27. ACQUISITIONS AND DISPOSALS

◆ Acquisitions that resulted in business combinations

	North West Dialysis Centre	ZAG Zyklotron AG (ZAG)	Monza Medicina SRL*
Acquirer	East Rand Dialysis Incorporated	AMG	AMG
Country of incorporation	South Africa	Germany	Italy
Acquisition date	1 Nov 2020	1 Jan 2021	30 Jun 2021
Total purchase consideration	R14 million	R90 million	R14 million
Goodwill recognised	R11 million	R59 million	R9 million
Percentage voting equity interest acquired	100%	100%	100%
Primary reasons for business combination	This is in line with Life Healthcare's strategy to grow its non-acute businesses.		
Qualitative factors that make up goodwill recognised	Attributable to the acquired workforce and expected synergies from combining the acquired operations within the existing southern Africa and international operations.		
Contingent liabilities at acquisition	None		

** Provisionally accounted for in terms of IFRS 3 "business combinations".*

None of the goodwill recognised is expected to be deductible for income tax purposes.

The acquisitions qualify as a business as defined in IFRS 3.

The aggregated fair values of the assets and liabilities arising from all the acquisitions listed above are as follows:

	2021 R'm
Total purchase consideration	**(121)**
Cash portion	**(118)**
Contingent consideration	**(3)**
Fair value of net assets acquired	**42**
Property, plant and equipment	**34**
Customer relations	**8**
Trade and other receivables	**15**
Cash and cash equivalents	**15**
Inventories	**13**
Interest-bearing borrowings	**(5)**
Trade and other payables	**(29)**
Provisions	**(9)**
Goodwill	**79**
Aggregated cash outflow to acquire businesses, net of cash acquired	
Initial cash considerations	**(118)**
Less: Cash at acquisitions	**15**
	(103)
Aggregated impact on consolidated information from date of acquisitions	
Revenue	**50**
Net profit	**2**
Aggregated impact on consolidated information if the business combinations took place on 1 October 2020	
Revenue	**96**
Net profit	**2**

27. ACQUISITIONS AND DISPOSALS continued

- **Consolidated Aone Trade and Invest 12 Proprietary Limited (Consolidated Aone)**

1. Disposal of investment in associate

The Group acquired the remaining 70% of the assets and liabilities of Consolidated Aone, resulting in Consolidated Aone becoming a wholly-owned subsidiary of the Group. The Group previously had an interest of 30% in Consolidated Aone, which was accounted for as an associate. The investment in associate was derecognised.

	2021 R'm
Derecognition of investment in associate	
Effective date	**1 Jul 2021**
Previously interest held	**30.0%**
Total consideration received	**28**
Fair value of equity interest held before the acquisition	**28**
Carrying value of the associate	**–**
Profit on remeasuring previously held interest in associate to fair value	**28**

2. Acquisition of assets and liabilities

The Group acquired the remaining 70% of the assets and liabilities of Consolidated Aone on 1 July 2021 for a total consideration of R92 million. Consolidated Aone is a property company and the acquisition was accounted for as an asset acquisition due to the absence of inputs and processes to contribute to the creation of outputs. The assets acquired are not a business as defined in IFRS 3.

	2021 R'm
Total purchase consideration	**(92)**
Cash portion	**(64)**
Fair value of equity interest held before the acquisition	**(28)**
Fair value of net assets acquired	**92**
Property, plant and equipment	**150**
Other liabilities	**(3)**
Interest-bearing borrowings	**(52)**
Trade and other payables	**(3)**

- **Investment in joint venture (Altakassusi Alliance Medical LLC)**

The Group acquired 45% of Altakassusi Alliance Medical LLC in Saudi Arabia on 10 November 2020. The amount invested was R5 million and was accounted for as an investment in joint venture.

27. ACQUISITIONS AND DISPOSALS continued

- **Discontinued operation and sale of Scanmed**

Description

On 16 November 2020 the Group received an offer to dispose of its Polish operation, Scanmed. The related agreements were signed on 24 November 2020 and the transaction was subject to regulatory approvals. The sale proceeds per the agreements were lower than the carrying value of Scanmed at 30 September 2020. With the receipt of the offer, the Group considered it prudent and appropriate to impair the carrying value at 30 September 2020 to reflect the fair value less costs to sell. The impairment recognised in FY2020 amounted to R793 million.

