



AfroCentric
GROUP

GROWTH IS NEVER BY CHANCE, IT IS THE RESULT OF WORKING TOGETHER

**INTEGRATED
ANNUAL REPORT
2016**

OUR STORY . . .

AfroCentric started from **humble beginnings** where it was a newly listed entity on the JSE in 2008. Through **transformation** and **integration** AfroCentric has achieved significant **growth** that has propelled itself as a major player in the industry thereby creating a business of **sustainable** healthcare.



HIGHLIGHTS FOR THE YEAR

- ▲ Dividend **increased** by 20% to 24 cents per share for the year
- ▲ Level 2 B-BBEE status **achieved** for fourth consecutive year, on the revised codes
- ▲ Sanlam Life Insurance Limited acquired a **28.7%** shareholding in ACT Healthcare Assets (Pty) Ltd
- ▲ Achieved the Service **Excellence** award for Administration and Health Risk Management from BHF
- ▲ BHF **member** of the year
- ▲ Medscheme was **appointed** as health administrator and health risk management provider to South African Police Service Medical Scheme ("Polmed")
- ▲ Acquisition of healthcare assets from **WAD Holdings (Pty) Ltd**, including Pharmacy Direct and Curasana
- ▲ AHL Scheme of arrangement was concluded to buy-out **5.9%** minority shareholding



CONTENTS



Feedback on the contents and presentation of the Integrated Annual Report 2016 is welcomed. To provide feedback or request hard copies of our report, stakeholders are invited to contact Shivani Ramdhani at shivaniir@afrocentric.za.com (Group Investor Relations).

INTRODUCTION

About this report	3
Reporting suite	4
Navigation	4
Forward looking statements	5

OUR BUSINESS 6

Organisational overview	9
Company history	10
Vision, mission and strategy	11
Group structure	12
Our footprint	13

LEADERSHIP 14

Board of Directors	18
Executive Committee	20
Chairperson's report	22
Chief Executive Officer's report	26

STRATEGY 28

Strategy	31
Business model	36
Stakeholder engagement	42
Material risks and opportunities	47

PERFORMANCE OVERVIEW 52

Chief Financial Officer's report	55
Group results at a glance	59
Group Annual Financial Statements (supplementary information)	

OPERATIONAL REVIEWS 62

Medscheme South Africa	65
Aid for Aids	68
AfroCentric Health Solutions	69
Helios IT Solutions	71
Allegra	73
Pharmacy Direct, Curasana and Activo Health	75
Klinikka	77

GOVERNANCE AND SUSTAINABILITY 78

Corporate governance report	81
Remuneration Committee report	90
Social and Ethics Committee report	93

SHAREHOLDER INFORMATION 102

Financial calendar	105
Notice of Annual General Meeting	106
Form of proxy	115
Appendix – Extract from Section 58 of the Companies Act	117
Annexure A – Memorandum of Incorporation amendment	118
Glossary	132
Administration and contact information	ibc

ABOUT THIS REPORT

AfroCentric Investment Corporation Limited ("AfroCentric") is pleased to present its Integrated Annual Report ("report") for the financial year ended 30 June 2016 to shareholders.

The content of the report was compiled by members of the AfroCentric Group ("the Group") to ensure that the information provided is balanced, reliable, transparent and relevant to stakeholders. In particular, it focuses on the needs and interests of stakeholders.

This report addresses AfroCentric's objective of facilitating the delivery of healthcare services to its clients via a spectrum of various service offerings to enhance its value creation to stakeholders.

SCOPE AND BOUNDARY

The report covers the consolidated performance of the Group. No material changes were made and all significant matters are reported on consistently, with no material restatements.

The Group operates primarily in South Africa, but has an established presence in neighbouring African countries and Mauritius.

REPORTING APPROACH

The report content was aligned to the principles of the International Integrated Reporting Council's ("IIRC") International Reporting <IR> Framework released in December 2013. This includes outlining how the business creates value, depicting the business model and adopting a more intense future focus, and addresses certain first-time disclosures such as AfroCentric's six capitals and its material matters.

The Group Annual Financial Statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Policies Committee, the Financial Pronouncements as issued by the Financial Reporting Standards Council, the Companies Act and the Johannesburg Stock Exchange ("JSE") Listings Requirements. The Group applied the King Code of Governance Principles ("King III") and sought to align with best local reporting practices.



An overview of the Group companies and subsidiaries is provided on page 12.

The Group Annual Financial Statements are published in the Integrated Annual Report (supplementary information) and is available on the website, www.afrocentric.za.com. This can also be requested from the Group Investor Relations office in writing.

MATERIALITY

Materiality was applied in determining the disclosure and content in the report. This ensures that the report remains concise and relevant to stakeholders. As part of this process, management identified the material matters that could impact positively or negatively on the Group's ability to create value and are likely to have a material impact on revenue and profitability.

ASSURANCE

The content of the Integrated Annual Report was reviewed by the Board of Directors and Management.

The external auditors, PricewaterhouseCoopers Inc. provided assurance on the Group Annual Financial Statements and expressed an unmodified audit opinion. This is confirmed in the Report of the Independent Auditors contained in the Group Annual Financial Statements.

APPROVAL

The Board acknowledges its responsibility to ensure the integrity of the Integrated Annual Report. The Directors confirm they have reviewed the content of the report and believe it addresses the material matters and is a fair presentation of the performance of the Group. The Audit and Risk Committee, which has oversight and responsibility for integrated reporting, recommended the report for approval by the Board of Directors. The Board approved the 2016 Integrated Annual Report for release to shareholders in October 2016.

Dr Anna Mokgokong
Chairperson

Antoine Van Buuren
Group Chief Executive Officer

REPORTING SUITE

The integrated annual report should be read in conjunction with the Group Annual Financial Statements. The content of each is outlined in the table below:

Report	Integrated Annual Report	Group Annual Financial Statements
Contents	The report is in line with the International Integrated Reporting Council's ("IIRC") International Reporting <IR> Framework and the King Code of Corporate Governance for South Africa 2009 ("King III") and presents: – An overview of the Group's strategy, business model, stakeholder engagement and material risks and opportunities – Performance and prospects – Operational reviews – Corporate governance report – Remuneration Committee report – Social and Ethics Committee report – Notice of Annual General Meeting – Form of proxy	The Group Annual Financial Statements is in accordance with the International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act of South Africa, 71 of 2008, as amended ("Companies Act"), and presents: – Full Audited Group Annual Financial Statements for the financial year ended 30 June 2016 – Directors' report – Independent auditors report – Audit and Risk Committee report
Available	Online at www.afrocentric.za.com	Online at www.afrocentric.za.com

The audited Group Annual Financial Statements is presented separately as supplementary information to the Integrated Annual Report. This is available on the Group's website www.afrocentric.za.com

NAVIGATION

The following icons were applied throughout the report to illustrate the integration between the relevant elements.



Website



Diversifying revenue sources



Page reference



Growth



Cost consciousness



Conducting business in an ethical manner



Client service



Group Annual Financial Statements



Transformation



Enhance shareholder value

FORWARD LOOKING STATEMENTS

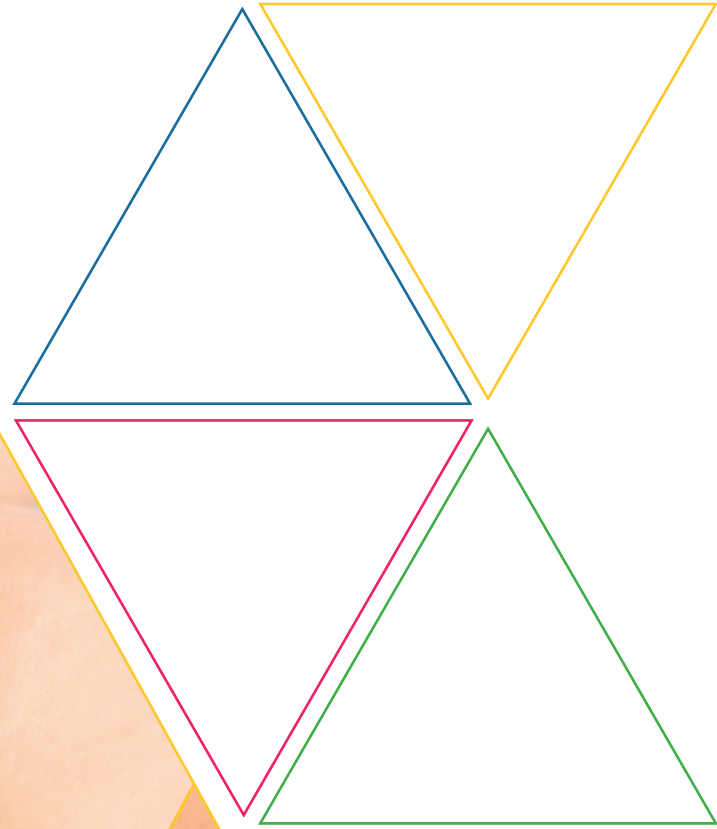
Certain statements in this document may constitute 'forward-looking statements'. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could result in the actual performance or achievements of the AfroCentric Group of companies and its subsidiaries ("the Group") to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. The AfroCentric Group undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of publication of this report, or to reflect the occurrence of anticipated events. These have not been reviewed or reported on by the Group's auditors.

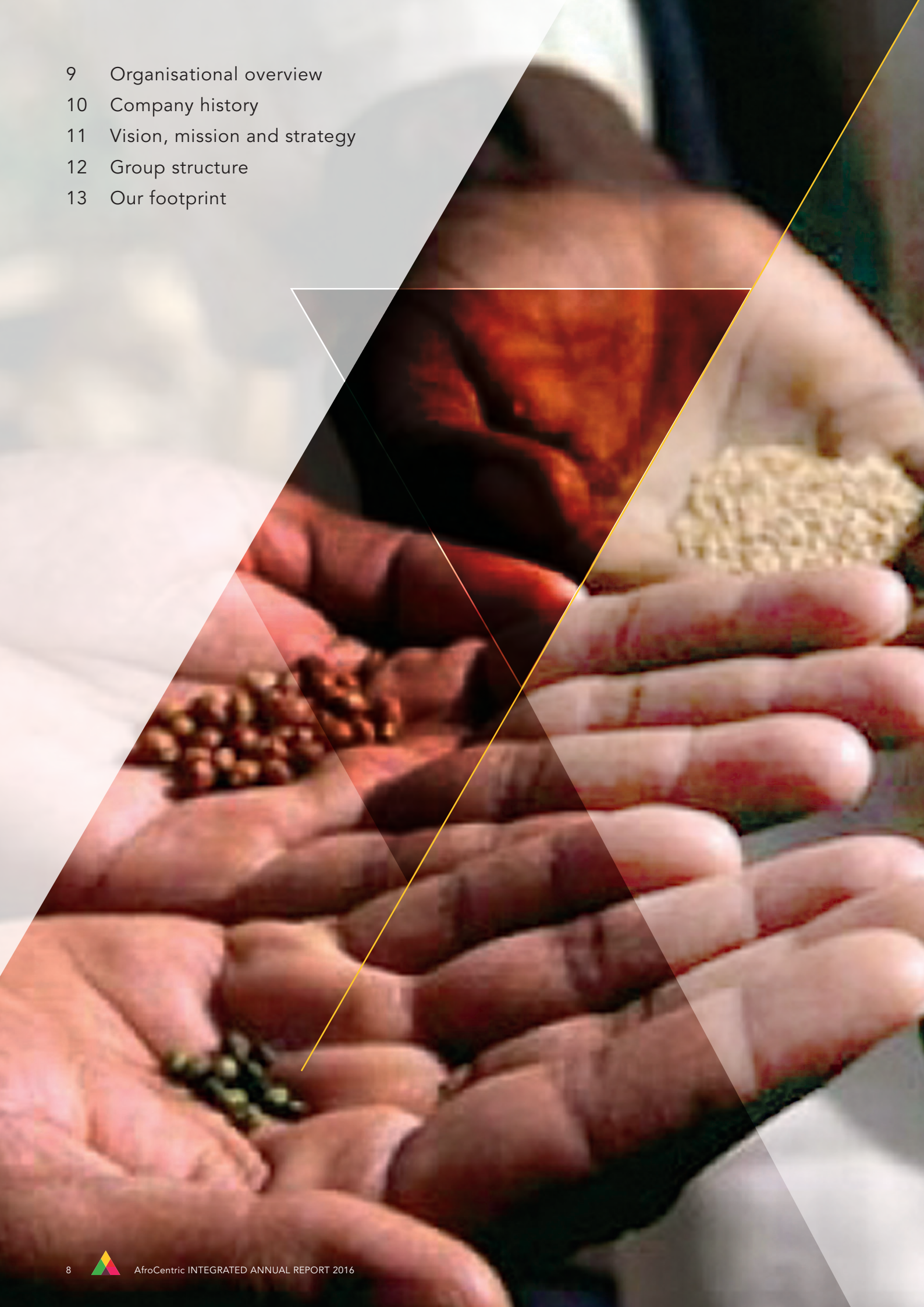




Humble beginnings

OUR BUSINESS



- 
- 9 Organisational overview
 - 10 Company history
 - 11 Vision, mission and strategy
 - 12 Group structure
 - 13 Our footprint



AfroCentric seeks to invest in healthcare related businesses that demonstrate prospects for growth as well as diversify its revenue sources, while contributing to the sustainable health and welfare of South African communities.

PROFILE

AfroCentric is a black-owned investment holding company with an investment portfolio focused on services to the healthcare sector. AfroCentric was established in 2008 and is listed in the healthcare sector on the JSE.

The Group was founded on the core philosophy of transformation and empowerment, and is one of the few black-owned and controlled companies on the JSE. We are a level 2 B-BBEE rated company and the most empowered health-related business on the JSE.

Through its operating subsidiaries, AfroCentric provides health administration and health risk management solutions to the healthcare industry. It also provides a range of complementary services to its traditional medical scheme clients and a portfolio of healthcare-related enterprises. These services include information technology ("IT") solutions; transactional switching; specialised disease management; back, neck and shoulder treatment; pharmaceutical wholesaling; and pharmaceutical courier distribution services.

AfroCentric seeks to invest in healthcare related businesses that demonstrate prospects for growth as well as diversify its revenue sources, while contributing to the sustainable health and welfare of South African communities. Medscheme is the Group's largest subsidiary and is one of South Africa's leading medical scheme administrators and health risk management providers. Medscheme is the largest manager of medical schemes with approximately 3.7 million lives under our management through our 19 client medical schemes in Southern Africa. It is the largest black-owned medical scheme administrator, with a national footprint of offices in South Africa, and 4 781 employees (including countries outside of South Africa).

INCREASING THE HEALTHCARE VALUE CHAIN

AfroCentric continues to provide the healthcare sector with practical strategies for expanding the membership of its medical scheme clients. New initiatives that enable us to further promote more efficient and effective patient care and treatment management include the Document Based Care ("DBC") back and neck rehabilitation programme and pharmaceutical courier distribution services to patients.

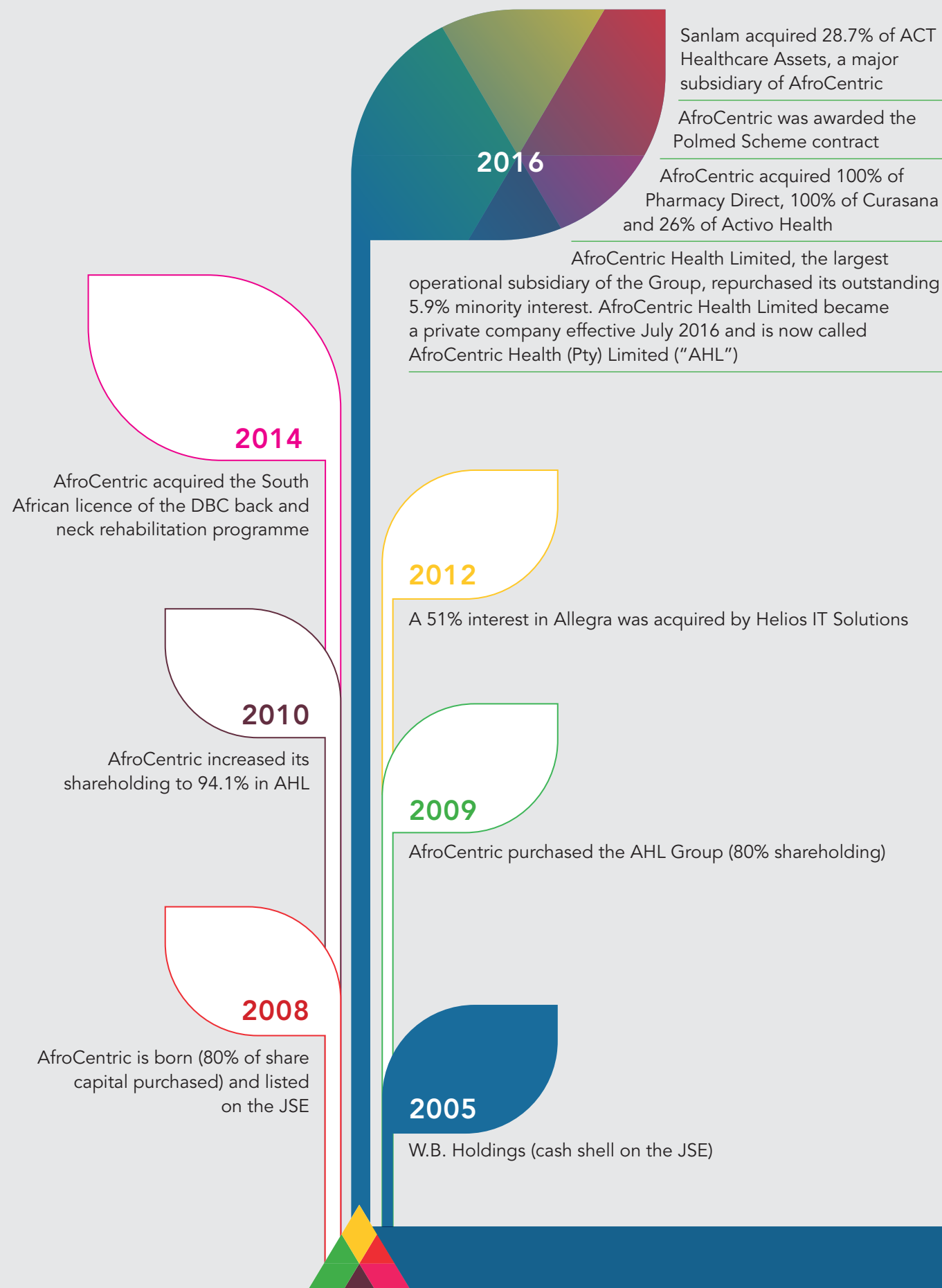
On 1 August 2015, AfroCentric acquired a 100% interest in Pharmacy Direct, a courier pharmacy; 100% of Curasana, a pharmaceutical wholesaler; and a 26% stake in Activo Health, a Southern African distributor of generic medicines and complementary nutraceutical products. These acquisitions provided greater access to the wider healthcare delivery value chain and greater visibility in the relevant markets.

On 15 December 2015, Sanlam Life Insurance Limited ("Sanlam"), one of the country's foremost financial institutions, concluded its acquisition of a 28.7% stake in ACT Healthcare Assets, a wholly owned subsidiary of the Group. In alignment with the Group's growth strategy, this strategic alliance has enhanced the Group's marketing and distribution initiatives and positioned certain divisions within the Group on an improved growth path.

Growth and diversification outside South Africa has always been a strategic imperative. We have a presence in Botswana, Namibia, Swaziland, Kenya, Zimbabwe and Mauritius.

**Founded
on the core
philosophy of
transformation and
empowerment**

COMPANY HISTORY

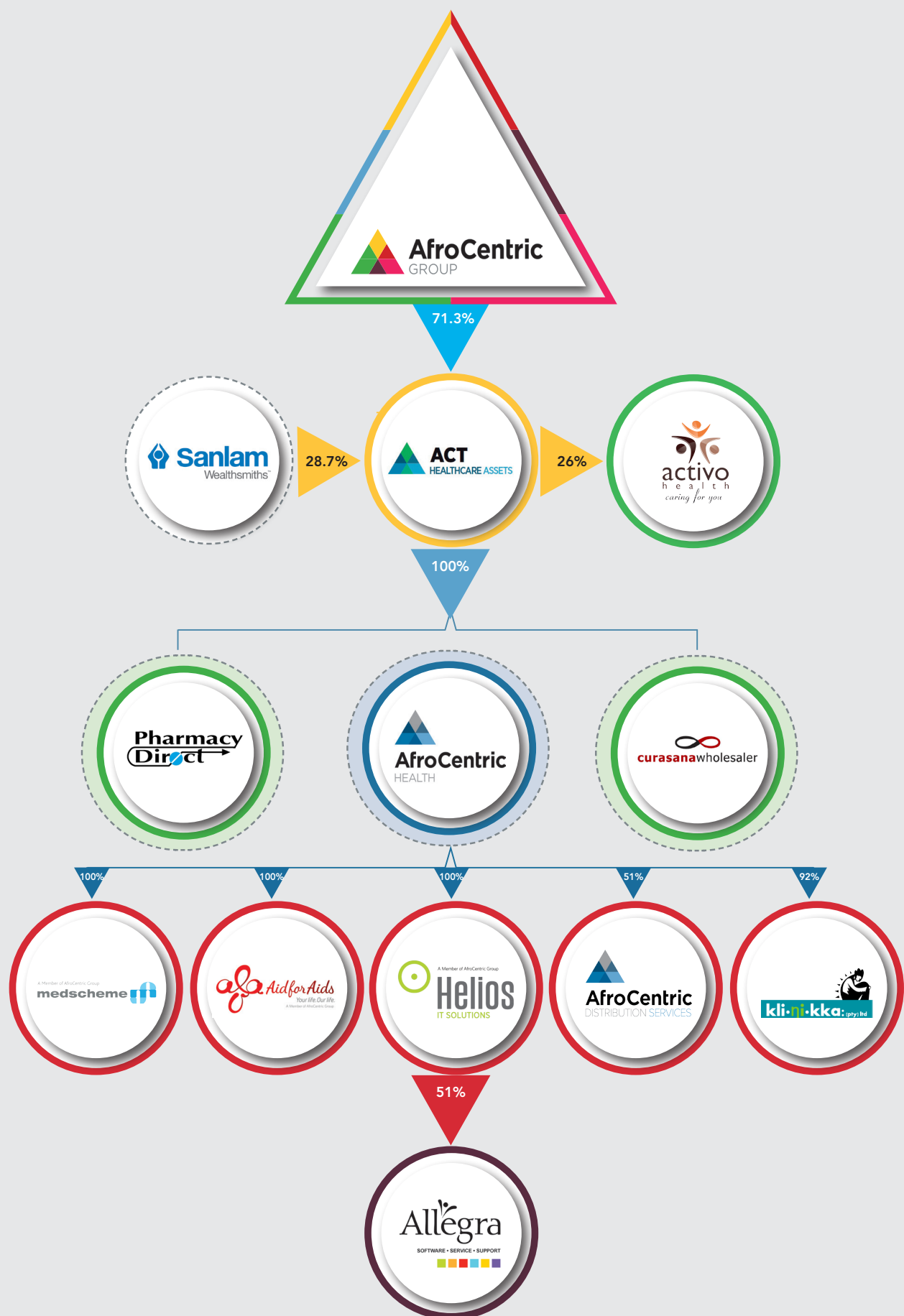




Our Purpose

We believe that every person, regardless of their circumstances, should have the opportunity to improve and protect their health.

GROUP STRUCTURE



OUR FOOTPRINT

Our Offices

Namibia

- ▲ Medscheme Namibia

South Africa

- ▲ Medscheme South Africa
- ▲ Aid for Aids
- ▲ Helios
- ▲ Allegra
- ▲ Pharmacy Direct, Curasana and Activo Health
- ▲ Klinikka

Botswana

- ▲ Associated Fund Administrators Botswana

Zimbabwe

- ▲ Medscheme Zimbabwe

Mauritius

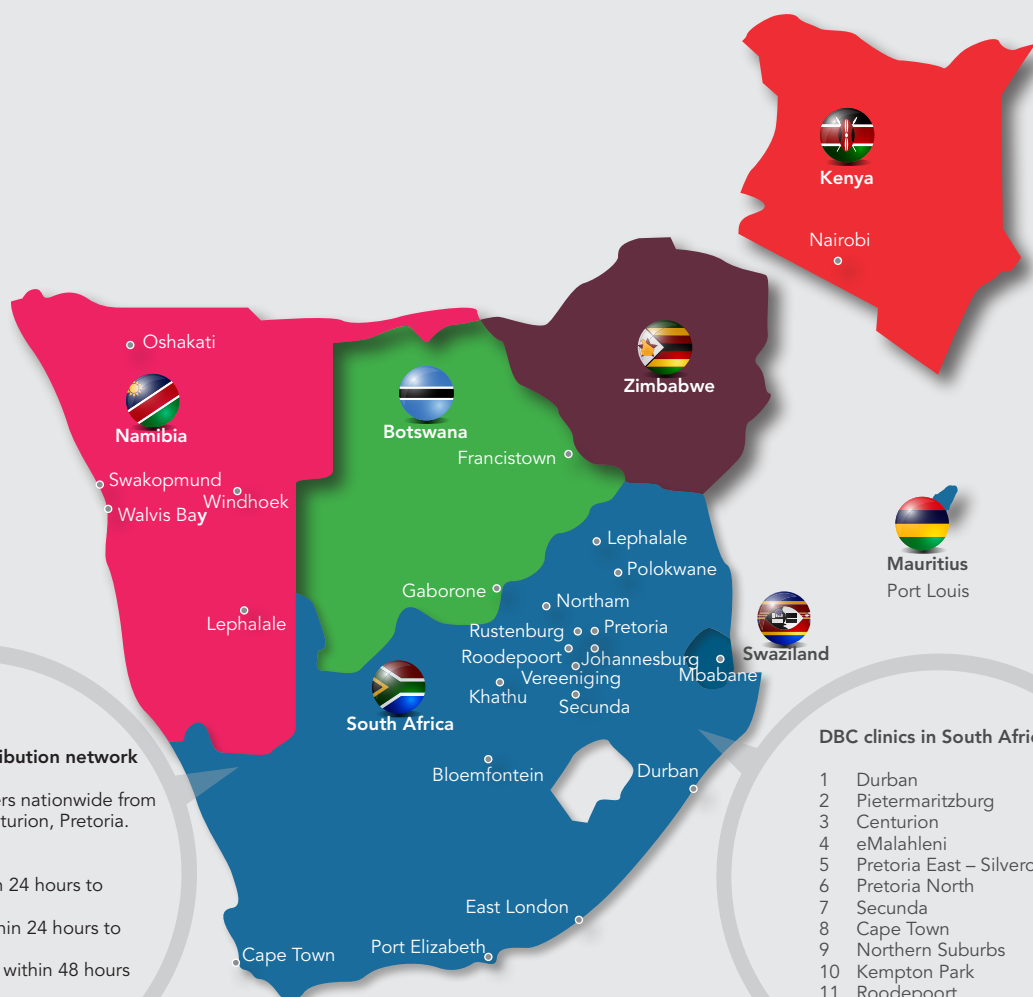
- ▲ Medscheme Mauritius
- ▲ Medscheme International

Kenya

- ▲ AAR Kenya
- ▲ AfroCentric Health Solutions Kenya

Swaziland

- ▲ Medscheme Swaziland



Pharmacy Direct distribution network

Pharmacy Direct delivers nationwide from their hub based in Centurion, Pretoria.

Delivery Frame

- Main Centre – within 24 hours to 48 hours
- Outlying areas – within 24 hours to 48 hours
- Far Outlying areas – within 48 hours to 72 hours
- Remote areas – within 72 hours

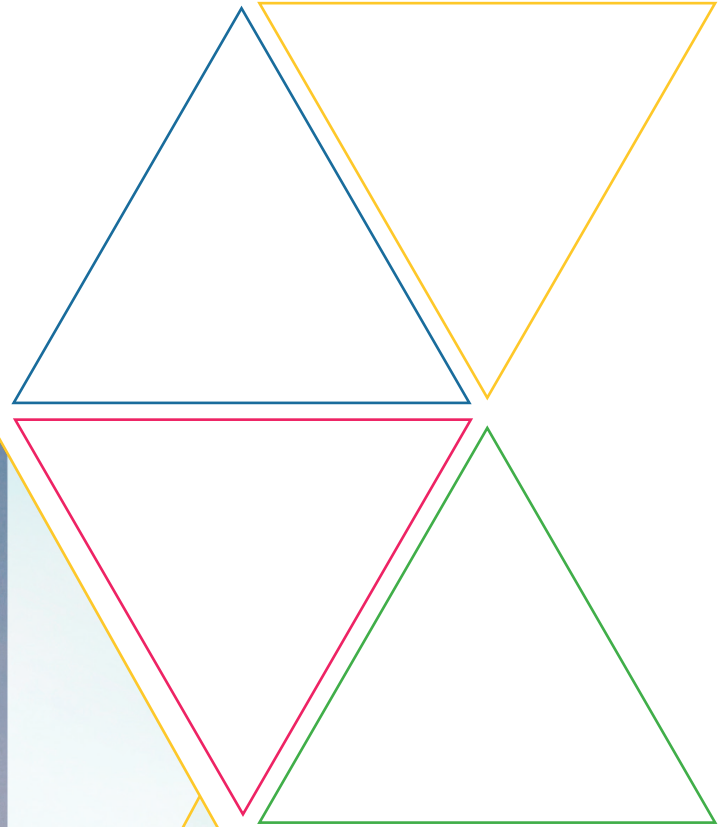
DBC clinics in South Africa

- 1 Durban
- 2 Pietermaritzburg
- 3 Centurion
- 4 eMalahleni
- 5 Pretoria East – Silveroaks centre
- 6 Pretoria North
- 7 Secunda
- 8 Cape Town
- 9 Northern Suburbs
- 10 Kempton Park
- 11 Roodepoort
- 12 Rosebank



Transformation

OUR LEADERSHIP





18	Board of Directors
20	Executive Committee
22	Chairperson's report
26	Chief Executive Officer's report



BOARD OF DIRECTORS



1. **Dr Anna Mokgokong (BSC MBChB, DCom (hc))** **Non-executive Director (Chairperson)**

Dr Anna Mokgokong is chairperson of the AfroCentric Group. Her qualifications include a Bachelor of Science degree and an MBChB. She is also the chairperson of the Tsoseletso Consortium which will oversee the upgrading of the Tshwane Wes Precinct area – which represents an investment of over R6 billion by the Tshwane municipality, a board member of Shoprite Holdings and a Board member of Adcock Ingram. She is a former president of the South African Women Entrepreneur's Network and of the International Women's Forum of South Africa. She is also the founding member and Group Executive chairperson of Community Investment Holdings. She is also a recipient of honorary doctoral awards and international awards. One of her most recent awards is the Lifetime Achievement award of the Department of Trade and Industry. She is the chairperson of the US SA Trade Commission and currently serves with the Bill Clinton Global Foundation. She is also a Board member of the American University (Nigeria) and a member of Leading Women of the World.

2. **Joe Madungandaba (CPA (SA), MDP)** **Non-executive Director (Major shareholder and Deputy Chairperson)**

Joe Madungandaba studied Commerce at the University of the North, Cranfield School of Management (UK) and at the Wharton Business School (USA). He is a member of the Institute of Commercial and Financial Accountants of Southern Africa and is a certified public accountant and tax practitioner.

He is the Group CEO of Community Investment Holdings and is appointed on all its subsidiaries' Boards. He is also a non-executive director of public listed companies Distell, Jasco and AfroCentric.

3. **Antoine Van Buuren (BCom, MBA)** **Group Chief Executive Officer**

Antoine entered the healthcare sector in 2004, when he jointly founded WAD Holdings. He was the CEO of WAD subsidiary companies Pharmacy Direct, a courier pharmacy business, and Curasana Wholesalers, a pharmaceutical wholesaler. Prior to founding WAD Holdings, he spent 15 years with the Total Group in South Africa and internationally, including holding general management positions responsible for logistics and retail. Antoine joined the AfroCentric Group effective 1 August 2015 and was subsequently appointed as the Group CEO.

4. **Hannes Boonzaier CA (SA)** **Group Chief Financial Officer**

Hannes Boonzaier completed his articles with KPMG in 1999. During his tenure with KPMG, he gained experience in valuations, due diligence reviews and commercial structuring of business transactions. He then joined Medscheme as a Financial Manager and over the past 12 years has been involved with Medscheme and the AfroCentric Group in various client operations. His success in leading Group Finance along with his knowledge of the business culminated in his appointment as the AfroCentric Group Chief Financial Officer effective 1 August 2015.

5. **Meyer Kahn (BA (Law), MBA DComm (hc))** **Independent Non-executive Director (Founder)**

Meyer Kahn retired as Chairperson of SABMiller plc after a 46-year career with the Group. He has served on the boards of 16 listed companies, as a trustee of numerous organisations, and is a past president of the South African Foundation. He has received a number of awards including one of the five Top Businessmen (1983), Marketing Man of the Year (1987), Business Manager of the Year (1990), the Award for Business Excellence from the University of the Witwatersrand Business School, and he has been honoured by the University of Pretoria as Professor Extraordinaire and awarded an honorary doctorate in commerce.

6. **Michael (Motty) Sacks CA (SA)** **Independent Non-executive Director (Founder)**

Motty has more than 45 years' experience as a consultant, advisor and mentor to numerous local and foreign companies and executives. He has also held Executive and Non-executive office in various business sectors, including healthcare, financial services, technology, education, property and manufacturing. Motty was a co-founder of Netcare Limited, having served as its Executive Chairperson for 12 years and thereafter as Non-executive Chairperson and Non-executive Director. Motty was also a co-founder and Chairperson of Aplitec Limited (now Net 1) and is the co-founder and mentor to AfroCentric. Motty has served as Chairperson and/or Director on several Boards including, Fedsure Holdings, Federated Employers Mutual, The Automobile Association, Clinic Holdings, Advtech Limited, The International Association of Political Consultants and, more recently, was appointed an Independent Non-executive Director of Adcock Ingram Limited. Motty also serves on the Board of Capital Appreciation Limited as a Non-executive Director.

7. **Joe Appelgryn CA (SA)** **Non-executive Director**

Joe Appelgryn is a Chartered Accountant, having served articles at Ernst & Young, with experience in transaction advisory, capital-raising and business and project appraisals. He founded Sinergi Corporate Advisors in 2004, and has since led transactions for a number of businesses. His experience spans a range of industries focusing on the healthcare industry. Prior to Sinergi, Joe worked at the Industrial Development Corporation of SA Limited ("IDC") for eight years, where he was active in the establishment of the Healthcare & Education Business Unit. He has served on a number of boards as a Non-executive and as acting Chairperson, vice-chairman and trustee of Resolution Health Medical Scheme ("RHMS").



8. Dr Brigalia Bam (Masters Degree in Communication – University of Chicago (USA))

Independent Non-executive Director

Brigalia Bam is the Chancellor of Walter Sisulu University and Founder of the Women's Development Foundation for Social Development & Community Services. She has previously served on a number of boards and has received numerous awards for her achievements including the Shoprite Checkers Woman of the Year Lifetime Achievement Award, the Chancellor's Medal awarded by the University of Pretoria, Grand Counsellor of the Baobab for Distinguished Service, awarded by Former President Thabo Mbeki, and honorary doctorates awarded by various universities.

9. Ahmed Banderker CA (SA)

Non-executive Director

Ahmed Banderker, a chartered accountant, completed his articles at Fisher Hoffman PKF. Thereafter, he joined Sail Group Ltd as Finance Manager. He then joined Shell in 2003. He fulfilled various roles within Shell, which saw him leading a diverse team across different countries. In addition, he was also appointed as a board member and shareholder representative in Shell's subsidiary companies in South Africa.

Ahmed was appointed to the Sanlam Group in November 2006 as Head of Finance at Glacier before taking on the role of Chief Executive: Strategic Business Development in 2011.

10. Willem Britz (B.Com, BProc)

Executive Director

As one of the founding members of WAD Holdings, Willem Britz is an admitted attorney with a Bachelor of Commerce and BProc degrees. With 10 years' experience in commercial law, he enjoyed working in an entrepreneurial environment and acted as an advisor in the medical aid industry. Realising the opportunities in the healthcare industry, WAD Holdings directors started Pharmacy Direct. Today, Willem is a successful entrepreneur who has been involved in numerous business ventures ranging from mining to pharmaceutical, financial services, property and game breeding over the past 12 years. Willem joined the AfroCentric Group effective 1 August 2015.

11. Lindani Dhlamini, CA (SA)

Independent Non-executive Director

Lindani Dhlamini is a chartered accountant with over 20 years' experience. She is the co-founder and Chief Executive Officer of SekelaXabiso, and Chairperson of Sekela Xabiso Financial Services.

As a seasoned entrepreneur and business leader through serving on boards such as the Industrial Development Corporation of SA, Old Mutual Investment Group SA, Old Mutual MS Life, and Old Mutual Health, Lindani has achieved recognition through winning the Black Business Quarterly ("BBQ") magazine's New Entrepreneur award in 2006. Through Lindani's leadership, SekelaXabiso has been recognised by Impumelelo as one of South Africa's most empowered companies for two years in a row.

12. Ian Kirk CA (SA)

Non-executive Director

Ian Kirk completed his articles at PricewaterhouseCoopers in 1986 and took overall responsibility for the computer audit function in the firm. Early in 1996, Ian was approached to join AGA Holdings as Managing Director. AGA Holdings later restructured as Capital Alliance Holdings Limited, one of the first broad-based black empowerment financial services companies in South Africa. In December 2004, Capital Alliance Holdings was sold to Liberty Group and Ian was appointed Deputy CEO of Liberty Group in March 2005.

In May 2006, Ian joined the Sanlam Group as Chief Executive: Strategy and Projects. In June 2007, he was appointed Chief Executive of Santam, whose market capitalisation has more than doubled since his appointment. He was appointed Deputy CEO of the Sanlam Group in January 2015 and effective 1 July 2015 he assumed the role of CEO of Sanlam Limited.

13. Yasmin Masithela (LLB)

Independent Non-executive Director

Yasmin Masithela is the current Head of Compliance for the Barclays Africa Group ("BAGL"), which she joined in 2011. She was the former General Counsel for the Wealth, Investment Management and Insurance ("WIMI") business of BAGL.

Yasmin completed her articles with Webber Wentzel. She joined Siemens Limited in 2001 and later headed up the Projects and Export Finance Department. In February 2005, she joined Phukubje Pierce Masithela as the partner responsible for General Corporate, Mergers & Acquisitions, Corporate and Project Finance practices in the firm. Yasmin has also held non-executive directorship positions in a public sector utility company as well as a company listed on the JSE. Yasmin resigned from the AfroCentric Group effective 15 September 2016.

14. Dr Nkateko Munisi (MBBCH)

Non-executive Director

Nkateko Munisi is a qualified and practising medical doctor with extensive experience in the medical industry, having served on numerous committees, boards and panels throughout his career. He is the chairperson of the medical panel at the Eskom Pension and Provident Fund and the RH Managers' advisory committee. He is also a representative in the Public Investment Corporation's healthcare infrastructure fund.

Nkateko is a director and the current chairperson of Golden Pond Trading 175 (Pty) Ltd, a joint venture company between SGH and Community Healthcare Holdings Proprietary Limited, who are material shareholders in AfroCentric.

15. Garth Napier (BCom, MBA)

Independent Non-executive Director

Garth is currently a Chief Executive of the Discount Division at Edcon. He has a Bachelor of Commerce degree from the University of Natal and a master's degree in Business Administration from Harvard Business School. He has held senior positions at local and international companies in marketing and strategy over the last decade. Garth was formerly at McKinsey & Company.

