HIRSLANDEN

GESCHÄFTSBERICHT 2016/17

KOMPETENZ, DIE VERTRAUEN SCHAFFT.

HIRSLANDEN
A MEDICLINIC INTERNATIONAL COMPANY

Hirslanden AG

Zurich

Report of the statutory auditor to the General Meeting

on the consolidated financial statements 2016/17

Report of the statutory auditor

to the General Meeting of Hirslanden AG

Zurich

Report on the audit of the consolidated financial statements

Opinion

As statutory auditor, we have audited the consolidated financial statements of Hirslanden AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 March 2017 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the annual 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 2017 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

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

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

Our audit approach

Overview

- Overall Group materiality: CHF 8'932'000
- 17 out of 21 reporting units were in scope of full audit procedures.
- Our audit scope addressed 99% of the Group's revenue, 99% of EBITDA and 99% of the profit before taxation.

As key audit matters the following areas of focus have been identified:

- Impairment of intangible assets and goodwill
- Assessment of building impairment indicators

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Audit scope

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

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at each reporting unit. As all components are located in Switzerland, members of the Group engagement team were involved in audits of several reporting units and were able to have direct oversight on the audits at other components. We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. 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.

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 8’932’000
How we determined it	Based on 2.5% of earnings before interest, tax, depreciation and amortisation (EBITDA)
Rationale for the materiality benchmark applied	As a basis for their decisions, Management uses EBITDA as it believes that it reflects the underlying operating performance of the Group. We took this measure into account in determining our materiality since we concur with management that it is the benchmark against which the performance of the Group is most commonly measured.

We agreed with the Board of Directors that we would report to them misstatements above CHF 814'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

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 of intangible assets and goodwill

Key audit matter	*How our audit addressed the key audit matter*
The Group has CHF 841m of intangible assets, including brand names of CHF 426m and goodwill of CHF 384m. CHF 687m relate to the acquisition of Hirslanden Group by Mediclinic Group in 2007. Further CHF 123m relate to the acquisitions of other Swiss hospitals. The brand names were classified as indefinite life intangible assets at the time of the acquisition and the Group carries out annual impairment tests based on value-in-use calculations. We focused on the impairment of goodwill and intangible assets as these have indefinite lives and the annual impairment reviews carried out by the Group contain a number of significant judgements and estimates including growth rates and discount rates. Changes in these assumptions might lead to a significant change in the carrying values of the related assets. Please refer to page 12 (Summary of significant accounting policies – 2.5 Intangible assets) and page 28 (Note 6 - Impairment test) of the notes to Group Financial statements.	In our audit of goodwill and indefinite life intangible assets, we performed the following main audit procedures: We assessed the appropriateness of the allocation of the goodwill to the relevant cash-generating units expected to benefit from the synergies of the original combination. For each cash-generating unit or group of cash-generating units to which goodwill was allocated, we assessed that this was both the lowest level within the entity at which the goodwill is monitored for internal management purposes and that this level is not larger than the operating segments as defined by IFRS 8. With the support of our valuation specialists, we obtained management's impairment calculations and tested the reasonableness of key assumptions, including profit forecasts and the selection of growth rates and discount rates. We challenged management to substantiate its assumptions, including comparing relevant assumptions to industry benchmarks and economic forecasts. We substantively tested the integrity of supporting calculations and corroborated certain information with third party sources. We agreed the underlying cash flows to approved budgets and assessed growth rates and discount rates by comparison to third party information, the Group's cost of capital and relevant risk factors. Future cash flow assumptions were also challenged through comparison to current trading performance against budget and forecasts, considering the historical accuracy of budgeting and forecasting and understanding of the reasons for the growth profiles used. We evaluated management's sensitivity analyses to ascertain the impact of reasonably possible changes to key assumptions on the available headroom. We considered the need for additional sensitivity disclosures as required by IAS 36 and we agree with management's decision to provide these additional disclosures in note 6 given that reasonably possible changes in the discount rate and growth rate would give rise to an impairment. Based on our work performed, we concurred with management that no impairments were required for the goodwill and intangibles at 31 March 2017. We found that the judgements were supported by

	reasonable assumptions and that the disclosures in respect of the impairment assessments are a fair reflection of the judgements made by the Group.

Assessment of building impairment indicators

Key audit matter	*How our audit addressed the key audit matter*
The Group holds property, equipment and vehicles of CHF 3'779m of which CHF 3'491m relate to land and buildings. The Group owns most of the hospital properties from which it operates and as a result incurs significant amounts of capital expenditure annually. Buildings were measured at their fair values at the time of the business combination of Hirslanden with Mediclinic in 2007, being their cost basis. Accordingly, the Group monitors these assets more carefully for potential impairment indicators. We focused on the assessment of building impairment indicators due to the substantial book value of land and buildings. Please refer to page 12 (Summary of significant accounting policies – 2.4 Property, equipment and vehicles) and pages 26-28 (Note 5 – Property, equipment and vehicles of the notes to Group Financial statements.	We reviewed the group's accounting policies in respect of property, equipment and vehicles and found them to be unchanged to previous years and compliant with the financial reporting standards. We obtained the Group's analyses for the impairment indicator assessment of the properties, consisting in a future cash flow analysis as well as a report prepared by management's third party real estate expert who performed the property valuations for the group. We tested the reasonableness of key assumptions used by management and the expert. We challenged the assumptions, including the capitalisation rates, by comparing relevant assumptions to industry norms. In addition, we assessed the profitability level of the hospitals to identify whether any further impairment indicators exist at this level. As a result of our work, we were satisfied with management's decision that no impairments are required during the year ended 31 March 2017 and we have found the judgements to be supported by reasonable assumptions.

Other information in the annual report

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

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we will not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of the Board of Directors for the consolidated financial statements

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

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

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

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

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

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

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

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a

matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers AG

Gerhard Siegrist	Philipp Kegele
Audit expert Auditor in charge	

Zürich, 5 May 2017

Enclosure:

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

Hirslanden AG

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS 2017

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GENERAL INFORMATION
for the year ended 31 March

NATURE OF ACTIVITIES

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

GENERAL REVIEW OF ACTIVITIES

The Group currently operates sixteen hospitals in Switzerland.

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

COMPANY NAME
Hirslanden AG ("Group")

COMPANY REGISTRATION NUMBER
CHE-113.796.171

ULTIMATE HOLDING COMPANY
Mediclinic International plc

REGISTERED OFFICE
Seefeldstrasse 214, 8008 Zurich

EXECUTIVE MANAGEMENT

Dr. T. O. Wiesinger (Chief Executive Officer)
Dr. D. Liedtke (Chief Operating Officer)
Mr. M. U. Oetiker (Chief Strategy Officer, resigned, October 7, 2016)
Mr. A. H. Kappeler (Chief Financial Officer)
Dr. C. H. A. Westerhoff (Chief Clinical Officer)

BOARD OF DIRECTORS

Dr. T. O. Wiesinger (President)
Dr. D. Liedtke
Mr. A. H. Kappeler

COMPANY SECRETARY
Ms. M. Seikel

AUDITORS

PricewaterhouseCoopers AG, Switzerland, Zürich

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March

		GROUP	
		2017	**2016**
	Notes	**CHF 000**	**CHF 000**
ASSETS			
Non-current assets		**4'626'953**	**4'563'558**
Property, equipment and vehicles	5	3'779'331	3'717'656
Intangible assets	6	840'542	837'643
Equity accounted investments	7	2'038	1'115
Other investments and loans	8	2'348	2'046
Deferred income tax assets	9	2'694	5'098
Current assets		**693'301**	**695'886**
Inventories	10	54'094	50'848
Trade and other receivables	11	459'110	469'008
Cash and cash equivalents	12	180'097	176'030
Total assets		**5'320'254**	**5'259'444**
EQUITY			
Capital and reserves			
Share capital	13	551'882	551'882
Share premium	13	1'007'302	1'007'302
Capital contribution reserve		260	145
Retained earnings	14.1	288'689	92'120
Hedge reserve	14.2	(2'091)	(3'764)
Attributable to equity holders of the company		**1'846'042**	**1'647'685**
Non-controlling interests	15	211	210
Total equity		**1'846'253**	**1'647'895**
LIABILITIES			
Non-current liabilities		**3'116'750**	**3'249'183**
Borrowings	16	1'658'169	1'700'667
Loans from related parties	28.1	677'559	713'924
Deferred income tax liabilities	9	652'841	613'193
Provisions	17	28'455	32'266
Retirement benefit obligations	18	90'491	163'468
Derivative financial instruments	19	9'195	25'665
Cash-settled share-based payment liability	20	40	-
Current liabilities		**357'251**	**362'366**
Trade and other payables	21	274'796	272'046
Borrowings	16	50'293	50'343
Provisions	17	22'985	26'861
Income tax payables	26.2	9'177	13'116
Total liabilities		**3'474'001**	**3'611'549**
Total equity and liabilities		**5'320'254**	**5'259'444**

The notes on page 9 to 53 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March

		GROUP	
		2017	**2016**
	Notes	**CHF 000**	**CHF 000**
Revenue		**1'704'047**	**1'657'199**
Cost of sales (incl depreciation and amortisation)	22	(1'065'444)	(1'039'021)
Administration and other operating expenses (incl depreciation and amortisation)	22	(379'642)	(375'425)
Operating profit		**258'961**	**242'753**
Finance income	23	125	942
Finance cost	23	(57'320)	(69'494)
Share of profit of equity accounted investments	7	329	240
Profit before taxation		**202'095**	**174'441**
Income tax expenses	24	(41'592)	(35'172)
Profit for the year		**160'503**	**139'269**
Attributable to:			
Equity holders of the Company		160'481	139'463
Non-controlling interests	15	22	(194)
		160'503	**139'269**

The notes on page 9 to 53 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March

		GROUP	
		2017	2016
	Notes	**CHF 000**	**CHF 000**
Profit for the year		**160'503**	**139'269**
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
		1'673	**1'678**
Derivative financial instruments - gross gain	14.2/25	2'122	2'128
Derivative financial instruments - tax	14.2/25	(449)	(450)
Items that will not be reclassified to profit or loss			
		46'088	**(77'341)**
Actuarial gains and (losses) - gross	14.1/25	57'972	(97'284)
Actuarial gains and (losses) - tax	14.1/25	(11'884)	19'943
Other comprehensive income / (loss), net of tax		**47'761**	**(75'663)**
Total comprehensive income for the year		**208'264**	**63'606**
Attributable to:			
Equity holders of the company		208'242	63'800
Non-controlling interests	15	22	(194)
		208'264	**63'606**

