# GROUP ANNUAL FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2021

| | Notes | 2021 £'m | 2020 £'m |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | **5 440** | 5 741 |
| Property, equipment and vehicles | 6 | **4 052** | 4 358 |
| Intangible assets | 7 | **1 061** | 1 171 |
| Equity-accounted investments | 8 | **171** | 181 |
| Retirement benefit asset | 19 | **110** | – |
| Other investments and loans | 9 | **12** | 9 |
| Deferred income tax assets | 10 | **34** | 22 |
| **Current assets** | | **1 232** | 1 213 |
| Inventories | 11 | **109** | 104 |
| Trade and other receivables | 12 | **826** | 766 |
| Other investments and loans | 9 | **2** | 2 |
| Current income tax assets | | **1** | 2 |
| Derivative financial instruments | 21 | **–** | 2 |
| Cash and cash equivalents | 30.8 | **294** | 329 |
| Assets classified as held-for-sale | 33 | **–** | 8 |
| **Total assets** | | **6 672** | 6 954 |
| **EQUITY** | | | |
| **Capital and reserves** | | | |
| Share capital | 13 | **74** | 74 |
| Share premium reserve | 13 | **690** | 690 |
| Retained earnings | | **4 523** | 4 327 |
| Other reserves | 14 | **(2 438)** | (2 201) |
| **Attributable to equity holders of the Company** | | **2 849** | 2 890 |
| Non-controlling interests | 16 | **118** | 113 |
| **Total equity** | | **2 967** | 3 003 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION CONTINUED

AT 31 MARCH 2021

| | Notes | 2021 £'m | 2020 £'m |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | **3 021** | 3 182 |
| Borrowings | 17 | **1 686** | 1 787 |
| Lease liabilities | 18 | **621** | 654 |
| Deferred income tax liabilities | 10 | **425** | 427 |
| Retirement benefit obligations | 19 | **127** | 168 |
| Provisions | 20 | **37** | 36 |
| Derivative financial instruments | 21 | **124** | 109 |
| Cash-settled share-based payment liabilities | 15 | **1** | 1 |
| **Current liabilities** | | **684** | 769 |
| Trade and other payables | 22 | **498** | 515 |
| Borrowings | 17 | **91** | 164 |
| Lease liabilities | 18 | **55** | 49 |
| Provisions | 20 | **19** | 17 |
| Retirement benefit obligations | 19 | **14** | 14 |
| Derivative financial instruments | 21 | **2** | 2 |
| Current income tax liabilities | | **5** | 4 |
| Liabilities classified as held-for-sale | 33 | **–** | 4 |
| **Total liabilities** | | **3 705** | 3 951 |
| **Total equity and liabilities** | | **6 672** | 6 954 |

These financial statements and the accompanying notes as set out on pages 196–288 were approved for issue by the Board of Directors on 25 May 2021 and were signed on its behalf by:

**Dr Ronnie van der Merwe**
Group Chief Executive Officer

**Mr Jurgens Myburgh**
Group Chief Financial Officer

Mediclinic International plc (Company no 08338604)

The notes on pages 203–288 form an integral part of these financial statements.

# CONSOLIDATED INCOME STATEMENT
## FOR THE YEAR ENDED 31 MARCH 2021

| | Notes | 2021 £'m | (Re-presented)[1] 2020 £'m |
|---|---|---|---|
| Revenue | 23 | **2 995** | 3 083 |
| Other income | 24 | **13** | – |
| Employee benefit and contractor costs | 24 | **(1 448)** | (1 446) |
| Consumables and supplies | | **(719)** | (691) |
| Care-related costs | | **(145)** | (136) |
| Infrastructure-related costs | 24 | **(110)** | (113) |
| Service costs | | **(147)** | (147) |
| Provision for expected credit losses | 24 | **(11)** | (9) |
| Depreciation and amortisation | 24 | **(217)** | (217) |
| Impairment of property, equipment and vehicles | 6 & 24 | **(3)** | (30) |
| Impairment of intangible assets | 7 & 24 | **(1)** | (482) |
| Other gains and losses | 25 | **2** | 4 |
| **Operating profit/(loss)** | 24 | **209** | (184) |
| Finance income | | **4** | 9 |
| Finance cost | 26 | **(99)** | (92) |
| Share of net (loss)/profit of equity-accounted investments | 8 | **(70)** | 2 |
| Reversal of impairment/(impairment) of equity-accounted investment | 8 | **60** | (10) |
| **Profit/(loss) before tax** | | **104** | (275) |
| Income tax expense | 27 | **(25)** | (24) |
| **Profit/(loss) for the period** | | **79** | (299) |
| | | | |
| **Attributable to:** | | | |
| Equity holders of the Company | | **68** | (320) |
| Non-controlling interests | 16 | **11** | 21 |
| | | **79** | (299) |
| **Profit/(loss) per ordinary share attributable to the equity holders of the Company – pence** | | | |
| Basic | 28 | **9.2** | (43.4) |
| Diluted | 28 | **9.2** | (43.4) |

**Note**
[1] Refer to note 2.1.

The notes on pages 203–288 form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 31 MARCH 2021

| | Notes | 2021 £'m | 2020 £'m |
|---|---|---|---|
| **Profit/(loss) for the year** | | **79** | (299) |
| **Other comprehensive (loss)/income** | | | |
| **Items that may be reclassified to the income statement** | | **(235)** | 169 |
| Currency translation differences | 29 | **(235)** | 175 |
| Realised fair value hedge adjustments transferred to income statement | 29 | **2** | – |
| Fair value adjustment – cash flow hedges | 29 | **(2)** | (6) |
| **Items that may not be reclassified to the income statement** | | **127** | (21) |
| Remeasurements of retirement benefit obligations | 29 | **127** | (17) |
| Effect of changes in income tax rates | 29 | **–** | (4) |
| **Other comprehensive (loss)/income, net of tax** | 29 | **(108)** | 148 |
| **Total comprehensive loss for the year** | | **(29)** | (151) |
| **Attributable to:** | | | |
| Equity holders of the Company | | **(45)** | (161) |
| Non-controlling interests | 16 | **16** | 10 |
| | | **(29)** | (151) |

The notes on pages 203–288 form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 MARCH 2021

| | Share capital (note 13) £'m | Capital redemption reserve (note 14) £'m | Share premium reserve (note 13) £'m |
|---|---|---|---|
| **Balance at 31 March 2019** | 74 | 6 | 690 |
| IFRS 16 transition adjustment | – | – | – |
| **Restated at 1 April 2019** | **74** | **6** | **690** |
| (Loss)/profit for the year | – | – | – |
| Other comprehensive income/(loss) for the year | – | – | – |
| Total comprehensive income/(loss) for the year | – | – | – |
| Transactions with non-controlling shareholders | – | – | – |
| Dividends paid | – | – | – |
| Balance at 31 March 2020 | 74 | 6 | 690 |
| Profit for the year | – | – | – |
| Other comprehensive (loss)/income for the year | – | – | – |
| Total comprehensive (loss)/income for the year | – | – | – |
| Equity-settled share-based payment[1] | – | – | – |
| Transactions with non-controlling shareholders | – | – | – |
| Dividends paid | – | – | – |
| **Balance at 31 March 2021** | **74** | **6** | **690** |

**Note**
[1] Less than £0.5m for the year under review.

The notes on pages 203–288 form an integral part of these financial statements.

| Reverse acquisition reserve (note 14) £'m | Foreign currency translation reserve (note 14) £'m | Hedging reserve (note 14) £'m | Retained earnings £'m | Attributable to equity holders of the Company £'m | Non-controlling interests (note 16) £'m | Total equity £'m |
|---|---|---|---|---|---|---|
| (3 014) | 628 | (2) | 4 769 | 3 151 | 115 | 3 266 |
| – | – | – | (37) | (37) | – | (37) |
| **(3 014)** | **628** | **(2)** | **4 732** | **3 114** | **115** | **3 229** |
| – | – | – | (320) | (320) | 21 | (299) |
| – | 187 | (6) | (22) | 159 | (11) | 148 |
| – | 187 | (6) | (342) | (161) | 10 | (151) |
| – | – | – | (4) | (4) | 3 | (1) |
| – | – | – | (59) | (59) | (15) | (74) |
| (3 014) | 815 | (8) | 4 327 | 2 890 | 113 | 3 003 |
| – | – | – | 68 | 68 | 11 | 79 |
| – | (237) | – | 124 | (113) | 5 | (108) |
| – | (237) | – | 192 | (45) | 16 | (29) |
| – | – | – | – | – | – | – |
| – | – | – | 4 | 4 | (3) | 1 |
| – | – | – | – | – | (8) | (8) |
| **(3 014)** | **578** | **(8)** | **4 523** | **2 849** | **118** | **2 967** |

# CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 31 MARCH 2021

| | Notes | 2021 £'m Inflow/(outflow) | 2020 £'m Inflow/(outflow) |
|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| Cash generated from operations | 30.1 | **330** | 589 |
| Interest received | | **4** | 9 |
| Interest paid | 30.2 | **(70)** | (83) |
| Tax paid | 30.3 | **(29)** | (59) |
| **Net cash generated from operating activities** | | **235** | 456 |
| **CASH FLOW FROM INVESTMENT ACTIVITIES** | | **(137)** | (182) |
| Investment to maintain operations | 30.4 | **(56)** | (81) |
| Investment to expand operations | 30.5 | **(80)** | (102) |
| Acquisition of subsidiaries | 31 | **(2)** | (12) |
| Disposal of subsidiaries | 32 | **4** | 9 |
| Acquisition of investment in associate | 8 | **(1)** | (1) |
| Dividends received from equity-accounted investment | | **–** | 5 |
| Proceeds from other investments and loans | | **1** | – |
| Increase in other investments and loans | | **(4)** | (2) |
| Proceeds from insurance claim | | **1** | – |
| Proceeds on disposal of property, equipment and vehicles | | **–** | 2 |
| **Net cash generated before financing activities** | | **98** | 274 |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | **(130)** | (207) |
| Distributions to non-controlling interests | 16 | **(8)** | (15) |
| Distributions to shareholders | 30.6 | **–** | (59) |
| Transaction with non-controlling interest | 16 | **1** | (1) |
| Proceeds from borrowings | 30.7 | **115** | 15 |
| Repayment of borrowings | 30.7 | **(196)** | (101) |
| Refinancing transaction costs | 30.7 | **(3)** | (1) |
| Repayment of lease liabilities | 30.7 | **(39)** | (45) |
| **Net increase in cash and cash equivalents** | | **(32)** | 67 |
| Opening balance of cash and cash equivalents | | **329** | 265 |
| Exchange rate fluctuations on foreign cash | | **(3)** | (3) |
| **Closing balance of cash and cash equivalents** | 30.8 | **294** | 329 |

The notes on pages 203–288 form an integral part of these financial statements.

# NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2021

### 1. DESCRIPTION OF BUSINESS

Mediclinic is an international healthcare services group with divisions in Switzerland, Southern Africa (South Africa and Namibia) and the United Arab Emirates (‘**UAE**’), and with an equity investment in the United Kingdom (‘**UK**’). Its core purpose is to enhance the quality of life.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

### 2.1. Basis of preparation

The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 (‘**IFRS**’) and the applicable legal requirements of the Companies Act 2006. In addition to complying with international accounting standards in conformity with the requirements of the Companies Act 2006, the consolidated financial statements also comply with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. There are no differences for the Group in applying IFRS as issued by the IASB and IFRS. The financial statements are prepared on the historical cost convention, except for the following items, which are carried at fair value or valued using another measurement basis:

- Derivative financial assets and liabilities, equity instruments measured at fair value through profit or loss (‘**FVPL**’) and equity instruments measured at fair value through other comprehensive income (‘**FVOCI**’) are measured at fair value;
- Retirement benefit obligations calculated in terms of the projected unit credit method and corresponding plan assets are measured at fair value; and
- Liabilities for cash-settled share-based payments are measured at fair value.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

#### Functional and presentation currency

The consolidated financial statements and financial information are presented in sterling (the presentation currency), rounded to the nearest million. The functional currencies of the majority of the Group's entities, and the currencies of the primary economic environments in which they operate, are the Swiss franc, South African rand and UAE dirham. The UAE dirham is pegged against the United States (‘**US**’) dollar at a rate of 3.6725 per US dollar.

#### Exchange rates

The Group uses the average of exchange rates prevailing during the year to translate the results and cash flows of foreign subsidiaries, the joint venture and associated undertakings into sterling and year-end rates to translate the net assets of those undertakings. The following exchange rates were applicable for the year:

| | 2021 | 2020 |
|---|---|---|
| **Average rates** | | |
| Swiss franc | **1.21** | 1.25 |
| South African rand | **21.30** | 18.76 |
| UAE dirham | **4.80** | 4.67 |
| **Year-end rates** | | |
| Swiss franc | **1.30** | 1.20 |
| South African rand | **20.37** | 22.08 |
| UAE dirham | **5.07** | 4.56 |

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 2.1. Basis of preparation (continued)

#### Going concern

The severity, duration and full impact of the COVID-19 pandemic and its economic aftermath on the Group's businesses remain uncertain. Despite the global vaccine roll-outs and the robust operating performance for the year ended 31 March 2021, there remains a degree of risk and uncertainty as to the Group's financial performance for at least the next 12–18-month period to 30 September 2022.

The Group's financial performance for the year ended 31 March 2021 across all three divisions was well ahead of the COVID-19-adjusted base case scenarios modelled at the beginning of the pandemic in March 2020. As evidenced in the year under review, the key impact to revenue and profitability during the pandemic was the national lockdown measures and restrictions imposed on non-urgent elective procedures. Notwithstanding the continued uncertainty due to the ongoing pandemic, it is considered reasonably unlikely that the severe restrictions previously imposed on non-urgent elective procedures will be reintroduced given the advance in COVID-19 operating protocols since March 2020.

For the purposes of assessing liquidity specifically and going concern broadly at 31 March 2021, the Group modelled a combination of severe but plausible downside scenarios on a month-by-month basis and also applied appropriate mitigation actions which would be within the Group's control. These scenarios had specific reference to:

- reduction in volumes due to the ongoing effects of the COVID-19 pandemic or a deterioration in the business environment;
- reduction in tariffs due caused by possible regulatory changes; and
- working capital and capital expenditure requirements.

Due to the mostly fixed employee cost base across the business, lower revenue due to either a reduction in tariffs or volumes has the most pronounced impact on EBITDA. Compared with the business plan, the combined adverse effect of reduction of tariffs and volumes after mitigation modelled amounts to a decline of 24% of EBITDA over the 18-month period to 30 September 2022, which is more severe than the decline in adjusted Group EBITDA of 21% during FY21. In the worst affected month, the Group EBITDA is affected by approximately 35% in the downside case when compared with the base case. In the downside case, the Group EBITDA includes an adverse impact of at least 12% per month compared with base case.

Depending on the circumstances, further mitigating actions would be available to the Group that have not been modelled. These include:

- further reductions in capital expenditure, e.g. ceasing ongoing projects;
- reductions in staff and other operating costs;
- a freeze on recruitment;
- a restriction on salary increases;
- rental relief from landlords; and
- utilising surplus cash at a corporate level.

Based on the assumptions applied and the effect of mitigating actions set out above, most within the control of the Group, the analyses demonstrate that the divisions will continue to be able to meet their obligations for the periods modelled.

Debt is ring-fenced within each division, with no cross guarantees or cross defaults. Borrowings are denominated in the same currency as the divisions' underlying revenue and therefore not exposed to foreign exchange rate risk. The nearest term material maturity is a bank loan of ZAR2 575m and redeemable preference shares of ZAR1 800m that are due in September 2022. Mediclinic Southern Africa is proactively engaging with the banks on either an extension of the facility as provided for in the original loan agreement or a refinance of the entire facility. Mediclinic Southern Africa's leverage ratio is at a level where refinancing should be possible considering the current market conditions.

In addition to successfully refinancing its CHF145m bond on more favourable terms, Hirslanden has prudently engaged with its lending banks to further extend a covenant test waiver by 12 months, with the first tests now to be performed at the end of September 2022. By the time of the reinstated test, all covenants will have sufficient headroom based on the range of modelled scenarios.

Due to the proactive response to maintain the Group's liquidity position, cash and available facilities have remained strong at £679m at year-end, compared to £518m at 31 March 2020 and £661m at 30 September 2020.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 2.1. Basis of preparation (continued)

#### Going concern (continued)

While recognising that there remains significant risk to the Group's financial performance for at least the next 12 months, the directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due for a period of at least 12 months from the date of approving the financial statements.

#### Income statement reclassification

During the period under review, the Group changed the presentation of its operating expenses in the Consolidated Income Statement from an analysis by function to an analysis by nature. Comparatives have been changed to conform to the new presentation. The rationale for the change is to align the presentation of expenses with that of the internal management reports and to provide a more robust disaggregation of the Group's activities that better reflects the nature of the business. The Group believes that the change in presentation of expenses results in more relevant information for the users and enhanced disclosure on the face of the income statement. The prior period expenses of £3 271m for the year ended 31 March 2020 previously classified as 'Cost of sales' (£1 960m) and 'Administration and other operating expenses' (£1 311m) have been reclassified by nature of expense as set out in the table below.

| Category | Description |
|---|---|
| *Employee benefit and contractor costs* | Includes employee benefit expenses for all staff, contractor costs and other employee-related costs. |
| *Consumables and supplies* | Includes the cost of all inventories, including obsolete stock, which have been expensed during the year. |
| *Care-related costs* | Includes costs closely linked to providing a service or care to patients and enhancing patient experience, and includes catering, laundry, cleaning, security services and other patient-related costs. |
| *Infrastructure-related costs* | Includes repairs and maintenance, rates and taxes, utilities, rent expensed in terms of IFRS 16 and other infrastructure-related costs. |
| *Service costs* | Includes all other administrative and operating expenses and non-specific service costs rendered, including, but not limited to, consulting, marketing, travel and audits. |
| *Provision for expected credit losses* | Consists of the movement in the allowance for expected credit losses recognised in terms of IFRS 9. |
| *Depreciation and amortisation* | Includes depreciation on property, equipment and vehicles and right-of-use assets, as well as amortisation of intangible assets. |



### 2.2. Consolidation and equity accounting

#### a) Basis of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The results of subsidiaries are included in the consolidated financial statements from the effective date of acquisition until control is relinquished.

Adjustments to the financial statements of subsidiaries are made when necessary to bring their accounting policies in line with those of the Group.

All intra-company transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the Group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 2.2. Consolidation and equity accounting (continued)

#### b) Business combinations

The Group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets obtained and liabilities incurred or assumed. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt or incur borrowings, which are amortised as part of the effective interest, and costs to issue equity, which are included in equity.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the recognition conditions of IFRS 3 *Business Combinations* are recognised at their fair values at acquisition date, except for non-current assets (or disposal companies) that are classified as held-for-sale in accordance with IFRS 5 *Non-current Assets Held-for- sale and Discontinued Operations*, which are recognised at fair value less costs to sell.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the Group assesses the classification of the acquiree's assets and liabilities and reclassifies them where the classification is inappropriate for Group purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Non-controlling interests arising from a business combination, which are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, are measured either at the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets or at fair value. The treatment is not an accounting policy choice but is selected for each individual business combination and disclosed in the note for business combinations. All other components of non-controlling interests are measured at their acquisition date fair values, unless another measurement basis is required by IFRS.

In cases where the Group held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value at acquisition date. The measurement to fair value is included in profit or loss for the year. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest, less the fair value of the identifiable assets and liabilities of the acquiree. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Goodwill is not amortised but is tested on an annual basis for impairment or more frequently if events or changes in circumstances indicate a potential impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

Goodwill arising on acquisition of foreign entities is considered an asset of the foreign entity. In such cases, the goodwill is translated to the functional currency of the Company at the end of each reporting period with the adjustment recognised in equity through other comprehensive income.

#### c) Investments in associates and joint ventures

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Investments in associates and joint ventures are accounted for using the equity method of accounting.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 2.2. Consolidation and equity accounting (continued)

#### c) Investments in associates and joint ventures (continued)

Under the equity method, the equity-accounted investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. Dividends received or receivable from equity-accounted investments are recognised as a reduction in the carrying amount of the investment. The Group's investments in associates and joint ventures include goodwill identified on acquisition. When the Group's share of losses in an associate or joint venture equals or exceeds its interests in the investment (which includes any long-term interests that, in substance, form part of the Group's net investment), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the entity.

Unrealised gains on transactions between the Group and its equity-accounted investments are eliminated to the extent of the Group's interest in these investments. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the equity-accounted investments have been changed where necessary to ensure consistency with the policies adopted by the Group.

If the ownership interest in an equity-accounted investment is reduced but significant influence or joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate. The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

The Group determines at each reporting date whether there is any objective evidence that the equity-accounted investment is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value and recognises the amount adjacent to share of profit or loss of the investment in the income statement.

### 2.3. Segment reporting

Consistent with internal reporting, the Group's segments are identified as the three geographical operating segments in Switzerland, Southern Africa and the Middle East. The UK and Corporate segments are additional non-operating segments. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the segments, has been identified as the Group Executive Committee, which makes strategic decisions. The Group Executive Committee comprises the executive directors and senior management as disclosed in the Annual Report on pages 108 and 114–115.

Intersegment transactions are eliminated and shown separately in the Segmental report. Refer to note 5.

### 2.4. Property, equipment and vehicles

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

Land and capital expenditure in progress is not depreciated. Depreciation on the other assets is calculated using the straight-line method to allocate the cost less its residual value over its estimated useful life as follows:

- Buildings: 10–100 years
- Equipment: 3–10 years
- Furniture and vehicles: 3–8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

When commissioned, capital expenditure in progress is transferred to the relevant category of property and equipment and depreciated in accordance with the Group's policies.

Refer to note 2.6 for impairment of property, equipment and vehicles.

An asset is derecognised on disposal or when no future economic benefits are expected from its use. Profit or loss on disposals is determined by comparing fair value of proceeds with carrying amounts. These are included in the income statement.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 2.5. Intangible assets

**a) Goodwill**

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest, less the fair value of the identifiable assets and liabilities of the acquiree. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates and joint ventures is included in investments in associates and joint ventures. Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment. Goodwill is carried at cost less accumulated impairment. Impairments on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ('**CGUs**') for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from business combinations in which goodwill arose. Management monitors goodwill for impairment at a CGU level, except for the Mediclinic Middle East goodwill, which is monitored at an operating segment level. Any impairment losses that are recognised are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of other assets in the CGU where the carrying amount is greater than the recoverable amount.

**b) Trade names**

Trade names have been recognised by the Group as part of a business combination. No value is placed on internally developed trade names. Trade names are capitalised at the cost to the Group and amortised on a straight-line basis over their estimated useful lives of 2–25 years. Trade names are carried at cost less accumulated amortisation and accumulated impairment. Expenditure to maintain trade names is accounted for against income as incurred.

**c) Computer software**

Acquired computer software licences, configuration and implementation costs are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (2–10 years) using the straight-line method.

Costs associated with maintaining computer software are expensed as incurred.

### 2.6. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstances indicate a potential impairment. Assets that are subject to amortisation or depreciation are tested for impairment whenever events or changes in circumstances indicate a potential impairment. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair-value-less-costs-to-sell and value-in-use. The recoverable amount is calculated by estimating future cash benefits that will result from each asset and discounting those cash benefits at an appropriate discount rate. For the purposes of assessing impairment for non-financial assets other than goodwill, assets are grouped at the lowest levels for which there are separately identifiable and independent cash flows – CGUs. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### 2.7. Financial assets

The Group classifies its financial assets in the following measurement categories:
- Financial assets measured subsequently at fair value (either through FVOCI or FVPL)
- Financial assets measured at amortised cost

The classification depends on the business model for managing the financial assets and the contractual term of the cash flows. Management determines the classification of its investment at initial recognition.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 2.7. Financial assets (continued)

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

**Equity instruments and instruments managed on a portfolio basis**

The Group subsequently measures all equity investments and instruments managed on a portfolio basis at fair value. Changes in the fair value of financial assets at FVPL are recognised in other gains and losses in the income statement.

Where management has elected to present fair value gains and losses on these investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit and loss. Upon derecognition of these investments, any balance within the FVOCI reserve is reclassified to retained earnings. Dividends from such investments are recognised in profit or loss as other gains and losses when the Group's right to receive payments is established.

Impairment losses on these investments measured at FVOCI or FVPL are not reported separately from other changes in fair value.

Instruments managed on a portfolio basis (other than equity instruments) consist of highly liquid investments in money market funds that do not meet the maturity criteria of IAS 7 *Statement of Cash Flows* and therefore cannot be classified as cash and cash equivalents.

**Debt instruments**

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

There are two measurement categories into which the Group classifies its debt instruments:
- Amortised cost: Assets that are held for collection of contractual cash flows representing solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Trade receivables and loans receivable are classified as debt instruments measured at amortised cost.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss is recognised in profit or loss and presented in the income statement as part of other gains and losses in the period in which it arises. Interest income from these financial assets is included in finance income.

Debt instruments are included in current assets, except for maturities greater than 12 months after the reporting date, which are classified as non-current assets.

**Impairment**

The Group recognises an allowance for expected credit losses for all debt instruments not held at FVPL. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

Expected credit losses are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12 months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default.

For trade receivables only, the Group applies the simplified approach permitted by IFRS 9, which requires lifetime expected credit losses to be recognised from initial recognition of the receivables. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Trade receivables have been grouped based on shared credit risk characteristics, such as the counterparty (insurer or individual, etc.) or geographical region, and the days past due. The expected loss rates are based on the payment profiles of debtors and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

For debt instruments at FVOCI and debt instruments at amortised cost, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 2.7. Financial assets (continued)

#### Impairment (continued)

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### 2.8. Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts; the legal enforceable right is not contingent on a future event and is enforceable in the normal course of business even in the event of default, bankruptcy or insolvency; and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

### 2.9. Inventories

Inventories are measured at the lower of cost, determined on the weighted average method, or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### 2.10. Cash and cash equivalents

Cash and cash equivalents consist of balances with banks and cash-on-hand and are classified as debt instruments measured at amortised cost. Bank overdrafts are classified as financial liabilities at amortised cost and are disclosed as part of borrowings in current liabilities in the statement of financial position.

### 2.11. Derivative financial instruments and hedging activities

Derivative financial instruments comprise interest rate swaps, put/call agreements and forward contracts. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. Hedges of a particular risk associated with a recognised liability or a highly probable forecast transaction are designated as cash flow hedges. The Group uses interest rate swaps as cash flow hedges.

At inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it applies hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes the identification of the hedging instrument; the hedged item; the nature of the risk being hedged; and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements. A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below under ***Cash flow hedges***.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 21. The hedging reserve in shareholders' equity is shown in note 14. On the statement of financial position, hedging derivatives are not classified based on whether the amount is expected to be recovered or settled within, or after, 12 months. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedge relationship is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedge relationship is less than 12 months.