EXECUTIVE COMMITTEE



**1. Antoine Van Buuren (BCom, MBA)
Group Chief Executive Officer**

Antoine entered the healthcare sector in 2004, when he jointly founded WAD Holdings. He was the CEO of WAD subsidiary companies Pharmacy Direct, a courier pharmacy business, and Curasana Wholesalers, a pharmaceutical wholesaler. Prior to founding WAD Holdings, he spent 15 years with the Total Group in South Africa and internationally, including holding general management positions responsible for logistics and retail. Antoine joined the AfroCentric Group effective 1 August 2015 and was subsequently appointed as the Group CEO.

**2. Kevin Aron CA (SA)
Medscheme Holdings Chief Executive Officer**

A Chartered Accountant and Henley (UK) MBA graduate, Kevin Aron completed his articles at Ernst & Young before starting his career at SA Druggists and then Healthcare Management Systems. A move to Medical Services Organisation followed during which he was appointed as Financial Director and then as Chief Operating Officer. During his tenure at Medscheme, Kevin has led the Sales, Marketing and Operational Business units and now leads the South African, Africa and International operations of Medscheme.

**3. Hannes Boonzaaier CA (SA)
Group Chief Financial Officer**

Hannes Boonzaaier completed his articles with KPMG in 1999. During his tenure with KPMG, he gained experience in valuations, due diligence reviews and commercial structuring of business transactions. He then joined Medscheme as a Financial Manager and over the past 12 years has been involved with Medscheme and the AfroCentric Group in various client operations. His success in leading Group Finance along with his knowledge of the business culminated in his appointment as the AfroCentric Group Chief Financial Officer effective 1 August 2015.

**4. Lee Callakoppen (Masters in Human Resources Management)
Executive Director: Human Capital**

Lee has extensive experience in Human Resources having served at Executive level in a number of retail, telecommunications, media and healthcare organisations. Having achieved his degree in Information Science through the University of Johannesburg, he later qualified as an Industrial Sociologist in 1999 after completing his honours. He then furthered his education in Business Management and completed Global Executive Development Programme. He is currently in the process of completing a Master's Degree in Human Resources, with his thesis focusing on the Impact of rewards on motivation. He began a career in operational management within the retail sector before moving into Human Capital, holding positions in various industries ranging from retail to telecommunications and media. Lee held the position of HR Executive for the Primedia Content Division before joining Medscheme in 2007. As Executive Director: Human Capital and Transformation, Lee is currently responsible for continually focusing on transforming the organisational culture to enhance performance, learning and innovation and creating a fun an enabling working environment.

**5. Gawie Erasmus CA (SA)
Executive Director: CEO – Pharmacy Direct**

Gawie has a successful track record of more than 15 years in leading and transforming business divisions, finance teams and delivering complex operational solutions in South Africa and across the African continent. Gawie was appointed CEO of Pharmacy Direct in January 2016. Previous positions include the CEO of Activo Health since January 2014 and CEO of SDT Financial Software Solutions. Under Gawie's leadership, Pharmacy Direct has yielded positive growth in the CCMDD programme for the National Department of Health. He is a Chartered Accountant and completed his articles with KPMG in 1999.



6. Grace Khoza (Masters in Media Policy and Economics – London School of Economics)

Executive Director: Group Marketing and Corporate Affairs

Grace Khoza has a wealth of experience at executive level in the private and public sectors. A recipient of the Nelson Mandela Scholarship, she holds a master's degree in Media Policy, Communication and Economics from the London School of Economics and a BA (honours in Journalism) from Rhodes University.

Prior to joining the AfroCentric Group, Grace held the position of Public Relations and Marketing Manager at Bain Management Consulting. She also served as the Head of Strategic Communications and Marketing within the Department of International Relations and Cooperation for a number of years, overseeing the communication, branding and marketing of the country across 126 embassies.

7. Dr Nomalungelo Nyathi (MBChB)

Executive Director: Health Management

Nomalungelo (Lungi) Nyathi qualified as a Medical Doctor in 2003. She has worked extensively as a medical practitioner, in the private as well as the public sector. She originally joined Medscheme in 2010 and successfully led the GEMS managed care and Aid for Aids business units until 2015. Thereafter, Lungi has been providing strategic and clinical healthcare consulting to key role players in the health sector.

Lungi returned to Medscheme in June 2016 as an Executive Director specialising in Health Management. Lungi is responsible for the ongoing development and enhancement of the health risk management strategy, new products and solutions, clinical and health risk thought leadership, as well as public health strategy.

8. Aklaaq Mahmood (B Acc Sci, MBA)

Executive Director: Business Development

Aklaaq Mahmood has more than 10 years' experience in the healthcare industry as the Deputy CEO of LA Health Medical and the former Principal Officer of ProSano Medical Scheme. An MBA graduate from the University of Stellenbosch, he received the Dean's merit award for the highest achievement attained in the strategy component of the programme. Aklaaq has served on the Board, Audit Committee and Pension Fund of Global Health Medical Scheme. He has also been a member of various other committees and forums, including Chairperson of the Audit Committee of the City of Cape Town and a member of the Risk Committee and Mayoral Performance Evaluation Panel.

9. Anthony Pedersen CA (SA)

Executive Director: Managing Director – Helios IT Solutions

Anthony Pederson is a Chartered Accountant and began his career at Arthur Andersen. A move to the Momentum Group as CFO followed, first for the Medical Scheme Administrator company and thereafter for the Group Benefits company. In 2007, he relocated to Mauritius where, as General Manager of Momentum Health, he was responsible for establishing the new insurance business. Previously, he managed the international operations for Medscheme. Effective 1 May 2016, he was appointed Managing Director of Helios IT Solutions.

10. Vijay Pillay (BComm, MBA)

Executive Director: Group Technology

Vijay has previously worked across numerous IT roles at Spoomet Information Systems, before joining the Nedcor Technology and Operations division. He was later appointed as CIO for FNB Homeloans at an Executive level, and was seconded to FNB Direct Channels and Contact Centres, to oversee the new technology refresh program incorporating open source technologies.

Vijay was recently appointed as the Group Technology Director for AfroCentric Health, having previously occupied the role of Managing Director for Helios IT Solutions within the Group.

11. Tim Rametse (Labour Relations)

Executive Director: Managing Director – AfroCentric Health Solutions

Having studied Labour Law and Tax at the University of Pretoria, Tim was employed in the Employee Benefits Department of the Public Service Commission. After moving to National Sorghum Breweries, he joined Pretoria Medical Brokers, where he was rapidly promoted to Executive Director of the Healthcare division. He then joined Polmed as the medical scheme's Chief Operating Officer. Tim joined Medscheme in 2006 and a new Managing Director for AfroCentric Health Solutions which includes managing the International operations in Mauritius.

CHAIRPERSON'S REPORT

Dr Anna Mokgokong

INTRODUCTION

I am proud to present the AfroCentric Group's Integrated Annual Report at the end of a year that saw continued economic upheaval and pressure on the healthcare sector. I believe that we weathered the storms with resilience and enjoyed healthy growth in the number of lives under our care. In part, this is thanks to our success in securing the administration of Polmed, effective from 1 January 2016.

The year was one of internal consolidation, with the acquisition of Pharmacy Direct (Pty) Limited ("Pharmacy Direct"), Curasana Wholesaler (Pty) Limited ("Curasana") and a 26% interest in Activo Health (Pty) Limited ("Activo Health") collectively termed the ("WAD Acquisition") and the Sanlam investment into ACT Healthcare Assets. Our current positive financial standing places us in the perfect position to pursue our ambitions for growth.

The Group is positioned as an integrated healthcare company with the expansion of the business into new areas of healthcare management, represented by interests in the pharmacy sector and ICT solutions for health. We hold the number one market position in managed care and are proud of our industry-leading expertise and our long track record as a medical scheme administrator.

However, we continue to operate in a difficult environment. The weakness of the Rand has impacted on the purchase price of medicines and equipment, contributing to healthcare inflation.

Fraud, waste and abuse is a serious concern for the industry, with fraudulent claims and over-servicing (due in part to a 'fee for service' provider payment model) also increasing total healthcare costs. We take the elimination of fraud seriously and invested R100 million in 'Insurance Fraud Manager', a fraud detection software application.

TRANSFORMATION

I am proud of AfroCentric's status as a majority black-owned company and of the role transformation plays in our business. The main purpose of transformation is not to drive value creation, but to support the legislation that advances our Constitution. Transformation does however add value as diversity ignites innovation. We believe in the importance of good corporate citizenship and promote this through our transformation strategy, our CSI policy, and our ED and SED practices.

The B-BBEE codes of practice were revised in 2015 to address abuse, close loopholes and reflect a more actively interventionist

The Group leverages its clinical, actuarial, data analytics and health intelligence capability to identify pockets of inefficiency and so creates value though negotiating fairer prices of these items in order to make healthcare more affordable. We want to see more of each healthcare Rand being spent on patients care; and improving the effectiveness of the system will mean more value created for members.

Medscheme is the largest manager of medical schemes with approximately 3.7 million lives under our management.

and prescriptive approach by government to the implementation of B-BBEE. We are delighted to have retained our Level 2 B-BBEE rating, considering the enhanced rigour of the eligibility scorecard against which our renewal was measured. I would like to thank the Transformation Committee and all who worked on the successful submission for the renewal of our rating.

AfroCentric's willing compliance with the new codes reaffirms our commitment to transformation, to securing new contracts, and to the retention of current clients. The Group and our stakeholders benefit from the diversity of our workforce; our skills development initiatives which build the capacity of our employees to continuously improve customer service; and our development of new industry entrants as a result of our ED and SED programmes.

CONSOLIDATION

Rising healthcare costs create the right conditions for market consolidation. Currently, the medical scheme sector is highly fragmented, with many small players. The Group is the largest manager of medical schemes through Medscheme in terms of number of lives covered and is ideally placed to lead the consolidation necessary to drive costs down, particularly non-administration and health risk management costs.

Key components of the healthcare value chain are unregulated, such as medical consumables and surgical devices. This has resulted in significant price variance and high mark-ups. Ultimately, it is the schemes and scheme members who suffer the effects of this uncontrolled pricing through increased healthcare inflation. The Group leverages its clinical, actuarial, data analytics and health intelligence capability to identify pockets of inefficiency and so creates value through negotiating fairer prices of these items in order to make healthcare more affordable. We want to see more of each healthcare Rand being spent on patients care; and improving the effectiveness of the system will mean more value created for members.

Medscheme is the largest manager of medical schemes with approximately 3.7 million lives under our management.

NATIONAL HEALTH INSURANCE

The NHI system, currently being piloted by the National Department of Health, is discussed throughout this report. It features prominently in our future plans. We are aware that the 3.7 million lives we look after represent a small proportion of the South African population, most of whom do not currently enjoy the quality of healthcare found in the private sector. The aim of the NHI is universal access to quality care. This is a goal we support.

The White Paper on the NHI was released in December 2015 and states clearly that the private sector is expected to co-operate in the development and implementation of the new system. Declining to participate is not an option. We welcome the opportunities presented by the NHI, and believe we can use the experience gained through 44 years in the private sector to assist the government in the design and provision of services. Pharmacy Direct is our courier pharmacy subsidiary and is already providing chronic medicines to patients in NHI pilot districts.

We administer the Government Employees Medical Scheme ("GEMS") and Polmed. We envisage that our experience in working with government will stand us in good stead to be a major contributor to the NHI.

HEALTH MARKET INQUIRY

The Group awaits the outcome at the end of 2016 of the Competition Commission's health market inquiry into private healthcare costing. We support the investigation and made a detailed submission to the Commission. We share the concerns informing the inquiry: healthcare costs are escalating in excess of the rate of inflation in this country and private hospital costs compare unfavourably to other Organisation for Economic Co-operation and Development ("OECD") countries, even for wealthier countries.

Young, healthy people are withdrawing from schemes or opting for insurance-only cover due to current healthcare costs. This is increasing the actuarial risk profile of various schemes and making them more expensive. We believe all industry players must work together to make medical schemes more affordable for young people and for all scheme members. This will ensure diversification of the risk pool and greater access to quality healthcare. We look forward to the recommendations of the inquiry, in anticipation of a more level playing field for the industry and a more accessible market for all.

CORPORATE GOVERNANCE

In a year of transition in the business and investment in the future, the Board supported major initiatives such as the development of the next generation IT system, Fusion. This will enhance and support all our administrative activities. Capital investment decisions of this scale are not taken lightly. However, the Board has faith in the management team's capacity to successfully implement these advancements.

CHAIRPERSON'S REPORT (continued)

The Board and Executive Committee worked together to determine the strategic direction for the short and medium term. We are certain we have the right team in place to lead the Group through this period of change.

I also welcome the entrepreneurial spirit of Antoine Van Buuren as Chief Executive Officer, to the Board of AfroCentric.

LOOKING AHEAD

The current trend of increasing costs cannot be sustained, and is not in the best interests of the nation. The private sector accounts for 50% of the total national spend on healthcare, but provides services to less than 20% of the population. This is an inequitable system in a society striving for a fairer distribution of wealth and social benefit. We believe the Competition Commission's recommendations will help to reduce healthcare costs; but it is the NHI that will level the playing field.

Our focus for the foreseeable future is on delivering value for the healthcare Rand. Consolidation is key, and AfroCentric intends to lead the way. We will drive efficiencies throughout the healthcare value chain and support the government, as appropriate, in the transformation of health service delivery in South Africa.

ACKNOWLEDGEMENTS

Thank you to all who make AfroCentric Group what it is: our management team, employees, clients, service providers, and shareholders, without whom we could not do business. I recognise our outgoing Chief Executive Officer, Dewald Dempers, for his dedication to the business during his term of office. I wish his successor, Antoine Van Buuren, every success.

I am delighted to announce that Medscheme and its clients secured the vast majority of awards at the Board of Healthcare Funders ("BHF") Titanium Awards Gala event. Medscheme received the awards for Service excellence in healthcare administration, Service excellence in managed healthcare and BHF member of the year.

Finally, I thank you to the rest of the Board of Directors for their guidance and support in the leadership of the Company, and the stewardship they provide to our executive team.



Dr Anna Mokgokong
Chairperson





CHIEF EXECUTIVE OFFICER'S REPORT

Antoine Van Buuren

INTRODUCTION

The Group underwent a period of internal consolidation over the past year. We integrated the WAD acquisition in 2015 into the business. We also cemented the relationship with Sanlam, gaining a deeper understanding of the value creation we can derive from the partnership. We invested in growing the business, and that investment impacted our financial performance in the short term. Growth was subdued to an extent but we are now starting to see our efforts provide a return.

These are testing times for our medical scheme clients. The slow-down in the economy means that young people cannot afford private medical cover, which impacts on the capacity for medical schemes to grow.

In the current economic climate, our growth will come from expanding the client and customer base rather than organically, and through diversification of revenue streams. A recent example of this expansion was the successful tender for the Polmed scheme.

For various reasons – the weak rand, scarcity of skills, and fewer young and healthy entrants to schemes diluting the risk pool – healthcare inflation is outstripping general consumer inflation, which is approximately 6.5%. We want to see more value delivered to the customer for every healthcare Rand spent, and are committed to driving that value and reducing costs to make healthcare sustainable.

Our acquisition of Pharmacy Direct and Curasana is another way we are lowering healthcare costs. This provides our medical scheme clients with more economical solutions to customers' needs, and creates value for shareholders by allowing AfroCentric to access more of the healthcare Rand.

COST CONSCIOUSNESS

One of the ways we seek to achieve this is through greater cost efficiencies in the business. We actively pursued a strategy of process optimisation and moved from a 'best of breed' ideology to one of 'fit for purpose'. We fostered a culture of cost consciousness across the business – helping to bring down healthcare costs for clients and their beneficiaries.

Our strategic commitment to cost consciousness is supported by the R150 million investment in our enhanced IT platform – Fusion.

Once we are at the end of the development phase, Fusion will be a more stable platform.

Our current Nexus IT system has the ability to generate income in the form of licence and service agreements.

The objective of the health market inquiry is to make healthcare more affordable, which is exactly what we are trying to achieve for our clients. Everything we do is aligned to this objective.

CLIENT SERVICE

Our clients require operational efficiency and exceptional service. Cost-efficiency alone will not retain clients. We worked to integrate our businesses and instil a culture of client focus, putting the customer at the heart of the value proposition. We reviewed and adapted the structure within the Group, removing redundancies to help us get closer to the customer. Through a process of continuous engagement, we work to determine the best individualised client solution and don't impose a 'one size fits all' philosophy.

DIVERSIFYING OUR REVENUE SOURCES

AfroCentric is primed for growth, but the prevailing economic conditions make it difficult for us to grow organically through increasing membership in current client schemes. Therefore, we are actively seeking new medical scheme clients. We are also scanning the environment for opportunities to diversify our revenue sources, particularly in the non-health administration and health risk management market.

We are in a position to leverage the Sanlam investment, which gives us access to short-term insurance products, a loyalty programme, an extensive distribution network, and a recognised consumer brand. This partnership will enhance our product suite and marketing capacity, creating cross-selling opportunities; and the Reality customer loyalty scheme will boost customer retention. In the long term, we aim to derive 30% of income from non-health administration and health risk management related sources, and we are certain that our partnership with Sanlam will contribute to growth in new markets.

We are pleased that Medscheme Mauritius is now part of the AfroCentric Health Solutions (previously Medscheme Africa) stable. We are currently in discussions with partners in East and West Africa to expand our footprint in those regions. We are not aggressively targeting international expansion; however, we remain receptive to opportunities outside of the South African market.

OPPORTUNITIES FOR GROWTH

In addition to the prospects presented via diversification, opportunities exist in the current healthcare market. It is unfortunate that rising costs make medical schemes on a smaller scale unviable on their own, especially if they are failing to attract younger members. These conditions make medical scheme mergers more likely; and we are positioned to capitalise on scheme consolidation. Our target for the next financial year is an increase of 120 000 lives under administration.

Some of these new members may arise from our relationship with government. We administer two government medical schemes, GEMS and Polmed. We also deliver chronic medication to 180 000 patients in pilot NHI districts through our subsidiary, Pharmacy Direct. We are negotiating with government around a number of tenders and consider government to be a key client and partner to our business.

As mentioned previously, we actively seek ways to support the government's efforts to introduce NHI. The White Paper signals changes to the healthcare market for all participants,

in the private and public sectors. The NHI is scheduled to be phased in over a 14-year period, so its impact will not be felt immediately. In the meantime, we look forward to the outcome of the health market inquiry and hope it will address some of the imbalances in the market.

The objective of the health market inquiry is to make healthcare more affordable, which is exactly what we are trying to achieve for our clients. Everything we do is aligned to this objective.

CONCLUSION

We continue to strive to deliver value to shareholders and we are aware of the erosion of profits caused by fraud, waste and abuse in the industry. While it is the medical schemes and not the health administrators who are directly impacted by fraud, inevitably a reduction in medical scheme revenues has a domino effect for the Group. Therefore, fraud detection and containment is in the interests of clients as part of our commitment to exceptional customer service. It is also an important part of our strategy to enhance shareholder value. We invested heavily in a fraud detection system and most of our clients seized the opportunity to deploy it for their schemes, thus contributing to improved sustainability for the client and the health administrator.

AfroCentric is proud to declare that their investment for the exclusive licencing of the Insurance Fraud Manager ("IFM") predictive analytics software is demonstrating material savings for their client medical schemes. IFM is licenced through FICO, the world's leading software provider of credit scoring analytics. By continuously scoring healthcare claims and providers using advanced analytics, AfroCentric is able to proactively monitor and detect irregular claiming behaviours much sooner than conventional retrospective methods.

The impact of this game-changing initiative positions AfroCentric well to becoming the supplier of choice for the management of fraud, waste and abuse.

APPRECIATION

I express my appreciation to all the AfroCentric employees who embraced change and worked tirelessly to implement it, in particular all those who were involved in the Polmed tender and business integration. I thank all the management teams and employees of the AfroCentric Group for a job well done in a difficult trading environment. I also congratulate those colleagues who were winners of 'Passion' awards, our employee recognition programme. Thank you for your continued excellence and diligence in what we deliver to our clients.

We will continue to strive to make healthcare affordable and sustainable and we face the future with our appetite for growth undiminished.

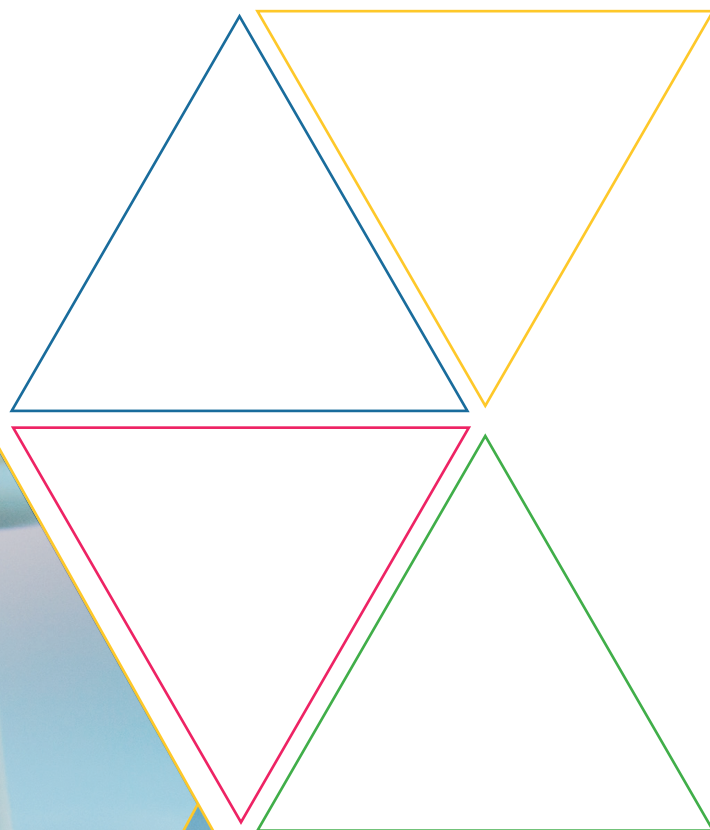


Antoine Van Buuren
Group Chief Executive Officer



Integration

STRATEGY





31	Strategy
36	Our business model
42	Stakeholder engagement
47	Material risks and opportunities

STRATEGY

AfroCentric Investment Corporation Limited provides efficient healthcare services. These services contribute to the provision of best possible health outcomes for beneficiaries and best quality of care at an affordable cost.

INTRODUCTION

AfroCentric's purpose is, believing that every person, regardless of their circumstances, should have the opportunity to improve and protect their health. The Group's strategy and initiatives are developed to support the achievement of this purpose.

Group executive management reports to the Board on matters that can potentially have a material impact on strategic execution. These matters are regularly assessed and the appropriateness and effectiveness of the strategy is reviewed against the risks and opportunities of the external environment.

The Group strategy was reviewed and refined in 2016. It is designed to assist the Group in its aim to make a difference in healthcare and achieve its objectives in a subdued economic environment.

Our objectives are as follows:

- Enhance shareholder value
- Maximise growth opportunities
- Improve efficiencies through cost consciousness
- Promote transformation
- Diversify revenue sources
- Deliver exceptional client service

The business model outlines how the Group makes use of a range of business capitals and transforms them through the activities of the operating companies to enable our objective of the provision of quality and affordable healthcare. Each business and their activities actively supports the delivery of the strategy.

PROGRESS COMPARED TO STRATEGY

AfroCentric has made great strides to aligning its activities to its strategy. The following are notable achievements:

- Enhanced shareholder value by increasing dividends by 20% per share
- Awarded the Polmed contract effective 1 January 2016
- Raised cost consciousness across the Group while maintaining efficiencies
- Achieved a Level 2 B-BBEE status on the revised codes
- Finalised the WAD acquisition
- Concluded the Sanlam transaction
- Increased the client base to approximately 3.7 million lives by winning new business as a result of client satisfaction



For further detail on how the business model supports the strategy, please refer to page 36.

For further detail on how each of the operations supports the strategy, please refer to pages 63 – 77.

Making a difference in healthcare

STRATEGY (continued)



ENHANCE SHAREHOLDER VALUE

One of the Group's key objectives is the creation of sustainable value for shareholders. Prospects for organic growth are limited as it is unlikely that further income can be derived from current members or funds. (Refer to page 39 for commentary on the external environment.) There is, therefore, a need to increase the client base through acquisitions and business development. This will ensure enhanced shareholder value into the future. AfroCentric has a high fixed cost component, including IT systems and health risk management specialists. We aim to enhance value through improving efficiency and maximising capacity.

Key performance indicators

- Cash-generating capabilities (cash flow)
- Dividend yield
- Return on equity ("RoE")
- Return on capital employed ("RoCE")
- Return on assets ("RoA")

Action plan and targets

- Monitor non-performing contracts
- Grow client base and new schemes to administer
- Capital management and capital procurement



COST CONSCIOUSNESS

A key pillar of the business model is access to quality and affordable healthcare. The Group cultivated a culture of cost consciousness in the business and as a result, reduced healthcare costs for clients and their beneficiaries. The Group actively pursued process optimisation and transitioned to an ideology of 'fit for purpose' in support of this initiative.

Key performance indicators

- Reduction in cost base
- Percentage of operating expenses
- Gross profit percentage
- Percentage of profit after tax

Action plan and targets

- Expand our supplier base to ensure best attainable prices
- Lowering healthcare cost delivery through technology and process improvements



GROWTH

The Group aims to extract value from revenue diversification, acquisitions and strategic transactions as well as through growth of the client base. The focus will be on inorganic growth, including public sector involvement, in the next three to five years.

The escalating costs in healthcare make certain smaller schemes unviable on their own and there is likely to be a consolidation of schemes in the South African market. AfroCentric is well positioned to capitalise on these opportunities and increase the number of lives in its care.

The Group will continue to seek opportunities in Southern Africa. Potential new ventures outside South Africa will be analysed for strategic value creation. There will also be a focus on niche markets, differentiation through innovation and the development of alternative offerings to medical administration. The prospects for complementary insurance products and the Sanlam Reality loyalty programme will enhance the attractiveness of medical schemes, benefiting retention and membership growth.

The Group will also actively seek ways to support the government's efforts to introduce a National Health Insurance ("NHI").

Key performance indicators

A. Grow customer base

- Number of members under administration
- Number of contracts with government (government tenders and projects and public/private partnerships with government)
- Medscheme has secured the health administration and health risk management contracts for the Liberty Medical Fund (previously Liberty Medical Scheme) with 110 000 lives, awaiting merger approval with Bonitas Medical Scheme
- Pharmacy Direct recently won a tender for the management, distribution and Dispensing of Chronic Medication to Compensation of Occupational Injuries and Disease ("COID") Patients.

B. Consolidation of the South African market

- Mergers of medical schemes

Action plan and targets

- Increase lives by 120 000 – 200 000 (2017) and the long-term goal is to increase members in open schemes by consolidating the South African market and maintaining a Southern Africa focus



TRANSFORMATION

AfroCentric was founded on the philosophy of transformation and empowerment. Empowerment is linked to its brand and reputation and supports the ability to grow through winning tenders based on credentials. Being an empowered company enables the recruitment and retention of skilled employees who are aligned with the Group's vision. The Group maintained a Level 2 B-BBEE status based on the revised codes and will continue to drive transformation as a key initiative.

Key performance indicators

- B-BBEE rating (Level 2 achieved)
- Gender of Board (27% of Board members are female)
- Government contracts

Action plan and targets

- Retain Level 2 B-BBEE status on the revised codes
- Attract black professionals
- Maintain focus on developing a work environment that attracts and develops the best talent, promotes a high-performance, values-based culture, encourages diversity and transformation, and fosters positive employee relations, underpinned by trust and respect
- Support economic transformation through preferential procurement

STRATEGY (continued)



DIVERSIFYING REVENUE SOURCES

AfroCentric regularly seeks opportunities to diversify its revenue sources, particularly in the non-health administration and health risk management market. The WAD acquisition ensures entry into the healthcare supply value chain; and the partnership with Sanlam allows a more integrated offering to clients.

Key performance indicators

- Percentage non-health administration and health risk management-related revenue

Action plan and targets

- Achieve a greater percentage of total revenue from non-health administration and health risk management related sources in the long term
- Leverage the Sanlam loyalty programme for client retention
- Expand our range of existing products and services to new clients and markets



CLIENT SERVICE

The Group focuses on a partnership with clients and business partners. AfroCentric integrates its businesses and creates a culture of focus, placing the customer at the heart of the value proposition.

Key performance indicators

- Client retention
- Client services statistics

Action plan and targets

- Retain 100% of open scheme members
- Increase focus on client service to ensure support of the Group brand
- Enhance a performance culture among employees to deliver superior client service and ensure client retention
- Provide an integrated service offering to clients

OUTLOOK

LOOKING FORWARD

Key pillars of implementing the strategy include driving efficiencies throughout the healthcare value chain and pursuing ambitions for growth, from a strong financial base. In the short term, our culture of cost consciousness will enhance profitability. There is also value to be extracted from the Sanlam partnership. In the short to medium term (2017 – 2021), the Group supports the Government in its commitment to transform the delivery of healthcare in South Africa and seeks opportunities in the inevitable servicing requirements of the NHI. New revenue sources are constantly being sought, and further expansion in Africa offers prospects for growth in the medium and long term.



STRATEGY (continued)

BUSINESS MODEL



OUTCOMES

COMPLEMENTED BY
THE FOLLOWING

IT SOLUTIONS



- ▲ Innovative technology solutions
- ▲ Integrated medical scheme administration and health risk management systems
- ▲ Healthcare management systems for those affected by specialised diseases
- ▲ Network connectivity
- ▲ Outsourced technology solutions

PHARMACEUTICAL



- ▲ Courier pharmacy and designated service provider to a wide range of South African medical aid schemes
- ▲ Supplier of chronic medication under prescribed minimum benefits and normal chronic benefits

ANCILLARY SERVICES



- ▲ Actuarial prevalence assessment
- ▲ Financial impact analysis
- ▲ HIV counselling and testing ("HCT")
- ▲ KAP surveys (Knowledge, Attitudes and Practice)
- ▲ Education and awareness programmes
- ▲ Workplace policies and procedures
- ▲ Corporate treatment programmes



IT platform for:

- ▲ Clinical information management
- ▲ Pharmaceutical care
- ▲ A single system that integrates dispensing, primary healthcare, and practice management as well as wellness management modules
- ▲ Integration between healthcare stakeholders and healthcare providers



- ▲ An individualised evidence-based multidisciplinary treatment approach to managing musculoskeletal disorders:
 - ▼ Back treatment
 - ▼ Neck treatment
 - ▼ Shoulder treatment
 - ▼ Hip treatment
 - ▼ Knee treatment



FINANCIAL CAPITAL

- ▲ The Group obtains the funds required for executing the strategy through earning returns on investments and re-investment of earnings generated from services
- ▲ Increasing the service fees base enables the Group to increase financial capital and create value for our stakeholders



INTELLECTUAL CAPITAL

- ▲ Systems and processes are continually improved through the Group's activities to best serve our clients



MANUFACTURED CAPITAL

- ▲ Manufactured capital is being enhanced through the development and implementation of the Fusion IT system, designed to drive security and efficiency of data management



HUMAN CAPITAL

- ▲ Skills and talent programmes aim to continually increase the value of the Group's human capital



SOCIAL AND RELATIONSHIP CAPITAL

- ▲ Expanding the Group's brand
- ▲ Continually improving relationships with all stakeholders
- ▲ All Group subsidiaries support Medscheme and enhance the Medscheme brand
- ▲ The Group actively participates and invests in enterprise development ("ED"), corporate social investment ("CSI") and socio-economic development ("SED") in South Africa



NATURAL CAPITAL

- ▲ Although AfroCentric has a small footprint in natural capital, we are aware that natural resources are reduced through the use of resources to conduct its business activities



STRATEGY (continued)

BUSINESS MODEL

The Group's business model explains how value is created for stakeholders and depicts the capital inputs required to effectively provide health administration and health risk management in the context of the external environment, and in response to stakeholders' needs.

The business model depicts how the businesses transforms inputs, through business activities and operations, into outputs and outcomes.

These elements inform the material risks and opportunities and are considered when developing an effective strategy.

SIX CAPITALS

AfroCentric relies on a range of capital inputs that are transformed through its activities to create value, as outlined below.

	FINANCIAL CAPITAL	The Group obtains the funds required for executing the strategy through earning returns on investments and re-investment of earnings generated from services. Increasing the service fees base enables the Group to increase financial capital and create value for our stakeholders.
	INTELLECTUAL CAPITAL	Intellectual capital consists of employee intellectual property including systems and processes, uniquely tailored IT systems, licences (such as the licence for back treatment in South Africa) and business and industry knowledge. The Group continually aims to increase its intellectual capital through streamlining operations and investing in improvements to ensure efficiencies.
	MANUFACTURED CAPITAL	Manufactured capital is the physical objects that AfroCentric requires to provide services and include IT and call centre equipment amongst others. An example of manufactured capital is the Fusion IT system, designed to enhance security and efficiency of data management.
	HUMAN CAPITAL	Human capital is the capabilities and experience of employees on which AfroCentric relies. We have a skilled workforce across a range of key competencies related to the industry and who provide services from call centres and operations to administration and actuarial analysis. The Group continually aims to increase human capital through recruitment practices, skills and talent programmes. AfroCentric has its own learning academy to upskill and empower employees.
	SOCIAL AND RELATIONSHIP CAPITAL	The AfroCentric Group is invested in South Africa with the purpose of promoting a rational healthcare delivery system that focuses on quality while controlling unsustainable medical inflation, improving people's lives and the quality of care. This is achieved through investing in relationships with stakeholders brands in which it is invested. The Group is committed to transformation, and providing a meaningful contribution to uplift the communities in which it operates and to the South African nation as a whole.
	NATURAL CAPITAL	The AfroCentric Group does not have a significant environmental footprint. We rely on environmental resources and processes, such as water and electricity, to provide services rendered. The recent energy crisis and load shedding increased our environmental impact as a result of diesel generators being utilised. The Group is committed to sound corporate citizenship and monitors and measures its greenhouse gas ("GHG") footprint, considering that carbon tax legislation may have a financial implication.



For further detail on investment in employees, refer to page 101.

For further details on corporate social investment, transformation and B-BBEE, refer to page 94.

Refer to governance and sustainability on page 79 for more information.

MATERIALITY

AfroCentric's definition of materiality is defined by the IIRC's <IR> Framework as those matters that substantially affect the organisation's ability to create value over the short, medium and long term.

The Group views materiality determination and assessment as a continuous process because we appreciate that the external environment is continually evolving. Through understanding how material risks and opportunities as well as stakeholder expectations inform the strategy (how the business is responding), the Group is able to execute a successful business model.

AfroCentric's external environment, risks and stakeholder engagement culminate in the material risks and opportunities.

A risk assessment is undertaken regularly, and the results are combined to arrive at strategic, financial, reporting, IT, compliance, reputational and operational risks. These risks are considered in relation to the external environment and stakeholder expectations.

The process involves considering the risk and opportunity likelihood and potential impact within the quantitative and qualitative parameters set by the Group. These matters form the foundation for the Group's future materiality assessments as management continuously seek to align its strategic approach with the critical factors in its operating environment.

EXTERNAL BUSINESS ENVIRONMENT

SOUTH AFRICAN ECONOMY

The South African economy has endured a minor economic setback over the past few years, from which it has not yet recovered. The Rand experienced a significant reduction in value in 2015, and remains weak against international currencies. The severe drought experienced across large parts of the country, during the summer months further exacerbated the economic stress, which resulted in increased commodity prices. The impact of these combined factors were felt across all industrial sectors and by all demographic groups. Inevitably, some were more exposed to the effects of the economy than others. Some industries that experienced a setback responded with a reduction in employment levels and/or reduced remuneration and benefits packages for employees, including provision for private healthcare, directly impacting our clients and thus the Group.

IMPACT ON SOUTH AFRICAN HEALTHCARE SECTOR

Rising inflation unmatched by economic growth and remuneration increases impacts on disposable income. This results in limited choices for consumers. In some instances, consumers choose not to pay for private healthcare. These decisions are also influenced by escalating healthcare costs, which is unaffordable for most of the population.

This further increases healthcare costs, as the young and healthy opt for low-cost insurance alternatives or choose not to join a medical aid scheme at all, using public sector facilities for acute care. Lacking young entrants, what remains is an ageing membership base with increased medical scheme claims, resulting in even higher contribution requirements, an 'actuarial death spiral' which further drives out existing healthy members, unable to afford the rising premiums.

The increased costs of medicine and medical devices is mainly attributable to the importation from countries with stronger currencies (predominantly the United States). The value of the Rand, however, presents opportunities to diversify into international markets. International contracts could yield lucrative returns if the Rand remains comparatively weak.

NATIONAL HEALTH INSURANCE

The government's plans to introduce NHI are underway. Since 2012, 10 health districts in seven provinces have been running pilot projects. The pilots were designed to test the ability of health districts to assume greater responsibilities, to assess utilisation patterns, and to determine the cost and affordability of implementing a primary healthcare service package. According to the White Paper "NHI represents a substantial policy shift that will necessitate a massive reorganisation of the current healthcare system, both public and private". Government is committed to ensuring access to quality healthcare for all South Africans, regardless of their financial standing.

The private sector will be instrumental in the success of the NHI. The NHI is intended as a national scheme, based on the principle of a 'single fund' and a 'single payer', and will require sophisticated IT solutions. AfroCentric, through its IT subsidiary, Helios IT Solutions ("Helios"), manages a range of IT solutions with healthcare specialisation that includes technical support.

AfroCentric is supportive of the NHI. The Group welcomes the revitalisation of the public health sector and endorses the ideal clinic model described in the White Paper. Through Medscheme, AfroCentric possesses the necessary skills and experience in health risk management as well as health administration and is willing to share this expertise with the architects of the NHI. Medscheme also has electronic tools that profile general practitioners ("GPs") and specialists applying cost and quality metrics of treatment that impact on healthcare outcomes. These tools could provide government with the means to implement its plans for a reimbursement strategy that rewards evidence-based healthcare and effective use of resources.

There is currently engagement with the NHI implementation process. Pharmacy Direct has been providing courier pharmacy services to the Department of Health in 5 of the 8 pilot districts under the Central Chronic Medicine Dispensing and Distribution ("CCMDD") Programme.

STRATEGY (continued)

Payment integrity of healthcare claims is a core objective to secure the success of the pending National Health Insurance. The prompt and accurate payment for healthcare services rendered by legitimate practitioners and facilities will form the backbone of the NHI and ensure that all citizens receive quality healthcare quickly and at an affordable price. The management of fraud, waste and abuse will be key to safeguarding the financial sustainability of the NHI nationally.

AfroCentric is proud to declare that their investment for the exclusive licencing of the Insurance Fraud Manager ("IFM") predictive analytics software is demonstrating material savings for their client medical schemes. IFM is licenced through FICO, the world's leading software provider of credit scoring analytics. By continuously scoring healthcare claims and providers using advanced analytics, AfroCentric is able to proactively monitor and detect irregular claiming behaviours much sooner than conventional retrospective methods. Combining 'Big Data' with predictive analytics provides AfroCentric with a distinct advantage in the industry, by creating a holistic overview of irregular billing patterns and trends across many medical schemes, which allows for preventative measures to be taken against errant providers and facilities.

HEALTH MARKET INQUIRY

The Competition Commission launched a health market inquiry into the private healthcare sector at the end of 2013. The inquiry is intended to investigate "the state, nature and form of competition in a market". Medscheme submitted a detailed response and participated in the consultative process. The Commission intends to publish its report and recommendations by the end of 2016. AfroCentric is optimistic that the inquiry will result in recommendations that will positively impact efforts to combat the causes of soaring medical price inflation.

