CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £'m	2021 £'m
Revenue	4	**3 233**	2 995
Other income	5	**25**	13
Employee benefit and contractor costs	6	**(1 522)**	(1 448)
Consumables and supplies	19	**(770)**	(719)
Care-related costs		**(146)**	(145)
Infrastructure-related costs	7	**(121)**	(110)
Service costs		**(169)**	(147)
Provision for expected credit losses	20	**(12)**	(11)
Depreciation and amortisation	14 & 15	**(228)**	(217)
Impairment of property, equipment and vehicles	14	**(7)**	(3)
Impairment of intangible assets	15	**–**	(1)
Other gains and losses	9	**(3)**	2
Operating profit		**280**	209
Finance income		**6**	4
Finance cost	10	**(74)**	(99)
Share of net loss of equity-accounted investments	16	**(1)**	(70)
Reversal of impairment of equity-accounted investments	16	**–**	60
Profit before tax		**211**	104
Income tax expense	11	**(41)**	(25)
Profit for the year		**170**	79

(Continued)	Notes	2022 £'m	2021 £'m
Attributable to:			
Equity holders of the Company		**151**	68
Non-controlling interests	23	**19**	11
		170	79
Profit per ordinary share attributable to the equity holders of the Company – pence			
Basic	12	**20.5**	9.2
Diluted	12	**20.5**	9.2

The notes on pages 185–257 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £'m	(Re-presented)[1] 2021 £'m
Profit for the year		**170**	79
Other comprehensive income/(loss)			
Items that may be reclassified to the income statement in future periods		**188**	(235)
Currency translation differences	22	**182**	(235)
Fair value adjustment on cash flow hedges – gross	22	**1**	(2)
Cash flow hedges reclassified to profit or loss – gross	22	**6**	2
Tax on items relating to cash flow hedges	22	**(2)**	–
Share of other comprehsive income of equity-accounted investments	22	**1**	–
Items that may not be reclassified to the income statement in future periods		**(70)**	127
Remeasurements of retirement benefit obligations – gross		**(90)**	153
Tax on remeasurement of retirement benefit obligations		**16**	(26)
Changes in the fair value of equity investments at fair value through other comprehensive income – gross	22	**4**	–
Other comprehensive income/(loss), net of tax		**118**	(108)
Total comprehensive income/(loss) for the year		**288**	(29)

(Continued)	Notes	2022 £'m	(Re-presented)[1] 2021 £'m
Attributable to:			
Equity holders of the Company		**258**	(45)
Non-controlling interests	23	**30**	16
		288	(29)

Note

[1] Comparatives have been re-presented to present other comprehensive income on a gross basis, with the tax impact presented separately. In the previously reported financial statements for the year ended 31 March 2021, this information was presented in a separate note.

The notes on pages 185–257 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2022

	Notes	2022 £'m	2021 £'m
ASSETS			
Non-current assets		**5 733**	5 440
Property, equipment and vehicles	14	**4 385**	4 052
Intangible assets	15	**1 126**	1 061
Equity-accounted investments	16	**165**	171
Retirement benefit asset	27	**1**	110
Other investments and loans	17	**24**	12
Deferred income tax assets	18	**32**	34
Current assets		**1 474**	1 232
Inventories	19	**97**	109
Trade and other receivables	20	**834**	826
Other investments and loans	17	**6**	2
Current income tax assets		**3**	1
Cash and cash equivalents	33.7	**534**	294
Total assets		**7 207**	6 672
EQUITY			
Capital and reserves			
Share capital	21	**74**	74
Share premium reserve	21	**690**	690
Retained earnings		**4 597**	4 523
Other reserves	22	**(2 254)**	(2 438)
Attributable to equity holders of the Company		**3 107**	2 849
Non-controlling interests	23	**139**	118
Total equity		**3 246**	2 967

(Continued)	Notes	2022 £'m	2021 £'m
LIABILITIES			
Non-current liabilities		**3 138**	3 021
Borrowings	25	**1 688**	1 686
Lease liabilities	26	**730**	621
Deferred income tax liabilities	18	**432**	425
Retirement benefit obligations	27	**119**	127
Provisions	28	**37**	37
Derivative financial instruments	29	**128**	124
Cash-settled share-based payment liabilities	24	**4**	1
Current liabilities		**823**	684
Trade and other payables	30	**586**	498
Borrowings	25	**115**	91
Lease liabilities	26	**56**	55
Provisions	28	**38**	19
Retirement benefit obligations	27	**20**	14
Derivative financial instruments	29	**1**	2
Current income tax liabilities		**7**	5
Total liabilities		**3 961**	3 705
Total equity and liabilities		**7 207**	6 672

These financial statements and the accompanying notes as set out on pages 180–257 were approved for issue by the Board of Directors on 24 May 2022 and were signed on its behalf by:

Ronnie van der Merwe
Group Chief Executive Officer

Jurgens Myburgh
Group Chief Financial Officer

Mediclinic International plc (Company no 08338604)

The notes on pages 185–257 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022

	Share capital (note 21) £'m	Capital redemption reserve (note 22) £'m	Share premium reserve (note 21) £'m	Reverse acquisition reserve (note 22) £'m	Financial assets at FVOCI[1] reserve (note 22) £'m	Foreign currency translation reserve (note 22) £'m	Hedging reserve (note 22) £'m	Retained earnings £'m	Attributable to equity holders of the Company £'m	Non-controlling interests (note 23) £'m	Total equity £'m
Balance at 1 April 2020	74	6	690	(3 014)	–	815	(8)	4 327	2 890	113	3 003
Profit for the year	–	–	–	–	–	–	–	68	68	11	79
Other comprehensive income/(loss) for the year	–	–	–	–	–	(237)	–	124	(113)	5	(108)
Total comprehensive income/(loss) for the year	–	–	–	–	–	(237)	–	192	(45)	16	(29)
Equity-settled share-based payment[2]	–	–	–	–	–	–	–	–	–	–	–
Transactions with non-controlling shareholders	–	–	–	–	–	–	–	4	4	(3)	1
Dividends paid	–	–	–	–	–	–	–	–	–	(8)	(8)
Balance at 31 March 2021	**74**	**6**	**690**	**(3 014)**	**–**	**578**	**(8)**	**4 523**	**2 849**	**118**	**2 967**
Profit for the year	–	–	–	–	–	–	–	151	151	19	170
Other comprehensive income/(loss) for the year	–	–	–	–	4	174	6	(77)	107	11	118
Total comprehensive income/(loss) for the year	–	–	–	–	4	174	6	74	258	30	288
Equity-settled share-based payment	–	–	–	–	–	–	–	1	1	–	1
Transactions with non-controlling shareholders	–	–	–	–	–	–	–	(1)	(1)	3	2
Dividends paid	–	–	–	–	–	–	–	–	–	(12)	(12)
Balance at 31 March 2022	**74**	**6**	**690**	**(3 014)**	**4**	**752**	**(2)**	**4 597**	**3 107**	**139**	**3 246**

Notes

[1] Fair value through other comprehensive income.

[2] Less than £0.5m for the year ended 31 March 2021.

The notes on pages 185–257 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £'m Inflow/(outflow)	2021 £'m Inflow/(outflow)
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	33.1	**663**	330
Interest received		**6**	4
Interest paid	33.2	**(69)**	(70)
Tax paid	33.3	**(46)**	(29)
Net cash generated from operating activities		**554**	235
CASH FLOW FROM INVESTMENT ACTIVITIES		**(189)**	(137)
Capital expenditure to maintain operations	33.4	**(96)**	(56)
Capital expenditure to expand operations	33.5	**(83)**	(80)
Acquisition of subsidiaries	34	**(7)**	(2)
Disposal of subsidiaries	35	**–**	4
Acquisition of investment in associate	16	**–**	(1)
Dividends received from equity-accounted investment	16	**2**	–
Proceeds from other investments and loans		**3**	1
Acquisition of investments	17	**(12)**	(4)
Loans granted		**(3)**	–
Proceeds from insurance claim		**6**	1
Proceeds on disposal of property, equipment and vehicles		**1**	–
Net cash generated before financing activities		**365**	98

(Continued)	Notes	2022 £'m Inflow/(outflow)	2021 £'m Inflow/(outflow)
CASH FLOW FROM FINANCING ACTIVITIES		**(149)**	(130)
Distributions to non-controlling interests	23	**(12)**	(8)
Distributions to shareholders	13	**–**	–
Transaction with non-controlling interest	23	**2**	1
Proceeds from borrowings	33.6	**89**	115
Repayment of borrowings	33.6	**(183)**	(196)
Refinancing transaction costs	33.6	**(3)**	(3)
Repayment of lease liabilities	33.6	**(42)**	(39)
Net increase/(decrease) in cash and cash equivalents		**216**	(32)
Opening balance of cash and cash equivalents		**294**	329
Exchange rate movements on foreign cash		**24**	(3)
Closing balance of cash and cash equivalents	33.7	**534**	294

The notes on pages 185–257 form an integral part of these financial statements.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

1. GENERAL INFORMATION

These financial statements are consolidated financial statements for Mediclinic International plc (the 'Company' or 'Mediclinic') and its subsidiaries, associates and joint ventures (collectively, the 'Group'). A list of subsidiaries, associates and joint ventures is included in note 39.

Mediclinic is a public limited company, with a primary listing on the London Stock Exchange ('LSE'), and incorporated and domiciled in England and Wales. Its registered address is 6th Floor, 65 Gresham Street, London, EC2V 7NQ, United Kingdom. The Company has secondary listings on the JSE and the Namibian Stock Exchange ('NSX'). A wholly owned subsidiary, Hirslanden AG, issued bonds listed on the SIX Swiss Exchange.

2. ACCOUNTING INFORMATION AND POLICIES

2.1. Basis of preparation

The Group annual financial statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. There are no differences for the Group in applying IFRS as issued by the IASB and UK-adopted IFRS. For the year ended 31 March 2022, the Group annual financial statements have been prepared in accordance with IFRS as adopted by the UK Endorsement Board, as required by UK company law for the purposes of financial reporting as a result of the UK's exit from the EU on 31 January 2020 and the cessation of the transition period on 31 December 2020. This change does not constitute a change in accounting policy but rather a change in framework which is required to ground the use of IFRS in company law. There is no impact on recognition, measurement or disclosure between the two frameworks for the year ended 31 March 2022. The financial statements are prepared on a going concern basis 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, financial instruments measured at fair value through profit or loss ('FVPL') and financial 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.

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 certain judgements in applying the Group's accounting policies. This note provides an overview of the areas that involved a higher degree of judgement or estimates that are more likely to be materially adjusted in the next 12 months where assumptions vary. 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 (see note 15)
- Impairment/impairment reversals of equity-accounted investments (see note 16)
- Determination of lease term (see note 26)

Key estimates

- Impairment of non-financial assets, excluding goodwill (see note 14)
- Impairment/impairment reversals of equity-accounted investments (see note 16)
- Measurement of retirement benefit obligations (see note 27)
- Remeasurement of redemption liability (written put option) (see note 29)

2.2. Accounting policies

Accounting policies are included in the relevant notes to the Group financial statements. Unless otherwise disclosed, the accounting policies adopted are the same as those which were applied for the previous financial year. The accounting policies below are applied throughout the financial statements.

2.3. 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.

2.4. Exchange rates

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

2. ACCOUNTING INFORMATION AND POLICIES CONTINUED

2.4. Exchange rates continued

	2022	2021
Average rates with reference to sterling		
Swiss franc	**1.25**	1.21
South African rand	**20.27**	21.30
UAE dirham	**5.02**	4.80
Year-end rates with reference to sterling		
Swiss franc	**1.21**	1.30
South African rand	**19.23**	20.37
UAE dirham	**4.82**	5.07

2.5. 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 net investments 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.

2.6. 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 Group 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 ('NCI') 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 NCI are allocated to the NCI even if this results in a debit balance being recognised.

2.7. Going concern

For the purposes of assessing liquidity specifically and going concern broadly at 31 March 2022, 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. The effect of the downside scenarios was informed by knowledge and insight gained during the COVID-19 pandemic.

Due to the mostly fixed employee cost base across the business, lower revenue due to either a reduction in tariffs or volumes will most likely have the most pronounced impact on EBITDA.

2. ACCOUNTING INFORMATION AND POLICIES CONTINUED

2.7. Going concern continued

Compared with the business plan, in modelling the severe but plausible scenarios, the combined adverse effect of reduction of tariffs and volumes after mitigation amounts to an aggregate decline of 18% of EBITDA over the 18-month period to 30 September 2023 compared with the base case. On a monthly basis, the EBITDA effect ranges from 12% to 29% compared with the base case.

Based on the assumptions applied and the effect of mitigating actions, most within the control of the Group, the analyses demonstrate that the divisions will continue to be able to meet their obligations for the 18-month period to 30 September 2023. While recognising that there remains 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.

2.8. Operating expenses presentation

The Group presents its operating expenses in the Consolidated Income Statement by nature. The expense categories are described 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.

2.9. Standards, interpretations and amendments

Published standards, amendments and interpretations effective for the 31 March 2022 financial period:

The following published amendment is mandatory for the accounting period beginning on or after 1 April 2021, but was early adopted for the 31 March 2021 financial period:

- *COVID-19-related Rent Concessions* – Amendments to IFRS 16 (1 April 2021)

The following published standards, amendments and interpretations are mandatory for the accounting period beginning on or after 1 April 2021 and have been adopted:

- *Interest Rate Benchmark Reform Phase 2* – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (1 January 2021). See note 25 for a description of the impact of the implementation of this amendment.

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:

- *Annual improvements 2018–2020 cycle – Amendments and clarifications to existing IFRS standards (1 January 2022)*
- *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)*
- *Reference to the Conceptual Framework – Amendments to IFRS 3 (1 January 2022)*
- *IAS 1 Classification of Liabilities as Current or Non-current amendments (1 January 2023)*
- *IFRS 17 Insurance Contracts (1 January 2023)*
- *Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 (1 January 2023)*
- *Definition of Accounting Estimates – Amendments to IAS 8 (1 January 2023)*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 (1 January 2023)*

3. SEGMENTAL REPORT

Consistent with internal reporting, the Group's reportable segments are identified as the three geographical operating segments in Switzerland, Southern Africa and the Middle East. United Kingdom and Corporate are not reportable operating segments, as they are not separately included in the reports provided to the chief operating decision-maker. The 'United Kingdom' column includes results from the equity-accounted investment in Spire Healthcare Group plc ('Spire'). The 'Corporate' column includes head office and group services. 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. The Group Executive Committee comprises the executive directors and senior management as disclosed in the Annual Report on pages 104 and 108.

Intersegment transactions are eliminated and shown separately in the segmental report.

		Reportable operating segments			Other	
Year ended 31 March 2022	Total £'m	Switzerland £'m	Southern Africa £'m	Middle East[1] £'m	United Kingdom £'m	Corporate £'m
Revenue	3 233	1 503	909	820	–	1
Inpatient	2 037	1 094	747	196	–	–
Day cases	250	82	71	97	–	–
Outpatient	804	225	62	517	–	–
Rental income	34	22	12	–	–	–
Other	108	80	17	10	–	1
EBITDA	518	234	170	121	–	(7)
EBITDA before management fee	518	241	177	125	–	(25)
Group Services fees included in EBITDA[2]	–	(7)	(7)	(4)	–	18
Other gains and losses	(3)	–	–	(2)	–	(1)
Depreciation and amortisation	(228)	(134)	(39)	(54)	–	(1)
Impairment of property, equipment and vehicles	(7)	(7)	–	–	–	–
Operating profit/(loss)	280	93	131	65	–	(9)

(Continued)		Reportable operating segments			Other	
Year ended 31 March 2022	Total £'m	Switzerland £'m	Southern Africa £'m	Middle East[1] £'m	United Kingdom £'m	Corporate £'m
Operating profit/(loss)	280	93	131	65	–	(9)
Loss from associate	(1)	2	–	–	(3)	–
Finance income	6	–	5	–	–	1
Finance cost (excluding intersegment loan interest)	(74)	(30)	(27)	(17)	–	–
Total finance cost	(74)	(47)	(27)	(17)	–	17
Elimination of intersegment loan interest[2]	–	17	–	–	–	(17)
Taxation	(41)	(11)	(30)	–	–	–
Segment result	170	54	79	48	(3)	(8)
At 31 March 2022						
Investments in associates	161	2	3	–	156	–
Investments in joint ventures	4	–	4	–	–	–
Capital expenditure for the year[3]	178	103	47	28	–	–
Total segment assets	7 207	4 164	860	1 896	156	131
Total segment liabilities (excluding intersegment loan)	3 961	2 586	640	718	–	17
Total liabilities from reportable segment	4 976	3 601	640	718	–	17
Elimination of intersegment loan	(1 015)	(1 015)	–	–	–	–

Notes

[1] The Middle East segment refers to our UAE operations.

