

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2014

I. Summary of accounting policies

General information

AfroCentric Investment Corporation Limited (the “Company”), together with its subsidiaries (together forming the “Group”), is a public company operating in the healthcare fund management sector and associated industries. The Company’s main business is to acquire and hold assets for investment purposes.

The Company is a limited liability company incorporated and domiciled in South Africa. The address of its registered office is 37 Conrad Road, Florida North, Roodepoort, South Africa. The majority of the Company’s shares are held by public shareholders.

These consolidated annual financial statements have been approved for issue by the Board of Directors on 10 September 2014.

Statement of compliance

The Company and the Group annual financial statements were prepared in accordance with International Financial Reporting Standards (“IFRS”), interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB. These annual financial statements have been prepared in accordance with IFRS, the Companies Act and the JSE Listings Requirements.

Basis of presentation

The principal accounting policies adopted are set out below and have been applied consistently to all years presented.

The annual financial statements have been prepared under the historical cost convention except for the following:

- Post-employment medical obligations, independently valued using the projected unit credit method.
- Financial assets and liabilities classified as loans and receivables and other financial liabilities are held at amortised cost.

Carried at fair value:

- Financial instruments held for trading or designated at fair value through profit or loss; and
- Investment property held at fair value using independent market valuations.

The preparation of the annual financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the annual financial statements and the reported amounts of revenues and expenses during the reporting years. Although these estimates are based on management’s best knowledge of current events and actions, actual results may differ from those estimates.

I. Summary of accounting policies (continued)

a) Amendments to published standards effective in 2014, relevant to the Company's operations (continued)

IFRS	Effective date	Subject of amendment
IFRS 10 – Consolidated financial statements	1 January 2013	This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard and its impact has been assessed and its effects have been incorporated into the annual financial statements.
IFRS 11 – Joint arrangements	1 January 2013	This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. This new standard and its impact has been assessed and has not materially impacted the Group and its subsidiaries.
IFRS 12 – Disclosure of interests in other entities	1 January 2013	The standard deals with disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. This new standard and its impact has been assessed and its effects have been incorporated into the annual financial statements.
IFRS 13 – Fair value measurement	1 January 2013	This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This new standard and its impact has been assessed and its effects have been incorporated into the annual financial statements.
IAS 19 – Employee benefits	1 January 2013	The IASB has issued an amendment to IAS 19, 'Employee benefits', which makes changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. This new standard and its impact has been assessed and has not materially impacted the Group and its subsidiaries.
IAS 27 (revised 2012) – Separate financial statements	1 January 2013	This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.
IAS 28 (revised 2012) – Associates and joint ventures	1 January 2013	This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

I. Summary of accounting policies (continued)

b) Amendments to published standards not effective in 2014

IFRS	Effective date	Subject of amendment
IFRS 9 – Financial Instruments (2009)	1 January 2018	This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.
IFRS 9 – Financial Instruments (2010)	1 January 2018	The IASB has updated IFRS 9, 'Financial instruments' to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial instruments: Recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or loss.
Amendments to IFRS 9 – Financial Instruments (2012)	1 January 2018	The IASB has published an amendment to IFRS 9, 'Financial instruments', that delays the effective date to annual periods beginning on or after 1 January 2015. The original effective date was for annual periods beginning on or after 1 January 2013. This amendment is a result of the Board extending its timeline for completing the remaining phases of its project to replace IAS 39 (for example, impairment and hedge accounting) beyond June 2012, as well as the delay in the insurance project. The amendment confirms the importance of allowing entities to apply the requirements of all the phases of the project to replace IAS 39 at the same time. The requirement to restate comparatives and the disclosures required on transition have also been modified.
Amendments to IAS 32 – Financial Instruments: Presentation	1 January 2014	The IASB has issued amendments to the application guidance in IAS 32, 'Financial instruments: Presentation', that clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.
IFRS 15 – Revenue from contracts with customers	1 January 2017	Establishes principles for reporting useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

c) Annual improvements effective in 2014 relevant to the Company's operations

IFRS	Effective date	Subject of amendment
Amendment to IAS 1, 'Presentation of financial statements'	1 January 2013	The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet either: as required by IAS 8, 'Accounting policies, changes in accounting estimates and errors'; or voluntarily.
Amendment to IAS 16, 'Property, plant and equipment'	1 January 2013	The amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment.
Amendment to IAS 32, 'Financial instruments: Presentation'	1 January 2013	The amendment clarifies the treatment of income tax relating to distributions and transaction costs. The amendment clarifies that the treatment is in accordance with IAS 12. So, income tax related to distributions is recognised in the income statement, and income tax related to the costs of equity transactions is recognised in equity.

