Medi-Clinic

Annual Report 2004

Private hospital group

Committed to Quality Care

Contents

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.

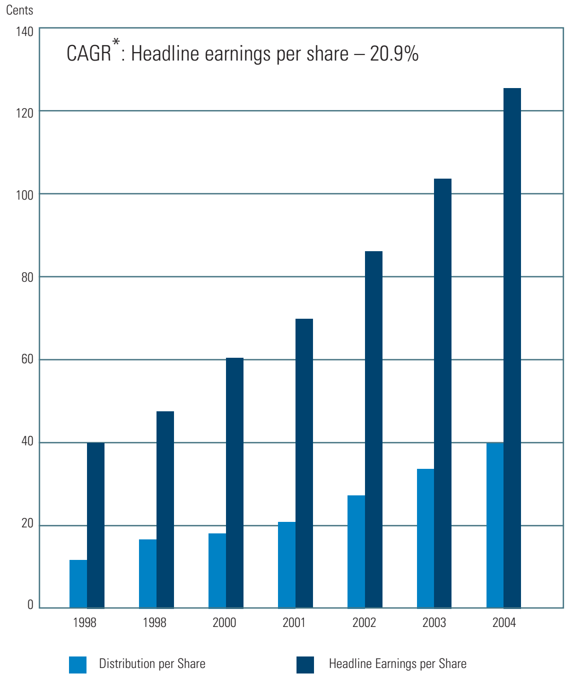
In our hospitals this Quality Care starts with our skilled and motivated personnel who are dedicated to their patients' well being. It is confirmed by technologically advanced equipment covering the entire spectrum of specialised medical services. It culminates in a warm and friendly atmosphere – an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

Medi-Clinic sets a particular standard in hospital care.

Financial Highlights

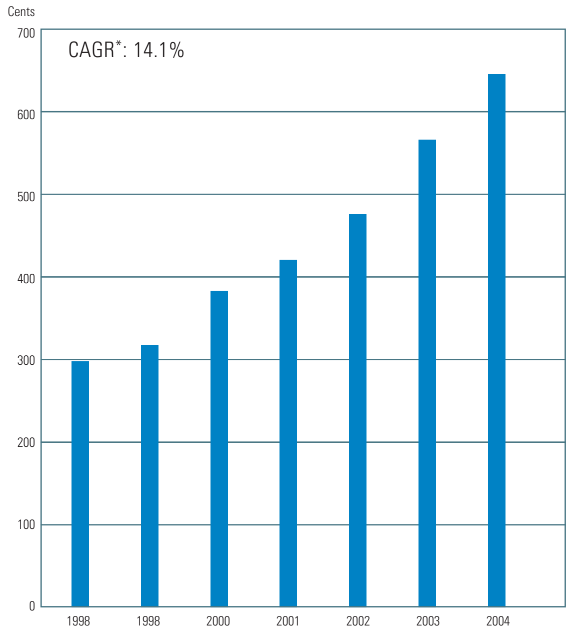
	2004 R'000	2003 R'000	Increase
Group Summary			
Revenue	**3 642 763**	2 924 229	24.6 %
Net operating income before depreciation, taxation and amortisation	**722 428**	570 505	26.6 %
Headline earnings attributable to ordinary shares	**441 495**	365 554	20.8 %
Total assets	**3 213 074**	2 695 802	19.2 %
Net assets	**2 242 033**	1 917 276	16.9 %
	cents	cents	
Headline earnings per ordinary share – undiluted	**129.5**	107.0	21.0 %
Headline earnings per ordinary share – diluted	**127.7**	105.7	20.8 %
Distribution per ordinary share	**40.0**	33.0	21.2 %
Net asset value per ordinary share	**656.1**	562.7	16.6 %

Headline earnings and distribution per ordinary share (fully diluted)



** Compounded Annual Growth Rate*

Net asset value per ordinary share (fully diluted)



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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


“Conquering
mountains together”

Seven Year Review

	1998 R'000	1999 R'000	2000 R'000	2001 R'000	2002 R'000	2003 R'000	**2004 R'000**	**CAGR***
Income Statements								
Revenue	1 135 795	1 539 824	1 858 565	2 097 820	2 437 938	2 924 229	**3 642 763**	**21.4 %**
Operating income after depreciation	194 557	254 310	318 905	357 296	434 335	494 642	**618 955**	**21.3 %**
Dividends received	5 843	6 449	7 186	8 074	5 060	–	**–**	
Income from associates	2 111	12 463	16 029	16 037	18 129	18 678	**17 331**	
Exceptional items	36 319	(3 197)	5 146	–	–	–	**–**	
Net finance income/(cost)	3 799	(20 333)	(23 149)	(9 392)	2 808	26 616	**14 269**	
Net income before taxation	242 629	249 692	324 117	372 015	460 332	539 936	**650 555**	
Taxation	(70 646)	(84 980)	(82 665)	(96 079)	(126 230)	(145 102)	**(174 008)**	
Net income after taxation	171 983	164 712	241 452	275 936	334 102	394 834	**476 547**	
Minority interests	(1 866)	(5 653)	(22 866)	(29 559)	(25 612)	(30 963)	**(37 507)**	
Attributable earnings	170 117	159 059	218 586	246 377	308 490	363 871	**439 040**	**17.1 %**
Distribution on permanent capital:								
Debenture interest	(3 393)	(1 696)	–	–	–	–	**–**	
Net income retained	166 724	157 363	218 586	246 377	308 490	363 871	**439 040**	
Headline earnings attributable to holders of ordinary shares	133 798	162 256	213 440	246 561	309 250	365 554	**441 495**	**22.0 %**
Earnings per ordinary share – cents								
Undiluted	55.0	47.4	62.6	70.5	88.5	106.5	**128.8**	**15.2 %**
Diluted	52.1	46.3	62.6	69.9	87.2	105.2	**127.0**	**16.0 %**
Headline earnings per ordinary share – cents								
Undiluted	43.0	48.4	61.2	70.6	88.7	107.0	**129.5**	**20.2 %**
Diluted	40.9	47.2	61.2	70.0	87.4	105.7	**127.7**	**20.9 %**
Distribution per ordinary share – cents	13.30	15.30	18.50	21.70	27.30	33.00	**40.00**	**20.1 %**

* *Compounded Annual Growth Rate*

Seven Year Review *(continued)*

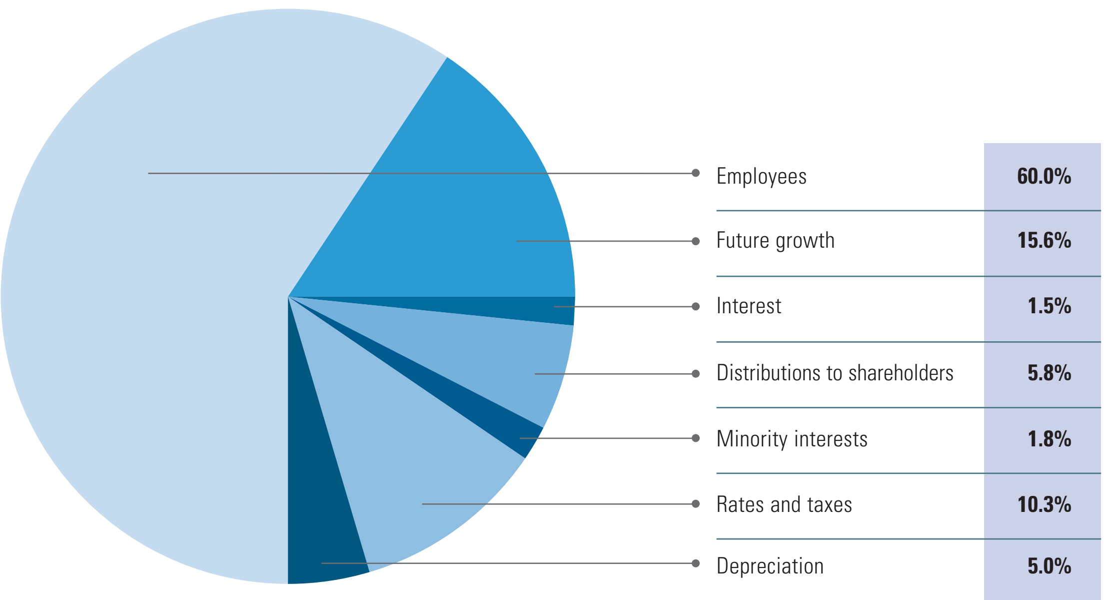
	1998 R'000	1999 R'000	2000 R'000	2001 R'000	2002 R'000	2003 R'000	**2004 R'000**	**CAGR***
Balance Sheets								
Assets								
Property, plant and equipment	887 610	1 156 127	1 212 201	1 294 098	1 346 681	1 610 597	**1 846 126**	
Investments and intangible assets	81 083	84 562	90 673	101 581	36 080	128 469	**150 505**	
Deferred taxation	–	–	34 824	45 871	50 031	66 001	**82 292**	
Current assets	307 757	437 288	485 507	545 804	714 794	890 735	**1 134 151**	
Total assets	1 276 450	1 677 977	1 823 205	1 987 354	2 147 586	2 695 802	**3 213 074**	
Equity and Liabilities								
Permanent capital	966 576	1 109 100	1 282 663	1 488 117	1 660 270	1 917 276	**2 242 033**	
Minority interests	23 210	49 302	68 045	79 525	74 708	172 010	**199 522**	
Interest-bearing debt	74 222	257 916	176 213	134 489	57 937	178 701	**242 120**	
Interest-free debt	212 442	261 659	296 284	285 223	354 671	427 815	**529 399**	
Total equity and liabilities	1 276 450	1 677 977	1 823 205	1 987 354	2 147 586	2 695 802	**3 213 074**	
Net asset value per ordinary share (diluted) – cents	298.0	318.1	367.6	426.0	486.2	562.7	**656.1**	**14.1 %**
Cash Flow Statements								
Cash generated from operating activities	184 698	314 311	382 547	407 500	540 707	519 633	**818 903**	**28.2 %**
Net finance income/(cost)	3 799	(20 333)	(23 149)	(9 392)	2 808	26 616	**14 269**	
Dividends received	4 100	–	–	–	28 512	–	**–**	
Taxation paid	(56 317)	(119 265)	(77 167)	(99 268)	(123 056)	(143 109)	**(196 543)**	
Cash distributions to minorities	(1 279)	(6 031)	(3 296)	(11 038)	(15 580)	(18 650)	**(31 986)**	
Capital distributions to shareholders	(39 429)	(46 225)	(55 784)	(68 224)	(80 387)	(99 731)	**(119 841)**	
Cash flow from operating activities	95 572	122 457	223 151	219 578	353 004	284 759	**484 802**	
Cash flow from investment activities	(83 744)	(146 632)	(104 993)	(150 573)	(95 861)	(275 676)	**(324 943)**	
Cash flow from financing activities	(9 816)	22 798	(81 242)	(40 981)	(128 667)	9 600	**64 079**	
Net movement in cash and cash equivalents	2 012	(1 377)	36 916	28 024	128 476	18 683	**223 938**	
Cash equivalents of subsidiaries on acquisition	–	11 518	–	–	–	–	**–**	
Opening balance of cash and cash equivalents	2 878	4 890	15 031	51 947	79 971	208 447	**227 130**	
Closing balance of cash and cash equivalents	4 890	15 031	51 947	79 971	208 447	227 130	**451 068**	

* *Compounded Annual Growth Rate*

Value Added Statement *for the year ended 31 March 2004*

	2004 R'000	2004 %	2003 R'000	2003 %
Value Created				
Revenue	**3 642 763**		2 924 229	
Cost of materials and services	**(1 637 083)**		(1 335 796)	
Interest received	**45 618**		42 650	
	2 051 298	**100.0**	1 631 083	100.0
Distribution Of Value				
To employees as remuneration and other benefits	**1 230 157**	**60.0**	970 859	59.5
Taxation and other state and local authority levies (excluding VAT)	**211 597**	**10.3**	174 546	10.7
To suppliers of capital:				
Minority interests	**37 507**	**1.8**	30 963	1.9
Finance cost on borrowed funds	**31 349**	**1.5**	16 034	1.0
Distributions to shareholders	**119 841**	**5.8**	99 731	6.1
	1 630 451	**79.4**	1 292 133	79.2
Value Retained				
To maintain and replace assets	**101 648**	**5.0**	74 810	4.6
Income retained for future growth	**319 199**	**15.6**	264 140	16.2
	420 847	**20.6**	338 950	20.8

Distribution of value 2004



Board of Directors and Administration

Chairman	**E de la H Hertzog** (54) 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** (48) 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 Esterhuyse** (67) 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** (53) Executive director of Nozala Investments. Appointed in 2000 as director of the company. **A R Martin** (65) 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 Mphafudi** (47) M.B.Ch.B., D.C.H., F.C.P. Chairman of Mvelaphanda Property Investments. Appointed in 2003 as director of the company. **A A Raath** (48) B.Comm, CA (SA) Executive director of Sanlam Investment Management. Appointed in 1996 as director of the company. **C I Tingle** (45) 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** (52) 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** (56) B.Comm, CA (SA) (Managing Director) Appointed in 1988 as director of the company and in 1990 as managing director. **J du T Marais** (53) H.N.T.D. (Mec) (Technical Director) Appointed in 1985 as director of the company. **D P Meintjes** (47) B.Pl (Hons) (Human Resources Director) Joined the company in 1985 and appointed in 1996 as director of the company. **J G Swiegers** (49) 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** (39) 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 Website	medimail@mediclinic.co.za http://www.mediclinic.co.za
Company Registration Number	1983/010725/06
Transfer Secretaries	Computershare Investor Services 2004 (Pty) Ltd 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, a Division of FirstRand 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

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 PERFORMANCE

The group's turnover increased by 25% to R3 643 million (2003: R2 924 million). Earnings before interest and tax (EBIT) increased by 21% to R619 million (2003: R495 million). Headline earnings attributable to ordinary shareholders of R441 million (2003: R366 million) are 21% higher than last year. Consequently the group's headline earnings per share rose by 21% to 129,5 cents (2003: 107,0 cents) per share. This enabled the company to increase its distribution per share in respect of the reporting period by 21% to 40,0 cents (2003: 33,0 cents) per share.

Capacity increased to about 6 200 beds during the year mainly as a result of the acquisition on 1 December 2002 of the Curamed Group, which comprised of about 550 beds. A number of other smaller but significant acquisitions were also made. These include the merger of Drakenstein day clinic with Paarl Medi-Clinic on 1 July 2003, and the acquisitions of a third interest in the Victoria Hospital (120 beds) in Tongaat, KwaZulu-Natal on 1 December 2003 and of the Secunda Hospital (43 beds) on 1 January 2004. In addition, the Curamed Kloof Hospital (142 beds), Howick Private Hospital (26 beds) and Tzaneen Private Hospital (100 beds) were successfully commissioned in June, August and September 2003 respectively. The current year results are, therefore, not directly comparable with those of the previous year. Excluding the increase in capacity the group's turnover growth amounted to 13,2%.