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

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

3. SEGMENTAL REPORT CONTINUED

		Reportable operating segments			Other	
Year ended 31 March 2021	Total £'m	Switzerland £'m	Southern Africa £'m	Middle East £'m	United Kingdom £'m	Corporate £'m
Revenue	2 995	1 478	734	781	–	2
Inpatient	1 926	1 102	618	206	–	–
Day cases	220	85	50	85	–	–
Outpatient	732	216	43	473	–	–
Rental income	31	21	9	1	–	–
Other	86	54	14	16	–	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)

(Continued)		Reportable operating segments			Other	
Year ended 31 March 2021	Total £'m	Switzerland £'m	Southern Africa £'m	Middle East £'m	United Kingdom £'m	Corporate £'m
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.

3. SEGMENTAL REPORT CONTINUED

	2022 £'m	2021 £'m
The total non-current assets, excluding financial instruments and deferred tax assets, per geographical location are:		
Switzerland	**3 424**	3 330
Southern Africa	**559**	518
Middle East	**1 538**	1 389
United Kingdom	**156**	157
ENTITY-WIDE DISCLOSURES		
Revenue		
From UK	**–**	–
From foreign countries	**3 233**	2 995

Revenues from external customers are primarily from hospital services.

4. REVENUE

Revenue primarily comprises fees charged for inpatient, day case and outpatient medical services. Services include charges for accommodation, theatre, medical professional services, equipment, radiology, laboratory and pharmaceutical goods used. Inpatient and day case revenue is recognised as services are provided to patients. These services are typically provided over a short time frame. Outpatient cases do not involve surgical procedures and revenue is recognised on an individual component basis when performance obligations are satisfied.

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. Fees charged for medical services are calculated and billed based on various tariff agreements with funders. In determining the transaction price, variable consideration in terms of IFRS 15 exists in the form of discounts, tariff adjustments and claims disallowances. Refer to the sections related to the revenue of Southern Africa and Middle East for the treatment of discounts. Refer to the section related to the revenue of Switzerland for the treatment of tariff adjustments. Refer to the section related to the revenue of Middle East for the treatment of disallowances.

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 comprises 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. Unbilled revenue is accrued at period ends based on the number of days that the patient has been admitted for and received services.

Other revenue comprises non-medical services rendered to patients and third parties, including the rendering of restaurant services at the hospitals, provisioning of agency staff, corporate and site-based emergency service contracts and other third-party revenues, including retail pharmacy sales. Other revenue is recognised when performance obligations are satisfied and the control of goods or services is transferred. Rental income is recognised on a straight-line basis over the term of the lease.

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.

Disaggregation of revenue

	2022 £'m	2021 £'m
Major service lines		
Inpatient	**2 037**	1 926
Day cases	**250**	220
Outpatient	**804**	732
Other	**108**	86
Revenue from contracts with customers	**3 199**	2 964
Rental income	**34**	31
Total revenue	**3 233**	2 995

4. REVENUE CONTINUED

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. Revenue is then billed to the funders based on provisional tariffs and recognised to the extent that it is highly probable that the revenue will not be reversed. If the provisional tariffs are disputed by the funders, tariff provisions are recognised for the difference between the provisional tariffs and the estimated final tariffs. Once the tariffs are finalised, the difference between the agreed tariffs and the provisional tariffs is settled between the healthcare providers and the funders. Tariff provisions represent refund liabilities in terms of IFRS 15 and result in a reduction in revenue with a corresponding entry to provisions in the statement of financial position. These tariff provisions are not recorded within trade and other receivables but presented as provisions as the original invoices are settled before the finalisation of the tariffs and balances due to funders are not settled on a net basis. The tariff provisions are 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. Tariff provisions are also recognised for other in- and outpatient treatments.

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 the Swiss division 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 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 directly after treatment when the patient is discharged and revenue is recognised at the same time.

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

The division 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.

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.

4. REVENUE CONTINUED

Southern Africa healthcare services revenue continued

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 determined according to the most likely amount method in terms of IFRS 15 and are recorded as a reduction in revenue with a corresponding entry against refund liabilities (included in trade and other payables). Volume discounts are not settled on a net basis with funders.

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 stay of the patient. From September 2020, the fixed-fee contract model is used with funders for inpatient procedures and will be extended to day case procedures in the next financial year.

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.

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 determined according to the most likely amount method in terms of IFRS 15 and are recorded as a reduction in revenue with a corresponding entry against refund liabilities (included in trade and other payables). Volume discounts are not settled on a net basis with funders.

In the Middle East, the business practice with insurers includes claims rejected for various technical or medical reasons. Accordingly, 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 disallowed claims are calculated based on historical experience of outcomes to negotiations with insurers. This is regularly reassessed based on the actual outcome of negotiations. In terms of IFRS 15, these rejected claims are recognised as a reduction of revenue with a corresponding entry against trade receivables.

For the year ended 31 March 2022, disallowed claims recognised as a reduction of revenue relating to performance obligations that were satisfied in previous periods amounted to £11m (2021: £3m). The increase in the disallowed claims for the year ended 31 March 2022 compared with the prior year mainly relates to a settlement with an insurer for claims covering three years, partly impacted by disruptions caused by COVID-19, as typically this is an annual settlement process. Based on experience from recent negotiations with insurers, the increased amount recognised in the current year as a reduction in revenue relating to prior periods is not expected to reoccur to the same extent in the next financial period.

Rental income

The rental income received from external parties during the year from the letting of consulting rooms, parking, etc. was £34m (2021: £31m). Rental income is based on a high number of individual lease agreements with outstanding committed terms of between one and three years and standard pricing linked to inflation.

5. OTHER INCOME

Other income is recognised on the following basis:

- Government grants are recognised in profit or loss when they become receivable;
- Insurance proceeds are recognised at fair value when it is virtually certain that the proceeds will be received from the insurer; and
- Other other income is recognised in profit or loss when it becomes receivable.

5. OTHER INCOME CONTINUED

	2022 £'m	2021 £'m
Government grants	**16**	10
Insurance proceeds	**9**	2
Other	**–**	1
	25	13

Government grants

Hirslanden engaged extensively with Swiss cantonal authorities in planning for and navigating the pandemic and, as part of this, provided hospital bed and staff capacity. In recognition and reimbursement of the support and capacity provided, several Swiss cantonal authorities introduced appropriate financial contributions for hospitals to offset certain costs and disruptions to operations. As a result, total government grants of £16m (2021: £10m) were recognised as other income.

Insurance proceeds

During the year ended 31 March 2022, insurance proceeds of £7m were received for the damage of buildings and equipment and £1m for business interruption due to a fire at Klinik Hirslanden. In addition, Southern Africa and Middle East received insurance proceeds of £1m for business interruption as a result of the COVID-19 pandemic. During the prior year ended 31 March 2021, insurance proceeds of £2m were received for the damage of equipment due to a fire at one of the facilities in South Africa.

6. EMPLOYEE BENEFIT AND CONTRACTOR COSTS

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.

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 and post-retirement medical benefits

Note 27 provides further information on how the Group accounts for defined benefit plans and post-retirement medical benefits.

Profit sharing and bonus plans

Note 30 provides further information on how the Group accounts for profit sharing and bonus plans.

Share-based payment compensation

Note 24 provides further information on how the Group accounts for share-based payment compensation.

	2022 £'m	2021 £'m
Wages and salaries[1]	**1 293**	1 242
Swiss social security costs	**71**	71
Retirement benefit costs – defined contribution plans	**15**	14
Retirement benefit costs – defined benefit obligations (see note 27)	**65**	54
Share-based payment expense (see note 24)	**4**	–
Affiliated and independent doctor costs	**56**	53
Other staff-related costs	**18**	14
	1 522	1 448
Average number of employees[2]	**34 278**	32 865

Notes

[1] In the prior year, the Swiss government introduced a wage subsidy programme in response to the COVID-19 pandemic. The Group was entitled to a wage subsidy of £6m from the Swiss Unemployment Insurance because it had to stop elective procedures until 27 April 2020. The wage subsidy was recognised as a credit against employee benefit and contractor costs. No wage subsidies were received during the year ended 31 March 2022.

[2] The comparative has been re-presented to reflect the average number of employees.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

7. INFRASTRUCTURE-RELATED COSTS

	2022 £'m	2021 £'m
Maintenance costs	**66**	61
Short-term leases and leases of low-value assets	**9**	8
Other[1]	**46**	41
	121	110

Note

[1] Other infrastructure-related costs include costs incurred for utilities, including water, electricity and waste removal, and property rates and taxes.

8. AUDITORS' REMUNERATION

Auditors' remuneration, which is presented as part of Service cost in the income statement, included the following fees paid to the Group's auditors:

	2022 £'m	2021 £'m
Fees paid to the Group's auditors for the following services:		
Audit of the Company and consolidated financial statements	**0.8**	0.7
Audit of Company subsidiaries	**1.8**	2.4
Audit services	**2.6**	3.1
Audit-related services[1]	**0.3**	0.4
Other assurance services[1]	**0.3**	0.2
	3.2	3.7

Note

[1] A description of the non-audit services is included in the **Audit and Risk Committee Report**.

9. OTHER GAINS AND LOSSES

	2022 £'m	2021 £'m
Foreign exchange differences	**(1)**	–
Other losses	**(1)**	–
Fair value adjustment on remeasurement of investment in associate (see note 16)	**(1)**	–
Remission of debt	**–**	1
COVID-19-related rent concessions	**–**	1
	(3)	2

10. FINANCE COST

	2022 £'m	2021 £'m
Interest expense on financial liabilities not at FVPL	**41**	42
Interest on lease liabilities	**21**	20
Interest rate swaps	**6**	7
Amortisation of capitalised financing costs	**3**	3
Remeasurement of redemption liability (written put option)	**1**	23
Unwinding of discount on redemption liability	**1**	1
Preference share dividend	**2**	4
Less: amounts included in cost of qualifying assets	**(1)**	(1)
	74	99

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 5.7% and 6.4% (2021: between 4.8% and 8.0%).

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

11. INCOME TAX EXPENSE

The Group is subject to taxes in the countries where the Group and its subsidiaries operate and generate taxable income. Taxes and fiscal risks recognised reflect the Group's best estimate of the outcome based on the facts known at the balance sheet date in each individual country. These facts may include but are not limited to change in tax laws and interpretation thereof in the jurisdictions where the Group operates. They may have an impact on the income tax as well as the resulting assets and liabilities. Any differences between tax estimates and final tax assessments are charged to the income statement in the period in which they are incurred, unless anticipated.

Taxes include current and deferred taxes on profit and tax adjustments relating to prior years. Income tax is recognised in the income statement, except to the extent that it relates to items directly taken to equity or other comprehensive income, in which case it is recognised against equity or other comprehensive income.

For more information on the calculation of the deferred tax charge/(credit), see note 18.

	2022 £'m	2021 £'m
Current tax		
Current year	**46**	31
Deferred tax credit (see note 18)	**(5)**	(6)
Taxation per income statement	**41**	25
Composition		
UK tax	**–**	–
Foreign tax	**41**	25
	41	25

Reconciliation of taxation per income statement:

	2022 £'m	(Re-presented)[1] 2021 £'m
Expected tax expense at weighted average applicable tax rate[2]	**37**	13
Adjusted for:		
Non-taxable income	**(1)**	(1)
Share of net profit of equity-accounted investments[3]	**–**	1
Non-deductible expenses[4]	**4**	9
Non-controlling interests' share of profit before tax[3]	**–**	(1)
Effect of different tax rates[5]	**(4)**	(2)
Income tax rate changes	**1**	(1)
Non-recognition of tax losses in current year	**6**	7
Recognition of tax losses relating to prior years	**(1)**	(1)
Previous year adjustment	**(1)**	1
Income tax expense	**41**	25
Effective tax rate[6]	**19.5%**	24.4%

Notes

[1] The basis for calculating the applicable tax rate has been changed from using the UK statutory rate of taxation to the weighted average tax rate (see note 2 below) as this provides the most meaningful information. As a result, the comparatives have been re-presented.

[2] The weighted average applicable tax rate is the result from applying the domestic statutory tax rates to profits before taxes of each entity in the country where it operates. For the Group, the weighted average applicable tax rate varies from one year to the next depending on the relative weight of the profit of each individual entity in the Group's profit as well as the changes in the statutory tax rates. The weighted average applicable tax rate for the year ended 31 March 2022 was 17.3% (2021: 12.9%).

[3] Less than £0.5m for the year ended 31 March 2022.

[4] Non-deductible expenses reflect the tax effect of items which, in management's judgement, are potentially disallowable for the purposes of determining local taxable profits. This includes the tax effect of non-tax deductible remeasurement of the redemption liability of £1m (2021: £4m).

[5] The effect of different tax rates arises because of the effect of profits of the Group being subject to tax at rates different from the weighted average applicable rate.

[6] 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 19.5% (2021: 19.3%).

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

11. INCOME TAX EXPENSE CONTINUED

Expected amendments to tax legislation

During 2021, agreement was reached between a number of countries for a two-pillar approach to international tax reform. This includes a proposal to apply a global minimum effective tax rate of 15% and is likely to result in changes in corporate tax rates in a number of countries in the next few years. Once amendments to the laws in any jurisdiction in which the Group operates are enacted or substantively enacted, the Group may be subject to additional tax charges. The impact of changes in corporate tax rates on the measurement of tax assets and liabilities will depend on the nature and timing of the legislative amendments in each country but is expected to result in additional tax charges on profits generated in Jersey and the UAE. For the year ended 31 March 2022, the tax impact cannot be measured reliably. An assessment of the potential impact will be performed once the legislative amendments have been substantively enacted.

Tax rate changes

In South Africa, the corporate income tax rate has been reduced from 28% to 27% for years of assessments starting on or after 1 April 2022. For the year ended 31 March 2022, the rate change has been substantively enacted and, as a result, deferred tax has been provided at 27%. The rate change resulted in an increase in the Group's net deferred tax liability of £1m. The rate change had no impact on current tax.

The increase in the UK tax rate from 19% to 25%, which is effective from April 2023, had no impact on the Group's current or deferred tax.

Uncertain tax positions

The Group is subject to income taxes in numerous jurisdictions. Due to this, there is an inherent risk that tax authorities may interpret legislation differently and therefore judgement is required in determining the estimates in relation to the worldwide provision for income taxes. At 31 March 2022, no significant uncertain tax positions had been identified and, as a result, no provision was raised.

12. EARNINGS PER ORDINARY SHARE

	2022	2021
Earnings per share (in pence) for year ended 31 March 2022 were as follows:		
Basic earnings per share	**20.5**	9.2
Diluted earnings per share	**20.5**	9.2
Headline earnings per share	**19.0**	9.6
Diluted headline earnings per share	**19.0**	9.6

Earnings reconciliation	2022 £'m	2021 £'m
Profit attributable to equity holders of the Company	**151**	68
Earnings for basic and diluted EPS	**151**	68
Adjusted for:		
Insurance proceeds, net of tax	**(6)**	(1)
Impairment of property, equipment and vehicles, net of tax	**6**	3
Impairment of intangible assets, net of tax	**–**	1
Fair value adjustment on remeasurement of investment in associate	**1**	–
Associate's impairment of goodwill	**–**	60
Reversal of impairment of equity-accounted investment	**–**	(60)
Associate's gain on sale and leaseback transaction	**(7)**	–
Associate's tax impact of gain on sale and leaseback transaction	**(5)**	–
Headline earnings used for headline EPS[1]	**140**	71

Note

[1] Headline earnings and the related adjustments are presented net of related tax and NCI.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

12. EARNINGS PER ORDINARY SHARE CONTINUED

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 above 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.

