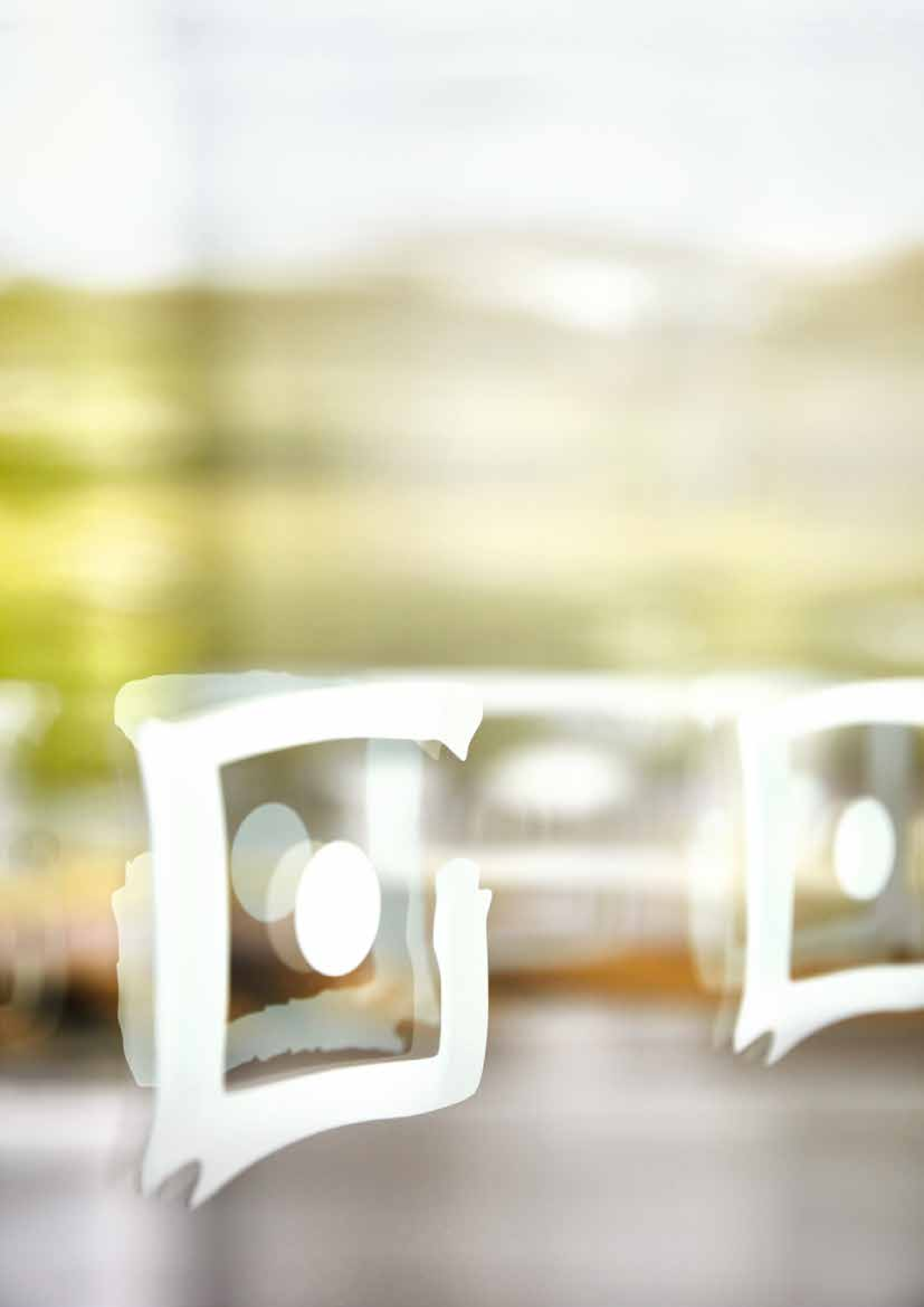
HIRSLANDEN

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS 2023 AUDIT REPORT

EXPERTISE YOU CAN TRUST.

HIRSLANDEN
A MEDICLINIC INTERNATIONAL COMPANY



Hirslanden AG

Opfikon

Report of the statutory auditor
to the General Meeting

on the consolidated financial statements 2023

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 income statement and consolidated statement of comprehensive income for the year ended 31 March 2023, the consolidated statement of financial position as at 31 March 2023, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 2023 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

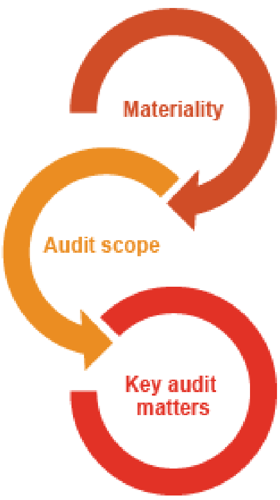
Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Standards on Auditing (SA-CH). 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 International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), 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

Overview



Overall Group materiality: CHF 7'300'000

- We concluded full scope audit work at 18 out of 33 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, Postfach, 8050 Zürich, Switzerland
Telephone: +41 58 792 44 00, www.pwc.ch

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 7'300'000
Benchmark applied	Average earnings before interest, tax, depreciation and amortisation (EBITDA, before any impairment charge on intangible and tangible assets) of the last five years (FY2019 to FY2023)
Rationale for the materiality benchmark applied	As a basis for their decisions, Management uses EBITDA to monitor 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. The average of FY2019 – 2023 has been selected to take into consideration the stability and long term view of the group also in the materiality determination.

We agreed with the Board of Directors that we would report to them misstatements above CHF 730'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We 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. 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.

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.

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	How our audit addressed the key audit matter
As per 31 March 2023 the Group reports goodwill of CHF 130 million, trade name intangible assets of CHF 47 million and property, equipment and vehicles of CHF 3'657 million. Management executed an impairment assessment on goodwill and a triggering event assessment on the intangibles and property, equipment and vehicles as required by the accounting standard. Management identified impairment triggers for seven of its eight CGUs and executed an impairment assessment for those CGUs. 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), the terminal growth rate as well as the discount rates applied to derive the associated recoverable amounts. Refer to the notes to the consolidated financial statements, specifically note 12 "Property, equipment and vehicles" and note 13 "Intangible assets".	We have obtained management's impairment tests for each of the CGUs. We assessed with management the appropriateness of the CGU determination 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 for seven out of the eight CGUs: • We reconciled the estimated future cash flows of the 5-year forecast period in the impairment model to the business plan presented to and reviewed by the Board of Directors of Mediclinic International plc. • We inquired with 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 assessed the key assumptions included in the impairment model with group 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. • With support of our internal real estate valuation specialists, we tested the reasonableness of the property values determined by management's external expert, which were used to calculate the impairment charges on the properties in the CGU Bern. • 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 performed own sensitivities to stress-test the model. • We assessed the adequacy of the disclosures related to the impairment assessment. On the basis of procedures performed, we determined that the approach taken, and the conclusions reached by management with regards to the recoverability of the Group's carrying value of non-current assets were reasonable.

Board of Directors' responsibilities for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements, which 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 SA-CH 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 SA-CH, 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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 PS-CH 890, we confirm that an internal control system exists which has been designed for the preparation of the 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

Gerhard Siegrist	Sven Rumpel
Licensed audit expert Auditor in charge	Licensed audit expert

Zürich, 12 May 2023

Enclosure:

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

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS 2023

EXPERTISE YOU CAN TRUST.

HIRSLANDEN
A MEDICLINIC INTERNATIONAL COMPANY

CONTENTS AND GENERAL INFORMATION

CONTENTS

GENERAL INFORMATION

These financial statements are consolidated financial statements for Hirslanden AG (the "Company") and its subsidiaries, associates and joint ventures (collectively, the "Group"). A list of subsidiaries, associates and joint ventures is included in note 37.

These annual consolidated financial statements have been approved for issue by the Board of Directors on 12 May 2023 for the ultimate approval of the shareholders at their annual general meeting.

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. med. Dominique Kuhlen (Chief Clinical Officer)
Mr. M. Bechtiger (Chief Human Resources Officer)
Mr. S. Studer (Chief Operating Officer East & West)
Mr. C. Goosen (Chief Information Officer)
Dr. Niowi Näf (Chief Strategy Officer since July 2022)

BOARD OF DIRECTORS

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

COMPANY SECRETARY

Ms. C. Zangerl

AUDITORS

PricewaterhouseCoopers AG, Switzerland, Zürich

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2023

	Notes	2023 CHF 000	(Re-presented)* 2022 CHF 000
Revenue	3	**1,900,013**	1,884,784
Other income	4	**4,899**	29,464
Employee benefit and contractor costs	5	**(950,866)**	(946,887)
Consumables and supplies	17	**(398,797)**	(394,991)
Care-related costs		**(108,850)**	(103,967)
Infrastructure-related costs	6	**(69,007)**	(72,660)
Service costs		**(92,959)**	(95,016)
Provision for expected credit losses	18	**(4,781)**	(6,253)
Depreciation and amortisation	12 & 13	**(176,868)**	(169,362)
Impairment of property, equipment and vehicles	12	**(253,320)**	(8,368)
Impairment of intangible assets	13	**(1,985)**	-
Other gains and losses	8	**(659)**	(144)
Operating profit / (loss)		**(153,180)**	116,600
Dividend income		**20**	2
Finance income	9	**41,905**	333
Finance cost	10	**(61,902)**	(59,369)
Share of net profit/(loss) of equity-accounted investments	14	**1,045**	2,033
Profit/(loss) before tax		**(172,112)**	59,599
Income tax	11	**58,608**	(13,350)
Profit/(loss) for the year		**(113,504)**	46,249
Attributable to:			
Equity holders of the Company		**(121,144)**	36,367
Non-controlling interests		**7,640**	9,882
		(113,504)	46,249

*Refer to note 2.6.

The notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2023

	Notes	2023 CHF 000	(Re-presented)[1] 2022 CHF 000
Profit/(loss) for the year		**(113,504)**	46,249
Other comprehensive income/(loss)			
Items that may be reclassified to the income statement in future periods		**2,917**	-
Fair value adjustment on cash flow hedges - gross	27	**3,484**	-
Cash flow hedges reclassified to profit or loss – gross	27	**90**	-
Tax on items relating to cash flow hedges	27	**(657)**	-
Items that may not be reclassified to the income statement in future periods		**(11,675)**	(90,520)
Remeasurements of retirement benefit obligations – gross	25	**(14,238)**	(110,390)
Tax on remeasurement of retirement benefit obligations	25	**2,563**	19,870
Other comprehensive income/(loss), net of tax		**(8,758)**	(90,520)
Total comprehensive income/(loss) for the year		**(122,262)**	(44,271)
Attributable to:			
Equity holders of the Company		**(129,395)**	(57,915)
Non-controlling interests	21	**7,133**	13,644
		(122,262)	(44,271)

Note

[1] Comparatives have been re-presented to present other comprehensive income on a gross basis, with the tax impact presented separately. In the previously reported consolidated financial statements for the year ended 31 March 2022, this information was presented in a separate note.

The notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the year ended 31 March 2023

	Notes	2023 CHF 000	2022 CHF 000
ASSETS			
Non-current assets		**3,926,043**	4,172,056
Property, equipment and vehicles	12	**3,656,831**	3,902,564
Intangible assets	13	**232,469**	240,686
Equity-accounted investments	14	**5,041**	3,204
Retirement benefit asset	25	**1,289**	1,636
Loans to group companies and related parties	34	**1,718**	-
Other investments and loans	15	**16,852**	16,781
Derivative financial instruments	27	**3,573**	-
Deferred income tax assets	16	**8,270**	7,185
Current assets		**862,848**	877,028
Inventories	17	**51,172**	60,203
Trade and other receivables	18	**612,964**	625,308
Other investments and loans	15	**4,320**	-
Current income tax assets		**7,202**	-
Cash and cash equivalents	31.7	**187,190**	191,517
Total assets		**4,788,891**	5,049,084
EQUITY			
Capital and reserves			
Share capital	19	**551,882**	551,882
Share premium reserve	19	**894,218**	914,402
Retained earnings		**(411,710)**	(279,397)
Other reserves	20	**(110,560)**	(113,477)
Attributable to equity holders of the Company		**923,830**	1,073,410
Non-controlling interests	21	**51,801**	53,248
Total equity		**975,631**	1,126,658
LIABILITIES			
Non-current liabilities		**3,209,042**	3,454,399
Borrowings	23	**1,419,572**	1,494,009
Lease liabilities	24	**480,868**	465,216
Loans from related parties	34	**808,020**	785,068
Deferred income tax liabilities	16	**437,252**	502,989
Retirement benefit obligations	25	**9,219**	9,110
Provisions	26	**54,111**	45,138
Derivative financial instruments	27	**-**	152,204
Cash-settled share-based payment liabilities	22	**-**	665
Current liabilities		**604,218**	468,027
Trade and other payables	28	**355,668**	335,293
Borrowings	23	**75,500**	51,000
Lease liabilities	24	**41,638**	39,462
Provisions	26	**16,656**	35,854
Cash-settled share-based payment liabilities	22	**1,267**	-
Derivative financial instruments	27	**111,855**	-
Current income tax liabilities		**1,634**	6,418
Total liabilities		**3,813,260**	3,922,426
Total equity and liabilities		**4,788,891**	5,049,084

The notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2023

	Share capital (note 19) CHF 000	Share premium reserve (note 19) CHF 000	Redemption liability reserve (note 20) CHF 000	Hedging reserve (note 20) CHF 000	Retained earnings CHF 000	Attributable to equity holders of the Company CHF 000	Non-controlling interests (note 21) CHF 000	Total equity CHF 000
Balance at 1 April 2021	551,882	924,402	(113,477)	-	(221,481)	1,141,326	46,085	1,187,411
Profit for the year	-	-	-	-	36,367	36,367	9,882	46,249
Other comprehensive income/(loss) for the year	-	-	-	-	(94,283)	(94,283)	3,762	(90,521)
Total comprehensive income/(loss) for the year	-	-	-	-	(57,916)	(57,916)	13,644	(44,272)
Transactions with non-controlling shareholders	-	-	-	-	-	-	(1)	(1)
Dividends paid	-	(10,000)	-	-	-	(10,000)	(6,480)	(16,480)
Balance at 31 March 2022	**551,882**	**914,402**	**(113,477)**	**-**	**(279,397)**	**1,073,410**	**53,248**	**1,126,658**
Profit/(loss) for the year	-	-	-	-	(121,144)	(121,144)	7,640	(113,504)
Other comprehensive income/(loss) for the year	-	-	-	2,917	(11,168)	(8,251)	(507)	(8,758)
Total comprehensive income/(loss) for the year	-	-	-	2,917	(132,312)	(129,395)	7,133	(122,262)
Transactions with non-controlling shareholders	-	-	-	-	-	-	380	380
Dividends paid	-	(20,184)	-	-	-	(20,184)	(8,960)	(29,144)
Balance at 31 March 2023	**551,882**	**894,218**	**(113,477)**	**2,917**	**(411,709)**	**923,831**	**51,801**	**975,632**

The notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2023

	Notes	2023 CHF 000 Inflow/(outflow)	2022 CHF 000 Inflow/(outflow)
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	31.1	**293,350**	374,884
Interest received		**416**	333
Interest paid	31.2	**(34,415)**	(31,094)
Tax paid	31.3	**(18,294)**	(20,365)
Net cash generated from operating activities		**241,057**	**323,758**
CASH FLOW FROM INVESTMENT ACTIVITIES		**(127,011)**	(132,466)
Capital expenditure to maintain operations	31.4	**(60,655)**	(69,899)
Capital expenditure to expand operations	31.5	**(57,011)**	(63,039)
Acquisition of subsidiaries	32	**(950)**	-
Acquisition of investment in associate	14	**(839)**	-
Dividends received from equity-accounted investment	14	**47**	2,065
Proceeds from other investments and loans	15	**3,659**	3,289
Acquisition of other investments	15	**(1,596)**	(10,105)
Loans granted	15	**(9,934)**	(2,377)
Proceeds from insurance claim		**-**	7,023
Proceeds on disposal of property, equipment and vehicles		**268**	577
CASH FLOW FROM FINANCING ACTIVITIES		**(118,373)**	**(105,580)**
Distributions to non-controlling interests	21	**(8,961)**	(6,480)
Distributions to shareholders		**(20,184)**	(10,000)
Transaction with non-controlling interest	21	**380**	(2)
Repayment of borrowings	23	**(51,000)**	(51,000)
Refinancing transaction costs	31.6	**(2,400)**	(3,350)
Repayment of lease liabilities	31.6	**(36,208)**	(34,748)
Net increase/(decrease) in cash and cash equivalents		**(4,327)**	85,712
Opening balance of cash and cash equivalents		**191,517**	105,805
Closing balance of cash and cash equivalents		**187,190**	**191,517**

The notes form an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

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. The Group currently operates seventeen hospitals, five outpatient surgical units, eighteen radiology institutes and six radiotherapy institutes in Switzerland.

2. ACCOUNTING INFORMATION AND POLICIES

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, financial instruments measured at fair value through profit or loss ('FVPL') and financial instruments measured at fair value through other comprehensive income ('FVOCI') are measured at fair value;
- Retirement benefit obligations 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 financial statements requires the use of accounting estimates, which, by definition, will seldom equal the actual results. Management also needs to exercise certain judgements in applying the Group's accounting policies. This note provides an overview of the areas that involved a higher degree of judgement or estimates that are more likely to be materially adjusted in the next 12 months where assumptions vary. Detailed information about each of these estimates and judgements is included in the notes as listed below.

Critical accounting judgements

- Level at which management monitors goodwill for impairment testing (see note 13)
- Determination of lease term (see note 24)

Key estimates

- Impairment of non-financial assets, excluding goodwill (see note 12)
- Measurement of retirement benefit obligations (see note 25)
- Measurement of income taxes (see note 11)

2.2. Accounting policies

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

2. ACCOUNTING INFORMATION AND POLICIES (continued)

2.3. Foreign currency transactions

Transactions and balances

Foreign currency transactions are translated into the respective Group entities' functional currency at exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement (except when recognised in other comprehensive income as part of qualifying cash flow hedges). The annual consolidated financial statements are prepared in Swiss Francs (CHF) which is the Company's functional and presentation currency.

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

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

2.4. Basis of consolidation

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

The results of subsidiaries are included in the consolidated financial statements from the effective date of acquisition until control is relinquished. Adjustments to the financial statements of subsidiaries are made when necessary to bring their accounting policies in line with those of the Group. All intra-company transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests ('NCI') in the net assets of consolidated subsidiaries are identified and recognised separately from the Group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to NCI are allocated to the NCI even if this results in a debit balance being recognised. Refer to note 21 for the accounting policy of NCI.

Business combinations: Refer to note 32 for the accounting policy of business combinations.

Investments in associates and joint ventures: Refer to note 14 for the accounting policy of equity-accounted investments.

2. ACCOUNTING INFORMATION AND POLICIES (continued)

2.5. Going concern

For the purposes of assessing liquidity specifically and going concern broadly at 31 March 2023, the Group modelled a combination of the two most severe, but plausible scenarios on a month-by-month basis and applied mitigation actions with specific reference to:

• Regulatory changes (FINMA and "Preisüberwacher" pressure)
• Further reduction in tariffs due to Customer behaviour (Insurance mix deterioration)

Due to the mostly fixed employee cost base across the business, lower revenue due to either a reduction in tariffs or volumes has the most pronounced impact on EBITDA. Compared to the business plan (Base case), the combined adverse effect of reduction of tariffs and volumes after mitigation, amounts overall to a decline of approximately 5.8% or CHF 24.9m EBITDA over the next 18 months. In the worst affected month, the Group's EBITDA is affected by approximately 12.5% in the downside case after mitigation action when compared to the base case.
Depending on the circumstances, further mitigating actions would be available to the Group that has not been modelled. These include:

• further reductions in capital expenditure, ceasing ongoing projects;
• reductions in staff and other operating costs;
• a freeze on recruitment;
• a restriction on salary increases;
• a suspension of dividend payments

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

Borrowings are denominated in the same currency as the Group’s underlying revenue and therefore not exposed to foreign exchange rate risk.

Hirslanden obtained a covenant test waiver where the forecast financial impact from the disruption on the operation may have resulted in covenants being breached before coming back into compliance as operations normalise. For Hirslanden this will be performed at the end of September 2024. By the time of the reinstated test, all covenants have sufficient headroom based on the range of modelled scenarios and the Group will continue to be able to meet their obligations for the periods modelled.

While recognising that there remains risk to the Group’s financial performance for at least the next 12 months, the directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due, in the ordinary course of business.

2. ACCOUNTING INFORMATION AND POLICIES (continued)

2.6. Operating expenses presentation

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

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

Income statement reclassification

For the year ended 31 March 2022, the Group changed the classification of certain operating expenses in the “Employee benefit and contractor costs”, “Care-related costs” and “Infrastructure-related costs” categories in the Consolidated Income Statement to better reflect the nature of these expenses. Comparatives have been changed to conform to the new presentation. The reclassification had no impact on reported cash, profits or net assets. The expenses have been reclassified as set out in the

	Previously reported CHF 000	Reclassification CHF 000	Represented CHF 000
Employee benefit and contractor costs	(945,655)	1,232	(946,887)
Care-related costs	(99,547)	4,420	(103,967)
Infrastructure-related costs	(78,312)	(5,652)	(72,660)

2. ACCOUNTING INFORMATION AND POLICIES (continued)

2.7. Standards, interpretations and amendments

Published standards, amendments and interpretations effective for the 31 March 2023 financial pe

The following published standards, amendments and interpretations are mandatory for the accounting period beginning on or after 1 April 2022 and have been adopted:

- *IAS 16 Property, Plant and Equipment - Proceeds before Intended Use amendments (1 January 2022)*
- *Reference to the Conceptual Framework - Amendments to IFRS 3 (1 January 2022)*
- *IAS 37 Onerous Contracts - Cost of Fulfilling a Contract amendments (1 January 2022)*
- *Annual improvements 2018-2020 cycle - Amendments and clarifications to existing IFRS standards (1 January 2022)*

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 consolidated financial statements:

- *IFRS 17 Insurance Contracts (1 January 2023)*
- *Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 (1 January 2023)*
- *Definition of Accounting Estimates – Amendments to IAS 8 (1 January 2023)*
- *Classification of Liabilities as Current or Non-current - Amendments to IAS 1 (1 January 2024)*
- *Lease Liability in a Sale and Leaseback - Amendments to IFRS 16 (1 January 2024)*
- *Non-current Liabilities with Covenants - Amendments to IAS 1 (1 January 2024)*

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

- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 (1 January 2023)*

The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations, and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets. The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate.

The Group plans to adopt these amendments on 1 April 2023 and will restate comparatives. The Group expects to recognise a net deferred tax asset of approximately TCHF 15,200 with a corresponding deferred tax credit of TCHF 13,600, which will impact loss after tax for the year ended 31 March 2023, and an adjustment of TCHF 1,600 to retained earnings.

3. REVENUE

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

Revenues are measured at the transaction price which is the amount of consideration that the Group expects to be entitled to in exchange for the services provided. Fees charged for medical services are calculated and billed based on various tariff agreements with funders. In determining the transaction price, variable consideration in terms of IFRS 15 exists in the form of tariff adjustments.

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

Revenue is recorded during the period in which the hospital service is provided and is based on the amounts due from patients and/or medical funding entities. Unbilled revenue is accrued at period ends based on the number of days that the patient has been admitted for and received services.

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

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

Disaggregation of revenue	2023 CHF 000	2022 CHF 000
Major service lines		
Inpatient	**1,396,060**	1,372,094
Day cases	**104,847**	103,270
Outpatient	**293,688**	282,530
Other	**78,145**	100,148
Revenue from contracts with customers	**1,872,740**	1,858,042
Rental income	**27,273**	26,742
Total revenue	**1,900,013**	1,884,784

3. REVENUE (continued)

In Switzerland, the cost of treating inpatients with basic health insurance is fixed by the government. The pricing model is based on Swiss diagnostic-related groups (‘**DRGs**’) for inpatients and can be seen as a fixed-fee arrangement. Invoicing occurs when the patient is discharged. Revenue is recognised over the length of stay of the patient. In some cases, the pricing model for DRGs is based on provisional tariffs as delays occur in the agreement of the tariffs between the healthcare providers and the funders. Revenue is then billed to the funders based on provisional tariffs and recognised to the extent that it is highly probable that the revenue will not be reversed. If the provisional tariffs are disputed by the funders, tariff provisions are recognised for the difference between the provisional tariffs and the estimated final tariffs. Once the tariffs are finalised, the difference between the agreed tariffs and the provisional tariffs is settled between the healthcare providers and the funders. Tariff provisions represent refund liabilities in terms of IFRS 15 and result in a reduction in revenue with a corresponding entry to provisions in the statement of financial position. These tariff provisions are not recorded within trade and other receivables but presented as provisions as the original invoices are settled before the finalisation of the tariffs and balances due to funders are not settled on a net basis. The tariff provisions are calculated based on historical experience of outcomes to negotiations between healthcare providers and funders. This is regularly reassessed based on the actual outcome of tariff negotiations. Tariff provisions are also recognised for other in- and outpatient treatments.

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

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

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

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

3. REVENUE (continued)

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

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

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

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

The online platform TOGETHER WE TEST, developed by the Group, supported the cantons in implementing the expanded testing strategy to combat the Covid 19 pandemic in FY 2022. This is the main driver for the decrease of other revenue compared to prior year.

Rental income

The rental income received from external parties during the year from the letting of consulting rooms, parking, etc. was TCHF 27,273 (2022: TCHF 26,742). Rental income is based on a high number of individual lease agreements with outstanding committed terms of between one and three years and standard pricing linked to inflation.

4. OTHER INCOME

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

	2023 CHF 000	2022 CHF 000
Government grants	**4,749**	19,403
Insurance proceeds	**150**	10,061
	4,899	29,464

Government grants

Hirslanden engaged extensively with Swiss cantonal authorities in planning for and navigating the pandemic and, as part of this, provided hospital bed and staff capacity. In recognition and reimbursement of the support and capacity provided, several Swiss cantonal authorities introduced appropriate financial contributions for hospitals to offset certain costs and disruptions to operations. Furthermore, there were contributions for the medical training of doctors. As a result, total government grants of TCHF 4,749 (2022: TCHF 19,403) were recognised as other income.

Insurance proceeds

During the year ended 31 March 2023, insurance proceeds of TCHF 150 were received for business interruption due to a fire at Klinik Hirslanden in business year 2022 (2022: TCHF 10,061).

5. EMPLOYEE BENEFIT AND CONTRACTOR COSTS

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. Note 25 provides further information on how the Group accounts for defined benefit plans.

Profit sharing and bonus plans
Wages and salaries include profit sharing and bonus plans. Note 28 provides further information on how the Group accounts for profit sharing and bonus plans.

