MEDI-CLINIC
Private hospital group

AUDITED RESULTS

OF MEDI-CLINIC CORPORATION LIMITED AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED **31 MARCH 2010**

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

Salient features

- **Strong defensive performance** by the Group
- All three operating platforms **performed solidly**
- Core EBITDA **increased by 9%**
- Core basic headline earnings per share **increased by 36%**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March	2010 R'm	2009 R'm
ASSETS		
Non-current assets	**33 535**	38 982
Property, equipment and vehicles	**28 046**	32 479
Intangible assets	**5 243**	6 293
Investments – unlisted	**26**	32
Deferred income tax assets	**220**	178
Current assets	**4 829**	4 892
Inventories	**481**	496
Trade and other receivables	**3 211**	3 371
Cash and cash equivalents	**1 120**	994
Current income tax assets	**17**	31
Total assets	**38 364**	43 874
EQUITY AND LIABILITIES		
Total equity	**7 616**	7 989
Share capital and reserves	**6 650**	7 091
Minority interest	**966**	898
Total liabilities	**30 748**	35 885
Long-term interest-bearing borrowings	**20 667**	24 349
Retirement benefit obligations	**346**	997
Provisions	**185**	229
Derivative financial instruments	**2 331**	2 512
Deferred income tax liabilities	**4 399**	5 162
Short-term interest-bearing borrowings	**398**	241
Short-term interest-free borrowings	**2 422**	2 395
Total equity and liabilities	**38 364**	43 874
Number of ordinary shares ('000)	**562 869**	560 316
Weighted number of ordinary shares ('000)	**561 648**	559 336
Diluted number of ordinary shares ('000)	**591 221**	590 999
Net asset value per ordinary share – cents	**1 181**	1 266
Directors' valuation of unlisted investments (R'm)	**26**	32

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March	2010 R'm	Increase %	2009 R'm
Revenue	**17 141**	5	16 351
Cost of sales	**(9 573)**		(9 262)
Administration and other operating expenses	**(3 832)**		(3 658)
Core operating profit before depreciation (EBITDA)	**3 736**	9	3 431
Past service cost	**97**		–
Operating profit before depreciation (EBITDA)	**3 833**		3 431
Depreciation and amortisation	**(718)**		(684)
Operating profit	**3 115**		2 747
Gain on sale of interest in subsidiary	**28**		–
Income from associates	**7**		2
Finance income	**41**		67
Finance cost	**(1 524)**		(1 602)
Profit before taxation	**1 667**		1 214
Taxation	**(481)**		(502)
Core tax	**(560)**		(502)
Change in tax rates and taxation on past service cost	**79**		–
Profit for the year	**1 186**		712
Core profit for the year	**1 010**		712
Profit for the year relating to past service cost and tax rate changes	**176**		–
Attributable to:			
Equity holders of the Company	**1 058**		636
Minority interest	**128**		76
	1 186		712
Earnings per ordinary share – cents			
– Basic	**188.4**	66	113.7
– Diluted	**179.0**		107.6
Headline earnings per ordinary share – cents			
– Basic	**183.1**	64	111.5
– Diluted	**173.9**		105.6
Earnings reconciliation:			
Profit attributable to shareholders	**1 058**		636
Profit on sale of property, equipment and vehicles	**(2)**		(12)
Gain on sale of interest in subsidiary	**(28)**		–
Headline earnings	**1 028**	65	624
Core headline earnings	**852**	37	624
Past service cost after taxation	**76**		–
Tax rate changes	**100**		–
Headline earnings	**1 028**		624
Core basic headline earnings per share – cents	**151.8**	36	111.5
Headline earnings per share relating to past service cost and tax rate changes – cents	**31.3**		–
Basic headline earnings per share – cents	**183.1**		111.5