RESPONDING TO THE EXTERNAL ENVIRONMENT

In addition to the macroeconomic and legislative pressures described, the private healthcare sector is in a period of consolidation. Smaller schemes and those experiencing member attrition due to the economic setback may find themselves unable to cope in the current economy. Scheme mergers represent opportunities for Medscheme to acquire new clients or have the current membership base of existing schemes increase. Medscheme is the largest manager of medical schemes with approximately 3.7 million lives under our management and has the flexibility in its IT systems to administer the specific range of benefits each client scheme offers.

Medscheme is also the administrator for several government schemes. This provides a firm foundation from which the Group can bid for future NHI tenders and other state contracts. AfroCentric holds the South African proprietary sub-licence for 'Insurance Fraud Manager', a fraud, waste and abuse detection application from FICO, a Canadian-based

software company that is the global leader in healthcare fraud detection. This could provide an opportunity to assist government with risk management.

OUTLOOK

The economic outlook remains uncertain. The private healthcare market is experiencing a state of fluctuation with the impending conclusion of the health market inquiry and the next stage of NHI development only recently revealed in the 2015 White Paper. Although much remains uncertain about how the NHI will ultimately be implemented, government has embarked on a process of consultation that will include the private sector to discover the best routes to implementation. Through its range of healthcare-related businesses, the AfroCentric Group represents a large part of the healthcare value chain. As a key player in the industry, AfroCentric is well positioned to maximise the consolidation opportunities that exist, continue to participate in the NHI consultative process, and assist the Competition Commission with recommendations in response to the health market inquiry.

RISKS

The AfroCentric Group is committed to being a 'risk-intelligent' organisation with an entrenched risk management capability focusing on value creation and value preservation. Risk management is a formal response to corporate risk. It is a structured and systematic process interwoven into existing management responsibilities. It enables management to effectively manage uncertainty, and associated risk and opportunity, enhancing our capacity to build value for stakeholders.

The Board has the ultimate responsibility for risk management, which is delegated to the Chief Executive Officer and the Executive and senior management teams. The risk responsibilities include, amongst others: approval of the risk management policy and framework, defining the risk appetite, monitoring the implementation of enterprise risk management, establishing the necessary risk structures, reviewing risk reports and ensuring comprehensive risk assessments on a regular basis.

ENTERPRISE RISK MANAGEMENT PROCESS

The Group's Enterprise Risk Management Framework ("ERMF") is aligned to the principles of King III. A structured and systematic enterprise-wide approach was adopted to ensure key risks within the Group are included, enabling AfroCentric to achieve its strategic objectives.

ENTERPRISE RISK MANAGEMENT GOVERNANCE STRUCTURES

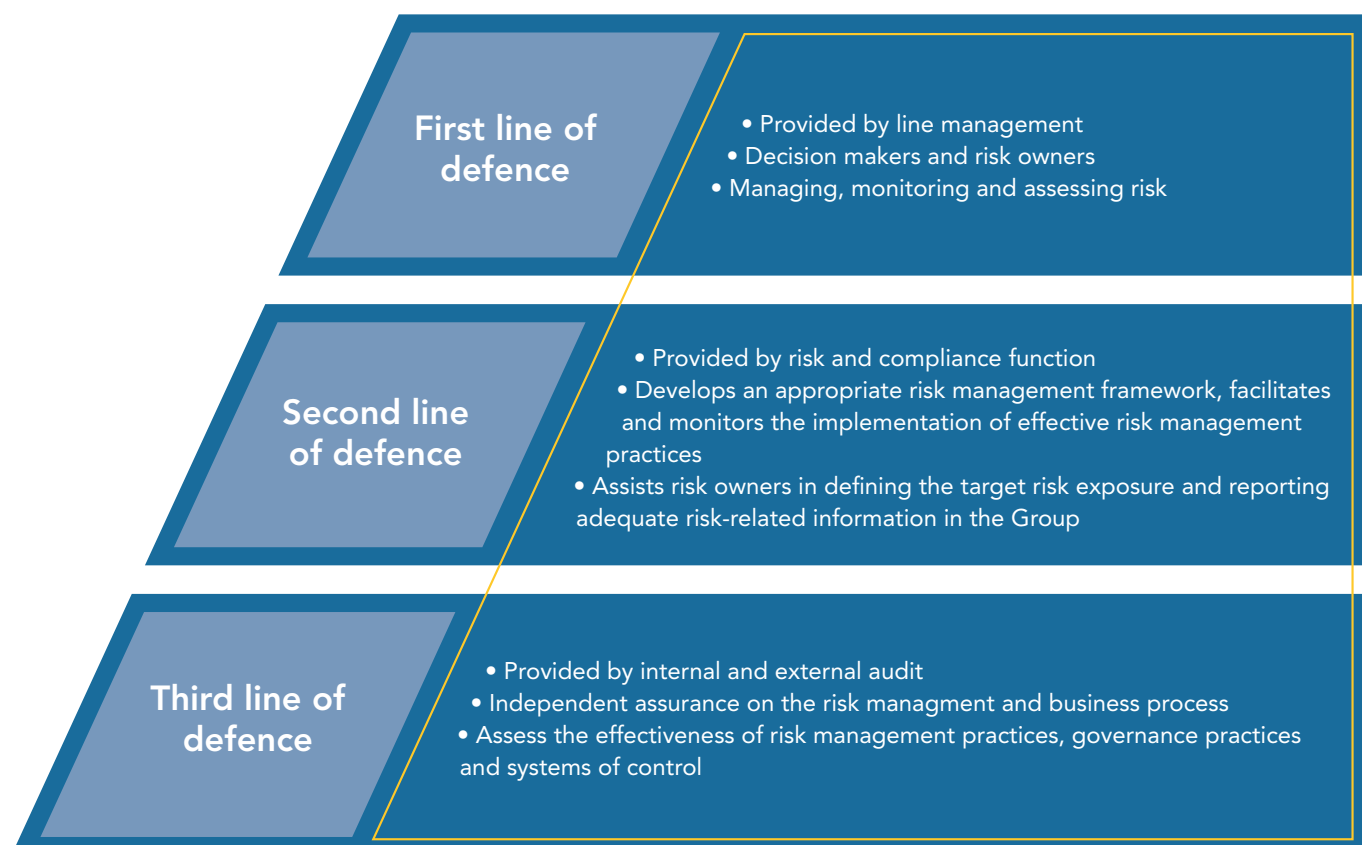
The AfroCentric Group established various governance structures for the management of risk. These are managed by the appropriate level of leadership and are operating effectively. The different risk governance structures in place, where the various classes of risks are addressed, is illustrated accordingly.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee is appointed by the Board, and is responsible for providing direction and oversight in respect of Enterprise Risk Management.

THE THREE LINES OF DEFENCE

The Three Lines of Defence governance model is implemented as a key principle of risk management. It is designed to promote risk ownership, transparency, accountability and consistency across the Group, through the clear identification and segregation of duties as described below:



For more information on the responsibilities of the Audit and Risk Committee, refer to the Corporate governance report on page 85.

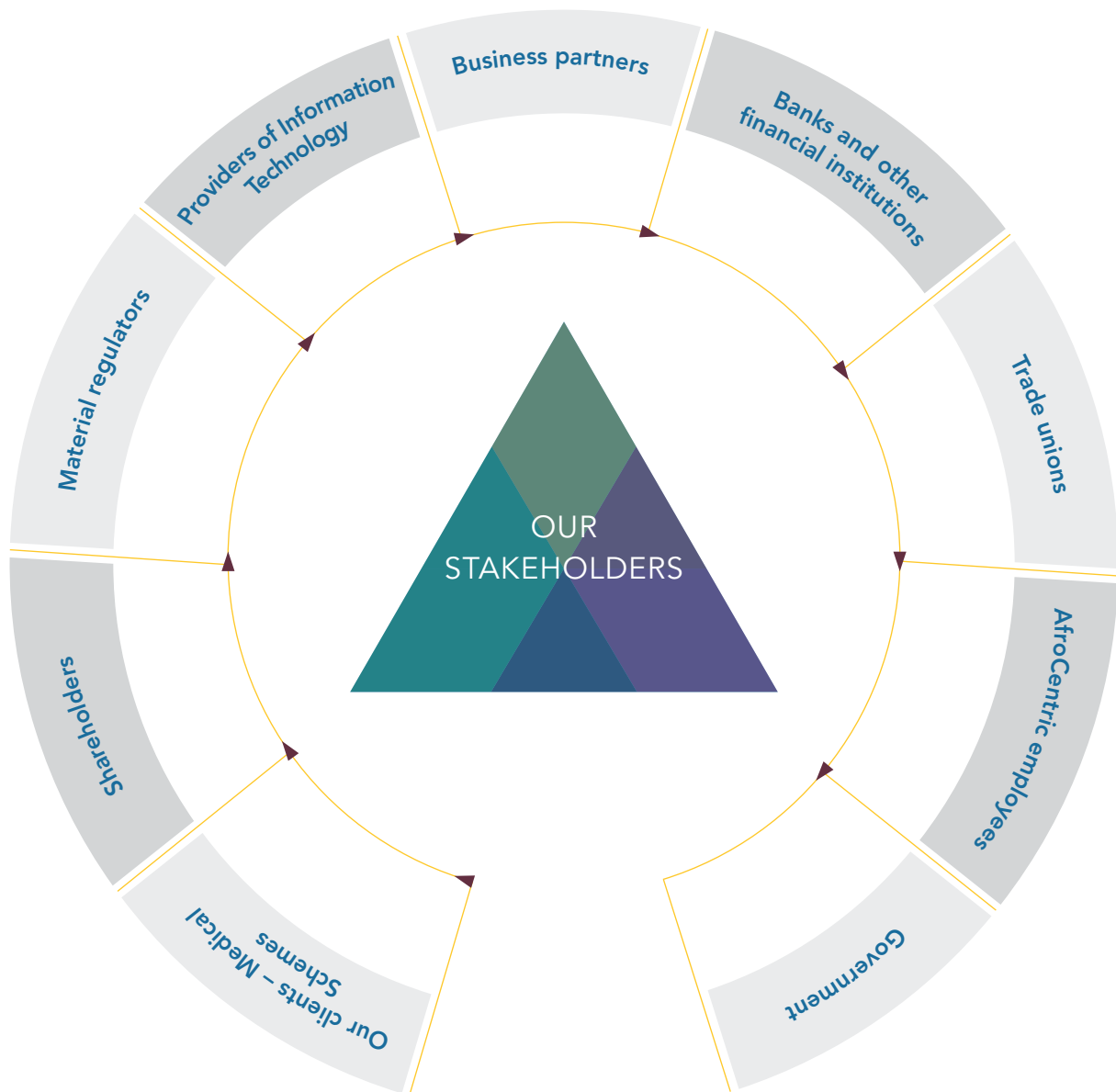
STRATEGY (continued)

STAKEHOLDER ENGAGEMENT

Stakeholders are the individuals and groups who have an interest in, or who are affected by, Group business operations and the manner in which business objectives are achieved. Stakeholders can influence the ability to create value over time for any business.

Being responsive to stakeholders is a critical element of how the Group operates. Our stakeholders were identified as client medical schemes, shareholders, regulators, providers of Information Technology, business partners, employees, trade unions and government.

One of the key stakeholder groups is shareholders, as they are the providers of financial capital. The AfroCentric Board and executive management are responsible for managing the Group in a sustainable manner, to create value for shareholders into the long term. Sustainable shareholder value can only be realised by identifying and creating sustainable value for all other stakeholder groups that materially influence the Group's ability to create value.





STRATEGY (continued)

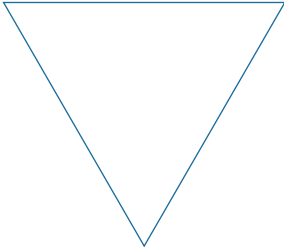
Stakeholder group	Overview	Impact and engagement	Expectations/concerns	How we respond
Our clients – Medical Schemes	Open Schemes: Bonitas, Fedhealth Closed schemes: Polmed, SasolMed, MB med, AECL, Barloworld, NedGroup, Old Mutual, Parmed, SABC, Samwumed Other schemes: GEMS, Medshield	Medical schemes have influence over who is appointed as administrator and health risk providers of the scheme. The quality of the end-to-end service delivered to our clients has a direct impact on their ability to retain their customers i.e. the member and, in turn, impacts their satisfaction levels with Medscheme To manage these relationships, clients are engaged regularly at formal meetings. Additionally, the CEO of both Medscheme and the AfroCentric Group engage regularly with these key clients	▶ Quality of administration and health risk management ▶ Rates (costs of services) ▶ Reputation-related matters ▶ Capacity requirements ▶ Level of transformation	 Cost containment (cost consciousness)  Client service  Transformation
	JSE-listed	Shareholders are one of the key stakeholders of the Group. Shareholders impact the Group through their role as decision-makers via their votes at Annual General Meetings ("AGMs") and accordingly, AfroCentric has a duty to maximise shareholder returns. Engagement takes place through a formal structure of meetings such as the AGM, reporting at quarterly Board meetings and sub-committee meetings	▶ Long-term value growth ▶ Improved market share ▶ Demonstrate industry leadership ▶ Dividends	 Diversifying revenue sources  Growth
Material regulators	Council for Medical Schemes The Council for Medical Schemes ("CMS") is a statutory body established by the Medical Schemes Act (131 of 1998) to provide regulatory supervision of private health financing through medical schemes	AfroCentric is dependent on the CMS for the accreditation to conduct healthcare administration and health risk management. Any proposed amendments to benefit options must be approved by the CMS. AfroCentric is required to provide electronic submissions of the financial overview of each scheme, a process managed by Group Compliance	▶ Ensure Medscheme is a leading administrator and health risk management provider ▶ Approval of changes to benefit options ▶ Regulatory oversight ▶ Ensure capital adequacy	 Our vision, page 11
	Medicines Control Council The Medicines Control Council ("MCC") applies standards laid down by the Medicines and Related Substances Act, which governs the manufacture, distribution, sale and marketing of medicines	The MCC regulates the conduct of pharmaceutical manufacturers and distributors. Pharmacy Direct and Activo Health are impacted by amendments to regulations and must also comply with MCC licensing requirements	The MCC expect the implementation of Standard operating procedures that ensure good manufacturing practice and Good Pharmacy practice is adhered to Non-adherence could lead to penalties or withdrawal of license. It is a model of self-regulation and unscheduled inspections takes place from time to time	 Pharmacy Direct, page 75
	South African Pharmacy Council The South African Pharmacy Council ("SAPC") has the mandate to protect, promote and maintain the health, safety and wellbeing of patients and the public ensuring quality pharmaceutical service for all South Africans	The SAPC regulates pharmacists, pharmacy support personnel and pharmacy premises in South Africa. Pharmacy Direct has to implement Good Pharmacy Practice and comply to the Pharmacy Act, 1974 (Act 53 of 1974)	The MCC expect Pharmacy direct to implement and follow practices that promote Good Pharmacy practice while being adherent to the Pharmacy Act. Should there be any non-adherence to the Pharmacy Act, the SAPC may impose penalties on Pharmacy Direct. Severe contraventions of the act may result in a loss of our license. Pharmacy Direct has had recent inspections by the Pharmacy councils and had no findings against them	 Pharmacy Direct, page 75

Stakeholder group	Overview	Impact and engagement	Expectations/concerns	How we respond
Material regulators	The Johannesburg Stock Exchange The JSE offers secure, efficient primary and secondary capital markets across a diverse range of securities, supported by its post-trade and regulatory services	The JSE is the presiding authority over AfroCentric's public listing. It creates a healthy exchange for trade and engagement and the relationship is managed by Group Finance with the Groups corporate sponsors, Sasfin Securities	▶ Adherence to JSE Listings requirements ▶ IFRS compliance	 Corporate governance report, page 81  Group Annual Financial Statements (supplementary information)
	Competition Commission The stated purpose of the Competition Act, 1998 (Act No 89 of 1998) is to promote and maintain competition in South Africa	The Competition Commission ensures that AfroCentric does not act anti-competitively, and more broadly controls restrictive practices and ensures fair competition in the industry. Engagement takes place via Group Compliance as required	▶ Compliance ▶ Unfair competitive advantage	 CEO's report, page 26  Conducting business in an ethical manner
Providers of Information Technology	Helios provides network connectivity and outsourced technology solutions Allegra provides a platform for all clinical information management and pharmaceutical care through a software solutions Allegra also has a synergistic relationship with Helios. Allegra provides technology solutions that impact and are relied upon by Group companies and clients alike. Therefore, Allegra's external interface impacts on the Group's value creation and reputation	Efficient and reliable operational functionality of IT systems is a critical enabler in a business powered by technology. The relationship with Helios is a key dependency as Medscheme is Helios's key client Allegra provides the platform for healthcare networks to supply their services and share data with the funders like Polmed. The result is better patient care through co-ordination and data sharing. The platform enables every step, from patient booking, to visit data collection, claiming and sharing of consented data with the funder in real time The extensive pharmacy clinic network footprint enables the group to deliver new innovative wellness and disease risk management solution quickly in collaboration with the providers. This model is now being expanded to pharmacy dispensing and other healthcare networks like biokineticists, Independent nurses and primary care practitioners. This will enable Medscheme and other companies in the group to deliver an enhanced member experience and help manage the funders risk	▶ Contracting ▶ Service level agreements and client service delivery	 Client service
Business partners	Medscheme Medscheme provides a full spectrum of health administration and health risk management services Helios Helios specialises in delivering innovative technology solutions and creating efficiencies for clients in the health industry	Medscheme is the largest revenue generator in the Group. Its systems and processes need to be operational at all times making the relationship with Helios of vital importance. Due to its size, Medscheme's efficiencies impact other companies in the Group, and it in turn is impacted by their sound financial management Engagement with Medscheme takes place continuously	▶ Grow client base including public sector involvement ▶ Upgrading to an enhanced IT platform called Fusion	 Growth  Diversifying revenue sources  Cost consciousness  Client service

Stakeholder group	Overview	Impact and engagement	Expectations/concerns	How we respond
AfroCentric employees	The Group's employees who perform core functions within the organisation	AfroCentric employees are the means by which the value proposition is operationalised. The Group has a responsibility to clients to ensure all core employees are in place for the smooth running of the organisation Employees are engaged regularly through internal communication channels such as the company intranet. Learning and development is a continuous process supported by the AfroCentric learning academy	▶ Job stability and employee wellness ▶ Growth of the business	 Transformation  Growth
Trade unions	National Education, Health and Allied Workers Union ("NEHAWU") is the union for workers from the Education, Health, Government and Social Welfare sectors	Trade unions have the ability to stagnate business operations through industrial action Engagement is conducted as required, primarily if there are any matters regarding terms of employment. The relationship is managed by the Group's Human Capital function	▶ Fair and equitable standards of employment ▶ Benchmarking of remuneration	 Transformation
Banks and other financial institutions	Banks are used to invest and manage the Group's funds	The Group is not highly geared. All excess cash reserves are invested with financial institutions to generate a return. The investment income forms part of the Group's profitability and is used within Group's operations in the ordinary course of business. Engagement takes place daily with financial institutions, managed by Group Finance	N/A	N/A
Government	National Health Insurance ("NHI") , a proposed initiative from government to ensure that all South Africans have access to appropriate, efficient and quality health services	Government is a key stakeholder particularly so with the advent of a unified NHI, due to be phased in over a 14-year period. Group revenue could be negatively impacted in the longer term if there is a significant move away from private healthcare funding. Equally, revenues could be positively impacted if tenders are issued to the private sector for service delivery There is ongoing engagement with government (predominantly the Department of Health) to ensure there are adequate procedures in place for the NHI to run smoothly and for AfroCentric to bid for any opportunities that may arise	▶ Standardisation of efficient and quality health services for all individuals	 Transformation  Diversifying revenue sources  Client service

MATERIAL RISKS AND OPPORTUNITIES

Material matters			
Why material?	POLITICAL UNCERTAINTY Political uncertainty leads to a potential South African ratings downgrade, which in turn leads to economic setbacks whereby increased numbers of the population are unable to afford medical cover. Retrenchments, as a result of a stagnating economic environment, result in membership contraction for medical schemes, thus inherently limiting the Group's growth	GROWTH IS LIMITED BY HEALTHCARE COSTS As Medscheme's and Helios's fees are based on membership, a lack of growth or loss in membership of medical schemes under management will limit the Group's growth and profitability Healthcare costs limit the Group's ability to grow the business. Increasing costs of healthcare result in low growth in the medical scheme sector, and reduces the Group's ability to grow the client base as medical cover becomes unaffordable	CLIENT RETENTION Administering the Group's core business, Medscheme requires a culture of cost consciousness in order to maintain sound client satisfaction levels. Retaining the client and client base is critical. Poor client service negatively impacts client retention, is detrimental to the relationship with the medical schemes and counter to the Group's strategy The magnitude of the Group is measured by the number of customers and clients as well as by the value of the various schemes administered. As such, the gain or loss of key clients can have a variable impact
Risks	The loss of members due to retrenchments and the economic downturn will jeopardise the future of medical schemes, which will impact negatively on revenue and profitability	Unsustainably high medical costs will jeopardise the future of certain medical schemes, which will impact negatively on revenue and profitability	Inability to provide exceptional customer service will lead to schemes choosing a competing administrator which will impact negatively on revenue and profitability
Opportunities	• Diversify revenue streams • Improved healthcare protocols • Driving transformation to favourable ratings for tenders for both public and private business	• IT Enhanced platform (Fusion) will ensure that there are efficiencies and lower healthcare costs • Diversifying revenue streams to limit dependence on fee-based membership and maximising synergies through the relationship with Sanlam	Build a performance driven culture among employees to deliver exceptional client service
Stakeholders	• Regulators • Employees • Government	• Shareholders • Regulators • The Group's clients (schemes)	• The Group's clients (schemes)
Response	- Diversifying revenue sources - Growth	- Enhance shareholder value - Diversifying revenue sources - Growth	- Client service - Diversifying revenue sources

Material matters			
Why material?	IT DEPENDENCY The Group's operations are greatly dependent on its IT systems and infrastructure. Investing in technology to achieve greater cost efficiencies and to promote technological innovation is critical in remaining competitive	REGULATORY COMPLIANCE Increased healthcare costs and regulatory issues impact on the long-term sustainability of the medical schemes' clients • Through the CMS there are amendments to laws and regulations of the industry. This affects the sustainability of the Group if accreditation is not maintained • With the introduction of the POPI Act, a greater focus on compliance was necessary to ensure the security and protection of personal information • The Group supports the revitalisation of the public health sector and the introduction of NHI and will support government in its roll-out	TRANSFORMATION Transformation is a strategic objective of the Group, in line with its commitment to the country's transformation agenda. Compliance with B-BBEE codes and legislation is fundamental to the Group's sustainability and to remaining competitive in the healthcare sector Our Level 2 B-BBEE status positions the Group well for securing contracts and tenders
Risks	IT implementation and disruption will impede on the growth of the business and lead to loss in shareholder value	Regulatory non-compliance will lead to loss of our accreditation, impeding the ability to do business. This will negatively impact on revenue and profitability	The ability to secure tenders could be compromised if the Group does not maintain and improve its transformation credentials
Opportunities	The success of the enhanced IT platform, Fusion, is critical to the future of business in terms of upgrading to an enhanced system and implementing improved levels of technology	Ongoing engagement with regulatory bodies on proposed regulation and legislation as well as the favourable outcome of the Competition Commission's inquiry	Strong B-BBEE credentials will ensure favourable ratings for tenders for public and private sector business, demonstrating leadership as a South African Group
Stakeholders	• Shareholders • IT suppliers • The Group's clients (schemes)	• Regulators • The Group's clients (schemes)	• Employees • The Group's clients (schemes)
Response	 Cost consciousness  Diversifying revenue sources  Growth	 Growth  Our vision, page 11	 Transformation

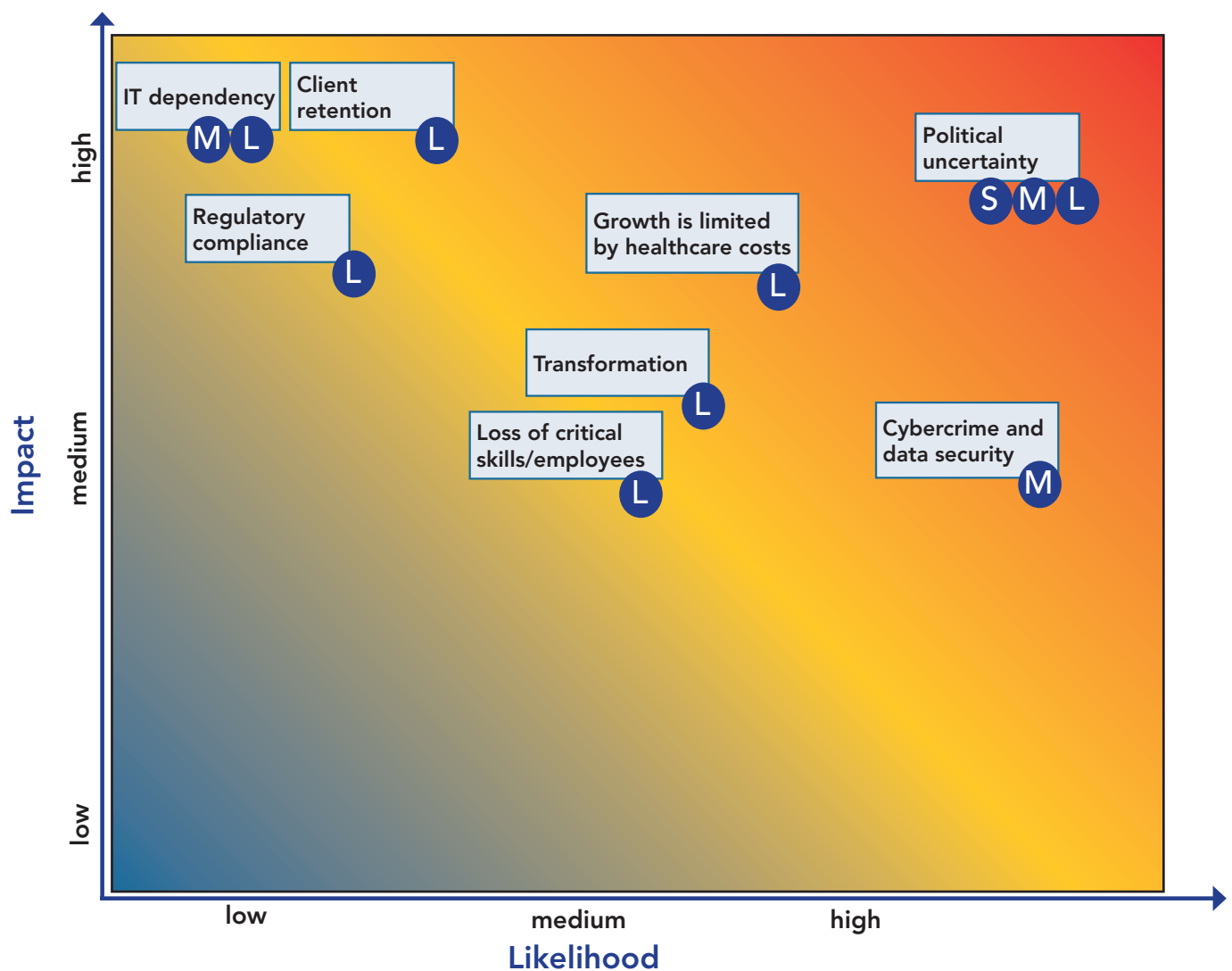
Material matters		
Why material?	AfroCentric is a skills-intensive business, particularly in the actuarial, IT and specialist medical fields, all of which are portable skills. Experienced and skilled employees are highly mobile, and in demand locally and internationally Retention of skills is critical to retaining intellectual property and managing the knowledge base	Cybercrime is increasingly becoming a concern across the industry. If not managed, this could result in financial penalties and loss of consumer confidence
Risks	In a skills-intensive business, key and scarce human capital are costly to replace	Data interception could lead to the loss/corruption of critical information and intellectual property as well as jeopardise client relationships
Opportunities	Increased investment in human capital and through its empowerment credentials the Group becomes increasingly attractive to black professionals	AfroCentric invested in the latest IT systems and performs regular maintenance to current systems to ensure shareholder value is enhanced and high standards of client service are upheld
Stakeholders	Employees	• IT suppliers • The Group's clients (schemes)
Response	 Diversifying revenue sources  Growth	 Cost consciousness  Client service

MATERIAL RISKS AND OPPORTUNITIES (continued)

SUMMARY OF MATERIAL MATTERS

The AfroCentric Group defines materiality as those matters that substantially affect the organisation's ability to create and sustain value over the short, medium and long term. The approach to materiality considers the external environment, stakeholder expectations and any other identified risks and opportunities that may affect the ability to execute the strategy.

An assessment was undertaken by the CEO and other internal stakeholders. Material matters were identified through a process of reflecting on those previously identified; considering these matters in the context of the external environment and the key corporate risks; considering the opportunities each of these provides; linking each to legitimate stakeholder interests and concerns; aligning these to the strategy; and finally prioritising the matters based on their impact and likelihood.



Term of the impact

- Short term – 1 year (S)
- Medium term – 2 to 5 years (M)
- Long term – greater than 5 years (L)

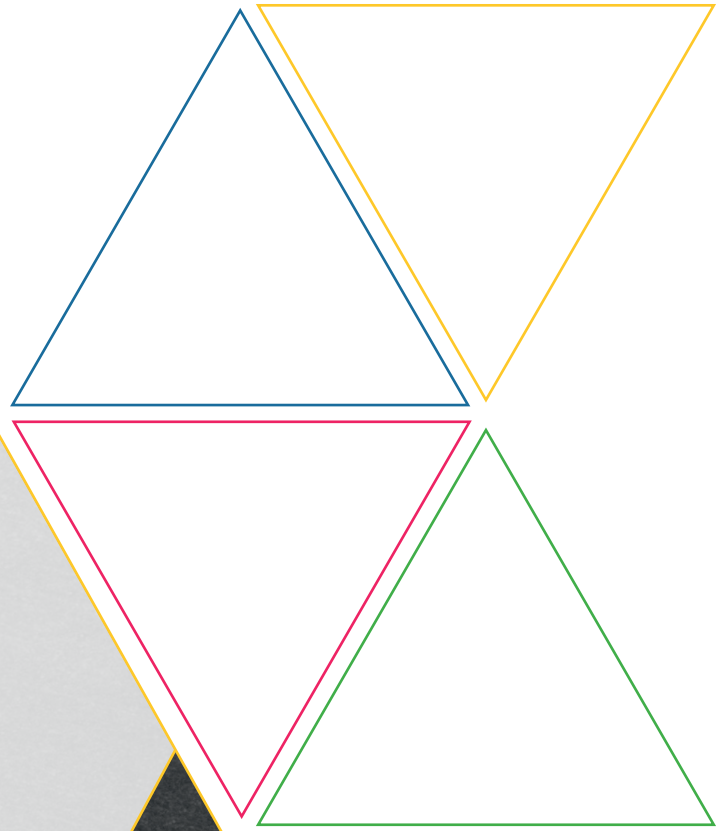




Growth



PERFORMANCE OVERVIEW





55	Chief Financial Officer's report
59	Group results at a glance
	Group Annual Financial Statements (supplementary information)

CHIEF FINANCIAL OFFICER'S REPORT

Hannes Boonzaier

The financial year ended 30 June 2016 marks the start of a new growth period in AfroCentric. This is due to new clients, shareholders and partners that have been added into the portfolio of service and product offerings. The acquisition of the Healthcare Retail businesses (Pharmacy Direct and Curasana) have contributed significantly to the growth in operating profit. Both the WAD acquisition and Sanlam did have, as expected, a dilutionary effect on earnings per share ("EPS"), but we believe the base is now set for these partnerships to grow the Group even further. The impact of these transactions and new clients on Group results are further explained in the analysis below.

REVENUE GROWTH

Medscheme was successful in winning the Polmed Medical Scheme contract effective 1 January 2016. The Group, therefore enjoyed six months of revenue growth from the 500 000 lives being administered for the South African Police. Another sizeable contract was concluded in August 2015 – the management of Hospital benefits and Chronic Medication for Samwumed has also contributed to the revenue growth.

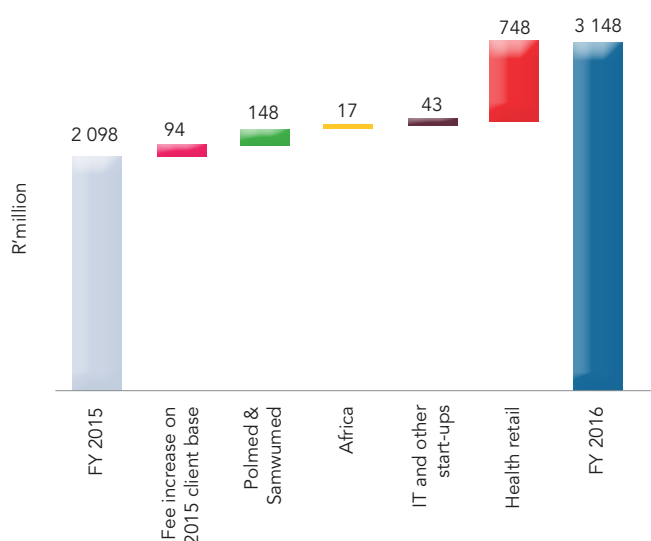
The acquisition of the Pharmacy Direct and Curasana Wholesaler business effective 1 August 2015 has increased the Group's revenue growth significantly (25% of total) based on their medication delivery and supply to the private sector and Department of Health Clinics in five provinces in South Africa.

The Group is continuously diversifying itself with other healthcare or IT related contracts, which is evident in the growth in revenue of IFM, our fraud management system, as well as Klinnika contracts.

Without continual growth and progress, such words as improvement, achievement, and success have no meaning
– Franklin Roosevelt

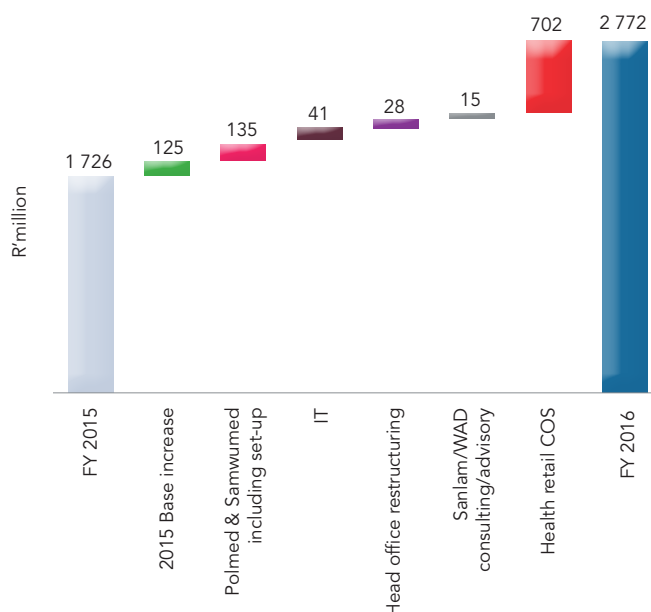
CHIEF FINANCIAL OFFICER'S REPORT (continued)

2016 Revenue growth



COST OF SALES AND OPERATING COSTS

Cost of sales and operating costs



The take-on costs of the Polmed scheme prior to implementation on 1 January 2016 is expensed in the first year, and entails items such as early uptake of employees to be trained, early office space activation to accommodate employees and IT resources for data uploading and benefit design. As a result of these once-off costs that are not capitalised to the three-year contract period tendered upon, the net profit of the scheme is not yet visible at a Group level and is at a breakeven for the 2016 financial year.

We continue to increase our spend on clinical research and analysis as well as improving our systems to manage the demands of the future. This is due to the continuous demands from clients and our vision of decreasing the healthcare spend of our schemes administered.

To effect the changes in the top executive structures of AfroCentric, the Group incurred R21 million incremental costs, most of which will not be recurring in 2017.

CAPITAL EXPENDITURE, DEPRECIATION AND AMORTISATION OF INTANGIBLE ASSETS

As a result of the acquisition of the Pharmacy Direct and Curasana businesses, the intangible assets recognised at acquisition created a significant increase in amortisation of these assets.

The IFM system has been implemented for the Bonitas Medical Fund and various other smaller schemes in the Group. However, the success of combatting fraud and reducing medical scheme healthcare cost abuse will only be seen in the 2017 financial year, as schemes start adopting various strategies to address fraud. The revenue for this product has exceeded expectations for the first year, however, there is still significant growth expected as we commence rolling this product out to many of our South African and SADEC schemes.

The table below sets out the variance in intangible asset amortisation and recognition compared to 2015.

	Carrying value	Amortisation	
Other intangible assets	2016 R'000	2016 R'000	2015 R'000
Customer relationships – WAD Acquisition	81 282	(8 203)	–
AfroCentric Health intangible assets	435 455	(71 129)	(48 734)
AfroCentric Health intangible PPA	68 436	(13 811)	(15 951)
AfroCentric Health intangible Software	278 399	(39 062)	(28 589)
Insurance Fraud Manager (Fraud Management Software)	88 620	(18 256)	(4 194)
	516 737	(79 332)	(48 734)

As reported on in the 2015 Integrated Annual Report, the Group is enhancing its core healthcare administration system over the next few years and incurred R38 million in the current financial year into this project. This is still the start as the total project is estimated at R150 million of which R61 million has been spent to date. The development of this enhanced asset is being capitalised.

The Group reviewed its strategy of leasing office space and concluded the purchase of the warehouse and distribution facility for Pharmacy Direct at year-end. The purchase was funded through cash.

EARNINGS PER SHARE AND HEADLINE EARNINGS PER SHARE

The dilutionary impact of the major transactions concluded in the year affected the Group results as follows:

- The WAD acquisition of the Pharmacy Direct and Curasana businesses resulted in a 18.5% dilution of shares for 11 months;
- The acquisition of a 28.7% share in AHA effective 15 December 2015 has impacted shareholders return significantly in the second six months due to the non-controlling interest component/charge on earnings; and
- The Group concluded the share buyback of the minority shareholders of AHL on 30 May 2016, and a slight impact of this change in shareholding will be noticeable in 2016. 2017 will see a 5.9% retention of profits to the AHA shareholders.

NON-RECURRING EXPENDITURE

The following expenditure items were incurred during the year, which are substantially regarded as non-recurring expenditure, all of which have adversely impacted on the Group's earnings:

- Transaction and advisory costs relating to both the WAD assets and Sanlam of R11.5 million.
- Legal costs on the Neil Harvey and Associates matter of R10.8 million.
- Road Accident Fund ("RAF") contract losses of R16.7 million.
- Executive service contract settlement costs of R20.2 million.

CASH FLOW AND LIQUIDITY

The proceeds received from the Sanlam transaction was used to settle the long-term loan relating to the original AfroCentric acquisition of AHL (previously known as Lethimvula in 2009). The remaining funds have been invested in a conservative portfolio consisting mainly (80%) of cash instruments. The Group is currently reviewing various investment opportunities, but has not concluded anything significant enough to utilise the cash balance it has at financial year end.

The most significant cash expenditure item in 2016 was the AHL share buyback, which cost R79 million. Certain minority shareholders are still claiming their proceeds for the shares after completing various confirmation and administrative processes with the transfer secretaries. The Group envisage to still pay approximately R45 million in 2017 for shares already transferred.

Capital expenditure in the Group will be approximately R130 million for the 2017 year, of which R66 million will be regarding the enhancement of the administration system. AfroCentric is a low capital based expenditure business and therefore cash generation will continue to be positive in the 2017 financial year.

