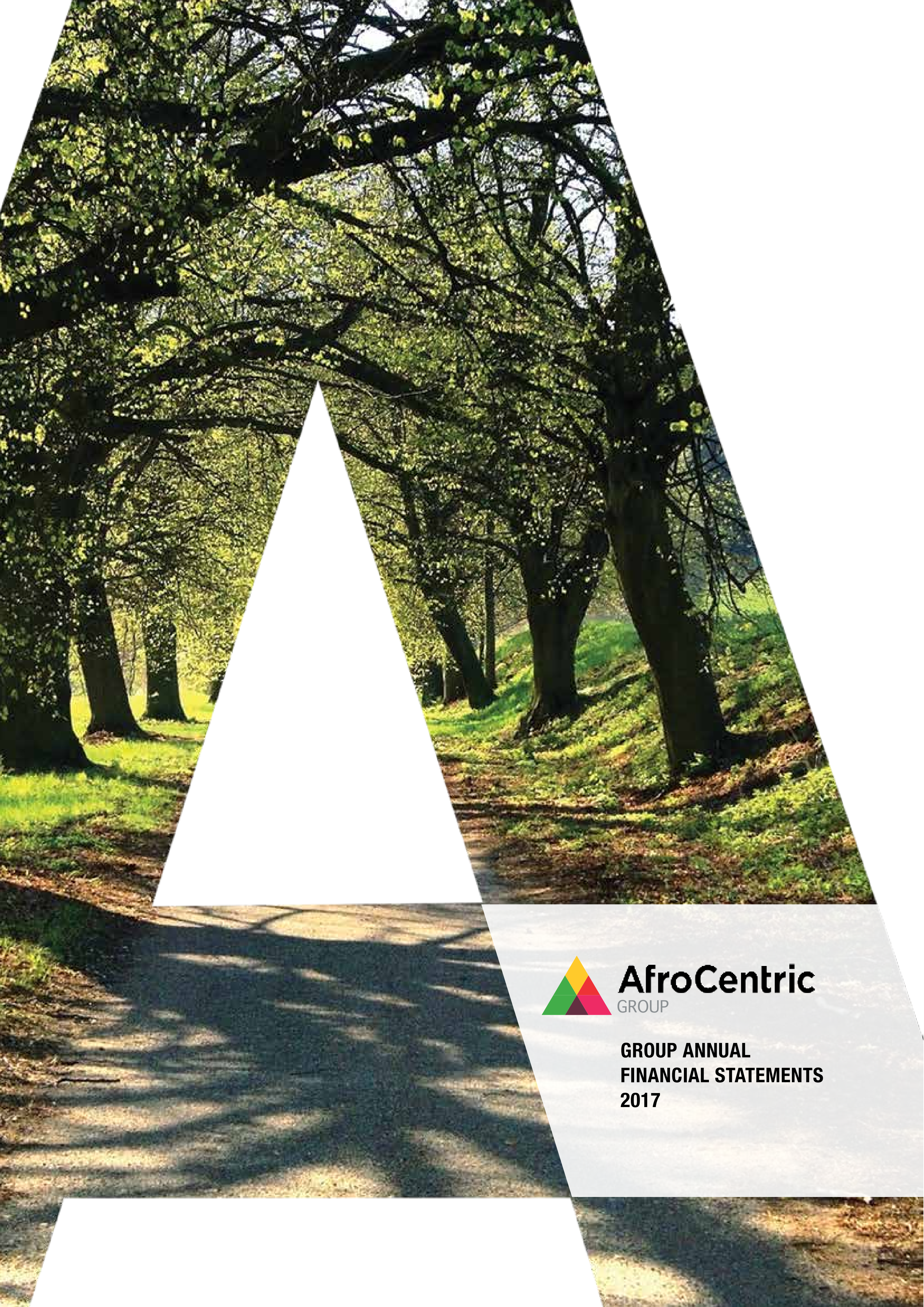

AfroCentric GROUP

GROUP ANNUAL FINANCIAL STATEMENTS 2017

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PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS

The Group Annual Financial Statements of AfroCentric Investment Corporation Limited ("AfroCentric") for the year ended 30 June 2017 were prepared by Bongiwe Ncube CA(SA), General Manager: Group Finance, AfroCentric Investment Corporation Limited and were reviewed by Hannes Boonzaaier CA(SA), Chief Financial Officer of AfroCentric Investment Corporation Limited.

COMPANY INFORMATION

REGISTRATION NUMBER

1988/000570/06

REGISTERED ADDRESS

37 Conrad Street
Florida North
Roodepoort
1709

POSTAL ADDRESS

Private Bag X34
Benmore
2010

AUDITOR:

PricewaterhouseCoopers Inc.
2 Eglin Road
Sunninghill
2157

COMPANY SECRETARY

Billy Mokale
(From 21 April 2017)

DIRECTORS' RESPONSIBILITY STATEMENT

FOR THE YEAR ENDED 30 JUNE 2017

The Directors are responsible for the preparation, integrity and fair presentation of the Annual Financial Statements of the Group as presented on pages 18 to 91. These Annual Financial Statements have been prepared in accordance with IFRS, the Companies Act and the JSE Limited Listings Requirements, and include amounts based on judgements and estimates made by management.

The Directors are also responsible for the Group's system of internal financial controls. These controls are designed to provide reasonable, but not absolute, assurance as to the reliability of the Annual Financial Statements, and to adequately safeguard, verify and maintain accountability of the assets and to prevent and detect misstatement and loss.

Based on results of the reviews of the internal financial controls conducted by the Internal Audit function during the 2017 financial year and considering the information and explanations provided by management and discussions with the external auditor on the results of the audit, and assessed by the Audit Committee, nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of the overall system of controls has occurred during the period under review.

The going concern basis has been adopted in preparing the Annual Financial Statements. The Directors have no reason to believe that the Group will not be a going concern in the foreseeable future based on review of forecasts and budgets and available cash resources. The Annual Financial Statements support the viability of the Company and the Group. Furthermore the Group has secured banking facilities which are in excess of the Group's funding requirements for the foreseeable future.

The Annual Financial Statements have been audited by PricewaterhouseCoopers Inc. which is an independent accounting and auditing firm, which was given unrestricted access to all financial records and related data, including minutes of all meetings of the shareholders, the Board of Directors and Committees of the Board. The Directors believe that all representations made to the auditor during the audit were valid and appropriate.

The audit opinion of PricewaterhouseCoopers Inc. appears on page 13.

The Board acknowledges its responsibility to ensure the integrity of the Annual Financial Statements. The Directors confirm that they have collectively reviewed the content of this report and believe it addresses material issues and is a fair presentation of the performance of the Group.

The Annual Financial Statements have been approved by the Board of Directors and signed on 14 September 2017.

Hannes Boonzaaier
Group Chief Financial Officer

Antoine Van Buuren
Group Chief Executive Officer

DECLARATION BY COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act No 71 of 2008, I declare that to the best of my knowledge and belief, the Company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act of South Africa No 71 of 2008 and that all such returns are true, correct and up to date.

Billy Mokale
Company Secretary
14 September 2017

AUDIT AND RISK COMMITTEE REPORT

FOR THE YEAR ENDED 30 JUNE 2017

This report is presented to shareholders in compliance with the requirements of the Companies Act No 71 of 2008, as amended, the JSE Listings Requirements and the King III Report on Governance.

The AfroCentric Investment Corporation Limited Audit and Risk Committee (herein referred to as "the Committee") is constituted in terms of section 94(7)(f) of the Companies Act. The Committee has documented approved terms of reference under which it operates and executes its oversight responsibilities.

COMPOSITION

The Committee consists of three suitably qualified Independent Non-executive Directors.

MEETINGS AND DUTIES

The Audit and Risk Committee held five meetings during the year under review. At these meetings, the Committee received and considered reports from External Audit, Internal Audit, Group finance and the Group legal, governance, risk and compliance departments.

ROLES AND RESPONSIBILITIES OF THE COMMITTEE

The Committee has the following specific responsibilities:

Independence of the external auditors

PricewaterhouseCoopers Inc. were appointed as external auditors of the Company and the Group. The Committee has satisfied itself that the external auditors are independent of the Group, as set out in the Companies Act, which includes a consideration of conflicts of interests as prescribed by the Public Audit Act No 25 of 2004 ("PAA").

Integrated reporting

The Committee oversees integrated reporting, and in particular the Committee:

- has regard to all factors and risks that may impact on the integrity of the integrated report;
- reviewed the Annual Financial Statements, interim reports, preliminary or provisional result announcements, summarised integrated information, any other intended release of price-sensitive information and trading statements;
- commented in the Annual Financial Statements on the financial statements, the accounting practices and the effectiveness of the internal financial controls of the Company;
- considered the frequency for issuing interim results and whether the external auditors should perform assurance procedures on the interim results;
- reviewed the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information;
- reviewed and approved the internal audit coverage plan and charter;
- recommended to the Board the engagement of an external assurance provider on material sustainability issues; and
- recommends the integrated report for approval by the Board.

Combined assurance

The Committee ensures that a combined assurance model is applied to provide a coordinated approach to all assurance activities, and in particular the Committee should have:

- ensured that the combined assurance received is appropriate to address all the significant risks facing the Company via suitable mitigating controls;
- provided an effective counterbalance to executive management, thereby upholding the independence of internal and external assurance providers, to enhance effectiveness; and
- monitored the relationship between the external assurance providers and the Company.

Risk management

The Committee is an integral component of the risk management process and specifically the Committee must oversee financial reporting risks; internal financial controls; fraud risks as it relates to financial reporting; and IT risks as it relates to financial reporting. The Committee performed all the functions necessary to fulfil its risk management role including:

- ensuring the establishment of an independent risk function at a Group level; and
- reviewing reporting concerning risk management that is to be included in the integrated report for it being timely, comprehensive and relevant.

Financial reporting and financial control

The Committee has:

- evaluated the adequacy and effectiveness of the accounting policies adopted by the Company in terms of International Financial Reporting Standards ("IFRS"), JSE Listings Requirements and other legal requirements;
- considered the adequacy and clarity of disclosures in the financial statements; and
- reviewed the effectiveness of financial management and the quality of internal accounting control systems and reports produced by financial management.

Effectiveness of internal controls

After consideration of all of the findings reported by Internal Audit covering those areas included in their annual work plan, explanations given by management and discussions with the external auditor on the results of the audit, the Committee concluded that there had been no material breakdown in the Company's overall controls system and the internal financial controls form a reasonable basis for the preparation of reliable Annual Financial Statements. The Committee is satisfied that the Group Annual Financial Statements are based on appropriate accounting policies, supported by reasonable and prudent judgement and estimates.

Group Annual Financial Statements

The Committee is satisfied that the Group Annual Financial Statements are based on appropriate accounting policies supported by reasonable and prudent judgements and estimates. The Committee is of the view that, in all material respects, it complies with the relevant provisions of the Companies Act and IFRS and fairly presents the financial position and the results of its operations and cash flows for the year ended 30 June 2017. Having achieved its objective for the financial year, the Audit and Risk Committee recommended the audited Annual Financial Statements for the year ended 30 June 2017 to the Board for approval.

Chief Financial Officer and Finance function

The Committee is satisfied as to the expertise, resources and experience of the Company's finance division and the appropriateness of the experience and expertise of the Chief Financial Officer. It is satisfied that the composition of the Finance function meets the Group's requirements.

Independence of external auditors

The Committee appraised the independence, quality and effectiveness of the External Audit function. Part of this process was to obtain confirmation from the external auditors that the firm, partner and staff responsible for the audit comply with all legal and professional requirements in regard to independence. The Committee also approved the fees paid to the external auditors.

The Committee confirmed its satisfaction with the independence and level of service rendered by the external auditor, PwC, for the 2017 financial year.

Key audit matters and restatement of June 2016 audited results

The Committee has considered the key audit matter, impairment of intangible assets, noted in the independent auditor's report and is satisfied that this has been adequately addressed by the external auditors

The Committee is aware of the restatement of the June 2016 audited results relating to the Sanlam financial put option liability and put option reserve, the earnings per share and the statement of cash flows. This has been adequately disclosed in the financial statements and the committee has requested professional opinions on all major corporate transactions as a corrective measure.

RESPONSIBILITY STATEMENT

The Audit and Risk Committee acknowledges its responsibility on behalf of the Board of Directors to ensure the integrity of these Annual Financial Statements. The Committee has accordingly applied its mind to the report and believes that it appropriately and sufficiently addresses all material issues, and fairly presents the performance of AfroCentric and its subsidiaries and associates for the year. The Audit Committee recommends these Annual Financial Statements to the Board of Directors for approval.

Lindani L Dhlamini
Chairperson of the Audit and Risk Committee
14 September 2017

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2017

The AfroCentric Board of Directors present their integrated annual report for the year ended 30 June 2017.

NATURE OF BUSINESS

The Company is a black-owned, diversified investment holding company which is listed on the JSE and trades under the Healthcare sector under code ACT.

BUSINESS ACTIVITIES

The business activities of the Group are mainly focused on healthcare activities in AfroCentric Health Proprietary Limited ("AHL") and ACT Healthcare Assets Proprietary Limited ("AHA").

AfroCentric Health

The stake held by AHA in AHL as at 30 June 2017 was 100% (2016: 100%). AfroCentric has, over the past years, developed its business substantially in the healthcare sector; and its revenue growth over the period has been more than impressive.

MEDSCHEME HOLDINGS PROPRIETARY LIMITED ("MEDSCHEME")

Medscheme is a well-recognised and growing multi-medical schemes administrator. Medscheme's vision is "empowering greater access to sustainable quality healthcare". This vision statement is aligned to the strategic objectives of the client medical schemes in their pursuit of affordable, accessible and quality healthcare for their members. From an operational process perspective, a strategy of integrating the health administration and health risk management services in each business unit has been pursued, in order to remove inefficient processes.

HELIOS IT SOLUTIONS PROPRIETARY LIMITED ("HELIOS")

Originally part of Medscheme, this business has now been operating independently as a stand-alone business for four financial years. The subsidiary provides network connectivity and health-centric technology solutions. Given the significant investment that AfroCentric is making and will continue to make in its core IT systems, it is necessary to have an enhanced focus on ensuring that current and future systems are designed with the most relevant and effective systems architecture; as well as ensuring that existing and future systems across Group companies are seamlessly integrated. Consequently, Helios has split its operations between infrastructure and software development enhancing focus on technology solutions.

AID FOR AIDS MANAGEMENT PROPRIETARY LIMITED ("AFA")

AfA are specialists in Aids-related treatments for medical aids and corporate clients. In order to capitalise on the expertise within Medscheme and the broader AfroCentric Group, as well as enhance the support to AfA in terms of aligning and integrating the product set with the Active Disease Risk Management products being developed by Medscheme.

THE WAD HEALTHCARE ASSETS ACQUISITION AND SANLAM INVESTMENT

The acquisition of the Pharmacy Direct Proprietary Limited, Curasana Wholesaler Proprietary Limited, Glen Eden Trading 58 Proprietary Limited and a 26% interest in Activo Health Proprietary Limited ("WAD Healthcare Assets acquisition") and the subscription by Sanlam for a significant minority interest in AfroCentric's subsidiary ACT Healthcare Assets ("AHA") in the prior year, was a unique milestone that is proudly celebrated by AfroCentric for several reasons. Apart from the pride in capturing certain of the business assets of WAD, the Sanlam participation in AHA represents an exciting opportunity for the Group, as it provides a platform for collaboration with one of the largest financial service groups in South Africa.

The Sanlam Group is one of the largest financial services groups in South Africa, with business interests elsewhere in Africa, Europe, Australia, the United States of America, India and South East Asia. With Sanlam's extensive local and global distribution network and suite of financial products, together with the medical administration capabilities and membership base under management of AfroCentric Health, the investment by Sanlam will establish a platform for the joint pursuit and expansion of the parties' traditional activities as part of an expanded administration and managed healthcare business model. The prospects for AfroCentric going forward are (as with most companies) very dependent on the general economy in South Africa, but there is little doubt that appropriate and diligent exploitation of the WAD and Sanlam relationships is expected to add momentum to the Group's general progress and hopefully contribute positively to the Group's earnings.

Pharmacy Direct was established 11 years ago and is a designated service provider to a wide range of South African medical aid schemes. The business supplies chronic medication under prescribed minimum benefits regulation and normal chronic benefits to approximately 110 000 patients nationally. Pharmacy Direct and Curasana are businesses that specialise in the wholesaling, dispensing and delivery of chronic medication for and on behalf of private and public sector clients and patients in South Africa.

The WAD Healthcare Assets acquisition has not only added diversification to AfroCentric's investment portfolio, but also complements AHL's core business through the provision of services and products to the broader healthcare community.

FINANCIAL REVIEW

Group Consolidated Revenue increased by 20.22% to R3.785 billion.

Group Headline Earnings decreased by 14.93% to R123.8 million compared to R145.6 million (restated) in the prior year. Diluted Headline Earnings per Share decreased by 11.10% to 22.34 cents per share (2016: 25.13 cents per share (restated)).

During the 2017 financial year a non-IFRS earnings measure model was adopted given the material non-cash, non-trading and non-recurring deductions which have a significant adverse impact on the earnings. The Group Normalised Headline Earnings is R244.1 million compared to R170.5 million in the prior year. This represents an increase of 43.15%.

GOING CONCERN

The Group Annual Financial Statements have been prepared on the going concern basis. The Board of Directors performed a review of the Group's ability to continue as a going concern in the foreseeable future and therefore, based on this review, consider the preparation of the Annual Financial Statements on this basis to be appropriate.

DIVIDENDS

The Company declared an interim dividend of 14 cents per ordinary share as at 27 March 2017. The Company further declared a final dividend of 14 cents per ordinary share for the year ended 30 June 2017. This was declared on 19 September 2017. These dividends are subject to the Dividends Withholding Tax in terms of the Income Tax Act No 58 of 1962, amended, for which shareholders are liable.

In accordance with the JSE Limited Listings Requirements, the following additional information is disclosed:

- The dividends have been declared out of profits available for distribution.
- The local Dividends Withholding Tax rate is 20%.
- The gross dividend amount for both declarations in 2017 is 28 cents per ordinary share (14 cents in interim and 14 cents in final).
- For purposes of the final distribution, 554 377 328 ordinary shares will be deemed to be in issue on the dividend record date.
- The Company has 554 377 328 ordinary shares in issue on declaration date.
- The Company's income tax reference number is 9600/148/71/3.

SHARE CAPITAL

The Company's share capital remained at 554 377 328 ordinary shares in the financial year under review. The details of the Company's share capital are set out in Note 14 of these Annual Financial Statements.

As per the Companies Act No 71 of 2008, section 38, the Board of Directors may resolve to issue shares of the Company at any time, but only within the classes, and to the extent that the shares have been authorised by or in terms of the Company's Memorandum of Incorporation.

SHARE REPURCHASES

During the year, no share repurchases were made by the Company. AfroCentric Health Proprietary Limited holds 3 518 605 treasury shares.

AUDIT AND RISK COMMITTEE

The information relating to the Audit and Risk Committee is set out on pages 2 and 3.

DIRECTORS' REPORT CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

DIRECTORS

The table below illustrates the Directors of AfroCentric for the year ended 30 June 2017.

Director's name	Date of appointment	Designation
ATM Mokgokong (Chairperson)	10 June 2010	Non-executive
MJ Madungandaba	10 June 2010	Non-executive
ND Munisi	7 December 2015	Non-executive
A Banderker	15 December 2015	Non-executive
IM Kirk	15 December 2015	Non-executive
JM Kahn	20 December 2005	Lead Independent Non-executive
SE Mmakau	30 November 2016	Independent Non-executive
MI Sacks	20 December 2005	Independent Non-executive
LL Dhlamini	2 December 2005	Independent Non-executive
HG Motau	15 May 2017	Independent Non-executive
AV Van Buuren	16 March 2016	Executive, salaried
JW Boonzaaier	1 August 2015	Executive, salaried
WH Britz	1 August 2015	Executive, salaried
D Dempers (resigned 2 June 2016)	5 September 2012	Executive, salaried
Y Masithela (resigned 15 September 2016)	1 September 2011	Independent Non-executive
GL Napier (resigned 1 November 2016)	1 September 2011	Lead Independent Non-executive
NB Bam (resigned 1 November 2016)	20 December 2005	Independent Non-executive
JG Appelgryn (resigned 1 November 2016)	17 September 2013	Non-executive
NV Lila Qangule (resigned 14 March 2017)	30 November 2016	Independent Non-executive

Directors ordinary shareholdings as at 30 June 2017

Director	Direct beneficial	Indirect beneficial	Held by associate	Total	%
ATM Mokgokong (Chairperson)	1 707 926	42 146 880	7 292 133	51 146 939	9.22
MJ Madungandaba	–	97 868 886	17 014 979	114 883 865	20.72
ND Munisi	–	–	–	–	–
A Banderker	–	–	–	–	–
IM Kirk	–	–	–	–	–
JM Kahn	18 535 608	–	–	18 535 608	3.34
SE Mmakau	–	–	–	–	–
MI Sacks	17 579 938	–	–	17 579 938	3.17
LL Dhlamini	–	–	–	–	–
HG Motau	–	–	–	–	–
AV Van Buuren	–	29 874 896	–	29 874 896	5.39
JW Boonzaaier	2 500	–	–	2 500	0.00
WH Britz	–	29 874 896	–	29 874 896	5.39
Y Masithela (resigned 15 September 2016)	–	–	–	–	–
GL Napier (resigned 1 November 2016)	–	–	–	–	–
NB Bam (resigned 1 November 2016)	150 000	–	–	150 000	0.03
JG Appelgryn (resigned 1 November 2016)	1 447	–	–	1 447	0.00
NV Lila Qangule (resigned 14 March 2017)	–	–	–	–	–
	37 977 419	199 765 558	24 307 112	262 050 089	47.26

Directors ordinary shareholdings as at 30 June 2016

Director	Direct beneficial	Indirect beneficial	Held by associate	Total	%
ATM Mokgokong (Chairperson)	1 707 926	41 896 880	7 292 132	50 896 938	9.18
MJ Madungandaba	–	97 759 388	17 014 979	114 774 367	20.70
ND Munisi	–	–	–	–	–
A Banderker	–	–	–	–	–
IM Kirk	–	–	–	–	–
JM Kahn	18 535 608	–	–	18 535 608	3.34
MI Sacks	17 579 938	–	–	17 579 938	3.17
LL Dhlamini	–	–	–	–	–
AV Van Buuren	–	29 629 896	–	29 629 896	5.34
JW Boonzaaier	2 500	–	–	2 500	0.00
WH Britz	–	29 629 896	–	29 629 896	5.34
D Dempers (resigned 2 June 2016)	9 000 000	–	–	9 000 000	1.62
Y Masithela (resigned 15 September 2016)	–	–	–	–	–
GL Napier (resigned 1 November 2016)	–	–	–	–	–
NB Bam (resigned 1 November 2016)	150 000	–	–	150 000	0.03
JG Appelgryn (resigned 1 November 2016)	1 447	–	–	1 447	0.00
	46 977 419	198 916 060	24 307 111	270 200 590	48.72

Since the end of the financial year and up to the date of this report, the interests of Directors have remained unchanged.

A further detailed analysis of shareholders, including majority shareholding, is available on pages 11 and 12.

During the year under review, no material contracts in which Directors have an interest were entered into which significantly impacted the business of the Company.