Share-based payment compensation
Note 22 provides further information on how the Group accounts for share-based payment compensation.

	2023 CHF 000	2022 CHF 000
Wages and salaries	**760,868**	760,035
Swiss social security costs	**94,598**	88,608
Retirement benefit costs – defined benefit obligations (see note 25)	**41,664**	58,020
Share-based payment expense (see note 22)	**736**	538
Affiliated and independent doctor costs	**33,842**	29,250
Other staff-related costs	**19,158**	10,436
	950,866	946,887
Average number of employees	**11,052**	10,806

6. INFRASTRUCTURE-RELATED COSTS

	2023 CHF 000	2022 CHF 000
Maintenance costs	**45,340**	49,449
Short-term leases and leases of low-value assets (see note 24)	**4,576**	7,257
Other[1]	**19,091**	15,954
	69,007	72,660

Note

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

7. AUDITORS' REMUNERATION

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

	2023 CHF 000	2022 CHF 000
Fees paid to the Group's auditors for the following services:		
Audit of the Company and consolidated financial statements	**998**	878
Audit of Company subsidiaries	**499**	449
Audit services	**1,497**	1,327
Audit-related services	**117**	129
Other assurance services	**367**	208
	1,981	1,664

8. OTHER GAINS AND LOSSES

	2023 CHF 000	2022 CHF 000
Foreign exchange differences	**(344)**	(443)
Profit/(loss) on disposal of property, equipment and vehicles	**(315)**	299
	(659)	(144)

9. FINANCE INCOME

	2023 CHF 000	2022 CHF 000
Interest received	**396**	333
Remeasurement of redemption liability (see note 27)	**41,509**	-
	41,905	333

10. FINANCE COST

	2023 CHF 000	2022 CHF 000
Interest expense on financial liabilities not at FVPL	**49,364**	45,836
Interest on lease liabilities	**7,850**	7,533
Interest rate swaps	**90**	-
Amortisation of capitalised financing costs	**3,462**	3,395
Remeasurement of redemption liability (see note 27)	**-**	1,434
Unwinding of discount on redemption liability (see note 27)	**1,160**	1,183
Less: amounts included in cost of qualifying assets	**(24)**	(12)
	61,902	59,369

Capitalised borrowing costs

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's general borrowings during the year, in this case 1.4% (2022: 1.4%).

11. INCOME TAX

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

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

For more information on the calculation of the deferred tax charge/(credit), see note 16.

Consolidated income statement	2023 CHF 000	2022 CHF 000
Current tax		
Current year	**6,608**	21,635
Previous year	**(300)**	(45)
Deferred tax credit (see note 16)	**(64,916)**	(8,240)
Taxation charged/(credited) in the income statement	**(58,608)**	13,350

11. INCOME TAX (continued)

Consolidated other comprehensive income	2023 CHF 000	2022 CHF 000
Deferred tax related to items recognised in OCI during the year:		
Net (gain)/loss on cash flow hedges	**(657)**	-
Remeasurements of retirement benefit obligations	**2,563**	19,870
Deferred tax charged to OCI	**1,906**	19,870

Reconciliation of taxation per income statement:	2023 CHF 000	2022 CHF 000
Expected tax (income)/expense at weighted average applicable tax rate[1]	**(30,471)**	10,224
Adjusted for:		
Non-taxable income[2]	**(6,508)**	(1,562)
Non-deductible expenses[3]	**18,478**	4,929
Tax-deductible statutory impairment not recorded in profit or loss	**(24,813)**	-
Effect of loss-making subsidiaries on expected tax rate	**(6,679)**	(4,950)
Income tax rate changes	**(14,794)**	(219)
Non-recognition of tax losses in current year[4]	**13,727**	5,304
Derecognition/(recognition) of tax losses relating to prior years	**1,323**	(53)
Previous year adjustment[5]	**(8,770)**	(45)
Utilisation of previously unrecognised tax losses	**(101)**	(278)
Income tax (income)/expense	**(58,608)**	13,350
Effective tax rate	**34.05%**	22.40%

Notes

[1] The weighted average applicable tax rate is the result from applying the domestic statutory tax rates to profits before taxes of each entity in the canton where it operates. The weighted average applicable tax rate varies from one year to the next depending on the relative weight of the profit of each individual entity in Hirslanden's profit as well as the changes in the statutory tax rates. The weighted average applicable tax rate for the year ended 31 March 2023 was 17.7% (2022: 17.2%).

[2] Non-taxable income mainly includes the tax effect of the remeasurement of the redemption liability, which is only recognised in the IFRS accounts. Refer to note 27.

[3] Non-deductible expenses reflect the tax effect of items which, in management's judgement, are potentially disallowable for the purposes of determining local taxable profits. This includes the tax effect of expenses recognised for operating lease contracts under IFRS 16 which exceed the tax-deductible operating leasing expenses relevant for determining local taxable profits und for which the Group applied the initial recognition exception in IAS 12 at the time of the IFRS 16 implementation. Impairments recorded on right-of-use assets during FY2023 (refer to note 12) resulted in an increase of non-deductible expenses of TCHF 11,400 compared to prior year.

[4] Taking into account the current business development and the medium-term planning, no deferred tax assets on tax losses of Hirslanden Bern in the amount of TCHF 12,621 (2022: TCHF 4,853) were recognised in the current year.

[5] In the current year a deferred tax liability in the amount of TCHF 8,470 was written-off relating to intangible assets which were impaired in the past. Based on materiality considerations management recorded the adjustment in the current period.

11. INCOME TAX (continued)

Uncertain tax positions

The Group is subject to income taxes in numerous jurisdictions. Due to this, there is an inherent risk that tax authorities may interpret legislation differently and therefore judgement is required in determining the estimates in relation to the provision for income taxes. At 31 March 2023, no significant uncertain tax positions had been identified and, as a result, no material provision was raised.

Critical accounting estimate

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.

12. PROPERTY, EQUIPMENT AND VEHICLES

Land and buildings comprise mainly hospitals and offices. All property, equipment and vehicles are shown at cost less accumulated depreciation and impairment, except for land, which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs to enhance an asset are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred. See note 24 for the accounting treatment of right-of-use assets.

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

• Buildings	10–100 years
• Leasehold	20 - 30 years or over the term of the lease contract if shorter
• 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 statement of financial position date.

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

Property, equipment and vehicles are tested for impairment whenever events or changes in circumstances indicate a potential impairment. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair-value-less-cost-of-disposal ('FVLCOD') and value-in-use. The recoverable amount is calculated by estimating future cash benefits that will result from each asset and discounting those cash benefits at an appropriate discount rate. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable and independent cash flows – cash-generating units ('CGUs'). Assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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

12. PROPERTY, EQUIPMENT AND VEHICLES (continued)

	Land and buildings CHF 000	Leasehold improve-ment CHF 000	Capital expenditure in progress CHF 000	Right-of-use assets CHF 000	Equipment CHF 000	Furniture and vehicles CHF 000	Total CHF 000
Net book value at 1 April 2022	**3,171,682**	**42,865**	**48,387**	**494,304**	**125,519**	**19,807**	**3,902,564**
Additions	11,060	5,137	52,256	55,440	30,576	4,668	**159,137**
Disposals	-	-	-	(437)	(318)	(281)	**(1,036)**
Depreciation	(59,471)	(7,982)	-	(38,076)	(39,328)	(5,822)	**(150,679)**
Business combinations	-	-	-	-	141	-	**141**
Prior-year capital expenditure completed	12,803	2,724	(24,175)	-	8,159	489	**-**
Transfer between asset classes	-	8,825	(562)	(13,674)	9,777	(4,366)	**-**
Impairment	(152,608)	(7,787)	-	(61,701)	(29,807)	(1,417)	**(253,320)**
Borrowing cost capitalised	24	-	-	-	-	-	**24**
Net book value at 31 March 2023	**2,983,490**	**43,782**	**75,906**	**435,856**	**104,719**	**13,078**	**3,656,831**
Cost	**3,972,962**	**119,567**	**75,906**	**647,903**	**715,670**	**181,409**	**5,713,417**
Accumulated depreciation and impairment	**(989,472)**	**(75,786)**	**-**	**(212,048)**	**(610,951)**	**(168,330)**	**(2,056,587)**

	Land and buildings CHF 000	Leasehold improve-ment CHF 000	Capital expenditure in progress CHF 000	Right-of-use assets CHF 000	Equipment CHF 000	Furniture and vehicles CHF 000	Total CHF 000
Net book value at 1 April 2021	**3,210,578**	**40,504**	**33,446**	**521,993**	**115,563**	**20,790**	**3,942,874**
Additions	17,082	7,409	34,985	15,562	40,531	5,042	120,611
Disposals	-	-	-	(5,924)	(15)	(259)	(6,198)
Depreciation	(58,327)	(6,667)	-	(37,327)	(37,814)	(6,221)	(146,356)
Prior-year capital expenditure completed	10,717	1,619	(20,044)	-	7,254	455	1
Impairment	(8,368)	-	-	-	-	-	(8,368)
Net book value at 31 March 2022	**3,171,682**	**42,865**	**48,387**	**494,304**	**125,519**	**19,807**	**3,902,564**
Cost	3,949,075	107,623	48,387	603,794	675,415	181,749	5,566,043
Accumulated depreciation and impairment	(777,393)	(64,758)	-	(109,490)	(549,896)	(161,942)	(1,663,479)

12. PROPERTY, EQUIPMENT AND VEHICLES (continued)

	2023 CHF 000	2022 CHF 000
Total additions (excluding additions on right-of-use assets)	**103,721**	105,049
To maintain operations	**54,084**	56,305
To expand operations	**49,637**	48,744

Property, equipment and vehicles with a book value of TCHF 3,085,820 (2022: TCHF 3,085,820) are encumbered as security for borrowings (see note 23).

An impairment charge previously presented under the asset category "Leasehold improvement" (TCHF 4,742), "Equipment" (TCHF 8,081) and "Furniture and vehicles" (TCHF 851) in the property, equipment and vehicles table for the year ended 31 March 2022 was reclassified to "Right-of-use assets" (TCHF 13,674). The reclassification had no material impact on the carrying value of property, equipment and vehicles, reported cash or profits.

Determination of CGUs for impairment testing

Property, equipment and vehicles are considered for impairment if impairment indicators are identified at an individual CGU level. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Group defines CGUs as combined inter-dependent hospitals and/or clinics or as individual hospitals depending on the geographical location or the degree of integration. In Switzerland, inter-dependent hospitals are considered to have centralised organisational structures and operations and are divided into different geographical care regions, each of which forms a network of central hospitals, basic care hospitals, specialist hospitals and outpatient centres.

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

Critical accounting judgements

Useful lives of property, equipment and vehicles

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.

12. PROPERTY, EQUIPMENT AND VEHICLES (continued)

Key accounting estimates

Impairment assessment

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

The intensive usage of contracted staff due to scarcity of medical staff results in a global increase in full time equivalents, which are growing faster than the volumes and weighing on productivity. Estimates of future cash flows and earnings of the Group are affected by direct or indirect impacts of the increasing pressure and led management to re-assess the longer term prospect of the business. Impairment indicators were identified at seven CGUs. The recoverable amounts of these CGUs were based on FVLCOD calculations, which use level 3 valuation techniques. In determining the FVLCOD, the cash flows were discounted at rates between 5.4% and 6.0% (2022: 4.9% and 5.2%). Beyond five years a growth rate of 1.6% (2022: 1.6%) was used. The carrying value of six CGUs where indicators were identified was determined to be lower than its recoverable amount of CHF 2,000m and, as a result, no impairment charge was recognised in the income statement relating to property, equipment and vehicles.

In addition to the above mentioned circumstances for the group, the CGU Bern had difficulties to find resources even in temporary status. Which leads to increased costs and lower capacity in the operation theatres in particular as well as closed beds due to the lack of personnel. The impairment assessment resulted in an impairment loss for the current year in the cash generating unit Bern totaling to CHF 253m on land and buildings, leasehold improvement, right-of-use assets equipment, furniture and vehicles, where the carrying amount of the CGU was determined higher than its recoverable amount of the CGU (CHF 303m).

Two CGUs have limited headroom and remain sensitive to reasonably possible changes in the discount rate and the terminal growth rate in the FVLCOD calculations, which could give rise to material impairment charges in future periods. For the first CGU, an increase in the discount rate by 0.7% would reduce the headroom to CHF nil. A terminal growth rate of 0% would still result in a positive headroom. A decrease in forecasted cash flows by 7% would also reduce headroom to CHF nil. For the other CGU, an increase in the discount rate by 0.5% would reduce the headroom to CHF nil. A decrease in the terminal growth rate by 1.46% would reduce the headroom to CHF nil. A decrease in forecasted cash flows by 6% would also reduce headroom to CHF nil.

The key inputs to its calculations are described below:
As part of the annual financial planning process, Hirslanden is required to submit budgets for the next financial year and forecasts for the following four years, which are approved by the Board. Future earnings in the FVLCOD calculation are based on these budgets and forecasts that are calculated on a per hospital basis and consider both internal and external market information. These budgets and forecasts represent management’s best view of future revenues and cash flows and includes the purchase of environmentally friendly equipment.

Climate change

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

Change in accounting estimate

During the financial year 2021, an expansion project, which includes the construction of new hospital wings at a hospital in Switzerland, was approved. The existing hospital wings have been dismantled until the end of the financial year ending 31 March 2023 and will be replaced by a new construction as part of the expansion project. As a result, the estimated useful life of the affected hospital wings has been reduced and the depreciation of these assets’ carrying value accelerated. For the year ended 31 March 2023, the accelerated depreciation included in the depreciation charge amounts to TCHF 23,432.