NON-CURRENT LIABILITIES

The three most significant items that have been recorded to the debt structure of the Group are:

1. The Group settled all its debt with the proceeds received from Sanlam.
2. Sanlam acquired an effective 28.7% interest in AHA for R703 million in December 2015. The acquisition agreement provides for a performance warranty in AHL of any breach of which entitles Sanlam to claim a maximum additional 4.3% interest in the shares of AHA in satisfaction of such claim. In the event that the claim calculates at an amount in excess of 4.3%, Sanlam has a right to require ACT to repurchase the shares owned by Sanlam at Sanlam's initial cost plus interest at the 90 day deposit rate from the date of investment to the date of redemption. The Board do not expect such conditions to arise but International Accounting Standards (IAS 32) dictates the disclosure of such circumstances under Non-current liabilities rather than Capital and reserves.
3. 26 192 902 shares to the value of R134.8 million will be issued to WAD vendors subject to certain profit thresholds being attained. These shares will be issued during 2017/2018 and the value thereof has already been anticipated by inclusion in Intangible Assets.

GROWTH PROSPECTS

The 2017 financial year will yield significant growth for the Group as a result of the following:

1. Polmed will be included in the Group results for 12 months on a normalised basis without any once-off take-on costs.
2. The LMS Medical Fund (previously Liberty Medical Scheme) consisting of approximately 110 000 lives has been taken on from 1 August, which represents the biggest open scheme to join the Group since 2009. LMS Medical Fund is awaiting approval from the Council for Medical Schemes ("CMS") to merge with Bonitas Medical Fund.

CHIEF FINANCIAL OFFICER'S REPORT (continued)

3. Pharmacy Direct has been successful in winning the COID tender for chronic medication distribution, which could grow to 15% of the total Pharmacy Direct revenue once fully taken on in the latter part of 2017.
4. The salesforce of Bonitas and Fedhealth has been improved in conjunction with the Sanlam broker market and we foresee some positive organic growth from our two open schemes.
5. Our pharmacy software, via Allegra, will be installed in all Medirite pharmacies in Checkers branches countrywide, which makes us the leading provider of turnkey pharmacy management software that is not just linked to financial but also clinical information flow.

AfroCentric and its subsidiaries are starting to prove to the market that it can deliver sustainable products to manage the healthcare spend of medical schemes. Clients outside the AfroCentric Group are recognising this ability. The investments made in the past in IT and clinical research and development of systems will start reaping benefits in the financial years to come.

I would like to conclude by thanking my colleagues in the Group Finance team for their support and dedication through the various transactions concluded. Their value adding support to the operational business has contributed to the Group being more cost effective and agile enough for growth opportunities.



Hannes Boonzaaier
Chief Financial Officer

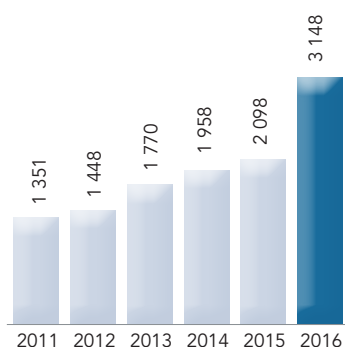


RESULTS AT A GLANCE

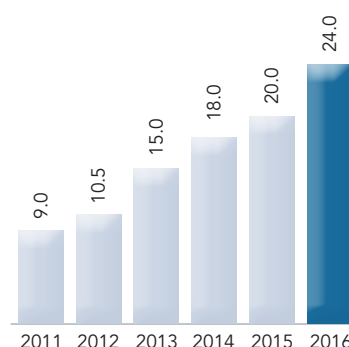
for the year ended 30 June 2016

Key features		Audited year ended 30 June				% change		
		2016	2015	2014	2013	2016/15	2015/14	2014/13
Healthcare service revenue	(R'000)	2 399 669	2 098 312	1 958 260	1 770 330	14.3	7.2	10.6
Healthcare service operating profit	(R'000)	344 155	372 072	356 357	333 657	(4.6)	4.4	6.8
Healthcare retail revenue	(R'000)	748 477						
Healthcare retail gross profit	(R'000)	160 273						
Headline earnings	(R'000)	182 156	179 527	183 945	129 637	1.4	(2.3)	41.9
Cash generated from operations	(R'000)	393 851	396 996	321 044	340 413	(0.8)	(5.7)	
Statutory earnings per share								
– Basic	(cents)	30.79	33.08	40.00	60.75	(6.9)	(17.3)	(34.2)
– Diluted	(cents)	29.40	33.08	40.00	36.11	(11.1)	(17.3)	10.8
Statutory headline earnings per share								
– Basic	(cents)	32.94	38.43	47.83	48.15	(14.2)	(19.7)	(0.7)
– Diluted	(cents)	31.45	38.43	47.83	28.62	(18.2)	(19.7)	67.1
Dividends paid per ordinary share	(cents)	24.00	20.00	18.00	15.00			
Share price as at 30 June	(Rand)	5.25	5.15	4.45	3.90			
Group membership								
Open schemes	(R'000)	365 606	366 998	368 411	368 832			
Closed and Corporate schemes	(R'000)	287 156	111 328	112 990	119 854			
GEMS	(R'000)	682 225	665 303	683 712	673 966			
SADEC and other	(R'000)	290 209	252 700	252 857	242 581			

Revenue growth (R'million)



Dividend declared per share (cents per share)



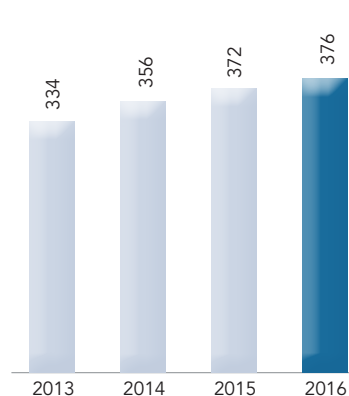
RESULTS AT A GLANCE (continued)

for the year ended 30 June 2016

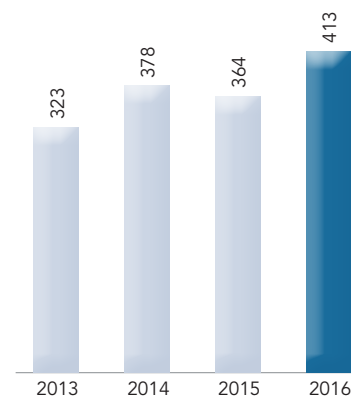
CONSOLIDATED PROFIT STATEMENT

	Audited year ended 30 June				% change		
	2016 R'000	2015 R'000	2014 R'000	2013 R'000	2016/15	2015/14	2014/13
Healthcare service revenue	2 399 669	2 098 312	1 958 260	1 770 330	14.3	7.2	10.6
Healthcare service operating costs	(2 055 514)	(1 726 240)	(1 601 903)	(1 436 673)			
Healthcare service operating profit	344 155	372 072	356 357	333 657	(7.5)	4.4	6.8
Healthcare retail revenue	748 477						
Healthcare retail cost of sales	(588 204)						
Healthcare retail gross profit	160 273						
Healthcare retail operating costs	(128 067)						
Total healthcare operating profit	376 361	372 072	356 357	333 657	1.2	4.4	6.8
Other income	–	–	–	2 307			
Net finance and investment income	54 924	18 802	17 699	13 420			
Impairment of assets	(21 469)	(36 697)	(36 900)	7 253			
Profit on sale of investment	–	–	–	51 014			
Share of associate (losses)/profits	10 118	19 037	4 343	(21 477)			
Share-based payment expense	(6 444)	(9 395)	(10 765)	(39 868)			
Profit before impairment and amortisation	413 490	363 819	330 735	346 306	13.6	10.0	(4.4)
Depreciation	(38 011)	(35 727)	(40 475)	(37 251)			
Amortisation of intangible assets	(79 332)	(48 734)	(43 907)	(40 098)			
Profit before income taxation	296 147	279 358	246 353	268 957	6.0	13.4	(8.4)

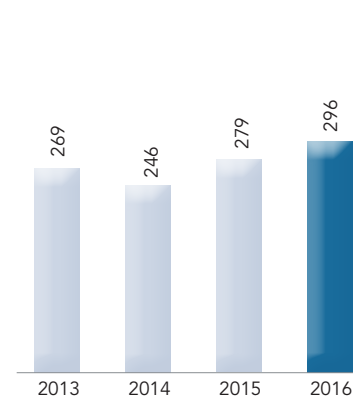
Total healthcare operating profit (R'million)



Profit before impairment and amortisation (R'million)



Profit before income tax (R'million)



SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited year ended 30 June 2016 R'000	Audited year ended 30 June 2015 R'000	Audited year ended 30 June 2014 R'000
ASSETS			
Non-current assets	2 190 076	991 080	881 257
Property and equipment	189 362	102 639	100 143
Investment property	15 000	15 000	15 000
Goodwill	872 078	398 123	398 123
Intangible assets (Note 1)	516 737	346 364	205 029
Available for sale investment	18 444	18 444	–
Financial asset at fair value through profit and loss	37 182	–	–
Managed funds and deposits	411 934	–	–
Investment in associates	24 477	14 873	77 183
Deferred income tax assets	104 862	95 637	85 779
Current assets	850 640	569 738	679 450
Trade and other receivables	365 004	228 884	190 828
Investment in preference share	–	–	90 000
Inventory	72 310	6 803	4 610
Current tax asset	19 821	–	4 563
Receivables from associates and joint venture	20 437	–	–
Cash and cash equivalents	373 068	334 051	389 449
Non-current asset held for sale	–	24 788	–
Total assets	3 040 716	1 585 606	1 560 707
EQUITY AND LIABILITIES			
Capital and reserves	1 047 979	1 104 149	1 070 968
Issued ordinary share capital	18 686	17 821	17 821
Issued ordinary share premium	970 358	525 633	525 633
Conditional put option reserve	(727 960)	–	–
Share-based payment reserve	26 604	20 160	10 765
Treasury shares	(2 324)	(2 324)	(2 324)
Foreign currency translation reserve	7 027	2 204	1 337
Distributable reserve	755 588	540 655	517 736
Non-controlling interest	515 603	62 930	52 634
Total equity	1 563 582	1 167 079	1 123 602
Non-current liabilities	977 573	86 252	171 117
Deferred income tax liabilities	82 390	54 822	43 188
Non-current borrowings	–	–	112 946
Non-current provisions	8 350	8 350	8 350
Post-employment medical obligations	2 691	3 134	3 202
Second tranche payment	134 893	–	–
Conditional Financial Obligation	727 960	–	–
Accrual for straight lining of leases	21 289	19 946	3 431
Current liabilities	499 561	332 275	265 988
Borrowings	–	61 224	44 877
Provisions	9 755	9 211	9 105
Trade and other payables	383 029	146 317	121 887
Taxation	–	4 418	–
Employment benefit provisions	106 777	111 105	90 119
Total liabilities	1 477 134	418 527	437 105
Total equity and liabilities	3 040 716	1 585 606	1 560 707



Integration

OPERATIONAL REVIEWS



- 
- 65 Medscheme South Africa
 - 68 Aid for Aids
 - 69 AfroCentric Health Solutions
 - 71 Helios IT Solutions
 - 73 Allegra
 - 75 Pharmacy Direct, Curasana and Activo Health
 - 77 Klinikka



Medscheme is a medical scheme administrator and health risk manager with interests extending into our neighbouring countries. Medscheme is contributing to the control of unsustainable medical inflation and improving access to quality of care.

OVERVIEW

Medscheme is the largest manager of medical schemes with approximately 3.7 million lives under our management. Medscheme has 19 offices in Southern Africa, with a network of more than 6 800 family practitioners, 4 100 specialists, 2 100 pharmacies, 2 000 dentists and 30 orthopaedic surgeons. 3 542 employees look after 16 leading medical schemes in South Africa and the Southern African Development Community ("SADC") region.

Medscheme is committed to service excellence and collaborates with clients to assist them in delivering the highest standards of care to their members. We view the client relationship as a partnership designed to maximise value to beneficiaries in terms of cost efficiency and delivery of clinical care. The healthcare value chain is a continuum, with each contact point along the chain representing an opportunity to improve health outcomes.

Regular liaison with family practitioners encourages co-ordination of care and promotes a patient-centred approach that treats people, not diseases. Medscheme is engaged in an ongoing consultation process with hospitals and healthcare providers to extract clinical data that enables enhanced results monitoring. In this way, we are able to measure the cost-effectiveness of interventions and the quality of healthcare funding.

Schemes are managed in separate business units, and client needs are considered in constructing the business processes and resources for each unit. The client service team is unique to each scheme, so clients and their members are always assured of dedicated, knowledgeable employees taking care of their business. Medscheme collaborates with the other Group companies to deliver an appropriate package of care services that can be tailored to the client and the individual scheme member.

In a complex industry, Medscheme provides thought leadership, pioneering new technologies and improved ways of doing business whereby we can make a measurable difference in the healthcare industry.

Medscheme has the infrastructure and IT platforms in place to process high volumes and pays out a significant Rand value in claims each year. Service quality is assessed using a range of indicators, such as call response time, query resolution and claim turnaround times.

STRATEGY

Medscheme's strategy is to facilitate the most efficient and effective healthcare that will achieve the best possible outcomes and the best quality care of beneficiaries at an affordable cost.

**Committed to
service excellence**

MEDSCHEME SOUTH AFRICA (continued)

The strategy is operationalised via eight strategic focus areas:

Strategic focus areas	Why this is important	Link to Group strategy
Growth in South Africa, Africa and international markets	Membership growth of existing schemes is far less and in some cases reversing, as younger members opt for cheaper, reduced-cover options or exit the schemes altogether. Medscheme must gain new business, outright and through amalgamation of smaller schemes. International opportunities can enhance the growth trajectory with the South African market experiencing pressure on margins and stagnation.	  
Client retention	Client retention is critical for sustainability. Investment in business processes, unique to each scheme, needs to be maximised for optimal client service delivery and shareholder value. Existing clients, with brand-loyal members, provide a rich cross-selling opportunity for new products (i.e. Sanlam).	 
Cost consciousness	Reducing the cost of doing business, through re-engineered business processes and automation, contributes to containing and driving down healthcare costs, the vision of the Group and Medscheme. Effective cost management, internally and in the healthcare market through managed care solutions, keeps clients satisfied that they are receiving an efficient service (aiding client retention) thus reducing scheme membership attrition.	
Fraud, waste and abuse	Fraud, waste and abuse in the medical scheme environment is a critical matter and a source of escalating costs. The Insurance Fraud Manager system from FICO will identify aberrant claims and unusual claim trends to enable client schemes to address this matter.	
Drive innovation through technology	Technology is the backbone of the business and represents a high fixed cost. Technological innovation can reduce costs and improve the overall customer experience. An example would be interactive devices and communication channels. The enhanced Fusion IT platform will be more flexible and customisable, allowing greater tailoring of the service offering to each client scheme.	  
Employee retention and attraction	Critical skills in the business are in short supply in the country, and there is tough competition for them within the healthcare market, and between private and public sectors. This competition drives up remuneration costs, particularly for skilled employees such as actuaries and professionals with scarce skills such as pharmacists. Employees are also part of the intellectual property of Medscheme, a repository of institutional knowledge that is critical to preserve.	
Population health management/health risk management solutions	Alternative reimbursement models offer a mechanism to address challenges within the healthcare system which is currently fragmented and inefficient. Medscheme's predictive modelling and data analytics capabilities allow for the identification of both high-risk beneficiaries and the profiling of healthcare service providers. High risk beneficiaries are cared for by a team of care managers. This controls the cost and provides more compassionate customer care. Provider relationship and management team use profiling in their engagement with healthcare professionals and to guide the creation of preferred provider arrangements. Effectiveness is measured in terms of clinical outcomes, cost reduction and behavioural changes.	 
Optimisation of partnerships	Our partnership with Sanlam creates opportunities to enter the financial services market, and to cross-sell core products to a broader customer database. Sanlam has a strong presence in other African countries and represents opportunities for geographical expansion and extension of product range. This contributes to diversification of revenue sources and growth ambitions for the Group.	 

OPPORTUNITIES AND CHALLENGES

Medscheme operates in a challenging environment. The complexity of healthcare makes it difficult to balance cost against quality. Skilled resources are in demand across the industry. Attracting and retaining critical and scarce skills in an ongoing concern. The weakness of the Rand is driving up the cost of medicines and equipment; and medical fraud impends the sustainability of private healthcare as fraudulent claims leads to healthcare costs increases across the industry.

The current economic climate combined with hyperinflation in medical costs is consequentially the membership base across all claims, reducing claims in a healthcare market undergoing consolidation, size does matter. Medscheme has the ability to influence behaviour and make structural changes to the system that smaller administrators can not emulate.

Helios holds the distribution licence for the FICO Insurance Fraud Manager South Africa. This provides Medscheme with the capability to combat fraud, waste and abuse within schemes and to generate revenue by selling the tool on to other administrators and to client schemes.

Medscheme has yet to fully optimise the Sanlam investment in AfroCentric Group and is exploring the brand and product extensions the partnership offers.

PERFORMANCE OVERVIEW AND OUTLOOK

The performance highlight was the introduction of the Polmed medical scheme on 1 January 2016. This increased the number of beneficiaries under Medscheme's care by nearly 500 000, making it the second largest closed scheme under management.

Numerous innovative initiatives were fine-tuned and incorporated into the value proposition, such as the introduction of LiveChat for members. Other highlights include the enhancement of disease management and an increased focus on measuring quality of healthcare.

Medscheme also developed a model that predicts emerging risk with accuracy and segments the population. This enables Medscheme to engage with those most in need of immediate high-cost disease care or wellness interventions to avert future illness, and to deliver the right care at the right cost to each cohort. This model achieved international recognition and was purchased by **Johns Hopkins** University in the United States for distribution to the American market.

The relationship with government is established through the GEMS contract, and is further strengthened by the successful Polmed tender.

The year ahead will focus on quality, innovation and operational efficiency, in a continued quest to ensure that high-quality healthcare is made affordable and accessible to all Medscheme beneficiaries.



Website



Page reference



Cost consciousness



Client service



Transformation



Diversifying revenue sources



Growth



Conducting business in an ethical manner



Group Annual Financial Statements



Enhance shareholder value

The Group's growth, its BEE status and its regular industry award winning competencies, have attracted significant market interest, evidenced earlier this year by Group subsidiary, Medscheme, appointed as administrators to Polmed and more recently, being approved administrators of the LMS Medical Fund with 110 000 lives (previously Liberty Medical Scheme), awaiting merger approval with Bonitas Medical Fund.

AID FOR AIDS



Aid for AIDS ("AfA") was the first HIV management programme introduced in South Africa and remains the leading HIV disease management programme in the private sector (both medical schemes and corporates). It also plays a role in collaborating with government-led task teams and forums to challenge the epidemic, thereby extending services to the public sector.

STRATEGY

AfA's strategy is founded on three pillars: client retention and satisfaction, growth and efficiency. This strategy is being implemented through the following ongoing activities:

- Continuous improvement of the service offering with a specific focus on the UNAIDS' ambitious treatment targets (90-90-90) which aim to assist with the AIDS epidemic.
- Growth by targeting new clients, expanding services to existing clients and by expanding into new markets in the NGO space and the public sector. AfA is exploring the potential of public-private partnerships to penetrate these new markets.
- Streamlining the existing service delivery model in order to decrease the cost of running the programme without impacting negatively on quality of the service rendered. This includes greater automation of processes.

OPPORTUNITIES AND CHALLENGES

AfA can offer more holistic patient management, treating co-morbidities more effectively and managing the long-term effects of antiretroviral treatment through greater integration with Medscheme's existing programmes and technology developments such as the electronic health record and wellness activities.

With the expansion of the Group, AfA is able to integrate services with other Group companies. Changes are being implemented as a result of collaboration with other partners within the Group. For example, collaboration with Pharmacy Direct will ensure improved adherence to medication, resulting in better clinical outcomes such as viral load suppression. AfA intends to continue to leverage the healthcare value chain represented by the Group to deliver quality of life improvements for all patients in its care.

AfA offers a quality product, measured via clinical outcomes such as viral load suppression, CD4 count, number of opportunistic infections and other recognised evidence-based indications that HIV is being effectively managed. Many competing products are not able to substantiate their outcomes in this way. Clients and potential clients may, however, lack the expertise and ability to distinguish between the various products available and may make purchasing decisions based on the service price alone rather than the outcomes achieved. This represents a risk to AfA.

HIV is now perceived to be a manageable chronic condition rather than a life-threatening disease (which, thanks to antiretroviral therapy, it is) and public awareness is shifting from HIV to chronic lifestyle diseases such as diabetes and hypertension. Global disease management systems are also moving away from the management of a single disease to comprehensive management of the individual with chronic disease(s) – whether communicable or non-communicable. Greater integration with Medscheme's Active Disease Risk Management programme will assist AfA to minimise this risk.

PERFORMANCE AND OUTLOOK

AfA continues to provide a valuable service by improving the clinical outcomes of people living with HIV. This in turn reduces the financial risk to employers and medical schemes. As AfA moves ever closer to achieving the UNAIDS treatment targets, this value proposition will be further enhanced. As a result, the outlook for AfA remains favourable. Expansion into new markets and significant client growth is, however, challenging in the current environment.

AFROCENTRIC HEALTH SOLUTIONS



AfroCentric
HEALTH solutions

AfroCentric Health Solutions (“AHS”) is the international cluster for Medscheme Holdings’ non-South African businesses and interests with operations in Namibia, Swaziland, Zimbabwe and Mauritius. The business also has presence in Botswana and Kenya through partnerships with local players and is pursuing further growth and diversification opportunities in the East and West Africa regions. The business thrust is the co-ordination of healthcare delivery through an integrated value chain, with the ultimate goal of increasing the quality of care in these countries.

OVERVIEW

Each business in the respective countries is governed by its own Board of Directors and managed by dedicated management teams.

AHS businesses draw value from the AfroCentric Group through shared services to drive operational efficiencies and access to best practice as well as up-skilling opportunities from centers of excellence within AfroCentric.

The international market, especially in developing economies provides AHS with opportunities for vertical integration of the healthcare value chain and flexibility in funding models.

The expertise in health insurance administration that resides in AfroCentric Health Solutions and partnership with Sanlam positions the business for growth out of South Africa.

STRATEGY

AfroCentric Health Solutions has had a strong focus on membership growth in all territories and managed to consistently exceed targets in the majority of businesses. This strategy has been successful, delivering revenue and earnings growth of nearly 60% over the last five years. Attention is now focused on improving operational efficiency, while still pursuing opportunities for organic growth and geographical expansion.



AFROCENTRIC HEALTH SOLUTIONS (continued)

Specific strategic objectives include:

Strategic objectives	Why this is important	Link to Group strategy
Diversify revenue through AfroCentric associates, subsidiaries and ancillary services	Diversification of revenue streams contributes to overall growth and provides protection from downturns in discrete sectors or regions. A strong core business platform allows value-added solutions to be bolted on, such as wellness programmes, IT solutions or subsidiary company services to new and existing clients.	 
Drive operational efficiencies	AHS is actively engaged with key providers in streamlining the delivery of healthcare to reduce costs and improve quality of care. Automation of processes is high on the efficiency agenda, driving down costs and allowing human capital to be re-deployed to new areas where they can add more value.	
Sustain and grow current revenues	Innovation, particularly in terms of processes and technologies, allows AHS to do more for less. The Company seeks to secure opportunities within its area of expertise in administration, health risk management and IT, leveraging Group resources to offer a full package of products and services to the pan-African market and contributing to the growth targets of AfroCentric.	
Improve employee practices	AHS believes in investing in the development and empowerment of its most valuable resource, employees. The Group's online learning tools are available to employees and proved popular and effective for developing key skills. Management teams were integrated into operational group forums, expanding horizons and spreading the expertise that exists in AfroCentric.	

OPPORTUNITIES AND CHALLENGES

The International market, especially developing economies offer attractive prospects for growth and expansion.

East and West Africa are good candidates due to their large, predominantly English-speaking populations, robust banking systems and infrastructures.

AfroCentric Health Solutions is constantly seeking prospects for fund merger opportunities, particularly with smaller schemes in markets where it is established, namely Namibia, Zimbabwe, Swaziland and Botswana. We are also pursuing opportunities for third-party IT solutions contracts such as the licensing of our administration system, and for the export of subsidiary company services such as Klinikka, Allegra and AfA.

To realise identified opportunities across the continent, it is critical that AHS maintain a high level of cultural awareness. South African healthcare funding and practice is not replicated elsewhere on the continent. The business model used within the South African market must be adapted to local regulatory, industrial and social customs. The business is

sensitive to the sociocultural barriers that must be overcome when trading in a multi-national context to ensure as smooth an integration as possible of new acquisitions and partnerships into the core business.

PERFORMANCE OVERVIEW AND OUTLOOK

AfroCentric Health Solutions has enjoyed sound performance over the past year, with revenue increasing by 12.5%.

The business has been successful in building brand reputation, with Medscheme Namibia and Medscheme Swaziland winning prestigious service awards.

- Medscheme Namibia won the PMR award for best administrator for the fifth consecutive year.
- Medscheme Swaziland won the PMR award for best medical fund for the second consecutive year.

The focus for the year ahead is the consolidation of growth efforts, seeking to collaborate with existing and potential partners to develop appropriate healthcare solutions for the continent, and packaging of existing products for export markets.

HELIOS IT SOLUTIONS



Helios IT Solutions ("Helios") provides technology solutions that facilitate efficient management of healthcare services, particularly in the administration of medical schemes and health risk management. Helios is the technology backbone of the Group and a key enabler of the vertical integration of healthcare delivery. The Company is a strategic partner to Medscheme and its client medical schemes, and has a number of prestigious external clients, South African and international, who utilise its systems under licence.

OVERVIEW

Helios was born in 2011 through the refocus of the Medscheme IT division. It is a fairly young company driven by a quest for innovation. We are continually analysing the market to identify improved technologies that can increase efficiencies and deliver added convenience to our clients.

Controlling risk in an IT environment is critical. To that end, Helios adopts secure IT processes and stringent

governance structures to ensure effective risk management and compliance with all legislative and best practice security measures.

STRATEGY

Customer centricity is a pillar of the business strategy and a philosophy which flows through all the other strategic objectives.

Strategic objectives	Why this is important	Link to Group strategy
Customer centricity	Helios has embedded a culture of customer centricity in its operations, with the aim of enabling highly technical individuals to grasp the impact of their activities on the end customer experience. This is achieved by aligning behaviour positively to business strategy.	
100% uptime of core systems	Delivering client satisfaction means providing uninterrupted service, which in turn relies on robust systems that remain fully functional at all times.	
Revenue growth	Helios supports AfroCentric's strategic objectives of diversifying revenue streams and maximising growth. Licensing the Helios systems and offering support services to external partners generates additional revenue for the Group.	
Care and growth of employees	Within the ICT environment, attracting and retaining critical skills remains a challenge. The market is competitive and certain specialist skills are in demand. Helios attracted some of the best talent in the country from diverse backgrounds and is committed to developing our employees through learnership and other capacity-building programmes. Through the realisation of this strategic objective, Helios invests in a dedicated team with the technical skills, passion and commitment to support the business imperatives.	

HELIOS IT SOLUTIONS (continued)

OPPORTUNITIES AND CHALLENGES

Helios operates at the intersection of healthcare and ICT and the Company is well positioned to take advantage of the opportunities that arise, responding to challenges without undue disruption to the business.

KEY OPPORTUNITIES:

- **Fusion** – the enhancement of the current core IT platform, Fusion is expected to be implemented in 2019 and will provide the Group with scalability across large membership bases and the stability to provide solutions to a changing healthcare market.
- **Licensing** – offers IT solutions to external clients, in the international market and domestically, and currently has a pan-African customer base for its platforms. Fusion offers further opportunities to increase revenue through licensing of the integrated system as well as individual modules.
- **Infrastructure support** – as the developers of the Fusion platform, Helios can offer an ongoing maintenance and support package to licensees. There are added opportunities to sell other platforms and continue to provide a maintenance service to those customers.
- **Integration platforms and skills** – Helios purchased an established integration solution that, combined with strong technical skills capability, provides quick and flexible integration enablement solutions to the market. AfroCentric's partnership with Sanlam and the WAD acquisition creates opportunities to realise synergies and efficiencies across the Group, using technology as an enabler.
- **Switching services** – Helios's 51% holding in Allegra allows the Company to sell switching capabilities and pharmacy management software to multiple providers, particularly within the pharmacy sector.

It is difficult to quantify the opportunities that may emerge from the NHI in the ICT environment. Helios is, however, optimistic that as the government's strategy is codified and tenders start to be issued, the Company is in a strong position to provide a competitively priced and technologically superior offering to the industry. As such, we are working collaboratively with key role players to provide tailored solutions in order to secure a successful tender for ICT services.

RESPONDING TO CHALLENGES:

- **Employee retention** – there is a market demand for skilled technical employees and Helios is vigilant in efforts to retain skilled employees through above average levels of remuneration. The Company aims to create a compelling and engaging environment where employees feel valued and are able to experience career progression.

- **Cybersecurity** – one of the greatest areas of concern for all businesses globally, particularly for the IT sector. Cyber penetration and malicious intent ("hacking") as well as data theft represent substantial risks to companies such as Helios. A cybersecurity audit was performed by KPMG which highlighted further areas of improvement, which Helios will focus on going forward. To mitigate this risk, the Company regularly updates software and has improved physical and logical security measures.
- **Stability of platforms** – Helios has a dedicated team of professionals to overcome matters as they arise, to ensure prompt query resolution and to achieve the strategic objective of 100% systems uptime.

PERFORMANCE OVERVIEW AND OUTLOOK

The integration of the Sanlam and the WAD acquisition and the on-boarding of the Polmed scheme increased the demands on Helios in 2016. The stability of core systems, however, was a critical enabler in the smooth implementation of the new businesses. A number of infrastructure platforms were also refreshed with minimal disruption to the business and an unannounced disaster recovery exercise was successfully executed.

Average response time was two and a half seconds per real time claim submitted, and remained this efficient in 2016.

Helios also successfully completed a number of other projects such as the integration of the Sanlam Reality member rewards programme into the administration of several client schemes.

There have been significant investments in technology and employees over the past three years. This trend will continue for the foreseeable future, as Helios builds the systems and foundation to support the consolidation that is currently being seen in the market.

Strategic diversification within the Group involves ensuring access to diverse revenue streams to facilitate growth. Helios is well positioned to provide the technological platforms and specialist resources necessary to support the new products and services that current and future partnerships and acquisitions may generate.



Allegra

SOFTWARE • SERVICE • SUPPORT



Allegra is a healthcare company providing technology platforms for total patient care. The Company enables healthcare providers to adapt to current and future customer care challenges by means of software solutions. Allegra is assisting in driving down healthcare costs by facilitating a holistic view of the patient and reducing duplication across multiple systems.

OVERVIEW

The Allegra solutions assist in reducing risk in patient management by eliminating potential drug conflicts. Actuarial risk within a scheme is reduced through the Health Assessment tool, allowing providers the ability to view their current membership's risk profile, identify emerging risks and implement strategic wellness interventions. The tool is deployed in more than 350 sites, and includes biometric data exchanges that currently communicate with five medical aid schemes.

Cost reduction and risk reduction are complemented by value creation. Other systems in the Allegra stable include tools for practice management, dispensing and nurse practice management.

STRATEGY

Allegra will continue to pursue a strategy of driving value while lowering healthcare costs. The Company is committed to offering a superior cost/value ratio in its market and a reduced cost base will be achieved through the following discrete objectives:

Strategic objectives	Why this is important	Link to Group strategy
Maximise use of assets	Allegra will increase volume by expanding the client base for existing products. Extending distribution in the independent sector through value-added resellers will also reduce the unit cost of products; and as market share grows it will be difficult for new entrants to penetrate the market.	
Operate on a low direct cost base	By developing modular, flexible products that are easily configured to client requirements, operating costs can be reduced.	
Continuously reduce costs across the business	Stringent control over production costs and optimising research and development as well as promotional spend results in cost reduction that consequently maximise profitability. Outsourcing certain aspects of the business may also lead to greater efficiencies.	

ALLEGRA (continued)

Allegra's strategic focus supports AfroCentric's strategy of lowering healthcare costs and its activities equally align with this strategic objective. Allegra seeks to diversify revenue streams and identify opportunities for growth by entering new, non-pharmacy market segments, such as biokinetics, dietician and GP practices. Allegra's systems are capable of servicing those sectors and only requires the development of interfaces to link with sectoral platforms. Allegra expects to be active in these markets by 2017.

Allegra strives to enhance the customer experience of scheme members at the point of care by providing biometric data that will allow a truly interactive encounter to healthcare workers.

OPPORTUNITIES AND CHALLENGES

The emerging NHI presents scope for Allegra's software solutions to create an electronic health record, linking public sector to primary health clinics, allowing patients to access care on the move. For example, migrant workers in the mining and other labour-intensive sectors in South Africa can visit a clinic outside of their usual locality for ongoing treatment for chronic conditions, ensuring continuity of care.

Allegra systems also allow for movement of clinical and claims data between point of care and administration points, whether private medical administrators or NHI. The opportunities presented by the NHI will not be realised in the short term, and much remains to be understood about how the legislation will be implemented. The uncertainty surrounding NHI represents a risk and a challenge. Allegra is, however, confident that we have the know-how and resources to be a key service provider to this critical initiative.

Allegra is committed to upskilling the healthcare profession through the use of technology and its software has the ability to power such a network. Allegra employees can train nurses on the use of software. This will position the Group to provide the necessary services to the GEMS, Polmed and Bonitas schemes as well as the NHI.

The majority of Allegra's income is derived from the pharmacy sector. Allegra is poised to move into non-pharmacy claims with a competitive offering for service providers. The Company is also in the process of developing a practice management application for the biokineticist segment, to be distributed by SmartHealth (value-added resellers), enabling transfer of clinical data to funders.

PERFORMANCE OVERVIEW AND OUTLOOK

There were significant project achievements in the Group's Polmed take-on and in the Medirite pilot project advancing to operational functionality.

Allegra was contracted by MediRite Pharmacy (Pharmacies in Checkers and Shoprite stores) to implement a Retail Pharmacy Solution into their pharmacies. We are pleased to announce that the project has now transitioned from the pilot phase into the implementation phase. Allegra has been granted approval to continue with the implementation of their new Retail Pharmacy Solution into all MediRite Retail Pharmacy stores in South Africa. Implementation has commenced and is planned to be completed over an 18 month period.

Allegra is pleased to have secured the contract to provide services to Alpha Pharm for the Alpha Clin franchise network. The Company entered into partnership with SmartHealth value-added resellers for entry into the biokineticist market segment. Allegra also introduced a children's module to the Discovery Vitality suite of products.

Looking ahead, Allegra will continue with its quest to change the healthcare delivery model from one of reactive treatment to proactive prevention. It intends to do this by optimising partnerships with pharmacies and funders, by extending its geographical footprint into Zimbabwe, and by expanding its reach into new, non-pharmacy market segments.



PHARMACY DIRECT, CURASANA AND ACTIVO HEALTH



Pharmacy Direct is the retail arm of AfroCentric's vertically integrated pharmaceutical operations. These include Curasana, a medicines wholesaler owned 100% by AfroCentric and Activo Health, a drug importer and rights-holder for the South African market, in which AfroCentric has a 26% stake with a further option to buy additional equity.

OVERVIEW

Pharmacy Direct is a premier courier pharmacy in South Africa, supplying chronic medication to patients across the country, including those in remote rural areas.

Regular delivery of medication is a critical enabler of patient adherence to therapeutic regimes, often the single biggest factor in a patient's response to treatment. This is particularly true in rural areas, where 75% of Pharmacy Direct's patients reside, and where the nearest pharmacy may be out of reach.

Pharmacy Direct does not carry the overhead of a large network of properties and employees and is able to offer medicines more cost-effectively than conventional retail pharmacies through lower dispensing fees and no administration or delivery cost. The cost of medicine is effectively managed through formulary compliance to reference pricing agreed with Medical Schemes.

Medical Aid Schemes recognise the value that a courier pharmacy can add, and Pharmacy Direct is currently a designated or preferred service provider to most Medical Schemes in the private market, including Bonitas, Polmed, Massmart, Liberty, Fedhealth, Medshield and Hosmed.

Pharmacy Direct is a designated service provider to the National Department of Health in the distribution of

The following strategic objectives reflect this strategy:

medication to patients on the CCMD Programme. This internationally funded project aims to:

- Improve access to chronic medicines
- Improve service delivery
- Improve patient experience
- Develop a business model for private sector involvement in the provision of healthcare services in the public sector
- Pilot the project for NHI implementation

Pharmacy Direct has also recently been appointed as the Designated Service Provider for managing, distributing and dispensing chronic medication to Compensation of Occupational Injuries and Disease (COID) patients which will add a potential additional 50 000+ patients.

STRATEGY

Pharmacy Direct is a patient-centered business, with a strategic focus on making healthcare accessible to all. Accessibility is primarily equated with affordability and convenience. Pharmacy Direct operationalises this commitment by charging lower dispensing fees, no administration and delivery fees, while delivering medicine at a patient selected address.

Strategic objective	Why this is important	Link to Group strategy
Adding value to AfroCentric as an integrated part of the Group's health value chain	Pharmacy Direct's 'backward integration' into the pharmaceutical supply chain adds to the diversification of AfroCentric's revenue sources. The Company's proposition is embedded throughout the value chain of the Group via partnerships with Allegra and Medscheme.	
Adding value to clients through understanding the operations and strategic priorities of each Scheme and successfully aligning the business in support	Having a clear understanding of the individual client's priorities and operational functions enables Pharmacy Direct to provide a tailored service to each Medical Scheme and to translate these through communication, actions and interventions to the patient, thus delivering end-to-end customer care. The Company's operating procedures keep abreast with client process enhancements, contributing to the longevity of the client relationship and yielding opportunities for growth, as interaction with schemes can provide access to the cohort of patients not currently obtaining medication from Pharmacy Direct.	

PHARMACY DIRECT, CURASANA AND ACTIVO HEALTH (continued)

Strategic objective	Why this is important	Link to Group strategy
Timeous use of innovative resourcing methodologies, processes and tools	Effective use of innovation in business processes can yield diverse benefits, including cost efficiencies, new business development and enhanced customer service.	
Developing a performance-driven culture through empowerment and the creation of exciting career challenges for all employees	Pharmacy Direct intends to be successful in the medium and long term, ensuring the sustainability of the Company and contributing to that of the Group. To achieve this, the Company recognises the importance of building a diverse team, including capacity-building of a heterogeneous young workforce, while always mindful of developing future leaders.	
Flexibility and adaptability to rapidly changing market and technology conditions	An inculcated culture of adaptability and flexibility allows the Company to grow the business in new directions to address emerging market needs and provide added value to clients and patients, thereby growing revenues and enhancing the customer experience.	 

OPPORTUNITIES AND CHALLENGES

OPPORTUNITIES

Pharmacy Direct has been in the forefront of a private partnership to NHI, with the contract to dispense and deliver medicines to public sector patients in five provinces. The Company is motivated and looks forward to supporting government in future endeavours.

Pharmacy Direct is committed to capitalise on the vertical integration taking place within the Group by taking advantage of the relationship with Medscheme to grow its patient base, and collaborating with other partners in the group to pursue efficiencies and best practice. Pharmacy Direct has an existing, collaborative relationship with Allegra to manage scheduling and stock control of drugs, claims and co-payments. The relationship with Allegra assists Pharmacy Direct in remaining highly competitive with reference to new patient registration procedures, interrogation of dispensing data and claims history.

Flexibility in pricing strategies allows Pharmacy Direct to attract business through our sustained levels of customer service and compliance management to patients. The Company's patient-centered ethos means that value is added not only through keen pricing, but also through a personalised approach to service delivery.

