	100	Medi-Clinic Investments Limited	Ownership and leasing of properties
Medipark Clinic (Pty) Ltd	1966/004891/07	100	Medi-Clinic Investments Limited	Investment in private healthcare industry
Newcastle Private Hospital Limited	1995/011368/06	15.1	Medi-Clinic Investments Limited	Ownership, management and operation of private healthcare facilities
Paarl Medi-Clinic (Pty) Ltd	2003/000398/07	75.6	Medi-Clinic Investments Limited	Ownership, management and operation of private healthcare facilities
Phodclinics (Pty) Ltd	2004/028089/07	51	Medi-Clinic Investments Limited	Ownership, management and operation of private healthcare facilities
Plettenberg Bay Private Health Centre (Pty) Ltd	2001/017777/07	100	Medi-Clinic Investments Limited	Ownership, management and operation of private healthcare facilities
Practice Relief (Pty) Ltd	2003/000407/07	100	Medi-Clinic Investments Limited	Practice management
Reef-Med (Pty) Ltd	1994/000566/07	57.9	Medi-Clinic Investments Limited	Ownership, management and operation of private healthcare facilities
Tshwane Private Hospitals (Pty) Ltd	2002/012543/07	51	Medi-Clinic Investments Limited	Holding, administrative and investment company
Tzaneen Private Hospital (Pty) Ltd	2001/021422/07	49.4	Medi-Clinic Investments Limited	Ownership, management and operation of private healthcare facilities
Victoria Hospital Limited	1984/003424/06	33.3	Medi-Clinic Investments Limited	Ownership, management and operation of private healthcare facilities
Wits University Donald Gordon Medical Centre (Pty) Ltd	1998/004532/07	49.9	Medi-Clinic Investments Limited	Ownership, management and operation of private healthcare facilities
Barberton Medi-Clinic (Pty) Ltd	1996/011320/07	77	Medi-Clinic Limited	Ownership, management and operation of private healthcare facilities

Name of subsidiary company	Registration number	Percentage held	Held by	Nature of business
Ermelo Medi-Clinic (Pty) Ltd	1995/005758/07	50.8	Medi-Clinic Limited	Ownership, management and operation of private healthcare facilities
Hermanus Medi-Clinic Limited	1995/008998/06	34.9	Medi-Clinic Limited	Ownership, management and operation of private healthcare facilities
Kimberley Medi-Clinic (Pty) Ltd	1984/006858/07	89.7	Medi-Clinic Limited	Ownership, management and operation of private healthcare facilities
Limpopo Medi-Clinic Limited	1989/006526/06	50	Medi-Clinic Limited	Ownership, management and operation of private healthcare facilities
Potchefstroom Medi-Clinic (Pty) Ltd	1985/004441/07	94.6	Medi-Clinic Limited	Ownership, management and operation of private healthcare facilities
Upington Private Hospital (Pty) Ltd	1996/001943/07	40.9	Medi-Clinic Limited	Ownership, management and operation of private healthcare facilities
Emirates Healthcare Holdings Limited BVI	1007205	50% plus one share	Medi-Clinic Middle East (Pty) Ltd	Investment in and operation of private healthcare facilities
Curamed Holdings Limited	1997/015428/06	63	Tshwane Private Hospitals (Pty) Ltd	Ownership, management and operation of private healthcare facilities
ER24 Holdings (Pty) Ltd	2002/017330/07	100	Medipark Clinic (Pty) Ltd	Holding company in respect of ER24 emergency response
Medi-Clinic Holdings Netherlands B.V	24418117	100	Medi-Clinic Europe (Pty) Ltd	Holding, administrative and investment company
Medi-Clinic Luxembourg S.à.r.l.	B129758	100	Medi-Clinic Holdings Netherlands B.V.	Investment in and operation of private healthcare facilities

PRINCIPAL IMMOVABLE PROPERTIES OWNED AND LEASED BY MEDI-CLINIC

Details of the immovable property owned by the Medi-Clinic Group at the last practicable date are set out below. The properties are valued at the directors' valuation based on present use.

Description	Location (South Africa and Namibia)	Size of property (m^2)
Barberton Medi-Clinic	Corner Sheba and Bulembu Avenues Barberton	10 006
Bloemfontein Medi-Clinic	Corner Kellner and Parfit Avenues Bloemfontein	41 128
Brits Medi-Clinic	Kerk Street Brits	9 761
Cape Town Medi-Clinic	Hof Street Oranjezicht	11 932
Constantiaberg Medi-Clinic	65 Burnham Road Cape Town	48 044
Cottage Medi-Clinic	Corner Haupt and Franziska van Neel Streets Swakopmund, Namibia	9 238
Durbanville Medi-Clinic	45 Wellington Road Durbanville	33 611
Ermelo Medi-Clinic	Corner Camden and Melmentz Streets Ermelo	16 147
Geneva Clinic	7 Varing Avenue, Dormehlsdrift George	4 263
George Medi-Clinic	York Street George	4 471
George Medi-Clinic (Neuro Clinic)	Gloucester Avenue George	8 784
Head office	Strand Street Stellenbosch	20 696
Hermanus Medi-Clinic	Hospitaal Street Hermanus	16 247
Highveld Medi-Clinic	Voortrekker Street Trichardt	24 025
Hoogland Medi-Clinic	De Leeuw Street Bethlehem	32 584
Howick Private Hospital	107 Main Street Howick	5 933
Kathu Medi-Clinic	Frikkie Meyer Road Kathu	26 557
Kimberley Medi-Clinic	177 du Toitspan Road Kimberley	9 240
Klein Karoo Medi-Clinic	185 Church Street Outdshoorn	44 982

Description	Location (South Africa and Namibia)	Size of property (m^2)
Kloof Medi-Clinic	Jochemus Street, Erasmuskloof Pretoria	16 345
Legae Medi-Clinic	Off Lucas Mangope Highway Mabopane	53 866
Limpopo Medi-Clinic	Corner Thabo Mbeki and Burger Streets Polokwane	12 001
Louis Leipoldt Medi-Clinic (parking)	9 Solway Street Belville	585
Marapong Private Hospital	175 Mosethla Street Marapong	17 914
Medforum Medi-Clinic	Schoeman Street Arcadia, Pretoria	10 185
Medi-Clinic Heart Hospital	551 Park Street Pretoria	7 877
Medivaal Hospital	6 Jan van Riebeek Boulevard Vanderbijlpark	77 531
Milnerton Medi-Clinic	Racecourse Road Milnerton	41 773
Morningside Medi-Clinic	Corner Rivonia and Hill Roads Morningside	21 596
Muelmed Medi-Clinic	577 Pretorius Street Pretoria	4 656
Nelspruit Medi-Clinic	Louis Street Sonheuwel	46 390
Newcastle Private Hospital	Corner Hospital and Bird Streets Newcastle	44 230
Otjiwarongo Medi-Clinic	Sonn Street Otjiwarongo, Namibia	9 657
Paarl Medi-Clinic	Berlyn Street Paarl	16 343
Panorama Medi-Clinic	Rothschild Boulevard Parow	41 353
Pietermaritzburg Medi-Clinic	Payne Street Pietermaritzburg	33 587
Plettenberg Bay Medi-Clinic	Muller Street Plettenberg Bay	4 880
Potchefstroom Medi-Clinic	66 Meyer Street Potchefstroom	22 613
Sandton Medi-Clinic	Corner Peter Place and Main Road Bryanston	35 038
Secunda Medi-Clinic	Heunis Street Secunda	2 281
Stellenbosch Medi-Clinic	Rokewood Avenue Stellenbosch	21 953
Strand Private Hospital	26 Altena Road Strand	5 098

