GROUP FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MEDICLINIC INTERNATIONAL PLC

REPORT ON THE AUDIT OF THE GROUP FINANCIAL STATEMENTS

Our opinion

In our opinion, Mediclinic International plc's Group financial statements (the "**financial statements**"):

- give a true and fair view of the state of the Group's affairs at 31 March 2019 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("**IFRSs**") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated statement of financial position at 31 March 2019; the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("**ISAs (UK)**") and applicable law. Our responsibilities under ISAs (UK) are further described in the auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

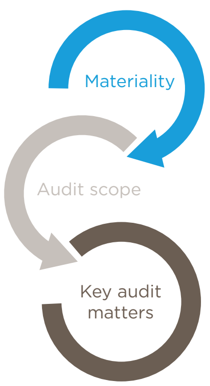
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which include the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group.

Other than those disclosed in note 23 to the consolidated financial statements, we have provided no non-audit services to the Group in the period from 1 April 2018 to 31 March 2019.

Our audit approach

Overview



- Overall Group materiality: £14 million (2018: £15 million) based on approximately 5% of adjusted profit before tax.

- Our Group audit included full scope audits at three reporting units. We performed centralised procedures on the equity accounted results of Spire Healthcare Group plc ("**Spire**") based on its audited financial statements at 31 December 2018. We have also audited selected financial statement line items of the parent company to support the Group audit.
- Taken together, the reporting units where we conducted audit procedures, together with work performed at the Group level, accounted for 93% of consolidated revenue, 84% of consolidated loss before tax and 83% of consolidated adjusted profit before tax.

- Impairment of intangible assets, goodwill and non-financial assets
- Impairment of the Group's associate investment in Spire
- Purchase price allocation for the acquisition of Grangettes Healthcare SA ("**Les Grangettes**")
- Finance transformation

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to healthcare reforms and introduction of new regulations in the Group's markets (see page 55 of the Annual Report) and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, the UK Listing Rules, the Johannesburg Stock Exchange Limited Listings Requirements and applicable anti-bribery legislation in each of the Group's markets. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and we determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure, accounting for large or unusual transactions outside the normal course of business and management bias in key accounting estimates. The Group audit team shared this risk assessment with the component auditors in the Group audit instructions so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group audit team included:

- Discussions with management, Internal Audit and the Audit and Risk Committee including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Review of Internal Audit reports;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Assessment of whistleblower claims including matters reported on the Group's whistleblowing helpline and the results of management's investigation of such matters;
- Challenging assumptions and judgements made by management in relation to the Group's accounting estimates;
- Identifying and testing journal entries based on our risk assessment; and
- Review of related work performed by component auditors, including the risk related to management override of controls, the risk of fraud in revenue recognition and the risk associated with finance transformation.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. In addition, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the audit team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTERS

1. IMPAIRMENT OF INTANGIBLE ASSETS, GOODWILL AND NON-FINANCIAL ASSETS

*(refer to **Audit and Risk Committee Report** on page 136 and notes 6 and 7 in the **Group financial statements**)*

The Group has £1 587 million (2018: £1 406 million) of intangible assets. This balance consists mainly of goodwill relating to the Mediclinic Middle East operations of £1 340 million (2018: £1 245 million) and goodwill relating to the recently acquired Les Grangettes of £99 million.

The Group is required to perform annual impairment tests on goodwill. These impairment tests are generally undertaken at the operating division level being the level at which management monitors goodwill for impairment. The Group also performed impairment assessments of individual CGUs which form part of these operating divisions. Particular focus was directed at the Swiss and Middle East operating divisions. Goodwill is generally assessed for impairment at the operating division level on the basis that the rationale for the transactions giving rise to goodwill is to realise synergies across the entire operating division and not just within the acquired business. The one exception is the current year acquisition of Les Grangettes whose goodwill is assessed for impairment at the CGU level given the existence of a significant non-controlling interest. Other assets subject to impairment assessment at the CGU level primarily comprise land and buildings.

In the current year, an impairment loss of £55 million was recorded to impair the remaining carrying value of the Hirslanden and Linde brand names and £186 million was recorded to partially impair property and equipment within five Swiss CGUs.

The impairment losses recorded in the current year are material to the financial statements. The recoverable amounts determined in impairment assessments are contingent on future cash flows and there is a risk if these cash flows do not meet the Group's expectations, or if significant judgements related to discount rates or growth rates change, that further impairment losses will be required.

Deploying our valuation experts, we obtained management's impairment calculations and tested the reasonableness of key assumptions, including cash flow forecasts and the selection of growth rates and discount rates. We challenged management to substantiate its assumptions, including comparing relevant assumptions to industry benchmarks and economic forecasts. We substantively tested the integrity of supporting calculations and we corroborated certain information with third party sources. We challenged management on its use of a seven year period for the short-term cash flow projections at the Middle East operations by assessing management's rationale related to the development phase of new hospital and expansion projects by reference to supporting evidence and historical experience.

We agreed the underlying cash flows to approved budgets and we assessed growth rates and discount rates by comparison to third party information, the Group's cost of capital and relevant risk factors. Future cash flow assumptions were evaluated in the context of current trading performance against budget and forecasts, considering the historical accuracy of budgeting and forecasting and understanding the reasons for the growth profiles used.

We performed independent sensitivity analyses to ascertain the impact of reasonably possible changes to key assumptions on the available headroom or the level of impairment required.

We evaluated management's judgement regarding the levels at which goodwill arising from the Swiss and Middle East acquisitions are monitored for impairment review purposes. In particular, we evaluated management's judgement regarding the determination of the respective CGUs in the Swiss operating division, focusing on the commercial rationale for combining certain clinical facilities into supply regions while other facilities are allocated to stand-alone CGUs. As part of this evaluation, we met with commercial management at Hirslanden to understand how these facilities are run operationally and the level of integration between facilities in different regions of Switzerland.

We compared management's impairment models to externally available data including analyst valuations. We prepared independent valuations based on alternative valuation assumptions as part of assessing the reasonableness of the approach and outputs determined by management.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTERS
1. IMPAIRMENT OF INTANGIBLE ASSETS, GOODWILL AND NON-FINANCIAL ASSETS (continued) We focused on the impairment assessments of goodwill, intangible assets and non-financial assets as the impairment reviews carried out by the Group contain a number of significant judgements, including the level at which goodwill is monitored for impairment and the determination of CGUs within each operating division, and estimates, including cash flow projections, growth rates and discount rates. Changes in these assumptions might lead to a significant change in the recoverable values of the related assets and therefore to the impairment losses recognised.	Based on our work performed, we concurred with management that impairment charges are required in the current year for the Swiss operations and that no impairment losses were required for the goodwill related to the Middle East operations at 31 March 2019. We have found the judgements and estimates made by management in determining the impairment charges for Hirslanden to be materially reasonable in the context of the Group financial statements taken as a whole and the related disclosures to be appropriate. Given that there is reduced headroom for the Middle East based on management's assessment, we believe that the disclosure of specific risk disclosures to highlight the sensitivity of the Middle East impairment judgement to reasonably possible changes to the assumptions to be appropriate.
2. IMPAIRMENT OF THE GROUP'S ASSOCIATE INVESTMENT IN SPIRE *(refer to **Audit and Risk Committee Report** on page 136 and note 8 in the **Group financial statements**)* At 31 March 2019, the carrying value of the Group's associate investment in Spire exceeded the listed market value of the investment, which could indicate a possible impairment. The Group assessed the recoverable amount of the investment based on a value-in-use calculation and concluded that an impairment loss of £164 million was required. We focused on this area because of the significance of the impairment loss recorded in the current year and the judgement and estimation involved in the impairment assessment undertaken by management. The recoverable value of the associate is contingent on future cash flows and there is a risk that the investment will be impaired further if these cash flows do not meet expectations.	We reviewed the share price performance of Spire over the period alongside its reported financial results. We met with the Group's nominated director on the Spire board to understand whether any indicators of impairment exist based on the underlying performance of the business and to understand Spire's recent performance trends and we reviewed the latest available financial reports published by Spire. We obtained and reviewed analyst reports to understand third party expectations of future share price performance. Deploying our valuation experts, we obtained management's impairment assessment and tested the reasonableness of key assumptions underpinning management's value-in-use valuation of the Group's investment, including cash flow forecasts and the selection of growth rates and discount rates. We challenged management to substantiate its assumptions, including comparing relevant assumptions to third party data and economic forecasts. We performed independent sensitivity analyses to ascertain the impact of reasonably possible changes to key assumptions on the level of impairment required. Based on our work performed, we concurred with management that an impairment is required in the current year. We have found the judgements and estimates made by management in determining the impairment charge to be materially reasonable in the context of the Group financial statements taken as a whole and the related disclosures to be appropriate.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTERS
3. PURCHASE PRICE ALLOCATION FOR THE ACQUISITION OF LES GRANGETTES *(refer to **Audit and Risk Committee Report** on page 136 and note 30 in the **Group financial statements**)*	
The Group acquired 60% of Les Grangettes for a total consideration of £118 million. The acquisition resulted in the recognition at fair value of total net assets amounting to £32 million and goodwill of £99 million. Net assets assumed at fair value consisted mainly of property, equipment and vehicles (£10 million) and a brand name (£25 million) identified as part of the purchase price allocation. Management performed the purchase price allocation with the assistance of an external expert. The Group entered into a put and call agreement to acquire the remaining 40% stake in Les Grangettes after four years. A derivative liability of £86 million for the full redemption amount has been recognised with a related charge directly in equity. We have focused on this area because judgement and estimates are involved in allocating the purchase price to the tangible and intangible assets identified in the business combination and because the valuation of the intangible assets requires specialist skills and knowledge. In addition, the redemption liability for the put option is based on estimates of future business performance, which are inherently judgemental.	We obtained the purchase price allocation prepared by management. Based on discussions with management, reading the purchase agreements and applying our understanding of the business and industry, we critically assessed the process followed for the identification of the assets and liabilities acquired, including assessment of the completeness thereof. With the assistance of our own valuation experts, we evaluated the valuation methodology adopted by management to value the brand acquired. The underlying assumptions, including the discount rate, terminal growth rate and royalty relief rates used in management's model to value the brand were tested for reasonableness by benchmarking the assumptions to industry average rates and by recalculating the discount rate. We evaluated the commercial rationale for the residual goodwill valuation. We performed specific procedures on the opening balance sheet of Les Grangettes prepared at 1 October 2018 directed at cut-off. We have specifically considered the recoverability of assets and the completeness of liabilities (including provisions for contractual commitments and for legal and other contingencies) to ensure that the opening balance sheet is appropriately stated at fair value. We have reviewed the assessment of the comparative accounting policies and practices of the Group and Les Grangettes prepared by management to ensure that the Group's accounting policies have been appropriately applied. We obtained the valuation of the derivative liability prepared by management. We critically assessed the process for calculating the value of the liability by recalculating the expected redemption amount with reference to the contract terms, approved forecast and discount rate. We assessed the reasonableness of the future forecast by reference to current trading and by performing sensitivities on key assumptions. Based on our work performed, we have found the judgements and estimates made by management to be materially reasonable in the context of the Group financial statements taken as a whole and the related disclosures to be appropriate.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTERS
4. FINANCE TRANSFORMATION *(refer to **Audit and Risk Committee Report** on page 136)* The Group has commenced a finance transformation programme to simplify, standardise and automate its finance processes. In 2019, the finance transformation included the start of a multi-year roll-out of a new enterprise-wide resource planning (ERP) at Hirslanden, the commencement of a multi-year roll-out of a new clinical and revenue system at Mediclinic Middle East ("MCME") and the migration of the Group's consolidation onto a new technology platform alongside the implementation of new software tools to manage the Group's IT user access rights and IT change management. These changes represent a financial reporting risk while migrations are happening as controls and processes that have been established and embedded over a number of years are updated and migrated into a new environment. There is an increased risk of breakdown in internal financial controls during the transition and an increased risk of inaccurate or incomplete migration of financial data, which would in turn increase the risk of material misstatements to the Group financial statements.	We centrally directed the work performed by component teams at Hirslanden and MCME, with Group site visits to both locations to review the execution and findings of our component teams. At Hirslanden, the testing included evaluation of control design, testing of selected IT related controls and substantive testing. The focus of testing was related to the accuracy and completeness of data migration to the new ERP system together with testing of access controls. At MCME, given the limited extent of roll-out of new systems completed in the financial year, our testing focused on the review of control design. In relation to the Group's consolidation, we evaluated the design and tested the operating effectiveness of key automated and manual controls after the migration to the centralised consolidation environment, including IT general controls and controls in respect of data interfacing. We also substantively tested the accuracy and completeness of data processed into the new system along with the controls over this process. Based on our work performed, we did not identify any significant exceptions as a result of the impact of financial transformation.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, its accounting processes and controls and the industry in which it operates.

The consolidated financial statements are a consolidation of thirteen reporting units which comprise sub-consolidations of the operations in each of the Group's key markets. The Southern Africa, Switzerland and Middle East reporting units required an audit of their complete financial information due to their size.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the reporting units by us, as the Group audit team, or by component auditors from other PwC network firms. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

Recognising that not every business in each of the thirteen reporting units which comprise the Group's consolidated results and financial position is included in our Group audit scope, we considered as part of our Group audit oversight responsibility what audit coverage has been obtained in aggregate by our component teams by reference to business components at which audit work has been undertaken.

We visited our component teams in South Africa, Switzerland and the UAE, which included file reviews, attendance at key audit meetings with local management and participation in audit clearance meetings at each reporting unit. We also had regular dialogue with our component audit teams at each key reporting unit.

Further specific audit procedures over the Group consolidation, selected financial statement line items reported by the Mediclinic International plc parent company and over the Group's associate interest in Spire (and review procedures over the Annual Report and audit of the financial statement disclosures) were directly led by the Group audit team.

Taken together, the reporting units where we conducted our audit work, together with work performed at the Group level, accounted for 93% of consolidated revenue, 84% of consolidated loss before tax and 83% of consolidated adjusted profit before tax calculated on an absolute basis. Our audit covered all reporting units that individually contributed more than 2% to consolidated revenue and more than 2% to consolidated loss before tax and to consolidated adjusted profit before tax calculated on an absolute basis.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Based on our professional judgement, we determined materiality for the consolidated financial statements as a whole as follows:

Overall Group audit materiality	£14 million (2018: £15 million)
How we determined it	Based on approximately 5% of adjusted profit before tax, calculated as consolidated statutory loss before tax adjusted for impairment losses, accelerated depreciation, fair value adjustments on derivative contracts and loss on disposal of businesses
Rationale for benchmark applied	We believe that adjusted profit before tax is the primary measure used by the shareholders in assessing the performance of the Group. The adjusted profit before tax measure removes the impact of significant items which do not recur from year to year or which otherwise significantly affect the underlying trend of performance from continuing operations. This is the metric against which the performance of the Group is most commonly assessed by management and reported to shareholders. We chose 5%, which is consistent with the quantitative materiality thresholds used for profit-oriented companies in this sector.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall materiality. The range of materiality allocated across components was between £6 million and £12.6 million. Certain components were audited to a local statutory audit materiality that was less than our Group audit materiality allocation.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £0.7 million (2018: £0.75 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	***Outcome***
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.
We are required to report if the Directors' statement relating to going concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the **Annual Report** other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the **Strategic Report** and **Directors' Report** for the year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (*CA06*)

In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (*CA06*)

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 179 of the **Annual Report** that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- The disclosures in the **Annual Report** that describe those risks and explain how they are being managed or mitigated; and
- The Directors' explanation on page 60 of the **Annual Report** as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "**Code**"); and considering whether the statements are consistent with the knowledge and understanding of the Group and its environment obtained in the course of the audit. (*Listing Rules*)

Other Code provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 179, that they consider the **Annual Report** taken as a whole to be fair, balanced and understandable and provides the information necessary for the members to assess the Group's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group obtained in the course of performing our audit;
- The section of the **Annual Report** on page 136 describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee; and
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the **Directors' Responsibilities Statement** set out on page 179, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- certain disclosures of Directors' remuneration specified by law are not made.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit and Risk Committee, we were appointed by the members on 18 March 2016 to audit the financial statements for the year ended 31 March 2016 and subsequent financial periods. The period of total uninterrupted engagement is four years, covering the years ended 31 March 2016 to 31 March 2019.

OTHER MATTER

We have reported separately on the Company financial statements of Mediclinic International plc for the year ended 31 March 2019 and on the information in the **Directors' Remuneration Report** that is described as having been audited.

Giles Hannam (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
22 May 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	Notes	2019 £'m	2018 £'m
ASSETS			
Non-current assets		**5 337**	5 382
Property, equipment and vehicles	6	**3 524**	3 590
Intangible assets	7	**1 587**	1 406
Equity accounted investments	8	**193**	357
Other investments and loans	9	**10**	7
Deferred income tax assets	10	**23**	22
Current assets		**1 091**	961
Inventories	11	**88**	90
Trade and other receivables	12	**732**	607
Other investments and loans	9	**1**	1
Current income tax assets		**1**	1
Cash and cash equivalents	29.8	**265**	261
Assets classified as held for sale	32	**4**	1
Total assets		**6 428**	6 343
EQUITY			
Capital and reserves			
Share capital	13	**74**	74
Share premium reserve	13	**690**	690
Treasury shares	13	**–**	(1)
Retained earnings		**4 769**	5 057
Other reserves	14	**(2 382)**	(2 534)
Attributable to equity holders of the Company		**3 151**	3 286
Non-controlling interests	16	**115**	87
Total equity		**3 266**	3 373
LIABILITIES			
Non-current liabilities		**2 576**	2 445
Borrowings	17	**1 895**	1 866
Deferred income tax liabilities	10	**423**	467
Retirement benefit obligations	18	**138**	86
Provisions	19	**29**	23
Derivative financial instruments	20	**91**	2
Cash-settled share-based payment liabilities		**–**	1
Current liabilities		**586**	525
Trade and other payables	21	**464**	424
Borrowings	17	**87**	71
Provisions	19	**15**	15
Retirement benefit obligations	18	**11**	10
Current income tax liabilities		**8**	5
Liabilities classified as held for sale	32	**1**	–
Total liabilities		**3 162**	2 970
Total equity and liabilities		**6 428**	6 343

These financial statements and the accompanying notes were approved for issue by the Board of Directors on 22 May 2019 and were signed on its behalf by:

CA van der Merwe
Chief Executive Officer

PJ Myburgh
Chief Financial Officer

Mediclinic International plc (Company no 08338604)

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	**2019 £'m**	(Re-presented)* 2018 £'m
Revenue	22	**2 932**	2 876
Cost of sales	23	**(1 827)**	(1 779)
Administration and other operating expenses	23	**(1 021)**	(1 387)
Impairment of property, equipment and vehicles	6 & 23	**(186)**	(84)
Impairment of intangible assets	7 & 23	**(55)**	(560)
Other administration and operating expenses	23	**(780)**	(743)
Other gains and losses	24	**(3)**	2
Operating profit/(loss)		**81**	(288)
Finance income		**9**	9
Finance cost	25	**(66)**	(94)
Share of net profit of equity accounted investments	8	**3**	3
Impairment of equity accounted investment	8	**(164)**	(109)
Loss before tax		**(137)**	(479)
Income tax credit	26	**7**	5
Loss for the year		**(130)**	(474)
Attributable to:			
Equity holders of the Company		**(151)**	(492)
Non-controlling interests	16	**21**	18
		(130)	(474)
Loss per ordinary share attributable to the equity holders of the Company – pence			
Basic	27	**(20.5)**	(66.7)
Diluted	27	**(20.5)**	(66.7)