CHALLENGES

One of the biggest challenges to growth and sustainability is a shift in the legislative environment that may have a material impact on business operations. Adapting to regulatory change often has severe short term cost implications and can affect the longer-term direction of the business. For example, the prohibition of certain products or services. Another risk is the financial and reputational cost of breaching regulation and incurring penalties, even if non-compliance is unintentional. To mitigate these risks, Pharmacy Direct is diligent in adherence to Good Pharmacy Practice ("GPP") and maintains a healthy relationship with regulators to ensure that impending changes to regulation can be anticipated and can be provided for.

Pharmacy Direct is dependent on service providers such as the Post Office and long haulage companies and disruption in these industries can have a detrimental effect on the Company's ability to adhere to distribution schedules. The business has engaged and partnered with a number of trusted suppliers, reducing the risk of catastrophic interruption to operations in the event of a problem with one service provider. High volume of business transacted by Pharmacy Direct has resulted in Pharmacy Direct being a premier Client and which allows for the negotiation of attractive pricing agreements.

Internal industrial action could be a potential risk with recent unionisation of the Pharmacy Direct workforce. To date, the relationships between management, trade unions and employees are harmonious and do not pose any threat to productivity.

PERFORMANCE OVERVIEW AND OUTLOOK

Pharmacy Direct adopted a strategy of organic growth, allowing for a focus on exceptional customer care and meeting or exceeding the expectations of clients in terms of service delivery. This approach proved successful as the Company has grown from a base of 278 patients in 2004 to the current caseload of between 200 000 and 220 000 prescriptions processed per month. The total capacity with the current infrastructure is approximately 500 000 prescriptions per month, which supports Pharmacy Direct's committed approach to the Company's strategy of growth. The values embedded in Pharmacy Direct's staff in addition underpins a culture of customer centricity.

In line with the Company's value proposition, Pharmacy Direct demonstrated excellent performance in service delivery. Currently, in excess of 99.9% deliveries are on time and regularly updated monitoring and evaluation systems ensure that this standard is maintained or improved on.

90% of deliveries are door-to-door, with the remaining 10% being collected from alternative pick-up points such as postal parcel counters. Pharmacy Direct delivers medication nationally and internationally. To date no patient has yet been denied a delivery due to an inaccessible address.



Klinikka (Pty) Limited ("Klinikka") was incorporated in 2013 and is the distributor and manager for the Documentation Based Care ("DBC") musculoskeletal rehabilitation system. Klinikka holds the master licence to supply the DBC technology in Southern Africa, Southern America and Australia.

OVERVIEW

Over the past 15 years, DBC pioneered a growing global network of advanced specialist centres with a definitive goal: to provide better results, more efficiently, with a greater cost benefit.

The Klinikka business delivers services to Medscheme members (among others) who suffer from chronic spinal conditions. Klinikka monitors the progress of each patient treated at a DBC Centre. This focus on quality and outcomes is the foundation of a sustainable future for Klinikka and DBC.

STRATEGY

The DBC treatment is designed as part of an integrated managed care programme to reduce the overall cost of care for spinal conditions with the aim of operating the DBC brand in 19 centres throughout South Africa in the near future.

OPPORTUNITIES AND CHALLENGES

The DBC Centre network is owned by independent inter-disciplinary medical teams who work together in providing evidence-based care to patients. This is in line with the vision of the National Department of Health for sustainable medical

service providers and is a model that aligns to the intentions defined in the recently published NHI White Paper.

PERFORMANCE OVERVIEW AND OUTLOOK

Klinikka's highlights include retaining 100% of health risk management contracts demonstrating acceptance of the DBC value proposition in South Africa. Agreements are now in place with all major health risk management providers. Klinikka also successfully implemented a cloud-based Centre Management Tool which enables Klinikka to monitor each patient's confidential clinical progress at every DBC Centre in South Africa.

Future plans include the opening of new DBC Centres and a consumer marketing campaign to raise awareness of the DBC treatment among the general public. Klinikka intends to extend training and development of the inter-disciplinary clinical teams who own and operate the DBC Centres to ensure the quality of treatment outcomes is maintained. All health risk management partners benefit from Klinikka's individual attention, and each programme is tailored to the specific needs of each scheme's membership. Delivering customer satisfaction will continue to drive the business as it moves forward.





Sustainability

GOVERNANCE AND SUSTAINABILITY



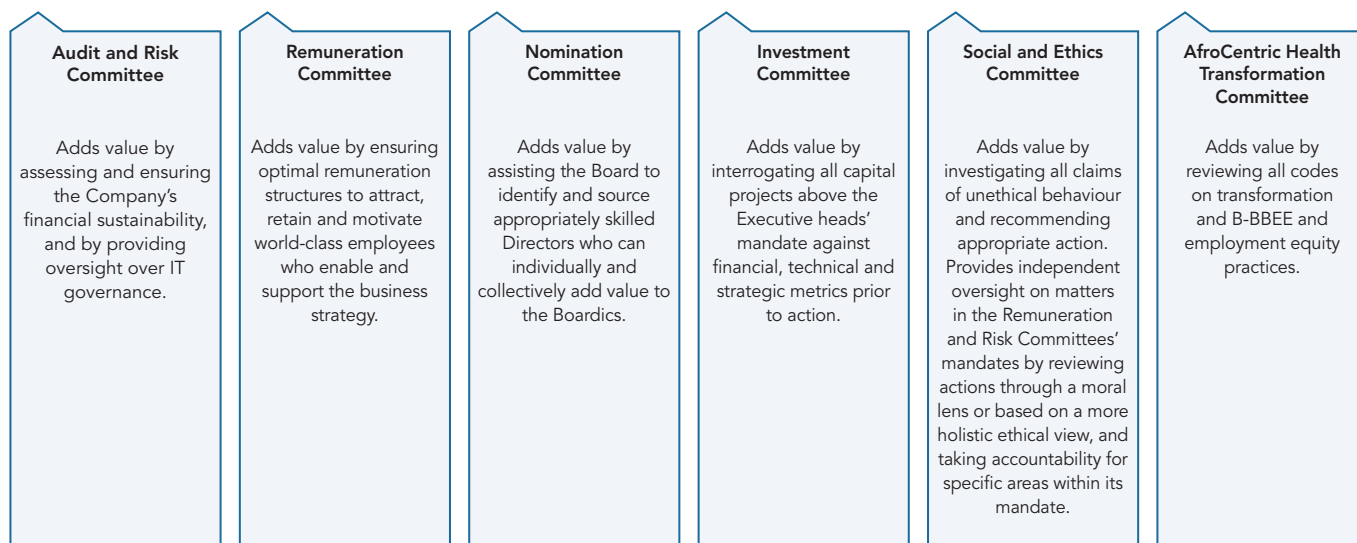
- 
- A background image showing a business meeting. Several hands are visible, pointing at documents and charts. The documents feature bar charts and line graphs. A yellow diagonal line runs across the image. The overall tone is professional and collaborative.
- 81 Corporate governance report
 - 90 Remuneration Committee report
 - 93 Social and Ethics Committee report

SHAREHOLDERS AND STAKEHOLDERS

AFROCENTRIC BOARD OF DIRECTORS

Adds value through strategic leadership, guidance and ultimate oversight in ensuring a sustainable business that is accountable to shareholders and responsible to other stakeholders.

The Board manages corporate governance and the execution thereof through the various Committees. These Committees monitor the proper operation of the structures and systems of the Company and report to the Board.



In assisting the Board in discharging its responsibilities, the Committees provide comprehensive reporting and recommendations, ensuring transparency and full disclosure. This also provides the Board with internal and external indicators that allow it to formulate relevant strategy and mitigate risk.

GOVERNANCE PHILOSOPHY AND APPROACH

The AfroCentric Group is committed to sound and robust corporate governance standards and practices, compliance with legislation, regulation and governance principles, recognising the correlation between good corporate governance and long-term sustainable performance. AfroCentric's Board of Directors ("the Board") adopted an integrated approach to managing the Group to ensure that the governance structure actively identifies, responds to and communicates on those material issues that impact on the ability to create value. Corporate governance is an integral element in improving efficiency as well as growth and enhancing investor relations.

AfroCentric recognises that strategy, performance, sustainability and risk are inseparable. In all activities, at all levels, the Group is committed to the highest standards of governance, while embedding a culture that values and rewards ethical standards, integrity and mutual respect.

As the stewards of public trust, the Board acts for the good of the organisation, exercising reasonable care in all decision-making without placing the organisation under undue risk. Corporate governance provides the Board with a framework that supports transparency, sustainability, fairness and ethical conduct. The Board promotes and supports high standards of corporate governance and in so doing endorses the principles of King III and the JSE Listings Requirements.

The Board remains committed to the full implementation of King III throughout the Group. The Directors of AfroCentric believe that the King III principles are entrenched in the internal controls, policies and procedures governing corporate conduct within the Group. The diagram above presents a holistic view of our governance structures and processes.

The Group is committed to the highest standards of governance

CORPORATE GOVERNANCE REPORT (continued)

APPLICATION OF AND APPROACH OF THE KING III PRINCIPLES

The Directors confirm that the Group has, in all material respects, applied the recommendations of King III. As previously reported, where compliance with the recommendations is not adhered, the Directors adhered to the “apply or explain” principle on which King III is based. Remedial action for non-application is being addressed and continuous improvement plans will ensure that the Group strives towards full compliance of the King III principles.

- ▶ Principle 2.16 states that the Board should elect a Chairperson who is an Independent Non-executive Director. The Board Chairperson is a Non-executive Director who is not independent. Despite this classification, the Chairperson applies independence of mind in all matters under discussion. A lead Independent Non-executive Director, Mr GL Napier, serves as liaison among Board members and ensures open and transparent Board relations in line with King III principle 2.16.3.
- ▶ Principle 2.18 recommends that the Board should comprise a majority of Non-executive Directors and that the majority of Non-executive Directors should be independent. In line with the recommendation of King III, AfroCentric has a unitary Board structure consisting of 15 members as at the reporting date. There are three Executive Directors and twelve Non-executive Directors, of which six are independent.

An independent legal opinion was received in July 2015 on the status of the Directors. Mr MI Sacks and Mr JM Kahn were classified as Independent Non-executive Directors. This was included in the 2015 corporate governance report. The Board terms of reference/charter and Memorandum of Incorporation (“MOI”) ensure that proper voting principles and processes are employed to enable a balance of power.

- ▶ Principle 9.3 states that sustainability reporting should be independently assured. The external auditors PricewaterhouseCoopers Inc. provided assurance on the Group Annual Financial Statements.

A schedule detailing the Group’s application of each King III principle, as required in terms of the JSE Listings Requirements, is available on the Group’s website.

COMPANY SECRETARY

The Board selects and appoints the Group Company Secretary and recognises this person’s pivotal role in entrenching good corporate governance. All Directors have access to the advice and services of the Company Secretary. The Board has an established procedure for Directors to obtain independent professional advice at the Group’s cost. The Group Company Secretary assists Directors, Board Committees and their members in obtaining professional advice.

The Company Secretary provides dedicated support to the Board, in particular the Non-executive Directors, and is a point of reference and support for all Directors. The Company Secretary consults regularly with the Directors to ensure that they receive any necessary information. With the Board Chairperson, the Company Secretary will regularly review the Board’s and AfroCentric’s governance processes with a view to ensuring they are fit for purpose and recommend or develop initiatives to strengthen the governance of AfroCentric.

As stipulated in the JSE Listings Requirements, a detailed assessment was conducted by the Board Chairperson, who is satisfied with the competence, qualifications and experience of the Company Secretary. Ms S Lutchan does not serve as a Director of the Board and the assessment confirmed her arm’s length relationship.

BOARD OF DIRECTORS FUNCTIONING OF THE BOARD

The Directors aim to integrate growth and efficiency with governance and ethics. The Board of Directors, guided by the mission statement, formulates strategies and policies which focus on optimising value for stakeholders, including consumers, shareholders and the society at large.

The Board exercises leadership and judgement in directing the Group to achieve sustainable growth and to act in the best interests of the business and its stakeholders. The Board is responsible to shareholders for creating and delivering sustainable shareholder value through the management of the Group’s businesses, and therefore determines the strategic objectives and policies of the Group to deliver such long-term value. In providing overall strategic direction, the Board ensures that management strikes an appropriate balance between promoting long-term growth and delivering short-term objectives.

In the Board demonstrating ethical leadership and promoting the Company’s vision, values, purpose, culture and behaviour, Directors act in a way they consider in good faith to promote the success of the Company for the benefit of the shareholders as a whole.

Formal terms of reference/charter define the roles and responsibilities of the Board. The Board adheres to the fiduciary duties and duty of skill and care codified in the Companies Act. This is reflected in the conflicts of interest policy, which also applies to Directors. Declarations of interest are confirmed at each Board and Committee meeting and are recorded in the minutes.

BOARD MEETINGS

The Board had four scheduled meetings during the year under review and two special meetings, in addition to the Annual General Meeting (“AGM”) and Board strategy session. Non-executive Directors have unfettered access to

Senior Executives in seeking explanation and clarification on matters prior to or following a Board meeting. This facilitates the Board's discussions and assist in reaching prompt and informed decisions.

Operational responsibility for the Group's subsidiary companies has been delegated to the individual Boards, which are accountable to the main Board for the ongoing management of the businesses. Operational reports are presented to the Board, prompting interactive engagements at meetings.

BOARD COMPOSITION

AfroCentric has a unitary Board structure with three Executive Directors and twelve Non-executive Directors. Six of the Non-executive Directors were classified as being independent at the financial year-end.

The following changes were made to the Board:

- ▶ Mr WRC Holmes retired as an Executive Director and Group Chief Financial Officer effective 1 August 2015. This was highlighted in the 2015 corporate governance report.
- ▶ Mr JW Boonzaaier was appointed as an Executive Director and the Group Chief Financial Officer effective 1 August 2015. An ordinary resolution approving this appointment was accepted by the shareholders at the AGM held on 5 February 2016.
- ▶ Mr WH Britz was appointed as an Executive Director effective 1 August 2015. An ordinary resolution approving this appointment was accepted by the shareholders at the AGM held on 5 February 2016.
- ▶ Ms LL Dhlamini was appointed as an Independent Non-executive Director and a member of the Audit and Risk Committee effective 2 December 2015. An ordinary resolution approving this appointment was accepted by the shareholders at the AGM held on 5 February 2016.
- ▶ Dr ND Munisi was appointed as a Non-executive Director effective 7 December 2015. This will be included for shareholder approval at the upcoming AGM (1 November 2016).
- ▶ Mr D Dempers stepped down as the Group Chief Executive Officer ("CEO") on 8 December 2015, and the Chairperson assumed an executive role until the CEO position was filled on 16 March 2016. On 2 June 2016 Mr Dempers resigned as the Executive Director to pursue other business interests.
- ▶ Mr AV Van Buuren was appointed as an Executive Director and the Group CEO effective 16 March 2016. This will be included for shareholder approval at the upcoming AGM (1 November 2016).
- ▶ Mr IM Kirk and Mr A Banderker were appointed as Non-executive Directors effective 15 December 2015. This will be included for shareholder approval at the upcoming AGM (1 November 2016).

- ▶ Subsequent to the financial year end, Ms Yasmin Masithela resigned as an Independent Non-executive Director and Chairperson of the Audit and Risk Committee, effective 15 September 2016.

All Directors exercise independent judgement at Board level, which is in the interests of the Group and its stakeholders, and this was also reaffirmed during the Board assessment process. The Non-executive Directors bring with them the experience, knowledge and practices followed in other companies resulting in absorbing the best practices in the industry. The Board induction is a process to on-board new Directors in line with the Companies Act and King III. The induction is carried out by the Company Secretary and exposes the new Directors to many facets of the Group, equipping Board members to be effective and fulfil their fiduciary duties. Director training and development is an ongoing exercise that requires their participation in various programmes designed to strengthen the shortfalls observed in the Board evaluation process.

In assessing the status of the Directors, an independent legal opinion was received in July 2015. Mr MI Sacks and Mr JM Kahn are now classified as Independent Non-executive Directors. The following criteria was achieved in assessing the Independent Directors:

- ▶ They do not have a direct or indirect interest in AfroCentric which exceeds 5% of the Group's total number of shares in issue.
- ▶ They have not been employed by the Group in an executive capacity, or appointed as the designated auditor or partner in the Group's external audit firm or senior legal adviser for the preceding three financial years.
- ▶ They have not had, within the past three years, a material business relationship with the Group.
- ▶ They do not have a member of immediate family in an executive capacity, are not professional advisors and do not receive remuneration contingent on the performance of AfroCentric.

The roles of the Board Chairperson, Dr ATM Mokgokong, and the CEO, Mr AV Van Buuren, are separate and clearly defined. The terms of reference charter details the division of responsibilities between the Chairperson and the CEO. This helps to ensure a balance of power and authority and to guarantee that no Director has unfettered powers.

The Non-executive Directors do not have a service contract, and all remuneration paid to Non-executive Directors for services as Directors is in terms of approval by the shareholders at the AGM.

As the Board Chairperson is not classified as independent, the Board has an appointed lead Independent Non-executive Director, Mr GL Napier. The lead Independent Director serves as a liaison among Board members to ensure open and transparent Board relations.

The table on page 84 illustrates the Directors' attendance at meetings for the year ended 30 June 2016

CORPORATE GOVERNANCE REPORT (continued)

Board		
Number of meetings held	6	
	Scheduled	Special
	4	2
Attendance		
ATM Mokgokong – Chairperson	4	1
MJ Madungandaba – Deputy Chairperson	4	2
Independent Non-executive Directors		
Y Masithela	4	1
GL Napier	4	2
NB Bam	4	2
LL Dhlamini ¹	2	–
MI Sacks	3	1
JM Kahn	4	1
Non-executive Directors		
JG Appelgryn ²	4	2
ND Munisi ³	2	–
A Banderker ⁴	2	–
IM Kirk ⁴	1	–
Executive Directors		
D Dempers ⁵	3	2
WH Britz	4	2
AV Van Buuren ⁵	2	–
JW Boonzaaier ⁶	4	2

- 1 LL Dhlamini was appointed as an Independent Non-executive Director and member of the Audit and Risk Committee on 2 December 2015.
- 2 JG Appelgryn attended one meeting in his capacity as a member of the Audit and Risk Committee. He was no longer classified as independent and therefore could not serve on this Committee effective October 2015.
- 3 ND Munisi was appointed as a Non-executive Director on 7 December 2015.
- 4 A Banderker and IM Kirk were appointed as Non-executive Directors on 15 December 2015.
- 5 Group Chief Executive Officer (D Dempers) stepped down as CEO on 7 December 2015 and resigned as a Board member on 2 June 2016. AV Van Buuren was appointed as the Group CEO on 16 March 2016.
- 6 JW Boonzaaier was appointed as the Group Chief Financial Officer on 1 August 2015.

APPOINTMENT AND RETIREMENT OF DIRECTORS

One third of the Directors are required to retire by rotation at the AGM of shareholders and may offer themselves for re-election. Being eligible for re-election, Directors offer themselves for reappointment by the Board. Directors appointed during the year are required to have their appointments ratified at the following AGM. Consequently, Mr JG Appelgryn, Mr GL Napier and Dr NB Bam will retire by rotation and offer themselves for reappointment.

Mr AV Van Buuren was appointed as an Executive Director and the Group CEO effective 16 March 2016. This appointment went through a formal process via the Nomination Committee and the Board. A SENS announcement dated 16 March 2016 was released notifying

shareholders of the appointment. In line with AfroCentric's MOI, any Board appointments made during a year under review must be confirmed by shareholders at the next AGM of shareholders, following such an appointment. Accordingly, Mr AV Van Buuren shall be included in the notice.

Executive Directors have no fixed term of appointment and retire in line with AfroCentric's internal employment policies.

BOARD DIVERSITY

The AfroCentric Board believes that a Board made up of highly qualified Directors from diverse backgrounds, reflective of the changing demographics of the economy, promotes better governance. The diversity criteria include gender, age, ethnicity and geographic background in addition to meeting the Board's requirements for skills and qualifications. At AfroCentric, 50% of the Directors are from previously disadvantaged groups and 25% are women. The Chairperson is a black female who believes that diversifying the Board is a step towards better governance. AfroCentric recognises that a diverse Board is able to make decisions more effectively by reducing the risk of 'groupthink', paying more attention to managing and controlling risks, and having a better understanding of the Group's clients.

BOARD EVALUATION AND PERFORMANCE

Board, Committee and individual Director evaluations are undertaken annually as recommended by King III. The Board evaluation includes an evaluation of the Board, of each Board Sub-committee, of the Chairperson and each Director to review their ability to add value to the Board. This is performed through self-assessments and peer review processes. In addition, the Remuneration Committee facilitates the evaluation of executive management.

The performance review of the Board indicated that sound corporate governance is in place and is working well with executive management. The Board is informed and attentive to key issues. It continues to focus on ensuring that the profile, skills set, diversification, qualifications and individual qualities of its Executive and Non-executive Directors serve the current and future needs of the business and the ever-changing environment in which it operates.

DIRECTORS' REMUNERATION

Non-executive Directors receive a fee for membership of the Board and that of Sub-committees on which they serve. The fee structure is based on an all-inclusive retainer structure. Fees are determined by the Remuneration Committee and approved by the shareholders at the AGM. The remuneration of Executive Directors is determined by the Remuneration Committee according to AfroCentric's policy.



Further information on Directors' remuneration appears on page 92 and in the Group Annual Financial Statements (supplementary information)

BOARD COMMITTEES

The Board established and delegated specific roles and responsibilities to Sub-committees. Each Committee's roles, responsibilities and membership are according to their Board-approved terms of reference/charter. The Directors have delegated specific responsibilities to Committees to

assist the Boards of AfroCentric Investment Corporation Limited and the major subsidiary, AfroCentric Health (Pty) Ltd, in meeting their oversight responsibilities. The delegation of authority does not absolve the Board and its Directors of their fiduciary duties and responsibilities. The Directors confirm that the Committees have functioned within their charters during the financial year.

AFROCENTRIC INVESTMENT CORPORATION LIMITED			COMBINED	AFROCENTRIC HEALTH (PTY) LTD	
Audit and Risk Committee	Remuneration Committee	Nomination Committee	Social and Ethics Committee Investment Committee	Risk Committee	Transformation Committee

As illustrated, the combined Social and Ethics Committee and the Investment Committee operate at both the AfroCentric Group and AfroCentric Health subsidiary levels. ACT Healthcare Assets (part of the AfroCentric Group) has a 100% shareholding in AfroCentric Health following the Scheme of Arrangement process that was finalised prior to year end. Accordingly, AfroCentric Health is no longer a public company and has been converted to a private company. The AHL Risk Committee and Transformation Committee do not operate at the AfroCentric Group level. The Board relies on the Sub-committees of AfroCentric Health and entrusts them to function and operate as intended while updating the Board as to any material matters.

▼ AUDIT AND RISK COMMITTEE

The main purpose of the Audit and Risk Committee is to assist the Board in ensuring that management has an effective risk management process that identifies and monitors the key risks facing the Group in an integrated and timely manner.

As at the financial year-end the Audit and Risk Committee comprised of three Independent Non-executive Directors, with Executive Directors as standing invitees to the Committee meetings. The Chairperson of the Board is not the Chairperson of the Audit and Risk Committee. The internal and external auditors have unrestricted access to the Chairperson of the Audit and Risk Committee.

Subsequent to the financial year end, Ms Y Masithela resigned as an Independent Non-executive Director and Chairperson of the Audit and Risk Committee, effective 15 September 2016. The resignation resulted in the minimum constitution of the Audit and Risk Committee not being met. This is in breach of the Companies Act and JSE Listings Requirements. In order to comply with the Companies Act, the Board appointed Mr A Banderker as a member of the Audit and Risk Committee. Section 94(4) of the Act has therefore been complied with.

 The full report of the Audit and Risk Committee is outlined in the 2016 Group Annual Financial Statements (supplementary information).

Three meetings were held in the year under review.

Apart from the statutory duties of the Audit and Risk Committee as set out in the Companies Act, provisions of the JSE Listings Requirements and King III principles, the duties of the Committee incorporated in the terms of reference/charter also include the following:

- ▶ Examine and review the Group's Annual Financial Statements and report on interim and final results, the accompanying message to stakeholders and any other announcements on the Group's results or other financial information to be made public
- ▶ Oversee co-operation between internal and external auditors and serve as a link between the Board and these functions
- ▶ Oversee the external audit function
- ▶ Review and confirm the adequacy of insurance cover
- ▶ Monitor processes and procedures to deal with and review the disclosure of information to clients
- ▶ Formulate criteria for the appointment of a Risk Manager and terms of reference/charter for the Risk Management functions
- ▶ Review the risk management reports regarding the adequacy and overall effectiveness of the Company's risk management function and its implementation by management. Review risk in its widest sense including but not limited to: technology risk, disaster recovery plan, operational risk, prudential risk, reputational risk, competitive risk, legal risk, compliance and control risk, concentration of risk across a portfolio dimensions, asset valuation risk
- ▶ Approve the internal audit plan and qualifications of the internal auditors
- ▶ Evaluate the qualifications and independence of the external auditor
- ▶ Approve external audit fees
- ▶ Ensure effective internal financial controls are in place
- ▶ Review the integrity of financial risk control systems and policies

CORPORATE GOVERNANCE REPORT (continued)

- ▶ During the year under review the Committee satisfied itself that the Finance Director possesses the appropriate level of expertise and experience to fulfil his responsibilities as Group Chief Financial Officer to the Board and the Company

The Committee and the Board are satisfied that there is adequate segregation between the external and internal audit functions, and that the independence of the internal and external auditors is not in any way impaired or compromised.

Audit and Risk Committee	
Number of meetings held	3
Attendance	
Independent Non-executive Directors	
Y Masithela – Chairperson	3
GL Napier	3
LL Dhlamini ¹	2
Non-executive Directors	
JG Appelgryn ²	1

¹ LL Dhlamini was appointed as an Independent Non-executive Director and member of the Audit and Risk Committee on 2 December 2015.

² JG Appelgryn attended one meeting in his capacity as a member of the Audit and Risk Committee. He was no longer classified as independent and therefore could not serve on this Committee effective October 2015.

REMUNERATION COMMITTEE

The Committee's mandate is to ensure that remuneration arrangements support the strategic aims of the business and enable the recruitment, motivation and retention of Senior Executives while complying with regulatory and governance principles. It has oversight regarding new Board appointments. There are three members in the Committee, two of whom are Independent Non-executive Directors and one Non-executive Director. In terms of the King III requirements, the composition of the Committee is required to comprise a majority of Independent Non-executive Directors. As at 30 June 2016, the Group complied with this requirement.

Two meetings were held in the year under review.

The Committee has access to independent surveys and consultants. The Chairperson reports to the main Board on the activities and recommendations made by the Committee. The duties and responsibilities as contained in the terms of reference/charter include:

- ▶ Agree and develop the Group's general policy on executive and senior management and employee remuneration. This general policy will be referred to shareholders in order for such shareholders to pass a non-binding advisory vote on AfroCentric's annual remuneration policy

- ▶ Determine the specific remuneration packages for Executive Directors of the Company
- ▶ Identify the criteria necessary to measure the performance of Executive Directors in discharging their functions and responsibilities
- ▶ Review (at least annually) the terms and conditions of Executive Directors' service agreements, taking into consideration information from comparable companies, where relevant

Remuneration Committee	
Number of meetings held	2
Attendance	
MJ Madungandaba – Chairperson	2
Independent Non-executive Directors	
MI Sacks	2
JM Kahn	2

NOMINATION COMMITTEE

The Committee is responsible for providing recommendations to the Board on all new Board and Committee appointments. A formal process of reviewing the balance and effectiveness of the Board and its Committees, identifying the skills needed and the individuals to provide such skills in a fair and efficient manner, is required of the Committee to ensure the Board and its Committees remain effective and focused. This includes a regular review of the composition of the Board Committees and includes assisting the Chairperson with the annual evaluation of Board performance.

The Committee is responsible for identifying appropriate Board candidates and evaluating them against the specific disciplines and areas of expertise required.

Two meetings were held in the year under review.

In terms of the King III requirements, the Committee is required to comprise a majority of Independent Non-Executive Directors. As at 30 June 2016, the Group did not comply with this requirement as the membership of this Committee comprises one Independent Non-executive Director and three Non-executive Directors. A review of the constitution of this Committee is not necessary at present as the members fulfil their roles independently when carrying out their Committee duties.

The Chairperson of the Committee is the Chairperson of the Board and reports to the ACT Board on the activities and recommendations made by the Committee. The duties and responsibilities as contained in the terms of reference include:

- ▶ Formulate and adopt a clear, transparent process for the selection, nomination and appointment of Directors to the Board

- ▶ Provide recommendations to the Board on the appointment of new Executive and Non-executive Directors, including providing recommendations on the composition of the Board and the balance between Executive and Non-executive Directors appointed to the Board
- ▶ Ensure that succession plans are in place, particularly for the Chairperson and CEO positions
- ▶ Liaise with the Board in relation to the preparation of the Committee's report to shareholders, as required

Nomination Committee	
Number of meetings held	2
Attendance	
ATM Mokgokong – Chairperson	2
Non-executive Directors	
MJ Madungandaba	1
A Banderker ¹	2
Independent Non-executive Director	
JM Kahn	1

¹ A Banderker was appointed as Non-executive Directors on 15 December 2015.

COMBINED INVESTMENT COMMITTEE

During the year under review, the Investment Committee comprised four members, two Non-executive Directors and two Executive Directors. The constitution of this Committee is under review to align to best practice. The Investment Committee meets at least twice a year and additional meetings are held when required. During the year under review, the Committee held seven meetings.

The Committee oversees the approval processes for investments. These are designed to ensure alignment with the Group's agreed strategies and values. Risks are identified and evaluated, investments are fully optimised to produce the maximum shareholder value within an acceptable risk framework and appropriate risk management strategies are pursued. The duties of the Investment Committee include:

- ▶ Considering commitments, acquisitions or disposals by the Group
- ▶ Considering initial investments in the Group
- ▶ Considering any other investment over R5 million – smaller investments may be tabled at the Committee
- ▶ Performing such investment-related functions as may be delegated by the Board from time to time
- ▶ Considering the viability of the capital project and/or acquisition and/or disposal and the effect it may have on the Group's cash flow, and whether it will align with the Group's overall strategy
- ▶ Ensuring due diligence procedures are adhered to when acquiring or disposing of assets

Investment Committee	
Number of meetings held	7
Attendance	
MJ Madungandaba – Chairperson	7
Non-executive Directors	
A Banderker	3
Executive Directors	
D Dempers ¹	7
WH Britz	5
AV Van Buuren ¹	7
JW Boonzaaier ²	6

1. Group Chief Executive Officer (D Dempers stepped down as CEO on 7 December 2015 and resigned as a Board member on 2 June 2016. AV Van Buuren was appointed as the Group CEO on 16 March 2016.
2. JW Boonzaaier was appointed as the Group Chief Financial Officer on 1 August 2015.

COMBINED SOCIAL AND ETHICS COMMITTEE

The Social and Ethics Committee is constituted as a statutory committee for purposes as contained in Section 72 of the Companies Act. The Committee is governed by a terms of reference charter and monitors Group performance in terms of defined social and ethics performance indicators that were formulated with reference to Regulation 43(5) of the Companies Act. This is further supported by a detailed work plan that guides the Committee on its mandate and responsibilities.

The Committee comprised of four Independent Non-executive Directors. The Chairperson of the Committee submits a report to the Board on its initiatives and mandate.

Three meetings were held in the year under review.

In response to the requirements of the Companies Act, the performance in the following areas was reviewed:

- ▶ Group policies (ethics, whistle-blowing, anti-corruption and procurement)
- ▶ Employment equity
- ▶ Socio-economic development
- ▶ Environmental impact
- ▶ B-BBEE
- ▶ Review of disclosure of information to clients

Social and Ethics Committee	
Number of meetings held	3
Attendance	
Independent Non-executive Directors	
GL Napier – Chairperson	3
M Mashigo – Co Chairperson (Independent Non-executive Director AHL)	3
Y Masithela	2
NB Bam	3

CORPORATE GOVERNANCE REPORT (continued)

▼ TRANSFORMATION COMMITTEE

The Transformation Committee functions only at the AfroCentric Health level as this is where the matters of transformation and B-BBEE are required for the operating activities of the Group. The Committee is responsible for driving transformation and B-BBEE compliance across the Group.

The Committee comprises of fifteen members. Regular meetings were held in the year under review.

The duties of the Transformation Committee include:

- ▶ Monitoring and reporting on performance against the B-BBEE scorecard
- ▶ Identifying any items that are not aligned to the Group's Transformation strategy, highlighting the cause and agreeing on remedial action plans
- ▶ Measuring performance against key competitors
- ▶ Reporting on implemented initiatives, projects and their progress and whether the initiatives assist in achieving transformation objectives

CONFLICTS OF INTEREST

Directors are required to declare their personal financial interests, and those of related persons, annually, in terms of the Companies Act and the MOI. Declaration of interests is a standing agenda item on all Board and Committees (including those of subsidiary Boards). During the year under review, a policy was developed to address any potential conflicts of interest. Based on these declarations, Directors with material interests in any transactions with the Group during the financial period are disclosed in note 33 of the Group Annual Financial Statements and shareholding as per the Shareholder Analysis on page 9 of the Group Annual Financial Statements (supplementary information).

DEALINGS IN SECURITIES

Directors and officers are prohibited from dealing directly or indirectly in AfroCentric's ordinary shares on the basis of unpublished price-sensitive information regarding its business or affairs. Similarly, no Director or officer may trade in shares of the Company during a closed period, as determined by the Board according to JSE Listings Requirements. The Group's closed periods are between the last day of the reporting period and the publication of the results, and during those periods when the Group trades under a caution. The Group Company Secretary regularly disseminates written notice to all Directors and executive management throughout the Group, highlighting the provisions of the Financial Markets Act and JSE Listings Requirements and informing them that dealing in AfroCentric shares during certain restricted periods may not be undertaken. The Board reviews its current share dealing policy and updates the policy to improve processes. This was carried out during the year under review.

During the year under review, the JSE was informed of the following non-compliance in respect of Directors' dealings:

- ▶ Mr TM Rametse (Executive Director: Medscheme Holdings being a major subsidiary of the Company) had directly (in his own name) traded in AfroCentric shares (sale) without obtaining the necessary approval

- ▶ Mr AV Van Buuren (CEO: AfroCentric Health (Pty) Ltd being a major subsidiary of the Group) and Mr WH Britz had indirectly (both representing WAD Holdings (Pty) Ltd) traded in AfroCentric shares (purchase). The required broker's notes were not provided to AfroCentric timeously and hence a late SENS announcement was released

Consequently, the JSE imposed private sanctions on the above members via formal communication to the individuals. AfroCentric made a commitment to the JSE to review and strengthen its internal controls and processes relating to trading in AfroCentric's securities. An information and share dealings policy was drafted and approved by the Board on 29 June 2016. Controls are in place and the Board was inducted on the JSE rules in respect of share dealings. Constant updates are provided to the Board via the Company Secretary.

INTERNAL CONTROLS

Organisational policies, procedures, structures and approval frameworks provide direction, accountability and segregation of responsibilities and contain self-monitoring mechanisms. Operational and executive management closely monitor the controls and actions taken to correct weaknesses as they are identified. The Head of Group Finance reports directly to the Group Chief Financial Officer, who is responsible for the overall financial control and reporting.

Standards of disclosure increased significantly and internal governance structures and roles were reviewed and improved, where necessary, to reflect best practices. This occurred at Board and management levels. The internal audit function is governed by an internal audit charter which is approved by the Audit and Risk Committee and is reviewed annually.

INTERNAL AUDIT

AfroCentric Internal Audit is an independent function governed by an internal audit charter which is approved by the Audit and Risk Committee and is reviewed annually. The Internal Audit Charter defines the role, organisational status authority, responsibilities and scope of the Internal Audit Activity ("IAA"). It also includes the principles underlying the realisation of the objectives of the IAA and the translation thereof into operational activities. The General Manager: Internal Audit reports at each Audit and Risk Committee meeting and has a direct reporting line to the Chairperson of the Audit and Risk Committee. The internal audit function operates independently of executive management and is not authorised to perform any operational duties in the Group. For administrative purposes, the General Manager: Internal Audit reports to the Group Chief Executive Officer. The internal audit team collectively possesses the knowledge, skills, experience, tenure and other competencies needed to fulfil its mandate in an effective and competent manner. Where specific specialist skills or additional resources are required, these are obtained from third parties.

The vision of Internal Audit is to add value on a proactive, objective and independent basis and assist with the achievement of the Group's business strategy and objectives while upholding the core values of mutual respect, accountability, empowerment, integrity, innovation, accessibility, commitment, efficiency, proactivity and professionalism. According to its core values, AfroCentric's internal audit endeavours to comply with the highest professional standards of integrity, sound practice and transparency to build trust and maintain the interests of client schemes and shareholders at the forefront of our corporate agenda.

Internal Audit assists AfroCentric to accomplish its strategic objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes. This is achieved by managing the significant risk exposures and control issues, corporate governance issues and other matters. These detailed reports of specific results and their action plans are available on request from the Audit and Risk Committee. Detailed reports on all audit projects are distributed to Executive management. Management action plans to audit findings are communicated in detailed form.

The Institute of Internal Auditors (IIA) standards require that an external quality assessment be conducted on the Internal Audit Activity of an entity at least every five years. Afrocentric Internal audit has been subjected to two Independent external quality assessment reviews in the year 2011 and recently in August 2016. The overall rating as assessed by the IIA was "Generally Conforms" in both years and thus the function is entitled to use the "in accordance with the Standards" statement in their internal audit reports. IAA aims to meet and exceed the IIA Standards and Code of Ethics.

INFORMATION AND SECURITY GOVERNANCE

IT Governance is defined in King III as the "effective and efficient management of IT resources to facilitate the achievement of corporate objectives". It exists to inform and align decision-making for IT planning, policy and operations to meet business objectives and to ensure that risks are managed appropriately.

The AfroCentric Group applies the principles of King III in its governance frameworks, as far as it is appropriate, and also has regard to the requirements of Cobit, ISO 27001, ITIL and ISO 38500:2015 in the governance of IT.

The Group adopted a formal IT Governance Framework, which aims to provide standardisation of IT practices across the organisation and formalise the good governance requirements stipulated in Chapter 5 of King III.

The main objectives of IT Governance are to:

- ▶ Enable the strategic and tactical alignment of IT and business
- ▶ Understand the value and impact of IT investments

- ▶ Identify opportunities for improved IT utilisation
- ▶ Support visible and transparent decision-making
- ▶ Establish and sustain effective IT policies
- ▶ Establish performance measurements
- ▶ Identify and mitigate risks
- ▶ Satisfy regulatory and formal compliance requirements

IT Governance is overseen by the IT Steering Committee, comprising of representatives from Business and IT, and ultimately reports to the Audit and Risk Committees of the Board. The following areas are regularly reported on to the IT Steering Committee:

- ▶ IT security
- ▶ IT and business applications
- ▶ IT architecture
- ▶ Computer operations and helpdesk
- ▶ Network infrastructure
- ▶ Project management office
- ▶ Disaster recovery and business continuity
- ▶ IT procurement and IT asset management
- ▶ Change management
- ▶ IT risks

GOVERNANCE OUTLOOK

Failures in corporate governance proved to be a real threat to the sustainability of many organisations globally. The standards of corporate governance are changing rapidly in response to changing events in a global economy that is constantly evolving. AfroCentric aims to go beyond achieving minimum compliance and strives to ensure a sustainable and successful organisation. AfroCentric would like to build a better future not only for its shareholders, but for all stakeholders, i.e. employees, customers, suppliers, community, industry and business partners.

