NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

6. INVESTMENT PROPERTY CONTINUED

6.2 Recognised fair value measurements *continued*

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

Description	Fair value at 30 June 2024	Unobservable inputs	Input value used	Sensitivity of unobservable inputs on profit and loss
Investment property	9 400	Price per block building rights per square metre	R500	If the fair value per square metre increased by 10% then the value of the property would increase by R940 000 in profit or loss. If the fair value per square metre decreased by 10% then the value of the property would decrease by R940 000 in profit or loss.
Investment property – Garsfontein	3 100	Net rentable area	R454	If the fair value per square metre increased by 10% then the value of the property would increase by R310 000 in profit or loss. If the fair value per square metre decreased by 10% then the value of the property would decrease by R310 000 in profit or loss.

7. INTANGIBLE ASSETS

7.1 Intangible assets

	Group						
	Brands and intellectual property R'000	Pharma-ceutical dossiers* R'000	Internally developed computer software R'000	Computer software R'000	Goodwill R'000	Customer relation-ships R'000	Total R'000
RECONCILIATION FOR THE YEAR ENDED 30 JUNE 2024 – GROUP							
AT 30 JUNE 2023							
At cost	37 416	525 739	1 478 330	238 369	1 607 941	386 851	4 274 646
Accumulated amortisation	(37 416)	(115 678)	(532 586)	(162 189)	–	(295 303)	(1 143 172)
Accumulated impairment	–	–	(13 926)	(22 562)	(49 445)	–	(85 933)
CLOSING CARRYING AMOUNT 30 JUNE 2023	–	410 061	931 818	53 618	1 558 496	91 548	3 045 541
MOVEMENTS FOR THE YEAR ENDED 30 JUNE 2024							
Additions	–	10 694	151 409	26 140	–	–	188 243
Amortisation	–	(35 316)	(114 562)	(16 835)	–	(25 977)	(192 690)
Impairment loss recognised (Note 7.2)	–	–	–	–	(230 835)	–	(230 835)
Write-off	–	(6 060)	–	–	–	–	(6 060)
CARRYING AMOUNT AT 30 JUNE 2024	–	379 379	968 665	62 923	1 327 661	65 571	2 804 199
AT 30 JUNE 2024							
At cost	37 416	530 371	1 629 738	264 509	1 607 941	386 851	4 456 826
Accumulated amortisation	(37 416)	(150 992)	(647 147)	(179 024)	–	(321 280)	(1 335 859)
Accumulated impairment	–	–	(13 926)	(22 562)	(280 280)	–	(316 768)
CLOSING CARRYING AMOUNT	–	379 379	968 665	62 923	1 327 661	65 571	2 804 199

* *Pharmaceutical dossiers relate to a set of documents that contains all the technical data (administrative, quality, non-clinical and clinical) of a pharmaceutical product in order to promote, market, sell, import and distribute the product in a specific territory.*

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

7. INTANGIBLE ASSETS CONTINUED

7.1 Intangible assets *continued*

	Brands and intellectual property R'000	Pharma-ceutical dossiers* R'000	Internally developed computer software R'000	Computer software R'000	Goodwill R'000	Customer relation-ships R'000	Total R'000
RECONCILIATION FOR THE YEAR ENDED 30 JUNE 2023 – GROUP							
AT 30 JUNE 2022							
Cost	37 416	512 862	1 334 228	475 944	1 607 941	386 851	4 355 242
Accumulated amortisation	(37 416)	(84 957)	(413 372)	(355 102)	–	(267 343)	(1 158 190)
Accumulated impairment	–	–	(13 926)	(57 345)	(49 445)	–	(120 716)
CLOSING CARRYING AMOUNT 30 JUNE 2022	–	427 905	906 930	63 497	1 558 496	119 508	3 076 336
MOVEMENTS FOR THE YEAR ENDED 30 JUNE 2023							
Additions	–	12 877	149 516	21 298	–	–	183 691
Amortisation	–	(30 721)	(119 213)	(30 929)	–	(27 960)	(208 823)
Disposals	–	–	–	(248)	–	–	(248)
Write-off	–	–	(5 415)	–	–	–	(5 415)
CARRYING AMOUNT AT 30 JUNE 2023	–	410 061	931 818	53 618	1 558 496	91 548	3 045 541
AT 30 JUNE 2023							
At cost	37 416	525 739	1 478 330	238 369	1 607 941	386 851	4 274 646
Accumulated amortisation	(37 416)	(115 678)	(532 586)	(162 189)	–	(295 303)	(1 143 172)
Accumulated impairment	–	–	(13 926)	(22 562)	(49 445)	–	(85 933)
CLOSING CARRYING AMOUNT 30 JUNE 2023	–	410 061	931 818	53 618	1 558 496	91 548	3 045 541