* *Refer to note 2.1*

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £'m	2018 £'m
Loss for the year		**(130)**	(474)
Other comprehensive income/(loss)			
Items that may be reclassified to the income statement		**142**	(309)
Currency translation differences	28	**142**	(310)
Fair value adjustment – cash flow hedges	28	**–**	1
Items that may not be reclassified to the income statement		**(34)**	60
Remeasurements of retirement benefit obligations	28	**(34)**	60
Other comprehensive income/(loss), net of tax	28	**108**	(249)
Total comprehensive loss for the year		**(22)**	(723)
Attributable to:			
Equity holders of the Company		**(29)**	(742)
Non-controlling interests		**7**	19
		(22)	(723)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

	Share capital (note 13) £'m	Capital redemption reserve (note 14) £'m	Share premium reserve (note 13) £'m	Reverse acquisition reserve (note 14) £'m	Treasury shares (note 13) £'m
Balance at 1 April 2017	74	6	690	(3 014)	(2)
(Loss)/profit for the year	–	–	–	–	–
Other comprehensive (loss)/income for the year	–	–	–	–	–
Total comprehensive (loss)/income for the year	–	–	–	–	–
Transfer to retained earnings	–	–	–	–	–
Non-controlling shareholders derecognised on disposal of subsidiaries	–	–	–	–	–
Share-based payment expense	–	–	–	–	–
Settlement of Forfeitable Share Plan	–	–	–	–	1
Transactions with non-controlling shareholders	–	–	–	–	–
Dividends paid	–	–	–	–	–
Balance at 31 March 2018	**74**	**6**	**690**	**(3 014)**	**(1)**
IFRS 9 transition adjustment	**–**	**–**	**–**	**–**	**–**
Restated as at 1 April 2018	**74**	**6**	**690**	**(3 014)**	**(1)**
(Loss)/profit for the year	**–**	**–**	**–**	**–**	**–**
Other comprehensive income/(loss) for the year	**–**	**–**	**–**	**–**	**–**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**–**	**–**
Transfer to other reserves	**–**	**–**	**–**	**–**	**–**
Business combinations	**–**	**–**	**–**	**–**	**–**
Derivative entered into as part of business combinations	**–**	**–**	**–**	**–**	**–**
Settlement of Forfeitable Share Plan	**–**	**–**	**–**	**–**	**1**
Transactions with non-controlling shareholders	**–**	**–**	**–**	**–**	**–**
Dividends paid	**–**	**–**	**–**	**–**	**–**
Balance at 31 March 2019	**74**	**6**	**690**	**(3 014)**	**–**

Share-based payment reserve (note 14) £'m	Foreign currency translation reserve (note 14) £'m	Hedging reserve (note 14) £'m	Retained earnings £'m	Attributable to equity holders of the Company £'m	Non-controlling interests (note 16) £'m	Total equity £'m
24	779	4	5 525	4 086	78	4 164
–	–	–	(492)	(492)	18	(474)
–	(311)	1	60	(250)	1	(249)
–	(311)	1	(432)	(742)	19	(723)
(23)	–	–	23	–	–	–
–	–	–	–	–	(1)	(1)
1	–	–	–	1	–	1
(1)	–	–	–	–	–	–
–	–	–	(1)	(1)	1	–
–	–	–	(58)	(58)	(10)	(68)
1	**468**	**5**	**5 057**	**3 286**	**87**	**3 373**
–	**–**	**–**	**(2)**	**(2)**	**–**	**(2)**
1	**468**	**5**	**5 055**	**3 284**	**87**	**3 371**
–	**–**	**–**	**(151)**	**(151)**	**21**	**(130)**
–	**153**	**–**	**(31)**	**122**	**(14)**	**108**
–	**153**	**–**	**(182)**	**(29)**	**7**	**(22)**
–	**7**	**(7)**	**–**	**–**	**–**	**–**
–	**–**	**–**	**–**	**–**	**12**	**12**
–	**–**	**–**	**(86)**	**(86)**	**–**	**(86)**
(1)	**–**	**–**	**–**	**–**	**–**	**–**
–	**–**	**–**	**41**	**41**	**17**	**58**
–	**–**	**–**	**(59)**	**(59)**	**(8)**	**(67)**
–	**628**	**(2)**	**4 769**	**3 151**	**115**	**3 266**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	**2019 £'m Inflow/ (outflow)**	2018 £'m Inflow/ (outflow)
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	29.1	**451**	466
Interest received		**9**	9
Interest paid	29.2	**(61)**	(74)
Tax paid	29.3	**(55)**	(56)
Net cash generated from operating activities		**344**	345
CASH FLOW FROM INVESTMENT ACTIVITIES		**(298)**	(319)
Investment to maintain operations	29.4	**(86)**	(112)
Investment to expand operations	29.5	**(154)**	(142)
Acquisition of subsidiaries	30	**(63)**	(83)
Disposal of subsidiaries	31	**–**	2
Acquisition of investment in associate	8	**(4)**	(2)
Dividends received from equity accounted investment		**4**	5
Proceeds from money market funds		**–**	13
Proceeds from other investments and loans		**5**	–
Net cash generated before financing activities		**46**	26
CASH FLOW FROM FINANCING ACTIVITIES		**(34)**	(108)
Distributions to non-controlling interests	16	**(8)**	(10)
Distributions to shareholders	29.6	**(59)**	(58)
Proceeds from borrowings	29.7	**385**	6
Repayment of borrowings	29.7	**(347)**	(30)
Refinancing transaction costs		**(5)**	(12)
Settlement of interest rate swap		**–**	(4)
Net increase/(decrease) in cash and cash equivalents		**12**	(82)
Opening balance of cash and cash equivalents		**261**	361
Exchange rate fluctuations on foreign cash		**(8)**	(18)
Closing balance of cash and cash equivalents	29.8	**265**	261

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

1. DESCRIPTION OF BUSINESS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The Group has applied IFRS 9 and IFRS 15 for the first time in the 2019 financial year and comparative information has not been restated. Refer to note 33 for descriptions on the changes in accounting policies.

2.1 Basis of preparation

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards ("**IFRS**"), as adopted by the European Union, including IFRS Interpretations Committee ("**IFRS IC**") guidance and with the Companies Act 2006 applicable to companies reporting under IFRS. There are no differences for the Group in applying IFRS as issued by the IASB and IFRS as adopted by the European Union. The financial statements are prepared on the historical cost convention, except for the following items, which are carried at fair value or valued using another measurement basis:

- Derivative financial assets and liabilities, equity instruments measured at FVPL and equity instruments measured at FVOCI (2018: available-for-sale financial assets) are measured at fair value;
- Retirement benefit obligations calculated in terms of the projected unit credit method and corresponding plan assets are measured at fair value; and
- Liabilities for cash-settled share-based payments are measured at fair value.

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

Functional and presentation currency

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

Exchange rates

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

	2019	2018
Average rates		
Swiss franc	**1.30**	1.29
South African rand	**18.01**	17.22
UAE dirham	**4.82**	4.87
Period-end rates:		
Swiss franc	**1.30**	1.34
South African rand	**18.90**	16.57
UAE dirham	**4.79**	5.15

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Going concern

Having assessed the principal risks and other matters considered in the viability statement, the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Income statement reclassification

The income statement for the year ended 31 March 2018 has been re-presented to reclassify certain costs of the Southern African segment that were previously shown as a reduction of revenue. The impact of the reclassification was an increase in revenue and cost of sales of £6m. The reclassification had no impact on reported cash, profits or net assets.

2.2 Consolidation and equity accounting

a) Basis of consolidation

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

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

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

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

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

b) Business combinations

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation and equity accounting (continued)

b) *Business combinations (continued)*

In cases where the Company held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss for the year. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously to other comprehensive income and accumulated in equity, are recognised in profit or loss as a reclassification adjustment.

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

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

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

c) *Investments in associates and joint ventures*

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Segment reporting

Consistent with internal reporting, the Group's segments are identified as the three geographical operating divisions in Switzerland, Southern Africa and Middle East. The United Kingdom and Corporate segments are additional non-operating segments. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the segments, has been identified as the Group Executive Committee that makes strategic decisions. The Group Executive Committee comprises the executive directors and senior management as disclosed in the **Annual Report** on pages 110 and 113.

2.4 Property, equipment and vehicles

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

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

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

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

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

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

2.5 Intangible assets

a) *Goodwill*

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

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

b) *Trade names*

Trade names have been recognised by the Group as part of a business combination. No value is placed on internally developed trade names. Trade names are capitalised at the cost to the Group and amortised on a straight-line basis over their estimated useful lives of 2 to 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Intangible assets (continued)

c) Computer software

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

Internally developed computer software that is clearly associated with an identifiable and unique system, which will be controlled by the Group and have a probable future economic benefit beyond one year, is recognised as an intangible asset. Costs associated with maintaining computer software or development expenditure that does not meet the recognition criteria are expensed as incurred.

2.6 Impairment of non-financial assets

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

2.7 Financial assets (accounting policies applied from 1 April 2018)

From 1 April 2018, the Group classifies its financial assets in the following measurement categories:

- Financial assets measured subsequently at fair value (either through other comprehensive income (FVOCI), or through profit or loss (FVPL)); and
- 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 company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (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 fair value through profit or loss 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

The Group subsequently measures all equity investments at fair value. Changes in the fair value of financial assets at fair value through profit or loss (FVPL) are recognised in other gains and losses in the income statement.

Where management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit and loss. Upon derecognition of these equity 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. Currently the Group has not elected to designate any equity instruments at FVOCI.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial assets (accounting policies applied from 1 April 2018) (continued)

Debt instruments

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

There are two measurement categories into which the company 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 are classified as debt instruments measured at amortised cost.
- Fair value through profit or loss (FVPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss is recognised in profit or loss and presented in the income statement as part of other gains and losses in the period in which it arises. Interest income from these financial assets is included in finance income.

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

Impairment

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

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

For trade receivables only, the Group applies the simplified approach permitted by IFRS 9, which requires lifetime expected credit losses to be recognised from initial recognition of the receivables. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Trade receivables have been grouped based on shared credit risk characteristics, such as the counterparty (insurer or individual etc) or geographical region, and the days past due. The expected loss rates are based on the payment profiles of debtors over a period of 24 months before 31 March 2018 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial assets (accounting policies applied until 31 March 2018)

The Group classifies its financial assets in the following categories: loans and receivables and available for sale financial assets. The classification depends on the purpose for which the asset was acquired. Management determines the classification of its investments at initial recognition.

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.

Loan and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in current assets, except for maturities greater than 12 months after the reporting date, which are classified as non-current assets. Loans and receivables are carried at amortised cost using the effective interest rate method less provision for impairment. Trade receivables are classified as loans and receivables.

Investments available for sale

Other long-term investments are classified as available for sale and are included within non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. These investments are carried at fair value. Unrealised gains and losses arising from changes in the fair value of available-for-sale investments are recognised in other comprehensive income in the period in which they arise. When available-for-sale investments are either sold or impaired, the accumulated fair value adjustments are realised and included in profit or loss.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets are impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

For financial assets carried at amortised cost, evidence of impairment may include indications that the receivables or a group of receivables are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows. The amount of the provision for impairment is the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the original effective interest rate. The movement in the provision is recognised in the income statement.

In the case of available-for-sale financial assets, a significant or prolonged decline in the fair value of the asset below its cost is considered an indicator that the investment is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in the income statement.

Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2.9 Offsetting of financial assets and liabilities

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

2.10 Inventories

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Cash and cash equivalents

Cash and cash equivalents consist of balances with banks and cash on hand and are classified as debt instruments measured at amortised cost under IFRS 9 (2018: loans and receivables under IAS 39). Bank overdrafts are classified as financial liabilities at amortised cost and are disclosed as part of borrowings in current liabilities in the statement of financial position.

2.12 Derivative financial instruments and hedging activities

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 is designated as a cash flow hedge. 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.

Before 1 April 2018, the Group documented its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting cash flows of hedged items. The documentation also included the identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group assessed the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Beginning 1 April 2018, the documentation includes the identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements. A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

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

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

The fair values of various derivative instruments used for hedging purposes are disclosed in note 20. The hedging reserve in shareholders' equity is shown in note 14. On the statement of financial position, hedging derivatives are not classified based on whether the amount is expected to be recovered or settled within, or after, 12 months. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedge relationship is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedge relationship is less than 12 months.

Cash flow hedges

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Share capital

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

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

2.14 Treasury shares

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

2.15 Trade and other payables

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

2.16 Borrowings

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

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

2.17 Provisions

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

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

2.18 Current and deferred income tax

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

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

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is determined using tax rates (and laws) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Current and deferred income tax (continued)

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

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

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

2.19 Employee benefits

a) Retirement benefit costs

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

Defined contribution plans

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

Defined benefit plans

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

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

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

b) Post-retirement medical benefits

Some group companies provide for post-retirement medical contributions in relation to current and retired employees. The expected costs of these benefits are accounted for by using the projected unit credit method. Under this method, the expected costs of these benefits are accumulated over the service lives of the employees. Valuation of these obligations is carried out by independent qualified actuaries. All actuarial gains and losses are charged or credited to other comprehensive income in the period in which they arise.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Employee benefits (continued)

c) Equity-settled share-based compensation

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

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

d) Cash-settled share-based compensation

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

e) Profit sharing and bonus plans

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

2.20 Revenue recognition (accounting policies applied from 1 April 2018)

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

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

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

Discounts comprise retrospective volume discounts granted to certain funders on attainment of certain levels of patient visits and constitutes variable consideration under IFRS 15. These are accrued over the course of the arrangement based on estimates of the level of business expected and are adjusted against revenue at the end of the arrangement to reflect actual volumes. Refer to note 22 for the accounting policies regarding these discounts specifically for Mediclinic Southern Africa and Mediclinic Middle East.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Revenue recognition (accounting policies applied from 1 April 2018) (continued)

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. As a consequence, the Group does not adjust any of the transaction prices for time value of money.

Refer to note 22 for specific revenue recognition accounting policies relating to different geographical locations.

Other income

Other income is recognised on the following bases:

- Interest income for credit-impaired financial assets is measured by applying the effective interest rate method to amortised cost. For all other financial assets, the interest income is measured by applying the effective interest rate method to the gross carrying amount.
- Rental income, which is insignificant, is recognised on a straight-line basis over the term of the lease.

With the exception of interest income, all the items above are presented as revenue.

2.21 Revenue recognition (accounting policies applied until 31 March 2018)

Revenues are measured at the fair value of the consideration that has been received or is to be received and represent the amounts that can be received for services in the regular course of business when the significant risks and rewards of ownership have been transferred or services have been rendered. Discounts, sales taxes and other taxes associated with the revenues have to be deducted.

Revenue primarily comprises fees charged for inpatient and outpatient medical services. Services include charges for accommodation, theatre, medical professional services, equipment, radiology, laboratory and pharmaceutical goods used. Revenue is recorded and recognised during the period in which the medical service is provided, based on the amounts due from patients and/or medical funding entities. Fees are calculated and billed based on various tariff agreements with funders.

Other income

Other income is recognised on the following bases:

- Interest income is recognised on a time-proportioned basis using the effective interest rate method.
- Rental income, which is insignificant, is recognised on a straight-line basis over the term of the lease.

With the exception of interest income, all the items above are presented as revenue.

2.22 Cost of sales

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

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

2.23 Leased assets

Leases of property, equipment and vehicles where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charges is charged to the income statement over the lease period. The property, equipment and vehicles acquired under finance leasing contracts are depreciated over the useful lives of the assets or the term of the lease agreement, if shorter, and transfer of ownership at the end of the lease period is uncertain.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Dividend distribution

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

2.25 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 classified as available-for-sale, are included in other comprehensive income. Foreign exchange gains and losses are presented in the income statement within "Administration and other operating expenses".

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 for the year.
- All resulting exchange differences are recognised in other comprehensive income.

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

2.26 Standards, interpretations and amendments

Published standards, amendments and interpretations effective for the 31 March 2019 financial period:

The following published standards, amendments and interpretations are mandatory for the accounting period beginning on or after 1 April 2018 and have been adopted (refer to the changes in accounting policy note (note 33) for a description of the impact of the implementation of these standards):

- IFRS 9 – Financial Instruments (1 January 2018)
- IFRS 15 – Revenue from Contracts with Customers (1 January 2018)

Other standards adopted

The following new accounting standards, interpretations and amendments, adopted on 1 April 2018:

- IFRS 2 (amendment) – Classification and measurement of share-based payment transactions (1 January 2018)
- IFRS 4 – Clarification on the implementation approach together with IFRS 9 (1 January 2018)
- IAS 40 – Transfers of investment property (1 January 2018)
- IFRIC 22 – Foreign currency transactions and advance consideration (1 January 2018)
- Annual improvements 2014 – 2016 cycle – Amendments and clarifications to existing IFRS standards (1 January 2018)

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Standards, interpretations and amendments (continued)

Published standards, amendments and interpretations not yet effective and not early adopted:

The following new standards, amendments and interpretations are expected to have an impact on the financial statements in the period of initial application.

IFRS 16 *Leases* (1 January 2019)

The new standard addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees (recognition of a right-of-use asset to use the leased item and a financial liability to pay the rentals). The standard replaces IAS 17 *Leases* and related interpretations. The consolidated income statement will also be affected because the total expense is generally higher in the earlier years of a lease and lower in later years. Additionally, the operating lease expense will be replaced with interest and depreciation, resulting in an expected change in EBITDA and the EBITDA margin. The Group plans to adopt the new standard on 1 April 2019 using the simplified transition approach and will not restate comparative information.

During the 2019 financial year, the Group performed a detailed impact assessment of the implementation of IFRS 16. The Group expects to recognise right-of-use assets of approximately £610m and lease liabilities of approximately £662m. The deferred tax impact and impairment assessment relating to the initial recognition of the right-of-use assets on adoption of IFRS 16 are still being considered and will be concluded ahead of the announcement of the Group's half year results at 30 September 2019. On application of IFRS 16 to the 2020 financial year income statement, indicatively, profit before tax would be lower by approximately £4m excluding the Group's equity accounted share of the impact at Spire. EBITDA would be higher by approximately £61m due to the fact that the operating lease expense recognised under IAS 17 is replaced with interest and depreciation under IFRS 16 (which are excluded from EBITDA). Spire has disclosed the estimated impact of IFRS 16 in its **Annual Report** at 31 December 2018, which estimated the Group's equity share of profit before tax would be lower by approximately £4m based on the results for the year ended 31 December 2018.

Other standards

The following new accounting standards, interpretations and amendments will have no material impact on the financial statements:

- IAS 19 – Plan amendment, curtailment or settlement (1 January 2019)
- IAS 28 – Long term interests in associates and joint ventures amendments (1 January 2019)
- IFRS 9 – Prepayment features with negative compensation amendments (1 January 2019)
- IFRIC 23 – Uncertainty over income tax treatments (1 January 2019)
- Annual improvements 2015 – 2017 cycle – Amendments and clarifications to existing IFRS standards (1 January 2019)
- IFRS 17 – Insurance contracts (1 January 2022)

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

a) Market risk

i) Currency risk

Investments in foreign operations

The Group has investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Changes in the pound sterling/Swiss franc, pound sterling/South African rand and pound 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 is funded in their local currency.

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

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

- profit for the period would increase/decrease by £8m (2018: increase/decrease by £12m) due to exposure to the sterling/Swiss franc exchange rate;
- profit for the period would increase/decrease by £7m (2018: increase/decrease by £9m) due to exposure to the sterling/South African Rand exchange rate;
- profit for the period would increase/decrease by £5m (2018: increase/decrease by £4m) due to exposure to the sterling/UAE dirham exchange rate;
- foreign currency translation reserve would increase/decrease by £132m (2018: increase/decrease by £152m) due to exposure to the sterling/Swiss franc exchange rate;
- foreign currency translation reserve would increase/decrease by £12m (2018: increase/decrease by £7m) due to exposure to the sterling/South African rand exchange rate; and
- foreign currency translation reserve would increase/decrease by £157m (2018: increase/decrease by £153m) due to exposure to the sterling/UAE dirham exchange rate.

ii) Interest rate risk

The Group's interest rate risk arises from long-term borrowings as well as short-term deposits. Borrowings and short-term deposits issued at variable rates expose the Group to cash flow interest rate risk. Interest rate derivatives 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 was unhedged (refer to note 17). The unhedged borrowings are evaluated on a regular basis to ensure interest rate risk is managed.