Number of ordinary shares

At 31 March 2022, the weighted average number of ordinary shares in issue was 737 243 810 (2021: 737 243 810).

Equity-settled LTI awards

Equity-settled LTI awards granted to employees are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share where the required performance conditions 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 earnings per share. Details relating to the LTI awards are set out in note 24.

The 546 750 awards granted in June 2021 have been included in the calculation of diluted earnings per share for the year ended 31 March 2022. The 607 072 awards granted in December 2020 are not included in the calculation of diluted earnings per share because the required performance conditions were not met for the year ended 31 March 2022. These options could potentially dilute basic earnings per share in the future.

Weighted average number of ordinary shares in issue for diluted earnings per share	2022 Number of shares	2021 Number of shares
Weighted average number of ordinary shares in issue used for the purpose of basic earnings per share	**737 243 810**	737 243 810
Effect of dilutive potential ordinary shares		
Equity-settled LTI awards	**44 075**	–
	737 287 885	737 243 810

13. DIVIDENDS

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 in the period in which they are approved by the directors and paid.

As part of the Group's response to maintain its liquidity position through the COVID-19 pandemic, the Board took the decision to suspend dividend payments and, as a result, no dividends were declared during the years ended 31 March 2021 and 2022.

On 24 May 2022, after the balance sheet date, a final dividend of 3.00 pence per share was proposed by the directors in respect of the year ended 31 March 2022. This results in a total final proposed dividend of £22m. Subject to shareholders' approval at the annual general meeting, the dividend will be paid on 26 August 2022 to the shareholders on the register at 2 August 2022. The proposed final dividend has not been included as a liability at 31 March 2022.

14. 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. See note 26 for the accounting treatment of right-of-use assets.

Land and capital expenditure in progress are 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.

14. PROPERTY, EQUIPMENT AND VEHICLES CONTINUED

Property, equipment and vehicles 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-cost-of-disposal ('FVLCOD') 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, assets are grouped at the lowest levels for which there are separately identifiable and independent cash flows – cash-generating units ('CGUs'). Assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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.

	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 2021	3 067	85	625	237	38	4 052
Additions	22	63	119	61	11	276
Disposals	(1)	–	(5)	–	(1)	(7)
Depreciation	(69)	–	(49)	(71)	(14)	(203)
Business combinations	1	–	–	1	–	2
Prior-year capital expenditure completed	45	(68)	–	20	3	–
Impairment	(7)	–	–	–	–	(7)
Borrowing cost capitalised	1	–	–	–	–	1
Lease remeasurements	–	–	(9)	–	–	(9)
Exchange differences	214	5	43	15	3	280
Net book value at 31 March 2022	3 273	85	724	263	40	4 385
Cost	4 066	85	885	1 059	236	6 331
Accumulated depreciation and impairment	(793)	–	(161)	(796)	(196)	(1 946)

(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 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
Cost	3 731	85	739	931	213	5 699
Accumulated depreciation and impairment	(664)	–	(114)	(694)	(175)	(1 647)

14. PROPERTY, EQUIPMENT AND VEHICLES CONTINUED

	2022 £'m	2021 £'m
Total additions (excluding additions on right-of-use assets)	**157**	105
To maintain operations	**84**	46
To expand operations	**73**	59

Property, equipment and vehicles with a book value of £2 886m (2021: £2 696m) are encumbered as security for borrowings (see note 25).

On 10 May 2021, a fire broke out at Klinik Hirslanden, Zurich, and caused significant damage to one of the building wings. The property damage covered by the insurance was impaired accordingly (£7m). For income from insurance proceeds, see note 5.

Determination of CGUs for impairment testing

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. In Switzerland, inter-dependent hospitals are considered to have centralised organisational structures and operations and are divided into different geographical care regions, each of which forms a network of central hospitals, basic care hospitals, specialist hospitals and outpatient centres. In Southern Africa, CGUs are defined as individual hospitals, except where a group of hospitals are located within close proximity of each other, they have the same management teams and similar shareholders. In the Middle East, each city in which the division operates hospitals, day care centres and clinics across the emirates of Dubai and Abu Dhabi has been identified as a CGU.

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).

Key accounting estimates

Impairment assessment

The Group performed an analysis to determine if impairment indicators exist at individual CGU level.

Impairment indicators were identified at two CGUs in Switzerland. The recoverable amounts of these CGUs were based on FVLCOD calculations. In determining the FVLCOD, the cash flows were discounted at rates between 4.9% and 5.2% (2021: 4.9% and 5.2%). Beyond five years a growth rate of 1.6% (2021: 1.6%) was used. The carrying value of CGUs where indicators were identified was determined to be lower than its recoverable amount of £1 767m and, as a result, no impairment charge was recognised in the income statement relating to property, equipment and vehicles.

Two CGUs have limited headroom and remain sensitive to reasonably possible changes in the discount rate and the terminal growth rate in the FVLCOD calculations, which could give rise to material impairment charges in future periods. For the first CGU, an increase in the discount rate by 0.2% would reduce the headroom to £nil. A decrease in the terminal growth rate by 0.4% would reduce the headroom to £nil. A decrease in forecast cash flows by 2.1% would also reduce headroom to £nil. For the other CGU, an increase in the discount rate by 0.7% would reduce the headroom to £nil. A decrease in the terminal growth rate by 2.1% would reduce the headroom to £nil. A decrease in forecast cash flows by 7.2% would also reduce headroom to £nil.

Impairment indicators were identified at two CGUs in Southern Africa. The recoverable amounts of these CGUs were based on FVLCOD calculations. In determining the FVLCOD, the cash flows were discounted at a rate of 12.8% (2021: 12.7%). Beyond five years a growth rate of 4.5% (2021: 4.5%) was used. The carrying value of CGUs where indicators were identified was determined to be lower than its recoverable amount of £9m and, as a result, no impairment charge was recognised in the income statement relating to property, equipment and vehicles.

In the prior year, the recoverable amounts of three CGUs in the Southern Africa segment were determined to be lower than their individual carrying values and, as a result, an impairment charge of £3m was recognised in the income statement relating to property, equipment and vehicles.

No impairment indicators were identified for the Middle East CGUs on 31 March 2022.

Climate change

Climate-related regulations, technological advances, changes in the market and potential reputational damage were considered when assessing the validity of the useful lives and residual values of assets. There is currently no known objective evidence that suggests that the assets will be utilised in a shorter period or become obsolete and therefore no adjustments were made to the useful lives or the residual value of assets.

14. PROPERTY, EQUIPMENT AND VEHICLES CONTINUED

Change in accounting estimate

During the prior year, an expansion project, which includes the construction of new hospital wings at a hospital in Switzerland, 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 2022, the accelerated depreciation included in the depreciation charge amounts to £19m. The accelerated depreciation for the financial year ending 31 March 2023 will amount to £19m.

15. INTANGIBLE ASSETS

Goodwill

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus NCI, 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 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 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.

Trade names

Trade names have been recognised by the Group as part of business combinations. 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.

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 of 2–10 years using the straight-line method. Configuration costs for cloud-based business applications are capitalised where it is probable that economic benefits that are attributable to the asset will flow to the Group and it has the power to control access to those benefits. Any cloud-solution costs incurred as part of a service agreement are expensed when incurred.

Costs associated with maintaining computer software are expensed as incurred.

	Goodwill £'m	Trade names £'m	Computer software £'m	Total £'m
Net book value at 1 April 2021	**946**	**45**	**70**	**1 061**
Additions	**–**	**–**	**21**	**21**
Amortisation	**–**	**(4)**	**(21)**	**(25)**
Business combinations	**10**	**1**	**–**	**11**
Exchange differences	**51**	**3**	**4**	**58**
Net book value at 31 March 2022	**1 007**	**45**	**74**	**1 126**
Cost	**1 794**	**453**	**193**	**2 440**
Accumulated amortisation and impairment	**(787)**	**(408)**	**(119)**	**(1 314)**

	Goodwill £'m	Trade names £'m	Computer software £'m	Total £'m
Net book value at 1 April 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**
Cost	1 689	424	162	2 275
Accumulated amortisation and impairment	(743)	(379)	(92)	(1 214)

15. INTANGIBLE ASSETS CONTINUED

Computer software continued

	2022 £'m	2021 £'m
Total additions	**21**	21
To maintain operations	**10**	8
To expand operations	**11**	13

Critical accounting judgement

Level at which management monitors goodwill for impairment testing
The Group tests annually whether goodwill, resulting from acquisitions, has suffered any impairment. The recoverable amounts of CGUs have been determined based on FVLCOD 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 Middle East goodwill, which is monitored at an operating segment level. This means that for the 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 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 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 FVLCOD, 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 FVLCOD 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 long-term data inputs used in the calculation of the discount rate are benchmarked to externally available data.

Impairment testing of Middle East goodwill

The Middle East goodwill with a carrying amount of £887m (2021: £834m) originated mainly from the Al Noor business combination, with a portion originating from other UAE business combinations. Key assumptions used for the FVLCOD calculations for the annual impairment testing were as follows:

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

15. INTANGIBLE ASSETS CONTINUED

Impairment testing of Middle East goodwill continued

Discount rates	The discount rate applied to cash flow projections is 8.5% for the first year and thereafter 8.1% (2021: 8.7%).
Growth rates	The terminal growth rate beyond five years is 3.0% (2021: 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. Due to international tax reform and expected amendments to tax legislation (note 11), income tax has been included from April 2023 at a rate of 15%. Cash flows after the discrete period (five years) were adjusted to reflect increased direct cost (utility costs) caused by climate change which may not be compensated by funders.

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.

Sensitivity analysis
An increase in the discount rate by 1% combined with a decrease in the terminal growth rate by 0.9% would reduce the headroom to £nil. A decrease in forecast cash flows by 16% would also reduce headroom to £nil.

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

Impairment testing of goodwill and trade names in Switzerland
Switzerland goodwill with a carrying amount of £107m (2021: £100m) that originated from the business combinations of OPERA Zumikon AG and Clinique des Grangettes in previous years has been tested for impairment.

The recoverable amount has been determined based on FVLCOD discounted cash flow calculations.

Discount rates	The discount rate applied to cash flow projections is 5.1% (2021: 5.1%).
Growth rates	The terminal growth rate beyond five years is 1.6% (2021: 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.

The recoverable amount was determined to be higher than the carrying value and, as a result, no impairment charge was recognised. The recoverable amount is not sensitive to reasonably possible changes in the discount rate and the terminal growth rate.

Impairment testing of Southern Africa goodwill
Southern Africa goodwill with a carrying amount of £13m (2021: £12m) has been tested for impairment. The recoverable amount has been determined based on FVLCOD discounted cash flow calculations by applying a discount rate of 12.8% (2021: 12.7%) and a terminal year growth rate beyond five years of 4.5% (2021: 4.5%).

The recoverable amount was determined to be higher than the carrying value and, as a result, no impairment charge was recognised. The recoverable amount is not sensitive to reasonably possible changes in the discount rate and the terminal growth rate.

In the prior year, the carrying amount of the goodwill of five CGUs was determined to be higher than its recoverable amount, resulting in the recognition of an impairment charge of £1m against goodwill.

16. EQUITY-ACCOUNTED INVESTMENTS

Investments accounted for using the equity method consist of associates (entities in which the Group has significant influence, but not control; normally accompanying a shareholding of between 20% and 50% of voting rights in the investment) and joint ventures (entities or arrangements over which the Group has joint control stemming from contractual rights).

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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

16. EQUITY-ACCOUNTED INVESTMENTS CONTINUED

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. The recoverable amount is the higher of an asset's FVLCOD and value-in-use. The value-in-use is calculated by estimating future cash benefits that will result from the investment and discounting those cash benefits at an appropriate discount rate.

	2022 £'m	2021 £'m
Investment in associates	**161**	167
Investment in joint venture	**4**	4
	165	171

16.1. Investment in associates

	2022 £'m	2021 £'m
Listed investment	**156**	157
Unlisted investments	**5**	10
	161	167

(Continued)	2022 £'m	2021 £'m
Reconciliation of carrying value at the beginning and end of the year		
Opening balance	**167**	177
Additional investment in unlisted associate	**–**	1
Share of net loss of associated companies	**(1)**	(70)
Reversal of impairment of listed associate	**–**	60
Share of other comprehensive income of associated companies	**1**	–
Dividends received from associated companies	**(2)**	–
Remeasurement of investment at fair value[1]	**(1)**	–
Derecognition on undertaking of business combination[1]	**(3)**	–
Exchange differences	**–**	(1)
	161	167

Note

[1] During the year, the Group acquired a controlling interest in Bourn Hall International MENA Limited ('Bourn Hall'), which was previously accounted for as an investment in an associate. The investment in Bourn Hall was accounted for using the equity-accounting basis until the acquisition date of the transaction, being 11 November 2021. From that date onwards, it is treated as an investment in subsidiary and is subject to consolidation. The acquisition of the controlling interest resulted in the recognition of a loss on the remeasurement of the existing interest in the associate of £1m, which has been included in 'Other gains and losses' (see note 9), and the recognition of an investment in subsidiary of £3m, being the fair value of the investment at that date. The details of the acquisition are disclosed in note 34.

Set out below are details of the associate 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 2021 (2021: 31 December 2020). No significant events occurred between 1 January 2022 and the reporting date.

16. EQUITY-ACCOUNTED INVESTMENTS CONTINUED

16.1. Investment in associates continued

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

	At 31 Dec 2021 £'m	At 31 Dec 2020 £'m
Summarised statement of financial position		
Non-current assets	**2 033**	1 992
Current assets	**347**	250
Total assets	**2 380**	2 242
Non-current liabilities	**(1 372)**	(1 295)
Current liabilities	**(302)**	(254)
Net assets	**706**	693
Mediclinic's effective interest	**29.9%**	29.9%
Mediclinic's effective interest in net assets	**211**	207
Difference in accounting treatment on adoption of IFRS 16	**(1)**	4
Accumulated impairment of listed associate	**(54)**	(54)
Total carrying value of equity investment	**156**	157
Market value of listed investment at 31 March	**293**	201
Summarised statement of comprehensive income		
Revenue	**1 106**	920
Profit from continuing operations	**(16)**	(237)
Other comprehensive income	**3**	(1)
Total comprehensive income	**(13)**	(238)
Dividends received from associate	**–**	–

See note 39 for further details of investments in associates.

Key accounting estimates and critical accounting judgement

Impairment/(reversal of impairment) of equity-accounted investments
The Group assesses whether any indicators of impairment reversals are identified. At 31 March 2022, an indicator of impairment reversal was identified as the market value of the investment in Spire was £293m, which exceeded the carrying value of £156m.

Management updated the internal value-in-use projections, which resulted in a recoverable amount that is broadly in line with the value determined at 31 March 2020 when the last impairment charge against the investment was recognised. The internal value-in-use projections are supported by the fact that Spire's actual results were in line with the estimates used in the 31 March 2020 value-in-use calculation and that Spire was still making a loss during 2021. Consequently, no impairment reversal has been recognised.

A key driver of the valuation would be the realisation of significant and sustained revenue growth and cost savings after the COVID-19 pandemic.

If Spire's share price at 31 March 2022 was used as the equity investment's fair value, then the impairment reversal would amount to £137m. If the average closing share price for the period between 16 to 20 May 2022 was used, the impairment reversal would amount to £96m.

In the prior year, Spire's loss 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 the 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.

16.2. Investment in joint venture

	2022 £'m	2021 £'m
Reconciliation of carrying value at the beginning and end of the year		
Opening balance	**4**	4
	4	4

16. EQUITY-ACCOUNTED INVESTMENTS CONTINUED

16.2. Investment in joint venture continued

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 2021 (2021: 31 December 2020) since it has a different year end.