DIRECTORS' REMUNERATION

Remuneration of Non-executive Directors and Board Committee members

Non-executive Directors received the following total remuneration in the year under review:

Director	Fees R'000
ATM Mokgokong (Chairperson)	**911***
MJ Madungandaba	**810***
ND Munisi	**224**
A Banderker	**702***
IM Kirk	**205**
JM Kahn	#
SE Mmakau	**174**
MI Sacks	#
LL Dhlamini	**281**
HG Motau	**35**
Y Masithela (resigned 15 September 2016)	**50**
GL Napier (resigned 1 November 2016)	**67**
NB Bam (resigned 1 November 2016)	**67**
JG Appelgryn (resigned 1 November 2016)	**67**
NV Lila Qangule (resigned 14 March 2017)	**260**

* *The Directors' remuneration highlighted above reflects their total Directors' fees received across various subsidiaries within the Group.*

Messrs Kahn and Sacks waived their rights to receive any Director's fees.

DIRECTORS' REPORT CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

Remuneration of Executive and Non-executive Directors
Details of the remuneration are set out fully in Note 23 of the Group Annual Financial Statements.

Remuneration of the five highest paid employees who are not Directors:

Employee	Annual cost to company and incentives R'000
KM Aron	**4 959 771**
A Pederson	**3 984 354**
A Mahmood	**3 714 144**
L Callakoppen	**3 525 613**
T Rametse	**3 458 909**

COMPANY SECRETARY AND REGISTERED OFFICE

The Board was satisfied that Ms Shireen Lutchan, who was appointed with effect from 1 March 2015 until her resignation on 21 April 2017, was suitably qualified for the position during her tenure. The Board was satisfied that Ms Lutchan complied with section 87 of the Companies Act and that she possessed the necessary skills and experience to be appointed as Company Secretary of the Group. The Company Secretary had an arm's length relationship with the Board, as required by the Companies Act.

Mr Billy Mokale was appointed as the Company Secretary with effect from 21 April 2017.

The registered office of the Company is 37 Conrad Street, Florida North, Roodepoort, 1709.

MATERIAL RESOLUTIONS

In terms of the JSE Limited Listings Requirements, the Company noted the material resolutions passed at the prior Annual General Meeting and during the financial year under review:

- General approval to repurchase shares.
- Inter-company loans and other financial assistance.
- Fees payable to Non-executive Directors.
- Financial Statements for the financial year ended 30 June 2016.
- Audit report for the year ended 2016.
- Re-appointment of Independent registered auditors.
- Election and re-election of Directors.
- Appointment of members to the Audit and Risk Committee.
- Approval to issue ordinary shares and to sell treasury shares, for cash.
- Endorsement of the remuneration policy.
- Authority of Directors.

Details of these resolutions can be obtained via the Company's website or on request.

MATERIAL COMMITMENTS, LEASE PAYMENTS

No material capital commitments or lease payments have been contracted for or approved by the Board of Directors in the current financial year.

LITIGATION STATEMENT

In terms of the JSE Limited Listings Requirements, the Directors note that they are not aware of any legal or arbitration proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 months, a material effect on the Group's financial position, apart from the matters per Note 31 of the Annual Financial Statements.

BORROWING POWERS

In terms of the Memorandum of Incorporation, the borrowing powers of the Company are unlimited.

INSURANCE

The Group protects itself and the Directors against crime and professional indemnity by maintaining a comprehensive insurance programme.

COMPLIANCE

No events or actions during the financial year have led to the Group being non-compliant with the required laws and regulations relevant to the individual business units.

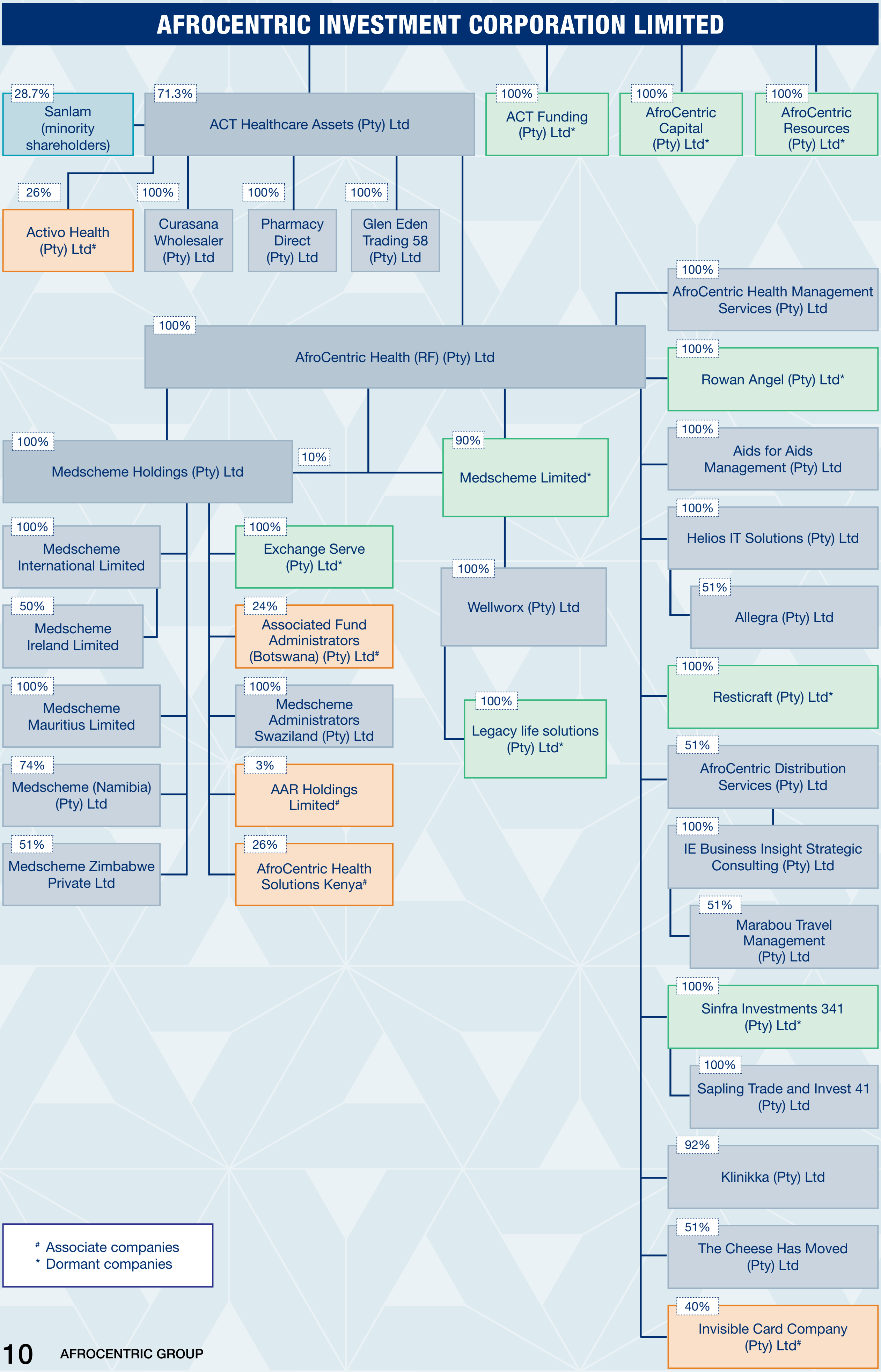
AUDITOR

PricewaterhouseCoopers Inc. serve as auditors of the Company.

THE COMPANY'S INTEREST IN SUBSIDIARIES AND INVESTMENTS:

Company name	Nature of business	Issued ordinary share capital	June 2017 %	June 2016 %
AfroCentric Resources (Pty) Ltd	Dormant	Less than 1 000 (100 shares)	**100**	100
AfroCentric Capital (Pty) Ltd	Dormant	Less than 1 000 (100 shares)	**100**	100
ACT Healthcare Assets (Pty) Ltd	Holding	Less than 1 000 (713 shares)	**71.30**	71.30
ACT Funding (Pty) Ltd	Financing	Less than 1 000 (100 shares)	**100**	100
Jasco Electronics Holdings Limited	ICT, Industry and Energy	44 263 793	**19.30**	19.30

DIRECTORS' REPORT CONTINUED



SHAREHOLDERS' ANALYSIS

FOR THE YEAR ENDED 30 JUNE 2017

ORDINARY SHAREHOLDERS

Shareholder spread

	Number of shareholders	% of total shareholders	Number of shares	% of shares in issue
1 – 1 000 shares	938	20.83	360 821	0.07
1 001 – 10 000 shares	2 082	46.24	10 320 287	1.86
10 001 – 100 000 shares	1 281	28.45	36 962 418	6.67
100 001 – 1 000 000 shares	167	3.71	49 328 282	8.90
Over 1 000 000 shares	35	0.77	457 405 520	82.50
Total	4 503	100	554 377 328	100

Distribution of shareholders

	Number of shareholders	% of total shareholders	Number of shares	% of shares in issue
Individuals	3 994	88.70	96 687 554	17.44
Nominees and trusts	200	4.44	30 955 914	5.58
Other corporate bodies	194	4.31	75 607 454	13.64
Treasury	3	0.07	1 999 999	0.36
Private companies	88	1.95	347 895 477	62.75
Close corporations	24	0.53	1 230 930	0.23
Total	4 503	100	554 377 328	100

Public/Non-public shareholder spread

	Number of shareholders	Number of shares	% of shares in issue
2017			
Non-public shareholders	18	263 284 716	47.49
Directors	15	261 284 717	47.13
Treasury	3	1 999 999	0.36
Public Shareholders	4 485	291 092 612	52.51
Total	4 503	554 377 328	100

Public/Non-public shareholder spread

	Number of shareholders	Number of shares	% of shares in issue
2016			
Non-public shareholders	21	289 035 306	52.13
Directors	16	261 209 590	47.12
Treasury	3	3 518 605	0.63
Associates of Directors	2	24 307 111	4.38
Public Shareholders	5 135	265 342 022	47.87
Total	5 156	554 377 328	100

SHAREHOLDERS' ANALYSIS CONTINUED

ORDINARY SHAREHOLDERS CONTINUED

Major shareholders holding more than 5% of the issued share capital

	Number of shareholders	% of total shareholders
2017		
Community Healthcare Holdings (Pty) Ltd	**123 195 189**	**22.22**
WAD Holdings (Pty) Ltd	**88 889 689**	**16.03**
Golden Pond Trading 175 (Pty) Ltd	**67 519 752**	**12.18**
ARC Health (Pty) Ltd	**39 561 737**	**7.14**
Total	**319 166 367**	**57.57**

Major shareholders holding more than 5% of the issued share capital

	Number of shareholders	% of total shareholders
2016		
WAD Holdings (Pty) Ltd	88 889 689	16.03
Golden Pond Trading 175 (Pty) Ltd	67 519 752	12.18
Community Healthcare Holdings (Pty) Ltd	61 826 667	11.15
Community Investment Holdings (Pty) Ltd	61 283 522	11.05
Total	279 519 630	50.41

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF AFROCENTRIC INVESTMENT CORPORATION LIMITED

To the shareholders of AfroCentric Investment Corporation Limited for the year ended 30 June 2017

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of AfroCentric Investment Corporation Limited ("the Company") and its subsidiaries ("together the Group") as at 30 June 2017, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

AfroCentric Investment Corporation Limited's consolidated and separate financial statements set out on pages 18 to 91 comprise:

- the consolidated and separate statements of financial position as at 30 June 2017;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

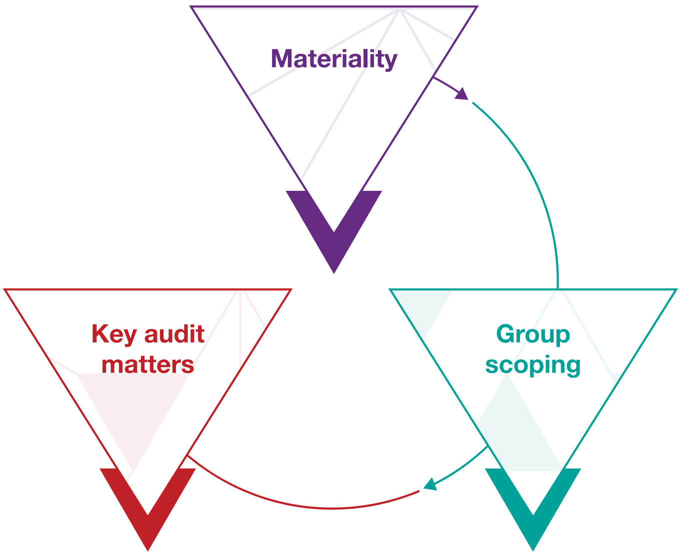
Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors ("IRBA Code") and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).



OUR AUDIT APPROACH

Overview

Overall Group materiality

R22 million, which represents 5% of consolidated profit before tax adjusted for non-recurring expenses relating to costs associated with warranty and indemnity expenses incurred, as well as the remeasurement of contingent consideration.

Group audit scope

Full scope audit for all 37 reporting components as they all have statutory audit requirements.

Key audit matters

Consolidated financial statements

- Impairment of intangible assets

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all our audits, we also addressed the risk of management override of internal controls including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF AFROCENTRIC INVESTMENT CORPORATION LIMITED CONTINUED

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures, and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall Group materiality	R22 million
How we determined it	5% of consolidated profit before tax adjusted for non-recurring expenses relating to costs associated with warranty and indemnity expenses incurred as well as the remeasurement of contingent consideration.
Rationale for the materiality benchmark applied	We chose consolidated profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users and is a generally accepted benchmark. Consolidated profit before tax has been adjusted for the following non-recurring expenses in order to arrive at a consolidated profit before tax which excludes items that are not reflective of the ongoing operations of the business: • R60 million adjustment on the remeasurement of the contingent consideration obligation; and • R14 million warranty and indemnity expenses resulting from the sale of shares in ACT Healthcare Assets Proprietary Limited. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group financial statements are a consolidation of 37 reporting units operating across South Africa, Namibia, Swaziland, Zimbabwe and Mauritius, comprising the Group's operating businesses and centralised functions. All reporting units were selected for full-scope audit testing as they all have statutory audit requirements.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by us, as the Group engagement team, and component auditors from other PwC network firms or other firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

No key audit matters were identified relating to the separate financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment of intangible assets	
The Group has significant intangible assets arising from business combinations, as well as internally generated software as detailed in Notes 1 and 8 to the consolidated financial statements. The intangible assets comprise 48% of the total assets of the Group. As described in Note 8, management determines the recoverable amount of cash-generating units ("CGUs") using value in use. Value in use is determined by discounting management's best estimate of future cash flows attributable to the CGU. The key assumptions in the calculation are the weighted average cost of capital, risk adjustment factor, forecast period and average growth rate. A R16 million impairment of the goodwill in the Healthcare Administration SA CGU was accounted for in the statement of comprehensive income (disclosed in Note 8). There were no impairments recognised with respect to the other intangible assets. Recoverability of these intangible assets is based on forecasting and discounting future cash flows, which involve a high degree of judgement. As a result of the above, the valuation of intangible assets was a matter of most significance in the current year audit.	Our audit procedures focused on evaluating and challenging the key assumptions used by management in conducting the impairment review. These procedures included: • assessing whether the valuation model applied by management to determine the value in use per CGU complies with the requirements of IAS 36: 'Impairment of Assets'; • analysing the future cash flows used in these calculations to determine whether they are reasonable and supportable based on past performance and market expectations; and • comparing the projected cash flows, including the assumptions relating to revenue growth rates against historical performance to test the reasonability of management's projections. We assessed the reasonability of key inputs into the calculations as follows: • For the inputs used in the determination of the discount rate/weighted average cost of capital ("WACC"); the risk-free rate was agreed to the relevant government bonds. Market risk premium, beta and alpha were compared to those of similar entities. • Through discussions with management, we obtained an understanding of how risk adjustment factors are determined and compared these to industry valuation data. The risk adjustment factors were accepted as falling within an acceptable range. • We assessed the reasonability of the forecast period, taking into account renewable revenue contracts and management's estimation of the time frame to integrate new acquisitions into the CGUs. • We compared the projected growth rates to historic growth rates based on signed agreements with clients for administration fees. Our results were compared to that of management in terms of identifying those CGUs for which impairment charges were required. No material exceptions were noted.

Other information

The directors are responsible for the other information. The other information comprises the directors' report, the Audit and Risk Committee's report and the Company Secretary's certificate as required by the Companies Act of South Africa, and the shareholders' analysis and the other information contained in the Integrated Annual Report. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF AFROCENTRIC INVESTMENT CORPORATION LIMITED CONTINUED

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the Directors are responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going-concern basis of accounting, unless the Directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- conclude on the appropriateness of the Directors' use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in *Government Gazette Number 39475* dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of AfroCentric Investment Corporation Limited for 12 years.

PricewaterhouseCoopers Inc.
Director: V. Muguto
Registered Auditor

Johannesburg
26 September 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

		GROUP		COMPANY	
	Note	30 June 2017 R'000	30 June 2016 R'000	30 June 2017 R'000	30 June 2016 Restated* R'000
ASSETS					
Non-current assets		**1 927 272**	2 190 076	**539 891**	895 005
Property and equipment	6	**211 704**	189 362	**–**	–
Investment property	7	**15 418**	15 000	**–**	–
Investment in subsidiaries	11	**–**	–	**428 144**	428 144
Intangible assets	8	**1 463 746**	1 388 815	**–**	–
Available for sale financial instruments	9.4	**18 444**	18 444	**–**	–
Financial assets at fair value through profit and loss	9.9	**96 272**	305 355	**96 272**	305 355
Financial assets at amortised cost	9.10	**–**	143 761	**–**	143 761
Investments in associates	10	**38 823**	24 477	**–**	–
Deferred income tax assets	12	**82 865**	104 862	**15 475**	17 745
Current assets		**1 141 608**	850 640	**372 447**	148 357
Trade and other receivables	9.2	**320 236**	365 004	**280**	815
Receivable from associates	9.3	**13 388**	20 437	**–**	–
Cash and cash equivalents	9.5	**361 738**	373 068	**22 699**	145 884
Financial assets at amortised cost	9.10	**79 892**	–	**79 892**	–
Financial assets at fair value through profit and loss	9.9	**267 743**	–	**267 743**	–
Inventory	13	**73 376**	72 310	**–**	–
Taxation		**25 235**	19 821	**1 833**	1 658
Total assets		**3 068 880**	3 040 716	**912 338**	1 043 362
EQUITY AND LIABILITIES					
Capital and reserves		**1 793 694**	1 047 979	**678 058**	851 005
Issued share capital	14	**18 686**	18 686	**18 686**	18 686
Treasury shares		**(2 324)**	(2 324)	**–**	–
Share premium	15	**999 058**	970 358	**999 058**	970 358
Conditional put option reserve	36	**–**	(727 960)	**–**	–
Share-based payment reserve		**–**	26 604	**–**	26 604
Foreign currency translation reserve		**3 454**	7 027	**–**	–
Retained earnings/(accumulated loss)		**774 820**	755 588	**(339 686)**	(164 643)
Non-controlling interest	16	**585 359**	515 603	**–**	–
Total equity		**2 379 053**	1 563 582	**678 058**	851 005
Non-current liabilities		**135 778**	977 573	**–**	134 893
Deferred income tax liabilities	12	**100 627**	82 390	**–**	–
Provisions	17	**8 350**	8 350	**–**	–
Contingent consideration	34	**–**	134 893	**–**	134 893
Conditional financial obligation	35	**–**	727 960	**–**	–
Post-employment medical obligations	18	**2 771**	2 691	**–**	–
Deferred payment	37	**5 051**	–	**–**	–
Accrual for straight-lining of leases	19	**18 979**	21 289	**–**	–
Current liabilities		**554 049**	499 561	**234 280**	57 464
Trade and other payables	9.6	**264 394**	383 029	**19 174**	7 139
Loans from group companies	9.7	**–**	–	**10 242**	44 477
Contingent consideration	34	**194 475**	–	**194 475**	–
Provisions	17	**8 947**	9 755	**5 889**	5 848
Employment benefit liability	20	**86 233**	106 777	**4 500**	–
Total liabilities		**689 827**	1 477 134	**234 280**	192 357
Total equity and liabilities		**3 068 880**	3 040 716	**912 338**	1 043 362

* *See Note 39 for details regarding the restatement of the June 2016 results.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

		GROUP		COMPANY	
	Note	30 June 2017 R'000	30 June 2016 Restated* R'000	30 June 2017 R'000	30 June 2016 R'000
Revenue	21	**3 784 701**	3 148 146	**50**	50
Dividends received	23	**–**	–	**35 650**	73 120
Fair value gains	23	**23 152**	27 085	**22 734**	27 085
Finance income	24	**39 621**	32 386	**15 608**	12 415
Total income		**3 847 474**	3 207 617	**74 042**	112 670
Depreciation	6	**(45 098)**	(38 011)	**–**	–
Cost of pharmaceutical products	22	**(836 734)**	(588 204)	**–**	–
Amortisation	8	**(86 450)**	(79 332)	**–**	–
Impairment provisions against investments and loans	23	**(3 211)**	(16 611)	**850**	(99 917)
Impairment provision against intangibles	8	**(16 640)**	(4 858)	**–**	–
Profit/(loss) on disposal of property and equipment	23	**(681)**	(245)	**–**	–
Share of profits from associates	10	**14 306**	10 118	**–**	–
Information technology costs		**(101 048)**	(106 764)	**(148)**	(184)
Remeasurement of contingent consideration		**(59 582)**	–	**(59 582)**	–
Employee benefit costs	23	**(1 689 615)**	(1 480 560)	**(14 029)**	(27 263)
Rent and property costs	23	**(150 869)**	(134 836)	**–**	(359)
Other expenses	23	**(431 669)**	(460 595)	**(10 747)**	(20 733)
Bad debt write-off	23	**(2 532)**	(581)	**–**	–
Provision for doubtful debts	23	**(7 444)**	–	**–**	–
Finance costs	24	**(761)**	(4 547)	**(1 547)**	(4 836)
Finance cost – conditional obligation	24	**(45 906)**	(24 960)	**–**	–
Indemnity expense	35	**(14 787)**	–	**(14 787)**	–
Share-based payment expense	30	**(2 096)**	(6 444)	**–**	1 708
Profit before income tax		**366 657**	271 187	**(25 948)**	(38 914)
Income tax	25	**(146 616)**	(77 515)	**(4 957)**	6 916
Profit for the year		**220 041**	193 672	**(30 905)**	(31 998)
Attributable to:					
Equity holders of the Parent		**117 669**	140 349	**(30 905)**	(31 998)
Non-controlling interest	16	**102 372**	53 323	**–**	–
Other comprehensive income:					
Items that may be reclassified to profit and loss					
– Foreign exchange (loss)/benefit		**(3 573)**	4 823	**–**	–
Items that may not be reclassified to profit and loss					
– Remeasurement of post-employment benefit obligations		**(285)**	206	**–**	–
– Income tax relating to these items	25	**80**	(58)	**–**	–
Other comprehensive income for the year, net of tax		**(3 778)**	4 971	**–**	–
Total comprehensive income for the year		**216 263**	198 643	**(30 905)**	(31 998)
Attributable to:					
Equity holders of the Parent		**113 891**	145 320	**(30 905)**	(31 998)
Non-controlling interest	16	**102 372**	53 323	**–**	–
		216 263	198 643	**(30 905)**	(31 998)
Earnings per share (cents) attributable to equity holders of the Parent					
– Basic	26	**21.23**	25.38		
– Diluted	26	**21.23**	24.23		