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.

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

a) Market risk (continued)

ii) Interest rate risk (continued)

Interest rate sensitivity

The sensitivity analyses below were determined based on the exposure to interest rates to 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 2019, the 3M Swiss LIBOR was -0.71% (2018: -0.74%). Interest rates would have to increase by 71 basis points to have an impact on profit for the period with all other variables held constant. An increase in the interest rate of 25 basis points would have no impact on profit for the period (2018: no impact).
- Southern Africa - profit for the period would increase/decrease by £0.6m (2018: increase/decrease by £1m) if the interest rates had been 100 basis points higher/lower in Southern Africa with all other variables held constant; and
- Middle East – profit for the period would increase/decrease by £0.5m (2018: increase/decrease by £0.5m) if the interest rates had been 50 basis points higher/lower in the Middle East with all other variables held constant.

iii) Other price risk

The Group is not materially exposed to commodity or any other price risk.

b) Credit risk

Financial assets that potentially subject the Group to concentrations of credit risk consist principally of cash, short-term deposits, trade and other receivables and derivative financial contracts. The Group's cash equivalents and short-term deposits are placed with quality financial institutions with a high credit rating. Trade receivables are represented net of the allowance for expected credit losses. Credit risk with respect to trade receivables is limited due to the large number of customers comprising the Group's customer base, which consists mainly of medical schemes and insurance companies. The financial condition of these clients in relation to their credit standing is evaluated on an ongoing basis. Medical schemes and insurance companies are forced 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.

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 2018 and 31 March 2019, the Group did not consider there to be a significant concentration of credit risk.

c) 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.

	2019 **£'m**	2018 £'m
The Group's unused banking facilities and overdraft facilities are:	**295**	467

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

c) Liquidity risk (continued)

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

Financial liabilities	Carrying value	Contractual cash flows	1 – 12 months	1 – 5 years	Beyond 5 years
31 March 2019					
Borrowings	**1 982**	**2 869**	**160**	**2 635**	**73**
Derivative financial instruments	**91**	**94**	**–**	**94**	**–**
Trade payables	**230**	**230**	**230**	**–**	**–**
Other payables and accrued expenses	**181**	**181**	**181**	**–**	**–**
31 March 2018					
Borrowings	1 937	2 766	146	990	1 630
Derivative financial instruments	2	2	1	1	–
Trade payables	210	210	210	–	–
Other payables and accrued expenses	144	144	144	–	–

3.2 Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 17, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, retained earnings and other reserves and non-controlling interest as disclosed in notes 13, 14 and 16 respectively. The Group's Audit and Risk Committee reviews the going concern status and capital structure of the Group bi-annually. 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. The Group's dividend policy is to target a pay-out ratio of between 25% and 30% of adjusted earnings. The Board may revise the policy at its discretion. The debt-to-capital ratios at 31 March 2019 and 31 March 2018 were as follows:

	2019 £'m	2018 £'m
Borrowings	**1 982**	1 937
Less: cash and cash equivalents	**(265)**	(261)
Net debt	**1 717**	1 676
Total equity	**3 266**	3 373
Debt-to-equity capital ratio	**53.1%**	49.7%

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical accounting judgements

- Level at which management monitors goodwill for impairment testing (refer to note 7)
- Deferred tax on unremitted earnings (refer to note 10)
- Useful lives and residual values of property, equipment and vehicles (refer to note 6)
- Determination of CGUs for impairment testing (refer to note 6)

Key estimates

- Impairment of properties (refer to note 6)
- Impairment of goodwill (refer to note 7)
- Impairment of equity-accounted investments (refer to note 8)
- Retirement benefits (refer to note 18)

5. SEGMENTAL REPORT

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

Year ended 31 March 2019	Total £'m	Reportable operating segments Switzerland £'m	Southern Africa £'m	Middle East £'m	Other United Kingdom £'m	Corporate £'m
Revenue	2 932	1 368	886	677	–	1
EBITDA	493	219	187	88	–	(1)
EBITDA before management fee	493	224	192	91	–	(14)
Management fees included in EBITDA	–	(5)	(5)	(3)	–	13
Other gains and losses	(3)	–	1	(3)	–	(1)
Depreciation and amortisation	(168)	(101)	(31)	(36)	–	–
Impairment of property, equipment and vehicles	(186)	(186)	–	–	–	–
Impairment of intangible assets	(55)	(55)	–	–	–	–
Operating profit/(loss)	81	(123)	157	49	–	(2)
Income from associate	3	–	–	–	3	–
Impairment of associate	(164)	–	–	–	(164)	–
Finance income	9	–	8	1	–	–
Finance cost (excluding intersegment loan interest)	(66)	(23)	(36)	(7)	–	–
Total finance cost	(66)	(39)	(36)	(7)	–	16
Elimination of intersegment loan interest	–	16	–	–	–	(16)
Taxation	7	47	(39)	–	–	(1)
Segment result	(130)	(99)	90	43	(161)	(3)
At 31 March 2019						
Investments in associates	189	2	3	4	180	–
Investments in joint ventures	4	–	4	–	–	–
Capital expenditure	232	72	65	94	–	1
Total segment assets	6 428	3 532	709	1 965	182	40
Total segment liabilities (excluding intersegment loan)	3 162	2 182	593	385	–	2
Total liabilities from reportable segment	4 060	3 080	593	385	–	2
Elimination of intersegment loan	(898)	(898)	–	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. SEGMENTAL REPORT (continued)

		Reportable operating segments			Other	
Year ended 31 March 2018	Total £'m	Switzerland £'m	Southern Africa* £'m	Middle East £'m	United Kingdom £'m	Corporate £'m
Revenue	2 876	1 349	883	643	–	1
EBITDA	522	251	189	85	–	(3)
EBITDA before management fee	522	254	194	88	–	(14)
Management fees included in EBITDA	–	(3)	(5)	(3)	–	11
Other gains and losses	2	9	–	(7)	–	–
Depreciation and amortisation	(168)	(86)	(29)	(53)	–	–
Impairment of properties	(84)	(84)	–	–	–	–
Impairment of intangible assets	(560)	(560)	–	–	–	–
Operating (loss)/profit	(288)	(470)	160	25	–	(3)
Income from associate	3	–	–	–	3	–
Impairment of associate	(109)	–	–	–	(109)	–
Finance income	9	1	7	1	–	–
Finance cost (excluding intersegment loan interest)	(94)	(48)	(38)	(8)	–	–
Total finance cost	(94)	(64)	(38)	(8)	–	16
Elimination of intersegment loan interest	–	16	–	–	–	(16)
Taxation	5	46	(40)	–	–	(1)
Segment result	(474)	(471)	89	18	(106)	(4)
At 31 March 2018						
Investments in associates	352	2	2	–	348	–
Investments in joint ventures	5	–	5	–	–	–
Capital expenditure	245	101	62	80	–	2
Total segment assets	6 343	3 448	747	1 757	348	43
Total segment liabilities (excluding intersegment loan)	2 972	1 986	673	309	–	4
Total liabilities from reportable segment	3 829	2 843	673	309	–	4
Elimination of intersegment loan	(857)	(857)	–	–	–	–

* *Refer to note 2.1*

5. SEGMENTAL REPORT (continued)

	2019 £'m	2018 £'m
The total non-current assets, excluding financial instruments and deferred tax assets per geographical location are:		
Switzerland	**2 909**	2 958
Southern Africa	**482**	498
Middle East	**1 733**	1 549
United Kingdom	**180**	348
ENTITY-WIDE DISCLOSURES		
Revenue		
From UK	**–**	–
From foreign countries	**2 932**	2 876
Revenues from external customers are primarily from hospital services		
The total non-current assets, excluding financial instruments and deferred tax assets:		
From UK	**180**	348
From foreign countries	**5 124**	5 005

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. PROPERTY, EQUIPMENT AND VEHICLES

	2019 £'m	2018 £'m
Land – cost	**889**	864
Buildings	**2 200**	2 184
Cost	**2 763**	2 509
Accumulated depreciation and impairment	**(563)**	(325)
Land and buildings	**3 089**	3 048
Capital expenditure in progress	**81**	181
Equipment	**311**	306
Cost	**904**	810
Accumulated depreciation	**(593)**	(504)
Furniture and vehicles	**43**	55
Cost	**208**	224
Accumulated depreciation and impairment	**(165)**	(169)
	3 524	3 590

	Land and buildings £'m	Capital expenditure in progress £'m	Equipment £'m	Furniture and vehicles £'m	Total £'m
Net book value at 1 April 2017	3 205	113	328	57	3 703
Additions	39	107	55	22	223
Depreciation	(39)	–	(70)	(23)	(132)
Business combinations	103	–	7	–	110
Prior year capital expenditure completed	28	(32)	3	1	–
Impairment	(84)	–	–	–	(84)
Transfer to assets held for sale	–	–	(1)	–	(1)
Exchange differences	(204)	(7)	(16)	(2)	(229)
Net book value at 31 March 2018	3 048	181	306	55	3 590
Additions	**17**	**123**	**49**	**15**	**204**
Depreciation	**(50)**	**–**	**(78)**	**(20)**	**(148)**
Business combinations	**8**	**–**	**7**	**5**	**20**
Transfer between asset classes	**–**	**1**	**8**	**(9)**	**–**
Prior year capital expenditure completed	**192**	**(221)**	**26**	**3**	**–**
Impairment	**(181)**	**–**	**–**	**(5)**	**(186)**
Transfer to assets held for sale	**–**	**–**	**(1)**	**–**	**(1)**
Exchange differences	**55**	**(3)**	**(6)**	**(1)**	**45**
Net book value at 31 March 2019	**3 089**	**81**	**311**	**43**	**3 524**

6. PROPERTY, EQUIPMENT AND VEHICLES (continued)

	2019 £'m	2018 £'m
Total additions	**204**	223
To maintain operations	**82**	98
To expand operations	**122**	125

Property, equipment and vehicles with a book value of £2 678m (2018: £2 594m) are encumbered as security for borrowings (see note 17).

Included in equipment is capitalised finance lease equipment with a book value of £1m (2018: £2m).

Critical accounting estimates and judgements

The estimation of the useful lives of property, equipment and vehicles is based on historical performance as well as expectations about future use and therefore requires a significant degree of judgement to be applied by management. Rates of depreciation represent management's current best estimate of the useful lives and residual values of the assets.

For a private hospital, it is fundamentally important that the earnings potential of a building is maintained on a permanent basis. The Group therefore follows a structured maintenance programme with regard to hospital buildings with the specific goal to prolong the useful lifetime of these buildings.

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

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

Impairment of properties in Swiss CGUs

Following the impact of regulatory changes on Hirslanden, the Swiss CGUs were assessed for impairment at 30 September 2018 and 31 March 2019. The recoverable amounts of the CGUs tested for impairment were based on fair value less cost to sell calculations, which is regarded as the more appropriate reflection of the value of the business. In prior years, the recoverable amount was based on value in use calculations. The determination of fair value less cost to sell calculations uses level 3 valuation techniques. In determining the fair value less cost to sell for the CGUs, the cash flows were discounted at rates between 4.9% and 5.1%. Beyond five years a growth rate of 1.6% (2018: 1.6%) was used. The carrying values of five CGUs were determined to be higher than their recoverable amount and as a result an impairment charge of £186m was recognised in the income statement relating to property, equipment and vehicles.

After accounting for impairments in the current year, some CGUs within Hirslanden have limited headroom ranging from £nil to £45m and remain sensitive to reasonably possible changes in key assumptions in the fair value less cost to sell calculations. As a result, any increase in the discount rate or decreases in the short term cash flow projections or long term growth rates could give rise to further material impairment charges in future periods.

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

The level of sensitivity of each individual Swiss CGU to reasonably possible changes in key assumptions in the fair value less cost to sell calculations will vary as the impairment assessment is also dependent on any changes in the third party valuation of Hirslanden's owned property portfolio.

7. INTANGIBLE ASSETS

	2019 £'m	2018 £'m
Goodwill	**1 451**	1 253
Cost	**1 759**	1 553
Accumulated impairment	**(308)**	(300)
Trade names	**53**	83
Cost	**425**	386
Accumulated amortisation and impairment	**(372)**	(303)
Computer software	**60**	48
Cost	**119**	91
Accumulated amortisation	**(59)**	(43)
Leases	**23**	22
Cost	**26**	24
Accumulated amortisation	**(3)**	(2)
	1 587	1 406

	Goodwill £'m	Trade names £'m	Computer software £'m	Leases* £'m	Total £'m
Net book value at 1 April 2017	1 715	377	38	26	2 156
Additions	–	–	22	–	22
Amortisation	–	(24)	(11)	(1)	(36)
Business combinations	13	17	–	–	30
Disposal of subsidiaries	(3)	–	–	–	(3)
Impairment	(300)	(260)	–	–	(560)
Exchange differences	(172)	(27)	(1)	(3)	(203)
Net book value at 31 March 2018	1 253	83	48	22	1 406
Additions	**–**	**–**	**28**	**–**	**28**
Amortisation	**–**	**(4)**	**(15)**	**(1)**	**(20)**
Business combinations	**107**	**25**	**–**	**–**	**132**
Impairment	**–**	**(55)**	**–**	**–**	**(55)**
Exchange differences	**91**	**4**	**(1)**	**2**	**96**
Net book value at 31 March 2019	**1 451**	**53**	**60**	**23**	**1 587**

* *Relates to favourable lease contracts on buildings. The leases are characterised by fixed annual rent with no annual rent escalations for majority of the contract.*

7. INTANGIBLE ASSETS (continued)

Critical accounting estimates and judgements

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

IFRS requires the impairment assessment to be performed at the level at which goodwill and trade names are monitored for impairment by management, provided that this level cannot be bigger than an operating segment. Management assesses goodwill at an operating division level or segmental level except for Grangettes, which was assessed at a CGU level given the significant non-controlling interest and aligned to the location in which synergies are expected to arise. This means that for the Mediclinic Middle East division, recoverability of goodwill is assessed by reference to the aggregated cash flows of the legacy Middle East and Al Noor businesses. The Mediclinic Middle East goodwill originated mainly from the Al Noor business combination with a portion originating from other UAE business combinations. The initial commercial rationale for the acquisition of Al Noor included expected synergies from integrating the legacy Al Noor business with the legacy MCME 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.

The Hirslanden trade name could not be allocated on a reasonable and consistent basis to the CGUs that consists of individual hospitals (refer to note 6). As a result, it was viewed as a corporate asset and the carrying amount of the net assets of the group of CGUs (including the allocation of trade name) was tested for impairment at a Swiss operating division level in prior years and at 30 September 2018. The Hirslanden brand was fully impaired after the impairment test was performed at 30 September 2018.

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 group of CGUs for goodwill impairment assessment purposes are identified on a segmental or operating division level in terms of IFRS 8 except for goodwill arising from the current year acquisition of Les Grangettes which was assessed at a CGU level given the significant non-controlling interest and aligned to the location in which synergies are expected to arise.

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

Forecasts

As part of the annual financial planning process, the Group's operating divisions are required to submit budgets for the next financial year and forecasts for the following four years (except for Mediclinic Middle East which prepared a seven year forecast), which are approved by the Board. Future earnings in the fair value less cost to sell calculation are based on these budgets and forecasts that are calculated on a per hospital basis and considers both internal and external market information. These budgets and forecasts represent management's best view of future revenues and cash flows.

Growth rates

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. INTANGIBLE ASSETS (continued)

Impairment testing of significant goodwill balances (continued)

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 operating 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 segment or operating division cash flows. The assumptions used in the calculation of the discount rate are benchmarked to externally available data.

Impairment testing of Hirslanden goodwill and trade names

Following the impact of regulatory changes on Hirslanden, the recoverable amount of certain Swiss CGUs and the Hirslanden trade name were tested for impairment during the year. The recoverable amounts have been determined based on fair value less costs to sell discounted cash flow calculations.

Discount rates – The discount rate applied to cash flow projections is 5.0% (2018: 5.0%).

Growth rates – The terminal growth rate beyond five years is 1.6% (2018: 1.6%).

Forecasts – As a result of the continued impact of changes in the regulatory and market environment (including TARMED tariffs and regulations that require enhanced outmigration of medical treatments) and to reflect actions taken by management to adapt to the new operating environment, the forecasted cash flows have been adjusted.

The carrying amount of the Hirslanden trade name and Linde trade name were fully impaired during the year. The impairment charge recognised in the income statement consisted of £39m for the impairment of the Hirslanden trade name and £16m for the Linde trade name (2018: £300m for the impairment of goodwill and £260m for the impairment of the Hirslanden trade name). The only remaining goodwill and trade names relate to the current year acquisition of Les Grangettes. A decline in terminal growth rate to 0.3% or an increase in the discount rate to 5.3% would reduce the headroom to nil in the CGU to which Grangettes has been allocated.

Impairment testing of Mediclinic Middle East goodwill

The Mediclinic Middle East goodwill with a carrying amount of £1 340m (2018: £1 245m) originated mainly from the Al Noor Hospital Group plc (Al Noor) business combination, with a portion originating from other UAE business combinations. Key assumptions used for the fair value less cost to sell calculations for the annual impairment testing were as follows:

Discount rates – The discount rate applied to cash flow projections is 9.0% (2018: 8.7%).

Growth rates – The terminal growth rate beyond seven years is 3.0% (2018: 3.0%).

Forecasts – As a result of the changes in the market environment, mainly due to outlook of tariffs, the forecasted cash flows have been adjusted. The discrete period used for the fair value less cost to sell calculation is 7 years given the expansion and growth anticipated in the medium term from existing expansion projects.

Sensitivity analysis – Any increase in the discount rate or decreases in the short-term cash flow projections or long-term growth rate could give rise to material impairment charges in future periods due to the reduced headroom to the current carrying value.

8. EQUITY ACCOUNTED INVESTMENTS

	2019 £'m	2018 £'m
Investment in associates	**189**	352
Investment in joint venture	**4**	5
	193	357

8.1 Investment in associates

	2019 £'m	2018 £'m
Listed investment	**180**	348
Unlisted investments	**9**	4
	189	352
Reconciliation of carrying value at the beginning and end of the period		
Opening balance	**352**	461
IFRS 9 transition adjustment	**(2)**	–
Additional investment in unlisted associate	**4**	2
Share of net profit of associated companies	**3**	3
Impairment of listed associate	**(164)**	(109)
Dividends received from associated companies	**(4)**	(5)
	189	352

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

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

Spire is listed on the London Stock Exchange. 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 2018 (2018: 31 December 2017). No significant events occurred since 1 January 2019 to the reporting date.

Non-contractual relationships with consultants ("**NCRC**") were identified as part of the notional purchase price allocation as the only significant intangible asset. The fair value of the total NCRC asset was determined as £225m and the remaining useful life was assessed as 22 years. The Group's 29.9% portion of the asset amounted to £68m at the acquisition date.

During the year, an impairment loss was recognised on the Spire investment. The impairment charge decreased the notional NCRC recognised to £nil (2018: £28m). The amortisation charge for the current period is £1m (2018: £2m).

8. EQUITY ACCOUNTED INVESTMENTS (continued)

8.1 Investment in associates (continued)

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

	As at 31 Dec 2018 £'m	As at 31 Dec 2017 £'m
Summarised statement of financial position		
Non-current assets	**1 537**	1 555
Current assets	**175**	179
Total assets	**1 712**	1 734
Non-current liabilities	**(563)**	(571)
Current liabilities	**(122)**	(125)
Net assets	**1 027**	1 038
Mediclinic's effective interest	**29.9%**	29.9%
Mediclinic's effective interest in net assets after impairments	**180**	310
Transaction costs capitalised	**–**	10
NCRC	**–**	28
Total carrying value of equity investment	**180**	348
Market value of listed investment at 31 March	**155**	251
Summarised statement of comprehensive income		
Revenue	**931**	932
Profit from continuing operations	**11**	17
Other comprehensive income	**–**	–
Total comprehensive income	**11**	17

Refer to the Annexure on page 278 for further details of investments in associates.

