



**MEDI-CLINIC**

A n n u a l   R e p o r t   2 0 0 3

*Committed to Quality Care*

At the Medi-Clinic Group of private hospitals, we believe there can be but one norm in medical care - the patient's best interests at all times.

From the skills of the doctor to general patient care, from facilities to equipment, our philosophy is that there is a standard to uphold at the fairest possible tariff. This leads to our special kind of Quality Care.

In our hospitals this Quality Care starts with our skilled and motivated personnel who are dedicated to their patients' well being. It is confirmed by technologically advanced equipment covering the entire spectrum of specialised medical services. It culminates in a warm and friendly atmosphere - an environment that is tranquil and conducive to swift healing.

Medi-Clinic sets a particular standard in hospital care.

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## values

We, the members of Medi-Clinic, support the following core values:

### Client Orientation

*In our behaviour we...*

- reflect the image of the company
- deliver the right service in the right place on the right time
- regard everyone who is dependent on our outputs as our client
- determine and meet the expectations of our clients
- measure our clients' satisfaction regularly
- respect our clients' right to confidentiality
- personally accept responsibility for client service

### Mutual trust and respect

*In our behaviour we...*

- share information to the benefit of the company
- listen with empathy
- communicate openly and honestly
- exhibit respect for the individuals and their dignity
- respect personal and company property
- solve problems on a win-win basis
- greet and acknowledge one another
- maintain an ethical standard

### Performance Driven

*In our behaviour we...*

- set objectives and give regular performance feedback
- ensure that each individual knows what the standards are and what is expected
- give recognition to whom it is due
- offer each the opportunity to develop to their full potential
- eliminate activities that do not add value
- promote continuous improvement in productivity
- base all appointments and promotions on competence and performance
- accept mentorship as a management task

### Team Approach

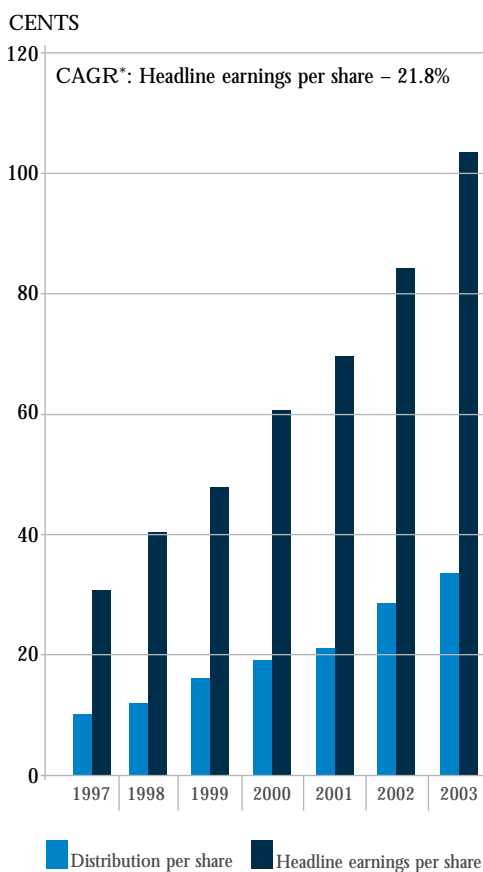
*In our behaviour we...*

- promote positive team behaviour
- ensure the participation of all role players in problem solving
- set common goals
- exhibit responsible, fair, honest and effective leadership and followership

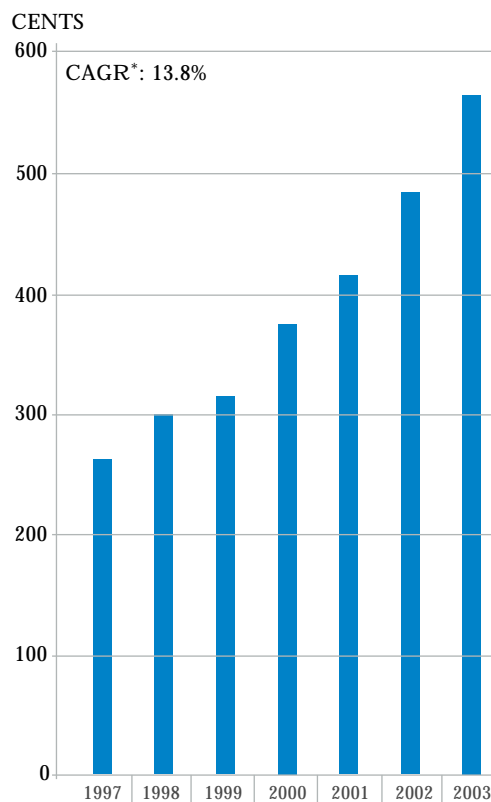
# financial highlights

	2003 R'000	2002 R'000	Increase
Group Summary			
Revenue	2 924 229	2 437 938	19.9 %
Net operating income before depreciation, taxation and amortisation	570 505	505 944	12.8 %
Headline earnings attributable to ordinary shares	365 554	309 250	18.2 %
Total assets	2 695 802	2 147 586	25.5 %
Net assets	1 917 276	1 660 270	15.5 %
	<u>cents</u>	<u>cents</u>	
Headline earnings per ordinary share – undiluted	107.0	88.7	20.6 %
Headline earnings per ordinary share – diluted	105.7	87.4	20.9 %
Distribution per ordinary share	33.0	27.3	20.9 %
Net asset value per ordinary share	562.7	486.2	15.7 %

Headline earnings and distribution per ordinary share (fully diluted)



Net asset value per ordinary share (fully diluted)



# seven year review

	1997 R'000	1998 R'000	1999 R'000	2000 R'000	2001 R'000	2002 R'000	2003 R'000	CAGR*
Income Statements								
Revenue	981 647	1 135 795	1 539 824	1 858 565	2 097 820	2 437 938	2 924 229	20.0%
Operating income after depreciation	152 913	194 557	254 310	318 905	357 296	434 335	494 642	21.6%
Dividends received	781	5 843	6 449	7 186	8 074	5 060	–	
Income from associates	6 924	2 111	12 463	16 029	16 037	18 129	18 678	
Exceptional items	657	36 319	(3 197)	5 146	–	–	–	
Net interest received/(paid)	597	3 799	(20 333)	(23 149)	(9 392)	2 808	26 616	
Net income before taxation	161 872	242 629	249 692	324 117	372 015	460 332	539 936	
Taxation	55 117	70 646	84 980	82 665	96 079	126 230	145 102	
Net income after taxation	106 755	171 983	164 712	241 452	275 936	334 102	394 834	
Minority interests	2 824	1 866	5 653	22 866	29 559	25 612	30 963	
Attributable earnings	103 931	170 117	159 059	218 586	246 377	308 490	363 871	23.2%
Distribution on permanent capital:	36 659	3 393	1 696	–	–	–	–	
Debt interest	6 936	3 393	1 696	–	–	–	–	
Dividends	29 723	–	–	–	–	–	–	
Net income retained	67 272	166 724	157 363	218 586	246 377	308 490	363 871	
Headline earnings attributable to holders of ordinary shares	100 133	133 798	162 256	213 440	246 561	309 250	365 554	24.1%
Earnings per ordinary share – cents								
Undiluted	38.8	55.0	47.4	62.6	70.5	88.5	106.5	18.3%
Diluted	33.6	52.1	46.3	62.6	69.9	87.2	105.2	21.0%
Headline earnings per ordinary share – cents								
Undiluted	37.3	43.0	48.4	61.2	70.6	88.7	107.0	19.2%
Diluted	32.4	40.9	47.2	61.2	70.0	87.4	105.7	21.8%
Distribution per ordinary share – cents	11.55	13.30	15.30	18.50	21.70	27.30	33.00	19.1%
Balance Sheets								
Assets								
Property, plant and equipment	824 177	887 610	1 156 127	1 212 201	1 294 098	1 346 681	1 610 597	
Investments and intangible assets	46 846	81 083	84 562	90 673	101 581	36 080	128 469	
Deferred taxation	–	–	–	34 824	45 871	50 031	66 001	
Current assets	260 046	307 757	437 288	485 507	545 804	714 794	890 735	
Total assets	1 131 069	1 276 450	1 677 977	1 823 205	1 987 354	2 147 586	2 695 802	
Equity and Liabilities								
Permanent capital	839 151	966 576	1 109 100	1 282 663	1 488 117	1 660 270	1 917 276	
Minority interests	23 600	23 210	49 302	68 045	79 525	74 708	172 010	
Interest-bearing debt	85 176	74 222	257 916	176 213	134 489	57 937	178 701	
Interest-free debt	183 142	212 442	261 659	296 284	285 223	354 671	427 815	
Total equity and liabilities	1 131 069	1 276 450	1 677 977	1 823 205	1 987 354	2 147 586	2 695 802	
Net asset value per ordinary share (diluted) – cents	259.6	298.0	318.1	367.6	426.0	486.2	562.7	13.8%

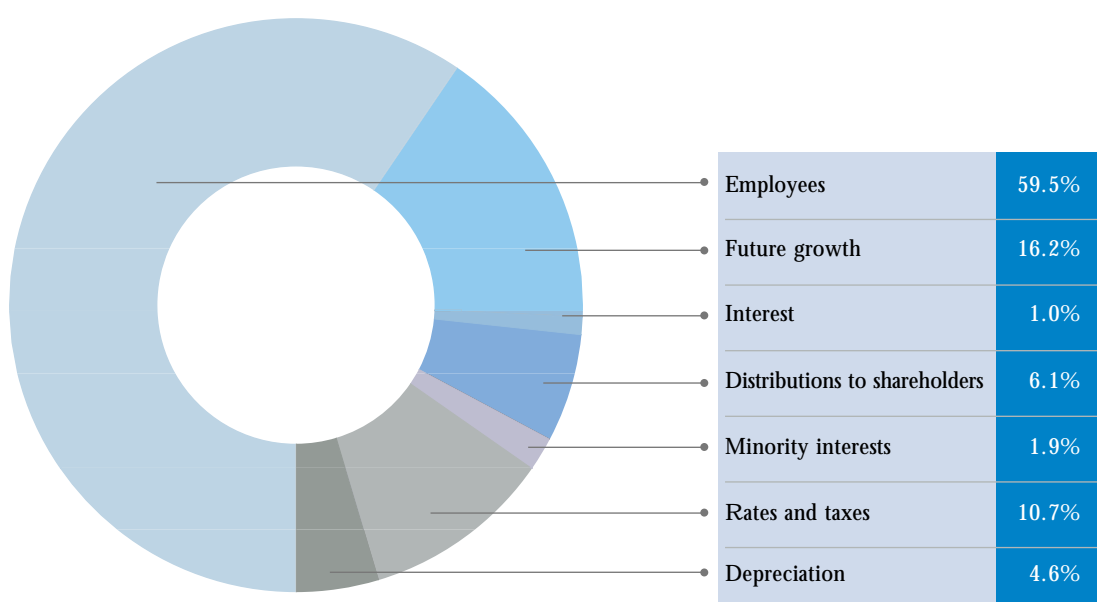
\* Compounded Annual Growth Rate

# value added statement

for the year ended 31 March 2003

	2003 R'000	%	2002 R'000	%
<b>Value Created</b>				
Revenue	2 924 229		2 437 938	
Cost of materials and services	(1 335 796)		(1 071 444)	
Interest received	42 650		19 929	
	1 631 083	100.0	1 386 423	100.0
<b>Distribution Of Value</b>				
To employees as remuneration and other benefits	970 859	59.5	818 977	59.1
Taxation and other state and local authority levies (excluding VAT)	174 546	10.7	144 744	10.4
<b>To suppliers of capital:</b>				
Minority interests	30 963	1.9	25 612	1.8
Interest on borrowed funds	16 034	1.0	17 121	1.2
Distributions to shareholders	99 731	6.1	80 387	5.8
	1 292 133	79.2	1 086 841	78.3
<b>Value Retained</b>				
To maintain and replace assets	74 810	4.6	71 479	5.2
Income retained for future growth	264 140	16.2	228 103	16.5
	338 950	20.8	299 582	21.7

Distribution of value 2003



# board of directors and administration

Chairman	E de la H Hertzog (53) M.B.Ch.B., M.Med., F.F.A. (SA) Appointed in 1983 as managing director and in 1990 as chairman of the company. Other directorships include Distell, Remgro, Total (SA) and Trans Hex Group.
Non-Executive Director	W E Bührmann (47) B.Comm, CA (SA) Executive director of Remgro. Appointed in 2001 as director of the company. Other directorships include Dorbyl, Gencor, Rainbow Chicken and Trans Hex Group.
Independent Non-Executive Directors	W P Esterhuysen (66) BA (Hons), MA, D.Phil Professor in Business Ethics at the Postgraduate Management School of the University of Stellenbosch. Appointed in 1992 as director of the company. Other directorships include Murray & Roberts and New Africa Capital. S D Hlongwane (52) Executive director of Nozala Investments. Appointed in 2000 as director of the company. A R Martin (64) B.Comm, CA (SA) Appointed in 2002 as director of the company. Other directorships include Trans Hex Group, Santam and Credit Guarantee Insurance of Africa. P J A Mphahudi (46) M.B.Ch.B., D.C.H., F.C.P. Chairman of Mvelaphanda Property Investments. Appointed on 13 May 2003 as director of the company. A A Raath (47) B.Comm, CA (SA) Executive director of Sanlam Investment Management. Appointed in 1996 as director of the company. C I Tingle (44) B.Sc (For), B.Compt (Hons), CA (SA) Partner of Michaelides Tingle & Co audit firm. Appointed in 1992 as financial director of the company, whereafter he stayed on as non-executive director since 1999. W L van der Merwe (51) M.B.Ch.B., M.Med., F.F.A. (SA), MD Dean of the Faculty Medical Science of the University of Stellenbosch. Appointed in 2001 as director of the company.
Executive Directors	L J Alberts (55) B.Comm, CA (SA) (Managing Director) Appointed in 1988 as director of the company and in 1990 as managing director. J du T Marais (52) H.N.T.D. (Mec) (Technical Director) Appointed in 1985 as director of the company. D P Meintjes (46) B.PI (Hons) (Human Resources Director) Joined the company in 1985 and appointed in 1996 as director of the company. J G Swiegers (48) B.Acc (Hons), B.Comm (Hons)(Taxation), CA (SA) (Financial Director) Appointed in 1994 as non-executive director of the company and in 1999 as financial director.
Company Secretary	G C Hattingh (38) B.Acc (Hons), CA (SA)
Business Address and Registered Address	Medi-Clinic Offices, Strand Road, Stellenbosch, 7600 Telephone: (021) 809 6500 Fax: (021) 886 4037 Postal address: P O Box 456, Stellenbosch, 7599
E-Mail and Internet	medimail@mediclinic.co.za <a href="http://www.mediclinic.co.za">http://www.mediclinic.co.za</a>
Company Registration Number	1983/010725/06
Transfer Secretaries	Computershare Investor Services Limited 70 Marshall Street, Johannesburg, 2001 Telephone: (011) 370 7700 Fax: (011) 688 7716 Postal address: P O Box 61051, Marshalltown, 2107
Auditors	PricewaterhouseCoopers Inc., Stellenbosch
Sponsor	Rand Merchant Bank Corporate Finance
Listing	JSE Securities Exchange South Africa Sector: Non Cyclical Consumer Goods – Health Share code: MDC ISIN code: ZAE000004370



# report to our shareholders



*Constantiaberg – Cape Town*

During the past year, your group has continued the consistent growth trend in earnings and distributions to shareholders achieved over a period of more than ten years. Therefore, we have pleasure in reporting as follows:

## FINANCIAL RESULTS

The group's turnover increased by 20% to R2 924 million (2002 : R 2 438 million). Earnings before interest and tax (EBIT) increased by 14% to R495 million (2002: R434 million). Headline earnings attributable to ordinary shareholders of R366 million (2002: R309 million) are 18% higher than last year. Consequently the group's headline earnings per share rose by 21% to 107,0 cents (2002 : 88,7 cents) per share. This enabled the company to increase its distribution per share in respect of the reporting period by 21% to 33,0 cents (2002 : 27,3 cents) per share.

