4. BUSINESS COMBINATIONS CONTINUED

The Wellness Odyssey Acquisition (Post Balance Sheet Acquisition)

On 1 July 2017 ("effective date") AfroCentric concluded agreements governing the acquisition of 100% of Wellness Odyssey Proprietary Limited. Wellness Odyssey Proprietary Limited is a service provider for corporate wellness days – raising awareness and enhancing preventative care to the advantage of the medical scheme, employer groups and participating members. The Group is determined to pursue partnerships, acquisitions and mergers in order to drive toward value chain optimisation and this acquisition bears testament to this. The purchase consideration for Wellness Odyssey Proprietary Limited is R38 million in cash consideration.

The Wellness Odyssey Proprietary Limited will be accounted for using the purchase price method of accounting, which requires that the assets and liabilities of Wellness Odyssey Proprietary Limited be measured at fair value as at 1 July 2017. The amounts disclosed below are provisional.

Wellness Odyssey acquisition

	Total June 2017 R'000
Fair value of 100% net asset value at acquisition (assets)	**4 473**
Property and equipment	**274**
Trade and other receivables	**3 565**
Cash and cash equivalents	**2 099**
Deferred tax asset	**55**
Trade and other payables	**(1 315)**
Provisions	**(205)**
Consideration for the purchase of 100% of net asset value	**38 000**
Goodwill arising from acquisition*	**33 527**

* *The goodwill arises from integrated synergies that are established through the acquisition of Wellness Odyssey.*

5. SEGMENT INFORMATION

The Group's Chief Executive Officer and Chief Financial Officer have restructured the operating segments due to the purchase of the new WAD healthcare assets in the prior financial year. The operating segments identified are examined from a service perspective (total healthcare vs information technology) and geographical perspective (South Africa vs Africa). The geographical segments identified include all businesses outside of South Africa which include Botswana, Mauritius, Namibia, Kenya, Swaziland and Zimbabwe. Individually, each business outside of South Africa is not material hence management has taken the decision to disclose all business outside of South Africa as a separate operating segment. All segments have been disclosed according to what the Chief Operating Decision-Maker reviews.

Nature of business segments:

- Healthcare SA – consists of medical scheme administration and health risk management services in South Africa. Please refer to Note 11 which indicates Medscheme Holdings Proprietary Limited's summarised financial information.
- Healthcare Retail – consists of pharmaceutical sales/services from the WAD Healthcare Assets acquisition. These services are rendered in South Africa.
- Healthcare Africa – consists of all healthcare services outside of South Africa. This includes associate earnings (Botswana, Kenya, Namibia, Zimbabwe, Swaziland and Mauritius).
- Information technology – this relates to all IT-related services for the Group predominantly within South Africa.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

5. SEGMENT INFORMATION CONTINUED

2017	Healthcare SA R'000	Healthcare Retail R'000	Healthcare Africa R'000	Total Healthcare R'000	Information Techno-logy R'000	Inter-Group Elimina-tions R'000	Group R'000
Gross revenue	2 378 130	1 069 435	184 443	3 632 008	561 021	(408 328)	3 784 701
Administration expenses	(2 108 391)	(1 000 246)	(141 914)	(3 250 551)	(378 336)	408 295	(3 220 592)
Amortisation of intangibles	(1 754)	(9 057)	(340)	(11 151)	(71 391)	(3 908)	(86 450)
Depreciation	(14 339)	(3 852)	(2 087)	(20 278)	(24 821)	1	(45 098)
Net finance income	32 064	2 054	1 160	35 278	3 581	(45 905)	(7 046)
– Finance income	34 490	2 106	1 657	38 253	3 581	(2 213)	39 621
– Finance cost	(2 426)	(52)	(497)	(2 975)	–	(43 692)	(46 667)
Share-based payment expense	(2 096)	–	–	(2 096)	–	–	(2 096)
Net fair value gain/(impairment) of assets	1 323	–	–	1 323	(132)	2 110	3 301
– Fair value gain	17 079	–	–	17 079	–	6 073	23 152
– Impairment of assets	(15 756)	–	–	(15 756)	(132)	(3 963)	(19 851)
– Fair value of contingent consideration	(59 582)	–	–	(59 582)	–	–	(59 582)
– Profit warranty expense	(14 787)	–	–	(14 787)	–	–	(14 787)
Net share of profit of associate	(725)	9 656	5 374	14 305	–	1	14 306
– Share of profit of associate	(725)	9 656	5 374	14 305	–	1	14 306
Profit/(loss) before taxation	209 843	67 990	46 636	324 469	89 922	(47 734)	366 657
Income tax expense	(93 295)	(18 432)	(17 058)	(128 785)	(21 351)	3 520	(146 616)
Profit/(loss) for the year	116 548	49 558	29 578	195 684	67 571	(44 214)	220 041
Net segments assets	3 435 646	353 504	112 402	3 901 552	420 138	(1 252 810)	3 068 880
Segments assets	3 431 319	327 411	103 997	3 862 727	420 138	(1 252 808)	3 030 057
Investment in associates	4 327	26 093	8 405	38 825	–	(2)	38 823
Segment liabilities	418 127	220 409	17 361	655 897	155 342	(121 412)	689 827