I. Summary of accounting policies (continued)

d) Annual improvements not effective in 2014 relevant to the Company's operations

IFRS	Effective date	Subject of amendment
Investment Entities (Amendments to IFRS 10, 12 and IAS 27)	1 January 2014	The improvements deal with the consolidation and measurement of particular subsidiaries of investment entities as well as additional disclosures of the entity.
IAS 36 – Recoverable amount disclosures for non-financial assets	1 January 2014	Amends IAS36 Impairment of Assets to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where the recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

The Group has assessed the significance of these new standards, amendments and interpretations that are not yet effective in 2014 and concluded that they will have no material financial impact on the annual financial statements and therefore the Group has not early adopted them in the current financial year.

Basis of consolidation

Subsidiaries

The consolidated annual financial statements incorporate the annual financial statements of the Company and entities (including special purpose entities) controlled by the Company. They are available at the premises of the Company's offices, being 37 Conrad Road, Florida North, Roodepoort, 1709.

Business combinations

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

I. Summary of accounting policies (continued)

Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Transactions with non-controlling interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Disposals to non-controlling interests result in gains and losses for the Group that are recorded in the statement of changes in equity. Purchases from non-controlling interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

Associates

Associates are entities over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies and is generally associated with a shareholding of between 20% and 50% of the voting rights.

The annual financial statements are prepared using uniform accounting policies for like transactions and events in similar circumstances which have occurred within the Group.

Investments in associates are accounted for using the equity method of accounting. Under this method the Company's share of the post-acquisition profits and losses of associates is recognised in the statement of comprehensive income and the share of post-acquisition reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses against the investment, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, is recognised immediately in profit or loss.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates, in the statement of comprehensive income.

Profits from associates are recorded for the year ended 30 June 2014 based on the results of the associate.

I. Summary of accounting policies (continued)

Foreign currency translation

Functional and presentation currency

Items included in the annual financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated annual financial statements are presented in South African rand, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Any revaluations of goodwill on foreign operations is included in other comprehensive income.

Group companies

The results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position; and
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximate of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).

Exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity on consolidation.

When a foreign operation is sold, such exchange differences are recognised in the statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

Recognition of assets

The Group recognises assets when it obtains control of a resource as a result of a past event from which future economic benefits are expected to flow to the enterprise.

Tangible assets

Plant and equipment

Office equipment, motor vehicles, furniture and fittings, computer equipment and building infrastructure are recorded at cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is charged on the straight-line basis over the estimated useful lives of the assets.

I. Summary of accounting policies (continued)

The estimated maximum useful lives are:

- | | |
|---|--------------|
| - Office equipment and furniture and fittings | 6 years |
| - Motor vehicles | 5 years |
| - Computer equipment | 3 to 5 years |
| - Building infrastructure | 10 years |

The residual values and useful lives of assets are reviewed on an annual basis and if appropriate are adjusted accordingly.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Profit and loss on the disposal of plant and equipment is charged to the statement of comprehensive income. In determining the estimated residual value, expected future cash flows have not been discounted to their net present values.

Investment property

Initial recognition

Investment property is initially recognised at cost.

Subsequent measurement

The entity adopts the fair value model in terms of IAS 40.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

Intangible assets

Intangible assets are recorded at cost less accumulated amortisation and impairment.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of associates is included in the investments in associates and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or Groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each business segment in each country in which it operates.

Contractual customer relationships

Acquired contractual customer relationships from business combinations are recognised at fair value at acquisition date. Contractual customer relationships intangible assets are amortised using the straight-line method over their useful lives of five or 10 years. Management reviews the carrying value where objective evidence of impairment exists. The carrying value is written down to estimated recoverable amount when a permanent decrease in value occurs. Any impairment is recognised in the statement of comprehensive income when incurred.