Critical accounting estimates and judgements

The Group tests whether equity accounted investments have suffered any impairment when indicators of impairment are identified, in this case the significant and prolonged decline in the market value of the investment below its carrying value. The value in use calculation is based on a discounted cash flow model. These calculations require the use of estimates in respect of growth and discount rates and it assumes a stable regulatory environment.

At 30 September 2018, the market value of the investment in Spire was £169m, which was below the carrying value. An impairment test was performed by updating the key assumptions applied in the value in use calculation performed at 31 March 2018. The impairment test was prepared based on the Group's updated expectations of Spire's future trading performance and considered external sources of information, including investor analyst valuations and target prices published. Key assumptions related to cash flow growth rates in the short- and medium-term were adjusted in the value in use calculation. As a result, an impairment loss of £164m was recorded against the carrying value.

At year end, another impairment test, updated for latest guidance announced by Spire in March 2019, was performed and indicated no further impairment losses. The following key assumptions were used in the calculation:

Discount rates – discount rates ranging between 5.3% and 6.8% was applied to the discrete period cash flow projections for the five years and a discount rate of 7.2% was applied to the terminal year.

Growth rates – a terminal growth rate of 2.0% was applied in the calculation.

Forecasts – The five year forecast reflects the Group's best view of future earnings.

Sensitivity analysis – any increase in the discount rate or decreases in the short-term cash flow projections or long-term growth rate could give rise to further material impairment charges in future periods as there is little headroom to the current carrying value. At 31 March 2019, the market price was £155m.

8. EQUITY ACCOUNTED INVESTMENTS (continued)

8.2 Investment in joint venture

	2019 £'m	2018 £'m
Reconciliation of carrying value at the beginning and end of the period		
Opening balance	**5**	4
Exchange differences	**(1)**	1
	4	5

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 2018 (2018: 31 December 2017) since it has a different year-end.

Details of the joint venture appear in the Annexure on page 278.

9. OTHER INVESTMENTS AND LOANS

	2019 £'m	2018 £'m
IFRS 9 financial instruments		
Debt instruments at amortised cost	**8**	–
Equity instruments as FVPL (unlisted shares)	**3**	–
IAS 39 financial instruments		
Loans and receivables	**–**	7
Available-for-sale: Unlisted shares	**–**	1
	11	8
Non-current	**10**	7
Current	**1**	1
Total other investments and loans	**11**	8
Other investments and loans are held in the following currencies:		
Swiss franc	**3**	1
South African rand	**6**	7
UAE dirham	**2**	–
	11	8

Refer to note 33 for explanations regarding the changes in accounting policies.

10. DEFERRED TAX

The movement on the deferred tax account is as follows:

	2019 £'m	2018 £'m
Opening balance	**445**	506
Income statement credit for the year	**(60)**	(59)
Exchange differences	**17**	(38)
Business combinations	**6**	20
(Credited)/charged to other comprehensive income	**(8)**	16
Balance at the end of the year	**400**	445
Deferred income tax assets	**(23)**	(22)
Deferred income tax liabilities	**423**	467
	400	445

The deferred tax relating to current assets and current liabilities contains temporary differences that are likely to realise 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 others £'m**	**Total £'m**
Deferred tax liabilities					
At 1 April 2017	455	80	7	16	558
Credited to the income statement	(10)	(55)	–	(1)	(66)
Business combinations	17	5	–	–	22
Exchange differences	(30)	(7)	–	(1)	(38)
At 31 March 2018	432	23	7	14	476
Set-off of deferred tax liabilities pursuant to set-off provisions					(9)
Net deferred tax liabilities at the end of the year					467
At 1 April 2018	432	23	7	14	476
(Credited)/charged to the income statement	**(47)**	**(12)**	**(2)**	**5**	**(56)**
Business combinations	**2**	**6**	**–**	**1**	**9**
Exchange differences	**10**	**–**	**–**	**1**	**11**
At 31 March 2019	**397**	**17**	**5**	**21**	**440**
Set-off of deferred tax liabilities pursuant to set-off provisions					**(17)**
Net deferred tax liabilities at the end of the year					**423**

10. DEFERRED TAX (continued)

The impairment of the trade names (£55m) and the impairment of the properties (£186m) led to the release of deferred tax liabilities in the "Intangible assets" and "Tangible assets" categories of £12m and £35m respectively. Refer to notes 6 and 7 regarding the impairment charge recognised. A prior year adjustment relating to a change in the basis of estimating deferred tax on the Swiss properties led to the recognition of a tax credit of £17m.

	Current liabilities £'m	Provisions and others £'m	Long term liabilities £'m	Derivatives £'m	Tax losses carried forward £'m	Total £'m
Deferred tax assets						
At 1 April 2017	(2)	(7)	(25)	(2)	(16)	(52)
(Credited)/charged to the income statement	–	(2)	–	1	8	7
Charged to other comprehensive income	–	–	15	1	–	16
Business combinations	–	–	(2)	–	–	(2)
At 31 March 2018	(2)	(9)	(12)	–	(8)	(31)
Set-off of deferred tax assets pursuant to set-off provisions						9
Net deferred tax assets at the end of the year						(22)
At 1 April 2018	(2)	(9)	(12)	–	(8)	(31)
Charged/(credited) to the income statement	**–**	**1**	**(2)**	**(1)**	**(2)**	**(4)**
Credited to other comprehensive income	**–**	**–**	**(8)**	**–**	**–**	**(8)**
Business combinations	**–**	**–**	**(3)**	**–**	**–**	**(3)**
Exchange differences	**–**	**1**	**3**	**1**	**1**	**6**
At 31 March 2019	**(2)**	**(7)**	**(22)**	**–**	**(9)**	**(40)**
Set-off of deferred tax assets pursuant to set-off provisions						**17**
Net deferred tax assets at the end of the year						**(23)**

10. DEFERRED TAX (continued)

At 31 March 2019, the Group had unutilised tax losses of approximately £113m (2018: £96m) potentially available for offset against future profits. A deferred tax asset of £9m (2018: £8m) has been recognised in respect of losses based on profitability from approved budgets and business plans. No deferred tax asset has been recognised in respect of the remaining losses due to the unpredictability and availability of future profit streams in the relevant jurisdictions. The majority of the unrecognised losses relate to the Mediclinic International plc in the United Kingdom, which have no expiry, and the remainder relate to Switzerland, which expire after seven years. Their utilisation is dependent on the profitability of the related entities. The financial projections used in assessing the future profitability are consistent with those used in assessing the carrying value of goodwill as set out in note 7. The rate of utilisation of these losses will depend on the incidence and timing of profits within each entity which consequently impacts their recognition as deferred tax assets.

Unused tax losses for the Group are as follows:

	2019 £'m	2018 £'m
Unused tax losses not recognised as deferred tax assets		
Expiry in 1 year	**19**	–
Expiry in 2 years	**1**	18
Expiry in 3 to 7 years	**9**	5
No expiry	**47**	40
	76	63

Deferred tax on unremitted earnings

The Group recognised a deferred tax liability of £1m (2018: £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 above. No deferred tax liability has been recognised for the other foreign subsidiaries and equity accounted investments of the Group where the Group is able to control the timing of any distributions and it is not probable that any distributions will be made in the foreseeable future. Similarly, tax is not provided where it is expected at the reporting date that such distributions will not give rise to a tax liability. The gross timing difference in this regard amounts to £1 270m (2018: £1 616m). There are no significant expected income tax consequences of earnings being distributed from Switzerland and the UAE, as there is no dividend withholding tax applicable to earnings being distributed from these operations neither should there be any tax liability on the receipt of these dividends. Although South African distributions to the UK are typically subject to dividend withholding taxes, distributions from South Africa are not expected to have income tax consequences in the foreseeable future as the operations in South Africa have a significant contributed tax capital balance from which may be paid dividends free from withholding tax. In line with the South African Reserve Bank requirement, it is intended that dividends to the South African resident shareholders on the South African share register will be paid from the dividend access scheme. Refer to note 13 for details on the dividend access scheme.

11. INVENTORIES

	2019 £'m	2018 £'m
Inventories consist of:		
Pharmaceutical products	**78**	80
Consumables	**10**	10
	88	90

The cost of inventories recognised as an expense and included in cost of sales amounted to £656m (2018: £671m).

12. TRADE AND OTHER RECEIVABLES

The accounting policies were changed to comply with IFRS 9 which replaces the provisions of IAS 39. The 2019 figures are presented on an IFRS 9 basis and the 2018 figures are presented on an IAS 39 basis.

	2019 £'m	2018 £'m
Trade receivables	**534**	485
Loss allowance (2018: IAS 39 provision for impairment)	**(18)**	(45)
	516	440
Other receivables*	**216**	167
	732	607

* *Included in other receivables are Swiss unbilled services of £119m (2018: £79m). More than 92% will be recovered from Swiss insurance companies and federal authorities (cantons). Swiss insurance companies are subject to regular creditworthiness checks (e.g. minimum reserve levels).*

Trade and other receivables are categorised as debt instruments at amortised cost (2018: loans and receivables under IAS 39). The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2019 £'m	2018 £'m
Swiss franc	**458**	380
South African rand	**87**	90
UAE dirham	**187**	137
	732	607

Trade receivables to the value of £59m (2018: £61m) have been ceded as security for banking facilities.

12. TRADE AND OTHER RECEIVABLES (continued)

The Group applies the simplified approach for providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The loss allowance as at March 2019 is determined as follows:

	Current £'m	1 – 30 days past due* £'m	31 – 60 days past due* £'m	61 – 90 days past due £'m	More than 90 days past due £'m	Total £'m
2019						
Gross carrying amount	**280**	**74**	**45**	**33**	**102**	**534**
Loss allowance	**(2)**	**-**	**-**	**(1)**	**(15)**	**(18)**
Net carrying amount	**278**	**74**	**45**	**32**	**87**	**516**
Expected loss rate	**0.45%**	**0.65%**	**0.93%**	**2.93%**	**14.17%**	

* *Impact is less than £0.5m.*

The loss allowance for credit-impaired trade receivables as at 31 March 2019 reconciles to the opening balance for provision for impairment of receivables calculated in terms of IAS 39 as follows:

	2019 £'m	2018 £'m
Movement in the loss allowance (2018: IAS 39 provision for impairment)		
Opening balance (calculated under IAS 39)	**45**	41
Restatement on adoption of IFRS 9*	**–**	–
Loss allowance (2018: IAS 39 provision for impairment)	**11**	23
Disallowances recognised as bad debt reclassified to gross debtors (IFRS 15 adjustment)	**(32)**	–
Exchange differences	**1**	(10)
Amounts written off as uncollectable	**(7)**	(9)
Balance at the end of the year calculated under IFRS 9 (2018: IAS 39)	**18**	45

* *Impact is less than £0.5m.*

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 which have been written off are not subject to enforcement activities.

The other receivables which include the Swiss unbilled services have been assessed for impairment and no impairment has been identified.

The expected credit losses for non credit-impaired receivables is not material.

Refer to note 33 for and explanation on the impact of the implementation of the new accounting policies.

12. TRADE AND OTHER RECEIVABLES (continued)

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

Disclosures for comparatives under IAS 39:

Included in the Group's trade receivables balance for 2018 are trade receivables with a carrying value of £167m that were past due at 31 March 2018, but which the Group had not impaired as there was not a significant change in credit quality and the amounts were still considered to be recoverable. The ageing of these receivables was as follows:

	2018 £'m
Up to 3 months	90
Between 3 and 6 months	41
Over 6 months	36
	167

13. SHARE CAPITAL

	2019 **£'m**	2018 £'m
Issued share capital		
Share capital	**74**	74
Share premium	**690**	690
Treasury shares	**–**	(1)
	764	763

Ordinary Shares	**2019**	2018
Number of shares in issue	**737 243 810**	737 243 810
Nominal value	**10p**	10p

Value: indicating nominal and share premium amount

Rights of the Ordinary Shares (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.

13. SHARE CAPITAL (continued)

Treasury Shares	Number of shares	Total £'m
At 1 April 2017	271 620	(2)
Vesting of Forfeitable Share Plan	(137 948)	1
At 31 March 2018	**133 672**	**(1)**
Vesting of Forfeitable Share Plan	**(101 342)**	**1**
At 31 March 2019	**32 330**	**–**
The balance of the treasury shares comprise:		
Forfeitable Share Plan	**–**	
Mpilo Trusts	**32 330**	
	32 330	

Dividend Access Scheme ("DAS")

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

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

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

14. OTHER RESERVES

	2019 £'m	2018 £'m
Other reserves comprise of:		
Equity-settled share-based payment reserves (refer to note 15)	**–**	1
Foreign currency translation reserve	**628**	468
Hedging reserve	**(2)**	5
Reverse acquisition reserve*	**(3 014)**	(3 014)
Capital redemption reserve**	**6**	6
	(2 382)	(2 534)
Movements in other reserves		
Equity-settled share-based payment reserves (refer to note 15)	**–**	1
Opening balance	**1**	24
Share-based payment expense	**–**	1
Settlement of Forfeitable Share Plan	**(1)**	(1)
Transfer to retained earnings	**–**	(23)
Foreign currency translation reserve	**628**	468
Opening balance	**468**	779
Currency translation differences	**153**	(311)
Transfer from other reserves	**7**	–
Hedging reserve	**(2)**	5
Opening balance	**5**	4
Fair value adjustments of cash flow hedges, net of tax	**–**	1
Transfer to other reserves	**(7)**	–

Reverse acquisition

During February 2016, Mediclinic completed the combination between Al Noor Hospitals Group plc (Al Noor) and Mediclinic International Limited. 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 Limited shareholders; and*
- *the share value component of the total consideration.*

** *The UK Companies Act 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 are transferred to a capital redemption reserve to maintain capital. The reduction of the Company's share capital shall be treated as if the capital redemption reserve was paid up capital of the Company.*

15. SHARE-BASED PAYMENTS

	2019 £'m	2018 £'m
Equity-settled share-based payment reserve (refer to note 14 and 15.1)	–	1
Cash-settled share-based payment liability (refer to note 15.2)	–	1
Total share-based payment reserves and liabilities	–	2

15.1 Equity settled share-based payment arrangements

	2019 £'m	2018 £'m
The balance of the equity-settled share-based payment reserve comprise:		
Forfeitable Share Plan	–	1
	–	1
Expenses arising from equity-settled share-based payment transactions		
Forfeitable Share Plan	–	1
	–	1

Forfeitable Share Plan

The Mediclinic International Limited Forfeitable Share Plan ("FSP") was approved by the Company's shareholders in July 2014 as a long-term incentive scheme for selected senior management (executive directors and prescribed officers). This share-based payment arrangement is accounted for as an equity-settled share-based payment transaction. With the change in control and the acquisition of Al Noor, the performance conditions of FSP have been finalised to the extent that the performance conditions were met as at 30 September 2015. The performance conditions constitute a combination of: absolute total shareholder return ("TSR") (40% weighting) and adjusted diluted headline earnings per share (60% weighting). The vesting of the shares granted in 2015 are subject to continued employment. The remaining shares vested in June 2018.

	Weighted average fair value at grant date offer price	2019 Number of shares	2018 Number of shares
Opening balance	R87.41	101 342	239 290
Vested		(101 342)	(137 948)
Closing balance		–	101 342

A valuation has been determined and an expense recognised over a three-year period. The fair value of the TSR performance condition was determined by using the Monte Carlo simulation model and for the headline earnings per share performance condition, consensus forecasts were used. The following assumptions were used with the valuation of the scheme: risk-free rate of 7.49%, dividend yield of 1.0% and volatility of 20%.

Apart from the FSP, there are no other share option schemes in place. Therefore, no director exercised any rights in relation to share option schemes during the reporting period.

15. SHARE-BASED PAYMENTS (continued)

15.2 Cash-settled share-based payment arrangements

Long-term incentive plan ("LTIP") awards

The LTIP awards are phantom shares awarded to selected senior management. This share-based payment arrangement is accounted for as a cash-settled share-based payment transaction.

Under the LTIP, conditional phantom shares are granted to selected employees of the Group. The vesting of these shares are 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) and adjusted earnings per share (60% weighting).

	2019 £'m	2018 £'m
Opening balance	**1**	1
Share-based payment expense	**(1)**	–
Benefits paid	**–**	–
Closing balance	**–**	1

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

	Average price (pence)	**2019 Number of units**	2018 Number of units
Opening balance		**875 846**	284 011
Granted	**547**	**1 216 177**	593 492
Vested	**564**	**(2 516)**	(1 657)
Lapsed		**(41 774)**	–
Closing balance		**2 047 733**	875 846

Valuation assumptions relating to the outstanding units:

	2018 LTIP allocation	**2017 LTIP allocation**	**2016 LTIP allocation**
Grant date	15 June 2018	1 June 2017	14 June 2016
Vesting date	15 June 2021/2023	1 June 2020/2022	14 June 2019/2021
Outstanding units	1 183 768	584 127	271 579
Closing share price	305	305	305
Risk-free interest rate	0.68%	0.67%	0.67%
Expected dividend yield	0.0%	0.0%	0.0%
Volatility	38.2%	41.3%	41.3%

Certain awards were also granted to management that were subject only to service conditions. These awards were granted on 1 September 2016 and vest on different dates between 1 September 2016 and 14 June 2019. The total number of these awards granted was 16 115. Of these awards, 2 516 vested in 2019 and 5 340 units of these awards vested in 2018 and 2017.