Adjusted profit (EBITDA) earnings for management earnings (non-IFRS information)

EBITDA excludes the effects from significant items of income and expenditure which may have an impact on the quality of earnings such as depreciation, amortisation and impairments. It also excludes the effects of equity-settled share-based payments.

2017	Healthcare SA R'000	Healthcare Retail R'000	Healthcare Africa R'000	Total Healthcare R'000	Information Techno-logy R'000	Inter-Group Elimina-tions R'000	Group R'000
Profit/(loss) before taxation	209 843	67 990	46 636	324 469	89 922	(47 734)	366 657
Depreciation and amortisation	16 093	12 909	2 427	31 429	96 212	3 907	131 548
Reversal of impairment	15 756	–	–	15 756	132	3 963	19 851
Share-based payment expense	2 096	–	–	2 096	–	–	2 096
Net finance income	(32 064)	(2 054)	(1 160)	(35 278)	(3 581)	45 905	7 046
Adjusted profit/(loss) for the year (EBITDA)	211 724	78 845	47 903	338 472	182 685	6 041	527 198

5. SEGMENT INFORMATION CONTINUED

2016 (Restated)	Healthcare SA R'000	Healthcare Retail R'000	Healthcare Africa R'000	Total Healthcare R'000	Information Technology R'000	Inter-Group Eliminations R'000	Group R'000
Gross revenue	2 066 327	748 477	180 534	2 995 338	499 411	(346 603)	3 148 146
Other income	–	–	–	–	–	–	–
Administration expenses	(1 893 117)	(701 287)	(117 651)	(2 712 055)	(382 940)	306 599	(2 788 396)
Amortisation of intangibles	(1 385)	(8 171)	(336)	(9 892)	(55 629)	(13 811)	(79 332)
Depreciation	(11 935)	(2 531)	(2 242)	(16 708)	(21 302)	(1)	(38 011)
Net finance income	(3 612)	2 343	3 508	2 239	640	–	2 879
– Finance income	31 109	3 001	3 530	37 640	689	(5 943)	32 386
– Finance cost	(34 721)	(658)	(22)	(35 401)	(49)	5 943	(29 507)
Share-based payment expense	(6 444)	–	–	(6 444)	–	–	(6 444)
Net fair value gain/ (impairment) of assets	20 995	–	–	20 995	–	1 232	22 227
– Fair value gain/ (impairment) of assets	25 853	–	–	25 853	–	1 232	27 085
– Impairment of intangibles	(4 858)	–	–	(4 858)	–	–	(4 858)
Net share of profit of associate	(713)	7 479	3 352	10 118	–	–	10 118
– Share of profit of associate	(713)	7 479	3 352	10 118	–	–	10 118
Profit/(loss) before taxation	170 116	46 310	67 165	283 591	40 180	(52 584)	271 187
Income tax expense	(35 020)	(14 545)	(13 663)	(63 228)	(11 342)	(2 945)	(77 515)
Profit/(loss) for the year	135 096	31 765	53 502	220 363	28 838	(55 529)	193 672
Net segments assets	3 328 479	238 198	160 739	3 727 416	310 001	(996 701)	3 040 716
Segments assets	3 328 479	221 762	152 698	3 702 939	310 001	(996 701)	3 016 239
Investment in associates	–	16 436	8 041	24 477	–	–	24 477
Segment liabilities	1 059 074	163 482	26 159	1 248 715	129 339	99 080	1 477 134