Description	Location (South Africa and Namibia)	Size of property (m^2)
Tshwane Regional Offices and Sunnyside Medi-Clinic	132 Celliers Street, Sunnyside Pretoria	10 408
Tzaneen Medi-Clinic	Wolkberg Drive, R71 Tzaneen	89 047
Upington Medi-Clinic	Corner 4th Avenue and du Toit Street Upington	10 000
Vereeniging Medi-Clinic	Corner Hofmeyer Avenue and Joubert Street Vereeniging	40 907
Vergelegen Medi-Clinic	Main Road Somerset West	59 910
Welkom Medi-Clinic	Meulen Street Welkom	38 001
Windhoek Medi-Clinic	Heliodoor Street Windhoek, Namibia	10 156
Wits Donald Gordon Medical Centre	21 Eton Road, Parktown Johannesburg	35 985
Worcester Medi-Clinic	67 Fairbairn Street Worcester	6 830

Description	Location (UAE)	Size of property (m^2)
The City Hospital and office	Dubai	9 291
The Creek Hospital and office	Dubai	7 200
Welcare Eye Centre	Dubai	673

Description	Location (Switzerland)	Size of property (m^2)
Klinik Aarau	Schänisweg, 5001 Aarau	17 296
Klinik Am Rosenberg	Hasenbühlstrasse 11, 9410 Heiden	6 799
Andreas Klinik	Rigistrasse 1, 6330 Cham	9 558
Klinik Beau-Site	Schänzlihalde 11, 3013 Bern	7 263
Klinik Belair	Rietstrasse 30, 8201 Schaffhausen	3 298
Klinik Birshof	Reinacherstrasse 28, 4142 Münchenstein/Basel	13 797
Clinique Bois-Cerf	Avenue d'Ouchy 31, 1006 Lausanne	10 600
Clinique Cecil	Avenue Ruchonnet 53, 1003 Lausanne	11 143
Klinik Hirslanden	Witellikerstrasse 40, 8032 Zürich	55 495
Klinik Im Park	Seestrasse 220, 8027 Zürich	16 083
Klinik Permanence	Bümplizstr. 83, 3018 Bern	3 956
Salem Spital	Schänzlistrasse 39, 3000 Bern 25	20 012
Klinik Santa Anna	St. Anna-Strasse 32, 6006 Luzern	35 339

Details of the principal immovable properties leased by the Medi-Clinic Group are set out below:

Property	Lessor	Location (South Africa)	Size of property (m^2)	Monthly rental (ZAR)	Expiry date	Renewal option
Louis Leipoldt Medi-Clinic (Hospital)	Rycklof Beleggings (Pty) Ltd	9 Solway Street Belville	7 474	905 023	2010	Yes
Louis Leipoldt Medi-Clinic (Medical Centre)	Rycklof Beleggings (Pty) Ltd	9 Solway Street Belville	5 402	267 902	2010	Yes

Property	Lessor	Location (UAE)	Size of property (m^2)	Annual rental (AED)	Expiry date	Renewal option
Emirates Diagnostic Clinic	H E Shaika Fathima Bint Mohammed Sulaiman	Satwa	1 088	246 380	2008	Annual renewal
Welcare Ambulatory Care Centre	Dubai Techonology & Media Free Zone Authority	Media City	1 147	1 062 358	2014	No
Welcare Hospital	H E Nasser Lootah	Al Gharhoud	13 594	4 400 400	2012	Yes
Welcare Hospital Admin	Saleh Lehej Building Saleh Lehej Building	Unit 202, 217, 218, 219	570	469 532	2008	Annual renewal
Welcare Mirdiff Clinic	Life Healthcare Group	Mirdiff	743	1 200 000	2016	No
Welcare Qusais Clinic	Legend Middle East LLC	Al Qusais	690	742 800	2016	No
Welcare World Health Systems	Mrs Fathemah Sehat Kashani and Mr Hamid Reza Hamidi	Dubai Healthcare City	459	494 300	2011	No

Property	Lessor	Location (Switzerland)	Annual rental (CHF)	Expiry date	Renewal Option
Office/medical office space	Schweizerische National-Versicherungs-Gesellschaft	Seefeldstrasse 214, 8008, Zurich	2 425 428	2011	Yes
Offices/Archives/parking lots	Elvia Leben	Bellariastr. 38, 8038, Zurich	768 204	2008	Yes
Medical training center facilities	AZ Medienhaus AG	Aarau	1 077 167	2015	Yes

MATERIAL LOANS OF MEDI-CLINIC

1. MATERIAL LOANS OF THE GROUP PRIOR TO THE PROPOSED TRANSACTIONS

Lender	Nature of debt/loan (how debt/ loan arose)	Loan amount (R'000)	Secured/ Unsecured	Nature and value of security	Repayment terms	Interest rate	Type of interest rate
Standard Bank	Bullet loan – arising through capital restructuring	511 363	Unsecured	N/A	Service interest on quarterly basis; capital is a bullet payment on 27 December 2012	Fixed rate of 9.32%	Fixed
Standard Bank	Term loan – arising through capital restructuring	182 814	Unsecured	N/A	Instalments on quarterly basis; last instalment on 27 December 2012	Fixed rate of 9.14%	Fixed
Standard Finance – Isle of man	Bank overdraft	301 994	Unsecured	N/A	Service interest on monthly basis; no repayment terms	Variable rate of LIBOR + 1.4% (6.88% as at 31 March 2007)	Variable
Standard Bank	Bank overdraft	70 018	Unsecured	N/A	Service interest on monthly basis; no repayment terms	Variable rate of 9.25% at 31 March 2007	Variable
ABSA	Bank overdraft	55 391	Unsecured	N/A	Service interest on monthly basis; no repayment terms	Variable rate of 10.50% at 31 March 2007	Variable
Investec	Terms loans – for operational and PPE requirements	90 724	Secured	PPE with a book value of R135m	Monthly instalments over 4 years	Average fixed rate of 12.80%	Average Fixed
ABSA	Bank overdraft	17 378	Unsecured	N/A	Service interest on monthly basis; no repayment terms	Variable rate of 10.50% at 31 March 2007	Variable
Bank Windhoek	Term loan	49 063	Secured	PPE with a book value of R48m	Monthly instalments	Variable rate of 11% at 31 March 2007	Variable
Various	Term loans	37 795	Secured	PPE with a book value of R52m	Monthly instalments	Variable rate of 10.1% to 11% at 31 March 2007	Variable
Various	Secured loan	79 209	Secured	PPE with a book value of R29m	Repayable in ranges between 1 and 3 years	Variable rate linked to EIBOR (5% to 11.9% at 31 March 2007)	Variable
Supplier	Unsecured loan	12 451	Unsecured	N/A	Repayable in 12 to 24 months	Interest free	Interest free
Various	Bank overdraft	215 733	Unsecured	N/A	Service interest on monthly basis; no repayment terms	Fixed rate of 7%	Fixed

1.1. The Group does not have any outstanding conversion or redemption rights.

1.2 Debt repayable within 12 months will be financed by cash flows from operations.

1.3 The Group does not have any debentures or loan capital outstanding.

2. MATERIAL LOANS OF THE GROUP SUBSEQUENT TO THE PROPOSED TRANSACTIONS

As a consequence of the proposed transactions, Medi-Clinic and its subsidiaries will have the following additional debt:

