

GESCHÄFTSBERICHT 2019/20



KOMPETENZ, DIE VERTRAUEN SCHAFFT.





Hirslanden AG

Opfikon

Report of the statutory auditor
to the General Meeting

on the consolidated financial statements 2020



Report of the statutory auditor

to the General Meeting of Hirslanden AG

Opfikon

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Hirslanden AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 March 2020 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period from 1 April 2019 to 31 March 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020 and its consolidated financial performance and its consolidated cash flows for the period from 1 April 2019 to 31 March 2020 in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach



- Overall Group materiality: CHF 7'500'000
- Full audit procedures were performed at 16 out of 25 reporting units
- Our audit scope addressed 98% of the Group's revenue

As key audit matter the following area of focus has been identified:

- Impairment assessment of non-current assets

PricewaterhouseCoopers AG, Birchstrasse 160, P.O. Box, CH-8050 Zurich, Switzerland
Telephone: +41 58 792 44 00, Facsimile: +41 58 792 44 10, www.pwc.ch

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Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 7'500'000
How we determined it	Based on 2.5% of earnings before interest, tax, depreciation and amortisation (EBITDA, before any impairment charge on intangible and tangible assets), rounded
Rationale for the materiality benchmark applied	As a basis for their decisions, Management uses EBITDA as it believes that it reflects the underlying operating performance of the Group. We took this measure into account in determining our materiality since we concur with management that it is the benchmark against which the performance of the Group is most commonly measured.

We agreed with the Board of Directors that we would report to them misstatements above CHF 750'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at each reporting unit. As all components are located in Switzerland, members of the Group engagement team were involved in audits of several reporting units and were able to have direct oversight on the audits at other components. We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain, such as the recovering value of intangible assets including goodwill. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters 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.

Impairment assessment of non-current assets

Key audit matter

As per 31 March 2020 the Group reports goodwill of CHF 126.4 million, brand name intangible assets of CHF 54.3 million and property, equipment and vehicles of CHF 3'953.7 million.

In the year ended 31 March 2020 impairment charges of CHF 39.3 million were recorded, mainly for leasehold improvements and equipment.

The impairment assessment of non-current assets is considered a key audit matter due the magnitude of the assets compared to the total assets as well as the estimation uncertainty inherent in management's assumptions relating to the recoverability of the assets.

The main assumptions relate to the future cash flows of the respective cash generating units or group of cash generating units (CGUs) as well as the discount rates applied to derive the associated recoverable amounts.

Refer to the notes to the consolidated financial statements, specifically note 4 "Critical accounting estimates and judgments", note 5 "Property, equipment and vehicles" and note 6 "Intangible assets".

How our audit addressed the key audit matter

We have obtained management's impairment tests for each of the CGUs.

We discussed with management the appropriateness of the CGU's determined and tested the allocation of net assets to the respective CGUs.

We assessed whether the impairment model applied is appropriate. Specifically, we performed the following procedures:

- We reconciled the estimated future cash flows of the 5 year forecast period to the business plan approved by the Board of Directors.
- We discussed the key assumptions included in the model with management.
- We assessed the methodology applied to calculate the terminal value for its adequacy.
- With support of our internal valuation specialists we tested the reasonableness of the discount rate and reconciled the respective inputs to observable market data. Furthermore, we assessed the reasonableness of the growth rate after the forecast period by comparison to external projections for the healthcare sector.
- We tested the mathematical correctness of the model.
- We compared the current year actual results with the assumptions for the current year included in the prior years' impairment tests.
- We inquired with the selected hospital Directors and other management representatives about the relevant milestones in the respective business plan as well as management's ability and intent to achieve these.
- We performed own sensitivities to stress-test the model.

We assessed the adequacy of the disclosures related to the impairment test.

We tested the recognition of the impairment to the respective non-current asset categories.

Based on our work performed, we obtained adequate assurance of the appropriateness of management's assumptions and how the impairment assessments were performed and the recoverability of the remaining carrying values of non-current assets.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of Hirslanden AG and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. 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 in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is 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 Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 Swiss law, ISAs and Swiss Auditing Standards 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 consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Bruno Rossi
Audit expert
Auditor in charge

Sven Rumpel
Audit expert

Zurich, 14 May 2020

Enclosure:

- Consolidated financial statements (consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes)

HIRSLANDEN 

**ANNUAL CONSOLIDATED
FINANCIAL STATEMENTS 2020**



MEDICLINIC 
INTERNATIONAL

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for the year ended 31 March

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GENERAL INFORMATION

for the year ended 31 March

NATURE OF ACTIVITIES

The main business of the Group is to enhance the quality of life of patients by providing comprehensive, high-quality hospital services on a cost-effective basis.

GENERAL REVIEW OF ACTIVITIES

The Group currently operates seventeen hospitals in Switzerland.

The financial results are fully disclosed in the consolidated income statement and in the consolidated financial statements.

COMPANY NAME

Hirslanden AG ("Group")

COMPANY REGISTRATION NUMBER

CHE-113.796.171

ULTIMATE HOLDING COMPANY

Mediclinic International plc

REGISTERED OFFICE

Boulevard Lilienthal 2, 8152 Glattpark (Opfikon)

EXECUTIVE MANAGEMENT

Mr. D. Liedtke (Chief Executive Officer)
Mr. P.-A. Binard (Chief Financial Officer)
Dr. C. H. A. Westerhoff (Chief Clinical Officer)
Mr. M. Bechtiger (Chief Human Resources Officer)
Mr. S. Studer (Chief Operating Officer West)
Dr. S. Pahls (Chief Operating Officer East)
Mr. C. Goosen (Chief Information Officer)

BOARD OF DIRECTORS

Mr. D. Liedtke (President)
Mr. P.-A. Binard

COMPANY SECRETARY

Ms. C. Dusold

AUDITORS

PricewaterhouseCoopers AG, Switzerland, Zürich

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March

GROUP

	Notes	2020 CHF 000	2019 CHF 000
ASSETS			
Non-current assets		4'202'120	3'783'098
Property, equipment and vehicles	5	3'953'709	3'540'363
Intangible assets	6	235'979	232'812
Equity accounted investments	7	2'096	2'111
Other investments and loans	8	4'913	3'420
Deferred income tax assets	9	5'423	4'392
Current assets		820'233	797'291
Inventories	10	66'124	60'458
Trade and other receivables	11	565'749	591'608
Cash and cash equivalents	12	179'299	145'225
Assets classified as held for sale	32	9'061	-
Total assets		5'022'353	4'580'389
EQUITY			
Capital and reserves			
Share capital	13	551'882	551'882
Share premium	13	950'140	976'056
Retained earnings	14.1	(382'999)	(420'229)
Share-based payment reserve	14.2	-	-
Redemption liability reserve	20	(113'477)	(113'477)
Attributable to equity holders of the Company		1'005'546	994'232
Non-controlling interests	15	40'661	38'716
Total equity		1'046'207	1'032'948
LIABILITIES			
Non-current liabilities			
Borrowings	16	1'501'963	1'664'618
Lease liability	17	460'202	-
Loans from related parties	30.1	740'302	718'586
Deferred income tax liabilities	9	498'112	533'688
Retirement benefit obligations	18	84'540	68'244
Provisions	19	43'647	37'682
Derivative financial instrument	20	120'953	113'921
Cash-settled share-based payment liability	21	43	2
Current liabilities		526'384	410'700
Trade and other payables	22	314'461	285'044
Borrowings	16	146'000	102'922
Lease liability	17	39'992	-
Provisions	19	17'012	13'115
Current income tax liabilities	28.3	4'607	9'619
Liabilities directly associated with assets classified as held for sale	32	4'312	-
Total liabilities		3'976'146	3'547'441
Total equity and liabilities		5'022'353	4'580'389

The notes on page 9 to 73 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March

GROUP

		2020	(Re-presented)* 2019
	Notes	CHF 000	CHF 000
Revenue	23	1'803'877	1'778'179
Cost of sales (incl depreciation and amortisation)*	24	(1'166'536)	(1'133'457)
Administration and other operating expenses (incl depreciation and amortisation)*	24	(488'787)	(490'488)
Impairment reversal of properties	31	5'458	-
Impairment of properties, intangible and tangible assets	5/6	(39'329)	(311'604)
Operating profit / (loss)		114'683	(157'370)
Finance income	25	734	137
Finance cost	25	(64'970)	(51'219)
Share of profit / (loss) of equity accounted investments	7	(8)	56
Profit / (loss) before taxation		50'439	(208'396)
Income tax income	26	15'624	62'452
Profit / (loss) for the year		66'063	(145'944)
Attributable to:			
Equity holders of the Company		56'361	(149'897)
Non-controlling interests	15	9'702	3'953
		66'063	(145'944)

* Refer to note 2.1.

The notes on page 9 to 73 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March

GROUP

		2020	2019
	Notes	CHF 000	CHF 000
Profit / (loss) for the year		66'063	(145'945)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of retirement benefit obligations	9/18/27	(18'116)	(45'652)
Other comprehensive income / (loss), net of tax		(18'116)	(45'652)
Total comprehensive income / (loss) for the year		47'947	(191'597)
Attributable to:			
Equity holders of the Company		37'688	(192'142)
Non-controlling interests	15	10'259	545
		47'947	(191'597)

The notes on page 9 to 73 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as at 31 March

GROUP

	Share capital (note 13)	Share premium (note 13)	Share based payment reserve (note 14.2)	Redemption liability reserve (note 20)	Retained earnings (note 14.1)	Shareholders' equity	Non-controlling interests (note 15)	Total equity
	CHF 000	CHF 000	CHF 000	CHF 000	CHF 000	CHF 000	CHF 000	CHF 000
Balance at 01 April 2018	551'882	986'056	127	-	(280'445)	1'257'620	559	1'258'179
Profit / (loss) for the year	-	-	-	-	(149'897)	(149'897)	3'953	(145'944)
Other comprehensive income / (loss), net of tax	-	-	-	-	(42'244)	(42'244)	(3'408)	(45'652)
Total comprehensive income / (loss) for the year	-	-	-	-	(192'141)	(192'141)	545	(191'596)
Purchase of shares	-	-	(102)	-	-	(102)	-	(102)
Share-based payment reclassification	-	-	(25)	-	25	-	-	-
Business combinations	-	-	-	-	52'297	52'297	16'363	68'660
Transactions with non-controlling interests	-	-	-	-	35	35	21'251	21'286
Redemption liability	-	-	-	(113'477)	-	(113'477)	-	(113'477)
Distributions to non-controlling interests	-	-	-	-	-	-	(2)	(2)
Distributions to shareholder	-	(10'000)	-	-	-	(10'000)	-	(10'000)
Balance at 31 March 2019	551'882	976'056	-	(113'477)	(420'229)	994'232	38'716	1'032'948
Profit / (loss) for the year	-	-	-	-	56'361	56'361	9'702	66'063
Other comprehensive income / (loss), net of tax	-	-	-	-	(18'673)	(18'673)	557	(18'116)
Total comprehensive income / (loss) for the year	-	-	-	-	37'688	37'688	10'259	47'947
Transactions with non-controlling interests	-	-	-	-	(458)	(458)	86	(372)
Distributions to non-controlling interests	-	-	-	-	-	-	(8'400)	(8'400)
Distributions to shareholder	-	(25'916)	-	-	-	(25'916)	-	(25'916)
Balance at 31 March 2020	551'882	950'140	-	(113'477)	(382'999)	1'005'546	40'661	1'046'207

The notes on page 9 to 73 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT CASH FLOWS

for the year ended 31 March

GROUP

		2020	2019
	Notes	CHF 000 Inflow/ (outflow)	CHF 000 Inflow/ (outflow)
CASH FLOW FROM OPERATING ACTIVITIES			
Cash received from customers		1'844'357	1'720'519
Cash paid to suppliers and employees		(1'487'866)	(1'444'737)
Cash generated from operations	28.1	356'491	275'782
Interest received	28.2	231	137
Interest paid	28.2	(33'280)	(26'630)
Taxation paid	28.3	(26'947)	(19'925)
NET CASH FLOW FROM OPERATING ACTIVITIES		296'495	229'364
CASH FLOW FROM INVESTMENT ACTIVITIES			
		(74'380)	(155'998)
Investment to maintain operations	28.4	(39'926)	(42'849)
Investment to expand operations	28.5	(46'871)	(59'173)
Proceeds on sale of property, equipment and vehicles		2'394	1'949
Acquisition of investments in associates	7	(30)	-
Dividends received from equity accounted investments	7	500	308
Loans granted	8	(1'522)	-
Disposal of subsidiary, net of cash	31	11'075	-
Business combinations, net of cash acquired		-	(64'181)
Net cash generated before financing activities		222'115	73'366
CASH FLOW FROM FINANCING ACTIVITIES			
		(187'868)	(14'203)
Distributions to non-controlling interests		(8'400)	(2)
Transactions with non-controlling interests		(400)	(222)
Distributions to shareholder	14.1	(25'916)	(10'000)
Proceeds from borrowings	16	-	103'000
Repayment of borrowings	16	(117'000)	(102'212)
Repayment of lease liabilities		(34'419)	-
Long term incentive scheme dividends	14.2	-	(102)
Refinancing transaction costs	16	(1'733)	(4'665)
Net increase / (decrease) in cash and cash equivalents		34'247	59'163
Opening balance of cash and cash equivalents		145'225	86'062
Closing balance of cash and cash equivalents *		179'472	145'225

* The closing balance of cash and cash equivalents at 31 March 2020 includes the cash balance of the disposal group held for sale (TCHF 173), which is reclassified in the balance sheet as an asset classified as held for sale, see Note 32.