The group's margins increased slightly. The margin of earnings before interest, tax, depreciation and amortisation (EBITDA) was 19,8% (2003: 19,5%) while the margin before interest and tax (EBIT) was 17,0% (2003: 16,9%). The increase resulted mainly from operational efficiencies outweighing once-off integration costs at the Curamed Group and the cost normally associated with the opening of new hospitals.

Cash flow continued to be strong during the period under review. Due to strong working capital management, the group converted 113% (2003: 91%) of EBITDA into cash generated from operating activities. Cash and cash equivalents increased to R451 million from R227 million after financing investment activities of R325 million (2003: R276 million). Interest-bearing debt increased from R179 million to R242 million mainly as a result of debt incurred by the Curamed Group in completing the Curamed Kloof Hospital which resulted in a weakening of the debt:equity ratio from 9% to 10%. The group's strong cash flow continues to underline the quality of its earnings.

Due to corporate activity during the period under review, the group had limited opportunity to repurchase its own shares. Commencing the financial year with a balance of 9 347 300 treasury shares, the group acquired a further 564 000 of its own shares while 1 560 100 of the treasury shares have been utilised in terms of the group's share option scheme. At year end the group held 8 351 200 of its own shares as treasury shares.

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 21% while the corresponding CAGR of its headline earnings per ordinary share amounts to 20%.

BLACK ECONOMIC EMPOWERMENT

As stated all along, the group wholeheartedly supports the need for economic transformation in South Africa. To this end the group introduced meaningful and real Black Economic Empowerment ("BEE") to the industry in November 2003 through the facilitation of Bidco's R3.1 bn acquisition of Afrox Healthcare. Bidco is controlled by a BEE consortium led by Brimstone and Mvelaphanda Strategic Investments. It furthermore includes broad-based national and regional doctor and empowerment groupings. Collectively they own 75% of Bidco with Medi-Clinic's 25% share of Bidco being passive and non-controlling.

The Competition Commission has recommended the conditional approval of the transaction to the Competition Tribunal. The ruling of the Tribunal is expected towards the end of July 2004.

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 42 hospitals throughout South Africa and 3 in Namibia.

OPERATIONAL ISSUES AND HIGHLIGHTS

1. Trading environment

The trading environment remained tight as the country as a whole experienced limited economic growth and the medical scheme membership remained virtually unchanged. Based on the current economic and competitive environment, the group has experienced a slow down in the inflation rate on pharmaceutical products.

It has been gratifying to experience a slight increase in in-patient admissions and beddays utilised, while the length of stay remained virtually unchanged. A favourable mix change, in line with local and international trends, was experienced.

The staff of the group deserve special mention for their dedicated and energetic efforts which enabled the group to achieve the published results. These results would also not have been possible without the loyal and competent support of the doctors utilizing the group's facilities. Sincere thanks have to be expressed to these vital role players.

Report to our Shareholders *(continued)*

2. The Curamed integration

The Curamed integration is complete and benefits are already being realised. The new Curamed Kloof Hospital is exceeding expectations with occupancies well above the initial budget. As previously alluded to, some of the established hospitals in the Curamed Group have capacity to increase their activity levels. We are pleased to report that efforts aimed at achieving this are successful and a number of new doctors have established their practices at these hospitals. The group believes in the potential of the renaissance of Sunnyside led by the establishment of the new campus of the Department of Trade and Industry. These developments will support the growth in medical scheme membership in the area.

3. Other projects

The Group commissioned two more new hospitals during the 2004 financial year, namely Howick and Tzaneen.

The expansion at Nelspruit Medi-Clinic which includes a cardiac unit, has been commissioned while expansions at Durbanville Medi-Clinic and Pietermaritzburg Medi-Clinic are in progress. The extensive upgrade of George Medi-Clinic (previously named Lamprecht Clinic), has been successfully completed. The upgrade of Potchefstroom Medi-Clinic is nearing completion while major upgrades at Morningside Medi-Clinic and Sandton Medi-Clinic have commenced.

It is envisaged that the total expenditure on these projects over the next two years will amount to about R300 million.

4. Affordability of healthcare

Affordability remains a critical issue in the healthcare industry.

In an attempt to address ever increasing pharmaceutical prices, the group negotiated a unique alternative reimbursement model with Discovery Health during 2002. A structure was implemented in January 2003 which moved the trade discount received from pharmaceutical suppliers to theatre and ward tariffs. Discovery is charged the net acquisition price for all pharmaceutical products (both ethical drugs and surgical consumables). This structure created a transparent pricing system and lessened the inflationary effect experienced on pharmaceutical products.

The structure furthermore enabled Medi-Clinic to enter into positive dialogue with our supporting doctors with a view to use the most affordable pharmaceutical product in the appropriate circumstances while still respecting the doctor's professional clinical decision. The benefit to Discovery and its members was significant considering that some 50% of a typical private hospital bill consists of pharmaceutical items.

The group is currently engaging with and inviting other medical schemes to make use of similar structures.

Further enhancements to this structure led to a new product launched by Discovery in January 2004, the Medi-Clinic Priority Plus option. This quality product is expected to contribute to revenue growth for the group.

The group participates in a research project for the new Single Restricted Membership Scheme for Public Service Employees which will, if implemented, enable an additional 400 000 public services employees (who currently do not belong to a medical scheme) to belong to this fund. The research entails, inter alia, the affordability of such a scheme.

The group's visionary investment in its funder relations and clinical information departments, referred to in previous reports, are now bearing fruit.

5. Shortage of nurses

The acute industry shortage of skilled nursing staff abated slightly due to factors such as the strong Rand, political unrest in the Middle East 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 maintained 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 so far always achieved excellent results in the SA Nursing Council's registered examinations. Fortunately the vast number of applicants who apply for training at the hospitals of the group is continuing.

In addition, the group last year 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, the group is confident that it will have significant long-term benefits and the second bonus cheques which were recently paid out, triggered much positive reaction from the nursing staff.

6. Doctor Relationships

Sound long-term doctor relationships built on ethical and fair business practices will always be one of the cornerstones of the strategic approach of the group.

The group is still investing in infrastructure to strengthen and enhance 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 and maintaining enthusiastic doctors' support for the provision of cost effective quality healthcare.

On the whole the group has fortunately never experienced any significant shortage of doctors' availability regarding the use of its facilities, especially consulting rooms. In many instances it is more a question of striving to be fair and effective when attempting to satisfy the demand.

7. Emergency medicine

Emergency medicine has now been formally registered as a specialty and national regulations for both emergency facilities and emergency medical services have been finalised by the Department of Health. The group has

Report to our Shareholders *(continued)*

embraced the discipline of emergency medicine and complies with national regulations with regards to design, function, equipment and staff training.

The last 12 months have shown a steady increase in patient volumes through the emergency units and it is anticipated that emergency medicine will continue to be a growth area.

There is a financial risk involved in providing these services to patients who are not in a position to pay, but this is closely monitored and at this stage regarded as part of the corporate social investment of the group.

INDUSTRY MATTERS

In a recent survey by an international monitoring agency the private healthcare sector of South Africa ranked in the top five in the world for healthcare performance and quality of outcomes. Notwithstanding this excellent achievement the private healthcare sector has been subjected to a wide range of legislative changes that will bring about significant change to the industry. Medi-Clinic supports the changes that have as object the improvement of accessibility and affordability. We are however set against those changes which bestow more regulatory authority on the government to interfere with free market principals. Unfortunately, a number of these interferences already exist which inter alia give the government a competitive advantage against the private sector. The question arises whether the unfair competition with the private sector is not done at the cost of the indigent and to what extent it will lead to further unforeseen consequences.

The Regulations of the Medicines and Related Substances Act which were recently promulgated is yet another example.

The group supports the intention of government to create a transparent pricing system which is open to all purchasers of pharmaceutical products. It is, however, regrettable that the public sector remained excluded from these Regulations thereby continuing to support uneven playing fields. The Regulations furthermore introduced strong elements of price control which the group firmly believes will lead to unintended consequences. Market forces should preferably dictate the determination of prices.

The group supported the Hospital Association of South Africa's (HASA) initiative to constructively engage with the Minister of Health in its efforts to solve these fundamental issues.

PROSPECTS FOR NEXT YEAR

Medi-Clinic expects to continue its consistent growth pattern. The group's focus will remain on meeting the needs of the market, thereby increasing the utilisation of facilities. The expansion of facilities and services in the group's core competencies, and in particular acute care, are constantly evaluated.

Medi-Clinic remains committed to exploring attractive overseas growth opportunities in addition to pursuing opportunities in the local market.

The group has, with effect from 1 April 2004, acquired the Cottage Private Hospital (70 beds) in Swakopmund, Namibia.

Initiatives by government aimed at broadening the membership base of medical aid funds are followed with interest, and should have a positive impact on growth in the industry.

Recent downward pressure on the inflation of pharmaceutical prices is expected to continue. However, the group remains optimistic about its prospects for the next year, given that current trading conditions continue to prevail.

DIRECTORATE AND PERSONNEL MATTERS

There were no changes in the directorate of the company during the year. New appointments to the executive committee of the group that now consists of seven members, were Mr Koert Pretorius as chief operating officer and Dr Ronnie van der Merwe who is responsible for clinical affairs and emergency medicine.

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 remain a 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

LJ ALBERTS
Managing director

“Committed to Quality Care”

Corporate Sustainability Report

Medi-Clinic believes in providing cost-effective quality healthcare on a sustainable basis. The group continually strives to be a responsible corporate citizen by inter alia supporting broad-based economic transformation, managing the environmental impact of operations and contributing to the general well-being of the community. The group is committed to ethical business practices and efficient risk management.

COMMITMENT TO QUALITY CARE

Our deep-rooted commitment to quality care remains the guiding principle for every activity in the Medi-Clinic group.

This culture permeates every aspect of the business. From the skills of the doctor to patient care, from the empathy of our nursing staff to the high standards of our facilities, from the meticulous maintenance of our world-class technology to upholding the fairest possible tariff.

OPERATIONAL PROFILE

The principal business of the group is the provision of comprehensive, high quality hospital services on a cost effective basis through multi-disciplinary facilities striving to offer one-stop convenience.

The group currently operates 44 hospitals throughout South Africa and Namibia. Fifteen are located in the Western Cape, nine in Gauteng, five in Mpumalanga, four in Kwazulu-Natal, three in the Free State, two in the Northern Cape, two in the Northwest Province, two in the Limpopo (Northern) Province and two in Namibia.

The group has, with effect from 1 April 2004, acquired the Cottage Private Hospital in Swakopmund, Namibia.

A complete list of hospitals appears on page 22.

CORPORATE GOVERNANCE

1. Introduction

Since its incorporation in 1983, the company has always upheld strict principles of corporate governance and the highest standard of integrity and ethics, as embodied in the second King Report on Corporate Governance (the "King Report").

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

The board believes that the group has materially complied with the principles of the King Report and has met the Listing Requirements of the JSE Securities Exchange South Africa (the "JSE").

2. Board of Directors

2.1 Composition

The composition of the board 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, Dr E de la H Hertzog, is also an executive director and should be regarded as a semi-executive chairman. He was involved in a chief executive capacity from the incorporation of the company until his appointment as chairman in 1992. The board considers it in the company and the group's best interest to have him as chairman. He also serves on the boards of Remgro and three other major Remgro associated companies, of which two are listed on the JSE. In addition, he has recently been elected as the chairman of the Stellenbosch University Council for a term of four years.

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.

The managing director and chief executive officer, Mr L J Alberts, is responsible for the day-to-day management of the company and the implementation of the strategies and policies adopted by the board.

In terms of the Articles of Association of the company, one third of the directors must retire on a rotation basis, but may make themselves available for re-election for a further term. The appointment of directors is a function of the entire board, based on recommendations made by the Human Resources Committee.

Non-executive directors do not receive any material benefits or share options from the company apart from directors' fees. No directors have service contracts with longer than a one month notice period.

2.2 Board Charter and Responsibilities

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. Key responsibilities in terms of the code of conduct include the following:

- creation of shareholder value;
- ensuring that the group's objectives are achieved;
- provision of strategic direction by assessing and authorising the strategies developed by management;
- accepting responsibility for the success of the company and the approved strategies;
- the enforcement of adequate risk management practices;
- handling of all aspects that are of material or strategic

nature or that may impact the group's reputation;
- compliance of all duties of directors as prescribed by legislation;
- ensuring an appropriate business culture, management style and retention of management expertise and competence;
- identifying and managing potential conflicts of interest;
- ensuring that relevant and accurate information is communicated to shareholders;
- ensuring that remuneration of directors and senior personnel occurs in terms of the company's remuneration policy;
- ensuring that the Board's composition possesses the necessary skills and experience to ensure strategic management;
- the appointment of directors;
- compliance with the group's values (as set out on page 2); and
- ensuring the maintenance of the group's going concern status.

The board has full and effective control of the company and 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. Members of the board and sub-committees receive an agenda containing comprehensive and accurate information well ahead of time. This enables them to meet their commitments and to determine whether or not prescribed functions have been executed according to set standards, within the margins of cautious and predetermined risk levels and according to international best practices.

Every director has free access to senior management and the company secretary.

2.3 Attendance of Board and Sub-committee Meetings

Board meetings:

Directors		13/05/03	01/08/03	08/10/03	04/11/03	12/11/03	20/02/03	26/03/04
E de la H Hertzog	Executive (Chairman)	✓	✓	✓	✓	✓	✓	✓
L J Alberts	Executive	✓	✓	✓	✓	✓	✓	✓
W E Bührmann	Non-executive	✓	✓	✓	✓	✓	✓	✓
W P Esterhuyse	Independent non-executive	✓	✓	✓		✓	✓	✓
S D Hlongwane	Independent non-executive		✓	✓		✓	✓	
J du T Marais*	Executive	✓		✓	✓	✓		
A R Martin	Independent non-executive	✓	✓	✓		✓	✓	✓
D P Meintjes	Executive		✓	✓	✓	✓	✓	✓
P J A Mphafudi**	Independent non-executive	✓	✓					
A A Raath	Independent non-executive	✓	✓		✓	✓	✓	
J G Swiegers	Executive	✓	✓	✓	✓	✓	✓	✓
C I Tingle	Independent non-executive	✓	✓	✓	✓	✓		✓
W L van der Merwe	Independent non-executive		✓	✓		✓	✓	✓

* Mr J du T Marais was excused from attending certain board meetings due to medical reasons.