Lender	Nature of debt/loan (how debt/ loan arose)	Loan amount	Secured/ Unsecured	Details of security	Repayment terms	Interest rate	Type of interest rate
Standard Bank	Acquisition of Hirslanden – bridge financing[(1)]	R5 410 000 000	Secured	To include pledge over shares in Medi-Clinic Europe (Proprietary) Limited	One instalment 12 months from drawdown	Variable rate of JIBAR + 1% which at the last practicable date is 10.79%. Steps up to JIBAR + 2% after 6 months	Variable
Stanlib Asset Management (in its capacity as portfolio manager for Liberty Life)	Acquisition of Hirslanden – bridge financing[(1)]	R1 739 000 000	Secured	To include pledge over shares in Medi-Clinic Europe (Proprietary) Limited	One instalment 12 months from drawdown	Variable rate of JIBAR + 1% which at the last practicable date is 10.79%. Steps up to JIBAR + 2% after 6 months	Variable
Mandated Lead Arrangers and Bookrunner: Barclays Capital, the investment banking division of Barclays Bank PLC Underwriter: Barclays Bank PLC	Acquisition of Hirslanden – Term loan	Up to CHF 2 800 000 000	Secured	To include pledge over shares in Medi-Clinic Luxembourg and mortgages over the properties in Hirslanden	Seven-year term loan with quarterly payments of principal and interest. A quarterly principal payment schedule has been agreed which amortises the loan to a principal amount of approximately 95% of the initial loan amount by the end of year 7. All remaining amounts outstanding under the facility will be repaid in a single instalment at maturity at the end of year 7	Subject to confidentiality but has been hedged	Variable, subject to interest rate hedging arrangements

Note 1: It is anticipated that the proceeds of the proposed rights offer will be used to mainly settle the bridge financing from Standard Bank and Stanlib Asset Management (in its capacity as portfolio manager for Liberty Life).

DETAILS ON THE DIRECTORS OF MEDI-CLINIC AND ITS MAJOR SUBSIDIARIES

Details on the directors of Medi-Clinic:

Executive directors of Medi-Clinic

Edwin de la Harpe Hertzog	Chairman
Age	57
Address	Medi-Clinic Offices, Strand Road, Stellenbosch, 7600
Occupation	Chairman, Medi-Clinic
Nationality	South African
Qualification	M.B.Ch.B., M.Med., F.F.A. (SA)
Experience	Appointed in 1983 as managing director, in 1990 as executive vice-chairman and in 1992 as chairman of the company.
Directorships in last five years	Medi-Clinic, Distell Group Limited, Remgro, Total (SA) Limited and Trans Hex Group Limited
Louis Jeremia Alberts	Chief Executive Officer
Age	60
Address	Medi-Clinic Offices, Strand Road, Stellenbosch, 7600
Occupation	Managing Director, Medi-Clinic
Nationality	South African
Qualification	B.Comm, CA(SA)
Experience	Appointed in 1988 as director of the company and in 1990 as managing director.
Directorships in last five years	Medi-Clinic, HASA (1999-2006), Apex Healthcare Services (Pty) Ltd (in liquidation), Medimo (Pty) Ltd (in liquidation)
Jan du Toit Marais	
Age	56
Address	Medi-Clinic Offices, Strand Road, Stellenbosch, 7600
Occupation	Technical Director, Medi-Clinic
Nationality	South African
Qualification	H.N.T.D. (Mec)
Experience	Appointed in 1985 as director of the company.
Directorships in last five years	Medi-Clinic
Daniel Petrus Meintjes	
Age	50
Address	Medi-Clinic Offices, Strand Road, Stellenbosch, 7600
Occupation	Executive Director: United Arab Emirates, Medi-Clinic
Nationality	South African
Qualification	B.Pl (Hons)
Experience	Joined the group in 1985 and appointed in 1996 as Human Resources Director. Seconded to Dubai in 2006 to oversee company's expansion into the United Arab Emirates.
Directorships in last five years	Medi-Clinic
Koert Hendrik Stefanus Pretorius	
Age	44
Address	Medi-Clinic Offices, Strand Road, Stellenbosch, 7600
Occupation	Group Operations Director, Medi-Clinic
Nationality	South African
Qualification	B.Compt, MBL
Experience	Joined the group in 1998 and appointed in November 2006 as director of the company.
Directorships in last five years	Medi-Clinic

Johannes Gerhardus Swiegers	
Age	52
Address	Medi-Clinic Offices, Strand Road, Stellenbosch, 7600
Occupation	Financial Director, Medi-Clinic
Nationality	South African
Qualification	B.Acc (Hons), B.Comm (Hons)(Taxation), CA(SA)
Experience	Appointed in 1994 as non-executive director of the company and in 1999 as Financial Director.
Directorships in last five years	Medi-Clinic, HASA (2002-2004), Channel Six Broadcasting (deregistered in 2004), COMMSCO Holdings Limited (deregistered in 2006), Apex Healthcare Services (Pty) Ltd (in liquidation)

Independent non-executive directors of Medi-Clinic

Salukazi Dakile-Hlongwane	
Age	56
Address	Nozala Investments (Pty) Ltd, Nozala Offices, Wedgefield Office Park – Phase III, 17 Muswell Road South, Bryanston, 2021
Occupation	Deputy Chairperson and Chief Executive Director, Nozala Investments
Nationality	South African
Qualification	BA, MA
Experience	Deputy Chairperson and Chief Executive Director of Nozala Investments. Appointed in 2000 as director of the company.
Directorships in last five years	Medi-Clinic, Nozala Investments (Pty) Ltd, Tsebo Outsourcing Group (Pty) Ltd (2003), MIH Holdings Limited (Pty) Ltd (2006), Worldwide Capital (Pty) Ltd (2006), Gidani (Pty) Ltd (2005), Woodlands Dairy (Pty) Ltd (2006)
Alwyn Reginald Martin	
Age	68
Address	c/o Medi-Clinic Offices, Strand Road, Stellenbosch, 7600
Occupation	Businessman
Nationality	South African
Qualification	B.Comm, CA(SA)
Experience	Appointed in 2002 as director of the company.
Directorships in last five years	Medi-Clinic, Trans Hex Group Limited, Santam Limited and Credit Guarantee Insurance of Africa
Albert Anton Raath	
Age	51
Address	Innofin, Block A, Tuscan Park, Corner Old Oak Road & Twist Street, Durbanville, 7550
Occupation	Chief Executive Officer, Innofin
Nationality	South African
Qualification	B.Comm, CA(SA)
Experience	Chief Executive Officer of Innofin, a subsidiary of Sanlam. Appointed in 1996 as director of the company.
Directorships in last five years	Medi-Clinic, Innofin (Pty) Ltd (a subsidiary of Sanlam Limited), Sanlam Private Investments (Pty) Ltd (2000 – 2005), Sanlam Investment Management (Namibia) (Pty) Ltd (2000 – 2005), Sanlam Investment Management (Pty) Ltd (2001 – 2005)
Wynand Louw van der Merwe	
Age	55
Address	Tygerberg Medical Faculty, Room 1012, 1st Floor , Clinical Building, Tygerberg, 7500
Occupation	Dean of the Faculty Health Sciences, Stellenbosch University
Nationality	South African
Qualification	M.B.Ch.B., M.Med., F.F.A. (SA), MD
Experience	Dean of the Faculty Health Sciences of Stellenbosch University. Appointed in 2001 as director of the company.
Directorships in last five years	Medi-Clinic

Non-executive directors of Medi-Clinic

Vincent Elijah Msibi	
Age	51
Address	Phodiso Holdings Limited, 421 Pretorius Street, Curator Building, 1st Floor, Pretoria, 0002
Occupation	Chairman, Phodiso Holdings Limited
Nationality	South African
Qualification	M.B.Ch.B.
Experience	Group Executive Chairman of Phodiso Holdings Limited. Appointed in November 2005 as director of the company.
Directorships in last five years	Medi-Clinic, Phodiso Holdings Limited, New Diamond Corporation (2001-2005), Metro Cash & Carry (2004 – 2006)