16. NON-CONTROLLING INTEREST

	2019 £'m	2018 £'m
Opening balance	**87**	78
Transactions with non-controlling shareholders	**17**	1
Dividends to non-controlling shareholders	**(8)**	(10)
Business combinations	**12**	–
Non-controlling shareholders derecognised on disposal of subsidiaries	**–**	(1)
Share of total comprehensive income	**7**	19
Share of profit	**21**	18
Currency translation differences	**(14)**	1
Non-controlling interest	**115**	87
Details of non-wholly-owned subsidiaries that have material non-controlling interests ("**NCI**"):		
Mediclinic (Pty) Ltd*		
Ownership interest held by NCI	**3.3%**	3.6%
Accumulated non-controlling interests in statement of financial position	**7**	7
Profit allocated to non-controlling interests	**2**	2
Curamed Holdings (Pty) Ltd (group)*		
Ownership interest held by NCI	**30.4%**	30.4%
Accumulated non-controlling interests in statement of financial position	**21**	22
Profit allocated to non-controlling interests	**4**	4
Grangettes Group**		
Ownership interest held by NCI	**40.0%**	0%
Accumulated non-controlling interests in statement of financial position	**29**	–
Profit allocated to non-controlling interests	**3**	–

* *Place of business: South Africa*
** *Place of business: Switzerland*

16. NON-CONTROLLING INTEREST (continued)

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

	2019 £'m	2018 £'m
Mediclinic (Pty) Ltd		
Non-current assets	**137**	168
Current assets	**148**	158
Non-current liabilities	**(33)**	(36)
Current liabilities	**(133)**	(161)
Revenue	**384**	391
Profit for the year	**38**	39
Other comprehensive income	**2**	–
Total comprehensive income	**40**	39
Net cash inflow from operating activities	**44**	62
Net cash outflow from investing activities	**(10)**	(15)
Net cash outflow from financing activities	**(34)**	(45)
Net cash inflow	**–**	1
Curamed Holdings (Pty) Ltd (group)		
Non-current assets	**48**	50
Current assets	**36**	38
Non-current liabilities	**(3)**	(3)
Current liabilities	**(13)**	(12)
Revenue	**68**	66
Profit for the year	**13**	13
Other comprehensive income	**–**	–
Total comprehensive income	**13**	13
Net cash inflow from operating activities	**15**	15
Net cash outflow from investing activities	**(7)**	(14)
Net cash outflow from financing activities	**(8)**	(8)
Net cash outflow	**–**	(7)
Grangettes Group		
Non-current assets	**163**	–
Current assets	**73**	–
Non-current liabilities	**33**	–
Current liabilities	**31**	–
Revenue	**74**	–
Profit for the year	**8**	–
Other comprehensive income	**(7)**	–
Total comprehensive income	**1**	–
Net cash inflow from operating activities	**23**	–
Net cash inflow from investing activities	**4**	–
Net cash outflow from financing activities	**(9)**	–
Net cash inflow	**18**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. BORROWINGS

	2019 £'m	2018 £'m
Bank loans	**1 703**	1 559
Preference shares	**96**	200
Listed bonds	**181**	176
Other liabilities	**2**	2
	1 982	1 937
Non-current borrowings	**1 895**	1 866
Current borrowings	**87**	71
Total borrowings	**1 982**	1 937

		2019 £'m Non-current	2019 £'m Current	2018 £'m Non-current	2018 £'m Current
	Swiss operations (denominated in Swiss franc)				
Secured bank loan one[1]	These loans bear interest at variable rates linked to the 3M LIBOR plus 1.25%. CHF50m must be redeemed on 21 June 2019 and on 30 September 2019 respectively. The remaining balances are repayable by 30 September 2024. The non-current portion includes capitalised financing costs of £13m (2018: £11m).	**1 066**	**77**	1 085	26
Secured bank loan two[1]	These loans were acquired as part of the Linde acquisition and bear interest at a fixed rate of 1.12%. CHF0.5m is repayable on 30 June and 31 December every year. The remaining balances are repayable during May 2023.	**14**	**1**	13	–
Secured bank loan three[2]	This fixed interest mortgage loan was acquired as part of the Linde acquisition and bears interest at 0.9% compounded quarterly. The loan is repayable by December 2023.	**8**	**–**	7	–
Secured bank loan four[2]	These loans were acquired as part of the Grangettes acquisition and bear interest linked to the 3M LIBOR plus 1.4%.	**12**	**–**	–	–
Listed bonds	The listed bonds consist of CHF145m 1.625% and CHF90m 2% Swiss franc bonds. The bonds are repayable on 25 February 2021 and 25 February 2025 respectively.	**181**	**–**	176	–
Secured long term finance[3]	These liabilities bear interest at variable rates ranging between 1% and 12% and are repayable in equal monthly payments in periods ranging from one to seven years.	**1**	**1**	1	1
	Balance carried forward	**1 282**	**79**	1 282	27

17. BORROWINGS (continued)

		2019 £'m Non-current	2019 £'m Current	2018 £'m Non-current	2018 £'m Current
	Balance carried forward	**1 282**	**79**	1 282	27
	Southern African operations (denominated in South African rand)				
Secured bank loan one[4]	The loan bears interest at the 3M JIBAR variable rate plus a margin of 1.49% compounded quarterly and is repayable on 26 September 2022.	**136**	**1**	–	–
Secured bank loan two[4]	The loan bears interest at the 3M JIBAR variable rate plus a margin of 1.59% compounded quarterly and is repayable on 26 September 2023.	**189**	**1**	–	–
Secured bank loan three[4]	The loan bears interest at the 3M JIBAR variable rate plus a margin of 1.51% compounded quarterly. This liability was extinguished during September 2018 as part of the refinancing.	**–**	**–**	208	2
Secured bank loan four[4]	The loan bears interest at the 3M JIBAR variable rate plus a margin of 1.69% compounded quarterly. This liability was extinguished during September 2018 as part of the refinancing.	**–**	**–**	73	–
Secured bank loan five[5]	These loans bear interest at variable rates linked to the prime overdraft rate and are repayable in periods ranging between one and twelve years.	**6**	**1**	6	2
Preference shares[4]	Dividends are payable monthly at a rate of 72% of 3M JIBAR plus a margin of 1.65%. The outstanding balance will be redeemed on 26 September 2022.	**95**	**1**	108	1
Preference shares	Dividends are payable semi-annually at a rate of 73% of the prime interest rate (10.25%). The amount was repaid on 26 September 2018 as part of the refinancing.	**–**	**–**	91	–
	Middle East operations (denominated in UAE dirham)				
Secured bank loan one[6]	The loan bears interest at variable rates linked to the 3M LIBOR and a margin of 1.85% with 5-year amortising terms, expiring in August 2023.	**187**	**4**	–	–
Secured bank loan two[6]	The loan bears interest at variable rates linked to the 3M LIBOR and a margin of 2.50%. The liability was extinguished during August 2018 as part of the refinancing.	**–**	**–**	98	39
		1 895	**87**	1 866	71

1 *The loan is secured by mortgage notes on Swiss properties and buildings to the value of £2 395m (2018: £2 326m) and Swiss bank accounts with a book value of £112m (2018: £64m).*
2 *These loans are secured by mortgage notes on the properties and buildings of the Linde Group.*
3 *Equipment with a book value of £1m (2018: £2m) is encumbered as security for these loans.*
4 *Property and equipment with a book value of £262m (2018: £251m) are encumbered as security for these loans. Cash and cash equivalents of £12m (2018: £34m) and trade receivables of £58m (2018: £60m) have also been ceded as security for these borrowings.*
5 *Property, equipment and vehicles with a book value of £20m (2018: £15m) are encumbered as security for these loans. Net trade receivables of £1m (2018: £1m) have also been ceded as security for these loans.*
6 *Shares of investments in Emirates Healthcare Holdings Limited and Emirates Healthcare Limited are encumbered as security for these loans as well as an account pledge on receivable collection accounts.*

The borrowing facilities in Mediclinic Southern Africa and Mediclinic Middle East were refinanced during the year. In both instances, the terms of the loans were extended with favourable pricing. The effective date for the funding and the closing was 26 September 2018 and 29 August 2018 respectively.

The refinancing agreements in both Mediclinic Southern Africa and Mediclinic Middle East have been treated as extinguishments of the original financial liabilities due to the substantial modifications of the terms (including the terms of the financing and the margins). As a result, the original liabilities were derecognised and new financial liabilities were recognised. The unamortised portion of the capitalised finance cost of the original agreements of £2m in Mediclinic Middle East was derecognised as a result of the extinguishment of the liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. RETIREMENT BENEFIT OBLIGATIONS

	2019 £'m	2018 £'m
Statement of financial position obligations for:		
Swiss pension benefit obligation	52	4
South African post-retirement medical benefit obligation	37	40
UAE end-of-service benefit obligation	60	52
	149	96
Total retirement benefit obligations	149	96
Short-term portion of retirement benefit obligations	(11)	(10)
Non-current retirement benefit obligations	138	86
Total amount charged to the income statement:		
Swiss pension benefit obligation	36	34
South African post-retirement medical benefit obligation	6	6
UAE end-of-service benefit obligation	9	9
	51	49
Total amount charged/(credited) to the other comprehensive income:		
Swiss pension benefit obligation	44	(74)
South African post-retirement medical benefit obligation	(3)	–
UAE end of service benefit obligation	1	(2)
	42	(76)

Critical accounting estimates and judgements

The cost of defined benefit pension plans, post-retirement medical benefit liability obligations and the UAE end-of-service obligations are 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 below.

18. RETIREMENT BENEFIT OBLIGATIONS (continued)

(a) Swiss pension benefit obligation

The Group's Swiss operations has six defined benefit pension plans, namely:

- Pensionskasse Hirslanden (cash balance plan)
- Vorsorgestiftung VSAO (cash balance plan) (Association for Swiss Assistant and Senior Doctors)
- Radiotherapie Hirslanden AG (cash balance plan)
- Hirslanden Clinique La Colline SA (cash balance plan)
- Privatklinik Linde AG (cash balance plan)
- Clinique des Grangettes SA (cash balance plan)

Swiss pension benefit obligation	2019 £'m	2018 £'m
Statement of financial position		
Amounts recognised in the statement of financial position are as follows:		
Present value of funded obligations	**1 216**	1 045
Fair value of plan assets	**(1 164)**	(1 041)
Net pension liability	**52**	4
The movement in the defined benefit obligation over the period is as follows:		
Opening balance	**1 045**	1 086
Current service cost	**35**	37
Interest cost	**8**	6
Past service cost	**–**	(4)
Employee contributions	**35**	34
Benefits paid	**(32)**	(35)
Business combinations	**49**	39
Actuarial loss/(gain)	**45**	(45)
Exchange differences	**31**	(73)
Balance at the end of the year	**1 216**	1 045
The movement of the fair value of plan assets over the period is as follows:		
Opening balance	**1 041**	1 013
Employer contributions	**38**	38
Plan participants contributions	**35**	34
Benefits paid from fund	**(32)**	(35)
Business combinations	**42**	28
Interest income on plan assets	**8**	6
Return on plan assets greater than discount rate	**1**	29
Administration costs	**(1)**	(1)
Exchange differences	**32**	(71)
Balance at the end of the year	**1 164**	1 041

18. RETIREMENT BENEFIT OBLIGATIONS (continued)

a) Swiss pension benefit obligation (continued)

	2019 £'m	2018 £'m
Statement of financial position		
Net pension liability reconciliation		
Opening net liability	**4**	73
Expenses recognised in the income statement	**36**	34
Contributions paid by employer	**(38)**	(38)
Business combinations	**7**	11
Exchange differences	**(1)**	(2)
Actuarial gain/(loss)	**44**	(74)
Closing net liability	**52**	4
Statement of other comprehensive income		
Amounts recognised in other comprehensive income are as follows:		
Actuarial loss – experience	**(5)**	(6)
Actuarial (gain)/loss due to liability assumption changes	**(40)**	51
Return on plan assets greater than discount rate	**1**	29
Total other comprehensive income	**(44)**	74
Income statement		
Amounts recognised in the income statement are as follows:		
Current service cost	**35**	37
Past service cost	**–**	(4)
Interest on liability	**8**	6
Interest on plan assets	**(8)**	(6)
Administration cost	**1**	1
	36	34
Actual return on plan assets	**9**	35
Principal actuarial assumptions on statement of financial position		
Discount rate	**0.45%**	0.75%
Future salary increases	**1.75%**	1.75%
Future pension increases	**0.00%**	0.00%
Inflation rate	**1.25%**	1.25%
Number of plan members		
Active members	**9 804**	9 168
Pensioners	**995**	844

18. RETIREMENT BENEFIT OBLIGATIONS (continued)

a) Swiss pension benefit obligation (continued)

Asset allocation	2019 £'m	2019 %	2018 £'m	2018 %
Quoted investments				
Fixed income investments	**367**	**31.5%**	352	33.8%
Equity investments	**280**	**24.1%**	247	23.7%
Real estate	**42**	**3.6%**	28	2.7%
Other	**147**	**12.6%**	138	13.3%
	836	**71.8%**	765	73.5%
Non-quoted investments				
Fixed income investments	**32**	**2.7%**	4	0.4%
Equity investments	**12**	**1.0%**	13	1.2%
Real estate	**223**	**19.2%**	207	19.9%
Other	**61**	**5.2%**	52	5.0%
	328	**28.2%**	276	26.5%
	1 164	**100.0%**	1 041	100.0%

Assumptions and sensitivity analysis

Impact on defined benefit obligation	Base assumption	Change in assumption	Increase in obligation	Decrease in obligation
Discount rate	0.45%	0.25%	(2.7%)	2.9%
Salary growth rate	1.75%	0.50%	0.8%	(0.8%)
Pension growth rate	0.00%	0.25%	2.4%	0.0%

	Change in assumption	Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy (mortality)	1 year in expected life time of plan participants	2.2%	(2.2%)

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 above sensitivity analyses 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 pension liability recognised within the statement of financial position.

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

18. RETIREMENT BENEFIT OBLIGATIONS (continued)

a) Swiss pension benefit obligation (continued)

Expected employer contributions to be paid to the pension plans for the year ended 31 March 2020 are £34m 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 13.9 years (2018: 12.9 years). The maturity profile of the defined benefit obligation is as follows:

	<= 1 year £'m	1 – 5 years £'m	> 5 years £'m	Total £'m
31 March 2019				
Defined benefit obligation	**80**	**242**	**980**	**1 302**
31 March 2018				
Defined benefit obligation	73	219	877	1 169

Additional information on Swiss defined benefit pension plans

Additional information is provided for the largest two Swiss defined benefit pension plans:

Pensionskasse Hirslanden

For employees of Hirslanden Group in Switzerland, the Pensionskasse Hirslanden ("**PH**") Fund provides post-employment, death-in-service and disability benefits in accordance with the Federal Law on Occupational Old-age, Survivor's and Disability Insurance (German: BVG). PH Fund is a foundation and an entity legally separate from Hirslanden Group. 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 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 employee's 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 employee's and the employer's contributions are determined based on the insured salary and range from 1.25% to 15.5% of the insured salary depending on the age of the beneficiary.

If an employee leaves Hirslanden Group or the pension plan respectively before reaching retirement age, the law provides for the transfer of the vested benefits to the new pension plan. These vested benefits comprise the employee's and the employer's contributions plus interest, the money originally brought in to the pension plan by the beneficiary. On 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. 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.

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 five years to a maximum of seven 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.

18. RETIREMENT BENEFIT OBLIGATIONS (continued)

a) Swiss pension benefit obligation (continued)

VSAO

For employed physicians of Hirslanden Group in Switzerland, the VSAO Pension Fund provides post-employment, death-in-service and disability benefits in accordance with the Federal Law on Occupational Old-age, Survivor's and Disability Insurance (German: BVG). VSAO Fund is a foundation and an entity legally separate from Hirslanden Group. 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 employee's 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).

If an employee leaves Hirslanden Group or the pension plan respectively before reaching retirement age, the law provides for the transfer of the vested benefits to the new pension plan. These vested benefits comprise the employee's and the employer's contributions plus interest, the money originally brought into the pension plan by the beneficiary. On reaching retirement age, the plan participant may decide whether to withdraw the benefits in the form of an annuity or as a lump-sum payment. The employee's and the employer's contributions are 14% of the insured salary.

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 five years to a maximum of seven 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 VSAO Pension Fund does not require such restructuring actions. None of the Group companies benefit from any plan surpluses.

18. RETIREMENT BENEFIT OBLIGATIONS (continued)

(b) South African post-retirement medical benefit obligation

The Group's Southern African operations have a post-retirement medical benefit obligation for employees who joined before 1 July 2012.

The 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 2.40% in excess of consumer price inflation.

In the last valuation on 31 March 2019, a 9.30% (2018: 8.10%) medical inflation rate and a 10.50% (2018: 9.10%) discount rate were assumed. The average retirement age was set at 63 years (2018: 63 years).

The assumed rates of mortality are as follows:

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

	2019 £'m	2018 £'m
Amounts recognised in the statement of financial position are as follows:		
Opening balance	**40**	35
Amounts recognised in the income statement	**6**	6
Current service cost	**2**	2
Interest cost	**4**	4
Benefits paid	**(1)**	(1)
Exchange differences	**(5)**	–
Actuarial gain recognised in other comprehensive income	**(3)**	–
Present value of unfunded obligations	**37**	40

Assumptions and sensitivity analysis

Impact on defined benefit obligation	**Base assumption**	**Change in assumption**	**Increase in obligation**	**Decrease in obligation**
Discount rate	10.50%	0.50%	(7.0%)	8.0%
Medical inflation rate	9.30%	1.00%	16.0%	(13.0%)

Expected post-employment medical benefits payable for the year ended 31 March 2019 is £1m.

18. RETIREMENT BENEFIT OBLIGATIONS (continued)

(c) UAE end-of-service benefit obligation

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

First five years of service: between 7 and 30 days' wage per year of service and thereafter 30 days per additional year. The employee benefit was actuarially determined.

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.

	2019	2018
The following are the principal actuarial assumptions:		
Discount rate	**2.9%**	3.4%
Future salary increases	**1.9%**	2.0%
Average retirement age	**60 years**	60 years
Annual turnover rate	**10.0%**	10.3%

	2019 £'m	2018 £'m
Amounts recognised in the statement of financial position are as follows:		
Opening balance	**52**	56
Amounts recognised in the income statement	**9**	9
Current service cost	**7**	7
Interest cost	**2**	2
Contributions	**(6)**	(6)
Classified as held for sale	**(1)**	–
Exchange differences	**5**	(5)
Actuarial loss/(gain) recognised in other comprehensive income	**1**	(2)
Present value of unfunded obligations	**60**	52
Current portion of retirement benefit obligations	**11**	10
Non-current retirement benefit obligations	**49**	42
	60	52

Assumptions and sensitivity analysis

Impact on defined benefit obligation	**Base assumption**	**Change in assumption**	**Increase in obligation**	**Decrease in obligation**
Discount rate	2.91%	1.00%	(6.0%)	7.0%
Future salary increases	1.90%	1.00%	7.0%	(6.0%)

Expected employer contributions to be paid to the UAE end-of-service benefit obligation for the year ended 31 March 2019 are £11m.

None of the Directors of Mediclinic International plc participate in Swiss pension benefits or the UAE end-of-service benefit. One Executive Director and one non-executive director of Mediclinic International plc participate in the South African post-retirement medical benefit obligation.

19. PROVISIONS

	2019 £'m	2018 £'m
Non-current	**29**	23
Employee benefits	**16**	14
Legal cases and other	**1**	–
Tariff risks	**12**	9
Current	**15**	15
Employee benefits	**2**	2
Legal cases and other	**6**	5
Tariff risks	**7**	8
	44	38

	Employee benefits £'m	Legal cases and other £'m	Tariff risks £'m	Total £'m
Opening balance at 1 April 2017	17	5	23	45
Charged to the income statement	2	2	4	8
Utilised during the year	(2)	(2)	(5)	(9)
Unused amounts reversed	–	(1)	(5)	(6)
Business combinations	–	–	2	2
Exchange differences	(1)	1	(2)	(2)
Closing balance at 31 March 2018	**16**	**5**	**17**	**38**
Charged to the income statement	**3**	**2**	**6**	**11**
Utilised during the year	**(2)**	**(1)**	**–**	**(3)**
Unused amounts reversed	**–**	**–**	**(5)**	**(5)**
Business combinations	**–**	**1**	**–**	**1**
Exchange differences	**1**	**–**	**1**	**2**
Closing balance at 31 March 2019	**18**	**7**	**19**	**44**

(a) 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 company as well as the estimated expected utilisation of the employee benefits.

(b) 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.

(c) Tariff risks

This provision relates to compulsory health insurance tariff risks in Switzerland and other tariff disputes at some of the Group's Swiss hospitals. The tariff risk provision is calculated based on historical experience of outcomes to negotiations between healthcare providers and funders. This is regularly reassessed based on the actual outcome of tariff negotiations. Refer to note 22 for an explanation of the provisional tariffs and the impact on recognition of the tariff risk provision.

	2019 £'m	2018 £'m
Provisions are expected to be payable during the following financial years:		
Within one year	**15**	15
After one year but not more than five years	**22**	16
More than five years	**7**	7
	44	38

20. DERIVATIVE FINANCIAL INSTRUMENTS

	2019 £'m	2018 £'m
Non-current		
Interest rate swaps – cash flow hedges	**2**	2
Forward exchange contracts	**1**	–
Written put option (redemption liability)	**88**	–
	91	2
Current		
Interest rate swaps – cash flow hedges*	**–**	–
	–	–
	91	2

* *Amount is less than £0.5m in current year.*

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 2019, the Group had 14 effective interest rate swap contracts (2018: 10) for borrowings specifically in Southern Africa. The value of borrowings hedged by the interest rate derivatives and the rates applicable to these contracts are as follows:

	Borrowings hedged £'m	Fixed interest payable	Interest receivable	Fair value gain/(loss) for the year £'m
31 March 2019				
1 to 3 years*	**245**	**6.9 – 7.7%**	**3 month JIBAR/ 69% of prime interest rate**	**–**
31 March 2018				
1 to 3 years*	222	6.9 –7.7%	3 month JIBAR/ 69% of prime interest rate	1

* *The interest rate swap agreement resets every three months on 1 June, 1 September, 1 December and 1 March with a final reset on 3 June 2019 for £53m, 2 March 2020 for £26m, 1 June 2020 for £78m, on 1 September 2020 for £38m and on 1 June 2021 for £51m. There is no ineffective portion recognised in the profit and loss that arises from the cash flow hedges.*

In Mediclinic Middle East, an interest rate swap was entered into for a third of the borrowing facility (£64m) to hedge for rising interest rates. The swap was entered into at a fixed rate of 4.99% (1.85% margin plus 3.1% for the 5 year USD swap curve rate). The fair value movement was immaterial during the current financial year.

