DIRECTORS' REPORT

The directors of Mediclinic International plc (formerly Al Noor Hospitals Group plc) are pleased to present the Company's Directors' Report for the period to 31 March 2016. The information contained in this report provides details of Mediclinic International plc following the completion of the Combination of Al Noor Hospitals Group plc and Mediclinic International Limited.

DISCLOSURES INCORPORATED BY REFERENCE

The following disclosures required to be included in this Directors' Report have been incorporated by way of reference to other sections of this report or the **Sustainable Development Report** available on the Company's website, and should be read in conjunction with this report:

- Corporate Governance Statement – refer to pages 64 to 73 of the report;
- strategy and relevant future developments – refer to pages 18 to 21 of the Strategic Report;
- financial risk management objectives and policies – refer to the Risk Management Report included in the Strategic Report on pages 24 to 29 and note 3 to the financial statements on pages 152 to 155;
- research and development activities – various activities, such as the standardised patient experience index, the standardised employee engagement initiatives, research by health policy units, referred to on pages 7, 8, 19, 24, 48 and 50, respectively, of the Strategic Report;
- greenhouse gas emissions – refer to page 52 of the Strategic Report and the **Sustainable Development Report**;
- corporate social responsibility and corporate social investment – refer to page 54 of the Strategic Report and the **Sustainable Development Report**.

DIRECTORS

All the directors who served during the reporting period are listed in the Corporate Governance Statement on pages 67. Biographies of all the current directors of the Company are provided on pages 60 to 61.

In accordance with the provisions of the UK Corporate Governance Code, all members of the Board wishing to continue their appointments seek re-election by the shareholders. Accordingly, Ian Tyler and Seamus Keating will retire and seek re-election at the annual general meeting to be held on 20 July 2016.

In terms of the Company's Articles of Association, any director appointed as such by the Board of directors shall retire at the following annual general meeting and shall be eligible for election. Jannie Durand, Alan Grieve, Dr Edwin Hertzog, Prof Dr Robert Leu, Nandi Mandela, Danie Meintjes, Trevor Petersen, Craig Tingle and Desmond Smith were appointed by the Board following completion of the Combination of the Company (then named Al Noor Hospitals Group plc) and Mediclinic International Limited with effect from 15 February 2016. These directors will retire and seek election by the shareholders at the annual general meeting to be held on 20 July 2016.

Remgro Limited, through wholly-owned subsidiaries, ("**Remgro**") holds 44.56% of the issued ordinary shares of the Company and is therefore regarded as a controlling shareholder of the Company, for the purposes of the Listing Rules. The Listing Rules require that independent non-executive directors of a company with a controlling shareholder must be elected by a majority of votes cast by independent shareholders, in addition to a majority of votes cast by all shareholders in the company. The resolutions proposed at the annual general meeting for the election of the independent non-executive directors of the Company will therefore be taken on a poll and the votes cast by (i) independent shareholders and (ii) all shareholders will be calculated separately. Such resolutions will be passed only if a majority of votes cast by independent shareholders are in favour, in addition to a majority of votes cast by all shareholders being in favour.

All directors' biographies can be found on pages 60 to 61.

APPOINTMENT AND REMOVAL OF DIRECTORS

The rules relating to the appointment and removal of the Directors are contained in the Company's Articles of Association.

POWERS OF DIRECTORS

The general powers of the directors are contained within relevant UK legislation and the Company's Articles of Association. The directors are entitled to exercise all powers of the Company, subject to any limitations imposed by the Articles of Association or applicable legislation.

DIRECTORS' INTERESTS

The interests of the directors of the Company at 31 March 2016 in the issued shares of the Company disclosed in accordance with the FCA's Listing Rules are given in the Remuneration Report on page 89. The Remuneration Report also sets out details of any changes in those interests between the year end and 25 May 2016.

INDEMNIFICATION OF DIRECTORS

The Company has entered into a deed of indemnity with each director who served during the year under identical terms. The deeds indemnify the directors in accordance with the applicable laws of England against all liability incurred as a director or employee of the Company or of certain other entities. In addition, the Company has put into place directors' and officers' indemnity insurance.

COMPENSATION FOR LOSS OF OFFICE

There are no agreements in place with any director that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Company's share plans may cause options and awards granted under such plans to vest on a takeover. Further information on directors' service contracts and their notice periods and any vested awards to previous directors made following the Combination can be found in the Remuneration Report on pages 80 to 81.