Mamphela Aletta Ramphele	
Age	59
Address	Circle Capital Ventures (Proprietary) Limited, 28th Floor, No 1 Thibault Square, Cape Town, 8001
Occupation	Chairperson, Circle Capital Ventures (Proprietary) Limited
Nationality	South African
Qualification	M.B.Ch.B., Diploma in Tropical Health and Hygiene, B.Comm, Diploma in Public Health, Ph.D.
Experience	Chairperson of Circle Capital Ventures (Proprietary) Limited. Appointed in March 2005 as director of the company.
Directorships in last five years	Medi-Clinic, Circle Capital Ventures (Proprietary) Limited, Anglo American, MTN Group Limited, The Standard Bank of South Africa Limited (2005 – 2007)

Matthys Hendrik Visser	
Age	53
Address	Remgro Limited, Carpe Diem Office Park, Quantum Street, Techno Park, Stellenbosch, 7600
Occupation	Chief Executive Officer, Remgro
Nationality	South African
Qualification	B. Comm (Hons), CA(SA)
Experience	Chief Executive Officer of Remgro. Appointed in November 2005 as director of the company.
Directorships in last five years	Medi-Clinic, Remgro, Distell Group Limited, Nampak Limited, Rainbow Chicken Limited, M & I Group Services (Pty) Ltd (2001 – 2002), Malbak Limited (1997 – 2002), Hunt Leuchars & Hepburn Holdings Ltd (1997 – 2002), Robertsons Holdings (Pty) Ltd (2000 – 2002), MY Holdings PLC (1999 – 2002), LENCO (Pty) Ltd (2001 – 2004), Universa (Pty) Ltd (1999 – 2003), M & I Management Services (Pty) Ltd (1998 – 2007)

Details on the directors (not already listed above) of Medi-Clinic Limited, a material subsidiary of the Company

Willem Hendrik Aucamp	
Age	39
Address	International Business Gateway, corner 6th Street and New Road Midrand
Occupation	Operational Director: Northern Region
Nationality	South African
Qualification	B. Comm (Personnel Management)
Experience	Joined Medi-Clinic in 1995 as Human Resources Manager. Appointed in 2003 as Operational Director: Northern Region.
Directorships in last five years	N/A

Willem Frederik Burger	
Age	49
Address	4th Floor, Sanlam Building, 163 Nelson Mandela Drive, Bloemfontein
Occupation	Operational Director: Central Region
Nationality	South African
Qualification	B.Comm (Hons)
Experience	Joined Medi-Clinic in 1985 as Human Resources Manager. Appointed in 2003 as Operational Director: Central Region.
Directorships in last five years	N/A

Roland Theodore Buys	
Age	55
Address	Tijgerpark 1, 1st Floor, Willie van Schoor Avenue, Bellville
Occupation	Funder Relations and Contracting Director
Nationality	South African
Qualification	B.Comm (Hons)
Experience	Management experience in chemical and healthcare industries from 1977. Joined Medi-Clinic in 1998 as Funder Relations & Contracting Director.
Directorships in last five years	N/A

Douglas James Heaslet Defty	
Age	45
Address	Tijgerpark 1, 2nd Floor, Willie van Schoor Avenue, Bellville
Occupation	Pharmacy Services Director
Nationality	South African
Qualification	B. Pharm
Experience	Various pharmacy managerial positions held from 1985 prior to joining Medi-Clinic in 1995 as Pharmacy Operational Manager. Appointed in 1997 as Pharmacy Services Director.
Directorships in last five years	United Hospital Supply Corporation (resigned in November 2005)

Stephan Lonsdale Drinkrow	
Age	52
Address	Vineyard Centre, corner Adam Tas and Devon Valley Roads, Devon Valley, Stellenbosch
Occupation	Engineering Services Director
Nationality	South African
Qualification	Higher National Diploma: Mechanical Engineering
Experience	Appointed as technician at Rupert International from 1979 prior to joining Medi-Clinic in 1985 as Enigineer. Appointed in 1996 as Engineering Services Director.
Directorships in last five years	N/A

Clara Findlay	
Age	40
Address	Medi-Clinic Offices, Strand Road, Stellenbosch, 7600
Occupation	Legal Services Director
Nationality	South African
Qualification	BA, LLB
Experience	Admitted as an attorney in 1993 specialising in medico legal matters. Joined Medi-Clinic in 1997 as Legal Advisor. Appointed in 2000 as Legal Services Director.
Directorships in last five years	N/A

Gerrit Johann Geertsema	
Age	48
Address	132 Celliers Street, Sunnyside, Pretoria
Occupation	Operational Director: Tshwane Region
Nationality	South African
Qualification	B. Comm (Hons), B. Pharm
Experience	Various managerial positions held in pharmaceutical and private hospital business. Joined Medi-Clinic in 2005 as Operational Director: Tshwane Region.
Directorships in last five years	Berg & Meer (Pty) Ltd (resigned)
Gert Cornelis Hattingh	
Age	42
Address	Medi-Clinic Offices, Strand Road, Stellenbosch, 7600
Occupation	Related Business Director
Nationality	South African
Qualification	B Acc (Hons), CA(SA)
Experience	Joined Medi-Clinic in 1991 as Group Accountant. Appointed in 1996 as Operational Director. Support Services Director from 1998 and Related Business Director from 2003.
Directorships in last five years	N/A
Estelle Louise Jordaan	
Age	50
Address	Medi-Clinic Offices, Strand Road, Stellenbosch, 7600
Occupation	Nursing Director
Nationality	South African
Qualification	Diploma: General & Psychiatric Nursing, Diploma: Midwifery, Diploma: Critical Care Nursing, BA (Cur), MBA
Experience	Employed in nursing management positions from 1987. Joined Medi-Clinic in 2004 as Nursing Director.
Directorships in last five years	N/A
Nkaki Sydwell Matlala	
Age	54
Address	132 Celliers Street, Sunnyside, Pretoria
Occupation	Clinical Relations Director
Nationality	South African
Qualification	B.Sc, M.Sc, M.D., Fellow of the College of Surgeons, M.Med
Experience	Practiced as a general practitioner from 1983 and as a specialist surgeon from 1995. Joined Medi-Clinic in 2005 as Clinical Relations Director.
Directorships in last five years	Phodiso Holdings (Pty) Ltd (resigned in 2002), Phodiso Home & Hospital Services (Pty) Ltd (resigned in 2002), Umnotho We Sizwe Resources (Pty) Ltd (resigned in 1996), Umnotho Intergrated Energies (Pty) Ltd (resigned in 2006), Ububele Holdings (Pty) Ltd (resigned in 2004), Ububele Alpha Chemicals (Pty) Ltd (resigned in 2005), Ralethongoane Enterprise Investments (Pty) Ltd (resigned in 2006), Ralethongoane Global Commodities Trading (Pty) Ltd (resigned in 2006)
Deon Willem Moulder	
Age	62
Address	Tijgerpark 1, 3rd Floor, Willie van Schoor Avenue, Bellville
Occupation	Medical Affairs Director
Nationality	South African
Qualification	M.B.Ch.B.
Experience	Joined Medi-Clinic in 1990 as Hospital Manager. Appointed in 1995 as Medical Affairs Director.
Directorships in last five years	N/A