** Dr P J A Mphafudi was excused from attending board meetings in light of the Afrox Healthcare transaction.

Audit and Risk Committee meetings:

Directors		12/05/03	05/06/03	11/11/03	09/12/03
W E Bührmann	Non-executive (Chairman)	✓	✓	✓	✓
L J Alberts	Executive	✓	✓	✓	✓
A R Martin	Independent non-executive	✓	✓	✓	✓
A A Raath	Independent non-executive	✓	✓	✓	✓
J G Swiegers	Executive	✓	✓	✓	✓
C I Tingle	Independent non-executive	✓		✓	

Human Resources Committee meetings:

Directors		26/03/04
W P Esterhuyse	Independent non-executive (Chairman)	✓
W E Bührmann	Non-executive	
E de la H Hertzog	Executive	✓
W L van der Merwe	Independent non-executive	✓

3. Induction of Directors and Evaluation of the Board

Newly appointed directors are formally informed of their fiduciary duties by the chairman and the company secretary. An extensive orientation programme that includes information sessions with management, as well as visits to the company's hospitals, ensures that directors obtain a good understanding of the company's core business.

Directors are informed of any new relevant legislation, as well as any change in the business risks that may have an impact on the group.

Directors are entitled, after consultation with the chairman, to obtain independent professional advice about any aspect of the business at the expense of the company.

The directors conduct an objective and confidential evaluation in respect of the board's work performance annually.

4. Company Secretary

The board has unlimited access to the company secretary, who advises the board and the sub-committees on relevant matters, including compliance with the group’s rules and procedures, relevant legislation, statutory regulations and the King Report.

The company secretary ensures the administration of the proceedings and matters of the board, the company and the shareholders of the company in terms of the relevant legislation and administration.

The name and address of the company secretary appear on page 7.

5. Executive Management

The executive directors meet regularly to consider, inter alia, investment opportunities, operational matters and other aspects of strategic importance to the company. They are continuously in contact with department heads and hospital managers to ensure effective communication and decision-making.

6. 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:

6.1 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 and staff remuneration, directors’ remuneration and incentive schemes. The committee ensures that adequate succession planning measures are in place.

Independent consultancy studies are used by the committee to ensure remuneration remains competitive and market-related.

The committee has an independent non-executive director as chairman. The managing and human resources directors also attend meetings.

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

- the appropriate skills are attracted and retained;
- employees’ earn market-related salaries;
- remuneration is fair and just;
- no discrimination exists;
- good performance is acknowledged and encouraged; and
- remuneration is cost effective and affordable.

6.2 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. These include internal and external auditing, accounting policy and financial reporting within the mandate provided by the board. The Audit and Risk Committee is responsible for the ongoing identification and evaluation of the group’s exposure to significant strategic, asset, legal, statutory, financial, technological 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 to levels within the risk tolerance levels set for the group.

The committee is also responsible for appointing the external and internal auditors. Non-audit services by the external auditors are limited to tax advice, the remuneration of which is disclosed in the financial statements. The services of the internal and external auditors are adequately integrated.

The committee 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 and Risk Committee.

7. Risk Management

Effective risk management is integral to the group’s objective of continuously adding value to the business. The group follows an approach in terms whereof the probability and the potential impact of all known risks throughout the group are evaluated. Appropriate controls and action plans ensure that the fundamental risks are limited to acceptable levels. The board, which is ultimately responsible for risk management, 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, representing all disciplines considered core to the business, who report to the Audit and Risk Committee, is responsible for drawing up policies and procedures on risk management as well as the financing of residual risks, including self-insurance.

The effectiveness of risk management is measured in terms of the reduction in the group's cost of risks.

Reported incidents are escalated to senior management level to ensure timeous corrective action. The Medi-Clinic Quality Assurance Team (MQAT) is tasked to ensure continuous training, adherence to quality protocols, accreditation criteria and ensuring compliance to key operational risk management procedures.

The group's ability to identify and timeously respond to new emerging risks is also ensured.

The risk management process, encompassing all aspects of the group, has been documented and the board has considered the effectiveness and efficiency thereof. Such considerations have been supplemented by independent compliance reports.

The Board considers the group's residual risk profile to be within the group's risk capacity.

Risk management practices are incorporated into daily activities through control mechanisms, risk awareness training and procedures.

Key risk activities include, inter alia:
- the availability of trained personnel;
- medical-legal accountability;
- medical practitioner selection and support;
- technology;
- operational activities;
- fee structuring; and
- legislative requirements.

The financing of catastrophic or residual risks that could not be managed cost-effectively is reviewed against risk profiles. Investment in control procedures and management has the strategic focus to enhance the group's risk retention capacity.

8. 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 ensure the effectiveness of operations, sound financial controls and compliance with applicable laws and regulations.

The system contains self-monitoring mechanisms and actions are also taken to correct deficiencies where they are identified. 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 has been outsourced. The effectiveness of operational issues is audited internally by MQAT 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 central risk management committee.

The Audit and Risk Committee has reviewed the internal control systems of the company and its subsidiaries for the financial year up to 31 March 2004. Based on inquiries and the reports of the internal auditors and MQAT, the directors are satisfied that the internal control measures for the period under review were effective.

9. Dealings in Securities

Procedures have been put in place to ensure that directors and senior management of the company do not trade in the company's shares during price sensitive or closed periods. Closed periods continue for two months prior to the expected publication date of the financial results of the company, alternatively from the expiration of the financial year or the first six month period of the financial year to the publication date of the financial results of the company, whichever is the longest.

10. Conflict of Interests

All board members are required to disclose their shareholding in the company, other directorships and any potential conflict of interests. Where a potential conflict of interests exists, directors are expected to remove themselves from relevant discussions and decisions.

Personnel must in terms of the company's conditions of employment disclose any potential conflict of interests.

BLACK ECONOMIC EMPOWERMENT ("BEE")

The board views the company as an integral part of the South African political, social and economic community and wholeheartedly supports the need for economic transformation in South Africa.

1. Afrox Healthcare

On 18 November 2003, Business Venture Investments No 790 (Proprietary) Limited ("Bidco"), Brimstone Investment Corporation Limited ("Brimstone"), Mvelaphanda Strategic Investments (Proprietary) Limited ("Mvelaphanda"), Medi-Clinic and Afrox Healthcare Limited ("AHealth") made a joint announcement of an offer by Bidco to acquire the entire issued share capital of AHealth.

The disposal by African Oxygen Limited (Afrox) of its 69% interest in AHealth provided an unique opportunity for a Black Economic Empowerment Consortium to acquire a business with a strong position in the private hospital and healthcare industry that would not have been possible to achieve through organic growth.

Medi-Clinic and its holding company Remgro Limited ("Remgro") together with empowerment partners Brimstone and Mvelaphanda, seized this opportunity to introduce Black Economic Empowerment on a large scale to the private hospital and healthcare industry, promoting wide spread ownership of South African assets amongst historically disadvantaged individuals.

Medi-Clinic and Remgro facilitated the funding arrangements required by Bidco, by providing the necessary guarantees to the financial institutions, to enable it to make the offer for the acquisition of AHealth. In addition, Medi-Clinic will subscribe for a minority non-controlling equity interest in Bidco of approximately 25%.

Bidco has been incorporated solely for the purpose of acquiring the issued share capital of AHealth. A consortium of Black Economic Empowerment investors ("the BEE Consortium"), led by Brimstone and Mvelaphanda will subscribe for 75% of Bidco's equity.

The BEE Consortium includes nationally and regionally based doctor and empowerment groupings ensuring broad based empowerment. The expected composition of the BEE Consortium is as follows:

- Brimstone as to 40% thereof;
- Mvelaphanda as to 40% thereof; and
- broad based national and regional doctor and empowerment groupings as to 20% thereof.

Bidco will add significant value to AHealth and its management team by constituting AHealth as the first significant Black Economic Empowerment owned and controlled private hospital and healthcare group in South Africa. With the evolving South African national healthcare system, an empowered AHealth will be ideally positioned for growth and profitability.

2. Curamed

Medi-Clinic also introduced a black economic empowerment consortium as a partner into private healthcare through the Medi-Clinic stable 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.

Medi-Clinic facilitated the Curamed transaction and provided the consortium with interim finance of about R49 million to enable them to finance their part of the transaction.

The consortium consists of Nozala Investments (Proprietary) Limited ("Nozala"), Mvelaphanda Capital (Proprietary) Limited ("Mvelaphanda") and Utlwanang Holdings (Proprietary) Limited ("Utlwanang") which owns one-third of Curamed. Medi-Clinic also owns one-third and the balance is held by the previous shareholders of Curamed. Medi-Clinic controls Curamed through an intermediate holding company and is responsible for the management of the hospitals in terms of a management agreement.

Nozala is a female 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 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 further 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.

3. BEE Procurement

In addition to the abovementioned, Medi-Clinic is committed to a BEE Procurement Policy. To this end a committee monitors the support of and purchases from BEE suppliers at head office as well as the hospitals. This holds benefits not only for previously disadvantaged persons and businesses, but also for sustainable growth and wider prosperity in South Africa.

4. Future Opportunities

Medi-Clinic's continuing and long-term commitment to sustainable growth and prosperity in a democratic South Africa means that it will continue to identify and investigate appropriate BEE opportunities in its fields of business. The location of its hospitals across the country means that BEE strategies can be supported and encouraged across a broad spectrum of opportunities.

ADEQUATE RETURNS TO CAPITAL PROVIDERS

Providing proper access to healthcare is a challenge besetting all governments, even more so in developing countries.

Apart from resources, the progressively ageing population, new technology and patient consumerism have the effect that public hospital systems suffer from considerable capacity and investment constraints, which typically translate into longer waiting lists, poor service and poorly maintained facilities. As a result private healthcare worldwide experiences an increase in business.

In South Africa, the private healthcare sector and in particular the private hospital sector is providing healthcare to a segment of the population on an almost exclusive basis. The industry has become a national asset and one of the important pillars on which the country's future economic growth is based.

In research commissioned recently by Discovery Health, The Monitor Group found that the South African private healthcare sector compares head on with the best systems in the world.

Certain commentators however believe the private hospital industry is only profitable at the cost of the consumer. This is far from the truth.

Medi-Clinic firmly believes that doing business in a sustainable way is the key to meeting the demands of all stakeholders including the consumer and that this can only be achieved by providing quality care to its supporting doctors and patients in a cost efficient manner.

Providers of private capital such as shareholders and banks will withhold their capital if a business cannot sustain a consistent return on capital equal to or higher than its weighted average cost of capital over the long-term. Medi-Clinic's current return on capital is between 19 and 20 percent, which is slightly higher than its weighted average cost of capital for the last number of years.

In this context private hospital groups should be extremely mindful of the important role they play and the responsibility they have to the consumer to discharge this responsibility in a sustainable way.

AFFORDABILITY OF HEALTHCARE

Affordability will always remain a critical issue in the healthcare industry.

In an attempt to address ever increasing pharmaceutical prices, the group negotiated a unique alternative reimbursement model with Discovery Health during 2002. This structure created a transparent pricing system and lessened the inflationary effect experienced on pharmaceutical products.

The structure furthermore enabled Medi-Clinic to enter into positive dialogue with our supporting doctors with a view to use the most affordable pharmaceutical product in the appropriate circumstances while still respecting the doctor's professional clinical decision. The group is currently engaging with other medical schemes to make use of similar structures.

For further detail please refer to page 9.

QUALITY HEALTHCARE

Providing quality care requires a holistic approach and Medi-Clinic has committed itself to not only taking care of patients, but also to involve doctors and staff at all levels.

Through the group's involvement with the Council for Health Service Accreditation of South Africa ("COHSASA"), all hospitals are measured on a perpetual basis against a set of strict accreditation standards for private hospitals.

The process to ensure high standards of healthcare addresses all aspects of service provision and is supported by MQAT. External audits of more than 350 standards and 3 500 criteria take place on a regular basis and a pass rate of 90% and higher is required to achieve accreditation. External audits are repeated every 2 to 3 years to ensure that accreditation standards are maintained. Medi-Clinic is currently the only private hospital group in South Africa to follow this internationally recognised system of quality assurance – a process that adds considerable value to our healthcare service.

According to COHSASA the group's hospitals achieved an average score of 97%, which is the best achieved by any organisation to date.

Medi-Clinic is also the only South African private healthcare group with membership of the International Hospital Benchmarking Forum, an organisation committed to promoting best practice in hospital management and patient care. Leading healthcare providers from countries including Germany, UK, USA, Japan, Australia, Italy, Spain and Finland are members of the forum which meet twice a year at conferences where intensive workshops focus on practical issues involving all aspects of quality healthcare. This enables Medi-Clinic to constantly update its systems to best international practice and, in turn, contribute the unique South African healthcare experience to a respected international forum.

TECHNOLOGY

The group's technical mission is to provide the best health-care facilities and technology available in the developed world with budgets generated in a developing country.

In doing this, Medi-Clinic has to design, build or improve facilities to meet the needs of clients and to maintain its commitment to quality care. The life of the group's buildings, plant and equipment has to be maximised through reliable technical support in order to ensure a safe and user-friendly environment for staff and clients.

Planned maintenance programmes are based on ISO 9000 standards and the group's policy applies to three categories of equipment. The first category is all equipment where a failure would create a risk to the patient's life whether directly or indirectly. The agent or an authorised representative or a person appointed by Medi-Clinic maintains this category of equipment according to the manufacturers' instruction. The second category of equipment is where a failure would cause gross inconvenience to clients, have a substantial financial impact or hamper service significantly. The third category of equipment is general, including all equipment not falling in the preceding categories but which still have an overall effect on the service provided. The second and third categories of equipment are maintained according to Medi-Clinic's in-house policy by our staff, the agent or a contractor appointed by Medi-Clinic.

The group's planned computerised maintenance system has accumulated 5 years of clinical information which provides benchmarking information and real-time information so as to ensure the correct life-cycle costing of plant and equipment. Networking is encouraged amongst managers and all technical information is available via the group's intranet.

The group's hospitals are subjected to a comprehensive in-depth maintenance audit on an annual basis that covers all three categories of plant and equipment.

Corporate Sustainability Report *(continued)*

HUMAN RESOURCES

1. Our People

The sustainability of a business depends on the quality of its personnel. This is very important in the private hospital business, where the challenge of a worldwide shortage of well trained nursing staff threatens to hamper service delivery.

Medi-Clinic invested approximately 4% (R40,3 million) of its employee costs for the financial year in training and provides career opportunities to matriculants by training them through innovative distance learning methods and decentralised teaching centres to attain an internationally recognised nursing qualification within four years. Special attention is paid to selecting candidates with the aptitude and enthusiasm for service to people who are in need of care.

To address the current high turnover of qualified staff experienced in the healthcare industry, a unique loyalty bonus system was introduced to recognise our nursing staff's invaluable contribution. Its implementation has proved particularly successful and we achieved a 13% reduction in nursing staff turnover compared to the previous year.

2. Ethics

Ethical behaviour is a fundamental guiding principle in our business and management continually focuses on establishing a culture of responsibility, fairness, honesty and efficiency in the group. In support of this culture, an independent ethics line was established two years ago. It is managed by an established and respected service provider and is available on a 24-hour basis to all staff and outside contractors. All reports of unethical behaviour, which is not in accordance with the group's core values, are investigated according to a set protocol. Since its inception, no incident worth mentioning has been reported – a clear indication of an overall commitment to ethical behaviour throughout all levels of our group.