Having effective governance processes, built on the core values as recommended by King III, will provide AfroCentric with a competitive advantage that also attracts and retains talent and generates positive reaction in the marketplace.

There is much to be done to achieve this goal, and more emphasis needs to be placed on:

- ▶ Improvement on independence standards by instilling Directors' values in line with their fiduciary requirements. A review of service providers such as consultants, advisors, and major suppliers needs to be carried out to resolve potential conflicts of interest before they arise
- ▶ Culture, whistle-blowing, anti-corruption – the Board should pay special attention to this area as it has the potential to contribute to ethical practices throughout the organisation
- ▶ Strengthening of IT governance to ensure that IT risks is appropriately mitigated

REMUNERATION COMMITTEE REPORT

INTRODUCTION

The business landscape has changed considerably over the last decade, with all stakeholders in the value chain demanding greater outputs (Jensen, 2010). Shareholders are expecting sustainable returns on capital investments; top management is expected to achieve greater efficiency and sustainable financial growth; and employees and organised labour are demanding equitable rewards (financial and non-financial).

With the rise in social consciousness and economic pressures, management sees the need for their organisations to adapt more rapidly. News headlines are dominated by organisations engaged in labour disputes around wages, reorganisation initiatives (retrenchments) or internal employee announcements regarding business process re-engineering projects. In June 2015, unions – representing around 1.3 million public servants, inclusive of nurses – threatened to walk out from wage talks, raising the risk of a protracted strike (Reuters, 2015).

Remuneration strategy, policy and systems to support the modern business environment are of great importance and come under increasing scrutiny. This is evident where management seeks to motivate employees to deliver on shareholder expectations and improve efficiency and effectiveness. The practical reality is that an organisation's performance (financial or non-financial) can be positively or negatively influenced by employees in various ways. The combination of employees and IT sets the tone for an organisation's core capabilities. Competencies or capabilities are essential for the execution of organisational strategy, and these competencies are mainly the sum total of education, experience, knowledge and skills. Therefore, if a company is to compete on its intangible assets – its employees – it has to be informed and demonstrate thought leadership around what motivates employees to achieve and exceed their full potential.

Consequently, the Remuneration Committee ("the Committee") completed a detailed analysis of the reward principles for the organisation. The principles and supporting strategies may be amended, based on ongoing analysis conducted during the creation of reward practices, policies and procedures that support the business strategies.

TOTAL REWARD PHILOSOPHY STATEMENT

The AfroCentric Group is committed to developing, implementing and upholding sound total reward strategies and practices and applying reward principles consistently across the entire organisation and within those businesses where it owns the majority shares.

The reward strategy and philosophy:

- ▶ Is consistent with and aligned to the vision, mission, values, and business objectives of the Group
- ▶ Pursues the best interests of the Group, its shareholders, and its broad internal and external stakeholder base
- ▶ Offers an appropriate mix of remuneration
- ▶ Is fair, equitable and transparent
- ▶ Is market-related
- ▶ Is driven by and shows a commitment to rewarding performance, integrity, quality and innovation
- ▶ Articulates a distinctive value proposition for current and prospective employees, which assists in:
 - Enabling the attraction, motivation and retention of high-calibre employees who have the skills, capabilities and values needed by the organisation
 - Allowing for the development of the full potential of all employees
 - Recognising and encouraging exceptional and value-adding performance
 - Achieving maximum motivational impact and desired behaviour through remuneration and reward programmes and practices
 - Creating sustainable employee satisfaction and engagement

TOTAL REWARD GUIDING PRINCIPLES

AfroCentric aims to manage its remuneration and rewards in line with generally accepted reward practice. This includes, among others, the pursuit of the guiding principles below. These principles not only underlie the Group's approach and rationale for its total rewards value proposition, they also provide a guiding framework for all its reward programmes, processes and policies.

Strategies and processes will be developed and implemented in relation to each guiding principle, according to the parameters set out below. The guiding principles for AfroCentric Group and the related strategies and processes the Group is working towards are:

- ▶ A consistent and fair job evaluation system and process which forms the basis for reward management
- ▶ Internal equity balanced with external competitiveness through reliable benchmarking
- ▶ 'Determinants of pay' which include performance and position in the scale
- ▶ Reward policies and practices aligned to the achievement of overall business strategy and objectives

- ▶ Fair reward and effective performance management which motivates a high performance culture
- ▶ A cost-to-company approach which includes company contributions to employee benefits, to allow employees the flexibility to manage their own benefits and reward portfolios according to their needs
- ▶ An appropriate mix of total rewards, including financial and non-financial rewards
- ▶ Relevant, transparent and fair career development opportunities which form part of total rewards offered
- ▶ Reward communication which is comprehensive, transparent and timely
- ▶ Line managers with active and defined roles in reward management
- ▶ Proper reward governance standards maintained at all times

TOTAL REWARD STRATEGY

The value of a total reward strategy and related policies lies in the meaningful integration of different reward elements, contributing to improved organisational performance and employee engagement.

Therefore, the AfroCentric Group's total reward strategy has three aims:

- ▶ To provide an integrated approach for reward management that effectively attracts, motivates, engages and retains the talent required to achieve the desired business results
- ▶ To align reward practices with business strategy through a process of analysis, and thereby ensure that the reward practices serve the business objectives
- ▶ To adhere to legal, ethical and best practice standards, and to reflect good corporate governance and citizenship by complying with industry and statutory minimum standards

The total reward strategy involves continuous review and alignment to business strategy on the following components:

- ▶ Job profiling and evaluation
- ▶ Market survey and benchmarking
 - Market surveys used
 - Purpose of benchmarking
 - Process of benchmarking
 - Benchmarking market and comparators
 - Job families and core/critical skills
- ▶ Fixed remuneration
 - Pay scale principles and structures
 - Determining salary
 - Remuneration review process
 - Benefits – all non-cash elements of the package (such as medical aid, pension/provident fund contributions, leave etc.) will be benchmarked to determine the Group's competitiveness in this regard

- ▶ Performance management
 - Role of performance management
 - Link between performance and pay
- ▶ Variable remuneration
 - Role of variable remuneration
 - Variable remuneration programmes
 - Short-term incentive programme ("STI") – analysis of all STI programmes in place to understand purpose, fit and how it lends itself to the achievement of organisational goals
 - Long-term incentives ("LTIs") – identify appropriate possible plans/schemes
- ▶ Recognition
 - What constitutes recognition?
 - Role of recognition
 - Recognition programmes
- ▶ The working environment = a rewarding environment
 - The working environment philosophy
 - Working environment initiatives
- ▶ Career development
 - Define and detail how career development forms part of the total reward value proposition
 - Identify and capture the career development practices currently implemented and make recommendations for improvements
- ▶ AfroCentric's employee value proposition

REMUNERATION COMMITTEE TERMS OF REFERENCE

The Committee was established by the Board to act in the capacity of a Remuneration Committee for the Group.

The role of the Committee, having regard to the law and the highest standard of Governance, is to provide guidance and support to the Board of Directors in fulfilling its responsibilities to shareholders, employees and other stakeholders by ensuring that the employees of the Group are appropriately and equitably compensated for their services to the Group and motivated to perform to the best of their abilities in the interest of all stakeholders. The Committee conducts research on behalf of the Board and engages in benchmarking so as to provide guidance to the Board.

The Committee ensures that the Group Directors and senior executives are correctly appointed and fairly rewarded for their individual contributions to the Group's overall performance, and to demonstrate to all stakeholders objectivity is practised in determining their remuneration in the interests of the shareholders and the strategic and financial health of the Group.

REMUNERATION COMMITTEE REPORT (continued)

NON-EXECUTIVE DIRECTORS' REMUNERATION

Fees paid to Non-executive Directors are market-related and the Committee observes market norms and practices, and the additional responsibilities placed on Directors by new legislation and corporate governance principles.

The remuneration of Non-executive Directors is reviewed annually and recommended by the Committee for approval by shareholders at the AGM.

The Chairperson's remuneration comprises a single composite fee approved annually in advance, to compensate for services as a Director of AfroCentric. This includes services as a Director on multiple boards and committees.

COVER FEES FOR FY2016 AND PROPOSED FEES FOR FY2017

The 2015 fees were presented to the members with a recommendation of an 8.4% increase for the Chairperson and a 4.6% increase for the Non-executive Directors. The rationale for this suggestion was based on the PwC report against the backdrop of the services sector (median quartile for medium cap Company):

The Committee adopted the increase of 8.4% for the Chairperson and 4.6% for the Non-executive Directors' fees using the rounding-off apparatus and this was approved by the shareholders at the AGM held on 5 February 2016.

	Per meeting 2015 (1 February 2015 – 31 January 2015)	Per meeting 2016 Approved (1 January 2016 – 31 December 2016)
Audit Committee	Per meeting	
Chairperson	23 320	24 393
Members	16 960	17 740
Investment Committee	Per meeting	
Chairperson	17 490	18 295
Members	12 826	13 416
Remuneration Committee	Per meeting	
Chairperson	17 490	18 295
Members	12 826	13 416
Risk Committee	Per meeting	
Chairperson	17 490	18 295
Members	12 826	13 416
Social and Ethics Committee	Per meeting	
Chairperson	17 490	18 295
Members	12 826	13 416
Subsidiary Board	Per meeting	
Chairperson	17 490	18 295
Members	12 826	13 416

SOCIAL AND ETHICS COMMITTEE REPORT

In a country still struggling with social and economic inequities, it is the duty of every company to contribute to transformation and socio-economic development, to build a future in which all South Africans have an opportunity to realise their full potential. Shareholders don't primarily focus on financial returns. They seek social returns and the sustainability of the Group depends on vigilant attention to both. AfroCentric takes its responsibility as a corporate citizen seriously, and is proud to play a leading transformational role in its industry. The Social and Ethics Committee oversees the Group's activities as they relate to legislative compliance and social responsibility.

The Group's Social and Ethics Committee is constituted as a formal Committee of the Board in terms of the Companies Act.

The Committee has an independent role and is governed by a formal charter. This report is prepared in compliance with the requirements of the Companies Act.

ROLE OF THE COMMITTEE

The Social and Ethics Committee acts in terms of the delegated authority of the Board and assists the Directors in monitoring the Group's activities in terms of legislation, regulation and codes of best practices relating to:

- ▶ Group policies (ethics, whistle-blowing, anti-corruption and procurement)
- ▶ Employment equity
- ▶ Socio-economic development
- ▶ Environmental impact
- ▶ B-BBEE impact on the Group and measures taken to comply with legislation
- ▶ Internal labour organisation

RESPONSIBILITIES OF THE COMMITTEE

The responsibilities of the Committee are as follows:

- ▶ Monitor the Company's activities relating to social and economic development, good corporate citizenship, the environment, and health and public safety
- ▶ Ensure appropriate short- and long-term targets are set by management
- ▶ Monitor progress on strategic empowerment and performance against targets
- ▶ Monitor changes in the application and interpretation of empowerment charters and codes
- ▶ Monitor functions required in terms of the Companies Act and its regulations

COMPOSITION AND FUNCTIONING

The Committee comprises:

- ▶ Mr GL Napier (Co-Chairperson)
- ▶ Ms M Mashigo (Co-Chairperson)
- ▶ Ms Y Masithela
- ▶ Dr NB Bam

The effectiveness of the Committee is assessed as part of the annual Board and Committee self-evaluation process.

ACTIVITIES OF THE COMMITTEE

The Committee met three times during the year under review and performed the following activities:

- ▶ Reviewed the Committee's terms of reference
- ▶ Monitored social and economic development in terms of the goals and purposes of:
 - The principles set out in the United Nations Global Compact
 - Employment Equity Act
 - Preferential procurement
 - Broad-based Black Economic Empowerment Act
 - Procurement policies
 - Health and Safety policies
- ▶ Reviewed the Group's contribution to the development of communities in which it operates
- ▶ Reviewed the Group's philosophy and performance in respect of social investment (sponsorships, donations and charitable giving)
- ▶ Reported internally on ethics performance to the Group
- ▶ Reporting on and disclosing the Group's ethics performance
- ▶ Monitored changes in legislation and compliance thereof



Details of the Committee members appear on page 17.

Fees paid to the Committee members for 2015 and the proposed fees for 2016 are disclosed in the Remuneration Report on page 92.

The Group's progress on empowerment and transformation and environmental management is covered under social performance on page 94.

SOCIAL AND ETHICS COMMITTEE REPORT (continued)

EMPOWERMENT (B-BBEE) AND TRANSFORMATION – WE ARE PROUDLY A LEVEL 2 CONTRIBUTOR TO B-BBEE

It is the responsibility of every company operating in South Africa to incorporate the country's economic transformation agenda into business strategy. Companies should actively seek opportunities to support existing government initiatives aimed at driving economic transformation within their operations. More importantly, they should contribute to the upliftment of the communities they serve.

AfroCentric continues to review and re-align its policies and business strategy with the evolving transformation legislation to ensure that the Group's contribution remains relevant and meaningful to the country's overall transformation.

Compliance with relevant legislation is a pillar of our transformation strategy and we believe that we do more than comply. We focus on development and health-related initiatives, believing that the activities of the Group should have a meaningful and sustainable impact on the lives and communities of beneficiaries; as well as provide sustainable healthcare.

TRANSFORMATION STEERING COMMITTEE

Transformation and B-BBEE remain the focus of the Transformation Steering Committee, which comprises members of the Executive Committee and Heads of business. Individual members are allocated responsibility for various aspects of transformation. They are accountable for the Group's performance and performance in the areas of the business for which they are directly responsible. In this way, transformation becomes a collective responsibility of members of the Group's Executive Committee and the heads of the business.

B-BBEE PERFORMANCE

AfroCentric Health (Pty) Ltd, under the stewardship of the AfroCentric Group, is committed to B-BBEE. This is demonstrated by the Group's majority black shareholding and considerable black female shareholding.

AfroCentric Health maintained a strong performance and averaged 90 points in the previous four verifications, and a score of 95.90 in the most recent exercise. This was conducted under a more rigorous scoring regime.

The table below depicts the scores obtained by the different elements for the past five verification periods.

New elements	Total score 2016	Total available points (including bonus points)	2015 achieved	Previous elements	Total available points	AfroCentric Health scores			
						2014	2013	2012	2011
Ownership	25.00	25	25.00	Ownership	20.00	22.00	22.00	22.00	20.00
Management control	15.00	19	13.70	Management control	10.00	9.00	8.55	8.17	8.63
Skills development	17.00	25	15.55	Employment equity	15.00	11.09	11.10	10.13	10.60
Enterprise and supplier development	39.46	44	37.75	Skills development	15.00	11.27	13.74	13.57	5.42
Socio-economic development	5.00	5	3.90	Preferential procurement	20.00	19.76	19.12	17.43	18.14
				Enterprise development	15.00	10.98	11.56	14.49	12.54
				Socio-economic development	5.00	5.00	5.00	5.00	5.00
	101.46	118	95.90	Total	100.00	89.01	91.07	91.29	80.33
			Level 2	BEE contributor status		Level 2	Level 2	Level 2	Level 3

Pharmacy Direct (Pty) Limited scores					
Revised elements	Total score 2016	Total available points (including bonus points)	Previous elements	Total available points	2015
Ownership	24.72	25	Ownership	20.00	21.00
Management control	17.35	19	Management control	10.00	10.00
Skills development	22.42	25	Employment equity	15.00	12.30
Enterprise and supplier development	30.72	44	Skills development	15.00	12.00
Socio-economic development	5.00	5	Preferential procurement	20.00	11.58
			Enterprise development	15.00	15.00
			Socio-economic development	5.00	5.00
	100.21	118	Total	100.00	86.88
	Level 1		BEE contributor status		Level 2

OWNERSHIP

The Group's black shareholding at year-end was 52.41%, with shares held by black females equating to 13.84%. This contributed to the Group achieving 25 points for this element in the B-BBEE scorecard out of a total of 25 available points.

MANAGEMENT CONTROL

The management control element of the scorecard measures the composition of the Board of Directors and Group Executive Committee, where 70% are black employees and 30% black females; and of top management, where 70% of positions are held by black employees and 20% by black females. This led to the Group achieving 13.70 out of the available 19 points for this element.

SKILLS DEVELOPMENT

The Group is committed to investing in the skills and training of its workforce as this improves the quality of service delivered and results in a qualified workforce. R23.25 million was invested in training black employees in the last verification period.

Pharmacy Direct invested R3.9 million in Skills development with a specific investment in learning programmes for black employees with disabilities to the value of R150 000. This is included in the Group's skills development spend.

Learnership and internship programmes provided 135 unemployed youth with training and mentoring while exposing them to the work environment, increasing their level of employability.

Within Pharmacy Direct specifically, 50 black employees of which 16 African Males and 20 African Females, were previously unemployed and are currently participating in learnerships.

Of these learnerships, 10 are disabled black employees.

In addition, a further 10 black employees have been employed by Pharmacy Direct upon successful completion of their learnerships in the current year. Most of the learnerships will qualify the learners as pharmacist assistants.

The AfroCentric Group believes that enterprise development requires a medium to long-term commitment to beneficiaries. While performance is measured annually for statutory purposes, many young businesses take more than a year to become sustainable.

SOCIAL AND ETHICS COMMITTEE REPORT (continued)

ENTERPRISE AND SUPPLIER DEVELOPMENT

The new B-BBEE element of *enterprise and supplier development* is a merger of preferential procurement and enterprise development. The purpose is to encourage firms to procure goods and services from black-owned and black-managed suppliers, and to contribute to the development of those suppliers as entrepreneurs. Preferential procurement is still managed under this element and is equally weighted with supplier development in terms of points allocated on the scorecard. AfroCentric Health worked diligently in recent years to implement a procurement process that supports B-BBEE-compliant suppliers and black-owned businesses, and performed well on that sub-indicator. Committed resources support and develop black suppliers and the Group looks forward to seeing that investment reflected in the supplier development score next year.

SUPPLIER DEVELOPMENT

Seven black-owned Exempt Micro Enterprise ("EME") or Qualifying Small Enterprise ("QSE") suppliers from the supply chain who meet the criteria for grant allocation were targeted and a total amount of R5.5 million was spent on them to increase capacity in their businesses and provide them with financial and operational sustainability.

These suppliers were also enrolled in the AfroCentric Health supplier development mentoring programme.

Products and services of selected suppliers include outdoor and innovative marketing, placement programmes, wellness

Recent ED projects include:

Project	Overview	Funding provided	Social impact
Eluthandweni Maternity Clinic	Provision of quality healthcare and maternity facilities (non-profit hospital)	R691 000	Improved the clinics resources via infrastructure expansion which enhanced its capacity to service the community
A'Dare Women's Wellness Centre	Preventative healthcare, wellness and lifestyle solutions through health screening and consultations	R919 770	Improved the clinic's resources and enhanced its capacity to service the community
Xenia Information Technologies	IT consulting and services	R497 986	Increased technology capabilities and equipment to assist the business to grow sustainably
Karogano Trading and Projects	Burglar bar installation and provision of security upgrades	R521 244	Enhanced prospects for success of this business, assisting it to expand and grow sustainably

promotions and providing professional training. The relationship with developing suppliers will have a positive impact on the services provided to AfroCentric Health and the communities they serve.

A total of R5.5 million was spent on supplier development and a total of R691 million on B-BBEE-qualifying procurement.

ENTERPRISE DEVELOPMENT

It is the responsibility of the private sector and government to implement and drive initiatives that are aimed at growing small, medium and micro enterprises ("SMMEs") into self-sustaining entities through skills development and the provision of professional services. This is true in the South African context where smaller businesses make a significant contribution to job creation while at the same time being the first ones to experience the negative impact of the economic setbacks.

Wherever possible, AfroCentric ensures that the Enterprise Development ("ED") contributions result in greater synergies and improved relationships with customers and suppliers. Therefore, the focus of ED projects is to enhance the revitalisation of public health facilities, support suppliers and to address the severe shortage of medical personnel in our country.

The total spent on enterprise development 2015/2016 amounted to R2.63 million.

Project	Overview	Funding provided	Social impact
TL Nursing Agency	Placement programme training nursing personnel at all levels (with a database of 2 800 nurses nationally) Wellness promotion at community and corporate level including health risk assessments by hosting health days HIV/AIDS awareness Home nursing, occupational health, KAPP survey and satisfaction survey	R1 240 000	Purchase of a company vehicle to assist the Nursing agency to provide mobile services to the community
Provision Research and Events	Professional training, conferences, summits and exhibitions across industries Females employed as a means to empower and develop black females	R240 000	Increased staff thereby creating employment in the community and improved infrastructure to better service their clients and make business more sustainable
On Point Mobile Spa	Mobile services: – Wellness days – Massages – Reflexology – Manicures, pedicures, facials and image consulting	R500 000	Increased equipment to expand services and grow the business further
Kwelanathi CC	Executive search, permanent placement, ad response handling, head-hunting, specialist sourcing and talent management	R304 000	Enhanced personnel resources thereby creating employment and improved equipment
Zwide Photos	Photography services to companies, corporations and private individuals	R500 000	Improved equipment for services rendered to clients, therefore building the business and ensuring sustainability of their service offering. This allowed the business to become a preferred supplier to AfroCentric
Black Ground Outdoor	Outdoor advertising agency and Media Consultancy	R1 068 500	Improved equipment and other infrastructure to improve their service offering
The Media Writers Firm	Media and PR Agency	R560 000	Hired additional personnel and equipment which assisted the business to become a preferred supplier for AfroCentric Health

A total of R7.04 million was invested in enterprise development.

SOCIO-ECONOMIC DEVELOPMENT

AfroCentric has always been committed to making a difference in the communities it serves. The Group aims to make contributions that will have a sustainable impact on beneficiaries and seeks to establish long-term relationships with the organisations that we invest in.

Verde to the initiatives below. Our CSI initiatives involved our contribution to the Bongi Ngema Zuma foundation witch support initiatives directed at fighting Diabetes, screening tests for various diseases and educational seminars on healthy lifestyles.

SOCIAL AND ETHICS COMMITTEE REPORT (continued)

Recent socio-economic development initiatives include:

Project	Overview	Funding provided	Social impact
Charlotte Maxeke Johannesburg Hospital School	AfroCentric funded the complete refurbishment and equipping of the school and sponsored the installation of a custom-designed playground, which provides a safe environment for children with impaired immune systems.	R896 874	Johannesburg Hospital School caters for learners from Grades R to 12 who are admitted to hospital for extended treatment. The school makes it possible for learners to receive medical treatment without interrupting their education.
Home of Hope for Girls	AfroCentric through its subsidiary Medscheme, recently made a donation of R250 000 and 75 shoe boxes filled with gifts to the Home of Hope for Girls.	R250 000	Education and wellness support for over 75 girls who are currently being provided for by the home.
PHEF and Social Compact Fund	Medscheme is a signatory to the Social Compact Forum launched by the Minister of Health, Dr Aaron Motsoaledi, on 8 November 2012. The forum is a ground-breaking initiative through which government aims to guide discussions between the public and private healthcare sectors, with a view to developing solutions to major challenges facing the industry.	R981 225	One of the key features of the forum is the establishment of a public health enhancement fund ("PHEF"). The fund is expected to provide funding to support government to: – Expand the intake of medical students – Support postgraduate students pursuing health-related studies – Build additional capacity in the management of Tuberculosis ("TB"), HIV and Aids – Provide support to the newly established Leadership and Management Academy for Health
Nursing service of South Africa	Pharmacy Direct contract with the nursing services of South Africa and provided funding to administer flu vaccinations.	R168 207	This assist in administering flu vaccination to over 12 000 black patients.

A total of R2 296 306 million was invested in socio-economic development programmes.

EMPLOYMENT EQUITY AND EMPLOYEE DEVELOPMENT

EMPLOYMENT EQUITY AND EMPLOYEE PROFILE

Employment equity is no longer measured per se on the B-BBEE scorecard. However, it remains an important feature of the Group's human capital strategy. As such, AfroCentric continues to monitor its employment equity statistics to ensure diversity of its workforce and fairness in its recruitment and selection practices.

It is important that AfroCentric has a diverse company profile, with a specific focus on black employees, especially females. The table below illustrates the composition of the AfroCentric workforce by race and gender.

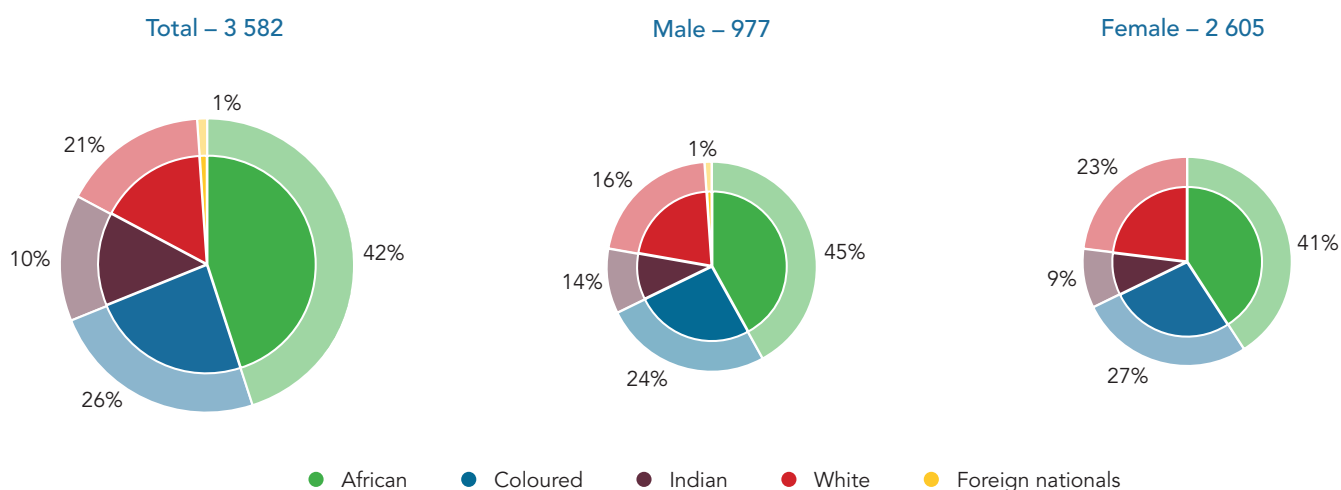
As per the Department of Labour EEA10 form, the tables below reflect the EE profiles for the business as at 31 May 2016.

AFROCENTRIC HEALTH (PTY) LIMITED

Total workforce profile (including employees with disabilities) as at 30 June 2016

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top management	1	1	2	5	2	–	–	–	11
Senior management	8	1	5	16	3	2	3	11	49
Professionally qualified and experienced specialists and mid-management	40	17	32	55	47	37	44	131	403
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	357	214	95	78	961	649	179	431	2 964
Semi-skilled and discretionary decision making	31	2	6	3	61	13	3	21	140
Unskilled and defined decision making	5	2	–	1	5	1	1	–	15
GRAND TOTAL	442	237	140	158	1 079	702	230	594	3 582

Total workforce (including employees with disabilities)



Profile of employees for people with disabilities as at 30 June 2016

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top management	–	–	–	–	–	–	–	–	–
Senior management	–	–	–	–	–	–	–	–	–
Professionally qualified and experienced specialists and mid-management	–	1	–	1	–	–	1	4	7
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	7	6	1	1	8	11	3	13	50
Semi-skilled and discretionary decision making	3	–	1	–	3	–	1	1	9
Unskilled and defined decision making	–	–	–	–	–	–	–	–	–
GRAND TOTAL	10	7	2	2	11	11	5	18	66

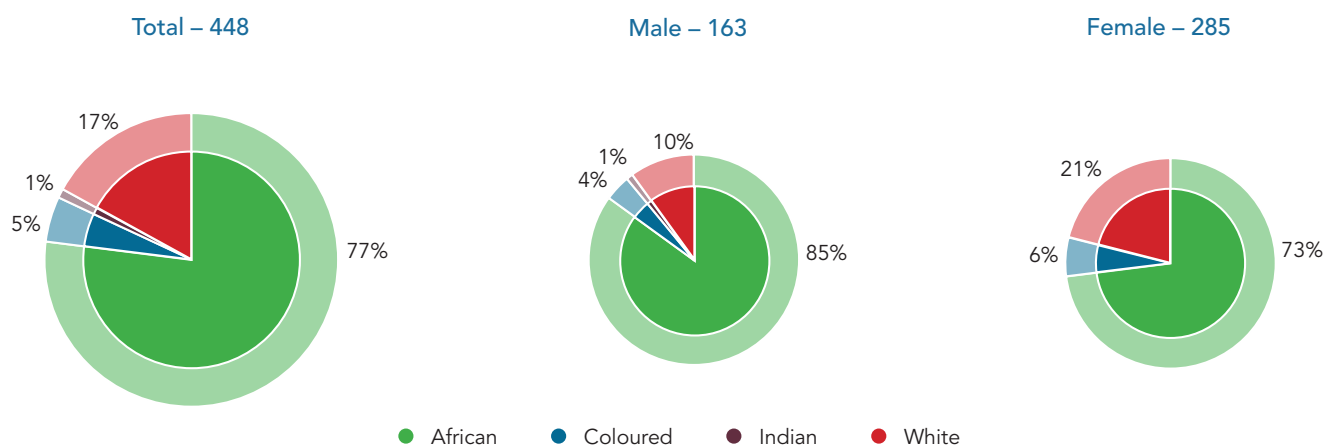
SOCIAL AND ETHICS COMMITTEE REPORT (continued)

PHARMACY DIRECT (PTY) LIMITED

Total workforce profile (including employees with disabilities) as at 30 June 2016

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top management	1	–	–	2	1	–	–	–	4
Senior management	9	–	1	1	9	2	–	7	29
Professionally qualified and experienced specialists and mid-management	9	1	–	9	19	4	–	40	82
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	20	5	–	3	49	7	–	7	91
Semi-skilled and discretionary decision making	94	2	–	1	91	3	–	3	194
Unskilled and defined decision making	1	–	–	–	5	–	–	–	6
TOTAL PERMANENT	134	8	1	16	174	16	–	57	406
Temporary employees	4	–	–	–	33	–	–	5	42
GRAND TOTAL	138	8	1	16	207	16	–	62	448

Total workforce (including employees with disabilities)



Profile of employees for people with disabilities as at 30 June 2016

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top management	–	–	–	–	–	–	–	–	–
Senior management	–	–	–	–	–	–	–	–	–
Professionally qualified and experienced specialists and mid-management	–	–	–	–	–	–	–	1	1
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	–	–	–	–	–	–	–	–	–
Semi-skilled and discretionary decision making	–	–	–	–	–	–	–	–	–
Unskilled and defined decision making	–	–	–	–	–	–	–	–	–
TOTAL PERMANENT	–	–	–	–	–	–	–	1	1
Temporary employees	–	–	–	–	20	–	–	–	20
GRAND TOTAL	–	–	–	–	20	–	–	1	21

TALENT AND LEADERSHIP DEVELOPMENT

AfroCentric is committed to attracting high-quality employees and growing and nurturing talent from within. Employees are encouraged to learn on a continual basis and to demonstrate a commitment to their personal growth and development. Employees are encouraged to adopt innovative means of study; traditional classroom-based learning is supplemented with on-the-job training, e-learning and self-study.

The Learning and Performance Academy provides internal and external learning programmes. The Academy also offers several accredited courses to employees, allowing them to achieve credits that lead to formal qualifications.

The strategy for the Academy is a proactive partnership with the business to achieve performance objectives by delivering innovative learning experiences. Through the Learning and Performance Academy, organisational capability is enhanced and competitive advantage heightened.

PERFORMANCE MANAGEMENT

AfroCentric uses a Balanced Scorecard ("BSC") approach to performance management. The BSC provides management with the tools they require to drive future competitive success. It translates an organisation's strategy into a set of performance measures that, provide the framework for a strategic measurement and management system.

In managing performance at an individual level, the aim is to create a 'win-win' environment, with clear expectations and shared understanding of objectives between manager and employee from the outset. Employees participate proactively

in all phases of the process and share ownership of the outcomes with the organisation. Individuals understand how their performance and behaviour links to the organisational strategy. Emphasis is placed on self-management in achieving total quality and customer service and employees are encouraged to maximise their contribution in their current role, while having access to opportunities to grow and develop their careers within the AfroCentric Group.

EMPLOYEE WELLNESS PROGRAMME

AfroCentric's passion for people, organisational performance and healthcare informs all human capital strategies, policies and structures. The Group employee wellness programme ("EWP") forms an integral part of the components on the employee value proposition, linking health, wellbeing and overall performance.

The EWP is based on four pillars: physical wellbeing, emotional wellbeing, financial wellbeing and organisational wellbeing. It provides independent, confidential, professional counselling and advisory services to permanent and non-permanent employees and their direct household dependants. The programme continues to be valued by employees as evidenced by the high rate achieved during the 2016 employee satisfaction survey. The programme utilisation rate of 39% remains highest compared to the consumer services sector. In 2016, over 1 437 employees completed wellness screenings, which included blood pressure, glucose, cholesterol, body mass index and HIV tests on the wellness days, which are held nationally across head office, distribution centres and stores.





Sustainability

SHAREHOLDER INFORMATION



105	Financial calendar
106	Notice of Annual General Meeting
115	Form of proxy
117	Appendix – Extract from Section 58 of the Companies Act
118	Annexure A – Memorandum of Incorporation amendment
132	Glossary
ibc	Administration and contact information

FINANCIAL CALENDAR

Declaration date	19 September 2016
Last day to trade in order to be eligible for the dividend	8 November 2016
Ordinary shares trade "ex" the dividend	9 November 2016
Record date in respect of the dividend	11 November 2016
Dividend payment date	14 November 2016

Annual General Meeting	1 November 2016
Announcement of December 2016 interim results	March 2017

Shareholder
value is the
result of small
efforts repeated daily

NOTICE OF ANNUAL GENERAL MEETING



AfroCentric Investment Corporation Limited

(Incorporated in the Republic of South Africa)

(Registration number: 1988/000570/06)

JSE Share code: ACT ISIN: ZAE 000078416

("AfroCentric" or "the Company")

NOTICE OF THE TENTH ANNUAL GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON TUESDAY, 1 NOVEMBER 2016, AT 10H00 AT THE AFROCENTRIC DISTRIBUTION SERVICES OFFICES, THE GREENS OFFICE PARK, BUILDING L, 26 CHARLES DE GAULLE CRESCENT, HIGHVELD EXT 12, CENTURION

IMPORTANT NOTICE TO SHAREHOLDERS

If you are in any doubt as to any action you should take, please consult your Banker, Stockbroker, Legal Advisor, Accountant or other professional Advisor immediately.

1. If you have disposed of all your AfroCentric shares, this document should be handed to the purchaser of such shares or to the Stockbroker, Banker or other agent through whom such disposal was effected.
2. Members attending the Annual General Meeting of the Company on Tuesday, 1 November 2016, at 10h00 are requested to ensure registration of attendance upon arrival.

Kindly note that, in terms of section 63(1) of the Companies Act 71 of 2008, as amended from time to time ("the Act"), any person attending or participating in the Annual General Meeting must present reasonable satisfactory identification and the person presiding at the Annual General Meeting must be reasonably satisfied that the right of any person to participate in and vote (whether as a shareholder or as a proxy for a shareholder) has been reasonably verified. Suitable forms of identification will include the presentation of valid identity documents, driver's licences and passports.
3. The record date of the Annual General Meeting for shareholders to participate in and vote at the Annual General Meeting is Friday, 21 October 2016 ("**the voting record date**").
4. The last date to trade in order to be eligible to participate in and vote at the Annual General Meeting is Tuesday, 18 October 2016.

RECORD DATES

Please take note of the following important dates.

Record date for the purposes of determining which shareholders of the Company are entitled to receive notice of the Annual General Meeting (" the notice record date ")	Friday, 23 September 2016
The last date to trade in order to be eligible to participate in and vote at the Annual General Meeting	Tuesday, 18 October 2016
Record date for the purposes of determining which shareholders of the Company are entitled to participate in and vote at the Annual General Meeting (" the voting record date ")	Friday, 21 October 2016
Last day for lodging forms of proxy by 10h00	Friday, 28 October 2016
Date of the Annual General Meeting at 10h00	Tuesday, 1 November 2016

VOTING AND PROXIES

A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the Company. A form of proxy is distributed with this notice of Annual General Meeting for the sake of convenience.

Proxy forms must be delivered to the Company's transfer secretaries

Computershare Investor Services Proprietary Limited

70 Marshall Street, Johannesburg, 2001.

PO Box 61051, Marshalltown, 2107,

Fax: +27 (11) 688 5238,

Email: proxy@computershare.co.za.

By no later than 10h00 on Friday, 28 October 2016

All terms defined in the 2016 Annual Financial Statements, to which this Notice of Annual General Meeting is attached, shall bear the same meanings when used in this Notice of Annual General Meeting.

Notice is hereby given that the tenth Annual General Meeting of shareholders for the year ended 30 June 2016 will be held at the AfroCentric Distribution Services Offices, the Greens Office Park, Building L, 26 Charles De Gaulle Crescent, Highveld Ext 12, Centurion on **Tuesday, 1 November 2016 at 10h00** to conduct such business as may lawfully be dealt with at the Annual General Meeting and to consider, and if deemed fit, to pass with or without modification, the special and ordinary resolutions set out hereunder in the manner required by the Act, as read with the JSE ("JSE") Limited Listings Requirements, as amended from time to time ("**Listings Requirements**").

The Board of Directors of the Company has determined, in accordance with section 62(3)(a), read with section 59(1)(a) and (b) of the Act, that the record dates for the purposes of determining which shareholders are entitled to:

- ▶ receive notice of the Annual General Meeting being the notice record date as Friday, 23 September 2016; and
- ▶ participate in and vote at the Annual General Meeting being the voting record date as Friday, 21 October 2016.

AGENDA

The purpose of the Annual General Meeting is to transact the business set out in the agenda below.

PRESENTATION OF AUDITED ANNUAL FINANCIAL STATEMENTS

The audited consolidated annual financial statements of the Company and the Group, including the reports of the Directors, Group Audit and Risk Committee and the independent auditors, for the year ended 30 June 2016, will be presented to shareholders as required in terms of section 30(3)(d) of the Act. The complete set of audited consolidated Group Annual Financial Statements, together with the report of the Directors and the independent auditors' report are set out in the 2016 Group Annual Financial Statements (supplementary information). The Audit and Risk Committee report is set out on page 3 of the 2016 Group Annual Financial Statements (supplementary information). The Integrated Annual Report is also available on the Company's website: www.afrocentric.za.com.

PRESENTATION OF GROUP SOCIAL AND ETHICS COMMITTEE REPORT

A report, through the members of the Group social and ethics committee for the year ended 30 June 2016, as included in the Integrated Annual Report, will be presented to shareholders as required in terms of regulation 43(5)(c) of the Act.

RESOLUTIONS to consider and if deemed fit, approve, with or without modification the following ordinary and special resolutions:

ORDINARY RESOLUTIONS

The Board of Directors has assessed the performance of the Directors standing for re-election and has found them suitable for re-appointment.

ORDINARY RESOLUTION NUMBER 1

ELECTION OF DIRECTORS APPOINTED DURING THE YEAR UNDER REVIEW

In terms of the Company's Memorandum of Incorporation ("MOI"), any Board appointments made by the Board during a year under review must be confirmed by shareholders at the next Annual General Meeting of the Company, following such an appointment. Accordingly, Mr AV Van Buuren, Mr A Banderker, Mr IM Kirk and Dr ND Munisi were appointed by the Board during the year under review and shareholders are hereby requested to confirm such appointments:

ORDINARY RESOLUTION NUMBER 1.1

Election of Mr AV Van Buuren as an Executive Director

"**RESOLVED** that Mr AV Van Buuren, being a new appointment to the Board be and is hereby elected as an Executive Director of the Company."