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March	**2010 R'm**	2009 R'm
Profit for the year	**1 186**	712
Other comprehensive income		
Currency translation differences	**(1 401)**	339
Fair value adjustment to cash flow hedges (net of tax)	**(183)**	(1 766)
Actuarial gains and losses	**331**	(245)
Other comprehensive loss, net of tax	**(1 253)**	(1 672)
Total comprehensive loss for the year	**(67)**	(960)
Attributable to:		
Equity holders of the Company	**(88)**	(1 108)
Minority interest	**21**	148
	(67)	(960)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March	**2010 R'm**	2009 R'm
Opening balance	**7 989**	9 367
Movement in shares held in treasury	**15**	(29)
Movement in share-based payment reserve	**7**	7
Minority interest acquired by the group	**(6)**	(3)
Total comprehensive loss for the year	**(67)**	(960)
Distributed to shareholders	**(374)**	(339)
Change in shareholding of subsidiaries	**108**	–
Cost of subsidiary rights issue	**(1)**	–
Distributed to minorities	**(55)**	(54)
Closing balance	**7 616**	7 989
Comprising		
Share capital	**59**	59
Share premium	**4 741**	4 741
Treasury shares	**(311)**	(326)
Share-based payment reserve	**123**	116
Foreign currency translation reserve	**1 301**	2 595
Hedge reserve	**(2 343)**	(2 160)
Retained earnings	**3 080**	2 066
Shareholders' equity	**6 650**	7 091
Minority interest	**966**	898
Total equity	**7 616**	7 989

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March	**2010 R'm**	2009 R'm
Cash flow from operating activities	**1 960**	1 386
Cash generated from operations	**3 800**	3 346
Net finance cost	**(1 396)**	(1 438)
Taxation paid	**(444)**	(522)
Cash flow from investment activities	**(1 271)**	(1 380)
Cash flow from financing activities	**(542)**	125
Distributions to shareholders	**(374)**	(339)
Distributions to minorities	**(55)**	(54)
Movement in borrowings	**(155)**	547
Treasury shares purchased	**–**	(55)
Treasury shares utilised	**15**	26
Contributions by minority shareholders	**27**	–
Net movement in cash, cash equivalents and bank overdrafts	**147**	131
Opening balance of cash, cash equivalents and bank overdrafts	**941**	787
Exchange rate fluctuations on foreign cash	**(121)**	23
Closing balance of cash, cash equivalents and bank overdrafts	**967**	941
Cash and cash equivalents	**1 120**	994
Bank overdrafts	**(153)**	(53)
	967	941

OTHER FINANCIAL INFORMATION

	2010 R'm	2009 R'm
Capital commitments		
Southern Africa	**867**	786
Middle East	**10**	14
Switzerland	**216**	226
Exchange rates	**R**	R
Average Swiss franc (ZAR/CHF)	**7.35**	8.01
Closing Swiss franc (ZAR/CHF)	**6.93**	8.32
Average UAE dirham (ZAR/AED)	**2.13**	2.41
Closing UAE dirham (ZAR/AED)	**2.00**	2.58

CONSOLIDATED SEGMENTAL REPORT

for the year ended 31 March	2010 R'm	2010 R'm	2010 R'm	2010 R'm
	Hospital Services	**Hospital Properties**	**Adjustments and eliminations**	**Total**
Revenue				
Southern Africa	**7 680**	**687**	**(687)**	**7 680**
Middle East	**1 126**	**62**	**(62)**	**1 126**
Switzerland	**8 335**	**1 330**	**(1 330)**	**8 335**
EBITDA				
Southern Africa	**985**	**666**		**1 651**
Middle East	**71**	**61**		**132**
Switzerland	**806**	**1 244**		**2 050**
Operating profit				
Southern Africa	**779**	**666**		**1 445**
Middle East	**(4)**	**61**		**57**
Switzerland	**499**	**1 114**		**1 613**
Assets				
Southern Africa	**4 495**	**6 048**	**(4 785)**	**5 758**
Middle East	**942**	**786**		**1 728**
Switzerland	**8 323**	**22 555**		**30 878**
Liabilities				
Southern Africa	**2 287**	**3 962**	**(931)**	**5 318**
Middle East	**468**	**312**		**780**
Switzerland	**2 361**	**22 289**		**24 650**