Trademarks, brands and intellectual property

Trademarks, brands and intellectual property have a finite useful life and are initially measured at fair value and subsequently amortised over its useful life. Amortisation is calculated using the straight-line method to allocate the cost of trademarks, brands and intellectual property over their estimated useful lives of 10 years. The carrying value of these intangible assets is assessed for any impairment if impairment indicators exist and any required adjustment will be expensed in the statement of comprehensive income.

I. Summary of accounting policies (continued)

Internally generated computer software development costs

Costs associated with developing computer software programs are generally expensed as incurred.

However, costs that are clearly associated with an identifiable and unique product, which will be controlled by the Group and have a profitable benefit exceeding the cost beyond one year, are recognised as intangible assets.

The following criteria are required to be met before the related expenses can be capitalised as an intangible asset. These criteria are:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- Its intention to complete the intangible asset and use or sell it.
- Its ability to use or sell the intangible asset.
- How the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Expenditure that enhances and extends the benefits of computer software programs beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software.

Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of 15 years.

Directly attributable costs associated with the acquisition and installation of software are capitalised.

Computer software acquired

Acquired computer software licences are capitalised on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (two to seven years). The carrying value of these intangible assets is assessed for any impairment if impairment indicators exist and any required adjustment will be expensed in the statement of comprehensive income.

Impairment of assets

Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Operating leases

The Group is the lessee

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the term of the relevant lease. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the total lease expense.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised in full as an expense in the year in which the termination takes place.

I. Summary of accounting policies (continued)

The Group is the lessor

The Group has entered into sub-lease agreements on some of the operating leases that it has entered into as lessee. The rental income is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as an integral part of the total rental income.

Direct costs incurred in concluding an operating sub-lease are amortised over the lease term.

Financial assets

A financial asset is any asset that is:

- (a) cash;
- (b) an equity instrument of another entity;
- (c) a contractual right: to receive cash or another financial asset from another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- (d) a contract that will or may be settled in the entity's own equity instruments and is either a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments or a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial assets are initially recognised when the Group becomes a party to the contract.

At initial recognition, management determines the appropriate classification of financial assets, attributable to shareholders or policyholders, as follows:

- Financial assets at fair value through profit and loss comprise financial assets held for short-term profit taking. If elected, financial assets may also be classified as held at fair value through profit and loss when initially recognised. Where this option has been elected, the financial assets are designated as financial instruments at fair value through profit and loss.
- Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity where management has both the intent and ability to hold to maturity.
- Loans and receivables originated by the entity are financial assets that are created by the entity by providing money, goods or services directly to a debtor, other than those that are originated with the intention of sale immediately or in the short term.
- Financial assets that are not classified as any of the above are classified as available for sale.

Financial assets (or a part of a financial asset) are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial assets at fair value through profit and loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit and loss at inception.

A financial asset is classified into the 'financial assets at fair value through income' category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking, or if so designated by management.

Financial assets at fair value through profit and loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit and loss' category, are presented in the statement of comprehensive income within 'fair value gains/(losses)' in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the statement of comprehensive income when the Company's right to receive payment is established. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Company assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets are impaired.

I. Summary of accounting policies (continued)

Receivables from subsidiaries and Group entities

Receivables from subsidiaries and Group entities are non-derivative financial assets with no fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets and carried at amortised cost using the effective interest rate method less required impairment.

Trade and other receivables

Trade and other receivables comprise loans and receivables. Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present amount of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within 'bad debt write-off'. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to 'bad debts recovered'.

Impairment of assets held at amortised cost

These assets are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of debt securities held at amortised cost is established when there is objective evidence that the Group will not be able to collect all amounts due according to their original terms.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following events:

- (i) Significant financial difficulty of the issuer or debtor;
- (ii) A breach of contract, such as a default or delinquency in payments;
- (iii) It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- (iv) The disappearance of an active market for that financial asset because of financial difficulties; or
- (v) Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including:
 - adverse changes in the payment status of issuers or debtors in the Group; or
 - national or local economic conditions that correlate with defaults on the assets in the Group.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. Management assesses the annual cash requirements and the fair value in determining whether or not the asset will be held at amortised cost.