The notes on page 9 to 73 are an integral part of these consolidated financial statements.

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March

1. GENERAL INFORMATION

Hirslanden AG (company registration number: CHE-113.796.171) and its subsidiaries, Hirslanden Private Hospital Group ("The Group"), operates multi-disciplinary private hospitals in Switzerland. The main business of the Group is to enhance the quality of life of patients by providing comprehensive, high-quality hospital services on a cost-effective basis.

Hirslanden AG is a limited corporation company incorporated and domiciled in Switzerland. The address of its registered office is:

Hirslanden AG, Boulevard Lilienthal 2, CH-8152 Glattpark (Opfikon)

The ultimate holding company of the Group is Mediclinic International plc., a company listed on the London Stock Exchange ("LSE") and the Johannesburg Stock Exchange ("JSE"). Hirslanden AG is a wholly owned subsidiary of Mediclinic Luxembourg S.à.r.l.; Mediclinic Luxembourg S.à.r.l. is a wholly owned subsidiary of Mediclinic Holdings Netherlands B.V. and finally Mediclinic Holdings Netherlands B.V. is a wholly owned subsidiary of Mediclinic International plc.

These annual consolidated financial statements have been approved for issue by the Board of Directors on 14 May 2020 for the ultimate approval of the shareholders at their annual general meeting.

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 years presented, unless otherwise stated. The Group has applied IFRS 16 for the first time in the 2020 financial year and comparative information has not been restated. Refer to note 35 for descriptions on the impacts of adoption of the new IFRS standard.

2.1 Basis of preparation

The annual consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The consolidated financial statements are presented in Swiss Francs (CHF), which is the functional and presentation currency of all Group companies and all values are rounded to the nearest thousand (CHF 000) except when otherwise indicated. The consolidated 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 are measured at fair value;
- Retirement benefit obligations that are measured in terms of the projected unit credit method and plan assets measured at fair value; and
- Liabilities for cash-settled share-based payments are measured at fair value.

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

The consolidated financial statements of the Group for the year ended 31 March 2020 contain the result of the year beginning 1 April 2019 until 31 March 2020. The comparative figures are comprised of the year from 1 April 2018 to 31 March 2019.

The new accounting standards, amendments and interpretations which have been published that are mandatory for accounting periods beginning on or after 1 April 2020 or later periods but which the Group has not early adopted are disclosed in note 2.25.

Income statement reclassification:

The income statement for the year ended 31 March 2019 has been re-presented to reclassify certain costs that were previously shown as administration and other expenses. The impact of the reclassification was an increase in cost of sales and decrease in administration and other expenses of TCHF 82'069. The reclassification had no impact on reported cash, profits or net assets.

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 it 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.

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.

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.

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 difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interest are also recorded in equity.

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.

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) *Associates and joint ventures*

Associates are all entities over which the Group has significant influence but not control or joint 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 arrangement and determined it to be a joint venture.

Investments in associates and joint ventures are accounted for using the equity method of accounting.

Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss of the investee after the date of acquisition. Dividends received or receivable from equity accounted investments are recognised as a reduction in the carrying amount of the investment. The Group's investment in associates and joint venture includes goodwill identified on acquisition. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to the income statement 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 is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the entity.

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 associate and its carrying value and recognises the amount adjacent to share of profit/ (loss) of associates and joint ventures in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its equity accounted investments are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associates and joint ventures. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising from investments in associates are recognised in the income statement.

2.3 **Segment reporting**

Consistent with internal reporting, the Group's operating segments are the eight supply regions (Argovia, Baselland, Berne, East (Appenzell, SG), Lucerne, Schaffhausen, West (GE/VD) and Zug). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee of Switzerland (ExCo) that makes strategic decisions.

The following reports are reviewed by the ExCo on a monthly basis: Income statement, cash flow statement and balance sheet as well as statistics.

Since all operating segments are healthcare providers in Switzerland and as such have the same business activities and operate in the same economic and regulatory environment, have similar economic characteristics such as long-term EBITDA-margins and revenue streams and offer similar services to similar types of customers, the eight operating segments are aggregated into one reportable segment in line with the aggregation criteria of IFRS 8.

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, equipment and vehicles

Land and buildings mainly comprise hospitals and offices. All property, equipment and vehicles is 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 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 are charged to the income statement during the financial period in which they are incurred.

Land and capital work in progress is not depreciated. Building shells are not depreciated unless the asset's carrying amount is greater than the residual value. Depreciation on the other assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over the estimated useful life, as follows:

- Building shells:	100 years
- Fixed installations:	20 - 30 years or over the term of the lease contract if shorter
- Leasehold improvements:	3 - 10 years
- Equipment:	3 - 10 years
- Furniture and vehicles:	3 - 10 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each financial year end.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the fair value of proceeds with carrying amounts. These are included in the income statement.

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

2.5 Intangible assets

a) 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 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."

b) Goodwill

Goodwill represents the excess of the consideration transferred over the fair value of net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. 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 losses. Impairment losses 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 for the purpose of impairment testing. The allocation is made to those cash-generating units or Groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Goodwill is monitored at the operating segment level which represents the lowest level at which it is monitored for internal management purposes.

c) Computer software and projects

Acquired computer software licences and specific IT project costs such as internally developed software programmes are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight line method over their estimated useful lives (3 - 5 years). Costs associated with maintaining computer software programs or development expenditure that do not meet the recognition criteria are recognised as an expense as incurred.

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Impairment of non-financial assets

Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount 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, assets are Grouped at the lowest levels for which there are separately identifiable and independent cash flows - CGUs. Non-financial assets, other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Financial assets

The Group classifies its financial assets in the following measurement categories:

- Financial assets measured subsequently at fair value 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 terms 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.

a) *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 ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) *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 three measurement categories into which the Group classifies its debt instruments:

- 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.

- Fair value through other comprehensive income (FVOCI):

Assets that are held for collection of contractual cash flows and for selling the asset, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains and losses. Interest income from these financial assets is included in finance income using the effective interest rate method.

- Amortised cost:

Assets that are held for collection of contractual cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Trade receivables and loans receivable are classified as debt instruments measured at amortised cost.

Currently the Group does not hold any debt instruments at FVOCI or FVPL.

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.

c) *Impairment*

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

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

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

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Offsetting of financial instruments

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 of a future event and is enforceable in the normal course of business even in the event of default, bankruptcy and insolvency, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.9 Inventories

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

2.10 Cash and cash equivalents

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

2.11 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Hedges of a particular risk associated with a recognised liability or a highly probable forecast transaction are designated as a cash flow hedge.

Currently the Group does not have any hedge relationships.

The Group has written put options over the equity of its subsidiary which permit the holder to put their shares in the subsidiary back to the Group at their fair value on a specified date.

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 accreted 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

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Assets held for sale

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

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

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

2.13 Share capital

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

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

2.14 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.

2.15 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 balance sheet date.

Borrowing costs are expensed when incurred, except for borrowing costs directly attributable to the construction or acquisition of qualifying assets. Borrowing costs directly attributable to the construction or acquisition of qualifying assets are 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 or sale.

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Leases (accounting policies applied from 1 April 2019)

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

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option;
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option; and
- Lease payments to be made under reasonably certain extension options.

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

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

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

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives;
- Any initial direct costs; and
- Restoration costs.

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

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

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

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

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

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Leases (accounting policies applied until 31 March 2019)

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 in order 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.

2.18 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

2.19 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 balance sheet date in the cantons 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 regulations are subject to interpretation and 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 not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax liabilities are provided on taxable temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability 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 are recognised on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable that the temporary differences will reverse in the future and that there is sufficient taxable profit available against which the temporary differences can be utilised.

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.

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Employee benefits

a) **Retirement benefit costs**

The Group provides defined contribution plans in terms of Swiss law, 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. Due to the strict definition of defined contribution plans in IAS 19, these plans are classified as defined benefit plans for IFRS purposes since the Group takes some investment and longevity risk in terms of Swiss law.

Defined benefit plans

A defined benefit plan is a plan that is not a defined contribution plan. 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.

The net interest costs are calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. These costs are recognised in the social insurance expenses.

b) **Employee jubilee benefits**

This provision is for benefits granted to employees for long-service. The accrued amount is included in provisions. For more details see note 18.

c) **Profit-sharing and bonus plans**

The Group recognises a liability and an expense for bonuses where a contractual obligation for short-term incentives exists or where there is a past practice that has created a constructive obligation. The amounts payable to employees in respect of the short-term incentive schemes are determined based on annual business performance targets.

d) **Equity-settled share-based compensation**

The Mediclinic 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 ultimate holding company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

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

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

e) **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.

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Revenue recognition

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

A performance obligation is a promise to transfer distinct goods or a 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.

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.

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

For inpatient cases open over period end, revenue is accrued for by taking into account the average CMI (Case Mix Index) of the respective medical field, the baserate according to the respective category (accident, illness, inner-cantonal, external, self-payer etc.) as well as the pro rata length of stay.

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

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

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for the year ended 31 March

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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.

2.22 Cost of sales

Cost of sales consist 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.

2.23 Foreign currency transactions

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which it operates (the functional currency). The consolidated financial statements are prepared in Swiss Francs (CHF) which is the Company's functional and presentation currency.

Transactions in foreign currencies are translated to the functional currency at the rates of exchange ruling on the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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.

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Standards, interpretations and amendments

Published standards, amendments and interpretations effective for the 31 March 2020 financial period:

The following published standards, amendments and interpretations are mandatory for the accounting period beginning on or after 1 April 2019 and have been adopted (refer to the changes in accounting policy note 35 for a description of the impact of the implementation of these standards):

- IFRS 16 – Leases (1 January 2019)

other standards adopted:

The following new accounting standards, interpretations and amendments, were adopted on 1 April 2019:

- 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)

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

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

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

- IFRS 3 – Definition of a Business amendments (1 January 2020)
- IFRS 7, IFRS 9 and IAS 39 – Interest Rate Benchmark Reform (1 January 2020)
- IAS 1 and IAS 8 – Definition of Material amendments (1 January 2020)
- Revised Conceptual Framework for Financial Reporting (1 January 2020)
- IFRS 17 – Insurance contracts (1 January 2022)

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

Normal business activities of a company exposes it 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 potential adverse effects on the Group's financial performance.

COVID-19

Although the full impact of the COVID-19 pandemic is uncertain, the Group has put in place the necessary structures and processes to monitor and mitigate against existing and emerging risks to the business including liquidity. The pandemic and its consequent national lockdowns and associated actions suspending non-urgent elective surgery is having a significant impact on the Group's financial performance.

The following actions were taken:

- All non-urgent and non-committed capital programmes have been postponed or reduced.
- Reducing or postponing non-essential administrative costs relating to projects.
- Where required, covenant test waivers have been agreed. The next Leverage Ratio covenant test has only to be performed by the end of September 2021.
- Borrowings are ring-fenced, with no cross guarantees or cross defaults. The Borrowings are denominated in the same currency as the underlying revenue and is therefore not exposed to foreign exchange rate risk. The Group has recently refinanced the debt and, therefore, maturities are relatively long dated. The nearest term material maturity is the Group's bond for TCHF 145'000 that matures in February 2021. An unutilised bank facility is in place to fully repay the bond.
- By using epidemiological forecasting models, a month-by-month liquidity analyses was compiled. The analyses demonstrate that the Group is liquid and continues to meet its obligations for the entire period in both the base and downside case.
- The month-by-month analyses took the following into account:
 - Monthly revenue lost because of, inter alia, the suspension of non-urgent elective surgery
 - Capital expenditures including additional supply costs
 - Reducing or postponing non-essential administrative costs relating to projects
 - Payment terms with creditors
 - Working capitals requirements
 - Receipts from insurers
 - Loan repayments
 - All other cash outflows (tax, interest etc.)

The analysis considers mitigation steps, including the postponement of non-critical capital expenditure and non-essential administrative costs.

In the base case is assumed that the pandemic will have an effect for a period ranging from 6 to 12 months. In the downside case, it is assumed that the pandemic will have an effect for up to 18 months.

Staff salary reductions, rent waivers and government intervention packages have not been considered. In addition, a level of discretionary capital expenditure has been retained.

Whilst we have considered the impact of a severe but plausible downside scenario, there is always a risk that the actual outcome is worse than even our downside expectation. In such an event, there are further mitigating actions that we would look into to put into as part of our financial risk management.

At 31 March 2020, the Group had material headroom to covenants in its existing borrowings and a strong liquidity position heading into the global pandemic. The cash and available facilities of the Group at the year-end were TCHF 529'299.

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

a) *Market risk*

Currency risk

The Group is not exposed to any currency risk as it has no investments in foreign operations. Furthermore, there is no foreign currency exposure and consequently no forward hedge contracts.

Interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at financial year end 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. If interest rates had been 25 basis points higher / lower and all other variables were held constant, the Group's profit for the year ended 31 March 2020 with a corresponding impact on equity would decrease / increase by TCHF 1'844 / TCHF 545 (2019: decrease / increase by TCHF 1'768 / TCHF 1'827) mainly as a result of higher / lower interest expenses on the floating rate borrowings.

Other price risk

The Group is not exposed to other price risks.

b) *Credit risk*

Financial assets which potentially subject the Group to concentrations of credit risk consist principally of cash, short-term deposits and trade and other receivables. 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 doubtful receivables. Credit risk with respect to trade receivables is very limited as the Group's customers consists mainly of federal authorities (cantons) and insurance companies. In addition the insurance companies are supervised by a federal body and subject to regular credit-worthiness checks (insurance companies are obliged to maintain minimum reserve levels). Therefore, credit-worthiness is very high and the risk for non payment low.

The share of the largest insurance company in relation to revenue is approximately 15%. Further 7 to 8 insurance companies contribute approximately additional 70% of the revenues. The remaining part of the revenue is mainly related to another 40 insurance companies and to the federal authorities (cantons). The policy for patients that do not have a medical scheme or an insurance company paying for the Group's service, is to require an upfront payment instead. Therefore the Group does not have any significant exposure to any individual customer or counterparty.

The carrying amounts of financial assets included in the statement of financial position represents the Group's exposure to credit risk in relation to these assets. At 31 March 2020 and 31 March 2019, the Group did not consider there to be a significant concentration of credit risk which had not been adequately provided for.

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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.

In the end, the borrowing power of the Group can only be limited by the ultimate holding company. No such limitation currently exists.

	2020	2019
	CHF 000	CHF 000
The Group's unused overdraft facilities are:	350'000	300'000

The following table details the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the required and expected date of repayment. The table includes both interest and principal cash flows.

Financial liabilities	Carrying value	Contractual cash flows	< 1 year	1-5 years	> 5 years
	CHF 000	CHF 000	CHF 000	CHF 000	CHF 000
31 March 2020					
Interest-bearing borrowings	2'388'265	2'595'245	189'724	1'197'896	1'207'625
Lease liabilities	500'194	593'992	39'928	151'270	402'794
Derivative financial instruments	120'953	123'846	-	123'846	-
Trade and other payables	270'167	270'167	270'167	-	-
31 March 2019					
Interest-bearing borrowings	2'482'185	2'701'769	144'784	1'264'643	1'300'617
Financial leasing liabilities	3'941	3'941	1'922	2'019	-
Derivative financial instruments	113'921	117'570	-	117'570	-
Trade and other payables	245'294	245'294	245'294	-	-

3.2 Capital risk 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 notes 16 and 30.1 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 13 and 14 respectively. The Audit and Risk Committee of Mediclinic International plc and the Board of Directors of Hirslanden AG review the going concern status of the Group on a biannual basis.

	2020	2019
	CHF 000	CHF 000
Borrowings - notes 16 and 30.1	2'388'265	2'482'185
Less: cash and cash equivalents	(179'299)	(145'225)
Net debt	2'208'966	2'336'960
Total equity	1'046'207	1'032'948
Debt-to-equity capital ratio	2.11	2.26

Note 34 provides additional disclosures related to financial assets and financial liabilities

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

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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 recoverable values of the non-current non-financial assets excluding goodwill are sensitive to the discount rate and the terminal growth rate. An increase in discount rate of 0.5% to 5.5% would lead to an impairment of the non-current non-financial assets excluding goodwill of approximately TCHF 100'000. An decrease of the terminal growth rate by 0.3% to 1.3% would result in an impairment need of approximately TCHF 10'000. Further 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.

4.1 Critical accounting judgements

a) *Property, equipment and vehicles - useful lives*

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

The Group sets the useful life of its buildings to 100 years and calculates the residual value on current prices considering the age and condition expected at the end of the useful life. The Group would depreciate the difference between the actual carrying amount and the residual value at the end of its useful life based on the calculation and assumption over the useful life.

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 regards to hospital buildings with the specific goal to prolong the useful lifetime of these buildings.

b) *Property, equipment and vehicles - determination of cash-generating units for impairment testing*

Property, equipment and vehicles are considered for impairment if impairment indicators are identified at an individual cash-generating unit level. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. The Group defines the cash-generating unit level as individual hospitals or on a supply region consisting of several hospitals due to specific circumstances resulting in inter-dependencies between operating units. In the context of the group's strategy, the regional care networks are currently further integrated and processes standardized in order to ensure higher care quality and efficiency. Due to the current level of integration and centralization of operational processes the cash-generating units were reassessed as per 31 March 2020 and no changes were made accordingly.

The impairment assessment is performed at cash-generating unit level and any impairment loss that arise would be allocated to the cash-generating unit, see note 5.

4.2 Critical accounting estimates and assumptions

a) *Impairment of goodwill*

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.6. The recoverable amounts of cash-generating units and groups of cash-generating units have been determined based on fair value less costs of disposal calculations. These calculations require the use of estimates in respect of growth and discount rates and it assumes a stable regulatory environment. Regulatory environments are subject to uncertainties that can have an impact on the recoverability of the goodwill recoverable amount.

The operational financing and tariff system for mandatory basic insured patients in Switzerland implemented on 1 January 2012 has still a number of areas that are provisional and thus still uncertain. Furthermore, regulatory changes implemented during the current financial year (especially new TARMED tariffs and an increased requirement to out-migrate care, see note 4.3) and lower than forecasted results led management to re-assess the longer term prospect of the business. As a result, management revised downward its longer term expectation of the business and at the same time introduced a new approach to calculate the value of the business after the 5 year forecast period. The revised assumptions as well as the new model used for the terminal value calculations are considered to be changes in estimates and had an impact on the business' recoverable amount. See note 4.3 for further details.

IFRS requires the impairment assessment to be performed at the level at which goodwill and brand name is monitored for impairment by management, provided that this level cannot be larger than an operating segment. Management assesses goodwill at a Group level.

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

b) *Income taxes*

The Group is subject to income taxes in Switzerland. Judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made, see note 26.

c) *Pension benefits*

The present value of the pension obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of the pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the 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 the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 18.

4.3 **Regulatory environment**

On 1 January 2012 fixed fees for general insured services based on diagnosis-related groups (DRGs) entered into force by law and were implemented. The financing in the DRG system is split between the federal authorities (cantons) and the insurance companies.

As the financing by the federal authorities is secured, hospitals have to be on the planning list of the canton to be eligible for reimbursements of the DRG portion of the cantons. On the other hand, hospitals on the cantonal hospital list have an obligation to treat general insured patients.

All hospitals with the exception of Klinik Im Park (not on the list), the Lausanne hospitals as well as Clinique La Colline (only limited service mandates with a fixed amount of general insured cases) are on the cantonal hospital lists. In some hospitals there are certain exceptions regarding the service mandates (e.g. limitation on highly specialized treatments).

The following uncertainties persist in the new financial year:

- Outmigration of care: federal authorities define specific treatments that are no longer accepted on an inpatient basis but could only be reimbursed on an outpatient tariff
- Tarmed tariff intervention: the Swiss federal government has released a revised Tarmed tariff structure as per 1st of January 2020. The risk of a further intervention on the tariff structure is might given, which can cause a negative impact on the revenue.
- Quote on general insured patients: hospitals on the hospital list could be forced by the cantons to accommodate a minimum number of general insured patients which could have a negative effect on the patient mix (shift towards more general insured patients)
- Highly specialized medicine developments could impact the future medical mix.

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

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GROUP

	2020	2019
	CHF 000	CHF 000
5. PROPERTY, EQUIPMENT AND VEHICLES		
Land - cost	1'082'458	1'084'028
Cost	1'082'458	1'084'028
Buildings	2'153'435	2'167'688
Cost	2'817'445	2'802'046
Accumulated depreciation and impairment	(664'010)	(634'358)
Land and buildings	3'235'893	3'251'716
Leasehold improvements	37'896	53'013
Cost	99'838	90'097
Transfer cost to assets held for sale	(9'877)	-
Accumulated depreciation	(58'232)	(37'084)
Transfer accumulated depreciation to assets held for sale	6'167	-
Equipment*	136'279	182'046
Cost	609'826	585'934
Transfer cost to assets held for sale	(1'792)	-
Accumulated depreciation	(473'184)	(403'888)
Transfer accumulated depreciation to assets held for sale	1'429	-
Furniture and vehicles	21'994	29'010
Cost	171'160	165'299
Transfer cost to assets held for sale	(313)	-
Accumulated depreciation	(149'008)	(136'289)
Transfer accumulated depreciation to assets held for sale	155	-
Right-of-use assets	495'639	-
Cost	539'411	-
Transfer cost to assets held for sale	(4'970)	-
Accumulated depreciation	(39'811)	-
Transfer accumulated depreciation to assets held for sale	1'009	-
Subtotal	3'927'701	3'515'785
Capital expenditure in progress*	26'008	24'578
	3'953'709	3'540'363

* Capital expenditure in progress include both, buildings and equipment under construction. Equipment under construction was previously disclosed as part of the category Equipment.

The right-of-use assets was recognised during the year with the adoption of IFRS 16 Leases. Refer to note 17 and note 35 for further information on the impact of the adoption of IFRS 16.

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for the year ended 31 March

GROUP

5. PROPERTY, EQUIPMENT AND VEHICLES (CONTINUED)

	Land and buildings*	Leasehold improvement	Equipment*	Furniture and vehicles	Capital expenditure in progress*	Right-of-use assets (note 17 & 35)	Total
	CHF 000	CHF 000	CHF 000	CHF 000	CHF 000	CHF 000	CHF 000
Year ended 31 March 2020							
Net opening book value	3'251'716	53'013	182'046	29'010	24'578	-	3'540'363
Effect of initial application of IFRS 16	-	-	(1'552)	-	-	509'901	508'349
Capital expenditure	20'865	6'543	24'967	5'923	14'307	33'165	105'770
Prior year capital expenditure completed	5'645	3'214	3'919	99	(12'877)	-	-
Disposal of subsidiaries	(10'507)	-	-	-	-	-	(10'507)
Transfer to assets held for sale	-	(3'710)	(363)	(158)	-	(3'961)	(8'192)
Disposals	(2'174)	(15)	(61)	(161)	-	(6'861)	(9'272)
Impairment	-	(13'253)	(23'527)	(2'548)	-	-	(39'328)
Impairment Reversal	5'458	-	-	-	-	-	5'458
Depreciation	(35'110)	(7'896)	(49'150)	(10'171)	-	(36'605)	(138'932)
Net book value	3'235'893	37'896	136'279	21'994	26'008	495'639	3'953'709
At 31 March 2020							
Cost	3'899'903	89'961	608'034	170'847	26'008	534'441	5'329'194
Accumulated depreciation	(664'010)	(52'065)	(471'755)	(148'853)	-	(38'802)	(1'375'485)
Net book value	3'235'893	37'896	136'279	21'994	26'008	495'639	3'953'709
Year ended 31 March 2019							
Net opening book value	3'492'303	40'611	204'715	30'053	42'010	-	3'809'692
Capital expenditure	335	16'974	21'963	6'919	27'422	-	73'613
Business combinations	-	942	6'115	6'401	-	-	13'458
Prior year capital expenditure completed	37'270	2'797	4'305	482	(44'854)	-	-
Disposals	(1'160)	(3)	(569)	(67)	-	-	(1'799)
Impairment**	(235'220)	(1'590)	(3'645)	(805)	-	-	(241'260)
Depreciation	(41'812)	(6'718)	(50'838)	(13'973)	-	-	(113'341)
Net book value	3'251'716	53'013	182'046	29'010	24'578	-	3'540'363
At 31 March 2019							
Cost	3'886'074	90'097	585'934	165'299	24'578	-	4'751'982
Accumulated depreciation	(634'358)	(37'084)	(403'888)	(136'289)	-	-	(1'211'619)
Net book value	3'251'716	53'013	182'046	29'010	24'578	-	3'540'363

Further details of the right-of-use assets categories are shown in note 17.

* Buildings under construction were previously disclosed as part of the category Land and buildings. Equipment under construction was previously disclosed as part of the category Equipment. Capital expenditure in progress include both, buildings and equipment under construction.

** An impairment charge of TCHF 5'235 previously presented under the asset category "Furniture and vehicles" in the property, equipment and vehicles table for the year ended 31 March 2019 was reclassified to "Leasehold improvements" (TCHF 1'590) and "Equipment" (TCHF 3'645). The reclassification had no impact on the carrying value of property, equipment and vehicles, reported cash or profits.