3. Employment Equity

Employment equity remains a serious commitment in the Medi-Clinic group and we comply with all statutory registration requirements. While success has been achieved in reaching most of the current targets, more senior management positions still lack sufficient diversity.

To remedy the situation, additional management development posts have been created to accommodate new managers through a dedicated and detailed management-training programme. These positions were created in key areas of activity including engineering, human resources and financial management.

The race and gender split of the group is as set out below:

Overall race split		Other levels race split	
African, Coloured, Asian	White	African, Coloured, Asian	White
48%	52%	51%	49%
Management level race split		**Overall gender split**	
African, Coloured, Asian	White	Female	Male
12%	88%	87%	13%

4. Training and Development

4.1 Focus

Medi-Clinic's training programmes are focused on maintaining and promoting quality delivery in all aspects of the business, and ensuring that the group's values are reflected in every activity of our business. The group's training goals are directly related to the overall business plan.

4.2 Quality Service Delivery

Current recruiting processes identify those individuals who display a deep-seated desire to become involved in healthcare. Since 1986, when the group formalised its training programmes, the challenge has been to entrench a service culture with our staff and to follow best international practice.

Towards this end Medi-Clinic measures itself against international standards by working with other organisations such as COHSASA that is affiliated to the International Society of Quality Assurance (ISQua) and is the only internationally accredited health service accreditation body in South Africa. MQAT also promotes and ensures the highest standard of quality client service.

4.3 Our Contribution

Medi-Clinic is recognised as a leader in private healthcare training and has progressed from training nursing assistants to presenting formal training in all levels of nursing training in most disciplines. This initiative takes place in six training centres in five regions and accommodates more than 1 000 trainees countrywide.

The group's relationship with the health sector's Health and Welfare SETA has been rewarding and the learnership agreements managed in conjunction with this body include basic and post-basic nursing courses, as well as a course for pharmacists' assistants. These courses are all registered with the National Qualifications Framework, thereby contributing to the raising of standards in the healthcare industry.

4.4 Maintaining Competence

Medi-Clinic has also taken the lead in implementing an in-practice programme aimed at assisting returning nursing staff that have been outside the profession for some time. The network of professional training and development consultants, clinical assessors and mentors focuses on continuous professional development of all nursing staff in order to ensure safe patient care at all times.

The remainder of the training activities concentrate on core business processes. The main focus remains on risk management, an integral part of which is standardising processes based on best practices. An electronic performance support system is delivered via the group's intranet and will be further expanded.

4.5 Achievements

Some of the notable achievements during the past year were the launching of pilot e-learning programmes, in medical terminology and clinical coding, the establishment of an outcomes-based continuing professional development system for registered nurses and the implementation of a professional competence assessment process.

5. Health and Safety

It is self-evident that the health of the group's employees is important so as to ensure the sustainability of quality care to our patients. Medi-Clinic therefore implemented a Corporate Health Policy during 2002 which provides a framework for primary and occupational health services to employees.

In order to deliver a comprehensive health service to all employees, health clinics were established at most hospitals. INCON, an independent occupational health and safety provider with considerable experience in this field, was contracted to manage these clinics.

Aside from primary healthcare and chronic disease monitoring, medical and social counselling as well as assistance are offered through the Employee Assistance (EA) and Worker Attendance Keenness Evaluation (WAKE) programmes.

These services are rendered free of charge to all levels of personnel during working hours. In addition, the WAKE programme has a 24-hour emergency helpline service.

6. HIV/Aids

Medi-Clinic addresses the HIV/Aids pandemic in the workplace as part of its comprehensive corporate health programme. Actuarial models were used to provide a base for planned action by way of the in-house health clinics.

After workplace surveys were conducted, statistical analysis indicated a low level of incidence and expected prevalence of HIV/Aids in the group.

The group's HIV/Aids as well Corporate Health policies dictate absolute confidentiality, compassion and fairness as well as no discrimination on the grounds of illness. Every effort is made to accommodate HIV positive employees in a risk free work environment.

Early preventative intervention is the mainstay of the HIV/Aids programme that consists of the following elements:

- education on HIV/Aids combined with awareness programmes;
- voluntary counselling and testing;
- prevention of HIV infection and re-infection;
- access to appropriate treatment and monitoring; and
- INCON providing support through the EA programme as well as early intervention through the WAKE programme.

ENVIRONMENT

Medi-Clinic has always regarded its responsibility towards the environment in a serious light. The group believes that a healthy environment is conducive to human health and pursues comprehensive policies and measures to ensure best practice in this field.

1. ISO 14001 Accreditation

During the previous financial year, Vergelegen Medi-Clinic became the first hospital in Africa to gain the ISO 14001 accreditation of the National Quality Assurance (NQA) in London. The accreditation process was completed in a record period of seven months, a clear indication of the high standard of our systems and their compliance to best international practice. A further eight Medi-Clinic hospitals are currently in the process of ISO 14001 accreditation and will be audited during 2004. The group aims to extend the process to cover more hospitals in the 2005 financial year.

2. Water and Energy Consumption

Medi-Clinic is a leader in efficient water and energy usage and a pilot project that brought about a 40% saving in water consumption at Constantiaberg Medi-Clinic is now being extended to the group's other hospitals. Uncontaminated water is recycled for irrigation of the outside environment and awareness programmes have resulted in significant reduction in water wastage.

The initial phase of a project on energy saving at the second largest hospital in the group has been completed. This involved, amongst others, the redistribution of the electrical load, changing of incandescent lighting to energy saving fluorescents, training of staff in the operation of air-conditioning and fitting of reflective solar shields on windows. These measures resulted in a 10% saving in the energy cost.

3. Refuse Removal

Stringent protocols are followed to ensure that all refuse removal within the group complies with all legislation and local regulations. This has been further reinforced by the commitment of the group to be environmentally friendly as well as comply at all times with current legislation.

STAKEHOLDER ENGAGEMENT

Medi-Clinic's stakeholders cover a wide spectrum. They include patients, doctors, employees, shareholders and the communities in which we provide healthcare. The very nature of our business implies close personal engagement and the group strives to achieve this through a variety of communication activities.

1. **Patients**

   Patients have access to our well-being information system whereby they or their relatives complete a daily questionnaire regarding all aspects of the care they receive. Should any problems be highlighted, these are acted upon on a same day basis in order to guarantee satisfaction. Telephonic follow-up interviews are conducted with patients after leaving our facilities to gain feedback on their experience. Our quarterly hospital magazine *Gesundheit*, with a print-run of 65 000, is aimed at patients and carries informative articles promoting healthy lifestyle and general health related information. The group's *Medi-Baby* magazine with a print-run of 8 000 is aimed at maternity patients and plays a useful role in promoting proper child-care practices.

2. **Doctors**

   Doctors are a key stakeholder group and play a vital role in Medi-Clinic's commitment to quality care. In a rapidly changing professional environment efficient communication becomes even more important and the group has implemented a new system of communication with doctors by appointing a team of network marketers to maintain regular contact with referring and other general practitioners. They are informed of the latest developments regarding services and specialist facilities at our hospitals. Our continued professional development programmes are offered on a regular and planned basis to doctors, either at the various hospitals throughout the country or in conveniently situated centres in outlying rural areas. Medi-Clinic's quarterly *Perspectives* magazine with a print-run of 12 000 has this year started to provide entertaining leisure content as well as profession related information to doctors.

3. **Employees**

   Communication with all employees remains a priority for the group and their active participation in the day-to-day running of the company makes an important contribution to our success. Aside from various mechanisms such as workers forums, collective bargaining agreements, various committees and other formal engagement structures, Medi-Clinic also strives to act on staff opinions and perceptions.

   Medi-Clinic commissioned an independent perception audit among staff in 2002 which showed general satisfaction, but identified certain areas for improvement. During 2003 various initiatives, such as the nursing staff's "Heroes Day" excellence recognition programme and the awareness competition "Treasure Quest", were launched with positive results. Aside from these focus programmes, the group's internal quarterly staff magazine, *Milieu* with a print-run of 12 000, serves as an excellent channel for communication on group and personnel related issues. Medi-Clinic also raised its profile with a successful corporate advertising campaign on television and in other key media, reinforcing the message of providing quality healthcare through teamwork. An independent follow-up study was commissioned during 2004 to determine the success of these communication initiatives.

4. **Shareholders**

   Communication to the public and shareholders are based on the principles of balanced reporting, clarity and transparency. Positive and negative aspects of both financial and non-financial information are provided.

   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.

   The most recent and historical financial and other information is published on the company's website at www.mediclinic.co.za.

5. **Other**

   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.

SOCIAL INVESTMENT

The group accepts its responsibility to serve the communities in which it operates and aside from the substantial investment in the training of personnel, Medi-Clinic is committed to a wide variety of community projects and organisations. These include:

- The provision of financial and other assistance to a number of health science faculties at universities.
- The sponsoring of 50% of the employment costs for the director of the Ukwanda Project in the Boland region, in partnership with the health science faculty at the University of Stellenbosch. This project provides community health based training opportunities for students of all health disciplines.
- The funding, management and marketing support of the Biokinetics Centre at the University of Stellenbosch on a partnership basis.
- Providing support to the Organ Donor Foundation on an annual basis through various sponsorships. Medi-Clinic is the main sponsor of their annual fund-raising golf day and their fund-raising at the prestigious Nederburg fund-raising fashion show.
- Sponsoring of the Cancer Survivors' Day held annually in George, Vereeniging and Cape Town.
- Sponsoring of the Heart Foundation's main publication, *Guide to a healthy lifestyle*.
- Contributing annually as a corporate member of the World Wide Fund for Nature to a number of conservation projects managed by the organisation.

In addition, various services are provided free of charge by Medi-Clinic hospitals as part of outreach activities in the communities in which they operate. These include:

- Various road safety projects such as the Arrive Alive campaign.
- Medical support which is provided at beach resorts and sporting events – especially at schools, shows and exhibitions. Main examples include the Cape Argus/Pick 'n Pay cycle tour, the

Burger/Sanlam cycle tour, the 702/FNB Walk the Talk, the Duzi Canoe Marathon, the Design for Living expo, the Klein Karoo National Arts Festival and the Aardklop Arts Festival.

- Support groups and clinics for, amongst others, Alzheimers, brain injuries, breast feeding, stroke sufferers, diabetes, heart ailments, cancer, HIV/Aids-awareness, premature babies, stoma care, foot care, pre-natal classes, rape counselling and wound care.
- Free testing for cholesterol, hypertension and diabetes during health awareness weeks such as the Heart and Diabetes week, as well as at sporting events.
- Under special circumstances the disadvantaged are provided with specialist equipment, theatre time and accommodation.
- The donation of pharmaceuticals, linen and equipment to old age homes, children's homes, hospice facilities and other needy communities.
- The provision of emergency medical services and transport under certain circumstances to the indigent by way of ER24.

Hospitals in Operation

	Hospital Manager	Location	Approved Beds	Approved Theatres
WESTERN CAPE				
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	6
Geneva Clinic	Mr G Schutte	George	60	4
Hermanus Medi-Clinic	Mr JP Lotz	Hermanus	45	2
Klein Karoo Medi-Clinic	Mrs A Nortjé	Oudtshoorn	38	2
George Medi-Clinic	Mr G Schutte	George	160	4
Louis Leipoldt Medi-Clinic	Mr J Hofmeÿr	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
GAUTENG				
Astrid and Muelmed Hospitals	Mrs R Swart	Pretoria	222	8
Harmelia Private Hospital	Mrs M E Smit	Germiston	56	4
Kloof Hospital	Dr P W van Zijl	Pretoria	142	10
Medforum General & Heart Hospital	Mrs J le Roux	Pretoria	204	14
Morningside Medi-Clinic	Mr D Hadley	Sandton	230	9
Pretoria Gynaecological Hospital	Mrs C M B Green	Pretoria	53	2
Pretoria Heart Hospital	Dr B M Duminy	Pretoria	90	6
Sandton Medi-Clinic	Mr W Kruger	Sandton	379	10
Vereeniging Medi-Clinic	Mr J F Lawton	Vereeniging	165	7
MPUMALANGA				
Barberton Medi-Clinic	Mr S J van der Walt	Barberton	30	1
Ermelo Medi-Clinic	Mr W Schoonbee	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
Secunda Day Hospital	Mrs B Pruis	Secunda	43	3
KWAZULU-NATAL				
Howick Private Hospital	Mr M J R Vorster	Howick	26	2
Newcastle Private Hospital	Mr F G Meiring	Newcastle	80	3
Pietermaritzburg Medi-Clinic	Mr M J R Vorster	Pietermaritzburg	107	5
Victoria Hospital	Mr A Docrat	Tongaat	120	4
FREE STATE				
Hoogland Medi-Clinic	Mr J C van der Walt	Bethlehem	107	3
Bloemfontein Medi-Clinic	Mr I J van der Vyver	Bloemfontein	338	10
Welkom Medi-Clinic	Mr F X van Niekerk	Welkom	120	5
NORTHERN CAPE				
Kimberley Medi-Clinic	Mrs R van der Merwe	Kimberley	234	8
Upington Medi-Clinic	Mrs J D van Niekerk	Upington	40	2
NORTHWEST PROVINCE				
Brits Medi-Clinic	Mrs R Janse van Rensburg	Brits	60	3
Potchefstroom Medi-Clinic	Mr C H Jewaskiewitz	Potchefstroom	114	4
LIMPOPO (NORTHERN) PROVINCE				
Limpopo Medi-Clinic	Mr L Lambrechts	Polokwane (Pietersburg)	186	6
Tzaneen Private Hospital	Mr M Jacobs	Tzaneen	100	4
NAMIBIA				
Cottage Private Hospital	Mr P J Sander	Swakopmund	70	3
Otjiwarongo Medi-Clinic	Mr G T Snyman	Otjiwarongo	20	1
Windhoek Medi-Clinic	Mr G T Snyman	Windhoek	99	4
			6 217	230

Directors' Responsibility Statement

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 2005. 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 forseeable 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 25 to 48, have been approved by the board of directors and are signed on their behalf by:

E DE LA H HERTZOG
Chairman

LJ ALBERTS
Managing director

Stellenbosch
12 May 2004

Certificate by the Company Secretary

In terms of section 268G(d) of the Companies Act, Act 61 of 1973, I certify that the company has lodged with the Registrar of Companies all such returns as are 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
12 May 2004

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 25 to 48 for the year ended 31 March 2004. 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 2004, 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 Inc.

PRICEWATERHOUSECOOPERS

Registered Accountants and Auditors
Chartered Accountants (SA)

Stellenbosch
12 May 2004

Directors' Report *to the shareholders for the year ended 31 March 2004*

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

During the year the group commissioned three hospitals, being Howick Private Hospital, Tzaneen Private Hospital and Kloof Hospital in Pretoria. The group also acquired Secunda Day Hospital and an interest in Victoria Hospital.