for the year ended 31 March	2009 R'm	2009 R'm	2009 R'm	2009 R'm
Revenue				
Southern Africa	6 792	611	(611)	6 792
Middle East	822	29	(29)	822
Switzerland	8 737	1 408	(1 408)	8 737
EBITDA				
Southern Africa	865	593		1 458
Middle East	(17)	29		12
Switzerland	646	1 315		1 961
Operating profit				
Southern Africa	688	593		1 281
Middle East	(70)	29		(41)
Switzerland	333	1 174		1 507
Assets				
Southern Africa*	4 150	5 484	(4 328)	5 306
Middle East	1 217	1 013		2 230
Switzerland	9 720	26 835		36 555
Liabilities				
Southern Africa	2 366	3 463	(700)	5 129
Middle East**	827	457		1 284
Switzerland	2 747	26 936		29 683

* *Includes intersegmental assets of R217m which eliminate on group consolidation*

** *Includes intersegmental liabilities of R211m which eliminate on group consolidation*

COMMENTARY

We are pleased to report that the Group has continued to maintain its consistent growth pattern.

GROUP OVERVIEW

Group financial performance

In order to provide clear and consistent reporting to shareholders, reference will also be made to the concept of core headline earnings and core headline earnings per share. Core headline earnings and core basic headline earnings per share are defined as reportable headline earnings and headline earnings per share in terms of accounting standards, excluding one-off items.

Trading results

Group revenue increased by 5% to R17 141 million (2009: R16 351 million) for the year under review. Core operating income before interest, taxation, depreciation and amortisation ("EBITDA") was 9% higher at R3 736 million (2009: R3 431 million). Core headline earnings rose by 37% to R852 million (2009: R624 million). Core basic headline earnings per ordinary share increased by 36% to 151.8 cents (2009: 111.5 cents).

The Group results benefited from two one-off items not included in the figures above:

- An adjustment to the Hirslanden pension funds' payout ratio, resulting in a past service cost credit, calculated in terms of IAS 19, to the income statement of R97 million (CHF13.2 million) and R76 million (CHF10.4 million) after provisioning for taxation.
- The tax rates in two cantons in Switzerland were decreased, resulting in a release of R100 million (CHF13.6 million) from the deferred tax account as a credit to the taxation charge in the income statement.

Taking into account these two one-off items, EBITDA was 12% higher at R3 833 million (2009: R3 431 million). Headline earnings rose by 65% to R1 028 million (2009: R624 million). Basic headline earnings per ordinary share increased by 64% to 183.1 cents (2009: 111.5 cents).

As indicated in the 2009 Annual Report, the Group is moving towards a targeted dividend cover of 3 times based on Group headline earnings. Therefore, the total dividend per share at 73 cents (2009: 68.6 cents) reflects a 6.4% increase which is lower than the increase in core basic headline earnings per share.

The strong Group results were achieved despite the global recession and tough economic conditions. The leveraging effect of the capital structure of the Group is clearly visible through the significant increase in core headline earnings and headline earnings over core EBITDA and EBITDA.

Fluctuations in exchange rates had a negative effect on the trading results on a comparative basis. At constant exchange rates core EBITDA, core headline earnings and core basic headline earnings per share would have been R4 099 million, R870 million and 154.8 cents per share, respectively 10%, 2% and 2% higher than reported.

The Group's major co-shareholder in Emirates Healthcare, Varkey Group Limited, exercised its option to purchase 50% less 1 share of the cumulative, variable rate, participating, redeemable, convertible preference shares ("the preference shares") issued by Emirates Healthcare to the Group on 27 March 2007, demonstrating its confidence in the business. The purchase consideration, determined by an independent investment bank, was R106 million (USD14.5 million) resulting in a gain on the sale of the shares of R28 million (USD3.8 million) which is excluded from headline earnings. These preference shares represent 8% in the fully diluted equity capital of Emirates Healthcare. All the preference shares issued by Emirates Healthcare converted to ordinary equity capital on 28 March 2010.

Finance cost

Included in the finance cost is an amount of R75 million (2009: R81 million), being the current period's amortisation in respect of raising fees paid on the Group's local and offshore debt. These amounts are amortised over the terms of the relevant loans in line with future cash payments as prescribed in IAS 39 Financial Instruments.