The election of the abovementioned Executive Director will be conducted by a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy as required under section 68(2) of the Act.

For the above resolution to be passed, votes in favour must represent at least 50% + 1 of all votes cast and/or exercised at the meeting.

ORDINARY RESOLUTION NUMBER 1.2

Election of Mr A Banderker as a Non-executive Director

"**RESOLVED** that Mr A Banderker, being a new appointment to the Board be and is hereby elected as a Non-executive Director of the Company."

The election of the abovementioned Non-executive Director will be conducted by a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy as required under section 68(2) of the Act.

For the above resolution to be passed, votes in favour must represent at least 50% + 1 of all votes cast and/or exercised at the meeting.

ORDINARY RESOLUTION NUMBER 1.3

Election of Mr IM Kirk as a Non-executive Director

"**RESOLVED** that Mr IM Kirk, being a new appointment to the Board be and is hereby elected as a Non-executive Director of the Company."

The election of the abovementioned Non-executive Director will be conducted by a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy as required under section 68(2) of the Act.

NOTICE OF ANNUAL GENERAL MEETING (continued)

For the above resolution to be passed, votes in favour must represent at least 50% + 1 of all votes cast and/or exercised at the meeting.

ORDINARY RESOLUTION NUMBER 1.4

Election of Dr ND Munisi as a Non-Executive Director

"RESOLVED that Dr ND Munisi, being a new appointment to the Board be and is hereby elected as a Non-executive Director of the Company."

The election of the abovementioned Non-executive Director will be conducted by a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy as required under section 68(2) of the Act.

For the above resolution to be passed, votes in favour must represent at least 50% + 1 of all votes cast and/or exercised at the meeting.

Brief résumés for these Directors appears on page 18 of the 2016 Integrated Annual Report.

ORDINARY RESOLUTION NUMBER 2

RETIREMENT AND RE-ELECTION OF DIRECTORS

In terms of the Company's MOI, one third of the Non-executive Directors of the Company must retire by rotation every year at the Company's Annual General Meeting. Accordingly, the following Directors retire by rotation at the Annual General Meeting,

Mr JG Appelgryn;
Mr GL Napier; and
Dr NB Bam.

ORDINARY RESOLUTION NUMBER 2.1

Re-election of Mr JG Appelgryn as a Non-executive Director

"RESOLVED that Mr JG Appelgryn, who retires by rotation in terms of the MOI of the Company, being eligible and offering himself for re-election, be and is hereby re-elected as a Non-executive Director of the Company."

ORDINARY RESOLUTION NUMBER 2.2

Re-election of Mr GL Napier as a Non-executive Director

"RESOLVED that Mr GL Napier, who retires by rotation in terms of the MOI of the Company, being eligible and offering himself for re-election, be and is hereby re-elected as a Non-executive Director of the Company."

ORDINARY RESOLUTION NUMBER 2.3

Re-election of Dr NB Bam as a Non-executive Director

"RESOLVED that Dr NB Bam, who retires by rotation in terms of the MOI of the Company, being eligible and offering herself for re-election, be and is hereby re-elected as a Non-executive Director of the Company."

Brief résumés for these Directors appear on page 18 of the 2016 Integrated Annual Report.

For the above resolutions to be passed, votes in favour must represent at least 50% + 1 of all votes cast and/or exercised at the meeting.

ORDINARY RESOLUTION NUMBER 3

APPOINTMENT OF GROUP AUDIT AND RISK COMMITTEE MEMBERS

"RESOLVED that an Audit and Risk Committee comprising Independent Non-executive Directors, as provided in Section 94(4) of the Act, set out below be and is hereby appointed in terms of Section 94(2) of the Act to hold office until the next Annual General Meeting and to perform the duties and responsibilities stipulated in section 94(7) of the Act and King III Report on Governance for South Africa 2009.

The Board of Directors has assessed the performance of the Group Audit and Risk Committee members standing for election and has found them suitable for appointment. Brief résumés for these Directors appear on page 18 of the 2016 Integrated Annual Report."

ORDINARY RESOLUTION 3.1

"RESOLVED that, Ms LL Dhlamini, is elected as a member and chairperson of the Audit and Risk Committee."

ORDINARY RESOLUTION 3.2

"RESOLVED that, subject to the passing of Ordinary Resolution Number 2.2, Mr GL Napier, is elected as a member of the Audit and Risk Committee."

ORDINARY RESOLUTION 3.3

"RESOLVED that, Mr A Banderker, is elected as a member of the Audit and Risk Committee."

For the above resolutions to be passed, votes in favour must represent at least 50% + 1 of all votes cast and/or exercised at the meeting.

ORDINARY RESOLUTION NUMBER 4

RE-APPOINTMENT OF INDEPENDENT AUDITOR AND DESIGNATED AUDIT PARTNER

The Group Audit and Risk Committee has assessed PricewaterhouseCoopers Incorporated's performance, independence and suitability and has nominated them for reappointment as the independent auditor of the Group, to hold office until the next Annual General Meeting.

"RESOLVED that PricewaterhouseCoopers Incorporated, with the designated audit partner being Mr V Muguto, be and is hereby re-appointed as the independent auditor of the Group for the ensuing year."

For this resolution to be passed, votes in favour must represent at least 50% + 1 of all votes cast and/or exercised at the meeting.

ORDINARY RESOLUTION NUMBER 5

GENERAL AUTHORITY TO ISSUE SHARES FOR CASH

"RESOLVED that the authorised but unissued shares in the capital of the Company be and are hereby placed under the control and authority of the Directors and that they be and are hereby authorised to allot, issue and otherwise dispose of such shares to such person or persons on such terms and conditions and at such times as they may from time to time and at their discretion deem fit, subject to the provisions of the Act, clause 4 of the MOI of the company and the Listings Requirements, provided that:

1. the general authority shall be valid until the Company's next Annual General Meeting, provided that it shall not extend beyond fifteen months from the date of the passing of this ordinary resolution (whichever period is shorter);
2. the allotment and issue of the shares must be made to public shareholders as defined in the Listings Requirements and not to related parties;
3. the shares which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such shares or rights that are convertible into a class already in issue;
4. the number of shares issued for cash in aggregate under this authority shall not exceed 83 156 599 shares, being 15% (fifteen percent) of the Company's listed equity securities as at the date of this notice of Annual General Meeting, excluding treasury shares;
5. any shares issued under this authority during the period contemplated in paragraph 1 above, must be deducted from the number in paragraph 4 above;
6. in the event of a sub-division or consolidation of issued shares during the period contemplated in paragraph 1 above, the existing authority must be adjusted accordingly to represent the same allocation ratio;
7. the maximum discount at which ordinary shares may be issued is 10% (ten percent) of the weighted average traded price of those shares measured over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the Company and the party subscribing for the securities. The JSE must be consulted for a ruling if the Company's securities have not traded in such 30-business day period; and
8. after the Company has issued shares for cash which represent, on a cumulative basis within a financial year, 5% (five percent) or more of the number of shares in issue prior to that issue, the Company shall publish an announcement containing details of *inter alia* the number of shares issued, the average discount to the weighted average traded price of the shares over the 30 (thirty) business days prior to the date that the price of the issue was agreed in writing between the issuer and the party

subscribing for the shares or any other announcements that may be required in such regard in terms of the Listings Requirements which may be applicable from time to time."

At present, the Directors have no specific intention to use this authority and the authority will thus only be used if circumstances are appropriate.

The reason for proposing ordinary resolution number 5 is to seek a general authority and approval for the Directors to allot and issue ordinary shares in the authorised but unissued share capital of the Company (excluding shares issued pursuant to the Company's share incentive scheme), up to 15% (83 156 599 shares) of the number of ordinary shares of the Company in issue at the date of passing of this resolution, in order to enable the Company to take advantage of business opportunities which might arise in the future.

For this resolution to be passed, votes in favour must represent at least 75% of all votes cast and/or exercised at the meeting.

ORDINARY RESOLUTION NUMBER 6

APPROVAL OF THE REMUNERATION POLICY

"RESOLVED that by way of a non-binding advisory vote that the Company's remuneration policy and its implementation, as set out in the remuneration report contained on page 90 of the 2016 Integrated Annual Report, be and is hereby approved."

This ordinary resolution is of an advisory nature only and although the Board will take the outcome of the vote into consideration when determining the remuneration policy, failure to pass this resolution will not legally preclude the Company from implementing the remuneration policy as contained in the 2016 Integrated Annual Report.

For this resolution to be passed, votes in favour must represent at least 50% + 1 of all votes cast and/or exercised at the meeting.

ORDINARY RESOLUTION NUMBER 7

AUTHORISE DIRECTORS AND/OR SECRETARY

"RESOLVED that any one Director and/or the Group company secretary or equivalent be and are hereby authorised to do all such things and to sign all such documents that are deemed necessary to implement the resolutions set out in the notice convening the Annual General Meeting at which these resolutions will be considered."

For this resolution to be passed, votes in favour must represent at least 50% + 1 of all votes cast and/or exercised at the meeting.

NOTICE OF ANNUAL GENERAL MEETING (continued)

SPECIAL RESOLUTIONS

SPECIAL RESOLUTION NUMBER 1

APPROVAL OF NON-EXECUTIVE DIRECTORS' FEES

To approve the remuneration of Non-executive Directors for the next 12 months, (payable quarterly in arrears), with effect from 01 January 2017 until 31 December 2017.

Approval in terms of section 66 of the Act is required to authorise the Company to remunerate for their services as Directors. Furthermore, in terms of King III and as read with the Listings Requirements, remuneration payable to Non-executive Directors should be approved by shareholders in advance or within the previous two years.

"RESOLVED as a special resolution in terms of the Act that the remuneration of Non-executive Directors for the period 01 January 2017 until 31 December 2017 be and is hereby approved as follows:

	Position	Current 2016 R'000	Recommended Increase (%)	Proposed (2017) R'000
Main Board (annualised fee)	Chairman	217 000	5.3	228 500
	Member	200 000	4.7	209 400
Subsidiary Board (Per meeting fee)	Chairman	18 295	4.7	19 155
	Member	13 416	4.7	14 047
Audit and Risk Committee (Per meeting fee)	Chairman	24 393	4.7	25 539
	Member	17 740	4.7	18 574
Remuneration Committee (Per meeting fee)	Chairman	18 295	4.7	19 155
	Member	13 416	4.7	14 047
Nomination Committee (Per meeting fee)	Chairman	18 295	4.7	19 155
	Member	13 416	4.7	14 047
Social and Ethics Committee (Per meeting fee)	Chairman	18 295	4.7	19 155
	Member	13 416	4.7	14 047
Investment Committee (Per meeting fee)	Chairman	18 295	4.7	19 155
	Member	13 416	4.7	14 047

The requirement to include subsidiary board and committee meetings has been introduced at the Group level resulting from a change in the Company's internal structures specifically relating to AfroCentric Health Proprietary Limited. These fees were previously paid by AfroCentric Health Proprietary Limited but due to the additional responsibilities and requirements placed on the Non-executive Directors of the Company, it has prompted a review of the fees as reflected in the table above.

For this resolution to be passed, votes in favour of the resolution must represent at least 75% of all votes cast and/or exercised at the meeting.

SPECIAL RESOLUTION NUMBER 2

GENERAL AUTHORITY TO REPURCHASE SHARES

The reason for and effect of special resolution number 2 is to grant the Directors a general authority in terms of the MOI of the Company and the Listings Requirements for the acquisition by the Company or by a wholly-owned subsidiary of the Company of shares issued by the Company on the basis reflected in special resolution number 2.

In terms of section 48(2)(b)(i) of the Act, subsidiaries may not hold more than 10%, in aggregate, of the number of the issued shares of a company. For the avoidance of doubt, a pro rata repurchase by the company from all its shareholders will not require shareholder approval, save to the extent as may be required by the Act.

"RESOLVED that as a special resolution that the Company and/or any subsidiary of the Company ("**the Group**") be and is hereby authorised by way of a general approval as contemplated in section 48 of the Act to acquire from time to time issued ordinary shares of the Company, upon such terms and conditions and in such amounts as the Directors of the Company may from time to time determine, but subject to the MOI of the company and the provisions of the Act and provided:

1. any repurchase of shares must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counter party;
2. at any point in time, the Company may only appoint one agent to effect any repurchases on its behalf;

3. the number of shares which may be repurchased pursuant to this authority in any financial year may not in the aggregate exceed 5% (five percent) of the Company's issued share capital as at the date of passing of this general resolution or 10% (ten percent) of the Company's issued share capital in the case of an acquisition of shares in the Company by a wholly-owned subsidiary of the Company;
4. repurchases of shares may not be made at a price greater than 10% (ten percent) above the weighted average of the market value of the shares for the 5 (five) business days immediately preceding the date on which the transaction was effected;
5. the Company or a wholly-owned subsidiary of the Company may not effect a repurchase during any prohibited period as defined in terms of the Listings Requirements unless there is a repurchase programme in place, which programme has been submitted to the JSE in writing and executed by an independent third party, as contemplated in terms of paragraph 5.72(h) of the Listings Requirements;
6. after the Company or a wholly-owned subsidiary of the Company has acquired shares which constitute, on a cumulative basis, 3% (three percent) of the initial number of shares in issue (at the time that authority from shareholders for the repurchase is granted) of the relevant class of shares and for each 3% in aggregate of the initial number of that class acquired thereafter, the Company shall publish an announcement on SENS containing full details of such repurchase; and
7. the Board of Directors have passed a resolution authorising the repurchase and that the Company has passed the solvency and liquidity test contained in Section 4 of the Act, and that since the test was done, there have been no material changes to the financial position of the Company.

In accordance with the Listings Requirements, the Directors record that:

The Directors have no specific intention to repurchase shares, but would utilise the renewed general authority to repurchase shares to serve our shareholders' interests, as and when suitable opportunities present themselves, which opportunities may require expeditious and immediate action.

The Directors undertake that they will not implement the repurchase as contemplated in this special resolution while this general authority is valid unless:

- ▶ the Company and the Group will be able to pay their debts in the ordinary course of business;
- ▶ the consolidated assets of the Company and of the Group will be in excess of the liabilities of the Company and the Group; the assets and liabilities being recognised and measured in accordance with the accounting policies used in the latest audited Group Annual Financial Statements (supplementary information);

- ▶ the share capital and reserves of the Company and of the Group are adequate for ordinary purposes; and
- ▶ the working capital of the Company and the Group will be adequate for ordinary business."

For this resolution to be passed, votes in favour of the resolution must represent at least 75% of all votes cast and/or exercised at the meeting.

DISCLOSURES REQUIRED IN TERMS OF PARAGRAPH 11.26 OF THE LISTINGS REQUIREMENTS:

The following additional information, some of which may appear elsewhere in this report is provided in terms of the Listing Requirements for purposes of the special resolution:

Major shareholders – page 9 of the 2016 Group Annual Financial Statements (supplementary information)

Company's share capital – page 61 of the 2016 Group Annual Financial Statements (supplementary information)

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information pertaining to the special resolution number 2, and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that the aforementioned special resolution contains all the information required by the JSE.

MATERIAL CHANGE

Other than the facts and developments reported on in the 2016 Group Annual Financial Statements (supplementary information), there has been no material changes in the financial or trading position of the Company or its subsidiaries since the Company's financial year end and the signature date of this Integrated Annual Report.

SPECIAL RESOLUTION NUMBER 3

FINANCIAL ASSISTANCE TO A RELATED OR INTER-RELATED COMPANY OR COMPANIES

The reason for and effect purpose of this special resolution number 3 is to grant the Board the authority to authorise the Company to provide financial assistance as contemplated in section 45 of the Act to a related or inter-related company or corporation.

"RESOLVED that, in terms of section 45(3)(a)(ii) of the Companies Act, as a general approval, the Board of the Company be and is hereby authorised to approve that the Company provides any direct or indirect financial assistance ("**financial assistance**" will herein have the meaning attributed to it in section 45(1) of the Act) that the Board of the Company may deem fit to any company or corporation that is related or inter-related ("**related**" or "**inter-related**" will herein have the meaning attributed to it in section 2 of the Act) to the Company, on the terms and conditions and for amounts that the Board of the Company may determine,

NOTICE OF ANNUAL GENERAL MEETING (continued)

provided that the aforementioned approval shall be valid until the date of the next Annual General Meeting of the Company."

For this resolution to be passed, votes in favour of the resolution must represent at least 75% of all votes cast and/or exercised at the meeting.

SPECIAL RESOLUTION NUMBER 4

FINANCIAL ASSISTANCE FOR SUBSCRIPTION OF SHARES TO RELATED OR INTER-RELATED COMPANIES

The reason for and effect of special resolution number 4 is to grant the Directors the authority, until the next Annual General Meeting of the Company, to provide financial assistance to any company or corporation which is related or inter-related to the Company and/or to any financier for the purpose of or in connection with the subscription or purchase of options, shares or other securities in the Company or any related or inter-related company or corporation.

This means that the Company is authorised, *inter alia*, to grant loans to its subsidiaries and to guarantee and furnish security for the debt of its subsidiaries where any such financial assistance is directly or indirectly related to a party subscribing for options, shares or securities in the Company or its subsidiaries.

A typical example of where the Company may rely on this authority is where a subsidiary raised funds by way of issuing preference shares and the third-party funder requires the Company to furnish security, by way of a guarantee or otherwise, for the obligations of its subsidiary to the third-party funder arising from the issue of the preference shares. The Company has no immediate plans to use this authority and is simply obtaining same in the interests of prudence and good corporate governance should the unforeseen need arise to use the authority.

"RESOLVED that, in terms of section 44(3)(a)(ii) of The Act, as a general approval, the Board of the Company be and is hereby authorised to approve that the Company provides any direct or indirect financial assistance ("**financial assistance**" will herein have the meaning attributed to it in sections 44(1) and 44(2) of the Act) that the Board of the Company may deem fit to any company or corporation that is related or inter-related to the Company ("**related**" or "**inter-related**" will herein have the meaning attributed to it in section 2 of the Act) and/or to any financier who provides funding by subscribing for preference shares or other securities in the company or any company or corporation that is related or inter-related to the Company, on the terms and conditions and for amounts that the Board of the Company may determine for the purpose of, or in connection with the subscription of any option, or any shares or other securities, issued or to be issued by the company or a related or inter-related company or corporation, or for the purchase of any shares or securities of the Company or a related or inter-related company or corporation, provided that the

aforementioned approval shall be valid for two years or until the date of the next Annual General Meeting of the Company."

For this resolution to be passed, votes in favour of the resolution must represent at least 75% of all votes cast and/or exercised at the meeting.

In terms of and pursuant to the provisions of sections 44 and 45 of The Act, the Directors of the Company confirm that the Board will satisfy itself, after considering all reasonably foreseeable financial circumstances of the Company, that immediately after providing any financial assistance as contemplated in special resolution numbers 3 and 4 above:

- ▶ the assets of the Company (fairly valued) will equal or exceed the liabilities of the Company (fairly valued) (taking into consideration the reasonably foreseeable contingent assets and liabilities of the Company);
- ▶ the Company will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months;
- ▶ the terms under which any financial assistance is proposed to be provided, will be fair and reasonable to the Company; and
- ▶ all relevant conditions and restrictions (if any) relating to the granting of financial assistance by the Company as contained in the Company's MOI have been met.

SPECIAL RESOLUTION NUMBER 5

AMENDMENT OF THE MOI

"RESOLVED as a special resolution that the Company's existing MOI be and is hereby amended by:

1. inclusion of clause 2.5.5 under interpretation with the following:

"2.5.5 Disseminated means the delivery of notices as provided for in terms of section 6(10) of the Act and/or delivery and/or notification of documentation in terms of section 6(11) of the Act."
2. substituting clause 8.2 thereof with the following:

"8.2 If, on any capitalisation issue, consolidation, subdivision, re-designation of securities, or for any other reason, any shareholder would, but for the provisions of this 8.2, become entitled to fractions of securities, the directors may, subject to compliance to the JSE Listing Requirements, to the extent applicable,

 - 8.2.1 arrange that the security or fraction shall be consolidated with any other security or fraction, or make arrangements for the allocation or sale thereof;
 - 8.2.2 appoint a person to sell or transfer it; and
 - 8.2.3 pay the proceeds of such sale to the holders of the consolidated security or deal with it in the manner otherwise agreed.

The date on which the amendment of the MOI becomes effective will be the date that this special resolution approving the amendment of the MOI is adopted, irrespective of the date of filing thereof with the Registrar of Companies.

The reason for and effect of this special resolution is to amend the Company's MOI to comply with the fractional entitlement principle in terms of the Listings Requirements which will result in all allocations of securities being rounded down to the nearest whole number and a cash payment will be paid for the fraction at beneficial owner level.

For this resolution to be passed, votes in favour of the resolution must represent at least 75% of all votes cast and/or exercised at the meeting.

The full MOI can be accessed on the Company's website via the following link: www.afrocentric.za.com

TO TRANSACT SUCH OTHER BUSINESS AS MAY BE TRANSACTED AT AN ANNUAL GENERAL MEETING

Identification, voting and proxies

In terms of section 63 (1) of the Act, any person attending or participating in the Annual General Meeting must present reasonable satisfactory identification and the person presiding at the Annual General Meeting must be reasonably satisfied that the right of any person to participate in and vote (whether as a shareholder or as a proxy for a shareholder) has been reasonably verified. Suitable forms of identification will include the presentation of valid identity documents, driver's licences and passports.

The votes of shares held by share trusts classified as schedule 14 trusts in terms of the Listings Requirements will not be taken into account at the Annual Meeting for approval of any resolution proposed in terms of the Listings Requirements.

A form of proxy is attached for the convenience of any certificated or dematerialised AfroCentric shareholders with own-name registrations who cannot attend the Annual General Meeting, but who wish to be represented thereat. To be valid completed forms of proxy must be received by the transfer secretaries of the Company, Computershare Proprietary Limited, by no later than 10h00 on Friday, 28 October 2016.

All beneficial owners of AfroCentric shares who have dematerialised their shares through a CSDP or broker, other than those with own-name registration, and all beneficial owners of shares who hold certificated shares through a nominee, must provide their CSDP, broker or nominee with their voting instructions, in accordance with the agreement between the beneficial owner and the CSDP, broker or nominee as the case may be. Should such beneficial owners wish to attend the meeting in person they must request their CSDP, broker or nominee to issue them with the appropriate letter of authority. If shareholders who have not dematerialised their shares or who have dematerialised their shares with own-name registration and who are entitled

to attend and vote at the Annual General Meeting do not deliver proxy forms to the transfer secretaries timeously, such shareholders will nevertheless at any time prior to the commencement of the voting on the resolutions at the Annual General Meeting be entitled to lodge the form of proxy in respect of the Annual General Meeting, in accordance with the instructions therein with the Chairman of the Annual General Meeting.

Each shareholder is entitled to appoint one or more proxies (who need not be shareholders of AfroCentric) to attend, speak and vote in his/her stead. On a show of hands every shareholder who is present in person or by proxy shall have one vote, and, on a poll, every shareholder present in person or by proxy shall have one vote for each share held by him/her.

AfroCentric does not accept responsibility and will not be held liable for any failure on the part of a CSDP or broker to notify such AfroCentric shareholder of the Annual General Meeting.

By order of the Board



S Lutchan
Group Company Secretary
Roodepoort



FORM OF PROXY

RELATING TO THE TENTH ANNUAL GENERAL MEETING OF THE COMPANY



AfroCentric Investment Corporation Limited

(Incorporated in the Republic of South Africa)

(Registration number: 1988/000570/06)

JSE Share code: ACT ISIN: ZAE 000078416

("AfroCentric" or "the Company")

For use by the holders of certificated shares and/or dematerialised shares held through a broker or Central Securities Depository Participant ("CSDP") who have selected "own name" registration, registered as such at the close of business on the voting record date, at the Annual General Meeting to be held at 10h00 at the AfroCentric Distribution Services Offices, The Greens Office Park, Building L, 26 Charles De Gaulle Crescent, Highveld Ext 12, Centurion, on Tuesday, 1 November 2016 or any postponement or adjournment thereof. The form of proxy may also be handed to the chairman of the Annual General Meeting or adjourned or postponed Annual General Meeting before the Annual General Meeting is due to commence or recommence.

Dematerialised shareholders who have not selected "own name" registration must not complete this form.

They must inform their broker or CSDP timeously of their intention to attend and vote at the Annual General Meeting or be represented by proxy thereat in order for the broker or CSDP to issue them with the necessary letter of representation to do so or provide the broker or CSDP timeously with their voting instructions should they not wish to attend the Annual General Meeting in order for the broker or CSDP to vote in accordance with their instructions at the Annual General Meeting.

I/We (FULL NAMES IN BLOCK LETTERS PLEASE) _____

of (address) (BLOCK LETTERS PLEASE) _____

Telephone no: (WORK) (area code) _____

Cell phone no: _____ Telephone no: (HOME) (area code) _____

E-mail address: _____

being the holder/s of _____ shares hereby appoint _____

1. _____ or failing him/her

2. _____ or failing him/her

3. the chairman of the Annual General Meeting _____

as my/our proxy to act for me/us on my/our behalf at the Annual General Meeting of in accordance with the following instructions (see note 2):

	For	Against	Abstain
Ordinary Resolutions			
1. Election of directors			
1.1 Mr AV Van Buuren			
1.2 Mr A Banderker			
1.3 Mr IM Kirk			
1.4 Dr ND Munisi			
2. Retirement and re-election of directors			
2.1 Mr JG Appelgryn			
2.2 Mr GL Napier			
2.3 Dr NB Bam			
3. Appointment of chairperson and members to the audit committee.			
3.1 Ms LL Dhlamini (Chairperson)			
3.2 Mr GL Napier			
3.3 Mr A Banderker			
4. Re-appointment of independent external auditor and designated audit partner			
5. General Authority to Issue Shares for cash			
6. Approval of the remuneration policy			
7. Authority of directors and/or company secretary			
Special Resolutions			
1. Approval of non-executive directors fees			
2. General authority to repurchase shares			
3. Financial assistance to a related or inter-related company or companies			
4. Financial assistance for subscription of shares to related or inter-related companies			
5. Amendment of the Memorandum of Incorporation			

* One vote per share held by shareholders on the voting record Date.

Please read the following notes and instructions carefully

NOTES TO THE FORM OF PROXY

Notes:

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided. The person whose name appears first on this form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A proxy appointed by a shareholder in terms hereof may not delegate his authority to act on behalf of the shareholder to any other person.
3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the Annual General Meeting as he deems fit in respect of the entire shareholder's votes exercisable thereat.
4. Forms of proxy must be lodged at or posted to Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) to be received by not later than 10h00 on Friday, 28 October 2016 or not less than 48 hours before the recommencement of any adjourned or postponed meeting, or 10 minutes before the Annual General Meeting is due to commence or recommence.
5. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so. In addition to the foregoing, a shareholder may revoke the proxy appointment by:
 - (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and
 - (ii) delivering a copy of the revocation instrument to the proxy, and to AfroCentric. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as at the later of the date stated in the revocation instrument, if any; or the date on which the revocation instrument was delivered in the required manner.
6. The chairman of the Annual General Meeting may reject or accept any form of proxy which is completed and/or received, otherwise than in accordance with these notes, provided that, in respect of acceptances, the chairman is satisfied as to the manner in which the shareholder (s) concerned wish(es) to vote.
7. Each shareholder is entitled to appoint one or more proxies (none of whom need be a shareholder) to attend, speak and vote in place of that shareholder at the Annual General Meeting.
8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by AfroCentric or the transfer secretaries or waived by the chairman of the Annual General Meeting.
9. Any alteration or correction made to this form of proxy must be initialled by the signatory(ies).
10. Where there are joint holders of Shares:
 - 10.1 any one holder may sign this form of proxy; and
 - 10.2 the vote of the senior (for that purpose seniority will be determined by the order in which the names of shareholders appear in the Register) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint holder(s) of shares.
11. The form of proxy may be used at any adjournment or postponement of the Annual General Meeting, including any postponement due to a lack of quorum, unless withdrawn by the shareholder.
12. An extract from the Act reflecting the provisions of section 58 of the Act is attached as an appendix to this form of proxy.
13. Unlisted securities (If applicable) and shares held as treasury shares may not vote.

APPENDIX – EXTRACT FROM SECTION 58 OF THE COMPANIES ACT

"58. Shareholder right to be represented by proxy

- (1) At any time, a shareholder of a company may appoint any individual, including an individual who is not a shareholder of that company, as a proxy to:
 - (a) participate in, and speak and vote at, a shareholders meeting on behalf of the shareholder; or
 - (b) give or withhold written consent on behalf of the shareholder to a decision contemplated in section 60.
- (2) A proxy appointment:
 - (a) must be in writing, dated and signed by the shareholder; and
 - (b) remains valid for:
 - (i) one year after the date on which it was signed; or
 - (ii) any longer or shorter period expressly set out in the appointment, unless it is revoked in a manner contemplated in subsection (4)(c), or expires earlier as contemplated in subsection (8)(d).
- (3) Except to the extent that the Memorandum of Incorporation of a company provides otherwise:
 - (a) a shareholder of that company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder;
 - (b) a proxy may delegate the proxy's authority to act on behalf of the shareholder to another person, subject to any restriction set out in the instrument appointing the proxy; and
 - (c) a copy of the instrument appointing a proxy must be delivered to the Company, or to any other person on behalf of the Company, before the proxy exercises any rights of the shareholder at a shareholders meeting.
- (4) Irrespective of the form of instrument used to appoint a proxy:
 - (a) the appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder;
 - (b) the appointment is revocable unless the proxy appointment expressly states otherwise; and
 - (c) if the appointment is revocable, a shareholder may revoke the proxy appointment by:
 - (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and
 - (ii) delivering a copy of the revocation instrument to the proxy, and to the company.
- (5) The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of:
 - (a) the date stated in the revocation instrument, if any; or
 - (b) the date on which the revocation instrument was delivered as required in subsection (4)(c)(ii).
- (6) If the instrument appointing a proxy or proxies has been delivered to a company, as long as that appointment remains in effect, any notice that is required by this Act or the company's Memorandum of Incorporation to be delivered by the company to the shareholder must be delivered by the company to:
 - (a) the shareholder; or
 - (b) the proxy or proxies, if the shareholder has:
 - (i) directed the company to do so, in writing; and
 - (ii) paid any reasonable fee charged by the Company for doing so.
- (7) A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction, except to the extent that the Memorandum of Incorporation, or the instrument appointing the proxy, provides otherwise.
- (8) If a Company issues an invitation to shareholders to appoint one or more persons named by the Company as a proxy, or supplies a form of instrument for appointing a proxy:
 - (a) the invitation must be sent to every shareholder who is entitled to notice of the meeting at which the proxy is intended to be exercised;
 - (b) the invitation, or form of instrument supplied by the Company for the purpose of appointing a proxy, must:
 - (i) bear a reasonably prominent summary of the rights established by this section;
 - (ii) contain adequate blank space, immediately preceding the name or names of any person or persons named in it, to enable a shareholder to write in the name and, if so desired, an alternative name of a proxy chosen by the shareholder; and
 - (iii) provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution or resolutions to be put at the meeting, or is to abstain from voting;
 - (c) the Company must not require that the proxy appointment be made irrevocable; and
 - (d) the proxy appointment remains valid only until the end of the meeting at which it was intended to be used, subject to subsection (5).
- (9) Subsection (8)(b) and (d) do not apply if the Company merely supplies a generally available standard form of proxy appointment on request by a shareholder."

ANNEXURE A: MEMORANDUM OF INCORPORATION AMENDMENT

(PUBLIC COMPANY)

NAME OF COMPANY:

AFROCENTRIC INVESTMENT CORPORATION LIMITED

("Company")

REGISTRATION NUMBER:

1988/000570/06

INDEX

1. INTRODUCTION	119
2. INTERPRETATION	119
3. GENERAL	120
4. SECURITIES OF THE COMPANY	121
5. SHAREHOLDER RIGHTS AND PROXY FORMS	122
6. SHAREHOLDERS MEETINGS	123
7. DIRECTORS AND OFFICERS	124
8. GENERAL PROVISIONS	127
SCHEDULES:	
Schedule 1 Authorised Shares	128
Schedule 2 Rights, Privileges and Obligations of the Redeemable Preference Shares	129

1. INTRODUCTION

- 1.1 The Memorandum of Incorporation in the prescribed form contemplated in section 13(1)(a)(i) of the Act shall not apply to the Company.
- 1.2 This Memorandum does not:
 - 1.2.1 contain any restrictive conditions contemplated in section 15(2)(b) of the Act;
 - 1.2.2 contain any requirement for the amendment of any particular provision of this Memorandum in addition to the requirements of the Act; and
 - 1.2.3 prohibit the amendment of any particular provision of this Memorandum. [Sections 15(2)(b) and 15(2)(c)]
- 1.3 The Company is incorporated as a public company in terms of the Act and, accordingly:
 - 1.3.1 the Company is not prohibited from offering its securities to the public; and
 - 1.3.2 the transfer of the Company's securities is unrestricted. [Section 8(2)(d)]

2. INTERPRETATION

In this Memorandum, including the introduction above, and unless the context requires otherwise:

- 2.1 words importing any one gender shall include the other two genders;
- 2.2 the singular shall include the plural and vice versa;
- 2.3 any word which is defined in the Act and is not defined in 2.5, shall bear that statutory meaning in this Memorandum;
- 2.4 the headings have been inserted for convenience only and shall not be used for or assist or affect their interpretation;
- 2.5 each of the following words and expressions shall have the meaning stated opposite it and cognate expressions shall have a corresponding meaning, namely:
 - 2.5.1 "the Act" means the Companies Act 71 of 2008, together with the Companies Regulations, 2011, as amended or substituted from time to time;
 - 2.5.2 "Board" means the board of directors of the Company from time to time;
 - 2.5.3 "Chairman" means the chairman of the directors appointed in accordance with 7.6;
 - 2.5.4 "Deputy Chairman" means the deputy chairman of the directors appointed in accordance with 7.6;
 - 2.5.5 "Disseminated" means the delivery of notices as provided for in terms of section 6(10) of the Act and/or delivery and/or notification of documentation in terms of section 6(11) of the Act;
 - 2.5.6 "Group" means the Company and its subsidiaries from time to time and "a member of the Group" means any one of them;
 - 2.5.7 "JSE" means the JSE Limited (Registration Number 2005/022939/06), a public company incorporated and licensed as an exchange under the Securities Services Act 36 of 2004, as amended or substituted from time to time;
 - 2.5.8 "legal representative" means any person who has submitted the necessary proof of his appointment as –
 - 2.5.8.1 an executor of the estate of a deceased member or trustee, curator or guardian of a member whose estate has been sequestrated or who is otherwise under disability;
 - 2.5.8.2 the liquidator of any member which is a body corporate in the course of being wound-up; or
 - 2.5.8.3 the business rescue practitioner of any member which is a company under business rescue;
 - 2.5.9 "Listings Requirements" means the Listings Requirements of the JSE, as amended or substituted from time to time;
 - 2.5.10 "this Memorandum" means this Memorandum of Incorporation and includes its Schedule, which forms part of it; and
 - 2.5.11 "the Republic" means the Republic of South Africa.

ANNEXURE A: MEMORANDUM OF INCORPORATION AMENDMENT (continued)

3. GENERAL

3.1 Liability of incorporators, shareholders or directors

This Memorandum does not impose any liability on any person for the liabilities or obligations of the Company, solely by reason of such person being an incorporator, shareholder or director of the Company as contemplated by section 19(2) of the Act. [Section 19(2)]

3.2 Powers of the Company

This Memorandum does not restrict, limit or qualify the legal powers or capacity of the Company in section 19(1)(b) of the Act. [Section 19(1)(b)]

3.3 Memorandum of Incorporation and rules

3.3.1 The Board shall not have the power to make, amend or repeal any necessary or incidental rules relating to the governance of the Company in respect of matters that are not addressed in the Act or this Memorandum, in accordance with the provisions of sections 15(3) to 15(5), both inclusive, of the Act. [Sections 15(3), 15(4), 15(5) and 15(5A)]

3.3.2 This Memorandum does not contain any restrictive conditions applicable to the Company as contemplated in section 15(2)(b) or (c).

3.3.3 This Memorandum may only be altered or amended:

3.3.3.1 in accordance with a Court Order effected by a resolution of the Board in terms of sections 16(1)(a) and 16(4); or

3.3.3.2 by a special resolution of the ordinary shareholders of the Company.

3.3.4 An amendment of this Memorandum shall include, but not be restricted to, the following:

3.3.4.1 the creation of any class of shares;

3.3.4.2 the variation of any preferences, rights, limitation and other share terms attaching to any class of shares;

3.3.4.3 the conversion of one class of shares into one or more other classes of shares;

3.3.4.4 any increase in the number of shares;

3.3.4.5 the consolidation of shares;

3.3.4.6 the subdivision of shares; and/or

3.3.4.7 the change of name of the company;

3.3.5 In addition, if there are listed cumulative and/or non-cumulative preference shares in the capital of the Company, then the following right shall be attached to such shares:

"No further securities ranking on priority to, or pari passu with, existing shares, of any class, shall be created without a special resolution passed at a separate general meeting of such preference shareholders".

3.3.6 If the Board, or any individual authorised by the Board, alters this Memorandum in any manner necessary to correct a patent error in spelling, punctuation, reference, grammar or similar defect on the face of the document, it must publish a notice of such alteration by publishing the alterations on the Company's website, and must file a notice of alteration in the manner prescribed by the Act. [Section 17(1)]

3.4 Financial assistance to related persons

This Memorandum does not limit, restrict or qualify the authority of the Board to authorise the Company to provide direct or indirect financial assistance to any person contemplated in section 45 of the Act. [Section 45(2)]

3.5 Solvency and liquidity test

This Memorandum does not alter the application of the solvency and liquidity test provided in section 4 of the Act. [Section 4(2)(c)]

3.6 Annual Financial Statements

A copy of the annual financial statements must be disseminated to shareholders at least 15 business days before the date of the annual general meeting at which they will be considered.

3.7 Ratification of Ultra Vires Acts

The proposal of any resolution to shareholders in terms of sections 20(2) and 20(6) of the Act which would lead to the ratification of an act that is contrary to the Listings Requirements, shall be prohibited, unless otherwise agreed with the JSE.

4. SECURITIES OF THE COMPANY

4.1 Authorisation for shares

- 4.1.1 The Company is authorised to issue the shares specified in Schedule 1, provided that, if required by the Act or the Listings Requirements, the Company may only issue: **[Section 36(1)(a)]**
- 4.1.1.1 unissued shares to shareholders of a particular class of shares, *pro rata* to the shareholders' existing shareholding unless such shares were issued for an acquisition of assets, subject to the Listings Requirements;
 - 4.1.1.2 unissued shares or options for cash, as the Board in its discretion think fit, if approved by shareholders in general meeting, subject to the Listings Requirements; and
 - 4.1.1.3 shares that are fully paid up and freely transferrable, unless otherwise required by the Listings Requirements.
- 4.1.2 Any amendment to this Memorandum must be approved by a special resolution of ordinary shareholders, save where an amendment is ordered by a court in terms of sections 16(1)(a) and 16(4)
- 4.1.2.1 the creation of any class of shares;
 - 4.1.2.2 the variation of any preferences, rights, limitations and other terms attaching to any class of shares;
 - 4.1.2.3 an increase in the number of securities of a class;
 - 4.1.2.4 a consolidation of securities;
 - 4.1.2.5 a sub-division of securities; and/or
 - 4.1.2.6 the change of the name of the company.
- 4.1.3 Securities of each class of shares for which listing is applied shall rank *pari passu* in respect of all rights.
- 4.1.4 The preferences, rights, limitations or other terms of any class of shares in the Company may not be varied and no resolution may be proposed to shareholders for rights to include such variation in response to an objectively ascertainable external fact or facts, as provided for in section 37(6) and 37(7). **[Section 37(6) and 37(7)]**,

4.2 Capitalisation shares

This Memorandum does not limit, restrict or qualify the authority of the Board, in terms of section 47 of the Act, to:

- 4.2.1 approve the issue of any authorised shares of the Company as capitalisation shares, on a *pro rata* basis to the shareholders of one or more classes of shares;
- 4.2.2 approve the issue of shares of one class as capitalisation shares in respect of shares of another class; or
- 4.2.3 permit shareholders to elect to receive a cash payment in lieu of a capitalisation share, at a value determined by the Board. **[Sections 47(1) and (2)]**

provided that the requirements of section 47 are met. **[Sections 47(1) and (2)]**

4.3 Payments to securities holders

- 4.3.1 Without derogating from any of the other provision in this Memorandum, all payments made to holders of securities listed on the JSE must be provided for in accordance with the Listings Requirements and may not provide for capital to be repaid on the basis that it may be called up again.
- 4.3.2 Any acquisition by the Company or a subsidiary company of the Company's shares and any distribution to shareholders will be subject to the provisions of the Act and the Listings Requirements.