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 options are exercisable after 4 years and the consideration on exercise will be determined based on the profitability of Clinique des Grangettes and Clinique La Colline at that time. The exercise price is formula based. Refer to note 30 for the disclosures of the Grangettes business combination.

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

The liability is subsequently adjusted for changes in the estimated performance and increased through finance charges up to the redemption amount that is payable at the date at which the option first becomes exercisable. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to equity. The changes in the fair value of the liability will impact the income statement. A 10% change in the projected earnings will change the liability and profit before tax by £9m.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. TRADE AND OTHER PAYABLES

	2019 £'m	2018 £'m
Trade payables	**230**	210
Other payables and accrued expenses	**181**	144
Social insurance and accrued leave pay	**43**	62
Value added tax	**10**	8
	464	424

22. REVENUE

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

Disaggregation of revenue from contracts with customers

	2019 £'m	(Re-presented)* 2018 £'m
Major service lines		
Healthcare services	**2 838**	2 780
Rental income	**31**	29
Corporate	**1**	1
Other	**62**	66
	2 932	2 876
Primary geographic markets		
Switzerland	**1 368**	1 349
Southern Africa	**886**	883
United Arab Emirates	**677**	643
Other	**1**	1
	2 932	2 876

* *Refer to note 2.1*

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

22. REVENUE (continued)

Switzerland healthcare services revenue (continued)

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

For Switzerland outpatient cases, the pricing model is based on the TARMED rates. The applicable TARMED rate varies depending on the relevant canton, procedure and patient. Invoicing occurs when the patient is discharged directly after the treatment and revenue is recognised at the same time.

Set out below is a breakdown of the Swiss healthcare services revenue:

	2019 £'m
Inpatient revenue	**1 029**
Outpatient revenue	**265**
	1 294

Southern Africa healthcare services revenue

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

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.

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 a revenue to the extent that it is highly probable that it will not reverse. Discounts are accrued over the course of the period based on the estimates of the level of business expected. This is adjusted at the end of the period to reflect actual volumes. Volume discounts are recorded as a reduction in revenue with a corresponding entry against accruals (as volume discounts are not settled on a net basis with funders).

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

	2019 £'m
Hospital and day clinic patient income	**836**
Emergency medical transport	**35**
	871

22. REVENUE (continued)

Middle East healthcare services revenue

In the Middle East (Dubai) a fee-for-service model is used with funders. Mediclinic will invoice the funders for technical medical services (such as nursing, infrastructure, pharmaceutical goods, etc.). The revenue is recognised as the services are rendered over the period of the stay of the patient.

For certain procedures in the Middle East (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.

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 that it will not reverse. Discounts are accrued over the course of the period based on the estimates of the level of business expected. This is adjusted at the end of the period to reflect actual volumes. Volume discounts are recorded as a reduction in revenue with a corresponding entry against accruals (as volume discounts are not settled on a net basis with funders).

In the Middle East, the normal business process associated with transactions with insurers includes an amount of claims disallowed which is not paid by the insurer. These rejected claims could be for various technical or medical reasons. Accordingly, Mediclinic Middle East accepts and expects an amount of consideration that is less than what was originally invoiced. These write-offs constitute variable consideration under IFRS 15. Variable consideration is recognised as revenue to the extent that it is highly probable that a reversal of revenue will not occur. In prior periods, revenue was recognised based on the contract with the insurers and a provision for bad debt was recognised for the rejections based on historical trends. Under IFRS 15, these rejected claims are recognised as part of revenue (decreasing the revenue recognised). The rejections recognised in the provision for impairment of trade receivables in the prior period is reclassified to gross debtors on 1 April 2018, refer to note 33.2.

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

	2019 **£'m**
Inpatient revenue	**239**
Outpatient revenue	**434**
	673

23. EXPENSES BY NATURE

	2019 £'m	(Re-presented)* 2018 £'m
Fees paid to the Group's auditors for the following services:		
Audit of the parent company and consolidated financial statements	**0.5**	0.4
Audit company subsidiaries	**1.9**	2.0
Audit services	**2.4**	2.4
Audit related services	**0.4**	0.4
Other assurance services	**0.2**	0.1
All other services	**–**	0.1
	3.0	3.0
Cost of inventories	**656**	671
Depreciation (note 6)	**148**	132
Buildings	**50**	39
Equipment	**78**	70
Furniture and vehicles	**20**	23
Employee benefit expenses	**1 233**	1 293
Wages and salaries	**1 167**	1 228
Retirement benefit costs – defined contribution plans	**16**	15
Retirement benefit costs – defined benefit obligations (note 18)	**51**	49
Share-based payment expense (note 15)	**(1)**	1
Increase in provision for impairment of receivables (note 12)	**11**	23
Maintenance costs	**53**	52
Operating leases	**63**	57
Buildings	**60**	54
Equipment	**3**	3
Amortisation of intangible assets (note 7)	**20**	36
Impairments (note 6 and 7)	**241**	644
Impairment of property, equipment and vehicles	**186**	84
Impairment of goodwill	**–**	300
Impairment of trade names	**55**	260
Other expenses	**420**	255
	2 848	3 166

* *Refer to note 2.1*

23. EXPENSES BY NATURE (continued)

	2019 £'m	(Re-presented)* 2018 £'m
Classified as:		
Cost of sales	**1 827**	1 779
Administration and other operating expenses	**1 021**	1 387
	2 848	3 166
Depreciation and amortisation is classified as:		
Cost of sales	**124**	112
Administration and other operating expenses	**44**	56
	168	168
Number of employees	**32 398**	31 504

* *Refer to note 2.1*

24. OTHER GAINS AND LOSSES

	2019 £'m	2018 £'m
Release of pre-acquisition Swiss provision	**–**	9
Loss on disposal of subsidiaries	**(1)**	(7)
Fair value adjustments on derivative contracts	**(2)**	–
	(3)	2

25. FINANCE COST

	2019 £'m	2018 £'m
Interest expense	**55**	55
Interest rate swaps*	**–**	6
Amortisation of capitalised financing costs	**5**	5
Derecognition of unamortised financing costs	**2**	19
Fair value gains on ineffective cash flow hedges	**–**	(4)
Preference share dividend	**10**	15
Less: amounts included in cost of qualifying assets	**(6)**	(2)
	66	94

* *Amount is less than £0.5m*

26 INCOME TAX EXPENSE

	2019 £'m	(Re-presented) 2018 £'m
Current tax		
Current year	53	56
Previous year	–	(2)
Deferred tax credit (note 10)	(60)	(59)
Taxation per income statement	(7)	(5)
Composition	–	–
UK tax	(7)	(5)
Foreign tax	(7)	(5)

	2019 %	2018 %
Reconciliation of rate of taxation:		
UK statutory rate of taxation	19.0%	19.0%
Adjusted for:		
Capital gains taxed at different rates	0.1%	–
Benefit of tax incentives	0.4%	0.1%
Share of net profit of equity accounted investments	0.4%	0.1%
Non-deductible expenses[1]	(26.5%)	(18.0%)
Non-controlling interests' share of profit before tax	0.7%	0.2%
Effect of different tax rates[2]	1.5%	0.7%
Effect of differences between deferred and current tax rates[3]	0.1%	(0.6%)
Non-recognition of tax losses in current year	(1.7%)	(0.5%)
Derecognition of tax losses relating to prior years	(0.3%)	(0.2%)
Prior year adjustment[4]	11.7%	0.3%
Effective tax rate[5]	5.4%	1.1%

[1] *Impairment of the listed associate of £164m was not deductible for tax purposes. The tax effect amounted to £31m (impact of 22.7% in effective tax rate).*

[2] *Since the tax reconciliation is based on a UK statutory tax rate at 19.0%, a reconciling item result due to profit from South Africa which is subject to an income tax rate of 28.0% reduced by profit from the Middle East which is not subject to income tax.*

[3] *The impairment of the trade names (£55m) and the impairment of property, equipment and vehicles (£186m) in Switzerland led to the release of a deferred tax liability of £47m. A reconciling item arises because the tax rate applied in calculating the deferred tax liabilities was higher than the current statutory rate of taxation.*

[4] *Included in the prior year adjustment is a credit of £17m relating to a change in the basis of estimating deferred tax related to Swiss properties from providing at a tax rate of 20.1% to tax rate of 19.3%.*

[5] *If the impairment charges (and related deferred tax effect) discussed in point 3 above together with the items listed in point 1 and 4 were excluded from the effective tax rate calculation, the adjusted effective tax rate would be 20.4% (2018: 20.8%). The adjusted effective tax rate changes year-on-year reflecting a lower average tax rate in Switzerland.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. EARNINGS PER ORDINARY SHARE

	2019 £'m	2018 £'m
Loss per ordinary share (pence)		
Basic (pence)	**(20.5)**	(66.7)
Diluted (pence)	**(20.5)**	(66.7)
Earnings reconciliation		
Loss attributable to equity holders of the Company	**(151)**	(492)
Adjusted for:		
No adjustments	**–**	–
Loss for basic and diluted earnings per share	**(151)**	(492)

	2019 Number of shares	2018 Number of shares
Number of shares reconciliation		
Weighted average number of ordinary shares in issue for basic earnings per share		
Number of ordinary shares in issue at the beginning of the year	**737 243 810**	737 243 810
Weighted average number of treasury shares	**(49 544)**	(133 672)
Mpilo Trusts	**(32 330)**	(32 330)
Forfeitable Share Plan	**(17 214)**	(101 342)
	737 194 266	737 110 138
Weighted average number of ordinary shares in issue for diluted earnings per share		
Weighted average number of ordinary shares in issue	**737 194 266**	737 110 138
Weighted average number of treasury shares held not yet released from treasury stock	**49 544**	133 672
Mpilo Trusts	**32 330**	32 330
Forfeitable Share Plan	**17 214**	101 342
	737 243 810	737 243 810

Mpilo Investment Holdings 1 (RF) (Pty) Ltd is a structured entity that is not consolidated due to the Group not having control. This company is an investment holding company and was incorporated as part of the Mediclinic BEE transaction. The company holds ordinary shares in Mediclinic International plc on which it receives dividends. These dividends are used to repay the outstanding debt of the company. The outstanding debt referred to is provided by third parties with no recourse to the Group.

27. 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 Limited ("**JSE**") Listings Requirements, determined by reference to the South African Institute of Chartered Accountants' circular 04/2018 (Revised) 'Headline Earnings'. The table below sets out a reconciliation of basic EPS and HEPS in accordance with that circular. Disclosure of HEPS is not a requirement of IFRS, but it is a commonly used measure of earnings in South Africa. The table below reconciles the profit for the financial year attributable to equity holders of the parent to headline earnings and summarises the calculation of basic HEPS:

	2019 £'m	2018 £'m
Headline earnings per share		
Loss for basic and diluted earnings per share	**(151)**	(492)
Adjustments		
Impairment of equity accounted investment	**164**	109
Impairment of properties and intangible assets	**192**	576
Loss on disposal of subsidiaries	**1**	7
Associate's impairment of property, plant and equipment	**5**	3
Headline earnings	**211**	203
Headline earnings per share (pence)	**28.6**	27.6
Diluted headline earnings per share (pence)	**28.6**	27.6

28. OTHER COMPREHENSIVE INCOME

	2019 £'m	2018 £'m
Components of other comprehensive income		
Currency translation differences	**142**	(310)
Fair value adjustments – cash flow hedges	**–**	1
Remeasurement of retirement benefit obligations	**(34)**	60
Other comprehensive income, net of tax	**108**	(249)

	Attributable to equity holders of Company (before tax) £'m	Tax charge attributable to equity holders of the Company £'m	Attributable to non-controlling interest (after tax) £'m	Total £'m
Year ended 31 March 2019				
Currency translation differences	**153**	**–**	**(11)**	**142**
Remeasurement of retirement benefit obligations	**(39)**	**8**	**(3)**	**(34)**
Other comprehensive income	**114**	**8**	**(14)**	**108**
Year ended 31 March 2018				
Currency translation differences	(311)	–	1	(310)
Fair value adjustments – cash flow hedges	1	–	–	1
Remeasurement of retirement benefit obligations	76	(16)	–	60
Other comprehensive income	**(234)**	**(16)**	**1**	**(249)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. CASH FLOW INFORMATION

	2019 £'m	2018 £'m
29.1 Reconciliation of profit before taxation to cash generated from operations		
Loss before taxation	**(137)**	(479)
Adjustments for:		
Finance cost – net	**57**	85
Share of net profit of equity accounted investments	**(3)**	(3)
Share-based payments	**(1)**	1
Depreciation and amortisation	**168**	168
Loss allowance (2018: Impairment provision) of trade receivables	**11**	23
Movement in provisions	**5**	(7)
Movement in retirement benefit obligations	**7**	3
Impairment of properties and intangible assets	**241**	644
Impairment of equity accounted investment	**164**	109
Loss on disposal of subsidiaries	**1**	7
Release of pre-acquisition Swiss provision	**–**	(9)
Fair value adjustments on derivative contracts	**2**	–
Operating income before changes in working capital	**515**	542
Working capital changes	**(64)**	(76)
Decrease/(increase) in inventories	**4**	(3)
Increase in trade and other receivables	**(104)**	(61)
Increase/(decrease) in trade and other payables	**36**	(12)
	451	466
29.2 Interest paid		
Finance cost per income statement	**66**	94
Non-cash items		
Amortisation of capitalised financing fees	**(5)**	(5)
Derecognition of unamortised financing fees	**–**	(19)
Fair value gains on ineffective cash flow hedges	**–**	4
	61	74
29.3 Tax paid		
Liability at the beginning of the year	**4**	6
Provision for the year	**53**	54
Business combinations	**5**	–
	62	60
Liability at the end of the year	**(7)**	(4)
	55	56
29.4 Investment to maintain operations		
Property, equipment and vehicles purchased	**82**	98
Intangible assets purchased	**1**	10
Movement in capital expenditure payables	**3**	4
	86	112
29.5 Investment to expand operations		
Property, equipment and vehicles purchased	**122**	125
Intangible assets purchased	**26**	12
Movement in capital expenditure payables	**6**	5
	154	142

29. CASH FLOW INFORMATION (continued)

29.6 Dividends

	Date paid/ payable	Dividend per share (pence)	2019 £'m	2018 £'m
Dividends declared				
Year ended 31 March 2019				
Interim dividend	18 December 2018	3.20	**24**	
Final dividend	29 July 2019	4.70	**35**	
		7.90		
Year ended 31 March 2018				
Interim dividend	18 December 2017	3.20		24
Final dividend	30 July 2018	4.70		35
		7.90	**59**	59
Dividends paid				
Dividends paid during the period			**59**	58

Under IFRS, dividends are only recognised in the financial statements when authorised by the Board of Directors (for interim dividends) or when authorised by the shareholders (for final dividends). The aggregate amount of the proposed dividend expected to be paid on 29 July 2019 from retained earnings has not been recognised as a liability on 31 March 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. CASH FLOW INFORMATION (continued)

29.7 Changes in liabilities arising from financing activities

	Total borrowings £'m	Net derivative financial instruments held to hedge borrowings £'m	Total £'m
Year ended 31 March 2019			
Opening balance	**1 937**	**2**	**1 939**
Cash flow movements			
Proceeds from borrowings	**385**	**–**	**385**
Repayment of borrowings	**(347)**	**–**	**(347)**
Refinancing transaction cost	**(5)**	**–**	**(5)**
Non-cash items			
Amortisation of capitalised financing fees	**5**	**–**	**5**
Business combinations	**19**	**–**	**19**
Exchange rate differences	**(12)**	**–**	**(12)**
Closing balance	**1 982**	**2**	**1 984**
Year ended 31 March 2018			
Opening balance	2 030	9	2 039
Cash flow movements			
Proceeds from borrowings	6	–	6
Repayment of borrowings	(30)	–	(30)
Settlement of interest rate swap	–	(4)	(4)
Refinancing transaction cost	(12)	–	(12)
Non-cash items			
Amortisation of capitalised financing fees	5	–	5
Derecognition of unamortised financing fees	19	–	19
Fair value changes	–	(5)	(5)
Business combinations	25	–	25
Exchange rate differences	(106)	2	(104)
Closing balance	1 937	2	1 939

	2019 £'m	2018 £'m
29.8 Cash and cash equivalents		
For the purposes of the statement of cash flows, cash, cash equivalents and bank overdrafts include:		
Cash and cash equivalents	**265**	261
Cash, cash equivalents and bank overdrafts are denominated in the following currencies:		
Swiss franc*	**119**	71
South African rand**	**97**	116
UAE dirham***	**19**	46
Pound sterling****	**30**	28
	265	261

* *The facility agreement of the Swiss subsidiary restricts the distribution of cash. The counterparties have a minimum A1 credit rating by Moody's and a minimum A credit rating by Standard & Poor's.*

** *The counterparties have a minimum Baa3 credit rating by Moody's.*

*** *The counterparties have a minimum BBB+ by Standard & Poor's.*

**** *The counterparty has a Aa3 credit rating by Moody's.*

Cash and cash equivalents denominated in South African rand amounting to £12m (2018: £34m) and Swiss bank accounts denominated in Swiss franc amounting to £112m (2018: £64m) have been ceded as security for borrowings (see note 17).

30. BUSINESS COMBINATIONS

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

	2019 £'m	2018 £'m
Cash flow on acquisition:		
Clinique des Grangettes	**(50)**	–
City Centre Clinics Deira and Me'aisem	**(7)**	–
Welkom Medical Centre	**(6)**	–
Intercare Hospital Group	**–**	–
Sandton Day Hospital and Sandton sub-acute Hospital	**–**	–
Linde Holding Biel/Bienne AG	**–**	(74)
Rontgeninstitut Cham AG	**–**	(9)
	(63)	(83)

Clinique des Grangettes

Effective on 1 October 2018, Hirslanden AG acquired a 60% stake in Grangettes Healthcare SA through a newly formed structure and obtained control over the company. A new entity, Hirslanden La Colline Grangettes SA, was formed to effect the business combination. The new entity was established by contribution in kind of the investment in Grangettes Healthcare SA. As part of the consideration transferred, the investment in Hirslanden Clinique La Colline SA was transferred to the newly founded entity.

Clinique des Grangettes is a leading private hospital in Geneva offering a wide range of medical services, specialising in maternity care, paediatrics, cardiology, oncology, radiology and emergency care. The Clinique des Grangettes has state-of-the-art equipment diagnostic and treatment equipment, which is used by more than 450 affiliated doctors.

The Clinique La Colline is known for its competence centres in orthopaedics, neurosurgery, visceral surgery and sports medicine. The medical services of the two hospitals thus complement each other perfectly. The combination of the Clinique des Grangettes and the Hirslanden Clinique La Colline enables operational synergies and cost savings.

The goodwill of £99m (CHF126m) arising from the acquisition is attributable to the acquired workforce and economies of scale expected from combining the operations of the Group and Grangettes Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the total consideration transferred at the acquisition date for the Grangettes Group (consisting of Clinique des Grangettes SA, Dianecho SA and Grangettes Healthcare SA).

	2019 £'m
Consideration at 1 October 2018	
Cash	**60**
Portion given up of investment in Clinique La Colline	**58**
Total consideration transferred	**118**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. BUSINESS COMBINATIONS (continued)

Clinique des Grangettes (continued)

The following table summarises the provisional fair value of assets acquired and liabilities assumed at the acquisition date for the Grangettes Group (consisting of Clinique des Grangettes SA, Dianecho SA and Grangettes Healthcare SA).

