9. SEGMENT INFORMATION

IFRS 8 requires operating segments to be identified on the basis of internal reports about the components of the Group that are regularly reviewed by the chief operating decision maker (CODM) in order to allocate resources to the segments and to assess their performance.

The Group's segments are aligned to those business units that are evaluated regularly by the CODM in deciding how to allocate resources and in assessing performance.

In southern Africa, the hospitals and complementary services segment comprises all the acute hospitals and complementary services which include mental health, acute rehabilitation, renal dialysis and oncology. The healthcare services segment comprises Life Esidimeni and Life Employee Health Solutions.

International comprises diagnostic services (Alliance Medical) and healthcare services (Scanmed) across Europe and the United Kingdom.

Growth initiatives comprise the new outpatient business model, developing the imaging services opportunity, investing in data analytics and clinical quality products within South Africa and product development internationally.

Corporate is a non-operating segment.

The operating businesses have been aggregated into different segments based on the similar nature of products and services, similar economic characteristics, similar type of customers and operating in a similar regulatory environment.

Inter-segment revenue of R5 million (2019: R5 million) is eliminated and relates to revenue between Life Employee Health Solutions and the southern Africa business.

Refer to note 2 for a split of the major revenue streams.

	2020 Reported R'm	**Impact of IFRS 16 R'm**	**2020 Pre-IFRS 16 Pro forma R'm**	2019 R'm
Revenue[1]				
Southern Africa				
Hospitals and complementary services	**15 899**	**–**	**15 899**	17 213
Healthcare services	**1 346**	**–**	**1 346**	1 259
International				
Diagnostic services	**6 286**	**–**	**6 286**	5 582
Healthcare services	**1 535**	**–**	**1 535**	1 349
Growth initiatives	**320**	**–**	**320**	269
	25 386	**–**	**25 386**	25 672

[1] *Revenue of approximately 31% (2019: 33%) is derived from two (2019: two) external customers. The revenue is attributed to the southern Africa segment.*

NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2020

9. SEGMENT INFORMATION continued

	2020 Reported[3] R'm	Impact of IFRS 16 R'm	2020 Pre-IFRS 16[3] Pro forma R'm	2019 R'm
Normalised EBITDA[1, 4]				
Southern Africa				
Hospitals and complementary services	**2 583**	**(219)**	**2 364**	3 933
Healthcare services	**135**	**(1)**	**134**	148
International				
Diagnostic services	**1 311**	**(127)**	**1 184**	1 253
Healthcare services	**191**	**(51)**	**140**	97
Growth initiatives	**(60)**	**(4)**	**(64)**	(25)
Corporate				
Recoveries	**1 205**	**154**	**1 359**	1 292
Corporate costs	**(1 019)**	**–**	**(1 019)**	(971)
	4 346	**(248)**	**4 098**	5 727
Depreciation				
Southern Africa				
Hospitals and complementary services	**(636)**	**33**	**(603)**	(576)
Healthcare services	**(24)**	**5**	**(19)**	(18)
International				
Diagnostic services	**(732)**	**111**	**(621)**	(521)
Healthcare services	**(118)**	**46**	**(72)**	(62)
Growth initiatives	**(17)**	**3**	**(14)**	(10)
Corporate	**(67)**	**10**	**(57)**	(49)
	(1 594)	**208**	**(1 386)**	(1 236)
EBITA[2, 4]				
Southern Africa				
Hospitals and complementary services	**1 947**	**(186)**	**1 761**	3 357
Healthcare services	**111**	**4**	**115**	130
International				
Diagnostic services	**579**	**(16)**	**563**	732
Healthcare services	**73**	**(5)**	**68**	35
Growth initiatives	**(77)**	**(1)**	**(78)**	(35)
Corporate	**119**	**164**	**283**	272
	2 752	**(40)**	**2 712**	4 491
Amortisation of intangible assets				
Southern Africa				
Hospitals and complementary services	**(64)**	**–**	**(64)**	(110)
International				
Diagnostic services	**(466)**	**–**	**(466)**	(411)
Healthcare services	**(14)**	**–**	**(14)**	(17)
Growth initiatives	**(20)**	**–**	**(20)**	(18)
Corporate	**(40)**	**–**	**(40)**	(30)
	(604)	**–**	**(604)**	(586)

[1] Normalised EBITDA is defined as operating profit before depreciation on property, plant and equipment, amortisation of intangible assets and non-trading-related costs or income.

[2] EBITA is defined as normalised EBITDA less depreciation.