Theodorus Carel Pauw	
Age	57
Address	Medi-Clinic Offices, Strand Road, Stellenbosch, 7600
Occupation	Information Systems Director
Nationality	South African
Qualification	Senior Certificate
Experience	Started his career in 1970 at the Rembrandt Group prior to joining Medi-Clinic in 1986 as Information Technology Manager. Appointed in 2001 as Information Systems Director.
Directorships in last five years	N/A
Biren Valodia	
Age	40
Address	Medi-Clinic Offices, Strand Road, Stellenbosch, 7600
Occupation	Marketing & Corporate Liaison Director
Nationality	South African
Qualification	B. Pharm, M.B.A., B. B&A (Hons)
Experience	Various managerial positions held in the healthcare industry from 1999. Joined Medi-Clinic in 2006 as Marketing & Corporate Liaison Director.
Directorships in last five years	Medscheme (Pty) Ltd (resigned in 2005), Interpharm Data Systems (Pty) Ltd (resigned in 2005), Pharmacy Benefit Management (Pty) Ltd (resigned in 2005), AIDS for AIDS (Pty) Ltd (resigned in 2005)
Carel Aron van der Merwe	
Age	44
Address	Medi-Clinic Offices, Strand Road, Stellenbosch, 7600
Occupation	Clinical Information & Emergency Services Director
Nationality	South African
Qualification	M.B.Ch.B., DA (SA), FCA (SA)
Experience	Practiced as an anaesthetist from 1994. and held various managerial positions in the healthcare industry from 1996. Joined Medi-Clinic in 1999 as Clinical Affairs Manager. Appointed in 2001 as Clinical Information & Emergency Services Director.
Directorships in last five years	N/A
Gerrit Leonardus van Onselen	
Age	54
Address	Medi-Clinic Offices, Strand Road, Stellenbosch, 7600
Occupation	Property Management & Procurement Services Director
Nationality	South African
Qualification	Senior Certificate
Experience	Various financial positions held at Rembrandt prior to joining Medi-Clinic in 1985 as Accountant. Appointed in 1995 as Property Management Director. Currently Property Management & Procurement Services Director.
Directorships in last five years	N/A
Edmund Marais van Wyk	
Age	45
Address	Vineyard Centre, Cnr Adam Tas & Devon Valley Rd, Devon Valley, Stellenbosch
Occupation	Operational Director: Western Cape Region
Nationality	South African
Qualification	B. Comm (Hons)
Experience	Various senior financial positions held from 1989 prior to joining Medi-Clinic in 1995 as Regional Financial Manager. Appointed as Operational Director: Western Cape Region in 2006.
Directorships in last five years	N/A

Jacobus Ryk Veldsman	
Age	57
Address	Vineyard Centre, Cnr Adam Tas & Devon Valley Rd, Devon Valley, Stellenbosch
Occupation	Technical Projects Director
Nationality	South African
Qualification	PR Tech (Eng)
Experience	Various senior technical positions held from 1977. Joined Medi-Clinic in 1985 as Group Civil Engineer. Appointed in 1996 as Technical Projects. Director.
Directorships in last five years	N/A
Barend Jacobus Verster	
Age	55
Address	Medi-Clinic Offices, Strand Road, Stellenbosch, 7600
Occupation	Human Resources & Training and Development Director
Nationality	South African
Qualification	B & A (Hons)
Experience	Human Resources Manager at Rembrandt from 1985 prior to joining Medi-Clinic in 1989 as Training Manager. Appointed in 1995 as Training and Development Director. Currently Human Resources & Training and Development Director.
Directorships in last five years	N/A
Andre Danie Viljoen	
Age	45
Address	Tijgerpark 1, 3rd Floor, Willie van Schoor Avenue, Bellville
Occupation	Operational Director: Peninsula Region
Nationality	South African
Qualification	B. Comm, Diploma: Datametrics
Experience	Senior management positions held in healthcare industry from 1993. Joined Medi-Clinic in 1998 as Operational Director: Peninsula Region.
Directorships in last five years	N/A

APPOINTMENT, QUALIFICATION, REMUNERATION AND BORROWING POWERS OF DIRECTORS

The following information regarding the appointment, qualification, remuneration and borrowing powers of the directors of the Group is extracted from the articles of association of the Company.

"PART V – DIRECTORS

28. **COMPOSITION**

28.1 The number of the directors shall not be less than 4 (four).

28.2 The directors shall have the power to appoint further directors, provided that:

28.2.1 no appointment in terms of this Article 28.2 shall be valid unless at least two-thirds of the directors of the company at the time approve such appointment; and

28.2.2 any appointment of a director made in terms of this Article 28.2 shall be ratified by the members at the next general meeting.

28.3 A director shall not be required to hold any qualifying shares.

28.4 The directors shall be entitled to such remuneration as the company in general meeting may from time to time determine, which remuneration shall be divided among the directors in such proportions as they may agree, or in default of such agreement, equally, except that in such event any director holding office for less than a year shall only rank in such division in proportion to the period during which he has actually held office.

28.5 Such remuneration shall accrue to the directors from day-to-day.

28.6 Any director who:

28.6.1 serves on any executive or other committee; or

28.6.2 devotes special attention to the business of the company; or

28.6.3 goes or resides outside South Africa for the purpose of the company; or

28.6.4 otherwise performs or binds himself to perform services which, in the opinion of the directors, are outside the scope of the ordinary duties of a director,

may be paid such extra remuneration or allowance in addition to or in substitution of the remuneration to which he may be entitled as a director, as a disinterested quorum of the directors may from time to time determine.

28.7 The directors shall also be paid all their travelling and other expenses necessarily expended by them in connection with:

28.7.1 the business of the company; and

28.7.2 attending meetings of the directors or of committees of the directors or of the company.

28.8 Without prejudice to any contrary provisions in the articles, a director shall vacate his office if:

28.8.1 his estate is sequestrated or he surrenders his estate or enters into a general compromise with his creditors;

28.8.2 he is found to be or becomes of unsound mind;

28.8.3 a majority of his co-directors sign and deposit at the office a written notice wherein he is requested to vacate his office (which shall become operative on deposit at the office) but without prejudice to any claim for damages;

28.8.4 he be removed by a resolution of the company of which proper notice has been given in terms of the Act (but without prejudice to any claim for damages);

28.8.5 he shall, pursuant to the provisions of the Act or any order made thereunder, be prohibited from acting as a director;

28.8.6 he resigns his office by notice in writing to the company;

28.8.7 he is absent from meetings of the directors for 6 (six) consecutive months without leave of the directors while not engaged in the business of the company; and

28.8.8 he is not represented at any such meetings during such 6 (six) consecutive months by an alternate director; and

28.8.9 the directors resolve that his office be, by reason of such absence, vacated,

provided that the directors shall have power to grant to any director leave of absence for a definite or indefinite period.

28.9 A director may hold any other office or place of profit under the company (except that of auditor) or any subsidiary of the company in conjunction with his office of director, for such period and on such terms as to remuneration (in addition to the remuneration to which he may be entitled as a director) and otherwise as a disinterested quorum of the directors may determine.

28.10 A director of the company may be or become a director or other officer of, or otherwise interested in, any company promoted by the company or in which the company may be interested as shareholder or otherwise and (except insofar as otherwise decided by the directors) he shall not be accountable for any remuneration or other benefits received by him as a director or officer of or from his interest in such other company.

28.11 Any director may act personally or through his firm in a professional capacity for the company (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services rendered as if he were not a director.

28.12 A director who is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the company, shall declare the nature of his interest in accordance with the Act.

28.13 No director or intending director shall be disqualified by his office from contracting with the company with regard to:

28.13.1 his tenure of any other office or place of profit under the company or in any company promoted by the company or in which the company is interested;

28.13.2 professional services rendered or to be rendered by such director;

28.13.3 any sale or other transaction.

28.14 No such contract or arrangement entered into by or on behalf of the company in which any director is in any way interested is voidable solely by reason of such interest.