Details of the joint venture appear in note 39.

17. OTHER INVESTMENTS AND LOANS

	2022 £'m	2021 £'m
Debt instruments at amortised cost	**9**	9
Equity instruments at FVOCI (listed shares)	**1**	1
Equity instruments at FVOCI (unlisted shares)	**14**	2
Investments in money market funds at FVPL	**6**	2
	30	14
Non-current	**24**	12
Current	**6**	2
Total other investments and loans	**30**	14
Other investments and loans are held in the following currencies:		
Swiss franc	**14**	5
South African rand	**10**	5
UAE dirham	**–**	2
US dollar	**6**	2
	30	14

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, see note 37. Credit losses of less than £0.5m were recognised on the loans receivable (2021: nil).

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. For the accounting policy of other investments and loans, see note 31 'Financial Instruments'.

Unlisted equity instruments

Unlisted equity instruments at FVOCI comprise securities which are not held for trading and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant. On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

The fair value of unlisted equity instruments at FVOCI is not based on observable market data and, as a result, these financial assets are grouped as level 3. The following table presents the changes in these level 3 instruments for the period ended 31 March 2022:

Unlisted equity instruments at FVOCI	2022 £'m	2021 £'m
Opening balance	**2**	2
Acquisitions	**8**	–
Gains recognised in other comprehensive income	**4**	–
	14	2

Information about the methods and assumptions used to determine the fair value of unlisted equity instruments, and the sensitivity of the assets to price, is provided in note 31.

18. DEFERRED TAX

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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

18. DEFERRED TAX CONTINUED

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.

The movement on the deferred tax account is as follows:

	2022 £'m	2021 £'m
Opening balance	**391**	405
Income statement credit for the year	**(6)**	(6)
Effect of change in tax rate on income statement	**1**	–
(Credited)/charged to other comprehensive income	**(14)**	26
Exchange differences	**28**	(34)
Balance at year end	**400**	391
Deferred income tax assets	**(32)**	(34)
Deferred income tax liabilities	**432**	425
	400	391

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 and retirement benefit asset £'m	Total £'m
Deferred tax liabilities						
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
At 1 April 2021	**381**	**12**	**8**	**17**	**20**	**438**
Credited to the income statement	**(3)**	**–**	**(1)**	**–**	**(1)**	**(5)**
Credited to other comprehensive income	**–**	**–**	**–**	**–**	**(20)**	**(20)**
Effect of change in tax rate on income statement	**(1)**	**–**	**–**	**–**	**–**	**(1)**
Exchange differences	**28**	**1**	**1**	**2**	**1**	**33**
At 31 March 2022	**405**	**13**	**8**	**19**	**–**	**445**
Set-off of deferred tax liabilities pursuant to set-off provisions						**(13)**
Net deferred tax liabilities at year end						**432**

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

18. DEFERRED TAX CONTINUED

	Current liabilities £'m	Provisions and other £'m	Retirement benefit obligations £'m	Derivatives £'m	Leases £'m	Tangible assets £'m	Tax losses carried forward £'m	Total £'m
Deferred tax assets								
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)
At 1 April 2021	**(2)**	**(10)**	**(15)**	**(2)**	**(3)**	**(3)**	**(12)**	**(47)**
(Credited)/charged to the income statement	**–**	**(1)**	**(2)**	**–**	**–**	**1**	**1**	**(1)**
Charged to other comprehensive income	**–**	**–**	**4**	**2**	**–**	**–**	**–**	**6**
Effect of change in tax rate on income statement	**–**	**1**	**1**	**–**	**–**	**–**	**–**	**2**
Exchange differences	**–**	**(1)**	**(2)**	**–**	**–**	**(1)**	**(1)**	**(5)**
At 31 March 2022	**(2)**	**(11)**	**(14)**	**–**	**(3)**	**(3)**	**(12)**	**(45)**
Set-off of deferred tax assets pursuant to set-off provisions								13
Net deferred tax assets at year end								**(32)**

At 31 March 2022, the Group had unutilised tax losses of approximately £204m (2021: £172m) potentially available for offset against future profits. A deferred tax asset of £12m (2021: £12m) has been recognised in respect of tax losses in some of the underlying subsidiaries. The Group has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets of the underlying subsidiaries. Tax losses that resulted in the recognition of deferred tax assets of £7m can be carried forward indefinitely and have no expiry date. Tax losses that resulted in the recognition of deferred tax assets of £5m expire between one and seven years. 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, which relate to Mediclinic International plc in the United Kingdom, have no expiry, and the remainder, which relate to Switzerland, 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 15. 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.

18. DEFERRED TAX CONTINUED

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

	2022 £'m	2021 £'m
Unused tax losses not recognised as deferred tax assets		
Expiry in 1 year	**2**	4
Expiry in 2 years	**2**	–
Expiry in 3–7 years	**72**	52
No expiry	**71**	54
	147	110

Deferred tax on unremitted earnings

The Group recognised a deferred tax liability of £1m (2021: £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 temporary difference in this regard amounts to £1 552m (2021: £1 293m). 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 ('DAS'). See note 21 for details on the DAS.

19. 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.

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.

	2022 £'m	2021 £'m
Inventories consist of:		
Pharmaceutical products	**86**	97
Consumables	**10**	11
Finished goods and work in progress	**1**	1
	97	109

The cost of inventories recognised as an expense and included in consumables and supplies amounted to £770m (2021: £719m). Write-downs of inventories to net realisable value amounted to £5m (2021: £6m). These were recognised as an expense during the year and included in consumables and supplies in the income statement.

20. TRADE AND OTHER RECEIVABLES

For the accounting policies of trade and other receivables, see note 31 'Financial Instruments'.

	2022 £'m	2021 £'m
Financial instruments		
Trade receivables	**749**	740
Loss allowance	**(27)**	(22)
	722	718
Other receivables	**46**	56
	768	774
Non-financial instruments		
Prepayments and deposits	**59**	47
Other receivables	**7**	5
	66	52
Total trade and other receivables	**834**	826

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:

	2022 £'m	2021 £'m
Swiss franc	**516**	489
South African rand	**80**	81
UAE dirham	**238**	255
US dollar	**–**	1
	834	826

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:

2022	Current £'m	1-30 days past due £'m	31-60 days past due[1] £'m	61-90 days past due £'m	More than 90 days past due £'m	Total £'m
Gross carrying amount	**441**	**66**	**32**	**28**	**182**	**749**
Loss allowance	**(2)**	**(1)**	**–**	**(1)**	**(23)**	**(27)**
Net carrying amount	**439**	**65**	**32**	**27**	**159**	**722**
Expected loss rate	**0.39%**	**0.79%**	**1.05%**	**4.87%**	**12.68%**	

Note

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

2021	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
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%	

Note

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

	2022 £'m	2021 £'m
Movement in the loss allowance		
Opening balance	**22**	19
Loss allowance	**13**	12
Amounts written off as uncollectable	**(9)**	(8)
Unused amounts reversed	**(1)**	(1)
Exchange differences	**2**	–
Balance at year end	**27**	22

20. TRADE AND OTHER RECEIVABLES CONTINUED

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 include Swiss unbilled doctors' fees and advance payments to affiliated doctors, and other amounts owed by third parties. 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 32.

Trade receivables to the value of £288m (2021: £295m) have been ceded as security for banking facilities.

Movement in provision for expected credit losses recognised in profit or loss

During the year, the following losses/(gains) were recognised in profit or loss in relation to impaired receivables:

	2022 £'m	2021 £'m
Movement in loss allowance for trade receivables	**13**	12
Reversal of previously recognised loss allowance	**(1)**	(1)
Movement in provision for expected credit losses	**12**	11

21. SHARE CAPITAL

Ordinary shares are classified as equity. 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.

	2022 £'m	2021 £'m
Issued share capital		
Share capital	**74**	74
Share premium	**690**	690
	764	764

Ordinary shares	2022	2021
Number of shares in issue and fully paid	**737 243 810**	737 243 810
Nominal value	**10p**	10p

Dividend Access Scheme

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.

22. OTHER RESERVES

	Capital redemption reserve £'m	Reverse acquisition reserve £'m	Financial assets at FVOCI reserve £'m	Foreign currency translation reserve £'m	Hedging reserve £'m	Total other reserves £'m
At 1 April 2020	6	(3 014)	–	815	(8)	(2 201)
Cash flow hedges reclassified to profit or loss – gross[1]	–	–	–	–	2	2
Revaluation – gross[1]	–	–	–	–	(2)	(2)
Currency translation differences	–	–	–	(235)	–	(235)
Currency translation differences attributable to NCI	–	–	–	(2)	–	(2)
At 31 March 2021	**6**	**(3 014)**	**–**	**578**	**(8)**	**(2 438)**
Cash flow hedges reclassified to profit or loss – gross	**–**	**–**	**–**	**–**	**6**	**6**
Deferred tax	**–**	**–**	**–**	**–**	**(2)**	**(2)**
Revaluation – gross[1]	**–**	**–**	**4**	**–**	**1**	**5**
Share of other comprehensive income of equity-accounted investments	**–**	**–**	**–**	**–**	**1**	**1**
Currency translation differences	**–**	**–**	**–**	**182**	**–**	**182**
Currency translation differences attributable to NCI	**–**	**–**	**–**	**(8)**	**–**	**(8)**
At 31 March 2022	**6**	**(3 014)**	**4**	**752**	**(2)**	**(2 254)**

Note

[1] Tax impact is less than £0.5m.

Foreign currency translation reserve

The foreign currency translation reserve consists of exchange rate differences that occur when translating the foreign subsidiaries' financial statements from their functional currency into the Group's presentation currency. On disposal of the net investment, the reserve for currency translation of that foreign subsidiary is recognised in the income statement. Reduction of a net investment in a foreign operation which does not result in loss of control is not treated as a disposal.

Hedging reserve

The hedging reserve consists of the effective portion of gains and losses on hedging instruments designated as cash flow hedges.

Financial assets at FVOCI reserve

The Group has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income, as explained in note 17. These changes are accumulated within the FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

Reverse acquisition reserve

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

Capital redemption reserve

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.

23. NON-CONTROLLING INTERESTS

	2022 £'m	2021 £'m
Opening balance	118	113
Transactions with non-controlling shareholders	3	(3)
Dividends to non-controlling shareholders	(12)	(8)
Share of total comprehensive income	30	16
Share of profit	19	11
Currency translation differences	8	2
Share of other comprehensive income	3	3
	139	118

Details of the ownership interest held by material NCI are as follows:

	Country of business	2022	2021
Curamed Holdings (Pty) Ltd (group)	South Africa	26.6%	26.6%
Grangettes Group	Switzerland	40.0%	40.0%
Mediclinic Limpopo Trust	South Africa	49.1%	50.0%

See note 39 for a list of investments in subsidiaries.

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

31 March 2022	Mediclinic Limpopo Trust £'m	Curamed Holdings (Pty) Ltd (group) £'m	Grangettes Group £'m
Summarised balance sheet			
Non-current assets	11	49	348
Current assets	33	47	94
Non-current liabilities	–	(4)	(165)
Current liabilities	(2)	(7)	(66)
Net assets	42	85	211
Accumulated NCI in statement of financial position	20	21	47
Summarised statement of comprehensive income			
Revenue	25	67	165
Profit for the year	7	12	19
Other comprehensive income	–	–	7
Total comprehensive income	7	12	26
Profit allocated to NCI	4	3	8
Dividends paid to NCI	2	2	5
Summarised cash flows			
Cash flows from operating activities	6	20	44
Cash flows from investing activities	(1)	(4)	(3)
Cash flows from financing activities	(4)	(7)	(31)
Net increase/(decrease) in cash and cash equivalents	1	9	10

23. NON-CONTROLLING INTERESTS CONTINUED

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)

Transactions with NCI

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

	2022 £'m	2021 £'m
Carrying amount of NCI acquired/(disposed of)	**(3)**	3
Consideration received from/(paid to) NCI	**2**	1
Increase in equity attributable to owners of the Company	**(1)**	4

24. SHARE-BASED PAYMENTS

Long-term incentive ('LTI') awards

Under the LTI, conditional phantom shares are awarded to selected senior management (including executive directors). The LTI 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 LTI awards that will be settled in shares will be accounted for as an equity-settled share-based payment transaction.

Cash-settled share-based payment arrangements

For 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.

24. SHARE-BASED PAYMENTS CONTINUED

Equity-settled share-based payment arrangements

Under equity-settled share-based compensation plans, 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 and the impact of any non-vesting conditions, but excluding the impact of any service and non-market performance 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.

	2022 £'m	2021 £'m
Cash-settled share-based payment liability	4	1
Equity-settled share-based payment reserve (included in retained earnings)[1]	1	–
Total share-based payment reserves and liabilities	**5**	1
Expenses arising from equity-settled share-based payment transactions[1]	1	–
Expenses arising from cash-settled share-based payment transactions[1]	3	–
Total expense (see note 6)	**4**	–

Note
[1] Less than £0.5m in the prior year.

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 LTI awards; 25% weighting of the 2020 LTI awards), earnings per share (60% weighting of the 2018 and 2019 LTI awards; 40% weighting of the 2020 LTI awards), return on invested capital ('ROIC') (25% weighting of the 2020 LTI awards) and patient experience index (10% weighting of the 2020 LTI awards).

	2022 £'m	2021 £'m
Opening balance	1	1
Share-based payment expense[1]	3	–
Closing balance	**4**	1

Note
[1] Less than £0.5m in the prior year.

A reconciliation of the movement in the cash-settled LTI award units is detailed below:

	2022 Number of units	2021 Number of units
Opening balance	5 108 093	3 877 820
Granted	1 591 269	1 852 340
Lapsed	(1 191 777)	(622 067)
Closing balance	**5 507 585**	5 108 093

Valuation assumptions relating to the outstanding units:

	2021 LTI allocation	2020 LTI allocation	2019 LTI allocation
Grant date	4 June 2021	13 December 2020	19 June 2019
Vesting date	4 June 2024	13 December 2023	1 June 2022/2024
Outstanding units	1 579 645	1 839 127	2 088 813
Closing share price	356	356	356
Risk-free interest rate	1.23%	1.18%	n/a[1]
Expected dividend yield	0.00%	0.00%	n/a[1]
Volatility	34.40%	30.00%	n/a[1]

Note
[1] The 2019 allocation is at the end of the performance period and, as a result, was valued against the performance conditions and not in terms of the Black-Scholes option pricing model.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

24. SHARE-BASED PAYMENTS CONTINUED

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, with an additional two-year holding 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 share-based payment expense relating to equity-settled share-based payment arrangements was £1m during the year (2021: less than £0.5m).

A reconciliation of the movement in the equity-settled LTI award units is detailed below:

	2022 Number of units	2021 Number of units
Opening balance	**607 072**	–
Granted	**546 750**	607 072
Closing balance	**1 153 822**	607 072

Valuation assumptions relating to the outstanding units:

	2021 LTI allocation	2020 LTI allocation
Grant date	4 June 2021	13 December 2020
Vesting date[1]	4 June 2026	13 December 2025
Outstanding units	546 750	607 072
Share price of Mediclinic International plc share on grant date (denominated in sterling pence)	341	270
Risk-free interest rate	0.23%	(0.13)%
Expected dividend yield	0%	0%
Volatility	41.10%	43.80%

Note

[1] The vesting date is the fifth anniversary of the grant date, allowing for a three-year performance period plus a two-year holding period.

25. 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.

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.