Capacity increased during the year as a result of the acquisition on 1 December 2002 of the Curamed Group comprising about 700 beds with about 150 under construction. The current year results are, therefore, not directly comparable with those of the previous year. Unless stated to the contrary, further comparisons will be made without the effect of the inclusion of Curamed in the results. Excluding the acquisition of Curamed the group's turnover growth amounted to 15%.

In addition to the 9 million shares acquired during the previous financial year, the group acquired a further 2 036 900 of its own shares during the period under review. These shares will be held in treasury and a total of 1 689 600 shares have already been utilised in terms of the group's share option scheme. The net repurchase of shares has impacted positively on the headline earnings per share as is evidenced by its growth of 21% compared with the increase in the headline earnings of 18%.

The group's margins declined slightly. The margin of earnings before interest, tax, depreciation and amortisation (EBITDA) was 19,5% (2002: 20,8%) while the margin before interest and tax (EBIT) was 16,9%

(2002: 17,8%). The decline resulted mainly due to three items, each of which should enhance shareholder value over the long term. Firstly, the group initiated a unique retention bonus scheme for nursing staff to reward loyal employees who select Medi-Clinic as their employer of choice. Against the background of a national and international nursing shortage, the group is confident that this scheme will have significant long-term benefits. Secondly, in line with a more focused strategy, the operational and capital budgets of the ER24 pre-hospital services increased materially compared with the previous review period. This revised strategy should provide an attractive return on investment in the near future. Thirdly, due to the fact that staff share options are now funded through the group's treasury stock of its own shares, the true cost of the scheme is charged against the income statement instead of the mere dilution of the earnings per share as in the past. This will avoid further dilution of shareholder value. In addition, the group's margin declined further due to the inclusion of Curamed's business, which at this stage operates at lower margins. The integration of Curamed is in process and on schedule with some synergy benefits already being unlocked.

The trading environment remained tight as the country as a whole experienced limited economic growth and medical scheme membership remained virtually unchanged. The group is, therefore, grateful to have experienced an increase in theatre hours sold (1,4%) as well as a favourable patient mix change. This occurred on the back of a steady rate of admissions and a slight decline in bed days sold due to a commensurate decline in the length of stay.

The favourable patient mix is reflected in the fact that the occupancy of specialised beds, including intensive care, high care and neo-natal intensive care beds, increased by 5,3% while admissions for catheterisation laboratory procedures increased by 8%.

Cash flow continued to be strong. As in the past, the group managed to limit the increase

in inventories and receivables to considerably less than the growth rate in turnover. As a result the group earned net finance income of R26,6 million compared with R2,8 million previously. Interest-bearing debt increased from R58 million to R179 million due to the inclusion of debt on the Curamed balance sheet which resulted in a weakening of the debt:equity ratio from 3% to 9%. Cash and cash equivalents increased to R227 million from R208 million. The group's strong cash flow continues to underline the quality of its earnings.

The long-term growth trend of your group is gratifying. The compounded annual growth rate (CAGR) of the group's turnover over the past seven years is 20% while the CAGR of its headline earnings per ordinary share on a fully diluted basis amounts to 22% over the same period.

## BLACK ECONOMIC EMPOWERMENT

It was a proud moment for the group when it was able to introduce a black economic empowerment consortium as a partner into private healthcare through the Medi-Clinic stable. This happened at the time of the acquisition of the Curamed Group on 1 December 2002. Curamed is a group of six Pretoria-based specialist hospitals comprising about 700 beds, namely Pretoria Heart Hospital, Medforum General and Heart Hospital, Pretoria Gynaecological Hospital, Muelmed Hospital, which incorporates Astrid Hospital and the latest addition namely the new Curamed Kloof Hospital.

The consortium consists of Nozala, Mvelaphanda and Utlwanang which owns one-third of Curamed. Medi-Clinic also owns one-third and the balance are held by the previous shareholders of Curamed. Medi-Clinic controls Curamed through an intermediate holding company and is responsible for the management in terms of a management agreement.

Nozala Investments is a woman owned and managed black empowerment holding company. It was established to promote the empowerment of women in general and black women in particular. Nozala has been

# report to our shareholders

(continued)

associated with the group for many years. It has as its core investments interests in Kumba and Exel (Sasol) and is looking to increase its presence in the resources sector. In its private equity (non-core) portfolio it has interests in Jacaranda FM, the SNO, Tsogo Sun, Educor and Fedics.

Mvelaphanda has always been a forerunner in empowerment. It was established in 1998 by Mr Tokyo Sexwale and has grown into a leading black managed investment company. Mvelaphanda itself has a diverse shareholder base of some 70 000 individual direct or indirect shareholders.

Utlwanang consists of black doctor shareholders and was formed by Dr P J A Mphafudi in addition to his involvement at Mvelaphanda. Dr Mphafudi, a paediatrician, invited Phodiso Holdings which is a group of 60 Tshwane based doctors, to be additional shareholders in Utlwanang.

The structure of the ownership is such that this is not simply a transaction between two organisations, one of which happens to be black. It is in fact an agreement which incorporates all the objectives of black economic empowerment including meaningful ownership, knowledge sharing and involvement at decision making level.

Dr Mphafudi was also appointed to the Boards of Medi-Clinic Corporation and Curamed. Dr N S Matlala, representing Phodiso Holdings, was appointed to the Board of Curamed. Ms S D Hlongwane, representing Nozala, has had a seat on the Board of Medi-Clinic Corporation since 2000 and has furthermore been appointed to the Board of Tshwane Private Hospitals, the intermediate holding company of Curamed.

The Curamed hospitals are perfectly placed to take advantage of the proposed single medical scheme for government employees.

## REVIEW OF OPERATIONS

Virtually all your group's hospitals have been designed and equipped as multi-disciplinary units which provide, as far as possible, a one-stop service to doctors and patients. Effective operational management is a process which requires, and receives, meticulous ongoing attention. To ensure efficiency, operational management is decentralised with a strong regional support base. Head office functions are mainly to plan, co-ordinate, control and provide certain specialised services.

Your group remains focused on its core business and at present operates 38 hospitals throughout South Africa and 2 in Namibia.

## OPERATIONAL ISSUES AND HIGHLIGHTS

### 1. Shortage of nurses

The acute industry shortage of skilled nursing staff abated slightly due to factors such as the recent strengthening of the Rand, the war in Iraq and the stability of the number of operational hospital beds in the country.

The medium- to long-term solution remains the training of more staff by both the private and public sectors. In this regard, the group has increased the amount spent on the training of nursing staff (and certain other staff categories) to nearly 4% of its payroll cost in the current budget. Nursing staff of the group who received training have to date achieved excellent results in the SA Nursing Council's registered examinations. Fortunately, there are vast numbers of applicants who apply for training at the hospitals of the group.

In addition, the group embarked upon a unique retention bonus scheme for nursing staff to reward the loyal nurses who select Medi-Clinic as their employer of choice. Although the scheme adds to the overall cost structure as discussed under the Financial Results, the group is confident that it will have significant long-term benefits. The first bonus cheques were recently paid out and the reaction from the nursing staff has been very positive.

The group also secured a staff exchange agreement with General Healthcare in the United Kingdom. Medi-Clinic employees are therefore now in a position to earn foreign currency in a structured and organised manner while they retain their local employee status with a job guaranteed upon their return.

The group believes that the above measures will go a long way to alleviate the shortages in skilled nurses experienced in recent years.

### 2. Private Hospital Tariffs

The tariff negotiations for the 2003 calendar year marked the permanent departure of engaging on an industry basis to an individual basis directly with the various funders.

With this first attempt, your group managed to secure realistic tariff increases for the current calendar year. Individual negotiations also immediately freed up discussions about alternative reimbursement tariffs with risk sharing as a core component. At the time of this

report about 65% of your group's turnover is derived by way of such alternative reimbursement models.

The group is of the opinion that the new environment will foster innovative solutions to provide more affordable private health care. The group's visionary investment in its managed care and clinical information departments, referred to in previous reports, are now bearing fruit. The efforts emanating from these departments provide a strong base to strengthen sound long-term relationships with individual strategic players in the funding environment. Joint strategies, which may significantly enhance the provision of affordable quality private healthcare, are already in process. Constructive engagement with doctors and transparency are key elements to enduring solutions.

### 3. Doctor Relationships

Sound long-term doctor relationships will always be one of the cornerstones of the strategic approach of the group.

The group is currently investing in infrastructure to strengthen its doctors' network in which free association and as much clinical independence as possible for the doctors, are key elements. It is strongly believed that these values are critical in gaining enthusiastic doctors' support for the provision of cost effective quality healthcare.

Such a network will form the backbone of the involvement of doctors in future healthcare delivery solutions of the group.

### 4. Projects

The group will commission three new hospitals (264 beds) during the 2004 financial year namely Curamed Kloof in Pretoria, Howick and Tzaneen.

The upgrade at Lamprecht Clinic, shortly to be renamed George Medi-Clinic, has been completed.

In addition to the commissioning of new hospitals, other hospital projects have also commenced. The most significant are the expansions at Durbanville Medi-Clinic, Nelspruit Medi-Clinic (which includes a cardiac unit) and Pietermaritzburg Medi-Clinic. These projects will result in increased service capacity and benefits will flow through towards the latter half of the 2004 financial year.

Major upgrades at Morningside Medi-Clinic, Sandton Medi-Clinic and Potchefstroom Medi-Clinic are also in progress.



# report to our shareholders

(continued)

It is envisaged that the total expenditure on these projects over the next two years will amount to about R350 million.

## 5. Emergency medicine

Good progress has been made with the establishment of emergency medicine in the group.

The ER24 pre-hospital services has been satisfactorily re-established both logistically as well as from a branding perspective. It strategically covers the country as a whole and has been established in the minds of prospective customers as a brand in association with the short dial number 084 124.

The group is confident that the upgrading and strategic positioning of emergency units at the hospitals as well as the orientation towards emergency medicine within hospitals, have gained such momentum that it is now part of the culture of the group.

This progress resulted in a significant increase in the number of hospital admissions through the emergency units.

## INDUSTRY MATTERS

Like all industries, the private healthcare industry and in particular the private hospital industry, also faces various challenges and changes.

The country's policy makers are still trying to find better solutions for affordable healthcare delivery in South Africa. In the recent past a wide range of legislation has either been implemented or proposed such as the Pharmacy Act, the Medical Schemes Act, the Medicines and Related Substances Control Act and the National Health Bill. These measures will bring about significant change to the industry and the way private hospitals function.

The government recently announced a proposal for a single medical scheme for all state employees and their dependants. This paves the way for a Social Health Insurance System which may be regarded as an opportunity for the private hospital industry, but the way in which government will interact with the industry still remains to be seen. The administrative burden inherent to such a system, in particular the proposed equalisation fund, will surely test the implementation ability of the Government.

The fact that a few wards in certain public hospitals were upgraded in order to compete with private hospitals for patients belonging to medical schemes, cannot be ignored. It is regarded as financially unwise.

Firstly, the capital expenditure on these projects could have been utilised much more effectively in delivering healthcare to the indigent which is the primary role of the government. Secondly, it aims to duplicate facilities in the private sector which may lead to further excess capacity in the industry. Thirdly, no credible figures exist as to the cost at which the public hospitals deliver these services. Until it is proven to the contrary, the assumption must be that even though fees are recovered from the medical schemes (at a reduced rate compared to standard private hospital rates), these fees only partially subsidise the true cost of delivering the services. If this is true, the operational costs of these services net of the fees recovered can only be met from the funds allocated for the care of the indigent. Fourthly, the state is now competing with the private sector in the same market on an unfair basis. It has regulating authority, particularly regarding the issuing of hospital licenses, and it therefore acts as both player and referee. This is a situation which is not tolerable in a sound competitive environment. It is furthermore exempt from collecting VAT which is consequently excluded from its pricing and it is not bound by certain legislation which is only applicable to the private sector. This refers to certain aspects of the Basic Conditions of Employment Act which have negative cost implications for the private sector, as well as other legal and regulatory costs which the private sector must incur while the public sector is exempt. To add to the unlevel playing field, it is not known whether there is any cross subsidisation between the tender process of the state for the procurement of pharmaceuticals and the sale of these pharmaceuticals to private patients. The contracts entered into with medical aid schemes are also not transparent.