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	2020	2019
	CHF 000	CHF 000
5. PROPERTY, EQUIPMENT AND VEHICLES (CONTINUED)		
Capital expenditure		
Capital expenditure excluding expenditure in progress	91'463	46'191
Capital expenditure in buildings under construction	11'716	24'051
Capital expenditure in equipment under construction	2'591	3'371
Total additions	105'770	73'613
Profit on sale of equipment and vehicles	(23)	38
Included in the book value of equipment for the year ended 31 March 2019 above is capitalised financial lease equipment with a book value of	-	1'552
Capitalised borrowing costs (IAS 23) included in capital expenditure	-	68
Interest rates used to capitalise borrowing costs		1.60%

The COVID-19 pandemic crisis lead to restrictive regulatory interventions and an expected massive loss of planned (elective) admissions / procedures for the upcoming financial year 2021. Estimates of future cash flows and earnings of the Group are affected by direct or indirect impacts of the crisis and led management to re-assess the longer term prospect of the business. Therefore, the Group carried out an impairment test on the cash-generating units and assessed if there was a shortfall between the recoverable amounts and the carrying values. The discount rate used was 5.0% (2019: 5.0%).

This assessments over all resulted in an impairment loss for the current year on one cash generating unit totaling to TCHF 39'328 on leasehold improvement, equipment, furnitures and vehicles, where the carrying amount of the CGU was determined higher than its recoverable amount.

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for the year ended 31 March

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6. INTANGIBLE ASSETS	Software and projects	Trade names	Goodwill	Total
	CHF 000	CHF 000	CHF 000	CHF 000
Year ended 31 March 2020				
Net opening book value	49'732	56'647	126'433	232'812
Capital expenditure	21'896	-	-	21'896
Transfer to assets held for sale	(62)	-	-	(62)
Diposals	(5)	-	-	(5)
Amortisation	(16'328)	(2'334)	-	(18'662)
Net book value	55'233	54'313	126'433	235'979
At 31 March 2020				
Cost	130'106	478'354	526'572	1'135'032
Accumulated amortisation	(74'873)	(424'041)	(400'139)	(899'053)
Net book value	55'233	54'313	126'433	235'979
Year ended 31 March 2019				
Net opening book value	43'796	98'100	-	141'896
Capital expenditure	20'823	-	-	20'823
Business combinations	297	31'354	126'433	158'084
Diposals	(45)	-	-	(45)
Amortisation	(15'139)	(2'462)	-	(17'601)
Impairment	-	(70'345)	-	(70'345)
Net book value	49'732	56'647	126'433	232'812
At 31 March 2019				
Cost	108'650	478'354	526'572	1'113'576
Accumulated amortisation	(58'918)	(421'707)	(400'139)	(880'764)
Net book value	49'732	56'647	126'433	232'812

The additions of property, equipment and vehicles and intangible assets during the year consist of

	2020	2019
	CHF 000	CHF 000
Additions to maintain operations	43'470	39'635
Additions to expand operations	51'031	54'733
Additions on right-of-use assets	33'165	-
	127'666	94'368

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6. INTANGIBLE ASSETS (CONTINUED)

The Group tests goodwill for impairment on an annual basis or more frequently if there are indications that these assets may be impaired. The impairment assessment is performed twice at half-year and at year-end then, when the budget process is being finalised. The Group's impairment assessment compares the carrying value of each group of cash-generating units with its recoverable amount. The group of cash-generating units for goodwill impairment assessment purposes are identified on an operating segment level where the goodwill is monitored.

The recoverable amount of a group of cash-generating units is based on its generally fair value less costs of disposals, determined by discounting the future cash flows to be generated from the continuing use of the group of cash-generating units.

The net book value of goodwill of TCHF 126'433 (2019: TCHF 126'433) originated from the Hirslanden business combination of Clinique des Grangettes in financial year 2019. The net book value of the brand names of TCHF 54'313 (2019: TCHF 56'647), where TCHF 29'473 are also allocated to brand name of the business combination of Clinique des Grangettes in Financial year 2019 and the remainder is allocated to Clinique La Colline.

Key assumptions used for the fair value less costs of disposals calculations for the annual impairment testing were as follows:

Forecasts

The Group's operating divisions are required to submit budgets for the next financial year and forecasts for the following four years, which are approved by the Board. Future earnings in the fair value less costs of disposal calculation are based on these budgets and forecasts that is calculated on a per hospital basis and considers both internal and external market information and expectation. These budgets and forecasts represent management's best view of future admissions, outpatient revenue and outpatient attendance, tariffs, bed occupancy and insurance mix.

Growth rates

Growth rates are determined from budgeted and forecasted revenue for the first five years. Terminal growth rates are country specific and determined based on the forecast market growth rates and considers long term inflation. A challenging regulatory and tariff environment is assumed, despite the fact that there are some regulatory uncertainties, for further details refer to note 4.3. Growth rates have been benchmarked against external data for the relevant markets.

The terminal growth rate beyond five years are extrapolated using a 1.6% (2019: 1.6%) growth rate. The Group uses a RONIC model with a RONIC spread of 33.33% resulting in a RONIC discount rate of 6.7% (2019: 6.7%).

RONIC is a calculation used to determine the expected rate of return for deploying new capital. The calculation specifically measures the returns generated when a company converts its capital into spending to create new value from core operations.

Discount rates

The weighted average cost of capital ("WACC") has been 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 in 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. The assumptions used in the calculation of the discount rate are benchmarked to externally available data.

The discount rate applied to cash flow projections is 5.0% (2019: 5.0%).

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6. INTANGIBLE ASSETS (CONTINUED)

Sensitivity analysis

For the goodwill, recoverable amount calculated based on fair value less cost of disposal exceeded the carrying value by approximately TCHF 270'000. The Group considers a reasonably possible change in estimate to be an increase in the discount rate by 0.5% to 5.5% and a decrease in the terminal growth rate from 1.6% to 1.3%. These changes would not result in an impairment. While a decrease in terminal growth rate to zero would still result in a positive headroom of approximately TCHF 160'000, a rise in discount rate by 1.60% would remove the headroom. Furthermore, a fall in growth rate by 1.23% combined with a rise in discount rate by 1.23% would also remove the headroom.

	2020	2019
	CHF 000	CHF 000
Carrying amount of goodwill	126'433	126'433
Carrying amount of brand names	54'313	56'647

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	2020	2019
	CHF 000	CHF 000
7. EQUITY ACCOUNTED INVESTMENTS		
	2'096	2'111
Investment in associates	2'046	2'061
Investment in joint venture	50	50
Investment in associates and joint venture - unlisted		
	2'096	2'111
Carrying value of investments in associates' and joint venture's equity		
Opening balance	2'111	2'313
Business combination	-	50
Addition in investments	40	-
Distribution received	(47)	(308)
Impairment of listed associate	-	-
Result from associates	(8)	56

Total loss of the associates and the joint venture is TCHF 75 (2019: profit of TCHF 271) of which the Group's share is TCHF 8 (2019: TCHF 56).

Total revenue for the associates and the joint venture is TCHF 28'140 (2019: TCHF 35'381).

The aggregate information of associates that are not individually material:

The Group's share of (loss) / profit	(8)	56
The Group's share of total comprehensive income / (loss)	(8)	56
Aggregate carrying amount of Group's interest in these associates	(8)	56

All included financial information of the associates have a closing date as of 31 December. However, the impact of the different year end date is immaterial.

Through the acquisition of the Grangettes group, an investment in a unlisted joint venture, which is classified as equity accounted investment, was acquired.

Further information about transactions with associates and joint venture are disclosed in note 30. Note 36 provides more details about the investments.

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	2020	2019
	CHF 000	CHF 000
8. OTHER INVESTMENTS AND LOANS		
<i>Unlisted - no active market</i>		
Financial instruments	4'277	2'599
Debt instruments at amortised cost	3'662	1'823
Equity instruments at fair value through profit and loss (unlisted shares)	615	776
<i>Listed securities - acquired through the business combination</i>		
Financial instruments	636	821
Equity instruments at fair value through profit and loss (listed shares)	636	821
Total other investments and loans	4'913	3'420

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

Fair value gains (losses) on equity investments at FVPL recognised in finance cost	(337)	65
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Debt instruments at amortised cost include non-current loans and other receivables to doctors and other third parties.

Through the acquisition of the Grangettes Group in FY 2019, listed securities were acquired. These equity instruments are classified as financial assets at FVPL at the acquisition date. The fair value of these investments was determined by reference to published price quotations in an active market (classified as level 1 in the fair value hierarchy).

Further information about financial assets are disclosed in note 34.

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	2020	2019
	CHF 000	CHF 000
9. DEFERRED TAXATION		
The movement on the deferred taxation account is as follows:		
Opening balance	529'296	615'336
Business combinations	-	9'583
Deferred income tax assets	-	(2'229)
<i>Long-term liabilities</i>	-	(2'229)
Deferred income tax liabilities	-	11'812
<i>Property, equipment and vehicles</i>	-	1'912
<i>Intangible assets</i>	-	7'636
<i>Current assets</i>	-	385
<i>Long-term liabilities</i>	-	1'879
Disposal of subsidiaries	(629)	-
Deferred income tax assets	319	-
<i>Property, equipment and vehicles</i>	177	-
<i>Loss carry forward</i>	142	-
Deferred income tax liabilities	(948)	-
<i>Property, equipment and vehicles</i>	(908)	-
<i>Current assets</i>	(40)	-
Transferred deferred tax assets to assets held for sale	171	-
Transferred deferred tax liabilities to liabilities held for sale	(12)	-
Income statement credit for the year	(37'442)	(83'851)
Taxation change of temporary differences recorded in other comprehensive income	1'306	(11'772)
Balance at the end of the year	492'690	529'296

The deferred tax relating to current assets and current liabilities contain temporary differences that are most likely to realise in the next twelve months. The deferred tax balance is comprised of temporary differences arising in separate legal entities. Offsetting has been applied when there is a legally enforceable right to offset and when the deferred income tax relates to the same fiscal authority, i.e. on a legal entity basis.

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9. DEFERRED TAXATION (CONTINUED)

The table below shows the deferred tax balances and movements in the various categories before offsetting was applied:

	Tangible assets	Intangible assets	Financial assets	Current assets	Provisions and others	Total
Deferred tax liabilities	CHF 000	CHF 000	CHF 000	CHF 000	CHF 000	CHF 000
At 1 April 2019	495'472	22'837	97	6'583	25'756	550'745
Charged/(credited) to income statement	(24'031)	(6'710)	(39)	2'429	(5'378)	(33'729)
Disposal of subsidiaries	(908)	-	-	(40)	-	(948)
Transferred deferred tax liabilities to liabilities held for sale	-	-	(12)	-	-	(12)
At 31 March 2020	470'533	16'127	46	8'972	20'378	516'056
At 1 April 2018	560'199	31'177	139	9'088	18'812	619'415
Charged/(credited) to income statement	(66'639)	(15'976)	(42)	(2'890)	5'065	(80'482)
Business combinations	1'912	7'636	-	385	1'879	11'812
At 31 March 2019	495'472	22'837	97	6'583	25'756	550'745
					2020	2019
					CHF 000	CHF 000
Gross deferred tax liabilities at the end of the year					516'056	550'745
Set-off of deferred tax liabilities pursuant to set-off provisions					17'944	17'057
Net deferred tax liabilities at the end of the year					498'112	533'688

The credit to the income statement of TCHF 24'031 (2019: TCHF 66'639) on the tangible assets, TCHF 6'710 on intangible assets and TCHF 5'378 on provisions and other liabilities is mainly driven by the changes in income tax rates, see note 26.

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9. DEFERRED TAXATION (CONTINUED)

	Tangible assets	Intangible assets	Long-term liabilities	Loss carry forward	Total
	CHF 000	CHF 000	CHF 000	CHF 000	CHF 000
Deferred tax assets					
At 1 April 2019	(579)	-	(16'140)	(4'730)	(21'449)
Charged/(credited) to income statement	(4'664)	-	(756)	1'706	(3'714)
Charged/(credited) to other comprehensive income	-	-	1'306	-	1'306
Disposal of subsidiaries	177	-	-	142	319
Transferred deferred tax assets to assets held for sale	171	-	-	-	171
At 31 March 2020	(4'895)	-	(15'590)	(2'882)	(23'367)
At 1 April 2018	(185)	(3)	(891)	(3'000)	(4'079)
Charged/(credited) to income statement	(394)	3	(1'248)	(1'730)	(3'369)
Charged/(credited) to other comprehensive income	-	-	(11'772)	-	(11'772)
Business combinations	-	-	(2'229)	-	(2'229)
At 31 March 2019	(579)	-	(16'140)	(4'730)	(21'449)
				2020	2019
				CHF 000	CHF 000
Gross deferred tax assets at the end of the year				(23'367)	(21'449)
Set-off of deferred tax assets pursuant to set-off provisions				17'944	17'057
Net deferred tax assets at the end of the year				(5'423)	(4'392)

Deferred income tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable.

At 31 March 2020, the Group had unutilised tax losses of approximately TCHF 17'408 (2019: TCHF 60'168) potentially available for offset against future profits. A deferred tax asset of TCHF 2'882 (2019: TCHF 4'730) has been recognised in respect of gross losses based on expected profitability from approved budgets and business plans. No deferred tax asset has been recognised in respect of the remaining gross losses due to the uncertainty and availability of future profit streams in the relevant jurisdictions. The financial projections used in assessing the future profitability are consistent with those used in assessing the impairment test as set out in note 5 and 6.

The credit to the income statement of TCHF 4'664 on tangible assets is a result of the impairment of leasehold improvement, equipment, furnitures and vehicles, see note 5.