[3] Difference between reported and pre-IFRS 16 totals relate to impact of IFRS 16, which is a once-off adjustment in FY2020.

[4] Non-IFRS measure.

9. SEGMENT INFORMATION continued

	2020 Reported[1] R'm	Impact of IFRS 16 R'm	2020 Pre-IFRS 16[1] Pro forma R'm	2019 R'm
Operating profit before items detailed below[2]				
Southern Africa				
Hospitals and complementary services	**1 883**	**(186)**	**1 697**	3 247
Healthcare services	**111**	**4**	**115**	130
International				
Diagnostic services	**113**	**(16)**	**97**	321
Healthcare services	**59**	**(5)**	**54**	18
Growth initiatives	**(97)**	**(1)**	**(98)**	(53)
Corporate	**79**	**164**	**243**	242
	2 148	**(40)**	**2 108**	3 905
Retirement benefit asset and post-employment medical aid income	**32**	**–**	**32**	39
Operating profit	**2 180**	**(40)**	**2 140**	3 944
Fair value adjustments to contingent consideration	**(37)**	**–**	**(37)**	2
Fair value loss on derivative financial instruments	**(5)**	**–**	**(5)**	(438)
Gain on derecognition of lease asset and liability	**75**	**–**	**75**	–
Impairment of assets and investments (refer note 11)	**(798)**	**–**	**(798)**	(164)
Profit on disposal of investment in joint venture	**–**	**–**	**–**	1 501
Profit on disposal of investment in subsidiary	**–**	**–**	**–**	11
Loss on disposal of property, plant and equipment	**(6)**	**–**	**(6)**	–
Transaction costs relating to acquisitions and disposals	**(17)**	**–**	**(17)**	(148)
Other	**–**	**–**	**–**	(22)
Finance income	**93**	**–**	**93**	60
Finance cost	**(918)**	**65**	**(853)**	(1 058)
Share of associates' and joint ventures' net profit after tax	**14**	**–**	**14**	18
Profit before tax	**581**	**25**	**606**	3 706

[1] *Difference between reported and pre-IFRS 16 totals relate to impact of IFRS 16, which is a once-off adjustment in FY2020.*

[2] *Operating profit before items detailed includes the segment's share of shared services and rental costs. These costs are all at market-related rates.*

NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2020

9. SEGMENT INFORMATION continued

	2020 Reported[2] R'm	Impact of IFRS 16 R'm	2020 Pre-IFRS 16[2] Pro forma R'm	2019 R'm
Total assets before items detailed below				
Southern Africa	**14 659**	**(488)**	**14 171**	13 550
International	**26 332**	**(976)**	**25 356**	22 342
	40 991	**(1 464)**	**39 527**	35 892
Employee benefit assets	**379**	**–**	**379**	448
Deferred tax assets	**1 162**	**–**	**1 162**	1 102
Income tax receivable	**173**	**–**	**173**	124
Total assets per the balance sheet	**42 705**	**(1 464)**	**41 241**	37 566
Net debt[1] [3]				
Southern Africa	**5 366**	**(558)**	**4 808**	4 481
International	**8 750**	**(1 011)**	**7 739**	6 837
	14 116	**(1 569)**	**12 547**	11 318
Cash and cash equivalents (net of bank overdrafts)				
Southern Africa	**(1 463)**	**–**	**(1 463)**	(141)
International	**1 561**	**–**	**1 561**	818
	98	**–**	**98**	677

[1] Net debt is a key measure for the Group, which comprises all interest-bearing borrowings, overdraft balances and cash on hand.
[2] Difference between reported and pre-IFRS 16 totals relate to the impact of IFRS 16, which is a once-off adjustment.
[3] Non-IFRS measure.

Pro forma information

The adoption of IFRS 16 from 1 October 2019 complicates performance comparison between the results for the year and the prior financial year. To provide a more meaningful assessment of the Group's performance, pro forma information has been presented for the year ended 30 September 2020. The pro forma financial information has been prepared for illustrative purposes and represents the impact on segmental information for FY2020 as if IFRS 16 had not been applied at 1 October 2019. This is a once-off adjustment in FY2020.

The tables on pages 35 to 38 show the impact of IFRS 16 on the numbers disclosed on the segmental statement of profit or loss, total assets and net debt as at 30 September 2020. IFRS 16 balances have been removed from the reported figures in order to determine the pro forma figures to enable a like-for-like comparison to FY2019 where IFRS 16 had not been applied.