ARTICLES OF ASSOCIATION

The Articles of Association may be amended by way of a special resolution of the members. At the general meeting held on 15 December 2015, shareholders approved by special resolution that the amended Articles of Association would take effect at the date of completion of the Combination, which occurred on 15 February 2016.

RELATED-PARTY TRANSACTIONS

Following the announcement made on 7 August 2015 and the general meeting held on 24 August 2015, the Company undertook a related-party transaction to lease premises from United Al Saqr Group LLC. Sheikh Mohammed Bin Butti Al Hamed, a Director and principal shareholder of the pre-Combination entity Al Noor Hospitals Group plc, had a controlling interest in United Al Saqr Group. At the general meeting, 99.34% of the shares voted approved the related-party transaction. Sheikh Mohammed Bin Butti Al Hamed is no longer a shareholder of the Company, as the entire shareholding held through Sapor Business Corp, was tendered to Al Noor Hospitals Group plc for cancellation, as announced on 8 February 2016.

Details on all related-party transactions are contained within note 33 of the consolidated financial statements on page 200.

SHARE CAPITAL AND CONTROL

The Company's ordinary issued share capital as at 31 March 2016 was 737 243 810 ordinary shares of £0.10 each which have a primary listing on the London Stock Exchange and secondary listings on the Johannesburg and Namibian stock exchanges. The ordinary share class represent over 99.9% of the Company's total issued share capital.

In addition to the ordinary shares, the Company also has a class of 10 subscriber shares of £0.10 each which are not admitted to trading on a regulated market. The subscriber shares carry no rights to receive any of the profits of the Company available for distribution by way of dividend or otherwise. If there is a return of capital on a winding-up or otherwise, the assets of the Company available for distribution among the members shall be applied first in repaying in full to the holder of the subscriber shares the amount paid up on such shares. Except as provided above, the subscriber shares shall not carry any right to participate in profits or assets of the Company. The holders of the subscriber shares shall not be entitled to receive notice of or attend and vote at any general meeting of the Company unless a resolution is proposed which varies, modifies, alters or abrogates any of the rights attaching to the subscriber shares.

The subscriber shares represent less than 0.01% of the Company's total issued share capital. Further information on the Company's issued share capital can be found on pages 168 to 171 in the Notes to the financial statements. As outlined in the Company's prospectus dated 19 November 2015, the Company intends to purchase and cancel the 10 subscriber shares and a resolution to this effect has been included in the notice of annual general meeting ("**AGM**") for consideration by shareholders.

There are no known arrangements under which financial rights are held by a person other than the holder of the shares. The Company has no intention to complete a market purchase of its shares and will not seek this authority at the 2016 AGM.

Shares acquired through the Company's share schemes and plans rank equally with the other shares in issue and have no special rights.

RESTRICTION ON VOTING RIGHTS

Mediclinic International Limited, implemented a black ownership initiative in 2015, which had the effect of introducing Phodiso Holdings Limited and MP1 Investment Holdings (Pty) Ltd as shareholders of Mediclinic through two special purpose vehicle companies, Mpilo Investment Holdings 1 (RF) (Pty) Ltd (subsequently restructured in 2015 with the Mediclinic shares currently held by Mpilo 1 Newco (RF) (Pty) Ltd) ("**Mpilo 1**") and Mpilo Investment Holdings 2 (RF) (Pty) Ltd ("**Mpilo 2**"). As at 25 May 2016, Mpilo 1 held 1.49% of the issued share capital of the Company and Mpilo 2 held 3.33%. 10 958 198 (representing 1.49% of the issued shares of the Company) of the Mediclinic shares held by Mpilo 1 are restricted and subject to a lock-in period restricting the disposal of its shareholding before 31 December 2019. Similarly, all the Mediclinic shares held by Mpilo 2 are restricted and subject to a lock-in period expiring on 31 December 2018.

DIRECTORS' REPORT (continued)

The Company's Articles of Association provide that, unless the directors determine otherwise, a shareholder shall not be entitled to vote, either personally or by proxy, at any general meeting or to exercise any other right conferred by membership if:

- any call or other sum payable to the Company in respectin respect of that share remains unpaid; or
- such shareholder, having been duly served with a notice to provide the Company with information under section 793 of the UK Companies Act, has failed to do so within 14 days, for so long as the default continues.