This situation begs the question: is it wise for the public sector to be actively competing against the private sector at the cost of the indigent? Even if the answer is in the affirmative, the question still remains whether such an unlevel playing field is acceptable from the perspective of the Competition Act?

## PROSPECTS FOR NEXT YEAR

The group will remain focused on improving the mix of its facilities by adapting to the needs of the market and by increasing patient volumes through the utilisation of demographic changes. Taking this into account, as well as the inherent growth due to the ageing of the medical scheme population, higher patient expectations and

new technology, Medi-Clinic expects to maintain its steady growth pattern.

It is likely that that operating margins will remain under pressure. Your group is embarking on certain strategic initiatives to position and strengthen itself for the future. These initiatives will require manpower and resources that will impact on the margin in the short term. A similar situation arises with the three new hospitals 264 beds that will be commissioned during the 2004 financial year, namely Curamed Kloof in Pretoria, Howick and Tzaneen.

Your group is of the opinion that its expertise and skills may be utilised overseas to the advantage of the company. Opportunities in this regard will continue to receive serious attention.

Your group remains confident that, with its well positioned modern facilities and equipment, the competence of its supporting doctors, its loyal staff and strong balance sheet, it will continue to build on the successes of the past.

## DIRECTORATE AND PERSONNEL MATTERS

Dr PJA Mphafudi, Chairman of Mvelaphanda Property Investments, was co-opted as director of the company on 13 May 2003. He is warmly welcomed.

Once again it is gratifying to report a continued high level of staff stability, particularly at management level. However, the personnel shortages in specific areas of specialised nursing, as mentioned, remain a big problem.

## THANKS

We sincerely wish to express our thanks to

- all patients and doctors for their continued support of our hospitals
- all nurses for their quality care of the patients in our hospitals
- all directors and employees for the dedication towards their work
- all shareholders for the confidence bestowed in our group.



E DE LA H HERTZOG  
Chairman



L J ALBERTS  
Managing Director

# sustainable development report



*Bloemfontein Medi-Clinic – Bloemfontein*

Medi-Clinic supports the principles of the King 2 report and the concept of sustainable development which includes the economic, ethical, social and environmental aspects of the group.

## ETHICS

Medi-Clinic's core values are based primarily on client focus, mutual trust and respect, performance and teamwork. Management continually focuses on establishing a culture of responsibility, fairness, honesty and efficiency in the group. To support this, an independent service provider has been contracted to establish a toll free, 24-hour per day ethics line for all personnel and service providers. The ethics line has been available since February 2002. This process has been formulated in a document signed by the chairman and the managing director.

The purpose of the ethics line is to offer all personnel and service providers a means of reporting any negative behaviour or incidents confidentially. All reported incidents are investigated according to a set protocol. To date, only a few minor incidents have been reported.

## PERSONNEL

### Recruitment and retention of personnel

The private hospital business is hampered by a worldwide shortage of sufficiently trained nursing staff. The recruitment and retention of sufficient nursing staff is a great challenge for Medi-Clinic, as for other healthcare providers.

Policies, structures and practices are continuously evaluated to ensure that sufficient personnel of the correct calibre are employed and retained. During 2002, the group introduced a unique retention bonus scheme to compensate loyal nursing staff.

### Employment equity

Medi-Clinic remains committed to the successful implementation of employment

equity. Although the group has been successful in achieving most of its aims, the more senior management categories still lack diversity.

The group's strategy of continuously making available development posts specifically for personnel in the designated groups is proving advantageous. At present the focus is on bringing the employment equity aims in line with the company's skills plans.

### Training and development

As long ago as 1986, Medi-Clinic anticipated that the private hospital business would have to invest in nursing training in order to maintain the service levels expected of the group. After a modest start training nursing assistants, and offering the Diploma in Theatre Nursing, training is now structured to accommodate all levels of nursing training in most disciplines. Block-based classroom education and facilitated self-education together with in-practice assistance forms the basis of a cost-effective training approach that supports adult learning principles and produces above-average results.

At present Medi-Clinic, together with the health sector's Health and Welfare SETA, manages 553 apprenticeship contracts. These apprenticeships include basic and post-basic nursing courses as well as a course for pharmacists' assistants, and are registered with the National Qualifications Framework. At present the company mainly trains personnel to meet its own identified needs, thus ensuring that each student has a post on completion of her/his studies. During the new financial year, a further 686 students will begin with nursing courses at both the basic and post-basic level.

Medi-Clinic has also taken the lead in implementing an in-practice programme aimed at assisting returning nursing staff who have been outside the profession for some time. The network of professional

training and development consultants, clinical assessors and mentors focuses on continuous professional training of all nursing staff in order to ensure safe patient care at all times.

The group's other core business processes, patient administration and the pharmacy stock system, form the basis of the remainder of the training activities. As in the case of nursing training, the main focus is on risk management, an integral part of which is standardising processes based on best practices. Training needs are primarily established by the management process that focuses on performance in the workplace and through the group's equal opportunities programme. Recently Medi-Clinic, together with technikons, began training clinical engineering technicians, and also launched a programme to assist semi-schooled technical assistants in becoming skilled tradesmen.

Medi-Clinic is committed to training, which is confirmed by an annual investment of nearly 4% of the payroll costs. As a result of its training initiatives, the group is confident that it will have qualified personnel available to provide quality service to doctors and patients now and in the future.

### Employee participation

Communication with all employees, as well as active participation by all personnel in the day-to-day management of sub-departments of the company, remains a priority for the group. Various mechanisms are already in place to achieve this. These mechanisms include collective bargaining agreements with unions, workers' forums, various committees such as safety committees and other formal meeting structures.

Medi-Clinic requested an independent research company in 2002 to determine Medi-Clinic employees' perceptions of the group. The results showed that in general

# sustainable development report

(continued)

the personnel was satisfied with the group, but that there were areas which needed attention. Medi-Clinic is addressing these problems and plans to do a follow-up study in 2004 to determine progress.

## Health and safety

Medi-Clinic values its employees' health highly. A corporate health programme was developed and implemented during this financial year. Health clinics offering free services to lower paid employees are already operating at the larger hospitals and will be phased in at other hospitals. The following services are offered: primary healthcare, occupational healthcare, promoting a healthy lifestyle, identification of chronic illnesses, family planning, the company's HIV/Aids programme and TB services in conjunction with the State.

Medi-Clinic's health and safety measures meet all the requirements laid down by law and in some instances the group's standard exceeds the set standard. To ensure that these health and safety standards are adhered to, the group's department for planned preventative maintenance conducts annual inspections. The Council of Health Services Accreditation of Southern Africa (COHSASA), an independent internationally accredited body, also conducts evaluations every two years.

## HIV/Aids

Medi-Clinic realises the devastating impact of the HIV/Aids pandemic on the workplace as well as on the social and economic lives of employees. The group has implemented an HIV/Aids policy to ensure a safe, fair and non-discriminatory corporate environment that will curtail the impact of HIV/Aids on the group.

The group's HIV/Aids programme, which has been implemented as part of the health programme, comprises the following: annual statistical evaluation of HIV/Aids occurrence among personnel, providing personnel with information and training to prevent Aids, facilitating access to medication by infected personnel, administering post-exposure prophylactics, voluntary testing, and counselling of infected personnel.

## SOCIAL RESPONSIBILITY

### Black economic empowerment

On 30 October 2002 Medi-Clinic

announced that the group, together with Nozala Investments (an empowerment group for women), Utlwanang (a consortium of medical practitioners from previously disadvantaged communities) and Mvelaphanda Capital (a member of the Mvelaphanda empowerment group under leadership of Mr Tokyo Sexwale) had obtained a 67% interest in Curamed Holdings Limited. Curamed is a group of six specialist hospitals in Pretoria with 706 beds.

Medi-Clinic provided its empowerment partners with interim finance of about R49 million to enable them to finance their part of the transaction.

Dr P J A Mphafudi of Mvelaphanda was co-opted as director of the company on 13 May 2003 and Mrs S D Hlongwane of Nozala has been serving on Medi-Clinic's board since February 2000. The transfer of knowledge to the empowerment partners will enjoy high priority.

Medi-Clinic is committed to the government's Black Economic Empowerment Preferred Purchase strategy and has formed a committee to monitor purchases from Black Economic Empowerment suppliers. The group has mainly been purchasing services from suppliers who meet the requirements of Black Economic Empowerment.

### Community service

Medi-Clinic accepts its responsibility to serve the community. Apart from the substantial investment in the training of personnel, the company supports various worthy projects and organisations:

- Together with the Faculty of Health Sciences of the University of Stellenbosch, Medi-Clinic participates in the Ukwanda Project, and contributes 50% of the cost of the project director's post. Basically, the Xhosa word "Ukwanda" means expanding to benefit the community. Ukwanda's vision is to use rural health forums and add value by comprehensive and co-ordinated outrotation of all students in the various health professions. This process should establish critical capacity for health training, research and the provision of services in the rural communities of the Western Cape.

- Various other faculties of health sciences are also supported from time to time.
- The Organ Donor Foundation is supported financially every year by means of sponsorships for the Medi-Clinic/Organ Donor Foundation Golf Day and the Organ Donor Foundation/Nederburg Fashion Show.
- Medi-Clinic sponsors the Cancer Survivors' Days held annually in George, Vereeniging and Cape Town. Apart from financial support, the group also offers graphic design services.
- As a corporate member Medi-Clinic supports the work of the World Nature Fund South Africa (WWF-SA) by an annual financial donation.

Medi-Clinic hospitals are involved in various charitable projects in the communities the hospitals serve, among them the following:

- Support groups and clinics for diabetes, breastfeeding, stoma care, wound care, foot care, premature babies, stroke, cancer, prenatal classes, HIV/Aids awareness and rape counselling.
- Free testing for cholesterol, blood pressure and diabetes in the community during health awareness weeks such as the Heart and Diabetes Week.
- Free access to specialised equipment, theatre and accommodation for the needy in special circumstances.
- Financial support of the Arrive Alive road safety project during the holiday season and access to the Medi-Clinic emergency caravan.
- Medical support during sport meetings, shows, exhibitions and at beach resorts. Examples are the Cape Argus/Pick 'n Pay Cycle Tour, 702/FNB Walk the Talk, Duzi Canoe Marathon and Design for Living.
- Donation of equipment, pharmaceuticals and linen to old age homes, children's homes, hospices and other needy communities.

In 2002, Bloemfontein Medi-Clinic was awarded the HASA trophy for the most deserving community project for its support of the Jean Weber Home for the handicapped.

# sustainable development report

(continued)

Milnerton Medi-Clinic was responsible for establishing the Community Intervention Centre in the Blaauwberg area which provides 24-hour trauma support and crisis management services.

ER24, a medical evacuation service jointly managed by Medi-Clinic and Afrox Healthcare, annually provides services to the needy. These free services amount to approximately R320 000 per month. ER24 also supports the local and provincial services by providing road users with medical services, particularly during holiday seasons.

## National economy

Medi-Clinic operates in a dynamic industry and thousands of new employment opportunities have been created and many are still being created. These opportunities are not limited to nursing staff, but also include numerous jobs for domestic, kitchen, technical, laundry, administrative, computer and other staff. Furthermore, each new building project generates its own job opportunities.

Medi-Clinic contributed R341 million

in taxes to the state coffers during the past financial year. The two components were R158 million in company taxation and R183 million in net direct and indirect payments of value added tax. In addition the group paid employees' tax of R123 million on behalf of its approximately 9 500 permanent employees (Excluding Curamed Group's employees).

## ENVIRONMENT

### ISO 14001 accreditation

Medi-Clinic accepts its responsibility towards the environment in the communities served by its hospitals. During the financial year Vergelegen Medi-Clinic gained the ISO 14001 accreditation of the National Quality Assurance (NQA) in London. The accreditation process was completed in a record time of seven months, making Vergelegen Medi-Clinic the first hospital on the African continent and one of the few hospitals in the rest of the world, to achieve this standard of environmental awareness and safety. During the coming financial year, Medi-Clinic plans to have

more hospitals accredited.

## Water and energy consumption

Personnel in all the groups' hospitals are urged to use water and energy efficiently.

A pilot project at one of the group's hospitals brought about a 40% saving in water consumption. This saving was made possible by recycling uncontaminated water for irrigation of the gardens and a reduction in water wastage. This project will also be extended to other hospitals in the group.

## Refuse removal

Stringent protocols are followed to ensure that refuse removal within the group complies with all legislation and local regulations.

## ACCESS TO INFORMATION

Medi-Clinic complies with the regulations of the Act on the Promotion of Access to Information (Act 2 of 2002) which ensures the constitutional right of access to information needed for the exercising or protection of any rights.



# corporate governance



*Vergelegen Medi-Clinic – Somerset West*

Since its incorporation in 1983, the company has always upheld strict principles of corporate governance and the highest standards of integrity and ethics, similar to those recommended by the King 2 report's Code of Corporate Practices and Conduct. The company therefore endorses the principles contained in the report.

The board of directors accepts full responsibility for corporate governance and is committed to ensuring a high standard of discipline, independence, responsibility, equity, social responsibility, accountability, cooperation and transparency.

The board believes that the company and the group have materially complied with the principles of the King 2 report's Code of Corporate Practices and Conduct and has met the listing requirements of the JSE Security Exchange South Africa.

## **Board of directors**

The board (the composition of which appears on page 4) shows a good 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 have a variety of skills and experience at their disposal and are involved in all material business decisions, enabling them to contribute to the general guidance and management of the business. The roles and responsibilities of the chairman and the managing director are separated.

The chairman of the board is Dr E de la Hertzog, who is also an executive director. He was involved in a chief executive capacity from the incorporation of the company until his appointment as chairman in 1992. The board still considers it in the company and the group's best interest to have him as executive chairman. He also serves on the boards of Remgro and three other major Remgro associated companies, of which two are listed on the JSE. Every year, after the annual general meeting, both the chairman and the managing director are

formally elected for a further term of one year. Any director may anonymously request a secret ballot for this purpose.