13. INTANGIBLE ASSETS

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

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

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

Acquired computer software licences, configuration and implementation costs are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3–5 years using the straight-line method. Configuration costs for cloud-based business applications are capitalised where it is probable that economic benefits that are attributable to the asset will flow to the Group and it has the power to control access to those benefits. Any cloud-solution costs incurred as part of a service agreement are expensed when incurred. Costs associated with maintaining computer software are expensed as incurred.

Trade names and computer software are tested for impairment whenever events or changes in circumstances indicate a potential impairment. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. Assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Refer to note 12 for the determination of the recoverable amount.

13. INTANGIBLE ASSETS (continued)

	Goodwill CHF 000	Trade names CHF 000	Computer software CHF 000	Total CHF 000
Net book value at 1 April 2022	**129,477**	**49,645**	**61,564**	**240,686**
Additions	-	-	19,147	19,147
Amortisation	-	(2,334)	(23,854)	(26,188)
Business combinations	809	-	-	809
Impairment	-	-	(1,985)	(1,985)
Net book value at 31 March 2023	**130,286**	**47,311**	**54,872**	**232,469**
Cost	530,425	478,354	192,385	1,201,164
Accumulated amortisation and impairment	(400,139)	(431,043)	(137,513)	(968,695)

	Goodwill CHF 000	Trade names CHF 000	Computer software CHF 000	Total CHF 000
Net book value at 1 April 2021	129,477	51,979	57,920	239,376
Additions	-	-	24,314	24,314
Disposals	-	-	(6)	(6)
Amortisation	-	(2,334)	(20,664)	(22,998)
Net book value at 31 March 2022	**129,477**	**49,645**	**61,564**	**240,686**
Cost	529,616	478,354	173,238	1,181,208
Accumulated amortisation and impairment	(400,139)	(428,709)	(111,674)	(940,522)

	2023 CHF 000	2022 CHF 000
Total additions	**19,147**	24,314
To maintain operations	**9,246**	11,883
To expand operations	**9,901**	12,431

In the annual sub-impairment test on fixed and intangible assets performed by clinics a necessary adjustment on computer software was identified which were subsequently impaired.

Critical accounting judgement

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

IFRS requires the impairment assessment to be performed at the level at which goodwill and trade names are monitored for impairment by management, provided that this level cannot be bigger than an operating segment. Management assesses goodwill at a CGU level. In accordance with IFRS, goodwill shall be allocated to all CGUs, or groups of CGUs, that are expected to benefit from the expected synergies.

13. INTANGIBLE ASSETS (continued)

Key accounting estimates

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

The recoverable amount of the CGUs is determined by its FVLCOD, regarded as the more appropriate reflection of the value of the business, which is derived from discounted cash flow calculations and uses level 3 valuation techniques.

Goodwill that originated from the business combinations of OPERA Zumikon AG and Clinique des Grangettes in previous years has been tested for impairment.

The key inputs to its calculations are described below:

Forecasts As part of the annual financial planning process, Hirslanden is required to submit budgets for the next financial year and forecasts for the following four years, which are approved by the Board. Future earnings in the FVLCOD calculation are based on these budgets and forecasts that are calculated on a per hospital basis and consider both internal and external market information. These budgets and forecasts represent management's best view of future revenues and cash flows and includes the purchase of environmentally friendly equipment.

Growth rates Growth rates are determined from budgeted and forecast revenue. Terminal year growth rates are country specific and determined based on the forecast market growth rates and considering long-term medical inflation. The regulatory environment and impact on tariffs are considered. Growth rates have been benchmarked against external data for the relevant markets. The terminal growth rate beyond five years is 1.6% (2022: 1.6%).

Discount rates The weighted average cost of capital ('WACC') was determined by considering the respective debt and equity costs and ratios. The discount rate is based on the risk-free rate for government bonds adjusted for a risk premium to reflect the increased risk of investing in equities. Discount rates reflect the time value and the risks associated with cash flows. The long-term data inputs used in the calculation of the discount rate are benchmarked to externally available data. The discount rate applied to cash flow projections is 5.6% (2022: 5.1%).

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

14. EQUITY-ACCOUNTED INVESTMENTS

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

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

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

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

The Group determines at each reporting date whether there is any objective evidence that the equity-accounted investment is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value and recognises the amount adjacent to share of profit or loss of the investment in the income statement. The recoverable amount is the higher of an asset's FVLCOD and value-in-use. The value-in-use is calculated by estimating future cash benefits that will result from the investment and discounting those cash benefits at an appropriate discount rate.

14. EQUITY-ACCOUNTED INVESTMENTS (continued)

	2023 CHF 000	2022 CHF 000
Investment in associates (unlisted)	**3,210**	3,082
Investment in joint venture (unlisted)	**1,831**	122
	5,041	**3,204**

Reconciliation of carrying value at the beginning and end of the year

	2023 CHF 000	2022 CHF 000
Opening balance	**3,204**	3,237
Additional investment in associate	**839**	-
Share of net profit/(loss) of associated companies	**1,045**	2,095
Impairment of associate	**-**	(63)
Dividends received from associated companies	**(47)**	(2,065)
	5,041	**3,204**

The aggregate information of the associates and joint venture are not material individually. 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.

See note 37 for further details of investments in associates.

15. OTHER INVESTMENTS AND LOANS

	2023 CHF 000	2022 CHF 000
Debt instruments at amortised cost	**7,081**	5,286
Equity instruments at FVPL (listed shares)	**978**	978
Equity instruments at FVOCI (unlisted shares)	**13,113**	10,517
	21,172	**16,781**
Non-current	**16,852**	16,781
Current	**4,320**	-
Total other investments and loans	**21,172**	**16,781**

15. OTHER INVESTMENTS AND LOANS (continued)

Debt instruments at amortised cost

Debt instruments at amortised cost include loans receivable from doctors and other parties. In the current year CHF 8m of loans were granted, set-off by repayments of CHF 3.7m, loans converted to investments CHF 1m and credit losses of around CHF 1.5m which were recognised on the loans receivable. For details on loans to related parties, see note 34.

Loans receivable inherently expose the Company to credit risk, being the risk that the Company will incur financial loss if counterparties fail to make payments as they fall due. For the accounting policy of other investments and loans, see note 29 'Financial Instruments'.

Listed equity instruments

The fair value of the listed equity instruments is determined by reference to published price quotations in an active market (classified as level 1 in the fair value hierarchy).

Unlisted equity instruments

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

The fair value of unlisted equity instruments at FVOCI is not based on observable market data and, as a result, these financial assets are grouped as level 3. The following table presents the changes in these level 3 instruments for the period ended 31 March 2023:

Unlisted equity instruments at FVOCI	2023 CHF 000	2022 CHF 000
Opening balance	10,517	580
Acquisitions[1]	2,596	9,937
	13,113	10,517

Information about the methods and assumptions used to determine the fair value of unlisted equity instruments, and the sensitivity of the assets to price, is provided in note 29.

Note

[1] The acquisitions of unlisted equity instruments at FVOCI include an exercised convertible loan of TCHF 1,000 in the current year.

16. DEFERRED TAX

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

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

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

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

The movement on the deferred tax account is as follows:	**2023** **CHF 000**	**2022** **CHF 000**
Opening balance	**495,804**	523,914
Income statement credit for the year	**(64,916)**	(8,240)
(Credited)/charged to other comprehensive income	**(1,906)**	(19,870)
Balance at year end	**428,982**	495,804
Deferred income tax assets	**(8,270)**	(7,185)
Deferred income tax liabilities	**437,252**	502,989
	428,982	495,804

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

16. DEFERRED TAX (continued)

Deferred tax liabilities

	Tangible assets CHF 000	Intangible assets CHF 000	Current assets CHF 000	Provisions and other CHF 000	Financial assets and retirement benefit asset CHF 000	Total CHF 000
At 1 April 2021	466,376	15,777	10,254	21,331	25,731	539,469
Charged/(credited) to the income statement	(6,059)	(356)	(878)	487	(850)	(7,656)
Credited to other comprehensive income	-	-	-	-	(24,532)	(24,532)
At 31 March 2022	460,317	15,421	9,376	21,818	349	507,281
Set-off of deferred tax liabilities pursuant to set-off provisions						(4,291)
Net deferred tax liabilities at year end						**502,990**
At 1 April 2022	**460,317**	**15,421**	**9,376**	**21,818**	**349**	**507,281**
Charged/(credited) to the income statement	(31,762)	(8,797)	(1,051)	985	67	(40,558)
Charged to other comprehensive income	-	-	-	-	466	466
Effect of change in tax rate on income statement	(14,794)	-	-	-	-	(14,794)
At 31 March 2023	**413,761**	**6,624**	**8,325**	**22,803**	**882**	**452,395**
Set-off of deferred tax liabilities pursuant to set-off provisions						(15,143)
Net deferred tax liabilities at year end						**437,252**

Deferred tax assets

	Provisions and other CHF 000	Retirement benefit obligations CHF 000	Tangible assets CHF 000	Tax losses carried forward CHF 000	Total CHF 000
At 1 April 2021	(36)	(6,375)	(4,241)	(4,903)	(15,555)
Charged/(credited) to the income statement	(99)	73	1,031	(1,588)	(583)
Credited to other comprehensive income	-	4,662	-	-	4,662
At 31 March 2022	(135)	(1,640)	(3,210)	(6,491)	(11,476)
Set-off of deferred tax assets pursuant to set-off provisions					4,291
Net deferred tax assets at year end					**(7,185)**
At 1 April 2022	**(135)**	**(1,640)**	**(3,210)**	**(6,491)**	**(11,476)**
Charged/(credited) to the income statement	(98)	2,584	2,056	(14,107)	(9,565)
Charged to other comprehensive income		(2,372)			(2,372)
At 31 March 2023	**(233)**	**(1,428)**	**(1,154)**	**(20,598)**	**(23,413)**
Set-off of deferred tax assets pursuant to set-off provisions					15,143
Net deferred tax assets at year end					**(8,270)**

16. DEFERRED TAX (continued)

At 31 March 2023, the Group had unutilised tax losses of approximately TCHF 259,770 (2022: TCHF 132,057) potentially available for offset against future profits. A deferred tax asset of TCHF 20,598 (2022: TCHF 6,491) has been recognised in respect of tax losses of TCHF 115,547 (2022: TCHF 40,824) in some of the underlying subsidiaries. The Group has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets of the underlying subsidiaries. No deferred tax asset has been recognised in respect of the remaining losses due to the unpredictability and availability of future profit streams in the relevant jurisdictions. Tax losses expire after seven years. Their utilisation is dependent on the profitability of the related entities. The financial projections used in assessing the future profitability are consistent with those used in assessing the carrying value of goodwill as set out in note 13. The rate of utilisation of these losses will depend on the incidence and timing of profits within each entity, which consequently affect their recognition as deferred tax assets.

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

	2023 CHF 000	2022 CHF 000
Unused tax losses not recognised as deferred tax assets		
Expiry in 1 year	**477**	1,821
Expiry in 2 years	**7,833**	2,587
Expiry in 3–7 years	**135,913**	86,825
	144,223	91,233

17. INVENTORIES

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

Consumables and supplies consist of the cost of inventories, including obsolete stock, which have been expensed during the year. Rebates received from suppliers are recognised when all the conditions agreed with the suppliers are met, the amount of cost of supplies can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the entity.

	2023 CHF 000	2022 CHF 000
Inventories consist of:		
Pharmaceutical products	**49,079**	59,901
Consumables	**2,093**	302
	51,172	60,203

The cost of inventories recognised as an expense and included in consumables and supplies amounted to TCHF 398,797 (2022: TCHF 394,991). Write-downs of inventories to net realisable value amounted to TCHF 1,049 (2022: TCHF 4,380). These were recognised as an expense during the year and included in consumables and supplies in the income statement.

18. TRADE AND OTHER RECEIVABLES

For the accounting policies of trade and other receivables, see note 29 'Financial Instruments'.

	2023 CHF 000	2022 CHF 000
Financial instruments		
Trade receivables	**516,709**	529,885
Loss allowance	**(16,701)**	(15,965)
	500,008	513,920
Other receivables	**53,479**	51,041
	553,487	564,961
Non-financial instruments		
Prepayments and deposits	**59,240**	60,123
Other receivables	**237**	224
	59,477	60,347
Total trade and other receivables	**612,964**	625,308

Trade and other receivables are categorised as debt instruments at amortised cost.

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 from initial recognition for all trade receivables. The loss allowance is determined as follows:

2023	Current CHF 000	1–30 days past due CHF 000	31–60 days past due CHF 000	61–90 days past due CHF 000	More than 90 days past due CHF 000	Total CHF 000
Gross carrying amount	374,635	36,527	15,800	10,451	79,296	516,709
Loss allowance	(475)	(169)	(296)	(356)	(15,405)	(16,701)
Net carrying amount	**374,160**	**36,358**	**15,504**	**10,095**	**63,891**	**500,008**
Expected loss rate	0.1%	0.5%	1.9%	3.4%	19.4%	

2022	Current CHF 000	1–30 days past due CHF 000	31–60 days past due CHF 000	61–90 days past due CHF 000	More than 90 days past due CHF 000	Total CHF 000
Gross carrying amount	369,778	46,864	17,654	11,325	84,264	529,885
Loss allowance	(202)	(278)	(146)	(350)	(14,989)	(15,965)
Net carrying amount	**369,576**	**46,586**	**17,508**	**10,975**	**69,275**	**513,920**
Expected loss rate	0.1%	0.6%	0.8%	3.1%	17.8%	

18. TRADE AND OTHER RECEIVABLES (continued)

	2023 CHF 000	2022 CHF 000
Movement in the loss allowance		
Opening balance	**(15,965)**	(14,256)
Loss allowance	**(6,950)**	(4,072)
Amounts written off as uncollectable	**4,045**	995
Unused amounts reversed	**2,169**	1,368
Balance at year end	**(16,701)**	(15,965)

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

Other receivables include Swiss unbilled doctors' fees and advance payments to affiliated doctors, and other amounts owed by third parties. Other receivables are considered to have low credit risk, and the loss allowance provision recognised during the period was therefore limited to 12 months' expected credit losses. Other receivables are considered to have low credit risk where they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The expected credit losses for other receivables are insignificant.