The notes on page 9 to 53 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March

	Notes	GROUP 2017 CHF 000 Inflow/ (outflow)	GROUP 2016 CHF 000 Inflow/ (outflow)
CASH FLOW FROM OPERATING ACTIVITIES			
Cash received from customers		1'689'849	1'620'898
Cash paid to suppliers and employees		(1'345'579)	(1'336'382)
Cash generated from operations	**26.1**	**344'270**	**284'516**
Interest received	26.3	112	713
Interest paid	26.3	(42'704)	(44'764)
Taxation paid	26.2	(15'812)	(16'768)
NET CASH FLOW FROM OPERATING ACTIVITIES		**285'866**	**223'697**
CASH FLOW FROM INVESTMENT ACTIVITIES		**(163'637)**	**(143'824)**
Investment to maintain operations	26.4	(89'489)	(75'500)
Investment to expand operations	26.5	(73'805)	(68'366)
Proceeds on sale of property, equipment and vehicles		578	1'081
Acquisition of investments in associates	7	(806)	(875)
Dividends received from equity accounted investments	7	212	159
Investments in / (proceeds from) other investments		-	(73)
Loans granted	8	(327)	(250)
Net cash generated before financing activities		**122'229**	**79'873**
CASH FLOW FROM FINANCING ACTIVITIES		**(118'162)**	**(102'811)**
Distributions to non-controlling interests		(9)	(5)
Distributions to shareholder	14.1	(10'000)	-
Repayments of borrowings	16	(50'343)	(50'616)
Payments to related parties	28.1	(57'810)	(52'190)
Net increase / (decrease) in cash and cash equivalents		**4'067**	**(22'938)**
Opening balance of cash and cash equivalents		**176'030**	**198'968**
Closing balance of cash and cash equivalents		**180'097**	**176'030**

The notes on page 9 to 53 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as at 31 March

GROUP

	Share capital (note 13)	Share premium (note 13)	Capital contribution reserve	Hedge reserve (note 14.2)	Retained earnings (note 14.1)	**Shareholders' equity**	Non-controlling interests (note 15)	**Total equity**
	CHF 000	CHF 000	CHF 000	CHF 000	CHF 000	**CHF 000**	CHF 000	**CHF 000**
Balance at 01 April 2015	**551'882**	**1'007'302**	**(122)**	**(5'442)**	**29'952**	**1'583'572**	**414**	**1'583'986**
Profit for the year	-	-	-	-	139'463	139'463	(194)	139'269
Other comprehensive income, net of tax	-	-	-	1'678	(77'341)	(75'663)	-	(75'663)
Total comprehensive income for the year	-	-	-	1'678	62'122	63'800	(194)	**63'606**
Longterm incentive scheme	-	-	168	-	-	168	-	**168**
Capital contribution expense	-	-	99	-	-	99	-	**99**
Dividends (longterm incentive scheme)	-	-	-	-	46	46	-	**46**
Transactions with non-controlling interests	-	-	-	-	-	-	(8)	**(8)**
Distributions to non-controlling interests	-	-	-	-	-	-	(2)	**(2)**
Balance at 31 March 2016	**551'882**	**1'007'302**	**145**	**(3'764)**	**92'120**	**1'647'685**	**210**	**1'647'895**
Profit for the year	-	-	-	-	160'481	160'481	22	160'503
Other comprehensive income, net of tax	-	-	-	1'673	46'088	47'761	-	47'761
Total comprehensive income for the year	-	-	-	1'673	206'569	208'242	22	**208'264**
Capital contribution expense	-	-	115	-	-	115	-	**115**
Transactions with non-controlling interests	-	-	-	-	-	-	(19)	**(19)**
Distributions to non-controlling interests	-	-	-	-	-	-	(2)	**(2)**
Distributions to shareholder	-	-	-	-	(10'000)	(10'000)	-	**(10'000)**
Balance at 31 March 2017	**551'882**	**1'007'302**	**260**	**(2'091)**	**288'689**	**1'846'042**	**211**	**1'846'253**

The notes on page 9 to 53 are an integral part of these consolidated financial statements.

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March

1. GENERAL INFORMATION

Hirslanden AG (company registration number: CHE-113.796.171) and its subsidiaries, Hirslanden Private Hospital Group ("The Group"), operates multi-disciplinary private hospitals in Switzerland.

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

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

Hirslanden AG, Seefeldstrasse 214, CH-8008 Zurich

Since 15 February 2016 the ultimate holding company of the Group is Mediclinic International plc., a company listed on the London Stock Exchange (“LSE”) and the Johannesburg stock exchange. On that date, the combination of Al Noor Hospitals Group plc and Mediclinic International Limited, the former ultimate holding company of the Group, became effective. The transaction was settled in the form of a reverse take over followed by a name change from Mediclinic International Limited into Mediclinic International plc.

Hirslanden AG is a wholly owned subsidiary of Mediclinic Luxembourg S.àr.l.; Mediclinic Luxembourg S.àr.l. is a wholly owned subsidiary of Mediclinic Holdings Netherlands B.V. and finally Mediclinic Holdings Netherlands B.V. is a wholly owned subsidiary of Mediclinic International plc.

These annual financial statements have been approved for issue by the Board of Directors on 5 May 2017 for the ultimate approval of the shareholders at their annual general meeting.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The annual consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS). 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, as modified by the revaluation of certain financial instruments and available for sale assets to fair value.

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

The consolidated financial statements of the Group for the year ended 31 March 2017 contain the result of the year beginning 1 April 2016 until 31 March 2017. The comparative figures are comprised of the year from 1 April 2015 to 31 March 2016.

Within the consolidated income statement certain line items were reclassified for the year ended 31 March 2016. The reclassifications had no impact on the reported profit or net asset measures of the Group. The following reclassifications have been made:

1) The mark-to-market gain of TCHF 11'016 relating to the ineffective cash flow hedge has been reclassified from other gains / (losses) to finance cost as the ineffective portion of the hedge should match the classification of the hedged item.

2) Depreciation of TCHF 83'724 and amortisation of TCHF 8'650 has been included in cost of sales and administration and other operating expenses respectively (see note 22) in order to present the consolidated income statement by function in terms of IAS 1.

3) Profit on disposal of property, equipment and vehicles of TCHF 288 has been reclassified from revenue to administration and other operating expenses in order to be in line with the disclosure of the annual consolidated financial statements of the ultimate holding company.

Only minor reclassifications have been made to the consolidated statement of financial position, in fact other liabilities were grouped to borrowings which had no material impact. Furthermore, no subtotals in the statement of financial position were affected.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The table below shows the impact on the consolidated income statement:

Financial statement line item	2016 figures as presented in prior year CHF 000	Reclassi-fication CHF 000	2016 figures as presented in current year CHF 000
Consolidated income statement in CHF 000			
Revenue	1'657'487	(288)	1'657'199
Cost of sales	(962'581)	(76'440)	(1'039'021)
Administration and other operating expenses	(359'779)	(15'646)	(375'425)
Depreciation and amortisation	(92'374)	92'374	-
Other gains / (losses)	11'016	(11'016)	-
Finance cost	(80'510)	11'016	(69'494)
Effect on profit before taxation	**173'259**	**-**	**173'259**

The new accounting standards, amendments and interpretations which have been published that are mandatory for accounting periods beginning on or after 1 April 2017 or later periods but which the Group has not early adopted are disclosed in note 2.24.

2.2 **Consolidation and equity accounting**

a) ***Subsidiaries***

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are no longer consolidated from the date control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s identifiable net assets.
Acquisition related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and enviously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised in the income statement.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in the income statement or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interest are also recorded in equity.

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets and liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the income statement.

b) ***Associates***

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights.
Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to the income statement where appropriate.
The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to share of profit/ (loss) of associates in the income statement.
Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising from investments in associates are recognised in the income statement.

2.3 **Segment reporting**

Consistent with internal reporting, the Group's segments are identified as the operating platform of Switzerland. 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 that makes strategic decisions.
The following reports are therefore available: Monthly reporting of the consolidated income statement, cash flow statement and balance sheet as well as consolidated statistics and half year and year end consolidated financial statements including notes. The clinic reporting is monitored by the Operation Committee ("OPSCO") of Switzerland only.
Furthermore, the Executive Committee of Switzerland approves and monitors the Group's business plan, the budget as well as the investments on Group level. In addition, it's bonus is mainly based on the Group's EBITDA.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, equipment and vehicles

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

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

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

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

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

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

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

2.5 Intangible assets

a) *Brand names*

The brand names are deemed to have an indefinite useful life as based on the analysis of all the relevant factors, there is no foreseeable limit to the period over which the assets are expected to generate net cash inflow for the Group. The brand names are carried at cost less accumulated impairment losses. Expenditures to maintain the brand names are accounted for against income as incurred.

b) *Goodwill*

Goodwill represents the excess of the consideration transferred over the fair value of net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate a potential impairment. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit form the business combination in which the goodwill arose. Each unit or group of units to which the goodwill is allocated represents the lowest level at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

c) *Computer software and projects*

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets, other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Financial assets

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

Purchases and sales of investments are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not subsequently carried at fair value through profit or loss.

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

a) ***Loans and receivables***

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

b) ***Investments available-for-sale***

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

c) ***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these financial instruments are recognised in the income statement in the period in which they arise. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.
A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the receivables or a group of receivables is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

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

Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

2.8 Offsetting of financial instruments

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

2.9 Inventories

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

2.10 Trade receivables and other receivables

Trade receivables and other receivables are recognised at fair value and subsequently measured at amortised cost, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the provision is recognised in the income statement.

2.11 Cash and cash equivalents

Cash and cash equivalents consist of balances with banks, post and cash on hand. Bank overdrafts are disclosed as part of borrowings in current liabilities on the statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Derivative financial instruments and hedging activities

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

The Group documents, at inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting of cash flows of hedged items.