ACQUISITION OF OWN SHARES

In connection with the Combination of Mediclinic International Limited and Al Noor Hospitals Group plc concluded in February 2016, a total of 63 658 876 ordinary shares of 10 pence each were successfully tendered at a price of £8.32 per ordinary share and were cancelled on 17 February 2016 pursuant to a court-approved reduction of capital approved by shareholders at the General Meeting held on 15 December 2015. Following the reduction of capital, the Company has a total of 737 243 810 ordinary shares of £0.10 each in issue.

SUBSTANTIAL SHAREHOLDERS

As at year end and as at 25 May 2016, being the Last Practicable Date, the following shareholders have notified the Company, in accordance with Disclosure and Transparency Rule 5, of their interest of 3% or more in the Company's issued share capital.

	ORDINARY SHARES	% VOTING RIGHTS
Remgro Limited (through wholly-owned subsidiaries)	328 497 888	44.56%
Public Investment Corporation Soc Limited	55 482 294	7.53%
Mpilo Investment Holdings 2 (RF) (Pty) Ltd	24 582 960	3.33%

PRINCIPAL SHAREHOLDER AND RELATIONSHIP AGREEMENT

In accordance with Listing Rule 9.8.4(14), the Company has set out below a statement describing the relationship agreement entered into between the Company and its principal shareholder, Remgro Limited. As at 25 May 2016, Remgro Limited, through wholly-owned subsidiaries, held 44.56% of the issued ordinary share capital of the Company.

Prior to the Combination, the Company entered into a Relationship Agreement with Remgro Limited on 14 October 2015, which entity was also the principal shareholder of Mediclinic International Limited. That agreement came into effect on 15 February 2016, on completion of the Combination.

Under the Relationship Agreement, Remgro Limited undertakes to comply with the following independence provisions set out in the agreement, as required under the Listing Rules:

- transactions and arrangements between the Company and itself (and/or its associates) are, and will be, at arm's length and on normal commercial terms;
- neither it nor any of its associates will take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules; and
- neither it nor any of its associates will propose, or procure the proposal of, a shareholder resolution that is intended or appears to be intended to circumvent the proper application of the Listing Rules.

The Company has complied with the above independence provisions and, in so far as it is aware, the Principal Shareholder has complied with the independence provisions and the procurement obligation set out in the Relationship Agreement from the date of the agreement. In accordance with the terms of the Relationship Agreement, for every 10% of the issued ordinary share capital of the Company (or an interest which carries 10% or more of the aggregate voting rights in the Company from time to time) held by a Principal Shareholder Group, the relevant Principal Shareholder shall be entitled to appoint one Director to the Board, up to a maximum of three Directors, provided that the right to appoint a third director is subject to the requirement that the Board will, following such appointment, comprise a majority of independent directors.

If a Principal Shareholder ceases to hold 10% of the Company's share capital (or 10% of the aggregate voting rights in the Company), the rights and obligations of that Principal Shareholder Relationship Agreement shall terminate. The ordinary shares owned by the Principal Shareholders rank *pari passu* with the other ordinary shares in all respects.

SIGNIFICANT AGREEMENTS

The following agreements are considered significant in terms of their potential impact on the business of the Group as a whole and that could alter or terminate on the change of control of the Company:

- The Relationship Agreement entered into between the Company and its principal shareholder, Remgro Limited, as referred to on page 118: the agreement does not include a change of control provision, but does terminate if (i) the Company's ordinary shares cease to be listed and admitted to trading on the LSE's main market for listed securities; or (ii) the Remgro Group, taken together, ceases to hold the minimum interest of 10% in the Company.
- The various facilities and finance agreements throughout the Group are regarded as significant and contain change of control provisions:
  - the Company's £400m senior facility agreement concluded in 2015 with FirstRand Bank Limited (acting through its Rand Merchant Bank division) and Morgan Stanley, which is in the process of being refinanced;
  - Hirslanden's CHF1.65bn term and revolving credit facilities agreements concluded in 2008 with, among others, Barclays Bank plc;
  - Hirslanden's CHF90m bonds and the CHF145m bonds concluded in 2015;
  - Mediclinic Southern Africa's R7.4bn amended and restated facility concluded in 2016 with, among others, Rand Merchant Bank, Standard Bank and Absa Capital;
  - Mediclinic Middle East's AED33m and US$140.5m amended and restated facility agreement concluded in 2015 with Standard Chartered Bank.