The sale of Scanmed was concluded on 26 March 2021 and was reported as a discontinued operation. Scanmed met the criteria of a discontinued operation as Scanmed operated in a separate geographical area and was previously disclosed as a separate segment. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

Financial performance and cash flow information

The results of the discontinued operation, which have been included in the profit for the period, were as follows:

	2021 R'm	2020 R'm
Revenue	**847**	1 535
Normalised EBITDA*	**85**	191
Depreciation, amortisation, interest and other expense	**(34)**	(164)
Fair value adjustments to contingent consideration	**(9)**	(37)
Transaction costs	**–**	(9)
Impairment of investment	**–**	(793)
Profit/(loss) before tax	**42**	(812)
Tax expense	**(9)**	13
Profit/(loss) after tax from discontinued operation	**33**	(799)
Profit on disposal of Scanmed after income tax (refer page 68)	**54**	–
Profit/(loss) from discontinued operation	**87**	(799)
Basic earnings per share from discontinued operation	**6.0**	(54.9)
Diluted earnings per share from discontinued operation	**6.0**	(54.7)
Other comprehensive income		
Foreign currency differences on translation before disposal	**(129)**	165
Exchange gain reclassified to profit or loss on disposal	**(188)**	–
Tax on exchange gain reclassified to profit or loss on disposal	**41**	–
Reversal of previously recognised deferred tax	**133**	–
	(143)	165
The impact on the statement of cash flows relating to operational performance		
Net cash generated from operating activities	**87**	116
Net cash utilised in investing activities	**(23)**	(73)
Net cash utilised in financing activities	**(35)**	(69)
Net increase/(decrease) in cash and cash equivalents	**29**	(26)
The impact on the statement of cash flows after impact of disposal		
Net cash generated from operating activities	**35**	116
Net cash generated/(utilised) in investing activities	**550**	(73)
Net cash utilised in financing activities	**(35)**	(69)
Net increase/(decrease) in cash and cash equivalents	**550**	(26)

** Non-IFRS measure.*

27. ACQUISITIONS AND DISPOSALS continued

◆ **Discontinued operation and sale of Scanmed** continued

Details of the sale

	2021 R'm
Total consideration received	**733**
Cash	**733**
Carrying value of net assets sold	**(725)**
Property, plant and equipment	**(1 021)**
Intangible assets	**(377)**
Cash and cash equivalents	**(160)**
Trade and other receivables	**(199)**
Inventories	**(37)**
Deferred tax liabilities	**3**
Interest-bearing borrowings	**797**
Trade and other payables	**260**
Contingent consideration liabilities	**9**
Profit on disposal before taxes, transaction costs and reclassification of FCTR	**8**
Withholding tax	**(20)**
Transaction costs	**(32)**
Exchange gain reclassified to profit or loss on disposal	**188**
Tax on exchange gain reclassified to profit or loss on disposal	**(41)**
Tax recognised as a result of assessed losses	**(49)**
Profit on disposal after taxes, transaction costs and reclassification of FCTR	**54**
Net cash inflow on disposal	
Cash consideration received	**733**
Less: cash and cash equivalents disposed of	**(160)**
	573

◆ **Transactions with non-controlling interests**

Increases and decreases in ownership interest in southern Africa

During the current and previous financial year, the Group had increases in its percentage shareholdings in some of its subsidiary companies.

	2021 R'm	2020 R'm
Total purchase consideration	**(61)**	(152)
Cash portion	**(61)**	(152)
Carrying amount of non-controlling interest recognised	**55**	44
Carrying amount of non-controlling interest acquired	**55**	44
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	**6**	108
During the current and previous financial year, the Group disposed of marginal percentages of its holdings in subsidiary companies to non-controlling interest.		
The Group still maintained control over the subsidiary entities after the decrease in ownership interest.		
Proceeds on disposal of investments	**59**	10
Transactions with non-controlling interest reserve	**(39)**	(10)
Profit on disposal recognised within equity	**20**	–