28.15 No director so contracting or being so interested shall be liable to account to the company for any profit realised by any such appointment, contract or arrangement by reason of his office as director or of the fiduciary relationship created thereby.

28.16 A director may not vote nor be counted in the quorum (and if he shall do so his vote shall not be counted) on any resolution for his own appointment to any other office or place of profit under the company or in respect of any contract or arrangement in which he is interested, provided that this prohibition shall not apply to:

28.16.1 any arrangement for giving to any director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the company; or

28.16.2 any arrangement for the giving by the company of any security to a third party in respect of a debt or obligation of the company which the director has himself guaranteed or secured; or

28.16.3 any contract by a director to subscribe for or underwrite shares or debentures of the company; or

28.16.4 any contract or arrangement with a legal person in which he is interested by reason only of being a director, officer, creditor or member of such legal person, and these provisos may at any time be suspended or relaxed either generally, or in respect of any particular contract or arrangement, by the company in general meeting.

28.17 A contract which violates the terms of Article 28.16 can be ratified by the company in general meeting.

28.18 The terms of Article 28.16 shall not prevent a director from voting as a member at a general meeting at which a resolution in which he has a personal interest is tabled.

28.19 The directors may exercise the voting powers conferred by the shares held or owned by the company in any other company in such manner in all respects as they think fit, including the exercise thereof in favour of any resolution appointing themselves or any of them to be directors or officers of such other company or for determining any payment of or remuneration to the directors or officers of such other company.

28.20 A director may vote in favour of a resolution referred to in Article 28.19 for the exercise of the voting rights in the manner described in Article 28.19 notwithstanding that he may be, or is about to become, a director or other officer of such other company and for that or any other reason may be interested in the exercise of such voting rights in the manner aforesaid.

29. ALTERNATE DIRECTORS

29.1 A director may:

29.1.1 appoint another director or any person approved for that purpose by a resolution of the directors to act as alternate director in his place and during his absence;

29.1.2 remove such alternate director.

29.2 A person so appointed shall, except as regards authority to appoint an alternate director and remuneration, be subject in all respects to the terms and conditions existing in respect of the other directors of the company.

29.3 Each alternate director, whilst so acting, shall be entitled to:

29.3.1 receive notices of all meetings of the directors or of any committee of the directors of which his appointer is a member;

29.3.2 attend and vote at any such meeting at which his appointer is not personally present;

29.3.3 generally exercise and discharge all the functions, powers and duties of his appointer in such appointer's absence as if he were a director.

29.4 Any director acting as alternate director shall in addition to his own vote have a vote for each director for whom he acts as alternate.

29.5 An alternate director shall *ipso facto* cease to be an alternate director if his appointer ceases for any reason to be a director, provided that if any director retires by rotation or otherwise, but is re-elected at the same meeting, any appointment made by him pursuant to this article which was in force immediately before his retirement shall remain in force as though he had not retired.

29.6 In the event of the disqualification or resignation of any alternate director during the absence or inability to act of the director whom he represents, the vacancy so arising shall be filled by the chairperson of the directors who shall nominate a person to fill such vacancy, subject to the approval of the board.

29.7 Any appointment or removal of an alternate director shall be effected by written notice delivered at the office and signed by the appointer.

29.8 The remuneration of an alternate director shall be payable only out of the remuneration payable to the director whose alternate he is and he shall have no claim against the company for any remuneration.

29.9 An alternate director shall not be required to hold any qualifying shares.

30. **RETIREMENT OF DIRECTORS BY ROTATION**

30.1 All the directors shall retire at the first annual general meeting and, at every annual general meeting thereafter, one-third of the directors for the time being or if their number is not a multiple of 3 (three), then the number nearest to but not less than one-third shall retire from office, provided that if a director is appointed a managing director, or as an employee of the company in any other capacity, the contract under which he is appointed may provide that he shall not, while he continues to hold that position or office under contract for a term of rotation, be subject to retirement by such contract and he shall not in such case be taken into account in determining the rotation of retirement of directors, provided that less than half of the directors may be appointed to any such position.

30.2 The directors so to retire shall be those who have been longest in office since their last election, but in the case of persons who became directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

30.3 Notwithstanding anything herein contained, if at the date of any annual general meeting any director shall have held office for a period of 3 (three) years since his last election or appointment, he shall retire at such meeting either as one of the directors to retire by rotation or additionally thereto.

30.4 The length of time a director has been in office shall be computed from his last election, appointment or date upon which he was deemed re-elected.

30.5 A director retiring at a meeting shall retain office until the election of directors at that meeting has been completed.

30.6 Retiring directors shall be eligible for re-election.

30.7 No person, other than a director retiring at the meeting shall, unless recommended by the directors, be eligible for election to the office of a director at any general meeting, unless:

30.7.1 not less than 5 (five) clear days before the day appointed for the meeting have expired, there shall have been delivered at the office of the company a notice in writing by a member (who may also be the proposed director) duly qualified to be present and to vote at the meeting for which such notice is given;

30.7.2 such notice sets out the member's intention to propose a specific person for election as director; and

30.7.3 notice in writing by the proposed person of his willingness to be elected is attached thereto (except where the proposer is the same person as the proposed).

30.8 Subject to the preceding article, the company may at the meeting at which a director retires, fill the vacated office by electing a person thereto and in default the retiring director, if willing to continue to act, shall be deemed to have been re-elected, unless:

30.8.1 it is expressly resolved at such meeting not to fill such vacated office; or

30.8.2 a resolution for the re-election of such director was put to the meeting and rejected.

30.9 The company in general meeting or the directors may appoint any person as director either to fill a casual vacancy or as an additional director, but the total number of directors shall not at any time exceed the maximum number fixed by or in accordance with the articles.

30.10 A person appointed by the directors as a director in terms of Article 30.9:

30.10.1 shall retire at the following annual general meeting;

30.10.2 shall not be considered in determining the directors to retire by rotation;

30.10.3 shall be eligible for re-election.

30.11 If the number of directors should become less than the permissible minimum in terms of the articles, the remaining directors may only act:

30.11.1 to fill any vacancies on the board of directors; or

30.11.2 to convene general meetings.

30.12 If the company in general meeting increases or reduces the number of directors, it may also determine in what rotation such increased or reduced number is to retire.

31. **POWERS OF DIRECTORS**

31.1 The management and control of the business of the company shall be vested in the directors who, in addition to the powers and authorities expressly conferred upon them by the articles, may exercise all powers and authorities and perform all acts which may be exercised or done by the company, and are not hereby or by the Act expressly reserved to the company in general meeting.

31.2 Such management and control may not be inconsistent with the articles nor with the provisions of the Act.

31.3 The general powers granted in terms of this article shall not be limited or restricted by any special authority or power given to the directors by any other article.

31.4 The directors may:

31.4.1 in their discretion arrange that any branch of the business carried on by the company or any other business in which the company may be interested, shall be carried on by or through one or more subsidiary companies;

31.4.2 make such arrangements on behalf of the company as they think advisable:

31.4.3.1 for taking the profits or bearing the losses of any such branch or business; or

31.4.3.2 for financing, assisting or subsidising any such subsidiary company; or

31.4.3.3 for guaranteeing its contracts, obligations or liabilities.

31.5 The directors may:

31.5.1 establish any contributory or non-contributory pension, retirement, provident, medical or other funds for the benefit of; and

31.5.2 pay on behalf of the company a gratuity or pension or allowance on retirement or other benefit to,

any director or ex-director or other officer or employee of the company, its holding or subsidiary company (if any), whether or not he has held any other salaried office with the company, or to his widow or dependants, and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance or life assurance or other benefits, subject to the provisions of the Act.