* *Pharmaceutical dossiers relate to a set of documents that contains all the technical data (administrative, quality, non-clinical and clinical) of a pharmaceutical product in order to promote, market, sell, import and distribute the product in a specific territory.*

7.2 Impairments

The Group performed an annual impairment test as at 30 June 2024. The test involved assessment of internal and external qualitative factors such as instances of underutilisation, obsolescence, physical damage, or material decline in the economic performance of the assets.

(i) Assets in the scope of IAS 36

Goodwill

During the year, partial impairment of goodwill to the value of R230 million was recognised on some of the pharmaceutical assets (Activo Health, Forrester Pharma, Pharmacy Direct, and Curasana Wholesaler).

The goodwill impairment was necessitated by adverse price adjustments in some of the main product lines of the pharmaceutical cluster that have had a negative impact on profitability in the current year and are expected to continue into the medium term. The synergies and expected growth in new pharmaceutical product lines that are lagging on the original acquisition assessments of these assets, as well as the anticipated reduction in profitability pursuant to the lower margins in both the private sector delivery market as well as the chronic medication delivery contract with the public sector.

Following the termination of the contract of marketing services that AfroCentric Distribution Services (**ADS**) renders to the Bonitas Medical Scheme, goodwill that was initially recognised on acquisition of ADS to the value of R835 000 was impaired.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

7. INTANGIBLE ASSETS CONTINUED

7.2 Impairments *continued*

(i) Assets in the scope of IAS 36 *continued*

Total impairment losses for the year

The total impairment losses are summarised as follows:

	2024 R'000	2023 R'000
IMPAIRMENT OF GOODWILL		
Afrocentric Distribution Services	835	–
Pharmacy Direct and Curasana	100 000	–
Activo Health	95 900	–
Activo Healthcare Assets	34 100	–
TOTAL GOODWILL	230 835	–

7.3 CGU of the goodwill

A summary per CGU of the goodwill allocation is presented below:

	Group	
	2024 R'000	2023 R'000
HEALTHCARE ADMINISTRATION SA CGU	725 874	493 363
Medscheme – Healthcare administration including Glen Eden*	508 318	274 972
Medscheme – Health risk management	104 155	104 155
Aid for AIDS Management Proprietary Limited – Healthcare administration	23 490	23 490
Allegra Proprietary Limited – Healthcare IT support	1 268	1 268
AfroCentric Distribution Services Proprietary Limited – Healthcare marketing support	–	835
Klinikka Proprietary Limited – medical equipment supplier	2 435	2 435
TendaHealth – Healthcare insurance broker	1 162	1 162
Scriptpharm – chronic scripts claim	2 699	2 699
Essential Group – Healthcare insurance	9 333	9 333
AfroCentric Integrated Corporate Solutions Group – Healthcare administration	38 096	38 096
Denis Group	34 918	34 918
HEALTHCARE AFRICA CGU	15 535	15 535
Medscheme Mauritius Limited – local administration	4 969	4 969
Medscheme Mauritius Limited – international administration	10 566	10 566
HEALTHCARE RETAIL SA CGU	586 252	1 049 598
Pharmacy Direct and Curasana*	140 608	473 954
Activo and Activo Healthcare Assets Group	445 644	575 644
TOTAL	1 327 661	1 558 496

* *Following a review regarding the true substance and benefits associated with the Glen Eden goodwill in the Healthcare Retail SA Cash Generating Unit (**CGU**), the goodwill relating to Glen Eden, amounting to R233.3 million, was reallocated to the Healthcare Administration SA CGU as it is closely aligned to the Medscheme medical scheme administration services being performed for its clients.*

Management determines the recoverable amount of Cash Generating Units (**CGUs**) 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. A traditional method of discounting management's best estimate of future cash flows attributable to the CGU 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