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. Newly appointed directors are subjected to a comprehensive induction programme to familiarise them with the company. The executive directors do not have long-term service contracts.

Except for directors' fees, non-executive directors do not receive any material benefits or share options from the company.

The board has accepted a formal code of conduct in which the responsibilities of the board, individual directors and the company secretary are set out. Directors are obliged to act in the company's best interest at all times. Directors and senior personnel may not trade in the company's shares during price-sensitive periods.

All board members are required to disclose their shareholding in the company, other directorships and any potential conflict of interest. Where a potential conflict of interest exists, directors are expected to remove themselves from relevant discussions and decisions. The group's code of values appears on the first page of this report.

The board has full and effective control of the company and any material resolutions are only 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. Board members 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.

Since year end, the directors have evaluated the board's work performance. As a result of this evaluation some aspects will receive further attention.

Every director has free access to senior management and the company secretary, who advises the board and sub-committees on relevant matters, including compliance with the group's rules and procedures, statutory regulations and the King 2 report's Code of Corporate Practices and Conduct. Directors are entitled to obtain, at the expense of the company, after consultation with the chairman, independent professional advice on any aspect of the business. The name and address of the company secretary appears on page 4.

## **Executive management**

The executive directors meet regularly to consider, inter alia, investment opportunities, business 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:

### **(a) Human resources committee**

The human resources committee (the composition of which appears on page 13) meets periodically to discuss matters such as remuneration policy, executive management remuneration, directors' remuneration, incentive schemes and follow-up planning for management. The committee is also advised by an independent outside party.

The committee has an independent non-executive director as chairman. Meetings are also attended by the managing director.



# corporate governance

(continued)

The group's remuneration strategies are aimed at ensuring that:

- employees' earn market-related salaries;
- remuneration is fair and just;
- no discrimination exists;
- performance is acknowledged and encouraged; and
- remuneration is cost effective and affordable.

## (b) Audit and risk committee

The audit and risk committee (the composition of which appears on page 13) 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. This includes 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, statutory, financial and business risks and to evaluate the adequacy and appropriateness of the internal financial and management control systems used to control and manage such risks. The committee is also responsible for appointing the external and internal auditors.

The committee has a non-executive director as chairman. The chairman of the board also attends the meetings. The internal and external auditors have unlimited access to the audit committee.

## Risk management

Effective risk management is integral to the group's objective of constantly adding value to the business. The group's approach is to identify and evaluate all known risks

throughout the group. This ensures constant, effective consideration and management of such risks. The board pays continuous attention to fundamental risks and addresses these in annual business plans which are approved by the directors.

A central risk management committee comprising of members of management who report to the audit and risk committee is responsible for drawing up policy and procedures on risk management and the financing of risk management, including self-insurance.

At present, the most important risks the group are exposed to relate to the availability of trained personnel, medico-legal accountability, business environment, relationships with doctors, eroding of margins, technology, ineffective utilization of capital, business interruption and reputation.

Contingency plans and the provision of continuous information technology services in case of disaster have been documented and are tested regularly. A business continuity plan to ensure that the company will be able to continue with critical business processes in the case of a disaster has been developed and documented.

## 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 material misrepresentation and loss. Internal control is broadly defined as a process, instituted by a company's board of directors, management and other personnel, to provide reasonable assurance regarding 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. One of the aims of an effective system of internal control is to provide reasonable assurance regarding the reliability of financial information and, in particular, the information presented in financial statements. An effective system of internal control, no matter how well designed, nevertheless has inherent limitations, such as the possibility of circumvention or overriding of controls. Furthermore, because of changing conditions, the effectiveness of a system of internal control may vary over time.

The internal audit of financial controls of the company's internal audit function has been outsourced. The effectiveness of operational issues is audited internally by MQAT (Medi-Clinic Quality Assurance Team) under direction of the director: training and development. The company secretary is responsible for 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 risk management committee.

The audit and risk committee has checked the internal control systems of the company and its subsidiaries for the financial year up to 31 March 2003. Based on inquiries and the report of the internal auditors and the MQAT team, the directors are satisfied that the internal control measures for the period under review were effective.

## Attendance of meetings

### Board meetings

Directors	14/05/02	26/07/02	20/09/02	29/11/02	14/02/03	28/03/03
E de la H Hertzog (3)	✓	✓	✓	✓	✓	✓
L J Alberts (3)	✓	✓	✓	✓	✓	✓
W E Bührmann (2)	✓	✓	✓	✓	✓	✓
W P Esterhuyse (1)	✓	✓	✓	A	✓	✓
S D Hlongwane (1)	✓	✓	A	A	✓	A
J du T Marais (3)	✓	✓	✓	✓	✓	✓
A R Martin (1)	✓	✓	✓	✓	✓	✓
D P Meintjes (3)	✓	✓	✓	✓	✓	✓
A A Raath (1)	✓	✓	A	✓	✓	✓
J G Swiegers (3)	✓	✓	✓	✓	✓	✓
C I Tingle (1)	✓	✓	✓	✓	✓	✓
W L van der Merwe (1)	✓	✓	✓	✓	✓	✓

# corporate governance

(continued)

## Audit and risk committee meetings

Directors		13/05/02	10/06/02	11/11/02
W E Bührmann (2)	Chairman	✓	✓	✓
L J Alberts (3)		✓	✓	✓
A R Martin (1)		✓	✓	✓
A A Raath (1)		✓	✓	A
J G Swiegers (3)		✓	✓	✓
C I Tingle (1)		✓	A	✓
E de la H Hertzog (3)	Resigned 29/11/02	✓	✓	✓

## Human resources committee meetings

Directors		15/07/02
W P Esterhuyse (1)	Chairman	A
W E Bührmann (2)		A
E de la H Hertzog (3)		✓
W L van der Merwe (1)		✓
L J Alberts (3)	Resigned 29/11/02	✓

- 1 – Independent non-executive
- 2 – Independent
- 3 – Executive
- A – Absent with apology

### Investor relationships

Firm protocols are in place to control the nature, extent and frequency of communication with analysts and financial institutions and to ensure that shareholder information is made available to all parties timeously and simultaneously.

### Declaration of directors' responsibilities

The Companies Act, 1973, requires the directors to prepare financial statements for each financial year which fairly present the state of affairs of the company and the group and the profits and losses for the period.

In preparing these financial statements, the directors must:

- set accounting policies and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether set accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is appropriate to presume that the group will not continue in business.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company, to ensure the financial statements comply with the Companies Act, 1973. They have general responsibility for taking such steps as are reasonably possible to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The financial statements of the company and the group have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice (GAAP) and incorporate full and responsible disclosure in line with the accounting policies of the group, supported by reasonable and prudent judgements and estimates.

The board of directors approves any change in accounting policy and the effects thereof are fully explained in the annual financial statements.

The directors have scrutinized the group's business plans, budgets, cash flow predictions and risk analyses for the period up to 31 March 2004. Based on these predictions and taking into consideration

the group's current financial position, they are satisfied that the group has available sufficient resources to continue its operations in the foreseeable future. The financial statements have been drawn up on a going concern basis.

No event, material to the understanding of this report, has occurred between the financial year-end and the date of this report.

The annual financial statements, as set out on pages 15 to 37, have been approved by the board of directors and are signed on their behalf by:



E DE LA H HERTZOG  
Chairman

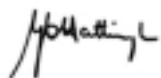


L J ALBERTS  
Managing Director

Stellenbosch  
13 May 2003

# certificate by the company secretary

In terms of section 268G(d) of the Companies Act, 1973, I certify that the company has lodged with the Registrar of Companies all such returns as required of a Public Company in terms of this Act and that all such returns are true, correct and up to date.



GC HATTINGH  
Secretary

Stellenbosch  
13 May 2003

## report of the independent auditors

*to the members of Medi-Clinic Corporation Limited*

We have audited the annual financial statements and group annual financial statements of Medi-Clinic Corporation Limited set out on pages 15 to 37 for the year ended 31 March 2003. These annual financial statements are the responsibility of the directors of the company. Our responsibility is to express an opinion on these annual financial statements based on our audit.

### Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual financial

statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures included in the annual financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

### Audit opinion

In our opinion, the annual financial statements fairly present, in all material respects, the financial position of the

company and the group at 31 March 2003, and the results of their operations, changes in equity and cash flow for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act in South Africa.



PRICEWATERHOUSECOOPERS 

Registered Accountants and Auditors  
Chartered Accountants (SA)

Stellenbosch  
13 May 2003

# directors' report

to the shareholders for the year ended 31 March 2003

## NATURE OF ACTIVITIES

The main business of your group is the provision of comprehensive, high-quality hospital services on a cost-effective basis.

## GENERAL REVIEW OF ACTIVITIES

Your group currently operates forty hospitals. Fifteen are located in the Western Cape, nine in Gauteng, four in Mpumalanga, three in the Free State, two in the Northern Cape, two in Kwazulu-Natal, two in the Northwest Province, one in the Limpopo (Northern) Province and two in Namibia.

Three new hospitals will also be commissioned during the 2004 financial year, being Howick, Tzaneen and Kloof Hospital in Pretoria.

The group has, with effect from 1 December 2002, acquired the Curamed group of hospitals in Pretoria. This transaction increased the bed capacity of the group by 706 beds of which 178 beds are under construction.

A complete list of hospitals appear on page 40.

The financial results are fully disclosed in the income statement and discussed in the report to the shareholders.

## SHARE CAPITAL

There was no change in the company's

authorised share capital during the year under review.

During the year the group acquired 2 036 900 (2002 : 9 000 000) of its ordinary shares through a wholly-owned subsidiary as treasury shares. 1 289 900 (2002 : 399 700) of these shares were utilised in terms of the executive share option scheme.

## CAPITAL DISTRIBUTION

The board of directors has proposed that a final distribution of 23,3 cents per share be paid. This, together with the interim distribution of 9,7 cents per share, brings the total distribution for the year to 33,0 cents per share. (See table below)

The distributions will be paid out of the share premium.

## MANAGEMENT

M & I Group Services (Proprietary) Limited is a service company which provides limited specialised management services on request to your group. Your group does not own any shares in this company.

## HOLDING COMPANY, SUBSIDIARIES AND ASSOCIATES

Remgro Limited, through a wholly-owned subsidiary, presently holds 51% (2002 : 51%) of the issued ordinary shares. Details of

subsidiaries and associates appear in the annexure on page 37.

## DIRECTORS AND SECRETARY

The names of the directors and secretary of the company, as well as the latter's postal address, appears on page 4.

Dr P J A Mphafudi was co-opted as a director of the company on 13 May 2003.

In terms of the provisions of the Articles of Association of your company, Prof W P Esterhuyse, Dr E de la H Hertzog, Mr D P Meintjes, Dr P J A Mphafudi and Mr J G Swiegers are to retire as directors. These directors are eligible and offer themselves for re-election.

Your board recommends that directors' fees for services rendered during the past financial year be fixed at R241 867 (2002 : R177 995).

## DIRECTORS' INTERESTS

Details of the direct and indirect interest in the issued permanent capital structure of your company by directors are set out on page 38. Indirect interests through listed public companies have not been taken into account. No material change in the interest of directors has taken place between the financial year-end and the date of this report except as indicated.

Interim distribution of 9,7 cents (2002 : 7,8 cents)  
Final distribution of 23,3 cents (2002 : 19,5 cents)

2003 R'000	2002 R'000
33 956	27 288
81 565	68 263
115 521	95 551

# balance sheets

at 31 March 2003

COMPANY		Notes	GROUP	
2002 R'000	2003 R'000		2003 R'000	2002 R'000
		ASSETS		
1 257 636	1 153 814	Non-current assets	1 805 067	1 432 792
–	–	Property, plant and equipment	1 610 597	1 346 681
–	–	Intangible assets	35 964	17 835
1 257 636	1 153 814	Interests in subsidiaries	–	–
–	–	Investments in associates	43 295	17 916
–	–	Other investments and loans	49 210	329
–	–	Deferred taxation	66 001	50 031
3 600	5 181	Current assets	890 735	714 794
–	–	Inventories	139 462	97 381
–	–	Receivables and prepayments	524 143	408 966
3 600	5 181	Taxation	–	–
–	–	Cash and cash equivalents	227 130	208 447
1 261 236	1 158 995	Total assets	2 695 802	2 147 586
		EQUITY AND LIABILITIES		
		Capital and reserves		
35 007	35 007	Share capital	35 007	35 007
415 748	313 529	Share premium	313 529	415 748
–	–	Treasury shares	(62 033)	(57 387)
450 755	348 536	Capital	286 503	393 368
810 481	810 459	Reserves	1 630 773	1 266 902
1 261 236	1 158 995	Shareholders' funds	1 917 276	1 660 270
–	–	Minority interests	172 010	74 708
		Non-current liabilities		
–	–	Interest-bearing debt	112 083	27 437
–	–	Current liabilities	494 433	385 171
–	–	Trade and other payables	245 625	230 181
–	–	Current portion of interest-bearing debt	66 618	30 500
–	–	Provisions	130 132	88 395
–	–	Taxation	52 058	36 095
1 261 236	1 158 995	Total equity and liabilities	2 695 802	2 147 586



# income statements

for the year ended 31 March 2003

COMPANY		Notes	GROUP	
2002 R'000	2003 R'000		2003 R'000	2002 R'000
–	–	Revenue	2 924 229	2 437 938
–	–	Cost of sales	(1 694 980)	(1 382 345)
–	–	Administration and other operating expenses 16	(734 607)	(621 258)
–	–	Operating income	494 642	434 335
–	–	Income from associates 18	18 678	18 129
391 553	–	Dividends received 19	–	5 060
(6)	(7)	Net finance income/(cost) 20	26 616	2 808
391 547	(7)	Net income before taxation	539 936	460 332
633	15	Taxation 21	145 102	126 230
390 914	(22)	Net income after taxation	394 834	334 102
–	–	Minority interests	30 963	25 612
390 914	(22)	Attributable earnings	363 871	308 490
		Earnings per ordinary share - cents		
		Undiluted 22	106.5	88.5
		Diluted 22	105.2	87.2
		Headline earnings per ordinary share - cents		
		Undiluted 22	107.0	88.7
		Diluted 22	105.7	87.4