31.6 The directors may conclude a preliminary agreement relating to a transaction envisaged in section 228 of the Act, provided that such preliminary agreement shall be ratified by the shareholders in general meeting before such agreement will be binding on the company.

31.7 The directors may:

31.7.1 take all steps that may be necessary or expedient and incur any liability in order to enable the shares, debentures or other securities of the company to be:

31.7.1.1 negotiable in South Africa or elsewhere;

31.7.1.2 recognised by and quoted on any stock exchange in South Africa or elsewhere;

31.7.1.3 pay all taxes, duties, fees, expenses or other amounts which may be payable in relation to the matters referred to in Article 31.7.1.

31.8 Save as otherwise expressly provided by the articles, all cheques, promissory notes, bills of exchange and other negotiable or transferable instruments and all documents to be executed by the company, shall be signed, drawn, accepted, endorsed or executed as the case may be in such manner as the directors shall from time to time determine.

32. **BORROWING POWERS**

32.1 Subject to the provisions of Article 32.3 the directors may from time to time:

32.1.1 borrow for the purpose of the company such sums as they think fit;

32.1.2 secure the payment or repayment of any such sums or any other sum, as they think fit, whether by the creation and issue of debentures, mortgage or charge upon all or any of the property or assets of the company, including its uncalled or unpaid capital;

32.1.3 make such regulations regarding the transfer of debentures, the issue of certificates therefor (subject to article 7 hereof) and all such other matters incidental to debentures as the directors think fit.

32.2 No special privileges as to:

32.2.1 allotment of shares in the company; or

32.2.2 the attending and voting at general meetings; or

32.2.3 the appointment of directors,

or otherwise, shall be given to the holders of debentures of the company save with the sanction of the company in general meeting.

32.3 The directors shall procure (but as regards subsidiaries of the company only insofar as by the exercise of voting and other rights or powers of control exercisable by the company they can procure) that the aggregate principal amount at any one time outstanding in respect of moneys so borrowed or raised by:

32.3.1 the company; and

32.3.2 all the subsidiaries for the time being of the company (excluding moneys borrowed or raised by any of such companies from any other of such companies but including the principal amount secured by any outstanding guarantees or suretyships given by the company or any of its subsidiaries for the time being for the share capital or indebtedness of any other company or companies whatsoever and not already included in the aggregate amount of the moneys so borrowed or raised),

shall not exceed the aggregate amount at that time authorised to be borrowed or secured by the directors of the company's holding company (if any) in respect of that holding company and all the then subsidiaries of that holding company, provided that no such sanction shall be required to the borrowing of any moneys intended to be applied and actually applied within 90 (ninety) days in the repayment (with or without any premium) of any moneys then already borrowed and outstanding and notwithstanding that new borrowing may result in the abovementioned limit being exceeded."

CORPORATE GOVERNANCE OF MEDI-CLINIC

Medi-Clinic has, since its incorporation in 1983, always upheld strict principles of corporate governance and the highest standard of integrity and ethics, as embodied in the King II Report on Corporate Governance ("the King Report").

The board of directors accepts full responsibility for corporate governance and is committed to ensuring a high standard of discipline, independence, ethics, responsibility, equity, social responsibility, accountability, cooperation and transparency. The board believes that the group has materially complied with the principles of the King Report and has met the JSE Listings Requirements.

BOARD OF DIRECTORS

Composition

The composition of the board reflects the required balance between executive and non-executive directors to ensure that the group maintains an appropriate balance between entrepreneurial growth and compliance with corporate governance requirements. Board members possess a variety of skills and experience and are involved in all material business decisions, enabling them to contribute to the strategic and general guidance of management and the business. The roles and responsibilities of the chairman and the managing director are separated.

The chairman of the board, Dr Edwin Hertzog, is also an executive director and should be regarded as a semi-executive chairman. He was involved in a chief executive capacity from the incorporation of the company until his appointment as chairman in 1992. The board considers it in the company and the group's best interest to have him as chairman. He also serves on the boards of Remgro and three other major Remgro associated companies, of which two are listed on the JSE. In addition, he is also the chairman of the Stellenbosch University Council.

Every year, at the first board meeting after the annual general meeting, both the chairman and the managing director are formally elected for a further term of one year by way of a closed ballot.

The managing director, Mr Louis Alberts, is responsible for the day-to-day management of the company and the implementation of the strategies and policies adopted by the board.

In terms of the Articles of Association of the company, one third of the directors must retire on a rotation basis, but may make themselves available for re-election for a further term. The appointment of directors is a function of the entire board, based on recommendations made by the Human Resources Committee.

Non-executive directors do not receive any benefits or share options from the company apart from directors' fees, which fees are submitted for approval by our shareholders at the company's annual general meeting. No directors have service contracts with longer than a one month notice period.

Board Charter and Responsibilities

The board has accepted a formal code of conduct ('the board charter") in which the responsibilities of the board, individual directors and the company secretary are set out. Key responsibilities in terms of the board charter include the following:

– creation of sustainable shareholder value;
– directing, assessing and authorising the group's strategies;
– ensuring that the group's strategic and operational objectives are achieved;
– the enforcement of adequate risk management practices;
– handling of all aspects that are of material or strategic nature or that may impact the group's reputation;
– monitoring compliance with all laws and regulations and our code of business conduct;
– ensuring an appropriate business culture, management style and retention of management expertise and competence;

- identifying and managing potential conflicts of interest;
- ensuring that relevant and accurate information is timeously communicated to stakeholders;
- ensuring that remuneration of directors and senior personnel occurs in terms of the company's remuneration policy;
- empowering management to execute along delegated authorities;
- ensuring that the board's composition possesses the necessary skills and experience;
- the appointment of new directors;
- compliance with the group's core values; and
- ensuring the group's financial performance and maintenance of its going concern status.

The board has full and effective control of the company and all material resolutions have to be approved by the board. The board meets at least every two months and measures exist to accommodate any resolutions that may have to be approved between meetings. Members of the board and sub-committees receive an agenda containing comprehensive and accurate information well ahead of time. This enables them to meet their commitments and to determine whether or not prescribed functions have been executed according to set standards, within the margins of cautious and predetermined risk levels and according to international best practices.

Every director has free access to senior management and the company secretary.

Board Evaluation and Induction of New Directors

The board conducts an objective and confidential evaluation in respect of the board's performance and the effectiveness of its procedures bi-annually. Newly appointed directors are formally informed of their fiduciary duties by the chairman and the company secretary. An extensive induction programme that includes information sessions with management, as well as visits to the company's hospitals, ensures that new directors obtain a good understanding of the company's core business.

Directors are continuously informed of any new relevant legislation, as well as any changes in the business risks that may have an impact on the group.

Directors are entitled, after consultation with the chairman, to obtain independent professional advice about any aspect of the business at the expense of the company.

Company Secretary's Role and Responsibilities

The board has unlimited access to the company secretary, who advises the board and the sub-committees on relevant matters, including compliance with the group's rules and procedures, the JSE Listings Requirements, relevant legislation, statutory regulations and the King Report. The company secretary is responsible to ensure the proper administration of the proceedings and matters of the board, the company and the shareholders of the company in accordance with applicable legislation and procedures.

Executive Management

The executive directors meet regularly to consider, *inter alia*, investment opportunities, operational matters and other aspects of strategic importance to the company. They are continuously in contact with department heads and hospital managers to ensure effective communication and decision-making.

Sub-Committees of the Board

Specific responsibilities are delegated to the board's sub-committees, with defined tasks in terms of approved mandates. Reports on the committees' activities are also submitted to the board. The main sub-committees are:

- **Human Resources Committee**

  The Human Resources Committee meets periodically to discuss matters such as remuneration policy, executive management and staff remuneration, directors' remuneration and incentive schemes. The committee ensures that adequate succession planning measures are in place.