Adjusted profit (EBITDA) earnings for management earnings (non-IFRS information)

EBITDA excludes the effects from significant items of income and expenditure which may have an impact on the quality of earnings such as depreciation, amortisation and impairments. It also excludes the effects of equity-settled share-based payments.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

5. SEGMENT INFORMATION CONTINUED

2016 (Restated)	Healthcare SA R'000	Healthcare Retail R'000	Healthcare Africa R'000	Total Healthcare R'000	Information Technology R'000	Inter-Group Eliminations R'000	Group R'000
Profit/(loss) before taxation	170 116	46 310	67 165	283 591	40 180	(52 584)	271 187
Depreciation and amortisation	13 320	19 323	2 578	35 221	76 932	5 190	117 343
Reversal of impairment	(20 995)	–	–	(20 995)	–	(1 232)	(22 227)
Share-based payment expense	6 444	–	–	6 444	–	–	6 444
Net finance income	3 612	(2 343)	(3 509)	(2 240)	(639)	–	(2 879)
Adjusted profit/(loss) for the year (EBITDA)	172 497	63 290	66 234	302 021	116 473	(48 626)	369 868

Correction of error in accounting for interest on conditional financial obligation

Due to an error in the accounting treatment of interest accrued under the conditional put option obligation, the segment profit and loss of the Healthcare SA segment for the year ended June 2016 were overstated by R24.960 million.

The error has been corrected by restating each of the affected segment information line items for the prior year, as described above.

Further information on the error is set out in Note 39.

6. PROPERTY AND EQUIPMENT

	GROUP					
	Motor vehicles R'000	Computer equipment R'000	Land and building R'000	Furniture and fittings R'000	Property and equipment R'000	Total R'000
Year ended 30 June 2017						
Opening carrying amount	**4 088**	**78 512**	**31 936**	**47 461**	**27 365**	**189 362**
Additions	**7 208**	**23 946**	**40**	**27 314**	**12 385**	**70 893**
Disposals	**(12)**	**(487)**	**–**	**(817)**	**(2 137)**	**(3 453)**
Depreciation charge	**(1 468)**	**(27 241)**	**(4)**	**(10 195)**	**(6 190)**	**(45 098)**
Closing carrying amount	**9 816**	**74 730**	**31 972**	**63 763**	**31 423**	**211 704**
At 30 June 2017						
Cost	**14 998**	**186 268**	**32 568**	**110 360**	**60 625**	**404 819**
Accumulated depreciation	**(5 182)**	**(111 538)**	**(596)**	**(46 597)**	**(29 202)**	**(193 115)**
Closing carrying amount	**9 816**	**74 730**	**31 972**	**63 763**	**31 423**	**211 704**
Year ended 30 June 2016						
Opening carrying amount	2 224	60 370	84	28 511	11 450	102 639
Additions	1 403	38 802	32 014	27 746	13 479	113 444
Disposals	(411)	(141)	–	(10 383)	(660)	(11 595)
Depreciation charge	(1 176)	(23 224)	(162)	(8 560)	(4 889)	(38 011)
Take on balances	2 048	2 705	–	10 147	7 985	22 885
Closing carrying amount	4 088	78 512	31 936	47 461	27 365	189 362
At 30 June 2016						
Cost	8 392	176 785	32 635	103 447	54 070	375 329
Accumulated depreciation	(4 304)	(98 273)	(699)	(55 986)	(26 705)	(185 967)
Closing carrying amount	4 088	78 512	31 936	47 461	27 365	189 362