# statements of changes in owners' equity

for the year ended 31 March 2003

COMPANY		Notes	GROUP	
2002 R'000	2003 R'000		2003 R'000	2002 R'000
35 007	35 007	Share capital	35 007	35 007
34 933	35 007	Opening balance	35 007	34 933
74	–	Shares issued	–	74
415 748	313 529	Share premium	313 529	415 748
494 772	415 748	Opening balance	415 748	494 772
1 363	–	Shares issued	–	1 363
(80 387)	(102 219)	Distribution paid to shareholders	(102 219)	(80 387)
–	–	Treasury shares	(62 033)	(57 387)
–	–	Opening balance	(57 387)	–
–	–	Shares acquired by subsidiary	(15 519)	(60 054)
–	–	Distribution received	2 488	–
–	–	Utilised for share option scheme	8 385	2 667
810 481	810 459	Retained earnings	1 630 773	1 266 902
419 567	810 481	Opening balance	1 266 902	958 412
390 914	(22)	Net income/(loss) for the year	363 871	308 490
1 261 236	1 158 995	Equity at the end of the year	1 917 276	1 660 270

# cash flow statements

for the year ended 31 March 2003

COMPANY Inflow/(outflow)		Notes	GROUP Inflow/(outflow)	
2002 R'000	2003 R'000		2003 R'000	2002 R'000
		<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
–	–	Cash received from customers	2 890 701	2 435 145
–	–	Cash paid to suppliers and employees	(2 371 068)	(1 894 438)
–	–	Cash generated from operating activities 23.1	519 633	540 707
(6)	(7)	Net finance income/(cost) 20	26 616	2 808
415 005	–	Dividends received	–	28 512
(3 968)	(1 596)	Taxation paid 23.2	(143 109)	(123 056)
–	–	Cash distributions to minorities	(18 650)	(15 580)
411 031	(1 603)	Cash available from operating activities	384 490	433 391
(80 387)	(102 219)	Distributions on permanent capital		
		Distributions to shareholders 23.3	(99 731)	(80 387)
330 644	(103 822)	<b>NET CASH FLOW FROM OPERATIONS</b>	284 759	353 004
		<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>		
(332 081)	103 822	Investment to maintain operations 23.4	(275 676)	(95 861)
(382 081)	103 822	Investment to expand operations 23.5	(61 019)	(46 084)
–	–	Proceeds on sale of assets 23.6	(215 298)	(105 885)
50 000	–		641	56 108
(1 437)	–		9 083	257 143
		<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
1 437	–	Increase/(decrease) in interest-bearing debt	9 600	(128 667)
–	–	Proceeds of shares issued	16 734	(72 717)
1 437	–	Treasury shares purchased	–	1 437
–	–		(7 134)	(57 387)
–	–	Net movement in cash and cash equivalents	18 683	128 476
–	–	Opening balance of cash and cash equivalents	208 447	79 971
–	–	Closing balance of cash and cash equivalents	227 130	208 447

# notes to the annual financial statements

for the year ended 31 March 2003

## 1. ACCOUNTING POLICY

The annual financial statements are prepared on the historical cost basis, except as otherwise stated below, in accordance with South African Statements of Generally Accepted Accounting Practice. The group incorporates the following accounting policies which are consistent with those of the previous year:

### Consolidation and equity accounting

All companies defined as subsidiary companies in terms of the Companies Act are included in the group annual financial statements. The results of subsidiaries acquired during the year are included from the date effective control was acquired. Where necessary, in terms of the fair value assessment of the underlying net assets being acquired, appropriate provisions are established as at the date of acquisition.

Hospital operations that operate as partnerships or trusts, but controlled by the group, are fully consolidated in the income statement and balance sheet. The interests of the other parties in the partnerships or other beneficiaries in the trusts are shown as minority interests.

Companies and other entities in which the group has a long-term interest and over which the group has the ability to exercise significant influence, are treated as associates on the equity method.

### Property, plant and equipment

All property, plant and equipment are accounted for at cost. Depreciation on property, plant and equipment is provided for on the straight-line basis over the expected useful lifetime of the assets taking into consideration their estimated residual value. The following rates of depreciation apply in general:

- Buildings: 2% per annum
- Equipment: 20% per annum
- Furniture and vehicles: 15 - 20% per annum

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. For this reason it is estimated that the residual value of these buildings materially exceeds the book value.

All repair and maintenance costs are expensed in the year in which they are incurred (see note 16).

### Trade names

Trade names are shown at cost and are depreciated on the straight-line basis over their expected useful lifetime. In general trade names are written off at a rate of 5% per annum.

### Goodwill

Goodwill represents the excess of the cost price of the investment above the fair value of the net assets acquired. Goodwill obtained after 1 April 2000 is capitalised as an intangible asset and written off on the straight-line basis over the expected useful life. In general goodwill is written off at a rate of 10% per annum.

### Investments

Investments, other than in associates, are stated at cost and are written down only where there is a permanent impairment in value.

### Deferred taxation

Deferred taxation is provided, using the liability method, for all temporary differences arising between the taxation bases of assets

and liabilities and their carrying values for financial reporting purposes.

### Inventories

Inventories are valued at the lower of cost, determined on the first-in, first-out basis, or net realisable value.

### Cash and cash equivalents

Cash and cash equivalents consist of balances with banks and cash on hand.

### Revenue recognition

Revenue comprises hospital fees levied, net of value added taxes and discounts.

Other revenues earned are recognised on the following bases:

- Interest income: as it accrues.
- Dividend income: when the shareholders' right to receive payment is established.

### Cost of sales

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

### Post-retirement medical benefits

The group provides for post-retirement medical contributions in relation to current and retired employees.

### Financial instruments

Financial instruments carried on the balance sheet include cash resources, investments, loans, receivables and prepayments, trade and other payables and borrowings. These instruments are generally carried at their fair value.

### Comparative figures

Where necessary, comparative figures are adjusted to conform with changes in presentation in the current year.

# notes to the annual financial statements

for the year ended 31 March 2003 (continued)

		GROUP	
		2003 R'000	2002 R'000
<b>2. PROPERTY, PLANT AND EQUIPMENT</b>			
Land - cost	86 641	83 681	
Buildings	1 096 580	943 062	
Cost	1 104 883	943 268	
Accumulated depreciation	(8 303)	(206)	
Land and buildings	1 183 221	1 026 743	
Equipment	244 483	197 874	
Cost	739 903	606 534	
Accumulated depreciation	(495 420)	(408 660)	
Furniture and vehicles	55 936	35 341	
Cost	151 696	108 754	
Accumulated depreciation	(95 760)	(73 413)	
Subtotal	1 483 640	1 259 958	
Capital expenditure in progress	126 957	86 723	
	1 610 597	1 346 681	
Property, plant and equipment with a book value of R150 308 000 (2002 : R33 385 000) are encumbered as security for interest-bearing debt.			
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.			
Summary of movement for the year:			
Net opening book value	1 259 958	1 199 660	
Capital expenditure	141 426	107 327	
Hospital activities purchased	156 763	35 056	
Disposal of equipment	(327)	(2 366)	
Disposal of hospital activities	–	(8 870)	
Depreciation per income statement	(74 180)	(70 849)	
Net closing book value	1 483 640	1 259 958	
Capital expenditure as shown above	141 426	107 327	
Increase/(decrease) in capital expenditure in progress	40 234	(7 715)	
Total additions	181 660	99 612	
To maintain operations	77 595	63 669	
To expand operations	104 065	35 943	



# notes to the annual financial statements

for the year ended 31 March 2003 (continued)

## 2. PROPERTY, PLANT AND EQUIPMENT (continued)

Detail of movement per category for 2003:	GROUP		
	Land and buildings R'000	Equipment R'000	Furniture and vehicles R'000
Net opening book value	1 026 743	197 874	35 341
Capital expenditure	36 473	81 035	23 918
Hospital activities purchased	120 721	23 868	12 174
Disposal of equipment	–	(252)	(75)
Depreciation per income statement	(716)	(58 042)	(15 422)
Net closing book value	1 183 221	244 483	55 936

## 3. INTANGIBLE ASSETS

Trade names  
Cost  
Amount written off to date  
  
Goodwill  
Cost  
Amount written off to date

GROUP	
2003 R'000	2002 R'000
5 512	6 142
15 100	15 100
(9 588)	(8 958)
30 452	11 693
33 944	13 188
(3 492)	(1 495)
35 964	17 835

Trade names with a cost price of R2 500 000  
(2002 : R2 500 000) have been fully written off.

Detail of movement per category for 2003:	GROUP	
	Trade names R'000	Goodwill R'000
Net opening book value	6 142	11 693
Acquired during the year	–	20 756
Amount written off per income statement	(630)	(1 997)
Net closing book value	5 512	30 452

# notes to the annual financial statements

for the year ended 31 March 2003 (continued)

COMPANY				GROUP	
2002 R'000	2003 R'000			2003 R'000	2002 R'000
		4. INTERESTS IN SUBSIDIARIES			
		Unlisted			
825	825	Shares at cost less amounts written off			
1 256 811	1 152 989	Due by subsidiaries			
1 257 636	1 153 814				
		<i>Details appear on page 37.</i>			
		5. INVESTMENTS IN ASSOCIATES			
		Unlisted			
		Cost		7 643	7 643
		Loans		35 652	10 273
				43 295	17 916
		Directors' valuation		77 833	90 645
		The aggregate balance sheets of associates are summarised as follows:			
		Non-current assets		62 528	18 680
		Current assets		27 896	9 072
		Total assets		90 424	27 752
		Current liabilities		(12 209)	(717)
		Shareholders' funds		78 215	27 035
		Outside interests		(42 563)	(16 762)
				35 652	10 273
		<i>Details appear on page 37.</i>			
		6. OTHER INVESTMENTS AND LOANS			
		Unlisted			
		Loans		48 960	79
		Shares at cost		250	250
				49 210	329
		Directors' valuation		49 210	15 211

# notes to the annual financial statements

for the year ended 31 March 2003 (continued)

		GROUP	
		2003 R'000	2002 R'000
<b>7. DEFERRED TAXATION</b>			
Deferred taxation is calculated on all temporary differences according to the liability method using a principal tax rate of 30% (2002 : 30%).			
The movement on the deferred taxation account is as follows:			
Opening balance	50 031	45 871	
Income statement charge for the year	12 756	4 160	
Acquired during the year	3 214	–	
Balance at the end of the year	66 001	50 031	
The balance consists of:			
Accelerated wear and tear for tax purposes on property, plant and equipment	(3 001)	(2 456)	
Provisions and other temporary differences	69 002	52 487	
	66 001	50 031	
Deferred taxation assets	69 002	52 487	
Deferred taxation liabilities	(3 001)	(2 456)	
	66 001	50 031	
<b>8. INVENTORIES</b>			
Inventories consist of:			
Pharmaceutical products	132 116	91 312	
Consumables	4 171	3 982	
Finished goods and work in progress	3 175	2 087	
	139 462	97 381	
<b>9. RECEIVABLES AND PREPAYMENTS</b>			
Trade receivables	484 666	391 762	
Other receivables and prepayments	39 477	17 204	
	524 143	408 966	
Receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables, based on a review of all outstanding amounts at year-end.			

# notes to the annual financial statements

for the year ended 31 March 2003 (continued)

COMPANY			GROUP	
2002 R'000	2003 R'000		2003 R'000	2002 R'000
		10. CAPITAL		
		Capital consists of ordinary shares and share premium.		
		Share capital		
		Authorised:		
		450 000 000 ordinary shares of 10 cents each (2002 : 450 000 000)	45 000	45 000
45 000	45 000			
		Issued:		
		350 065 992 ordinary shares of 10 cents each (2002 : 350 065 992)	35 007	35 007
35 007	35 007			
		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.		
415 748	313 529		313 529	415 748
		Share premium		
494 772	415 748	Opening balance	415 748	494 772
1 363	–	Premium on shares issued	–	1 363
(80 387)	(102 219)	Distributed to shareholders	(102 219)	(80 387)
		Treasury shares		
		9 347 300 (2002 : 8 600 300) ordinary shares	(62 033)	(57 387)
		Opening balance	(57 387)	–
		Shares acquired by subsidiary	(15 519)	(60 054)
		Distribution received	2 488	–
		Utilised for share option scheme	8 385	2 667
		During the year the company acquired 2 036 900 (2002 : 9 000 000) of its own shares through a wholly-owned subsidiary and are held as treasury shares. These transactions are in accordance with the company's memorandum of association and complied with all aspects of the South African Companies Act and the requirements of the JSE Securities Exchange South Africa. 1 289 900 (2002 : 399 700) of the treasury shares were utilised in terms of the executive share option scheme.		
450 755	348 536		286 503	393 368

# notes to the annual financial statements

for the year ended 31 March 2003 (continued)

COMPANY			GROUP	
2002 R'000	2003 R'000		2003 R'000	2002 R'000
		10. CAPITAL (continued)		
		Share options		
		In terms of the executive share option scheme, 17 236 115 (2002 : 17 236 115) ordinary shares are kept in reserve. To date, 17 065 300 (2002 : 14 631 300) share options have been granted and 7 033 300 (2002 : 5 743 400) exercised.		
		The directors of the company may from time to time grant options to any fulltime employee, including an executive director, at a price which shall be the greater of the par value of an ordinary share or the middle market price on the JSE Securities Exchange South Africa on the trading day immediately preceding that on which an option to subscribe for such shares is granted.		
		The maximum number of shares in respect of which any option or options may be granted to any employee may not exceed 200 000 shares. Employees may exercise the options over a period of 8 years from the date on which it was granted.		
		Movement in the number of share options outstanding are:	Number	Number
		Outstanding at the beginning of the year	8 887 900	8 167 900
		Options granted	2 940 000	1 851 300
		Options forfeited	(506 000)	–
		Options exercised - new shares issued	–	(731 600)
		Options exercised - treasury shares issued	(1 289 900)	(399 700)
		Outstanding at the end of the year	10 032 000	8 887 900
		11. RESERVES		
		Distributable reserve		
		Opening balance	1 266 902	958 412
		Net income/(loss) for the year	363 871	308 490
		Retained income	1 630 773	1 266 902
419 567	810 481			
390 914	(22)			
810 481	810 459			
		12. MINORITY INTERESTS		
		Opening balance	74 708	79 525
		Net income attributable to minorities	30 963	25 612
		Distributions to minorities	(18 650)	(15 580)
		Minority interests acquired by the group	–	(12 640)
		Capital invested by minorities	13 625	–
		Interests in hospital activities acquired by the group	71 364	–
		Interests in hospital activities sold by the group	–	(2 209)
		Minority interests in hospital activities	172 010	74 708