Cash flow

The Group's cash flow continued to be strong mainly because of efficient working capital management. The Group converted 102% (2009: 98%) of core EBITDA into cash generated from operations. Cash and cash equivalents increased from R994 million at 31 March 2009 to R1 120 million at 31 March 2010.

Interest-bearing borrowings

Interest-bearing borrowings ("debt") decreased from R24 590 million at 31 March 2009 to R21 065 million at year end, mainly because of the strengthening of the rand against the Swiss franc during the reporting period, as alluded to below. It is important to note that the foreign debt in Switzerland and the United Arab Emirates, amounting to R17 194 million, is matched with foreign assets in the same currencies. The foreign debt also has no recourse to the Southern African operations' assets, as stipulated by the South African Reserve Bank as well as applicable financing arrangements.

IFRS and technical matters

Accounting for the Hirslanden pension funds

Hirslanden provides defined contribution pension plans in terms of Swiss law to employees, the assets of which are held in separate trustee administered funds. These plans are funded by payments from employees and Hirslanden, taking into account the recommendations of independent qualified actuaries. Because of the strict definition of defined contribution plans in IAS 19, in terms of IFRS, these plans are classified as defined benefit plans, since the funds are obliged to take some investment and longevity risk in terms of Swiss law.

The IAS 19 pension liability was valued by the actuaries at the end of the year and amounted to R64 million (CHF9.3 million) (2009: R765 million (CHF92 million)) included under "Retirement benefit obligations" in the Group's statement of financial position. However, the pension funds were, for Swiss statutory purposes, estimated to be 106.5% (2009: 93%) funded at 31 March 2010. From an economic and legal point of view this amount as calculated in terms of IAS 19, does not lead to a liability for Hirslanden at 31 March 2010.

The lower pension liability resulted in an amount of R331 million (CHF47.8 million) being credited (2009: a debit of R233 million (CHF28 million)) to the consolidated statement of comprehensive income for the year. An amount of R63 million (CHF8.6 million) (2009: R6 million (CHF0.7 million)) representing the employer contributions exceeding the current service cost was credited to the consolidated income statement. In addition, a one-off adjustment to the Swiss pension funds' payout ratio was made, resulting in a further decrease in the pension liabilities of R97 million (CHF13.2 million) in respect of past services and was also credited to the consolidated income statement.

OPERATIONS IN SOUTHERN AFRICA

MEDI-CLINIC SOUTHERN AFRICA

Financial performance

The revenue of Medi-Clinic Southern Africa increased by 13% to R7 680 million (2009: R6 792 million) for the year under review. EBITDA was 13% higher at R1 651 million (2009: R1 458 million).

After incurring depreciation charges of R206 million (2009: R177 million), net finance charges of R334 million (2009: R328 million), taxation of R326 million (2009: R284 million) and deducting the interest of minority shareholders in the attributable income of the Southern African group amounting to R126 million (2009: R117 million), the core contribution of the Southern African operations was R659 million (2009: R553 million) to the attributable income of the Group.

Business performance

The 13% revenue growth was achieved through a 2.1% increase in bed-days sold and a 10.3% increase in the average income per bed-day. The increase in utilisation was more evident in medical than surgical cases. The change in the profile of patients treated was responsible for an increase of 0.6% in revenue in this reporting period. The number of patients admitted increased by 1.4%, while the average length of stay increased by 0.7%.

The Southern African operations maintained its EBITDA margin at 21.5%.

During the reporting period the Southern African operation spent R315 million (2009: R381 million) on capital projects and new equipment to enhance its business as well as R194 million (2009: R184 million) on the replacement of existing equipment. In addition, R210 million (2009: R185 million) was spent on the repairs and maintenance of property and equipment, charged through the income statement.

For the next financial year, R402 million is budgeted for capital projects and new equipment to enhance its business, R213 million for the replacement of existing equipment and R236 million for repairs and maintenance. Incremental EBITDA resulting from capital projects recently commissioned, in progress or approved should amount to R32 million and R90 million in 2011 and 2012, respectively. The capital expenditure will be funded from operational cash flow.

The number of licensed hospital beds increased from 6 855 to 7 035 during the year under review.