The rate of utilisation of these losses will occur at different rates due to the incidence and timing of profits within these entities which consequently impacts their recognition as deferred tax assets. Tax losses expire after 7 years.

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	2020	2019
	CHF 000	CHF 000
9. DEFERRED TAXATION (CONTINUED)		
Tax losses which have not been recognized as deferred tax assets		
expiry in 1 year	1'526	24'550
expiry in 2 years	2'952	1'205
expiry in 3 to 7 years	42'110	11'975

There are normally no income tax consequences for the Group of paying dividends from the subsidiaries to the parent Hirslanden AG.

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	2020	2019
	CHF 000	CHF 000
10. INVENTORIES		
Inventories consist of:		
Pharmaceutical products	66'173	60'248
Consumables	(49)	210
	66'124	60'458

The cost of inventories recognised as an expense and included in cost of sales amounted to TCHF 404'351 (2019: TCHF 401'539), see note 24.

The write-down of inventories recognised as an expense during the year has an amount of TCHF 1'698 (2019: TCHF 2'989).

11. TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as debt instruments at amortised cost. Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Trade receivables	358'905	363'006
Loss allowance	(10'302)	(9'536)
Trade receivables - net *)	348'603	353'470
Other receivables *)	181'334	215'098
Other receivables - personnel and social insurances	123	279
Other receivables - tax	29	55
Prepayments	35'660	22'706
	565'749	591'608
 *) Thereof financial instruments:	 529'937	 591'274

Included in the Group's other receivables balance are unbilled services of TCHF 127'120 (2019: TCHF 154'427).

The credit risk of the trade receivables that are neither past due or impaired is limited since most of the performing trade receivables are from insurance companies or federal and cantonal authorities, see note 3.1(b).

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 other receivables which includes the Swiss unbilled services have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. There was no significant changes in the contract assets during the year.

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11. TRADE AND OTHER RECEIVABLES (CONTINUED)

The loss allowance as at March 2020 and March 2019 is determined as follows:

	not due	1 - 30 days past due	31 - 60 days past due	61 - 90 days past due	> 90 days past due	Total
	CHF 000	CHF 000	CHF 000	CHF 000	CHF 000	CHF 000
At 31 March 2020						
Gross carrying amount	219'969	15'785	15'331	12'303	95'517	358'905
Loss allowance	(176)	(66)	(169)	(326)	(9'565)	(10'302)
Net carrying amount	219'793	15'719	15'162	11'977	85'952	348'603
Expected loss rate	-0.1%	-0.4%	-1.1%	-2.6%	-10.0%	-2.9%
At 31 March 2019						
Gross carrying amount	203'679	47'817	27'408	13'553	70'549	363'006
Loss allowance	-	(222)	(241)	(129)	(8'945)	(9'537)
Net carrying amount	203'679	47'595	27'167	13'424	61'604	353'469
Expected loss rate	0.0%	-0.5%	-0.9%	-1.0%	-12.7%	-2.6%

The loss allowance for credit-impaired trade receivables as at 31 March reconciles to the opening loss allowances as follows:

	2020	2019
	CHF 000	CHF 000
Movement in the loss allowance		
Opening balance	(9'537)	(4'585)
Business combination	-	(2'712)
Disposal of subsidiaries	12	-
Loss allowance	(2'150)	(4'111)
Amounts written off as uncollectible	708	1'239
Unused amounts reversed	665	632
Balance at the end of the year	(10'302)	(9'537)

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

Refer to note 34 for an explanation on the impact of the implementation of the new accounting policies.

The credit risk of the other classes of receivables within trade and other receivables are considered to be low risk, and thus the impairment provision recognised during the period was limited to 12 months expected credit losses. Management considers 'low risk' to be an investment grade credit rating with at least one major rating agency.

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).

The carrying amounts of the Group's trade and other receivables are denominated in Swiss Francs (CHF). The carrying value approximates the fair value.

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	2020	2019
	CHF 000	CHF 000
12. CASH AND CASH EQUIVALENTS		
Cash on hand	475	494
Cash at post	7'960	17'480
Cash at banks	170'864	127'251
Total cash and cash equivalents	179'299	145'225
<p>The counterparties have a minimum credit rating by Moody's (Baa2) and Standard & Poor's (BBB+).</p>		
13. SHARE CAPITAL AND SHARE PREMIUM		
Authorised and issued share capital of CHF 1 per share (fully paid in)	551'882	551'882
Share premium	950'140	976'056
Total share capital and share premium	1'502'022	1'527'938
14. RESERVES		
14.1 Retained earnings		
Opening balance	(420'229)	(280'445)
Profit / (loss) for the year	56'361	(149'897)
Other transactions	(458)	60
Business combination	-	52'297
Actuarial loss - note 18 and note 27	(18'673)	(42'244)
Balance at the end of the year	(382'999)	(420'229)
14.2 Share-based payment reserve		
Opening balance	-	127
Share based payment expense	-	-
Purchase of shares	-	(102)
Transfer to retained earnings	-	(25)
Balance at the end of the year	-	-

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	2020	2019
	CHF 000	CHF 000
15. NON-CONTROLLING INTERESTS		
Opening balance	38'716	559
Business combinations	-	16'363
Transactions with non-controlling interests	86	21'251
Dividend distributions	(8'400)	(2)
Share of gain	9'702	3'953
Share of other comprehensive income / (loss), net of tax	557	(3'408)
Balance at the end of the year	40'661	38'716

Details of non-wholly-owned subsidiaries that have material non-controlling interests ("NCI"):

Hirslanden La Colline Grangettes SA, Chêne-Bougeries, Geneva

As part of the acquisition of the Grangettes group in 2019, a new entity (Hirslanden La Colline Grangettes SA) was formed to effect the business combination but has no economic substance. The group holds directly 60% stake in Hirslanden La Colline Grangettes SA. Through a contribution in kind of the Grangettes group (Grangettes Healthcare SA and its subsidiaries) and Hirslanden Clinique La Colline SA into the newly formed entity, the group holds indirectly 60% of their equity.

Ownership interest held by NCI	40.0%	40.0%
Accumulated non-controlling interests in statement of financial position	41'176	37'986
Profit allocated to non-controlling interests	9'566	4'318
Other comprehensive loss allocated to non-controlling interests	557	(3'408)

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

	2020	2019
	CHF 000	CHF 000
Non-current assets	424'395	211'725
Current assets	86'958	94'785
Total assets	511'353	306'510
Non-current liabilities	249'060	42'887
Current liabilities	45'412	39'951
Total liabilities	294'472	82'838
Revenue	177'212	95'710
Profit for the year	23'909	10'800
Other comprehensive income	1'393	(8'521)
Total comprehensive income	25'302	2'279
Net cash inflow from operating activities	30'866	29'319
Net cash (outflow) / inflow from investing activities	(3'806)	4'762
Net cash outflow from financing activities	(33'616)	(11'379)
Net cash inflow	(6'556)	22'702

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	2020	2019
	CHF 000	CHF 000
16. BORROWINGS	1'647'963	1'767'540
Bank loans	1'557'963	1'528'599
Listed bonds	90'000	235'000
Secured long-term finance	-	3'941
Non-current borrowings	1'501'963	1'664'618
Current borrowings	146'000	102'922
Total Borrowings	1'647'963	1'767'540

	2020 non-current	2020 current	2019 non-current	2019 current
	CHF 000	CHF 000	CHF 000	CHF 000
Secured bank loan one¹				
Facility A: This loan bears interest at variable rates linked to the 3M LIBOR plus 1.25%. Every year on 30 September, an amount of TCHF 50'000 must be redeemed. The repayment in September 2020 is suspended. The remaining balances are repayable by 30 September 2025. The non-current portion includes capitalised financing costs of TCHF 15'537 (2019: TCHF 16'901).	1'384'463	-	1'383'099	50'000
Secured bank loan two¹				
Facility C: This loan beared interest at variable rates linked to the 3M LIBOR plus 1.25%. On 21 June 2019, TCHF 50'000 of the Facility C was prolonged and on 23 September 2019 TCHF 20'000 and on 23 December 2019 TCHF 30'000 was redeemed.	-	-	-	50'000
Secured bank loan three¹				
These loans were acquired as part of the Linde acquisition and bear interest at a fixed rate of 1.12%. TCHF 500 is repayable on 30 June and 31 December every year. The remaining balances are repayable during May 2023.	17'500	1'000	18'500	1'000
Secured bank loan four²				
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.	10'000	-	10'000	-
Secured bank loan five				
These loans were acquired as part of the Grangettes acquisition and beared interest linked to the 3M LIBOR plus 1.4%. The balance was redeemed on 27 July 2019.	-	-	16'000	-
Balance carried forward	1'411'963	1'000	1'427'599	101'000

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16. BORROWINGS (CONTINUED)

	2020 non-current	2020 current	2019 non-current	2019 current
	CHF 000	CHF 000	CHF 000	CHF 000
Balance carried forward (previous page)	1'411'963	1'000	1'427'599	101'000
Listed bonds				
The listed bonds consist of T CHF 145'000 1.625% and TCHF 90'000 2% Swiss franc bonds. The bonds are repayable on 25 February 2021 and 25 February 2025 respectively.	90'000	145'000	235'000	-
Secured long-term finance*				
These liabilities bear interest at variable rates ranging between 1% and 12% and are repayable in equal monthly payments in periods ranging from 1-7 years.	-	-	2'019	1'922
Total Borrowings	1'501'963	146'000	1'664'618	102'922

* Finance lease liabilities were included in borrowings until 31 March 2019, but were reclassified to lease liabilities on 1 April 2019 in the process of adopting the new leasing standard. See note 17 and note 35 for further information.

¹ These loans are secured by mortgage notes on properties and buildings to the value of TCHF 3'095'820 (2019: TCHF 3'108'820) and bank accounts with a book value of TCHF 179'299 (2019: TCHF 145'225).

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

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	2020	1 April 2019
	CHF 000	CHF 000
17. LEASE		
<i>Amounts recognised in the balance sheet</i>		
Right-of-use assets		
Land	78'242	80'236
Buildings	413'686	428'047
Equipment	3'642	1'602
Vehicles	69	16
	495'639	509'901
Additions to the right-of-use assets during the 2020 financial year were TCHF 33'165.		
Lease liabilities		
Non-current lease liabilities	460'202	471'517
Current lease liabilities	39'992	40'772
	500'194	512'289

In the previous year, the group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 Leases. The assets were presented in property, equipment and vehicles and the liabilities as part of the group's borrowings. For adjustments recognised on adoption of IFRS 16 on 1 April 2019, please refer to note 35.

	2020	2019
	CHF 000	CHF 000
<i>Amounts recognised in the income statement</i>		
Depreciation charge of right-of-use assets		
Land	1'897	-
Buildings	33'589	-
Equipment	1'110	-
Vehicles	9	-
	36'605	-
thereof included in consolidated income statement in		
Cost of sales	32'543	-
Administration and other operating expenses	4'062	-
Interest expense (included in finance cost)	7'644	-
Expense relating to short-term leases and leases of low-value assets	5'508	-
Expense relating to variable lease payments not included in lease liabilities	-	-
The total cash outflow for leases was	42'063	-

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18. RETIREMENT BENEFIT OBLIGATIONS

Defined benefit pension plans of the Group:

- Pensionskasse Hirslanden*
- Vorsorgestiftung VSAO
- Hirslanden Clinique La Colline SA; Pension fund at banque cantonal vaudois
- Hirslanden Klinik Linde AG; Pension fund at foundation Gemini
- Clinique des Grangettes SA; Pension fund at Fondation de prévoyance du personnel de la Clinique des Grangettes SA

* Employees of Radiotherapie Hirslanden AG have been integrated in the pension plan Pensionskasse Hirslanden as per 1 January 2020

	2020	2019
	CHF 000	CHF 000
Balance sheet		
Amounts recognised in the balance sheet are as follows:		
Defined benefit obligation (DBO)	1'581'829	1'579'507
Fair value of plan assets	1'497'289	1'511'263
Deficit	84'540	68'244
Net pension liabilities	84'540	68'244
The movement in the defined benefit obligation over the year is as follows:		
Opening balance	1'579'507	1'397'266
Employer current service cost	49'326	46'187
Interest cost on DBO	6'873	10'422
Employee contributions	46'027	44'907
Benefits paid from plan assets	(72'868)	(42'100)
Actuarial (gain) / loss - experience	7'096	5'510
Actuarial (gain) / loss - change in demographical assumption	(27'520)	-
Actuarial (gain) / loss - change in financial assumption	(6'009)	53'221
Plan change / Past service income	(603)	-
Business combinations	-	64'094
Balance at the end of the year	1'581'829	1'579'507

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	2020	2019
	CHF 000	CHF 000
18. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)		
The movement of the fair value of plan assets over the year is as follows:		
Opening balance	1'511'263	1'392'956
Employer contributions	50'748	49'897
Plan participants contributions	46'027	44'907
Benefits paid from fund	(72'868)	(42'100)
Interest income on plan assets	6'755	10'651
Return on plan assets greater than discount rate	(43'243)	1'307
Business combinations	-	54'870
Administration cost paid	(1'393)	(1'225)
Balance at the end of the year	1'497'289	1'511'263
Income statement		
Amounts recognised in the income statement are as follows:		
Current service cost	49'326	46'187
Past service income	(603)	-
Interest cost on DBO	6'873	10'422
Interest income on plan assets	(6'755)	(10'651)
Administrative costs paid	1'393	1'225
Total expense	50'234	47'183
Statement of comprehensive income		
Amounts recognised in the OCI are as follows:		
Actuarial gain / (loss) due to liability experience	(7'096)	(5'510)
Actuarial gain / (loss) due to liability assumption changes	33'529	(53'221)
Return on plan assets greater than discount rate	(43'243)	1'307
Total of comprehensive income	(16'810)	(57'424)
Statement of financial position		
Amount recognised in pension liabilities are as follows:		
Opening net liability	68'244	4'310
Expense as above	50'234	47'183
Contributions paid by employer	(50'748)	(49'897)
Actuarial loss recognised in OCI	16'810	57'424
Business combinations	-	9'224
Closing net liability	84'540	68'244
Actual return on plan assets	(36'488)	11'958
Principle actuarial assumptions on balance sheet date		
Discount rate	0.45%	0.45%
Future salary increases	1.50%	1.75%
Future pension increases	0.00%	0.00%
Inflation rate	1.00%	1.25%
Number of plan members		
Active members	9'710	9'804
Pensioners	1'063	995
	10'773	10'799
Experience adjustment		
On plan liabilities: (gain) / loss	7'096	5'510
On plan assets: (gain) / loss	43'243	(1'307)

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18. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

As at the last valuation date, the present value of the defined benefit obligation included TCHF 1'232'337 (2019: TCHF 1'252'629) relating to active employees and TCHF 349'492 (2019: TCHF 326'878) relating to members in retirement.