#### Cash flow hedges

The effective portion of changes in the fair value of derivatives that is designated and qualifies as a cash flow hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

### 2.11. Derivative financial instruments and hedging activities (continued)

#### Cash flow hedges (continued)

Amounts accumulated in other comprehensive income are reclassified to the income statement in the periods when the hedged item affects profit or loss (for example, when the interest expense on hedged variable rate borrowings is recognised in profit or loss).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

#### Non-hedging derivatives

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised at fair value through profit or loss.

#### Written put option (redemption liability)

The amount that may become payable under a written put option on exercise is initially recognised at the present value of the redemption amount with a corresponding charge directly to equity.

The liability is subsequently adjusted for changes in the estimated performance and increased through finance charges up to the redemption amount that is payable at the date at which the option first becomes exercisable. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to equity.

### 2.12. Non-current assets held-for-sale

Non-current assets and disposal groups are classified as held-for-sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held-for-sale are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held-for-sale, or while it is part of a disposal group classified as such.

### 2.13. Share capital

Ordinary shares are classified as equity. Shares in the Company held by wholly owned Group companies are classified as treasury shares and are held at cost.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

### 2.14. Treasury shares

Treasury shares are deducted from equity until the shares are cancelled, reissued or disposed. No gains or losses are recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. All consideration paid or received for treasury shares is recognised directly in equity.

### 2.15. Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

### 2.16. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 2.16. Borrowings (continued)

Borrowing costs are expensed when incurred, except for borrowing costs directly attributable to the construction or acquisition of qualifying assets. Borrowing cost directly attributable to the construction or acquisition of qualifying assets is added to the cost of those assets, until such time as the assets are substantially ready for their intended use. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use.

### 2.17. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events, and 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.

Provisions are determined by discounting the expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provision for malpractice claims is made at the year-end for the estimated cost of claims incurred but not settled at the end of each reporting period, including the cost of claims incurred but not yet reported to the Group. The estimated cost of claims includes expenses to be incurred in settling claims. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. The Group does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and statistical analysis for the claims incurred but not reported.

### 2.18. Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax legislation enacted or substantively enacted at the reporting date in the countries where the Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is determined using tax rates (and legislation) that have been enacted or substantially enacted by the reporting date, and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### 2.19. Employee benefits

#### a) Retirement benefit costs

The Group provides defined benefit and defined contribution plans for the benefit of employees, the assets of which are held in separate trustee-administered funds. These plans are funded by payments from the employees and the Group, taking into account recommendations of independent qualified actuaries.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 2.19. Employee benefits (continued)

#### a) Retirement benefit costs (continued)

**Defined contribution plans**
A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Each member's fund value is directly linked to the contributions and the related investment returns. The Group has no legal or constructive obligations to make further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior period/(s). The contributions are recognised as employee benefit expenses when they are due.

**Defined benefit plans**
This plan defines an amount of pension benefit an employee will receive on retirement, dependent on one or more factors such as age, years of service and compensation. The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognised immediately in the income statement. A net pension asset is recorded only to the extent that it does not exceed the present value of any economic benefit available in the form of reductions in future contributions to the plan, and any unrecognised actuarial losses and past service costs. The annual pension costs of the Group's benefit plans are charged to the income statement.

Incurred interest costs/income on the defined benefit obligations are recognised as wages and salaries.

#### b) Post-retirement medical benefits
Some Group companies provide for 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 charged or credited to other comprehensive income in the period in which they arise.

#### c) Cash-settled share-based compensation
The Group operates cash-settled share-based compensation plans. The Group recognises the value of the services received (expense), and the liabilities to pay for those services, as the employees render service. The liabilities are measured, initially, and at each reporting date until settled, at the fair value appropriate to the scheme, taking into account the terms and conditions on which the rights were granted, and the extent to which the employees have rendered service to date, excluding the impact of any non-market-related vesting conditions. Non-market-related vesting conditions are included in the assumptions regarding the number of units expected to vest. These assumptions are revised at the end of each reporting period. All changes to the fair value of the liability are recognised in the income statement.

#### d) Equity-settled share-based compensation
The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:
- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

#### e) Profit sharing and bonus plans
The Group recognises a liability and an expense where a contractual obligation exists for short-term incentives. The amounts payable to employees in respect of the short-term incentive schemes are determined based on annual business performance targets.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 2.20. Revenue recognition

Revenues are measured at the transaction price which is the amount of consideration that the Group expects to be entitled to in exchange for the services provided.

A performance obligation is a promise to transfer distinct goods and services to a customer. Hospital services provided to patients are regarded as a bundle of services which comprise accommodation, meals, theatre time, use of equipment, pharmacy stock and nursing services. This is considered to be a single performance obligation as the medical procedures cannot be performed without one of the above elements.

Revenue is recorded during the period in which the hospital service is provided and is based on the amounts due from patients and/or medical funding entities. Fees are calculated and billed based on various tariff agreements with funders.

Discounts comprise retrospective volume discounts granted to certain funders on attainment of certain levels of patient visits and constitute variable consideration under IFRS 15. These are accrued over the course of the arrangement based on estimates of the level of business expected and are adjusted against revenue at the end of the arrangement to reflect actual volumes. Refer to note 23 for the accounting policies regarding these discounts specifically for Mediclinic Southern Africa and Mediclinic Middle East.

In the Middle East, the normal business process associated with transactions with insurers includes an amount of claims disallowed (disallowance provision) which is not paid by the insurer. These disallowed claims could be for various technical or medical reasons. Disallowance write-offs on rejected claims is a general practice by the insurers in the Middle East. Accordingly, Mediclinic Middle East expects an amount of consideration that is less than what was originally invoiced. These write-offs constitute variable consideration under IFRS 15. Variable consideration is recognised as revenue to the extent that it is highly probable that a reversal of revenue will not occur.

The Group does not expect to have any contracts where the period between the transfer of the promised service to the patient and the payment by the patient exceeds one year. Consequently, the Group does not adjust any of the transaction prices for time value of money.

Refer to note 23 for specific revenue recognition accounting policies relating to different geographical locations.

#### Other income

Other income is recognised on the following basis:
- Interest income for credit-impaired financial assets is measured by applying the effective interest rate method to amortised cost. For all other financial assets, the interest income is measured by applying the effective interest rate method to the gross carrying amount.
- Rental income is recognised on a straight-line basis over the term of the lease and presented as part of revenue.
- Government grants that compensate the Group for loss of revenue are recognised in profit or loss when they become receivable and are presented as other income. Refer to note 24 for additional information regarding government grants.

### 2.21. Consumables and supplies

Consumables and supplies consist of the cost of inventories, including obsolete stock, which have been expensed during the year.

Rebates received from suppliers are recognised when all the conditions agreed with the suppliers are met, the amount of cost of supplies can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the entity.

### 2.22. Leases

The Group leases various buildings, equipment, vehicles and other assets. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option; and
- lease payments to be made under reasonably certain extension options.

### 2.22. Leases (continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of medical and other equipment. Low-value assets contribute an insignificant portion of the Group's rental payments expensed in terms of IFRS 16.

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the lessee as a starting point and adjusts the rate to reflect changes in financing conditions since the third-party financing was received. The Group also makes adjustments to the rate relating to the specific lease based on the term, country, currency and security.

Some property leases contain variable payment terms that are linked to revenue generated from a hospital. Variable lease payments that depend on revenue are recognised in profit or loss in the period in which the condition that triggers those payments occur.

Extension and termination options are included in a number of leases across the Group. The majority of the extension and termination options held are exercisable only by the Group and not by the respective lessor. In determining the lease term, all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option, are considered.

#### COVID-19-related rent concessions

The Group has applied COVID-19-Related Rent Concessions – Amendment to IFRS 16. The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assesses whether there is a lease modification. Rent concessions are included in other gains and losses.

### 2.23. Dividend distribution

Final dividends are recorded in the Group's financial statements in the period in which they are approved by the Company's shareholders. Interim dividends are recorded and paid in the period in which they are approved by the directors.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 2.24. Foreign currency transactions

**Transactions and balances**
Foreign currency transactions are translated into the respective Group entities' functional currencies at exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement (except when recognised in other comprehensive income as part of qualifying cash flow hedges).

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the transaction date, and those measured at fair value are translated at the exchange rate at the date that the fair value was determined. Exchange rate differences on non-monetary items are accounted for based on the classification of the underlying items.

Translation differences on non-monetary financial assets measured at FVOCI are included in other comprehensive income. Foreign exchange gains and losses are presented in the income statement in other gains and losses.

**Group entities**
The results and financial position of all foreign operations that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:
- Assets and liabilities are translated at the closing rate at the reporting date;
- Income and expenses for each income statement are translated at average exchange rates during the year; and
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken directly to other comprehensive income. Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operation and translated at closing rates at the reporting date.

### 2.25. Standards, interpretations and amendments

**Published standards, amendments and interpretations effective for the 31 March 2021 financial period:**
The following published standards, amendments and interpretations are mandatory for the accounting period beginning on or after 1 April 2020 and have been adopted:
- IFRS 3 *Definition of a Business* amendments (1 January 2020)
- IFRS 7, IFRS 9 and IAS 39 *Interest Rate Benchmark Reform Phase 1* (1 January 2020)
- IAS 1 and IAS 8 *Definition of Material* amendments (1 January 2020)

The Group has also elected to adopt the following amendments early:
- IFRS 16 *Leases* - COVID-19-related Rent Concessions (1 June 2020)

The implementation of these standards and amendments had no material financial impact on the reported results or financial position of the Group.

**Published standards, amendments and interpretations not yet effective and not early adopted:**
The following new accounting standards, interpretations and amendments will have no material impact on the financial statements:
- IFRS 7, IFRS 9 and IAS 39 *Interest Rate Benchmark Reform Phase 2* (1 January 2021)
- IFRS 4 *Insurance Contracts* (1 January 2021)
- IFRS 17 *Insurance Contracts* (1 January 2023)
- IAS 16 *Property, Plant and Equipment: Proceeds before Intended Use* amendments (1 January 2022)
- IAS 37 *Onerous Contracts – Cost of Fulfilling a Contract* amendments (1 January 2022)
- Annual improvements 2018–2020 cycle – Amendments and clarifications to existing IFRS standards (1 January 2022)
- IAS 1 *Classification of Liabilities as Current or Non-current* amendments (1 January 2023)

## 3. FINANCIAL RISK MANAGEMENT

### 3.1. Financial risk factors

Normal business activities expose the Group to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group’s overall risk management programme seeks to minimise the effect of potential adverse events on the Group’s financial performance.

### a) Market risk

#### i) Currency risk

#### Investments in foreign operations

The Group has investments in foreign operations whose net assets are exposed to foreign currency translation risk. Changes in the sterling/Swiss franc, sterling/South African rand and sterling/UAE dirham exchange rates over a period of time result in increased/decreased earnings. Other than the Group's earnings and payment of dividends, which are presented and declared in sterling and thus exposed to currency risk, the Group is not significantly exposed to currency risk since the divisions predominantly operate and are funded in their local currency.

In the case of corporate offshore transactions and/or cross-border business combinations, generally forward cover contracts are considered or taken out to minimise foreign currency risk.

The impact of a 10% change in the sterling/Swiss franc, sterling/South African rand and sterling/UAE dirham exchange rates for a sustained period of one year is:

- profit for the period would increase/decrease by £1m (2020: increase/decrease by £5m) due to exposure to the sterling/Swiss franc exchange rate;
- profit for the period would increase/decrease by £3m (2020: increase/decrease by £9m) due to exposure to the sterling/South African rand exchange rate;
- profit for the period would increase/decrease by £4m (2020: increase/decrease by £4m[1]) due to exposure to the sterling/UAE dirham exchange rate;
- foreign currency translation reserve would increase/decrease by £162m (2020: increase/decrease by £143m) due to exposure to the sterling/Swiss franc exchange rate;
- foreign currency translation reserve would increase/decrease by £13m (2020: increase/decrease by £14m) due to exposure to the sterling/South African rand exchange rate; and
- foreign currency translation reserve would increase/decrease by £114m (2020: increase/decrease by £113m) due to exposure to the sterling/UAE dirham exchange rate.

#### ii) Interest rate risk

The Group’s interest rate risk arises from long-term borrowings as well as short-term deposits. Borrowings and short-term deposits issued at variable rates expose the Group to cash flow interest rate risk. Interest rate derivatives and assets issued at fixed interest rates expose the Group to fair value interest rate risk. Group policy is to maintain an appropriate mix between fixed and floating rate borrowings and placings.

The Group’s interest rate risk arises from bank borrowings at variable interest rates. The Group manages its interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts. The interest rate hedges entered into match key contractual terms of the borrowings to enable an economic relationship between hedged item and hedging instrument. At year-end, a portion of the South African borrowings and Middle East borrowings were hedged and the Swiss borrowings were unhedged (refer to note 17). The unhedged borrowings are evaluated on a regular basis.

With the interest rate swap agreements the Group entered into to mitigate interest rate risk, the Group did not consider there to be a significant concentration of interest rate risk.

Financial instruments issued at fixed rates expose the Group to fair value interest rate risk. The Group’s exposure to fair value interest rate risk is not considered to be significant due to the short-term nature of the investments.

**Note**

[1] Profit for the period excludes the Mediclinic Middle East goodwill impairment charge.

## 3. FINANCIAL RISK MANAGEMENT CONTINUED

### 3.1. Financial risk factors (continued)

#### a) Market risk (continued)
#### ii) Interest rate risk (continued)

**Interest rate sensitivity**

The sensitivity analyses below were determined based on the exposure to interest rates of net debt at the reporting date and the stipulated change taking place at the beginning of the financial year, and held constant throughout the reporting period in the case of instruments that have floating rates. The sensitivity of interest rates can be summarised as follows:

- Switzerland: At 31 March 2021, the 3M Swiss LIBOR was -0.75% (2020: -0.62%). Interest rates would have to increase by 75 basis points to have an impact on profit for the period with all other variables held constant. An increase in the interest rate of 25 basis points would have no impact on profit for the period (2020: no impact).
- Southern Africa: Profit for the period would decrease/increase by £0.7m (2020: decrease/increase by £0.9m) if the interest rates had been 100 basis points higher/lower in Southern Africa with all other variables held constant; and
- Middle East: Profit for the period would decrease/increase by £0.4m (2020: decrease/increase by £0.5m) if the interest rates had been 50 basis points higher/lower in the Middle East with all other variables held constant.

#### b) Credit risk

Financial assets that potentially subject the Group to concentrations of credit risk consist principally of cash, short-term deposits, trade and other receivables, derivative financial contracts, and reinsurance used to manage insurance risk. The Group's cash equivalents and short-term deposits are placed with reputable financial institutions with a high credit rating. Trade receivables are represented net of the allowance for expected credit losses. Credit risk with respect to trade receivables is limited due to the large number of customers comprising the Group's customer base, which consists mainly of medical schemes and insurance companies. The financial condition of these customers in relation to their credit standing is evaluated on an ongoing basis. Medical schemes and insurance companies are required to maintain minimum reserve levels. The policy for patients that do not have a medical scheme or an insurance company paying for the Group's service is to require a preliminary payment instead. The Group does not have any significant exposure to any individual customer or counterparty and expected credit losses were assessed at the end of the year.

The Group is exposed to credit-related losses in the event of non-performance by counterparties to hedging instruments. The counterparties to these contracts are major financial institutions. The Group monitors its positions and limits the extent to which it enters into contracts with any one party.

The gross carrying amounts of financial assets (before credit loss allowances) included in the statement of financial position represent the Group's maximum exposure to credit risk in relation to these assets. At 31 March 2020 and 31 March 2021, the Group did not consider there to be a significant concentration of credit risk.

#### c) Liquidity risk

The liquidity risk related to the impact of the COVID-19 pandemic has been considered in the directors' evaluation of the going concern assumption. See section 2.1.

The Group manages liquidity risk by monitoring cash flow forecasts to ensure that it has sufficient cash to meet operational needs, while maintaining sufficient headroom on its undrawn borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

| | 2021 £'m | 2020 £'m |
|---|---|---|
| The Group's unused banking and overdraft facilities | 385 | 189 |

## 3. FINANCIAL RISK MANAGEMENT CONTINUED

### 3.1. Financial risk factors (continued)

#### c) Liquidity risk (continued)

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been prepared based on the undiscounted cash flows of financial liabilities based on the required date of repayment. The table includes both interest and principal cash flows. The analysis of derivative financial instruments has been prepared based on undiscounted net cash inflows/(outflows) that settle on a net basis.

| Financial liabilities | Carrying value £'m | Contractual cash flows £'m | 1–12 months £'m | 1–5 years £'m | Beyond 5 years £'m |
|---|---|---|---|---|---|
| **31 March 2021** | | | | | |
| Borrowings | **1 777** | **2 550** | **147** | **1 549** | **854** |
| Lease liabilities | **676** | **886** | **59** | **217** | **610** |
| Derivative financial instruments | **126** | **130** | **8** | **122** | **–** |
| Trade payables | **235** | **235** | **235** | **–** | **–** |
| Other payables and accrued expenses | **206** | **206** | **206** | **–** | **–** |
| **31 March 2020** | | | | | |
| Borrowings | 1 951 | 2 822 | 219 | 1 596 | 1 007 |
| Lease liabilities | 703 | 954 | 61 | 231 | 662 |
| Derivative financial instruments | 111 | 107 | 3 | 104 | – |
| Trade payables | 260 | 260 | 260 | – | – |
| Other payables and accrued expenses | 204 | 204 | 204 | – | – |

#### d) Insurance risk

The risk that an insured event occurs and the amount of the resulting claim is uncertain. The risks covered by the Group's insurance policies include property damage and business interruption, malpractice claims, directors' and officers' liability, commercial crime and cyber risk. The Group manages insurance risk by outsourcing claims handling to service providers who review the claims on a regular basis and by pursuing early settlement of claims to reduce its exposure to unpredictable developments.

### 3.2. Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 17; cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, retained earnings and other reserves; and non-controlling interest as disclosed in notes 13, 14 and 16, respectively. The Group's Audit and Risk Committee reviews the going concern status and capital structure of the Group biannually. The Group balances its overall capital structure through the payment of dividends and new share issues, as well as the issue of new debt or the redemption of existing debt. Although a dividend suspension is in place, the Group's dividend policy is to target a payout ratio of 25–35% of adjusted earnings. The Board may revise the policy at its discretion. The debt-to-capital ratios as at 31 March 2021 and 31 March 2020 were as follows:

| | 2021 £'m | 2020 £'m |
|---|---|---|
| Borrowings | **1 777** | 1 951 |
| Lease liabilities | **676** | 703 |
| Less: cash and cash equivalents | **(294)** | (329) |
| Net debt | **2 159** | 2 325 |
| Total equity | **2 967** | 3 003 |
| Debt-to-equity capital ratio | **72.8%** | 77.4% |

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be incorrect. Detailed information about each of these estimates and judgements is included in the notes as listed below.

### Critical accounting judgements

- Level at which management monitors goodwill for impairment testing (refer to note 7)
- Deferred tax on unremitted earnings (refer to note 10)
- Determination of CGUs for impairment testing (refer to note 6)
- Determination of lease term (refer to note 18)

### Key estimates

- Impairment of non-current assets excluding goodwill (refer to note 6)
- Impairment of goodwill (refer to note 7)
- Impairment of equity-accounted investments (refer to note 8)
- Retirement benefits (refer to note 19)
- Remeasurement of redemption liability (written put option) (refer to note 21)

## 5. SEGMENTAL REPORT

The reportable operating segments are identified as follows: Switzerland, Southern Africa and Middle East and additional segments are shown for the United Kingdom and Corporate.

| Year ended 31 March 2021 | Total £'m | Reportable operating segments Switzerland £'m | Southern Africa £'m | Middle East £'m | Other United Kingdom £'m | Corporate £'m |
|---|---|---|---|---|---|---|
| Revenue | 2 995 | 1 478 | 734 | 781 | – | 2 |
| EBITDA | 428 | 225 | 108 | 102 | – | (7) |
| EBITDA before management fee | 428 | 231 | 114 | 105 | – | (22) |
| Group Services fees included in EBITDA[1] | – | (6) | (6) | (3) | – | 15 |
| Other gains and losses | 2 | – | 1 | 1 | – | – |
| Depreciation and amortisation | (217) | (128) | (36) | (52) | – | (1) |
| Impairment of property, equipment and vehicles | (3) | – | (3) | – | – | – |
| Impairment of intangible assets | (1) | – | (1) | – | – | – |
| Operating profit/(loss) | 209 | 97 | 69 | 51 | – | (8) |
| Loss from associate | (70) | – | – | – | (70) | – |
| Reversal of impairment of associate | 60 | – | – | – | 60 | – |
| Finance income | 4 | – | 3 | – | – | 1 |
| Finance cost (excluding intersegment loan interest) | (99) | (54) | (29) | (16) | – | – |
| Total finance cost | (99) | (72) | (29) | (16) | – | 18 |
| Elimination of intersegment loan interest[1] | – | 18 | – | – | – | (18) |
| Taxation | (25) | (11) | (14) | – | – | – |
| **Segment result** | 79 | 32 | 29 | 35 | (10) | (7) |
| **At 31 March 2021** | | | | | | |
| Investments in associates | 167 | 3 | 2 | 5 | 157 | – |
| Investments in joint ventures | 4 | – | 4 | – | – | – |
| Capital expenditure for the year[2] | 126 | 67 | 33 | 26 | – | – |
| Total segment assets | 6 672 | 3 972 | 740 | 1 701 | 157 | 102 |
| Total segment liabilities (excluding intersegment loan) | 3 705 | 2 470 | 602 | 624 | – | 9 |
| Total liabilities from reportable segment | 4 635 | 3 400 | 602 | 624 | – | 9 |
| Elimination of intersegment loan | (930) | (930) | – | – | – | – |

**Notes**

[1] Intersegment transactions' pricing is determined on an arm's length basis.

[2] Relates to additions to non-current assets other than financial instruments, deferred tax assets and net defined benefit assets.

FINANCIAL STATEMENTS

## 5. SEGMENTAL REPORT CONTINUED

| | | Reportable operating segments | | | Other | |
|---|---|---|---|---|---|---|
| Year ended 31 March 2020 | Total £'m | Switzerland £'m | Southern Africa £'m | Middle East £'m | United Kingdom £'m | Corporate £'m |
| Revenue | 3 083 | 1 438 | 907 | 737 | – | 1 |
| EBITDA | 541 | 245 | 188 | 110 | – | (2) |
| EBITDA before management fee | 541 | 251 | 194 | 113 | – | (17) |
| Group Services fees included in EBITDA[1] | – | (6) | (6) | (3) | – | 15 |
| Other gains and losses | 4 | – | – | 1 | – | 3 |
| Depreciation and amortisation | (217) | (126) | (37) | (53) | – | (1) |
| Reversal of impairment of property | 4 | 4 | – | – | – | – |
| Impairment of property, equipment and vehicles | (34) | (33) | (1) | – | – | – |
| Impairment of intangible assets | (482) | – | (1) | (481) | – | – |
| Operating profit/(loss) | (184) | 90 | 149 | (423) | – | – |
| Income from associate | 2 | – | – | – | 2 | – |
| Impairment of associate | (10) | – | – | – | (10) | – |
| Finance income | 9 | – | 8 | 1 | – | – |
| Finance cost (excluding intersegment loan interest) | (92) | (35) | (37) | (20) | – | – |
| Total finance cost | (92) | (52) | (37) | (20) | – | 17 |
| Elimination of intersegment loan interest[1] | – | 17 | – | – | – | (17) |
| Taxation | (24) | 13 | (36) | – | – | (1) |
| **Segment result** | (299) | 68 | 84 | (442) | (8) | (1) |
| **At 31 March 2020** | | | | | | |
| Investments in associates | 177 | 2 | 2 | 5 | 168 | – |
| Investments in joint ventures | 4 | – | 4 | – | – | – |
| Capital expenditure for the year[2] | 192 | 75 | 69 | 47 | – | 1 |
| Total segment assets | 6 954 | 4 192 | 680 | 1 838 | 169 | 75 |
| Total segment liabilities (excluding intersegment loan) | 3 951 | 2 701 | 564 | 683 | – | 3 |
| Total liabilities from reportable segment | 4 942 | 3 692 | 564 | 683 | – | 3 |
| Elimination of intersegment loan | (991) | (991) | – | – | – | – |

**Notes**

[1] Intersegment transactions' pricing is determined on an arm's length basis.

[2] Relates to additions to non-current assets other than financial instruments, deferred tax assets and net defined benefit assets.

## 5. SEGMENTAL REPORT CONTINUED

| | 2021 £'m | 2020 £'m |
|---|---|---|
| The total non-current assets, excluding financial instruments and deferred tax assets, per geographical location are: | | |
| Switzerland | **3 330** | 3 499 |
| Southern Africa | **518** | 484 |
| Middle East | **1 389** | 1 559 |
| United Kingdom | **157** | 168 |
| **ENTITY-WIDE DISCLOSURES** | | |
| **Revenue** | | |
| From UK | **–** | – |
| From foreign countries | **2 995** | 3 083 |
| Revenues from external customers are primarily from hospital services | | |

## 6. PROPERTY, EQUIPMENT AND VEHICLES

| | 2021 £'m | 2020 £'m |
|---|---|---|
| Land – cost | **886** | 959 |
| Buildings | **2 181** | 2 336 |
| Cost | **2 845** | 2 997 |
| Accumulated depreciation and impairment | **(664)** | (661) |
| Land and buildings | **3 067** | 3 295 |
| Capital expenditure in progress | **85** | 81 |
| Right-of-use assets | **625** | 675 |
| Cost | **739** | 739 |
| Accumulated depreciation | **(114)** | (64) |
| Equipment | **237** | 264 |
| Cost | **931** | 961 |
| Accumulated depreciation | **(694)** | (697) |
| Furniture and vehicles | **38** | 43 |
| Cost | **213** | 216 |
| Accumulated depreciation and impairment | **(175)** | (173) |
| | **4 052** | 4 358 |

FINANCIAL STATEMENTS

## 6. PROPERTY, EQUIPMENT AND VEHICLES CONTINUED

| | Land and buildings £'m | Capital expenditure in progress £'m | Right-of-use assets £'m | Equipment £'m | Furniture and vehicles £'m | Total £'m |
|---|---|---|---|---|---|---|
| Net book value at 1 April 2019 | 3 088 | 90 | – | 299 | 47 | 3 524 |
| IFRS 16 transition adjustment | – | – | 641 | (1) | – | 640 |
| Additions | 34 | 62 | 52 | 57 | 16 | 221 |
| Disposals | (1) | – | (5) | – | – | (6) |
| Depreciation | (51) | – | (46) | (82) | (18) | (197) |
| Business combinations | 8 | – | – | – | – | 8 |
| Transfer between asset classes | 17 | (25) | – | 7 | 1 | – |
| Prior year capital expenditure completed | 41 | (44) | – | 3 | – | – |
| Disposal of subsidiaries | (9) | – | (1) | – | – | (10) |
| Impairment | (13) | – | – | (19) | (2) | (34) |
| Reversal of impairment | 4 | – | – | – | – | 4 |
| Transfer to assets held for sale | (4) | – | (3) | – | – | (7) |
| Borrowing cost capitalised | – | 3 | – | – | – | 3 |
| Exchange differences | 181 | (5) | 37 | – | (1) | 212 |
| **Net book value at 31 March 2020** | 3 295 | 81 | 675 | 264 | 43 | 4 358 |
| Additions | 13 | 49 | 59 | 35 | 8 | 164 |
| Disposals | – | – | (1) | – | – | (1) |
| Depreciation | (60) | – | (49) | (72) | (15) | (196) |
| Transfer between asset classes | 4 | – | (12) | 7 | 1 | – |
| Prior year capital expenditure completed | 34 | (44) | – | 9 | 1 | – |
| Impairment | (3) | – | – | – | – | (3) |
| Borrowing cost capitalised | 1 | – | – | – | – | 1 |
| Lease remeasurements | – | – | 8 | – | – | 8 |
| Exchange differences | (217) | (1) | (55) | (6) | – | (279) |
| **Net book value at 31 March 2021** | **3 067** | **85** | **625** | **237** | **38** | **4 052** |

| | 2021 £'m | 2020 £'m |
|---|---|---|
| Total additions (excluding additions on right-of-use assets) | **105** | 169 |
| To maintain operations | **46** | 76 |
| To expand operations | **59** | 93 |

## 6. PROPERTY, EQUIPMENT AND VEHICLES CONTINUED

The right-of-use assets were recognised during the prior year with the adoption of IFRS 16 *Leases*. Refer to note 18 for further information on leases.