The new 140-bed Cape Gate Medi-Clinic in the Western Cape was successfully commissioned as planned in February 2010. Occupancies are above budget.

Extensive upgrade projects are in progress at Panorama Medi-Clinic and Constantiaberg Medi-Clinic, to be completed by November 2010 and May 2010, respectively. The upgrade project at Hermanus Medi-Clinic, which included the addition of 25 beds, was completed during March 2010. Other significant projects that have commenced are the addition of 74 beds at Nelspruit Medi-Clinic, 30 beds at Limpopo Medi-Clinic and 28 beds at Tzaneen Medi-Clinic. The project at Tzaneen Medi-Clinic is to be completed by June 2010, while the projects at Nelspruit Medi-Clinic and Limpopo Medi-Clinic are due for commissioning in the 2012 financial year.

A project, comprising of an additional 57 beds, 12 additional obstetric beds with 3 labour rooms and 4 neonatal ICU beds, has been approved for Muelmed Medi-Clinic in Pretoria. The expected completion date is September 2011. Approved projects include: Paarl Medi-Clinic with 1 additional theatre and 4 ICU beds and Cottage Medi-Clinic in Swakopmund for an upgrade and 14 additional hospital beds. The expected completion dates are November 2010 and July 2011 respectively. Stellenbosch Medi-Clinic and Kimberley Medi-Clinic have approval for 10 and 9 additional beds. Both are also approved for a hospital upgrade and 1 additional theatre, due for completion in December 2010 and December 2011 respectively. Wits Donald Gordon Medical Centre has approval for an upgrade of a 28-bed ward which is expected to be completed in December 2010.

The number of beds is expected to increase from 7 035 to 7 077 during the next financial year.

The Southern African operations' cash flow continued to be strong during the period under review. It converted 102% (2009: 104%) of EBITDA into cash generated from operations. Cash and cash equivalents increased from R368 million at 31 March 2009 to R486 million at 31 March 2010.

Interest-bearing borrowings increased from R3 867 million at 31 March 2009 to R3 871 million at 31 March 2010.

Medi-Clinic has always been supportive of the government's policy objectives to increase access to quality healthcare for all citizens. The process to develop a National Health Insurance system for South Africa is ongoing and we welcome the initiative taken by the Minister of Health to establish a multi-stakeholder Ministerial Advisory Committee to assist with the process. The release of an official policy document in this regard is still being awaited. In the meantime, Medi-Clinic is conducting in-depth research on the matter and is looking forward to sharing ideas in the process of developing solutions for South Africa.

As previously reported, the Reference Price List ("RPL") process, by which a methodology and framework to calculate benchmark tariffs will be established, is ongoing. The private hospital industry and the National Department of Health ("the Department") have been unsuccessful in reaching agreement on the methodology. This has given rise to a legal dispute between the Hospital Association of South Africa and the Department. The matter appeared before court on 22 and 23 February 2010. Judgement has been reserved. In the interim, the Department is prohibited from publishing the RPL for 2010.

OPERATIONS IN SWITZERLAND

HIRSLANDEN

Financial performance

Hirslanden's revenue decreased by 5% (increased by 4% at constant foreign exchange rates) to R8 335 million (CHF1 134 million) (2009: R8 737 million (CHF1 091 million)) for the year under review. Core EBITDA was 0.4% lower (9% higher at constant foreign exchange rates) at R1 953 million (CHF266 million) (2009: R1 961 million (CHF245 million)). The decrease in the average rate during the year in the rand/Swiss franc exchange rate from R8.01 to R7.35 resulted in the decline in the rand equivalent of the financial numbers above.

After incurring depreciation charges of R437 million (CHF59 million) (2009: R454 million (CHF57 million), net finance charges of R1 096 million (CHF149 million) (2009: R1 166 million (CHF146 million)), taxation of R234 million (CHF32 million) (2009: R218 million (CHF27 million)) and income from associates of R7 million (CHF1 million) (2009: R1 million (CHF0.1 million), the core contribution of Hirslanden was R193 million (CHF27 million) (2009: R124 million (CHF15 million)) to the attributable income of the Group.