The fair value of the derivative instrument used for hedging purposes is disclosed in note 19. Movements on the hedging reserve in shareholders' equity are shown in note 14.2. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item's maturity is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges 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 equity are recycled 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 the income statement). The respective recycling is recognised in the line item "Finance cost".

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

2.13 Share capital

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

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax. Where any Group company purchases the company’s equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the company’s equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company’s equity holders.

2.14 Trade and other payables

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Borrowings

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

2.16 Borrowing costs

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

2.17 Provisions

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

2.18 Current and deferred income tax

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

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

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax liabilities are provided on taxable temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable that the temporary differences will reverse in the future and that there is sufficient taxable profit available against which the temporary differences can be utilised.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits

a) ***Retirement benefit costs***

The Group provides defined contribution plans in terms of Swiss law, the assets of which are held in separate trustee administered funds. These plans are funded by payments from the employees and the Group, taking into account recommendations of independent qualified actuaries. Due to the strict definition of defined contribution plans in IAS 19, these plans are classified as defined benefit plans for IFRS purposes since the Group takes some investment and longevity risk in terms of Swiss law.

Defined benefit plans

A defined benefit plan is a plan that is not a defined contribution plan. This plan defines an amount of pension benefit an employee will receive on retirement, dependent on one or more factors such as age, years of service and compensation. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation.

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

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

b) ***Employee jubilee benefits***

This provision is for benefits granted to employees for long-service. The accrued amount is included in provisions. For more details see note 17.

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

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

d) **Share-based compensation**

The Mediclinic Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the ultimate holding company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:
– including any market performance conditions
– excluding the impact of any service and non-market performance vesting conditions; and
– including the impact of any non-vesting conditions.
At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

e) **Cash-settled share-based compensation**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Revenue recognition

Revenue comprises hospital fees and is measured at the fair value of the consideration received or receivable for services provided, net of discounts. Revenue is recognised when the significant risks & rewards of ownership have been transferred or services have been provided, the amount of revenue can be measured reliably and it is probable that the future economic benefits will flow to the Group.

Revenue for general insured medical treatments is calculated based on the allocation of each case to the diagnosis-related group (DRG). The resulting weight of each case is multiplied by a base rate which is either negotiated, fixed by the authority or estimated for cases where no agreement is in place. For semi-private and private insured treatments, the group is invoicing based on individually negotiated rates with the insurance companies.

Revenue for outpatient medical treatments is calculated based on tax points for the different outpatient treatments, which are multiplied with an individual tax point value. Specific medicaments and other material is added to determine the hospital fee. The tax point values are regularly negotiated with the insurance companies.

Tariff provisions are recognised in revenue 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 will be required which can be reliably estimated.

Other revenues earned are recognised on the following basis:

a) ***Interest income***

Interest income is recognised on a time-proportion basis using the effective interest rate method.

b) ***Dividend income***

Dividend income is recognised when the shareholders' right to receive payment is established.

c) ***Rental income***

Rental income is recognised on a straight-line basis over the term of the lease.

2.21 Cost of sales

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

2.22 Leased assets

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

All other leases are classified as operating leases.

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

2.23 Foreign currency transactions

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Standards, interpretations and amendments

Published standards, amendments and interpretations effective for the 31 March 2017 financial period:

- IFRS 10, IFRS 12 and IAS 28 Investment entities (amendments) – Applying the consolidation exception
- IFRS 11 (amendments) – Joint arrangements
- IFRS 14 Regulatory Deferral Accounts
- IAS 1 (amendments) – Disclosure initiative
- IAS 16 and IAS 38 (amendments) – Clarification of acceptable methods of depreciation and amortisation
- IAS 16 and IAS 41 (amendments) – Agriculture: bearer plants
- IAS 27 (amendment) – Equity method in separate financial statements
- Annual improvements 2012 – 2014 cycle – Amendments and clarifications to existing IFRS standards

The implementation of these standards and amendments had no 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 standards, amendments and interpretations will have no material effects on the financial statements:

IFRS 9: Financial Instruments (1 January 2018)
The new standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39. IFRS 9 applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. IFRS 9 also results in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification categories.

IFRS 15: Revenue from Contracts with Customers (1 January 2018)
The new standard requires companies to recognise revenue to depict the transfer of goods or services to customers, that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, and provides guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.

The impact of the following new and revised accounting standards on the financial statements of the Group is not yet finally assessed:

IFRS 16: Leases (1 January 2019)
The new standard addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17 ‘Leases', and related interpretations.

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

- IAS 7 (amendment) – Disclosure initiative (1 January 2017)
- IAS 12 (amendment) – Recognition of deferred tax assets for unrealised losses (1 January 2017)
- IFRS 2 (amendment) – Classification and measurement of share-based payment transactions (1 January 2018)
- IFRS 4 – Clarification on the implementation approach together with IFRS 9 (1 January 2018)
- IAS 40 – Transfers of investment property (1 January 2018)
- IFRIC 22 – Foreign currency transactions and advance consideration (1 January 2018)
- Annual improvements 2014 – 2016 cycle – Amendments and clarifications to existing IFRS standards (1 January 2017 and 1 January 2018)
- IFRS 10 and IAS 28 (amendments) – Sale or contribution of assets between an investor and its associate or joint venture (postponed)

3. **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

3.1 **Financial risk factors**

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

a) ***Market risk***

Currency risk

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

Interest rate risk

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

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. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at financial year end and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. If interest rates had been 25 basis points higher / lower and all other variables were held constant, the Group's profit for the year ended 31 March 2017 would increase / decrease by TCHF 2'070 / TCHF 2'073 (2016: increase / decrease by TCHF 2'375 / TCHF 2'360) mainly as a result of higher / lower interest expenses on the floating rate borrowings, including ineffective interest rate swaps cash flows. The Group however has interest rate swaps for almost the full amount of the interest-bearing borrowings in place. As the floating rate on the non-derivative instrument does not allow negative interest rate the Group is exposed to an interest rate risk if the 3M Libor rate is negative which is the case as per 31 March 2017 and 31 March 2016. Therefore, if interest rates had been 25 basis points higher / lower and all other variables were held constant, the fair value change of the swaps would have lead to an increase / decrease of the Group's profit by TCHF 3'092 / TCHF 3'105 (2016: TCHF 6'897 / TCHF 6'945).

Other price risk

The Group is not exposed to other price risks.

b) ***Credit risk***

Financial assets which potentially subject the Group to concentrations of credit risk consist principally of cash, short-term deposits and trade and other receivables. The Group's cash equivalents and short-term deposits are placed with quality financial institutions with a high credit rating. Trade receivables are represented net of the allowance for doubtful receivables. Credit risk with respect to trade receivables is very limited due to the fact that more than 92% of the Group's customers are insurance companies and federal authorities (cantons). In addition the insurance companies are supervised by a federal body and subject to regular credit-worthiness checks (insurance companies are obliged to maintain minimum reserve levels). Therefore, credit-worthiness is very high and the risk for non payment low.

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

The carrying amounts of financial assets included in the statement of financial position represents the Group's exposure to credit risk in relation to these assets. At 31 March 2017 and 31 March 2016, the Group did not consider there to be a significant concentration of credit risk which had not been adequately provided for.

3. **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

c) ***Liquidity risk***

The Group manages liquidity risk by monitoring cash flow forecasts to ensure that it has sufficient cash to meet operational needs, while maintaining sufficient headroom on its undrawn borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.
In the end, the borrowing power of the Group can only be limited by the ultimate holding company. No such limitation currently exists.

	2017	2016
	CHF 000	CHF 000
The Group's unused overdraft facilities are:	**50'000**	**50'000**

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

	Carrying value	Contractual cash flows	< 1 year	1-5 years	> 5 years
31 March 2017	**CHF 000**	**CHF 000**	CHF 000	CHF 000	CHF 000
Financial liabilities					
Interest-bearing borrowings	**2'384'450**	**2'552'559**	98'510	2'358'622	95'427
Derivative financial instruments	**9'195**	**9'163**	8'384	779	-
Financial leasing liabilities	**1'571**	**2'060**	456	1'567	37
Trade and other payables	**222'269**	**222'269**	222'269	-	-

	Carrying value	Contractual cash flows	< 1 year	1-5 years	> 5 years
31 March 2016	**CHF 000**	**CHF 000**	CHF 000	CHF 000	CHF 000
Financial liabilities					
Interest-bearing borrowings	**2'463'020**	**2'690'060**	100'527	2'492'297	97'236
Derivative financial instruments	**25'665**	**25'446**	10'193	15'253	-
Financial leasing liabilities	**1'914**	**2'594**	534	1'754	306
Trade and other payables	**272'046**	**272'046**	272'046	-	-

3. **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

3.2 **Categories of financial instruments**

31 March 2017	Cash and cash equiv. CHF 000	Loans and receivables CHF 000	Available for sale CHF 000	**Total carrying amount CHF 000**
Assets as per balance sheet				
Other investments and loans	-	577	1'771	**2'348**
Trade and other receivables	-	458'590	-	**458'590**
Cash and cash equivalents	180'097	-	-	**180'097**
Total	**180'097**	**459'167**	**1'771**	**641'035**

	Loans and payables CHF 000	At fair value through profit or loss CHF 000	Other financial liabilities CHF 000	**Total carrying amount CHF 000**
Liabilities as per balance sheet				
Borrowings	2'384'450	-	1'571	**2'386'021**
Trade and other payables	222'269	-	-	**222'269**
Derivative financial instruments	-	9'195	-	**9'195**
Total	**2'606'719**	**9'195**	**1'571**	**2'617'485**

31 March 2016	Cash and cash equiv. CHF 000	Loans and receivables CHF 000	Available for sale CHF 000	**Total carrying amount CHF 000**
Assets as per balance sheet				
Other investments and loans	-	250	1'796	**2'046**
Trade and other receivables	-	468'629	-	**468'629**
Cash and cash equivalents	176'030	-	-	**176'030**
Total	**176'030**	**468'879**	**1'796**	**646'705**

	Loans and payables CHF 000	At fair value through profit or loss CHF 000	Other financial liabilities CHF 000	**Total carrying amount CHF 000**
Liabilities as per balance sheet				
Borrowings	2'463'020	-	1'914	**2'464'934**
Trade and other payables	217'379	-	-	**217'379**
Derivative financial instruments	-	25'665	-	**25'665**
Total	**2'680'399**	**25'665**	**1'914**	**2'707'978**

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

3.3 Fair values of financial instruments

The fair value of financial instruments is determined as follows:

Cash and cash equivalents, trade and other receivables:
The carrying amounts reported in the statement of financial position approximate fair values because of the short-term maturities of these amounts.