* *See Note 39 for details regarding the restatement of the June 2016 results.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

GROUP	Ordinary share capital R'000	Share premium R'000	Conditional put option reserve R'000	Share-based payment reserve R'000
Balance as at 30 June 2015	17 821	525 633	–	20 160
Issue of share capital (Notes 14 and 15)	865	444 725	–	–
Share-based payment expense	–	–	–	6 444
Net profit for the year	–	–	–	–
Other comprehensive income	–	–	–	–
Transferred to conditional put option reserve	–	–	(24 960)	–
Transfer from non-controlling interest as a result of share buy-backs (Note 16)	–	–	–	–
Transfer from non-controlling interest as a result of share purchase (Note 16)	–	–	–	–
Conditional put option reserve (Note 36)	–	–	(703 000)	–
Disposal of interest (Note 16)	–	–	–	–
Dividends paid (Note 29)	–	–	–	–
Balance as at 30 June 2016	18 686	970 358	(727 960)	26 604
Share-based payment expense	**–**	**–**	**–**	**2 096**
Net profit for the year	**–**	**–**	**–**	**–**
Other comprehensive income	**–**	**–**	**–**	**–**
Transferred to conditional put option reserve (Note 36)	**–**	**–**	**(45 906)**	**–**
Conditional put option reserve (Note 36)	**–**	**–**	**773 866**	**–**
Reversal of share-based payment reserve (Note 15)	**–**	**28 700**	**–**	**(28 700)**
Dividends paid (Note 29)	**–**	**–**	**–**	**–**
Balance as at 30 June 2017	**18 686**	**999 058**	**–**	**–**

COMPANY
*Restated**
Balance as at 30 June 2015
Issue of share capital (Notes 14 and 15)
Share-based payment expense
Profit for the year
Dividends paid (Note 29)
Balance as at 30 June 2016
Share-based payment expense
Profit for the year
Reversal of share-based payment reserve (Note 15)
Dividends paid (Note 29)
Balance as at 30 June 2017

* *See Note 39 for details regarding the restatement of the June 2016 results.*

Foreign currency translation reserve R'000	Treasury shares R'000	Retained earnings R'000	Non-controlling interest R'000	Total equity R'000
2 204	(2 324)	540 655	62 930	1 167 079
–	–	–	–	445 590
–	–	–	–	6 444
–	–	140 349	53 323	193 672
4 823	–	148	–	4 971
–	–	24 960	–	–
–	–	(75 298)	(46 866)	(122 164)
–	–	–	(525)	(525)
–	–	–	–	(703 000)
–	–	246 737	456 263	703 000
–	–	(121 963)	(9 522)	(131 485)
7 027	(2 324)	755 588	515 603	1 563 582
–	**–**	**–**	**–**	**2 096**
–	**–**	**117 669**	**102 372**	**220 041**
(3 573)	**–**	**(205)**	**–**	**(3 778)**
–	**–**	**45 906**	**–**	**–**
–	**–**	**–**	**–**	**773 866**
–	**–**	**–**	**–**	**–**
–	**–**	**(144 138)**	**(32 616)**	**(176 754)**
3 454	**(2 324)**	**774 820**	**585 359**	**2 379 053**

Ordinary share capital R'000	Share premium R'000	Share-based payment reserve R'000	Retained earnings R'000	Total equity R'000
17 821	525 633	20 160	(10 682)	552 932
865	444 725	–	–	445 590
–	–	6 444	–	6 444
–	–	–	(31 998)	(31 998)
–	–	–	(121 963)	(121 963)
18 686	970 358	26 604	(164 643)	851 005
–	**–**	**2 096**	**–**	**2 096**
–	**–**	**–**	**(30 905)**	**(30 905)**
–	**28 700**	**(28 700)**	**–**	**–**
–	**–**	**–**	**(144 138)**	**(144 138)**
18 686	**999 058**	**–**	**(339 686)**	**678 058**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

		GROUP		COMPANY	
	Note	30 June 2017 R'000	30 June 2016 Restated* R'000	30 June 2017 R'000	30 June 2016 R'000
Cash flows from operating activities					
Cash receipts from customers		**4 331 653**	3 549 618	**592**	873
Cash paid to suppliers and employees		**(3 880 766)**	(3 155 767)	**(23 143)**	(62 107)
Cash generated from operations	27	**450 887**	393 851	**(22 551)**	(61 234)
Finance income	24	**39 621**	32 386	**15 608**	12 415
Finance costs	24	**(761)**	(4 547)	**(1 547)**	(4 836)
Taxation paid	28	**(112 815)**	(102 584)	**(2 862)**	–
Dividends received		**–**	–	**35 650**	73 120
Dividends received from associates	10	**5 010**	4 112	**–**	–
Dividends paid	29	**(144 138)**	(121 963)	**(144 138)**	(121 963)
Dividends paid to minority shareholders	29	**(32 616)**	(9 522)	**–**	–
Net cash inflow from operating activities		**205 188**	191 733	**(119 840)**	(102 498)
Cash flows from investing activities					
Proceeds on disposal of intangible assets		**27**	390	**–**	–
Purchase of plant and equipment		**(71 574)**	(113 444)	**–**	–
Purchase of intangible assets		**(178 047)**	(164 862)	**–**	–
Proceeds on disposal of tangible assets		**2 772**	11 595	**–**	–
Purchase of Activo Health (associate)	10	**–**	(8 957)	**–**	–
Obtaining control of Pharmacy Direct, Curasana and Glen Eden	4	**–**	41 747	**–**	–
Disinvestment of financial assets		**64 411**		**64 411**	
Purchase of financial assets		**(36 468)**	(411 934)	**(36 468)**	(411 934)
Increase in loan to Group/Associates companies		**5 934**			
Decrease in loans to Group/Associates companies		**–**	(31 686)	**–**	–
Net cash (outflow)/inflow from investing activities		**(212 945)**	(677 151)	**27 943**	(411 934)
Cash flows from financing activities					
Shares issued to Sanlam by subsidiary		**–**	703 000	**–**	703 000
Decrease in borrowings		**–**	(61 224)	**–**	(61 224)
AfroCentric Health minority buy-out		**–**	(122 164)	**–**	–
Decrease in loans from Group companies		**–**	–	**(31 288)**	(15 471)
Net cash inflow from financing activities		**–**	519 612	**(31 288)**	626 305
Net increase/(decrease) in cash and cash equivalents		**(7 757)**	34 194	**(123 185)**	111 873
Effect of foreign exchange rate changes		**(3 573)**	4 823	**–**	–
Cash and cash equivalents at the beginning of the period		**373 068**	334 051	**145 884**	34 011
Cash and cash equivalents at the end of the year	9.5	**361 738**	373 068	**22 699**	145 884

* *See note 39 for details regarding the restatement of the June 2016 results.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1. SUMMARY OF ACCOUNTING POLICIES

General information

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

The Company is incorporated and domiciled in South Africa. The address of its registered office is 37 Conrad Street, Florida North, Roodepoort, South Africa. The majority of the Company's shares are held by public shareholders.

These consolidated Annual Financial Statements have been approved for issue by the Board of Directors on 14 September 2017.

Statement of compliance

The Company and the Group Annual Financial Statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These Annual Financial Statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"), the Companies Act 2008 of South Africa, the JSE Limited Listings Requirements and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

Basis of presentation

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

The Annual Financial Statements have been prepared under the historical cost convention except for the following:

- Post-employment medical obligations, independently valued using the Projected Unit Credit Method

Carried at fair value:

- Financial instruments held for trading or designated at fair value through profit or loss
- Financial instruments not held for trading but designated as available for sale
- Investment property held at fair value using independent market valuations

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

a) International Financial Reporting Standards and amendments effective for the first time for 30 June 2017 year-end

IFRS	Effective Date	Executive summary
Amendments to IFRS 10, 'Consolidated Financial Statements' and IAS 28, 'Investments in Associates and Joint Ventures' on applying the consolidation exemption	Annual periods beginning on or after 1 January 2016	The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.
Amendments to IAS 1, 'Presentation of Financial Statements' disclosure initiative	1 January 2016	In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.
Amendment to IAS 16, 'Property, Plant and Equipment' and IAS 38, 'Intangible Assets' on depreciation and amortisation	1 January 2016	In this amendment the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.
Amendments to IAS 27, 'Separate Financial Statements' on equity accounting	1 January 2016	In this amendment the IASB has restored the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

Basis of presentation continued

b) International Financial Reporting Standards, Interpretations and amendments issued but not effective for 30 June 2017 year end.

IFRS	Effective Date	Executive summary
Amendment to IAS 12, 'Income Taxes' – recognition of deferred tax assets for unrealised losses	Annual periods beginning on or after 1 January 2017	The amendment was issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendment clarifies the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarifies certain other aspects of accounting for deferred tax assets.
Amendment to IAS 7, 'Cash Flow Statements' – statement of cash flows on disclosure initiative	Annual periods beginning on or after 1 January 2017	In January 2016, the IASB issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.
Amendments to IFRS 2, 'Share-based Payment' – clarifying how to account for certain types of share-based payment transactions	Annual periods beginning on or after 1 January 2018	This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash settled to equity settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.
IFRS 15, 'Revenue from Contracts with Customers'	Annual periods beginning on or after 1 January 2018	The FASB and IASB issued their long-awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of goods or services transfers to a customer.
IFRS 9, 'Financial Instruments' (2009 & 2010) • Financial liabilities • Derecognition of financial instruments • Financial assets • General hedge accounting	Annual periods beginning on or after 1 January 2018	This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.
IAS 40, 'Investment Property' – transfers of investment property	Annual periods beginning on or after 1 January 2018 (published December 2016)	These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.
Amendment to IFRS 9, 'Financial Instruments' – on general hedge accounting	Annual periods beginning on or after 1 January 2018	The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39.

IFRS	Effective Date	Executive summary
Amendments to IFRS 10, 'Consolidated Financial Statements' and IAS 28, 'Investments in Associates and Joint Ventures' on sale or contribution of assets	Effective date postponed (initially 1 January 2016)	The postponement applies to changes introduced by the IASB in 2014 through narrow-scope amendments to IFRS 10, 'Consolidated Financial Statements' and IAS 28, 'Investments in Associates and Joint Ventures'. Those changes affect how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests. The changes do not affect other aspects of how entities account for their investments in associates and joint ventures.
IFRS 16, 'Leases'	Annual periods beginning on or after 1 January 2019 – earlier application permitted if IFRS 15 is also applied	This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard.
Annual improvements 2014-2016	Annual periods beginning on or after 1 January 2017 and 2018	These amendments impact three standards: • IFRS 1, 'First-time adoption of IFRS', regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19 and IFRS 10, effective 1 January 2018. • IFRS 12, 'Disclosure of Interests in Other Entities', regarding clarification of the scope of the standard. The amendment clarified that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarised financial information (para B17 of IFRS 12). Previously, it was unclear whether all other IFRS 12 requirements were applicable for these interests. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017. • IAS 28, 'Investments in Associates and Joint Ventures' regarding measuring an associate or joint venture at fair value. IAS 28 allows venture capital organisations, mutual funds, unit trusts and similar entities to elect measuring their investments in associates or joint ventures at fair value through profit or loss (FVTPL). The Board clarified that this election should be made separately for each associate or joint venture at initial recognition. Effective 1 January 2018.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

Basis of presentation continued

c) Annual improvements 2014, issued September 2014 and effective for the first time for 30 June 2017 year-end.

IFRS	Effective Date	Executive summary
Amendment to IFRS 7, 'Financial Instruments: Disclosures'	1 January 2016	Applicability of the offsetting disclosures to condensed interim financial statements.
Amendment to IFRS 7, 'Financial Instruments: Disclosures'	1 January 2016	Servicing contracts – The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required.
Amendment to IAS 19, 'Employee Benefits'	1 January 2016	Discount rate: Regional market issue – The amendment to IAS 19 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
Amendment to IAS 34 – 'Interim Financial Reporting'	1 January 2016	Disclosure of information 'elsewhere in the interim financial report.' The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g. in the management commentary or risk report).

From our initial assessment, IFRS 15 and IFRS 9 will not have a material impact on our financial statements.

IFRS 16 will however have a significant impact as the Group leases all of its property. Once the standard is implemented, all operating leases will be accounted for similarly to a finance lease. This implies that we shall recognise the lease as an asset and liability in the statement of financial position at amounts equal to the present value of lease payments and any additional cost.

In the statement of comprehensive income an interest charge on the finance liability and depreciation on the leased asset will be recognised.

The following relates to the future estimated cash outflows regarding the operating leases:

Building rentals	**R'000**
Rental obligations with respect to land and buildings	
Not later than 1 year	**78 178**
Later than 1 year but not later than 5 years	**119 867**
	198 045

The extent of the assets and liabilities to be recognised are not quantified at this point.

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

Basis of consolidation continued

Subsidiaries

The consolidated Annual Financial Statements incorporate the Annual Financial Statements of the Company and entities controlled by the Company. They are available at the premises of the Company's offices, being 37 Conrad Street, Florida North, Roodepoort, 1709.

(a) Business combinations

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

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

(c) Disposal of subsidiaries

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

Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss and other comprehensive income of the investee after the date of acquisition. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

Basis of consolidation continued

(c) Disposal of subsidiaries continued

Associates continued

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

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

Profits and losses and unrealised gains resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the statement of comprehensive income. Investments in associates are tested for impairment in line with the Group's impairment policies.

Foreign currency translation

Functional and presentation currency

Items included in the Annual Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated Annual Financial Statements are presented in South African Rand, which is the Company's functional and presentation currency. Non-controlling interest does not share in the foreign exchange profit/loss.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the income statement within 'Other (losses)/gains – net changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

Group companies

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

a) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
b) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).
c) All resulting exchange differences are recognised in other comprehensive income and accumulated in equity as a foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

Recognition of assets

The Group recognises assets when it obtains control of a resource as a result of a past event from which future economic benefits are expected to flow to the enterprise, and
(a) when it is probable that the future economic benefits associated with the assets will flow to the enterprise, and
(b) the assets have a cost or value that can be measured reliably.

Tangible assets

Property and equipment

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

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

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

The estimated maximum useful lives are:

• Property, office equipment and furniture and fittings	6 years
• Motor vehicles	5 years
• Computer equipment	3 to 5 years
• Building infrastructure	10 years
• Buildings	30 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

Derecognition

The carrying amount of an item of plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal and the gain or loss arising from the derecognition of an item of plant and equipment is included in profit and loss when the item is derecognised.

Investment property

Definition

Investment property is property (land or building – or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both rather than for:
(a) Use in the production or supply of goods or services or for administrative purposes; or
(b) Sale in the ordinary course of business.

Initial recognition

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Subsequent measurement

An investment property is subsequently measured at fair value per IAS 40 and gains or losses from the fair value adjustments are recognised in profit or loss. The valuation is prepared by an independent valuer.

Derecognition

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses from derecognition of an investment property are determined as the net disposal proceeds less the carrying amount and are recognised in profit or loss.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

Intangible assets

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

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of associates is included in the investments in associates and is tested for impairment as part of the overall balance. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Cash Generating Units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed. Goodwill has an infinite useful life.

Contractual customer relationships

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

Trademarks, brands and intellectual property

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

Internally generated computer software development costs

Costs associated with maintaining computer software programmes are generally expensed as incurred.

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

The following criteria are required to be met before the related expenses can be capitalised as an intangible asset:
- It is technically feasible to complete the software so that it will be available for use.
- Management intends to complete the software and use or sell it.
- There is an ability to use or sell the software.
- It can be demonstrated how the software will generate probable future economic benefits.
- Adequate technical, financial and other resources to complete the development and to use or sell the software are available.
- The expenditure attributable to the software during its development can be reliably measured.

Research and development expenditure that does not meet the criteria above are recognised as an expense as incurred. Development costs previously expensed are not recognised as an asset in a subsequent period. Expenditure that enhances and extends the benefits of computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software.

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

Computer software acquired

Acquired computer software licences are capitalised on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (two to seven years) on the straight-line basis.

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

Intangible assets continued

The carrying value of these intangible assets is assessed for any impairment if impairment indicators exist and any required adjustment will be expensed in the statement of comprehensive income.

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

Impairment of assets

Impairment of non-financial assets

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

Operating leases

The Group is the lessee

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

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

Financial instruments

Initial recognition and measurement

Financial instruments include all financial assets and liabilities, typically held for liquidity, investment or trading purposes. All financial instruments are initially recognised at fair value plus directly attributable transaction costs, except those carried at fair value through profit or loss where transaction costs are recognised immediately in profit or loss. Financial instruments are recognised on the date the Group becomes party to a contract that gives rise thereto. At initial recognition, management determines the appropriate classification of financial instruments, as follows:

- Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity where management has both the intent and ability to hold on to maturity.
- Financial instruments at fair value through profit and loss ("FVPL") comprise financial instruments held for short-term profit taking.
- Loans and receivables originated by the entity are non-derivative financial assets that are created by the Group by providing money, goods or services directly to a debtor other than those that are originated with the intention to sell in the short term.
- Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVPL, loans and receivables or held-to-maturity investments) are also included in the available for sale category
- Financial instruments at amortised cost are instruments that are neither held for trading nor designated at fair value.

Subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost, depending on their classifications below.

- **Held-to-maturity**

  Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has both the positive intent and ability to hold to maturity. Where the Group is to sell more than an insignificant amount of held-to-maturity investments, the entire category would be reclassified as available for sale assets with the difference between amortised cost and fair value being accounted for in other comprehensive income.

  Held to maturity investments are held at amortised cost, using the effective interest method, less any impairment losses. Interest income/(expense), calculated using the effective interest method, is recognised in profit or loss in the finance income/cost line.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

Subsequent measurement continued

- **Held-to-maturity continued**

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

- **Financial assets and liabilities designated at fair value through profit or loss**

  A financial instrument is classified under this category when it is acquired or incurred principally for the purposes of selling or repurchasing in the near future, those forming part of a portfolio of financial instruments in which there is evidence of short-term profit-taking and instruments that are acquired by the Group for the purpose of selling in the near future and generating a profit. This designation is made on initial recognition and is irrevocable.

  Subsequent to initial recognition, the fair values are remeasured at each reporting date, with arising gains and losses reported in profit or loss in the fair value gains/(losses) for the period.

- **Available for sale**

  Financial assets classified by the Group as available for sale are generally strategic capital investments held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

  Available for sale financial assets are subsequently measured at fair value. Unrealised gains or losses are recognised directly in the revaluation reserve until the financial asset is derecognised or impaired. When the available for sale financial assets are disposed of, the cumulative fair value adjustments in the revaluation reserve are reclassified to profit or loss in the fair value gains/(losses) for the period.

  Interest income/(expense), calculated using the effective interest method, is recognised in profit or loss. Dividends received on debt or equity instruments are recognised in profit or loss in finance income when the Group's right to receive the payment has been established.

- **Loans and receivables**

  Loans and receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Group as at fair value through profit or loss or available for sale.

  Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Origination transaction costs and origination fees received that are integral to the effective rate are capitalised to the value of the loans and amortised through interest income as part of the effective interest rate.

- **Financial assets and liabilities at amortised cost**

  Financial liabilities that are neither held for trading nor designated at fair value are measured at amortised cost using the effective interest method. Interest expense, calculated using the effective interest method, is recognised in profit or loss in the finance costs.

Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

Subsequent measurement continued

Non-current assets held for sale and discontinued operations continued

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

Receivables from subsidiaries and Group entities

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

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When securities classified as available for sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Trade and other receivables

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

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

Impairment of assets held at amortised cost

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

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

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

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

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

Subsequent measurement continued

Impairment of assets held at amortised cost continued

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

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

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

Prepayments and deposits

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

Cash and cash equivalents

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

Trade and other payables

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

Contingent liabilities

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

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

Contingent liabilities acquired as part of a business combination

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

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

Provisions

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

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

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

Employee costs

Pension and provident fund obligations

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

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

Post-employment medical obligations

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

Annual leave

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

Termination benefits

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

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

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

Short-term benefits

Short-term benefits consist of salaries, accumulated leave payments, profit share, bonuses and any non-monetary benefits such as medical aid contributions. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided to the 'Employee benefit costs' in the statement of comprehensive income.

The Group recognises a liability and an expense for bonuses based on a formula where there is a contractual obligation or a past practice that created a constructive obligation. The Group has an incentive scheme (refer to Note 23). The expense is recognised as 'Employee benefit costs' in the statement of comprehensive income. Factors that are taken into account when determining the incentive bonus amount include key performance indicators and performance of both the individual and the Company.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less accumulated impairment in the separate Annual Financial Statements of the Company.

Revenue and expense recognition

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

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

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

Revenue is derived substantially from administration of healthcare benefits services provided to various organisations within and outside South Africa and comprises administration fees, health risk management fees, management fees, IT and other revenue.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

Revenue and expense recognition continued

Revenue from sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the Company.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the Company.
- The stage of completion of the transaction at the end of the reporting period can be measured reliably.
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Administration fees

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

Finance income

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

Dividend income

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

Other expenditure

All other expenditure is recognised as and when incurred.

Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Inventories

Inventories include assets held for sale in the ordinary course of business (finished goods) as well as highly specialised high value medical equipment.

Inventories are measured at the lower of cost and net realisable value on the first-in-first-out basis.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Taxation

Direct taxation

Direct taxation includes all domestic and foreign taxes based on taxable profits and capital gains tax. Current tax is determined for current period transactions, and events and deferred tax is determined for future tax consequences. Current and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity.

The current income tax charge is calculated on the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

Taxation continued

Direct taxation continued

The Group offsets current tax assets and current tax liabilities when it has a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax is recognised in full, using the balance sheet liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the Annual Financial Statements. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. However, deferred tax is not recognised for:

- initial recognition of goodwill;
- initial recognition of assets and liabilities in a transaction that is not a business combination, which affects neither accounting nor taxable profits or losses; and
- investments in subsidiaries and associates where the Group controls the timing of the reversal of temporary differences and it is probable that these differences will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Group offsets deferred tax assets and deferred tax liabilities when:

- the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Dividends tax

Taxes on dividends declared by the Group are recognised as part of the dividends paid within equity as dividends tax represents a tax on the shareholder and not the Group, at the rate of 20% (15% prior to 22 February 2017). Tax on dividends in specie will remain the liability of the Company declaring the dividend.

South African resident companies are exempt from the new Dividends Tax. Upon declaring a dividend (excluding dividends in specie), the Group withholds the dividends tax on payment and, where the dividend is paid through a regulated intermediary, liability for withholding dividends tax shifts to the intermediary. Dividend tax does not need to be withheld if a written declaration is obtained from the shareholder stating that they are either entitled to an exemption or to double tax relief.

Dividends tax withheld by the Group on dividends paid to its shareholders and payable at the reporting date to the South African Revenue Service ("SARS") is included in 'Trade and other payables' in the statement of financial position.

Dividends

Dividends are recorded in the Group's Annual Financial Statements in the period in which they are approved by the Group's shareholders.

Share capital

Ordinary shares

Ordinary shares are classified as equity.