	2019 £'m
Recognised amounts of identifiable assets acquired and liabilities assumed	
Assets	
Property, equipment and vehicles	**10**
Intangible assets	**25**
Inventories	**2**
Trade and other receivables	**25**
Cash and cash equivalents	**10**
Deferred tax assets	**2**
Other investments and loans	**8**
Total assets	**82**
Liabilities	
Borrowings	**15**
Provisions	**1**
Retirement benefit obligations	**7**
Deferred tax liabilities	**9**
Trade and other payables	**13**
Current income tax liabilities	**5**
Total liabilities	**50**
Total identifiable net assets at fair value	**32**
Non-controlling interest at fair value	**(13)**
Goodwill	**99**
Consideration transferred for the business	**118**
Net cash acquired with subsidiary	**10**
Cash paid	**(60)**
Net cash flow on acquisition	**(50)**

The Group elected to recognise the non-controlling interest at its proportionate share of the acquired net identifiable assets. As part of the consideration transferred, 40% of the previously fully owned Hirslanden Clinique la Colline SA was transferred to the seller of Grangettes group. This transfer is accounted for as a transaction with non-controlling interest, as it does not result in a loss of control and amounted to £17m. The difference between fair value of the consideration transferred and the carrying value of the net assets of Hirslanden Clinique La Colline at the acquisition date is recorded in equity (£41m). The Group entered into a put/call agreement over the remaining 40% of the interest in the combined company of Clinique des Grangettes and Clinique La Colline. Refer to note 20.

30. BUSINESS COMBINATIONS (continued)

The fair value of trade and other receivables is £25m. The best estimate at acquisition date of the contractual cash flows not expected to be collected are £2m. From the date of acquisition, the Grangettes Healthcare SA has contributed £44m to revenue and £6m to the net profit before tax of the Group. The Group does not disclose revenue and profit before tax of Les Grangettes as if the business combination occurred at the beginning of the reporting period due to not having access to the relevant information before the Group obtained control over the business.

The fair value of the acquired identifiable assets and liabilities has been provisionally determined for all business combinations. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, then the accounting for the acquisition will be revised. The following smaller business combinations occurred during the current year:

City Centre Clinics Deira and Me'aisem

On 28 June 2018, Mediclinic Middle East acquired 100% of the Dubai based City Centre Clinics Deira and Me'aisem from Majid Al Futtaim for £7m (AED35m).

City Centre Clinic Deira is a large outpatient facility with one day case surgery theatre and 18 medical disciplines. City Centre Clinic Me'aisem is a smaller community clinic focusing on six core disciplines. The clinics serve strategic geographic locations and offer the opportunity to refer higher acuity inpatient cases to existing Mediclinic Middle East hospitals as well as the new Mediclinic Parkview Hospital.

The goodwill of £2m (AED8m) arising from the acquisition is attributable to the acquired workforce and economies of scale expected from combining the operations of Mediclinic Middle East and the City Centre Clinics.

Welkom Medical Centre

On 3 September 2018, Mediclinic Southern Africa acquired 100% of the share capital of Welkom Medical Centre for £6m (ZAR110m).

Welkom Medical Centre consists of a day case clinic with 20 beds, a sub-acute unit of 20 beds and a mental health unit with a further 20 beds. The goodwill of £3m (ZAR54m) arising from the acquisition is attributable to the acquired workforce and economies of scale expected from combining the operations of Welkom Medical Centre and Mediclinic Southern Africa. None of the goodwill recognised is expected to be deductible for income tax purposes.

Intercare Hospital Group

On 1 November 2018, Mediclinic Southern Africa acquired 50% plus one share of Intercare Hospital Group for £1m (ZAR32m).

The Intercare Hospital Group consists of 4 day case clinics and 4 sub-acute hospitals and a fertility hospital. The goodwill of £2m (ZAR37m) arising from the acquisition is attributable to the acquired workforce and economies of scale expected from combining the operations of the Intercare Hospital Group and Mediclinic Southern Africa. None of the goodwill recognised is expected to be deductible for income tax purposes.

Sandton Day Hospital and Sandton sub-acute Hospital

On 1 November 2018, Mediclinic Southern Africa acquired 71% of the share capital of Sandton Day Hospital and Sandton sub-acute Hospital for £0.2m (ZAR2m).

The Sandton Day Hospital and Sandton sub-acute Hospital consist of a day case clinic with 20 beds and sub-acute units of 30 beds. The goodwill of £1m (ZAR20m) arising from the acquisition is attributable to the acquired workforce and economies of scale expected from combining the operations of the Sandton Day Hospital and Sandton sub-acute Hospital and Mediclinic Southern Africa. None of the goodwill recognised is expected to be deductible for income tax purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. BUSINESS COMBINATIONS (continued)

The following table summarises the consideration paid for the smaller business combinations and the provisional fair value of assets and liabilities assumed at the acquisition date:

	Total £'m	City Centre Clinics £'m	Welkom Medical Centre £'m	Intercare Hospital Group £'m	Sandton Day and sub-acute Hospitals £'m
Recognised amounts of identifiable assets acquired and liabilities assumed					
Assets					
Property, equipment and vehicles	10	5	3	1	1
Deferred tax assets	1	–	–	1	–
Cash and cash equivalents	1	–	–	1	–
Total assets	12	5	3	3	1
Liabilities					
Borrowings	4	–	–	2	2
Trade and other payables	3	–	–	3	–
Total liabilities	7	–	–	5	2
Total identifiable net assets at fair value	5	5	3	(2)	(1)
Non-controlling interest	1	–	–	1	–
Goodwill	8	2	3	2	1
Consideration transferred for the business	14	7	6	1	–
Cash flow on acquisition					
Cash acquired with subsidiary	1	–	–	1	–
Cash paid	(14)	(7)	(6)	(1)	–
Net cash flow on acquisition	(13)	(7)	(6)	–	–

31. DISPOSAL OF SUBSIDIARIES

During the current year, the Group disposed of Mediclinic Aspetar LLC and Mediclinic Pharmacy Aspetar LLC that were part of the Middle East segment as well as Mediclinic Barberton (Pty) Ltd that was part of the Southern Africa segment. In the prior year, the following companies that were part of the Middle East segment were disposed of: Lookwow One Day Surgery Company LLC and the following branches of Mediclinic Hospitals LLC: Mirfa, Ajman, Hamdan Pharmacy, Sanaya and ICAD.

	2019 £'m	2018 £'m
Analysis of assets and liabilities over which control was lost		
Property, equipment and vehicles	1	8
Goodwill	–	3
Trade and other payables	–	(1)
Non-controlling interest derecognised	–	(1)
Net assets disposed of	1	9
Consideration received		
Cash and cash equivalents	–	2
Total consideration	–	2
Loss on disposal of subsidiary		
Consideration received*	–	2
Net assets disposed of	(1)	(9)
Loss on disposal	(1)	(7)
Net cash inflow		
Total cash flow on disposal of subsidiary	–	2
Less: cash and cash equivalents disposed of	–	–
Net cash inflow on disposal	–	2

* *Amount is less than £0.5m*

32. DISPOSAL GROUPS HELD FOR SALE

During the financial year, management decided to sell the following clinics within the Mediclinic Middle East segment: Mediclinic Hospitals – Al Musafah Speciality Clinics.

	2019 £'m	2018 £'m
Analysis of assets and liabilities held for sale		
Assets		
Property, equipment and vehicles	1	1
Trade and other receivables	3	–
Total assets	4	1
Liabilities		
Retirement benefit obligations	1	–
Total liabilities	1	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* on the Group's financial statements.

33.1 IFRS 15 *Revenue from contracts with customers*

The Group adopted IFRS 15 from 1 April 2018 which resulted in changes in accounting policies. In accordance with the transitional provisions in the standard, the Group followed the modified retrospective approach. The comparative information is presented based on the requirements of IAS 18 *Revenue* and no adjustment to opening retained earnings was required.

In the Middle East, the normal business process associated with transactions with insurers includes an amount of claims disallowed (disallowance provision) which is not paid by the insurer. These disallowed claims could be for various technical or medical reasons. Disallowance write-offs on rejected claims is a general practice by the insurers in the Middle East. Accordingly, Mediclinic Middle East expects an amount of consideration that is less than what was originally invoiced. These write-offs constitute variable consideration under IFRS 15. Variable consideration is recognised as revenue to the extent that it is highly probable that a reversal of revenue will not occur. In prior periods, revenue was recognised based on the contract with the insurers and a provision for bad debt was recognised for the rejections based on historical trends. Under IFRS 15, these rejected claims are recognised as part of revenue (decreasing the revenue recognised). The rejections recognised in the provision for impairment of trade receivables in the prior period is reclassified to gross debtors on 1 April 2018. Refer to note 33.2 below. If IFRS 15 was applied to the prior period results, revenue from the Middle East segment would have been £626m compared to the £643m recognised under IAS 18 (with a corresponding decrease of £17m in expenses). This change has no impact on net profit.

The implementation of IFRS 15 did not have a material impact on the Group's other divisions.

33.2 IFRS 9 *Financial Instruments*

The accounting policies were changed to comply with IFRS 9 which replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets; and hedge accounting.

The Group has adopted IFRS 9 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in the standard, comparative figures have not been restated. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings. The adjustments arising from the new impairment rules are therefore not reflected in the statement of financial position as at 31 March 2018, but are recognised in the opening balance of retained earnings on 1 April 2018.

The changes due to the implementation of IFRS 9 are described below:

Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent solely payments of principal and interest on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, 1 April 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Group. The following are the changes in the classification of the Group's financial assets:

- Trade receivables and other loans and receivables classified as "loans and receivables" at 31 March 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as "debt instruments at amortised cost" beginning 1 April 2018.
- Equity investments in non-listed companies classified as "investments available for sale" at 31 March 2018 are classified and measured as "financial assets at fair value through profit or loss" beginning 1 April 2018. These investments do not meet the IFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest. This reclassification had no impact on equity because the equity reserve relating to these available for sale investments was nil at 1 April 2018.

33. CHANGES IN ACCOUNTING POLICIES (continued)

There are no changes in classification and measurement for the Group's financial liabilities.

In summary, upon adoption of IFRS 9, the Group had the following required or elected reclassifications as at 1 April 2018:

		IFRS 9 measurement category	
	£'m	FVPL £'m	Amortised cost £'m
IAS 39 measurement category			
Loans and receivables			
Trade and other receivables	607	–	607
Loans and receivables (other investments and loans)	7	–	7
Investments available for sale			
Unlisted shares (other investments and loans)	1	1	–
		1	**614**

Impairment of financial assets

The Group was required to revise its impairment methodology under IFRS 9. The Group applied the simplified approach to measure the expected credit losses as prescribed by IFRS 9 for trade receivables. The simplified approach requires the use of the lifetime expected loss provision for all trade receivables. Other financial assets classified as debt instruments at amortised cost are considered to be low risk and therefore the impairment provision is determined as 12 months of expected credit losses. The impact of the change in the impairment methodology on the Group's equity is as follows:

	1 Apr 2018 £'m
Opening retained earnings – IAS 39	5 057
Adjustment to retained earnings on adoption of IFRS 9:	
Increase in provision for impairment of trade receivables*	–
Impact of IFRS 9 on equity accounted investments	(2)
Opening retained earnings – IFRS 9	5 055

* *Impact is less than £0.5m.*

The Group was required to revise its impairment methodology under IFRS 9 for trade receivables. The Group applied the simplified approach to measure the expected credit losses as prescribed by IFRS 9. The simplified approach requires the use of the lifetime expected loss provision for all trade receivables.

Hedge accounting

At the date of initial application, all of the Group's existing hedging relationships (10 hedges in the Southern Africa segment) were eligible to be treated as continuing hedging relationships. The Group's risk management strategies and hedge documentation are aligned with the requirements of IFRS 9 and these relationships are therefore treated as continuing hedges.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. COMMITMENTS

	2019 £'m	2018 £'m
Capital commitments		
Incomplete capital expenditure contracts	**99**	138
Switzerland	**15**	14
Southern Africa	**69**	77
Middle East	**15**	47
Capital expenses authorised by the Board of Directors but not yet contracted	**166**	204
Switzerland	**16**	15
Southern Africa	**130**	142
Middle East	**20**	47
	265	342

In terms of a forward contract in the Middle East, the Group has an obligation to pay £7m on 31 October 2020. This best estimate of the obligation is determined based on an earnings multiple and is contractually capped to an amount of £80m.

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

Operating lease commitments

The Group has entered into various operating lease agreements on premises and equipment. The future non-cancellable minimum lease rentals are payable during the following financial years:

	2019 £'m	2018 £'m
Within 1 year	**63**	47
1 to 5 years	**199**	147
Beyond 5 years	**492**	413
	754	607

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 three to five 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 above mentioned income guarantees in the reporting period as the net income individually generated met or exceeded the amounts guaranteed.

	2019 £'m	2018 £'m
Total of net income guaranteed:		
April 2018 to March 2019	**–**	3
April 2019 to March 2020	**3**	1
April 2020 to March 2021	**1**	1
April 2021 to March 2022	**1**	–
	5	5

34. COMMITMENTS (continued)

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 period end. Where an exposure is deemed probable and is reliably estimable, a provision is made. Except for those matters where provisions have been recorded, which are described in note 19, the Group considers that no material loss to the Group is expected to result from legal proceedings, claims, complaints and investigations.

35. RELATED PARTY TRANSACTIONS

Remgro Limited owns, through various subsidiaries (Remgro Healthcare (Pty) Ltd, Remgro Health Ltd and Remgro Jersey GBP Ltd) 44.56% (2018: 44.56%) of the Company's issued share capital.

The following transactions were carried out with related parties:

		2019 £'m	2018 £'m
i)	**Transactions with shareholders**		
	Remgro Management Services Ltd (subsidiary of Remgro Ltd)		
	Managerial and administration fees	**0.3**	0.3
	Internal audit services	**0.2**	0.2
	V&R Management Services AG (subsidiary of Remgro Ltd)		
	Administration fees*	**–**	–
ii)	**Key management compensation**		
	Key management includes the directors (executive and non-executive) and members of the executive committee.		
	Salaries and other short term benefits		
	Short-term benefits	**6**	6
	Post employment benefits*	**–**	–
	Share-based payment	**–**	1
iii)	**Transactions with associates**		
	Zentrallabor Zürich		
	Fees earned	**(2)**	(2)
	Purchases	**9**	8
	Spire Healthcare Group plc		
	Non-executive director fee*	**–**	–
	Wits University Donald Gordon Medical Centre (Pty) Ltd		
	Fees paid	**2**	2

* *Amount is less than £0.1m*

36. FINANCIAL INSTRUMENTS

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

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

Financial instruments carried at fair value in the statement of financial position	**2019 £'m**	2018 £'m
Financial assets		
Other investments and loans	**3**	1
Financial liabilities		
Derivative financial instruments	**(91)**	(2)

- Debt instruments at FVPL (part of other investments and loans): Fair value is based on appropriate valuation methodologies being discounted cash flow or actual net asset value of the investment. These assets are grouped as level 2.
- Derivative financial instruments: Interest rate swaps, put/call agreements and forward contracts. These financial instruments are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates. Based on the degree to which the fair value is observable, the interest rate swaps are grouped as level 2. The forward contract and put option (redemption liability) are grouped as level 3.

Financial instruments not carried at fair value in the statement of financial position	**2019 £'m**	2018 £'m
Financial assets		
Other investments and loans	**8**	7
Trade and other receivables	**516**	440
Cash and cash equivalents	**265**	261
Financial liabilities		
Borrowings	**(1 982)**	(1 937)
Trade and other payables	**(411)**	(354)

- Cash and cash equivalents, trade and other receivables, trade and other payables and other investments and loans: Due to the expected short-term maturity of these financial instruments, their carrying value approximate their fair value.
- Borrowings: The fair value of long-term borrowings is based on discounted cash flows using the effective interest rate method. As the interest rates of long-term borrowings are all market related, their carrying values approximate their fair value.

37. EVENTS AFTER THE REPORTING DATE

No material events occurred between the reporting date and the date the financial statements were authorised for issue.

ANNEXURE – INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

SUBSIDIARIES

Company	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2019 %	Interest in capital[1] 31 March 2018 %
Al Noor Holdings Cayman Limited ("**ANH Cayman**")	Cayman Islands	Dormant company in process of liquidation	**100.0**	100.0
ANMC Management Limited ("**ANMC Management**")	Cayman Islands	Dormant company in process of liquidation	**100.0**	100.0
Mediclinic CHF Finco Limited	Jersey	Treasury	**100.0**	100.0
Mediclinic Holdings Netherlands B.V.	Netherlands	Intermediary holding company	**100.0**	100.0
Mediclinic International (RF) (Pty) Ltd	South Africa	Intermediary holding company	**100.0**	100.0
Mediclinic Middle East Holdings Limited	Jersey	Intermediary holding company	**100.0**	100.0
Group				
Indirectly held through Mediclinic CHF Finco Limited				
Mediclinic Jersey Limited	Jersey	Intermediary holding company	**100.0**	100.0
Indirectly held through Mediclinic International (RF) (Pty) Ltd				
Mediclinic Investments (Pty) Ltd	South Africa	Intermediary holding company	**100.0**	100.0
Mediclinic Group Services (Pty) Ltd	South Africa	Provision of group services within the Mediclinic Group	**100.0**	100.0
Indirectly held through Mediclinic Investments (Pty) Ltd				
Mediclinic Middle East Investment Holdings (Pty) Ltd	South Africa	Deregistered	**–**	100.0
Mediclinic Southern Africa (Pty) Ltd	South Africa	Intermediary holding company	**100.0**	100.0
Indirectly held through Mediclinic Group Services (Pty) Ltd				
Medical Innovations (Pty) Ltd	South Africa	Hospital equipment and procurement	**100.0**	100.00
Indirectly held through Mediclinic Southern Africa (Pty) Ltd				
Curamed Holdings (Pty) Ltd	South Africa	Intermediary holding company	**69.6**	69.6
ER24 Holdings (Pty) Ltd	South Africa	Intermediary holding company	**100.0**	100.0
Howick Private Hospital Holdings (Pty) Ltd* (50% plus 1 share)	South Africa	Intermediary holding company	**50.0**	50.0
Medical Human Resources (Pty) Ltd	South Africa	Management of healthcare staff	**100.0**	100.0
Mediclinic (Pty) Ltd (ordinary shares and Mediclinic Head Office Hospital shares)	South Africa	Intermediary holding company and operating company of Mediclinic Southern Africa	**100.0**	100.0
Mediclinic Brits (Pty) Ltd*	South Africa	Healthcare services	**66.7**	67.8
Mediclinic Finance Corporation (Pty) Ltd	South Africa	Treasury	**100.0**	100.0
Mediclinic Holdings (Namibia) (Pty) Ltd	Namibia	Intermediary holding company	**100.0**	100.0
Mediclinic Lephalale (Pty) Ltd*	South Africa	Healthcare services	**91.2**	91.2
Mediclinic Midstream (Pty) Ltd*	South Africa	Healthcare services	**79.8**	81.1
Mediclinic Midstream Properties (Pty) Ltd	South Africa	Deregistered	**–**	100.0
Mediclinic Paarl (Pty) Ltd*	South Africa	Healthcare services	**75.5**	75.9

ANNEXURE – INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (CONTINUED)