# notes to the annual financial statements

for the year ended 31 March 2003 (continued)

		GROUP	
		2003 R'000	2002 R'000
<b>13. INTEREST-BEARING DEBT</b>			
Secured long-term bank loans		65 629	–
Long-term portion		59 560	–
Short-term portion		6 069	–
These loans bear interest at an average fixed rate of 15,5% per annum and are repayable in seven years. Property, plant and equipment with a book value of R70 582 000 are encumbered as security for these loans.			
Secured long-term bank loans		47 712	–
Long-term portion		45 968	–
Short-term portion		1 744	–
These loans bear interest at an average fixed rate of 14,4% per annum and are repayable in seven years. Property, plant and equipment with a book value of R49 785 000 are encumbered as security for these loans.			
Secured long-term bank loans		8 611	11 998
Long-term portion		6 555	3 888
Short-term portion		2 056	8 110
These loans bear interest at variable rates linked to prime overdraft rate and are repayable in periods ranging between 1 and 5 years. Property, plant and equipment with a book value of R19 377 000 (2002 : R33 385 000) are encumbered as security for these loans.			
Unsecured long-term bank loan		23 549	45 133
Long-term portion		–	23 549
Short-term portion		23 549	21 584
The loan bears interest at a fixed rate of 15,28% per annum and is repayable in bi-annual payments over the next year.			
Bank overdrafts		33 200	806
		178 701	57 937
Short-term portion transferred to current liabilities		(66 618)	(30 500)
		112 083	27 437
<b>14. TRADE AND OTHER PAYABLES</b>			
Trade payables		205 754	198 303
Other payables		39 871	31 878
		245 625	230 181
<b>15. PROVISIONS</b>			
Provision for post-retirement medical benefits		48 060	39 940
Provision for bonuses		40 645	16 997
Provision for leave pay		41 427	31 458
		130 132	88 395
Movement in provisions:			
Additional provisions		74 408	49 593
Amounts utilised		(42 163)	(38 327)
Provisions acquired		9 492	–
Movement for the year		41 737	11 266
Opening balance		88 395	77 129
		130 132	88 395

# notes to the annual financial statements

for the year ended 31 March 2003 (continued)

		GROUP	
		2003 R'000	2002 R'000
16. ADMINISTRATION AND OTHER OPERATING EXPENSES			
Administration and other operating expenses include the following items:			
Income:			
Profit on sale of equipment	314	329	
Expenses:			
Amortisation of goodwill	1 997	1 089	
Auditors' remuneration - external audit	1 243	969	
- internal audit	720	491	
- other services	228	187	
Depreciation - buildings	716	206	
- equipment	58 042	57 827	
- furniture and vehicles	15 422	12 816	
Maintenance costs	83 385	70 945	
Managerial and administration fees	2 196	2 016	
Operating leases - buildings	17 871	16 352	
- equipment	10 984	7 620	
Post-retirement medical benefits (note 26)	8 120	6 930	
Retirement benefit costs	37 943	34 056	
Trade names written off	630	630	
17. DIRECTORS' REMUNERATION			
Executive			
E de la H Hertzog *	1 333	1 200	
L J Alberts	1 471	1 291	
J du T Marais	1 284	1 111	
D P Meintjes	1 301	1 100	
J G Swiegers	1 445	1 111	
Total	6 834	5 813	
Non-executive	242	178	
W E Bührmann	43	38	
W P Esterhuyse	29	29	
S D Hlongwane	24	26	
A A Raath	36	33	
C I Tingle	41	31	
W L van der Merwe	31	21	
A R Martin	38	-	
	7 076	5 991	
Paid by:			
Subsidiaries	5 743	4 791	
Management company *	1 333	1 200	
	7 076	5 991	

\* M & I Group Services (Proprietary) Limited (M & I) paid the emoluments of Dr E de la H Hertzog relating to his services rendered to the group. He also earned a further R667 000 (2002: R600 000) from M & I relating to other duties. Also refer to note 28.

# notes to the annual financial statements

for the year ended 31 March 2003 (continued)

## 17. DIRECTORS' REMUNERATION (continued)

Detail for 2003:	Salaries, fees and bonus	Retirement fund	Other benefits(*)	Share options
Executive				
E de la H Hertzog	1 002	188	143	–
L J Alberts	1 276	108	87	–
J du T Marais	1 135	93	56	–
D P Meintjes	1 072	95	82	52
J G Swiegers	959	95	235	156
	5 444	579	603	208

\*Other benefits include medical aid and vehicle benefits.

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

	GROUP		
	Offer price	2003 Number	2002 Number
Share option scheme			
No shares were offered to directors in the financial year ending 31 March 2003.			
The outstanding share options are:			
D P Meintjes		–	10 000
J G Swiegers	R2.80	160 000	200 000
		160 000	210 000

COMPANY			GROUP	
2002 R'000	2003 R'000		2003 R'000	2002 R'000
		18. INCOME FROM UNLISTED ASSOCIATES		
		Share of income before taxation	18 678	18 129
		19. DIVIDENDS RECEIVED		
		Unlisted subsidiaries		
386 493	–	Dividends received		
5 060	–	Other unlisted investments		
		Dividends received	–	5 060
391 553	–		–	5 060
		20. NET FINANCE INCOME/(COST)		
37	–	Interest received	42 650	19 929
(43)	(7)	Interest paid	(11 350)	(17 121)
		Foreign exchange loss	(4 684)	–
(6)	(7)		26 616	2 808

# notes to the annual financial statements

for the year ended 31 March 2003 (continued)

COMPANY			GROUP	
2002 R'000	2003 R'000		2003 R'000	2002 R'000
		21. TAXATION		
		Taxation on income excluding income from associates	139 499	120 791
		Taxation on income from associates Provided by the group	5 603	5 439
		Taxation per income statement	145 102	126 230
633	15	Normal RSA taxation	151 233	125 222
		Foreign taxation (Namibia)	6 625	5 168
		Deferred taxation	(12 756)	(4 160)
633	15		145 102	126 230
		Reconciliation of rate of taxation:		
		Standard rate for companies (RSA)	30.0 %	30.0 %
		Adjusted for:		
		Non-taxable income	(2.0)%	(1.8)%
		Non-deductible expenses	0.2 %	0.2 %
		Outside partners share of profit before taxation	(1.5)%	(1.2)%
		Rate differences	0.2 %	0.2 %
		Effective tax rate	26.9 %	27.4 %
		22. EARNINGS PER ORDINARY SHARE		
		Headline earnings reconciliation:		
		Attributable earnings	363 871	308 490
		Amortisation of goodwill	1 997	1 089
		Profit on sale of equipment	(314)	(329)
			365 554	309 250
		Weighted number of issued ordinary shares	341 627 089	348 761 180
		Diluted weighted number of issued ordinary shares	345 932 700	353 708 242
		Earnings per ordinary share (cents)		
		Undiluted	106.5	88.5
		Diluted	105.2	87.2
		Headline earnings per ordinary share (cents)		
		Undiluted	107.0	88.7
		Diluted	105.7	87.4

# notes to the annual financial statements

for the year ended 31 March 2003 (continued)

COMPANY			GROUP	
2002 R'000	2003 R'000		2003 R'000	2002 R'000
		23. CASH FLOW INFORMATION		
		23.1 Reconciliation of net income before taxation to cash generated from operations		
		Operating income before interest and taxation	494 642	434 335
		Non-cash items		
		Trade names written off	630	630
		Amortisation of goodwill	1 997	1 089
		Depreciation	74 180	70 849
		Movement in provisions	32 245	11 266
		Profit on sale of equipment	(314)	(329)
		Operating income before changes in working capital	603 380	517 840
		Working capital changes	(83 747)	22 867
		Increase in inventories	(24 973)	(22 659)
		Increase in accounts receivable	(33 528)	(2 793)
		(Decrease)/increase in accounts payable	(25 246)	48 319
			519 633	540 707
		23.2 Taxation paid		
265	3 600	Prepaid/(liability) at the beginning of the year	(36 095)	(29 565)
(633)	(15)	Hospital activities (purchased)/sold	(1 214)	804
(368)	3 585	Provision for the year	(157 858)	(130 390)
(3 600)	(5 181)		(195 167)	(159 151)
		Liability/(prepaid) at the end of the year	52 058	36 095
(3 968)	(1 596)		(143 109)	(123 056)
		23.3 Distributions paid to shareholders		
(80 387)	(102 219)	Declared and paid during the year	(102 219)	(80 387)
		Received on treasury shares held	2 488	–
(80 387)	(102 219)		(99 731)	(80 387)
		23.4 Investment to maintain operations		
(382 081)	103 822	Property, plant and equipment purchased	(77 595)	(63 669)
		Loans from/(to) subsidiaries		
		Distributions from associates	16 497	17 280
		Other loans	79	305
(382 081)	103 822		(61 019)	(46 084)
		23.5 Investment to expand operations		
		Property, plant and equipment purchased	(104 065)	(35 943)
		Investment in associate	(4 000)	–
		Loans to associates	(17 231)	–
		Hospital activities purchased	(54 667)	(48 176)
		Capital contributed by minorities	13 625	–
		Acquisition of other members' interests in hospital activities	–	(21 766)
		Other loans	(48 960)	–
			(215 298)	(105 885)

# notes to the annual financial statements

for the year ended 31 March 2003 (continued)

COMPANY			GROUP	
2002 R'000	2003 R'000		2003 R'000	2002 R'000
50 000	–	23.6 Proceeds on sale of assets		
		Proceeds on sale of unlisted shares	–	50 000
		Proceeds on sale of hospital activities	–	3 413
		Proceeds on sale of equipment	641	2 695
		Book value of equipment sold	327	2 366
		Profit per income statement	314	329
50 000	–		641	56 108
		23.7 Hospital activities purchased		
		Curamed group of hospitals		
		Property, plant and equipment	(156 660)	–
		Investments	(1 967)	–
		Deferred taxation	(3 214)	–
		Inventories	(17 108)	–
		Receivables and prepayments	(81 649)	–
		Interest-bearing debt	104 030	–
		Trade and other payables	40 690	–
		Provisions	9 492	–
		Taxation	1 214	–
		Minority interest of existing shareholders	38 815	–
		Value of interests acquired	(66 357)	–
		Minority interest of BEE partners	32 549	–
		Cash investment	52 004	–
		Goodwill	(19 455)	–
			(33 808)	–
		Goodwill	(20 209)	–
		Cash investment	(54 017)	–
		Other hospital activities		
		Property, plant and equipment	(103)	(35 056)
		Inventories	–	(3 359)
		Receivables and prepayments	–	(13 751)
		Interest-bearing debt	–	104
		Trade and other payables	–	3 886
		Value of interests acquired	(103)	(48 176)
		Goodwill	(547)	–
		Cash investment	(650)	(48 176)



# notes to the annual financial statements

for the year ended 31 March 2003 (continued)

		GROUP	
		2003 R'000	2002 R'000
24. CAPITAL COMMITMENTS			
Incomplete capital expenditure contracts		140 189	16 974
Capital expenses authorised by the board of directors but not yet contracted		369 877	140 751
		510 066	157 725
These commitments will be financed from group and borrowed funds.			
25. PERSONNEL EXPENSES			
Paid by subsidiaries		970 859	818 977
The average number of equivalent fulltime employees per month are 9 799 (2002 : 9 521). On 31 March 2003 the number of equivalent fulltime employees are 10 805.			
26. POST-RETIREMENT MEDICAL BENEFITS			
The group accounts for actuarially determined future medical benefits and provide for the expected liability in the balance sheet. During the last valuation on 31 March 2001 a 10% medical inflation cost and a 12% interest rate were assumed. The average retirement age was set at 63 years.			
Amounts recognised in the balance sheet are as follows:			
Opening balance		39 940	33 010
Amounts recognised in the income statement		8 120	6 930
Current service cost		3 960	3 530
Interest cost		4 790	3 960
Contributions		(630)	(560)
Closing balance		48 060	39 940
27. RETIREMENT BENEFITS			
The group provides retirement benefits to its permanent employees as determined by the rules of the retirement funds by contributing monthly to the funds.			
The group has a number of defined contribution funds and a defined benefit pension fund which are controlled by the Pension Funds Act and administered by financial institutions.			
The defined benefit fund is actuarially valued every three years. The last valuation on 1 July 2001 has proven the fund to be fully funded. The monthly contributions to the fund is sufficient to fund future benefits.			
On 31 March 2003, 83,8% of all personnel were members of one of the above-mentioned funds, while only 3,5% were members of the defined benefit fund.			