Management considers the credit quality of the trade receivables that have not been credit impaired to be high in light of the nature of these trade receivables as described in note 30.

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

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

	2023 CHF 000	2022 CHF 000
Movement in loss allowance for trade receivables	**(6,950)**	(7,621)
Reversal of previously recognised loss allowance	**2,169**	1,368
Movement in provision for expected credit losses	**(4,781)**	(6,253)

19. SHARE CAPITAL AND SHARE PREMIUM

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

	2023 CHF 000	2022 CHF 000
Issued share capital		
Authorised and issued share capital of CHF 1 per share (fully paid in)	**551,882**	551,882
Share premium	**894,218**	914,402
	1,446,100	1,466,284

20. OTHER RESERVES

	Redemption liability reserve CHF 000	Hedging reserve CHF 000	Total other reserves CHF 000
At 1 April 2021	(113,477)	-	(113,477)
At 31 March 2022	(113,477)	-	(113,477)
Cash flow hedges reclassified to	-	90	90
Deferred tax	-	(657)	(657)
Revaluation – gross	-	3,484	3,484
At 31 March 2023	**(113,477)**	**2,917**	**(110,560)**

Hedging reserve

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

21. NON-CONTROLLING INTERESTS

NCI arising from a business combination, which are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, are measured either at the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets or at fair value. The treatment is not an accounting policy choice but is selected for each individual business combination and disclosed in the note for business combinations (note 32). All other components of NCI are measured at their acquisition date fair values, unless another measurement basis is required by IFRS.

	2023 CHF 000	2022 CHF 000
Opening balance	**53,248**	46,085
Transactions with non-controlling shareholders	**380**	(1)
Dividends to non-controlling shareholders	**(8,960)**	(6,480)
Share of total comprehensive income	**7,133**	13,644
Share of profit	**7,640**	9,882
Share of other comprehensive income/(loss)	**(507)**	3,762
	51,801	53,248

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

	2023	2022
Hirslanden La Colline Grangettes SA, Chêne-Bougeries, Geneva	**40%**	40%

See note 37 for a list of investments in subsidiaries.

21. NON-CONTROLLING INTERESTS (continued)

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

At 31 March	2023 CHF 000	2022 CHF 000
Summarised balance sheet		
Non-current assets	426,512	421,931
Current assets	100,755	114,346
Non-current liabilities	(191,412)	(199,898)
Current liabilities	(86,648)	(80,550)
Net assets	**249,207**	**255,829**
Accumulated NCI in statement of financial position	55,674	57,223
Summarised statement of comprehensive income		
Revenue	210,921	206,586
Profit for the year	21,017	24,111
Other comprehensive income	(1,268)	9,406
Total comprehensive income	**19,749**	**33,517**
Profit allocated to NCI	8,425	9,661
Dividends paid to NCI	8,960	6,480
Summarised cash flows		
Cash flows from operating activities	47,243	55,621
Cash flows from investing activities	(7,316)	(4,096)
Cash flows from financing activities	(50,979)	(39,186)
Net increase/(decrease) in cash and cash equivalents	**(11,052)**	**12,339**

Transactions with NCI

There were no significant transactions with non-controlling shareholders in the current financial year.

22. SHARE-BASED PAYMENTS

Long-term incentive ('LTI') awards
Under the LTI, conditional phantom shares are awarded to selected senior management. The LTI awards share-based payment arrangement will be settled in cash and is therefore accounted for as a cash-settled share-based payment transaction in terms of IFRS 2.

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

22. SHARE-BASED PAYMENTS (continued)

Cash-settled share-based payment arrangements

The vesting of these shares is subject to continued employment, and is conditional upon achievement of performance targets, measured over a three-year period. The performance conditions for the year under review constitute a combination of absolute total shareholder return ('**TSR**') (25% weighting of the 2020 and 2021 LTI awards), earnings per share (40% weighting of the 2020 and 2021 LTI awards; 30% weighting of the 2022 LTI awards), return on invested capital ('**ROIC**') (25% weighting of the 2020 and 2021 LTI awards; 30% weighting of the 2022 LTI awards), patient experience index (10% weighting of the 2020 and 2021 LTI awards), revenue (20% weighting of the 2022 LTI awards), carbon emissions (10% weighting of the 2022 LTI awards) and female representation (10% weighting of the 2022 LTI awards).

	2023 CHF 000	2022 CHF 000
Opening balance	665	127
Share-based payment expense	736	538
Benefits paid	(134)	-
Closing balance	1,267	665

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

	2023 Number of units	2022 Number of units
Opening balance	758,224	577,631
Granted	104,377	223,054
Vested	(240,815)	-
Lapsed	-	(42,461)
Closing balance	621,786	758,224

Valuation assumptions relating to the outstanding units:

	2022 LTI allocation	2021 LTI allocation	2020 LTI allocation
Grant date	5 August 2022	4 Juni 2021	14 Dezember 2020
Vesting date	5 August 2025	4 Juni 2024	14 Dezember 2023
Outstanding units	104,377	223,054	294,355
Share price of Mediclinic International plc share	501 pence	501 pence	501 pence

23. BORROWINGS

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

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

	2023 CHF 000	2022 CHF 000
Bank loans	**1,260,072**	1,310,009
Listed bonds	**235,000**	235,000
	1,495,072	1,545,009
Non-current borrowings	**1,419,572**	1,494,009
Current borrowings	**75,500**	51,000
Total borrowings	**1,495,072**	1,545,009

23. BORROWINGS (continued)

		2023 CHF 000 non-current	**2023 CHF 000 Current**	2022 CHF 000 non-current	2022 CHF 000 Current
Secured bank loan one[1]	Facility A: This loan bears interest at variable rates linked to the SARON plus 1.25%. Every year on 30 September, an amount of TCHF 50,000 must be redeemed. The early voluntary repayment in May 2022 due to high liquidity. The remaining balances are repayable by 30 September 2027. The non-current portion includes capitalised financing costs of TCHF 15,428 (2022: TCHF 16,491).	1,184,572	50,000	1,233,509	50,000
Secured bank loan two[2]	These loans 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.	-	15,500	15,500	1,000
Secured bank loan three[2]	This fixed interest mortgage loan bears interest at 0.9% compounded quarterly. The loan is repayable by December 2023.	-	10,000	10,000	-
Listed bonds	The listed bonds consist of TCHF 90,000 2.000% and TCHF 145,000 1.250% Swiss franc bonds. The bonds are repayable on 25 February 2025 and 25 February 2026, respectively.	235,000	-	235,000	-
		1,419,572	**75,500**	1,494,009	51,000

Notes

[1] *The loan is secured by mortgage notes on properties and buildings to the value of TCHF 3,085,820 (2022: TCHF 3,085,820) and bank accounts with a book value of TCHF 151,317 (2022: TCHF 86,997).*

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

24. LEASES

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

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

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

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

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

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

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

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

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

24. LEASES (continued)

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.

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.

Critical accounting judgement

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

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

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

24. LEASES (continued)

Amounts recognised in the statement of financial position

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

	2023 CHF 000	2022 CHF 000
Right-of-use assets		
Land	**34,569**	82,257
Buildings	**386,697**	408,442
Equipment	**14,544**	3,571
Vehicles	**46**	34
	435,856	494,304
Lease liabilities		
Non-current lease liabilities	**480,868**	465,216
Current lease liabilities	**41,638**	39,462
	522,506	504,678

Amounts recognised in the income statement

The income statement includes the following amounts relating to leases:

	2023 CHF 000	2022 CHF 000
Depreciation and impairment charge of right-of-use assets		
Land	**48,698**	2,007
Buildings	**49,108**	34,193
Equipment	**1,955**	1,110
Vehicles	**16**	17
	99,777	37,327
Interest expense (included in finance cost)	**7,850**	7,533
Expense relating to short-term leases and leases of low-value assets (included in infrastructure-related costs)	**4,576**	7,258

The total cash outflow for leases, excluding short-term leases and leases of low-value assets, was TCHF 44,058 (2022: TCHF 42,281).

25. RETIREMENT BENEFIT OBLIGATIONS

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognised immediately in the income statement. The annual pension costs of the Group's benefit plans are charged to the income statement.

A net pension asset is recorded only to the extent that it does not exceed the present value of any economic benefit available in the form of reductions in future contributions to the plan. If there is a minimum funding requirement for contributions relating to future service, the economic benefit available is calculated as the amount that reduces future minimum funding requirement contributions for future service because the entity made a prepayment, and the estimated future service cost in each period, less the estimated minimum funding requirement contributions that would be required for future service in those periods if there were no prepayment.

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

25. RETIREMENT BENEFIT OBLIGATIONS (continued)

Key accounting estimates

Measurement of retirement benefit (assets)/obligations

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

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

Defined benefit pension plans

The Group's defined benefit pension plans are as follows:

- Pensionskasse Hirslanden
- Vorsorgestiftung VSAO (Association for Swiss Assistant and Senior Doctors)
- 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
- Hirslanden OPERA Zumikon AG

At 31 March 2023, the Clinique des Grangettes SA pension plan was in surplus by TCHF 1,289 due to the increase in the discount rate in the current year (2022: TCHF 1,636). As the Swiss pension plans operate independently from each other, the main pension plan attributable to Pensionskasse Hirslanden was presented separately from the other pension plans. The net pension asset of Clinique des Grangettes SA at 31 March 2023 and 31 March 2022 has been included with the other pension plans.

The economic benefit available (‘EBA’) in the form of a reduction in future contributions was calculated by deducting the present value of the employer’s future minimum funding requirements according to the rules of the pension plans from the future service cost. The increase of the discount rate used under IAS 19 from 1.10% at 31 March 2022 to 2.05% at 31 March 2023 resulted in a reduced carrying value of the gross pension fund obligation and consequently a reduction in expected future service cost. Since the expected future service cost is lower than the expected employer contributions, the EBA of the Pensionskasse Hirslanden pension plan was reduced to zero. As a result, an asset restriction was applied and TCHF 275,149 has been recognised in other comprehensive income for the asset restriction (2022: TCHF 232,271). The EBA of the Clinique des Grangettes SA pension plan has been limited to the employer contribution reserve. However, as the EBA was in excess of the surplus at 31 March 2023, no asset restriction was applied.

25. RETIREMENT BENEFIT OBLIGATIONS (continued)

Statement of financial position

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

	Pensions-kasse Hirslanden 2023 CHF 000	Other pension plans 2023 CHF 000	Total 2023 CHF 000	Pensions-kasse Hirslanden 2022 CHF 000	Other pension plans 2022 CHF 000	Total 2022 CHF 000
Present value of funded obligations	1,209,872	322,357	1,532,229	1,285,746	331,079	1,616,825
Fair value of plan assets	(1,209,872)	(314,427)	(1,524,299)	(1,285,746)	(323,605)	(1,609,351)
Net pension liability	-	7,930	7,930	-	7,474	7,474
Presented as:						
Net pension asset	-	(1,289)	(1,289)	-	(1,636)	(1,636)
Net pension liability	-	9,219	9,219	-	9,110	9,110
	-	7,930	7,930	-	7,474	7,474

The movement in the defined benefit obligation over the year is as follows:

	Pensions-kasse Hirslanden 2023 CHF 000	Other pension plans 2023 CHF 000	Total 2023 CHF 000	Pensions-kasse Hirslanden 2022 CHF 000	Other pension plans 2022 CHF 000	Total 2022 CHF 000
Opening balance	1,285,746	331,079	1,616,825	1,313,437	326,407	1,639,844
Current service cost	32,465	7,846	40,311	36,815	9,224	46,039
Interest cost	13,411	3,452	16,863	2,859	620	3,479
Employee contributions	40,534	10,447	50,981	38,468	10,072	48,540
Actuarial (gain)/loss	(94,612)	(13,355)	(107,967)	(76,236)	(10,658)	(86,894)
Benefits paid	(67,672)	(17,370)	(85,042)	(40,457)	(4,586)	(45,043)
Past service cost	-	258	258	10,860	-	10,860
Balance at year end	1,209,872	322,357	1,532,229	1,285,746	331,079	1,616,825

25. RETIREMENT BENEFIT OBLIGATIONS (continued)

Statement of financial position (continued)