Hirslanden's results benefited from two one-off items not included in the figures described above under the Group's trading results.

Taking into account these two one-off items, EBITDA was 4.5% higher at R2 050 million (CHF279 million) (2009: R1 961 million (CHF245 million)), while Hirslanden contributed R369 million (CHF50 million) (2009: R124 million (CHF15 million)) to the attributable income of the Group.

Hirslanden's results were very positive considering the economic recession and tough economic conditions in Switzerland and Europe. With negative inflation during the reporting period, Hirslanden showed growth of approximately 6% in real terms.

Business performance

Inpatient admissions were virtually the same as the previous reporting period. During the second half of the financial year, inpatient admissions increased by 2% relative to the comparative period. The average length of stay remained fairly constant. The trend experienced in admissions was that lower acuity cases declined, while higher acuity cases increased. This led to an increase in the average revenue per admission. The conclusion drawn is that Swiss patients deferred smaller elective surgery in the uncertain economic times, a trend which continued throughout the year.

The core EBITDA margin of the group increased from 22.5% to 23.4% excluding the one-off adjustment relating to past service cost to the pension fund referred to above.

Hirslanden took a strategic decision to provide a more seamless and integrated approach to hospital care by employing certain disciplines of doctors supporting the care of patients. These include anaesthetists, many who mainly work in intensive care units, internal physicians, working as hospitalists, and doctors working in emergency rooms. This decision will further enhance the quality of care in Hirslanden hospitals and enable more high-end surgery. From a financial perspective, this may have an effect of a lower margin, although additional EBITDA is created.

During the reporting period, Hirslanden spent R318 million (CHF43 million) (2009: R227 million (CHF28 million)) on capital projects and new equipment to enhance its business as well as R424 million (CHF58 million) (2009: R358 million (CHF45 million)) on the replacement of existing equipment. In addition, R222 million (CHF30 million) (2009: R231 million (CHF29 million)) was spent on the repairs and maintenance of property and equipment, charged through the income statement.

For the next financial year, CHF54 million is budgeted for capital projects and new equipment to enhance its business, CHF51 million for the replacement of existing equipment and CHF32 million for repairs and maintenance. Incremental EBITDA resulting from capital projects recently commissioned, in progress or approved should amount to CHF7 million and CHF11 million in 2011 and 2012 respectively.

The expanded urology centre at Klinik Hirslanden was commissioned on 1 November 2009 and a neurology centre during April 2010. A vascular centre will be established at Klinik Hirslanden with effect from June 2010. Planned investment in new technology which provides for new treatment options and increased case load includes a 3.0 tesla MR machine at Klinik Im Park as well as a dual source CT scanner and a catheterisation laboratory at Klinik Beau Site.

The number of fully operational inpatient beds increased from 1 334 to 1 365 during the year under review.

The project at Klinik Im Park (2 ICU beds, 4 intermediate care beds) and the new ward at Klinik Aarau (28 inpatient beds) were successfully commissioned during January 2010 and February 2010 respectively. In addition, the 7 new private rooms at Klinik St. Anna have been commissioned at the beginning of April 2010.

Klinik Beau-Site in Berne will be expanded by 23 beds to 116 beds, with 19 beds to be commissioned in 2011 and the balance in 2012. In addition, the hospital will receive an extensive upgrade and consulting rooms will be added.

Hirslanden's operations continue to run at high occupancy levels. Feasibility studies and approvals, including investigating the most appropriate funding alternatives, on the extensions of Klinik Hirslanden (approximately 71 beds) and Klinik St. Anna (approximately 30 beds) as well as the creation of a skeletal radiology and a radiotherapy centre at Klinik Bois Cerf are far advanced. Once the extensions at Klinik Beau-Site, Klinik Hirslanden and Klinik St. Anna are completed, Hirslanden's total inpatient bed capacity will have increased by 9%. It is desirable to proceed with these expansion projects since they will provide attractive returns and place the Swiss operations on a new level for long term growth and continued excellence in quality acute hospital care.

During the next financial year, the total number of inpatient beds is expected to increase from 1 365 to 1 372.