# notes to the annual financial statements

for the year ended 31 March 2003 (continued)

		GROUP	
		2003 R'000	2002 R'000
28. RELATED PARTY TRANSACTIONS			
Transactions with related parties are as follows:			
M & I Group Services (Proprietary) Limited			
Managerial and administration fees	2 196	2 016	
Remgro Finance Corporation Limited			
Interest received	13 575	9 779	
Shareholders and directors			
Information regarding the major shareholder and directors' remuneration appears in the directors' report and note 17.			
29. SEGMENT REPORTING			
The group operates in the private hospital industry and is not significantly involved in other industries. The group also has no significant operations outside Southern Africa and therefore no segment reports are produced.			
30. OPERATING LEASES			
The group has entered into various operating lease agreements on premises and equipment. At 31 March 2003 future non-cancellable minimum lease rentals are payable during the following financial years:			
Within 1 year	20 161	18 498	
1 to 5 years	76 320	65 293	
Over 5 years	2 037	18 600	
	98 518	102 391	

## for the year ended 31 March 2003 (continued)

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# notes to the annual financial statements

for the year ended 31 March 2003 (continued)

## 31. FINANCIAL INSTRUMENTS (continued)

### Interest rate management

The group is exposed to interest rate risk as funds are borrowed and placed at both fixed and floating rates of interest. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings and placings. The group's exposure to interest rate risk and the effective interest rates on financial instruments at balance sheet date are:

31 March 2003	Floating interest rate R'000	Fixed interest rate maturing <1 year R'000	1-5 years R'000	>5 years R'000	Non- interest bearing R'000	Total R'000	Weighted average rate %
<b>Assets</b>							
Cash resources	227 130	–	–	–	–	227 130	13.0
Receivables and prepayments	–	–	–	–	524 143	524 143	–
Investments and loans	–	–	–	–	92 505	92 505	–
<b>Total financial assets</b>	<b>227 130</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>616 648</b>	<b>843 778</b>	
<b>Liabilities</b>							
Trade, other payables and provisions	–	–	–	–	375 757	375 757	–
Taxation	–	–	–	–	52 058	52 058	–
Interest-bearing debt	34 972	31 646	69 458	42 625	–	178 701	15.5
<b>Total financial liabilities</b>	<b>34 972</b>	<b>31 646</b>	<b>69 458</b>	<b>42 625</b>	<b>427 815</b>	<b>606 516</b>	
<b>Net financial assets/(liabilities)</b>	<b>192 158</b>	<b>(31 646)</b>	<b>(69 458)</b>	<b>(42 625)</b>	<b>188 833</b>	<b>237 262</b>	
<b>31 March 2002</b>							
Total financial assets	208 447	–	–	–	427 211	635 658	
Total financial liabilities	12 804	21 584	23 549	–	354 671	412 608	
<b>Net financial assets/(liabilities)</b>	<b>195 643</b>	<b>(21 584)</b>	<b>(23 549)</b>	<b>–</b>	<b>72 540</b>	<b>223 050</b>	

# annexure - investments in subsidiaries and associates

at 31 March 2003

SUBSIDIARIES	Issued share capital		Interest in capital		Book value of shares	
	2003 Rand	2002 Rand	2003 %	2002 %	2003 Rand	2002 Rand
Company						
Medi-Clinic Investments (Proprietary) Limited	100	100	100	100	825 000	825 000
The loan to the subsidiary amounts to R1 152 989 000 (2002 : R1 256 811 000).						
The information required by the 4th Schedule of the Companies Act is only provided for those subsidiaries of which the financial position and results are material. A detailed list of subsidiaries is available at the registered office of the company.						
Group						
Indirectly held through						
Medi-Clinic Investments (Proprietary) Limited						
Auckland Medicine Distributors (Proprietary) Limited			100	100		
Howick Private Hospital Holdings Limited *			49	–		
Medical Human Resources (Proprietary) Limited			100	100		
Medical Innovations (Proprietary) Limited			100	100		
Medi-Clinic Limited			100	100		
Medi-Clinic Management Services (Proprietary) Limited			100	100		
Medicor Consolidated Holdings (Namibia) Limited			100	100		
Medipark Clinic (Proprietary) Limited			100	100		
Newcastle Private Hospital Limited *			15	15		
Reef-Med (Proprietary) Limited *			50	50		
Tshwane Private Hospitals (Proprietary) Limited			51	–		
Tzaneen Private Hospital (Proprietary) Limited *			42	–		
Indirectly held through Medi-Clinic Limited						
Curomed Medi-Clinic (Proprietary) Limited \$			90	90		
Ermelo Private Hospital (Proprietary) Limited \$			50	50		
Eureka Private Hospital Trustees (Proprietary) Limited \$			77	77		
Hermanus Medi-Clinic Limited * \$			35	35		
Medicity Potchefstroom (Proprietary) Limited \$			95	95		
Pietersburg Private Hospital Trustees Limited \$			50	50		
Uppington Private Hospital Trustees (Proprietary) Limited * \$			41	41		
Indirectly held through						
Tshwane Private Hospitals (Proprietary) Limited						
Curamed Holdings Limited (Effective holding = 32%)			63	–		

\* Controlled through long-term management agreements

\$ Operating through trusts or partnerships

ASSOCIATES	Interest in capital		Book value of investment		Amount owing by associates	
	2003 %	2002 %	2003 R'000	2002 R'000	2003 R'000	2002 R'000
Group						
Unlisted:						
Hospital Medical Systems Joint Venture	38	38	7 643	7 643	13 156	10 273
ER 24 Holdings (Proprietary) Limited	50	50	–	–	16 817	–
Plettenberg Bay Health Centre (Proprietary) Limited	40	–	–	–	4 414	–
Thabazimbi Private Hospital Trust	37	–	–	–	1 265	–
			7 643	7 643	35 652	10 273

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

# analysis of shareholders

at 31 March 2003

DISTRIBUTION OF ORDINARY SHAREHOLDERS	Number of shareholders	Number of shares	%
Public shareholders	3 532	104 359 564	29.8 %
Non-public shareholders	8	245 706 428	70.2 %
Directors		2 009 434	0.6 %
Treasury shares		9 347 300	2.7 %
Public Investment Commissioner		55 771 712	15.9 %
Remgro Limited		178 577 982	51.0 %
	3 540	350 065 992	100.0 %

In terms of the principles of disclosure in accordance with section 140A(8)(a) of the Companies Act 61 of 1973, as amended, no other shareholder held an interest of more than 5% in your Company on 31 March 2003.

DIRECTORS' INTEREST*	2003		2002	
	Direct	Indirect	Direct	Indirect
E de la H Hertzog	–	1 709 000	–	1 709 000
LJ Alberts	181 700	25 500	180 200	25 500
WE Bührmann	–	–	–	–
WP Esterhuyse	–	–	–	–
SD Hlongwane	–	–	–	–
J du T Marais	2 300	3 100	2 300	3 100
AR Martin	–	–	–	–
DP Meintjes	30 500	–	30 500	–
PJA Mphafudi	–	–	–	–
AA Raath	–	–	–	–
JG Swiegers	–	56 334	–	16 334
CI Tingle	–	–	–	–
WL van der Merwe	1 000	–	1 000	–
	215 500	1 793 934	214 000	1 753 934

\* Above-mentioned interests are held as beneficial. Other than Mr JG Swiegers, who has exercised options in respect of 40 000 ordinary shares, there has been no change in the directors' interests occurring between the end of the financial year and 13 May 2003.



# analysis of shareholders

at 31 March 2003 (continued)

SHAREHOLDING ANALYSIS	Number of shareholders	%	Number of shares	%
1 - 999 shares	1 799	50.8	443 124	0.1
1 000 - 9 999 shares	1 260	35.6	3 193 059	0.9
10 000 - 99 999 shares	337	9.5	9 579 596	2.7
100 000 - 999 999 shares	112	3.2	32 336 472	9.3
Over 1 000 000 shares	32	0.9	304 513 741	87.0
	3 540	100.0	350 065 992	100.0

JSE SECURITIES EXCHANGE SOUTH AFRICA	2003	2002
Market capitalisation at 31 March (R'000)	2 625 495	2 345 442
Price (cents per share)		
31 March	750	670
Highest	900	820
Lowest	655	620
Number of shares traded (000's)	42 342	106 647

Closing share price from 1987 to 2003



# hospitals in operation

	Hospital Manager	Location	Approved Beds	Theatres
<b>WESTERN CAPE</b>				
Cape Town Medi-Clinic	Mr K Seaman	Cape Town	150	5
Constantiaberg Medi-Clinic	Mr C K W Lake	Cape Town	238	8
Durbanville Medi-Clinic	Mr H Calitz	Durbanville	140	5
Geneva Clinic	Mrs D Parsons	George	60	4
Hermanus Medi-Clinic	Mr JP Lotz	Hermanus	40	2
Klein Karoo Medi-Clinic	Mrs A Nortjé	Oudtshoorn	38	2
Lamprecht Clinic	Mr G Schutte	George	160	4
Louis Leipoldt Hospital	Mr J Hofmeyr	Bellville	228	7
Milnerton Medi-Clinic	Mrs C Defty	Milnerton	126	4
Paarl Medi-Clinic	Mr O A Dippenaar	Paarl	133	4
Panorama Medi-Clinic	Mr G M Harris	Parow	424	12
Stellenbosch Medi-Clinic	Mrs C van Zyl	Stellenbosch	90	4
Strand Private Hospital	Mr E G Fismer	Strand	24	2
Vergelegen Medi-Clinic	Mr E G Fismer	Somerset West	237	8
Worcester Medi-Clinic	Mr F C Bührmann	Worcester	207	5
<b>GAUTENG</b>				
Astrid Hospital	Mrs R Swart	Pretoria	73	–
Harmelia Private Hospital	Mrs M E Smit	Germiston	56	4
Kloof Hospital	Dr P W van Zijl	Pretoria	142	10
Medforum General & Heart Hospital	Mr W C Kruger	Pretoria	204	16
Morningside Medi-Clinic	Mr D Hadley	Sandton	230	9
Muelmed Hospital	Mrs R Swart	Pretoria	149	8
Pretoria Gynaecological Hospital	Mrs J le Roux	Pretoria	53	2
Pretoria Heart Hospital	Dr B M Duminy	Pretoria	90	6
Sandton Medi-Clinic	Mr W A Aucamp	Sandton	379	10
Vereeniging Medi-Clinic	Mr J F Lawton	Vereeniging	165	7
<b>MPUMALANGA</b>				
Barberton Medi-Clinic	Vacant	Barberton	30	1
Ermelo Medi-Clinic	Vacant	Ermelo	40	1
Highveld Medi-Clinic	Mr B J Otto	Trichardt	202	4
Nelspruit Medi-Clinic	Mr S J van der Walt	Nelspruit	240	7
<b>FREE STATE</b>				
Hoogland Medi-Clinic	Mr J C van der Walt	Bethlehem	107	3
Bloemfontein Medi-Clinic	Mr I J van der Vyver	Bloemfontein	296	10
Welkom Medi-Clinic	Mr W F Burger	Welkom	120	5
<b>KWAZULU-NATAL</b>				
Howick Private Hospital	Mr M J R Vorster	Howick	26	1
Newcastle Private Hospital	Mr F G Meiring	Newcastle	80	3
Pietermaritzburg Medi-Clinic	Mr M J R Vorster	Pietermaritzburg	107	5
<b>NORTHERN CAPE</b>				
Curomed Medi-Clinic	Mrs R van der Merwe	Kimberley	234	8
Upington Medi-Clinic	Mrs J D van Niekerk	Upington	40	2
<b>NORTHWEST PROVINCE</b>				
Brits Medi-Clinic	Mrs R Janse van Rensburg	Brits	60	3
Potchefstroom Medi-Clinic	Mr C H Jewaskiewitz	Potchefstroom	114	4
<b>LIMPOPO (NORTHERN) PROVINCE</b>				
Limpopo Medi-Clinic	Mr L Lambrechts	Polokwane (Pietersburg)	186	6
Tzaneen Private Hospital	Vacant	Tzaneen	100	4
<b>NAMIBIA</b>				
Otjiwarongo Medi-Clinic	Mr G T Snyman	Otjiwarongo	20	1
Windhoek Medi-Clinic	Mr G T Snyman	Windhoek	99	4
			5 937	220

# notice of annual general meeting



*Medi-Clinic Offices - Stellenbosch*

Notice is hereby given that the twentieth annual general meeting of the company will be held at Medi-Clinic Offices, Strand Road, Stellenbosch on Friday, 1 August 2003 at 15:00 to consider, and if approved, pass the following resolutions with or without modification:

## 1. Approval of annual financial statements

### Ordinary Resolution Number 1

Resolved that the audited annual financial statements of the company and the group for the year ended 31 March 2003 be accepted and approved.

## 2. Approval of directors' remuneration

### Ordinary Resolution Number 2

Resolved that the joint remuneration of the non-executive directors in the amount of R241 866 for the year ended 31 March 2003 be approved.

## 3. Ratification of co-option of director

### Ordinary Resolution Number 3

Resolved that the co-option of Dr P J A Mphafudi on 13 May 2003 as director of the company is ratified.

## 4. Election of directors

### Ordinary Resolution Number 4

Resolved that Prof W P Esterhuyse, Dr E de la H Hertzog, Mr D P Meintjes, Dr P J A Mphafudi and Mr J G Swiegers, who retire in terms of clause 30.1.1 of the company's Articles of Association and who offered themselves for re-election, are hereby re-elected as directors of the company.

## 5. Authority to place shares under control of the directors

### Ordinary Resolution Number 5

Resolved that all the unissued shares in the company be hereby placed under the control of the directors as a general authority in terms of section 221(2) of the Companies Act (Act 61 of 1973), as amended ("the Companies Act"), who are hereby authorized to allot and issue shares in the company upon such terms and conditions as the directors in their sole discretion deem fit, subject to the

provisions of the Companies Act and the Listings Requirements of the JSE Securities Exchange South Africa ("the Listings Requirements").

## 6. Authority to issue shares for cash

### Ordinary Resolution Number 6

Resolved that the company's directors be hereby authorised by way of a general authority to issue unissued ordinary shares in the company for cash as and when suitable opportunities arise, subject to the following limitations:

- that this authority shall not extend beyond 15 months from the date of this meeting or the date of the next annual general meeting, whichever is the earlier date;
- that the issue shall be to public shareholders, as defined in clause 4.26 of the Listings Requirements, and not to related parties;
- that a press release, giving full details, including the impact on the net asset value and earnings per share, be published at the time of any issue representing, on a cumulative basis within one year, 5% or more of the number of ordinary shares issued prior to the issue;
- that issues in the aggregate in any one financial year do not exceed 15% of the number of ordinary shares of the company's issued share capital, including instruments which are convertible into ordinary shares;
- that, in determining the price at which an issue for shares will be made in terms of this authority, the maximum discount permitted be 10% of the weighted average traded price of the shares in question over the 30 business days prior to the date that the price of the issue is determined or agreed to by the company's directors; and
- any other requirements the JSE Securities Exchange South Africa ("JSE") may have.