If there is objective evidence that an impairment loss has been incurred on investments carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. If an investment held at amortised cost or a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

I. Summary of accounting policies (continued)

Whenever sales or reclassification of more than an insignificant amount of investments held at amortised costs do not meet any of the conditions listed above, any remaining investments held at amortised cost shall be reclassified as available for sale. On such reclassification, the difference between their carrying amount and fair value shall be recognised directly in equity, through the statement of changes in equity until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity shall be recognised in profit or loss.

If, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as held at amortised cost, it shall be reclassified as available for sale and remeasured at fair value, and the difference between its carrying amount and fair value shall be recognised directly in equity, through the statement of changes in equity until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity shall be recognised in profit or loss.

Prepayments and deposits

Prepayments and deposits are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment if they relate to financial assets. The prepayments and deposits which relate to the receipt of goods or services are initially and subsequently measured at cost.

Cash and cash equivalents

Cash and cash equivalents are carried at fair value. For the purpose of the statement of cash flows, cash includes cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less, that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Financial liabilities

A financial liability is any liability that is:

- (a) A contractual obligation:
 - (i) To deliver cash or another financial asset to another entity; or
 - (ii) To exchange financial asset or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- (b) A contract that will or may be settled in the entity's own equity instruments and is:
 - (i) A non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
 - (ii) A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.
 - (iii) A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial liabilities (or a part of a financial liability) are derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires.

Trade and other payables

Trade and other payables comprise of payables classified as financial liabilities and payables arising from insurance contracts. Payables classified as financial liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the amortised cost is recognised in the statement of comprehensive income under 'finance costs' over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

I. Summary of accounting policies (continued)

Contingent liabilities

Contingent liabilities have been recognised as part of business combinations detailed in note 4. Contingent liabilities are liabilities for which a reliable estimate can be made, yet the probability of an outflow of economic benefits is remote.

The fair values of contingent liabilities recognised as part of the business combinations have been determined by management as the amounts that a third party would charge to assume the contingent liabilities. These amounts reflect all expectations about possible cash flows and not the single most likely or the expected maximum or minimum cash flow.

Contingent liabilities acquired as part of a business combination

After their initial recognition, the Group measures contingent liabilities that are recognised separately due to a business combination at the higher of:

- (i) The amount that would be recognised in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- (ii) The amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense in the statement of comprehensive income as finance costs.

Employee costs

Pension and provident fund obligations

The Group operates a number of defined contribution plans, the assets of which are held in separate trustee-administered funds. The pension and provident plans are funded by payments from employees and by the Group, taking account of the recommendations of independent qualified actuaries. The funds are administered in terms of the Pension Funds Act and periodic actuarial valuations are performed.

The Group's contributions to the defined contribution pension and provident plans are charged to the statement of comprehensive income in the year to which they relate. The Group has no further payment obligations once the contributions have been paid.

Post-employment medical obligations

Some of the retired employees are provided with post-employment healthcare benefits. No further post-employment healthcare benefits will be granted. These obligations are valued annually by independent qualified actuaries using the projected unit credit method. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the statement of comprehensive income under employee benefit costs. Interest costs are charged to the statement of comprehensive income as finance costs.

Annual leave

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position date. This provision is recognised in the statement of financial position under 'Employment benefit liability'.

I. Summary of accounting policies (continued)

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either:

- Terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or
- Providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Benefits falling due more than 12 months after statement of financial position date are discounted to present value.

Bonus plan

The Group recognises a liability and an expense for bonuses based on a formula where there is a contractual obligation or a past practice that created a constructive obligation. The Group has a 13th cheque salary structuring mechanism and an incentive scheme. The expense is recognised as 'Employee benefit costs' in the statement of comprehensive income. Factors that are taken into account when determining the incentive bonus amounts include key performance indicators and Company performance of both the individual and the Company.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less accumulated impairment in the separate annual financial statements of the Company.

Revenue and expense recognition

Revenue comprises the fair value of the consideration received or receivable for services provided in the ordinary course of business.

The Group recognises revenue when the amount can be measured reliably, and it is probable that the future economic benefits will flow to the entity.

All revenue excludes Value Added Tax ("VAT"). All expenditure on which input VAT can be claimed excludes VAT.

Administration fees

Gross fees for the administration of medical schemes, and the provision of managed care services, are recognised as revenue on the accrual basis as the services are provided. Administration fees are accounted for as revenue in the statement of comprehensive income.