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

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

Share-based payments

The Group issues equity-settled share-based awards to certain employees, which are measured at fair value at the date of grant and expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Vesting assumptions are reviewed at each reporting period to ensure that they reflect current expectations. The Group treats the share-based payment reserves in the same manner at Company and Group levels. At Company level, the reserves are accounted for at the same value as the Group due to the fact that ACT Company is responsible for issuing the shares to the subsidiary executives. The share-based payment expense is accounted for individually in each impacted subsidiary where the executives are employed. The Group IFRS 2, 'Share-based Payment' expense is recharged to the respective subsidiary which employs executives who qualify for participation in the scheme.

Consolidation procedures

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

(i) The carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary are eliminated.

(ii) Non-controlling interests in the profit or loss of consolidated subsidiaries for the reporting period are identified.

(iii) Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the parent shareholders' equity in them. Non-controlling interests in the net assets consist of:

- the amount of those non-controlling interests at the date of the original combination calculated in accordance with IFRS 3; and
- the non-controlling interest's share of changes in equity since the date of the combination.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Chief Financial Officer, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Operating Decision-Maker as the person who makes strategic decisions.

Conditional put obligation

The conditional put obligation and reserve are measured at the present value of the full redemption value without taking probabilities into account in terms of IAS 32. It is the policy of the Group to recognise finance costs related to conditional financial obligations as a movement in equity.

Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes: (a) restricted activities; (b) a narrow and well defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors; (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support; and (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks ("tranches").

The Group considers all of its investments in funds ("collective share investment schemes") to be investments in unconsolidated structured entities. The Group invests in collective share investment schemes whose objectives range from achieving medium- to long-term capital growth. The collective share investment schemes are managed by asset managers and apply various investment strategies to accomplish their respective investment objectives. The collective share investment schemes finance their operations by issuing units of the collective share investment schemes which are puttable at the holder's option and entitle the holder to a proportional stake in the respective fund's net assets. The Group holds units in each of the collective share investment schemes.

The change in fair value of each collective share investment scheme is included in the statement of comprehensive income in 'Fair value gains'.

2. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed as follows:

2. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS CONTINUED

Impairment of goodwill

The carrying amount of goodwill is tested annually for impairment in accordance with the stated accounting policy. The recoverable amount of the cash-generating units ("CGU") has been determined based on value-in-use calculation, being the net present value of the discounted cash flows of the CGU less the tangible net asset value of that CGU. Details of the main assumptions applied in determining the net present value of the CGU are provided in Note 8 in these Annual Financial Statements.

Carrying value of tangible and intangible assets

The Group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors.

The carrying amount of tangible and intangible assets at 30 June 2017 was R212 million (June 2016: R189 million) and R1 464 million (June 2016: R1 389 million) respectively.

Goodwill and customer relationships on the purchase of Pharmacy Direct, Curasana Wholesaler and Glen Eden Trading 58

In the 2016 financial year, the Group acquired Pharmacy Direct, Curasana Wholesaler and Glen Eden Trading 58 as part of the WAD transaction. As part of the purchase price allocation, the Group has identified intangible assets in the entities being customer relationships (R89.4 million) and goodwill (R473.9 million).

The fair value of the customer relationships has been determined by using budgeted free cash flows over the remaining length of the customer relationships (10 years). The free cash flows are based on the entities' budgeted profit after tax.

For further details and main assumptions please refer to Notes 4 and 8 in these Annual Financial Statements.

Contingent consideration relating to Glen Eden Trading 58

Under the contingent consideration arrangement, AfroCentric Investment Corporation Limited is required to issue WAD Holdings Proprietary Limited an additional 31 366 977 (June 2016: 26 192 902) shares based on management's best estimate as per the Acquisition of Shares agreement. R194.5 million (June 2016: R134.9 million) is the estimated fair value of this obligation at year-end. WAD Holdings Proprietary Limited has now elected to receive the contingent consideration in cash and not shares. For further details and main assumptions please refer to Notes 4, 9.8 and 34 in these Annual Financial Statements.

Deferred tax assets

The deferred tax assets include an amount of R36.4 million which relates to carried forward tax losses. Some companies have incurred losses over the past financial years, but management has concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for these companies. In the previous financial periods, AfroCentric and its related subsidiaries have attained their approved business plans and budget targets.

The main contributors to the assessed losses within the Group relate to losses brought forward in AfroCentric Investment Corporation Limited, and a subsidiary being Aid for Aids Management Proprietary Limited and AfroCentric Health Limited.

The assessed losses brought forward in AfroCentric Investment Corporation Limited, Aid for Aids Management Proprietary Limited and AfroCentric Health Limited are expected to be utilised on an annual basis going forward. This is due to the change in approach to the deductibility of expenses against taxable income in AfroCentric Investment Corporation Limited and the expectation that Aid for Aids Management Proprietary Limited and AfroCentric Health Limited will be generating taxable profits in the foreseeable future.

Although Helios IT Solutions, another subsidiary of AfroCentric Investment Corporation Limited, has also declared an assessed loss for the 2017 financial year, for which a deferred tax asset has been raised, it is expected that the assessed losses will decrease in future years of assessment due to the reduction of exempt income within the entity.

Impairment IE Business Insight Strategic Consulting Proprietary Limited

IE Business Insight Strategic Consulting Proprietary Limited is a 100% subsidiary of AfroCentric Distribution Services Proprietary Limited.

The full impairment of the Investment in IE Business Insight Strategic Consulting Proprietary Limited (R12.67 million) and goodwill (R16.64 million) occurred in the current financial year due to the business ceasing operations.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

2. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS CONTINUED

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events as disclosed in Note 31.

Litigation liability

The liabilities, which remained after the purchase price of the AfroCentric Health Limited acquisition was settled, have been determined by the Directors using the maximum loss and the potential impact of these liabilities materialising at the date of acquisition as indicated as follows:

	Maximum loss R'000	Potential impact %	Fair value R'000
2017			
Neil Harvey & Associates	**83 500**	**10%**	**8 350**
	83 500	**10%**	**8 350**
2016			
Neil Harvey & Associates	83 500	10%	8 350
	83 500	10%	8 350

	June 2017 R'000	June 2016 R'000
Carrying amount of litigation liability at the beginning of the year	**8 350**	8 350
Fair value adjustments	**–**	–
Carrying amount of litigation liability at the end of the year	**8 350**	8 350

The litigation liability is disclosed under 'Provisions' (Note 17).

3. FINANCIAL RISK MANAGEMENT

General

Risk management is a priority issue because it affects every part of the business. It is a pre-emptive process that allows the Group and Company to assess and analyse risk in an integrated fashion, identify potential areas in advance and then proactively create processes and measures for compliance.

Fundamentally, the Board's responsibility in managing risk is to protect the Group's employees, stakeholders and the Group in every facet. It fully accepts overall responsibility for risk management and internal control and in so doing the Board has deployed effective control mechanisms to prevent and mitigate the impact of risk.

Primary responsibility for risk management at an operational level rests with the Executive Committee. Management and various specialist Committees are tasked with integrating the management of risk into the day-to-day activities of the Group and Company. Refer to the Corporate Governance statement in the Annual Integrated Report for more detail regarding the Committees involved in risk management.

The Healthcare and Administration business activities are exposed to a variety of financial risks:
- Market risk
- Credit risk
- Liquidity risk

The Group's and Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Refer to Note 9 for classes of financial assets and liabilities.

3. FINANCIAL RISK MANAGEMENT CONTINUED

Market risk

Currency risk

Currency risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the Group's functional currency.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group is not exposed to any currency risk in relation to its foreign operations in Namibia and Swaziland as the currencies of these countries are fixed to the South African Rand.

The most significant exposure is to the Mauritian Rupee and US Dollar as a result of translation risk. The impact of currency risk on the statement of other comprehensive income amounted to a profit/(loss) (foreign currency gains/(losses)) of -R3.573 million (June 2016: R4.823 million).

At 30 June 2017, if the currency had weakened/strengthened by 10% against the Mauritian Rupee with all other variables held constant, post-tax profit for the year would have been R446 164 lower/higher, mainly as a result of foreign exchange gains/losses on translation of the Mauritian operations.

At 30 June 2017, if the currency had weakened/strengthened by 10% against the Dollar with all other variables held constant, post-tax profit for the year would have been R369 499 lower/higher, mainly as a result of foreign exchange gains/losses on translation of the Zimbabwean operations.

Price risk

The Group and Company is exposed to equity securities price risk due to its investment in Jasco Electronics Holdings Limited. As such, the fair value of the investments is affected by changes in the share price. The Company's own shares are also listed on the Johannesburg Stock Exchange.

Fair value risk

The Group and Company investments in collective share investment schemes are subject to the terms and conditions of the respective collective share investment schemes offering documentation and are susceptible to market price risk arising from uncertainties about future values of those collective share investment schemes. The investment manager makes investment decisions after extensive due diligence of the underlying fund, its strategy and the overall quality of the underlying fund's manager. All of the collective share investment schemes in the investment portfolio are managed by portfolio managers who are compensated by the respective collective share investment schemes for their services. Such compensation generally consists of an asset-based fee and a performance-based incentive fee and is reflected in the valuation of the Group's investment in each of the collective share investment schemes.

The right of the Group to request redemption of its investments in collective share investment schemes ranges in frequency from weekly to annually.

The exposure to investments in collective share investment schemes at fair value by strategy employed is disclosed in the following table at 30 June 2017. These investments are included in financial assets at fair value through profit or loss in the statement of financial position.

Strategy	Number of collective investment schemes	Net asset value of collective investment schemes R	Investment fair value R
Multi-strategy	6	93 459 098 960	327 718 813

The Group's maximum exposure to loss from its interests in collective share investment schemes is equal to the total fair value of its investments in collective share investment schemes.

Once the Group has disposed of its shares in a collective share investment scheme, it ceases to be exposed to any risk from that collective share investment scheme.

Total purchases in collective share investment schemes during the year ended 30 June 2017 was R35 508 000. As at 30 June 2017 and 30 June 2016, there were no capital commitment obligations and no amounts due to collective share investment schemes for unsettled purchases.

During the year ended 30 June 2017, total net gains on investments in collective share investment schemes were R21 848 669.

To manage the price risk the Group's and Company's investment committee reviews its investments regularly to ensure that the downside price risk is mitigated and assesses the economic environment to make informed decisions.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

3. FINANCIAL RISK MANAGEMENT CONTINUED

Market risk continued

Fair value risk continued

The table below summarises the impact of an increase/decrease of the share price of collective share investment schemes on the post-tax profit of the Group and Company:

Change in percentage share price	Increase on post-tax profit R	Decrease on post-tax profit R
5% increase/(decrease)	14 562 535	(14 562 535)
10% increase/(decrease)	29 125 071	(29 125 071)
15% increase/(decrease)	43 687 606	(43 687 606)

The table below summarises the impact of an increase/decrease of the share price of Jasco Electronics Holdings Limited on the post-tax profit of the Group and Company:

Change in percentage share price	Increase on post-tax profit R	Decrease on post-tax profit R
5% increase/(decrease)	1 814 816	(1 814 816)
10% increase/(decrease)	3 629 631	(3 629 631)
15% increase/(decrease)	5 444 447	(5 444 447)

Cash flow and fair value interest rate risk

The Group does not have any external borrowings and is therefore not exposed to downside interest rate risk.

The Group and Company's interest income arises from interest-bearing instruments and fixed deposits. The Group's Treasury manages excess funds on a daily basis into call/deposit accounts to ensure that the best yield is obtained for the Group.

The Group and Company have used a sensitivity analysis technique that measures the estimated change to the statement of comprehensive income and equity of an instantaneous increase of 1% (100 basis points) in the market interest rates for each class of financial instrument with all other variables remaining constant. The sensitivity analysis excludes the impact of market risks on net post-employment benefit obligations.

	GROUP	COMPANY
Instruments exposed	Increase in 1% on statement of comprehensive income R'000	Increase in 1% on statement of comprehensive income R'000
June 2017		
Bank balances and short-term investments	**3 982**	**591**
Financial assets at amortised cost	**799**	**799**
Total	**4 781**	**1 390**
June 2016		
Bank borrowings	(461)	–
Bank balances and short-term investments	1 052	604
Financial assets at amortised cost	2 996	2 996
Total	3 587	3 600

Under these assumptions, a 1% increase in market interest rates at 30 June 2017 would increase Group profit before tax by approximately R4 781 000 (June 2016: R3 587 000) and Company profit before tax by approximately R1 390 000 (June 2016: R3 600 000).

Credit risk

Credit risk arises from cash and cash equivalents and other investments, i.e. deposits with banks and financial institutions, as well as credit exposures to clients, including outstanding receivables and committed transactions. The trade and other receivables from the WAD Healthcare Assets acquisition are receivable from medical schemes in 14 days. For banks and financial institutions only independently rated parties with a minimum rating of 'BBB' are accepted (please refer to Note 9.5). If clients do not have an independent rating, risk control assesses the credit quality of the client, taking into account its financial position, past experience and other factors. Credit risk is managed at both the Group and Company levels.

3. FINANCIAL RISK MANAGEMENT CONTINUED

Credit risk continued

A significant portion of the Group and Company's client base comprises high-credit quality financial institutions. The "Healthcare business" has under agreement the authority to draw funds due and payable to it directly from the bank accounts of certain medical schemes using a collection module. Revenue from medical schemes is therefore settled in cash.

No credit limits were exceeded during the reporting period.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities to meet debt repayment and operating requirements. Management monitors the cash position on a daily basis from the Group and Company levels. Due to the dynamic nature of the underlying businesses, management maintains flexibility in funding by keeping committed credit facilities available.

The contingent consideration will be settled by the issuance of shares and as such will not place a liquidity burden on the Group.

Management monitors rolling forecasts of the liquidity reserve on the basis of expected cash flow.

The table below analyses all cash flows from the financial liabilities into the time buckets in which they are contractually due to be paid:

Time buckets applicable to the Group

	GROUP						
	Less than 3 months or on demand R'000	More than 3 months but not exceeding 6 months R'000	More than 6 months but not exceeding 9 months R'000	More than 6 months but not exceeding 1 year R'000	Between 1 to 2 years R'000	Between 2 to 3 years R'000	Total R'000
June 2017							
Trade and other payables	**258 304**	**2 030**	**2 030**	**2 030**	**–**	**–**	**264 394**
June 2016							
Trade and other payables	379 759	1 090	1 090	1 090	–	–	383 029

Time buckets applicable to the Company

	COMPANY						
	Less than 3 months or on demand R'000	More than 3 months but not exceeding 6 months R'000	More than 6 months but not exceeding 9 months R'000	More than 6 months but not exceeding 1 year R'000	Between 1 to 2 years R'000	Between 2 to 3 years R'000	Total R'000
June 2017							
Loans from Group companies	**10 242**	**–**	**–**	**–**	**–**	**–**	**10 242**
Trade and other payables	**3 103**	**5 357**	**5 357**	**5 357**	**–**	**–**	**19 174**
June 2016							
Loans from Group companies	44 477	–	–	–	–	–	44 477
Trade and other payables	1 181	1 986	1 986	1 986	–	–	7 139

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

3. FINANCIAL RISK MANAGEMENT CONTINUED

Liquidity risk continued

The table below analyses all undiscounted cash flows from financial assets into the time buckets that they are contractually due to be received.

Time buckets applicable to the Group

	GROUP						
	Less than 3 months or on demand R'000	More than 3 months but not exceeding 6 months R'000	More than 6 months but not exceeding 9 months R'000	More than 6 months but not exceeding 1 year R'000	Between 1 to 2 years R'000	Between 2 to 3 years R'000	Total R'000
June 2017							
Trade and other receivables*	**265 052**	**15 967**	**15 967**	**23 250**	**–**	**–**	**320 236**
Cash and cash equivalents	**361 738**	**–**	**–**	**–**	**–**	**–**	**361 738**
Financial assets at fair value through profit and loss	**–**	**–**	**276 743**	**–**	**–**	**59 976**	**336 719**
Financial assets at amortised cost	**–**	**79 892**	**–**	**–**	**–**	**–**	**79 892**
June 2016							
Trade and other receivables*	325 550	8 942	8 942	21 570	–	–	365 004
Cash and cash equivalents	373 068	–	–	–	–	–	373 068
Financial assets at fair value through profit and loss	–	–	–	–	–	268 173	268 173
Financial assets at amortised cost	–	–	–	–	143 761	–	143 761

* *This includes pre-payments and deposits. These are not considered 'past due' as no repayment terms are applicable to them.*

The carrying amount of all the financial assets and liabilities approximate the fair value.

Time buckets applicable to the Company

	COMPANY						
	Less than 3 months or on demand R'000	More than 3 months but not exceeding 6 months R'000	More than 6 months but not exceeding 9 months R'000	More than 6 months but not exceeding 1 year R'000	Between 1 to 2 years R'000	Between 2 to 3 years R'000	Total R'000
June 2017							
Trade and other receivables	**280**	**–**	**–**	**–**	**–**	**–**	**280**
Cash and cash equivalents	**22 699**	**–**	**–**	**–**	**–**	**–**	**22 699**
Financial assets at fair value through profit and loss	**–**	**–**	**276 743**	**–**	**–**	**59 976**	**336 719**
Financial assets at amortised cost	**–**	**79 892**	**–**	**–**	**–**	**–**	**79 892**
June 2016							
Trade and other receivables	815	–	–	–	–	–	815
Cash and cash equivalents	145 884	–	–	–	–	–	145 884
Financial assets at fair value through profit and loss	–	–	–	–	–	268 173	268 173
Financial assets at amortised cost	–	–	–	–	143 761	–	143 761

3. FINANCIAL RISK MANAGEMENT CONTINUED

Liquidity risk continued

The accounting policies for the Group's financial instruments have been applied to the line items below:

Description per the statement of financial position

			GROUP		COMPANY	
			June 2017 R'000	June 2016 R'000	June 2017 R'000	June 2016 R'000
	Fair value	Amortised cost	Carrying value		Carrying value	
Loans and receivables						
Trade and other receivables		√	**320 236**	365 004	**280**	815
Cash and cash equivalents		√	**361 738**	373 068	**22 699**	145 884
Financial liabilities						
Trade and other payables		√	**264 394**	383 029	**19 174**	7 139
Contingent consideration	√		**194 475**	134 893	**194 475**	134 893
Deferred payment		√	**5 051**	–	**–**	–

The carrying value of loans and receivables and financial liabilities at amortised cost approximates the fair value, and as a result the fair values have not been disclosed in the fair value hierarchy.

Capital risk management

The objective of the Group and Company when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group is not subject to external capital requirements.

Consistent with others in the industry, the Group and Company monitors cash flow on the basis of the gearing ratio. This ratio is calculated as long-term debt divided by total capital employed. Total capital employed is calculated as 'Equity' as shown in the statement of financial position plus long-term debt. The Group is not subject to long-term debt as it does not have any external capital requirements.

During 2017, the Group and Company's strategy, which was unchanged from 2016, was to maintain the gearing ratio within 0% to 15%.

The gearing ratios at 30 June 2017 and 30 June 2016 respectively are as follows:

	GROUP		COMPANY	
	June 2017 R'000	June 2016 R'000	June 2017 R'000	June 2016 Restated* R'000
Total long-term borrowings	**–**	–	**–**	–
Total equity	**2 379 053**	1 563 582	**678 058**	851 005
Total capital employment	**2 379 053**	1 563 582	**678 058**	851 005
Gearing ratio	**–**	–	**–**	–
Adjusted to include short-term borrowings:				
Total borrowings	**–**	–	**–**	–
Total equity	**2 379 053**	1 563 582	**678 058**	851 005
Total capital employed	**2 379 053**	1 563 582	**678 058**	851 005
Gearing ratio (including short-term borrowings)	**–**	–	**–**	–

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

4. BUSINESS COMBINATIONS

The WAD Healthcare Assets Acquisition

On 1 August 2015 ("effective date") AfroCentric concluded agreements governing the acquisition of 100% of the WAD healthcare assets, being Pharmacy Direct Proprietary Limited, Curasana Wholesaler Proprietary Limited and Glen Eden Trading 58 Proprietary Limited, from WAD Holdings Proprietary Limited, hereafter referred to as the WAD Healthcare Assets acquisition. The principal enterprise, being Pharmacy Direct Proprietary Limited, is a designated service provider to a wide range of South African medical aid schemes. The business supplies chronic medication under Prescribed Minimum Benefits and normal chronic benefits to approximately 110 000 patients nationally. Pharmacy Direct was awarded a tender in terms of which chronic medication is dispensed on behalf of Government to districts in seven (2016: five) of South Africa's nine provinces. The WAD Healthcare Assets acquisition has instilled positive synergies to the Group's general value proposition for all stakeholders, adding scale, enhancing marketing and distribution channels and positively positioning the Group for accelerated growth. The purchase consideration for the WAD Healthcare Assets acquisition was 86.5 million AfroCentric shares as well as 26.2 million contingent shares being the maximum number of AfroCentric shares that management believed would be issued due to the attainment of certain profit levels in Glen Eden Trading 58 Proprietary Limited in the foreseeable future. In the current financial year the profit levels have been exceeded and the number of contingent shares has increased to 31.366 million. WAD Holdings Proprietary Limited has now elected to receive the contingent consideration in cash and not shares.

The WAD Healthcare Assets acquisition was accounted for using the purchase price method of accounting, which requires that the assets and liabilities of Pharmacy Direct Proprietary Limited, Curasana Wholesaler Proprietary Limited and Glen Eden Trading 58 Proprietary Limited be measured at fair value as at 1 August 2015.

	Total June 2016 R'000
Fair value of 100% net asset value at acquisition	106 529
Property and equipment	25 213
Loans to shareholders	20
Inventories	60 915
Current tax receivable	288
Trade and other receivables	100 414
Cash and cash equivalents	41 747
Intangible assets: customer relationships	89 485
Current tax payable	(2 911)
Trade and other payables	(184 347)
Deferred tax liability	(24 295)
Consideration for the purchase of 100% of net asset value	580 483
Goodwill arising from acquisition*	473 954

* *The goodwill arises from integrated synergies that are established through the acquisition of the WAD Healthcare Assets.*

Below is the breakdown of the consideration paid for the WAD Healthcare Assets acquisition:

No of shares (millions)	**Share price R**	**Total value R**
Share issue for Pharmacy Direct Proprietary Limited and Curasana Wholesaler Proprietary Limited (tranche 1)[1]	5.15[3]	347 136
Glen Eden Trading 58 Proprietary Limited (tranche 1)	5.15[3]	98 453
Glen Eden Trading 58 Proprietary Limited (tranche 2)[2]	5.15[3]	134 894
		580 483

[1] *In the case of Curasana Wholesaler Proprietary Limited and Pharmacy Direct Proprietary Limited it is management's view that certain government contracts will not be achieved by these entities hence additional shares will not be issued, apart from the shares that were already issued in tranche 1.*

[2] *Under the contingent consideration arrangement, AfroCentric Investment Corporation Limited was required to issue Glen Eden Trading 58 Proprietary Limited an additional 26 192 902 shares based on management's best estimate as per the Acquisition of Shares agreement. R134.9 million was the estimated fair value of this obligation at June 2016 year-end.*

During the current year based on the profits reached, the number of shares is now 31 366 977 and the fair value is R194.4 million. WAD Holdings Proprietary Limited has now elected to receive the contingent consideration in cash and not shares. If the share price increased by 10% the contingent consideration would decrease by R19.4 million in profit and loss and if the share price decreased by 10% the contingent consideration would increase by R19.4 million in profit and loss. Refer to Note 9.8 for further details.