Property, equipment and vehicles with a book value of £2 696m (2020: £2 869m) are encumbered as security for borrowings (see note 17).

The impact of climate change on the assets' useful lives was considered at year-end and no significant impacts were identified.

### Critical accounting estimates and judgements

Property, equipment and vehicles are considered for impairment if impairment indicators are identified at an individual CGU level. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Group defines CGUs as combined inter-dependent hospitals and/or clinics or as individual hospitals depending on the geographical location or the degree of integration.

The impairment assessment is performed at CGU level and any impairment charge that arises would be allocated to the CGU's goodwill first, followed by other assets (such as property, equipment and vehicles, and other intangible assets).

### Impairment assessment

Due to the significant impact the COVID-19 pandemic had on the Southern Africa segment, its CGUs were assessed for impairment at 31 March 2021. The recoverable amounts of the CGUs tested for impairment were based on fair-value-less-cost-to-sell calculations. The determination of fair-value-less-cost-to-sell calculations uses level 3 valuation techniques. In determining the fair-value-less-cost-to-sell for the CGUs, the cash flows were discounted at a rate of 12.7%. Beyond five years a growth rate of 4.5% was used. The recoverable amount of three CGUs (£5m in total) was determined to be lower than their individual carrying values and as a result an impairment charge of £3m (2020: £nil) was recognised in the income statement relating to property, equipment and vehicles. The recoverable amount of 43 CGUs was higher than their carrying values and had sufficient headroom. After recognition of the impairment charges, the carrying amounts of the CGUs are not sensitive to reasonably possible changes in the discount rate and the terminal growth rate.

No impairment indicators were identified for the Swiss and Middle East CGUs at 31 March 2021. In the prior year, the carrying value of one Swiss CGU was determined to be higher than its recoverable amount and as a result an impairment charge of £33m was recognised in the income statement relating to property, equipment and vehicles.

Some CGUs within Hirslanden remain sensitive to reasonably possible changes in key assumptions in the fair-value-less-cost-to-sell calculations. As a result, any increase in the discount rate or decreases in the short-term cash flow projections or long-term growth rates could give rise to further material impairment charges in future periods. In determining the fair-value-less-cost-to-sell for the CGUs, the cash flows were discounted at rates between 4.9% and 5.2% (2020: 4.8% and 5.1%). An increase in the discount rate of 0.7% would lead to an impairment charge of approximately £19m and a decrease of 7% in the cash flow projections would result in an impairment charge of approximately £1m. A decrease of the terminal year growth rate to 0% would not result in impairment.

Any impairment determined at a CGU level under IAS 36 will include an assessment of the recoverable amount of Hirslanden's owned properties, which are subject to a third-party valuation at least annually. This valuation applies a consistent methodology across key assumptions to determine the rental charges based on appropriate and market-related metrics, which are discounted using a market-related discount rate to determine the value of the properties. Therefore, there is a risk that this valuation could materially change in future periods.

### Reversal of impairment

During the year ending 31 March 2020, Klinik Belair was sold and a reversal of previously recognised impairment charges in respect of properties of £4m was recognised.

### Change in accounting estimate

During the year, an expansion project, which will include the construction of new hospital wings at a hospital in Hirslanden, was approved. The existing hospital wings will be dismantled at the end of the financial year ending 31 March 2023 and will be replaced by a new construction as part of the expansion project. As a result, the estimated useful life of the existing hospital wings has been reduced and the depreciation of these assets' carrying value accelerated. For the year ended 31 March 2021, the accelerated depreciation included in the depreciation charge amounts to £10m. The accelerated depreciation in FY2022 and FY2023 will amount to £19m each year.

## 7. INTANGIBLE ASSETS

| | 2021 £'m | 2020 £'m |
|---|---|---|
| Goodwill | **946** | 1 047 |
| Cost | **1 689** | 1 862 |
| Accumulated impairment | **(743)** | (815) |
| Trade names | **45** | 54 |
| Cost | **424** | 420 |
| Accumulated amortisation and impairment | **(379)** | (366) |
| Computer software | **70** | 70 |
| Cost | **162** | 150 |
| Accumulated amortisation | **(92)** | (80) |
| | **1 061** | 1 171 |

| | Goodwill £'m | Trade names £'m | Computer software £'m | Leases[1] £'m | Total £'m |
|---|---|---|---|---|---|
| **Net book value at 1 April 2019** | 1 450 | 53 | 60 | 23 | 1 586 |
| IFRS 16 transition adjustment | – | – | – | (23) | (23) |
| Additions | – | – | 23 | – | 23 |
| Amortisation | – | (4) | (16) | – | (20) |
| Business combinations | 4 | – | – | – | 4 |
| Impairment | (482) | – | – | – | (482) |
| Exchange differences | 75 | 5 | 3 | – | 83 |
| **Net book value at 31 March 2020** | **1 047** | **54** | **70** | **–** | **1 171** |
| Additions | – | – | 21 | – | 21 |
| Amortisation | – | (4) | (17) | – | (21) |
| Business combinations | 3 | – | – | – | 3 |
| Impairment | (1) | – | – | – | (1) |
| Exchange differences | (103) | (5) | (4) | – | (112) |
| **Net book value at 31 March 2021** | **946** | **45** | **70** | **–** | **1 061** |

**Note**

[1] Relates to favourable lease contracts on buildings. The leases are characterised by fixed annual rent with no annual rent escalations for majority of the contract. This was reclassified on 1 April 2019 on adoption of IFRS 16 to right-of-use assets within property, equipment and vehicles.

| | 2021 £'m | 2020 £'m |
|---|---|---|
| **Total additions** | **21** | 23 |
| To maintain operations | **8** | 8 |
| To expand operations | **13** | 15 |

### Critical accounting estimates and judgements

The Group tests annually whether goodwill, resulting from acquisitions, has suffered any impairment. The recoverable amounts of CGUs have been determined based on fair-value-less-cost-to-sell calculations. These calculations require the use of estimates in respect of cash flow projections and long-term growth and discount rates, and assume a stable regulatory environment. Regulatory environments are subject to uncertainties that can have an impact on goodwill and the intangible assets' carrying value.

IFRS requires the impairment assessment to be performed at the level at which goodwill and trade names are monitored for impairment by management, provided that this level cannot be bigger than an operating segment. Management assesses goodwill at a CGU level, except for the Mediclinic Middle East goodwill, which is monitored at an operating segment level. This means that for the Mediclinic Middle East division, recoverability of goodwill is assessed by reference to the aggregated cash flows of the legacy Middle East and Al Noor businesses. The Mediclinic Middle East goodwill originated mainly from the Al Noor business combination with a portion originating from other UAE business combinations. The initial commercial rationale for the acquisition of Al Noor included expected synergies from integrating the legacy Al Noor business with the legacy Mediclinic Middle East business that would be realised across the combined Middle East division. In accordance with IFRS, goodwill shall be allocated to all CGUs, or groups of CGUs, that are expected to benefit from the expected synergies.

### Impairment testing of significant goodwill balances

The Group tests goodwill for impairment on an annual basis or more frequently if there are indications that these assets may be impaired. The annual impairment assessment is performed at year-end when the annual financial planning process is finalised. The Group's impairment assessment compares the carrying value of the group of CGUs with its recoverable amount.

The recoverable amount of a group of CGUs is determined by its fair-value-less-cost-to-sell, regarded as the more appropriate reflection of the value of the business, which is derived from discounted cash flow calculations. The key inputs to its calculations are described below.

#### Forecasts

As part of the annual financial planning process, the Group's divisions are required to submit budgets for the next financial year and forecasts for the following four years, which are approved by the Board. Future earnings in the fair-value-less-cost-to-sell calculation are based on these budgets and forecasts that are calculated on a per hospital basis and consider both internal and external market information. These budgets and forecasts represent management's best view of future revenues and cash flows and encompass a best estimate of the short- and long-term impact of the COVID-19 pandemic. The cash flow forecast includes the purchase of environmentally friendly equipment.

#### Growth rates

Growth rates are determined from budgeted and forecast revenue. Terminal year growth rates are country specific and determined based on the forecast market growth rates, and considering long-term medical inflation. The regulatory environment and impact on tariffs are considered. Growth rates have been benchmarked against external data for the relevant markets.

#### Discount rates

The weighted average cost of capital ('**WACC**') was determined by considering the respective debt and equity costs and ratios. The discount rate is based on the risk-free rate for government bonds adjusted for a risk premium to reflect the increased risk of investing in equities. Discount rates are lower for the divisions which operate in more mature markets with low inflation and higher for those operating in markets with a higher inflation. Discount rates reflect the time value and the risks associated with the segmental or divisional cash flows. The assumptions used in the calculation of the discount rate are benchmarked to externally available data.

## 7. INTANGIBLE ASSETS CONTINUED

### Impairment testing of Mediclinic Middle East goodwill

The Mediclinic Middle East goodwill with a carrying amount of £834m (2020: £928m) originated mainly from the Al Noor business combination, with a portion originating from other UAE business combinations. Key assumptions used for the fair-value-less-cost-to-sell calculations for the annual impairment testing were as follows:

- *Discount rates* – The discount rate applied to cash flow projections is 8.7% (2020: 8.8%).
- *Growth rates* – The terminal growth rate beyond five years is 3.0% (2020: 3.0%).
- *Forecasts* – Represents management's best view of future revenues and cash flows over a five-year period and is comparable with the forecast used in the prior year.

The recoverable amount was determined to be higher than the carrying value and consequently no impairment was recognised against goodwill during the year under review. In the prior year, an impairment of £481m was recognised against goodwill.

#### Sensitivity analysis

An increase in the discount rate by 0.6% combined with a decrease in the terminal growth rate by 0.5% would reduce the headroom to £nil. A decrease in forecast cash flows by 9% would also reduce headroom to £nil.

These changes are not considered reasonably possible to occur within the next 12 months. However, as the key assumptions have the potential to vary over time, these are therefore highlighted as a key accounting estimate.

### Impairment testing of Hirslanden goodwill and trade names

Hirslanden goodwill with a carrying amount of £100m that originated from the business combination of Hirslanden OPERA Zumikon AG in the current year and Clinique des Grangettes in previous years has been tested for impairment.

The recoverable amount has been determined based on fair-value-less-cost-to-sell discounted cash flow calculations.

- *Discount rates* – The discount rate applied to cash flow projections was 5.1% (2020: 5.0%).
- *Growth rates* – The terminal growth rate beyond five years was 1.6% (2020: 1.6%).
- *Forecasts* – Represents management's best view of future revenues and cash flows over a five-year period and is comparable with the forecast used in the prior year.

#### Sensitivity analysis

An increase in the discount rate by 2.7% (2020: 1.2%) combined with a decrease in the terminal growth rate by 1.6% (2020: 1.2%) would reduce the headroom to £nil.

These changes are not considered reasonably possible to occur within the next 12 months.

### Impairment testing of Southern Africa goodwill

Southern Africa goodwill with a carrying amount of £14m has been tested for impairment. The recoverable amount has been determined based on fair-value-less-cost-to-sell discounted cash flow calculations by applying a discount rate of 12.7% and a terminal year growth rate beyond five years of 4.5%. As a result, the carrying amount of the goodwill of five CGUs was determined to be higher than its recoverable amount and an impairment of £1m was recognised against goodwill.

## 8. EQUITY-ACCOUNTED INVESTMENTS

| | 2021 £'m | 2020 £'m |
|---|---|---|
| Investment in associates | **167** | 177 |
| Investment in joint venture | **4** | 4 |
| | **171** | 181 |

### 8.1. Investment in associates

| | 2021 £'m | 2020 £'m |
|---|---|---|
| Listed investment | **157** | 168 |
| Unlisted investments | **10** | 9 |
| | **167** | 177 |
| **Reconciliation of carrying value at the beginning and end of the year** | | |
| Opening balance | **177** | 189 |
| Additional investment in unlisted associate | **1** | 1 |
| Share of net profit of associated companies | **(70)** | 2 |
| Reversal of impairment/(impairment) of listed associate | **60** | (10) |
| Dividends received from associated companies | **–** | (5) |
| Exchange differences | **(1)** | – |
| | **167** | 177 |

Set out below are details of the associate which is material to the Group:

| | Country of incorporation and place of business | % ownership |
|---|---|---|
| Spire Healthcare Group plc ('**Spire**') | United Kingdom | 29.9% |

Spire is listed on the LSE. It does not issue publicly available quarterly financial information at a detailed level and has a December year-end. The investment in associate was equity accounted for the 12 months to 31 December 2020 (2020: 31 December 2019). No significant events occurred between 1 January 2021 and the reporting date.

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## 8. EQUITY-ACCOUNTED INVESTMENTS CONTINUED

### 8.1. Investment in associates (continued)

Summarised financial information in respect of the Group's material associate is set out below:

| | At 31 Dec 2020 £'m | At 31 Dec 2019 £'m |
|---|---|---|
| **Summarised statement of financial position** | | |
| Non-current assets | **1 992** | 2 233 |
| Current assets | **250** | 205 |
| Total assets | **2 242** | 2 438 |
| Non-current liabilities | **(1 295)** | (1 301) |
| Current liabilities | **(254)** | (198) |
| **Net assets** | **693** | 939 |
| Mediclinic's effective interest | **29.9%** | 29.9% |
| Mediclinic's effective interest in net assets after impairments | **157** | 168 |
| Market value of listed investment at 31 March | **201** | 94 |
| **Summarised statement of comprehensive income** | | |
| Revenue | **920** | 981 |
| Profit from continuing operations | **(237)** | 7 |
| Other comprehensive income | **(1)** | (2) |
| **Total comprehensive income** | **(238)** | 5 |
| Dividends received from associate | **–** | 5 |

Refer to note 38 for further details of investments in associates.

**Critical accounting estimates and judgements**

The Group assesses whether equity-accounted investments have suffered any impairment when indicators of impairment are identified, in this case the significant and prolonged decline in the market value of the investment below its carrying value.

Spire's loss for the period under review included a goodwill impairment charge of £200m. The equity-accounted portion of this impairment amounts to £60m. Accumulated impairment charges recognised by the Group in prior periods amount to £283m. Following Spire's goodwill impairment charge, the Group's interest in the net asset value of Spire was higher than its carrying value of the equity investment at 30 September 2020. As a result an impairment reversal equal to the Group's share of the goodwill impairment of £60m was recognised and reported in the Group's interim financial statements.

At 31 March 2021, the market value of the investment in Spire was £201m, which was higher than the carrying value of £157m. The Group considers the assessment of impairment reversal in the context of the financial performance of Spire, volatility of the share price during the period and the ongoing impact of the COVID-19 pandemic, among other factors. No further impairment reversal has been recorded.

The following key assumptions which were used in the calculation in the prior year:
- *Discount rates* – a discount rate of 6.9% was applied to cash flow projections.
- *Growth rates* – a terminal growth rate of 2.0% was applied in the calculation.

## 8. EQUITY-ACCOUNTED INVESTMENTS CONTINUED

### 8.2. Investment in joint venture

| | 2021 £'m | 2020 £'m |
|---|---|---|
| **Reconciliation of carrying value at the beginning and end of the year** | | |
| Opening balance | 4 | 4 |
| | 4 | 4 |

The Group has a 49.9% interest in Wits University Donald Gordon Medical Centre (Pty) Ltd. The unlisted joint venture is accounted for by using its financial information for the 12 months ended 31 December 2020 (2020: 31 December 2019) since it has a different year-end.

Details of the joint venture appear in note 38.

## 9. OTHER INVESTMENTS AND LOANS

| | 2021 £'m | 2020 £'m |
|---|---|---|
| Debt instruments at amortised cost | 9 | 9 |
| Equity instruments at FVPL (unlisted shares) | – | 2 |
| Equity instruments at FVPL (listed shares) | 1 | – |
| Equity instruments at FVOCI (unlisted shares) | 2 | – |
| Investments in money market funds | 2 | – |
| | 14 | 11 |
| Non-current | 12 | 9 |
| Current | 2 | 2 |
| **Total other investments and loans** | 14 | 11 |
| **Other investments and loans are held in the following currencies:** | | |
| Swiss franc | 5 | 3 |
| South African rand | 5 | 6 |
| UAE dirham | 2 | 2 |
| US dollar | 2 | – |
| | 14 | 11 |

**Debt instruments at amortised cost**

Debt instruments at amortised cost include loans receivable from doctors and other parties. For details on loans to related parties, refer to note 35.

Loans receivable inherently expose the company to credit risk, being the risk that the company will incur financial loss if counterparties fail to make payments as they fall due.

Loans receivable are subject to the impairment provisions of IFRS 9 *Financial Instruments*, which require a loss allowance to be recognised for all exposures to credit risk. The loss allowance for loans receivable is calculated based on 12-month expected losses if the credit risk has not increased significantly since initial recognition. In cases where the credit risk has increased significantly since initial recognition, the loss allowance is calculated based on lifetime expected credit losses. The loss allowance is updated to either 12-month or lifetime expected credit losses at each reporting date based on changes in the credit risk since initial recognition. If a loan is considered to have a low credit risk at the reporting date, then it is assumed that the credit risk has not increased significantly since initial recognition. On the other hand, if a loan is in arrears more than 90 days, then it is assumed that there has been a significant increase in credit risk since initial recognition.

No credit losses were recognised on the loans receivable (2020: nil).

## 10. DEFERRED TAX

The movement on the deferred tax account is as follows:

| | 2021 £'m | 2020 £'m |
|---|---|---|
| Opening balance | **405** | 401 |
| Income statement credit for the year | **(6)** | (30) |
| Exchange differences | **(34)** | 35 |
| Change in accounting policy | **–** | (2) |
| Disposal of subsidiaries | **–** | (1) |
| Business combinations | **–** | 1 |
| Charged to other comprehensive income | **26** | 1 |
| **Balance at year-end** | **391** | 405 |
| Deferred income tax assets | **(34)** | (22) |
| Deferred income tax liabilities | **425** | 427 |
| | **391** | 405 |

The deferred tax relating to current assets and current liabilities contains temporary differences that are likely to be realised in the next 12 months. The deferred tax balance comprises temporary differences arising in separate legal entities. Offsetting has been applied on a legal entity basis. The table below shows the deferred tax balances and movements in the various categories before offsetting was applied:

| | Tangible assets £'m | Intangible assets £'m | Current assets £'m | Provisions and other £'m | Financial assets £'m | Total £'m |
|---|---|---|---|---|---|---|
| **Deferred tax liabilities** | | | | | | |
| **At 1 April 2019** | 397 | 17 | 5 | 21 | – | 440 |
| (Credited)/charged to the income statement | (18) | (5) | 2 | (4) | – | (25) |
| Business combinations | 1 | – | – | – | – | 1 |
| Disposal of subsidiaries | (1) | – | – | – | – | (1) |
| Exchange differences | 28 | 1 | – | 2 | – | 31 |
| **At 31 March 2020** | **407** | **13** | **7** | **19** | **–** | **446** |
| Set-off of deferred tax liabilities pursuant to set-off provisions | | | | | | (19) |
| **Net deferred tax liabilities at year-end** | | | | | | **427** |
| **At 1 April 2020** | 407 | 13 | 7 | 19 | – | 446 |
| Charged to the income statement | 3 | – | 1 | – | 1 | 5 |
| Charged to other comprehensive income | – | – | – | – | 20 | 20 |
| Exchange differences | (29) | (1) | – | (2) | (1) | (33) |
| **At 31 March 2021** | **381** | **12** | **8** | **17** | **20** | **438** |
| Set-off of deferred tax liabilities pursuant to set-off provisions | | | | | | **(13)** |
| **Net deferred tax liabilities at year-end** | | | | | | **425** |

## 10. DEFERRED TAX CONTINUED

| | Current liabilities £'m | Provisions and other £'m | Long-term liabilities £'m | Derivatives £'m | Leases £'m | Tangible assets £'m | Tax losses carried forward £'m | Total £'m |
|---|---|---|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | | | | |
| **At 1 April 2019** | (2) | (6) | (22) | – | – | – | (9) | (39) |
| Charged/(credited) to the income statement | – | (3) | (2) | (1) | – | – | 1 | (5) |
| Charged/(credited) to other comprehensive income | – | – | 3 | (2) | – | – | – | 1 |
| Change in accounting policy | – | – | – | – | (2) | – | – | (2) |
| Exchange differences | – | 2 | 1 | – | – | – | 1 | 4 |
| **At 31 March 2020** | **(2)** | **(7)** | **(20)** | **(3)** | **(2)** | **–** | **(7)** | **(41)** |
| Set-off of deferred tax assets pursuant to set-off provisions | | | | | | | | 19 |
| **Net deferred tax assets at year-end** | | | | | | | | **(22)** |
| **At 1 April 2020** | (2) | (7) | (20) | (3) | (2) | – | (7) | (41) |
| Credited to the income statement | – | (2) | (1) | – | – | (3) | (5) | (11) |
| Charged to other comprehensive income | – | – | 6 | – | – | – | – | 6 |
| Exchange differences | – | (1) | – | 1 | (1) | – | – | (1) |
| **At 31 March 2021** | **(2)** | **(10)** | **(15)** | **(2)** | **(3)** | **(3)** | **(12)** | **(47)** |
| Set-off of deferred tax assets pursuant to set-off provisions | | | | | | | | 13 |
| **Net deferred tax assets at year-end** | | | | | | | | **(34)** |

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## 10. DEFERRED TAX CONTINUED

At 31 March 2021, the Group had unutilised tax losses of approximately £172m (2020: £121m) potentially available for offset against future profits. A deferred tax asset of £12m (2020: £7m) has been recognised in respect of tax losses based on profitability from approved budgets and business plans. No deferred tax asset has been recognised in respect of the remaining losses due to the unpredictability and availability of future profit streams in the relevant jurisdictions. The majority of the unrecognised losses relate to the Mediclinic International plc in the United Kingdom, which have no expiry, and the remainder relate to Switzerland, which expire after seven years. Their utilisation is dependent on the profitability of the related entities. The financial projections used in assessing the future profitability are consistent with those used in assessing the carrying value of goodwill as set out in note 7. The rate of utilisation of these losses will depend on the incidence and timing of profits within each entity which consequently affect their recognition as deferred tax assets.

Unused tax losses not recognised as deferred tax assets for the Group are as follows:

| | 2021 £'m | 2020 £'m |
|---|---|---|
| **UNUSED TAX LOSSES NOT RECOGNISED AS DEFERRED TAX ASSETS** | | |
| Expiry in 1 year | **4** | 1 |
| Expiry in 2 years | **–** | 2 |
| Expiry in 3–7 years | **52** | 35 |
| No expiry | **54** | 51 |
| | **110** | 89 |

### Critical accounting estimates and judgements

**Deferred tax on unremitted earnings**

The Group recognised a deferred tax liability of £1m (2020: £1m) in respect of temporary differences relating to unremitted earnings. This liability relates to non-resident shareholder tax of the Group's Namibian subsidiaries and the amount is included in the 'Provisions and other' category of deferred tax liabilities. No deferred tax liability has been recognised for the other foreign subsidiaries and equity-accounted investments of the Group where the Group is able to control the timing of any distributions and it is not probable that any distributions will be made in the foreseeable future. Similarly, tax is not provided where it is expected at the reporting date that such distributions will not give rise to a tax liability. The gross timing difference in this regard amounts to £1 293m (2020: £1 294m). There are no significant expected income tax consequences of earnings being distributed from Switzerland and the UAE, as there is no dividend withholding tax applicable to earnings being distributed from these operations, neither should there be any tax liability on the receipt of these dividends. Although South African distributions to the UK are typically subject to dividend withholding taxes, distributions from South Africa are not expected to have income tax consequences in the foreseeable future as the operations in South Africa have a significant contributed tax capital balance from which may be paid dividends free from withholding tax. In line with the South African Reserve Bank requirement, it is intended that dividends to the South African resident shareholders on the South African share register will be paid from the dividend access scheme. Refer to note 13 for details on the dividend access scheme.

## 11. INVENTORIES

| | 2021 £'m | 2020 £'m |
|---|---|---|
| **Inventories consist of:** | | |
| Pharmaceutical products | **97** | 94 |
| Consumables | **11** | 10 |
| Finished goods and work in progress | **1** | – |
| | **109** | 104 |

The cost of inventories recognised as an expense and included in consumables and supplies amounted to £719m (2020: £691m[1]). Write-downs of inventories to net realisable value amounted to £6m (2020: £3m). These were recognised as an expense during the year and included in consumables and supplies in the income statement.

**Note**
[1] Refer to note 2.1.

## 12. TRADE AND OTHER RECEIVABLES

| | 2021 £'m | (Re-presented)[1] 2020 £'m |
|---|---|---|
| **Financial instruments** | | |
| Trade receivables | **740** | 687 |
| Loss allowance | **(22)** | (19) |
| | **718** | 668 |
| Other receivables | **56** | 54 |
| | **774** | 722 |
| **Non-financial instruments** | | |
| Prepayments and deposits | **47** | 40 |
| Other receivables | **5** | 4 |
| | **52** | 44 |
| **Total trade and other receivables** | **826** | 766 |

**Note**

[1] Swiss unbilled services (£106m), previously presented as other receivables, have been reclassified to trade receivables due to its similar characteristics.