Finance income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

Dividend income

Dividend income is recognised when the right to receive payment is established (date of declaration).

Other expenditure

All other expenditure is recognised as and when incurred.

Current and deferred income tax

The current income tax charge is calculated on the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Group's subsidiaries and associates operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situation in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

I. Summary of accounting policies (continued)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the annual financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Dividends Tax

Dividends tax will be borne by the shareholder receiving the dividend at a rate of 15%. Tax on dividends in specie will remain the liability of the Company declaring the dividend.

South African resident companies are, however, exempt from the new dividends tax.

In respect of dividends, other than dividends in specie, the Company declaring the dividend is required to withhold the dividends tax on payment. If the dividend is paid through a regulated intermediary, liability for the withholding tax shifts to the intermediary. Dividends tax will not need to be withheld if a written declaration is obtained from the shareholder stating that they are either entitled to an exemption or to double taxation relief.

Dividends

Dividends are recorded in the Group's annual financial statements in the period in which they are approved by the Group's shareholders.

Share capital

Ordinary shares

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

When the Group reacquires its own equity instruments, those instruments ('treasury shares') shall be deducted from equity. In the event that the shares are cancelled upon reacquisition, share capital and share premium are respectively reduced with the original issue price of the shares reacquired. Any difference between the original issue price and the reacquisition price is recognised as an increase or decrease in the retained earnings. Where such treasury shares are acquired and held by other members of the consolidated Group the consideration paid or received is recognised directly in equity as a treasury share reserve.

Share-based payments

The Group had applied the requirements of IFRS 2 Share-based payments. The Group issues equity-settled share-based awards to certain employees, which are measured at fair value at the date of grant and expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Vesting assumptions are reviewed at each reporting period to ensure that they reflect current expectations. The Group treats the share-based payment reserves in the same manner at Company and Group level. At Company level, the reserves are accounted for at the same value as the Group due to the fact that ACT Company is responsible for issuing the shares to the subsidiary Executives. The share-based payment expense is accounted for individually in each impacted subsidiary where the Executives are employed. The Group IFRS 2 share-based payment expense is recharged to the aforementioned subsidiaries due to the fact that the AHL Executives are employed by those respective subsidiaries and accordingly they should bear the related costs.

I. Summary of accounting policies (continued)

Consolidation procedures

In order that the consolidated annual financial statements present financial information about the Group as that of a single economic entity, the following steps are then taken:

- (i) The carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary are eliminated (refer to note 4: Business combinations which describes the treatment of any resultant goodwill);
- (ii) Non-controlling interests in the profit or loss of consolidated subsidiaries for the reporting period are identified; and
- (iii) Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the parent shareholders' equity in them. Non-controlling interests in the net assets consist of:
 - The amount of those non-controlling interests at the date of the original combination calculated in accordance with IFRS 3; and
 - The non-controlling interest's share of changes in equity since the date of the combination.

Inventory

Inventory is stated at the lower of cost or net realisable value. The cost of inventories shall comprise the cost of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition.

As inventories held by the Group represents highly specialised medical equipment at high value, the policy adopted by the Group is the specific identification of cost method.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief financial officer, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer as the person that makes strategic decisions.

Contingent reserve

The contingent reserve was accounted for and treated in accordance with IFRS 3 (2004) and not IFRS 3 (revised) of 2009 due to the date of the initial Acquisition Agreement of 2008. The treatment of the contingent shares issued as equity is in line with the interpretations that were applied at the time of the transaction and the treatment for contingent consideration under IFRS 3 (2004). The old IFRS 3 requirements are still required to be applied to a business combination that occurred when it was applicable (i.e. IFRS 3 (2004) was grandfathered). The standard requires that when a business combination agreement provides for an adjustment to the combination's cost contingent on future events as is the case for this transaction, the acquirer should include the amount of that adjustment in the combination's cost at the acquisition date if that adjustment is probable and can be measured reliably. Please refer to note 19 for further details. The accounting policy relating to IFRS 3 (2004) is below:

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income.

The non-controlling interest in the acquiree is initially measured at the non-controlling interests' proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Contingent shares

The contingent shares have been recognised at their fair value at the acquisition date. These shares have been classified as equity and are not remeasured. Subsequent settlement is accounted for within equity.