  The committee has an independent non-executive director as chairman. The Managing Director and Human Resources Director also attend meetings.

Independent consultancy studies are used by the committee to ensure remuneration remains competitive and market related.

The group's remuneration strategies are aimed at ensuring that:

- the appropriate skills are attracted and retained;
- employees' earn market-related salaries;
- remuneration is fair and just;
- no discrimination exists;
- good performance is acknowledged and encouraged;
- no conflict exists between individual wealth and long-term sustainability;
- remuneration is cost effective and affordable.

- **Audit and Risk Committee**

  The Audit and Risk Committee meets with the internal and external auditors and the executive management at least three times per year to discuss matters pertaining to risk management and internal control. These include internal and external auditing, accounting policy and financial reporting within the mandate provided by the board. The Audit and Risk Committee is responsible for the ongoing identification and evaluation of the group's exposure to significant strategic, opportunity, asset, legal, regulatory, statutory, operational, financial, currency, technological and business risks and to evaluate the adequacy and appropriateness of the internal control systems used to control and manage such risks to levels within the risk tolerance levels set for the group.

  The committee is also responsible for appointing the external and internal auditors. Non-audit services by the external auditors are limited to tax advice, the remuneration of which is disclosed in the financial statements. The services of the internal and external auditors are adequately integrated.

  The committee is chaired by Mr Thys Visser, a non-executive director. Although Mr Visser is not an independent director, as recommended in terms of the King Report, the board and committee deemed it in the best interest of the group to have him as chairman of the committee considering his knowledge and experience. Due to the promulgation of the Corporate Laws Amendment Act, No 24 of 2006, the appointment of an independent chairman will be considered. The chairman of the board also attends the meetings. The internal and external auditors have unlimited access to the chairman of the Audit and Risk Committee.

Dealings in Securities

Procedures have been put in place to ensure that directors and senior management of the company do not trade in the company's shares during price sensitive or closed periods. In terms of the group's policy closed periods commences two months prior to the expected publication date of the year-end or interim financial results of the company up to the publication date, alternatively from the last day of the financial year or the first six month period of the financial year up to the publication date of the financial results of the company, whichever is the longest.

Conflict of Interests

All board members are required to disclose their shareholding in the company, other directorships and any potential conflict of interests, which is monitored annually by the company secretary. Where a potential conflict of interests exists, directors are expected to recuse themselves from relevant discussions and decisions.

In terms of the company's conditions of employment personnel are obliged to disclose any potential conflict of interests.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

The directors are responsible for the company and its subsidiaries' system of internal control, which is designed to provide reasonable, but not absolute, assurance against misrepresentation and loss. Internal control is broadly defined as a process, instituted by a company's board of directors, management and other personnel, to ensure the effectiveness of operations, sound financial controls and compliance with applicable laws and regulations.

The system contains self-monitoring mechanisms and actions are also taken to correct deficiencies where they are identified.

The internal audit function of the group has been outsourced. The effectiveness of operational procedures is audited internally by the Medi-Clinic Quality Assurance Team (MQAT) under direction of the Director: Training and Skills Development. The audits performed by MQAT monitor the self assessment process of risk management and compliance with COHSASA's internationally accredited structure standards. The company secretary is responsible for guidance in respect of the compliance with applicable laws and regulations. The assurance that the system of internal control is effective and that it is timeously adjusted to changing conditions is enhanced by the performance of these duties as well as the duties of the central Risk Management Committee.

The Audit and Risk Committee has reviewed the internal control systems of the company and its subsidiaries for the financial year up to 31 March 2007. Based on inquiries and the reports of the internal and external auditors and MQAT, the directors are satisfied that the internal control measures for the period under review were effective.

Risk Management

Effective risk management is integral to the group's objective of continuously adding value to the business whilst ensuring its sustainability.

The objectives of the risk management process, which is benchmarked against COSO (Committee of Sponsoring Organisations of the Treadway Commission) and complies with the recommendations of the King Report, are to optimise the group's residual risk profile and exploiting all viable opportunities within the risk appetite set by the board, whilst minimising exposure to potential losses.

The group's risk management process comprises the following:

- Group Risk Assessment

  Formalisation of the group's risk register based on risk assessment taking cognisance of all identified risks assessed in terms of probability of occurrence and potential impact.

- Activity Risk Analysis

  Detailed analyses of all risks inherent to the group's core activities. Monitors risk management activities and reports progress against targeted deadlines by responsible manager.

- Induction of Risk Management Practices

  The group has implemented an automated and integrated control self assessment process which monitors compliance with key procedures by discipline by site. This system caters for exception reporting of non-compliance, incident reporting and dissemination of policies and procedures. It furthermore renders full transparency of risk management activities per group, region, hospital and discipline.

- Integrated Assurance

  Due care is taken to ensure that the following assurance functions are optimally integrated:

  – MQAT is tasked with continuous training, adherence to quality protocols and operational risk review;
  – internal audit;
  – external audit; and
  – COHSASA accreditation.

- Risk Funding

  The funding of risks with material potential impact is hedged with risk funding strategies aimed at maximising the group's ability to retain risk.

The board, which is ultimately responsible for risk management, pays continuous attention to fundamental risks and addresses these in annual business plans. The board, via the Audit and Risk Committee, also regularly receives and considers risk management reports from the central Risk Management Committee. Based on the aforementioned, the board is of the opinion that the residual risk profile of the group is within the risk tolerances appropriate for Medi-Clinic.

It is furthermore responsible for the prevailing ethics and values systems along with the appointment of executive management tasked with the implementation and maintenance of effective policies, procedures and practices. The central Risk Management Committee comprising of management, representing all disciplines considered core to the business, is responsible for drawing up policies and procedures on risk management as well as the financing of residual risks, including self insurance. The board believes that the group's risk funding strategy and existing cover are appropriate and adequate.

Most Significant Risks

The following risks are central to the group's risk register activities and assurance processes:

- the availability of trained personnel;
- medical practitioner selection and support;
- medico-legal accountability and patient safety;
- quality medical care;
- technology;
- operational efficiency and effectiveness;
- fee structuring; and
- legislative requirements.

EXTERNAL AUDIT

The Audit and Risk Committee is responsible for appointing the external auditors. The external auditors are responsible for providing an independent opinion on the financial statements. The external audit function offers reasonable, but not absolute assurance on the fair presentation of the financial disclosures.

The non-audit services provided by the external auditors are limited to tax advice. The remuneration payable in respect of these services is disclosed in the financial statements. The Audit and Risk Committee meet at least three times per year with the external auditors, internal auditors and executive management to ensure that their efforts pertaining to risk management and internal control are properly co-ordinated.

ETHICS

Conducting business in an honest, fair and legal manner is a fundamental guiding principle in Medi-Clinic, which is actively endorsed by the board and management, ensuring that the highest ethical standard is maintained in all our dealings with stakeholders. To this end the group has established an independent Ethics Line in 2002, which enables all staff and outside stakeholders to report any possible incidences of fraud, corruption or any other unethical behaviour on an anonymous basis. All gifts or invitations by suppliers are also monitored and are subject to a strict approval procedure.

Our sound long-term relationships with our supporting doctors are built on ethical and fair business practices which also ensure their free association and clinical independence, and will always be one of the cornerstones of the strategic approach of the group.

INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATION

The board is committed to keeping shareholders informed of developments in the group's business. Communication with our shareholders is based on the principles of balanced reporting, clarity and transparency. Both positive and negative aspects of financial and non-financial information are provided.

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