Notes to the financial statements continued

for the year ended 30 JUNE 2021

4. Business Combination

(a) Summary of acquisition

AfroCentric Investment Corporation Limited through its subsidiary AfroCentric Health (RF) Proprietary Limited ("AHL") has acquired 100% stake in the Dental Information Systems ("DENIS") Group of companies for the purchase price of R170 million.

The purchase consideration for DENIS was R170 million in cash. The acquisition date is 1 October 2020.

Details of the purchase considerations, net assets acquired and goodwill are as follows:

	R'000
Purchase consideration:	
Cash	170 000
Total purchase consideration	170 000

DENIS has been accounted for using the acquisition method of accounting, which requires that the assets and liabilities of DENIS be measured at fair value as at 1 October 2020.

		Total October 2020 R'000
Fair value of 100% net asset value at acquisition (assets)		88 270
Property, plant and equipment	71 017	
Intangible assets	17	
Investment in cell captive	17 669	
Other financial assets	205	
Deferred tax asset	25 076	
Trade and other receivables	14 893	
Cash and cash equivalents	84 791	
Trade and other payables	(31 088)	
Provisions	(66 555)	
Current tax	(27 755)	
Customer relationships		65 017
Deferred tax		(18 205)
Fair value of 100% net asset value at acquisition (including intangible assets)		135 082
Consideration for Denis Group		170 000
Goodwill arising from acquisition*		34 918

* *The goodwill arises from integrated synergies that are established through the acquisition of DENIS Group which has been allocated to the Medscheme cash generating business unit. It will not be deductible for tax purposes.*

There were no acquisitions in the year ended 30 June 2020.

Revenue and profit contribution

The acquired business contributed revenue of R410 million and net profit of R21 million to the Group for the period 1 October 2020 to 30 June 2021.

If the acquisition had occurred on 1 July 2020, consolidated pro-forma revenue and profit for the year ended 30 June 2021 would have been R546 million and R28 million respectively.

These amounts have been calculated using the subsidiary's results and adjusting them for:

» the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to intangible assets had applied from 1 July 2020, together with the consequential tax effects.

(b) Purchase Considerations-cash outflow

Outflow of cash to acquire subsidiary, net of cash acquired	2021 R'000
Cash consideration	170 000
Less: Cash balances acquired	(84 791)
Net outflow of cash-investing activities	85 209

Acquisition-related costs:

Acquisition-related costs of R0.6 million are included in other expenses in the statement of profit and loss and in operating cash flows in the statement of cash flows.