Asset allocation in CHF

Plan assets are comprised as follows:

	2020		2019	
	in TCHF	%	in TCHF	%
Quoted				
Fixed income	515'667	34.44	475'444	31.46
Equity investments	377'616	25.22	363'610	24.06
Real estate	24'705	1.65	55'463	3.67
Other	140'745	9.40	190'570	12.61
Total	1'058'733	70.71	1'085'087	71.80
Non-quoted				
Fixed income	35'936	2.40	41'863	2.77
Equity investments	0	0.00	15'868	1.05
Real estate	298'110	19.91	289'558	19.16
Other	104'510	6.98	78'887	5.22
Total	438'556	29.29	426'176	28.20

Sensitivity analysis 31 March 2020

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation			
	Base assumption	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.45%	0.25%	-2.70%	2.70%
Salary growth rate	1.50%	0.50%	0.90%	-0.80%
Pension growth rate	0.00%	0.25%	2.20%	-
	Base assumption	Change in assumption	Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy for a 65-year-old male (mortality)	21.77 years	1 year in expected lifetime of plan participants	2.10%	-2.10%
Life expectancy for a 65-year-old female (mortality)	23.68 years	1 year in expected lifetime of plan participants	2.10%	-2.10%

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18. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Sensitivity analysis 31 March 2019

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation			
	Base assumption	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.45%	0.25%	-2.70%	2.90%
Salary growth rate	1.75%	0.50%	0.80%	-0.80%
Pension growth rate	0.00%	0.25%	2.40%	-
	Base assumption	Change in assumption	Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy for a 65-year-old male (mortality)	21.72 years	1 year in expected lifetime of plan participants	2.20%	-2.20%
Life expectancy for a 65-year-old female (mortality)	23.61 years	1 year in expected lifetime of plan participants	2.20%	-2.20%

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 credited method at the end of the reporting period) has been applied as when calculating the pension liabilities recognised within the statement of financial position.

Expected contributions to the retirement benefit plans for the year ending 31 March 2021 are TCHF 43'025 (FY 2019: TCHF 43'556)

The weighted average duration of the defined benefit obligation is 13.5 years (2019: 13.9 years). The expected benefit payments of the defined benefit obligation during the corresponding reporting period are as follows:

	2020 CHF 000	2019 CHF 000
April 2019 to March 2020	-	104'065
April 2020 to March 2021	110'833	103'697
April 2021 to March 2022	107'583	96'778
April 2022 to March 2023	98'869	90'813
April 2023 to March 2024	93'728	85'361
April 2024 to March 2025	94'288	-
April 2025 to March 2030 (2019: April 2024 to March 2029)	407'147	389'070

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18. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Retirement benefit plans

The pension plans also cover all employees for risk benefits (death and disability). Cover for retirement benefit begins on 1 January following the 24th birthday. The retirement pension for the cash balance plans is based on the level of the retirement credits, the interest rate to be credited and the conversion rate applied at retirement age. Risk benefits are related to insured salary.

Pension plans results

The consolidated actuarial gain/(loss) consists of the gain/(loss) due to the demographic experience, demographic and economic assumption changes, as well as an investment return different from assumed during the prior period. As of 31 March 2020, there was a loss due to the demographic experience of TCHF 7'096 (2019: loss of TCHF 5'510) and a gain due to the change of the economic assumptions of TCHF 6'009 (2019: loss of TCHF 53'221). There was a gain due to change in the demographic assumptions of TCHF 27'520 (2019: no change). Additionally, there was a loss due to investment return different from the return implied by the discount rate of TCHF 43'243 (2019: gain of TCHF 1'307).

Röntgeninstitut Hirslanden was fully integrated into the Hirslanden Main plan and VSAO as per 1 January 2020.

The BCV Foundation, to which Hirslanden Clinique La Colline SA is affiliated, reduced conversion rates from 6.0% to 5.75% trending down from 2021 to 2025. This is valued as a plan change and leads to TCHF 603 prior service credit recognized in the 2020 consolidated income statement.

The following assumptions have changed since the previous valuation

- The disability rates have changed from 100% Swiss BVG 2015 to 80% Swiss BVG 2015
- The lump sum election rate for retirement benefits has changed. New retirees will take 30% (previous year: 20%) of their benefit as a lump sum

Pension plans — Characteristics and risks

Hirslanden Group has defined benefit pension plans in Switzerland that expose the Hirslanden Group to some actuarial or investment risks.

Pensionskasse Hirslanden

For employees of Hirslanden Group in Switzerland the Pensionskasse Hirslanden (PH) Fund provide 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 Fund's governing body is composed of an equal number of employer and employee representatives. This governing body determines the level of benefits and the investment strategy for the plan assets based on asset-liability analyses performed periodically. The basis for these asset-liability analyses are the statutory pension obligations, as these largely determine the cash flows of the PH Fund. In addition, the investment of the plan assets is based on regulations developed by the governing body in accordance with the legal investment guidelines (BVV2). The investment committee of the governing body is responsible for their implementation. The governing body has mandated the investment activity to Complementa Investment Controlling AG, as the global custodian.

The investment strategy complies with the legal guidelines and is rather 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% of the insured salary depending on the age of the beneficiary.

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18. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

VSAO

For employed physicians of Hirslanden Group in Switzerland the VSAO Pension Fund provide 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).

The employee's and the employer's contributions is 14% of the insured salary.

Other pension plans

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

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

General information on all pensions plans

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

The pension law in Switzerland envisages that benefits provided by a pension fund are fully financed through the annual contributions defined by the regulations. If insufficient investment returns or actuarial losses lead to a plan deficit as defined by the pension law, the governing body is legally obliged to take actions to close the funding gap within a period of 5 years to a maximum of 7 years. Besides adjustments to the level of benefits, such actions could also include additional contributions from respective group companies and the beneficiaries. The current financial situation of the Groups pension funds do not require such restructuring actions. On the other hand, the group companies do not benefit from any plan surpluses.

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19. PROVISIONS

	Employee jubilee benefits	Legal cases and other	Tariff risks	Total
	CHF 000	CHF 000	CHF 000	CHF 000
At 1 April 2019	22'717	3'130	24'950	50'797
Charged to the income statement	3'065	694	17'828	21'587
Disposal of subsidiaries	(282)	-	(220)	(502)
Utilised during the year	(2'834)	(132)	(1'500)	(4'466)
Unused amounts reversed	(37)	(654)	(6'066)	(6'757)
At 31 March 2020	22'629	3'038	34'992	60'659
Current at 31 March 2019	3'826	720	12'466	17'012
Non-current at 31 March 2019	18'803	2'318	22'526	43'647
At 31 March 2020	22'629	3'038	34'992	60'659
At 1 April 2018	21'987	1'170	23'332	46'489
Charged to the income statement	3'938	1'411	7'814	13'163
Business combinations	-	672	214	886
Utilised during the year	(2'831)	(62)	(441)	(3'334)
Unused amounts reversed	(377)	(61)	(5'969)	(6'407)
At 31 March 2019	22'717	3'130	24'950	50'797
Current at 31 March 2018	2'949	1'345	8'821	13'115
Non-current at 31 March 2018	19'768	1'785	16'129	37'682
At 31 March 2019	22'717	3'130	24'950	50'797

Employee jubilee 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.

Legal cases and other:

The major part of this provision relates to retentions for malpractice and provisions for doctors' practices.

Tariff risks:

These provisions are related to tariff risks (e.g. DRG base rate level, historic tariff disputes) in various hospitals and cantons. Due to a contractual settlement (Swiss DRG base rate) the corresponding provision was utilised. The unused amounts reversed as per 31 March 2020 and 31 March 2019 are attributable to this Swiss DRG provisions

For more details refer to note 4.3.

At 31 March, provisions are expected to be payable during the following financial years:

	2020	2019
	CHF 000	CHF 000
Within 1 year	17'012	13'115
After one year but not more than five years	34'644	28'507
More than five years	9'003	9'175
	60'659	50'797

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	2020	2019
	CHF 000	CHF 000
20. DERIVATIVE FINANCIAL INSTRUMENTS		
Liabilities		
<i>Redemption liability (written put option)</i>		
Opening balance	113'921	-
Derivative entered into as part of business combination	-	113'477
Accretion of interest	903	444
Adjustment for changes in estimated cash flows for the redemption	6'129	-
Balance at the end of the year	120'953	113'921

Through the acquisition of the Grangettes group in financial year 2019, 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 the combined company at that time. The exercise price is formula based.

The amount that may become payable under the option on exercise was initially recognised at the present value of the redemption amount and discounted based on the most recent mid-term plan of the underlying entities with a corresponding charge directly to equity. The charge to equity is recognised separately as written put options over non-controlling interests (TCHF 113'477).

As the exercise price is formula based, the liability is subsequently adjusted at each period 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.

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21. CASH-SETTLED SHARE-BASED PAYMENT LIABILITY

The LTIP awards is 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 of the ultimate shareholder (Mediclinic International plc) are granted to selected employees of the company. 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 earnings per share (60% weighting).

	2020	2019
	CHF 000	CHF 000
Opening balance	2	36
Share-based payment (income) / expense	41	(34)
Balance at the end of the year	43	2

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

Opening balance	97'075	63'979
Units granted during the year (LTIP)	240'815	74'870
Units cancelled/lapsed during the year (LTIP)	(17'071)	(41'774)
Balance at the end of the year	320'819	97'075

Valuation assumptions relating to outstanding units:	2019 allocation	2018 allocation	2017 allocation
Grant date	19.06.2019	15.06.2018	01.06.2017
Vesting date	19.06.2022	15.06.2021	01.06.2020
Outstanding units	301'327	42'461	37'543
Closing price of Mediclinic International plc share (denominated in Great British pound)	269 pence	305 pence	305 pence
Risk-free rate	0.19%	0.68%	0.67%
Expected dividend yield	0.00%	0.00%	0.00%
Volatility	41.80%	38.20%	41.30%

22. TRADE AND OTHER PAYABLES

Trade payables	163'016	162'813
Other payables and accrued expenses	107'151	82'481
Other payables and accrued expenses - personnel and social insurances	42'091	37'770
Value added tax	2'203	1'980
	314'461	285'044
Thereof financial instruments:	270'167	245'294

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23. REVENUE

The group has recognised the following amounts relating to revenue in the income statement:

	2020	2019
	CHF 000	CHF 000
Revenue from hospital services	1'703'062	1'682'343
Revenue from other sources	100'815	95'836
Total Revenue	1'803'877	1'778'179

The group derives revenue from hospital services in the following major categories:

Inpatient revenue	1'331'228	1'337'908
Outpatient revenue	371'834	344'435
Rental income	25'860	24'678
Other income	74'955	71'158
Total Revenue	1'803'877	1'778'179

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

Inpatient revenue on private and semi-private patients is recorded and recognised during the period in which the hospital service is provided, based on the contractually agreed and therefore covered activities with the supplementary insurances.

Outpatient revenue is recorded when the performance obligations are satisfied, i.e. right after treatment of the patient as this is the moment when the performance obligation is completed.

Revenue from other sources is recognised when the control of goods and services is transferred.

The rental income received from external parties during the year from the letting of consulting rooms, parking and personnel housing was TCHF 25'860 (2019: TCHF 24'678). Rental income is based on a high number of individual lease agreements with outstanding committed terms of between one and five years and standard pricing linked to inflation.