The group has, with effect from 1 April 2004, acquired the Cottage Private Hospital in Swakopmund, Namibia.

A complete list of hospitals appear on page 22.

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

In November 2003 the group and its holding company Remgro Limited facilitated Bidco's R3.1 bn acquisition of Afrox Healthcare. Bidco is controlled by a BEE consortium led by Brimstone and Mvelaphanda Strategic Investments. It furthermore includes broad-based national and regional doctor and empowerment groupings. Collectively they own 75% of Bidco with Medi-Clinic's 25% share of Bidco being passive and non-controlling. The acquisition of Afrox Healthcare is subject to the approval of the Competition Tribunal.

SHARE CAPITAL

There was no change in the company's authorised share capital during the year under review.

During the year the group acquired 564 000 (2003: 2 036 900) of its ordinary shares through a wholly-owned subsidiary as treasury shares. 1 560 100 (2003: 1 289 900) 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 28,1 cents per share be paid. This, together with the interim distribution of 11,9 cents per share, brings the total distribution for the year to 40,0 cents per share.

The distributions will be paid out of the share premium.

	2004 R'000	2003 R'000
Interim distribution of 11,9 cents (2003 : 9,7 cents)	**41 658**	33 956
Final distribution of 28,1 cents (2003 : 23,3 cents)	**98 369**	81 565
	140 027	115 521

MANAGEMENT

Remgro Finance & Services 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% (2003 : 51%) of the issued ordinary shares. Details of subsidiaries and associates appear in the annexure on page 48.

DIRECTORS AND SECRETARY

The names of the directors and secretary of the company, as well as the latter's postal address, appears on page 7. In terms of the provisions of the Articles of Association of your company, Messrs W E Bührmann, J du T Marais, A A Raath, C I Tingle and Prof W L van der Merwe 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 R366 400 (2003 : R241 867).

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 49. 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.

Balance Sheets *at 31 March 2004*

COMPANY				GROUP	
2003 R'000	**2004 R'000**		**Notes**	**2004 R'000**	2003 R'000
		ASSETS			
1 153 814	**1 034 412**	Non-current assets		**2 078 923**	1 805 067
–	**–**	Property, plant and equipment	2	**1 846 126**	1 610 597
–	**–**	Intangible assets	3	**47 874**	35 964
1 153 814	**1 034 412**	Interests in subsidiaries	4	**–**	–
–	**–**	Investments in associates	5	**53 372**	43 295
–	**–**	Other investments and loans	6	**49 259**	49 210
–	**–**	Deferred taxation	7	**82 292**	66 001
5 181	**1 594**	Current assets		**1 134 151**	890 735
–	**–**	Inventories	8	**137 846**	139 462
–	**–**	Receivables and prepayments	9	**545 237**	524 143
5 181	**1 594**	Taxation		**–**	–
–	**–**	Cash and cash equivalents		**451 068**	227 130
1 158 995	**1 036 006**	Total assets		**3 213 074**	2 695 802
		EQUITY AND LIABILITIES			
		Capital and reserves			
35 007	**35 007**	Share capital		**35 007**	35 007
313 529	**190 306**	Share premium		**190 306**	313 529
–	**–**	Treasury shares		**(53 093)**	(62 033)
348 536	**225 313**	Capital	10	**172 220**	286 503
810 459	**810 693**	Reserves	11	**2 069 813**	1 630 773
1 158 995	**1 036 006**	Shareholders' funds		**2 242 033**	1 917 276
–	**–**	Minority interests	12	**199 522**	172 010
		Non-current liabilities			
–	**–**	Interest-bearing debt	13	**167 803**	112 083
–	**–**	Current liabilities		**603 716**	494 433
–	**–**	Trade and other payables	14	**323 809**	245 625
–	**–**	Current portion of interest-bearing debt	13	**74 317**	66 618
–	**–**	Provisions	15	**158 898**	130 132
–	**–**	Taxation		**46 692**	52 058
1 158 995	**1 036 006**	Total equity and liabilities		**3 213 074**	2 695 802

Income Statements *for the year ended 31 March 2004*

COMPANY				GROUP	
2003 R'000	**2004 R'000**		Notes	**2004 R'000**	2003 R'000
–	**–**	Revenue		**3 642 763**	2 924 229
–	**–**	Cost of sales		**(2 046 544)**	(1 694 980)
–	**–**	Administration and other operating expenses	16	**(977 264)**	(734 607)
–	**–**	Operating income		**618 955**	494 642
–	**–**	Income from associates	18	**17 331**	18 678
(7)	**342**	Net finance income/(cost)	19	**14 269**	26 616
(7)	**342**	Net income before taxation		**650 555**	539 936
15	**108**	Taxation	20	**174 008**	145 102
(22)	**234**	Net income after taxation		**476 547**	394 834
–	**–**	Minority interests		**37 507**	30 963
(22)	**234**	Attributable earnings		**439 040**	363 871
		Earnings per ordinary share - cents			
		Undiluted	21	**128.8**	106.5
		Diluted	21	**127.0**	105.2
		Headline earnings per ordinary share – cents			
		Undiluted	21	**129.5**	107.0
		Diluted	21	**127.7**	105.7

Statements of Changes in Owners' Equity *for the year ended 31 March 2004*

COMPANY 2003 R'000	COMPANY 2004 R'000		Notes	GROUP 2004 R'000	GROUP 2003 R'000
		Share capital			
35 007	**35 007**	Opening balance	10	**35 007**	35 007
313 529	**190 306**	Share premium	10	**190 306**	313 529
415 748	**313 529**	Opening balance		**313 529**	415 748
(102 219)	**(123 223)**	Distribution paid to shareholders		**(123 223)**	(102 219)
–	**–**	Treasury shares	10	**(53 093)**	(62 033)
–	**–**	Opening balance		**(62 033)**	(57 387)
–	**–**	Shares acquired by subsidiary		**(4 468)**	(15 519)
–	**–**	Distribution received		**3 382**	2 488
–	**–**	Utilised for share option scheme		**10 026**	8 385
810 459	**810 693**	Retained earnings	11	**2 069 813**	1 630 773
810 481	**810 459**	Opening balance		**1 630 773**	1 266 902
(22)	**234**	Net income/(loss) for the year		**439 040**	363 871
1 158 995	**1 036 006**	Equity at the end of the year		**2 242 033**	1 917 276

Cash Flow Statements *for the year ended 31 March 2004*

COMPANY Inflow/(outflow)				GROUP Inflow/(outflow)	
2003 R'000	**2004 R'000**		Notes	**2004 R'000**	2003 R'000
		CASH FLOW FROM OPERATING ACTIVITIES			
–	–	Cash received from customers		**3 631 338**	2 890 701
–	–	Cash paid to suppliers and employees		**(2 812 435)**	(2 371 068)
–	–	Cash generated from operating activities	22.1	**818 903**	519 633
(7)	**342**	Net finance income/(cost)	19	**14 269**	26 616
(1 596)	**3 479**	Taxation paid	22.2	**(196 543)**	(143 109)
–	–	Cash distributions to minorities	12	**(31 986)**	(18 650)
(1 603)	**3 821**	Cash available from operating activities		**604 643**	384 490
(102 219)	**(123 223)**	Distributions to shareholders	22.3	**(119 841)**	(99 731)
(103 822)	**(119 402)**	**NET CASH FLOW FROM OPERATIONS**		**484 802**	284 759
103 822	**119 402**	**CASH FLOW FROM INVESTMENT ACTIVITIES**		**(324 943)**	(275 676)
103 822	**119 402**	Investment to maintain operations	22.4	**(85 646)**	(61 019)
–	–	Investment to expand operations	22.5	**(240 867)**	(215 298)
–	–	Proceeds on sale of property, plant and equipment	22.6	**1 570**	641
–	–			**159 859**	9 083
–	–	**CASH FLOW FROM FINANCING ACTIVITIES**		**64 079**	9 600
–	–	Increase in interest-bearing debt		**58 521**	16 734
–	–	Treasury shares sold/(purchased)		**5 558**	(7 134)
–	–	Net movement in cash and cash equivalents		**223 938**	18 683
–	–	Opening balance of cash and cash equivalents		**227 130**	208 447
–	–	Closing balance of cash and cash equivalents		**451 068**	227 130

1. ACCOUNTING POLICY

The annual financial statements are prepared on the historical cost basis, unless otherwise indicated, in accordance with South African Statements of Generally Accepted Accounting Practice, the requirements of the South African Companies Act and the Listing Requirements of the JSE Securities Exchange South Africa and incorporate the following principle accounting policies which, with the exception of the implementation of the South African Statement of Generally Accepted Accounting Practice, AC 133: Financial Instruments - Recognition and Measurement, have been consistently applied 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.

All intercompany transactions and balances on transactions between subsidiaries are eliminated.

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. According to the equity method, the share of post-acquisition reserves and retained income is included in the carrying value.

Property, plant and equipment

All property, plant and equipment are recorded at their historical 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 capitalised at the cost to the group and amortised on the straight-line basis over its estimated useful lifetime. In general trade names are written off at a rate of 5% per annum. No value is placed on internally developed tradenames.

Expenditure to maintain trade names is accounted for against income as incurred.

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.

Financial instruments

Financial instruments carried on the balance sheet include cash and cash equivalents, investments, trade and other receivables, trade and other payables, provisions and borrowings.

Financial instruments are initially recognised when the group becomes party to the contractual terms of the instruments and are measured at cost, including transaction costs, which is the fair value of the consideration given (financial asset) or received (financial liability). Subsequent to initial recognition, these instruments are measured as set out in the applicable accounting policies.

Financial assets (or a portion thereof) are de-recognised when the group realises the rights to the benefits specified in the contract, the rights expire or the group surrenders or otherwise loses control of the contractual rights that comprise the financial asset.

On de-recognition, the difference between the carrying amount of the financial asset and proceeds receivable and any prior adjustments to reflect fair value that had been recognised in equity are included in the income statement.

Financial liabilities (or a portion thereof) are de-recognised when the obligation specified in the contract is discharged, cancelled or expired. On de-recognition, the difference between the carrying amount of the financial liability, including related unamortised costs and amount paid for it are included in the income statement.

The fair value of financial instruments traded in an organised financial market are measured at the applicable quoted prices. The fair value of financial instruments not traded in an organised financial market, is determined using a variety of methods and assumptions that are based on market conditions and risk existing at balance sheet date, including independent appraisals and discounted cash flow methods. Fair values represent an approximation of possible value, which may differ from the value that will finally be realised.

The carrying amounts of financial assets and liabilities with maturity of less than one year are assumed to approximate their fair value.

Where a legally enforceable right of set-off exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

Investments

Investments in equity and debt instruments, other than in associates, are classified into the following categories, i.e. originated by the group, held-to-maturity and available-for-sale.

Investments originated by the group

These investments, which primarily consist of loans, are originated by the group by providing money, goods or services directly to a debtor, are included within non-current assets and are carried at amortised cost using the effective interest rate method.

Investments held-to-maturity

Investments with fixed maturity that the group has the intent and ability to hold to maturity are classified as investments held-to-maturity and are included within non-current assets. These investments are carried at amortised cost using the effective interest rate method.

Investments available-for-sale

Other long-term investments are classified as available-for-sale and are included within non-current assets. These investments are carried at fair value. Unrealised gains and losses arising from changes in the fair value of available-for-sale investments are recognised in non-distributable reserves in the period in which they arise. When available-for-sale investments are either sold or impaired, the accumulated fair value adjustments are realised and included in income.

Deferred taxation

Deferred taxation is provided at current rates, 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. Assets are not raised in respect of deferred taxation on assessed losses, unless it is probable that future taxable profits will be available against which the deferred taxation asset can be realised in the foreseeable future.

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. Bank overdrafts are disclosed as part of the current portion of interest-bearing debt.

Treasury shares

Shares in the Company held by wholly-owned group companies are classified as treasury shares and are held at cost. These shares are treated as a deduction from issued and weighted average number of shares and the cost price of the shares is deducted from the group's equity.

Provisions

Provisions are recognised when the group has a present legal or constructive obligation arising from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Revenue recognition

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

Other revenues earned are recognised on the following bases:

- 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 services.

Retirement benefit costs

The group provides for retirement fund benefits to employees. Contributions of the group to defined contribution benefit funds are accounted for against income when the employees render the related services.

Post-retirement medical benefits

The group provides for actuarially determined post-retirement medical contributions in relation to current and retired employees. The expected costs of these benefits are accounted for by using the projected unit credit method. Under this method, the expected costs of these benefits are accumulated over the service lives of the employees. Valuation of these obligations is carried out by independent qualified actuaries.

All actuarial gains and losses are spread forward over the average remaining service lives of employees.

	GROUP	
	2004	2003
	R'000	R'000
2. PROPERTY, PLANT AND EQUIPMENT		
Land – cost	**89 621**	86 641
Buildings	**1 188 828**	1 096 580
Cost	**1 201 716**	1 104 883
Accumulated depreciation	**(12 888)**	(8 303)
Land and buildings	**1 278 449**	1 183 221
Equipment	**316 690**	244 483
Cost	**891 761**	739 903
Accumulated depreciation	**(575 071)**	(495 420)
Furniture and vehicles	**67 990**	55 936
Cost	**182 703**	151 696
Accumulated depreciation	**(114 713)**	(95 760)
Subtotal	**1 663 129**	1 483 640
Capital expenditure in progress	**182 997**	126 957
	1 846 126	1 610 597

Property, plant and equipment with a book value of R236 103 000 (2003 : R150 308 000) are encumbered as security for interest-bearing debt (see note 13).

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.

	2004	2003
Summary of movement for the year:		
Net opening book value	**1 483 640**	1 259 958
Capital expenditure	**246 475**	141 426
Hospital activities purchased	**35 088**	156 763
Disposals	**(1 056)**	(327)
Depreciation per income statement	**(101 018)**	(74 180)
Net closing book value	**1 663 129**	1 483 640
Capital expenditure as shown above	**246 475**	141 426
Increase in capital expenditure in progress	**56 040**	40 234
Total additions	**302 515**	181 660
To maintain operations	**105 442**	77 595
To expand operations	**197 073**	104 065

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

	GROUP		
Detail of movement per category for 2004:	**Land and buildings R'000**	**Equipment R'000**	**Furniture and vehicles R'000**
Net opening book value	1 183 221	244 483	55 936
Capital expenditure	72 133	142 551	31 791
Hospital activities purchased	25 551	7 351	2 186
Disposals	(491)	(338)	(227)
Depreciation per income statement	(1 965)	(77 357)	(21 696)
Net closing book value	1 278 449	316 690	67 990

	GROUP	
	2004 R'000	2003 R'000
3. INTANGIBLE ASSETS		
Trade names	**4 882**	5 512
Cost	**15 100**	15 100
Amount written off to date	**10 218**	9 588
Goodwill	**42 992**	30 452
Cost	**49 453**	33 944
Amount written off to date	**6 461**	3 492
	47 874	35 964

Trade names with a cost price of R2 500 000 (2003 :R2 500 000) have been fully written off.