	2022 £'m	2021 £'m
Bank loans	**1 609**	1 507
Preference shares	**–**	89
Listed bonds	**194**	181
	1 803	1 777
Non-current borrowings	**1 688**	1 686
Current borrowings	**115**	91
Total borrowings	**1 803**	1 777

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

25. BORROWINGS CONTINUED

		2022 £'m Non-current	2022 £'m Current	2021 £'m Non-current	2021 £'m Current
	Swiss operations (denominated in Swiss franc)				
Secured bank loan one[1]	This loan bears interest at variable rates linked to the SARON plus 1.25%. CHF50m is redeemable annually on 30 September with the final outstanding balance redeemable on 30 September 2027. The repayment in September 2021 was suspended, to be resumed in September 2022, but management decided to make a voluntary repayment in November 2021. The non-current portion includes capitalised financing costs of £14m (2021: £13m).	**1 018**	**41**	986	38
Secured bank loan two[2]	These loans 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**	13	1
Secured bank loan three[2]	This fixed interest mortgage loan 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.	**194**	**–**	181	–
	Southern African operations (denominated in South African rand)				
Secured bank loan one	The loan bore interest at the 3M JIBAR variable rate plus a margin of 1.49% (2021: 1.71%) compounded quarterly. The loan was extinguished on 17 September 2021 as part of the refinancing arrangement.	**–**	**–**	126	1
Secured bank loan two	The loan bore interest at the 3M JIBAR variable rate plus a margin of 1.59% (2021: 1.81%) compounded quarterly. The loan was extinguished on 17 September 2021 as part of the refinancing arrangement.	**–**	**–**	176	1
Secured bank loan three[3]	The loans bear interest at the 3M JIBAR variable rate plus a variable margin that is linked to predefined sustainability measures. The sustainability measures are assessed in calendar years, starting in January 2022. At 31 March 2022, a margin of 1.54% was applied. The loans are repayable on 17 September 2026. £207m of the loan has been hedged.	**414**	**2**	–	–
Other secured bank loans[4]	These loans bear interest at variable rates linked to the prime overdraft rate and are repayable in periods ranging between one and 12 years.	**2**	**1**	3	1
Preference shares	Dividends were payable quarterly at a rate of 72% of 3M JIBAR plus a margin of 1.65% (2021: 1.77%). The outstanding balance was redeemed on 1 September 2021.	**–**	**–**	89	–
	Middle East operations (denominated in US dollar)				
Secured bank loan one[5]	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. £36m (2021: £51m) of the loan has been hedged.	**39**	**70**	104	49
		1 688	**115**	1 686	91

Notes

1 The loan is secured by mortgage notes on Swiss properties and buildings to the value of £2 547m (2021: £2 382m) and Swiss bank accounts with a book value of £72m (2021: £60m).

2 These loans are secured by mortgage notes on the properties and buildings of the Linde Group.

3 Property and equipment with a book value of £325m (2021: £296m) are encumbered as security for these loans. Cash and cash equivalents of £58m (2021: £5m) and trade receivables of £60m (2021: £53m) have also been ceded as security for these borrowings.

4 Property, equipment and vehicles with a book value of £14m (2021: £18m) are encumbered as security for these loans. Net trade receivables of less than £0.5m (2021: £1m) have also been ceded as security for these loans.

5 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.

25. BORROWINGS CONTINUED

Interest Rate Benchmark Reform

For the period ended 31 March 2022, the Group has adopted the amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 *Interest Rate Benchmark Reform – Phase 2.* Phase 2 of the amendments requires that, for financial instruments measured using amortised cost measurement, changes to the basis for determining the contractual cash flows required by interest rate benchmark reform are reflected by adjusting their effective interest rate. No immediate gain or loss is recognised. This expedient is applicable only to changes that are a direct consequence of interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis.

The Swiss bank loan one bears interest at variable rates that were previously linked to the three-month Swiss franc London Interbank Offered Rate ('CHF LIBOR'). At 31 December 2021, the CHF LIBOR rate was replaced by Swiss Average Rate Overnight ('SARON') as the new reference rate. As a result of the discontinuance of the CHF LIBOR reference rate, the loan facility agreement was amended to reflect the change in reference rate to SARON. As the Swiss bank loans are unhedged, the change in reference rates did not have any impact on hedge relationships (including hedge designation, amounts accumulated in the cash flow hedge reserve or risk components).

Following the replacement of the CHF LIBOR with the SARON, the Group has applied the practical expedient provided under *Interest Rate Benchmark Reform – Phase 2* to £1 073m of its borrowings.

The Middle East bank loan bears interest at variable rates linked to the three-month US dollar ('USD') LIBOR. It is expected that the USD LIBOR will be replaced with the Secured Overnight Financing Rate ('SOFR') on its discontinuance. The USD LIBOR is expected to be discontinued on 30 June 2023. The replacement of the USD LIBOR with SOFR has no impact on the borrowings of the Middle East operations for the period ended 31 March 2022.

The Southern African bank loan bears interest at variable rates linked to the three-month Johannesburg Interbank Average Rate ('JIBAR'). The interest rate benchmark reform has not had any impact on the JIBAR and, as a result, has no impact on the borrowings of the Southern African operations.

26. 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.

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.

26. LEASES CONTINUED

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.

During the year ended 31 March 2021, 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. The Group applied the practical expedient for COVID-19-related rent concessions consistently to eligible rent concessions. The amount of £1m recognised in profit or loss in the prior period reflects changes in lease payments arising from rent concessions to which the Group has applied the practical expedient for COVID-19-related rent concessions. The COVID-19-related rent concessions for the year ended 31 March 2022 were less than £0.5m.

Critical accounting judgement

Determination of lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are included in the lease term only 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 revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and which is within the control of the lessee.

Amounts recognised in the statement of financial position

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

	2022 £'m	2021 £'m
Right-of-use assets		
Buildings	**721**	621
Equipment	**3**	4
	724	625
Right-of-use assets per geographical market		
Switzerland	**397**	390
Southern Africa	**26**	27
Middle East	**301**	208
	724	625

26. LEASES CONTINUED

Amounts recognised in the statement of financial position continued

	2022 £'m	2021 £'m
Lease liabilities		
Switzerland	**417**	408
Southern Africa	**37**	38
Middle East	**332**	230
	786	676
Of which are:		
- Non-current lease liabilities	**730**	621
- Current lease liabilities	**56**	55
	786	676

Amounts recognised in the income statement

The income statement includes the following amounts relating to leases:

	2022 £'m	2021 £'m
Depreciation charge of right-of-use assets		
Buildings	**48**	48
Equipment	**1**	1
	49	49
Interest expense (included in finance cost)	**21**	20
Expense relating to short-term leases and leases of low-value assets (included in infrastructure-related costs)	**9**	8
COVID-19-related rent concessions (included in other gains and losses)	**-**	(1)

The total cash outflow for leases, excluding short-term leases and leases of low-value assets, was £62m (2021: £56m).

27. RETIREMENT BENEFIT OBLIGATIONS

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.

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. The annual pension costs of the Group's benefit plans are charged to 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. If there is a minimum funding requirement for contributions relating to future service, the economic benefit available is calculated as the amount that reduces future minimum funding requirement contributions for future service because the entity made a prepayment, and the estimated future service cost in each period, less the estimated minimum funding requirement contributions that would be required for future service in those periods if there were no prepayment.

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

See note 6 for the accounting policy in respect of defined contribution plans.

27. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

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.

Key accounting estimates

Measurement of retirement benefit (assets)/obligations
The cost of defined benefit pension plans, post-retirement medical benefit liability obligations and the Middle East 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 below 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.

	2022 £'m	2021 £'m
Statement of financial position for:		
Swiss pension benefit asset	**(1)**	(110)
Total retirement benefit assets	**(1)**	(110)
Short-term portion of retirement benefit assets	**–**	–
Non-current retirement benefit assets	**(1)**	(110)
Swiss pension benefit obligation	**7**	27
Southern Africa post-retirement medical benefit obligation	**44**	37
Middle East end-of-service benefit obligation	**88**	77
	139	141
Total retirement benefit obligations	**139**	141
Short-term portion of retirement benefit obligations	**(20)**	(14)
Non-current retirement benefit obligations	**119**	127
Total amount charged to the income statement:		
Swiss pension benefit (asset)/obligation	**45**	38
Southern Africa post-retirement medical benefit obligation	**7**	5
Middle East end-of-service benefit obligation	**13**	11
	65	54
Total amount charged/(credited) to other comprehensive income:		
Swiss pension benefit obligation	**92**	(152)
Southern Africa post-retirement medical benefit obligation	**(2)**	2
Middle East end-of-service benefit obligation	**–**	(3)
	90	(153)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

27. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

(a) Swiss pension benefit (asset)/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

At 31 March 2022, the Clinique des Grangettes SA pension plan was in surplus by £1m due to the increase in the discount rate in the current year. At 31 March 2021, Pensionskasse Hirslanden was in surplus by £110m due to the positive asset return. As the Swiss pension plans operate independently from each other, the net pension asset attributable to Pensionskasse Hirslanden was presented separately from the net pension liabilities attributable to the other pension plans. The net pension asset of Clinique des Grangettes SA at 31 March 2022 has been included with the other Swiss pension plans.

The economic benefit available ('EBA') in the form of a reduction in future contributions was calculated by deducting the present value of the employer's future minimum funding requirements according to the rules of the pension plans from the future service cost. The increase of the discount rate used under IAS 19 from 0.20% at 31 March 2021 to 1.10% at 31 March 2022 resulted in a reduced carrying value of the gross pension fund obligation and consequently a reduction in expected future service cost. Since the expected future service cost is lower than the expected employer contributions, the EBA of the Pensionskasse Hirslanden pension plan was reduced to zero. As a result, an asset restriction was applied and £194m has been recognised in other comprehensive income for the asset restriction. The EBA of the Clinique des Grangettes SA pension plan has been limited to the employer contribution reserve. However, as the EBA was in excess of the surplus at 31 March 2022, no asset restriction was applied.

Statement of financial position

Amounts recognised in the statement of financial position are as follows:

	Pensions-kasse Hirslanden 2022 £'m	Other Swiss pension plans 2022 £'m	Total 2022 £'m	Pensions-kasse Hirslanden 2021 £'m	Other Swiss pension plans 2021 £'m²	Total 2021 £'m
Present value of funded obligations	**1 061**	**273**	**1 334**	1 010	251	1 261
Fair value of plan assets	**(1 061)**	**(267)**	**(1 328)**	(1 120)	(224)	(1 344)
Net pension liability	**–**	**6**	**6**	(110)	27	(83)
Presented as:						
Net pension asset	**–**	**(1)**	**(1)**	(110)	–	(110)
Net pension liability	**–**	**7**	**7**	–	27	27
	–	**6**	**6**	(110)	27	(83)
Opening balance	**1 010**	**251**	**1 261**	1 051	270	1 321
Current service cost	**29**	**7**	**36**	30	7	37
Interest cost	**2**	**–**	**2**	4	2	6
Employee contributions	**31**	**8**	**39**	31	8	39
Actuarial (gain)/loss	**(64)**	**(9)**	**(73)**	11	(1)	10
Benefits paid	**(32)**	**(4)**	**(36)**	(33)	(13)	(46)
Business combinations	**–**	**–**	**–**	2	–	2
Past service cost	**9**	**–**	**9**	–	–	–
Exchange differences	**76**	**20**	**96**	(86)	(22)	(108)
Balance at year end	**1 061**	**273**	**1 334**	1 010	251	1 261

27. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

(a) Swiss pension benefit (asset)/obligation continued

Statement of financial position continued

The movement of the fair value of plan assets over the year is as follows:

	Pensions-kasse Hirslanden 2022 £'m	Other Swiss pension plans 2022 £'m	Total 2022 £'m	Pensions-kasse Hirslanden 2021 £'m	Other Swiss pension plans 2021 £'m	Total 2021 £'m
Opening balance	**1 120**	**224**	**1 344**	1 036	214	1 250
Interest income on plan assets	**2**	**1**	**3**	4	2	6
Employer contributions	**35**	**8**	**43**	35	8	43
Plan participants' contributions	**31**	**8**	**39**	31	8	39
Return on plan assets greater than discount rate	**16**	**13**	**29**	141	21	162
Business combinations	**–**	**–**	**–**	1	–	1
Benefits paid from fund	**(32)**	**(4)**	**(36)**	(33)	(13)	(46)
Administration costs	**(1)**	**–**	**(1)**	(1)	–	(1)
Exchange differences	**82**	**17**	**99**	–	–	–
Balance at year end before effect of asset ceiling	**1 253**	**267**	**1 520**	1 214	240	1 454
Effect of asset ceiling	**(194)**	**–**	**(194)**	–	–	–
Exchange differences	**2**	**–**	**2**	(94)	(16)	(110)
Balance at year end	**1 061**	**267**	**1 328**	1 120	224	1 344

Net pension (asset)/liability reconciliation

	Pensions-kasse Hirslanden 2022 £'m	Other Swiss pension plans 2022 £'m	Total 2022 £'m	Pensions-kasse Hirslanden 2021 £'m	Other Swiss pension plans 2021 £'m	Total 2021 £'m
Opening net (asset)/liability	**(110)**	**27**	**(83)**	15	56	71
Expenses recognised in the income statement	**39**	**6**	**45**	31	7	38
Contributions paid by employer	**(35)**	**(8)**	**(43)**	(35)	(8)	(43)
Actuarial (gain)/loss	**114**	**(22)**	**92**	(130)	(22)	(152)
Business combinations	**–**	**–**	**–**	1	–	1
Exchange differences	**(8)**	**3**	**(5)**	8	(6)	2
Closing net (asset)/liability	**–**	**6**	**6**	(110)	27	(83)

Statement of other comprehensive income

Amounts recognised in other comprehensive income are as follows:

	Pensions-kasse Hirslanden 2022 £'m	Other Swiss pension plans 2022 £'m	Total 2022 £'m	Pensions-kasse Hirslanden 2021 £'m	Other Swiss pension plans 2021 £'m	Total 2021 £'m
Return on plan assets greater than discount rate	**16**	**13**	**29**	141	21	162
Effect of asset ceiling	**(194)**	**–**	**(194)**	–	–	–
Actuarial loss – experience	**(40)**	**(19)**	**(59)**	(19)	(6)	(25)
Actuarial gain/(loss) due to demographic assumption changes	**–**	**–**	**–**	49	18	67
Actuarial gain/(loss) due to financial assumption changes	**104**	**28**	**132**	(41)	(11)	(52)
Total other comprehensive (loss)/income	**(114)**	**22**	**(92)**	130	22	152

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

27. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

(a) Swiss pension benefit (asset)/obligation continued

Income statement

Amounts recognised in the income statement are as follows:

	Pensions-kasse Hirslanden 2022 £'m	Other Swiss pension plans 2022 £'m	Total 2022 £'m	Pensions-kasse Hirslanden 2021 £'m	Other Swiss pension plans 2021 £'m	Total 2021 £'m
Current service cost	29	7	36	30	7	37
Past service cost	9	–	9	–	–	–
Interest on liability	2	–	2	4	2	6
Interest on plan assets	(2)	(1)	(3)	(4)	(2)	(6)
Administration cost	1	–	1	1	–	1
	39	6	45	31	7	38
Actual return on plan assets, net of asset ceiling restriction	(176)	14	(162)	145	23	168

The number of plan members are as follows:

	Pensions-kasse Hirslanden 2022	Other Swiss pension plans 2022	Total 2022	Pensions-kasse Hirslanden 2021	Other Swiss pension plans 2021	Total 2021
Active members	8 364	1 857	10 221	8 296	1 779	10 075
Pensioners	1 150	136	1 286	1 047	124	1 171
	9 514	1 993	11 507	9 343	1 903	11 246

Principal actuarial assumptions on statement of financial position (all Swiss pension plans)	2022	2021
Discount rate	1.10%	0.20%
Future salary increases	1.50%	1.50%
Future pension increases	0.00%	0.00%
Inflation rate	1.00%	1.00%
Interest crediting rate	1.10%	1.00%

Asset allocation	2022 £'m	2022 %	2021 £'m	2021 %
Quoted investments				
Fixed income investments	478	31.4%	437	32.5%
Equity investments	455	29.9%	418	31.1%
Real estate	19	1.3%	20	1.5%
Other	111	7.3%	109	8.1%
	1 063	69.9%	984	73.2%
Non-quoted investments				
Fixed income investments	35	2.3%	28	2.1%
Equity investments	1	0.1%	1	0.1%
Real estate	305	20.1%	237	17.6%
Other	116	7.6%	94	7.0%
	457	30.1%	360	26.8%
	1 520	100.0%	1 344	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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

27. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

(a) Swiss pension benefit (asset)/obligation continued

Risk exposure continued

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.