[3] *This is the AfroCentric Investment Corporation Limited share price as at the effective date in 2015.*

4. BUSINESS COMBINATIONS CONTINUED

The Wellness Odyssey Acquisition (Post Balance Sheet Acquisition)

On 1 July 2017 ("effective date") AfroCentric concluded agreements governing the acquisition of 100% of Wellness Odyssey Proprietary Limited. Wellness Odyssey Proprietary Limited is a service provider for corporate wellness days – raising awareness and enhancing preventative care to the advantage of the medical scheme, employer groups and participating members. The Group is determined to pursue partnerships, acquisitions and mergers in order to drive toward value chain optimisation and this acquisition bears testament to this. The purchase consideration for Wellness Odyssey Proprietary Limited is R38 million in cash consideration.

The Wellness Odyssey Proprietary Limited will be accounted for using the purchase price method of accounting, which requires that the assets and liabilities of Wellness Odyssey Proprietary Limited be measured at fair value as at 1 July 2017. The amounts disclosed below are provisional.

Wellness Odyssey acquisition

	Total June 2017 R'000
Fair value of 100% net asset value at acquisition (assets)	**4 473**
Property and equipment	**274**
Trade and other receivables	**3 565**
Cash and cash equivalents	**2 099**
Deferred tax asset	**55**
Trade and other payables	**(1 315)**
Provisions	**(205)**
Consideration for the purchase of 100% of net asset value	**38 000**
Goodwill arising from acquisition*	**33 527**

* *The goodwill arises from integrated synergies that are established through the acquisition of Wellness Odyssey.*

5. SEGMENT INFORMATION

The Group's Chief Executive Officer and Chief Financial Officer have restructured the operating segments due to the purchase of the new WAD healthcare assets in the prior financial year. The operating segments identified are examined from a service perspective (total healthcare vs information technology) and geographical perspective (South Africa vs Africa). The geographical segments identified include all businesses outside of South Africa which include Botswana, Mauritius, Namibia, Kenya, Swaziland and Zimbabwe. Individually, each business outside of South Africa is not material hence management has taken the decision to disclose all business outside of South Africa as a separate operating segment. All segments have been disclosed according to what the Chief Operating Decision-Maker reviews.

Nature of business segments:

- Healthcare SA – consists of medical scheme administration and health risk management services in South Africa. Please refer to Note 11 which indicates Medscheme Holdings Proprietary Limited's summarised financial information.
- Healthcare Retail – consists of pharmaceutical sales/services from the WAD Healthcare Assets acquisition. These services are rendered in South Africa.
- Healthcare Africa – consists of all healthcare services outside of South Africa. This includes associate earnings (Botswana, Kenya, Namibia, Zimbabwe, Swaziland and Mauritius).
- Information technology – this relates to all IT-related services for the Group predominantly within South Africa.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

5. SEGMENT INFORMATION CONTINUED

2017	Healthcare SA R'000	Healthcare Retail R'000	Healthcare Africa R'000	Total Healthcare R'000	Information Techno-logy R'000	Inter-Group Elimina-tions R'000	Group R'000
Gross revenue	2 378 130	1 069 435	184 443	3 632 008	561 021	(408 328)	3 784 701
Administration expenses	(2 108 391)	(1 000 246)	(141 914)	(3 250 551)	(378 336)	408 295	(3 220 592)
Amortisation of intangibles	(1 754)	(9 057)	(340)	(11 151)	(71 391)	(3 908)	(86 450)
Depreciation	(14 339)	(3 852)	(2 087)	(20 278)	(24 821)	1	(45 098)
Net finance income	32 064	2 054	1 160	35 278	3 581	(45 905)	(7 046)
– Finance income	34 490	2 106	1 657	38 253	3 581	(2 213)	39 621
– Finance cost	(2 426)	(52)	(497)	(2 975)	–	(43 692)	(46 667)
Share-based payment expense	(2 096)	–	–	(2 096)	–	–	(2 096)
Net fair value gain/(impairment) of assets	1 323	–	–	1 323	(132)	2 110	3 301
– Fair value gain	17 079	–	–	17 079	–	6 073	23 152
– Impairment of assets	(15 756)	–	–	(15 756)	(132)	(3 963)	(19 851)
– Fair value of contingent consideration	(59 582)	–	–	(59 582)	–	–	(59 582)
– Profit warranty expense	(14 787)	–	–	(14 787)	–	–	(14 787)
Net share of profit of associate	(725)	9 656	5 374	14 305	–	1	14 306
– Share of profit of associate	(725)	9 656	5 374	14 305	–	1	14 306
Profit/(loss) before taxation	209 843	67 990	46 636	324 469	89 922	(47 734)	366 657
Income tax expense	(93 295)	(18 432)	(17 058)	(128 785)	(21 351)	3 520	(146 616)
Profit/(loss) for the year	116 548	49 558	29 578	195 684	67 571	(44 214)	220 041
Net segments assets	3 435 646	353 504	112 402	3 901 552	420 138	(1 252 810)	3 068 880
Segments assets	3 431 319	327 411	103 997	3 862 727	420 138	(1 252 808)	3 030 057
Investment in associates	4 327	26 093	8 405	38 825	–	(2)	38 823
Segment liabilities	418 127	220 409	17 361	655 897	155 342	(121 412)	689 827

Adjusted profit (EBITDA) earnings for management earnings (non-IFRS information)

EBITDA excludes the effects from significant items of income and expenditure which may have an impact on the quality of earnings such as depreciation, amortisation and impairments. It also excludes the effects of equity-settled share-based payments.

2017	Healthcare SA R'000	Healthcare Retail R'000	Healthcare Africa R'000	Total Healthcare R'000	Information Techno-logy R'000	Inter-Group Elimina-tions R'000	Group R'000
Profit/(loss) before taxation	209 843	67 990	46 636	324 469	89 922	(47 734)	366 657
Depreciation and amortisation	16 093	12 909	2 427	31 429	96 212	3 907	131 548
Reversal of impairment	15 756	–	–	15 756	132	3 963	19 851
Share-based payment expense	2 096	–	–	2 096	–	–	2 096
Net finance income	(32 064)	(2 054)	(1 160)	(35 278)	(3 581)	45 905	7 046
Adjusted profit/(loss) for the year (EBITDA)	211 724	78 845	47 903	338 472	182 685	6 041	527 198

5. SEGMENT INFORMATION CONTINUED

2016 (Restated)	Healthcare SA R'000	Healthcare Retail R'000	Healthcare Africa R'000	Total Healthcare R'000	Information Technology R'000	Inter-Group Eliminations R'000	Group R'000
Gross revenue	2 066 327	748 477	180 534	2 995 338	499 411	(346 603)	3 148 146
Other income	–	–	–	–	–	–	–
Administration expenses	(1 893 117)	(701 287)	(117 651)	(2 712 055)	(382 940)	306 599	(2 788 396)
Amortisation of intangibles	(1 385)	(8 171)	(336)	(9 892)	(55 629)	(13 811)	(79 332)
Depreciation	(11 935)	(2 531)	(2 242)	(16 708)	(21 302)	(1)	(38 011)
Net finance income	(3 612)	2 343	3 508	2 239	640	–	2 879
– Finance income	31 109	3 001	3 530	37 640	689	(5 943)	32 386
– Finance cost	(34 721)	(658)	(22)	(35 401)	(49)	5 943	(29 507)
Share-based payment expense	(6 444)	–	–	(6 444)	–	–	(6 444)
Net fair value gain/(impairment) of assets	20 995	–	–	20 995	–	1 232	22 227
– Fair value gain/(impairment) of assets	25 853	–	–	25 853	–	1 232	27 085
– Impairment of intangibles	(4 858)	–	–	(4 858)	–	–	(4 858)
Net share of profit of associate	(713)	7 479	3 352	10 118	–	–	10 118
– Share of profit of associate	(713)	7 479	3 352	10 118	–	–	10 118
Profit/(loss) before taxation	170 116	46 310	67 165	283 591	40 180	(52 584)	271 187
Income tax expense	(35 020)	(14 545)	(13 663)	(63 228)	(11 342)	(2 945)	(77 515)
Profit/(loss) for the year	135 096	31 765	53 502	220 363	28 838	(55 529)	193 672
Net segments assets	3 328 479	238 198	160 739	3 727 416	310 001	(996 701)	3 040 716
Segments assets	3 328 479	221 762	152 698	3 702 939	310 001	(996 701)	3 016 239
Investment in associates	–	16 436	8 041	24 477	–	–	24 477
Segment liabilities	1 059 074	163 482	26 159	1 248 715	129 339	99 080	1 477 134

Adjusted profit (EBITDA) earnings for management earnings (non-IFRS information)

EBITDA excludes the effects from significant items of income and expenditure which may have an impact on the quality of earnings such as depreciation, amortisation and impairments. It also excludes the effects of equity-settled share-based payments.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

5. SEGMENT INFORMATION CONTINUED

2016 (Restated)	Healthcare SA R'000	Healthcare Retail R'000	Healthcare Africa R'000	Total Healthcare R'000	Information Technology R'000	Inter-Group Eliminations R'000	Group R'000
Profit/(loss) before taxation	170 116	46 310	67 165	283 591	40 180	(52 584)	271 187
Depreciation and amortisation	13 320	19 323	2 578	35 221	76 932	5 190	117 343
Reversal of impairment	(20 995)	–	–	(20 995)	–	(1 232)	(22 227)
Share-based payment expense	6 444	–	–	6 444	–	–	6 444
Net finance income	3 612	(2 343)	(3 509)	(2 240)	(639)	–	(2 879)
Adjusted profit/(loss) for the year (EBITDA)	172 497	63 290	66 234	302 021	116 473	(48 626)	369 868

Correction of error in accounting for interest on conditional financial obligation

Due to an error in the accounting treatment of interest accrued under the conditional put option obligation, the segment profit and loss of the Healthcare SA segment for the year ended June 2016 were overstated by R24.960 million.

The error has been corrected by restating each of the affected segment information line items for the prior year, as described above.

Further information on the error is set out in Note 39.

6. PROPERTY AND EQUIPMENT

	GROUP					
	Motor vehicles R'000	Computer equipment R'000	Land and building R'000	Furniture and fittings R'000	Property and equipment R'000	Total R'000
Year ended 30 June 2017						
Opening carrying amount	**4 088**	**78 512**	**31 936**	**47 461**	**27 365**	**189 362**
Additions	**7 208**	**23 946**	**40**	**27 314**	**12 385**	**70 893**
Disposals	**(12)**	**(487)**	**–**	**(817)**	**(2 137)**	**(3 453)**
Depreciation charge	**(1 468)**	**(27 241)**	**(4)**	**(10 195)**	**(6 190)**	**(45 098)**
Closing carrying amount	**9 816**	**74 730**	**31 972**	**63 763**	**31 423**	**211 704**
At 30 June 2017						
Cost	**14 998**	**186 268**	**32 568**	**110 360**	**60 625**	**404 819**
Accumulated depreciation	**(5 182)**	**(111 538)**	**(596)**	**(46 597)**	**(29 202)**	**(193 115)**
Closing carrying amount	**9 816**	**74 730**	**31 972**	**63 763**	**31 423**	**211 704**
Year ended 30 June 2016						
Opening carrying amount	2 224	60 370	84	28 511	11 450	102 639
Additions	1 403	38 802	32 014	27 746	13 479	113 444
Disposals	(411)	(141)	–	(10 383)	(660)	(11 595)
Depreciation charge	(1 176)	(23 224)	(162)	(8 560)	(4 889)	(38 011)
Take on balances	2 048	2 705	–	10 147	7 985	22 885
Closing carrying amount	4 088	78 512	31 936	47 461	27 365	189 362
At 30 June 2016						
Cost	8 392	176 785	32 635	103 447	54 070	375 329
Accumulated depreciation	(4 304)	(98 273)	(699)	(55 986)	(26 705)	(185 967)
Closing carrying amount	4 088	78 512	31 936	47 461	27 365	189 362

7. INVESTMENT PROPERTY

	June 2017 R'000	June 2016 R'000
Opening fair value	**15 000**	15 000
Fair value gain	**418**	–
Closing fair value	**15 418**	15 000

Investment property consists of land, portion 108 (a portion of portion 27) of the farm Weltevreden 202 Roodepoort, South Africa. It is held for capital appreciation and is not occupied by the Group.

The Company has elected the fair value model in terms of IAS 40 (Investment Property). Changes in fair values are presented in profit or loss as part of other income.

The valuation was prepared by an independent valuer, J van der Hoven, a property practitioner from ARC Properties. J van der Hoven obtained his Post-Graduate Master's Degree in Architecture (recognised by RIBA and ARB) and has more than 10 years' experience as a property practitioner.

Refer to note 9.8 for further detail on the valuation process of the investment property.

The fair value of investment property was determined based on comparable sales method. The valuers have measured the fair values at R15.4 million as at 30 June 2017.

8. INTANGIBLE ASSETS

	Note	Goodwill R'000	Intellectual property R'000	Computer software R'000	Internally developed computer software R'000	Customer relationships R'000	Brands R'000	Total R'000
Opening carrying amount at 1 July 2016		**872 077**	**10 462**	**185 202**	**215 021**	**100 859**	**5 194**	**1 388 815**
Additions		**–**	**–**	**49 630**	**128 418**	**–**	**–**	**178 048**
Disposals		**–**	**–**	**(27)**	**–**	**–**	**–**	**(27)**
Amortisation charge for the year		**–**	**(841)**	**(39 597)**	**(33 996)**	**(10 114)**	**(1 902)**	**(86 450)**
Impairment**		**(16 640)**	**–**	**–**	**–**	**–**	**–**	**(16 640)**
Carrying value at 30 June 2017		**855 437**	**9 621**	**195 208**	**309 443**	**90 745**	**3 292**	**1 463 746**
At 30 June 2017								
Cost		**898 849**	**24 935**	**313 964**	**416 248**	**241 378**	**22 938**	**1 918 312**
Accumulated amortisation, impairment and adjustments		**(43 412)**	**(15 314)**	**(118 756)**	**(106 805)**	**(150 633)**	**(19 646)**	**(454 566)**
Closing carrying amount		**855 437**	**9 621**	**195 208**	**309 443**	**90 745**	**3 292**	**1 463 746**
Opening carrying amount at 1 July 2015		398 123	11 303	151 359	145 961	30 645	7 096	744 487
Take on balance*		–	–	607	–	–	–	607
Purchase price allocation*	4	473 954	–	–	–	89 485	–	563 439
Additions		–	–	66 823	98 039	–	–	164 862
Disposals		–	–	(390)	–	–	–	(390)
Amortisation charge for the year		–	(841)	(28 339)	(28 979)	(19 271)	(1 902)	(79 332)
Impairment		–	–	(4 858)	–	–	–	(4 858)
Carrying value at 30 June 2016		872 077	10 462	185 202	215 021	100 859	5 194	1 388 815
At 30 June 2016								
Cost		898 849	24 935	264 361	287 830	241 378	22 938	1 740 291
Accumulated amortisation, impairment and adjustments		(26 772)	(14 473)	(79 159)	(72 809)	(140 519)	(17 744)	(351 476)
Closing carrying amount		872 077	10 462	185 202	215 021	100 859	5 194	1 388 815

* *The recognition of goodwill (R474 million), customer relationships (R89 million) and take on balances is as a result of the WAD acquisition that was effective 1 August 2015.*

** *The impairment to goodwill relates to IE Business Strategic Consulting Proprietary Limited which has stopped trading.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

8. INTANGIBLE ASSETS CONTINUED

	GROUP		COMPANY	
	June 2017 R'000	June 2016 R'000	June 2017 R'000	June 2016 R'000
Goodwill	**855 437**	872 077	**–**	–
Computer software	**107 895**	96 581	**–**	–
FICO (computer software)	**87 313**	88 620	**–**	–
Nexus (internally developed computer software)	**161 950**	118 297	**–**	–
Gexus (internally developed computer software)	**48 469**	41 313	**–**	–
Development costs (internally developed computer software)	**99 024**	55 412	**–**	–
Intellectual Property	**9 621**	10 462	**–**	–
Customer relationships	**90 745**	100 859	**–**	–
Brand	**3 292**	5 194	**–**	–
	1 463 746	1 388 815	**–**	–

A summary per cash-generating unit ("CGU") of the goodwill allocation is presented below:

	GROUP		COMPANY	
	June 2017 R'000	June 2016 R'000	June 2017 R'000	June 2016 R'000
Healthcare Administration SA CGU				
Medscheme – healthcare administration	**248 622**	265 262	**–**	–
Medscheme – health risk management	**89 298**	89 298	**–**	–
Aid for Aids Management (Pty) Ltd – healthcare administration	**23 490**	23 490	**–**	–
Allegra (Pty) Ltd – healthcare IT support	**1 268**	1 268	**–**	–
Bonitas Marketing – healthcare marketing support	**835**	835	**–**	–
Klinikka (Pty) Ltd – medical equipment supplier	**2 435**	2 435	**–**	–
Healthcare Africa CGU				
Medscheme Mauritius Limited – local administration	**4 969**	4 969	**–**	–
Medscheme Mauritius Limited – international administration	**10 566**	10 566	**–**	–
Healthcare Retail SA CGU				
Pharmacy Direct, Curasana and Glen Eden	**473 954**	473 954	**–**	–
	855 437	872 077	**–**	–

Management determines the recoverable amount of cash generating units as being the higher of fair value less costs to sell or value in use. In the absence of an active market, value in use is used to determine the recoverable amount. As there is no active market, value in use is used. A traditional method of discounting management's best estimate of future cash flows attributable to the cash generating unit has been applied to determine the value in use. A growth rate has been applied to cash flow streams to take into account the effect of inflation as well as business-specific expectations.

Assumptions used in the determination of the discount rate are as follows:
- The rate on government bonds (risk-free rate) 7.72% as at 30 June 2017
- A market risk premium of 5.8% is justified as the overall risk is to the downside

(Please note that the inputs above were adjusted for geographical and entity-specific risk.)

8. INTANGIBLE ASSETS CONTINUED

The table below indicates the variables used in the determination of the discounted cash flows for the separate business units.

	Recoverable amount R'000	Risk adjustment factor	WACC[1]	Forecast period[2]	Average growth rate[3]
Medscheme – healthcare administration and health risk management	4 723 853	1.0	13.39	4 years	6.00%
Aid for Aids Management (Pty) Ltd – healthcare administration	122 491	1.0	13.39	4 years	6.00%
Allegra (Pty) Ltd – healthcare IT support	121 743	1.15	15.40	4 years	6.00%
AfroCentric Distribution Services (Pty) Ltd	160 754	1.15	14.73	4 years	6.00%
Klinikka (Pty) Ltd – medical equipment supplier	32 856	1.20	13.39	4 years	6.00%
Medscheme Mauritius Limited – local and international administration	74 987	1.15	15.40	4 years	6.00%
Pharmacy Direct, Curasana and Glen Eden	936 010	1.0	13.39	4 years	6.00%

[1] *All companies within the Group approximate the Group's WACC. As the Group is debt free, the WACC will approximate the return on equity.*

[2] *Based on the average long tenure of current contracts with our clients. A forecast period of four years is considered reasonable.*

[3] *Growth rates are based on current consumer price indicators and membership growth.*

The net present value of forecasts support the carrying value of the goodwill indicated above.

The sensitivity analysis below indicates a 1% variation on the above input variables on the recoverable amount:

	WACC		Average Growth Rate	
	+1% R'000	-1% R'000	+1% R'000	-1% R'000
Medscheme – healthcare administration and health risk management	(563 034)	739 257	790 796	(602 287)
Aid for Aids Management (Pty) Ltd – healthcare administration	(2 872)	2 982	3 163	(3 097)
Allegra (Pty) Ltd – healthcare IT support	(11 724)	14 472	15 781	(12 746)
AfroCentric Distribution Services (Pty) Ltd	(16 326)	20 497	20 912	(16 731)
Klinikka (Pty) Ltd – medical equipment supplier	(3 871)	5 080	4 799	(3 668)
Medscheme Mauritius Limited – local and international administration	(7 221)	8 914	9 705	(7 860)
Pharmacy Direct, Curasana and Glen Eden	(110 277)	144 716	146 819	(112 329)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

8. INTANGIBLE ASSETS CONTINUED

Below is the movement of goodwill for each cash-generating unit:

	Opening R'000	Addition R'000	Disposal R'000	Impairment R'000	Closing R'000
2017					
Medscheme – healthcare administration	**265 262**	**–**	**–**	**(16 640)**	**248 622**
Medscheme – health risk management	**89 298**	**–**	**–**	**–**	**89 298**
Aid for Aids Management (Pty) Ltd – healthcare administration	**23 490**	**–**	**–**	**–**	**23 490**
Medscheme Mauritius Limited – local administration	**4 969**	**–**	**–**	**–**	**4 969**
Medscheme Mauritius Limited – international administration	**10 566**	**–**	**–**	**–**	**10 566**
Allegra (Pty) Ltd – healthcare IT support	**1 268**	**–**	**–**	**–**	**1 268**
AfroCentric Distribution Services (Pty) Ltd	**835**	**–**	**–**	**–**	**835**
Pharmacy Direct, Curasana and Glen Eden	**473 954**	**–**	**–**	**–**	**473 954**
Klinikka (Pty) Ltd – medical equipment supplier	**2 435**	**–**	**–**	**–**	**2 435**
	872 077	**–**	**–**	**(16 640)**	**855 437**
2016					
Medscheme – healthcare administration	265 262	–	–	–	265 262
Medscheme – health risk management	89 298	–	–	–	89 298
Aid for Aids Management (Pty) Ltd – healthcare administration	23 490	–	–	–	23 490
Medscheme Mauritius Limited – local administration	4 969	–	–	–	4 969
Medscheme Mauritius Limited – international administration	10 566	–	–	–	10 566
Allegra (Pty) Ltd – healthcare IT support	1 268	–	–	–	1 268
AfroCentric Distribution Services (Pty) Ltd	835	–	–	–	835
Pharmacy Direct, Curasana and Glen Eden	–	473 954	–	–	473 954
Klinikka (Pty) Ltd – medical equipment supplier	2 435	–	–	–	2 435
	398 123	473 954	–	–	872 077

9. FINANCIAL INSTRUMENTS

Financial instruments by category

	GROUP			
Financial assets	**Financial assets at amortised cost R'000**	**Financial assets at fair value through profit and loss R'000**	**Available for sale financial assets R'000**	**Total R'000**
June 2017				
Trade and other receivables (excluding prepayments)	**256 368**	**–**	**–**	**256 368**
Financial assets at fair value	**–**	**364 015**	**18 444**	**382 459**
Cash and cash equivalent	**361 738**	**–**	**–**	**361 738**
June 2016				
Trade and other receivables (excluding prepayments)	329 237	–	–	329 237
Financial assets at fair value	–	305 355	18 444	323 799
Cash and cash equivalent	373 068	–	–	373 068

During the prior year funds were invested into collective share investment schemes (Note 9.9).