7. INTANGIBLE ASSETS CONTINUED

7.3 CGU of the goodwill *continued*

Assumptions used in the determination of the recoverable amount are as follows:

- The estimated revenues to be earned from the use of the assets;
- The forecast period over which those revenues are projected;
- An average growth rate;
- The pre-tax discount rate that takes into account the yield on government bonds, Beta and a market risk premium;
- Risk adjustment factors used in deriving an appropriate discount rate applied to future estimated cash flows;
- The rate on government bonds (risk-free rate) of 11.40% as at 30 June 2024 (30 June 2023: 9.17%);
- A market risk premium of 6% (2023: 11.87%) is justified as the overall risk is to the downside; and
- The Beta (ß) is 0.318 as at 30 June 2024 (30 June 2023: 0.392).

The inputs above were adjusted for geographical and entity specific risk.

The following table sets out the key assumptions for those CGUs that management considers the most significant to the Group:

	Recoverable amount R'000	Excess/ (deficit) of recoverable amount over carrying value R'000	Discount rate %	Forecast period	Average growth rate %	Perpetuity growth rate %
2024						
Medscheme – admin and managed care* including Glen Eden	**1 628 469**	**473 182**	**14.86**	**5 years**	**14%**	**2%**
Activo Group	**1 510 352**	**99 528**	**13.36**	**5 years**	**16%**	**6%**
Pharmacy Direct and Curasana	**536 832**	**(20 543)**	**13.36**	**5 years**	**16%**	**6%**
2023						
Medscheme – admin and managed care	2 681 122	1 863 936	12.55	5 years	8%	5%
Activo	1 797 311	332 105	12.92	5 years	21%	5%
Pharmacy Direct, Curasana and Glen Eden	1 057 664	277 970	12.92	5 years	15%	5%

* *Following a review regarding the true substance and benefits associated with the Glen Eden goodwill in the Healthcare Retail SA Cash Generating Unit (**CGU**), the goodwill relating to Glen Eden, amounting to R233.3 million, was reallocated to the Healthcare Administration SA CGU as it is closely aligned to the Medscheme medical scheme administration services being performed for its clients.*

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used in determining values
Average growth rate (%)	Average annual growth rate over the five-year forecast period; based on past performance and management's expectations of market development is expected to have on future earnings noted below: Medscheme – admin and managed care including Glen Eden: • Business is expected to continue steadily, with membership growth expected to be linked to muted economic growth; • Management has embarked on effective cost savings initiatives through early investment in systems development. This increased IT capacity has now been applied to greater scale and through improved procedural efficiencies; • The Group will continue with system renewals to explore better and more cost-efficient ways in servicing and engaging its customers/members; • These programmes are expected to enable the Group to achieve 7% growth. Activo Group, Pharmacy Direct and Curasana: • Adverse price adjustments in some of the main product lines of the pharmaceutical cluster have had a negative impact on profitability in the current year and this is expected to continue into the medium term. • The synergies and expected growth in new pharmaceutical product lines are also lagging in terms of the original acquisition assessments of these assets. • The profitability of Pharmacy Direct Proprietary Limited is anticipated to reduce due to lower margins in the private sector delivery market, as well as its new chronic medication delivery contract with the public sector. • Both companies are experiencing growing revenue which, has been diluted by higher operating expenses thus resulting in the reduced profitability.
Discount rate (%)	Discount rate the company is expected to pay on average to all its security holders to finance its assets which reflects specific risks to the relevant CGU.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

7. INTANGIBLE ASSETS CONTINUED

7.3 CGU of the goodwill *continued*

Sensitivity analysis: impact of possible changes in key assumptions (growth rate and discount rate) on the recoverable value.

	Discount rate		Growth rate Worst case R'000 13%	Base case R'000 14%	Best case R'000 15%
MEDSCHEME – ADMIN AND MANAGED CARE INCLUDING GLEN EDEN 30 JUNE 2024	Worst case	16.30%	1 245 724	1 434 606	1 605 289
	Base case	14.86%	1 447 713	1 628 469	1 839 345
	Best case	14.00%	1 560 981	1 765 860	1 769 625