Other investments and loans:
The other investments and loans are categorised as available for sale financial assets and therefore are carried at fair value. They are classified as level 3, see below.

Borrowings and trade and other payables:
The fair value of the bonds amounts to TCHF 243'850 (2016: TCHF 242'483). The carrying amount of the other borrowings and trade and other payables reported in the balance sheet approximate fair values.

Derivative financial instruments: The fair value of the interest rate swap is calculated by use of discounted cash flow analysis using the applicable yield curve for the duration of the instrument, see note 19. Based on the degree to which the fair value of the interest rate swap is observable, it is classified as level 2, see below.

The different levels have been defined as follows:
- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

3.4 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 16 and 28.1 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 13 and 14 respectively. The Audit and Risk Committee of Mediclinic International plc and the Board of Directors of Hirslanden AG review the going concern status of the Group on an annual basis.

	2017	**2016**
	CHF 000	**CHF 000**
Borrowings - note 16 and 28.1	2'384'450	2'463'020
Less: cash and cash equivalents	(180'097)	(176'030)
Net debt	**2'204'353**	**2'286'990**
Total equity	**1'846'253**	**1'647'895**
Debt to capital ratio	**1.19**	**1.39**

The debt to capital ratio decreased to 1.19.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) ***Estimated impairment of goodwill***

The Group tests annually whether goodwill and the intangible asset with an indefinite useful life have suffered any impairment, in accordance with the accounting policy stated in note 2.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. The estimated figures assume a stable regulatory and tariff environment. Since 1 January 2012, a new financing and tariff system for mandatory basic insured patients in Switzerland was implemented. Although the new system is operational, there are still a number of areas that are still provisional and thus still uncertain, see note 4.3.
These uncertainties can have an impact on the recoverability of the goodwill and intangible asset's recoverable amount. Also refer to the sensitivity analysis in respect of the discount rate and the growth rate in note 6.

b) ***Income taxes***

The Group is subject to income taxes in Switzerland. Judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made, see note 24.

c) ***Pension benefits***

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

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

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

4.2 Critical judgements in applying the Group's accounting policies

a) ***Indefinite life trade names***

The estimation of the indefinite useful life of the Swiss trade names is based on the expectation that there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the Group. This expectation requires a significant degree of management judgement. Refer to note 6.

4. **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)**

b) ***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 live. 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 live.

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.

4.3 ***Regulatory environment***

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

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

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

The following uncertainties persist in the new financial year:

- Outmigration of care: federal authorities define specific treatments that are no longer accepted on an inpatient basis but could only be reimbursed on an outpatient tariff
- Tarmed tariff intervention: the Swiss federal government has released proposed adjustments to the outpatient tariff as a transitional measure whilst healthcare providers and funders continue to negotiate and agree on a revised Tarmed tariff structure
- Quote on general insured patients: hospitals on the hospital list could be forced by the cantons to accommodate a minimum number of general insured patients which could have a negative effect on the patient mix (shift towards more general insured patients)
- Highly specialized medicine developments could impact the future medical mix.

	GROUP	
	2017	**2016**
	CHF 000	**CHF 000**
5. PROPERTY, EQUIPMENT AND VEHICLES		
Land - cost	**1'067'376**	**1'067'383**
Cost	1'067'376	1'067'383
Buildings	**2'399'187**	**2'366'269**
Cost	2'610'592	2'546'858
Accumulated depreciation	(211'405)	(180'589)
Land and buildings	**3'466'563**	**3'433'652**
Leasehold improvements	**30'529**	**27'138**
Cost	54'346	47'132
Accumulated depreciation	(23'817)	(19'994)
Equipment	**227'935**	**204'937**
Cost	528'778	463'611
Accumulated depreciation	(300'843)	(258'674)
Furniture and vehicles	**29'384**	**28'811**
Cost	136'722	122'734
Accumulated depreciation	(107'338)	(93'923)
Subtotal	**3'754'411**	**3'694'538**
Buildings under construction	24'920	23'118
	3'779'331	**3'717'656**

5. PROPERTY, EQUIPMENT AND VEHICLES (CONTINUED)

	Land and buildings	Leasehold improvement	Equipment	Furniture and vehicles	Total
	CHF 000	CHF 000	CHF 000	CHF 000	CHF 000
Year ended 31 March 2017					
Net opening book value	3'456'770	27'138	204'937	28'811	3'717'656
Capital expenditure	65'545	7'214	65'507	14'027	152'293
Disposals	(16)	-	(340)	(39)	(395)
Depreciation	(30'816)	(3'823)	(42'169)	(13'415)	(90'223)
Net book value	**3'491'483**	**30'529**	**227'935**	**29'384**	**3'779'331**
At 31 March 2017					
Cost	3'702'888	54'346	528'778	136'722	4'422'734
Accumulated depreciation	(211'405)	(23'817)	(300'843)	(107'338)	(643'403)
Net book value	**3'491'483**	**30'529**	**227'935**	**29'384**	**3'779'331**
Year ended 31 March 2016					
Net opening book value	3'441'291	23'992	175'067	27'727	3'668'077
Capital expenditure	43'012	6'298	70'302	14'484	134'096
Disposals	(262)	(1)	(434)	(96)	(793)
Depreciation	(27'271)	(3'151)	(39'998)	(13'304)	(83'724)
Net book value	**3'456'770**	**27'138**	**204'937**	**28'811**	**3'717'656**
At 31 March 2016					
Cost	3'637'359	47'132	463'611	122'734	4'270'836
Accumulated depreciation	(180'589)	(19'994)	(258'674)	(93'923)	(553'180)
Net book value	**3'456'770**	**27'138**	**204'937**	**28'811**	**3'717'656**

Buildings under construction are included in land and buildings.

	GROUP	
	2017	2016
	CHF 000	CHF 000
5. PROPERTY, EQUIPMENT AND VEHICLES (CONTINUED)		
Capital expenditure		
Capital expenditure excluding expenditure in buildings under construction	134'066	121'221
Capital expenditure in buildings under construction	18'227	12'875
Total additions	**152'293**	**134'096**
Profit on sale of equipment and vehicles	183	288
Included in the book value of equipment above is capitalised financial lease equipment with a book value of	1'025	1'253
Capitalised borrowing costs (IAS 23) included in capital expenditure	1	64
Interest rates used to capitalise borrowing costs	1.60%	2.40%
Mortgage notes on property and buildings are encumbered as security for borrowings - note 16	3'102'820	3'102'820

6. INTANGIBLE ASSETS	Software and projects	Brand names	Goodwill	Total
	CHF 000	CHF 000	CHF 000	CHF 000
Year ended 31 March 2017				
Net opening book value	27'768	425'900	383'975	837'643
Additions net	11'001	-	-	11'001
Amortisation	(8'102)	-	-	(8'102)
Net book value	**30'667**	**425'900**	**383'975**	**840'542**
At 31 March 2017				
Cost	65'924	425'900	383'975	875'799
Accumulated amortisation	(35'257)	-	-	(35'257)
Net book value	**30'667**	**425'900**	**383'975**	**840'542**
Year ended 31 March 2016				
Net opening book value	26'586	425'900	383'975	836'461
Additions net	9'832	-	-	9'832
Amortisation	(8'650)	-	-	(8'650)
Net book value	**27'768**	**425'900**	**383'975**	**837'643**
At 31 March 2016				
Cost	54'923	425'900	383'975	864'798
Accumulated amortisation	(27'155)	-	-	(27'155)
Net book value	**27'768**	**425'900**	**383'975**	**837'643**

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

	2017	2016
Additions to maintain operations	89'489	75'562
Additions to expand operations	73'805	68'366
	163'294	**143'928**

6. INTANGIBLE ASSETS (CONTINUED)

The impairment test for goodwill and indefinite life brand names is based on value-in-use calculations. The calculations use cash flow projections based on financial budgets covering a five-year period. The discount rates used reflect specific risks related to the hospital industry. The calculation indicates that there was no impairment in the carrying value of goodwill and indefinite life brand names.

Impairment testing of goodwill and indefinite life brand names

General information

The carrying amounts of goodwill and indefinite life brand names are significant in comparison to the total carrying amount of intangible assets. The impairment test for goodwill and indefinite life brand names is based on value-in-use calculations.

The Group was identified as the cash generating unit to perform the impairment tests of goodwill and indefinite life brand names. This represents the lowest level within the entity at which the goodwill and indefinite life brand names are monitored for internal management purposes, namely at operating segment level.

	2017	2016
	CHF 000	CHF 000
Carrying amount of goodwill	383'975	383'975
Carrying amount of indefinite life brand names	425'900	425'900

Key assumptions used for value-in-use calculations are as follows:

Discount rates

Discount rates reflect management's estimate of the time value and the risks of the Group. The weighted average cost of capital (WACC) has been determined by consideration of respective debt and equity costs and ratios.

The discount rate applied to cash flow projections is 4.7% (2016: 4.7%).

Growth rates

Growth rates are based on budgeted figures and management's estimates, despite the fact that there are some regulatory uncertainties, for further details refer to note 4.3. Cash flows beyond the five-year period are extrapolated using a 1.6% (2016: 1.6%) growth rate.

Sensitivity analysis

For the goodwill, recoverable amount calculated based on value in use exceeded the carrying value by approximately TCHF 1'341'710 (2016: TCHF 1'672'878). A fall in growth rate to 0.5% (2016: 0.3%) or a rise in discount rate to 5.6% (2016: 5.8%) would remove the headroom. Furthermore, a fall in growth rate by 0.44% (2016: 0.59%) combined with a rise in discount rate by 0.44% (2016: 0.59%) would also remove the headroom.