Assumptions and sensitivity analysis

Impact on defined benefit obligation	Base assumption	Change in assumption	% Increase/ (decrease) in obligation on increase in assumption	% Increase/ (decrease) in obligation on decrease in assumption
Pensionskasse Hirslanden				
Discount rate	1.10%	0.25%	(1.9)%	2.3%
Salary growth rate	1.50%	0.50%	0.6%	(0.6)%
Pension growth rate	0.00%	0.25%	1.5%	0.0%
Other Swiss pension plans				
Discount rate	1.10%	0.25%	(1.8)%	2.4%
Salary growth rate	1.50%	0.50%	0.4%	(0.3)%
Pension growth rate	0.00%	0.25%	1.6%	0.0%

	Base assumption (BVG[1] 2020 with CMI improvements)	Change in assumption	% Increase/ (decrease) in obligation on increase in assumption	% Increase/ (decrease) in obligation on decrease in assumption
Life expectancy for a 65-year-old male (mortality)	21.77 years	1 year in expected lifetime of plan participants	1.5%	(1.9)%
Life expectancy for a 65-year-old female (mortality)	23.54 years			

Note

[1] The Federal Law on Occupational Old-age, Survivors' and Disability Insurance (German: BVG).

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 with the previous year.

Expected employer contributions to be paid to the pension plans for the year ending 31 March 2023 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 9.9 years (2021: 11.5 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 2022				
Defined benefit obligation	**138**	**388**	**988**	**1 514**
At 31 March 2021				
Defined benefit obligation	119	325	848	1 292

27. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

(a) Swiss pension benefit (asset)/obligation continued

Additional information on Swiss defined benefit pension plans

Pension plan results
The following assumptions have changed since the previous valuation:
- The discount rate used to value plan obligations has changed from 0.20% to 1.10%.
- The interest credit rate on total account balance has changed from 1.00% to 1.10%.
- The interest credit rate on the BVG shadow account balance has changed from 1.00% to 1.10%.

Pensionskasse Hirslanden
For our employees 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, Survivors' and Disability Insurance. The PH Fund is a foundation and an entity legally separate from the Swiss operations. 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.

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 our employed physicians 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, Survivors' and Disability Insurance. The VSAO Fund is a foundation and an entity legally separate from the Swiss division. 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 employees' 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 Swiss division. These pension funds are legally separate from the division. The investment of the plan assets is in accordance with the legal investment guidelines (BVV2).

The employees' 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 the division 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 and, 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.

27. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

(a) Swiss pension benefit (asset)/obligation continued

Additional information on Swiss defined benefit pension plans continued

General information on all pension plans (continued)

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.

(b) Southern Africa 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 2022, a 9.60% (2021: 11.40%) medical inflation rate and an 11.80% (2021: 13.70%) discount rate were assumed. The average retirement age was set at 63 years (2021: 63 years).

The assumed rates of mortality are as follows:
- During employment: SA 85/90 tables of mortality
- Post-employment: PA(90) tables

Amounts recognised in the statement of financial position are as follows:

	2022 £'m	2021 £'m
Opening balance	**37**	28
Amounts recognised in the income statement	**7**	5
Current service cost	**2**	1
Interest cost	**5**	4
Benefits paid	**(1)**	(1)
Actuarial loss/(gain) recognised in other comprehensive income	**(2)**	2
Exchange differences	**3**	3
Present value of unfunded obligations	**44**	37

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/ (decrease) in obligation on increase in assumption	% Increase/ (decrease) in obligation on decrease in assumption
Discount rate	11.80%	0.50%	(6.4)%	7.1%
Medical inflation rate	9.60%	1.00%	14.9%	(12.3)%

The expected post-employment medical benefits payable for the year ending 31 March 2023 amount to £2m.

27. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

(b) Southern Africa post-retirement medical benefit obligation continued

Assumptions and sensitivity analysis continued

The weighted average duration of the defined benefit obligation is 15 years (2021: 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 2022				
Defined benefit obligation	**2**	**10**	**25**	**37**
At 31 March 2021				
Defined benefit obligation	1	9	24	34

(c) Middle East 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.

The following are the principal actuarial assumptions:

	2022	2021
Discount rate	**2.40%**	1.98%
Future salary increases	**2.00%**	2.10%
Average retirement age	**60 years**	60 years
Annual turnover rate	**14.14%**	8.53%

Amounts recognised in the statement of financial position are as follows:

	2022 £'m	2021 £'m
Opening balance	**77**	83
Amounts recognised in the income statement	**13**	11
Current service cost	**11**	10
Interest cost	**2**	1
Benefits paid	**(6)**	(5)
Actuarial (gain)/loss recognised in other comprehensive income	**–**	(3)
Exchange differences	**4**	(9)
Present value of unfunded obligations	**88**	77
Current portion of retirement benefit obligations	**20**	14
Non-current retirement benefit obligations	**68**	63
	88	77

Assumptions and sensitivity analysis

Impact on defined benefit obligation	Base assumption	Change in assumption	% Increase/ (decrease) in obligation on increase in assumption	% Increase/ (decrease) in obligation on decrease in assumption
Discount rate	2.40%	1.00%	(4.9)%	5.2%
Future salary increases	2.00%	1.00%	5.1%	(4.9)%

The expected employer contributions to be paid to the Middle East end-of-service benefit obligation for the year ending 31 March 2023 amount to £20m.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

27. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

(c) Middle East end-of-service benefit obligation continued

Assumptions and sensitivity analysis continued

The weighted average duration of the defined benefit obligation is 7 years (2021: 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 2022				
Defined benefit obligation	**20**	**49**	**50**	**119**
At 31 March 2021				
Defined benefit obligation	14	32	47	93

Post-employment benefits for key management personnel
One non-executive director participates in the Southern Africa 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 Southern Africa post-retirement medical benefit obligation and one in the Middle East end-of-service benefit.

28. 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.

	2022 £'m	2021 £'m
Non-current	**37**	37
Employee benefits	**13**	13
Legal cases and other	**5**	2
Tariff risks	**19**	22
Current	**38**	19
Employee benefits	**3**	3
Legal cases and other	**9**	8
Tariff risks	**26**	8
	75	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
In Switzerland, the cost of treating inpatients with basic health insurance is fixed by the government. The pricing model is based on Swiss DRGs for inpatients and can be seen as a fixed-fee arrangement. 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 when the pricing model for DRGs is based on provisional tariffs and the tariffs are disputed by the funders. Due to the high level of uncertainty in respect of the expected time it will take to settle the dispute, tariff adjustments are classified as provisions. 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. See note 4 for additional information in respect of provisional tariffs and the impact on recognition of the tariff risk provision.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

28. PROVISIONS CONTINUED

	Employee benefits £'m	Legal cases and other £'m	Tariff risks £'m	Total £'m
Opening balance at 1 April 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**
Charged to the income statement	**3**	**9**	**16**	**28**
Utilised during the year	**(3)**	**(3)**	**–**	**(6)**
Unused amounts reversed	**–**	**(3)**	**(4)**	**(7)**
Exchange differences	**–**	**1**	**3**	**4**
Closing balance at 31 March 2022	**16**	**14**	**45**	**75**

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

	2022 £'m	2021 £'m
Within one year	**38**	19
After one year but not more than five years	**32**	32
More than five years	**5**	5
	75	56

29. DERIVATIVE FINANCIAL INSTRUMENTS

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 hedging reserve in shareholders' equity is shown in note 22. 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.

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).

29. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

Cash flow hedges continued

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.

	2022 £'m Assets	2022 £'m Liabilities	2021 £'m Assets	2021 £'m Liabilities
Non-current				
Interest rate swaps – cash flow hedges	–	2	–	9
Written put option (redemption liability)	–	126	–	115
	–	128	–	124
Current				
Interest rate swaps – cash flow hedges	–	1	–	1
Forward contracts	–	–	–	1
	–	1	–	2
	–	129	–	126

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 2022, the Group had 16 (2021: 16) effective interest rate swap contracts for borrowings specifically in Southern Africa and one in Middle East.

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[1] £'m
As at 31 March 2022				
1–3 years[2]	207	5.93%–7.00%	3 month JIBAR	5
1–2 years[3]	36	3.14%	3 month LIBOR	2
As at 31 March 2021				
1–3 years[2]	195	6.20–7.20%	3 month JIBAR/69% of prime interest rate	(2)
1–3 years[3]	51	3.14%	3 month LIBOR	–

Notes

1 The fair value gain/(loss) includes the portion that has been reclassified to profit or loss.

2 The Southern Africa interest rate swap agreement resets every three months on 1 June, 1 September, 1 December and 1 March with a final reset on 1 September 2023 for £50m, 1 December 2023 for £54m, 1 June 2024 for £25m and 3 June 2024 for £78m. There is no ineffective portion recognised in the profit or loss that arises from the cash flow hedges.

3 The Middle East interest rate swap agreement resets in August 2023. There is no ineffective portion recognised in the profit or loss that arises from the cash flow hedges.

Key accounting estimate

Remeasurement of 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 potentially effective no earlier than 30 June 2023, 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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

29. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

Key accounting estimate continued

Remeasurement of redemption liability (written put option) (continued)
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 and included in retained earnings. The charge to equity is recognised separately as written put options over NCI.

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 key inputs to its calculations are described below:

Forecasts	As part of the annual financial planning process, Clinique des Grangettes and Clinique La Colline are required to submit budgets for the next financial year and forecasts for the following four years. Future earnings and profitability are based on these budgets and forecasts.
Discount rates	The discount rate of 0.78% was determined when the put/call agreement was entered into and was based on swap curve analytics. The discount rate reflects the time value of future expected cash flows.

A reasonably possible change of 10% in the projected earnings will change the liability and profit before tax by £13m (2021: £12m).

	2022 £'m	2021 £'m
Movement in the redemption liability		
Opening balance at 1 April	**115**	101
Charged to the income statement		
Remeasurement of redemption liability	**1**	23
Unwinding of discount	**1**	1
Exchange differences	**9**	(10)
Closing balance at 31 March	**126**	115

30. 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.

In respect of profit sharing and bonus plans, the Group recognises a liability and a corresponding expense where a contractual obligation exists for short-term incentives. The amounts payable to employees in respect of the STI schemes are determined based on annual business performance targets and are presented as part of 'Other payables and accrued expenses'.

	2022 £'m	(Re-presented)[1] 2021 £'m
Financial instruments		
Trade payables	**263**	235
Other payables and accrued expenses	**200**	158
Refund liabilities[2]	**59**	48
	522	441
Non-financial instruments		
Other payables and accrued expenses	**5**	–
Social insurance and accrued leave pay	**45**	46
Value added tax	**14**	11
	64	57
	586	498

Notes

1 The comparatives have been re-presented by presenting refund liabilities separately from other payables and accrued expenses.

2 No significant amounts of revenue were recognised during the year ended 31 March 2022 that were included in the refund liability balance at the beginning of the period or from performance obligations satisfied in previous periods.

31. FINANCIAL INSTRUMENTS

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.

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.

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.

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.

31. FINANCIAL INSTRUMENTS CONTINUED

Impairment continued

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.

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.

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 legally 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.

Financial liabilities

The accounting policies for financial liabilities are provided in notes 25, 26, 29 and 30.

The Group holds the following financial instruments:

	Notes	2022 £'m	2021 £'m
Financial assets			
Financial assets at amortised cost[1]			
Other investments and loans	17	**9**	9
Trade and other receivables[2]	20	**768**	774
Cash and cash equivalents	33	**534**	294
Financial assets at FVPL	17	**6**	2
Financial assets at FVOCI	17	**15**	3
		1 332	1 082
Financial liabilities			
Liabilities at amortised cost[3]			
Borrowings	25	**1 803**	1 777
Lease liabilities	26	**786**	676
Tariff risk provisions	28	**45**	30
Trade and other payables[2]	30	**522**	441
Derivative financial instruments – written put option (redemption liability)	29	**126**	115
Derivative financial instruments	29	**3**	11
		3 285	3 050

Notes

1 Due to the short-term nature of the majority of these financial assets, their carrying amounts are considered to be the same as their fair value. For the non-current financial assets, the fair values are also not significantly different from their carrying amounts. The fair values were calculated based on cash flows discounted using a current lending rate. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs.

2 Excluding non-financial instruments.

3 For financial liabilities, the fair values are not significantly different from their carrying amounts, since the interest payable on these liabilities is either close to current market rates or the liabilities are of a short-term nature. 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.

The Group's exposure to various risks associated with the financial instruments is discussed in note 32. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

31. FINANCIAL INSTRUMENTS CONTINUED

Fair value measurements

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** – The fair value of financial instruments traded in active markets (such as publicly traded equity securities and investments in money market funds) 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.
- **Level 2** – The fair value of financial instruments that are not traded in an active market (e.g. interest rate swaps) is determined using valuation techniques that maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- **Level 3** – If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities, put/call agreements and forward contracts.

To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels as follows:

At 31 March 2022	Notes	Level 1 £'m	Level 2 £'m	Level 3 £'m	Total £'m
Financial assets					
Financial assets at FVPL					
Investments in money market funds	17	**6**	**–**	**–**	**6**
Financial assets at FVOCI					
Listed equity securities	17	**1**	**–**	**–**	**1**
Unlisted equity securities	17	**–**	**–**	**14**	**14**
Total financial assets		**7**	**–**	**14**	**21**
Financial liabilities					
Hedging derivatives – interest rate swaps	29	**–**	**3**	**–**	**3**
Total financial liabilities		**–**	**3**	**–**	**3**

At 31 March 2021	Notes	Level 1 £'m	Level 2 £'m	Level 3 £'m	Total £'m
Financial assets					
Financial assets at FVPL					
Investments in money market funds	17	2	–	–	2
Financial assets at FVOCI					
Listed equity securities	17	1	–	–	1
Unlisted equity securities	17	–	–	2	2
Total financial assets		3	–	2	5
Financial liabilities					
Hedging derivatives – interest rate swaps	29	–	10	–	10
Derivatives – forward contracts	29	–	–	1	1
Total financial liabilities		–	10	1	11

Changes in financial assets classified into level 3 for the periods ended 31 March 2022 and 31 March 2021 are presented in note 17.

Valuation techniques, inputs and processes

Specific valuation techniques used to value financial instruments include:
- the use of quoted market prices or dealer quotes for similar instruments;
- for interest rate swaps – the present value of the estimated future cash flows based on observable yield curves; and
- for other financial instruments – discounted cash flow analysis.

The fair market value of unlisted shares of £5m is based on valuations performed using the net asset value. A 10% increase/decrease in the market value of the underlying investments in collective investment schemes will increase/decrease the asset and other comprehensive income by £1m (2021: £1m), respectively. A 10% increase/decrease in the liability for outstanding claims will decrease/increase the asset and other comprehensive income by £1m (2021: £1m), respectively.

The fair market value of the unlisted shares acquired during the year ended 31 March 2022 of £8m approximates the acquisition price of the investment. As a result, the investment was not revalued at 31 March 2022.

31. FINANCIAL INSTRUMENTS CONTINUED

Valuation techniques, inputs and processes continued

The fair value of unlisted equity instruments is performed by the finance departments of the operating segments for financial reporting purposes. Valuation processes relevant to financial instruments with significant fair values are discussed every six months, in line with the Group's half-year reporting periods. Significant valuations are also discussed with the Audit and Risk Committee.

32. FINANCIAL RISK MANAGEMENT

32.1. 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.

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 change in the sterling/Swiss franc, sterling/South African rand and sterling/UAE dirham exchange rates for a sustained period of one year would result in an increase/decrease in post-tax profit for the period and foreign currency translation reserve as indicated in the table below:

	Impact on post-tax profit for the period		Impact on foreign currency translation reserve	
	2022 £'m	2021 £'m	2022 £'m	2021 £'m
10% change in the sterling/Swiss franc exchange rate	**4**	1	**152**	162
10% change in the sterling/South African rand exchange rate	**8**	3	**21**	13
10% change in the sterling/UAE dirham exchange rate	**5**	4	**113**	114

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 (see note 25). 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.