Trade and other receivables are categorised as debt instruments at amortised cost. The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

| | 2021 £'m | 2020 £'m |
|---|---|---|
| Swiss franc | **489** | 472 |
| South African rand | **81** | 77 |
| UAE dirham | **255** | 217 |
| US dollar | **1** | – |
| | **826** | 766 |

## 12. TRADE AND OTHER RECEIVABLES CONTINUED

The Group applies the simplified approach for providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The loss allowance is determined as follows:

| | Current £'m | 1-30 days past due[1] £'m | 31-60 days past due £'m | 61-90 days past due £'m | More than 90 days past due £'m | Total £'m |
|---|---|---|---|---|---|---|
| **2021** | | | | | | |
| Gross carrying amount | **436** | **55** | **41** | **27** | **181** | **740** |
| Loss allowance | **(2)** | **–** | **(1)** | **(1)** | **(18)** | **(22)** |
| **Net carrying amount** | **434** | **55** | **40** | **26** | **163** | **718** |
| Expected loss rate | 0.36% | 0.95% | 1.82% | 4.34% | 9.93% | |

| | Current £'m | 1-30 days past due[1] £'m | 31-60 days past due[1] £'m | 61-90 days past due £'m | More than 90 days past due £'m | Total £'m |
|---|---|---|---|---|---|---|
| **2020** | | | | | | |
| Gross carrying amount | 417 | 55 | 35 | 23 | 157 | 687 |
| Loss allowance | (1) | – | – | (1) | (17) | (19) |
| **Net carrying amount** | **416** | **55** | **35** | **22** | **140** | **668** |
| Expected loss rate | 0.32% | 0.00% | 0.00% | 4.35% | 10.83% | |

**Note**
[1] Loss allowance is less than £0.5m.

| | 2021 £'m | 2020 £'m |
|---|---|---|
| **Movement in the loss allowance** | | |
| Opening balance | **19** | 18 |
| Loss allowance | **12** | 9 |
| Amounts written off as uncollectable | **(8)** | (7) |
| Unused amounts reversed | **(1)** | (1) |
| **Balance at year-end** | **22** | 19 |

A loss allowance is recognised for all receivables, in accordance with IFRS 9 *Financial Instruments*, and is monitored at the end of each reporting period. In addition to the loss allowance, receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Receivables that have been written off are not subject to enforcement activities.

Other receivables are considered to have low credit risk, and the loss allowance provision recognised during the period was therefore limited to 12 months' expected credit losses. Other receivables are considered to have low credit risk where they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The expected credit losses for other receivables are insignificant.

Management considers the credit quality of the trade receivables that have not been credit impaired to be high in light of the nature of these trade receivables as described in note 3.1(b).

Trade receivables to the value of £295m (2020: £254m) have been ceded as security for banking facilities.

## 13. SHARE CAPITAL

| | 2021 £'m | 2020 £'m |
|---|---|---|
| **Issued share capital** | | |
| Share capital | **74** | 74 |
| Share premium | **690** | 690 |
| | **764** | 764 |

| Ordinary shares | 2021 £'m | 2020 £'m |
|---|---|---|
| Number of shares in issue and fully paid | **737 243 810** | 737 243 810 |
| Nominal value | **10p** | 10p |

### Treasury shares

During the prior year, the remaining 32 330 treasury shares held by Mpilo Trust were disposed of. The Group does not have any treasury shares at 31 March 2021 (31 March 2020: nil).

### Dividend Access Scheme ('DAS')

A wholly owned subsidiary of the Company, Mediclinic International (RF) (Pty) Ltd, formed a Dividend Access Trust to comply with a South African Reserve Bank requirement that dividends from a South African source due to South African shareholders on the South African share register must be paid locally to avoid an outflow of funds from South Africa.

The beneficiaries of the trust are the South African shareholders of the Company who hold their shares via the South African share register on the relevant record date in respect of each distribution paid through the DAS. The Dividend Access Trust does not participate in any profits.

When a dividend is declared by the Company, the Dividend Access Trust would receive a dividend from Mediclinic International (RF) (Pty) Ltd, which in turn is paid over to the Company's transfer secretaries in South Africa, who arrange for the payment of the relevant amount to the South African shareholders (the beneficiaries of the trust) through the usual dividend payment procedures, as if this was a dividend received from Mediclinic International plc. To the extent that dividends due to South African shareholders are not ultimately funded from Mediclinic International (RF) (Pty) Ltd, they receive those dividends as normal dividends from Mediclinic International plc. The South African shareholders' entitlement to receive dividends declared by Mediclinic International plc is reduced by any amounts they receive via the trust.

## 14. OTHER RESERVES

| | 2021 £'m | 2020 £'m |
|---|---|---|
| Other reserves comprise: | | |
| Foreign currency translation reserve | **578** | 815 |
| Hedging reserve | **(8)** | (8) |
| Reverse acquisition reserve[1] | **(3 014)** | (3 014) |
| Capital redemption reserve[2] | **6** | 6 |
| | **(2 438)** | (2 201) |
| **Movements in other reserves** | | |
| **Foreign currency translation reserve** | **578** | 815 |
| Opening balance | **815** | 628 |
| Currency translation differences | **(237)** | 187 |
| **Hedging reserve** | **(8)** | (8) |
| Opening balance | **(8)** | (2) |
| Realised fair value hedge adjustments transferred to income statement | **2** | – |
| Fair value adjustments of cash flow hedges, net of tax | **(2)** | (6) |

### Reverse acquisition

During February 2016, Mediclinic completed the combination between Al Noor and Mediclinic International Ltd. The combination was classified as a reverse acquisition.

**Notes**

[1] The reverse acquisition reserve represents the net of the following adjustments resulting from the Al Noor reverse acquisition:
- adjustment of the capital structure (share capital and share premium) of the Group to that of the legal parent;
- adjustment to account for the premium on shares issued to the Mediclinic International Ltd shareholders; and
- the share value component of the total consideration.

[2] The UK Companies Act 2006 provides that where shares of a company are repurchased and funded by a new issue of shares, the amount by which the company's issued share capital is diminished on cancellation of the shares is transferred to a capital redemption reserve to maintain capital. The reduction of the company's share capital shall be treated as if the capital redemption reserve was paid-up capital of the company.

## 15. SHARE-BASED PAYMENTS

### Long-term incentive plan ('LTIP') awards

Under the LTIP, conditional phantom shares are awarded to selected senior management (including executive directors). The LTIP awards share-based payment arrangement that will be settled in cash is accounted for as a cash-settled share-based payment transaction in terms of IFRS 2 and the LTIP awards that will be settled in shares will be accounted for as an equity-settled share-based payment transaction.

| | 2021 £'m | 2020 £'m |
|---|---|---|
| Cash-settled share-based payment liability | 1 | 1 |
| Equity-settled share-based payment reserve[1] | – | – |
| **Total share-based payment reserves and liabilities** | 1 | 1 |
| Expenses arising from equity-settled share-based payment transactions[1] | – | – |
| Expenses arising from cash-settled share-based payment transactions[1] | – | 1 |
| **Total expense (refer to note 24)** | – | 1 |

**Note**
[1] Less than £0.5m for the year under review.

### Cash-settled share-based payment arrangements

The vesting of these shares is subject to continued employment, and is conditional upon achievement of performance targets, measured over a three-year period. The performance conditions for the year under review constitute a combination of absolute total shareholder return ('**TSR**') (40% weighting of the 2018 and 2019 LTIP awards; 25% weighting of the 2020 LTIP awards), earnings per share ('**EPS**') (60% weighting of the 2018 and 2019 LTIP awards; 40% weighting of the 2020 LTIP awards), return on invested capital ('**ROIC**') (25% weighting of the 2020 LTIP awards) and patient experience index (10% weighting of the 2020 LTIP awards).

| | 2021 £'m | 2020 £'m |
|---|---|---|
| Opening balance | 1 | – |
| Share-based payment expense[1] | – | 1 |
| **Closing balance** | 1 | 1 |

**Note**
[1] Less than £0.5m for the year under review.

A reconciliation of the movement in the LTIP award units is detailed below:

| | Average price (pence) | 2021 Number of units | 2020 Number of units |
|---|---|---|---|
| Opening balance | | 3 877 820 | 2 047 733 |
| Granted | 286 | 1 852 340 | 2 109 925 |
| Vested | 300 | – | (8 259) |
| Lapsed | | (622 067) | (271 579) |
| **Closing balance** | | 5 108 093 | 3 877 820 |

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## 15. SHARE-BASED PAYMENTS CONTINUED

### Cash-settled share-based payment arrangements (continued)

Valuation assumptions relating to the outstanding units:

| | 2020 LTIP allocation | 2019 LTIP allocation | 2018 LTIP allocation[1] |
|---|---|---|---|
| Grant date | 13 December 2020 | 19 June 2019 | 15 June 2018 |
| Vesting date | 13 December 2023 | 1 June 2022/2024 | 15 June 2021/2023 |
| Outstanding units | 1 852 340 | 2 088 813 | 1 166 940 |
| Closing share price | 286 | 286 | 286 |
| Risk-free interest rate | 0.02% | 0.19% | 0.18% |
| Expected dividend yield | 0.00% | 0.00% | 0.00% |
| Volatility | 37.00% | 41.80% | 42.30% |

**Note**

[1] The performance period for the 2018 Awards has elapsed with the Company being below the performance targets. None of the awards will vest.

Certain awards were also granted to management that were subject only to service conditions. These awards were granted on 1 September 2016 and vested on various dates between 1 September 2016 and 14 June 2019. The total number of these awards granted was 16 115. Of these awards, the remaining 8 259 vested in 2020.

### Equity-settled share-based payment arrangements

The vesting of these shares is subject to continued employment and is conditional upon achievement of four performance targets, measured over a three-year period. The performance conditions for the year under review constitute a combination of TSR (25% weighting), adjusted EPS (40% weighting), ROIC (25% weighting) and the Group's consolidated patient experience index score (10% weighting).

The shares vest in December 2023.

The share-based payment expense relating to equity-settled share-based payment arrangements was less than £0.5m during the year (2020: £nil).

| | Average price (pence) | 2021 Number of units | 2020 Number of units |
|---|---|---|---|
| Opening balance | | – | – |
| Granted | 270 | 607 072 | – |
| **Closing balance** | | **607 072** | – |

Valuation assumptions relating to the outstanding units:

| | 2020 LTIP allocation |
|---|---|
| Grant date | 13 December 2020 |
| Vesting date | 13 December 2023 |
| Outstanding units | 607 072 |
| Share price of Mediclinic International plc share on grant date (denominated in sterling) | 270 |
| Risk-free interest rate | (0.13)% |
| Expected dividend yield | 0% |
| Volatility | 43.80% |

## 16. NON-CONTROLLING INTERESTS

| | 2021 £'m | 2020 £'m |
|---|---|---|
| Opening balance | **113** | 115 |
| Transactions with non-controlling shareholders | **(3)** | 3 |
| Dividends to non-controlling shareholders | **(8)** | (15) |
| Share of total comprehensive income | **16** | 10 |
| Share of profit | **11** | 21 |
| Currency translation differences | **2** | (12) |
| Share of other comprehensive income | **3** | 1 |
| **Non-controlling interest** | **118** | 113 |

Details of the ownership interest held by material non-controlling interests ('**NCI**') are as follows:

| | Country of business | 2021 | 2020 |
|---|---|---|---|
| Curamed Holdings (Pty) Ltd (group) | South Africa | **26.6%** | 30.2% |
| Grangettes Group | Switzerland | **40.0%** | 40.0% |
| Mediclinic Limpopo Trust | South Africa | **50.0%** | 50.0% |

Summarised financial information in respect of the Group's subsidiaries that have material NCIs is set out below. The summarised financial information below represents amounts before inter-group eliminations.

| 31 March 2021 | Mediclinic Limpopo Trust £'m | Curamed Holdings (Pty) Ltd (group) £'m | Grangettes Group £'m |
|---|---|---|---|
| **Summarised balance sheet** | | | |
| Non-current assets | **11** | **51** | **337** |
| Current assets | **29** | **38** | **78** |
| Non-current liabilities | **–** | **(4)** | **(185)** |
| Current liabilities | **(4)** | **(10)** | **(51)** |
| **Net assets** | **36** | **75** | **179** |
| Accumulated NCI in statement of financial position | **18** | **19** | **36** |
| **Summarised statement of comprehensive income** | | | |
| Revenue | **21** | **57** | **160** |
| Profit for the year | **6** | **9** | **15** |
| Other comprehensive income | **–** | **–** | **8** |
| **Total comprehensive income** | **6** | **9** | **23** |
| Profit allocated to NCI | **3** | **1** | **6** |
| Dividends paid to NCI | **2** | **1** | **5** |
| **Summarised cash flows** | | | |
| Cash flows from operating activities | **7** | **5** | **23** |
| Cash flows from investing activities | **(1)** | **(3)** | **(5)** |
| Cash flows from financing activities | **(4)** | **(2)** | **(34)** |
| **Net increase/(decrease) in cash and cash equivalents** | **2** | **–** | **(16)** |

## 16. NON-CONTROLLING INTERESTS CONTINUED

| 31 March 2020 | Mediclinic Limpopo Trust £'m | Curamed Holdings (Pty) Ltd (group) £'m | Grangettes Group £'m |
|---|---|---|---|
| **Summarised balance sheet** | | | |
| Non-current assets | 10 | 43 | 354 |
| Current assets | 24 | 33 | 72 |
| Non-current liabilities | – | (3) | (208) |
| Current liabilities | (3) | (10) | (38) |
| **Net assets** | **31** | **63** | **180** |
| Accumulated NCI in statement of financial position | 16 | 19 | 34 |
| **Summarised statement of comprehensive income** | | | |
| Revenue | 25 | 69 | 142 |
| Profit for the year | 9 | 13 | 19 |
| Other comprehensive income | – | – | 1 |
| **Total comprehensive income** | **9** | **13** | **20** |
| Profit allocated to NCI | 4 | 3 | 8 |
| Dividends paid to NCI | 2 | 2 | 7 |
| **Summarised cash flows** | | | |
| Cash flows from operating activities | 10 | 18 | 25 |
| Cash flows from investing activities | (1) | (5) | (3) |
| Cash flows from financing activities | (5) | (8) | (27) |
| **Net increase/(decrease) in cash and cash equivalents** | **4** | **5** | **(5)** |

### Transactions with non-controlling interests

During the period under review, the Group entered into various transactions where it acquired additional interests in non-controlling interests and disposed of non-controlling interests without losing control. The effect on the equity attributable to the owners during the year is summarised as follows:

| | 2021 £'m | 2020 £'m |
|---|---|---|
| Carrying amount of non-controlling interests acquired/(disposed of) | **3** | 3 |
| Consideration received from/(paid to) non-controlling interests | **1** | (1) |
| **Increase in equity attributable to owners of the Company** | **4** | 2 |

## 17. BORROWINGS

| | 2021 £'m | 2020 £'m |
|---|---|---|
| Bank loans | **1 507** | 1 673 |
| Preference shares | **89** | 82 |
| Listed bonds | **181** | 196 |
| | **1 777** | 1 951 |
| | | |
| Non-current borrowings | **1 686** | 1 787 |
| Current borrowings | **91** | 164 |
| **Total borrowings** | **1 777** | 1 951 |

| | | 2021 £'m Non-current | 2021 £'m Current | 2020 £'m Non-current | 2020 £'m Current |
|---|---|---|---|---|---|
| | **Swiss operations (denominated in Swiss franc)** | | | | |
| Secured bank loan one[1] | This loan bears interest at variable rates linked to the 3M LIBOR plus 1.25%. With reference to the Facility agreement, there will be a change in the calculation of the variable interest rate from LIBOR to SARON. CHF50m is redeemable annually on 30 September with the final outstanding balance redeemable on 30 September 2026. The repayment on 30 September 2020 was suspended, but management decided to make a voluntary repayment in November 2020. The non-current portion includes capitalised financing costs of £13m (2020: £13m). | **986** | **38** | 1 156 | – |
| Secured bank loan two[2] | These loans were acquired as part of the Linde acquisition and bear interest at a fixed rate of 1.12%. CHF0.5m is repayable on 30 June and 31 December every year. The remaining balances are repayable during May 2023. | **13** | **1** | 15 | 1 |
| Secured bank loan three[2] | This fixed interest mortgage loan was acquired as part of the Linde acquisition and bears interest at 0.90% compounded quarterly. The loan is repayable by December 2023. | **8** | **–** | 8 | – |
| Listed bonds | The listed bonds consist of CHF90m at 2.00% and CHF145m at 1.25% Swiss franc bonds. The bonds are repayable on 25 February 2025 and 25 February 2026, respectively. In February 2021, one of the existing bonds was repaid (CHF145m at 1.63%) and a new bond of CHF145m at 1.25% was issued. | **181** | **–** | 75 | 121 |
| | **Balance carried forward** | **1 188** | **39** | 1 254 | 122 |

Notes
[1] The loan is secured by mortgage notes on Swiss properties and buildings to the value of £2 382m (2020: £2 580m) and Swiss bank accounts with a book value of £81m (2020: £149m).
[2] These loans are secured by mortgage notes on the properties and buildings of the Linde Group.

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## 17. BORROWINGS CONTINUED

| | | 2021 £'m Non-current | 2021 £'m Current | 2020 £'m Non-current | 2020 £'m Current |
|---|---|---|---|---|---|
| | Balance carried forward | **1 188** | **39** | 1 254 | 122 |
| | **Southern African operations (denominated in South African rand)** | | | | |
| Secured bank loan one[1] | The loan bears interest at the 3M JIBAR variable rate plus a margin of 1.71% (2020: 1.49%) compounded quarterly and is repayable on 26 September 2022. £20m (2020: £18m) of the loan has been hedged. | **126** | **1** | 116 | 1 |
| Secured bank loan two[1] | The loan bears interest at the 3M JIBAR variable rate plus a margin of 1.81% (2020: 1.59%) compounded quarterly and is repayable on 26 September 2023. £175m (2020: £162m) of the loan has been hedged. | **176** | **1** | 162 | 1 |
| Other secured bank loans[2] | These loans bear interest at variable rates linked to the prime overdraft rate and are repayable in periods ranging between one and 12 years. | **3** | **1** | 3 | 1 |
| Preference shares[1] | Dividends are payable monthly at a rate of 72% of 3M JIBAR plus a margin of 1.77% (2020: 1.65%). The outstanding balance will be redeemed on 26 September 2022. | **89** | **–** | 82 | – |
| Bank overdraft | | **–** | **–** | – | 13 |
| | **Middle East operations (denominated in US dollar)** | | | | |
| Secured bank loan one[3] | The loan bears interest at variable rates linked to the 3M LIBOR and a margin of 1.85% with five-year amortising terms, expiring in August 2023. £51m (2020: £65m) of the loan has been hedged. | **104** | **49** | 170 | 26 |
| | | **1 686** | **91** | 1 787 | 164 |

**Notes**

1 Property and equipment with a book value of £296m (2020: £271m) are encumbered as security for these loans. Cash and cash equivalents of £5m (2020: £1m) and trade receivables of £53m (2020: £51m) have also been ceded as security for these borrowings.

2 Property, equipment and vehicles with a book value of £18m (2020: £18m) are encumbered as security for these loans. Net trade receivables of £1m (2020: £1m) have also been ceded as security for these loans.

3 Shares of investments in Emirates Healthcare Holdings Ltd and Emirates Healthcare Ltd are encumbered as security for these loans as well as an account pledge on receivable collection accounts.

## 18. LEASES

### Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

| | 2021 £'m | 2020 £'m |
|---|---|---|
| **Right-of-use assets** | | |
| Buildings | **621** | 672 |
| Equipment | **4** | 3 |
| | **625** | 675 |
| **Right-of-use assets per geographical market** | | |
| Switzerland | **390** | 414 |
| Southern Africa | **27** | 29 |
| The United Arab Emirates | **208** | 232 |
| | **625** | 675 |

| | 2021 £'m | 2020 £'m |
|---|---|---|
| **Lease liabilities** | | |
| Switzerland | **408** | 416 |
| Southern Africa | **38** | 38 |
| The United Arab Emirates | **230** | 249 |
| | **676** | 703 |
| **Of which are:** | | |
| - Non-current lease liabilities | **621** | 654 |
| - Current lease liabilities | **55** | 49 |
| | **676** | 703 |

## 18. LEASES CONTINUED

### Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

| | 2021 £'m | 2020 £'m |
|---|---|---|
| **Depreciation charge of right-of-use assets** | | |
| Buildings | 48 | 45 |
| Equipment | 1 | 1 |
| | 49 | 46 |
| Interest expense (included in finance cost) | 20 | 21 |
| Expense relating to short-term leases and leases of low-value assets | 8 | 12 |
| COVID-19-related rent concessions | (1) | – |

The total cash outflow for leases, excluding short-term leases and leases of low-value assets, was £56m (2020: £63m).

The Group negotiated rent concessions with its landlords at a number of buildings in the Middle East as a result of the severe impact of the COVID-19 pandemic during the year. The Group applied the practical expedient for COVID-19-related rent concessions consistently to eligible rent concessions. The amount recognised in profit or loss of £1m (2020: £nil) reflects changes in lease payments arising from rent concessions to which the Group has applied the practical expedient for COVID-19-related rent concessions.

### Critical accounting estimates and judgements

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

For leases of hospitals, the Group considers their past practice in exercising renewal options and the cost of business disruption required to replace the leased asset. Most extension options in respect of hospitals have not been included in the lease liability due to the long duration of existing lease contracts and the low probability of exercising renewal options based on the contractual renewal terms.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and which is within the control of the lessee.

## 19. RETIREMENT BENEFIT OBLIGATIONS

| | 2021 £'m | 2020 £'m |
|---|---|---|
| **Statement of financial position obligations for:** | | |
| Swiss pension benefit asset | **(110)** | – |
| Swiss pension benefit obligation | **27** | 71 |
| South African post-retirement medical benefit obligation | **37** | 28 |
| UAE end-of-service benefit obligation | **77** | 83 |
| | **141** | 182 |
| Total retirement benefit obligations | **141** | 182 |
| Short-term portion of retirement benefit obligations | **(14)** | (14) |
| **Non-current retirement benefit obligations** | **127** | 168 |
| Total retirement benefit assets | **(110)** | – |
| Short-term portion of retirement benefit assets | **–** | – |
| **Non-current retirement benefit assets** | **(110)** | – |
| **Total amount charged to the income statement:** | | |
| Swiss pension benefit obligation | **38** | 40 |
| South African post-retirement medical benefit obligation | **5** | 6 |
| UAE end-of-service benefit obligation | **11** | 10 |
| | **54** | 56 |
| **Total amount charged/(credited) to the other comprehensive income:** | | |
| Swiss pension benefit obligation | **(152)** | 12 |
| South African post-retirement medical benefit obligation | **2** | (8) |
| UAE end-of-service benefit obligation | **(3)** | 13 |
| | **(153)** | 17 |

### Critical accounting estimates and judgements

The cost of defined benefit pension plans, post-retirement medical benefit liability obligations and the UAE end-of-service obligations is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty and can have a material impact on the valuations. Details of the key assumptions for each relevant obligation, together with the sensitivities of the carrying value of the obligations, are disclosed.

The sensitivity analyses presented in each section overleaf are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit obligation recognised within the statement of financial position.

## 19. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

### a) Swiss pension benefit obligation

The Group's Swiss defined benefit pension plans are as follows:
- *Pensionskasse Hirslanden*
- *Vorsorgestiftung VSAO* (Association for Swiss Assistant and Senior Doctors)
- *Hirslanden Clinique La Colline SA*
- *Hirslanden Klinik Linde AG*
- *Clinique des Grangettes SA*
- *Hirslanden OPERA Zumikon AG*

| Swiss pension benefit obligation | 2021 £'m | 2020 £'m |
|---|---|---|
| **Statement of financial position** | | |
| **Amounts recognised in the statement of financial position are as follows:** | | |
| Present value of funded obligations | **1 261** | 1 321 |
| Fair value of plan assets | **(1 344)** | (1 250) |
| **Net pension liability** | **(83)** | 71 |
| **Presented as:** | | |
| Net pension asset | **(110)** | – |
| Net pension liability | **27** | 71 |
| | **(83)** | 71 |
| **The movement in the defined benefit obligation over the year is as follows:** | | |
| Opening balance | **1 321** | 1 216 |
| Current service cost | **37** | 39 |
| Interest cost | **6** | 6 |
| Employee contributions | **39** | 37 |
| Benefits paid | **(46)** | (58) |
| Business combinations | **2** | – |
| Actuarial (gain)/loss | **10** | (22) |
| Exchange differences | **(108)** | 103 |
| **Balance at year-end** | **1 261** | 1 321 |
| **The movement of the fair value of plan assets over the year is as follows:** | | |
| Opening balance | **1 250** | 1 164 |
| Employer contributions | **43** | 40 |
| Plan participants' contributions | **39** | 37 |
| Benefits paid from fund | **(46)** | (58) |
| Business combinations | **1** | – |
| Interest income on plan assets | **6** | 6 |
| Return on plan assets greater than discount rate | **162** | (35) |
| Administration costs | **(1)** | (1) |
| Exchange differences | **(110)** | 97 |
| **Balance at year-end** | **1 344** | 1 250 |

## 19. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

### a) Swiss pension benefit obligation (continued)

| Swiss pension benefit obligation (continued) | 2021 £'m | 2020 £'m |
|---|---|---|
| **Statement of financial position (continued)** | | |
| **Net pension liability reconciliation** | | |
| Opening net liability | **71** | 52 |
| Expenses recognised in the income statement | **38** | 40 |
| Contributions paid by employer | **(43)** | (40) |
| Business combinations | **1** | – |
| Exchange differences | **2** | 7 |
| Actuarial (gain)/loss | **(152)** | 12 |
| **Closing net (asset)/liability** | **(83)** | 71 |
| **Statement of other comprehensive income** | | |
| **Amounts recognised in other comprehensive income are as follows:** | | |
| Actuarial loss – experience | **(25)** | (6) |
| Actuarial gain/(loss) due to demographic assumption changes | **67** | 23 |
| Actuarial gain/(loss) due to financial assumption changes | **(52)** | 5 |
| Return on plan assets greater than discount rate | **162** | (34) |
| **Total other comprehensive income** | **152** | (12) |
| **Income statement** | | |
| **Amounts recognised in the income statement are as follows:** | | |
| Current service cost | **37** | 39 |
| Interest on liability | **6** | 6 |
| Interest on plan assets | **(6)** | (6) |
| Administration cost | **1** | 1 |
| | **38** | 40 |
| Actual return on plan assets | **168** | (28) |
| **Principal actuarial assumptions on statement of financial position** | | |
| Discount rate | **0.20%** | 0.45% |
| Future salary increases | **1.50%** | 1.50% |
| Future pension increases | **0.00%** | 0.00% |
| Inflation rate | **1.00%** | 1.00% |
| **Number of plan members** | | |
| Active members | **10 075** | 9 710 |
| Pensioners | **1 171** | 1 063 |
| | **11 246** | 10 773 |

## 19. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

### a) Swiss pension benefit obligation (continued)

| Asset allocation | 2021 £'m | 2021 % | 2020 £'m | 2020 % |
|---|---|---|---|---|
| **Quoted investments** | | | | |
| Fixed income investments | **437** | **32.5%** | 430 | 34.4% |
| Equity investments | **418** | **31.1%** | 315 | 25.2% |
| Real estate | **20** | **1.5%** | 21 | 1.7% |
| Other | **109** | **8.1%** | 118 | 9.4% |
| | **984** | **73.2%** | 884 | 70.7% |
| **Non-quoted investments** | | | | |
| Fixed income investments | **28** | **2.1%** | 30 | 2.4% |
| Equity investments | **1** | **0.1%** | – | 0.0% |
| Real estate | **237** | **17.6%** | 249 | 19.9% |
| Other | **94** | **7.0%** | 87 | 7.0% |
| | **360** | **26.8%** | 366 | 29.3% |
| | **1 344** | **100.0%** | 1 250 | 100.0% |

**Risk exposure**
Through its defined benefit pension plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

*Asset volatility:* The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit.