The approval of 75% of the votes cast by shareholders present or represented by proxy at this meeting is required for this ordinary resolution to become effective.

## 7. Authority to reduce share capital or share premium

### Ordinary Resolution Number 7

Resolved that the directors of the company shall be entitled to pay, by way of a reduction of share capital or share premium, in lieu of a dividend, an amount equal to the amount which the directors of the company would have declared and paid out of profits in respect of the company's interim and final dividend for the year ending 31 March 2004, subject to the following limitations:

- that this authority shall not extend beyond 15 months from the date of this meeting or the date of the next annual general meeting, whichever is the earlier date; and
- that the maximum amount by which the share capital or share premium shall be reduced in terms of this authority, shall not exceed R150 000 000, which amount represents not more than the Rand value of 20% of the company's issued share capital (including share premium and reserves) at the date of this meeting.

The company's directors undertake that they will not implement the proposed capital reduction, unless for a period of 12 months following the date of the annual general meeting:

- the company and the group are able to repay their debts in the ordinary course of business;
- the consolidated assets of the company and the group, fairly valued according to generally accepted accounting practice and on a basis consistent with the last financial year of the company, exceed their consolidated liabilities;
- the company and the group have adequate share capital and reserves;

# notice of annual general meeting

(continued)

- the company and the group have sufficient working capital for their present and foreseeable future requirements; and
- the sponsor of the company provides a letter to the JSE on the adequacy of working capital in terms of section 2.14 of the Listings Requirements.

Announcements will be published on SENS and in the press setting out the financial effects of the capital reductions prior to such reductions being effected.

The directors of the company who hold shares in the company intend to vote their shares in favour of this resolution and recommend that shareholders do the same.

## 8. Authority to repurchase shares

### Special Resolution Number 1

Resolved that the company's directors be hereby authorised, by way of a general authority, to repurchase issued shares in the company, to purchase shares in the company's holding company, or to permit a subsidiary of the company to purchase shares in the company, as and when deemed appropriate, subject to the following limitations:

- that this authority shall not extend beyond 15 months from the date of this meeting or the date of the next annual general meeting, whichever is the earlier date;
- that any such repurchase be implemented on the open market of the JSE;
- that a press release giving such details as may be required in terms of the Listings Requirements be published when the company or its subsidiaries have cumulatively repurchased 3% of the shares in issue at the time that this authority is given;
- that the general repurchase shall not exceed 20% of the number of shares in

the company's issued share capital at the time this authority is given, provided that the acquisition of shares as treasury stock by a subsidiary of the company shall not exceed 10% of the number of issued shares of the company;

- that, in determining the price at which shares may be repurchased in terms of this authority, the maximum premium permitted be 10% above the weighted average traded price of the shares as determined over the 5 business days prior to the date on which the transaction was agreed; and
- that such repurchase shall be subject to the Companies Act and the applicable provisions of the Listings Requirements.

The company's directors undertake that they will not implement the proposed share repurchase, unless for a period of 12 months following the date of the annual general meeting:

- the company and the group are able to repay their debts in the ordinary course of business;
- the consolidated assets of the company and the group fairly valued according to generally accepted accounting practice and on a basis consistent with the last financial year of the company, exceed their consolidated liabilities;
- the company and the group have adequate share capital and reserves;
- the company and the group have sufficient working capital for their present and foreseeable future requirements;
- the sponsor of the company provides a letter to the JSE on the adequacy of working capital in terms of section 2.14 of the Listings Requirements.

The board has no immediate intention to use this authority to repurchase company shares. However, the board is of the

opinion that this authority should be in place should it become appropriate to undertake a share repurchase in the future.

### *Reason for and Effect of the Special Resolution*

The reason for and the effect of the special resolution are to grant the company's directors a general authority, up to and including the date of the following annual general meeting of the company, to approve the company's purchase of shares in itself, or of shares in its holding company, or to permit a subsidiary of the company to purchase shares in the company.

**And to transact any other business that may be transacted at an annual general meeting.**

Shareholders who have not de-materialised their shares or who have dematerialised their shares and registered them in their own name are entitled to attend and to vote at the meeting. Any such shareholder may appoint a proxy and/or proxies to attend and speak and, at a poll, to vote in his or her stead. Such proxy need not be a member of the company.

Shareholders who have dematerialised their shares and registered them in the name of a Central Securities Depository Participant ("CSDP") or broker should contact their CSDP or broker to make the relevant arrangements to attend and/or to vote at the meeting.

By order of the Board of Directors.



GC HATTINGH  
Secretary

STELLENBOSCH  
4 July 2003

# explanatory notes to the notice of annual general meeting

## Ordinary Resolutions

### 1. Approval of annual financial statements

In terms of the Companies Act (Act 61 of 1973), as amended ("the Companies Act"), the directors are obliged to present the annual financial statements and group annual financial statements to the members for approval at the annual general meeting.

### 2. Approval of directors' remuneration

In terms of the company's Articles of Association, the remuneration payable to non-executive directors must be determined at the company's annual general meeting.

### 3. Ratification of co-option of director

The members of the company are requested to ratify the co-option of Dr P J A Mphafudi. Dr Mphafudi retires and offers himself for re-election in terms of the company's Articles of Association (see Ordinary Resolution Number 4).

### 4. Election of directors

In terms of the company's Articles of

Association, one third of the directors are required to retire at each annual general meeting and may offer themselves for re-election. Biographical details of all directors of the company are set out on page 4.

### 5. Authority to place shares under control of the directors

In terms of the Companies Act, the members of the company must approve the placement of the unissued shares under the control of the directors. This authority is due to expire at the forthcoming annual general meeting, unless renewed.

### 6. Authority to issue shares for cash

In terms of the Listings Requirements of the JSE Securities Exchange South Africa ("the Listings Requirements"), the members of the company must approve the issue of shares for cash. The existing authority is due to expire at the forthcoming annual general meeting, unless renewed.

The directors consider it advantageous for the company to obtain the authority to

issue shares for cash to enable the company to take advantage of business opportunities that may arise in the future.

### 7. Authority to reduce share capital or share premium

In terms of the company's Articles of Association, the directors are authorised to make payments to shareholders pursuant to Section 90 of the Companies Act, subject to the approval by the members of the company. The annual renewal of this authority is also required in terms of the Listings Requirements to enable the directors to pay, by way of a reduction of share capital or share premium, in lieu of a dividend.

## Special Resolution

### 8. Authority to repurchase shares

The annual renewal of the authority is required in terms of the Companies Act and the Listings Requirements. The existing authority to the directors is due to expire at the forthcoming annual general meeting, unless renewed.

# dates of importance to shareholders

## Annual general meeting

1 August 2003

## Financial reports:

Announcement of interim results  
Interim report  
Announcement of annual results  
Annual financial statements

November  
November  
May  
July

## Capital distributions:

Interim distributions  
- Declare  
- Payment

November  
December

## Final distributions

- Declare  
- Payment

May  
June

## notes



## Medi-Clinic Corporation Limited

(Incorporated in the Republic of South Africa)

(Registration number 1983/010725/06)

("the Company")

# PROXY FORM

### THIS PROXY FORM IS ONLY FOR USE BY:

1. REGISTERED MEMBERS WHO HAVE NOT YET DEMATERIALISED THEIR SHARES IN THE COMPANY, AND
2. REGISTERED MEMBERS WHO HAVE ALREADY DEMATERIALISED SHARES IN THE COMPANY AND ARE REGISTERED IN THEIR OWN NAMES IN THE COMPANY'S SUB-REGISTER\*

For use by registered members of the company at the twentieth annual general meeting of the company to be held on Friday, 1 August 2003 at 15h00 at Medi-Clinic Offices, Strand Road, Stellenbosch ("the annual general meeting").

I/We (please print) \_\_\_\_\_

being the holder of \_\_\_\_\_ ordinary shares in the company, hereby appoint (see instruction 1 overleaf):

1. \_\_\_\_\_ or failing him/her,

2. \_\_\_\_\_ or failing him/her,

3. the chairman of the annual general meeting,

as my/our proxy to attend, speak and vote for me/us and on my/our behalf or to abstain from voting at the annual general meeting of the company to be held on the 1st day of August 2003 or at any adjournment thereof, as follows (see note 2 and instruction 2 overleaf):

	Insert the number of votes exercisable (one vote per share).		
	For	Against	Abstain
<b>Ordinary Resolutions</b>			
1. Approval of annual financial statements			
2. Approval of directors' remuneration			
3. Ratification of co-option of director			
4. Election of directors:			
4.1 W P Esterhuyse			
4.1 E de la H Hertzog			
4.2 D P Meintjes			
4.3 P J A Mphafudi			
4.4 J G Swiegers			
5. Authority to place shares under control of the directors			
6. Authority to issue shares for cash			
7. Authority to reduce share capital or share premium			
<b>Special Resolution</b>			
8. Authority to repurchase shares			

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2003.

Signature/s \_\_\_\_\_.

Assisted by me (where applicable) \_\_\_\_\_.

Please read the notes and instructions overleaf.

\*See explanatory note 3 overleaf.



**Notes:**

1. A member entitled to attend and vote at the annual general meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the company.
2. Every member present in person or by proxy and entitled to vote at the annual general meeting of the company shall, on a show of hands, have one vote only, irrespective of the number of shares such member holds, but in the event of a poll, every ordinary share in the company shall have one vote.
3. Members registered in their own names are members who appointed Computershare Custodial Services as their Central Securities Depository Participant (CSDP) with the express instruction that their uncertificated shares are to be registered in the electronic sub-register of members in their own names.

**Instructions on signing and lodging the proxy form:**

1. A member may insert the name of a proxy or the names of two alternative proxies of the members choice in the space/s provided overleaf, with or without deleting "the chairman of the annual general meeting", but any such deletion must be initialed by the member. Should this space be left blank, the chairman of the annual general meeting will exercise the proxy. The person whose name appears first on the proxy form and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A member's voting instructions to the proxy must be indicated by the insertion of the number of votes exercisable by that member in the appropriate spaces provided overleaf. Failure to do so shall be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting, as he/she thinks fit in respect of all the member's exercisable votes. A member or his/her proxy is not obliged to use all the votes exercisable by his/her proxy, but the total number of votes cast, or those in respect of which abstention is recorded, may not exceed the total number of votes exercisable by the member or by his/her proxy.
3. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.
4. To be valid the completed forms of proxy must be lodged with the transfer secretaries of the company, Computershare Investor Services Limited, 70 Marshall Street, Johannesburg, 2001, South Africa or posted to the transfer secretaries at P O Box 61051, Marshalltown, 2107, South Africa, to be received by them not later than Wednesday, 30 July 2003 at 15h00 (South African time).
5. Documentary evidence establishing the authority of a person signing this proxy form in a representative capacity must be attached to this proxy form unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting.
6. The completion and lodging of this proxy form shall not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.
7. The completion of any blank spaces overleaf need not be initialed. Any alterations or corrections to this proxy form must be initialed by the signatory/ies.
8. The chairman of the annual general meeting may reject or accept any proxy form which is completed other than in accordance with these instructions provided that he is satisfied as to the manner in which a member wishes to vote.



**Medi-Clinic Corporation Limited**  
(Incorporated in the Republic of South Africa)  
(Registration number 1983/010725/06)  
("the Company")

## VOTING INSTRUCTION FORM

**THIS VOTING INSTRUCTION FORM IS ONLY FOR USE BY MEMBERS WHO HAVE ALREADY DEMATERIALISED THEIR SHARES IN THE COMPANY AND ARE NOT REGISTERED IN THEIR OWN NAMES IN THE COMPANY'S SUB-REGISTER\*.**

**For use in respect of the twentieth annual general meeting of the company to be held on Friday, 1 August 2003 at 15h00 at Medi-Clinic Offices, Strand Road, Stellenbosch ("the annual general meeting").**

**Members who have already dematerialised their Medi-Clinic shares may use this form to advise their Central Securities Depository Participant ("CSDP") or broker of their voting instructions on the proposed resolutions in the spaces provided below. However, should such members wish to attend the annual general meeting in person, they will need to request their CSDP or broker to provide them with the necessary authority to do so.**

I/We (please print) \_\_\_\_\_

being a member(s) of the company who has/have dematerialised my/our shares in Medi-Clinic hereby indicate in the spaces provided below to my/our CSDP/broker my/our voting instructions on the resolutions to be proposed at the annual general meeting or at any adjournment thereof.

	Insert the number of votes exercisable (one vote per share).		
	For	Against	Abstain
<b>Ordinary Resolutions</b>			
1. Approval of annual financial statements			
2. Approval of directors' remuneration			
3. Ratification of co-option of director			
4. Election of directors:			
4.1 W P Esterhuyse			
4.1 E de la H Hertzog			
4.2 D P Meintjes			
4.3 P J A Mphafudi			
4.4 J G Swiegers			
5. Authority to place shares under control of the directors			
6. Authority to issue shares for cash			
7. Authority to reduce share capital or share premium			
<b>Special Resolution</b>			
8. Authority to repurchase shares			

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2003.

Signature/s \_\_\_\_\_.

Assisted by me (where applicable) \_\_\_\_\_.

**Please read the notes overleaf.**

**\*See explanatory note 1 overleaf.**

**Notes:**

1. Members who appointed Computershare Custodial Services as their CSDP with the express instruction that their uncertificated shares are to be registered in the electronic sub-register of members in their own names must complete the proxy form.
2. Please indicate in the appropriate spaces overleaf the number of votes to be cast. Each share carries the right to cast one vote.
3. All the votes need not be exercised, neither need all votes be cast in the same way, but the total number of votes cast or those in respect of which abstention is directed may not exceed the total number of exercisable votes.
4. Any alteration or correction made to this voting instruction form must be initialed by the signatory/ies.
5. Where there are joint holders of shares, any one holder may sign the voting instruction form.
6. Completed voting instruction forms should be forwarded to the CSDP or broker through whom the shares have been dematerialised. Members should contact their CSDP or broker to ascertain the cut-off time for lodging of voting instruction forms.