

7. INVESTMENT PROPERTY

	June 2017 R'000	June 2016 R'000
Opening fair value	15 000	15 000
Fair value gain	418	–
Closing fair value	15 418	15 000

Investment property consists of land, portion 108 (a portion of portion 27) of the farm Weltevreden 202 Roodepoort, South Africa. It is held for capital appreciation and is not occupied by the Group.

The Company has elected the fair value model in terms of IAS 40 (Investment Property). Changes in fair values are presented in profit or loss as part of other income.

The valuation was prepared by an independent valuer, J van der Hoven, a property practitioner from ARC Properties. J van der Hoven obtained his Post-Graduate Master's Degree in Architecture (recognised by RIBA and ARB) and has more than 10 years' experience as a property practitioner.

Refer to note 9.8 for further detail on the valuation process of the investment property.

The fair value of investment property was determined based on comparable sales method. The valuers have measured the fair values at R15.4 million as at 30 June 2017.

8. INTANGIBLE ASSETS

Note	Goodwill R'000	Intellectual property R'000	Computer software R'000	Internally developed computer software R'000	Customer relationships R'000	Brands R'000	Total R'000
Opening carrying amount at 1 July 2016	872 077	10 462	185 202	215 021	100 859	5 194	1 388 815
Additions	–	–	49 630	128 418	–	–	178 048
Disposals	–	–	(27)	–	–	–	(27)
Amortisation charge for the year	–	(841)	(39 597)	(33 996)	(10 114)	(1 902)	(86 450)
Impairment**	(16 640)	–	–	–	–	–	(16 640)
Carrying value at 30 June 2017	855 437	9 621	195 208	309 443	90 745	3 292	1 463 746
At 30 June 2017							
Cost	898 849	24 935	313 964	416 248	241 378	22 938	1 918 312
Accumulated amortisation, impairment and adjustments	(43 412)	(15 314)	(118 756)	(106 805)	(150 633)	(19 646)	(454 566)
Closing carrying amount	855 437	9 621	195 208	309 443	90 745	3 292	1 463 746
Opening carrying amount at 1 July 2015	398 123	11 303	151 359	145 961	30 645	7 096	744 487
Take on balance*	–	–	607	–	–	–	607
Purchase price allocation*	4 473 954	–	–	–	89 485	–	563 439
Additions	–	–	66 823	98 039	–	–	164 862
Disposals	–	–	(390)	–	–	–	(390)
Amortisation charge for the year	–	(841)	(28 339)	(28 979)	(19 271)	(1 902)	(79 332)
Impairment	–	–	(4 858)	–	–	–	(4 858)
Carrying value at 30 June 2016	872 077	10 462	185 202	215 021	100 859	5 194	1 388 815
At 30 June 2016							
Cost	898 849	24 935	264 361	287 830	241 378	22 938	1 740 291
Accumulated amortisation, impairment and adjustments	(26 772)	(14 473)	(79 159)	(72 809)	(140 519)	(17 744)	(351 476)
Closing carrying amount	872 077	10 462	185 202	215 021	100 859	5 194	1 388 815

* The recognition of goodwill (R474 million), customer relationships (R89 million) and take on balances is as a result of the WAD acquisition that was effective 1 August 2015.

** The impairment to goodwill relates to IE Business Strategic Consulting Proprietary Limited which has stopped trading.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

8. INTANGIBLE ASSETS CONTINUED

	GROUP		COMPANY	
	June 2017 R'000	June 2016 R'000	June 2017 R'000	June 2016 R'000
Goodwill	855 437	872 077	–	–
Computer software	107 895	96 581	–	–
FICO (computer software)	87 313	88 620	–	–
Nexus (internally developed computer software)	161 950	118 297	–	–
Gexus (internally developed computer software)	48 469	41 313	–	–
Development costs (internally developed computer software)	99 024	55 412	–	–
Intellectual Property	9 621	10 462	–	–
Customer relationships	90 745	100 859	–	–
Brand	3 292	5 194	–	–
	1 463 746	1 388 815	–	–

A summary per cash-generating unit ("CGU") of the goodwill allocation is presented below:

	GROUP		COMPANY	
	June 2017 R'000	June 2016 R'000	June 2017 R'000	June 2016 R'000
Healthcare Administration SA CGU				
Medscheme – healthcare administration	248 622	265 262	–	–
Medscheme – health risk management	89 298	89 298	–	–
Aid for Aids Management (Pty) Ltd – healthcare administration	23 490	23 490	–	–
Allegra (Pty) Ltd – healthcare IT support	1 268	1 268	–	–
Bonitas Marketing – healthcare marketing support	835	835	–	–
Klinikka (Pty) Ltd – medical equipment supplier	2 435	2 435	–	–
Healthcare Africa CGU				
Medscheme Mauritius Limited – local administration	4 969	4 969	–	–
Medscheme Mauritius Limited – international administration	10 566	10 566	–	–
Healthcare Retail SA CGU				
Pharmacy Direct, Curasana and Glen Eden	473 954	473 954	–	–
	855 437	872 077	–	–

Management determines the recoverable amount of cash generating units as being the higher of fair value less costs to sell or value in use. In the absence of an active market, value in use is used to determine the recoverable amount. As there is no active market, value in use is used. A traditional method of discounting management's best estimate of future cash flows attributable to the cash generating unit has been applied to determine the value in use. A growth rate has been applied to cash flow streams to take into account the effect of inflation as well as business-specific expectations.