	GROUP	
	2017	**2016**
	CHF 000	**CHF 000**

7. EQUITY ACCOUNTED INVESTMENTS

Unlisted

	2017	2016
Carrying value of investments in associates' equity	**2'038**	**1'115**
Opening balance	1'115	159
Addition in investments	806	875
Distribution received	(212)	(159)
Result from associates	329	240

Total profit of associates is TCHF 620 (2016: TCHF 521) of which the Group's share is TCHF 329 (2016: TCHF 240).

Total revenue for the associates is TCHF 25'144 (2016: TCHF 23'160).

The aggregate information of associates that are not individually material:

	2017	2016
The Group's share of profit	329	240
The Group's share of other comprehensive income	-	-
The Group's share of total comprehensive income	**329**	**240**
Aggregate carrying amount of Group's interest in these associates	329	240

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.

Further details are disclosed in note 28 and 29.

8. OTHER INVESTMENTS AND LOANS

Unlisted - no active market

	2017	2016
Loans and receivables	577	250
Investments available-for-sale: Shares	1'771	1'796
	2'348	**2'046**

Investments available-for-sale comprise of various small investments below 20% share holding. Its cost base, however, can be regarded as a reasonable approximation of fair value.

	GROUP	
	2017	**2016**
	CHF 000	**CHF 000**

9. DEFERRED TAXATION

The movement on the deferred taxation account is as follows:

	2017 CHF 000	2016 CHF 000
Opening balance	608'095	607'841
Income statement charge for the year	29'719	19'747
Taxation change of temporary differences recorded in other comprehensive income	12'333	(19'493)
Balance at the end of the year	**650'147**	**608'095**

The deferred tax relating to current assets and current liabilities contain temporary differences that are most likely to realise in the next twelve months.

The deferred tax balance is comprised of temporary differences arising in separate legal entities. Offsetting has been applied when there is a legally enforceable right to offset and when the deferred income tax relates to the same fiscal authority, i.e. on a legal entity basis. The table below shows the deferred tax balances and movements in the various categories before offsetting was applied:

	Tangible assets	**Intangible assets**	**Financial assets**	**Current assets**	**Provisions and others**	**Total**
Deferred tax liabilities	**CHF 000**	**CHF 000**	**CHF 000**	**CHF 000**	**CHF 000**	**CHF 000**
At 1 April 2016	**554'460**	**100'357**	**87**	**8'337**	**21'289**	**684'530**
Charged/(credited) to income statement	14	-	39	562	(785)	**(170)**
At 31 March 2017	**554'474**	**100'357**	**126**	**8'899**	**20'504**	**684'360**
At 1 April 2015	**554'277**	**100'952**	**72**	**8'697**	**13'337**	**677'335**
Charged/(credited) to income statement	183	(595)	15	(360)	7'952	**7'195**
At 31 March 2016	**554'460**	**100'357**	**87**	**8'337**	**21'289**	**684'530**

	2017 CHF 000	2016 CHF 000
Set-off of deferred tax liabilities pursuant to set-off provisions	31'519	71'337
Net deferred tax liabilities at the end of the year	**652'841**	**613'193**

9. DEFERRED TAXATION (CONTINUED)

Deferred tax assets	Tangible assets CHF 000	Intangible assets CHF 000	Derivatives CHF 000	Long-term liabilities CHF 000	Loss carry forward CHF 000	Total CHF 000
At 1 April 2016	**(45)**	**(3)**	**(5'428)**	**(33'511)**	**(37'448)**	**(76'435)**
Charged/(credited) to income statement	(46)	-	3'034	3'068	23'833	**29'889**
Charged/(credited) to other comprehensive income	-	-	449	11'884	-	**12'333**
At 31 March 2017	**(91)**	**(3)**	**(1'945)**	**(18'559)**	**(13'615)**	**(34'213)**
At 1 April 2015	**-**	**(3)**	**(7'758)**	**(13'421)**	**(48'312)**	**(69'494)**
Charged/(credited) to income statement	(45)	-	1'880	(147)	10'864	**12'552**
Charged/(credited) to other comprehensive income	-	-	450	(19'943)	-	**(19'493)**
At 31 March 2016	**(45)**	**(3)**	**(5'428)**	**(33'511)**	**(37'448)**	**(76'435)**

	2017 CHF 000	2016 CHF 000
Set-off of deferred tax liabilities pursuant to set-off provisions	31'519	71'337
Net deferred tax assets at the end of the year	**(2'694)**	**(5'098)**

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

At 31 March 2017, the Group had unutilised tax losses of approximately TCHF 83'381 (2016: TCHF 186'991) potentially available for offset against future profits. A deferred tax asset of TCHF 13'615 (2016: TCHF 37'448) has been recognised in respect of gross losses based on profitability from approved budgets and business plans. No deferred tax asset has been recognised in respect of the remaining gross losses due to the unpredictability and availability of future profit streams in the relevant jurisdictions. The financial projections used in assessing the future profitability are consistent with those used in assessing the carrying value of goodwill as set out in note 6.
The rate of utilisation of these losses will occur at different rates due to the incidence and timing of profits within these entities which consequently impacts their recognition as deferred tax assets. Tax losses expire after 7 years, unused tax losses are as follows:

Tax losses which have not been recognized as deferred tax assets

	2017	2016
expiry in 1 year	785	859
expiry in 2 years	-	1'248
expiry in 3 to 7 years	15'956	7'652

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

	GROUP 2017 CHF 000	GROUP 2016 CHF 000
10. INVENTORIES		
Inventories consist of:		
Pharmaceutical products	53'328	50'047
Consumables	766	801
	54'094	**50'848**

The cost of inventories recognised as an expense and included in cost of sales amounted to TCHF 369'753 (2016: TCHF 354'182), see note 22.
The write-down of inventories recognised as an expense during the year has an amount of TCHF 3'130 (2016: TCHF 1'690).

11. TRADE AND OTHER RECEIVABLES

	2017	2016
Trade receivables	294'913	280'247
Less provision for impairment of receivables	(3'866)	(2'939)
Trade receivables - net *)	**291'047**	**277'308**
Other receivables *)	167'543	191'321
Other receivables - personnel and social insurances	507	368
Other receivables - tax	13	11
	459'110	**469'008**
*) Thereof financial instruments:	**458'590**	**468'629**

Included in the Group's other receivables balance are unbilled services of TCHF 99'067 (2016: TCHF 113'633).

The credit risk of the trade receivables that are neither past due or impaired is limited since 92% (2016: 92%) of the performing trade receivables are from insurance companies or federal and cantonal authorities, see note 3.1b.

The ageing of the trade receivables is as follows:

	2017	2016
Up to 3 months	232'453	234'659
3 to 6 months	25'534	22'546
Over 6 months	36'926	23'042
	294'913	**280'247**

As of 31 March 2017, trade receivables of TCHF 170'421 (2016: TCHF 161'000) were fully performing.

Included in the Group's trade receivables balance are trade receivables with a carrying value of TCHF 124'492 (2016: TCHF 119'247) which have been past due at the reporting date for which the Group did not provide for as there has not been a significant change in credit quality and the amounts are still considered to be recoverable. The ageing of these receivables are as follows:

	2017	2016
Up to 3 months past due	87'929	99'939
Over 3 months past due	36'563	19'308
	124'492	**119'247**

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

Movement in the provision for impairment of receivables

	2017	2016
Opening balance	(2'939)	(3'205)
Release used part	255	587
Decrease in the amount recognised in the income statement	1'183	1'560
Increase in the amount recognised in the income statement	(2'365)	(1'881)
Balance at the end of the year	**(3'866)**	**(2'939)**

	GROUP	
	2017	2016
	CHF 000	CHF 000
12. CASH AND CASH EQUIVALENTS		
Cash on hand	401	496
Cash at post	2'199	2'116
Cash at banks	177'497	173'418
Total cash and cash equivalents	**180'097**	**176'030**

Under the facility agreement all bank accounts are pledged, see note 16.
The counterparties have a minimum credit rating by Moody's (A2) and Standard & Poor's (A).

13. SHARE CAPITAL AND SHARE PREMIUM

	2017	2016
Authorised and issued share capital of CHF 1 per share (fully paid in)	551'882	551'882
Share premium	1'007'302	1'007'302
Total share capital and share premium	**1'559'184**	**1'559'184**

14. RESERVES

14.1 Retained earnings

	2017	2016
Opening balance	92'120	29'952
Profit for the year	160'481	139'463
Dividend paid (long-term incentive scheme)	-	46
Dividend paid during the year	(10'000)	-
Actuarial gain/(loss)	46'088	(77'341)
Balance at the end of the year	**288'689**	**92'120**

14.2 Hedge Reserve

	2017	2016
Opening balance	(3'764)	(5'442)
Changes of fair value of derivative financial instruments	2'122	2'128
Change in deferred tax on fair value of derivate financial instruments	(449)	(450)
Balance at the end of the year	**(2'091)**	**(3'764)**

15. NON-CONTROLLING INTERESTS

	2017	2016
Opening balance	210	414
Transactions with non-controlling interests	(19)	(8)
Dividend distributions	(2)	(2)
Share of gain/(loss)	22	(194)
Balance at the end of the year	**211**	**210**

	GROUP	
	2017	2016
	CHF 000	CHF 000
16. BORROWINGS		
Secured long-term bank loans	**1'471'891**	**1'514'096**
Long-term portion	1'450'000	1'500'000
Short-term portion	50'000	50'000
Capitalised financing costs - long-term	(28'109)	(35'904)

The Group has two loan facilities:
Loan Facility A of TCHF 1'400'000 as of 31 March 2017 (2016: TCHF 1'450'000): During the financial year 2017, this loan bore interest at a floating rate of 3M LIBOR plus 1.5% (2016: plus 1.5%) compounded quarterly, whereas the floating rate was capped at 0%. Every year on 30 September, TCHF 50'000 must be redeemed. The remaining balance of TCHF 1'250'000 must be redeemed on 31 July 2020.
Loan Facility B of TCHF 100'000 as of 31 March 2017 (2016: TCHF 100'000): During the financial year 2017, this loan bore interest at a floating rate of 3M LIBOR plus 2.85% (2016: plus 2.85%) compounded quarterly, whereas the floating rate was capped at 0%. The loan is repayable by 31 July 2020.
The non-current portion of the loans includes capitalised financing costs of TCHF 28'109 (2016: TCHF 35'904).