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

	Pensions-kasse Hirslanden 2023 CHF 000	Other pension plans 2023 CHF 000	Total 2023 CHF 000	Pensions-kasse Hirslanden 2022 CHF 000	Other pension plans 2022 CHF 000	Total 2022 CHF 000
Opening balance	**(1,285,746)**	**(323,605)**	**(1,609,351)**	(1,456,109)	(290,993)	(1,747,102)
Interest income on plan assets	**(16,350)**	**(3,464)**	**(19,814)**	(3,307)	(566)	(3,873)
Employer contributions	**(44,946)**	**(10,499)**	**(55,445)**	(43,506)	(10,172)	(53,678)
Plan participants' contributions	**(40,534)**	**(10,447)**	**(50,981)**	(38,468)	(10,072)	(48,540)
Return on plan assets (greater)/less than discount rate	**65,975**	**15,907**	**81,882**	(18,317)	(16,670)	(34,987)
Benefits paid from fund	**67,672**	**17,370**	**85,042**	40,457	4,586	45,043
Administration costs	**1,179**	**311**	**1,490**	1,233	282	1,515
Effect of asset ceiling	**40,323**	**-**	**40,323**	232,271	-	232,271
Interest on surplus	**2,555**	**-**	**2,555**	-	-	-
Balance at year end	**(1,209,872)**	**(314,427)**	**(1,524,299)**	(1,285,746)	(323,605)	(1,609,351)

Net pension (asset)/liability reconciliation

	Pensions-kasse Hirslanden 2023 CHF 000	Other pension plans 2023 CHF 000	Total 2023 CHF 000	Pensions-kasse Hirslanden 2022 CHF 000	Other pension plans 2022 CHF 000	Total 2022 CHF 000
Opening net (asset)/liability	**-**	**7,474**	**7,474**	(142,672)	35,414	(107,258)
Expenses recognised in the income statement	**33,260**	**8,403**	**41,663**	48,460	9,560	58,020
Contributions paid by employer	**(44,946)**	**(10,499)**	**(55,445)**	(43,506)	(10,172)	(53,678)
Actuarial (gain)/loss	**11,686**	**2,552**	**14,238**	137,718	(27,328)	110,390
Closing net (asset)/liability	**-**	**7,930**	**7,930**	-	7,474	7,474

25. RETIREMENT BENEFIT OBLIGATIONS (continued)

Statement of other comprehensive income

Amounts recognised in other comprehensive income are as follows:

	Pensions-kasse Hirslanden 2023 CHF 000	Other pension plans 2023 CHF 000	Total 2023 CHF 000	Pensions-kasse Hirslanden 2022 CHF 000	Other pension plans 2022 CHF 000	Total 2022 CHF 000
Return on plan assets (greater)/less than discount rate	**65,975**	**15,907**	**81,882**	(18,317)	(16,670)	(34,987)
Effect of asset ceiling	**40,323**	**-**	**40,323**	232,271	-	232,271
Actuarial (gain)/loss – experience	**(7,102)**	**8,049**	**947**	47,770	22,972	70,742
Actuarial (gain)/loss due to financial assumption changes	**(87,510)**	**(21,404)**	**(108,914)**	(124,006)	(33,630)	(157,636)
(loss)/income	**11,686**	**2,552**	**14,238**	137,718	(27,328)	110,390

Income statement

Amounts recognised in the income statement are as follows:

	Pensions-kasse Hirslanden 2023 CHF 000	Other pension plans 2023 CHF 000	Total 2023 CHF 000	Pensions-kasse Hirslanden 2022 CHF 000	Other pension plans 2022 CHF 000	Total 2022 CHF 000
Current service cost	**32,465**	**7,846**	**40,311**	36,815	9,224	46,039
Past service cost	**-**	**258**	**258**	10,860	-	10,860
Interest on liability	**13,411**	**3,452**	**16,863**	2,859	620	3,479
Interest on plan assets	**(13,795)**	**(3,464)**	**(17,259)**	(3,307)	(566)	(3,873)
Administration cost	**1,179**	**311**	**1,490**	1,233	282	1,515
	33,260	**8,403**	**41,663**	48,460	9,560	58,020
Actual return on plan assets, net of asset ceiling restriction	**92,503**	**12,443**	**104,946**	210,647	(17,236)	193,411

The number of plan members are as follows:

	Pensions-kasse Hirslanden 2023 CHF 000	Other pension plans 2023 CHF 000	Total 2023 CHF 000	Pensions-kasse Hirslanden 2022 CHF 000	Other pension plans 2022 CHF 000	Total 2022 CHF 000
Active members	**8,344**	**1,905**	**10,249**	8,364	1,857	10,221
Pensioners	**1,205**	**175**	**1,380**	1,150	136	1,286
	9,549	**2,080**	**11,629**	9,514	1,993	11,507

25. RETIREMENT BENEFIT OBLIGATIONS (continued)

Principal actuarial assumptions on statement of financial position (all Swiss pension plans)	2023	2022
Discount rate	**2.05%**	1.10%
Future salary increases	**1.75%**	1.50%
Future pension increases	**0.00%**	0.00%
Inflation rate	**1.25%**	1.00%
Interest crediting rate	**2.05%**	1.10%

Asset allocation

Plan assets, before asset ceiling restriction, comprise:

Asset allocation	2023 CHF 000	2023 %	2022 CHF 000	2022 %
Quoted investments				
Fixed income investments	**556,389**	**30.92%**	579,558	31.47%
Equity investments	**502,226**	**27.91%**	550,645	29.90%
Real estate	**19,974**	**1.11%**	23,020	1.25%
Other	**132,799**	**7.38%**	134,623	7.31%
	1,211,388	**67.3%**	1,287,846	69.9%
Non-quoted investments				
Fixed income investments	**41,747**	**2.32%**	42,542	2.31%
Equity investments	**720**	**0.04%**	552	0.03%
Real estate	**402,537**	**22.37%**	369,798	20.08%
Other	**143,056**	**7.95%**	140,884	7.65%
	588,060	**32.7%**	553,776	30.1%
	1,799,448	**100.0%**	1,841,622	100.0%

Risk exposure

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

Asset volatility	The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit.
Changes in bond yields	A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.
Inflation risks	The pension obligations are linked to salary and pension inflation, and higher inflation will lead to higher liabilities. The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

25. RETIREMENT BENEFIT OBLIGATIONS (continued)

Risk exposure continued

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

Assumptions and sensitivity analysis

Impact on defined benefit obligation	Base assumption	Change in assumption	% Increase/ (decrease) in obligation on increase in assumption	% Increase/ (decrease) in obligation on decrease in assumption
Pensionskasse Hirslanden				
Discount rate	2.05%	0.25%	-1.73%	1.82%
Salary growth rate	1.75%	0.50%	0.53%	-0.51%
Pension growth rate	0.00%	0.25%	1.54%	-
Other Swiss pension plans				
Discount rate	2.05%	0.25%	-1.58%	1.66%
Salary growth rate	1.75%	0.50%	0.25%	-0.28%
Pension growth rate	0.00%	0.25%	1.46%	-

	Base assumption (BVG[1] 2020 with CMI improve-ments)	Change in assumption	% Increase/ (decrease) in obligation on increase in assumption	% Increase/ (decrease) in obligation on decrease in assumption
Life expectancy for a 65-year-old male (mortality)	21.80 years	1 year in expected lifetime of plan participants	1.5%	-1.5%
Life expectancy for a 65-year-old female (mortality)	23.54 years			

Note

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

25. RETIREMENT BENEFIT OBLIGATIONS (continued)

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

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

Expected employer contributions to be paid to the pension plans for the year ended 31 March 2024 amount to TCHF 46'166 and it is anticipated that these contributions will remain at a similar level in the foreseeable future, subject to change in financial conditions.

The weighted average duration of the defined benefit obligation is 9.1 years (2022: 9.9 years). The maturity profile of the defined benefit obligation is as follows:

	</= 1 year CHF 000	1–5 years CHF 000	> 5 years CHF 000	Total CHF 000
At 31 March 2023				
Defined benefit obligation	**167,934**	**482,564**	**1,274,567**	**1,925,065**
At 31 March 2022				
Defined benefit obligation	167,623	469,591	1,197,359	1,834,573

Additional information on defined benefit pension plans

Pension plan results

The following assumptions have changed since the previous valuation:

• The discount rate used to value plan obligations has changed from 1.10% to 2.05%.
• The interest credit rate on total account balance has changed from 1.10% to 2.05%.
• The interest credit rate on the BVG shadow account balance has changed from 1.10% to 2.05%.

25. RETIREMENT BENEFIT OBLIGATIONS (continued)

Additional information on defined benefit pension plans (continued)

Pensionskasse Hirslanden

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

The investment strategy complies with the legal guidelines and is relatively conservative. Alternative investments and unhedged foreign currency positions are rare.

The benefits of the pension plan are substantially higher than the legal minimum. They are determined by the employer's and employees' contributions and interest granted on the plan members' accumulated savings; the interest rate is determined annually by the governing body in accordance with the legal framework (defined contribution, as defined by the occupational pension law). The employees' and the employer's contributions are determined based on the insured salary and range from 1–15.5% of the insured salary depending on the age of the beneficiary.

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

VSAO

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

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

The employees' and the employer's contributions are determined based on the insured salary and range from 6.4-9.65% of the insured salary depending on the age of the beneficiary.

25. RETIREMENT BENEFIT OBLIGATIONS (continued)

Additional information on defined benefit pension plans (continued)

Other pension plans

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

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

General information on all pension plans

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

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

26. PROVISIONS

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

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

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

	2023 CHF 000	2022 CHF 000
Non-current	**54,111**	45,138
Employee benefits	**14,267**	15,342
Legal cases and other	**4,089**	6,126
Tariff risks	**35,755**	23,670
Current	**16,656**	35,854
Employee benefits	**3,589**	3,842
Legal cases and other	**658**	1,268
Tariff risks	**12,409**	30,744
	70,767	80,992

Employee benefits

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

Legal cases and other

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

26. PROVISIONS (continued)

Tariff risks

In Switzerland, the cost of treating inpatients with basic health insurance is fixed by the government. The pricing model is based on Swiss DRGs for inpatients and can be seen as a fixed-fee arrangement. In some cases, the pricing model for DRGs is based on provisional tariffs as delays occur in the agreement of the tariffs between the healthcare providers and the funders. Tariff provisions are recognised when the pricing model for DRGs is based on provisional tariffs and the tariffs are disputed by the funders. Due to the high level of uncertainty in respect of the expected time it will take to settle the dispute, tariff adjustments are classified as provisions. The tariff provision is calculated based on historical experience of outcomes to negotiations between healthcare providers and funders. This is regularly reassessed based on the actual outcome of tariff negotiations. See note 3 for additional information in respect of provisional tariffs and the impact on recognition of the tariff risk provision.

	Employee benefits CHF 000	Legal cases and other CHF 000	Tariff risks CHF 000	Total CHF 000
Opening balance at 1 April 2021	20,175	3,032	39,566	62,773
Charged to the income statement	3,256	7,959	20,689	31,904
Utilised during the year	(3,889)	(293)	(349)	(4,531)
Unused amounts reversed	(358)	(3,304)	(5,492)	(9,154)
Closing balance at 31 March 2022	**19,184**	**7,394**	**54,414**	**80,992**
Charged to the income statement	**1,693**	**2,808**	**11,956**	**16,457**
Utilised during the year	**(2,592)**	**(3,078)**	**(7,923)**	**(13,593)**
Unused amounts reversed	**(429)**	**(2,377)**	**(10,283)**	**(13,089)**
Closing balance at 31 March 2023	**17,856**	**4,747**	**48,164**	**70,767**

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

	2023 CHF 000	2022 CHF 000
Within one year	**16,656**	35,854
After one year but not more than five years	**48,631**	39,024
More than five years	**5,480**	6,114
	70,767	80,992

27. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments comprise interest rate swaps and put/call agreements.

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

At inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it applies hedge accounting and the risk management objective and strategy for undertaking the hedge.
The documentation includes the identification of the hedging instrument; the hedged item; the nature of the risk being hedged; and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements. A hedging relationship qualifies for hedge accounting if it meets all of the following
effectiveness requirements:
• There is an economic relationship between the hedged item and the hedging instrument.
• The effect of credit risk does not dominate the value changes that result from that economic relationship.
• The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below under 'Cash flow hedges'. The hedging reserve in shareholders' equity is shown in note 22. On the statement of financial position, hedging derivatives are not classified based on whether the amount is expected to be recovered or settled within, or after, 12 months. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedge relationship is more than 12 months; it is
classified as a current asset or liability when the remaining maturity of the hedge relationship is less than 12 months.

Cash flow hedges

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

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

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

27. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	2023 CHF 000 Assets	2023 CHF 000 Liabilities	2022 CHF 000 Assets	2022 CHF 000 Liabilities
Non-current				
Interest rate swaps – cash flow hedges	3,573	-	-	-
Written put option (redemption liability)	-	-	-	152,204
	3,573	**-**	-	152,204
Current				
Written put option (redemption liability)	-	111,855	-	-
	-	**111,855**	-	-
	3,573	**111,855**	-	152,204

Effective interest rate swaps

In order to hedge specific exposures in the interest rate repricing profile of existing borrowings, the Group uses interest rate derivatives to generate the desired interest profile. At 31 March 2023, the Group had 3 (2022: 0) effective interest rate swap contracts for borrowings.

The value of borrowings hedged by the interest rate derivatives and the rates applicable to these contracts are as follows:

	Borrowings hedged CHF 000	Fixed interest payable	Interest receivable	Fair value gain/ (loss) for the year[1] CHF 000
As at 31 March 2023				
4 years[2]	200,000	1.6990%	3 month SARON	1,427
4 years[2]	75,000	1.5750%		894
4 years[2]	75,000	1.4525%		1,252
				3,573

Notes

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

[2] *There is no ineffective portion recognised in the profit or loss that arises from the cash flow hedges.*

27. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Key accounting estimate

Remeasurement of redemption liability (written put option)
Through the acquisition of the Grangettes Group, the Group entered into a put/call agreement over the remaining 40% interest in the combined company of Clinique des Grangettes and Clinique La Colline. The consideration on exercise is formula based and will be determined based on the profitability of Clinique des Grangettes and Clinique La Colline at the time of exercise.