4.4 Debt instruments

This Memorandum does not limit, restrict or qualify the authority of the Board to authorise the Company to issue secured or unsecured debt instruments, provided that the Board may not grant special privileges regarding the attending and voting at general meetings of the Company or the appointment of directors in respect of such debt instruments. **[Sections 43(2)(a) and 43(3)]**

4.5 Registration of beneficial interests

This Memorandum does not limit or restrict the holding of the Company's issued securities by, or the registration of the Company's issued securities in the name of, one person for the beneficial interest of another. **[Section 56(1)]**

4.6 Joint holders of securities

Where two or more persons are registered as the holders of any security, they shall be deemed to hold that security jointly, and:

ANNEXURE A: MEMORANDUM OF INCORPORATION AMENDMENT (continued)

- 4.6.1 notwithstanding anything to the contrary in this Memorandum, on the death, sequestration, liquidation or legal disability of any one of such joint holders, the remaining joint holders may be recognised, at the discretion of the Board, as the only persons having title to such security;
- 4.6.2 any one of such joint holders may give effectual receipts for any dividends, bonuses or returns of capital or other accruals payable to such joint holders;
- 4.6.3 only the joint holder whose name stands first in the securities register of the Company shall be entitled to delivery of the certificate relating to that security, or to receive notices from the Company (and any notice given to such joint holder shall be deemed to be notice to all of the joint holders); and
- 4.6.4 any one of the joint holders of any security conferring a right to vote may vote either personally or by proxy at any shareholders' meeting in respect of such security as if he were solely entitled thereto, and if more than one of such joint holders is present at any shareholders' meeting, either personally or by proxy, the joint holder who tenders a vote and whose name stands in the securities register of the Company before the other joint holders who are present in person or by proxy shall be entitled to vote in respect of that security.

4.7 Legal Representatives

A legal representative (not being one of several joint holders) shall be the only person recognised by the Company as a shareholder or having any title to a security registered in the name of the shareholder whom he represents. The legal representative shall provide proof of his capacity as such in a form reasonably satisfactory to the Company or the Chairman, as the case may be.

4.8 Commission

- 4.8.1 The Company may not pay commission of more than 10% (ten per centum) of the subscription price at which securities are issued to any person in consideration for such person subscribing or agreeing to subscribe, absolutely or conditionally, or for procuring or agreeing to procure subscriptions, absolute or conditional, for such securities.
- 4.8.2 Such commission may be paid in whole or in part by fully paid up securities, provided that the prior approval of Shareholders by means of an ordinary resolution shall be required before any commission or portion thereof is paid in shares.

4.9 Authority to sign transfer deeds

All authorities to sign transfer deeds granted by holders of securities for the purpose of transferring securities that may be lodged, produced or exhibited with or to the Company at any of its transfer offices shall, as between the Company and the grantor of such authorities, be taken and deemed to continue and remain in full force and effect, and the Company may allow the same to be acted upon until such time as express notice in writing of the revocation of the same shall have been given and lodged at the Company's transfer offices at which the authority was lodged, produced or exhibited. Even after the giving and lodging of such notices, the Company shall be entitled to give effect to any instruments signed under the authority to sign, and certified by any officer of the Company, as being in order before the giving and lodging of such notice.

4.10 Securities not subject to lien

Securities shall not be subject to any lien in favour of the Company and shall be freely transferable.

4.11 Transmission

This Memorandum may not contain a provision to the effect that securities registered in the name of a deceased or insolvent holder shall be forfeited if the executor fails to register them in his own name or in the name of the heir(s) or legatees, when called upon by the directors of the Company to do so.

5. SHAREHOLDER RIGHTS AND PROXY FORMS

5.1 Shareholders' right to information

This Memorandum does not establish any information rights of any person in addition to the information rights provided in sections 26(1) and (2) of the Act. [Section 26(3)]

5.2 Representation by concurrent proxies

This Memorandum does not limit or restrict the right of a shareholder to appoint two or more persons concurrently as proxies, or to appoint more than one proxy to exercise voting rights attached to different securities held by that shareholder. [Section 58(3)(a)]

5.3 Authority of proxy to delegate

This Memorandum does not limit or restrict the right of a proxy to delegate the proxy's authority to act on behalf of the shareholder appointing him to another person, subject to such restrictions as may be set out in the instrument appointing the proxy. [Section 58(3)(b)]

5.4 Requirement to deliver proxy instrument to the Company

A copy of the instrument appointing a proxy must be delivered to the registered office of the Company, or to any other person specified by the Company, not less than 48 (forty eight) hours (or such lesser period as the directors may determine in relation to a particular meeting) before the time appointed for the holding of the meeting (including an adjourned meeting) at which the person(s) named in the proxy form proposes to vote and if the instrument of proxy is not so delivered, the form of proxy shall not be treated as valid. [Section 58(3)(c)]

5.5 Record date for exercise of shareholder rights

A record date for any action or event shall be determined in accordance with the Act and the Listings Requirements. [Section 59(1)]

6. SHAREHOLDERS MEETINGS

6.1 Convening of shareholders' meetings

This Memorandum does not specify any person other than the Board who may call a shareholders' meeting. [Sections 61(1) and 61(3)]

6.2 Shareholders' right to requisition a meeting

This Memorandum does not specify a lower percentage of voting rights than the percentage specified in section 61(3) of the Act required for the requisition by shareholders of a shareholder's meeting. [Section 61(3)]

6.3 Location of shareholders meetings

This Memorandum does not limit, restrict or qualify the authority of the Board to determine the location of any shareholders meeting, which may be in South Africa or in any foreign country. [Section 61(9)]

6.4 Notice of shareholders meetings

6.4.1 This Memorandum does not provide a different period of notice of shareholders meetings to the period prescribed by the Act. [Sections 62(1) and 61(2)]

6.4.2 Notice of shareholder meetings shall be disseminated to each shareholder entitled to vote at such meeting and who has elected to receive such notice.

6.5 Shareholders meetings conducted by electronic communication

This Memorandum does not authorise the Company to provide for any shareholders meeting generally to be conducted by electronic communication, or for one or more shareholders, or proxies for shareholders, to participate in any shareholders meeting by electronic communication, unless the Board authorises it in respect of any particular meeting. [Section 63(2)]

6.6 Quorum for shareholders meetings

6.6.1 This Memorandum does not specify a different percentage of voting rights in terms of section 64(1) of the Act and accordingly at least 25% (twenty five percentum) of all the voting rights that are entitled to be exercised in respect of:

6.6.1.1 at least one matter to be decided at any shareholders' meeting must be present for that meeting to begin; and

6.6.1.2 for the consideration of any matter to be decided at any shareholders' meeting.
provided that 3 (three) shareholders entitled to attend and vote are present at the referred to in 6.6.1.1 and 6.6.1.2. [Sections 64(1) and 64(2)]

6.6.2 This Memorandum specifies 30 (thirty) minutes as a different time to the 1 (one) hour provided in sections 64(4) and 64(5) of the Act for a quorum to be established before a shareholders' meeting may be adjourned. [Sections 64(4), 64(5) and 64(6)]

6.6.3 This Memorandum does not specify a different period than the period of 1 (one) week provided in section 64(4) for the adjournment of a shareholders meeting. [Sections 64(4) and 64(6)]

6.6.4 This Memorandum prohibits the continuation of any shareholders' meeting or the consideration of any matter to be considered at any shareholders' meeting after a quorum has been established for commencement of such meeting if such quorum is not present for that matter to be considered. [Section 64(9)]

6.7 Adjournment of shareholders meetings

This Memorandum does not provide different maximum periods for adjournment of shareholders' meetings than those specified in section 64(12) of the Act. [Sections 64(12) and 64(13)]

6.8 Shareholders' resolutions

6.8.1 This Memorandum does not require a higher percentage of voting rights to approve an ordinary resolution than the percentage voting rights specified in the Act. [Sections 65(7) and 65(8)]

ANNEXURE A: MEMORANDUM OF INCORPORATION AMENDMENT (continued)

- 6.8.2 This Memorandum does not require a different percentage of voting rights to approve a special resolution than the percentage voting rights specified in the Act. **[Section 65(9) and 65(10)]**
- 6.8.3 Subject to the Listings Requirements and the Act, this Memorandum does not require a special resolution for any other matter not contemplated in section 65(11) of the Act. **[Section 65(12)]**

6.9 Shareholders meetings in terms of the Listings Requirements

- 6.9.1 Shareholders meetings that are called for the purpose of passing any resolution required in terms of the Listings Requirements may not be voted on in writing as provided for in section 60 of the Act, unless permitted by the Listings Requirements.
- 6.9.2 This Memorandum does not prohibit or restrict the Company from calling any meeting for the purposes of adhering to the Listings Requirements.

6.10 Notice of shareholders meetings to the JSE

- 6.10.1 A copy of all notices of shareholders' meetings must be sent to the JSE at the same time as notices are disseminated to shareholders if required in terms of the Listings Requirements.
- 6.10.2 All notices of shareholders meetings must also be announced through the official news service of the JSE at the same time as notices are sent to shareholders, or as soon thereafter as is practicable.

7. DIRECTORS AND OFFICERS

7.1 Composition of the board of directors

- 7.1.1 Subject to the Listings Requirements, this Memorandum specifies⁴ (four) as the minimum number of directors of the Company, being a higher number in substitution for the minimum number of directors required in terms of section 66(2) of the Act. **[Sections 66(2) and (3)]**
- 7.1.2 Subject to 7.1.7 and the Listings Requirements, the shareholders shall elect the directors, and shall be entitled to elect one or more alternate directors, in accordance with the provisions of section 68(1) of the Act. **[Sections 68(1)]**
- 7.1.3 This Memorandum does not provide for:
- 7.1.3.1 the direct appointment or removal of any director or alternate director by any particular person; or **[Section 66(4)(a)(i) and (iii)]**
 - 7.1.3.2 the appointment of any person as an *ex officio* director of the Company. **[Section 66(4)(a)(ii)]**
- 7.1.4 This Memorandum does not stipulate any additional qualifications or eligibility requirements than those set out in the Act for a person to become or remain a director or a prescribed officer of the Company, provided that, for as long as the Listings Requirements requires it, the Board, through the nomination committee, should recommend eligibility of directors, taking into account past performance and contributions. **[Section 69(6)]**
- 7.1.5 Subject to the Act and this Memorandum, at every annual general meeting one third of the non-executive directors (or such other number of directors determined in terms of the Listings Requirements) for the time being or, if their number is not a multiple of 3 (three) (or such other number determined in terms of the Listings Requirements), then the number nearest to, but not less than one third (or such other number determined in terms of the Listings Requirements), or if there are less than three (or such other number determined in terms of the Listings Requirements), then all of the non-executive directors, shall retire from office. The non-executive directors (determined in terms of the Listings Requirements) so to retire at every annual general meeting shall be those who have been longest in office since their last election, but as between persons who become or were last elected directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot, provided that notwithstanding anything in this Memorandum:
- 7.1.5.1 if at the date of any annual general meeting any director shall have held office for a period of 3 (three) years since his last election or appointment (or such other period determined in terms of the Listings Requirements), he shall retire at such meeting either as one of the directors to retire in pursuance of the foregoing or additionally thereto;
 - 7.1.5.2 a director who intends to retire voluntarily at the meeting may be taken into account in determining the number of directors to retire at such meeting in terms of the Listings Requirements;
 - 7.1.5.3 the identity of the directors to retire at such annual general meeting shall be determined as at the date of the notice convening such meeting; and
 - 7.1.5.4 the length of time a director has been in office shall be computed from his last election, appointment or date upon which he was deemed re-elected. A director retiring at a meeting shall retain office until the close or adjournment of the meeting. **[Section 68(1)]**

- 7.1.6 Retiring directors shall be eligible for re-election but no person, other than a director retiring at the meeting, shall, unless recommended by the directors, be eligible for election to the office of a director at any shareholders meeting.
- 7.1.7 The Board may appoint any person who satisfies the requirements for election as a director or alternate director to fill any vacancy and serve as a director or alternate director on a temporary basis until the vacancy is filled by election in accordance with section 68(1) of the Act. **[Section 68(3)]**
- 7.1.8 Life directorships and directorships for an indefinite period are not permissible.

7.2 Vacancies

If the number of directors falls below the minimum provided for in this Memorandum or those required in terms of the Listings Requirements, the remaining directors must as soon as possible and in any event not later than 3 (three) months from the date that the number of directors falls below the minimum, fill the vacancies or call a general meeting for the purpose of filling the vacancies. If required by the Listings Requirements:

- 7.2.1 the appointment of a director to fill a vacancy or as an addition to the Board must be confirmed by shareholders at the next annual general meeting; and
- 7.2.2 after the expiry of the 3 (three) month period referred to above, the remaining directors shall only be permitted to act for the purpose of filling vacancies or calling general meetings of shareholders.

7.3 Authority of the board of directors

The authority of the Board to manage and direct the business and affairs of the Company, as contemplated in section 66(1) of the Act, is not limited, restricted or qualified by this Memorandum. **[Section 66(1)]**

7.4 Directors compensation and financial assistance to directors

- 7.4.1 This Memorandum does not limit, restrict or qualify the power of the Company to pay remuneration to its directors for their service as directors in accordance with section 66(9) of the Act. **[Section 66(8)]**
- 7.4.2 The appointment and remuneration of directors employed in any other capacity in the Company or as a director or employee of a company controlled by, or itself a major subsidiary of, the Company must be determined by a disinterested quorum of directors.
- 7.4.3 The directors may be paid all their travelling and other expenses, properly and necessarily incurred by them in and about the business of the Company, and in attending meetings of the Board or of committees thereof; and, if any director is required to perform extra services, to reside abroad or be specifically occupied about the Company's business, he may be entitled to receive such remuneration as is determined by a disinterested quorum of directors, which may be either in addition to or in substitution for any other remuneration payable.

7.5 Indemnification of directors

- 7.5.1 This Memorandum does not limit, restrict or qualify the ability of the Company to advance expenses to a director to defend any legal proceedings arising from his service to the Company, or to indemnify a director against such expenses if the proceedings are abandoned or exculpate the director or arise in respect of any liability for which the Company may indemnify the director in terms of sections 78(5) and 78(6) of the Act. **[Section 78(4)]**
- 7.5.2 This Memorandum does not limit, restrict or qualify the power of the Company to indemnify a director in respect of any liability arising out of the director's service to the Company to the fullest extent permitted by the Act. **[Section 78(5)]**
- 7.5.3 This Memorandum does not limit, restrict or qualify the power of the Company to purchase insurance to protect a director against any liability or expenses for which the Company is permitted to indemnify a director in terms of the Act and this Memorandum, or the Company against any contingency. **[Section 78(7)]**
- 7.5.4 Every director, alternate director, manager, secretary and other officer of the Company and any person employed by the Company as its auditor shall be indemnified out of the Company's funds against all liability incurred by him in defending any proceedings (whether civil or criminal) arising out of any actual or alleged negligence, default, breach of duty or breach of trust on his part in relation to the Company in which judgment is given in his favour or in which he is acquitted or in connection with any matter in which relief is granted to him by the court in terms of the Act.

7.6 Chairman

- 7.6.1 The directors may elect from their number a Chairman and a Deputy Chairman, or two or more Deputy Chairmen, and decide the period for which each is to hold office. The directors may also remove any of them from such office at any time. If neither a Chairman nor a Deputy Chairman has been appointed or if at any meeting of the directors, neither the Chairman nor a Deputy Chairman is present within five minutes after the time appointed for holding the meeting, the directors present may choose one of their number to be chairman of the meeting.

ANNEXURE A: MEMORANDUM OF INCORPORATION AMENDMENT (continued)

- 7.6.2 If at any time there is more than one Deputy Chairman, the right in the absence of the Chairman to preside at a meeting of the directors or of the Company shall be determined as between the Deputy Chairmen present, if more than one, by seniority in length of appointment or otherwise as resolved by the Directors.

7.7 Directors' meetings

- 7.7.1 This Memorandum does not restrict the directors from acting otherwise than at a meeting, as contemplated in section 74(1) of the Act. **[Section 74(1)]**
- 7.7.2 This Memorandum does not specify a different percentage or number of directors upon whose request a meeting of the Board must be called in terms of section 73(1) of the Act. **[Sections 73(1) and 73(2)]**
- 7.7.3 This Memorandum does not restrict the Board from conducting meetings, or directors from participating in meetings, by electronic communication, as contemplated in section 73(3) of the Act. **[Section 73(3)]**
- 7.7.4 This Memorandum does not limit, restrict or qualify the authority of the Board to determine the manner and form of giving notice of its meetings. **[Section 73(4)]**
- 7.7.5 This Memorandum does not limit, restrict or qualify the authority of the Board to proceed with a Board meeting in accordance with the requirements of section 73(5)(a) of the Act, despite a failure or defect in giving notice of the meeting. **[Section 73(5)(a)]**
- 7.7.6 The quorum requirement for a directors' meeting to begin, the voting rights at such a meeting, and the requirements for approval of a resolution at such a meeting, as set out in section 73(5) of the Act, are not varied by this Memorandum. **[Sections 73(5)(b), 73(5)(c), 73(5)(d) and 73(5)(e)]**
- 7.7.7 Subject to the Listings Requirements, in the case of an equality of votes at any meeting of the directors, the Chairman shall have a second or casting vote, except where the necessary quorum for a directors' meeting is 2 (two), in which event the Chairman shall not be permitted to have a casting vote if only two directors are present at a directors' meeting.
- 7.7.8 A decision that could be voted on at a meeting of the board of directors of the Company may instead be adopted by written consent of a majority of the directors, given in person, or by electronic communication, provided that each director has received notice of the matter to be decided. Such resolution, inserted in the minute book, shall be as valid and effective as if it has been passed at a meeting of directors. Any such resolution may consist of several documents and shall be deemed to have been passed on the date on which it was signed by the last director who signed it (unless a statement to the contrary is made in that resolution).

7.8 Committees of the board of directors

- 7.8.1 This Memorandum does not limit, restrict or qualify the authority of the Board to appoint any number of committees of directors, or to delegate to any such committee any of the authority of the Board. **[Section 72(1)]**
- 7.8.2 Except to the extent that a Board resolution establishing a committee provides otherwise, the members of the committee:
- 7.8.2.1 may include persons who are not directors of the Company but any such person must not be ineligible or disqualified to be a director in terms of section 69 of the Act. Any such persons shall not have a vote on any matter to be decided by the committee;
 - 7.8.2.2 may consult with or receive advice from any person;
 - 7.8.2.3 may be remunerated for their services as such; and
 - 7.8.2.4 provided that the committee is duly constituted, have the full authority of the Board in respect of any matter referred to it. **[Section 72(2)]**
- 7.8.3 The Board may from time to time, where it has appointed a committee in terms of 7.8.1 and 7.8.2, include in any such delegation the power to sub-delegate the powers referred to in 7.8.1 and 7.8.2 to such person or persons as the Committee thinks fit, subject to such terms and conditions as the Committee for the time being may think fit, and may from time to time revoke, withdraw, alter or vary all or any such powers.

7.9 Termination of office

- 7.9.1 Without prejudice to any provisions for retirement contained in this Memorandum or the Act, the office of a director is vacated if:
- 7.9.1.1 he becomes prohibited or disqualified by the Act from acting as a director, ceases to be a director by virtue of any provision of the Act or is removed from office pursuant to this Memorandum or the Act,
 - 7.9.1.2 he gives notice to the Company of his resignation as a director with effect from the date of, or such later date as provided for in, such notice;

- 7.9.1.3 he is absent from meetings of the directors for 6 (six) consecutive months without permission of the Board and the directors have resolved that his office be vacated, provided that this provision shall not apply to a director who is represented by an alternate director who does not so absent himself; or
- 7.9.1.4 he is removed by an ordinary resolution of the shareholders in accordance with section 71 of the Act.
- 7.9.2 If a director holds an appointment to executive office which terminates on termination of his office as director, his removal from office pursuant to this 7.9 shall be deemed an act of the Company and shall take effect without prejudice to any claim for damages for breach of any contract of service between him and the Company.
- 7.9.3 If the office of a director is vacated for any reason he shall cease to be a member of any committee of the Board.
- 7.9.4 A resolution of the Board declaring a director to have vacated office under the terms of this 7.9 shall be conclusive as to the facts and grounds of vacation stated in the resolution.

8. GENERAL PROVISIONS

8.1 Amendment of class, preferences, rights, limitations or other terms

- 8.1.1 If any amendments proposed to any preferences, rights, limitations or other terms of any class of shares, such amendment would be subject to the prior sanction of a resolution passed at a separate class meeting of the holders of that class of shares in the same manner, *mutatis mutandis*, as a special resolution:
 - 8.1.1.1 where the amendment relates to any preferences, rights, limitations or other terms associated with any class of Shares already in issue, such amendment requires a Special Resolution adopted at a separate meeting of the Holders of shares in that class; and
 - 8.1.1.2 the holder of the shares referred to in 8.1.1.1 shall, in addition be entitled to vote at any other meeting of shareholders which such amendment is to be approved.
- 8.1.2 At every meeting of the holders of that class of shares, the provisions of this Memorandum relating to general meetings of ordinary shareholders shall apply, *mutatis mutandis*, except that a quorum at any such general meeting shall be the quorum specified for that class of shares, provided that if at any adjournment of such meeting a quorum is not present, the provisions of this Memorandum relating to adjourned meetings shall apply, *mutatis mutandis*.

8.2 Fractions of securities

If, on any capitalisation issue, consolidation, subdivision, re-designation of securities, or for any other reason, any shareholder would, but for the provisions of this 8.2, become entitled to fractions of securities, the directors may, subject to compliance with the JSE Listing Requirements, to the extent applicable,

- 8.2.1 arrange that the security or fraction shall be consolidated with any other security or fraction, or make arrangements for the allocation or sale thereof;
- 8.2.2 appoint a person to sell or transfer it, and
- 8.2.3 pay the proceeds of such sale to the holders of the consolidated security.

8.3 Dividends

- 8.3.1 A general meeting or the Board may declare cash or scrip dividends, in accordance with the Act, to any one or more classes of shareholders from time to time:
 - 8.3.1.1 registered as such at a date which shall be not less than 14 (fourteen) days after the date of publication of the announcement of the declaration of the dividend on the basis that the securities register may not be closed between the date of publication of such announcement and the record date for the payment of the dividend; and
 - 8.3.1.2 with the sanction of a general meeting, any dividend declared may be paid either wholly or in part by the distribution of such specific assets in such manner as the directors may determine, provided that no greater dividend shall be declared by a general meeting than is recommended by the Board.
- 8.3.2 The Company may transmit any dividend or other amount payable in respect of a security by Electronic Funds Transfer to the bank account of the security holder thereof recorded in the securities register as the holder thereof may previously have given to the Company in writing, and the Company shall not be responsible for any loss in transmission due to the incorrect bank account or any incorrect information given to the Company by the security holder.

ANNEXURE A: MEMORANDUM OF INCORPORATION AMENDMENT (continued)

- 8.3.3 All distributions, including dividends and other monies, that are due to any shareholder/s and which are unclaimed:
- 8.3.3.1 Shall be subject to the laws of prescription;
 - 8.3.3.2 will be held in trust by the Company in favour of such shareholder/s until claimed by the shareholder concerned [LR 10.17(c)];
 - 8.3.3.3 for a period of 3 (three) years from the date on which dividends are declared, only such dividends may be declared forfeited by the Board for the benefit of the Company. The Board may at any time annul such forfeiture upon such conditions (if any) as they think fit [10.17(c)]; and
 - 8.3.3.4 subject to clause 8.3.3.1, shall not bear any interest against the Company,
- and the Company shall, for the purpose of facilitating its winding-up or deregistration, or the reduction of its share capital, be entitled by special resolution to delegate to any bank, registered as such in accordance with the laws of the Republic, the liability for payment of any such distribution, payment of which has not been forfeited in terms of the foregoing.

8.4 Rights attaching to securities

- 8.4.1 Subject to any restriction as to voting to which any shareholder or security may be subject, a shareholder who is present in person or by proxy shall:
- 8.4.1.1 have 1 (one) vote on a show of hands; and
 - 8.4.1.2 on a poll have 1(one) vote for each ordinary share held.
- 8.4.2 Voting shall be conducted by means of a polled vote in respect of any matter to be voted on at a meeting of shareholders if a demand is made for such a vote by:
- 8.4.2.1 at least 5 (five) persons having the right to vote on that matter, either as shareholders or as proxies representing shareholders; or
 - 8.4.2.2 a shareholder who is, or shareholders who together are, entitled, as shareholders or proxies representing shareholders, to exercise at least 10% (ten percent) of the voting rights entitled to be voted on that matter; or
 - 8.4.2.3 the chairperson of the meeting.
- 8.4.3 In all other respects, and in particular, but without limiting the generality of the foregoing, in respect of the redeemable preference shares set out Schedule 1, the rights, privileges and obligations attaching to such shares are set out in Schedule 2 attached hereto.

8.5 Winding-up

If the Company is wound-up, whether voluntarily or by court order, the assets remaining after payment of the liabilities of the Company and the costs of winding-up shall be distributed amongst the shareholders in proportion to the number of securities respectively held by them, subject to the rights of any shareholders to whom securities have been issued on special conditions and subject to the Company's right to apply set-off against the liability, if any, of any shareholders for unpaid capital.

SCHEDULE 1 – AUTHORISED SHARES

A. Classified shares

1. 1 000 000 000 (one billion) ordinary shares of 1 (one) cent each, each of which shall entitle the holder, subject to any preferences, rights or other share terms of any class of shares in the Company ranking prior to the ordinary shares:
 - (i) to receive any distribution in accordance with the holder's voting power;
 - (ii) on a liquidation of the Company, to receive the net assets of the Company in accordance with the holder's voting power;
 - (iii) to all of the preferences, rights or other terms set out in the Act or this Memorandum; and
 - (iv) to any other rights at common law insofar as such rights are not inconsistent with this Memorandum or the Act.
2. 60 000 000 (sixty million) redeemable participating preference shares of 1 (one) cent each, each of which shall entitle the holder, subject to any preferences, rights or other share terms of any class of shares in the Company ranking prior to the redeemable participating preference shares:
 - (i) to receive any distribution in accordance with the holder's voting power;
 - (ii) on a liquidation of the Company, to receive the net assets of the Company in accordance with the holder's voting power;
 - (iii) to all of the preferences, rights or other terms set out in the Act or this Memorandum; and
 - (iv) to any other rights at common law insofar as such rights are not inconsistent with this Memorandum or the Act.

B. Unclassified shares

None.

SCHEDULE 2 – RIGHTS, PRIVILEGES AND OBLIGATIONS OF THE REDEEMABLE PREFERENCE SHARES

- 1 For the purposes of this Appendix:
 - 1.1 “business day” means any day other than a Saturday, Sunday or public holiday in the Republic;
 - 1.2 “CSDP” means a central securities depository participant;
 - 1.3 “preference dividend” means a preferential cash dividend per preference share determined pursuant to the formula contained in 2 below;
 - 1.4 “the redeemable preference shares” means 60 000 000 (sixty million) redeemable participating preference shares in the issued share capital of the Company of a nominal value of 1 (one) cent each which have the rights set out in this Appendix;
 - 1.5 “the rights offer” means the rights offer to be implemented by the Company commencing on or about 16 May 2006.
2. If the Company declares dividends or makes any payment to the holders of the ordinary shares in respect of any financial year, then the holders of the redeemable preference shares shall be entitled to a preferential dividend or payment calculated in accordance with the following formula:

$$\text{Pref Div/Payment} = P \times 0.15 \times R / S$$

Where

Pref Div/Payment = the total dividend or payment to be declared by board in respect of the redeemable preference shares as a class.

P = the total dividend or payment to be declared by board in respect of ordinary shares and redeemable preference shares.

R = the redeemable preference shares in issue at record date of the relevant dividend or payment.

S = the total number of redeemable preference shares issued in terms of the rights offer.

To calculate the preference dividend payable per redeemable preference share, the Rand value derived from applying the above formula is divided by “R”.
3. The redeemable preference shares will rank as regards arrear dividends and return of capital on a winding-up in priority to the ordinary shares and in priority to the holders of any other shares in the capital of the Company to repayment of an amount equal to the greater of: (a) the sum of the subscription price of the redeemable preference shares and any arrears in the preference dividends or (b) the amount the holders of the redeemable preference shares would otherwise be entitled to receive had the holders thereof elected to exercise their options to purchase ordinary shares immediately prior to the date it is determined to wind-up the affairs of the Company (whether or not such date is an option exercise date detailed in 8.1 below).
4. The Company in general meeting or the directors of the Company shall be entitled to declare dividends in respect of the redeemable preference shares on the basis that the preference dividend payable in respect of any financial year shall be payable at the same time as the payment of the dividend in respect of ordinary shares to the holders of the redeemable preference shares registered as such at a reasonable date chosen by the Company in general meeting or by the directors, as the case may be, which date shall be subsequent to the date of the declaration of such dividends or the date of the confirmation of such dividends, whichever is the later. Any arrear preference dividends shall rank for payment in priority to the declaration or payment of any dividends in respect of the ordinary shares.
5. With respect to voting rights in the Company, the holders of the redeemable preference shares shall not be entitled to receive notice of and to attend and vote at any general meeting of the Company unless any one or more of the following circumstances prevail at the date of the meeting:
 - 5.1 the preference dividend or any part thereof whether declared or not or redemption payment thereon remains unpaid after 60 (sixty) days from the due date thereof **[LR S10.5(h)(i) and (iii)]**;
 - 5.2 a resolution of the Company is proposed which directly affects the rights attached to the redeemable preference shares or the interests of the holders thereof, limited to a resolution for the winding-up of the Company or for the reduction of its share capital **[LR S10.5(h)(ii)]**;
 - 5.3 a resolution of the Company is proposed for the disposal of the whole or substantially the whole of the undertaking of the Company, or the whole or the greater part of the assets of the Company which shall include a resolution of the Company for the disposal of the undertaking or assets of a subsidiary of the Company, if such undertaking or assets constitute the whole or substantially the whole of the undertaking or assets of the Company and all its subsidiaries considered as one entity for this purpose.

ANNEXURE A: MEMORANDUM OF INCORPORATION AMENDMENT (continued)

6. Subject to the Act, holders of any redeemable preference share shall, when such holders are entitled to vote at any general meeting or annual general meeting of the Company in terms of clause 5 above, shall:
 - 6.1 not have any special rights and/or privileges attached to their vote/s; and
 - 6.2 be entitled to 1 (one) vote for each share that they hold, provided that their total voting right at such a general meeting or annual general meeting, may never be more than 24.99% less one vote of the total voting rights of all shareholders at such meeting. **[LR S10.5(c)]**
7. Payment in respect of preference dividends and any other payments shall be made in the currency of South African Rand at the risk of the relevant holder of redeemable preference shares either by cheque sent by ordinary post to the address of each holder of redeemable preference shares as recorded in the register of the Company's shareholders or by electronic transfer to such bank account nominated in writing by any holder of redeemable preference shares for such purpose. Payment in respect of shareholders whose redeemable preference shares have been dematerialised will be made to the relevant CSDP or broker.
8. All or any of the rights attaching to the issued redeemable preference shares may not be modified, altered, varied, added to or abrogated, without the prior written consent of the holders of at least three-quarters of the issued redeemable preference shares or the sanction of a resolution of the holders of the issued redeemable preference shares passed at a separate general meeting of such holders and at which redeemable preference shareholders holding in the aggregate not less than one quarter of the total votes of all the redeemable preference shareholders holding securities entitled to vote at that meeting are present in person or by proxy and the resolution has been passed by not less than three quarters of the total votes to which the redeemable preference shareholders are present in person or by proxy are entitled.
9. The holder of each redeemable preference share is granted the right and option ("the call option") to subscribe for such number of ordinary shares at the prices set out below. The call option may be exercised by the holder of each redeemable preference share upon the following terms and conditions:
 - 9.1 the call option may be exercised by the relevant shareholder giving written notice to that effect to the Company in accordance with the procedure set out in paragraph 11 below, in respect of each of the periods ending on 30 November 2010, 2011, 2012 and 2013 ("the option exercise dates");
 - 9.2 the number of ordinary shares that will be issued to the holder of each redeemable preference share if the call option is exercised in respect of that redeemable preference share at the relevant time shall be calculated in accordance with the following formula:

$$\{(A - B)/0.85 - (A - B)\} \times C/D$$

Where:

A = the total ordinary shares in issue at time of exercise of the call option.

B = the total ordinary shares issued in terms of previously exercised call options.

C = the number of redeemable preference shares in respect of which the call option is exercised.

D = the total number of redeemable preference shares originally issued in terms of the rights offer.
 - 9.3 the subscription price per ordinary share payable by the shareholder to the Company shall be calculated in accordance with the following formula:

$$A = B \div C$$

Where

A = the subscription price per ordinary share at which the call option may be exercised.

B = the aggregate subscription price at which the preference shares associated with the options that were exercised were subscribed for by the relevant shareholder;

C = the number of ordinary shares that will be issued by the Company upon the exercise of the call option;
 - 9.4 the call option may be exercised in whole or in part;
 - 9.5 any call option that is not exercised by 31 December 2013 shall lapse.
10. From the date upon which ordinary shares are issued pursuant to the exercise of the relevant call options, the preference shares to which the exercised call options relate shall cease to be entitled to any dividend or other distribution. The only monies to which holders of those redeemable preference shares shall be entitled are the redemption monies provided for in 10 below.

11. The redeemable preference shares to which that call option relate shall be redeemed out of the proceeds of the issue of the ordinary shares that will be subscribed for by the holders of the redeemable preference shares on the exercise of the option on the following basis –
 - 11.1 the price payable for each redeemable preference share on redemption of same will be at a redemption price equal to the subscription price paid per redeemable preference share;
 - 11.2 the Company shall be deemed to have given notice of such redemption simultaneously with the exercise of the call option;
 - 11.3 the redemption shall take place in accordance with the procedures set out in paragraph 11 below.
12. The procedures for enabling redeemable preference shareholders to exercise their options and enable the Company to redeem the redeemable preference shares are as follows:
 - 12.1 not less than 30 (thirty) days before the occurrence of any option exercise date, the Company shall post a notice to redeemable preference shareholders;
 - 12.2 the notice shall advise redeemable preference shareholders of the salient features of the call option attaching to the redeemable preference shares, shall set out a timetable and the specific procedures approved by the JSE for the exercise of the call option, for the issue and allotment of the ordinary shares that will result should a call option be exercised and the redemption of the preference shares;
 - 12.3 the call option may be exercised on behalf of a redeemable preference shareholder whose redeemable preference shares have been dematerialised by the CSDP of such redeemable preference shareholder;
 - 12.4 the notice shall contain a form for completion by any certificated redeemable preference shareholder wishing to exercise the call option in respect of the relevant option exercise date and for return to the Company or its authorised representative by a time and date which shall be not later than 14 (fourteen) days prior to the close of business on the relevant option exercise date; and
 - 12.5 certificated redeemable preference shareholders shall be required to deliver their share certificates together with the completed form referred to above.
13. On the lapsing of the call option the Company shall redeem the redeemable preference shares out of monies which may be lawfully applied for that purpose on the basis that the price payable for each redeemable preference share on redemption of same will be at a redemption price equal to the subscription price paid per redeemable preference share, provided that should the Company not have sufficient reserves to redeem the redeemable preference share at a redemption price equal to the subscription price of the redeemable preference share then the price at which each redeemable preference share shall be redeemed shall be calculated by taking the reserves available for the redemption of the redeemable preference shares and dividing that amount by the number of redeemable preference shares to be redeemed.
14. Upon the date of redemption of any redeemable preference shares there shall be paid all preference dividends (including any which are in arrear) outstanding in respect of the same, up to the date fixed for redemption thereof.
15. In respect of redeemable preference shares where the call option has lapsed, the preference dividends thereon shall cease to accrue from that date unless, upon surrender of the share certificate in respect of the preference shares, payment of the redemption monies is not effected by the Company.
16. The Company shall not be liable to a redeemable preference shareholder for interest on any unclaimed redemption monies and arrear dividends.
17. Any preference dividends (including any which are in arrear) that remain unclaimed for 3 (three) years may become the property of the Company.
18. The redeemable preference shares will, subject to the approval of the JSE, be listed on the JSE.
19. Any redeemable preference shares in the authorised capital of the Company that are not issued in the rights offer will be automatically cancelled on completion of the rights offer.

GLOSSARY

"ACT"	AfroCentric Investment Corporation Limited
"AfroCentric" or "the Company"	AfroCentric Investment Corporation Limited – the Group holding company
"AGM"	Annual General Meeting
"AHA"	ACT Healthcare Assets (Pty) Ltd
"AHL"	AfroCentric Health (Pty) Limited
"B-BBEE"	Broad-based Black Economic Empowerment
"CEO"	Chief Executive Officer
"CFO"	Chief Financial Officer
"CMS"	Council of Medical Schemes
"COID"	Compensation of Occupational Injuries and Disease
"CSI"	Corporate Social Investment
"DBC"	Documentation based care
"ED"	Enterprise Development
"ERMF"	Enterprise Risk Management Framework
"ICT"	Information and Communications Technology
"IFM"	Insurance Fraud Manager from FICO
"IFRS"	International Financial Reporting Standards
"IIRC"	International Integrated Reporting Council
"JSE"	JSE Limited
"King III"	King Report of Corporate Governance of South Africa 2009
"LGRC"	Legal, Governance, Risk and Compliance
"MCC"	Medicines Control Council
"MD"	Managing Director
"MOI"	Memorandum of Incorporation which comprises the Company's existing memorandum of association and its articles of association
"NEHAWU"	National Education Health and Allied Workers Union
"NHI"	National Health Insurance
"SADC"	Southern African Development Community
"Sanlam"	Sanlam Life Insurance Limited
"SED"	Socio-economic development
"the Board"	The Board of Directors of AfroCentric Investment Corporation Limited
"the Companies Act"	The Companies Act (Act No 71 of 2008)
"the current period"	The year ended 30 June 2016
"the current year"	The year ended 30 June 2016
"the Group"	AfroCentric Investment Corporation Limited, its subsidiaries and associates
"the previous year" or "the prior year"	The year ended 30 June 2015
"the year" or "the year under review"	The year ended 30 June 2016
"WAD Acquisition"	Pharmacy Direct (Pty) Limited, Curasana Wholesaler (Pty) Ltd, 26 % interest in Activo Health (Pty) Ltd
"WAD"	WAD Holdings (Pty) Ltd

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