32. FINANCIAL RISK MANAGEMENT CONTINUED

32.1. Financial risk factors continued

Market risk continued

ii) Interest rate risk (continued)

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.

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 2022, the SARON was -0.70% (2021: -0.75%). Interest rates would have to increase by 70 basis points to have an impact on post-tax 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 post-tax profit for the period (2021: no impact).
- Southern Africa: Post-tax profit for the period would decrease/increase by £0.4m (2021: decrease/increase by £0.7m) if the interest rates had been 100 basis points higher/lower in Southern Africa with all other variables held constant; and
- Middle East: Post-tax profit for the period would decrease/increase by £0.1m (2021: decrease/increase by £0.4m) if the interest rates had been 50 basis points higher/lower in the Middle East with all other variables held constant.

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 and derivative financial contracts. The Group's cash equivalents and short-term deposits are placed with reputable financial institutions with a high credit rating (see note 33.7). 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 2022 and 31 March 2021, the Group did not consider there to be a significant concentration of credit risk.

Liquidity risk

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.

	2022 £'m	2021 £'m
The Group's unused banking and overdraft facilities	408	385
Cash and cash equivalents	534	294
Cash and available facilities	**942**	679

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

32. FINANCIAL RISK MANAGEMENT CONTINUED

32.1. Financial risk factors continued

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 2022					
Borrowings	**1 803**	**2 217**	**174**	**1 060**	**983**
Lease liabilities	**786**	**1 057**	**67**	**246**	**744**
Derivative financial instruments	**129**	**136**	**5**	**131**	**–**
Trade payables and other payables[1]	**522**	**522**	**522**	**–**	**–**
	3 240	**3 932**	**768**	**1 437**	**1 727**
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 and other payables[1]	441	441	441	–	–
	3 020	4 007	655	1 888	1 464

Note
[1] Excluding non-financial liabilities.

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.

32.2. 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 25; cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, retained earnings and other reserves, and NCI, as disclosed in notes 21, 22 and 23, 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 was in place during the reporting period, 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 2022 and 31 March 2021 were as follows:

	2022 £'m	2021 £'m
Borrowings	**1 803**	1 777
Less: cash and cash equivalents	**(534)**	(294)
Net incurred debt	**1 269**	1 483
Lease liabilities	**786**	676
Net debt	**2 055**	2 159
Total equity	**3 246**	2 967
Debt-to-equity capital ratio	**63.3%**	72.8%

33. CASH FLOW INFORMATION

Cash and cash equivalents consist of balances with banks and cash-on-hand and are classified as debt instruments measured at amortised cost. Cash at banks comprises cash that can readily be converted into cash. 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.

Cash flows in currencies other than the functional currency are translated at the average exchange rate for the period in question. The cash flow statement is prepared by the indirect method based on consolidated profit before income tax, and shows cash flows from operating, investing and financing activities as well as the Group's cash at banks at opening and closing.

Cash flow from operating activities is specified as the profit before income tax for the year adjusted for non-cash operating items, changes in the working capital, and corporation tax paid. Cash flow from investing activities includes the purchase and sale of property, equipment and vehicles and intangible assets, as well as the acquisition and disposal of investments in subsidiaries and associates. Cash flow from financing activities includes the raising and repaying of long-term liabilities, short-term bank loans and the payment of dividends.

	2022 £'m	2021 £'m
33.1. Reconciliation of profit before taxation to cash generated from operations		
Profit before taxation	**211**	104
Adjustments for:		
Finance cost – net	**68**	95
Share of net profit of equity-accounted investments	**1**	10
Share-based payments	**4**	–
Depreciation and amortisation	**228**	217
Loss allowance of trade receivables	**12**	11
Movement in provisions	**21**	12
Movement in retirement benefit obligations	**16**	6
Impairment of properties and intangible assets	**7**	3
Impairment of equity-accounted investment	**–**	1

(Continued)	2022 £'m	2021 £'m
Foreign exchange differences	**1**	–
Insurance proceeds	**(6)**	(2)
Other non-cash items	**1**	(2)
Operating income before changes in working capital	**564**	455
Working capital changes	**99**	(125)
Decrease/(increase) in inventories	**15**	(10)
Decrease/(increase) in trade and other receivables	**35**	(129)
Increase in trade and other payables	**49**	14
	663	330

	2022 £'m	2021 £'m
33.2. Interest paid		
Finance cost per income statement	**74**	99
Non-cash items		
Amortisation of capitalised financing fees	**(3)**	(3)
Borrowing costs capitalised	**1**	1
Remeasurement of redemption liability	**(1)**	(23)
Unwinding of discount of redemption liability	**(1)**	(1)
Accrued interest on lease liability	**(1)**	(3)
	69	70
33.3. Tax paid		
Liability at the beginning of the year	**4**	2
Provision for the year	**46**	31
	50	33
Liability at year end	**(4)**	(4)
	46	29

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

33. CASH FLOW INFORMATION CONTINUED

	2022 £'m	2021 £'m
33.4. Capital expenditure to maintain operations		
Property, equipment and vehicles purchased	84	46
Intangible assets purchased	10	8
Movement in capital expenditure payables	2	2
	96	56
33.5. Capital expenditure to expand operations		
Property, equipment and vehicles purchased	73	59
Intangible assets purchased	11	13
Movement in capital expenditure payables	(1)	8
	83	80

33.6. 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 2022				
Opening balance	1 777	10	676	2 463
Cash flow movements				
Proceeds from borrowings	89	–	–	89
Repayment of borrowings	(183)	–	–	(183)
Repayment of lease liabilities	–	–	(42)	(42)
Refinancing transaction cost	(3)	–	–	(3)
Interest payments (presented as cash flows from operating activities)	(43)	(6)	(20)	(69)
Non-cash items				
Amortisation of capitalised financing fees	3	–	–	3
Cash flow hedges reclassified to profit and loss	–	(6)	–	(6)
Fair value adjustment on cash flow hedges	–	(1)	–	(1)
New lease commitments entered into during the year	–	–	109	109
Lease commitments terminated during the year	–	–	(5)	(5)
Accrued interest	43	6	21	70
Exchange rate differences	120	–	47	167
Closing balance	1 803	3	786	2 592

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

33. CASH FLOW INFORMATION CONTINUED

33.6. Changes in liabilities arising from financing activities continued	Total borrowings £'m	Net derivative financial instruments held to hedge borrowings £'m	Total lease liabilities £'m	Total £'m
Year ended 31 March 2021 (Re-presented)[1]				
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)
Interest payments (presented as cash flows from operating activities)	(46)	(7)	(17)	(70)
Non-cash items				
Amortisation of capitalised financing fees	3	–	–	3
Cash flow hedges reclassified to profit and loss	–	(2)	–	(2)
Fair value adjustment on cash flow hedges	–	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	46	7	20	73
Exchange rate differences	(93)	–	(57)	(150)
Closing balance	1 777	10	676	2 463

Note
[1] The comparatives have been re-presented to present interest payments (as cash flow movements) and accrued interest (as non-cash items) on a gross basis. Previously, interest payments were included as part of accrued interest as non-cash items.

33.7. Cash and cash equivalents	2022 £'m	2021 £'m
For the purposes of the statement of cash flows, cash, cash equivalents and bank overdrafts include:		
Cash and cash equivalents	**534**	294
Cash, cash equivalents and bank overdrafts are denominated in the following currencies:		
Swiss franc[1]	**161**	88
South African rand[2]	**190**	112
UAE dirham[3]	**95**	31
Sterling[3]	**74**	56
US dollar[3]	**14**	7
	534	294

Notes
[1] The facility agreement of the Swiss subsidiary restricts the distribution of cash. Bank balances to the value of £65m (2021: £15m) are held with counterparties who have a minimum A1 credit rating by Moody's and £96m (2021: £73m) are held with counterparties who have a minimum Aa2 credit rating by Moody'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.

Exchange controls in South Africa may restrict the use of certain cash balances at the Group's Southern African operations. 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 £72m (2021: £60m) and South African bank accounts denominated in South African rand amounting to £58m (2021: £5m) have been ceded as security for borrowings (see note 25).

34. 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 included in the identifiable assets and liabilities of the acquiree only 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.

NCI 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 NCI 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 NCI, less the fair value of the identifiable assets and liabilities of the acquiree. If the total of consideration transferred, NCI 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.

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

	2022 £'m	2021 £'m
Cash flow on acquisition:		
OPERA Zumikon	**–**	(2)
Bourn Hall International MENA Limited	**(3)**	–
Ayadi Home Health Care LLC	**(4)**	–
	(7)	(2)

Bourn Hall International MENA Limited

Effective on 11 November 2021, Emirates Healthcare Limited, which forms part of the Middle East segment, acquired the remaining 70% shares in Bourn Hall for £4m. Bourn Hall specialises in IVF treatments. The goodwill of £7m arising from the acquisition is attributable to the acquired workforce and future cash flow from operations.

Revenue and profit contribution

The acquired business contributed revenues of £4m and net profit of less than £0.5m to the Group for the period from 11 November 2021 to 31 March 2022. If the acquisition had occurred on 1 April 2021, consolidated *pro-forma* revenue and net profit for the year ended 31 March 2022 would have been £7m and less than £0.5m, respectively.

34. BUSINESS COMBINATIONS CONTINUED

Ayadi Home Health Care LLC

Effective on 27 December 2021, Mediclinic Hospitals LLC, which forms part of the Middle East segment, acquired 100% of the shares in the accredited Al Ain-based home healthcare services business, Ayadi Home Health Care LLC ('Ayadi Home Healthcare'), for £4m. The goodwill of £3m arising from the acquisition is attributable to the acquired workforce and future cash flow from operations.

Revenue and profit contribution

The acquired business contributed revenues of £1m and net profit of less than £0.5m to the Group for the period from 27 December 2021 to 31 March 2022. If the acquisition had occurred on 1 April 2021, consolidated *pro-forma* revenue and net loss for the year ended 31 March 2022 would have been £3m and £1m, respectively.

The following table summarises the provisional fair value of assets acquired and liabilities assumed at the respective acquisition dates:

	2022 £'m Bourn Hall	2022 £'m Ayadi Home Healthcare	2022 £'m Total
Recognised amounts of identifiable assets acquired and liabilities assumed			
Total assets	5	1	6
Total liabilities	5	–	5
Total identifiable net assets at fair value	–	1	1
Goodwill	7	3	10
Consideration transferred for the business	7	4	11
Fair value of the Group's existing portion	(3)	–	(3)
Cash flow on acquisition	4	4	8
Cash flow on acquisition			
Net cash acquired with subsidiary	1	–	1
Cash paid	(4)	(4)	(8)
Net cash flow upon acquisition	(3)	(4)	(7)

35. DISPOSAL OF SUBSIDIARIES

During the prior year, the Group disposed of a number of outpatient clinics which were part of the Swiss division and Mediclinic Howick, which was part of the Southern African division. The total net assets disposed of had a carrying value of £4m and were disposed of for a total consideration of £4m. The transactions resulted in a net loss on disposal of subsidiary of less than £0.5m. After considering the cash and cash equivalents disposed of, the net cash flow on disposal was £4m.

36. COMMITMENTS

	2022 £'m	2021 £'m
Capital commitments		
Incomplete capital expenditure contracts	161	190
Switzerland	114	125
Southern Africa	31	55
Middle East	16	10
Capital expenses authorised by the Board of Directors but not yet contracted	109	77
Switzerland	13	12
Southern Africa	74	39
Middle East	22	26
	270	267

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.

36. COMMITMENTS CONTINUED

Income guarantees continued

	2022 £'m	2021 £'m
Total of net income guaranteed:		
April 2021 – March 2022	–	3
April 2022 – March 2023[1]	2	–
April 2023 – March 2024[1]	1	–
	3	3

Note

[1] Amount is less than £0.5m in the prior year.

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 matters where provisions have been recorded, which are described in note 28, the Group considers that no material loss to the Group is expected to result from legal proceedings, claims, complaints and investigations.

37. RELATED PARTY TRANSACTIONS

Remgro Ltd owns, through various subsidiaries (Remgro Healthcare [Pty] Ltd, Remgro Health Ltd and Remgro Jersey GBP Ltd), 44.56% (2021: 44.56%) of the Company's issued share capital.

The following transactions were carried out with related parties:

		2022 £'m	2021 £'m
i)	**Transactions with shareholders**		
	Remgro Management Services Ltd (subsidiary of Remgro Ltd)		
	Managerial and administration fees	0.3	0.3
	(Continued)		
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	9	8
iii)	**Transactions with associates and joint ventures**		
	Zentrallabor Zürich		
	Purchases	10	11
	Wits University Donald Gordon Medical Centre (Pty) Ltd		
	Fees received	(2)	(2)
	Agency fees received	(2)	(1)
	Al Murjan Medical Center		
	Fees earned	(1)	–
	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
v)	**Other receivables & payables due from/(to) related parties**		
	Wits University Donald Gordon Medical Centre (Pty) Ltd	–	2
	Zentrallabor Zürich ZLZ	–	(1)

Notes

[1] Details of directors' remuneration are contained in the **Remuneration Committee Report** on pages 143–167.

[2] Amount is less than £0.1m.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

37. RELATED PARTY TRANSACTIONS CONTINUED

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.

During the year ended 31 March 2022, the Southern African division entered into an agreement with Energy Exchange of Southern Africa, an associate of Remgro Ltd, to procure renewable electricity. There were no transactions for the period under review or amounts outstanding at 31 March 2022.

The loan to Wits University Donald Gordon Medical Centre (Pty) Ltd is interest free and repayable on demand. The loan to Zentrallabor Zürich ZLZ is interest free and repayable in August 2022.