Hirslanden produced strong cash flow during the period under review. It converted 101% (2009: 99%) of core EBITDA into cash generated from operations. Cash and cash equivalents increased from R504 million (CHF61 million) at 31 March 2009 to R526 million (CHF76 million) at 31 March 2010.

Interest-bearing debt decreased from R19 949 million (CHF2 398 million) at 31 March 2009 to R16 673 million (CHF2 406 million) at 31 March 2010, net of capitalised debt transaction fees, in rand terms because of the decrease in the spot rand/Swiss franc exchange rate.

The Swiss Federal Government approved a partial revision of the mandatory health insurance relating to hospital planning and financing, effective from 1 January 2009. The new legislation will have to be implemented by each canton commencing on 1 January 2012, with all elements aimed to be in place by 1 January 2015. Swiss DRGs (diagnostic related groupings), a payment mechanism based on a flat rate per case, will also be introduced by not later than 1 January 2012 for all mandatory health insurance reimbursements. Because of the complexity and diversity of the implementation process at cantonal level, management, in consultation with an expert panel, are conducting an in-depth analysis of the potential impact the proposed changes present to Hirslanden's business. They are also sensitising decision makers on opportunities and threats. Although much work has been done, the uncertainty of the full possible impact on the business of Hirslanden will exist until final clarity is obtained on how each canton will implement the legislation. Hirslanden and its doctors are known for quality and cost effective treatment and it is believed that they are well placed for the implementation of the new legislation.

OPERATIONS IN UNITED ARAB EMIRATES

EMIRATES HEALTHCARE

Financial performance

Revenue increased by 37% (55% at constant foreign exchange rates) to R1 126 million (AED529 million) (2009: R822 million (AED341 million)) for the year under review. EBITDA increased by 1 000% (1 140% at constant exchange rates) to R132 million (AED62 million) (2009: R12 million (AED5 million)).

The EBITDA margin increased from 1.5% to 11.8%.

After incurring depreciation charges of R75 million (AED35 million) (2009: R53 million (AED22 million)), net finance charges of R53 million (AED25 million) (2009: R41 million (AED16 million)) and the interest of minority shareholders in the attributable income of Emirates Healthcare amounting to R2 million (AED1 million) (2009: share in attributable loss: R41 million (AED17 million)), Emirates Healthcare made a contribution of R2 million (AED1 million) (2009: a negative contribution of R41 million (AED16 million)) to the attributable income of the Group.

Business performance

During the year inpatient admissions in the hospitals increased by 41% (2009: 24%), while hospital outpatient consultations and visits to the emergency units increased by 16% (2009: 19%). Clinic outpatient consultations increased by 33% (2009: 12%).

The City Hospital was successfully commissioned on 15 October 2008. It is pleasing to report that since then every month's patient attendance and revenue have exceeded the previous month's. The patient attendance after the summer holidays and Ramadan were particularly gratifying. The hospital reached break-even at EBITDA level during September 2009, earlier than expected.

A project to upgrade the Welcare Hospital started during September 2009. Additional capacity was created in the day care and neonatal units and the total number of beds in the hospital increased from 111 to 126 beds. The project also addressed several bottlenecks in the hospital. Welcare Hospital continued its solid performance despite the relocation of the cardiac surgery and cardiology unit as well as the transfer of two other key doctors to The City Hospital. Furthermore a number of doctors retired and there was a loss of a few established doctors to a newly opened opposition consulting facility. These posts have already been filled and the new doctors are successfully building new practices.

The development of a new clinic, Welcare Ibn Battuta Clinic, was approved at a cost of AED10.3 million and will be commissioned in November 2010. It will add to the group's footprint of reference clinics in Dubai.

During the reporting period Emirates Healthcare spent R13 million (AED6 million) (2009: R251 million (AED104 million)) on capital projects and new equipment to enhance its business (mainly to complete and equip The City Hospital and the project at the Welcare Hospital) as well as R36 million (AED17 million) (2009: R33 million (AED14 million)) on the replacement of existing equipment. In addition, R28 million (AED13 million) (2009: R24 million (AED10 million)) was spent on the repairs and maintenance of property and equipment, charged through the income statement.