*Changes in bond yields:* A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

*Inflation risks:* The pension obligations are linked to salary and pension inflation, and higher inflation will lead to higher liabilities. The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

*Life expectancy:* The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

## 19. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

### a) Swiss pension benefit obligation (continued)

#### Assumptions and sensitivity analysis

| Impact on defined benefit obligation | Base assumption | Change in assumption | Increase in obligation | Decrease in obligation |
|---|---|---|---|---|
| Discount rate | 0.20% | 0.25% | 2.9% | 2.8% |
| Salary growth rate | 1.50% | 0.50% | 0.7% | 0.7% |
| Pension growth rate | 0.00% | 0.25% | 2.0% | 0.0% |

| | Base assumption | Change in assumption | Increase by 1 year in assumption | Decrease by 1 year in assumption |
|---|---|---|---|---|
| Life expectancy (mortality) | BVG 2020 with CMI improvements | 1 year in expected lifetime of plan participants | 2.0% | 2.0% |

The Group accounts for actuarially determined future pension benefits and provides for the expected liability in the statement of financial position. The assumptions used to calculate the expected liability are based on actuarial advice. The discount rate is based on market yields obtained on high-quality corporate bonds that have durations consistent with the term of the obligation.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

Expected employer contributions to be paid to the pension plans for the year ended 31 March 2022 amount to £36m and it is anticipated that these contributions will remain at a similar level in the foreseeable future, subject to change in financial conditions.

The weighted average duration of the defined benefit obligation is 11.5 years (2020: 13.5 years). The maturity profile of the defined benefit obligation is as follows:

| | </= 1 year £'m | 1–5 years £'m | > 5 years £'m | Total £'m |
|---|---|---|---|---|
| **At 31 March 2021** | | | | |
| Defined benefit obligation | **119** | **325** | **848** | **1 292** |
| **At 31 March 2020** | | | | |
| Defined benefit obligation | 93 | 277 | 1 040 | 1 410 |

#### Additional information on Swiss defined benefit pension plans

*Pensionskasse Hirslanden*
For employees of Hirslanden Group in Switzerland, the *Pensionskasse Hirslanden* ('**PH**') Fund provides post-employment, death-in-service and disability benefits in accordance with the Federal Law on Occupational Old-age, Survivor's and Disability Insurance (German: BVG). The PH Fund is a foundation and an entity legally separate from Hirslanden. The PH Fund's governing body is composed of an equal number of employer and employee representatives. This governing body determines the level of benefits and the investment strategy for the plan assets based on asset-liability analyses performed periodically. The basis for these asset-liability analyses are the statutory pension obligations as these largely determine the cash flows of the PH Fund. In addition, the investment of the plan assets is based on regulations developed by the governing body in accordance with the legal investment guidelines (BVV2). The Investment Committee of the governing body is responsible for their implementation. The governing body has mandated the investment activity to Complementa Investment Controlling AG, as the global custodian.

## 19. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

### a) Swiss pension benefit obligation (continued)

#### Additional information on Swiss defined benefit pension plans (continued)

*Pensionskasse Hirslanden* (continued)
The investment strategy complies with the legal guidelines and is relatively conservative. Alternative investments and unhedged foreign currency positions are rare.

The benefits of the pension plan are substantially higher than the legal minimum. They are determined by the employer’s and employees’ contributions and interest granted on the plan members’ accumulated savings; the interest rate is determined annually by the governing body in accordance with the legal framework (defined contribution, as defined by the occupational pension law). The employees’ and the employer's contributions are determined based on the insured salary and range from 1.25–15% of the insured salary depending on the age of the beneficiary.

The pension law requires adjusting pension annuities for inflation depending on the financial condition of the pension fund. Although the pension plan is fully funded at present in accordance with the pension law, the financial situation of the PH Fund will not allow for inflation adjustments.

*VSAO*
For employed physicians of Hirslanden Group in Switzerland, the VSAO Pension Fund provides post-employment, death-in-service and disability benefits in accordance with the Federal Law on Occupational Old-age, Survivor's and Disability Insurance (German: BVG). The VSAO Fund is a foundation and an entity legally separate from Hirslanden. The fund’s governing body is composed of an equal number of employer and employee representatives. The investment of the plan assets is in accordance with the legal investment guidelines (BVV2).

The benefits of the pension plan are substantially higher than the legal minimum. They are determined by the employer’s and employees’ contributions and interest granted on the plan members’ accumulated savings; the interest rate is determined by the governing body in accordance with the legal framework (defined contribution, as defined by the occupational pension law).

The employee’s and the employer’s contributions are 14% of the insured salary.

Other pension plans
Other pension plans exist for the latest acquired subsidiaries (Hirslanden Clinique La Colline SA, Hirslanden Klinik Linde AG, Clinique des Grangettes and Hirslanden OPERA Zumikon AG) which are not yet integrated into PH, the main pension plan of the Group. These pension funds are legally separate from Hirslanden Group. The investment of the plan assets is in accordance with the legal investment guidelines (BVV2).

The employee’s and the employer’s contributions are determined based on the insured salary and range from 1.78–15% of the insured salary depending on the age of the beneficiary.

General information on all pension plans
If an employee leaves Hirslanden Group or the pension plan respectively before reaching retirement age, the law provides for the transfer of the vested benefits to the new pension plan. These vested benefits comprise the employee’s and the employer’s contributions plus interest, the money originally brought in to the pension plan by the beneficiary. Upon reaching retirement age, the plan participant may decide whether to withdraw the benefits in the form of an annuity or (partly) as a lump-sum payment. The pension law requires adjusting pension annuities for inflation depending on the financial condition of the pension fund.

The pension law in Switzerland envisages that benefits provided by a pension fund are fully financed through the annual contributions defined by the regulations. If insufficient investment returns or actuarial losses lead to a plan deficit as defined by the pension law, the governing body is legally obliged to take actions to close the funding gap within a period of 5–7 years. Besides adjustments to the level of benefits, such actions could also include additional contributions from respective Group companies and the beneficiaries. The current financial situation of the PH Fund does not require such restructuring actions. None of the Group companies benefit from any plan surpluses.

## 19. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

### b) South African post-retirement medical benefit obligation

The Group's Southern African operations have a post-retirement medical benefit obligation for employees who joined before 1 July 2012. The Southern African operations subsidise the contributions payable to the group medical aid in respect of certain eligible retired employees. The subsidy obligations are unfunded and the benefit payment obligations are met as they fall due.

The Group accounts for actuarially determined future medical benefits and provides for the expected liability in the statement of financial position. The assumptions used to calculate the expected liability are based on actuarial advice. The discount rate is based on market yields obtained on high-quality corporate bonds which have durations consistent with the term of the obligation. It has been assumed that medical inflation will take place at a rate of 2.9% in excess of consumer price inflation.

In the last valuation on 31 March 2021, an 11.40% (2020: 10.40%) medical inflation rate and a 13.70% (2020: 13.40%) discount rate were assumed. The average retirement age was set at 63 years (2020: 63 years).

The assumed rates of mortality are as follows:

- During employment: SA 85/90 tables of mortality
- Post-employment: PA(90) tables

| South African post-retirement medical benefit obligation | 2021 £'m | 2020 £'m |
|---|---|---|
| **Amounts recognised in the statement of financial position are as follows:** | | |
| Opening balance | **28** | 37 |
| Amounts recognised in the income statement | **5** | 6 |
| Current service cost | **1** | 2 |
| Interest cost | **4** | 4 |
| Benefits paid | **(1)** | (1) |
| Actuarial loss/(gain) recognised in other comprehensive income | **2** | (8) |
| Exchange differences | **3** | (6) |
| **Present value of unfunded obligations** | **37** | 28 |

#### Risk exposure

Through its defined benefit post-retirement medical benefit obligation, the Group is exposed to a number of risks, the most significant of which are detailed below:

*Changes in bond yields:* A decrease in corporate bond yields will increase medical benefit obligations.

*Inflation risks:* The medical benefit obligations are linked to medical inflation, and higher inflation will lead to higher liabilities.

#### Assumptions and sensitivity analysis

| Impact on defined benefit obligation | Base assumption | Change in assumption | Increase in obligation | Decrease in obligation |
|---|---|---|---|---|
| Discount rate | 13.70% | 0.50% | 6.0% | 7.0% |
| Medical inflation rate | 11.40% | 1.00% | 15.0% | 12.0% |

The expected post-employment medical benefits payable for the year ended 31 March 2022 amount to £1m.

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## 19. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

### b) South African post-retirement medical benefit obligation (continued)

**Assumptions and sensitivity analysis (continued)**
The weighted average duration of the defined benefit obligation is 15 years (2020: 15 years). The maturity profile of the defined benefit obligation is as follows:

| | </= 1 year £'m | 1–5 years £'m | 5–10 years £'m | Total £'m |
|---|---|---|---|---|
| **At 31 March 2021** | | | | |
| Defined benefit obligation | **1** | **9** | **24** | **34** |
| **At 31 March 2020** | | | | |
| Defined benefit obligation | 1 | 7 | 19 | 27 |

### c) UAE end-of-service benefit obligation

In terms of UAE labour law, employees are entitled to severance pay at the end of employment. Severance pay is calculated as follows:

For the first five years of service, between seven and 30 days' wage per year of service and thereafter 30 days per additional year. The employee benefit was actuarially determined. The severance pay obligations are unfunded and the benefit payment obligations are met as they fall due.

The Group accounts for actuarially determined future end-of-service benefits and provides for the expected liability in the statement of financial position. The assumptions used to calculate the expected liability are based on actuarial advice. The discount rate is based on market yields obtained on high-quality corporate bonds which have durations consistent with the term of the obligation.

| UAE end-of-service benefit obligation | 2021 £'m | 2020 £'m |
|---|---|---|
| **The following are the principal actuarial assumptions:** | | |
| Discount rate | **1.98%** | 1.03% |
| Future salary increases | **2.10%** | 2.10% |
| Average retirement age | **60 years** | 60 years |
| Annual turnover rate | **8.53%** | 10.30% |

| | 2021 £'m | 2020 £'m |
|---|---|---|
| **Amounts recognised in the statement of financial position are as follows:** | | |
| Opening balance | **83** | 60 |
| Amounts recognised in the income statement | **11** | 10 |
| Current service cost | **10** | 8 |
| Interest cost | **1** | 2 |
| Benefits paid | **(5)** | (4) |
| Classified as held-for-sale | **–** | 1 |
| Actuarial (gain)/loss recognised in other comprehensive income | **(3)** | 13 |
| Exchange differences | **(9)** | 3 |
| **Present value of unfunded obligations** | **77** | 83 |
| Current portion of retirement benefit obligations | **14** | 14 |
| Non-current retirement benefit obligations | **63** | 69 |
| | **77** | 83 |

## 19. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

### c) UAE end-of-service benefit obligation (continued)

#### Assumptions and sensitivity analysis

| Impact on defined benefit obligation | Base assumption | Change in assumption | Increase in obligation | Decrease in obligation |
|---|---|---|---|---|
| Discount rate | 1.98% | 1.00% | 6.7% | 7.7% |
| Future salary increases | 2.10% | 1.00% | 7.4% | 6.7% |

The expected employer contributions to be paid to the UAE end-of-service benefit obligation for the year ended 31 March 2022 amount to £14m.

The weighted average duration of the defined benefit obligation is 7 years (2020: 7 years). The maturity profile of the defined benefit obligation is as follows:

| | </= 1 year £'m | 1–5 years £'m | 5–10 years £'m | Total £'m |
|---|---|---|---|---|
| **At 31 March 2021** | | | | |
| Defined benefit obligation | **14** | **32** | **47** | **93** |
| **At 31 March 2020** | | | | |
| Defined benefit obligation | 14 | 36 | 48 | 98 |

#### Post-employment benefits for key management personnel

One non-executive director participates in the South African post-retirement medical benefit obligation. Of the key management personnel, which comprise the Group Executive Committee, two participate in the Swiss pension benefits, four in the South African post-retirement medical benefit obligation and one in the UAE end-of-service benefit.

## 20. PROVISIONS

| | 2021 £'m | 2020 £'m |
|---|---|---|
| Non-current | **37** | 36 |
| Employee benefits | **13** | 16 |
| Legal cases and other | **2** | 2 |
| Tariff risks | **22** | 18 |
| Current | **19** | 17 |
| Employee benefits | **3** | 3 |
| Legal cases and other | **8** | 4 |
| Tariff risks | **8** | 10 |
| | **56** | 53 |

| | Employee benefits £'m | Legal cases and other £'m | Tariff risks £'m | Total £'m |
|---|---|---|---|---|
| Opening balance at 1 April 2019 | 18 | 7 | 19 | 44 |
| Charged to the income statement | 2 | 2 | 14 | 18 |
| Utilised during the year | (2) | (3) | (2) | (7) |
| Unused amounts reversed | – | (1) | (5) | (6) |
| Exchange differences | 1 | 1 | 2 | 4 |
| **Closing balance at 31 March 2020** | **19** | **6** | **28** | **53** |
| Charged to the income statement | **2** | **7** | **10** | **19** |
| Utilised during the year | **(3)** | **(1)** | **(2)** | **(6)** |
| Unused amounts reversed | **(1)** | **(1)** | **(4)** | **(6)** |
| Exchange differences | **(1)** | **(1)** | **(2)** | **(4)** |
| **Closing balance at 31 March 2021** | **16** | **10** | **30** | **56** |

### Employee benefits

This provision is for benefits granted to employees for long service. The provision is calculated based on the employee's cost to the Group as well as the estimated expected utilisation of the employee benefits.

### Legal cases and other

This provision relates to payments for malpractice claims and other costs for legal claims. The recognised provision reflects the best estimate of the most likely outcome.

### Tariff risks

This provision relates to compulsory health insurance tariff risks in Switzerland and other tariff disputes at some of the Group's Swiss hospitals. The tariff risk provision is calculated based on historical experience of outcomes to negotiations between healthcare providers and funders. This is regularly reassessed based on the actual outcome of tariff negotiations. Refer to note 23 for an explanation of the provisional tariffs and the impact on recognition of the tariff risk provision.

Provisions are expected to be payable during the following financial years:

| | 2021 £'m | 2020 £'m |
|---|---|---|
| Within one year | **19** | 17 |
| After one year but not more than five years | **32** | 29 |
| More than five years | **5** | 7 |
| | **56** | 53 |

## 21. DERIVATIVE FINANCIAL INSTRUMENTS

| | 2021 £'m Assets | 2021 £'m Liabilities | 2020 £'m Assets | 2020 £'m Liabilities |
|---|---|---|---|---|
| **Non-current** | | | | |
| Interest rate swaps – cash flow hedges | – | 9 | – | 8 |
| Written put option (redemption liability) | – | 115 | – | 101 |
| | – | 124 | – | 109 |
| **Current** | | | | |
| Interest rate swaps – cash flow hedges | – | 1 | – | 2 |
| Forward exchange contracts | – | 1 | 2 | – |
| | – | 2 | 2 | 2 |
| | – | 126 | 2 | 111 |

### Effective interest rate swaps

In order to hedge specific exposures in the interest rate repricing profile of existing borrowings, the Group uses interest rate derivatives to generate the desired interest profile. At 31 March 2021, the Group had 16 (2020: 16) effective interest rate swap contracts for borrowings specifically in Southern Africa. The value of borrowings hedged by the interest rate derivatives and the rates applicable to these contracts are as follows:

| | Borrowings hedged £'m | Fixed interest payable | Interest receivable | Fair value gain/(loss) for the year £'m |
|---|---|---|---|---|
| **As at 31 March 2021** | | | | |
| 1–3 years[1] | 195 | 6.20–7.20% | 3 month JIBAR/ 69% of prime interest rate | (2) |
| **As at 31 March 2020** | | | | |
| 1–3 years[1] | 180 | 6.90–7.30% | 3 month JIBAR/ 69% of prime interest rate | (6) |

**Note**

[1] The interest rate swap agreement resets every three months on 1 June, 1 September, 1 December and 1 March with a final reset on 1 June 2022 for £53m; 1 September 2022 for £46m and 1 March 2023 for £97m. There is no ineffective portion recognised in the profit and loss that arises from the cash flow hedges.

At Mediclinic Middle East, an interest rate swap was entered into for a third of the borrowing facility (£51m) (2020: £65m) to hedge for rising interest rates. The swap was entered into at a fixed rate of 4.99% (1.85% margin plus 3.10% for the five-year USD swap curve rate). The interest rate swap resulted in fair value loss of less than £0.5m during the current financial year.

## 21. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

### Redemption liability (written put option)

Through the acquisition of the Grangettes Group, the Group entered into a put/call agreement over the remaining 40% interest in the combined company of Clinique des Grangettes and Clinique La Colline. The option is exercisable after four years and the consideration on exercise will be determined based on the profitability of Clinique des Grangettes and Clinique La Colline at that time. The exercise price is formula based.

The amount that may become payable under the option on exercise is initially recognised at the present value of the redemption amount with a corresponding charge directly to equity. The charge to equity is recognised separately as written put options over non-controlling interests.

The liability is subsequently adjusted for changes in the estimated performance and increased through finance charges up to the redemption amount that is payable at the date at which the option first becomes exercisable. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to equity. The changes in the fair value of the liability will impact the income statement. A 10% change in the projected earnings will change the liability and profit before tax by £12m (2020: £10m).

| | 2021<br>£'m | 2020<br>£'m |
|---|---|---|
| **Movement in the redemption liability** | | |
| Opening balance at 1 April | **101** | 88 |
| Business combinations | **–** | – |
| Charged to the income statement | | |
| Remeasurement of redemption liability | **23** | 5 |
| Unwinding of discount | **1** | 1 |
| Exchange differences | **(10)** | 7 |
| **Closing balance at 31 March** | **115** | 101 |

## 22. TRADE AND OTHER PAYABLES

| | 2021<br>£'m | 2020<br>£'m |
|---|---|---|
| **Trade payables** | **235** | 260 |
| Other payables and accrued expenses | **206** | 204 |
| Social insurance and accrued leave pay | **46** | 43 |
| Value added tax | **11** | 8 |
| | **498** | 515 |

## 23. REVENUE

Revenue primarily comprises fees charged for inpatient and outpatient medical services. Services include charges for accommodation, theatre, medical professional services, equipment, radiology, laboratory and pharmaceutical goods used.

### Disaggregation of revenue from contracts with customers

| | 2021 £'m | 2020 £'m |
|---|---|---|
| **Major service lines** | | |
| Inpatient revenue | **1 926** | 1 989 |
| Day cases and outpatient revenue | **952** | 979 |
| Rental income | **31** | 34 |
| Corporate | **2** | 1 |
| Other revenue | **84** | 80 |
| | **2 995** | 3 083 |

### Switzerland healthcare services revenue

In Switzerland, the cost of treating inpatients with basic health insurance is fixed by the government. The pricing model is based on Swiss diagnostic-related groups ('**DRGs**') for inpatients and can be seen as a fixed-fee arrangement. Invoicing occurs when the patient is discharged. Revenue is recognised over the length of stay of the patient. In some cases, the pricing model for DRGs is based on provisional tariffs as delays occur in the agreement of the tariffs between the healthcare providers and the funders. Tariff provisions are recognised in revenue when the pricing model for DRGs is based on provisional tariffs. Provisional tariffs are recognised in revenue to the extent that it is highly probable that they will not be reversed. At the time of revenue recognition, the revenue based on the provisional tariff is billed and claimed from the insurer or the canton. Subsequently, when the tariffs are finalised and payments made, the insurer can claim from the healthcare provider if the tariffs are lower than the provisional tariffs billed. The accounting for the provision results in a reduction of revenue with a corresponding entry to provisions in the statement of financial position. The tariff adjustment cannot be adjusted against accounts receivable due to the fact that the original invoices are settled before the finalisation of the tariffs. Tariff adjustments are therefore classified as provisions and this view is supported by the fact that balances due to funders are not settled on a net basis. The tariff provision is calculated based on historical experience of outcomes to negotiations between healthcare providers and funders. This is regularly reassessed based on the actual outcome of tariff negotiations.

Swiss private and semi-private patients enter into supplementary insurance contracts for costs not covered by basic health insurance. The pricing model is based on fee-for-service principles and the contract with Hirslanden includes technical medical services (such as the nursing and infrastructure). The medical practitioner fees are agreed directly between the insurer and the relevant medical practitioner. The revenue is recognised as the services are rendered over the period of stay of the patient.

For inpatient cases open over year-end, revenue is accrued for by taking into account the average case mix index ('**CMI**') of the respective medical field, the base rate according to the respective category (accident, illness, inner-cantonal, external, self-payer, etc.) as well as the pro rata length of stay. The complexity of procedures during the open period plays a role in determining the average CMI.

For outpatient cases, the pricing model is based on TARMED rates. The applicable TARMED rate varies depending on the canton, procedure and patient and is calculated based on tax points for the different outpatient treatments which are multiplied with an individual tax point value. Specific medicaments and other material are added to determine the hospital fee. Invoicing occurs when the patient is discharged directly after treatment and revenue is recognised at the same time.

The Group's hospitals have affiliated doctors which are partners cooperating with Hirslanden on a contractual agreement. The contracts with these affiliated doctors allow them to use the Hirslanden infrastructure, nurses, theatre, etc. The doctors are responsible for the treatment of the patient and Hirslanden is responsible for the technical services such as the medical equipment, nursing care, etc. Swiss regulatory requirements compel Hirslanden to provide statistics to the government based on all the costs incurred for patient procedures, including doctors' fees. Hirslanden therefore invoices its own technical services together with the doctors' fees to the insurer and subsequently refunds the amount of the doctors' services to the affiliated doctors.

## 23. REVENUE CONTINUED

Hirslanden acts as an agent for those affiliated doctors based on the following considerations:

- The affiliated doctors are responsible for fulfilling the contract of treating the patient. Every affiliated doctor needs their own liability insurance for any claim against any human error of the doctor. The hospital is responsible for any process failures at the hospital.
- The Group does not have discretion in establishing prices, this is determined by contracts in place between the doctor and the insurer or the relevant percentage of the total revenue for DRG procedures.
- An administrative cost contribution (a form of commission) is deducted from the doctors' fees before the transfer of these fees to the doctors.
- Credit risk is considered to be insignificant, but if the insurer does not accept an invoice after the amount has been refunded to the doctor, the doctor is contractually obliged to repay the amount to the hospital.

As a result, the refund paid to the doctor is deducted from revenue and thus revenue is shown on a net basis. For DRG procedures the refund is calculated using a contractually agreed-upon percentage for doctors' services and deducted from revenue.

Revenue from other sources is based on a fixed-fee arrangement and recognised when the control of goods and services is transferred.

Set out below is a breakdown of Switzerland's revenue:

| | 2021 £'m | 2020 £'m |
|---|---|---|
| Inpatient revenue | **1 102** | 1 061 |
| Day cases and outpatient revenue | **301** | 296 |
| Rental income | **21** | 21 |
| Other revenue | **54** | 60 |
| | **1 478** | 1 438 |

### Southern Africa healthcare services revenue

In Southern Africa, a fee-for-service model is predominantly used with funders. Mediclinic invoices funders for technical medical services (such as nursing, infrastructure, pharmaceutical goods, etc.). The revenue is recognised as the services are rendered over the length of the stay of the patient.

For certain procedures, a fixed-fee contract model is used. In these scenarios, the transaction price is fixed and no adjustments can be made to the amount invoiced to the funder. Invoicing occurs when the patient is discharged. Revenue is recognised over the length of stay of the patient. Excess costs or savings are not charged to the funder and are absorbed by the division.

Services rendered by affiliated doctors are excluded from revenue.

Discounts comprise retrospective volume discounts granted to certain funders on attainment of certain admission levels. These volume discounts are negotiated with funders on an annual basis. The retrospective volume discounts give rise to variable consideration. Variable consideration is recognised as revenue to the extent that it is highly probable it will not reverse. Discounts are accrued over the course of the year based on the estimates of the level of business expected. This is adjusted at the end of the year to reflect actual volumes. Volume discounts are recorded as a reduction in revenue with a corresponding entry against accruals (as volume discounts are not settled on a net basis with funders).

## 23. REVENUE CONTINUED

Set out below is a breakdown of the Southern Africa revenue:

| | 2021<br>£'m | 2020<br>£'m |
|---|---|---|
| Inpatient revenue | **618** | 742 |
| Day cases and outpatient revenue | **93** | 137 |
| Rental income | **9** | 13 |
| Other revenue | **14** | 15 |
| | **734** | 907 |

### Middle East healthcare services revenue

In Dubai, a fee-for-service model is used with funders. Mediclinic invoices the funders for technical medical services (such as nursing, infrastructure, pharmaceutical goods, etc.). The revenue is recognised as the services are rendered over the period of the stay of the patient. From September 2020, the fixed-fee contract model is used with funders for a limited number of procedures.

For certain procedures in Abu Dhabi, the fixed-fee contract model is used with funders. In these scenarios, the transaction price is fixed and no adjustments can be made to the amount invoiced to the funder. Invoicing occurs when the patient is discharged. Revenue is recognised over the length of stay of the patient. Excess costs or savings are not charged to the funder and are absorbed by the division.