38. EVENTS AFTER THE REPORTING DATE

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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

39. 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 2022 %	Interest in capital[1] 31 March 2021 %
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
Ouroboros Solutions AG	Sihlbruggstrasse 3, 6340 Baar	Switzerland	Intermediary holding company	**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 Chêne-Bougeries	Switzerland	Healthcare services	**60.0**	60.0

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

39. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES CONTINUED

SUBSIDIARIES CONTINUED

Company	Registered office address	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2022 %	Interest in capital[1] 31 March 2021 %
INDIRECTLY HELD THROUGH HIRSLANDEN AG CONTINUED					
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
Hirslanden Praxiszentrum am Bahnhof, Schaffhausen AG[2]	Bleichestrasse 3, 8200 Schaffhausen	Switzerland	Healthcare services	**-**	-
Hirslanden Precise AG	Forchstrasse 452, 8702 Zollikon	Switzerland	Healthcare services	**100.0**	100.0
Hirslanden Venture Capital AG	Boulevard Lilienthal 2, 8152 Glattpark (Opfikon)	Switzerland	Healthcare services	**100.0**	100.0
IMRAD SA	Avenue d'Ouchy 31, Clinique Bois-Cerf c/o Hirslanden Lausanne SA, 1006 Lausanne	Switzerland	Healthcare services	**75.0**	75.0
Klinik Birshof AG	Reinacherstrasse 28, 4142 Münchenstein	Switzerland	Healthcare services	**99.9**	99.9
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 Chêne-Bougeries	Switzerland	Healthcare services	**60.0**	60.0
INDIRECTLY HELD THROUGH GRANGETTES HEALTHCARE SA					
Clinique des Grangettes SA	Chemin des Grangettes 7, 1224 Chêne-Bougeries	Switzerland	Healthcare services	**60.0**	60.0
Dianecho SA	Rue de Carouge 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**	100.0
Hirslanden OPERA St. Gallen AG	Schuppisstrasse 10, 9016 St. Gallen	Switzerland	Healthcare services	**100.0**	100.0

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

39. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES CONTINUED

SUBSIDIARIES CONTINUED

Company	Registered office address	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2022 %	31 March 2021 %
INDIRECTLY HELD THROUGH HIRSLANDEN OPERA AG[2] CONTINUED					
Hirslanden OPERA Bern AG	Nordring 4, 3013 Bern	Switzerland	Healthcare services	**100.0**	-
INDIRECTLY HELD THROUGH IMRAD SA					
Hirslanden Freiburg AG, Düdingen	Bahnhofplatz 2a, 3186 Düdingen	Switzerland	Healthcare services	**75.0**	75.0
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**	100.00
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**	73.4
Mediclinic Denmar Mental Health Services (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
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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

39. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES CONTINUED

SUBSIDIARIES CONTINUED

Company	Registered office address	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2022 %	Interest in capital[1] 31 March 2021 %
INDIRECTLY HELD THROUGH MEDICLINIC SOUTHERN AFRICA (PTY) LTD CONTINUED					
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	**66.5**	66.8
Mediclinic Finance Corporation (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Treasury	**100.0**	100.0
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**	93.0
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	**77.7**	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	**70.0**	100.0
Mediclinic Renal Services Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	**70.0**	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	**52.9**	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	**21.4**	21.4
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	**33.7**	33.7

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

39. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES CONTINUED

SUBSIDIARIES CONTINUED

Company	Registered office address	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2022 %	Interest in capital[1] 31 March 2021 %
INDIRECTLY HELD THROUGH MEDICLINIC SOUTHERN AFRICA (PTY) LTD CONTINUED					
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 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
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
INDIRECTLY HELD THROUGH MEDICLINIC (PTY) LTD					
Mediclinic Ermelo (Pty) Ltd[2]	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	**61.8**	59.8
Mediclinic Hermanus (Pty) Ltd[2]	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	**39.1**	39.1
Mediclinic Kimberley (Pty) Ltd[2]	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	**89.1**	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	**87.4**	87.7
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**	56.4
Mediclinic Limpopo Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Investment holding company	**100.0**	100.0

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

39. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES CONTINUED

SUBSIDIARIES CONTINUED

Company	Registered office address	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2022 %	Interest in capital[1] 31 March 2021 %
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	**93.5**	91.4
Mediclinic Cape Town Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	**98.0**	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**	99.5
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	**98.5**	98.8
Mediclinic Kathu Investments (Pty) Ltd[5]	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Deregistered	**0.0**	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**	87.5
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	**97.4**	99.4
Mediclinic Morningside Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	**81.3**	82.3

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

39. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES CONTINUED

SUBSIDIARIES CONTINUED

Company	Registered office address	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2022 %	Interest in capital[1] 31 March 2021 %
HOSPITAL INVESTMENT COMPANIES CONTINUED					
Mediclinic Nelspruit Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	**98.0**	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	**77.5**	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	**91.0**	93.8
Mediclinic Secunda Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	**100.0**	82.2
Mediclinic Vereeniging Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	**99.4**	99.4
Mediclinic Vergelegen Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	**94.9**	94.9
Mediclinic Welkom Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	**93.2**	91.6
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**	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	**83.2**	100.0

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

39. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES CONTINUED

SUBSIDIARIES CONTINUED

Company	Registered office address	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2022 %	Interest in capital[1] 31 March 2021 %
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
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	**86.6**	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	**89.3**	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	**84.7**	83.5
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	**97.5**	97.4

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

39. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES CONTINUED

SUBSIDIARIES CONTINUED

Company	Registered office address	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2022 %	Interest in capital[1] 31 March 2021 %
INDIRECTLY HELD THROUGH MEDICLINIC STELLENBOSCH (PTY) LTD[2]					
Mediclinic Stellenbosch Day Clinic (Pty) Ltd[2]	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Dormant	**76.1**	76.1
Mediclinic Winelands (Pty) Ltd[2]	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	**50.1**	50.1
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**	100.0
INDIRECTLY HELD THROUGH EMIRATES HEALTHCARE HOLDINGS LIMITED					
Emirates Healthcare Limited[6]	IFC 5, St Helier, Jersey, JE1 1ST	Jersey	Healthcare services	**100.0**	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 (in process of liquidation)	**49.0**	49.0
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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

39. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES CONTINUED

SUBSIDIARIES CONTINUED

Company	Registered office address	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2022 %	Interest in capital[1] 31 March 2021 %
INDIRECTLY HELD THROUGH EMIRATES HEALTHCARE LIMITED[5] CONTINUED					
Mediclinic Hospitals LLC (Al Noor Hospital)[7&8]	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 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
Bourn Hall International MENA Limited[9]	C/o Al Tamimi & Company, Dubai International Financial Centre, Registered with the DFSA, Level 7, Central Park Towers, Dubai, UAE	The UAE	General Commercial Business	**100.0**	30.0
INDIRECTLY HELD THROUGH BOURN HALL INTERNATIONAL MENA LIMITED					
Bourn Hall LLC[10]	Al Hudaiba Awards Building, Block C, 7th floor, Dubai Martime City, UAE	The UAE	Fertility Centre	**49.0**	-
INDIRECTLY HELD THROUGH MEDICLINIC HOSPITALS LLC (AL NOOR HOSPITAL)[6&7]					
Al Noor Hospital Clinics – Al Ain[11]	Al Ain Town Center, Sheikh Mohammed Bin Butti Al Hamed Building, Al Ain	The UAE	Healthcare Services	**49.0**	49.0
Al Madar Medical Center Pharmacy LLC[12]	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[13]	Jabr Mohamed Ghanem Sultan Al Suwaidi, Al Mouror Street, Abu Dhabi Island	The UAE	Healthcare services	**99.0**	99.0
Mediclinic Khalifa City LLC[14]	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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

39. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES CONTINUED

SUBSIDIARIES CONTINUED

Company	Registered office address	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2022 %	Interest in capital[1] 31 March 2021 %
INDIRECTLY HELD THROUGH MEDICLINIC HOSPITALS LLC (AL NOOR HOSPITAL)[6&7] CONTINUED					
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
Aman Home for Health Medical Home Care LLC[15]	Shaabiyat Makam, No 20 Al Makam, Ground Floor, Office no 2, Mohamed Thaloob Salem Hamad Al Derei Building, Al Ain, Abu Dhabi	The UAE	Home Healthcare services	**49.0**	0.0
Ayadi Home Health Care LLC[16]	Shaabiyat Makam, No 4 Al Makam, Ground Floor, Office no 2, Mohamed Thaloob Salem Hamad Al Derei Building, Al Ain, Abu Dhabi	The UAE	Healthcare services	**49.0**	0.0
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 Mediclinic Kathu Investments (Pty) Ltd deregistered on 3 January 2022.
6 In terms of constitutional and contractual arrangements, the Group has full management control and economic interest in the listed entities.
7 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 into 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.
8 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).
9 EHL holds 100% of the issued share capital of Bourn Hall International MENA Limited. Bourn Hall International MENA Ltd is registered in Jebel Al Free Zone, Dubai, and EHL, Jersey, holds 100% issued paid-up and subscribed share capital of this company.
10 Bourn Hall LLC is registered in Dubai. The shareholders of Bourn Hall LLC are:
- Bourn Hall International MENA Ltd - 49%;
- Al Noor Commercial Investment - Sole Proprietorship LLC - 51%.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

39. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES CONTINUED

SUBSIDIARIES CONTINUED

[11] 100% beneficial interest of Bourn Hall LLC is ultimately held by EHL. Bourn Hall LLC has two branches, one in Abu Dhabi and one in Al Ain. Bourn Hall LLC and its branch in Al Ain are operating as clinics and the statutory licensing of the Abu Dhabi branch to operate as a clinic is under process.
Al Noor Commercial Investment Sole Proprietorship LLC holds 51% of the issued share capital of Al Noor Hospital Clinics – Al Ain, with the remaining 49% held by Mediclinic Hospitals LLC (Al Noor Hospital).

[12] Mediclinic Hospitals LLC (Al Noor Hospital) holds 49% of the issued share capital of Al Madar Medical Centre Pharmacy 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%.

[13] Mediclinic Hospitals LLC (Al Noor Hospital) holds 99% and ANCI holds 1% of the issued share capital of Mediclinic Al Mamora LLC.

[14] Mediclinic Hospitals LLC (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%.

[15] Mediclinic Hospitals LLC (Al Noor Hospital) holds 49% of the issued share capital of Aman Home for Health Medical Home Care 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%.

[16] Mediclinic Hospitals LLC (Al Noor Hospital) holds 49% of the issued share capital of Ayadi Home Health Care 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%.

JOINT VENTURES

COMPANY	COUNTRY OF INCORPORATION AND PLACE OF BUSINESS	PRINCIPAL ACTIVITIES	INTEREST IN CAPITAL	
			31 March 2022 %	31 March 2021 %
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**	50.0

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

39. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES CONTINUED

ASSOCIATES[1]

COMPANY	REGISTERED OFFICE ADDRESS	INTEREST IN CAPITAL		BOOK VALUE OF INVESTMENT	
		31 March 2022 %	31 March 2021 %	**31 March 2022 £'m**	31 March 2021 £'m
Listed					
Spire Healthcare Group plc (held through Mediclinic Jersey Limited)	3 Dorset Rise, London, EC4Y 8EN	**29.9**	29.9	**156**	157
Unlisted					
Intercare Holdings Proprietary Limited	Glenfair Office Block, Lynnwood & Daventry Roads, Lynnwood 0081	**34.0**	34.0	**3**	2
Icon Joint Venture Proprietary Limited[2]	1st Floor Madison Square Park, 4 Howick Close, Tygerfalls, 7530, South Africa	**25.0**	–	**–**	–
Bourn Hall International MENA Limited	C/o Al Tamimi & Company Dubai International Financial Centre, Registered with the DFSA Level 7, Central Park Towers, Dubai, UAE	**100.0**	30.0	**–**	5
Zentrallabor Zürich, Zürich[3]	Forchstrasse 452, 8702 Zollikon	**49.0**	49.47	**–**	1
Baukonsortium, Cham	Rigistrasse 1, 6330 Cham	**24.0**	24.0	**1**	1
EFG Parkierung Rigistrasse, Cham[2]	Rigistrasse 1, 6330 Cham	**25.0**	25.0	**–**	–
La Colline, Centre de Réeducation et de Physiothérapie SA[2], Genève	Avenue de la Roseraie 76A, 1205 Genève	**20.0**	20.0	**–**	–
La Colline, Centre de Physiothérapie du Sport S.à.r.l.[2], Genève	Chemin Thury 7A, 1206 Genève	**23.0**	23.0	**–**	–
CORTS AG, Maur[2]	c/o ETU Treuhand und Unternehmensberatung, Ch. Lutz, Zürichstrasse 268, 8122 Binz	**37.8**	37.8	**–**	–
Hystrix Medical AG	Bahnhofstrasse 47, 4900 Langenthal	**8.7**	8.7	**1**	1
Al Murjan Medical Center Company Limited[2]	Al Rawdah District, Prince Saud Al Faisal Street, Jeddah, 21573, Saudi Arabia	**1.0**	–	**–**	–
				161	167

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

COMPANY STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2022

	Notes	2022 £'m	2021 £'m
Non-current assets			
Investment in subsidiaries	3	**3 311**	3 311
Current assets			
Cash and cash equivalents		**74**	54
Total assets		**3 385**	3 365
EQUITY			
Share capital	5	**74**	74
Capital redemption reserve		**6**	6
Share premium	5	**690**	690
Retained earnings		**2 585**	2 568
Total equity		**3 355**	3 338
Current liabilities			
Other payables		**2**	1
Amount due to related parties	4	**28**	26
Total liabilities		**30**	27
		3 385	3 365

The profit after tax for the year ended 31 March 2022 amounted to £17m (2021: £21m).

These financial statements as set out on pages 258–262 were approved and authorised for issue by the Board of Directors and signed on their behalf by:

Dr Ronnie van der Merwe
Chief Executive Officer
24 May 2022

Jurgens Myburgh
Group Chief Financial Officer
24 May 2022

Mediclinic International plc (Company no 08338604)

The notes on pages 259–262 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022

	Share capital £'m	Capital redemption reserve £'m	Share premium reserve £'m	Retained earnings £'m	Total
At 1 April 2020	74	6	690	2 547	3 317
Profit for the year	–	–	–	21	21
At 30 March 2021	**74**	**6**	**690**	**2 568**	**3 338**
Profit for the year	–	–	–	17	17
At 31 March 2022	**74**	**6**	**690**	**2 585**	**3 355**

The notes on pages 259–262 form an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £'m	2021 £'m
Operating activities			
Profit before tax		**17**	21
Adjustments for:			
Foreign exchange differences		**2**	(3)
Dividend income		**(25)**	(23)
Change in other payables		**1**	(1)
Net cash used in operating activities		**(5)**	(6)
Investing activities			
Proceeds from derivative		**–**	2
Dividend received	4	**25**	23
Net cash generated from investing activities		**25**	25
Financing activities			
Dividend paid	6	**–**	–
Net cash used in financing activities		**–**	–
Net movement in cash and cash equivalents		**20**	19
Cash and cash equivalents at the beginning of the year		**54**	35
Cash and cash equivalents at the end of the year		**74**	54

The notes on pages 259–262 form an integral part of these financial statements.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

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 limited company with divisions in Switzerland, Southern Africa (South Africa and Namibia) and the Middle East (the UAE).

The Company is a holding company. 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 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 UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. There are no differences for the Company in applying IFRS as issued by the IASB and UK-adopted 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.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

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 for at least 12 months from the date of this report and in the foreseeable future. See note 2.7 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. Accounting estimates

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.

3. INVESTMENT IN SUBSIDIARIES

Investment in subsidiaries is stated at cost less impairment.

	2022 £'m	2021 £'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.

Impairment assessment

At 31 March 2022, the Company's market capitalisation of £2 626m (2021: £2 109m) was less than the net assets of the Company. The recoverable amounts of the investment of subsidiaries were calculated based on FVLCOD calculations and exceeded the carrying value. As a result no impairment was recognised.

The following assumptions were used in the FVLCOD calculations:
- Mediclinic CHF Finco Ltd: the cash flows were discounted at a rate of 6.8% and beyond five years a growth rate of 1.9% was used;
- Mediclinic Holdings Netherlands B.V.: the cash flows were discounted at a rate of 5.0% and beyond five years a growth rate of 1.6% was used;
- Mediclinic Middle East Holdings Ltd: the cash flows were discounted at a rate of 8.1% and beyond five years a growth rate of 3.0% was used; and
- Mediclinic International (RF) (Pty) Ltd: the cash flows were discounted at a rate of 12.8% and beyond five years a growth rate of 5.5% was used.

See note 39 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.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

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.

	2022 £'m	2021 £'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	**28**	26
c) Dividends received from related parties:		
Mediclinic CHF Finco Ltd	**–**	2
Mediclinic Holdings Netherlands B.V.	**8**	21
Mediclinic International (RF) (Pty) Ltd	**17**	–
	25	23

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 39 to the **Group annual financial statements**.

5. SHARE CAPITAL

	2022 £'m	2021 £'m
Issued share capital		
Share capital	**74**	74
Share premium	**690**	690
	764	764

Ordinary shares	2022	2021
Number of shares in issue and fully paid	**737 243 810**	737 243 810
Nominal value	**10p**	10p

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 FY22 or final dividends for FY21 during the year under review (2021: nil).

Details on the final proposed dividend have been disclosed in note 13 to the **Group annual financial statements**.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

7. AUDITORS' REMUNERATION

The Company incurred an amount of £0.8m (2021: £0.7m) to its auditors in respect of the audit of the Company's and Group's financial statements for the year ended 31 March 2022. The fee includes an amount of less than £0.1m (2021: £0.1m) in respect of prior years.

Fees paid to the Company's auditors for other services amounted to £0.1m (2021: £0.1m).

8. TAXATION

At 31 March 2022, the Company had unutilised tax losses of approximately £62m (2021: £54m). No deferred tax asset has been recognised in respect of these losses due to the unpredictability and availability of future profit streams.

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 cash and cash equivalents 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

The 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.

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 2022			
Other payables	**2**	**2**	**2**
Related-party payables	**28**	**28**	**28**
	30	**30**	**30**
31 March 2021			
Other payables	1	1	1
Related-party payables	26	26	26
	27	27	27

9.5. Foreign currency risk

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