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 NCI.

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

The option is exercisable from 30 June 2023 and has been classified as a current liability at 31 March. At 31 March 2023, the liability is determined based on the profitability of Clinique des Grangettes and Clinique La Colline for the year ended 31 March 2023 and, as a result, the measurement of the liability is no longer considered to be a key estimate.

If the option is not exercised during the year ended 31 March 2024, a change of 10% in the profitability of Clinique des Grangettes and Clinique La Colline will change the liability and profit before tax by TCHF 11'186 (2022: TCHF 15'220).

	2023 CHF 000	2022 CHF 000
Movement in the redemption liability		
Opening balance at 1 April	**152,204**	149,587
Charged/(credited) to the income statement		
Remeasurement of redemption liability	**(41,509)**	1,434
Unwinding of discount	**1,160**	1,183
Closing balance at 31 March	**111,855**	**152,204**

28. TRADE AND OTHER PAYABLES

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

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

	2023 CHF 000	2022 CHF 000
Financial instruments		
Trade payables	**203,304**	150,152
Other payables and accrued expenses	**128,603**	157,228
	331,907	307,380
Non-financial instruments		
Social insurance and accrued leave pay	**22,746**	23,550
Value added tax	**1,015**	4,363
	23,761	27,913
	355,668	335,293

29. FINANCIAL INSTRUMENTS

Financial assets

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

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

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

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

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

29. FINANCIAL INSTRUMENTS (continued)

Equity instruments

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

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

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

Debt instruments

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

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

Interest income for credit-impaired financial assets is measured by applying the effective interest rate method to amortised cost. For all other financial assets, the interest income is measured by applying the effective interest rate method to the gross carrying amount.

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

Impairment

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

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

29. FINANCIAL INSTRUMENTS (continued)

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

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

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

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

Financial liabilities
The accounting policies for financial liabilities are provided in notes 23, 24, 26 and 28.

29. FINANCIAL INSTRUMENTS (continued)

The Group holds the following financial instruments:

	Notes	2023 CHF 000	2022 CHF 000
Financial assets			
Financial assets at amortised cost[1]			
Other investments and loans	15	**7,081**	5,286
Trade and other receivables[2]	18	**553,487**	564,961
Cash and cash equivalents	31	**187,190**	191,517
Financial assets at FVPL	15	**978**	978
Financial assets at FVOCI	15	**13,113**	10,517
Derivative financial instruments	27	**3,573**	-
		765,422	773,259

Notes

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

[2] *Excluding non-financial instruments.*

	Notes	2023 CHF 000	2022 CHF 000
Financial liabilities			
Liabilities at amortised cost[1]			
Borrowings	23	**1,495,072**	1,545,009
Lease liabilities	24	**522,506**	504,678
Loans from related parties	34	**808,020**	785,068
Tariff risk provisions	26	**48,164**	54,414
Trade and other payables[2]	28	**331,907**	307,380
Derivative financial instruments – written put option (redemption liabil	27	**111,855**	152,204
		3,317,524	3,348,753

Notes

[1] *For financial liabilities, the fair values are not significantly different from their carrying amounts, since the interest payable on these liabilities is either close to current market rates or the liabilities are of a short-term nature. The value of the redemption liability (written put option) is determined based on the profitability of Clinique des Grangettes and Clinique La Colline. The exercise price is formula based and the financial liability is recognised at amortised cost at the present value of the estimated future contractual cash flows of the redemption amount.*

[2] *Excluding non-financial instruments.*

The Group's exposure to various risks associated with the financial instruments is discussed in note 30. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

29. FINANCIAL INSTRUMENTS (continued)

Fair value measurements

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

• **Level 1** - The fair value of financial instruments traded in active markets (such as publicly traded equity securities and investments in money market funds) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

• **Level 2** - The fair value of financial instruments that are not traded in an active market (e.g. interest rate swaps) is determined using valuation techniques that maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

• **Level 3** - If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities and put/call agreements.

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

At 31 March 2023	Notes	Level 1 CHF 000	Level 2 CHF 000	Level 3 CHF 000	Total CHF 000
Financial assets					
Financial assets at FVPL					
Listed equity securities	15	**978**	**-**	**-**	**978**
Financial assets at FVOCI					
Unlisted equity securities	15	**-**	**-**	**13,113**	**13,113**
Hedging derivatives - interest rate swaps	27	**-**	**3,573**	**-**	**3,573**
Total financial assets		**978**	**3,573**	**13,113**	**17,664**

At 31 March 2022	Notes	Level 1 CHF 000	Level 2 CHF 000	Level 3 CHF 000	Total CHF 000
Financial assets					
Financial assets at FVPL					
Listed equity securities	15	978	-	-	978
Financial assets at FVOCI					
Unlisted equity securities	15	-	-	10,517	10,517
Total financial assets		978	-	10,517	11,495

Changes in financial assets classified into level 3 for the periods ended 31 March 2023 and 31 March 2022 are presented in note 15.

29. FINANCIAL INSTRUMENTS (continued)

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

The fair market value of the unlisted shares acquired during the year ended 31 March 2023 of TCHF 2,596 approximates the acquisition price of the investment. As a result, the investment was not revalued at 31 March 2023.

The fair value of unlisted equity instruments is performed by the finance department for financial reporting purposes. Valuation processes relevant to financial instruments with significant fair values are discussed every six months, in line with the Group's half-year reporting periods.

30. FINANCIAL RISK MANAGEMENT

30.1. Financial risk factors

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

Market risk
i) Currency risk

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.

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

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

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

30. FINANCIAL RISK MANAGEMENT (continued)

30.1. Financial risk factors (continued)

Market risk continued

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

Interest rate sensitivity
The sensitivity analyses below were determined based on the exposure to interest rates of net debt at the reporting date and the stipulated change taking place at the beginning of the financial year, and held constant throughout the reporting period in the case of instruments that have floating rates. 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 2023 with a corresponding impact on equity would decrease / increase by TCHF 5,225 / TCHF 5,225 (2022: decrease / increase by TCHF 1,948 / TCHF 1,948) mainly as a result of higher / lower interest expenses on the floating rate borrowings.

Credit risk
Financial assets that 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 reputable financial institutions with a high credit rating (see note 31.7). Trade receivables are represented net of the allowance for expected credit losses. Credit risk with respect to trade receivables is limited as the Group's customer base mainly consists 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 high and the risk for non payment low. The financial condition of these customers in relation to their credit standing is evaluated on an ongoing basis. The policy for patients that do not have a medical scheme or an insurance company paying for the Group's service is to require a preliminary payment instead. The Group does not have any significant exposure to any individual customer or counterparty and expected credit losses were assessed at the end of the year.

The gross carrying amounts of financial assets (before credit loss allowances) included in the statement of financial position represent the Group's maximum exposure to credit risk in relation to these assets. At 31 March 2023 and 31 March 2022, the Group did not consider there to be a significant concentration of credit risk.

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

	2023 CHF 000	2022 CHF 000
The Group's unused banking and overdraft facilities	**350,000**	350,000
Cash and cash equivalents	**187,190**	191,517
Cash and available facilities	**537,190**	541,517

30. FINANCIAL RISK MANAGEMENT (continued)

30.1. Financial risk factors (continued)

Liquidity risk continued

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

Financial liabilities	Carrying value CHF 000	Contractual cash flows CHF 000	1–12 months CHF 000	1–5 years CHF 000	Beyond 5 years CHF 000
31 March 2023					
Borrowings[1]	**1,495,072**	**1,668,819**	**114,718**	**1,554,101**	**-**
Loans from related parties	**808,020**	**1,180,810**	**36,090**	**178,368**	**966,352**
Lease liabilities	**522,506**	**606,672**	**45,934**	**176,281**	**384,457**
Tariff risk provisions	**48,164**	**48,164**	**12,409**	**35,755**	**-**
Derivative financial instruments	**111,855**	**111,855**	**111,855**	**-**	**-**
Trade payables and other payables[2]	**331,907**	**331,907**	**331,907**	**-**	**-**
	3,317,524	**3,948,227**	**652,913**	**1,944,505**	**1,350,809**
31 March 2022					
Borrowings[1]	1,545,009	1,655,468	71,069	527,727	1,056,672
Loans from related parties	785,068	1,043,683	21,910	101,833	919,940
Lease liabilities	504,678	587,012	41,672	162,041	383,299
Tariff risk provisions	54,414	54,414	30,744	23,670	-
Derivative financial instruments	152,204	153,407	-	153,407	-
Trade payables and other payables[2]	307,380	307,380	307,380	-	-
	3,348,753	3,801,364	472,775	968,678	2,359,911

Note

[1] *Following the change of control at the Mediclinic International plc level, which is expected towards the end of May 2023, the holders of the listed bonds (TCHF 235,000 as of 31 March 2023) will be able to exercise their early repayment right. If the bondholders exercise their rights, management plans to utilize the existing unused facility B (TCHF 250,000) of the secured bank loan for the refinancing of the listed bonds. Based on materiality considerations the listed bonds were not re-measured as of 31 March 2023.*

[2] *Excluding non-financial instruments.*

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

30.1. Financial risk factors (continued)

Covenants

The Group had headroom over all covenants, waived of effective, at the end of financial year 2023, with the headroom on all three leverage ratios decreasing in line with lower operating performance. We have one covenant waiver in place and the first test will be performed at the end of September 2024. The following table illustrates the headroom to the covenant tests:

Financial liabilities	Status	Headroom variable	2023 Headroom[1]	2022 Headroom[1]	Compliant
Leverage ratio	Waived[2]	EBITDA	*2%*	*13%*	*Yes*
Economic capital ratio	Effective	Equity	*34%*	*39%*	*Yes*
Loan-to-value ratio	Effective	Property value	*13%*	*17%*	*Yes*

Note

[1] *Headroom is calculated with reference to the indicated headroom variable, keeping other inputs constant.*
[2] *Waived covenant compliance tests are to be performed at the end of June 2024.*

Insurance risk

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

30.2. Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 23; cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, retained earnings and other reserves; and NCI as disclosed in notes 19, 20 and 21, respectively. The Group's Audit and Risk Committee reviews the going concern status and capital structure of the Group biannually. The Group balances its overall capital structure through the payment of dividends and new share issues, as well as the issue of new debt or the redemption of existing debt. The debt-to-capital ratios as at 31 March 2023 and 31 March 2022 were as follows:

	2023 CHF 000	2022 CHF 000
Borrowings	**1,495,072**	1,545,009
Loans from related parties	**808,020**	785,068
Less: cash and cash equivalents	**(187,190)**	(191,517)
Net incurred debt	**2,115,902**	2,138,560
Lease liabilities	**522,506**	504,678
Net debt	**2,638,408**	2,643,238
Total equity	**975,631**	1,126,658
Debt-to-equity capital ratio	**270.4%**	234.6%

31. CASH FLOW INFORMATION

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

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

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

	2023 CHF 000	2022 CHF 000
31.1. Reconciliation of profit before taxation to cash generated from operations		
Profit/(loss) before taxation	**(172,112)**	59,599
Adjustments for:		
Dividends received	**(20)**	(2)
Finance cost – net	**19,997**	59,036
Share of net profit of equity-accounted investments	**(1,045)**	(2,033)
Share-based payments	**602**	538
Depreciation and amortisation	**176,868**	169,362
Loss allowance of trade receivables	**2,256**	1,709
Movement in provisions	**(10,225)**	18,220
Movement in retirement benefit obligations	**(13,782)**	4,342
Impairment of properties and intangible assets	**255,305**	8,368
Profit/(loss) on sale of property, equipment and vehicles	**302**	(597)
Insurance proceeds	**-**	(7,023)
Operating income before changes in working capital	**258,146**	311,519
Working capital changes	**35,204**	63,365
Decrease/(increase) in inventories	**9,031**	14,525
Decrease/(increase) in trade and other receivables	**10,899**	8,776
Increase/(decrease) in trade and other payables	**15,274**	40,064
	293,350	374,884

31. CASH FLOW INFORMATION (continued)

	2023 CHF 000	2022 CHF 000
31.2. Interest paid		
Finance cost per income statement	**(61,902)**	(59,369)
Non-cash items		
Amortisation of capitalised financing fees	**3,462**	3,395
Borrowing costs capitalised	**(24)**	(12)
Remeasurement of redemption liability	**-**	1,434
Unwinding of discount of redemption liability	**1,160**	1,183
Capitalized interest expense on loan from related parties (note 33)	**22,953**	22,280
Other non-cash finance expenses	**-64**	(5)
	(34,415)	(31,094)
31.3. Tax paid		
Liability at the beginning of the year	**(6,418)**	(5,191)
Provision for the year	**(6,308)**	(21,590)
	(12,726)	(26,781)
(Asset) / liability at year end	**(5,568)**	6,418
	(18,294)	(20,363)
31.4. Capital expenditure to maintain operations		
Property, equipment and vehicles purchased	**54,084**	55,974
Intangible assets purchased	**9,246**	11,883
Movement in capital expenditure payables	**(2,675)**	2,042
	60,655	69,899
31.5. Capital expenditure to expand operations		
Property, equipment and vehicles purchased	**49,637**	48,744
Intangible assets purchased	**9,901**	12,431
Movement in capital expenditure payables	**(2,527)**	1,865
	57,011	63,040