	COMPANY			
Financial assets	**Financial assets at amortised cost R'000**	**Financial assets at fair value through profit and loss R'000**	**Available for sale financial assets R'000**	**Total R'000**
June 2017				
Trade and other receivables (excluding prepayments)	**280**	**–**	**–**	**280**
Financial assets at fair value	**–**	**364 015**	**–**	**364 015**
Cash and cash equivalent	**22 699**	**–**	**–**	**22 699**
June 2016				
Trade and other receivables (excluding prepayments)	770	–	–	770
Financial assets at fair value	–	305 355	–	305 355
Cash and cash equivalent	145 884	–	–	145 884

During the prior year funds were invested into collective share investment schemes (Note 9.9) and Jasco Electronics Holdings was reclassified as fair value through profit and loss.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

9. FINANCIAL INSTRUMENTS CONTINUED

Financial instruments by category continued

	GROUP		
Financial liabilities	**Liabilities at fair value through profit and loss R'000**	**Amortised cost R'000**	**Total R'000**
June 2017			
Trade and other payables	**–**	**264 394**	**264 394**
Contingent consideration	**194 475**	**–**	**194 475**
Conditional financial obligation	**–**	**–**	**–**
Deferred payment	**5 051**	**–**	**5 051**
June 2016			
Trade and other payables	–	383 029	383 029
Contingent consideration	134 893	–	134 893
Conditional financial obligation	–	727 960	727 960

	COMPANY		
Financial liabilities	**Liabilities at fair value through profit and loss R'000**	**Amortised cost R'000**	**Total R'000**
June 2017			
Trade and other payables	**–**	**19 174**	**19 174**
Loans from Group companies	**–**	**10 242**	**10 242**
Contingent consideration	**194 475**	**–**	**194 475**
June 2016			
Trade and other payables	–	7 139	7 139
Loans from Group companies	–	44 477	44 477
Contingent consideration	134 893	–	134 893

9.1 Trade receivables

Trade receivables that are less than 90 days are not considered for impairment. As of 30 June 2017, trade receivables of R64.5 million (2016: R58.3 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default and are expected to be recoverable.

Ageing of trade and other receivables:

	GROUP				
	Current R'000	**30 days R'000**	**60 days R'000**	**90+ days R'000**	**Total R'000**
June 2017					
Gross trade debtors	**145 696**	**31 426**	**10 132**	**36 278**	**223 532**
Net trade debtors	**145 696**	**31 426**	**10 132**	**22 937**	**210 191**
Past due but not impaired	**–**	**31 426**	**10 132**	**22 937**	**64 495**
Other receivables	**3 821**	**3 259**	**52**	**4 369**	**11 501**
June 2016					
Gross trade debtors	200 810	7 470	7 959	46 786	263 025
Net trade debtors	200 810	7 470	7 959	42 905	259 144
Past due but not impaired	–	7 470	7 959	42 905	58 334
Other receivables	5 949	5 076	80	6 803	17 908

9. FINANCIAL INSTRUMENTS CONTINUED

9.1 Trade receivables continued

Disclosure of trade debtors:

	June 2017 R'000	June 2016 R'000
Gross trade debtors	**223 532**	263 025
Provision for impairment of trade receivables as above	**(13 341)**	(3 881)
Net trade debtors (Note 9.2)	**210 191**	259 144

Movement in the provision for impairment of trade receivables are as follows:

	June 2017 R'000	June 2016 R'000
At the beginning of the period	**3 881**	884
Provisions raised/(utilised)	**9 460**	2 997
	13 341	3 881

No ageing is applicable to the other categories within trade and other receivables. However, all trade and other receivables of the Company are current or due on demand.

The majority of the Group's client base comprises large medical healthcare providers for open schemes and listed blue chip companies with regard to closed medical schemes. Amounts invoiced to these clients are banked in advance before invoice date and therefore the risk of non-recovery is very low.

Provisions for impairment are raised when there is evidence that amounts are not recoverable in full or part from the debtor. Disputed claims and long outstanding debts are usually indicators of non-recovery. The Group does not raise a general provision for all outstanding debtors due to the high quality of its debtors and an impeccable repayment history. The provision raised above relates to specific debtors.

The creation and release of provision for impaired receivables have been included in 'other expenses' in the statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables detailed in Note 9.2 do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

9.2 Trade and other receivables

	GROUP		COMPANY	
	June 2017 R'000	June 2016 R'000	June 2017 R'000	June 2016 R'000
Trade debtors	**210 191**	259 144	**–**	–
Deposits	**7 284**	12 629	**–**	–
Prepayments	**63 868**	35 767	**–**	45
Sundry debtors	**27 392**	39 556	**280**	770
Other receivables	**11 501**	17 908	**–**	–
	320 236	365 004	**280**	815

All receivables are current. The carrying amounts of all trade and other receivables approximate fair value.

Refer to Note 9.1 for ageing of trade and other receivables.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

9. FINANCIAL INSTRUMENTS CONTINUED

9.3 Receivables from associates

	Effective % holding	GROUP June 2017 R'000	GROUP June 2016 R'000	COMPANY June 2017 R'000	COMPANY June 2016 R'000
Activo Health (Pty) Ltd	26	**11 337**	20 437	**–**	–
The Cheese Has Moved (Pty) Ltd	51	**2 051**	–	**–**	–
		13 388	20 437	**–**	–

Management has assessed the likelihood of non-recovery of outstanding amounts due from its associates and determined that no impairment is necessary due to the fact that all associates are profitable or will be profitable in the foreseeable future.

9.4 Available for sale financial instruments

	GROUP June 2017 R'000	GROUP June 2016 R'000	COMPANY June 2017 R'000	COMPANY June 2016 R'000
Non-current assets				
AAR Insurance Holdings Kenya	**18 444**	18 444	**–**	–
	18 444	18 444	**–**	–

Classification of investment as available for sale

Due to the 3% shareholding of AAR being declared as a dividend in specie to Medscheme Holdings Proprietary Limited, the investment in AAR was accounted for as an available for sale financial instrument as management intends to hold the investment for the medium to long term and is not held for trading.

	Opening carrying amount R'000	Dividend in specie R'000	Transaction costs R'000	Gains and losses recognised in other comprehensive income R'000	Closing carrying amount R'000
Non-current assets					
AAR Insurance Holdings Kenya	**18 444**	**–**	**–**	**–**	**18 444**
	18 444	**–**	**–**	**–**	**18 444**

Impairment indicators for the available for sale investment

The investment is considered to be impaired if there has been a significant or prolonged decline in the fair value below its cost. The Group evaluates the duration and the extent to which the fair value of the investment is less than its cost, and the financial health of and short-term business outlook for the investee (including factors such as industry and sector performance, changes in technology and operational and financing cash flows). Due to the factors listed above, the Group has determined that an impairment is not required in the 2017 financial year.

Significant estimates

The fair value of the investment in AAR Insurance Holdings Kenya is not traded in an active market and as a result is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. At year end, based on the latest financial information provided to us, the carrying amount approximates the fair value.

9. FINANCIAL INSTRUMENTS CONTINUED

9.5 Cash and cash equivalents

	GROUP		COMPANY	
	June 2017 R'000	**June 2016 R'000**	**June 2017 R'000**	**June 2016 R'000**
Cash at bank and short-term bank deposits				
zaA – Absa Bank Limited	**3 091**	6 174	**3 091**	6 174
AA – Bank Windhoek Limited	**21 576**	50 528	**–**	–
BB+ – Nedbank Limited*	**274 411**	104 882	**18 575**	19 792
Baa_3 – Standard Bank Limited**	**303**	93 070	**–**	57 324
BB+ – Investec Limited*	**–**	62 525	**–**	62 525
BBB+ – Sasfin Limited*	**62 357**	55 889	**1 033**	69
Total cash at bank and short-term bank deposits	**361 738**	373 068	**22 699**	145 884

* *The ratings from "AA" to "CCC" may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.*

** *Moody's appends numerical modifiers 1, 2 and 3 to each generic rating classification from Aa through Caa. The modifier 3 indicates a ranking in the lower end of that generic rating category.*

The ratings for Absa Bank Limited, Nedbank Limited and Investec Limited where obtained from S&P Global.

The rating for Standard Bank Limited was obtained from Moody's.

The ratings for Sasfin Limited and Bank Windhoek Limited were obtained from Global Credit Rating Co.

The rating scores are based on the following broad investment grade definitions:

zaA An obligation rated zaA is somewhat more susceptible to adverse effects of changes in circumstances and economic conditions than higher-rated debt. Still, the obligator's capacity to meet its financial commitments on the obligation, relative to other national obligators, is strong.

AA Very high credit quality relative to other issuers or obligations in the same country. Protection factors are very strong. Adverse changes in business, economic or financial conditions would increase investment risk although not significantly.

BB An obligation rated "BB" is less vulnerable to non-payment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial or economic conditions which could lead to the obligator's inadequate capacity to meet its financial commitment on the obligation.

Baa Obligations rated Baa are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.

BBB Adequate protection factors relative to other issuers or obligators in the same country. However, there is considerable variability in risk during economic cycles.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

9. FINANCIAL INSTRUMENTS CONTINUED

9.5 Cash and cash equivalents continued

	GROUP		COMPANY	
	June 2017 R'000	**June 2016 R'000**	**June 2017 R'000**	**June 2016 R'000**
Cash	**263 346**	161 584	**21 666**	25 966
Short-term deposits*	**98 392**	211 484	**1 033**	119 918
	361 738	373 068	**22 699**	145 884

* *Short-term deposits relate to cash at the year-end deposited into specific bank accounts.*

For purposes of the statement of cash flows, the year-end cash and cash equivalents comprise the following:

	GROUP		COMPANY	
	June 2017 R'000	**June 2016 R'000**	**June 2017 R'000**	**June 2016 R'000**
Cash and bank balances	**361 738**	373 068	**22 699**	145 884

9.6 Trade and other payables

	GROUP		COMPANY	
	June 2017 R'000	**June 2016 R'000**	**June 2017 R'000**	**June 2016 R'000**
Trade payables*	**134 157**	216 081	**157**	532
Accruals	**32 088**	29 577	**–**	119
Payroll creditors	**38 142**	39 764	**–**	–
Shareholders for dividends	**7 239**	9 919	**3 366**	4 604
Other payables*	**52 768**	87 688	**15 651**	1 884
	264 394	383 029	**19 174**	7 139

* *All trade and other payables are current and are expected to be settled with the next 12 months. The carrying values at the year-end approximate their fair values.*

9.7 Loans from Group companies

	GROUP		COMPANY	
	June 2017 R'000	**June 2016 R'000**	**June 2017 R'000**	**June 2016 R'000**
AfroCentric Health (Pty) Ltd	**–**	–	**10 242**	43 116
ACT Funding (Pty) Ltd	**–**	–	**–**	1 361
	–	–	**10 242**	44 477

The loan with ACT Funding Proprietary Limited is unsecured and interest free.

The loan with AfroCentric Health Proprietary Limited is unsecured and bears interest at the prime interest rate calculated monthly.

These loans have no fixed terms of repayment, but are payable on demand.

9. FINANCIAL INSTRUMENTS CONTINUED

9.8 Recognised fair value measurements

Fair value hierarchy

The following hierarchy is used to classify financial and non-financial instruments for fair value measurement purposes:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within level that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2017:

		GROUP			COMPANY		
	Note	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
2017							
Investment in Jasco	9.9	**36 296**	**–**	**–**	**36 296**	**–**	**–**
Collective share investment schemes	9.9	**–**	**327 719**	**–**	**–**	**327 719**	**–**
Investment in AAR	9.4	**–**	**–**	**18 444**	**–**	**–**	**–**
Contingent consideration	34	**–**	**–**	**(194 475)**	**–**	**–**	**(194 475)**
Investment property	7	**–**	**–**	**15 418**	**–**	**–**	**–**
		36 296	**327 719**	**(160 613)**	**36 296**	**327 719**	**(194 475)**
2016							
Investment in Jasco	9.9	37 182	–	–	37 182	–	–
Collective share investment schemes*	9.9	–	268 173	–	–	268 173	–
Investment in AAR	9.4	–	–	18 444	–	–	–
Contingent consideration	34	–	–	(134 893)	–	–	(134 893)
Investment property	7	–	–	15 000	–	–	–
		37 182	286 173	(101 449)	37 182	268 173	(134 893)

* *The investment in collective schemes has been moved into Level 2 as it is not listed on the JSE.*

Specific valuation techniques used to value financial and non-financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments (the Jasco Electronics share price was obtained from the Johannesburg Stock Exchange (JSE));
- the fair value of the collective schemes which is determined using the current unit price of underlying unitised asset, multiplied by the number of units held;
- the fair value of the remaining financial instruments which is determined using discounted cash flow analysis and PE ratios; and
- the fair value of the investment property which is determined by using the comparable sales method.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

9. FINANCIAL INSTRUMENTS CONTINUED

9.8 Recognised fair value measurements continued

Fair value hierarchy continued

The assets disclosed above have been classified as Level 3 financial and non-financial instruments, i.e. the inputs are not based on observable market data except for the investment in Jasco Electronics, which is classified as a Level 1 financial instrument. The carrying amount of all assets in the table above approximates the fair value of the assets.

Group fair value measurements using significant unobservable inputs (Level 3):

	Contingent consideration R'000	Investment in AAR R'000	Investment property R'000
Opening balance	134 893	18 444	15 000
Additions	59 582	–	418
Closing balance	194 475	18 444	15 418

Valuation inputs and relationships to fair value

Investment in AAR

The fair value of the investment in AAR Insurance Holdings is derived by valuation techniques (price earnings ratio) using the most recent financial information available to AfroCentric Investment Corporation Limited. Management is satisfied that valuation of the investment in the AAR represents the fair value.

Investment property

The fair value of the investment property is derived by an external property valuer using the comparable sales method. In applying this approach the valuer has selected other properties that have similar risk, growth and cash-generating profiles. Management reviews the valuation performed by the external valuer and is satisfied that the inputs used by the external property valuer are reasonable.

Contingent consideration

The fair value of the contingent consideration was determined by the ACT share price at year-end, multiplied by the number of shares to be issued. The number of shares to be issued is stipulated in the shareholders agreement which is derived from the actual profits generated from Glen Eden. Under the contingent consideration arrangement, AfroCentric Investment Corporation Limited is required to issue WAD Holdings Proprietary Limited an additional 31 366 977 shares (2016: 26 192 902 shares) based on the above. R194.5 million (2016:R134.9 million) is the estimated fair value of this obligation at year-end.

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

Description	Fair value at 30 June 2017 R'000	Unobservable inputs	Input value used	Sensitivity of unobservable inputs on profit and loss
Investment in AAR (unlisted investment)	**18 444**	Price earnings ratio	8.71	If a price earnings ratio of 7.71 was used, the investment in AAR would decrease by R2.141 million in other comprehensive income. If a price earnings ratio of 9.71 was used, the investment in AAR would increase by R2.141 million in other comprehensive income.
Investment property	**15 418**	Price per square metre	R1 542 per square metre	The higher the price per square metre, the higher the fair value.
Contingent consideration	**194 475**	Price per share	R6.20	If the share price increased by 10% the contingent consideration would decrease by R19.4 million in profit and loss. If the share price decreased by 10% the contingent consideration would increase by R19.4 million in profit and loss.

Valuation process

The finance department of the Group performs the valuations of the investments for financial reporting purposes, including Level 3 fair values (excluding the investment property). The team reports directly to the Chief Financial Officer ("CFO"). Discussions of the valuation processes and results are held between the CFO and the Group Finance department at least once every six months, in line with the Group's bi-annual reporting periods.

9. FINANCIAL INSTRUMENTS CONTINUED

9.9 Financial assets at fair value through profit and loss

	GROUP		COMPANY	
	June 2017 R'000	**June 2016 R'000**	**June 2017 R'000**	**June 2016 R'000**
Non-current assets				
Collective share investment scheme	**59 976**	268 173	**59 976**	268 173
Jasco Electronic Holdings Limited	**36 296**	37 182	**36 296**	37 182
	96 272	305 355	**96 272**	305 355
Current assets				
Collective share investment scheme	**267 743**	–	**267 743**	–
	267 743	–	**267 743**	–

In the current financial year AfroCentric Investment Corporation Limited invested funds into two different investments, namely:

- STANLIB Extra Income Fund
- NedGroup Core Income Fund

During the prior financial year AfroCentric Investment Corporation Limited invested in the following:

- Coronation Strategic Income fund
- Prescient Income Proper Fund
- Sanlam SIM Inflation Plus Fund
- Sanlam SIM Inflation Plus Fund B4
- Sanlam SIM Inflation Plus Fund B5

Classification financial assets through profit and loss

As a result of holding these assets for the medium term these have been designated at fair value through profit and loss. The collective share investment schemes were designated at fair value through profit and loss at initial recognition. The investment in Jasco was initially designated at fair value through profit and loss and is held for trading.

	Opening carrying amount R'000	Additions R'000	Fair value gains and losses R'000	Disposals/ transfer to short term R'000	Closing carrying amount R'000
Non-current assets					
Collective share investment scheme	268 173	–	23 078	(231 275)	59 976
Jasco Electronic Holdings Limited	37 182	–	(886)	–	36 296
	305 355	–	22 192	(231 275)	96 272
Current assets					
Collective share investment scheme	–	35 508	960	231 275	267 743
	–	35 508	960	231 275	267 743

Impairment indicators for fair value through profit and loss investment

Any impairment will be reflected in the share price which would result in a fair value loss that would be recognised in the statement of comprehensive income.

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FOR THE YEAR ENDED 30 JUNE 2017

9. FINANCIAL INSTRUMENTS CONTINUED

9.10 Financial assets at amortised cost

	GROUP		COMPANY	
	June 2017 R'000	June 2016 R'000	June 2017 R'000	June 2016 R'000
Non-current assets				
AA – Standard Bank	–	70 496	–	70 496
AA – Investec Bank	–	73 265	–	73 265
	–	143 761	–	143 761
Current assets				
AA – Investec Bank	**79 892**	–	**79 892**	–
	79 892	–	**79 892**	–

AA – The financial instrument is judged to be of high quality, is subject to very low credit risk and indicates quality issuers.

During the prior year AfroCentric Investment Corporation Limited invested funds into the following investments, namely:
- Standard Bank Notice Deposit
- Investec Wholesale Structured Deposit

Classification financial assets at amortised cost

Deposits are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. The deposits are included as non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets. The carrying amount approximates the fair value of the investments.

10. INVESTMENT IN ASSOCIATES

	GROUP		COMPANY	
	June 2017 R'000	June 2016 R'000	June 2017 R'000	June 2016 R'000
Carrying value	**38 823**	24 477	–	–

During the current year a 51% interest was purchased in The Cheese Has Moved Proprietary Limited. The Group has significant influence over this entity. We do not control the voting power of the Board decision-making therefore this is an associate.

During the prior year a 26% interest was purchased in Activo Health Proprietary Limited. The Group has significant influence over this entity.

At 30 June 2016, Invisible Card Company was fully impaired as the business is not trading.

In the current year, only Activo Health Proprietary Limited's total aggregate assets, liabilities and results of operations are disclosed as it is the most significant associate.

10. INVESTMENT IN ASSOCIATES CONTINUED

	GROUP	
	June 2017 R'000	**June 2016 R'000**
Non-current assets (excluding intangible assets)	**1 227**	961
Intangible assets	**21 536**	19 871
Current assets	**109 035**	110 015
Total assets	**131 798**	130 847
Non-current liabilities	**1**	74 918
Current liabilities	**74 909**	36 957
Total liabilities	**74 910**	111 875
Revenue	**388 058**	263 318
Total comprehensive income attributable to ordinary shareholders	**37 138**	7 479
Net profit for the year	**37 138**	7 479
Other comprehensive income	**–**	–

	GROUP		COMPANY	
	June 2017 R'000	**June 2016 R'000**	**June 2017 R'000**	**June 2016 R'000**
Balance at the beginning of the period	**24 477**	14 873	**–**	–
Share of after taxation profit	**14 306**	10 118	**–**	–
Dividends received	**(5 010)**	(4 112)	**–**	–
Impairment of Invisible Card Company[1]	**–**	(5 359)	**–**	–
Purchase of Activo Health[2]	**–**	8 957	**–**	–
Purchase of The Cheese Has Moved[3]	**5 050**			
Balance at the end of period	**38 823**	24 477	**–**	–

[1] *In the 2016 year-end, Invisible Card Company Proprietary Limited was fully impaired.*

[2] *Activo Health Proprietary Limited was acquired during the 2016 year as part of the WAD healthcare assets acquisition to strategically align with the Group's integrated healthcare offering.*

[3] *The Cheese Has Moved Proprietary Limited was acquired during the 2017 year to strategically align with the Group's integrated offering.*

Individually immaterial associates

In addition to the interest in Activo Health disclosed above, the Group has interests in The Cheese Has Moved and Associated Fund Administrators which are immaterial associates that are accounted for using the equity method.

	GROUP	
	June 2017 R'000	**June 2016 R'000**
Aggregate carrying amount of individually immaterial associates	**12 730**	8 041
Aggregate amounts of the Group's share of:		
Profit/(loss) from continuing operation	**4 649**	2 639
Other comprehensive income	**–**	–
Total comprehensive income	**4 649**	2 639

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

10. INVESTMENT IN ASSOCIATES CONTINUED

	Reporting date	Number of shares held	Percentage holdings June 2017 R'000	Percentage holdings June 2016 R'000	GROUP carrying amount June 2017 R'000	GROUP carrying amount June 2016 R'000	COMPANY carrying amount June 2017 R'000	COMPANY carrying amount June 2016 R'000
Unlisted								
Activo Health (Pty) Ltd	30 June	26	**26**	26	**26 093**	16 436	**–**	–
Associated Fund Administrators (Pty) Ltd	30 September	24 000	**24**	24	**8 405**	8 041	**–**	–
Invisible Card Company (Pty) Ltd*	30 June	30	**40**	40	**–**	–	**–**	–
The Cheese Has Moved (Pty) Ltd	30 June	51	**51**	–	**4 325**	–	**–**	–
AfroCentric Health Solutions Limited (Kenya Investments)	31 December	26	**26**	26	**–**	–	**–**	–
					38 823	24 477	**–**	–

* *In the 2016 year end, Invisible Card Company Proprietary Limited was fully impaired.*

All the above are incorporated in South Africa except for Associated Fund Administrators Botswana Proprietary Limited which is incorporated in Botswana and AfroCentric Health Solutions Limited which is incorporated in Kenya.

Due to the Group's non-controlling interest in Associated Fund Administrators Botswana Proprietary Limited, it has no influence in aligning its reporting dates with the Group's. Management accounts was used to equity account this investment. In the current financial year, Activo Health has aligned its reporting date with the Group's, 30 June.