POLITICAL PAYMENTS

During the year, the Company, through its Hirslanden subsidiary, made payments to a number of political parties, institutions and associations in Switzerland which totalled CHF36 000 (2015: CHF14 571). Contributing to political campaigns through third-party contributions is an official and standard practice in Switzerland. In line with best practice, a resolution to authorise the Company to make political payments up to £100 000 has been included for shareholder consideration in the Notice of AGM. It is not the policy of the Company to make donations to EU or any other political organisations or to incur other political expenditure and the directors have no intention of changing that policy. However, as a result of broad definitions used in the UK Companies Act, normal business activities of the Company, which might not be considered political donations or expenditure in the normal sense, may be construed as political expenditure or as a donation to a political party or other political organisation and fall within the restrictions of the Companies Act 2006. Sponsorship, subscriptions, payment of expenses, paid leave for employees fulfilling public duties, and support for bodies representing the business community in policy review or reform, may fall within the scope of these matters. The Board has therefore decided to propose the resolution.

EMPLOYEES

The Company operates an equal opportunities policy which endeavours to treat individuals fairly and not to discriminate on the basis of sex, race, ethnic origin or disability or on any other basis. Applications for employment are fully considered on their merits, and employees are given appropriate training and equal opportunities for career development and promotion.

The Company is committed to ensuring that adequate policies and procedures are in place to enable disabled applicants to receive training to perform safely and effectively and to provide development opportunities to ensure they reach their full potential. Where an individual becomes disabled during the course of their employment with the Company, Mediclinic will seek to provide wherever possible, continued employment on normal terms and conditions. Adjustments will be made to the environment and duties or alternatively suitable new roles within the Company will be secured with additional training where necessary.

A breakdown by gender, age and race (only for purposes of South Africa) on the Board and senior management roles as at year end is included is illustrated in **Figure 1**. The proportion of female employees throughout the Group as at year end is illustrated in **Figure 2**.

The Group's employees are a highly valued asset. The employees' trust and respect are vital to Mediclinic's success. Listening and responding to the Group's employee needs through effective communication and sound relations are important components in being regarded as an employer of choice among existing and prospective employees and vital to maintain an engaged, loyal workforce. Engagement with employees is conducted through various communication methods, including leadership video conferences, intranet, periodic employee surveys, performance reviews, staff magazines, and staff wellness and recognition programmes.

FIGURE 1: RACE, GENDER AND AGE REPRESENTATION ON GOVERNANCE BODIES

	TOTAL NO OF MEMBERS	RACE				GENDER				AGE			
		BLACK		WHITE		MALE		FEMALE		30–50 YRS		> 50 YRS	
		NO	%	NO	%	NO	%	NO	%	NO	%	NO	%
Mediclinic International Board	11	n/a	n/a	n/a	n/a	10	91%	1	9%	2	18%	9	82%
Mediclinic International Executive Committee	8	n/a	n/a	n/a	n/a	8	100%	–	–	1	12.5%	7	87.5%
Mediclinic Southern Africa Executive Committee	10	3	30%	7	70%	9	90%	1	10%	6	60%	4	40%
Hirslanden Executive Committee	5	n/a	n/a	n/a	n/a	5	100%	–	–	4	80%	1	20%
Mediclinic Middle East Executive Committee	9	n/a	n/a	n/a	n/a	6	67%	3	33%	5	56%	4	44%

FIGURE 2: WORKFORCE COMPOSITION BY GENDER

	2015		**2016**	
	NUMBER	%	**NUMBER**	**%**
Southern Africa*				
Female	13 455	81.44%	**13 654**	**81.12%**
Male	3 067	18.56%	**3 178**	**18.88%**
Switzerland				
Female	6 749	77.14%	**7 011**	**76.88%**
Male	2 000	22.86%	**2 109**	**23.12%**
UAE – MCME*				
Female	1 442	59.46%	**1 504**	**59.99%**
Male	983	40.54%	**1 003**	**40.01%**

* *The gender split of Mediclinic Middle East as at 31 March 2016 excludes the Al Noor employees.*

During the year, the leading independent research company, Gallup, was commissioned to undertake an annual employee engagement survey across all three our platforms for us to understand where there are opportunities to deliver improvements in the workplace. Further details regarding the Group's employee engagement are included in the **Sustainable Development Report** available on the Company's website.

SDR

Continuous training and development of the Group's employees across all three platforms ensures retention of staff, in particular where the skills shortage is most critical, and proper succession planning. Further details on the Group's training initiatives can be found in the Sustainable Development Highlights on pages 49 to 50 and the **Sustainable Development Report** available on the Company's website.