For the next financial year, AED10 million is budgeted for capital projects and new equipment to enhance its business, AED30 million for the replacement of existing equipment and AED10 million for repairs and maintenance. Incremental EBITDA resulting from capital projects in progress or approved should amount to a start up loss of AED3 million at Welcare Ibn Battuta Clinic and AED1 million in 2011 and 2012, respectively.

Emirates Healthcare produced strong cash flow during the period under review. It converted 105% of EBITDA into cash generated from operations. Cash and cash equivalents decreased from R122 million (AED47 million) at 31 March 2009 to R108 million (AED54 million) at 31 March 2010.

Interest-bearing borrowings decreased from R774 million (AED300 million) at 31 March 2009 to R521 million (AED261 million) at 31 March 2010.

PROSPECTS

The Group is uniquely positioned across three diverse global operating platforms. It will continue to focus on its core business of acute care, specialist-orientated hospital services to fulfil its vision of being regarded as the most trusted and respected provider of such services by patients, doctors and funders of healthcare. The Group is consolidating its collective intellectual capital and strengths, with the goal to establish a global hospital group where verifiable cost-effective quality care will distinguish it from its competitors.

Significant resources continue to be invested across the three operating platforms.

Regulatory issues are part and parcel of the healthcare environment. The Group, particularly in Switzerland and Southern Africa, is constantly monitoring the regulatory environment with a view to proactively playing a role in decision making or adjusting to a potential new environment. Health policy monitoring units exist at the platforms with this purpose in mind.

So far the Group has weathered the global recession quite well. Although it seems that the worst is over, it still remains to be seen how the economic recovery will play out. Without the benefit of clear foresight, the Group continues to be optimistic about its operational prospects for the next year.

CHANGES TO THE BOARD OF DIRECTORS

Mr Louis Alberts retired as the Group's Chief Executive Officer on 31 March 2010, as previously reported. He has been succeeded by Mr Danie Meintjes who has been with the Group since 1985 and was previously the Chief Executive Officer of Emirates Healthcare, the Group's operations in the United Arab Emirates.

During the year Mr Chris van den Heever, an investment manager at Remgro was appointed to the Board as a non-executive director with effect from 5 February 2010.

Mr Desmond Smith, an independent non-executive director of Medi-Clinic since March 2008 and chairman of Medi-Clinic's Audit and Risk Committee since May 2008, was appointed as the lead independent director in compliance with section 3.84(c) of the JSE Listings Requirements and the recommendations of the King Report on Governance for South Africa 2009 (King III).

REPORTS OF THE INDEPENDENT AUDITOR

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

BASIS OF PREPARATION

These financial results have been prepared in accordance with the recognition and measurement requirements of IFRS and the disclosure requirements of IAS 34. These financial results incorporate accounting policies that are consistent with those adopted in prior years, with the exception of the revised IAS 1 Presentation of Financial Statements, which became effective for the first time on 1 April 2009. The application of this amendment to IFRS did not impact on the Group's financial results, but has introduced some changes to the presentation of the financial results.

DIVIDEND TO SHAREHOLDERS

The board of directors declared a final dividend of 50 cents per ordinary share.

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

Last date to trade cum dividend	Friday, 18 June 2010
First date of trading ex dividend	Monday, 21 June 2010
Record date	Friday, 25 June 2010
Payment date	Monday, 28 June 2010

Share certificates may not be dematerialised/rematerialised from Monday, 21 June 2010 to Friday, 25 June 2010, both days inclusive.

Signed on behalf of the board of directors:

E DE LA H HERTZOG
Chairman

JG SWIEGERS
Chief Financial Officer

Stellenbosch, 26 May 2010

DIRECTORS: Dr E de la H Hertzog *(Chairman)*, DP Meintjes *(Chief Executive Officer)*, JC Cohen *(British)*, Dr MK Makaba, ZP Manase, AR Martin, KHS Pretorius, AA Raath, Dr MA Ramphele, DK Smith, JG Swiegers, CM van den Heever, Prof WL van der Merwe, MH Visser, TO Wiesinger *(German)*

SECRETARY: GC Hattingh

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