	GROUP	
Detail of movement per category for 2004:	**Trade names R'000**	**Goodwill R'000**
Net opening book value	5 512	30 452
Acquired during the year	–	15 509
Amount written off per income statement	(630)	(2 969)
Net closing book value	4 882	42 992

COMPANY 2003 R'000	COMPANY 2004 R'000		GROUP 2004 R'000	GROUP 2003 R'000
		4. INTERESTS IN SUBSIDIARIES		
		Unlisted		
825	**825**	Shares at cost less amounts written off		
1 152 989	**1 033 587**	Due by subsidiaries		
1 153 814	**1 034 412**			
		Details appear on page 48.		
		5. INVESTMENTS IN ASSOCIATES		
		Unlisted		
		Cost	**14 943**	11 643
		Opening balance	**11 643**	7 643
		Acquired during the year	**3 300**	4 000
		Share of accumulated losses for the year	**(4 405)**	–
		Carrying value of investments in associates' equity	**10 538**	11 643
		Amounts owing	**42 834**	31 652
			53 372	43 295
		Directors' valuation	**95 584**	77 833
		The aggregate balance sheets of associates are summarised as follows:		
		Non-current assets	**95 260**	62 528
		Current assets	**42 627**	27 896
		Total assets	**137 887**	90 424
		Non-current liabilities	**(17 926)**	–
		Current liabilities	**(17 092)**	(12 209)
		Shareholders' funds	**102 869**	78 215
		Outside interests	**(57 140)**	(42 563)
		Group's share in net assets of associates	**45 729**	35 652
		Cost of investment	**7 643**	7 643
			53 372	43 295
		Details appear on page 48.		
		6. OTHER INVESTMENTS AND LOANS		
		Unlisted		
		Originated loans	**49 009**	48 960
		Shares		
		Available-for-sale	**250**	250
			49 259	49 210
		Directors' valuation	**49 259**	49 210

	GROUP	
	2004 R'000	2003 R'000
7. DEFERRED TAXATION		
Deferred taxation is calculated on all temporary differences according to the liability method using a principal tax rate of 30% (2003 : 30%).		
The movement on the deferred taxation account is as follows:		
Opening balance	**66 001**	50 031
Income statement charge for the year	**15 722**	12 756
Acquired during the year	**569**	3 214
Balance at the end of the year	**82 292**	66 001
The balance consists of:		
Accelerated wear and tear for tax purposes on property, plant and equipment	**(3 192)**	(3 001)
Provisions and other temporary differences	**85 484**	69 002
	82 292	66 001
Deferred taxation assets	**85 484**	69 002
Deferred taxation liabilities	**(3 192)**	(3 001)
	82 292	66 001
8. INVENTORIES		
Inventories consist of:		
Pharmaceutical products	**128 564**	132 116
Consumables	**4 971**	4 171
Finished goods and work in progress	**4 311**	3 175
	137 846	139 462
No inventories are valued at net realisable value.		
9. RECEIVABLES AND PREPAYMENTS		
Trade receivables	**505 383**	484 666
Other receivables and prepayments	**39 854**	39 477
	545 237	524 143

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.

COMPANY 2003 R'000	COMPANY 2004 R'000		GROUP 2004 R'000	GROUP 2003 R'000
		10. CAPITAL		
		Capital consists of ordinary shares and share premium.		
		Share capital		
		Authorised:		
45 000	**45 000**	450 000 000 ordinary shares of 10 cents each (2003 : 450 000 000)	**45 000**	45 000
		Issued:		
35 007	**35 007**	350 065 992 ordinary shares of 10 cents each (2003 : 350 065 992)	**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.		
313 529	**190 306**	**Share premium**	**190 306**	313 529
415 748	**313 529**	Opening balance	**313 529**	415 748
(102 219)	**(123 223)**	Distributed to shareholders	**(123 223)**	(102 219)
		Treasury shares		
		8 351 200 (2003 : 9 347 300) ordinary shares of 10 cents each	**(53 093)**	(62 033)
		Opening balance	**(62 033)**	(57 387)
		Shares acquired by subsidiary	**(4 468)**	(15 519)
		Distribution received	**3 382**	2 488
		Utilised for share option scheme	**10 026**	8 385
		During the year the company acquired 564 000 (2003 : 2 036 900) 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. 1 560 100 (2003 : 1 289 900) of the treasury shares were utilised in terms of the executive share option scheme.		
348 536	**225 313**		**172 220**	286 503

COMPANY 2003 R'000	COMPANY 2004 R'000		GROUP 2004 R'000	GROUP 2003 R'000
		10. CAPITAL *(continued)*		
		Share options		
		In terms of the executive share option scheme, 17 236 115 ordinary shares are kept in reserve. To date, 18 870 200 share options have been granted and 8 593 400 (2003 : 7 033 300) exercised. (Refer to ordinary resolution number 7 in the notice of annual general meeting.)		
		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	**10 032 000**	8 887 900
		Options granted	**2 410 000**	2 940 000
		Options forfeited	**(605 100)**	(506 000)
		Options exercised – treasury shares issued	**(1 560 100)**	(1 289 900)
		Outstanding at the end of the year	**10 276 800**	10 032 000
			R'000	R'000
		11. RESERVES		
		Distributable reserve		
810 459	**810 693**	Company	**810 693**	810 459
		Subsidiaries	**1 263 525**	820 314
		Associates	**(4 405)**	–
810 459	**810 693**		**2 069 813**	1 630 773
		12. MINORITY INTERESTS		
		Opening balance	**172 010**	74 708
		Net income attributable to minorities	**37 507**	30 963
		Distributions to minorities	**(31 986)**	(18 650)
		Minority interests acquired by the group	**(249)**	–
		Capital invested by minorities	**6 554**	13 625
		Interests in hospital activities acquired by the group	**15 686**	71 364
		Minority interests in hospital activities	**199 522**	172 010

	GROUP 2004 R'000	GROUP 2003 R'000
13. INTEREST-BEARING DEBT		
Secured long-term bank loans	**61 432**	65 629
Long-term portion	**53 641**	59 560
Short-term portion	**7 791**	6 069
These loans bear interest at an average fixed rate of 14,7% per annum and are repayable in six years. Property, plant and equipment with a book value of R69 343 000 (2003 : R70 582 000) are encumbered as security for these loans.		
Secured long-term bank loans	**62 064**	47 712
Long-term portion	**57 857**	45 968
Short-term portion	**4 207**	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 R85 973 000 (2003 : R49 785 000) are encumbered as security for these loans.		
Secured long-term bank loans	**67 708**	8 611
Long-term portion	**56 305**	6 555
Short-term portion	**11 403**	2 056
These loans bear interest at variable rates linked to prime overdraft rate and are repayable in periods ranging between 1 and 6 years. Property, plant and equipment with a book value of R80 787 000 (2003 : R19 377 000) are encumbered as security for these loans.		
Unsecured long-term bank loan	**–**	23 549
Long-term portion	**–**	–
Short-term portion	**–**	23 549
The loan bears interest at a fixed rate of 15,28% per annum and was repaid during the year.		
Bank overdrafts	**50 916**	33 200
	242 120	178 701
Short-term portion transferred to current liabilities	**74 317**	66 618
	167 803	112 083
14. TRADE AND OTHER PAYABLES		
Trade payables	**246 692**	205 754
Other payables	**77 117**	39 871
	323 809	245 625
15. PROVISIONS		
Provision for post-retirement medical benefits	**57 820**	48 060
Provision for bonusses	**59 454**	40 645
Provision for leave pay	**41 624**	41 427
	158 898	130 132
Movement in provisions:		
Additional provisions	**93 654**	74 408
Amounts utilised	**(65 580)**	(42 163)
Provisions acquired	**692**	9 492
Movement for the year	**28 766**	41 737
Opening balance	**130 132**	88 395
	158 898	130 132

	GROUP 2004 R'000	GROUP 2003 R'000
16. ADMINISTRATION AND OTHER OPERATING EXPENSES		
Administration and other operating expenses include the following items:		
Income:		
Profit on sale of property, plant and equipment	**514**	314
Expenses:		
Amortisation of goodwill	**2 969**	1 997
Auditors' remuneration – external audit	**2 067**	1 243
– other services	**155**	228
Depreciation – buildings	**1 965**	716
– equipment	**77 357**	58 042
– furniture and vehicles	**21 696**	15 422
Maintenance costs	**98 559**	83 385
Managerial and administration fees	**2 450**	2 196
Operating leases – buildings	**20 099**	17 871
– equipment	**13 068**	10 984
Post-retirement medical benefits (note 25)	**9 760**	8 120
Retirement benefit costs	**48 313**	37 943
Trade names written off	**630**	630
17. DIRECTORS' REMUNERATION		
Executive		
E de la H Hertzog *	**2 000**	1 333
L J Alberts	**1 710**	1 471
J du T Marais	**1 356**	1 284
D P Meintjes	**1 405**	1 301
J G Swiegers	**1 600**	1 445
Total	**8 071**	6 834
Non-executive fees	**366**	242
W E Bührmann	**67**	43
W P Esterhuyse	**41**	29
S D Hlongwane	**31**	24
A R Martin	**57**	38
P J A Mphafudi	**20**	–
A A Raath	**60**	36
C I Tingle	**52**	41
W L van der Merwe	**38**	31
	8 437	7 076
Paid by:		
Subsidiaries	**6 437**	5 743
Management company *	**2 000**	1 333
	8 437	7 076

* Remgro Finance Services Limited (RFS) paid the emoluments of Dr E de la H Hertzog relating to his services rendered to the group. He also earned a further R1 000 000 (2003 : R667 000) from RFS relating to other duties. Also refer to note 27.

17. DIRECTORS' REMUNERATION *(continued)*

GROUP				
Detail for 2004:	**Salaries, fees and bonus**	**Retirement fund**	**Other benefits***	**Share options**
Executive				
E de la H Hertzog	1 574	281	145	–
L J Alberts	1 476	129	105	–
J du T Marais	1 231	104	21	–
D P Meintjes	1 221	105	79	–
J G Swiegers	1 071	106	235	188
	6 573	725	585	188

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

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

	GROUP		
	Offer price	**2004 Number**	2003 Number
Share option scheme			
No shares were offered to directors in the financial year ending 31 March 2004.			
The number of outstanding share options are:			
J G Swiegers	R2.80	**120 000**	160 000
		120 000	160 000

COMPANY 2003 R'000	COMPANY **2004 R'000**		GROUP **2004 R'000**	GROUP 2003 R'000
		18. INCOME FROM ASSOCIATES		
		Unlisted associates		
		Share of income before taxation	**17 331**	18 678
		Profit share for the year	**22 223**	18 678
		Equity accounted loss for the year	**(4 892)**	–
		Share of taxation	**(5 199)**	(5 603)
		Provided by the group	**(5 686)**	(5 603)
		Provided by the associate	**487**	–
			12 132	13 075
		19. NET FINANCE INCOME/(COST)		
–	**342**	Interest received	**45 618**	42 650
(7)	**–**	Interest paid	**(28 465)**	(11 350)
		Foreign exchange loss	**(2 884)**	(4 684)
(7)	**342**		**14 269**	26 616

Notes to the Annual Financial Statements *for the year ended 31 March 2004 (continued)*

COMPANY 2003 R'000	COMPANY 2004 R'000		GROUP 2004 R'000	GROUP 2003 R'000
		20. TAXATION		
		Taxation on income excluding income from associates	**168 809**	139 499
		Taxation on income from associates		
		Provided by the group	**5 686**	5 603
		Provided by the associate	**(487)**	–
		Taxation per income statement	**174 008**	145 102
15	**108**	Normal RSA taxation	**181 490**	151 233
		Foreign taxation (Namibia)	**8 727**	6 625
		Deferred taxation		
		Provided by the group	**(15 722)**	(12 756)
		Provided by the associate	**(487)**	–
15	**108**		**174 008**	145 102
		Reconciliation of rate of taxation:		
		Standard rate for companies (RSA)	**30.0 %**	30.0 %
		Adjusted for:		
		Non-taxable income	**(2.3)%**	(2.0)%
		Non-deductible expenses	**0.3 %**	0.2 %
		Outside partners share of profit before taxation	**(1.5)%**	(1.5)%
		Rate differences	**0.2 %**	0.2 %
		Effective tax rate	**26.7 %**	26.9 %
		21. EARNINGS PER ORDINARY SHARE		
		Headline earnings reconciliation:		
		Attributable earnings	**439 040**	363 871
		Amortisation of goodwill	**2 969**	1 997
		Profit on sale of property, plant and equipment	**(514)**	(314)
			441 495	365 554
		Number of shares reconciliation:		
		Weighted number of issued ordinary shares	**340 839 794**	341 627 089
		Adjustment for share options	**4 911 579**	4 305 611
		Diluted weighted number of issued ordinary shares	**345 751 373**	345 932 700
		Earnings per ordinary share (cents)		
		Undiluted	**128.8**	106.5
		Diluted	**127.0**	105.2
		Headline earnings per ordinary share (cents)		
		Undiluted	**129.5**	107.0
		Diluted	**127.7**	105.7

COMPANY 2003 R'000	COMPANY 2004 R'000		GROUP 2004 R'000	GROUP 2003 R'000
		22. CASH FLOW INFORMATION		
		22.1 Reconciliation of net income before taxation to cash generated from operations		
		Operating income before interest and taxation	**618 955**	494 642
		Non-cash items		
		Trade names written off	**630**	630
		Amortisation of goodwill	**2 969**	1 997
		Depreciation	**101 018**	74 180
		Movement in provisions	**28 074**	32 245
		Profit on sale of property, plant and equipment	**(514)**	(314)
		Operating income before changes in working capital	**751 132**	603 380
		Working capital changes	**67 771**	(83 747)
		Decrease/(increase) in inventories	**4 164**	(24 973)
		Increase in accounts receivable	**(11 425)**	(33 528)
		Increase/(decrease) in accounts payable	**75 032**	(25 246)
			818 903	519 633
		22.2 Taxation paid		
3 600	**5 181**	Prepaid/(liability) at the beginning of the year	**(52 058)**	(36 095)
		Hospital activities purchased	**(960)**	(1 214)
(15)	**(108)**	Provision for the year	**(190 217)**	(157 858)
3 585	**5 073**		**(243 235)**	(195 167)
(5 181)	**(1 594)**	Liability/(prepaid) at the end of the year	**46 692**	52 058
(1 596)	**3 479**		**(196 543)**	(143 109)
		22.3 Distributions paid to shareholders		
(102 219)	**(123 223)**	Declared and paid during the year	**(123 223)**	(102 219)
		Received on treasury shares held	**3 382**	2 488
(102 219)	**(123 223)**		**(119 841)**	(99 731)
		22.4 Investment to maintain operations		
		Property, plant and equipment purchased	**(105 442)**	(77 595)
103 822	**119 402**	Loans from subsidiaries		
		Distributions from associates	**19 845**	16 497
		Other loans	**(49)**	79
103 822	**119 402**		**(85 646)**	(61 019)
		22.5 Investment to expand operations		
		Property, plant and equipment purchased	**(197 073)**	(104 065)
		Investment in associate	**(3 300)**	(4 000)
		Loans to associates	**(8 804)**	(17 231)
		Hospital activities purchased	**(37 995)**	(54 667)
		Capital contributed by minorities	**6 554**	13 625
		Acquisition of other members' interests in hospital activities	**(249)**	–
		Other loans	**–**	(48 960)
			(240 867)	(215 298)

		GROUP	
		2004 R'000	2003 R'000
22.6	**Proceeds on sale of property, plant and equipment**		
	Book value of property, plant and equipment sold	**1 056**	327
	Profit per income statement	**514**	314
		1 570	641
22.7	**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	**(35 088)**	(103)
	Deferred taxation	**(569)**	–
	Inventories	**(2 548)**	–
	Receivables and prepayments	**(9 669)**	–
	Interest-bearing debt	**4 898**	–
	Trade and other payables	**3 152**	–
	Provisions	**692**	–
	Taxation	**960**	–
	Minority interest of existing shareholders	**15 686**	–
	Value of interests acquired	**(22 486)**	(103)
	Goodwill	**(15 509)**	(547)
	Cash investment	**(37 995)**	(650)

	GROUP 2004 R'000	GROUP 2003 R'000
23. CAPITAL COMMITMENTS		
Incomplete capital expenditure contracts	**51 426**	140 189
Capital expenses authorised by the board of directors but not yet contracted	**347 915**	369 877
	399 341	510 066

These commitments will be financed from group and borrowed funds.