Assumptions used in the determination of the discount rate are as follows:

- The rate on government bonds (risk-free rate) 7.72% as at 30 June 2017
- A market risk premium of 5.8% is justified as the overall risk is to the downside

(Please note that the inputs above were adjusted for geographical and entity-specific risk.)

8. INTANGIBLE ASSETS CONTINUED

The table below indicates the variables used in the determination of the discounted cash flows for the separate business units.

	Recoverable amount R'000	Risk adjustment factor	WACC ¹	Forecast period ²	Average growth rate ³
Medscheme – healthcare administration and health risk management	4 723 853	1.0	13.39	4 years	6.00%
Aid for Aids Management (Pty) Ltd – healthcare administration	122 491	1.0	13.39	4 years	6.00%
Allegra (Pty) Ltd – healthcare IT support	121 743	1.15	15.40	4 years	6.00%
AfroCentric Distribution Services (Pty) Ltd	160 754	1.15	14.73	4 years	6.00%
Klinikka (Pty) Ltd – medical equipment supplier	32 856	1.20	13.39	4 years	6.00%
Medscheme Mauritius Limited – local and international administration	74 987	1.15	15.40	4 years	6.00%
Pharmacy Direct, Curasana and Glen Eden	936 010	1.0	13.39	4 years	6.00%

¹ All companies within the Group approximate the Group's WACC. As the Group is debt free, the WACC will approximate the return on equity.

² Based on the average long tenure of current contracts with our clients. A forecast period of four years is considered reasonable.

³ Growth rates are based on current consumer price indicators and membership growth.

The net present value of forecasts support the carrying value of the goodwill indicated above.

The sensitivity analysis below indicates a 1% variation on the above input variables on the recoverable amount:

	WACC		Average Growth Rate	
	+1% R'000	-1% R'000	+1% R'000	-1% R'000
Medscheme – healthcare administration and health risk management	(563 034)	739 257	790 796	(602 287)
Aid for Aids Management (Pty) Ltd – healthcare administration	(2 872)	2 982	3 163	(3 097)
Allegra (Pty) Ltd – healthcare IT support	(11 724)	14 472	15 781	(12 746)
AfroCentric Distribution Services (Pty) Ltd	(16 326)	20 497	20 912	(16 731)
Klinikka (Pty) Ltd – medical equipment supplier	(3 871)	5 080	4 799	(3 668)
Medscheme Mauritius Limited – local and international administration	(7 221)	8 914	9 705	(7 860)
Pharmacy Direct, Curasana and Glen Eden	(110 277)	144 716	146 819	(112 329)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

8. INTANGIBLE ASSETS CONTINUED

Below is the movement of goodwill for each cash-generating unit:

	Opening R'000	Addition R'000	Disposal R'000	Impairment R'000	Closing R'000
2017					
Medscheme – healthcare administration	265 262	–	–	(16 640)	248 622
Medscheme – health risk management	89 298	–	–	–	89 298
Aid for Aids Management (Pty) Ltd – healthcare administration	23 490	–	–	–	23 490
Medscheme Mauritius Limited – local administration	4 969	–	–	–	4 969
Medscheme Mauritius Limited – international administration	10 566	–	–	–	10 566
Allegra (Pty) Ltd – healthcare IT support	1 268	–	–	–	1 268
AfroCentric Distribution Services (Pty) Ltd	835	–	–	–	835
Pharmacy Direct, Curasana and Glen Eden	473 954	–	–	–	473 954
Klinikka (Pty) Ltd – medical equipment supplier	2 435	–	–	–	2 435
	872 077	–	–	(16 640)	855 437
2016					
Medscheme – healthcare administration	265 262	–	–	–	265 262
Medscheme – health risk management	89 298	–	–	–	89 298
Aid for Aids Management (Pty) Ltd – healthcare administration	23 490	–	–	–	23 490
Medscheme Mauritius Limited – local administration	4 969	–	–	–	4 969
Medscheme Mauritius Limited – international administration	10 566	–	–	–	10 566
Allegra (Pty) Ltd – healthcare IT support	1 268	–	–	–	1 268
AfroCentric Distribution Services (Pty) Ltd	835	–	–	–	835
Pharmacy Direct, Curasana and Glen Eden	–	473 954	–	–	473 954
Klinikka (Pty) Ltd – medical equipment supplier	2 435	–	–	–	2 435
	398 123	473 954	–	–	872 077