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	2020	2019
	CHF 000	CHF 000
24. EXPENSES BY NATURE		
Fees paid to the Group's auditors for the following services		
Audit of the parent company and consolidated financial statements	485	637
Audit company subsidiaries	543	506
Audit services	1'028	1'143
Audit related services	85	116
Other assurance services	194	175
	1'307	1'434
Cost of inventories	404'351	401'539
Depreciation (Note 5)	138'932	113'341
Buildings and fixed installations	35'110	41'812
Leasehold improvements	7'896	6'718
Equipment	49'150	50'838
Furniture and vehicles	10'171	13'973
Right-of-use assets (Note 17)	36'605	-
Amortisation on intangible assets (Note 6)	18'662	17'601
Employee benefit expenses	860'930	832'593
Wages and salaries	716'205	702'856
Social insurance	74'970	65'925
Retirement benefit costs - defined benefit plans (Note 18)	50'234	47'183
Share-based payment (income) / charge (Note 21)	41	(34)
Other employee costs	19'480	16'663
Doctors' fees	26'019	25'348
Maintenance costs	48'210	40'939
Managerial and administration fees	59'156	60'041
Expense relating to short-term leases (Note 17)	5'508	38'064
Buildings	5'508	38'064
Other expenses	92'248	93'046
General expenses *	92'225	93'084
Profit on disposal of property, equipment and vehicles	23	(38)
	1'655'323	1'623'946

* General expenses mainly consist of expenses for electricity and water, catering and laundry cost.

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	2020	2019
	CHF 000	CHF 000
24. EXPENSES BY NATURE (CONTINUED)		
Classified as:		
Cost of sales	1'166'536	1'133'457
Administration and other operating expenses	488'787	490'489
	1'655'323	1'623'946
Thereof depreciation and amortisation classified as:		
Cost of sales	111'033	101'002
Administration and other operating expenses	46'563	29'940
	157'596	130'942
Number of employees	10'417	10'450
25. FINANCE INCOME AND COST		
Finance cost	48'100	48'586
Less: amounts included in the cost of qualifying assets	-	(68)
Interest on lease liabilities (Note 17)	7'644	-
Finance cost net	55'744	48'518
Amortisation of capitalised financing expenses	3'097	2'701
Finance cost for changes in in estimated cash flows for the redemption (Note 20)	6'129	-
Finance cost	64'970	51'219
Finance income	(734)	(137)
Net finance cost	64'236	51'082

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	2020	2019
	CHF 000	CHF 000
26. TAXATION		
Income tax (income) / expense in the consolidated income statement		
Current income tax		
Current income tax charge	19'672	19'712
Previous year income tax expense / (credit)	2'146	1'687
Deferred income tax		
Relating to origination on reversal of temporary differences and recognized tax losses (Note 9)	(37'442)	(83'851)
Income tax income reported in the income statement	(15'624)	(62'452)
Reconciliation of tax rate		
Net (loss) / profit before income tax	50'439	(208'397)
Expected income tax rate	17.88%	18.50%
Income tax expense / (income) calculated on theoretical tax rate	9'021	(38'556)
Effect of changes in income tax rates	(35'057)	(7'176)
Adjustments for previous years	2'146	(19'409)
Effect of non-recognition of tax losses in current year	3'248	1'563
(Recognition) / Derecognition of tax losses relating to prior years	2'316	452
Non-deductible (income) / expenses	2'284	674
Utilisation of previously unrecognised tax losses	418	-
Total income tax income	(15'624)	(62'452)
Effective income tax rate	-30.98%	29.97%

The Group's effective tax rate decreased from 29.97% as per 31 March 2019 to -30.98% as per 31 March 2020. The reasons for this decrease are listed below:

The Swiss public voted on 19 May 2019 to adopt the Federal Act on Tax Reform and AHV Financing (TRAF) confirming the reform of corporate taxation in Switzerland. Due to this reform several canton decreased their tax rates.

For this reason, the applied tax rate was adjusted for the valuation of deferred taxes on properties. This resulted in an effect of TCHF 22'910 from tax rate changes on the properties.

In addition, the Canton of Geneva reduced the tax rate from 24.16% in the financial year 2019 to 14.0% in the financial year 2020, resulting in a tax rate reduction effect of TCHF 7'699 for Clinique des Grangettes SA and Hirslanden La Colline SA.

The canton of Zurich has also already decided to reduce the tax rate. This also led to a reduction in deferred taxes of TCHF 1'848.

In connection with the adopted tax rate reductions, the tax rate on the IAS 19 liability was also recalculated and is now 18.0% (2019: 20.5%). This adjustment of the tax rate resulted in a reduction of the deferred tax asset of TCHF 2'532 whereby TCHF 4'834 was allocated via OCI (expense) and TCHF 2'302 as deferred tax income to the income statement.

In financial year 2018 Hirslanden AG generated a taxable profit. In the course of preparing the 2018 tax return, the system of intercantonal tax separation was adjusted after consultation with the tax authorities. Based on the new mechanism, the tax provisions for the 2017/2018 and 2018/2019 tax periods were adjusted in 2020.

Taking into account the current business performance, medium-term planning and the latest developments (Covid-19), no deferred tax asset was recognized on tax losses in current year of Hirslanden Bern (TCHF 3'026). In addition, the deferred tax assets on the loss carryforwards of Hirslanden Bern AG were partially derecognized (TCHF 3'631).

As per 31 March 2020, the non-deductible expenses include rental fees recharged from Hirslanden AG, (Zurich) to its subsidiaries Klinik Birshof AG (Münchenstein), Hirslanden Klinik Aarau AG (Aarau) and Hirslanden Lausanne SA (Lausanne) which are not fully accepted by the cantonal tax authorities of Baselland, Aargau and Waadt. Added to this is the grant to Hirslanden Freiburg AG, which is not a tax-deductible expense (TCHF 3'400).

The following tax was (charged) / credited to other comprehensive income

Deferred tax	(1'306)	11'772
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GROUP

	2020	2019
	CHF 000	CHF 000
27. OTHER COMPREHENSIVE INCOME		
Components of other comprehensive income:		
Items that will not be reclassified to the income statement		
Remeasurement of retirement benefit obligations	(18'116)	(45'652)
Other comprehensive income / (loss), net of tax	(18'116)	(45'652)

Tax and non-controlling interests on other comprehensive income:

	Attributable to equity holders of the company (before tax)	Tax charge attributable to equity holders of the Company	Attributable to non- controlling interest (after tax)	Total
	CHF 000	CHF 000	CHF 000	CHF 000
Year ended 31 March 2020				
Remeasurement of retirement benefit obligations	(17'490)	(1'183)	557	(18'116)
Other comprehensive income / (loss)	(17'490)	(1'183)	557	(18'116)
Year ended 31 March 2019				
Remeasurement of retirement benefit obligations	(53'137)	10'893	(3'408)	(45'652)
Other comprehensive income / (loss)	(53'137)	10'893	(3'408)	(45'652)

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	2020	2019
	CHF 000	CHF 000
28. CASH FLOW INFORMATION		
28.1 Reconciliation of profit / (loss) before taxation to cash generated from operations		
Operating profit / (loss) before interest and taxation	114'683	(157'371)
Non-cash items		
Depreciation and amortisation (Note 24)	157'594	130'942
Impairment of properties, intangible and tangible assets (Note 5)	39'329	311'604
Impairment reversal of properties (Note 5)	(5'458)	-
Movement in provisions (Note 19)	10'364	3'422
Movement in retirement benefit obligations (Note 18)	(514)	(2'714)
Equity settled share-based payment charge (note 21)	41	(34)
Profit / (loss) on sale of property, equipment and vehicles (Note 5)	23	(38)
Operating income before changes in working capital	316'062	285'811
Working capital changes	40'429	(10'030)
Movements in inventories	(6'133)	462
Movements in trade and other receivables	23'111	(78'972)
Movements in current liabilities	23'451	68'480
Cash generated from operations	356'491	275'781
28.2 Interest paid and interest income		
Finance cost (income statement)	(64'970)	(51'219)
Non-cash items		
Amortisation of capitalised financing expenses (Note 25)	3'097	2'701
Other non-cash finance expenses	28'593	21'888
Interest paid (cash flow statement)	(33'280)	(26'630)
Finance income (income statement)	734	137
Non-cash items		
Other non-cash finance income	(503)	-
Interest income (cash flow statement)	231	137
28.3 Taxation paid		
Opening balance	(9'619)	(2'182)
Business combinations	-	(5'961)
Disposal of subsidiaries (Note 31)	(117)	-
Transfer to liabilities held for sale	-	-
Provision for the year (Note 26)	(21'818)	(21'401)
	(31'554)	(29'544)
Liability at the end of the year	4'607	9'619
Taxation paid	(26'947)	(19'925)
28.4 Investment to maintain operations		
Property, equipment and vehicles purchased	30'591	32'848
Intangible assets purchased	9'335	10'001
Investment to maintain operations	39'926	42'849
28.5 Investment to expand operations		
Property, equipment and vehicles purchased	35'912	45'362
Intangible assets purchased	10'959	13'811
Investment to expand operations	46'871	59'173

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	GROUP	
	2020	2019
	CHF 000	CHF 000
28. CASH FLOW INFORMATION (CONTINUED)		
28.6 Changes in liabilities arising from financing activities (Note 16)		
Opening balance of total borrowings	1'767'540	1'749'514
Effect of initial application of IFRS 16	(3'941)	-
Cash flow movements		
Proceeds from borrowings	-	103'000
Repayment of borrowings	(117'000)	(102'212)
Refinancing transaction costs	(1'733)	(4'665)
Non-cash items		
Capitalised financing fees	3'097	2'701
Business combinations	-	19'202
Closing balance of total borrowings	1'647'963	1'767'540

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GROUP

	2020	2019
	CHF 000	CHF 000
29. COMMITMENTS		
29.1 Capital commitments		
Incomplete capital expenditure contracts	35'621	18'977
Capital expenses authorised by the Board of Directors but not yet contracted	2'635	20'500
	38'256	39'477

These commitments will be financed from Group and borrowed funds.

At 31 March 2020 and 31 March 2019, some Group companies are liable jointly and individually for possible losses of their participation in "Zentrallabor, Zürich" according to Swiss Code of Obligations § 530 et seq.

At 31 March 2020 and 31 March 2019, the Group is liable without limit and jointly and severally for the debts of the ordinary partnership for the car park in Cham ("Baukonsortium").

29.2 Operating lease commitments

The Group leases various clinic buildings, offices, warehouses, equipment and vehicles. Rental contracts are typically made for fixed periods of 6 months to 8 years, but may have extension options.

From 1 April 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases. Before adoption of the new IFRS standard IFRS 16 - Leases, the respective expense was recognised in the rental expenses.

Future minimum rentals payable under non-cancellable rental contracts as at 31 March are as follows:

Within one year	-	41'867
After one year but not more than five years	-	136'869
More than five years	-	196'755
	-	375'491

29.3 Income guarantees

As part of the expansion of its network of specialist institutes 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.

	2020	2019
	CHF 000	CHF 000
Total of net income guaranteed:	8'013	5'916
April 2019 to March 2020	-	3'366
April 2020 to March 2021	5'203	1'850
April 2021 to March 2022	2'479	700
April 2022 to March 2023	331	-

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	2020	2019
	CHF 000	CHF 000
30. INTERCOMPANY BALANCES AND RELATED PARTY TRANSACTIONS		
30.1 Loans due to Group companies		
Long-term subordinated Group loans	740'302	718'586
Long-term portion	740'302	718'586

The loan of TCHF 740'302 (2019: TCHF 718'586) bears interest at 3.5% plus 12M Libor and was originally repayable by 1 August 2020 but was extended until 31 December 2023 on 1 November 2017.

30.2 Related party transactions

Entities with significant influence over the Group

	Interests from	Other Income from	Amounts owed by	Purchases from	Interests paid to	Amounts owed to
as per 31 March 2020	CHF 000	CHF 000	CHF 000	CHF 000	CHF 000	CHF 000
Mediclinic Luxembourg S.à.r.l, Luxembourg	-	-	-	-	21'716	740'302
Mediclinic International plc, UK	-	-	-	8'113	-	-
as per 31 March 2019						
Mediclinic Luxembourg S.à.r.l, Luxembourg	-	-	-	-	21'219	718'586
Mediclinic International plc, UK	-	-	-	4'682	-	-

Associate

	Interests from	Other Income from	Amounts owed by	Purchases from	Interests paid to	Amounts owed to
as per 31 March 2020	CHF 000	CHF 000	CHF 000	CHF 000	CHF 000	CHF 000
Zentrallabor Zürich	-	718	955	10'445	-	718
as per 31 March 2019						
Zentrallabor Zürich	-	1'986	855	11'114	-	122

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30. INTERCOMPANY BALANCES AND RELATED PARTY TRANSACTIONS (CONTINUED)

30.3 Transactions with associates and joint ventures

Zentrallabor Zürich, Zürich (ZLZ):

The Group has a 45.96% (2019: 49.20%) interest in the ordinary partnership ZLZ.

Ordinary partnership for a car park ("Baukonsortium"), Cham:

The Group has a 24% (2019: 24%) interest in the Baukonsortium.

Ordinary partnership for the management of parking spaces ("EFG Parkierung Rigistrasse"), Cham:

The Group has a 24.9% (2019: 25%) interest in the EFG Parkierung Rigistrasse.