	GROUP 2004 R'000	GROUP 2003 R'000
24. PERSONNEL EXPENSES		
Paid by subsidiaries	**1 230 157**	970 859

The average number of equivalent fulltime employees per month are 11 049 (2003 : 9 799). On 31 March 2004 the number of equivalent fulltime employees are 11 320 (2003 : 10 805).

25. 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 2004 a 7,5% (2003 : 10,0%) medical inflation cost and a 9,5% (2003 : 12,0%) interest rate were assumed. The average retirement age was set at 63 years.

Amounts recognised in the balance sheet are as follows:	GROUP 2004 R'000	GROUP 2003 R'000
Opening balance	**48 060**	39 940
Amounts recognised in the income statement	**9 760**	8 120
Current service cost	**6 030**	3 960
Interest cost	**4 430**	4 790
Contributions	**(700)**	(630)
Closing balance	**57 820**	48 060
Present value of unfunded obligations	**54 620**	48 060
Unrecognised actuarial gains	**3 200**	–
	57 820	48 060

26. 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 which are controlled by the Pension Funds Act and administered by financial institutions.

On 31 March 2004, 88,2% of all personnel were members of one of the above-mentioned funds.

	GROUP	
	2004 **R'000**	2003 R'000
27. RELATED PARTY TRANSACTIONS		
Market related transactions with related parties are as follows:		
Remgro Finance & Services Limited (subsidiary of holding company)		
Managerial and administration fees	**2 450**	2 196
Remgro Finance Corporation Limited (subsidiary of holding company)		
Interest received	**15 384**	13 575
Balance owing by	**1 567**	–
Shareholders and directors		
Information regarding the major shareholder and directors' remuneration appears in the directors' report and note 17.		
28. 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.		
29. OPERATING LEASES		
The group has entered into various operating lease agreements on premises and equipment. At 31 March 2004 future non-cancellable minimum lease rentals are payable during the following financial years:		
Within 1 year	**21 429**	20 161
1 to 5 years	**57 917**	76 320
Over 5 years	**–**	2 037
	79 346	98 518

30. CHANGES IN ACCOUNTING POLICIES

The group changed its accounting policy on 1 April 2003 to comply with the new South African Satement of Generally Accepted Accounting Practice (GAAP) dealing with "Financial instruments: recognition and measurement" (AC 133). The change in the accounting policy had no material effect on the results.

	GROUP	
	2004	2003
	R'000	R'000

31. FINANCIAL INSTRUMENTS

Foreign currency management

The group has an insignificant exposure regarding foreign currency, but a prudent approach towards foreign cover is followed if applicable.

Currently there is no exposure and consequently no forward cover contracts.

Credit risk management

Financial assets which potentially subject the group to concentrations of credit risk consist principally of cash, short-term deposits and receivables and prepayments. The group's cash equivalents and short-term deposits are placed with quality financial institutions with a high credit rating. Receivables and prepayments are represented net of the allowance for doubtful receivables. Credit risk with respect to receivables and prepayments is limited due to the large number of customers comprising the group's customer base, which consists mainly of medical aid funders. The financial condition of these clients in relation to their credit standing is evaluated on an ongoing basis. After the provision for doubtful receivables has been brought into account, the group does not have any significant exposure to any individual customer or counter party.

The carrying amounts of financial assets included in the balance sheet represents the group's exposure to credit risk in relation to these assets. At 31 March 2004, the group did not consider there to be a significant concentration of credit risk which had not been adequately provided for.

Liquidity risk management

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

	2004 R'000	2003 R'000
Shareholders' funds and minority interests	**2 441 555**	2 089 286
Interest-bearing debt	**242 120**	178 701
% interest-bearing debt to shareholders' funds	**10 %**	9 %
The group's banking facilities are	**641 500**	607 600

Fair values

At 31 March 2004 and 31 March 2003 the carrying amounts of cash resources, receivables and prepayments and trade and other payables approximated their fair values due to the short-term nature of these assets and liabilities.

The fair values of investments are represented in notes 5 and 6. The fair values of other long-term borrowings are not materially different from their carrying amounts.

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 2004	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 %
Assets							
Cash resources	451 068	–	–	–	–	451 068	7.7
Receivables and prepayments	–	–	–	–	545 237	545 237	–
Investments and loans	–	–	–	–	102 631	102 631	–
Total financial assets	451 068	–	–	–	647 868	1 098 936	
Liabilities							
Trade, other payables and provisions	–	–	–	–	482 707	482 707	–
Taxation	–	–	–	–	46 692	46 692	–
Interest-bearing debt	118 623	11 998	86 760	24 739	–	242 120	12.8
Total financial liabilities	118 623	11 998	86 760	24 739	529 399	771 519	
Net financial assets/(liabilities)	332 445	(11 998)	(86 760)	(24 739)	118 469	327 417	
31 March 2003							
Total financial assets	227 130	–	–	–	616 648	843 778	
Total financial liabilities	34 972	31 646	69 458	42 625	427 815	606 516	
Net financial assets/(liabilities)	192 158	(31 646)	(69 458)	(42 625)	188 833	237 262	

Annexure - Investments in Subsidiaries and Associates *at 31 March 2004*

SUBSIDIARIES	**Issued share capital**		**Interest in capital**		**Book value of shares**	
Company	**2004 Rand**	2003 Rand	**2004 %**	2003 %	**2004 Rand**	2003 Rand
Medi-Clinic Investments (Proprietary) Limited	**100**	100	**100**	100	**825 000**	825 000

The loan to the subsidiary amounts to R1 033 587 000 (2003 : R1 152 989 000).

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	**Interest in capital 2004 %**	**2003 %**
Indirectly held through Medi-Clinic Investments (Proprietary) Limited		
Aukland Medicine Distributors (Proprietary) Limited	**100**	100
Howick Private Hospital Holdings Limited *	**49**	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
Medi-Clinic Holdings (Namibia) (Proprietary) Limited	**100**	100
Medipark Clinic (Proprietary) Limited	**100**	100
Newcastle Private Hospital Limited *	**15**	15
Paarl Medi-Clinic (Proprietary) Limited	**70**	–
Reef-Med (Proprietary) Limited	**54**	50
Riverport Trading 105 (Proprietary) Limited	**100**	–
Tshwane Private Hospitals (Proprietary) Limited	**51**	51
Tzaneen Private Hospital (Proprietary) Limited *	**40**	42
Victoria Hospital Limited	**33**	–
Indirectly held through Medi-Clinic Limited		
Kimberley Medi-Clinic (Proprietary) Limited $	**90**	90
Ermelo Medi-Clinic (Proprietary) Limited $	**50**	50
Barberton Medi-Clinic (Proprietary) Limited $	**77**	77
Hermanus Medi-Clinic Limited * $	**35**	35
Potchefstroom Medi-Clinic (Proprietary) Limited $	**95**	95
Limpopo Medi-Clinic Limited $	**50**	50
Upington Private Hospital Trustees (Proprietary) Limited * $	**41**	41
Indirectly held through Tshwane Private Hospitals (Proprietary) Limited		
Curamed Holdings Limited (Effective holding = 32%)	**63**	63

All increases in the above shareholdings were paid for in cash.
* Controlled through long-term management agreements
$ Operating through trusts or partnerships

ASSOCIATES	**Interest in capital**		**Book value of investment**		**Amount owing by associates**	
Group	**2004 %**	2003 %	**2004 R'000**	2003 R'000	**2004 R'000**	2003 R'000
Unlisted:						
Hospital Medical Systems Joint Venture	**38**	38	**7 643**	7 643	**15 577**	13 156
Commsco Holdings (Proprietary) Limited	**33**	–	**32**	–	**–**	–
ER 24 Holdings (Proprietary) Limited	**50**	50	**–**	–	**24 018**	16 817
Plettenberg Bay Private Health Centre (Proprietary) Limited	**40**	40	**2 863**	4 000	**2 017**	414
Thabazimbi Private Hospital Trust	**37**	37	**–**	–	**1 222**	1 265
			10 538	11 643	**42 834**	31 652

The nature of the activities of the associates support the major activities of the group.

Analysis of Shareholders *at 31 March 2004*

DISTRIBUTION OF ORDINARY SHAREHOLDERS	Number of shareholders	Number of shares	%
Public shareholders	3 549	127 206 380	36.3 %
Non-public shareholders	8	222 859 612	63.7 %
Directors		2 049 934	0.6 %
Treasury shares		8 351 200	2.4 %
Public Investment Commissioner		33 880 496	9.7 %
Remgro Limited		178 577 982	51.0 %
	3 557	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 2004.

DIRECTORS' INTEREST*	2004		2003	
	Direct	**Indirect**	Direct	Indirect
E de la H Hertzog	**–**	**1 709 000**	–	1 709 000
LJ Alberts	**181 700**	**25 500**	181 700	25 500
WE Bührmann	**–**	**–**	–	–
WP Esterhuyse	**–**	**–**	–	–
SD Hlongwane	**–**	**–**	–	–
J du T Marais	**2 050**	**3 850**	2 050	3 850
AR Martin	**–**	**–**	–	–
DP Meintjes	**30 500**	**–**	30 500	–
PJA Mphafudi	**–**	**–**	–	–
AA Raath	**–**	**–**	–	–
JG Swiegers	**–**	**96 334**	–	56 334
CI Tingle	**–**	**–**	–	–
WL van der Merwe	**1 000**	**–**	1 000	–
	215 250	**1 834 684**	215 250	1 794 684

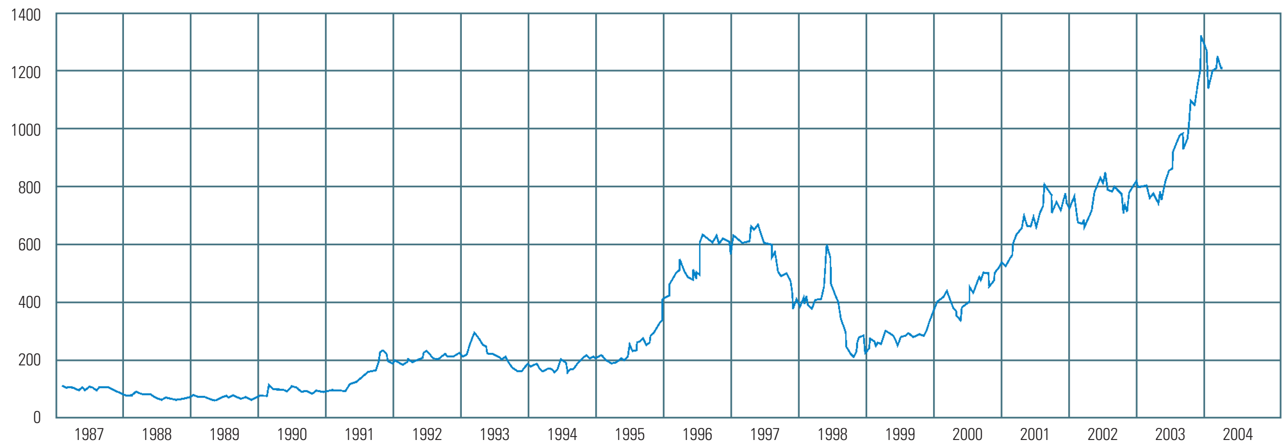
* Abovementioned interests are held as beneficial. Other than Mr JG Swiegers, who has exercised options in respect of 40 000 ordinary shares on 6 April 2004, there has been no change in the directors' interests occuring between the end of the financial year and 12 May 2004.

Analysis of Shareholders *at 31 March 2004 (continued)*

SHAREHOLDING ANALYSIS	**Number of shareholders**	**%**	**Number of shares**	**%**
1 – 999 shares	1 678	47.2	406 900	0.1
1 000 – 9 999 shares	1 298	36.5	3 423 432	1.0
10 000 – 99 999 shares	399	11.2	11 567 483	3.3
100 000 – 999 999 shares	146	4.1	41 167 518	11.8
Over 1 000 000 shares	36	1.0	293 500 659	83.8
	3 557	100.0	350 065 992	100.0

JSE SECURITIES EXCHANGE SOUTH AFRICA	**2004**	**2003**
Market capitalisation at 31 March (R'000)	**4 200 792**	2 625 495
Price (cents per share)		
31 March	**1 200**	750
Highest	**1 350**	900
Lowest	**740**	655
Number of shares traded (000's)	**57 303**	42 342

Share closing price from 1987 to 2004



Notice of Annual General Meeting

Medi-Clinic Corporation Limited
Registration number 1983/010725/06
Share code: MDC
ISIN code: ZAE000004370

Notice is hereby given that the twenty-first annual general meeting of the Company will be held at Medi-Clinic Offices, Strand Road, Stellenbosch on Friday, 30 July 2004 at 15:00 to consider, and if approved, pass the following resolutions with or without modification:

1. CONSIDERATION 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 2004 be accepted.

2. APPROVAL OF DIRECTORS' REMUNERATION

Ordinary Resolution Number 2

Resolved that the joint remuneration of the non-executive directors in the amount of R367 000 for the year ended 31 March 2004 be approved.