	Discount rate		Growth rate Worst case R'000 15%	Base case R'000 13%	Best case R'000 12%
PHARMACY DIRECT AND CURASANA 30 JUNE 2024	Worst case	15.50%	321 224[1]	411 312[2]	530 319
	Base case	14.50%	355 854[3]	462 018	605 505
	Best case	13.50%	398 655[4]	526 331	704 001
ACTIVO GROUP 30 JUNE 2024	Worst case	15.50%	927 746[5]	1 166 739[6]	1 482 202
	Base case	14.50%	1 023 521[7]	1 305 568	1 686 446
	Best case	13.50%	1 141 867[8]	1 481 611	1 953 961

[1] *Based on the carrying amount of R457.3 million, the worst case scenario indicates a possible impairment of R136.2 million.*
[2] *Based on the carrying amount of R457.3 million, the base case scenario indicates a possible impairment of R46.1 million.*
[3] *Based on the carrying amount of R457.3 million, the worst case scenario indicates a possible impairment of R101.5 million.*
[4] *Based on the carrying amount of R457.3 million, the worst case scenario indicates a possible impairment of R75.0 million.*
[5] *Based on the carrying amount of R1 280.8 million, the worst case scenario indicates a possible impairment of R353.1 million.*
[6] *Based on the carrying amount of R1 280.8 million, the base case scenario indicates a possible impairment of R114.1 million.*
[7] *Based on the carrying amount of R1 280.8 million, the worst case scenario indicates a possible impairment of R257.3 million.*
[8] *Based on the carrying amount of R1 280.8 million, the worst case scenario indicates a possible impairment of R138.9 million.*

If the discount rate of Medscheme admin and managed care including Glen Eden CGU is increased by 4.273% to 19.13%, the recoverable amount will be equal to the carrying amount.

If the company specific risk for the Pharmacy Direct and Curasana CGU is reduced by 2.06% with a resultant reduction in the discount rate to 13.10%, the recoverable amount will be equal to the carrying amount.

If the discount rate for the Activo Group CGU is increased by 0.51% to 13.87%, the recoverable amount will be equal to the carrying amount.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

7. INTANGIBLE ASSETS CONTINUED

7.3 CGU of the goodwill *continued*

	Discount rate		Growth rate Worst case R'000 10%	Base case R'000 15%	Best case R'000 20%
MEDSCHEME – ADMIN AND MANAGED CARE 30 JUNE 2023	Worst case	13.80%	2 808 580	2 309 130	2 687 589
	Base case	12.55%	3 070 444	2 681 122	3 182 737
	Best case	11.43%	3 430 023	3 131 649	3 808 226
PHARMACY DIRECT, CURASANA AND GLEN EDEN 30 JUNE 2023	Worst case	14.17%	732 258	913 707	1 158 092
	Base case	12.92%	833 449	1 057 664	1 366 877
	Best case	11.55%	981 008	1 275 050	1 696 343
ACTIVO GROUP 30 JUNE 2023	Worst case	14.17%	1 212 236	1 545 792	1 980 869
	Base case	12.92%	1 386 677	1 797 311	2 348 824
	Best case	11.55%	1 641 466	2 177 606	2 930 145

If the growth rate for Medscheme admin and managed care CGU reduced 3.5%, the recoverable amount will equal the carrying value.

If the growth rate for the Pharmacy Direct, Curasana and Glen Eden CGU reduces by 4.1%, the recoverable amount will equal the carrying value.

If the growth rate for the Activo Group CGU reduces by 0.01%, the recoverable amount will equal the carrying amount.

8. FINANCIAL INSTRUMENTS

FINANCIAL ASSETS BY CATEGORY	Group At fair value through profit or loss R'000	Group At amortised cost R'000
YEAR ENDED 30 JUNE 2024 – GROUP		
Other financial assets (Note 13)	8 488	19 231
Trade and other receivables excluding prepayments (Note 8.2)	–	732 055
Cash and cash equivalents (Note 8.3)	–	330 259
	8 488	1 081 545

	At fair value through profit or loss Restated* R'000	At amortised cost R'000	At fair value through other comprehensive income R'000
YEAR ENDED 30 JUNE 2023			
Other financial assets (Note 13)	8 637	29 758	1 530
Trade and other receivables excluding prepayments (Note 8.2)	–	683 347	–
Cash and cash equivalents (Note 8.3)	–	189 763	–
	8 637	902 868	1 530

* *Refer to Note 34 for details on the restatements and Note 35 for transitioning to IFRS 17.*