La Colline, Centre de Rééducation et Physiothérapie SA (CRP), Genève:

The Group has a 20% (2019: 20%) interest in CRP.

La Colline, Centre de Physiothérapie du Sport Sàrl (CPS), Genève:

The Group has a 23% (2019: 23%) interest in CPS.

CORTS AG, Maur:

The Group has a 30% (2019: 30%) interest in CORTS AG.

GRGB Santé SA, Genève:

Through the acquisition of Grangettes group in 2019, the Group has a 50% (2019: 50%) interest in GRGB Santé SA.

Terms and conditions of transactions with related parties, associates and joint ventures

Purchases from related parties and fees for services rendered to related parties are made at normal market prices. TCHF 718 (2019: TCHF 1'986) from ZLZ represent a special discount granted on purchases since ZLZ is a non-profit organisation.

Interests earned from related parties correspond with commercial borrowing rates. There have been no guarantees provided or received for any related parties receivables or payables. For the years ended 31 March 2020 and 31 March 2019, the Group has not made any provision for doubtful debts relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of each related party.

30.4 Key management compensation

Short-term employee benefits

Post-employment pension benefits

Total compensation paid to key management

	2020	2019
	CHF 000	CHF 000
	7'572	10'378
	1'087	1'379
	8'659	11'757

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31. DISPOSAL OF SUBSIDIARIES

During the current year, the Group disposed of Klinik Belair AG, Schaffhausen with effect from 1 October 2019. The property of Klinik Belair was impaired in 2019 due to the result of the impairment test. The Group recognised a reversal of the impairment charge in relation to the Klinik Belair property of TCHF 5'458, given that the disposal proceeds exceeded the carrying value after impairment charges booked in the prior period.

	2020
	CHF 000
<i>Analysis of assets and liabilities over which control was lost</i>	
Property, plant and equipment	10'507
Deferred income tax assets	319
Current income tax receivables	117
Inventories	468
Trade and other receivables	2'380
Cash and cash equivalents	2'799
Total assets	16'590
Provisions	502
Deferred income tax liabilities	948
Trade and other payables	1'266
Total liabilities	2'716
Net assets disposed of	13'874
Consideration received	
Cash and cash equivalents	13'874
Gain on sale before income tax	-
<i>Analysis of cash flow on disposal</i>	
Total cash flow on disposal of subsidiary	13'874
Less: cash and cash equivalents disposed of	(2'799)
Net cash inflow on disposal	11'075

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32. DISPOSAL GROUP HELD FOR SALE

During the financial year, the Group and the Medbase Group decided to pool their expertise in outpatient and inpatient medicine and jointly invest in integrated healthcare close to home.

As part of the planned integrated care concept and in line with the respective competencies, Medbase will be responsible for the outpatient healthcare close to home and the Group for inpatient medicine and outpatient surgery. Together, the two partners intend to operate outpatient radiology in the form of a joint venture, with the Hirslanden Group taking over the management. In a first step, the three Hirslanden outpatient medical centres in Schaffhausen, Bern and Düringen, together with all their employees, will be transferred to the Medbase outpatient network and their affiliated radiology units will be integrated into the new joint venture. The transfer of the three outpatient medical centres will be effective on 1 June 2020.

Financial performance information

	2020
	CHF 000
Revenue	1'348
Expenses	(1'397)
Profit / (loss) before income tax	(49)
Income tax (expense) / income	159
Net profit / (loss)	110

Assets and liabilities of disposal group classified as held for sale

Assets classified as held for sale	
Property, plant and equipment	8'193
Intangible assets	62
Other investments and loans	95
Deferred income tax assets	171
Trade and other receivables	367
Cash and cash equivalents	173
Total assets of disposal group held for sale	9'061
Liabilities directly associated with assets classified as held for sale	
Lease liability	3'980
Deferred income tax liabilities	12
Trade and other payables	320
Total liabilities of disposal group held for sale	4'312

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33. SEGMENT REPORTING

Consistent with internal reporting, the Group's operating segments are the eight supply regions (Aargau, Baselland, Berne, East (Appenzell, SG), Lucerne, Schaffhausen, West (GE/VD) and Zug). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee of Switzerland (ExCo) that makes strategic decisions, see note 2.3.

Since all operating segments are healthcare providers in Switzerland and as such have the same business activities and operate in the same economic and regulatory environment, have similar economic characteristics such as long-term EBITDA-margins and revenue streams and offer similar services to similar types of customers, the eight operating segments are aggregated into one reportable segment in line with the aggregation criteria of IFRS 8.

The information reported to the chief operating decision-maker is in line with IFRS standards and is in line with the consolidated financial statements in this report. Therefore, no separate segment information is disclosed.

The breakdown of revenues by products and services is disclosed in note 23.

Revenues from external customers attributed to foreign countries are not material. Furthermore, there are no non-current assets located in foreign countries.

For information on major customers, please refer to note 3.1b.

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34. FINANCIAL INSTRUMENTS - ADDITIONAL DISCLOSURES

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

	2020	2019
	CHF 000	CHF 000
Financial assets		
Other investments and loans	1'251	1'597

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 1 (listed securities) and level 2 (unlisted securities).

Financial instruments not carried at fair value in the statement of financial position

	2020	2019
	CHF 000	CHF 000
Financial assets		
Other investments and loans	3'662	1'823
Trade and other receivables	565'749	591'608
Cash and cash equivalents	179'299	145'225
Financial liabilities		
Borrowings	1'647'963	1'767'540
Derivative financial instruments	120'953	114'372
Trade and other payables	314'461	285'044

Cash and cash equivalents, trade and other receivables 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.

Derivative financial instruments:

The value of the redemption liability (written put option) is based on the profitability of Clinique des Grangettes SA and Hirslanden Clinique La Colline SA. The exercise price is formula based and the financial liability is recognised at amortised cost at the present value of the estimated future contractual cash flows of the redemption amount.

Trade and other payables

Due to the expected short-term maturity of these financial instruments, their carrying value approximate their fair value.

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35. IMPACTS OF ADOPTION OF NEW IFRS STANDARDS

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements.

The Group adopted IFRS 16 retrospectively from 1 April 2019, but has not restated comparatives for the 2019 reporting period as permitted under the specific transition provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 April 2019. The new accounting policies are disclosed in note 2.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019.

The weighted average lessee's incremental borrowing rates applied to the lease liabilities in 1 April 2019 were 0.8% to 2.0%

A number of transition options are available to lessees under IFRS 16. The Group applied the modified retrospective approach where two options are available on a lease-by-lease basis:

- The lease liability is measured at the present value of the remaining lease payments over the period of the lease at the incremental borrowing rate. The right-of-use asset is measured retrospectively as if IFRS 16 had always been applied with an adjustment to retained earnings.
- The lease liability is measured at the present value of the remaining lease payments over the period of the lease at the incremental borrowing rate. The right-of-use asset is measured at an amount equal to the lease liability with no adjustment to retained earnings.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

	1 April 2019
	CHF 000
Measurement of lease liabilities	
Operating lease commitments disclosed as at 31 March 2019	375'491
Restatement of operating lease commitments disclosed at 31 March 2019	10'745
Discounted using the lessee's incremental borrowing rate	(50'557)
Add: finance lease liabilities recognised as at 31 March 2019	3'941
Add: adjustments as a result of a different treatment of extension and termination options	178'031
(Less): short-term leases recognised on a straight-line basis as expense	(5'157)
(Less): low-value leases recognised on a straight-line basis as expense	(205)
Lease liability recognised as at 1 April 2019	512'289
Of which are:	
Current lease liabilities	40'772
Non-current lease liabilities	471'517

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35. IMPACTS OF ADOPTION OF NEW IFRS STANDARDS (CONTINUED)

Measurement of right-of-use assets

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 March 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

Land	80'236
Buildings	428'047
Equipment	1'602
Vehicles	16
Right-of-use assets recognised as at 1 April 2019	509'901

Adjustments recognised in the statement of financial position on 1 April 2019

Right-of-use assets (under property, equipment and vehicles)	increase by	508'349
Borrowings	decrease by	3'941
Lease liability	increase by	512'289

The net impact on retained earnings on 1 April 2019 was nil.

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36. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The ultimate shareholder is "Mediclinic International plc" which owns 100% of the shares.

Subsidiaries

The consolidated financial statements include the financial statements of Hirslanden AG and the subsidiaries listed in the following table:

Klinik Belair AG, Schaffhausen was sold on 11 October 2019 with effect from 1 October 2019. See note 31 for more details on the disposal of subsidiaries. Before the disposal of Klinik Belair, the outpatient center of Klinik Belair was spon-off and a new legal entity, Hirslanden Praxiszentrum am Bahnhof, Schaffhausen AG, was established.

In February 2020, Hirslanden Ambulante Operationszentren AG was founded as a 100% subsidiary of Hirslanden AG. As per 1 April 2020 the Group acquired relax health competence AG (see also note 37 "Events after the balance sheet date"). Relax health competence AG will be transferred into Hirslanden Ambulante Operationszentren AG.

	Country of incorporation	Investments in % 2020	Investments in % 2019
Hirslanden Klinik Aarau AG, Aarau	Switzerland	100.00	100.00
Hirslanden Bern AG, Bern	Switzerland	100.00	100.00
Hirslanden Lausanne SA, Lausanne	Switzerland	100.00	100.00
Klinik Belair AG, Schaffhausen	Switzerland	-	100.00
Hirslanden Praxiszentrum am Bahnhof, Schaffhausen AG	Switzerland	100.00	-
AndreasKlinik AG Cham, Cham	Switzerland	100.00	100.00
Klinik Birshof AG, Münchenstein	Switzerland	99.97	99.70
Hirslanden Klinik Am Rosenberg AG, Heiden	Switzerland	100.00	100.00
Klinik am Rosenberg Heiden AG, Heiden	Switzerland	99.20	99.20
Klinik St. Anna AG, Luzern	Switzerland	100.00	100.00
Klinik Stephanshorn AG, St. Gallen	Switzerland	100.00	100.00
Radiotherapie Hirslanden AG, Aarau	Switzerland	100.00	100.00
Hirslanden Clinique La Colline SA, Genève	Switzerland	60.00	60.00
IMRAD SA, Lausanne	Switzerland	100.00	80.00
Hirslanden Freiburg AG, Düringen, Düringen	Switzerland	100.00	100.00
Hirslanden Klinik Linde AG, Biel	Switzerland	100.00	100.00
Hirslanden La Colline Grangettes SA, Chêne-Bougeries	Switzerland	60.00	60.00
Grangettes Healthcare SA, Chêne-Bougeries	Switzerland	60.00	60.00
Clinique des Grangettes SA, Chêne-Bougeries	Switzerland	60.00	60.00
Dianecho SA, Genève	Switzerland	43.90	43.90
Hirslanden Ambulante Operationszentren AG, Opfikon	Switzerland	100.00	-
Associates and Joint ventures			
Zentrallabor Zürich, Zürich (ZLZ) ¹⁾	Switzerland	45.96	49.20
Ordinary partnership for a car park ("Baukonsortium"), Cham	Switzerland	24.00	24.00
Ordinary partnership for the management of parking spaces ("EFG Parkierung Rigistrasse"), Cham	Switzerland	24.90	25.00
La Colline, Centre de Rééducation et Physiothérapie SA, Genève	Switzerland	20.00	20.00
La Colline, Centre de Physiothérapie du Sport Sàrl, Genève	Switzerland	23.00	23.00
CORTS AG, Maur	Switzerland	30.00	30.00
GRGB Santé SA, Genève ²⁾	Switzerland	30.00	30.00

¹⁾ The Group does not control ZLZ as it has no power over the company.

²⁾ From a Group point of view, the 50% stake in GRGB Santé SA is 30%, as it is held indirectly through Clinique des Grangettes SA.

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37. EVENTS AFTER THE BALANCE SHEET DATE

Effective on 1 April 2020, the Group acquired 100% of the share capital of the outpatient surgical unit relax health competence AG for TCHF 3'379.

With the takeover of relax health competence AG, the Group is bringing together its existing and newly acquired day surgery units in a single organisational entity specifically established for this purpose.

The objective of the new organisational structure is to consistently continue to develop Hirslanden's outpatient surgery offer in terms of quality and quantity and to establish outpatient surgical units with selected partners throughout Switzerland. The acquisition of relax health competence AG ideally expands the current inpatient service offering of Klinik Hirslanden.

Relax health competence AG specialises in outpatient surgery and was established in 2008. It offers affiliated doctors a complete surgical infrastructure. More than 50 experienced affiliated doctors carry out around two thousand surgeries per year under general, regional and local anaesthesia in such diverse specialist areas as paediatric surgery, abdominal surgery, orthopaedic, hand and foot surgery, ENT, urology, gynaecology, plastic surgery and pain management. Some 15 permanent employees and an equal number of freelancers work for the centre. The centre's annual turnover is more than TCHF 3'000. Relax health competence AG is known for its intense patient focus, high service standards and cost-conscious approach while still guaranteeing high medical quality.

Other than the facts and developments disclosed above and reported in the annual report, there have been no material changes in the affairs of financial position of the Company and the Group between the end of the reporting period and the date when the financial statements were authorised for issue.