	Opening carrying amount 1 July 2016 R'000	Share of after tax profit/ (losses) R'000	Fair value/ impair-ment R'000	Reclassifi-cation/ disposals/ acquisi-tions R'000	Dividends received R'000	Closing carrying amount 30 June 2017 R'000
Unlisted						
Activo Health (Pty) Ltd	16 436	9 657	–	–	–	**26 093**
Associated Fund Administrators Botswana (Pty) Ltd	8 041	5 374	–	–	(5 010)	**8 405**
Invisible Card Company (Pty) Ltd	–	–	–	–	–	**–**
The Cheese Has Moved (Pty) Ltd	–	(725)	–	5 050	–	**4 325**
AfroCentric Health Solutions Limited (Kenya Investments)	–	–	–	–	–	**–**
	24 477	14 306	–	5 050	(5 010)	**38 823**

	Shares at cost June 2017 R'000	Shares at cost June 2016 R'000	Equity profits June 2017 R'000	Equity profits June 2016 R'000	Carrying amount of investment June 2017 R'000	Carrying amount of investment June 2016 R'000
Unlisted						
Activo Health (Pty) Ltd	**8 957**	8 957	**17 136**	7 479	**26 093**	16 436
Associated Fund Administrators (Pty) Ltd	**523**	523	**7 882**	7 518	**8 405**	8 041
Invisible Card Company (Pty) Ltd*	**6 346**	6 346	**(6 346)**	(6 346)	**–**	–
The Cheese Has Moved (Pty) Ltd	**5 050**	–	**(725)**	–	**4 325**	–
AfroCentric Health Solutions Limited (Kenya Investments)	**18 211**	18 211	**(18 211)**	(18 211)	**–**	–
	39 087	34 037	**(264)**	(9 560)	**38 823**	24 477

* *Invisible Card Company Proprietary Limited was fully impaired in the 2016 year-end.*

11. INVESTMENT IN SUBSIDIARIES

	GROUP		COMPANY	
	June 2017 R'000	June 2016 R'000	June 2017 R'000	June 2016 R'000
Unlisted investments at cost	**–**	–	**428 144**	428 144

Name	Main business	Country of incorporation	Interest held (voting rights)
2017 and 2016			
Directly held			
AfroCentric Resources (Pty) Ltd	Dormant	South Africa	100%
AfroCentric Capital (Pty) Ltd	Dormant	South Africa	100%
ACT Healthcare Assets (Pty) Ltd	Investment holding	South Africa	71.3%**
ACT Funding (Pty) Ltd	Financing	South Africa	100%
Indirectly held			
AfroCentric Health (Pty) Ltd	Healthcare Administration	South Africa	71.3%

The indirectly held subsidiary, Medscheme Holdings Proprietary Limited, owned by AfroCentric Health Proprietary Limited, operates in the healthcare administration industry. The total aggregate assets, liabilities and results of Medscheme Holdings Proprietary Limited's operations are summarised as follows:

Summarised statement of financial position of Medscheme Holdings Proprietary Limited:

	GROUP	
	June 2017 R'000	June 2016 R'000
Non-current assets (excluding intangible assets)	**158 491**	149 183
Intangible assets	**18 777**	15 079
Current assets	**950 271**	725 973
Total assets	**1 127 539**	890 235
Non-current liabilities	**27 850**	22 764
Current liabilities	**235 681**	219 484
Total liabilities	**263 531**	242 248

Summarised statement of comprehensive income of Medscheme Holdings Proprietary Limited:

	GROUP	
	June 2017 R'000	June 2016 R'000
Revenue	**2 008 106**	1 860 722
Profit for the period	**216 194**	137 889
Other comprehensive (loss)/income	**(285)**	206
Total comprehensive income	**215 909**	138 095

Summarised statement of cash flows of Medscheme Holdings Proprietary Limited:

	GROUP	
	June 2017 R'000	June 2016 R'000
Net cash inflow from operating activities	**309 744**	66 108
Net cash outflow from investing activities	**(188 432)**	(222 380)
Net cash inflow from financing activities	**1 234**	36 468
Net decrease in cash and cash equivalents	**(122 546)**	(119 804)

** *During the prior year, the Company's shareholding in ACT Healthcare Assets Proprietary Limited was diluted to 71.3% as a result of a share issue to Sanlam. The proceeds on disposal of R703 million were received in cash. An amount of R456.3 million (being the proportionate share of the carrying amount of the net assets of ACT Healthcare Assets Proprietary Limited has been transferred to non-controlling interest (Note 16). The difference of R246.6 million between the increase in the non-controlling interest and the consideration received has been credited directly to equity.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

12. DEFERRED INCOME TAX

	GROUP							
	Capital allowances R'000	Investment R'000	Provisions R'000	Prepayments R'000	Assessed loss* R'000	Business combinations R'000	STC credits R'000	Total R'000
Deferred income tax assets								
Balance as at 30 June 2015	–	–	36 071	–	59 566	–	–	95 637
(Charge)/credit to profit for the year	–	–	2 519	–	6 706	–	–	9 225
Balance as at 30 June 2016	–	–	38 590	–	66 272	–	–	104 862
(Charge)/credit to profit for the year	–	12 815	(4 908)	–	(29 904)	–	–	(21 997)
Balance as at 30 June 2017	**–**	**12 815**	**33 682**	**–**	**36 368**	**–**	**–**	**82 865**
Deferred income tax liabilities								
Balance as at 30 June 2015	(34 409)	–	–	(2 479)	–	(17 934)	–	(54 822)
(Charge)/credit to profit for the year	(14 610)	–	–	328	–	(13 286)	–	(27 568)
Balance as at 30 June 2016	(49 019)	–	–	(2 151)	–	(31 220)	–	(82 390)
(Charge)/credit to profit for the year	(20 053)	(1 540)	(444)	196	–	3 604	–	(18 237)
Balance as at 30 June 2017	**(69 072)**	**(1 540)**	**(444)**	**(1 955)**	**–**	**(27 616)**	**–**	**(100 627)**

	COMPANY							
	Capital allowances R'000	Investment R'000	Provisions R'000	Prepayments R'000	Assessed loss* R'000	Business combinations R'000	STC credits R'000	Total R'000
Balance as at 1 July 2015	–	–	1 400	–	9 429	–	–	10 829
Credit to profit for the year	–	–	–	–	6 916	–	–	6 916
Balance as at 30 June 2016	–	–	1 400	–	16 345	–	–	17 745
(Charge)/credit to profit for the year	–	12 815	1 260	–	(16 345)	–	–	(2 270)
Balance as at 30 June 2017	**–**	**12 815**	**2 660**	**–**	**–**	**–**	**–**	**15 475**

* *As a result of the increase in operations in the Group companies, the companies within the Group will generate sufficient income which will be utilised against the assessed loss going forward.*

13. INVENTORY

	GROUP		COMPANY	
	June 2017 R'000	June 2016 R'000	June 2017 R'000	June 2016 R'000
Merchandise	**63 848**	62 782	**–**	–
Finished goods	**9 528**	9 528	**–**	–
Inventory on hand at year-end	**73 376**	72 310	**–**	–

The inventory on hand at year-end relates to specialised equipment that will be sold in the next financial period. Merchandise refers to pharmaceutical products that are on hand at year-end.

14. ISSUED SHARE CAPITAL

	GROUP		COMPANY	
	June 2017 R'000	June 2016 R'000	June 2017 R'000	June 2016 R'000
Authorised:				
1 billion ordinary shares at no par value	**10 000**	10 000	**10 000**	10 000
60 million redeemable preference shares of 1 cent each	**600**	600	**600**	600
Issued:				
Issued ordinary shares at 30 June 2017: 554 377 328 made up as follows:				
Issued ordinary share capital				
554 377 328 (June 2016: 554 377 328) ordinary shares of 1 cent each	**18 686**	18 686	**18 686**	18 686
– Opening balance	**18 686**	17 821	**18 686**	17 821
– Issue of share capital*	**–**	865	**–**	865
Share premium (Note 16)	**999 058**	970 358	**999 058**	970 358
	1 017 744	989 044	**1 017 744**	989 044

* *The issue of shares was as a result of the WAD transaction, which was effective from 1 August 2015.*

The Directors are authorised, by resolution of the members and until the forthcoming Annual General Meeting, to issue the unissued shares in accordance with the limitation set by members. All issued shares have been fully paid.

15. SHARE PREMIUM

	GROUP		COMPANY	
	June 2017 R'000	June 2016 R'000	June 2017 R'000	June 2016 R'000
Opening balance	**970 358**	525 633	**970 358**	525 633
Reversal of share-based payment reserve	**28 700**	–	**28 700**	–
Issue of share capital	**–**	444 725	**–**	444 725
Closing balance	**999 058**	970 358	**999 058**	970 358

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

16. NON-CONTROLLING INTEREST

	GROUP		COMPANY	
	June 2017 R'000	**June 2016 R'000**	**June 2017 R'000**	**June 2016 R'000**
Balance at the beginning of the year	**515 603**	62 930	**–**	–
Dividend distributions (Note 29)	**(32 616)**	(9 522)	**–**	–
Share buy-back from non-controlling interests[1]	**–**	(46 866)	**–**	–
Purchase of shares[2]	**–**	(525)		
Additional non-controlling interest arising on disposal of interest in ACT Healthcare Assets[3]	**–**	456 263	**–**	–
Share of net profit of subsidiaries[4]	**102 372**	53 323	**–**	–
	585 359	515 603	**–**	–

[1] *During the 2016 year, AfroCentric Health Proprietary Limited (a subsidiary of AfroCentric Investment Corporation Limited), bought back the remaining minority shareholding for R3.7 per share. The total amount paid for the minority buyout amounted to R122 million of which R46.8 million relates to the minority interest and R75.2 million which was recognised directly in equity.*

[2] *During the 2016 year AfroCentric Health Limited had purchased an additional 22% shareholding in Klinikka Proprietary Limited, increasing its shareholding from 70% to 92%.*

[3] *During the 2016 year Sanlam Life Insurance Limited ("Sanlam") acquired a 28.7% shareholding in ACT Healthcare Assets Proprietary Limited, a directly held subsidiary in AfroCentric Investment Corporation Limited. As the transaction with Sanlam does not result in a loss of control of ACT Healthcare Assets Proprietary Limited, the transaction will be regarded as an equity transaction resulting in Sanlam's non-controlling interest portion of R456 million being recognised on the transaction date. The profit portion relating to the transaction is recognised directly in equity amounting to R246 million.*

[4] *The subsidiary with a material non-controlling interest is the ACT Healthcare Assets ("AHA") Group. AfroCentric Investment Corporation Limited owns 71.3% of AHA Group. The share of profit that relates to the non-controlling interest is R90.2 million.*

17. PROVISIONS

	GROUP			
	Audit fees R'000	**Litigation liability R'000**	**Loss on guarantees R'000**	**Total R'000**
Balance as at 30 June 2015	4 211	8 350	5 000	17 561
Charged/(credited) to the statement of comprehensive income:				
– additional provisions	9 659	–	–	9 659
– reversal of provisions	–	–	–	–
– prior period under provision	(34)	–	–	(34)
Utilised during the year	(9 081)	–	–	(9 081)
Balance as at 30 June 2016	**4 755**	**8 350**	**5 000**	**18 105**
Charged/(credited) to the statement of comprehensive income:				
– additional provisions	**8 634**	**–**	**–**	**8 634**
– reversal of provisions	**–**	**–**	**–**	**–**
– prior period under provision	**–**	**–**	**–**	**–**
Utilised during the year	**(9 442)**	**–**	**–**	**(9 442)**
Balance as at 30 June 2017	**3 947**	**8 350**	**5 000**	**17 297**

17. PROVISIONS CONTINUED

	COMPANY		
	Audit fees R'000	Loss on guarantees R'000	Total R'000
Balance as at 30 June 2015	1 063	5 000	6 063
Charged/(credited) to the statement of comprehensive income:			
– additional provisions	1 060	–	1 060
– prior period under provision	(34)	–	(34)
Utilised during the year	(1 241)	–	(1 241)
Balance as at 30 June 2016	**848**	**5 000**	**5 848**
Charged/(credited) to the statement of comprehensive income:			
– additional provisions	**1 113**	**–**	**1 113**
– prior period under provision	**–**	**–**	**–**
Utilised during the year	**(1 072)**	**–**	**(1 072)**
Balance as at 30 June 2017	**889**	**5 000**	**5 889**

Analysis of provisions:

	GROUP		COMPANY	
	June 2017 R'000	June 2016 R'000	June 2017 R'000	June 2016 R'000
Non-current portion	**8 350**	8 350	**–**	–
Current portion	**8 947**	9 755	**5 889**	5 848
	17 297	18 105	**5 889**	5 848

Audit fees

The provision for audit fees relates to services provided by the external auditors for the 2017 financial year. The fees will be settled within the 2017 financial year.

Litigation liability

A claim was instituted against Medscheme Holdings Proprietary Limited and three of its employees in 2008 for allegations concerning copyright infringements and the breach of the Medware licence agreement. The amount that was raised as a provision was determined by the Directors using the maximum loss and probability theory. The parties are currently engaged in arbitration.

Loss on guarantees

The provision for loss on guarantees relates to a deposit put in place by the Company to serve as a good-faith deposit for an overdraft facility extended to a strategic target. The strategic target was placed in provisional liquidation during the 2012 year and as such, the Company has agreed that the R10 million deposit will, under certain conditions, be applied to reduce the overdraft indebtedness to Nedbank. Given the notarial bond held by the Company, 50% of the exposure is expected to be recovered in the near future.

18. POST-EMPLOYMENT MEDICAL OBLIGATIONS

The Medscheme Group operates a post-employment medical benefit scheme. Eligible members are entitled to a fixed Rand amount subsidy based on their medical scheme contributions. This post-employment medical benefit scheme is the present value of the employer's share of the expected medical scheme contributions to be paid in respect of current and future continuation members. IAS 19 requires that companies should have provided for the liability by the time that the employee and/or their dependants become entitled to receive the post-employment benefits, which is usually the date of retirement or death in service. Although the post-employment liability usually only vests at retirement or death in service and is generally not dependent on the length of service that an employee has had with the employer, the liability accrues uniformly while in service.

The accumulated post-employment medical aid obligation was determined by independent actuaries in June 2017 using the projected unit credit method prescribed by IAS 19. Future benefits valued are projected using specific actuarial assumptions and the liability for in-service members is accrued over an expected working lifetime.

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FOR THE YEAR ENDED 30 JUNE 2017

18. POST-EMPLOYMENT MEDICAL OBLIGATIONS CONTINUED

	June 2017 R'000	June 2016 R'000
Balance at the end of the year	**2 771**	2 691
The amounts recognised in the statement of comprehensive income are as follows:		
Interest cost	**229**	231
Expected benefit payment	**(434)**	(468)
Net actuarial loss/(gain) recognised in the current year	**285**	(206)
Net movement for the year	**80**	(443)
The amount recognised in the statement of financial position is determined as follows:		
Present value of funded obligations	**2 691**	3 134
Interest cost	**229**	231
Expected employer benefit payments	**(434)**	(468)
Actuarial loss/(gain)	**285**	(206)
Accrued liability in excess of plan assets	**2 771**	2 691
Assets and liabilities recognised in the statement of financial position is as follows:		
Present value of funded obligations		
Fair value of plan assets	**–**	–
Present value of unfunded obligations	**2 771**	2 691
Accrued liability in excess of plan assets	**2 771**	2 691

The risks faced by the Group as a result of the post-employment healthcare obligation can be summarised as follows:

- Inflation: The risk that future CPI inflation and healthcare cost inflation are higher than expected and uncontrolled.
- Longevity: The risk that pensioners live longer than expected and thus their healthcare benefit is payable for longer than expected.
- Open-ended, long-term liability: The risk that the liability may be volatile in the future and uncertain.
- Future changes in legislation: The risk that changes to legislation with respect to the post-employment healthcare liability may increase the liability for the Group.
- Future changes in the tax environment: The risk that changes in the tax legislation governing employee benefits may increase the liability for the Group.
- Administration: Administration of this liability poses a burden to the Group.
- Enforcement of eligibility criteria and rules: The risk that eligibility criteria and rules are not strictly or consistently enforced.

The principal actuarial assumptions used were as follows:

	June 2017	June 2016
Discount rate	**8.00% p.a.**	9.30% p.a.
Healthcare cost inflation	**7.10% p.a.**	9.10% p.a.
Post-retirement mortality	**PA(90) ultimate table***	PA(90) ultimate table*

** Rated down two years with a 1% improvement p.a. from a base year of 2006.*

No explicit assumption was made about additional mortality or healthcare costs due to Aids.

The liability was recalculated to show the effect of:

- a one percentage point decrease or increase in the rate of healthcare cost inflation;
- a five or ten percentage point increase in the rate of healthcare cost inflation for the next five years, thereafter returning to a healthcare cost inflation of 8.20% p.a.; and
- a one percentage point decrease or increase in the discount rate.

18. POST-EMPLOYMENT MEDICAL OBLIGATIONS CONTINUED

Disclosure requirement paragraph 145 of IAS 19

	Healthcare cost inflation		
	Central assumption 7.10%	**(1%)**	**1%**
Accrued liability 30 June 2017 (R'million)	2 770	2 750	2 793
% Change	–	(0.7%)	0.8%
Interest cost 2017/18	0.203	0.201	0.205
% Change	–	(1.0%)	1.0%

	Central assumption 9.10%	**(1%)**	**1%**
Sensitivity results from previous valuation			
Interest Cost 2016/17	0.229	0.227	0.231
% Change	–	(0.9%)	0.9%

	Healthcare cost inflation		
	Central assumption 7.10%	**5% for 5 years**	**10% for 10 years**
Accrued liability 30 June 2017 (R'million)	2.770	2.836	2.913
% Change	–	2.4%	5.1%

	Discount rate		
	Central assumption 8.00%	**(1%)**	**1%**
Accrued liability 30 June 2017 (R'million)	2.770	2.916	2.638
% Change	–	5.3%	(4.8%)

19. ACCRUAL FOR STRAIGHT-LINING OF LEASES

All leased assets in the Group relate to operating leases of property. Below is a summary of the most significant leasing arrangements:

Property Location	Start date	End date	Rental per month	Escalation rate
The Boulevard, Woodstock Cape Town	1 October 2014	30 September 2019	2.8 million	8.0%
Florida North, Roodepoort	1 December 2014	30 November 2019	1.8 million	7.5%

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

19. ACCRUAL FOR STRAIGHT-LINING OF LEASES CONTINUED

	GROUP
	June 2017 R'000
Balance as at 30 June 2015	11 956
Credited to the statement of comprehensive income:	
– movements in provision	3 686
Balance as at 30 June 2016	15 642
Credited to the statement of comprehensive income:	
– movements in provision	230
Balance as at 30 June 2017	15 872

	GROUP	
	June 2017 R'000	June 2016 R'000
Non-current portion	18 979	21 289
Current portion	(3 107)	(5 647)
	15 872	15 642

20. EMPLOYMENT BENEFIT LIABILITY

	GROUP		
	Bonuses R'000	Leave pay R'000	Total R'000
Balance as at 30 June 2015	70 878	40 227	111 105
Charged/(credited) to the statement of comprehensive income:			
– additional provisions	93 081	14 108	107 189
– amounts reversed	–	(8 528)	(8 528)
Utilised during the year	(102 842)	(147)	(102 989)
Balance as at 30 June 2016	61 117	45 660	106 777
Charged/(credited) to the statement of comprehensive income:			
– additional provisions	81 003	–	81 003
– amounts reversed	–	(1 158)	(1 158)
Utilised during the year	(95 621)	(4 768)	(100 389)
Balance as at 30 June 2017	46 499	39 734	86 233

	COMPANY		
	Bonuses R'000	Leave pay R'000	Total R'000
Balance as at 30 June 2016	–	–	–
Charged/(credited) to the statement of comprehensive income:			
– additional provisions	4 500	–	4 500
Balance as at 30 June 2017	4 500	–	4 500

The provision for management incentive bonuses is payable at the end of October 2017, while the remaining provision for staff is payable at the end of December 2017 as part of a salary restructuring arrangement based on their cost to company. The leave pay provisions are primarily in respect of leave pay to be settled in the next financial year.

20. EMPLOYMENT BENEFIT LIABILITY CONTINUED

Analysis of employee benefit liabilities:

	GROUP		COMPANY	
	June 2017 R'000	June 2016 R'000	**June 2017 R'000**	June 2016 R'000
Current portion	**86 233**	106 777	**4 500**	–

21. REVENUE

	GROUP		COMPANY	
	June 2017 R'000	June 2016 R'000	**June 2017 R'000**	June 2016 R'000
Revenue from sale of goods*	**1 069 435**	748 477	**–**	–
Administration fees	**1 385 844**	1 230 288	**–**	–
Health risk management fees	**929 411**	805 104	**–**	–
Management fees	**1 869**	1 222	**–**	–
IT revenue and other	**398 142**	363 055	**50**	50
Revenue from performance of services	**2 715 266**	2 399 669	**50**	50
Total revenue	**3 784 701**	3 148 146	**50**	50

* *This relates to sale of pharmaceutical products which resulted from the WAD healthcare assets acquisition in the 2016 financial year.*

22. COST OF PHARMACEUTICAL PRODUCTS

	GROUP		COMPANY	
	June 2017 R'000	June 2016 R'000	**June 2017 R'000**	June 2016 R'000
Opening inventory	**72 310**	6 803	**–**	–
Purchases	**837 800**	653 711	**–**	–
Closing inventory	**(73 376)**	(72 310)	**–**	–
	836 734	588 204	**–**	–

This relates to sale of pharmaceutical products which resulted from the WAD healthcare assets acquisition in the 2016 financial year.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

23. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging/(crediting) the following items:

	GROUP		COMPANY	
	June 2017 R'000	June 2016 R'000	June 2017 R'000	June 2016 R'000
Auditors' remuneration (included in 'other expenses')	**9 992**	9 625	**1 113**	1 077
Audit fees	**9 992**	9 591	**1 113**	1 060
Prior period (over)/under provision	**–**	34	**–**	17
Amortisation of development costs and other intangible assets	**86 450**	79 332	**–**	–
Depreciation of property, plant and equipment	**45 098**	38 011	**–**	–
Motor vehicles	**1 468**	1 176	**–**	–
Building Infrastructure and leasehold improvements	**4**	95	**–**	–
Computer equipment	**27 241**	23 224	**–**	–
Plant and machinery	**934**	834	**–**	–
Buildings	**–**	67	**–**	–
Furniture and fittings	**10 195**	8 560	**–**	–
Office equipment	**5 256**	4 055	**–**	–
Bad debt write-off	**2 532**	581	**–**	–
Provision for doubtful debts*	**7 444**	–	**–**	–
Operating lease rentals (included in 'rentals and property costs')	**150 869**	134 836	**–**	359
Buildings	**140 317**	127 151	**–**	359
Computer equipment	**–**	–	**–**	–
Motor vehicles	**415**	597	**–**	–
Office equipment and furniture	**10 137**	7 088	**–**	–
Repairs and maintenance (included in 'rentals and property costs')	**3 281**	3 762	**–**	–