Company	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2019 %	Interest in capital[1] 31 March 2018 %
Mediclinic Properties (Pty) Ltd	South Africa	Property ownership and management	**100.0**	100.0
Mediclinic Tzaneen (Pty) Ltd* (50% plus one share)	South Africa	Healthcare services	**50.0**	50.0
Mediclinic Stellenbosch (Pty) Ltd*	South Africa	Healthcare services	**72.5**	–
Indirectly held through Mediclinic Southern Africa (Pty) Ltd				
Intercare Holdings (Pty) Ltd (Clinics)	South Africa	Healthcare services	**34.0**	–
Intercare Group Hospital Holdings (Pty) Ltd (Hospitals) (50% plus one share)	South Africa	Healthcare services	**50.0**	–
Newcastle Private Hospital (Pty) Ltd* (50% plus one share, including B class shares)	South Africa	Healthcare services	**50.0**	50.0
Practice Relief (Pty) Ltd	South Africa	Provision of debt collection and related services	**100.0**	100.0
Victoria Hospital (Pty) Ltd* (50% plus five shares, including B class shares)	South Africa	Healthcare services	**50.0**	50.0
Indirectly held through Mediclinic Holdings (Namibia) (Pty) Ltd				
Mediclinic Capital (Namibia) (Pty) Ltd	Namibia	Investment holding company	**100.0**	100.0
Mediclinic Otjiwarongo (Pty) Ltd	Namibia	Healthcare services	**100.0**	100.0
Mediclinic Properties (Swakopmund) (Pty) Ltd	Namibia	Property ownership and management	**100.0**	100.0
Mediclinic Properties (Windhoek) (Pty) Ltd	Namibia	Property ownership and management	**100.0**	100.0
Mediclinic Swakopmund (Pty) Ltd	Namibia	Healthcare services	**99.0**	99.0
Mediclinic Windhoek (Pty) Ltd	Namibia	Healthcare services	**97.1**	96.5
Hospital Investment Companies				
Mediclinic Bloemfontein Investments (Pty) Ltd	South Africa	Hospital investment company	**98.2**	98.9
Mediclinic Cape Gate Investments (Pty) Ltd	South Africa	Hospital investment company	**89.9**	90.9
Mediclinic Cape Town Investments (Pty) Ltd	South Africa	Hospital investment company	**99.0**	99.0
Mediclinic Constantiaberg Investments (Pty) Ltd	South Africa	Hospital investment company	**75.0**	75.5
Mediclinic Durbanville Investments (Pty) Ltd	South Africa	Hospital investment company	**99.4**	99.4
Mediclinic Emfuleni Investments (Pty) Ltd	South Africa	Hospital investment company	**80.1**	83.0
Mediclinic George Investments (Pty) Ltd	South Africa	Hospital investment company	**99.3**	97.3
Mediclinic Highveld Investments (Pty) Ltd	South Africa	Hospital investment company	**98.5**	98.5

Company	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2019 %	31 March 2018 %
Mediclinic Hoogland Investments (Pty) Ltd	South Africa	Hospital investment company	**99.1**	99.1
Mediclinic Kathu Investments (Pty) Ltd	South Africa	Dormant	**100.0**	100.0
Mediclinic Klein Karoo Investments (Pty) Ltd	South Africa	Hospital investment company	**100.0**	100.0
Mediclinic Legae Investments (Pty) Ltd	South Africa	Hospital investment company	**89.3**	91.8
Mediclinic Louis Leipoldt Investments (Pty) Ltd	South Africa	Hospital investment company	**99.8**	99.6
Mediclinic Milnerton Investments (Pty) Ltd	South Africa	Hospital investment company	**99.4**	99.4
Mediclinic Morningside Investments (Pty) Ltd	South Africa	Hospital investment company	**79.7**	79.5
Mediclinic Nelspruit Investments (Pty) Ltd	South Africa	Hospital investment company	**98.2**	98.7
Mediclinic Panorama Investments (Pty) Ltd	South Africa	Hospital investment company	**99.2**	99.2
Mediclinic Pietermaritzburg Investments (Pty) Ltd	South Africa	Hospital investment company	**76.4**	77.4
Mediclinic Plettenberg Bay Investments (Pty) Ltd	South Africa	Hospital investment company	**93.0**	93.0
Mediclinic Sandton Investments (Pty) Ltd	South Africa	Hospital investment company	**93.8**	94.0
Mediclinic Secunda Investments (Pty) Ltd	South Africa	Hospital investment company	**81.8**	81.8
Mediclinic Vereeniging Investments (Pty) Ltd	South Africa	Hospital investment company	**98.5**	98.5
Mediclinic Vergelegen Investments (Pty) Ltd	South Africa	Hospital investment company	**94.4**	92.9
Mediclinic Welkom Investments (Pty) Ltd	South Africa	Hospital investment company	**91.9**	91.4
Mediclinic Worcester Investments (Pty) Ltd	South Africa	Hospital investment company	**97.3**	97.3
Indirectly held through Mediclinic (Pty) Ltd				
Mediclinic Ermelo (Pty) Ltd*	South Africa	Healthcare services	**58.1**	52.2
Mediclinic Hermanus (Pty) Ltd*	South Africa	Healthcare services	**53.2**	53.2
Mediclinic Kimberley (Pty) Ltd*	South Africa	Healthcare services	**89.5**	89.4
Mediclinic Limpopo (Pty) Ltd$*	South Africa	Healthcare services	**50.0**	50.0
Mediclinic Potchefstroom (Pty) Ltd*	South Africa	Healthcare services	**85.6**	86.1
Mediclinic Upington (Pty) Ltd*	South Africa	Healthcare services	**50.0**	50.0
Indirectly held through Howick Private Hospital Holdings (Pty) Ltd				
Howick Private Hospital (Pty) Ltd*	South Africa	Healthcare services	**100.0**	100.0

ANNEXURE – INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (CONTINUED)

Company	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2019 %	31 March 2018 %
Indirectly held through Mediclinic Limpopo (Pty) Ltd				
Mediclinic Limpopo Day Clinic (Pty) Ltd	South Africa	Day clinic investment company	**57.9**	60.2
Mediclinic Limpopo Investments (Pty) Ltd	South Africa	Investment holding company	**100.0**	100.0
Indirectly held through Mediclinic Durbanville Investments (Pty) Ltd				
Mediclinic Durbanville Day Clinic (Pty) Ltd	South Africa	Day clinic investment company	**85.2**	89.9
Indirectly held through Mediclinic Welkom Investments (Pty) Ltd				
Welkom Medical Centre (Free State) (Pty) Ltd	South Africa	Healthcare services	**78.8**	77.3
Indirectly held through Mediclinic Morningside Investments (Pty) Ltd				
Sandton Day Hospital (Pty) Ltd	South Africa	Healthcare services	**70.0**	–
Sandton Sub-Acute Hospital (Pty) Ltd	South Africa	Healthcare services	**70.0**	–
Indirectly held through Mediclinic Victoria Hospital (Pty) Ltd				
Victoria Hospital Investments (Pty) Ltd	South Africa	Investment holding company	**100.0**	100.0
Indirectly held through Curamed Holdings (Pty) Ltd				
Curamed Hospitals (Pty) Ltd	South Africa	Healthcare services	**100.0**	100.0
Curamed Properties (Pty) Ltd	South Africa	Property ownership and management	**100.0**	100.0
Indirectly held through Curamed Hospitals (Pty) Ltd				
Mediclinic Thabazimbi (Pty) Ltd	South Africa	Healthcare services	**76.0**	76.0
Indirectly held through ER24 Holdings (Pty) Ltd				
ER24 EMS (Pty) Ltd	South Africa	Emergency medical services	**100.0**	100.0
ER24 Trademarks (Pty) Ltd	South Africa	Intellectual property holding company	**100.0**	100.0
ER24 Zambia Ltd	Zambia	Emergency medical services	**99.0**	99.0
Indirectly held through Mediclinic Stellenbosch (Pty) Ltd				
Mediclinic Winelands (Pty) Ltd	South Africa	Healthcare services	**100.0**	100.0
Hedrapix Investments (Pty) Ltd (to be renamed Stellenbosch Day Clinic (Pty) Ltd)	South Africa	Dormant	**100.0**	100.0

* *Controlled through long-term management agreements.*
$ *Operating through a trust.*

Company	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2019 %	Interest in capital[1] 31 March 2018 %
Indirectly held through Mediclinic Holdings Netherlands B.V.				
Mediclinic Luxembourg S.à.r.l	Luxembourg	Intermediary holding company	**100.0**	100.0
Indirectly held through Mediclinic Luxembourg S.à.r.l.				
Hirslanden AG	Switzerland	Intermediary holding company and operating company of the Hirslanden group	**100.0**	100.0
Indirectly held through Hirslanden AG				
AndreasKlinik AG Cham	Switzerland	Healthcare services	**100.0**	100.0
Hirslanden Bern AG	Switzerland	Healthcare services	**100.0**	100.0
Hirslanden Freiburg AG, Düdingen	Switzerland	Healthcare services	**100.0**	100.0
Hirslanden Klinik Aarau AG	Switzerland	Healthcare services	**100.0**	100.0
Indirectly held through Hirslanden AG				
Hirslanden Klinik Am Rosenberg AG	Switzerland	Healthcare services	**100.0**	100.0
Hirslanden Lausanne SA	Switzerland	Healthcare services	**100.0**	100.0
IMRAD SA	Switzerland	Healthcare services	**80.0**	80.0
Klinik Belair AG	Switzerland	Healthcare services	**100.0**	100.0
Klinik Birshof AG	Switzerland	Healthcare services	**99.7**	99.7
Klinik St. Anna AG	Switzerland	Healthcare services	**100.0**	100.0
Klinik Stephanshorn AG	Switzerland	Healthcare services	**100.0**	100.0
Radiotherapie Hirslanden AG	Switzerland	Healthcare services	**100.0**	100.0
Röntgeninstitut Cham AG	Switzerland	Healthcare services	**–**	100.0
Hirslanden Klinik Linde AG	Switzerland	Healthcare services	**100.0**	99.7
Hirslanden La Colline Grangette SA	Switzerland	Healthcare services	**60.0**	–
Indirectly held through Hirslanden Klinik am Rosenberg AG				
Klinik am Rosenberg Heiden AG	Switzerland	Healthcare services	**99.2**	99.2
Lindenpark Immobilien AG	Switzerland	Healthcare services	**–**	99.7
Indirectly held through Hirslanden Bern AG				
Herzchirurgie Hirslanden Bern AG	Switzerland	Healthcare services	**–**	100.0
Indirectly held through Hirslanden La Colline Grangettes SA				
Hirslanden Clinique La Colline SA	Switzerland	Healthcare services	**60.0**	–
Grangettes Healthcare SA	Switzerland	Healthcare services	**60.0**	100.0
Indirectly held though Grangettes Healthcare SA				
Clinique des Grangettes SA	Switzerland	Healthcare services	**60.0**	–
Dianecho SA	Switzerland	Healthcare services	**43.9**	–
Indirectly held through Mediclinic Middle East Holdings Limited				
Mediclinic International Co Limited	United Kingdom	Dormant	**100.0**	100.0
Emirates Healthcare Holdings Limited	British Virgin Islands	Intermediary holding company	**100.0**	100.0

ANNEXURE – INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (CONTINUED)

Company	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2019 %	31 March 2018 %
Indirectly held through Emirates Healthcare Holdings Limited				
Welcare World Holdings Limited	British Virgin Islands	Healthcare services	**100.0**	100.0
Emirates Healthcare Limited	British Virgin Islands	Healthcare services	**100.0**	100.0
Indirectly held through Emirates Healthcare Limited				
Delah Cafe FZ LLC (incorporated in October 2016)	UAE	Food and catering	**100.0**	100.0
Emirates Healthcare Estates Limited (liquidated)	British Virgin Islands	Property management	**–**	100.0
Mediclinic Al Quasis Clinic LLC[2]	UAE	Healthcare services	**49.0**	49.0
Mediclinic Beach Road LLC[2] (dormant)	UAE	Healthcare services	**49.0**	49.0
Mediclinic City Hospital FZ LLC	UAE	Healthcare services	**100.0**	100.0
Mediclinic Clinics Investment LLC[2]	UAE	Healthcare services	**49.0**	49.0
Mediclinic Ibn Battuta Clinic LLC[2]	UAE	Healthcare services	**49.0**	49.0
Mediclinic Medical Stores Co LLC[2]	UAE	Procurement	**49.0**	49.0
Mediclinic Mirdif Clinic LLC[2]	UAE	Healthcare services	**49.0**	49.0
Mediclinic Parkview Hospital LLC[2]	UAE	Healthcare services	**49.0**	49.0
Mediclinic Al Bahr Clinic LLC (dormant)	UAE	Healthcare services	**49.0**	49.0
Welcare Hospitals Limited (BVI)	British Virgin Islands	Healthcare services	**100.0**	100.0
Welcare World Health Systems Limited	British Virgin Islands	Healthcare services	**100.0**	100.0
Mediclinic Hospitals LLC[4]* (Al Noor Hospital)	UAE	Healthcare services	**49.0**	–
Pharma Light Medical Store LLC	UAE	Medical store / procurement	**49.0**	–
Indirectly held through Welcare Hospitals Limited (BVI)				
Mediclinic Welcare Hospital LLC[2]	UAE	Healthcare services	**49.0**	49.0
Indirectly held through Welcare World Holdings Limited				
Mediclinic Corniche Medical Centre LLC[2] (dormant)	UAE	Healthcare services	**49.0**	49.0
Mediclinic Pharmacy LLC[2] (dormant)	UAE	Healthcare services (pharmacy)	**49.0**	49.0
Indirectly held through Welcare World Health Systems Limited				
Mediclinic Middle East Management Services FZ LLC	UAE	Healthcare management services	**100.0**	100.0
Indirectly held through Al Noor Commercial Investment – Sole Proprietorship LLC				
Al Noor Hospital Clinics – Al Ain[9]	UAE	Intermediary holding company	**51.0**	–

Company	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2019 %	31 March 2018 %
Indirectly held through Mediclinic Hospitals LLC				
Al Madar Medical Center LLC[5] (previously Al Madar Group LLC) (dormant)	UAE	Healthcare services	**73.0**	73.0
Al Madar Medical Center Pharmacy LLC	UAE	Healthcare services	**49.0**	49.0
Mediclinic Al Mamora LLC (previously named Al Noor Hospital Family Care Centre – Al Mamoora LLC)[6]	UAE	Healthcare services	**99.0**	100.0
Mediclinic Khalifa City Clinic LLC (previously named Al Noor Hospital Medical Centre Khalifa City LLC)[7]	UAE	Healthcare services	**49.0**	49.0
Mediclinic Aspetar LLC (previously named Aspetar Al Madar Medical Center LLC)[8] (sold on 5 December 2018)	UAE	Healthcare services	**–**	49.0
Mediclinic Pharmacy Aspetar LLC (previously named Aspetar Al Madar Medical Pharmacy) (sold on 5 December 2018)	UAE	Healthcare services	**–**	49.0

Notes

1 The actual equity interest in the UAE entities are disclosed herein, with the beneficial interest further explained in the notes.

2 In terms of the constitutional and contractual arrangements, the Group has full management control and an economic interest of 100% in these UAE entities.

3 Al Nahda International Holding LLC holds 100% share capital of Al Noor Commercial Investments– Sole proprietorship LLC. As per the Shareholders Agreement dated 17 May 2017, executed between Emirates Healthcare Limited, Al Nahda International Limited, Al Noor Commercial Investment LLC and Mediclinic Hospitals LLC, the parties have agreed that Al Nahda International Holding LLC will become the sole shareholder of ANCI and the local sponsor for the group (OPCO of Mediclinic Hospitals LLC (Al Noor Hospital) and its subsidiaries and their 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 BVI holds the remaining 49%. By virtue of this shareholder agreement, the parties have agreed that ANCI and Mediclinic Hospitals LLC (Al Noor Hospital) will be managed and controlled by EHL. Every dividend declared by Mediclinic Hospitals LLC (Al Noor Hospital) will be paid directly to Emirates Healthcare Limited. Accordingly, the management, voting rights and the dividend rights have been assigned to Emirates Healthcare Limited. As per the termination agreement dated 21 August 2017, between Al Noor Golden Commercial Investment LLC, Sheikh Mohamed Bin Butti Al Hamid, Al Noor Commercial Investment LLC, ANMC Management Limited, Al Noor Holdings Cayman and Emirates Healthcare Limited whereby the parties agreed to terminate the following:

a) Relationship management agreement entered into between ANGCI, Sheikh Bin Butti and the OPCO on 20 May 2013 ("Relationship Agreement 1");

b) The relationship agreement entered into between ANGCI, ANCI and OPCO on 20 May 2013 ("Relationship Management Agreement 2");

c) The management agreement entered into between ANCI, ANMC Management on 20 May 2013 ("Management Agreement"); and

d) A shareholders agreement entered into between Sheikh Bin Butti, The First Arabian Corporation LLC, Al Noor Cayman, ANMC Management and ANCI on 20 May 2013 ("Shareholders Agreement").

4 Emirates Healthcare Limited BVI 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 rights to Emirates Healthcare Limited BVI. Emirates Healthcare Limited BVI 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)

5 Mediclinic Hospitals LLC (Al Noor Hospital) holds 73% of the issued share capital of Al Madar Medical Center LLC, with the remaining 27% interest 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%. The group's effective beneficial interest in the entity is therefore 99%.

6 Mediclinic Hospitals LLC (Al Noor Hospital) holds 99% and ANCI holds 1% in the issued share capital of Mediclinic Al Mamora LLC, collectively 100%.

7 Mediclinic Hospitals (Al Noor Hospital) holds 49% of the issued share capital of Mediclinic – Khalifa City Clinic LLC, with the remaining 51% held by ANCI. The Memorandum of Association of the company provides that Mediclinic Hospitals LLC (Al Noor Hospital) is entitled to receive 99% of distributions by the company and ANCI is entitled to receive 1%. The group's effective beneficial interest in the entity is therefore 99%.

8 Al Noor Commercial Investment _ Sole Proprietorship LLC holds 51% of the issued share capital of Al Noor Hospital Clinics - Al Ain LLC, with the remaining 49% held by Mediclinic Hospitals LLC. The Memorandum of Association of the company provides that Mediclinic Hospitals LLC is entitled to receive 99% of distributions by the company and ANCI is entitled to receive 1%. The Group's effective beneficial interest in the entity is therefore 99%.

9 Mediclinic Hospitals (Al Noor Hospital) holds 49% of the issued share capital of Al Madar Medical Centre Pharmacy LLC, with the remaining 51% interest held by ANCI. The Memorandum of Association of the company provides that Mediclinic Hospitals LLC is entitled to receive 99% of distributions by the company and ANCI is entitled to receive 1%. The Group's effective beneficial interest in the entity is therefore 99%.

** Controlled through long-term management agreements.*

$ Operating through trusts or partnerships.

ANNEXURE – INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (CONTINUED)

JOINT VENTURES

Company	Country of incorporation and place of business	Principal activities	Interest in capital 31 March 2019 %	Interest in capital 31 March 2018 %
Wits University Donald Gordon Medical Centre (Pty) Ltd	South Africa	Healthcare services	**49.9**	49.9

ASSOCIATES

Company	Interest in capital		Book value of investment	
	31 March 2019 %	31 March 2018 %	**31 March 2019 £'m**	31 March 2018 £'m
Listed:				
Spire Healthcare Group plc (held through Mediclinic Jersey Limited)	**29.9**	29.9	**180**	348
Unlisted:				
Intercare Medical Proprietary Limited	**34.0**	34.0	**3**	2
Bourn Hall International MENA Limited	**30.0**	–	**4**	–
Zentrallabor Zürich, Zürich**	**49.2**	50.0	**2**	2
Baukonsortium, Cham*	**24.0**	24.0	**–**	–
EFG Parkierung Rigistrasse, Cham*	**25.0**	25.0	**–**	–
Centre de Reeducation et de Physiotherapie SA*	**20.0**	20.0	**–**	–
Centre de Physiotherapie du Sport S.à.r.l*	**23.0**	23.0	**–**	–
CORTS AG, Maur*	**30.0**	30.0	**–**	–
GRGB Santé SA, Genève	**30.0**	–	**–**	–
			189	352

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

* *Book value is less than £0.5m.*

** *The Hirslanden group does not control Zentrallabor Zürich as it has no power over the company.*