Mediclinic Middle East acts as a principal in respect of tariff negotiations and takes the risk for disallowances and bad debts related to doctors' services. As a result, services rendered by employed doctors and independent doctors are included in revenue.

Discounts comprise retrospective volume discounts granted to certain funders on attainment of certain admission levels. These volume discounts are negotiated with funders on an annual basis. The retrospective volume discounts give rise to variable consideration. Variable consideration is recognised as revenue to the extent that it is highly probable it will not reverse. Discounts are accrued over the course of the year based on the estimates of the level of business expected. This is adjusted at the end of the year to reflect actual volumes. Volume discounts are recorded as a reduction in revenue with a corresponding entry against accruals (as volume discounts are not settled on a net basis with funders).

At Mediclinic Middle East, the normal business process associated with transactions with insurers includes an amount of claims disallowed which is not paid by the insurer. These rejected claims could be for various technical or medical reasons. Accordingly, Mediclinic Middle East accepts and expects an amount of consideration that is less than what was originally invoiced. These write-offs constitute variable consideration under IFRS 15. Variable consideration is recognised as revenue to the extent that it is highly probable that a reversal of revenue will not occur. Under IFRS 15, these rejected claims are recognised as part of revenue (decreasing the revenue recognised).

Set out below is a breakdown of the Middle East revenue:

| | 2021<br>£'m | 2020<br>£'m |
|---|---|---|
| Inpatient revenue | **206** | 186 |
| Day cases and outpatient revenue | **558** | 546 |
| Rental income | **1** | – |
| Other revenue | **16** | 5 |
| | **781** | 737 |

### Rental income

The rental income received from external parties during the year from the letting of consulting rooms, parking, etc. was £31m (2020: £34m). Rental income is based on a high number of individual lease agreements with outstanding committed terms of between 1 and 3 years and standard pricing linked to inflation.

FINANCIAL STATEMENTS

## 24. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is presented after including the following:

| | 2021 £'m | (Re-presented)[1] 2020 £'m |
|---|---|---|
| Employee benefit and contractor costs | 1 448 | 1 446 |
| Wages and salaries | 1 242 | 1 236 |
| Swiss social security costs | 71 | 60 |
| Retirement benefit costs – defined contribution plans | 14 | 14 |
| Retirement benefit costs – defined benefit obligations (refer to note 19) | 54 | 56 |
| Share-based payment expense (refer to note 15) | – | 1 |
| Affiliated and independent doctor costs | 53 | 53 |
| Other staff-related costs | 14 | 26 |
| Infrastructure-related costs | 110 | 113 |
| Maintenance costs | 61 | 68 |
| Short-term leases and leases of low-value assets | | |
| Buildings | 8 | 9 |
| Other | 41 | 36 |
| Increase in provision for impairment of receivables (refer to note 12) | 11 | 9 |
| Depreciation (refer to note 6) | 196 | 197 |
| Buildings | 60 | 51 |
| Right-of-use assets | 49 | 46 |
| Equipment | 72 | 82 |
| Furniture and vehicles | 15 | 18 |
| Amortisation of intangible assets (refer to note 7) | 21 | 20 |
| Impairments (refer to notes 6 and 7) | 4 | 512 |
| Impairment of property, equipment and vehicles | 3 | 34 |
| Reversal of impairment of property | – | (4) |
| Impairment of goodwill | 1 | 482 |
| Balance carried forward | 1 790 | 2 297 |

**Note**

[1] Refer to note 2.1.

## 24. OPERATING PROFIT/(LOSS) CONTINUED

| | 2021 £'m | (Re-presented)[1] 2020 £'m |
|---|---|---|
| Balance carried forward | **1 790** | 2 297 |
| Fees paid to the Group's auditors for the following services: | | |
| Audit of the parent Company and consolidated financial statements | **0.7** | 0.7 |
| Audit of Company subsidiaries | **2.4** | 1.8 |
| Audit services | **3.1** | 2.5 |
| Audit-related services[2] | **0.4** | 0.3 |
| Other assurance services[2] | **0.2** | 0.2 |
| | **3.7** | 3.0 |
| Other expenses | **1 007** | 971 |
| Other gains and losses | **(2)** | (4) |
| | **2 799** | 3 267 |
| Number of employees | **33 606** | 33 140 |

**Note**

[1] Refer to note 2.1.

[2] A description of the non-audit services is included in the Audit and Risk Committee's report.

### Other income

Other income mainly comprises government grants (£10m) and insurance proceeds received (£2m).

#### Government grants

Switzerland introduced COVID-19 lockdown measures on 16 March 2020, which included the suspension of elective procedures for all hospitals until 27 April 2020. These measures were taken to ensure capacity for COVID-19 patients. Hirslanden has engaged extensively with the cantonal authorities and been involved in their pandemic response planning.

In response to these measures, cantonal authorities introduced some financial support for hospitals in Switzerland. The Group has been awarded government grants to partially compensate for loss of revenue due to the ban on elective procedures and for additional costs incurred.

Total government grants of £10m (2020: £nil) were recognised as other income.

In addition to the government grants recognised as other income, the Swiss government also introduced a wage subsidy programme in response to the COVID-19 pandemic. Total wage subsidies of £6m (2020: £nil) were recognised against related employee costs. There are no outstanding balances of deferred income or receivables related to these grants at 31 March 2021.

## 25. OTHER GAINS AND LOSSES

| | 2021 £'m | 2020 £'m |
|---|---|---|
| Foreign exchange differences | – | 3 |
| Fair value adjustments on derivative contracts | – | 1 |
| Remission of debt | 1 | – |
| COVID-19-related rent concessions | 1 | – |
| | 2 | 4 |

## 26. FINANCE COST

| | 2021 £'m | 2020 £'m |
|---|---|---|
| Interest expense on financial liabilities not at FVPL | 42 | 57 |
| Interest on lease liabilities | 20 | 21 |
| Interest rate swaps | 7 | 1 |
| Amortisation of capitalised financing costs | 3 | 3 |
| Remeasurement of redemption liability (written put option) | 23 | 5 |
| Unwinding of discount on redemption liability | 1 | 1 |
| Preference share dividend | 4 | 7 |
| Less: amounts included in cost of qualifying assets | (1) | (3) |
| | 99 | 92 |

### Capitalised borrowing costs

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's general borrowings during the year, in this case between 4.8% and 8.0% (2020: between 8.6% and 8.9%).

## 27. INCOME TAX EXPENSE

| | 2021 £'m | 2020 £'m |
|---|---|---|
| Current tax | | |
| Current year | **31** | 54 |
| Deferred tax credit (refer to note 10) | **(6)** | (30) |
| **Taxation per income statement** | **25** | 24 |
| **Composition** | | |
| UK tax | **–** | – |
| Foreign tax | **25** | 24 |
| | **25** | 24 |

| | 2021 £'m | 2020 £'m |
|---|---|---|
| **Reconciliation of rate of taxation:** | | |
| UK statutory rate of taxation | **19.0%** | 19.0% |
| Adjusted for: | | |
| Benefit of tax incentives | **(0.8)%** | 0.2% |
| Share of net profit of equity-accounted investments | **2.0%** | 0.2% |
| Non-deductible expenses[1] | **9.0%** | (35.9)% |
| Non-controlling interests' share of profit before tax | **(0.9)%** | 0.4% |
| Effect of different tax rates[2] | **(9.0)%** | (0.1)% |
| Income tax rate changes[3] | **(1.5)%** | 10.2% |
| Non-recognition of tax losses in current year | **6.6%** | (1.1)% |
| Derecognition of tax losses relating to prior years | **–** | (0.7)% |
| Recognition of tax losses relating to prior years | **(1.1)%** | – |
| Utilisation of previously unrecognised tax losses | **(0.1)%** | (0.1)% |
| Withholding taxes | **0.1%** | (0.1)% |
| Prior year adjustment | **1.1%** | (0.6)% |
| **Effective tax rate[4]** | **24.4%** | (8.6)% |

**Notes**

[1] The remeasurement of the redemption liability of £23m is not deductible for tax purposes. The tax effect amounted to £4m (impact of 4.2% in effective tax rate). In the prior year, the impairment of the listed associate of £10m and the impairment of goodwill of £482m were not deductible for tax purposes. The tax effect amounted to £93m (impact of 34.0% in effective tax rate).

[2] Since the tax reconciliation is based on a UK statutory tax rate of 19.0%, a reconciling item results due to profit from Southern Africa which is subject to an income tax rate of 28.0%, reduced by profit from the UAE which is not subject to income tax and profit from Hirslanden which is subject to an expected income tax rate of 16.5% (2020: 17.9%).

[3] In the prior year, corporate tax reforms in Switzerland led to the reduction in deferred tax liabilities amounting to £29m and a corresponding reduction to the tax rate charge.

[4] If adjusting items and their related tax effect, as explained in the ***Group Chief Financial Officer's Report***, are excluded from the effective tax rate calculation, the adjusted effective tax rate would be 19.3% (2020: 22.3%). Comparing the adjusted effective tax rate with the prior year, the decrease is mainly due to a higher contribution of non-taxable income from Mediclinic Middle East compared to the prior year. This was partly offset with an increase in the effective tax rate due to the recognition of non-deductible equity-accounted losses from the investment in Spire, as well as the non-recognition of deferred tax assets on current year tax losses in the Switzerland segment.

## 28. EARNINGS PER ORDINARY SHARE

| | 2021 £'m | 2020 £'m |
|---|---|---|
| **Earnings/(loss) per ordinary share (pence)** | | |
| Basic (pence) | **9.2** | (43.4) |
| Diluted (pence) | **9.2** | (43.4) |
| **Earnings reconciliation** | | |
| Earnings/(loss) attributable to equity holders of the Company | **68** | (320) |
| Adjusted for: | | |
| No adjustments | **–** | – |
| **Earnings/(loss) for basic and diluted EPS** | **68** | (320) |

**Number of ordinary shares**
At 31 March 2021, the weighted average number of ordinary shares in issue was 737 243 810 (2020: 737 212 010). There were no dilutive treasury shares in issue at 31 March 2021 (2020: nil). The treasury shares previously issued to the Mpilo Trusts[1] were sold during March 2020.

**Equity-settled LTIP awards**
Equity-settled LTIP awards granted to employees are considered to be potential ordinary shares. They have been included in the determination of diluted EPS if the required performance conditions would have been met at the reporting date, and to the extent to which they are dilutive. The awards have not been included in the determination of basic EPS. Details relating to the LTIP awards are set out in note 15.

The 607 072 awards granted on 13 December 2020 are not included in the calculation of diluted EPS because the required performance conditions were not met for the year ended 31 March 2021. These options could potentially dilute basic EPS in the future.

**Note**
[1] Mpilo Trusts are employees' share trusts that were created as part of the South African division's black economic empowerment initiative in 2005.

**Headline earnings per ordinary share**
The Group is required to calculate headline earnings per share ('**HEPS**') in accordance with the JSE Listings Requirements, determined by reference to the South African Institute of Chartered Accountants' circular 01/2021 (Revised) *Headline Earnings*. The table below sets out a reconciliation of basic EPS and HEPS in accordance with that circular. Disclosure of HEPS is not a requirement of IFRS, but it is a commonly used measure of earnings in South Africa. The table below reconciles the profit for the financial year attributable to equity holders of the parent to headline earnings and summarises the calculation of basic HEPS:

| | 2021 £'m | 2020 £'m |
|---|---|---|
| **Headline earnings per share** | | |
| **Earnings/(loss) for basic and diluted EPS** | **68** | (320) |
| **Adjustments** | | |
| (Reversal of impairment)/impairment of equity-accounted investment | **(60)** | 10 |
| Impairment of properties, equipment and intangible assets, net of tax | **4** | 509 |
| Insurance proceeds for impaired equipment, net of tax | **(1)** | – |
| Associate's impairment of goodwill | **60** | – |
| Associate's reversal of impairment of property, plant and equipment | **–** | (1) |
| **Headline earnings** | **71** | 198 |
| HEPS (pence) | **9.6** | 26.9 |
| Diluted HEPS (pence) | **9.6** | 26.9 |

## 29. OTHER COMPREHENSIVE INCOME

| | 2021 £'m | 2020 £'m |
|---|---|---|
| **Components of other comprehensive income** | | |
| Currency translation differences | **(235)** | 175 |
| Fair value adjustments – cash flow hedges | **(2)** | (6) |
| Realised fair value hedge adjustments transferred to income statement | **2** | – |
| Remeasurement of retirement benefit obligations | **127** | (17) |
| Effect of changes in income tax rates on retirement benefit obligations | **–** | (4) |
| **Other comprehensive (loss)/income, net of tax** | **(108)** | 148 |

| | Attributable to equity holders of the Company (before tax) £'m | Tax charge attributable to equity holders of the Company £'m | Attributable to non-controlling interest (after tax) £'m | Total £'m |
|---|---|---|---|---|
| **Year ended 31 March 2021** | | | | |
| Currency translation differences | **(237)** | **–** | **2** | **(235)** |
| Fair value adjustments – cash flow hedges | **(2)** | **–** | **–** | **(2)** |
| Realised fair value hedge adjustments transferred to income statement | **2** | **–** | **–** | **2** |
| Remeasurement of retirement benefit obligations | **150** | **(26)** | **3** | **127** |
| **Other comprehensive (loss)/income** | **(87)** | **(26)** | **5** | **(108)** |
| **Year ended 31 March 2020** | | | | |
| Currency translation differences | 187 | – | (12) | 175 |
| Fair value adjustments – cash flow hedges | (8) | 2 | – | (6) |
| Remeasurement of retirement benefit obligations | (19) | 1 | 1 | (17) |
| Effect of changes in income tax rates on retirement benefit obligations | – | (4) | – | (4) |
| **Other comprehensive income/(loss)** | **160** | **(1)** | **(11)** | **148** |

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## 30. CASH FLOW INFORMATION

| | 2021 £'m | 2020 £'m |
|---|---|---|
| **30.1. Reconciliation of profit before taxation to cash generated from operations** | | |
| Profit/(loss) before taxation | **104** | (275) |
| Adjustments for: | | |
| Finance cost – net | **95** | 83 |
| Share of net profit of equity-accounted investments | **10** | (2) |
| Share-based payments | **–** | 1 |
| Depreciation and amortisation | **217** | 217 |
| Loss allowance of trade receivables | **11** | 9 |
| Movement in provisions | **12** | 5 |
| Movement in retirement benefit obligations | **6** | 10 |
| Impairment of properties and intangible assets | **3** | 512 |
| Impairment of equity-accounted investment | **1** | 10 |
| Fair value adjustments on derivative contracts | **–** | (1) |
| Insurance proceeds | **(2)** | – |
| Other non-cash items | **(2)** | – |
| Operating income before changes in working capital | **455** | 569 |
| Working capital changes | **(125)** | 20 |
| (Increase)/decrease in inventories | **(10)** | (15) |
| Increase in trade and other receivables | **(129)** | (11) |
| Increase in trade and other payables | **14** | 46 |
| | **330** | 589 |
| **30.2. Interest paid** | | |
| Finance cost per income statement | **99** | 92 |
| Non-cash items | | |
| Amortisation of capitalised financing fees | **(3)** | (3) |
| Borrowing costs capitalised | **1** | 3 |
| Remeasurement of redemption liability | **(23)** | (5) |
| Unwinding of discount of redemption liability | **(1)** | (1) |
| Accrued interest on lease liability | **(3)** | (3) |
| | **70** | 83 |

## 30. CASH FLOW INFORMATION CONTINUED

| | 2021 £'m | 2020 £'m |
|---|---|---|
| **30.3. Tax paid** | | |
| Liability at the beginning of the year | **2** | 7 |
| Provision for the year | **31** | 54 |
| | **33** | 61 |
| Liability at year-end | **(4)** | (2) |
| | **29** | 59 |
| **30.4. Investment to maintain operations** | | |
| Property, equipment and vehicles purchased | **46** | 76 |
| Intangible assets purchased | **8** | 8 |
| Movement in capital expenditure payables | **2** | (3) |
| | **56** | 81 |
| **30.5. Investment to expand operations** | | |
| Property, equipment and vehicles purchased | **59** | 93 |
| Intangible assets purchased | **13** | 15 |
| Movement in capital expenditure payables | **8** | (6) |
| | **80** | 102 |

| **30.6. Dividends** | Date paid/payable | Dividend per share (pence) | 2021 £'m | 2020 £'m |
|---|---|---|---|---|
| **Dividends declared** | | | | |
| **Year ended 31 March 2021** | | | | |
| Interim dividend | n/a | – | **–** | |
| Final dividend | n/a | – | **–** | |
| | | **–** | | |
| **Year ended 31 March 2020** | | | | |
| Interim dividend | 17 December 2019 | 3.20 | | 24 |
| Final dividend | n/a | – | | – |
| | | 3.20 | **–** | 24 |
| **Dividends paid** | | | | |
| Dividends paid during the year | | | – | 59 |

Under IFRS, dividends are only recognised in the financial statements when authorised by the Board of Directors (for interim dividends) or when authorised by the shareholders (for final dividends). As part of the Group's response to maintaining its liquidity position through the crisis and to maximise its support in tackling COVID-19, the Board has taken the prudent and appropriate decision to suspend the interim and final dividend.

## 30 CASH FLOW INFORMATION CONTINUED

### 30.7. Changes in liabilities arising from financing activities

| | Total borrowings £'m | Net derivative financial instruments held to hedge borrowings £'m | Total lease liabilities £'m | Total £'m |
|---|---|---|---|---|
| **Year ended 31 March 2021** | | | | |
| Opening balance | **1 951** | **10** | **703** | **2 664** |
| Cash flow movements | | | | |
| Proceeds from borrowings | **115** | **–** | **–** | **115** |
| Repayment of borrowings | **(196)** | **–** | **–** | **(196)** |
| Repayment of lease liabilities | **–** | **–** | **(39)** | **(39)** |
| Refinancing transaction cost | **(3)** | **–** | **–** | **(3)** |
| Non-cash items | | | | |
| Amortisation of capitalised financing fees | **3** | **–** | **–** | **3** |
| Hedging losses reclassified to profit and loss | **–** | **(2)** | **–** | **(2)** |
| Fair value changes | **–** | **2** | **–** | **2** |
| New lease commitments entered into during the year | **–** | **–** | **59** | **59** |
| Lease commitments terminated during the year | **–** | **–** | **(1)** | **(1)** |
| Remeasurement of lease liabilities | **–** | **–** | **8** | **8** |
| Accrued interest on lease liabilities | **–** | **–** | **3** | **3** |
| Exchange rate differences | **(93)** | **–** | **(57)** | **(150)** |
| **Closing balance** | **1 777** | **10** | **676** | **2 463** |
| **Year ended 31 March 2020** | | | | |
| Opening balance | 1 982 | 2 | – | 1 984 |
| Cash flow movements | | | | |
| Proceeds from borrowings | 15 | – | – | 15 |
| Repayment of borrowings | (101) | – | – | (101) |
| Repayment of lease liabilities | – | – | (45) | (45) |
| Refinancing transaction cost | (1) | – | – | (1) |
| Non-cash items | | | | |
| Change in accounting policy | (3) | – | 665 | 662 |
| Amortisation of capitalised financing fees | 3 | – | – | 3 |
| Fair value changes | – | 8 | – | 8 |
| Transfer to liabilities held for sale | – | – | (4) | (4) |
| New lease commitments entered into during the year | – | – | 52 | 52 |
| Lease commitments terminated during the year | – | – | (5) | (5) |
| Accrued interest on lease liabilities | – | – | 3 | 3 |
| Exchange rate differences | 56 | – | 37 | 93 |
| **Closing balance** | **1 951** | **10** | **703** | **2 664** |

## 30. CASH FLOW INFORMATION CONTINUED

### 30.8. Cash and cash equivalents

| | 2021 £'m | 2020 £'m |
|---|---|---|
| For the purposes of the statement of cash flows, cash, cash equivalents and bank overdrafts include: | | |
| Cash and cash equivalents | **294** | 329 |
| Cash, cash equivalents and bank overdrafts are denominated in the following currencies: | | |
| Swiss franc[1] | **88** | 158 |
| South African rand[2] | **112** | 93 |
| UAE dirham[3] | **31** | 33 |
| Sterling[4] | **56** | 37 |
| US dollar[5] | **7** | 8 |
| | **294** | 329 |

**Notes**

[1] The facility agreement of the Swiss subsidiary restricts the distribution of cash. The counterparties have a minimum A1 credit rating by Moody's and a minimum A credit rating by Standard & Poor's.
[2] The counterparties have a minimum Ba2 credit rating by Moody's.
[3] The counterparties have a minimum A1 credit rating by Moody's.
[4] The counterparties have a minimum A1 credit rating by Moody's.
[5] The counterparties have a minimum A1 credit rating by Moody's.

Exchange controls in South Africa may restrict the use of certain cash balances at Mediclinic Southern Africa. These restrictions are not expected to have any material effect on the Group's ability to meet its ongoing obligations.

Cash and cash equivalents denominated in Swiss franc amounting to £81m (2020: £149m) and South African bank accounts denominated in South African rand amounting to £5m (2020: £1m) have been ceded as security for borrowings (refer to note 17).

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## 31. BUSINESS COMBINATIONS

The following business combinations occurred during the current and prior years:

| | 2021 £'m | 2020 £'m |
|---|---|---|
| **Cash flow on acquisition:** | | |
| OPERA Zumikon | **(2)** | – |
| Denmar Specialist Psychiatric Hospital | **–** | (12) |
| | **(2)** | (12) |

### OPERA Zumikon

Effective on 1 April 2020, Hirslanden AG acquired 100% of the shares of the day case clinic, OPERA Zumikon, for £3m. The total identifiable net assets comprised cash and cash equivalents of £1m and retirement benefit obligations of £1m. Considering the cash and cash equivalents acquired of £1m, the net cash flow on acquisition was £2m.

OPERA specialises in outpatient surgery. The goodwill of £3m arising from the acquisition is attributable to the acquired workforce and economies of scale expected from the business combination. None of the goodwill recognised is expected to be deductible for income tax purposes.

### Revenue and profit contribution

The acquired business contributed revenues of £2m and net profit of less than £0.5m to the Group for the period from 1 April 2020 to 31 March 2021.

## 32. DISPOSAL OF SUBSIDIARIES

During the current year, the Group disposed of the outpatient clinics at Hirslanden Praxiszentrum am Bahnhof, Schaffhausen AG, Hirslanden Bern AG and Hirslanden Freiburg AG, Düdingen, to Medbase with effect from 1 June 2020. The Group also disposed of Mediclinic Howick, which was part of the Southern Africa division with effect from 1 March 2021.

In the prior year, the Group disposed of Klinik Belair AG, Schaffhausen, which was part of the Switzerland division, as well as Mediclinic Ghayathi Clinic, a branch of Mediclinic Hospitals LLC in Abu Dhabi that was part of the Middle East segment.

| | 2021 £'m | 2020 £'m |
|---|---|---|
| **Analysis of assets and liabilities over which control was lost** | | |
| Property, equipment and vehicles | 7 | 10 |
| Trade and other receivables | – | 2 |
| Cash and cash equivalents | – | 2 |
| Other assets | 1 | – |
| Lease liabilities | (3) | – |
| Deferred income tax liabilities | – | (1) |
| Trade and other payables | – | (2) |
| Other liabilities | (1) | – |
| **Net assets disposed of** | 4 | 11 |
| **Consideration received** | | |
| Cash and cash equivalents | 4 | 11 |
| **Total consideration** | 4 | 11 |
| **Gain/(loss) on disposal of subsidiary** | | |
| Consideration received | 4 | 11 |
| Net assets disposed of | (4) | (11) |
| **Gain/(loss) on disposal** | – | – |
| **Net cash inflow** | | |
| Total cash flow on disposal of subsidiary | 4 | 11 |
| Less: cash and cash equivalents disposed of | – | (2) |
| **Net cash inflow on disposal** | 4 | 9 |

## 33. DISPOSAL GROUPS HELD FOR SALE

During the prior year, management decided to sell three outpatient clinics within the Switzerland segment. These outpatient clinics were sold with effect from 1 June 2020. Refer to note 32 for more details.

| | 2021 £'m | 2020 £'m |
|---|---|---|
| **Analysis of assets and liabilities held for sale** | | |
| **Assets** | | |
| Property, equipment and vehicles | – | 7 |
| Trade and other receivables | – | 1 |
| **Total assets** | – | 8 |
| **Liabilities** | | |
| Lease liabilities | – | 4 |
| **Total liabilities** | – | 4 |

## 34. COMMITMENTS

| | 2021 £'m | 2020 £'m |
|---|---|---|
| **Capital commitments** | | |
| **Incomplete capital expenditure contracts** | **190** | 114 |
| Switzerland | **125** | 30 |
| Southern Africa | **55** | 70 |
| Middle East | **10** | 14 |
| **Capital expenses authorised by the Board of Directors but not yet contracted** | **77** | 123 |
| Switzerland | **12** | 2 |
| Southern Africa | **39** | 96 |
| Middle East | **26** | 25 |
| | **267** | 237 |

### Other commitments

In terms of a forward contract in the Middle East, the Group has a current obligation to pay £3m. This best estimate of the obligation is determined based on an earnings multiple and is contractually capped to an amount of £76m.

These commitments will be financed from Group cash flow and borrowed funds.

### Income guarantees

As part of the expansion of network of specialist institutes in Switzerland and centres of expertise, the Group has agreed to guarantee a minimum net income to these specialists for a start-up period of 3–5 years. Payments under such guarantees become due if the net income from the collaboration does not meet the amounts guaranteed. There were no payments under the aforementioned income guarantees in the reporting period as the net income individually generated met or exceeded the amounts guaranteed.

| | 2021 £'m | 2020 £'m |
|---|---|---|
| **Total of net income guaranteed:** | | |
| April 2020 – March 2021 | **–** | 4 |
| April 2021 – March 2022 | **3** | 2 |
| April 2022 – March 2023[1] | **–** | – |
| April 2023 – March 2024[1] | **–** | – |
| | **3** | 6 |

**Note**
[1] Amount is less than £0.5m.

### Contingent liabilities

The Group is routinely subject to legal proceedings, claims, complaints and investigations arising out of the ordinary course of business. The Group cannot always accurately predict the outcome of individual legal actions, claims, complaints or investigations but a best estimate of the likelihood of such actions and claims crystallising a financial exposure is made at each year-end. Where an exposure is deemed probable and is reliably estimable, a provision is made. Except for those matters where provisions have been recorded, which are described in note 20, the Group considers that no material loss to the Group is expected to result from legal proceedings, claims, complaints and investigations.

## 35. RELATED-PARTY TRANSACTIONS

Remgro Ltd owns, through various subsidiaries (Remgro Healthcare [Pty] Ltd, Remgro Health Ltd and Remgro Jersey GBP Ltd), 44.56% (2020: 44.56%) of the Company's issued share capital.