3. ELECTION OF DIRECTORS

Ordinary Resolution Number 3

Resolved that Mr W E Bührmann who retires in terms of clause 30.1.1 of the Company's Articles of Association and who, being eligible, offers himself for re-election be hereby re-elected as a director of the Company;

And that Mr J du T Marais who retires in terms of clause 30.1.1 of the Company's Articles of Association and who, being eligible, offers himself for re-election be hereby re-elected as a director of the Company;

And that Mr A A Raath who retires in terms of clause 30.1.1 of the Company's Articles of Association and who, being eligible, offers himself for re-election be hereby re-elected as a director of the Company;

And that Mr C I Tingle who retires in terms of clause 30.1.1 of the Company's Articles of Association and who, being eligible, offers himself for re-election be hereby re-elected as a director of the Company;

And further that Prof W L van der Merwe who retires in terms of clause 30.1.1 of the Company's Articles of Association and who, being eligible, offers himself for re-election be hereby re-elected as a director of the Company;

A brief CV of each of the directors mentioned above appear on page 7 of the annual report.

4. AUTHORITY TO PLACE SHARES UNDER CONTROL OF THE DIRECTORS

Ordinary Resolution Number 4

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 JSE Securities Exchange South Africa ("JSE") Listings Requirements ("the Listings Requirements").

5. AUTHORITY TO ISSUE SHARES FOR CASH

Ordinary Resolution Number 5

Resolved that the directors of the Company be and are hereby authorised by way of a general authority, to issue all or any of the authorized, but unissued shares in the capital of the Company for cash, as and when they in their discretion deem fit, subject to the Companies Act, the Articles of Association of the Company, the Listings Requirements, when applicable, and the following limitations, namely that:

– the equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;

– any such issue will only be made to "public shareholders" as defined in the Listings Requirements and not related parties;

– the number of shares issued for cash shall not in the aggregate in any one financial year exceed 15% (fifteen per cent) of the Company's issued share capital of ordinary shares. The number of ordinary shares which may be issued shall be based on the number of ordinary shares in issue at the date of such application less any ordinary shares issued during the current financial year, provided that any ordinary shares to be issued pursuant to a rights issue (announced and irrevocable and underwritten) or acquisition (concluded up to date of application) may be included as though they were shares in issue at the date of application;

– this authority is valid until the Company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date that this authority is given;

– a press announcement giving full details, including the impact on the net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within 1 (one) financial year, 5% (five per cent) or more of the number of shares in issue prior to the issue; and

– in determining the price at which an issue of shares may be made in terms of this authority post the listing of the Company, the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price on the

JSE of those shares over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed by the directors of the Company.

This Ordinary Resolution Number 5 is required, under the Listings Requirements, to be passed by achieving a 75% (seventy five per cent) majority of the votes cast in favour of such resolution by all shareholders present or represented by proxy and entitled to vote, at the annual general meeting.

6. AUTHORITY TO MAKE GENERAL PAYMENT TO SECURITIES HOLDERS

Ordinary Resolution Number 6

Resolved that as contemplated in section 90 of the Companies Act the directors of the Company shall be entitled to pay, by way of a general payment from the Company's 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 2005, subject to the provisions of the Companies Act and the Listings Requirements and the following limitations:

– that this authority shall not extend beyond 15 (fifteen) months from the date of this meeting or the date of the next annual general meeting, whichever is the earlier date;

– that the maximum amount by which the share capital or share premium shall be reduced in terms of this authority, shall not exceed R91 000 000 (ninety one million Rand), which amount represents not more than the Rand value of 20% (twenty per cent) of the Company's issued share capital at the date of this meeting (including share premium and reserves at the date of this meeting, but excluding minority interests and re-valuations of assets and intangible assets that are not supported by a valuation by an independent professional expert acceptable to the JSE prepared within the last six months, in any one financial year, measured as at the beginning of such financial year); and

– that any general payment be made *pro rata* to all shareholders.

The Company's directors undertake that they will not implement the proposed general payment, unless for a period of 12 (twelve) 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 for ordinary business purposes;

– the Company and the group have sufficient working capital for ordinary business purposes; 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.

The directors of the Company intend to utilize the authority in terms of this Ordinary Resolution Number 6 in order to make payment to shareholders, in lieu of dividend, by way of a general payment from the Company's share capital or share premium.

Announcements will be published on SENS and in the press setting out the financial effects of the general payment and complying with Schedule 24 of the Listings Requirements, prior to such payment 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.

Please refer to the additional disclosure of information contained in this notice, which disclosure is required in terms of the Listings Requirements.

7. AUTHORITY TO AMEND SHARE OPTION SCHEME

Ordinary Resolution Number 7

Resolved that the provisions of the Medi-Clinic Share Option Scheme ("the scheme"), as adopted by the Company in general meeting on 19 June 1986 and further amended in general meeting on 30 July 1999 be and are hereby amended, subject to the consent of the JSE, by deleting paragraph 2.3 thereof and substituting it with the following:

"2.3 The maximum number of scheme shares in respect of which options may be granted in terms of this option scheme shall not exceed 34 472 230, being 10% of the total number of ordinary shares of the Company in issue, less the shares already issued in terms of this option scheme."

8. AUTHORITY TO REPURCHASE SHARES

Special Resolution Number 1

Resolved that, as a general authority contemplated in sections 85(2) and 85(3) of the Companies Act, the acquisitions by the Company, and/or any subsidiary of the Company, from time to time of the issued ordinary shares of the Company, upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine are herby authorised, but subject to the Articles of Association of the Company, the provisions of the Companies Act and the Listings Requirements, when applicable, and provided that:

– the repurchase of securities will be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counter party;

– this general authority shall only be valid until the Company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;

– in determining the price at which the Company's ordinary shares are acquired by the Company in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten per cent) of the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the 5 (five) trading days immediately preceding the date of the repurchase of such ordinary shares by the Company;

– the acquisitions of ordinary shares in the aggregate in any one financial year do not exceed 20% (twenty per cent) of the Company's issued ordinary share capital from the date of the grant of this general authority, provided that the acquisition of shares as treasury stock by a subsidiary of the Company shall not exceed 10% (ten per cent) of the number of issued shares in the Company;

– the Company and the Group are in a position to repay their debt in the ordinary course of business for the following year;

– the consolidated assets of the Company, being fairly valued in accordance with Generally Accepted Accounting Practice, are in excess of the consolidated liabilities of the Company for the following year;

– the ordinary capital and reserves of the Company and the Group are adequate for the next 12 (twelve) months;

– the available working capital is adequate to continue the operations of the Company and the Group in the following year;

– upon entering the market to proceed with the repurchase, the Company's Sponsor has confirmed the adequacy of the Company's working capital for the purposes of undertaking a repurchase of shares in writing to the JSE;

– after such repurchase the Company will still comply with paragraphs 3.37 to 3.41 of the Listings Requirements concerning shareholder spread requirements;

– the Company or its subsidiary are not repurchasing securities during a prohibited period as defined in paragraph 3.67 of the Listings Requirements;

– when the Company has cumulatively repurchased 3% (three per cent) of the initial number of the relevant class of securities, and for each 3% (three per cent) in aggregate of the initial number of that class acquired thereafter, an announcement will be made; and

– the Company will only appoint one agent to effect any repurchase(s) on its behalf.

The Company will publish a press announcement giving such details as may be required in terms of the Listings Requirements when the Company or any of its subsidiaries have cumulatively repurchased 3% (three per cent) of the shares in issue at the time that this authority is given.

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.

Please refer to the additional disclosure of information contained in this notice, which disclosure is required in terms of the Listings Requirements.

Reason for and Effect of Special Resolution Number 1

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.

9. APPROVAL TO AMEND ARTICLES OF ASSOCIATION

Special Resolution Number 2

Resolved that in terms of Section 62 of the Companies Act the existing Articles of Association of the Company be abrogated in its entirety and replaced with the new amended Articles of Association, a copy of which has been tabled at this meeting and signed by the Chairman of this meeting for purposes of identification, on and with effect from the time and date of passing of this resolution, notwithstanding the date of registration thereof.

Reason for and Effect of Special Resolution Number 2

The existing Articles of Association of the Company were adopted at the annual general meeting of the Company on 21 July 2000. Since the adoption of the existing Articles of Association, several significant amendments have been made to the Listings Requirements. As a result, certain aspects of the existing Articles of Association of the Company no longer comply with the Listings Requirements.

The directors consider it important to take the necessary steps to bring the Articles of Association of the Company in line with the Listings Requirements.

Rather than requiring shareholders to approve detailed amendments to the existing Articles of Association, the directors propose that the existing Articles of Association be substituted with the new amended Articles of Association, which comply with the Listings Requirements.

Apart from numerous changes relating to the numbering and some cosmetic changes, the most important changes to the Articles of Association relate to the following matters: -

– the approval by the JSE in respect of any allotment of shares, granting of options over, other dealing with or disposal of any unissued shares by the directors of the Company in terms of a general authority;

– the affixing of signatures to share certificates by autographic or mechanical means;

– the conversion of ordinary shares to redeemable preference shares by special resolution;

– the announcement of notices of general meetings through the Securities Exchange News Service;

– the lodgement of proxies by the shareholders of the Company in respect of general meetings;

– the procedure for the rotation of directors in the case where a director is appointed as a managing director or an employee of the Company; and

– the conducting of directors meetings by means of video or telephone conference or other information technology device.

The reason and effect of this special resolution is to substitute the existing Articles of Association with the new amended Articles of Association, in order to reflect the recent changes to the Listings Requirements.

The existing Articles of Association and the proposed new Articles of Association are available for inspection at the registered offices of the Company (Medi-Clinic Offices, Strand Road, Stellenbosch) until 30 July 2004.

10. To transact any other business that may be transacted at an annual general meeting.

ADDITIONAL DISCLOSURE OF INFORMATION

Further to Ordinary Resolution Number 6 and Special Resolution Number 1, the Listings Requirements require the disclosure of the following information, some of which are elsewhere in the annual report of which this notice forms part as set out below:

- **Directors and management**
  See page 7 of the annual report.

- **Major shareholders of the Company**
  See page 49 of the annual report.

- **Directors' interests in securities**
  See page 49 of the annual report.

- **Share capital of the Company**
  See page 36 of the annual report.

- **Litigation statement**
  In terms of section 11.30 of the Listings Requirements, the directors, whose names appear on page 7 of the annual report, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 (twelve) months, a material effect on the Group's financial position.

- **Directors' responsibility statement**
  The directors, whose names appear on page 7 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to Ordinary Resolution Number 6 and Special Resolution Number 1 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that Ordinary Resolution Number 6 and Special Resolution Number 1 contain all information required by law and the Listings Requirements.

VOTING AND ATTENDANCE AT THE ANNUAL GENERAL MEETING

Shareholders who have not dematerialised their shares or who have dematerialised their shares with own name registration are entitled to attend and vote at the meeting. Any such shareholder is entitled to appoint a proxy or proxies to attend, speak and vote in their stead. The person so appointed need not be a shareholder of the Company. Proxy forms should be forwarded to reach the Company's transfer secretaries, Computershare Investor Services 2004 (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001 or posted to the transfer secretaries at P O Box 61051, Marshalltown, 2107, South Africa, so as to be received by them by not later than 15:00 on Wednesday, 28 July 2004. Proxy forms should only be completed by shareholders who have not dematerialised their shares or who have dematerialised their shares and registered them in their own name.

On a show of hands, every shareholder of the Company present in person or represented by proxy shall have one vote only. On a poll, every shareholder of the Company shall have one vote for every share held in the Company by such shareholder.

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with own name registration, should contact their Central Securities Depository Participant ("CSDP") or broker in the manner and time stipulated in their agreement, in order to furnish them with their voting instructions and to obtain the necessary authority to do so, in the event that they wish to attend the meeting.

By order of the Board of Directors.

GC HATTINGH
Secretary

STELLENBOSCH
2 July 2004

Explanatory Notes to the Notice of Annual General Meeting

Ordinary Resolutions

1. **Consideration 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 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.

   Full particulars of directors' emoluments are disclosed on pages 39 and 40 of the annual report of which this notice forms part.

3. **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.

4. **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.

5. **Authority to issue shares for cash**
   In terms of the JSE Securities Exchange South Africa ("JSE") Listings Requirements ("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.

6. **Authority to make general payment to securities holders**
   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 general payment from the company's share capital or share premium, in lieu of a dividend.

7. **Authority to amend the share option scheme**
   The Medi-Clinic Share Option Scheme ("the scheme") was approved and adopted by the shareholders of the company in 1986. Taking into account the growth of the company and the increase in the number of personnel that qualify to participate in the scheme, the directors deem it fit to increase the maximum number of shares that may be issued in terms of the scheme.

Special Resolutions

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.

9. **Authority to amend Articles of Association**
   Certain amendments to the company's Articles are necessary in order to comply with the Listings Requirements. In terms of the Companies Act, the members of the company must approve any amendments to a company's Articles.

Dates of Importance to Shareholders

Annual general meeting	30 July 2004
Financial reports:	
Announcement of annual results	May 2004
Annual financial statements	July 2004
Announcement of interim results	November 2004
Interim report	November 2004
Capital distributions:	
Final distributions	
– Declare	May 2004
– Payment	June 2004
Interim distributions	
– Declare	November 2004
– Payment	December 2004

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 twenty-first annual general meeting of the company to be held on Friday, 30 July 2004 at 15h00 at Medi-Clinic Offices, Strand Road, Stellenbosch ("the annual general meeting").

I/We (please print) ____

being the holders 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 30th day of July 2004 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
Ordinary Resolutions			
1. Approval of annual financial statements			
2. Approval of directors' remuneration			
3. Election of directors:			
3.1 W E Bührmann			
3.2 J du T Marais			
3.3 A A Raath			
3.4 C I Tingle			
3.5 W L van der Merwe			
4. Authority to place shares under control of the directors			
5. Authority to issue shares for cash			
6. Authority to make general payment to securities holders			
7. Authority to amend share option scheme			
Special Resolutions			
8. Authority to repurchase shares			
9. Approval to amend Articles of Association			

Signed at______________________on ______________________2004.

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 proxy forms must be lodged with the transfer secretaries of the Company, Computershare Investor Services 2004 (Pty) Ltd, 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, 28 July 2004 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 twenty-first annual general meeting of the company to be held on Friday, 30 July 2004 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
Ordinary Resolutions			
1. Approval of annual financial statements			
2. Approval of directors' remuneration			
3. Election of directors:			
3.1 W E Bührmann			
3.2 J du T Marais			
3.3 A A Raath			
3.4 C I Tingle			
3.5 W L van der Merwe			
4. Authority to place shares under control of the directors			
5. Authority to issue shares for cash			
6. Authority to make general payment to securities holders			
7. Authority to amend share option scheme			
Special Resolutions			
8. Authority to repurchase shares			
9. Approval to amend Articles of Association			

Signed at________________________on ________________________2004.

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.