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SDR

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the directors confirms that:

- to the best of their knowledge and belief, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

EVENTS AFTER THE REPORTING PERIOD

Since year-end, the following material events have taken place:

During May 2016 the Group obtained additional bank facilities in the amount of R1.2 billion (approximately £54m). The loans will carry interest at three month Jibar plus a margin of 1.69% and is fully repayable in June 2019.

GOING CONCERN STATUS

Having considered the principal risks and the viability assessment, the directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements, further details of which are included in the Audit and Risk Committee Report from pages 107 to 115, and the Viability Assessment on page 29.

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DIVIDEND

The Directors are recommending a final dividend of 5.24 pence per ordinary share to be paid on 25 July 2016 to all ordinary shareholders who were on the register of members at the close of business on 17 June 2016.

Prior to the Combination, the Company adopted a dividend policy which looked to maximise shareholder value and reflect its strong earnings potential and cash flow characteristics, while allowing it to retain sufficient capital to fund ongoing operating requirements and to invest in the Company's long-term growth. Following Completion, the Company adopted a dividend policy to reflect the underlying earnings and growth of the business, while retaining sufficient capital to fund ongoing operations and to invest in the Company's long-term growth. The Company aims to pay a dividend of between 25% and 30% of underlying earnings. The Board may revise the dividend policy from time to time.

The ability of the Company to pay dividends is dependent on a number of factors and there is no assurance that the Company will pay dividends, or if a dividend is paid, what the amount of such dividend will be.

Information on the Company's dividend access scheme can be found in the **Notice of Annual General Meeting**.

AGM

Figure 3 below details the dividends declared by the Company and Mediclinic International Limited (pre-Combination) to its holders of ordinary shares during the reporting period.

FIGURE 3: DIVIDENDS

	COMPANY		MEDICLINIC INTERNATIONAL LIMITED	
	2015	2014	2015	2014
	UK PENCE		SA CENTS (GROSS)	
Interim dividend	4.1	3.7	36.0	31.0
Special dividend*	328.0	–	–	–
Final dividend	5.24	9.0	n/a	75.5
Total dividend	337.34	12.7	36.0	106.5

* *A special dividend was approved by shareholders at the general meeting held on 15 December 2015 subject to completion of the Combination.*

DIRECTORS' REPORT (continued)

EXISTENCE OF OVERSEAS BRANCHES

For the purposes of the UK Listing Rules Disclosure and Transparency Rule 4.1.11(5), the Company has established an overseas branch in South Africa.

REQUIREMENTS OF THE LISTING RULES

The following table provides references to where the information required by the Listing Rule 9.8.4R is disclosed:

LISTING RULE REQUIREMENT	LOCATION IN ANNUAL REPORT
A statement of the amount of interest capitalised during the period under review and details of any related tax relief.	Not applicable
Information required in relation to the publication of unaudited financial information.	Not applicable
Details of any long-term incentive schemes.	Remuneration Report, pages 74 to 99
Details of any arrangements under which a Director has waived emoluments, or agreed to waive any future emoluments, from the Company.	Not applicable
Details of any non-pre-emptive issues of equity for cash.	As part of the Al Noor Combination, Remgro subscribed for 72 115 384 new shares in the Company at a cash subscription of £8.32 per shares, as approved in general meeting by the Company's shareholders on 15 December 2015.
Details of any non-pre-emptive issues of equity for cash by any unlisted major subsidiary undertaking.	No such share allotments
Details of parent participation in a placing by a listed subsidiary.	Not applicable
Details of any contract of significance in which a Director is or was materially interested.	Not applicable
Details of any contract of significance between the Company (or any of its subsidiaries) and a controlling shareholder.	None, other than the Relationship Agreement referred to on page 118.
Details of any contract for the provision of services to the Company (or any of its subsidiaries) by a controlling shareholder.	The internal audit function of the Group is outsourced to Remgro Internal Audit, which forms part of the Remgro group. As referred to in the Audit and Risk Committee Report, the Committee plans to review the internal audit function, with a view to bringing this in-house rather than outsourcing this function to a third party.
Details of waiver of dividends by a shareholder.	Not applicable
Board statement in respect of relationship agreement with the controlling shareholder.	Directors' Report, page 118

This Annual Report, including this Directors' Report, as well as the Strategic Report from pages 2 to 59, and the Corporate Governance Statement from pages 64 to 73, was approved by the Board and signed on its behalf by:

Edwin Hertzog
Non-executive Chairman
25 May 2016