The following transactions were carried out with related parties:

| | | 2021 £'m | 2020 £'m |
|---|---|---|---|
| i) | **Transactions with shareholders** | | |
| | **Remgro Management Services Ltd (subsidiary of Remgro Ltd)** | | |
| | Managerial and administration fees | **0.3** | 0.4 |
| ii) | **Key management compensation**[1] | | |
| | Key management includes the directors (executive and non-executive) and members of the Group Executive Committee | | |
| | **Salaries and other short-term benefits** | | |
| | Short-term benefits | **8** | 5 |
| iii) | **Transactions with associates and joint ventures** | | |
| | **Zentrallabor Zürich** | | |
| | Fees earned | **–** | (1) |
| | Purchases | **11** | 8 |
| | **Wits University Donald Gordon Medical Centre (Pty) Ltd** | | |
| | Fees paid | **2** | 2 |
| | Agency fees received | **(1)** | (2) |
| | **Spire Healthcare Group plc** | | |
| | Non-executive director fee[2] | **–** | – |
| iv) | **Loans to related parties** | | |
| | Wits University Donald Gordon Medical Centre (Pty) Ltd | **2** | 2 |
| | Bourn Hall LLC | **2** | 2 |
| | Zentrallabor Zürich ZLZ[3] | **–** | – |
| v) | **Other receivables & payables due from/(to) related parties** | | |
| | Wits University Donald Gordon Medical Centre (Pty) Ltd | **2** | 2 |
| | Zentrallabor Zürich ZLZ | **(1)** | (1) |

**Notes**

[1] Details of directors' remuneration are contained in the ***Remuneration Committee Report*** on pages 164–181.

[2] Amount is less than £0.1m.

[3] Amount is less than £0.5m.

### Terms and conditions

Managerial and administration fees were bought on a cost-plus basis. All other transactions were made on normal commercial terms and conditions and at market rates.

The loan to Wits University Donald Gordon Medical Centre (Pty) Ltd is interest free and repayable on demand. The loan to Bourn Hall LLC earns interest at a rate of 7% per annum and is repayable in March 2022. The loan to Zentrallabor Zürich ZLZ is interest free and repayable in August 2022.

## 36. FINANCIAL INSTRUMENTS

Financial instruments measured at fair value in the statement of financial position are classified using a fair-value hierarchy that reflects the significance of the inputs used in the valuation. The fair-value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Input (other than quoted prices included within level 1) that is observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 – Input for the asset or liability that is not based on observable market data (unobservable input).

| Financial instruments carried at fair value in the statement of financial position | 2021 £'m | 2020 £'m |
|---|---|---|
| **Financial assets** | | |
| Other investments and loans | **5** | 2 |
| Derivative financial instruments | **–** | 2 |
| **Financial liabilities** | | |
| Derivative financial instruments | **(11)** | (10) |

- Investments in money market funds and listed equity instruments classified as financial assets at FVPL (part of other investments and loans): The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.
- Unlisted equity instruments at FVPL and FVOCI (part of other investments and loans): The fair value of these financial instruments is not based on observable market data. These assets are grouped as level 3.
- Derivative financial instruments: These financial instruments consist of interest rate swaps, put/call agreements and forward contracts and are measured at the present value of estimated future cash flows and discounted based on the applicable yield curves derived from quoted interest rates. Based on the degree to which the fair value is observable, the interest rate swaps are grouped as level 2. Put/call agreements and forward contracts are grouped as level 3.

## 36. FINANCIAL INSTRUMENTS CONTINUED

| Financial instruments not carried at fair value in the statement of financial position | 2021 £'m | (Re-presented)[1] 2020 £'m |
|---|---|---|
| **Financial assets** | | |
| Other investments and loans | **9** | 9 |
| Trade and other receivables | **774** | 722 |
| Cash and cash equivalents | **294** | 329 |
| **Financial liabilities** | | |
| Borrowings | **(1 777)** | (1 951) |
| Lease liabilities | **(676)** | (703) |
| Derivative financial instruments | **(115)** | (101) |
| Trade and other payables | **(441)** | (464) |

**Note**

[1] The comparative for trade and other receivables has been re-presented to include Swiss unbilled services and other receivables that are considered to be financial instruments. Refer to note 12 for additional information.

- Cash and cash equivalents, trade and other receivables, trade and other payables, and other investments and loans not carried at fair value: Due to the expected short-term maturity of these financial instruments, their carrying value approximates their fair value.
- Borrowings: The fair value of long-term borrowings is based on discounted cash flows using the effective interest-rate method. As the interest rates of long-term borrowings are all market related, their carrying values approximate their fair value.
- Derivative financial instruments: The value of the redemption liability (written put option) is determined based on the profitability of Clinique des Grangettes and Clinique La Colline. The exercise price is formula based and the financial liability is recognised at amortised cost at the present value of the estimated future contractual cash flows of the redemption amount.

## 37. EVENTS AFTER THE REPORTING DATE

On 10 May 2021, a fire broke out at Klinik Hirslanden and caused significant damage to one of the building wings. Since the EC, ICU and operating theatres were not damaged by the fire, the hospital remains operational. Although the amount of damage caused by the fire has not been determined, insurance cover for the damage to the property, equipment and supplies is in place, including cover for the losses incurred due to business interruption.

The directors are not aware of any matter or circumstance arising since the end of the financial year that would significantly affect the operations of the Group or the results of its operations.

### 38. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

## SUBSIDIARIES

| Company | Registered office address | Country of incorporation and place of business | Principal activities | Interest in capital[1] 31 March 2021 % | Interest in capital[1] 31 March 2020 % |
|---|---|---|---|---|---|
| Mediclinic CHF Finco Limited | IFC 5, St Helier, Jersey, JE1 1ST | Jersey | Treasury | **100.0** | 100.0 |
| Mediclinic Holdings Netherlands B.V. | Schiekade 830, 3032 AL Rotterdam | Netherlands | Intermediary holding company | **100.0** | 100.0 |
| Mediclinic International (RF) (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Intermediary holding company | **100.0** | 100.0 |
| Mediclinic Middle East Holdings Limited | IFC 5, St Helier, Jersey, JE1 1ST | Jersey | Intermediary holding company | **100.0** | 100.0 |
| **INDIRECTLY HELD THROUGH MEDICLINIC CHF FINCO LIMITED** | | | | | |
| Mediclinic Jersey Limited | IFC 5, St Helier, Jersey, JE1 1ST | Jersey | Intermediary holding company | **100.0** | 100.0 |
| **INDIRECTLY HELD THROUGH MEDICLINIC HOLDINGS NETHERLANDS B.V.** | | | | | |
| Mediclinic Luxembourg S.à.r.l | 14, rue Edward Steichen, L-2540 Luxembourg | Luxembourg | Intermediary holding company | **100.0** | 100.0 |
| **INDIRECTLY HELD THROUGH MEDICLINIC LUXEMBOURG S.À.R.L.** | | | | | |
| Hirslanden AG | Boulevard Lilienthal 2, 8152 Glattpark (Opfikon) | Switzerland | Intermediary holding company and operating company of Hirslanden | **100.0** | 100.0 |
| **INDIRECTLY HELD THROUGH HIRSLANDEN AG** | | | | | |
| AndreasKlinik AG Cham | Rigistrasse 1, 6330 Cham | Switzerland | Healthcare services | **100.0** | 100.0 |
| Hirslanden Bern AG | Schänzlihalde 11, 3013 Bern | Switzerland | Healthcare services | **100.0** | 100.0 |
| Hirslanden Klinik Aarau AG | Schänisweg, 5000 Aarau | Switzerland | Healthcare services | **100.0** | 100.0 |
| Hirslanden Klinik Linde AG | Blumenrain 105, 2503 Biel/Bienne | Switzerland | Healthcare services | **100.0** | 100.0 |
| Hirslanden Klinik Am Rosenberg AG | Hasenbühlstrasse 11, 9410 Heiden | Switzerland | Healthcare services | **100.0** | 100.0 |
| Hirslanden La Colline Grangettes SA | Chemin des Grangettes 7, c/o Clinique des Grangettes SA 1224 Chene-Bougeries | Switzerland | Healthcare services | **60.0** | 60.0 |
| Hirslanden Lausanne SA | Avenue d'Ouchy 31, 1006 Lausanne | Switzerland | Healthcare services | **100.0** | 100.0 |
| Hirslanden OPERA AG[2] | Boulevard Lilienthal 2, 8152 Glattpark (Opfikon) | Switzerland | Hirslanden OPERA AG | **100.0** | 100.0 |

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## 38. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES CONTINUED

| Company | Registered office address | Country of incorporation and place of business | Principal activities | Interest in capital[1] 31 March 2021 % | Interest in capital[1] 31 March 2020 % |
|---|---|---|---|---|---|
| Hirslanden Praxiszentrum am Bahnhof, Schaffhausen AG[2] | Bleichestrasse 3, 8200 Schaffhausen | Switzerland | Healthcare services | **–** | 100.0 |
| Hirslanden Precise AG | Forchstrasse 452 8702 Zollikon | Switzerland | Healthcare services | **100.0** | – |
| Hirslanden Venture Capital AG | Boulevard Lilienthal 2 8152 Glattpark (Opfikon) | Switzerland | Healthcare services | **100.0** | – |
| IMRAD SA | Avenue d'Ouchy 31, Clinique Bois-Cerf c/o Hirslanden Lausanne SA, 1006 Lausanne | Switzerland | Healthcare services | **75.0** | 100.0 |
| Klinik Birshof AG | Alte Reinacherstrasse 28, 4142 Münchenstein | Switzerland | Healthcare services | **99.9** | 99.7 |
| Klinik St. Anna AG | St. Anna-Strasse 32, 6006 Luzern | Switzerland | Healthcare services | **100.0** | 100.0 |
| Klinik Stephanshorn AG | Brauerstrasse 95, 9016 St. Gallen | Switzerland | Healthcare services | **100.0** | 100.0 |
| Radiotherapie Hirslanden AG | Rain 34, 5000 Aarau | Switzerland | Healthcare services | **100.0** | 100.0 |
| **INDIRECTLY HELD THROUGH HIRSLANDEN KLINIK AM ROSENBERG AG** | | | | | |
| Klinik am Rosenberg Heiden AG | Hasenbühlstrasse 11, 9410 Heiden | Switzerland | Healthcare services | **99.2** | 99.2 |
| **INDIRECTLY HELD THROUGH HIRSLANDEN LA COLLINE GRANGETTES SA** | | | | | |
| Hirslanden Clinique La Colline SA | Avenue de Beau-Séjour 6, 1206 Genève | Switzerland | Healthcare services | **60.0** | 60.0 |
| Grangettes Healthcare SA | Chemin des Grangettes 7, c/o Clinique des Grangettes SA, 1224 Chene-Bougeries | Switzerland | Healthcare services | **60.0** | 60.0 |
| **INDIRECTLY HELD THROUGH GRANGETTES HEALTHCARE SA** | | | | | |
| Clinique des Grangettes SA | Chemin des Grangettes 7, 1224 Chene-Bougeries | Switzerland | Healthcare services | **60.0** | 60.0 |
| Dianecho SA | Rue de Courage 116, 1205 Genève | Switzerland | Healthcare services | **43.9** | 43.9 |
| **INDIRECTLY HELD THROUGH HIRSLANDEN OPERA AG[2]** | | | | | |
| Hirslanden OPERA Zumikon AG | Morgental 35, 8126 Zumikon | Switzerland | Healthcare services | **100.0** | – |
| Hirslanden OPERA St. Gallen AG | Schuppisstrasse 10, 9016 St. Gallen | Switzerland | Healthcare services | **100.0** | – |
| **INDIRECTLY HELD THROUGH IMRAD SA** | | | | | |
| Hirslanden Freiburg AG, Düdingen | Bahnhofplatz 2a, 3186 Düdigen | Switzerland | Healthcare services | **75.0** | 100.0 |

| Company | Registered office address | Country of incorporation and place of business | Principal activities | Interest in capital[1] 31 March 2021 % | 31 March 2020 % |
|---|---|---|---|---|---|
| **INDIRECTLY HELD THROUGH MEDICLINIC INTERNATIONAL (RF) (PTY) LTD** | | | | | |
| Mediclinic Group Services (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Provision of group services within Mediclinic | **100.0** | 100.0 |
| Mediclinic Investments (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Intermediary holding company | **100.0** | 100.0 |
| **INDIRECTLY HELD THROUGH MEDICLINIC GROUP SERVICES (PTY) LTD** | | | | | |
| Medical Innovations (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Hospital equipment and procurement | **100.0** | 100.0 |
| **INDIRECTLY HELD THROUGH MEDICLINIC INVESTMENTS (PTY) LTD** | | | | | |
| Mediclinic Southern Africa (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Intermediary holding company | **100.0** | 100.0 |
| **INDIRECTLY HELD THROUGH MEDICLINIC SOUTHERN AFRICA (PTY) LTD** | | | | | |
| Curamed Holdings (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Intermediary holding company | **73.4** | 69.8 |
| Denmar Specialist Psychiatric Hospital (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Mental healthcare services | **100.0** | 100.0 |
| ER24 Holdings (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Intermediary holding company | **100.0** | 100.0 |
| Howick Private Hospital Holdings (Pty) Ltd (50% plus 1 share) | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Intermediary holding company | **-** | 50.0 |
| Intelimed (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Managed care organisation (dormant) | **100.0** | 100.0 |
| Intercare Group Hospital Holdings (Pty) Ltd (Hospitals) | Glenfair Office Block, Lynnwood & Daventry Roads, Lynnwood 0081 | South Africa | Healthcare services | **59.2** | 50.1 |
| Medical Human Resources (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Management of healthcare staff | **100.0** | 100.0 |
| Mediclinic (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Intermediary holding company and operating company of Mediclinic Southern Africa | **100.0** | 100.0 |
| Mediclinic Brits (Pty) Ltd[2] | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Healthcare services | **66.8** | 66.7 |
| Mediclinic Finance Corporation (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Treasury | **100.0** | 100.0 |

## 38. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES CONTINUED

| Company | Registered office address | Country of incorporation and place of business | Principal activities | Interest in capital[1] 31 March 2021 % | Interest in capital[1] 31 March 2020 % |
|---|---|---|---|---|---|
| Mediclinic Holdings (Namibia) (Pty) Ltd | Grant Thornton Neuhaus, 12th floor, Sanlam Centre, 157 Independence Avenue, Windhoek | Namibia | Intermediary holding company | **100.0** | 100.0 |
| Mediclinic Lephalale (Pty) Ltd[2] | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Healthcare services | **93.0** | 93.2 |
| Mediclinic Midstream (Pty) Ltd[2] | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Healthcare services | **81.8** | 81.8 |
| Mediclinic Paarl (Pty) Ltd[2] | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Healthcare services | **75.5** | 75.5 |
| Mediclinic Properties (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Property ownership and management | **100.0** | 100.0 |
| Mediclinic Renal Services (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Healthcare services | **100.0** | – |
| Mediclinic Renal Services Investments (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Healthcare services | **100.0** | – |
| Mediclinic Stellenbosch (Pty) Ltd[2] | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Healthcare services | **87.3** | 87.3 |
| Mediclinic Tzaneen (Pty) Ltd[2] (50% plus one share) | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Healthcare services | **50.0** | 50.0 |
| Newcastle Private Hospital (Pty) Ltd[2] (50% plus one share, including B class shares) | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Healthcare services | **51.3** | 51.3 |
| Practice Relief (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Provision of debt collection and related services | **100.0** | 100.0 |
| Victoria Hospital (Pty) Ltd[2] (50% plus five shares, including B class shares) | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Healthcare services | **50.0** | 50.0 |
| **INDIRECTLY HELD THROUGH CURAMED HOLDINGS (PTY) LTD** | | | | | |
| Curamed Hospitals (Pty) Ltd[2] | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Healthcare services | **100.0** | 100.0 |
| Curamed Properties (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Property ownership and management | **100.0** | 100.0 |

| Company | Registered office address | Country of incorporation and place of business | Principal activities | Interest in capital[1] 31 March 2021 % | Interest in capital[1] 31 March 2020 % |
|---|---|---|---|---|---|
| **INDIRECTLY HELD THROUGH CURAMED HOSPITALS (PTY) LTD[2]** | | | | | |
| Mediclinic Thabazimbi (Pty) Ltd[2] | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Healthcare services | **76.0** | 76.0 |
| **INDIRECTLY HELD THROUGH ER24 HOLDINGS (PTY) LTD** | | | | | |
| ER24 EMS (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Emergency medical services | **100.0** | 100.0 |
| ER24 Trademarks (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Intellectual property holding company | **100.0** | 100.0 |
| ER24 Zambia Ltd | Building 3, Acacia Park, Stand No. 22768, Thabo Mbeki Road, Lusaka | Zambia | Emergency medical services | **-** | 99.0 |
| **INDIRECTLY HELD THROUGH HOWICK PRIVATE HOSPITAL HOLDINGS (PTY) LTD** | | | | | |
| Howick Private Hospital (Pty) Ltd[2] | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Healthcare services | **-** | 100.0 |
| **INDIRECTLY HELD THROUGH MEDICLINIC (PTY) LTD** | | | | | |
| Mediclinic Ermelo (Pty) Ltd[2] | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Healthcare services | **59.8** | 58.1 |
| Mediclinic Hermanus (Pty) Ltd[2] | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Healthcare services | **53.2** | 53.2 |
| Mediclinic Kimberley (Pty) Ltd[2] | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Healthcare services | **89.6** | 89.6 |
| Mediclinic Limpopo (Pty) Ltd[2&3] (50% plus 1 share) | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Healthcare services | **50.0** | 50.0 |
| Mediclinic Potchefstroom (Pty) Ltd[2] | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Healthcare services | **87.7** | 85.6 |
| Mediclinic Upington (Pty) Ltd[2] | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Healthcare services | **50.0** | 50.0 |
| **INDIRECTLY HELD THROUGH MEDICLINIC LIMPOPO (PTY) LTD[2&3]** | | | | | |
| Mediclinic Limpopo Day Clinic (Pty) Ltd[2] | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Healthcare services | **56.4** | 57.9 |
| Mediclinic Limpopo Investments (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Investment holding company | **100.0** | 100.0 |

## 38. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES CONTINUED

| Company | Registered office address | Country of incorporation and place of business | Principal activities | Interest in capital[1] 31 March 2021 % | Interest in capital[1] 31 March 2020 % |
|---|---|---|---|---|---|
| **HOSPITAL INVESTMENT COMPANIES** | | | | | |
| Mediclinic Bloemfontein Investments (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Hospital investment company | **98.2** | 98.2 |
| Mediclinic Cape Gate Investments (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Hospital investment company | **91.4** | 90.5 |
| Mediclinic Cape Town Investments (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Hospital investment company | **99.0** | 99.0 |
| Mediclinic Constantiaberg Investments (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Hospital investment company | **75.0** | 75.0 |
| Mediclinic Durbanville Investments (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Hospital investment company | **99.4** | 99.4 |
| Mediclinic Emfuleni Investments (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Hospital investment company | **81.0** | 81.0 |
| Mediclinic George Investments (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Hospital investment company | **99.5** | 99.3 |
| Mediclinic Highveld Investments (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Hospital investment company | **97.1** | 97.1 |
| Mediclinic Hoogland Investments (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Hospital investment company | **98.8** | 98.9 |
| Mediclinic Kathu Investments (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Dormant | **100.0** | 100.0 |
| Mediclinic Klein Karoo Investments (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Hospital investment company | **100.0** | 100.0 |
| Mediclinic Legae Investments (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Hospital investment company | **87.5** | 88.0 |
| Mediclinic Louis Leipoldt Investments (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Hospital investment company | **99.9** | 99.9 |
| Mediclinic Milnerton Investments (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Hospital investment company | **99.4** | 99.4 |
| Mediclinic Morningside Investments (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Hospital investment company | **82.3** | 81.3 |

| Company | Registered office address | Country of incorporation and place of business | Principal activities | Interest in capital[1] 31 March 2021 % | Interest in capital[1] 31 March 2020 % |
|---|---|---|---|---|---|
| Mediclinic Nelspruit Investments (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Hospital investment company | **98.2** | 98.2 |
| Mediclinic Panorama Investments (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Hospital investment company | **99.2** | 99.2 |
| Mediclinic Pietermaritzburg Investments (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Hospital investment company | **77.6** | 77.6 |
| Mediclinic Plettenberg Bay Investments (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Hospital investment company | **93.0** | 93.0 |
| Mediclinic Sandton Investments (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Hospital investment company | **93.8** | 93.8 |
| Mediclinic Secunda Investments (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Hospital investment company | **82.2** | 82.2 |
| Mediclinic Vereeniging Investments (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Hospital investment company | **99.4** | 98.5 |
| Mediclinic Vergelegen Investments (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Hospital investment company | **94.9** | 94.8 |
| Mediclinic Welkom Investments (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Hospital investment company | **91.6** | 91.5 |
| Mediclinic Worcester Investments (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Hospital investment company | **97.3** | 97.3 |
| **INDIRECTLY HELD THROUGH MEDICLINIC BLOEMFONTEIN INVESTMENTS (PTY) LTD** | | | | | |
| Mediclinic Bloemfontein Day Clinic Investments (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Day case clinic investment company | **100.0** | – |
| **INDIRECTLY HELD THROUGH MEDICLINIC CAPE GATE INVESTMENTS (PTY) LTD** | | | | | |
| Mediclinic Cape Gate Day Clinic Investments (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Day case clinic investment company | **100.0** | 100.0 |
| **INDIRECTLY HELD THROUGH MEDICLINIC DURBANVILLE INVESTMENTS (PTY) LTD** | | | | | |
| Mediclinic Durbanville Day Clinic Investments (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Day case clinic investment company | **85.2** | 85.2 |

## 38. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES CONTINUED

| Company | Registered office address | Country of incorporation and place of business | Principal activities | Interest in capital[1] 31 March 2021 % | Interest in capital[1] 31 March 2020 % |
|---|---|---|---|---|---|
| **INDIRECTLY HELD THROUGH MEDICLINIC MORNINGSIDE INVESTMENTS (PTY) LTD** | | | | | |
| Sandton Day Hospital (Pty) Ltd[4] | Glenfair Office Block, Lynnwood & Daventry Roads, Lynnwood 0081 | South Africa | Healthcare services | **70.0** | 70.0 |
| Sandton Sub-Acute Hospital (Pty) Ltd[4] | Glenfair Office Block, Lynnwood & Daventry Roads, Lynnwood 0081 | South Africa | Healthcare services | **70.0** | 70.0 |
| **INDIRECTLY HELD THROUGH MEDICLINIC NELSPRUIT INVESTMENTS (PTY) LTD** | | | | | |
| Mediclinic Nelspruit Day Clinic Investments (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Day case clinic investment company | **100.0** | 100.0 |
| **INDIRECTLY HELD THROUGH MEDICLINIC VERGELEGEN INVESTMENTS (PTY) LTD** | | | | | |
| Mediclinic Vergelegen Day Clinic Investments (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Day case clinic investment company | **100.0** | – |
| **INDIRECTLY HELD THROUGH MEDICLINIC WELKOM INVESTMENTS (PTY) LTD** | | | | | |
| Welkom Medical Centre (Free State) (Pty) Ltd[2] | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Healthcare services | **83.5** | 79.5 |
| **INDIRECTLY HELD THROUGH MEDICLINIC HOLDINGS (NAMIBIA) (PTY) LTD** | | | | | |
| Mediclinic Capital (Namibia) (Pty) Ltd | Grant Thornton Neuhaus, 12th floor, Sanlam Centre, 157 Independence Avenue, Windhoek | Namibia | Investment holding company | **100.0** | 100.0 |
| Mediclinic Otjiwarongo (Pty) Ltd[2] | Grant Thornton Neuhaus, 12th floor, Sanlam Centre, 157 Independence Avenue, Windhoek | Namibia | Healthcare services | **100.0** | 100.0 |
| Mediclinic Properties (Swakopmund) (Pty) Ltd | Grant Thornton Neuhaus, 12th floor, Sanlam Centre, 157 Independence Avenue, Windhoek | Namibia | Property ownership and management | **100.0** | 100.0 |
| Mediclinic Properties (Windhoek) (Pty) Ltd | Grant Thornton Neuhaus, 12th floor, Sanlam Centre, 157 Independence Avenue, Windhoek | Namibia | Property ownership and management | **100.0** | 100.0 |
| Mediclinic Swakopmund (Pty) Ltd[2] | Grant Thornton Neuhaus, 12th floor, Sanlam Centre, 157 Independence Avenue, Windhoek | Namibia | Healthcare services | **98.9** | 98.9 |
| Mediclinic Windhoek (Pty) Ltd[2] | Grant Thornton Neuhaus, 12th floor, Sanlam Centre, 157 Independence Avenue, Windhoek | Namibia | Healthcare services | **97.4** | 97.1 |

| Company | Registered office address | Country of incorporation and place of business | Principal activities | Interest in capital[1] 31 March 2021 % | 31 March 2020 % |
|---|---|---|---|---|---|
| **INDIRECTLY HELD THROUGH MEDICLINIC STELLENBOSCH (PTY) LTD[2]** | | | | | |
| Mediclinic Winelands (Pty) Ltd[2] | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Healthcare services | **50.1** | 50.1 |
| Mediclinic Stellenbosch Day Clinic (Pty) Ltd[2] | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Dormant | **76.1** | 76.1 |
| **INDIRECTLY HELD THROUGH MEDICLINIC TZANEEN (PTY) LTD[2]** | | | | | |
| Mediclinic Tzaneen Investments (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Investment holding company | **100.0** | 100.0 |
| **INDIRECTLY HELD THROUGH MEDICLINIC VICTORIA HOSPITAL (PTY) LTD** | | | | | |
| Victoria Hospital Investments (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600 | South Africa | Investment holding company | **100.0** | 100.0 |
| **INDIRECTLY HELD THROUGH MEDICLINIC MIDDLE EAST HOLDINGS LIMITED** | | | | | |
| Emirates Healthcare Holdings Limited | IFC 5, St Helier, Jersey, JE1 1ST | Jersey | Intermediary holding company | **100.0** | 100.0 |
| Mediclinic International Co Limited | 6th floor, 65 Gresham Street, London, EC2V 7NQ | United Kingdom | Dormant | **100.0** | 100.0 |
| Mediclinic KSA Holdings Limited | IFC 5, St Helier, Jersey, JE1 1ST | Jersey | Intermediary holding company | **100.0** | – |
| **INDIRECTLY HELD THROUGH MEDICLINIC KSA HOLDINGS LIMITED** | | | | | |
| Al Murjan Medical Centre Company | Jeddah, PO Box 52558, Postal code 21544 | Kingdom of Saudi Arabia | Limited liability company | **1%** | – |
| **INDIRECTLY HELD THROUGH EMIRATES HEALTHCARE HOLDINGS LIMITED** | | | | | |
| Emirates Healthcare Limited[5] | IFC 5, St Helier, Jersey, JE1 1ST | Jersey | Healthcare services | **100.0** | 100.0 |
| Welcare World Holdings Limited | C/O Tricor Group, Office: 2nd floor Palm Grove House, Wickhams Cay PO Box 3340, Road Town Tortola | British Virgin Islands | Healthcare services | **–** | 100.0 |
| **INDIRECTLY HELD THROUGH EMIRATES HEALTHCARE LIMITED[5]** | | | | | |
| Delah Cafe FZ LLC | Ground floor, Mediclinic City Hospital, Building no 35 and 37, Dubai Healthcare City, Al Razi Street, Dubai | The UAE | Food and catering | **100.0** | 100.0 |
| Mediclinic Al Qusais Clinic LLC | Plot no 284/243, Shop 3–5, Legend Middle East Building, Al Qusais | The UAE | Healthcare services | **49.0** | 49.0 |
| Mediclinic Beach Road LLC | First floor, Dubai International Properties, Dubai | The UAE | Healthcare services (dormant) | **49.0** | 49.0 |