The loan facilities granted by the funding banks under the existing financing structure are secured by various collaterals granted by the Group and by certain of its subsidiaries over their assets. For details please refer to comments made under the respective notes 5 and 12.

	2017	2016
Listed bonds	**235'000**	**235'000**
Long-term portion	235'000	235'000

On 25 February 2015, the Group issued TCHF 145'000 1.625% Swiss Franc bonds and TCHF 90'000 2.0% Swiss Franc bonds compounded annually to finance its expansion programme and working capital requirements. The bonds are repayable on 25 February 2021 and 25 February 2025 respectively.

	2017	2016
Secured long-term finance	**1'571**	**1'914**
Long-term portion	1'278	1'571
Short-term portion	293	343

These liabilities bear interest at interest rates ranging between 3% and 12% and are repayable in equal monthly payments in periods ranging from 1 to 6 years. Equipment with a book value of TCHF 1'025 (2016: TCHF 1'253) is encumbered as security for these liabilities.

	2017	2016
Total Borrowings	**1'708'462**	**1'751'010**
Long-term portion	1'658'169	1'700'667
Short-term portion	50'293	50'343

17. PROVISIONS

	Employee jubilee benefits	Legal cases and other	Tariff risks	Total
	CHF 000	CHF 000	CHF 000	CHF 000
At 1 April 2016	20'772	2'887	35'468	**59'127**
Arised during the year	3'526	2'416	8'734	**14'676**
Utilised	(2'992)	(3'491)	(1'394)	**(7'877)**
Unused amounts reversed	(8)	(588)	(13'890)	**(14'486)**
At 31 March 2017	**21'298**	**1'224**	**28'918**	**51'440**
Current at 31 March 2017	3'152	857	18'976	**22'985**
Non-current at 31 March 2017	18'146	367	9'942	**28'455**
At 31 March 2017	**21'298**	**1'224**	**28'918**	**51'440**
At 1 April 2015	20'545	891	44'365	**65'801**
Arised during the year	3'559	2'259	5'710	**11'528**
Utilised	(3'326)	(137)	(200)	**(3'663)**
Unused amounts reversed	(6)	(126)	(14'407)	**(14'539)**
At 31 March 2016	**20'772**	**2'887**	**35'468**	**59'127**
Current at 31 March 2016	3'271	465	23'125	**26'861**
Non-current at 31 March 2016	17'501	2'422	12'343	**32'266**
At 31 March 2016	**20'772**	**2'887**	**35'468**	**59'127**

Employee jubilee benefits
This provision is for benefits granted to employees for long service.

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

Tariff risks
These provisions are related to tariff risks (e.g. DRG base rate level, historic tariff disputes) in various hospitals. Due to a contractual settlement (Swiss DRG base rate) the corresponding provision was released. The unused amounts reversed as per 31 March 2017 are mainly attributable to this Swiss DRG settlement.

For more details refer to note 4.3.

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

	2017	2016
	CHF 000	CHF 000
Within 1 year	22'985	26'861
After one year but not more than five years	19'511	23'498
More than five years	8'944	8'768
	51'440	**59'127**

18. RETIREMENT BENEFIT OBLIGATIONS

Defined benefit pension plans of the Group:
- Pensionskasse Hirslanden (cash balance plan)
- Vorsorgestiftung VSAO (cash balance plan)
- Radiotherapie Hirslanden AG; Pension fund at foundation "pro" (cash balance plan)
- Hirslanden Clinique La Colline SA; Pension fund at banque cantonal vaudois (cash balance plan)

	2017	2016
	CHF 000	**CHF 000**
Balance sheet		
Amounts recognised in the balance sheet are as follows:		
Defined benefit obligagtion (DBO)	1'357'197	1'308'971
Fair value of plan assets	1'266'706	1'145'503
Deficit	90'491	163'468
Net pension liabilities	**90'491**	**163'468**
The movement in the **defined benefit obligation** over the year is as follows:		
Opening balance	1'308'971	1'142'868
Employer current service cost	45'584	43'314
Interest cost on DBO	5'629	9'931
Employee contributions	39'174	37'870
Benefits paid from plan assets	(21'199)	(11'038)
Actuarial loss - experience	11'464	20'377
Actuarial loss - change in demographical assumption	-	431
Actuarial (gain)/loss - change in financial assumption	(15'428)	65'668
Plan change / Past service income	(16'998)	(450)
Balance at the end of the year	**1'357'197**	**1'308'971**
The movement of the fair value of **plan assets** over the year is as follows:		
Opening balance	1'145'503	1'077'403
Employer contributions	45'157	43'458
Plan participants contributions	39'174	37'870
Benefits paid from fund	(21'199)	(11'038)
Interest income on plan assets	5'116	9'645
Return on plan assets greater/(less) than discount rate	54'008	(10'808)
Administration cost paid	(1'053)	(1'027)
Balance at the end of the year	**1'266'706**	**1'145'503**
Income statement		
Amounts recognised in the income statement are as follows:		
Current service cost	45'584	43'314
Past service income	(16'998)	(450)
Interest cost on DBO	5'629	9'931
Interest income on plan assets	(5'116)	(9'645)
Administrative costs paid	1'053	1'027
Total expense	**30'152**	**44'177**

	GROUP	
	2017	**2016**
	CHF 000	**CHF 000**
18. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)		
Statement of comprehensive income		
Amounts recognised in the OCI are as follows:		
Actuarial loss due to liability experience	(11'464)	(20'377)
Actuarial gain/(loss) due to liability assumption changes	15'428	(66'099)
Return on plan assets greater/(less) than discount rate	54'008	(10'808)
Total of comprehensive income	**57'972**	**(97'284)**
Statement of financial position		
Amount recognised in pension liabilities are as follows:		
Opening net liability	163'468	65'465
Expense as above	30'152	44'177
Contributions paid by employer	(45'157)	(43'458)
Actuarial (gain)/loss recognised in OCI	(57'972)	97'284
Closing net liability	**90'491**	**163'468**
Actual return on plan assets	**59'124**	**(1'163)**
Principle actuarial assumptions on balance sheet date		
Discount rate	0.55%	0.45%
Future salary increases	1.50%	1.50%
Future pension increases	0.00%	0.00%
Inflation rate	1.00%	1.00%
Number of plan members		
Active members	8'969	8'617
Pensioners	774	694
	9'743	**9'311**
Experience adjustment		
On plan liabilities: loss	11'464	20'377
On plan assets: (gain)/loss	(54'008)	10'808

As at the last valuation date, the present value of the defined benefit obligation included approximately TCHF 1'093'341 (2016: TCHF 1'066'438) relating to active employees and TCHF 263'856 (2016: TCHF 242'533) relating to members in retirement.

18. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Asset allocation in CHF

Plan assets are comprised as follows:

Quoted	**2017**		**2016**	
	in TCHF	**%**	**in TCHF**	**%**
Fixed income	421'813	33.3	397'490	34.7
Equity investments	320'477	25.3	271'484	23.7
Real estate	74'736	5.9	92'786	8.1
Other	122'870	9.7	99'659	8.7
Total	**939'896**	**74.2**	**861'419**	**75.2**

Non-quoted	**2017**		**2016**	
	in TCHF	**%**	**in TCHF**	**%**
Fixed income	3'800	0.3	3'437	0.3
Equity investments	15'200	1.2	13'746	1.2
Real estate	225'474	17.8	189'008	16.5
Other	82'335	6.5	77'893	6.8
Total	**326'809**	**25.8**	**284'084**	**24.8**

Sensitivity analysis 31 March 2017
The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

			Impact on defined benefit obligation	
	Base assumption	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.55%	0.25%	-2.70%	2.90%
Salary growth rate	1.50%	0.50%	0.70%	-0.70%
Pension growth rate	0.00%	0.25%	2.40%	-

	Change in assumption	Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy (mortality)	1 year in expected lifetime of plan participants	2.30%	-2.30%

Sensitivity analysis 31 March 2016
The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

			Impact on defined benefit obligation	
	Base assumption	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.45%	0.25%	-2.90%	3.10%
Salary growth rate	1.50%	0.50%	0.80%	-0.80%
Pension growth rate	0.00%	0.25%	2.50%	-

	Change in assumption	Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy (mortality)	1 year in expected lifetime of plan participants	2.40%	-2.40%

18. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

Expected contributions to the retirement benefit plans for the year ending 31 March 2018 are TCHF 39'932 (2017: TCHF 37'137)

The weighted average duration of the defined benefit obligation is 13.6 years (2016: 14.3 years). The maturity profile of the defined benefit obligation is as follows:

	Total	< 1 year	1-5 years	> 5 years
	CHF 000	CHF 000	CHF 000	CHF 000
31 March 2017				
Defined benefit obligation	**1'488'260**	91'019	275'274	1'121'967
31 March 2016				
Defined benefit obligation	**1'407'984**	83'178	249'661	1'075'145

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

Pension plans results
The consolidated actuarial gain/(loss) consists of the gain/(loss) due to the demographic experience, demographic and economic assumption changes, as well as an investment return different from assumed during the prior period.
As of 31 March 2017, there was a loss due to the demographic experience of TCHF 11'464 (2016: loss of TCHF 20'377) and a gain due to the change of the economic assumptions of TCHF 15'428 (2016: loss of TCHF 65'668). There was a gain due to investment return different from the return implied by the discount rate of TCHF 54'008 (2016: loss of TCHF 10'808). Furthermore, in 2016, there was a loss due to the change of demographic assumptions of TCHF 431.

Additionally, there has been a plan change per 1 June 2016 in the Hirslanden pension plan. The plan changes included the following:
- reduction in the conversion rate (with grandfahtering measures for certain existing employees)
- increase in savings contributions and employee and employer contributions, interest on account balance after disability increased from 0% to 1% pa
- one-time uplift to existing account balances

Effective 1 January 2017 active insured members for the Swissana pension plan have been transferred into the Hirslanden and VSAO pension plans.

In prior year, there has been a plan change in the pension plan of Clinique La Colline (conversion rate reduction over the period 2018 to 2020 from 6.3% to 6.0% at age 65/64). This has been reflected as a plan amendment in the profit and loss for the period ending 31 March 2016 (prior service income of TCHF 450).

18. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The following assumption has changed since the previous valuation

- The discount rate used to value plan obligations has changed from 0.45% to 0.55%
- The interest credit rate on total account balance has changed from 0.45% to 0.55%
- The interest credit rate on the BVG shadow account balance has changed from 0.45% to 0.55%.

Pension plans — Characteristics and risks

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

Pensionskasse Hirslanden

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

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

The benefits of the pension plan are substantially higher than the legal minimum. They are determined by the employer's and employee's contributions and interest granted on the plan members' accumulated savings; the interest rate is determined annually by the governing body in accordance with the legal framework (defined contribution, as defined by the occupational pension law). The employee's and the employer's contributions are determined based on the insured salary and range from 1.25% to 15.5% of the insured salary depending on the age of the beneficiary.

If an employee leaves Hirslanden Group or the pension plan respectively before reaching retirement age, the law provides for the transfer of the vested benefits to the new pension plan. These vested benefits comprise the employee's and the employer's contributions plus interest, the money originally brought in to the pension plan by the beneficiary. On reaching retirement age, the plan participant may decide whether to withdraw the benefits in the form of an annuity or (partly) as a lump-sum payment. The pension law requires adjusting pension annuities for inflation depending on the financial condition of the pension fund. Although the pension plan is fully funded at present in accordance wiht the pension law, the financial situation of the PH Fund will not allow for inflation adjustments.

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

On the other hand, the group companies do not benefit from any plan surpluses.

18. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

VSAO

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

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

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

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

On the other hand, the group companies do not benefit from any plan surpluses.

19. DERIVATIVE FINANCIAL INSTRUMENTS

	2017 CHF 000	2016 CHF 000
(Assets)/Liabilities		
Interest rate swap		
Opening balance	25'665	36'681
Fair value adjustment through income statement - note 23	(16'470)	(11'016)
Balance at the end of the year	**9'195**	**25'665**
Fair value portion due within 1 year	8'411	10'229
Fair value portion due after 1 year	784	15'436

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 2017 and 31 March 2016, the Group has an interest rate swap contract. However, due to the current negative interest environment the hedge relationship is not effective as the 3 month Swiss LIBOR on the borrowings is capped at a rate of 0% but is fully considered as interest payments on the swap.

The last date on which effectiveness was demonstrated was 30 September 2014 where the valuation of the interest rate swap resulted in a liability of TCHF 7'960. In line with hedge accounting, the resulting fair value adjustment of TCHF 11'169 was transferred to other comprehensive income as per 30 September 2014. After that date, hedge accounting was discontinued.

The valuation of the interest rate swap as at 31 March 2017 lead to a liability of TCHF 9'195 (2016: TCHF 25'665). The resulting fair value gain of TCHF 16'470 (2016: fair value gain of TCHF 11'016) was recorded through the income statement in the line item "Finance cost", see note 23.
The amount of TCHF 7'960 deducted by deferred tax of TCHF 1'684 recorded in the other comprehensive income before hedge accounting was discontinued is recycled over the lifetime of the swap. In 2017, a respective amount of TCHF 2'122 (2016: TCHF 2'128) is recorded through the income statement in the line item "Finance cost", see note 23, reversed by deferred tax expenses of TCHF 449 (2016: TCHF 450).

	GROUP	
	2017	**2016**
	CHF 000	**CHF 000**

20. CASH-SETTLED SHARE-BASED PAYMENT LIABILITY

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

Under the LTIP, conditional phantom shares of the ultimate shareholder (Mediclinic International plc) are granted to selected employees of the company. The vesting of these shares are subject to continued employment, and is conditional upon achievement of performance targets, measured over a three-year period. The performance conditions for the year under review constitute a combination of: absolute total shareholder return ("TSR") (40% weighting) and earnings per share (60% weighting).

	2017	2016
Opening balance	-	-
Share-based payment expense	40	-
Balance at the end of the year	**40**	**-**
Reconciliation of units in force		
Opening balance	-	-
Units granted during the year (LTIP)	17'071	-
Balance at the end of the year	**17'071**	**-**

The following assumptions have been used to determine the fair value of the LTIP awards:

	2017	2016
Grant date	14.06.2016	n/a
Vesting date	14.06.2019	n/a
Closing price of Mediclinic International plc share (denominated in Great British pound)	712 pence	n/a
Risk-free rate	0.14%	n/a
Expected dividend yield	1.19%	n/a
Volatility	34.50%	n/a

21. TRADE AND OTHER PAYABLES

	2017	2016
Trade payables	153'481	141'440
Other payables and accrued expenses	68'788	81'534
Other payables and accrued expenses - personnel and social insurances	51'844	48'516
Value added tax	683	556
	274'796	**272'046**
Thereof financial instruments:	**222'269**	**222'974**

	GROUP	
	2017	**2016**
	CHF 000	**CHF 000**
22. EXPENSES BY NATURE		
Fees paid to the Group's auditors for the following services		
Audit of the parent company and consolidated financial statements	626	752
Audit company subsidiaries	437	764
Audit services	1'063	1'516
Audit related services	246	136
Tax advice	138	282
Other assurance services	80	-
All other services	9	120
	1'536	**2'054**
Cost of inventories	**369'753**	**354'182**
Depreciation	**90'223**	**83'724**
Buildings and fixed installations	30'816	27'271
Leasehold improvements	3'823	3'151
Equipment	42'169	39'998
Furniture and vehicles	13'415	13'304
Amortisation on intangible assets	**8'102**	**8'650**
Employee benefit expenses	**751'631**	**744'543**
Wages and salaries	645'903	628'299
Social insurance	59'393	56'872
Retirement benefit costs - defined benefit plans	30'152	44'177
Equity settled share-based payment charge	155	99
Other employee costs	16'028	15'096
Doctors' fees	**23'161**	**22'638**
Maintenance costs	**36'920**	**38'474**
Managerial and administration fees	**52'890**	**50'084**
Operating leases	**25'767**	**24'755**
Buildings	25'767	24'755
Other expenses	**85'103**	**85'342**
General expenses	85'286	85'630
Profit on disposal of property, equipment and vehicles	(183)	(288)
	1'445'086	**1'414'446**

	GROUP	
	2017	**2016**
	CHF 000	**CHF 000**
22. EXPENSES BY NATURE (CONTINUED)		
Classified as:		
Cost of sales	1'065'444	1'039'021
Administration and other operating expenses	379'642	375'425
	1'445'086	1'414'446
Thereof depreciation and amortisation classified as:		
Cost of sales	83'206	76'440
Administration and other operating expenses	15'119	15'934
	98'325	92'374

23. FINANCE INCOME AND COST

	2017 CHF 000	2016 CHF 000
Finance cost	52'744	58'265
Less: amounts included in the cost of qualifying assets	(1)	(64)
Finance cost net	**52'743**	**58'201**
Finance cost on interest rate swap	13'252	14'486
Amortisation of capitalised financing expenses	7'795	7'823
Fair value gain on ineffective cash flow hedges	(16'470)	(11'016)
Finance cost	**57'320**	**69'494**
Finance income	(125)	(942)
Net finance cost	**57'195**	**68'552**

	GROUP	
	2017	**2016**
	CHF 000	**CHF 000**
24. TAXATION		
Income tax expense in the consolidated income statement		
Current income tax		
Current income tax charge	15'126	13'925
Previous year income tax charge	(3'253)	1'500
Deferred income tax		
Relating to origination on reversal of temporary differences and recognized tax losses	29'719	19'747
Income tax expense reported in the income statement	**41'592**	**35'172**
Reconciliation		
Net profit before income tax	202'095	174'441
Expected income tax rate	20.12%	19.41%
Income tax expense calculated on theoretical tax rate	**40'657**	**33'859**
Adjustments for previous years	(3'253)	1'500
Non-taxable income	-	(105)
Non-deductible expenses	2'048	927
Effect of changes in income tax rates	99	66
Effect of non-recognition of tax losses in current year	-	224
Derecognition/(recognition) of tax losses relating to prior years	2'041	(1'299)
Total income tax	**41'592**	**35'172**
Effective income tax rate	**20.58%**	**20.16%**

The Group's effective tax rate increased from 20.16% as per 31 March 2016 to 20.58% as per 31 March 2017. The reasons for this increase are listed below:

As per 31 March 2016, the non-deductible expenses include rental fees recharged from Hirslanden AG, Zurich to its subsidiaries Klinik Birshof AG, Münchenstein and Hirslanden Klinik Aarau AG, Aarau which are not fully accepted by the cantonal tax authorities of Baselland and Aargau. As per 31 March 2017, the cantonal tax authorities of Vaud follow the example of Baselland and Aargau and do not accept the full rental fees recharged from Hirslanden AG, Zurich to Hirslanden Lausanne SA anymore retrospectively as per 31.03.2013. Therefore, the non-deductible expenses increased significantly compared to prior year. However, the final tax assessment of Hirslanden Lausanne SA for the financial years 2013, 2014 and 2015 resulted in additional tax payments of approximately TCHF 2'500. Furthermore, the income tax provision for the financial year 2016 increases due to the non-deductible rental fees by approximately TCHF 1'000. These effects are covered by the contingency reserve.

The contingency reserve is further decreased by approximately TCHF 3'500 as it is not needed anymore. This is the main reason for the negative adjustments for previous years.

Hirslanden Bern AG, Bern discloses a statutory gain as per 31 March 2017 mainly du to the reversal of tariff provisions (see note 17). As a result, tax losses can be utilised and additional tax losses previously not capitalized can be capitalized which is disclosed within recognition of tax losses relating to prior years.

Therefore, the effective income tax rate increased compared to prior year.