31. CASH FLOW INFORMATION (continued)

	Total borrowings CHF 000	Net derivative financial instruments held to hedge borrowings CHF 000	Total lease liabilities CHF 000	Total CHF 000
31.6. Changes in liabilities arising from financing activities				
Year ended 31 March 2023				
Opening balance	**1,545,009**	**-**	**504,678**	**2,049,687**
Cash flow movements				**-**
Proceeds from borrowings	**-**	**-**	**-**	**-**
Repayment of borrowings	**(51,000)**	**-**	**-**	**(51,000)**
Repayment of lease liabilities	**-**	**-**	**(36,208)**	**(36,208)**
Refinancing transaction cost	**(2,400)**	**-**	**-**	**(2,400)**
Interest payments (presented as cash flows from operating activities)	**(26,177)**	**-**	**(7,865)**	**(34,042)**
Non-cash items				
Amortisation of capitalised financing fees	**3,463**	**-**	**-**	**3,463**
Cash flow hedged reclassified to profit and loss	**-**	**-**	**-**	**-**
Fair value adjustment on cash flow hedges	**-**	**-**	**-**	**-**
New lease commitments entered into during the year	**-**	**-**	**54,488**	**54,488**
Lease commitments terminated during the year	**-**	**-**	**(437)**	**(437)**
Accrued interest	**26,177**	**-**	**7,850**	**34,027**
Closing balance	**1,495,072**	**-**	**522,506**	**2,017,578**
Year ended 31 March 2022				
Opening balance	1,595,964	-	529,760	2,125,724
Cash flow movements				-
Proceeds from borrowings	-	-	-	-
Repayment of borrowings	(51,000)	-	-	(51,000)
Repayment of lease liabilities	-	-	(34,748)	(34,748)
Refinancing transaction cost	(3,350)	-	-	(3,350)
Interest payments (presented as cash flows from operating activities)	(22,850)	-	(7,505)	(30,355)
Non-cash items		-		
Amortisation of capitalised financing fees	3,395	-	-	3,395
New lease commitments entered into during the year	-	-	15,562	15,562
Lease commitments terminated during the year	-	-	(5,924)	(5,924)
Accrued interest	22,850	-	7,533	30,383
Closing balance	**1,545,009**	**-**	**504,678**	**2,049,687**

31. CASH FLOW INFORMATION (continued)

	2023 CHF 000	2022 CHF 000
31.7. Cash and cash equivalents		
For the purposes of the statement of cash flows, cash, cash equivalents and bank overdrafts include:		
Cash and cash equivalents	**187,190**	191,517
Cash, cash equivalents and bank overdrafts are denominated in the following currencies:		
Swiss franc[1]	**187,190**	191,517
	187,190	191,517

Notes

[1] The facility agreement of the Swiss subsidiary restricts the distribution of cash. Bank balances to the value of TCHF 178,605 (2022: TCHF 74,012) are held with counterparties who have a minimum Aa2 credit rating by Moody's and TCHF 5,641 (2022: TCHF 116'315) are held with counterparties who have a minimum A3 credit rating by Moody's.

Cash and cash equivalents amounting to TCHF 151,317 (2022: TCHF 86,997) have been ceded as security for borrowings (see note 23).

32. BUSINESS COMBINATIONS

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

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

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

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

NCI arising from a business combination, which are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, are measured either at the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets or at fair value. The treatment is not an accounting policy choice but is selected for each individual business combination and disclosed in the note for business combinations. All other components of NCI are measured at their acquisition date fair values, unless another measurement basis is required by IFRS. Note 21 contains the accounting policy for non-controlling interests.

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

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

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

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

32. BUSINESS COMBINATIONS (continued)

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

	2023 CHF 000	2022 CHF 000
Cash flow on acquisition:		
Praxis Gastroenterologie St. Anna im Bahnhof Luzern	(950)	-
	(950)	-

Business Combination 1

Effective on 1 January 2023, Klinik St. Anna AG acquired a group of assets, which meet the definition of a business for TCHF 950. The goodwill of TCHF 809 arising from the acquisition is attributable to the acquired workforce and future cash flow from operations.

Revenue and profit contribution

The acquired business contributed revenues of TCHF 377 and net profit of TCHF 49 to the Group from the effective date of 1 January 2023 to 31 March 2023. If the acquisition had occurred on 1 April 2022, consolidated pro-forma revenue and net profit for the year ended 31 March 2023 would have been TCHF 1,508 and TCHF 198, respectively.

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

	2023 CHF 000
Recognised amounts of identifiable assets acquired and liabilities assumed	
Total assets	141
Total liabilities	-
Total identifiable net assets at fair value	**141**
Goodwill	809
Consideration transferred for the business	**950**
Fair value of the Group's existing portion	-
Cash flow on acquisition	**950**
Cash flow on acquisition	
Net cash acquired with subsidiary	-
Cash paid	(950)
Net cash flow upon acquisition	**(950)**

33. COMMITMENTS

	2023 CHF 000	2022 CHF 000
Capital commitments		
Incomplete capital expenditure contracts	**118,674**	137,536
Capital expenses authorised by the Board of Directors but not yet contracted	**-**	16,000
	118,674	153,536

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

At 31 March 2023 and 31 March 2022, 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 sqq.

At 31 March 2023 and 31 March 2022, the Group is liable without limit and jointly and severally for the debts of the ordinary partnership for the car park in Cham ("Baukonsortium").

Income guarantees

As part of the expansion of network of specialist institutes in Switzerland and centres of expertise, the Group has agreed to guarantee a minimum net income to these specialists for a start-up period of three to five years. Payments under such guarantees become due if the net income from the collaboration does not meet the amounts guaranteed. There were payments in amount of TCHF 110 under the aforementioned income guarantees in the reporting period as the net income individually generated met or exceeded the amounts guaranteed.

	2023 CHF 000	2022 CHF 000
Total of net income guaranteed:		
April 2022 – March 2023	**-**	2,334
April 2023 – March 2024	**2,685**	928
April 2024 – March 2025	**1,534**	-
April 2025 – March 2026	**626**	-
April 2026 – March 2027	**117**	-
	4,962	3,262

Contingent liabilities

The Group is routinely subject to legal proceedings, claims, complaints and investigations arising out of the ordinary course of business. The Group cannot always accurately predict the outcome of individual legal actions, claims, complaints or investigations but a best estimate of the likelihood of such actions and claims crystallising a financial exposure is made at each year end. Where an exposure is deemed probable and is reliably estimable, a provision is made.

Except for matters where provisions have been recorded, which are described in note 26, the Group considers that no material loss to the Group is expected to result from legal proceedings, claims, complaints and investigations.

34. RELATED PARTY TRANSACTIONS

Relationships

Ultimate holding company	Mediclinic International plc
Holding company	Mediclinic Luxembourg S.à.r.l
Associate	Zentrallabor Zürich
Fellow group companies	Ouroboros Solutions AG
	Mediclinic Group Services (Pty) Ltd

The following transactions were carried out with related parties:

	2023 CHF 000	2022 CHF 000
i) Loans to (from) related parties		
Mediclinic Luxembourg S.à.r.l	**(808,020)**	(785,068)
The loan bears interest at 3.5% plus SARON and was originally repayable by 31 December 2023, but was extended until 1 April 2028. Similar as for the third party loans, the amendments under the interest benchmark reform were also adopted for the loans due to Group companies.		
Zentrallabor Zürich	**1,210**	83
The loan granted in FY 2023 bears an interest of 1.5% and is partially repayable in June / December 2023.		
Hystrix Medical AG	**750**	-
The loan granted in FY 2023 bears an interest of 1% and is repayable in December 2024.		
ii) Other receivables & payables due from/(to) related parties		
Zentrallabor Zürich	**-**	99
Zentrallabor Zürich	**(989)**	(1,034)
Ouroboros Solutions AG	**-**	1,084
Mediclinic Group Services (Pty) Ltd	**198**	142
Mediclinic Group Services (Pty) Ltd	**(1,531)**	(1,553)
iii) Transactions with related parties		
Interest due to related parties		
Mediclinic Luxembourg S.à.r.l	**22,953**	22,280
Purchases		
Zentrallabor Zürich	**10,941**	12,481
Management fees paid to related parties		
Mediclinic Group Services (Pty) Ltd	**10,990**	9,838
Other income		
Zentrallabor Zürich	**-**	449
Mediclinic Group Services (Pty) Ltd	**185**	119

34. RELATED PARTY TRANSACTIONS (continued)

iv) Key management compensation	2023 CHF 000	2022 CHF 000
Short-term employee benefits	**8,156**	9,524
Post-employment pension benefits	**1,041**	1,202
	9,197	10,726

Key management is comprised of the Board of Directors of Hirslanden AG and the Executive Committee.

Terms and conditions
Management fees were bought on a cost-plus basis. All other transactions were made on normal commercial terms and conditions and at market rates. There have been no guarantees provided or received for any related parties receivables or payables. For the years ended 31 March 2023 and 31 March 2022, 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.

35. EVENTS AFTER THE REPORTING DATE

On 19 April 2023, the Company acquired 100% of the shares of the company SI Route de Chêne A SA. This is a real estate company owning land and a building located on the Grangettes campus. Management expects to treat this transaction as an asset acquisition.

36. SEGMENT REPORTING

Consistent with internal reporting, the Group's operating segments are the eight supply regions (Aargau, Baselland, Berne, East (Appenzell, St. Gallen), Lucerne, West (Geneva, Vaud), Zug and Zurich). 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.

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 services is disclosed in note 3.

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.

37. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

The ultimate shareholder of Hirslanden AG is Mediclinic International plc which indirectly, through its subsidiaries, owns 100% of the shares.

SUBSIDIARIES

Company	Country of incorporation	Interest in capital 31 March 2023 %	Interest in capital 31 March 2022 %
Directly held through Hirslanden AG			
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
AndreasKlinik AG Cham, Cham	Switzerland	**100.00**	100.00
Klinik Birshof AG, Münchenstein	Switzerland	**99.97**	99.97
Hirslanden Klinik Am Rosenberg AG, Heiden	Switzerland	**100.00**	100.00
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
IMRAD SA, Lausanne	Switzerland	**75.00**	75.00
Hirslanden Klinik Linde AG, Biel	Switzerland	**100.00**	100.00
Hirslanden La Colline Grangettes SA, Chêne-Bougeries	Switzerland	**60.00**	60.00
Hirslanden OPERA AG, Opfikon	Switzerland	**100.00**	100.00
Hirslanden Venture Capital AG, Opfikon	Switzerland	**100.00**	100.00
Hirslanden Precise AG, Zollikon	Switzerland	**100.00**	100.00
Indirectly held through Hirslanden Klinik am Rosenberg AG			
Klinik am Rosenberg Heiden AG, Heiden	Switzerland	**99.20**	99.20
Indirectly held through Hirslanden La Colline Grangettes SA			
Hirslanden Clinique La Colline SA, Genève	Switzerland	**60.00**	60.00
Grangettes Healthcare SA, Chêne-Bougeries	Switzerland	**60.00**	60.00
Indirectly held through Grangettes Healthcare SA			
Clinique des Grangettes SA, Chêne-Bougeries	Switzerland	**60.00**	60.00
Dianecho SA, Genève	Switzerland	**43.90**	43.90
Indirectly held through Hirslanden OPERA AG			
Hirslanden OPERA Zumikon AG, Zumikon	Switzerland	**100.00**	100.00
Hirslanden OPERA St. Gallen AG, St. Gallen	Switzerland	**100.00**	100.00
Hirslanden OPERA Bern AG, Bern	Switzerland	**100.00**	100.00
Indirectly held through IMRAD SA			
Hirslanden Freiburg AG, Düdingen, Düdingen	Switzerland	**75.00**	75.00
Indirectly held through Hirslanden Bern AG			
Medical Center Wankdorf AG, Bern	Switzerland	**90.00**	-

37. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES (continued)

ASSOCIATES

Company	Country of incorporation	Interest in capital 31 March 2023 %	Interest in capital 31 March 2022 %	Book value of investment 31 March 2023 CHF 000	Book value of investment 31 March 2022 CHF 000
Unlisted					
Zentrallabor Zürich (ZLZ), Zürich [1]	Switzerland	**47.60**	49.02	**412**	405
Ordinary partnership for a car park ("Baukonsortium"), Cham	Switzerland	**24.00**	24.00	**1,607**	1,635
Ordinary partnership for the management of parking spaces ("EFG Parkierung Rigistrasse"), Cham	Switzerland	**25.00**	25.00	**54**	54
La Colline, Centre de Rééducation et Physiothérapie SA, Genève [5]	Switzerland	**-**	12.00	**-**	205
Qlick and Care SA, Genève [5]	Switzerland	**12.00**	-	**336**	-
La Colline, Centre de Physiothérapie du Sport Sàrl, Genève	Switzerland	**13.80**	13.80	**5**	5
GRGB Santé SA, Genève [2]	Switzerland	**30.00**	30.00	**1,187**	88
Hystrix Medical AG, Zürich [4]	Switzerland	**8.68**	8.68	**636**	778
Centre de Chirurgie Ambulatoire (CCA) - HUG Hirslanden SA, Genève [3]	Switzerland	**30.00**	30.00	**644**	34
Berner Prothetikzentrum, Bern	Switzerland	**33.33**	-	**20**	-
Réseau du sein Lausanne Sàrl, Lausanne	Switzerland	**33.33**	-	**140**	-
				5,041	3,204

Notes

[1] The Group does not control ZLZ as it has no decision-making 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.
[3] From a Group point of view, the 50% stake in CCA is 30%, as it is held indirectly through Hirslanden La Colline Grangettes SA.
[4] Significant influence due to representation on the board.
[5] New holding company structure in FY2023 previously direct investment in La Colline, Centre de Rééducation et Physiothérapie SA, Genève.