## 38. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES CONTINUED

| Company | Registered office address | Country of incorporation and place of business | Principal activities | Interest in capital[1] 31 March 2021 % | Interest in capital[1] 31 March 2020 % |
|---|---|---|---|---|---|
| Mediclinic City Hospital FZ LLC | Building no 35 and 37, Dubai Healthcare City, Al Razi Street, Dubai | The UAE | Healthcare services | **100.0** | 100.0 |
| Mediclinic Clinics Investment LLC | Third floor, Dubai Mall, Parcel ID 345897, Dubai | The UAE | Healthcare services | **49.0** | 49.0 |
| Mediclinic Hospitals LLC (Al Noor Hospital)[6&7] | Sheikh Mohamed Bin Butti Building, Sheikh Khalifa Street, Abu Dhabi | The UAE | Healthcare services | **49.0** | 49.0 |
| Mediclinic Ibn Battuta Clinic LLC | Shop 142, China Cluster, Retail Corp, Ibn Battuta Mall, Dubai | The UAE | Healthcare services | **49.0** | 49.0 |
| Mediclinic Medical Stores Co LLC | Store no 19, Mohamed Abdul Rahmen, Al Khubeissi, Deira, Alkhubaisi | The UAE | Procurement | **49.0** | 49.0 |
| Mediclinic Mirdif Clinic LLC | Ground floor, Office 13, Uptown Mirdif Building, Parcel no 321-224 Mirdif, Dubai | The UAE | Healthcare services | **49.0** | 49.0 |
| Mediclinic Parkview Hospital LLC | Mediclinic Middle East management services, FZ.LLC Building, Al Barsha South 3, Dubai | The UAE | Healthcare services | **49.0** | 49.0 |
| Pharma Light Medical Store LLC | Shop 27, Plot no 49, Musaffah, M38, Abu Dhabi | The UAE | Medical store/ procurement | **49.0** | 49.0 |
| Welcare Hospitals Limited | IFC 5, St Helier, Jersey, JE1 1ST | Jersey | Healthcare services | **100.0** | 100.0 |
| Welcare World Health Systems Limited | IFC 5, St Helier, Jersey, JE1 1ST | Jersey | Healthcare services | **100.0** | 100.0 |
| **INDIRECTLY HELD THROUGH MEDICLINIC HOSPITALS LLC (AL NOOR HOSPITAL)[6&7]** | | | | | |
| Al Noor Hospital Clinics – Al Ain[8] | Al Ain Town Center, Sheikh Mohammed Bin Butti Al Hamed Building, Al Ain | The UAE | Intermediary holding company | **49.0** | 49.0 |
| Al Madar Medical Center Pharmacy LLC[9] | Al Jimi, Al Jimi Ali Jumaa Ali Darmaki Building, Al Mouror Street, Abu Dhabi Island, Jabr Mohamed Ghanem Sultan Al Suwaidi, Al Ain | The UAE | Healthcare services | **49.0** | 49.0 |
| Mediclinic – Al Mamora LLC[10] | Jabr Mohamed Ghanem Sultan Al Suwaidi, Al Mouror Street, Abu Dhabi Island | The UAE | Healthcare services | **99.0** | 99.0 |
| Mediclinic Khalifa City LLC[11] | Mabkhoot Saleh Al Mansouri Building, plot no 14, Eastern South 42, Khalifa City, Abu Dhabi | The UAE | Healthcare services | **49.0** | 49.0 |
| Mediclinic Hospitals – Al Musafah Specialty Clinics LLC | Musafah Sh 10 Parcel ID 401, Floor no. M, 1&2 Huashel Saeed, Khaseeb Al Yakooubi Building, Abu Dhabi | The UAE | Healthcare services | **49.0** | 49.0 |

| Company | Registered office address | Country of incorporation and place of business | Principal activities | Interest in capital[1] 31 March 2021 % | 31 March 2020 % |
|---|---|---|---|---|---|
| Mediclinic Pharmacy – Al Musaffah 2 LLC | Madinat Mohamed Bin Zayed, Sh 10 Parcel ID 401, Huashel Saeed, Khaseeb Al Yakooubi Building, Abu Dhabi | The UAE | Healthcare services | **49.0** | 49.0 |
| **INDIRECTLY HELD THROUGH WELCARE HOSPITALS LIMITED (JERSEY)** | | | | | |
| Mediclinic Welcare Hospital LLC | Deira Nasser Abdullah Hussein Lootah Building, Al Garhood, Dubai | The UAE | Healthcare services | **49.0** | 49.0 |
| **INDIRECTLY HELD THROUGH WELCARE WORLD HEALTH SYSTEMS LIMITED** | | | | | |
| Mediclinic Middle East Management Services FZ LLC | Floor 5–7, Publishing Pavilion, Dubai Production City, Dubai | The UAE | Healthcare management services | **100.0** | 100.0 |

**Notes**

[1] The equity interest in the UAE entities is disclosed herein, with the beneficial interest further explained in the notes.
[2] Controlled through long-term management agreements.
[3] Operating through trusts or partnerships.
[4] Managed by Intercare.
[5] In terms of constitutional and contractual arrangements, the Group has full management control and economic interest in the listed entities.
[6] Al Nahda International Holding LLC holds 100% share capital of Al Noor Commercial Investments Sole Proprietorship LLC (‘**ANCI**’). In terms of the shareholders agreement dated 17 May 2017, executed between Emirates Healthcare Limited, Al Nahda International Limited, Al Noor Commercial Investment Sole Proprietorship LLC and Mediclinic Hospitals LLC (Al Noor Hospital LLC), the parties agreed that Al Nahda International Holding LLC will become the sole shareholder of ANCI and the local sponsor for all the group entities registered in Abu Dhabi (i.e. of Mediclinic Hospitals LLC [Al Noor Hospital] and its subsidiaries and the respective registered branches and operational units from time to time). In terms of this agreement, ANCI holds 51% of the share capital of Mediclinic Hospitals LLC (Al Noor Hospital) and Emirates Healthcare Limited holds the remaining 49%. By virtue of this shareholders agreement, the parties have agreed that ANCI and Mediclinic Hospitals LLC (Al Noor Hospital) will be managed and controlled by Emirates Healthcare Limited (‘**EHL**’). Given that management, voting rights and the dividend rights have been assigned to EHL, all dividends declared by Mediclinic Hospitals LLC (Al Noor Hospital) are paid directly to EHL. As per the termination agreement dated 21 August 2017, between Al Noor Golden Commercial Investment LLC (‘**ANGCI**’), Sheikh Mohamed Bin Butti Al Hamid, Al Noor Commercial Investment LLC, ANMC Management Limited (‘**ANMC**’), Al Noor Holdings Cayman and EHL, the parties agreed to terminate the following:
a) The relationship management agreement entered into between ANGCI, Sheikh Bin Butti and Mediclinic Hospitals LLC (Al Noor Hospital) on 20 May 2013;
b) The relationship agreement entered into between ANGCI, ANCI and Mediclinic Hospitals LLC (Al Noor Hospital) on 20 May 2013;
c) The management agreement entered between ANCI and ANMC on 20 May 2013; and
d) A shareholder’s agreement entered into between Sheikh Bin Butti, The First Arabian Corporation LLC, Al Noor Cayman, ANMC and ANCI on 20 May 2013.

[7] EHL holds 49% of the issued share capital of Mediclinic Hospitals LLC (Al Noor Hospital), with the remaining 51% held by ANCI. ANCI assigned 100% of the voting rights, management control and dividend to EHL. EHL has the right to be appointed as the proxy of ANCI, to attend and to vote at all shareholder meetings of Mediclinic Hospitals LLC (Al Noor Hospital).
[8] Al Noor Commercial Investment Sole Proprietorship LLC holds 51% of the issued share capital of Al Noor Hospital Clinics – Al Ain LLC, with the remaining 49% held by Mediclinic Hospitals LLC (Al Noor Hospital).
[9] Mediclinic Hospitals LLC (Al Noor Hospital) holds 49% of the issued share capital of Al Madar Medical Centre Pharmacy LLC, with the remaining 51% interest held by ANCI. The memorandum of association of the company provides that Mediclinic Hospitals LLC is entitled to receive 99% of distributions by the company and ANCI is entitled to receive 1%. Mediclinic Hospitals LLC (Al Noor Hospital)’s effective beneficial interest in the entity is therefore 99%.
[10] Mediclinic Hospitals LLC (Al Noor Hospital) holds 99% and ANCI holds 1% of the issued share capital of Mediclinic Al Mamora LLC.
[11] Mediclinic Hospitals (Al Noor Hospital) holds 49% of the issued share capital of Mediclinic Khalifa City Clinic LLC, with the remaining 51% held by ANCI. The memorandum of association of the company provides that Mediclinic Hospitals LLC (Al Noor Hospital) is entitled to receive 99% of distributions by the company and ANCI is entitled to receive 1%. Mediclinic Hospitals LLC (Al Noor Hospital)’s effective beneficial interest in the entity is therefore 99%.

### 38. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES CONTINUED

## JOINT VENTURES

| COMPANY | COUNTRY OF INCORPORATION AND PLACE OF BUSINESS | PRINCIPAL ACTIVITIES | INTEREST IN CAPITAL | |
|---|---|---|---|---|
| | | | **31 March 2021 %** | 31 March 2020 % |
| Wits University Donald Gordon Medical Centre (Pty) Ltd | Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600, South Africa | Healthcare services | **49.9** | 49.9 |
| GRGB Santé SA, Genève[1] | Chemin de Beau-Soleil 20, 1206 Genève, Switzerland | Healthcare services | **30.0** | 30.0 |
| Centre de Chirurgie Ambulatoire (CCA) - HUG Hirslanden SA, Genève 3 | Rue Gabrielle-Perret-Gentil 4, c/o Les hôpitaux universitaires de Genève, 1205 Genève, Switzerland | Healthcare services | **50.0** | – |

**Note**
[1] Shareholding indirectly held through Clinique des Grangettes SA.

## ASSOCIATES[1]

| COMPANY | REGISTERED OFFICE ADDRESS | INTEREST IN CAPITAL | | BOOK VALUE OF INVESTMENT | |
|---|---|---|---|---|---|
| | | **31 March 2021 %** | 31 March 2020 % | **31 March 2021 £'m** | 31 March 2020 £'m |
| **Listed** | | | | | |
| Spire Healthcare Group plc (held through Mediclinic Jersey Limited) | 3 Dorset Rise, London, EC4Y 8EN | **29.9** | 29.9 | 157 | 168 |
| **Unlisted** | | | | | |
| Intercare Holdings Proprietary Limited | Glenfair Office Block, Lynnwood & Daventry Roads, Lynnwood 0081 | **34.0** | 34.0 | **2** | 2 |
| Bourn Hall International MENA Limited | Dubai World Trade Centre, 9th floor, PO Box 9275, Dubai, the UAE | **30.0** | 30.0 | **5** | 5 |
| Zentrallabor Zürich, Zürich[2] | Forchstrasse 452, 8702 Zollikon | **49.47** | 45.96 | **1** | 2 |
| Baukonsortium, Cham | Rigistrasse 1, 6330 Cham | **24.0** | 24.0 | **1** | – |
| EFG Parkierung Rigistrasse, Cham[3] | Rigistrasse 1, 6330 Cham | **25.0** | 24.9 | **–** | – |
| Centre de Reeducation et de Physiotherapie SA[3] | Avenue de la Roseraie 76 A, 1205 Genève | **20.0** | 20.0 | **–** | – |
| Centre de Physiotherapie du Sport S.à.r.l.[3] | Chemin Thury 7A, 1206 Genève | **23.0** | 23.0 | **–** | – |
| CORTS AG, Maur[3] | c/o ETU Treuhand und Unternehmensberatung, Ch. Lutz, Zürichstrasse 268, 8122 Binz | **37.78** | 30.0 | **–** | – |
| Hystrix Medical AG | Bahnhofstrasse 47 4900, Langenthal | **8.68** | – | **1** | – |
| | | | | **167** | 177 |

**Notes**
[1] The nature of the activities of the associates is similar to the major activities of the Group.
[2] Hirslanden does not control Zentrallabor Zürich.
[3] Book value is less than £0.5m.

# COMPANY ANNUAL FINANCIAL STATEMENTS

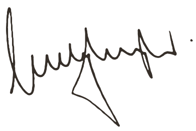
## COMPANY STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2021

| | Notes | 2021 £'m | 2020 £'m |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment in subsidiaries | 3 | **3 311** | 3 311 |
| **Current assets** | | | |
| Cash and cash equivalents | | **54** | 35 |
| Derivatives | | **–** | 2 |
| **Total assets** | | **3 365** | 3 348 |
| **EQUITY** | | | |
| Share capital | 5 | **74** | 74 |
| Capital redemption reserve | | **6** | 6 |
| Share premium | 5 | **690** | 690 |
| Retained earnings | | **2 568** | 2 547 |
| **Total equity** | | **3 338** | 3 317 |
| **Current liabilities** | | | |
| Other payables | | **1** | 2 |
| Amount due to related parties | 4 | **26** | 29 |
| **Total liabilities** | | **27** | 31 |
| | | **3 365** | 3 348 |

These financial statements as set out on pages 289–295 were approved and authorised for issue by the Board of Directors and signed on their behalf by:

**Dr Ronnie van der Merwe**
Group Chief Executive Officer
25 May 2021



**Mr Jurgens Myburgh**
Group Chief Financial Officer
25 May 2021

Mediclinic International plc (Company no 08338604)

The notes on pages 292–295 form an integral part of these financial statements.

# COMPANY STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 MARCH 2021

| | Share capital £'m | Capital redemption reserve £'m | Share premium reserve £'m | Retained earnings £'m | Total |
|---|---|---|---|---|---|
| **At 1 April 2019** | 74 | 6 | 690 | 2 773 | 3 543 |
| Loss for the year | – | – | – | (167) | (167) |
| Dividends paid in the year | – | – | – | (59) | (59) |
| **At 30 March 2020** | **74** | **6** | **690** | **2 547** | **3 317** |
| Profit for the year | – | – | – | 21 | 21 |
| **At 31 March 2021** | **74** | **6** | **690** | **2 568** | **3 338** |

The notes on pages 292–295 form an integral part of these financial statements.

# COMPANY STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 31 MARCH 2021

| | Notes | 2021 £'m | 2020 £'m |
|---|---|---|---|
| **Operating activities** | | | |
| Profit/(loss) before tax | | 21 | (167) |
| Adjustments for: | | | |
| Other income | 6 | – | (35) |
| Impairment of investments | 3 | – | 233 |
| Fair value adjustment on derivative contracts | | – | (2) |
| Foreign exchange differences | | (3) | – |
| Dividend income | | (23) | (35) |
| **Net cash used in operating activities before movements in working capital** | | (5) | (6) |
| Change in balances with related parties | | – | 1 |
| Change in other payables | | (1) | 1 |
| **Net cash used in operating activities** | | (6) | (4) |
| **Investing activities** | | | |
| Proceeds from derivative | | 2 | – |
| Dividend received | 4 | 23 | 35 |
| **Net cash generated from investing activities** | | 25 | 35 |
| **Financing activities** | | | |
| Dividend paid | 6 | – | (24) |
| **Net cash used in financing activities** | | – | (24) |
| Net movement in cash and cash equivalents | | 19 | 7 |
| Cash and cash equivalents at the beginning of the year | | 35 | 28 |
| **Cash and cash equivalents at the end of the year** | | 54 | 35 |

The notes on pages 292–295 form an integral part of these financial statements.

FINANCIAL STATEMENTS

# NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 MARCH 2021

### 1. STATUS AND ACTIVITY

Mediclinic was incorporated in England and Wales on 20 December 2012. The address of the registered office of the Company is c/o Link Company Matters Limited, 6th Floor, 65 Gresham Street, London, EC2V 7NQ. The registration number of the Company is 08338604. There is no ultimate controlling party. The domicile of the Company is the UK. The Company is a public liability company with divisions in Switzerland, Southern Africa (South Africa and Namibia) and the UAE.

The activities of the subsidiaries are the operation of hospitals and clinics, and the sale of pharmaceuticals, medical supplies and related equipment.

These financial statements are the financial statements of the Company only. The financial statements are available at the registered office of the Company.

### 2. BASIS OF PREPARATION

The Company's principal accounting policies applied in the preparation of these financial statements are the same as those set out in note 2 of the ***Group annual financial statements***, except as noted below. These policies have been consistently applied to all the years presented.

- Investments in subsidiaries are carried at cost less any accumulated impairment.
- Dividend income is recognised when the right to receive payment is established.

The Company is taking advantage of the exemption in Section 408 of the UK Companies Act 2006 not to present its individual income statement as part of these financial statements.

### 2.1. Basis of measurement

The financial statements of the Company have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ('**IFRS**') and the applicable legal requirements of the Companies Act 2006. In addition to complying with international accounting standards in conformity with the requirements of the Companies Act 2006, the financial statements also comply with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. There are no differences for the Company in applying IFRS as issued by the IASB and IFRS. The financial statements are prepared on the historical-cost convention, as modified by the revaluation of certain financial instruments to fair value through profit or loss.

### 2.2. Functional and presentation currency

The financial statements and financial information are presented in sterling, rounded to the nearest million.

### 2.3. Going concern

The Company annual financial statements were prepared on a going concern basis. The directors believe that the Company will continue to be in operation in the foreseeable future. Refer to note 2.1 in the ***Group annual financial statements*** for more detail relating to the going concern basis of accounting used in preparing the financial statements.

### 2.4. Critical accounting estimate

The Company makes estimates and assumptions concerning the future. Although these estimates and assumptions are based on management's best information regarding current circumstances and future events, actual results may differ. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next financial year are discussed below.

**Key estimate**
- Impairment of investment in subsidiaries (refer to note 3).

## 3. INVESTMENT IN SUBSIDIARIES

This investment is stated at cost less impairment.

| | 2021 £'m | 2020 £'m |
|---|---|---|
| Shares at cost | **5 916** | 5 916 |
| Less: accumulated impairment charge | **(2 605)** | (2 605) |
| **Closing balance** | **3 311** | 3 311 |

The investments held by the Company are Mediclinic CHF Finco Ltd, Mediclinic Holdings Netherlands B.V., Mediclinic Middle East Holdings Ltd and Mediclinic International (RF) (Pty) Ltd, each being wholly owned subsidiaries. The activities of the subsidiaries are the operation of hospitals and clinics, and the sale of pharmaceuticals, medical supplies and related equipment.

At 31 March 2021, an impairment indicator was identified in respect of Mediclinic International (RF) (Pty) Ltd, the holding company of Mediclinic Southern Africa. Refer to note 6 in the ***Group annual financial statements*** for key assumptions used in the fair-value-less-cost-to-sell calculations. The recoverable amount exceeded the carrying value and consequently no impairment was recognised.

No indicators for impairment for the investments in Mediclinic CHF Finco Limited, Mediclinic Holdings Netherlands B.V. and Mediclinic Middle East Holdings Limited were identified at 31 March 2021.

In the prior period, an impairment charge of £233m was recognised in respect of the carrying values of the investments in Mediclinic Middle East Holdings Ltd and Mediclinic International (RF) (Pty) Ltd. Mediclinic Middle East Holdings Ltd was impaired due to the changes in the macroeconomic environment. Mediclinic International (RF) (Pty) Ltd was impaired due to revised expectations of business performance triggered by a deterioration in the macroeconomic environment and prospects in South Africa as well as the weakening of the South African rand.

Refer to note 38 of the ***Group annual financial statements*** for a complete list of investments in subsidiaries, associates and joint ventures of the Group, and details of the country of incorporation, place of business, principal activities and interest in capital.



## 4. RELATED-PARTY BALANCES AND TRANSACTIONS

Related parties comprise the subsidiaries, the shareholders, key management personnel and those entities over which the Parent, the directors or the Company can exercise significant influence or which can significantly influence the Company.

| | 2021 £'m | 2020 £'m |
|---|---|---|
| **a) Transactions with key management personnel** | | |
| Key management includes the directors (executive and non-executive) and members of the Group Executive Committee | | |
| Directors' fees | **1** | 1 |
| **b) Amount due to a related party[1]** | | |
| Mediclinic Hospitals LLC | **26** | 29 |
| **c) Dividends received from related parties** | | |
| Mediclinic CHF Finco Ltd | **2** | 5 |
| Mediclinic Holdings Netherlands B.V. | **21** | 20 |
| Mediclinic Middle East Holdings Ltd | **–** | 8 |
| Mediclinic International (RF) (Pty) Ltd | **–** | 2 |
| | **23** | 35 |

**Note**

[1] This amount included the transaction and operational expenses paid by Mediclinic Hospitals LLC on behalf of the Company. This amount is payable on demand. Information regarding the Group's subsidiaries and associates can be found in note 38 to the ***Group annual financial statements*** on page 277.

## 5. SHARE CAPITAL

| | 2021 £'m | 2020 £'m |
|---|---|---|
| Issued and fully paid 737 243 810 (2020: 737 243 810) shares of 10 pence each | **74** | 74 |

*Value:* Indicating nominal and share premium amount

*Rights of the ordinary shares to profits:* All dividends shall be declared and paid according to the amounts paid up on the ordinary shares.

*Rights of the ordinary shares to capital:* If there is a return of capital on winding-up or otherwise, the ordinary shares shall confer full rights but they do not confer any rights of redemption.

*Voting rights of the ordinary shares:* The ordinary shares shall confer, on each holder of the ordinary shares, the right to receive notice of and to attend, speak and vote at all general meetings of the Company. Each ordinary share carries the right to one vote on a poll.

## 6. DIVIDENDS

The Company did not declare interim dividends for FY21 or final dividends for FY20 during the year under review. In the prior year, the Company declared interim dividends for FY20 and final dividends for FY19 amounting to £59m. The Company paid £24m of these dividends and the remainder of £35m was paid by the Dividend Access Trust.

A wholly owned subsidiary of the Company, Mediclinic International (RF) (Pty) Ltd, formed a Dividend Access Trust to comply with a South African Reserve Bank requirement that dividends from a South African source due to South African shareholders on the South African share register must be paid locally to avoid an outflow of funds from South Africa.

The beneficiaries of the trust are the South African shareholders of the Company who hold their shares via the South African share register on the relevant record date in respect of each distribution paid through the Dividend Access Scheme. The Dividend Access Trust does not participate in any profits.

When a dividend is declared by the Company, the Dividend Access Trust would receive a dividend from Mediclinic International (RF) (Pty) Ltd which in turn is paid over to the Company's transfer secretaries in South Africa, who arrange for the payment of the relevant amount to the South African shareholders (the beneficiaries of the trust) through the usual dividend payment procedures, as if this was a dividend received from Mediclinic International plc. To the extent that the dividends due to South African shareholders are not ultimately funded from Mediclinic International (RF) (Pty) Ltd, they receive those dividends as normal dividends from Mediclinic International plc. The South African shareholders' entitlement to receive dividends declared by Mediclinic International plc is reduced by any amounts they receive via the trust.

Details on the final proposed dividend have been disclosed in note 30.6 to the ***Group annual financial statements***.

## 7. AUDITOR'S REMUNERATION

The Company incurred an amount of £0.7m (2020: £0.7m) to its auditor in respect of the audit of the Company and Group's financial statements for the year ended 31 March 2021. The fee includes an amount of £0.1m (2020: £0.1) in respect of prior years.

Fees paid to the Company's auditors for other services amounted to £0.1m (2020: £0.2m).

## 8. TAXATION

At 31 March 2021, the Company had unutilised tax losses of approximately £54m (2020: £51m). No deferred tax asset has been recognised in respect of these losses.

## 9. FINANCIAL INSTRUMENTS

### 9.1. Capital risk management

The Company manages its capital to ensure it is able to continue as a going concern while maximising the return on equity. The Company does not have a formalised optimal target capital structure or target ratios in connection with its capital risk management objective. The Company's overall strategy remains unchanged from the prior year. The Company is not subject to externally imposed capital requirements.

### 9.2. Financial risk management objectives

The Company is exposed to the following risks related to financial instruments: credit risk, liquidity risk and foreign currency risk. The Company does not enter into or trade in financial instruments, investments in securities, including derivative financial instruments, for speculative purposes.

### 9.3. Credit risk

The carrying amount of financial assets represents the maximum credit exposure. There is no material credit risk involved on the Company financial statements. The Company's cash equivalents are placed with reputable financial institutions with a high credit rating.

### 9.4. Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors of the Company, who have built an appropriate liquidity risk management framework for managing the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities.

Liquidity risk is the risk that the Company will be unable to meet its funding requirements. The table below summarises the maturity profile of the Company's financial liabilities. The contractual maturities of the financial liabilities have been determined on the basis of the remaining period at the end of the reporting period to the contractual repayment date. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

Refer to note 2.1 in the ***Group annual financial statements*** for more detail relating to the necessary structures and processes in place to monitor and mitigate against existing and emerging risks to the business, including liquidity management risks, associated with the COVID-19 pandemic.

The maturity profile of the liabilities at the end of the reporting period based on existing contractual repayment arrangements was as follows:

| | Carrying amount £'m | Contractual cash flows £'m | 1 year or less £'m |
|---|---|---|---|
| **31 March 2021** | | | |
| Other payables | 1 | 1 | 1 |
| Related-party payables | 26 | 26 | 26 |
| | **27** | **27** | **27** |
| **31 March 2020** | | | |
| Other payables | 2 | 2 | 2 |
| Related-party payables | 29 | 29 | 29 |
| | **31** | **31** | **31** |

### 9.5. Foreign currency risk

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