The following tax was charged to other comprehensive income

Deferred tax	(12'333)	19'493

	GROUP	
	2017	**2016**
	CHF 000	**CHF 000**
25. OTHER COMPREHENSIVE INCOME		
Components of other comprehensive income:		
Items that may be subsequently reclassified to the income statement		
Recycling of fair value adjustment of derecognised cash flow hedge	1'673	1'678
Items that will not be reclassified to the income statement		
Actuarial gain/(loss)	46'088	(77'341)
Other comprehensive loss, net of tax	**47'761**	**(75'663)**

Tax and non-controlling interests on other comprehensive income:

	Gross	Tax	Net
Year ended 31 March 2017	**CHF 000**	**CHF 000**	**CHF 000**
Recycling of fair value adjustment of derecognised cash flow hedge	2'122	(449)	**1'673**
Actuarial gain/(loss)	57'972	(11'884)	**46'088**
Other comprehensive (loss) / income, net of tax	60'094	(12'333)	**47'761**

	Gross	Tax	Net
Year ended 31 March 2016	**CHF 000**	**CHF 000**	**CHF 000**
Recycling of fair value adjustment of derecognised cash flow hedge	2'128	(450)	**1'678**
Actuarial (loss)/gain	(97'284)	19'943	**(77'341)**
Other comprehensive (loss) / income, net of tax	(95'156)	19'493	**(75'663)**

	GROUP	
	2017	2016
	CHF 000	CHF 000
26. CASH FLOW INFORMATION		
26.1 Reconciliation of profit before taxation to cash generated from operations		
Operating profit before interest and taxation	258'961	242'753
Non-cash items		
Depreciation and amortisation	98'325	92'374
Movement in provisions	(7'687)	(6'674)
Movement in retirement benefit obligations	(15'005)	719
Equity settled share-based payment charge	155	99
Profit on sale of property, equipment and vehicles	(183)	(288)
Operating income before changes in working capital	**334'566**	**328'983**
Working capital changes	**9'704**	**(44'467)**
Movements in inventories	(3'246)	(2'519)
Movements in trade and other receivables	9'899	(39'343)
Movements in current liabilities	3'051	(2'605)
Cash generated from operations	**344'270**	**284'516**
26.2 Taxation paid		
Opening balance	(13'116)	(14'459)
Provision for the year	(11'873)	(15'425)
	(24'989)	**(29'884)**
Liability at the end of the year	9'177	13'116
Taxation paid	**(15'812)**	**(16'768)**
26.3 Interest paid and finance income		
Finance cost (income statement)	**(57'320)**	**(80'510)**
Non-cash items		
Amortisation of capitalised financing expenses - note 23	7'795	7'823
Other non-cash finance expenses	6'821	27'923
Interest paid (cash flow statement)	**(42'704)**	**(44'764)**
Finance income (income statement)	**125**	**942**
Non-cash items		
Other non-cash finance income	(13)	(229)
Finance income (cash flow statement)	**112**	**713**
26.4 Investment to maintain operations		
Property, equipment and vehicles purchased	83'458	70'336
Intangible assets purchased	6'031	5'162
Investment to maintain operations	**89'489**	**75'498**
26.5 Investment to expand operations		
Property, equipment and vehicles purchased	68'835	63'696
Intangible assets purchased	4'970	4'670
Investment to expand operations	**73'805**	**68'366**
26.6 Changes in liabilities arising from financing activities		
Opening balance of total borrowings	1'751'010	1'793'805
Cash flow movements		
Repayment of borrowings	(50'343)	(50'616)
Non-cash items		
Capitalised financing fees	7'795	7'821
Closing balance of total borrowings	**1'708'462**	**1'751'010**

	GROUP	
	2017	**2016**
	CHF 000	**CHF 000**

27. COMMITMENTS

27.1 Capital commitments

	2017	2016
Incomplete capital expenditure contracts	15'840	13'600
Capital expenses authorised by the Board of Directors but not yet contracted	24'000	25'500
	39'840	**39'100**

These commitments will be financed from Group and borrowed funds.

At 31 March 2017 and 31 March 2016, 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 2016, the Group had a commitment to further invest approximately TCHF 1'200 in the ordinary partnership for the car park in Cham ("Baukonsortium"). This commitment is fulfilled as per 31 March 2017. Furthermore, the Group is liable without limit and jointly and severally for the debts of the ordinary partnership.

27.2 Financial lease commitments

The Group has entered into financial lease agreements on equipment.

At 31 March, future non-cancellable minimum lease rentals are payable during the following financial years:

	2017	2016
Within 1 year	456	534
After one year but not more than five years	1'567	1'754
More than five years	37	306
Total minimum lease payments	**2'060**	**2'594**
Less amounts representing finance charge	(489)	(680)
Present value of minimum lease payments	**1'571**	**1'914**

Interest rates underlying all obligations under finace leases are fixed at respective contract dates ranging from 3% to 12% (2016: 3% to 12%) per annum.

27.3 Operating lease commitments

The Group has entered into commercial leases on items of buildings. There are no restrictions placed upon the lessee by entering into these contracts. The respective expense is recognised in the rental expenses.

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

	2017	2016
Within one year	25'163	22'741
After one year but not more than five years	68'640	59'672
More than five years	146'155	140'032
	239'958	**222'445**

27.4 Income guarantees

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

	2017	2016
Total of net income guaranteed:	**6'195**	**11'454**
April 2015 to March 2016	-	7'628
April 2016 to March 2017	4'628	3'543
April 2017 to March 2018	1'567	283

	GROUP	
	2017	2016
	CHF 000	CHF 000
28. INTERCOMPANY BALANCES AND RELATED PARTY TRANSACTIONS		
28.1 Loans due to Group companies		
Long-term subordinated Group loans	**677'559**	**713'924**
Long-term portion	677'559	713'924

The Group has two loans from related parties:
First loan of TCHF 671'576 (2016: TCHF 652'209) bears interest at 3.5% plus 12M Libor and is repayable by 1 August 2020.
Second loan of TCHF 5'983 (2016: TCHF 61'715) bears interest at 3.5% and is repayable by December 2018.

28.2 Related party transactions

as per 31 March 2017	Interests from CHF 000	Other Income from CHF 000	Amounts owed by CHF 000	Purchases from CHF 000	Interests paid to CHF 000	Amounts owed to CHF 000
Entities with significant influence over the Group						
Mediclinic Luxembourg S.à.r.l	-	-	-	-	19'625	676'614
Mediclinic CHF Finco Limited	-	-	-	-	1'521	6'170
Mediclinic International plc	-	-	-	3'875	-	-
Associate						
Zentrallabor Zürich	-	1'441	503	12'299	-	-

as per 31 March 2016	Interests from CHF 000	Other Income from CHF 000	Amounts owed by CHF 000	Purchases from CHF 000	Interests paid to CHF 000	Amounts owed to CHF 000
Entities with significant influence over the Group						
Mediclinic Luxembourg S.à.r.l	-	-	-	-	22'005	656'988
Mediclinic CHF Finco Limited	-	-	-	-	3'546	62'459
Mediclinic International plc	-	-	-	1'611	-	-
Associate						
Zentrallabor Zürich	-	1'854	354	10'613	-	254

28. INTERCOMPANY BALANCES AND RELATED PARTY TRANSACTIONS (CONTINUED)

28.3 Transactions with associates

Zentrallabor Zürich, Zürich (ZLZ): The Group has a 52.99% (2016: 55.93%) interest in the ordinary partnership ZLZ.

Ordinary partnership for a car park ("Baukonsortium"), Cham: The Group has a 24% (2016: 24%) interest in the Baukonsortium.
La Colline, Centre de Rééducation et Physiothérapie SA (CRP), Genève: The Group has a 20% (2016: 20%) interest in CRP.
La Colline, Centre de Physiothérapie du Sport Sàrl (CPS), Genève: The Group has a 23% (2016: 0%) interest in CPS.

Terms and conditions of transactions with related parties and associates
Purchases from related parties and fees for services rendered to related parties are made at normal market prices. TCHF 1'441 (2016: TCHF 1'854) from ZLZ represent a special discount granted on purchases since ZLZ is a non-profit organisation.
Interests earned from related parties correspond with commercial borrowing rates. There have been no guarantees provided or received for any related parties receivables or payables. For the years ended 31 March 2017 and 31 March 2016, 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.

28.4 Key management compensation

	2017 CHF 000	2016 CHF 000
Short-term employee benefits	9'933	8'510
Post-employment pension benefits	1'075	1'073
Total compensation paid to key management	**11'008**	**9'583**

29. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

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

Subsidiaries

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

	Country of incorporation	Investments in % 2017	Investments in % 2016
Hirslanden Klinik Aarau AG, Aarau	Switzerland	**100.0**	**100.0**
Hirslanden Bern AG, Bern	Switzerland	**100.0**	**100.0**
Hirslanden Lausanne SA, Lausanne	Switzerland	**100.0**	**100.0**
Klinik Belair AG, Schaffhausen	Switzerland	**100.0**	**100.0**
AndreasKlinik AG Cham, Cham	Switzerland	**100.0**	**100.0**
Klinik Birshof AG, Münchenstein	Switzerland	**99.7**	**99.7**
Hirslanden Klinik Am Rosenberg AG, Heiden	Switzerland	**100.0**	**100.0**
Klinik am Rosenberg Heiden AG, Heiden	Switzerland	**99.2**	**99.1**
Klinik St. Anna AG, Luzern	Switzerland	**100.0**	**100.0**
Klinik Stephanshorn AG, St. Gallen	Switzerland	**100.0**	**100.0**
Radiotherapie Hirslanden AG, Aarau	Switzerland	**100.0**	**100.0**
Hirslanden Clinique La Colline SA, Genève	Switzerland	**100.0**	**100.0**
IMRAD SA, Lausanne	Switzerland	**80.0**	**80.0**
Hirslanden Freiburg AG, Düdingen, Düdingen	Switzerland	**100.0**	**100.0**
Associates			
Zentrallabor Zürich, Zürich (ZLZ) *)	Switzerland	**53.0**	**55.9**
Ordinary partnership for a car park ("Baukonsortium"), Cham	Switzerland	**24.0**	**24.0**
La Colline, Centre de Rééducation et Physiothérapie SA, Genève	Switzerland	**20.0**	**20.0**
La Colline, Centre de Physiothérapie du Sport Sàrl, Genève	Switzerland	**23.0**	**-**

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

30. SEGMENT REPORTING

Consistent with internal reporting, the Group's segments are identified as the operating platform of Switzerland. 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 that makes strategic decisions, see note 2.3. 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.

Entity-wide information

Breakdown of revenues by products and services:

	2017	2016
	CHF 000	CHF 000
Analysis of revenue by category:		
Inpatient	1'317'657	1'297'865
Outpatient	299'793	274'659
Other revenue	86'597	84'675
Total	**1'704'047**	**1'657'199**

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

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

31. EVENTS AFTER THE BALANCE SHEET DATE

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