* *This relates to doubtful debts in Medscheme Administrators Swaziland.*

23. PROFIT BEFORE TAXATION CONTINUED

	GROUP		COMPANY	
	June 2017 R'000	June 2016 R'000	**June 2017 R'000**	June 2016 R'000
Profit before taxation is stated after charging/(crediting) the following items:				
Directors' emoluments (included in 'employee benefit costs')				
Executive				
WRC Holmes	**–**	1 262	**–**	–
– Basic salary	**–**	212	**–**	–
– Bonus	**–**	1 050	**–**	–
– Company contributions	**–**	–	**–**	–
– Share-based payment (Note 31)	**–**	–	**–**	–
D Dempers	**–**	27 727	**–**	–
– Basic salary	**–**	3 859	**–**	–
– Bonus	**–**	23 822	**–**	–
– Company contributions	**–**	46	**–**	–
– Share-based payment (Note 31)	**–**	–	**–**	–
JW Boonzaaier	**3 836**	3 408	**–**	–
– Basic salary	**2 590**	2 332	**–**	–
– Bonus	**1 043**	894	**–**	–
– Company contributions	**203**	182	**–**	–
WH Britz	**5 241**	3 235	**–**	–
– Basic salary	**3 403**	2 949	**–**	–
– Bonus	**1 533**	–	**–**	–
– Company contributions	**305**	286	**–**	–
AV Van Buuren	**5 044**	2 989	**–**	–
– Basic salary	**3 313**	2 788	**–**	–
– Bonus	**1 533**	–	**–**	–
– Company contributions	**198**	201	**–**	–
Non-executive				
For services as Directors (basic salary)	**3 853**	3 405	**–**	–
ATM Mokgokong	**911***	833	**–**	–
MJ Mandungandaba	**810***	861	**–**	–
ND Munisi	**224**	100	**–**	–
A Banderker	**702***	399	**–**	–
IM Kirk	**205**	332	**–**	–
SE Mmakau	**174**	–	**–**	–
LL Dhlamini	**281**	100	**–**	–
HG Motau	**35**	–	**–**	–
Y Masithela	**50**	195	**–**	–
GL Napier	**67**	195	**–**	–
NB Bam	**67**	195	**–**	–
JG Appelgryn	**67**	195	**–**	–
NV Lila Qangule	**260**	–	**–**	–
Employee benefit costs	**1 689 615**	1 480 560	**14 029**	27 263
Salaries and wages	**1 454 878**	1 269 160	**8 456**	9 389
Termination benefits	**6 218**	8 390	**1 015**	–
Incentive bonus	**81 003**	107 646	**4 500**	17 765
Staff welfare	**40 191**	36 378	**58**	109
Movement in post-employment medical obligation	**80**	(443)	**–**	–
Pension costs – defined contribution plans	**107 245**	59 429	**–**	–

* *The Directors' remuneration highlighted above reflects the total Directors' fees received across various subsidiaries within the Group.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

23. PROFIT BEFORE TAXATION CONTINUED

	GROUP		COMPANY	
	June 2017 R'000	June 2016 R'000	June 2017 R'000	June 2016 R'000
Average number of persons employed by the Group during the period:				
South Africa	**4 921**	4 267	**–**	–
Full Time	**4 250**	3 722	**–**	–
Part Time	**671**	545	**–**	–
Outside of South Africa	**315**	604	**–**	–
Full Time	**288**	501	**–**	–
Part Time	**27**	103	**–**	–
Dividends received				
Other	**–**	–	**35 650**	73 120
Loss on disposal of tangible assets	**(681)**	(245)	**–**	–
Fair value adjustments	**23 152**	27 085	**22 734**	27 085
Fair value gains on financial assets	**23 152**	27 085	**22 734**	27 085
Research and development costs	**14 316**	22 749	**–**	–
Impairments	**(19 851)**	(21 469)	**850**	(99 917)
Impairment of intangible asset	**(16 640)**	(4 858)	**–**	–
Impairment of loans	**(3 211)**	(11 252)	**850**	(99 917)
Impairment of investment in associate	**–**	(5 359)	**–**	–
Other expenses				
Included in 'other expenses' are the following:				
Donations	**717**	634	**–**	–
Legal and consulting fees	**124 209**	173 744	**529**	13 653
Management costs	**209 222**	166 873	**6 315**	5 938
Marketing and recruitment	**40 321**	21 334	**3 283**	1 107
Straight-lining of leases	**(80)**	3 686	**–**	–

24. NET FINANCE COSTS

	GROUP		COMPANY	
	June 2017 R'000	June 2016 Restated* R'000	June 2017 R'000	June 2016 R'000
Finance costs	**(46 667)**	(29 507)	**(1 547)**	(4 836)
Cash and cash equivalents	**–**	–	**–**	–
Intercompany loans	**–**	–	**(1 547)**	(4 836)
Preference dividend paid	**–**	(2 998)	**–**	–
Conditional financial obligation*	**(45 906)**	(24 960)	**–**	–
Other	**(761)**	(1 549)	**–**	–
Finance income	**39 621**	32 386	**15 608**	12 415
Cash and cash equivalents	**36 894**	28 327	**15 608**	12 415
Other	**2 727**	4 059	**–**	–

* *See Note 39 for details regarding the restatement as of the June 2016 results.*

The effective interest approximates the interest on the cash flows for the period.

25. INCOME TAX EXPENSE

	GROUP		COMPANY	
	June 2017 R'000	June 2016 R'000	June 2017 R'000	June 2016 R'000
Current taxation				
Current year charge	**104 668**	81 059	**2 687**	–
Prior year adjustment	**2 734**	(90)	**–**	–
Deferred taxation				
Current year charge/(credit)	**42 728**	(3 396)	**4 574**	(6 916)
Prior year adjustment	**(3 594)**	–	**(2 304)**	–
	146 536	77 573	**4 957**	(6 916)

	GROUP		COMPANY	
	June 2017 %	June 2016 %	June 2017 %	June 2016 %
Reconciliation of the tax rate				
South African normal tax rate	**28.0**	28.0	**28.0**	28.0
Adjusted for:				
Disallowable expenses	**14.63**	5.44	**(96.51)***	(99.81)**
Exempt income	**(3.58)**	(6.63)	**40.53**	73.33
Prior year adjustment				
– current tax	**0.53**	0.32	**–**	–
– deferred tax	**(0.79)**	0.34	**8.88**	–
Withholding tax	**1.03**	(1.89)	**–**	–
Utilisation of assessed losses	**0.17**	0.61	**–**	1.76
Effective rate of tax (%)	**39.99**	26.19	**(19.10)**	3.28

* *The non-deductible expenditure reflected on the tax rate reconciliation relates to expenses attributable to the remeasurement of contingent consideration and indemnity expense.*

** *The non-deductible expenditure reflected on the tax rate reconciliation relates to impairments of inter-group loans.*

26. EARNINGS PER SHARE

The calculation of basic earnings per share for the Group is based on profit and loss attributable to the parent for the year of R117.7 million (June 2016 restated: net profit of R140.3 million), and a weighted average number of shares of 554.4 million (June 2016: 553.0 million) shares in issue. The calculation of headline earnings per share for the Group is calculated on adjusted headline earnings of R123.8 million (June 2016 restated: R145.6 million), and a weighted average number of shares of 554.4 million (June 2016: 553.0 million) shares in issue.

Under the contingent consideration arrangement, AfroCentric Investment Corporation Limited is required to issue WAD Holdings Proprietary Limited an additional 31 366 977 shares (2016: 26 192 902 shares) based on management's best estimate as per the Acquisition of Shares agreement. WAD Holdings Proprietary Limited has now elected to receive the contingent consideration in cash and not shares. This no longer has an impact on the weighted average number of shares for diluted earnings per share in the current financial year.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

26. EARNINGS PER SHARE CONTINUED

	GROUP	
	June 2017 R'000	June 2016 Restated* R'000
Reconciliation of headline earnings		
Total profit and loss attributable to the parent	**117 669**	140 349
Basic earnings	**117 669**	140 349
Adjusted for:		
Impairment/(reversal of impairment)	**16 640****	10 217
Tax effect of impairment/(reversal of impairment)	**–**	(1 360)
Loss on disposal of assets	**681**	245
Tax effect of loss on disposal of asset	**(191)**	(69)
Fair value gain on investment property	**(418)**	–
Tax effect of fair value gain on Investment property	**94**	–
Total non-controlling interest effect of adjustments	**(10 637)**	(3 815)
Headline earnings	**123 838**	145 567
Earnings per share (cents)		
Basic	**21.23**	25.38
Diluted	**21.23**	24.23
Headline earnings per share (cents)		
Basic	**22.34**	26.33
Diluted	**22.34**	25.13
Cash earnings per share (cents)***		
Basic	**81.33**	71.23
Diluted	**81.33**	68.00
Weighted average number of shares	**554 377 328**	552 958 931
Adjusted for:		
– dilutionary impact of contingent shares	**–**	26 192 902
Weighted average number of shares for diluted earnings per share	**554 377 328**	579 151 833

* *See Note 39 for details regarding the restatement of the June 2016 results.*

** *This relates to impairment of Goodwill relating to IE Business which is currently dormant as it ceased operations.*

*** *The cash generated from operations was used to arrive at this figure.*

	June 2017 R'000	June 2016 Restated* R'000
Normalised earnings (non-IFRS information)[1]		
Headline earnings	**123 838**	145 567
Adjusted by:	**120 275**	24 960
– Finance costs: conditional obligation	**45 906**	24 960
– Fair value of contingent consideration	**59 582**	–
– Sanlam indemnity expense	**14 787**	–
Normalised headline earnings	**244 113**	170 527
Normalised headline earnings per share (cents)		
Basic	**44.03**	30.84
Diluted	**44.03**	29.44

[1] *Given the material non-cash, non-trading and non-recurring deductions which have a significant adverse impact on the earnings, management has adopted a non-IFRS earnings measure model.*

27. CASH GENERATED FROM OPERATIONS

	GROUP		COMPANY	
	June 2017 R'000	June 2016 Restated* R'000	June 2017 R'000	June 2016 R'000
Profit/(loss) before tax	**366 657**	271 187	**(25 948)**	(38 914)
Adjustments for:	**–**	–	**–**	–
Dividends received	**–**	–	**(35 650)**	(73 120)
Finance income	**(39 621)**	(32 386)	**(15 608)**	(12 415)
Finance cost	**46 667**	29 507	**1 547**	4 836
Bad debts written off	**15 930**	581	**–**	–
Increase/(decrease) in provision for bad debts	**7 444**	–	**–**	–
Net actuarial (gains)/losses	**80**	(443)	**–**	–
Depreciation	**45 098**	38 011	**–**	–
Fair value gains	**(23 152)**	(27 085)	**(22 734)**	(27 085)
Fair value of contingent consideration	**59 582**	–	**59 582**	–
Amortisation of intangible assets	**86 450**	79 332	**–**	–
Impairment provision on investments and loans	**3 211**	16 611	**(850)**	99 917
Straight-lining of leases	**(80)**	3 686	**–**	–
Loss on disposal of investment	**681**	245	**–**	–
Non-cash expenses	**–**	–	**–**	–
Share-based payment expense	**2 096**	6 444	**–**	(1 708)
Impairment of intangible assets	**16 640**	5 616	**–**	–
Reversal of impairment	**–**	–	**–**	–
Share of profit from associates	**(14 306)**	(10 118)	**–**	–
Cash flow before working capital changes	**573 377**	381 188	**(39 661)**	(48 489)
Working capital changes	**(122 490)**	12 663	**17 110**	(12 745)
Trade and other receivables	**23 411**	(38 317)	**535**	816
Provisions	**(23 662)**	(2 441)	**4 541**	(215)
Inventory	**(1 066)**	(4 592)	**–**	–
Trade and other payables	**(121 173)**	58 013	**12 034**	(13 346)
Cash generated from operations	**450 887**	393 851	**(22 551)**	(61 234)

* *See Note 39 for details regarding the restatement of the June 2016 results.*

28. TAXATION PAID

	GROUP		COMPANY	
	June 2017 R'000	June 2016 R'000	June 2017 R'000	June 2016 R'000
Balance at the beginning of the year asset	**19 821**	(4 418)	**1 658**	1 658
Take on balance	**–**	2 624	**–**	
(Charge)/credit to the statement of comprehensive income	**(146 536)**	(77 573)	**(4 957)**	6 916
Deferred tax charge/(credit)	**39 120**	(3 396)	**2 270**	(6 916)
Loss on disposal of investment	**–**	–	**–**	–
Securities transfer tax	**15**	–	**–**	–
Balance at the end of the year (asset)/liability	**(25 235)**	(19 821)	**(1 833)**	(1 658)
	(112 815)	(102 584)	**(2 862)**	–

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

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29. DIVIDENDS

AfroCentric Investment Corporation Limited passed two resolutions whereby dividends were declared in the 2017 financial year. The first dividend was declared in September 2016 of 12 cents per share and the second dividend was declared in March 2017 of 14 cents per share, being the interim dividend. The Rand value of R66.5 million was paid in November 2016 for the first dividend and R77.6 million was paid in May 2017 for the second dividend. These dividends were debited to retained earnings in 2017.

	GROUP		COMPANY	
	June 2017 R'000	**June 2016 R'000**	**June 2017 R'000**	**June 2016 R'000**
Dividend declared by AfroCentric Investment Corporation Limited in September 2016	**66 525**	55 438	**66 525**	55 438
Dividend declared by AfroCentric Investment Corporation Limited in March 2017	**77 613**	66 525	**77 613**	66 525
Other dividends in the Group:				
Dividend declared and paid by ACT Healthcare Assets Proprietary Limited to non-controlling interests	**14 350**	4 536	**–**	–
Dividend declared and paid by Medscheme (Namibia) Proprietary Limited to non-controlling interests	**15 222**	4 408	**–**	–
Dividend declared and paid by Allegra Proprietary Limited to non-controlling interests	**3 044**	578	**–**	–

30. SHARE-BASED PAYMENTS

The Boards of AfroCentric and AHL had approved an allocation of 7 million additional shares that was not originally stipulated in the 2008 Acquisition Agreement.

The issue of the share executive awards had no effect on the statement of cash flows.

The AfroCentric Investment Corporation Limited Group, of which the AHL Group is a subsidiary, has allocated share-based awards to certain executive directors of the AHL Group as part of their remuneration package. The share awards are at an AfroCentric Investment Corporation Limited Group level. The Group measures the fair value of the share awards or equity instruments granted, in line with the Group's accounting policy.

The granting of the share awards was based on job level, merit and performance and was entirely at the discretion of executive management acting on the recommendations of the shareholders.

These shares awarded are additional shares allocated to the Executive Directors of AHL Group depending on the rules as set out in the share awards agreement. The share price on 1 November 2013, which is grant date, was used to determine the IFRS 2 charge for 2017. The number of shares awarded, i.e. 511 111 multiplied by the share price of R4.10 on grant date resulted in a R2.1 million charge to the statement of comprehensive income. The remaining shares were awarded in the period 1 November 2016.

	GROUP		COMPANY	
	June 2017 R'000	**June 2016 R'000**	**June 2017 R'000**	**June 2016 R'000**
Executive awards	**7 000**	7 000	**805**	805
Movements in number of instruments:				
Outstanding at the beginning of the year	**6 488**	4 916	**54**	471
Exercised	**(6 999)**	–	**(54)**	–
Vested	**511**	1 572	**–**	(417)
Active employees	**511**	1 572	**–**	(417)
Outstanding at the end of the year	**–**	6 488	**–**	54

In 2017 there were 511 111 shares that vested (2016: 1 571 795 shares). In 2017, 6 999 999 shares (2016: nil) were exercised. The related weighted average share price at the time of exercise was R4.10 per share.

Shares were held by AfroCentric Management Services Proprietary Limited until such time that the pre-determined conditions had been achieved over the period commencing 1 November 2013 and ending 1 November 2016.

AfroCentric has settled its obligation and the share-based payment reserve has been released.

31. CONTINGENCIES, COMMITMENTS AND GUARANTEES

31.1 Contingencies

Exposure to errors and omissions in ordinary course of business

As for any business with similar operations, the Group is exposed to various potential claims relating to alleged errors and omissions or non-compliance with laws and regulations in the conduct of its ordinary course of business. At the date of these Annual Financial Statements, the Group is unaware of any material claims, actual or contemplated, by any of the Group's stakeholders or customers, except for those listed below.

Neil Harvey & Associates Proprietary Limited

Neil Harvey & Associates has instituted a claim against Medscheme Holdings Proprietary Limited and three of its employees in 2008. The allegations concern alleged copyright infringement and a breach of the Medware licence agreement. The maximum capital amount of the claim as presently pleaded is R390.4 million. An amendment sought by the Plaintiff was the cause of this. The increased sum has no impact on the merits of the claim which remain the same as before. The parties are still engaged in private arbitration, however, it is unlikely that the matter will be finalised during the current financial year. Medscheme Holdings Proprietary Limited will continue to vigorously defend the claim and is confident that there will still be no liability in this matter.

Legal claim against Allegra Proprietary Limited

Allegra entered into a supply agreement with Medirite in 2015 to install its pharmacy software at each Medirite branch in South Africa. The project was nearing completion by the end of 2017 upon which Medirite terminated the services during July 2017. As part of terminating the service, Medirite is claiming all previous fees paid to Allegra based on non-performance of the agreement.

Management is confident that the claims against Allegra are not seen to be valid and no proof exists to claim the fees paid to date of R18.2 million.

31.2 Commitments

	GROUP	
	June 2017 R'000	June 2016 R'000
Building rentals		
Rental obligations with respect to land and buildings		
Not later than 1 year	**78 178**	79 123
Later than 1 year but not later than 5 years	**119 867**	182 584
	198 045	261 707

31.3 Guarantees

	GROUP		COMPANY	
	June 2017 R'000	June 2016 R'000	June 2017 R'000	June 2016 R'000
Guarantees issued in respect of office rental for premises occupied by the Group	**5 503**	6 072	**–**	–
Medical aid schemes	**1 000**	–	**–**	–
South African Post Office	**3 800**	3 800	**–**	–
City Power Johannesburg	**500**	500	**–**	–
	10 803	10 372	**–**	–

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

32. RELATED PARTY TRANSACTIONS

32.1 Directors

Details relating to Directors' emoluments are disclosed in Note 23. There are no loans to Directors.

The Directors' shareholdings are disclosed on pages 6 and 7 of the Annual Financial Statements. Transactions within the Group are listed below.

32.2 Relationships with Directors in the Group

WAD Holdings Proprietary Limited – Mr AV Van Buuren (Group Chief Executive Officer) and WH Britz (Executive Director) each hold 33.3% of WAD Holdings Proprietary Limited.

WAD Holdings Proprietary Limited holds A class shares in the Glen Eden Trading 58 Proprietary Limited. The Glen Eden A class shares will be entitled to 10% of the votes at any meeting attended by WAD Holdings Proprietary Limited or its proxy. The Glen Eden A class shares will not be entitled to any dividends or profit before 1 January 2017 and will rank *pari passu* with ordinary shares in terms of voting rights and distribution rights from 1 January 2017. AfroCentric will purchase the A class shares in the 2018 financial year for an amount of R194.5 million.

WAD Holdings Proprietary Limited holds A class shares in Pharmacy Direct Proprietary Limited and Curasana Wholesaler Proprietary Limited. The A class shares shall have no voting rights but shall have right to 100% of the distribution of the after tax profits attributable to the Department of Health contract from 1 July 2018. In the 2019 financial year AfroCentric has a right to purchase the A class shares by 1 September 2018.

WAD Holdings Proprietary Limited is the 100% shareholder of Northern Lights Trading 172 Proprietary Limited Curasana Wholesaler entered into an agreement with Northern Lights Trading 172 Proprietary Limited on 29 February 2016 whereby Curasana Wholesaler purchased Portion 3 of Erf 1903, Zwartkop X15, which is the premises of the main business operations and was leased from Northern Lights Trading 172 Proprietary Limited for the amount of R32 000 000.

32.3 Transactions with entities in the Group

During the period the Group entered into the following related party transactions:

	GROUP	
	June 2017 R'000	**June 2016 R'000**
Directors		
Medical aid contributions paid by Directors to schemes administered by Medscheme Holdings (Pty) Ltd	**242**	356
Mr MJ Madungandaba (70%) and Dr ATM Mokgokong (30%) control Namane Financial Services – Consulting and marketing fees paid to Namane Financial Services	**2 532**	2 215
Mr SM Rothbart has a controlling interest in Rothbart Inc. – Consulting fees paid by Medscheme Holdings (Pty) Ltd	**1 474**	1 955
Mr MJ Madungandaba (42%) and Dr ATM Mokgokong (18%) control Mesure Facilities Management (Pty) Ltd – Management fees and other expenses paid to Mesure Facilities Management (Pty) Ltd. The fees represent outsourced facilities management for the AfroCentric Group that represents the following categories	**90 883**	82 107*
– Salaries	**13 584**	11 825
– Cleaning and security	**25 672**	21 905
– Refurbishments, projects and capex	**33 844**	30 554
– Utilities	**15 518**	15 800
– Other	**2 265**	2 023
Mr J Rothbart (son of SM Rothbart) is paid via Eyecom Outdoor Advertising (Pty) Ltd – Remuneration for services as the previous Group CEO	**–**	300
Mr JG Appelgryn has a joint interest (50%) in Sinergi Corporate Advisors (Pty) Ltd – Consulting fees paid by AfroCentric Investment Corporation Limited	**–**	8 350
Mr MJ Madungandaba (41.91%) and Dr ATM Mokgokong (17.96%) collectively control Skynet South Africa (Pty) Ltd – Courier fees to Skynet South Africa	**1 278**	1 099
Mr MJ Madungandaba (8.29%) and Dr ATM Mokgokong (3.55%) have an interest in Jasco Electronics Holdings Limited – IT service fees to Jasco Electronics Holdings Limited	**17 281**	20 639

* *The prior year figure has been restated as rentals was included which is an agent/principal agreement.*

32. RELATED PARTY TRANSACTIONS CONTINUED

32.3 Transactions with entities in the Group continued

	GROUP	
	June 2017 R'000	June 2016 R'000
Associates		
Invisible Card Company (Pty) Ltd – Loan advanced by AfroCentric Health Limited	**3 000**	5 700
AfroCentric Health Limited – Interest charged on loan to Invisible Card Company (Pty) Ltd	**–**	757
The Cheese Has Moved (Pty) Ltd – Interest charged on loan from AfroCentric Health (Pty) Ltd	**51**	–
Subsidiaries		
AfroCentric Health Limited – Management fees paid to Medscheme Holdings (Pty) Ltd	**914**	914
AfroCentric Management Services (Pty) Ltd – Profile fees paid to Helios IT Solutions (Pty) Ltd	**51**	371
AfroCentric Management Services (Pty) Ltd – Telkom, TMS and printer fees paid to Helios IT Solutions (Pty) Ltd	**34**	18
AfroCentric Management Services (Pty) Ltd – IT support services paid to Helios IT Solutions (Pty) Ltd	**18**	97
Aid for Aids Management (Pty) Ltd – Management fees paid to Medscheme Holdings (Pty) Ltd	**4 674**	4 431
Aid for Aids Management (Pty) Ltd – Telkom ,TMS and printer fees paid to Helios IT Solutions (Pty) Ltd	**655**	569
Aid for Aids Management (Pty) Ltd – Profile fees paid to Helios IT Solutions (Pty) Ltd	**2 325**	2 174
Klinikka (Pty) Ltd – Management fees paid to AfroCentric Health Limited	**–**	1 774
Allegra (Pty) Ltd – Switching fees paid to Helios IT Solutions (Pty) Ltd	**5 281**	3 654
Allegra (Pty) Ltd – TMS and Telkom fees paid to Helios IT Solutions (Pty) Ltd	**24**	48
Allegra (Pty) Ltd – Licence and support fee paid to Helios IT Solutions (Pty) Ltd	**1 342**	1 342
Allegra (Pty) Ltd – Dividend paid to Helios IT Solutions (Pty) Ltd	**3 168**	602
ACT Healthcare Assets (Pty) Ltd – Dividends paid to AfroCentric Investment Corporation Limited	**35 650**	–
Medscheme Namibia (Pty) Ltd – Dividends paid to Medscheme Holdings (Pty) Ltd	**43 324**	16 954
Pharmacy Direct (Pty) Ltd – Inventory purchases from Curasana Wholesalers (Pty) Ltd	**758 233**	597 525
Aid for Aids Management (Pty) Ltd – NAPWA fees paid to Glen Eden Trading 58 (Pty) Ltd	**234**	528
Helios IT Solutions (Pty) Ltd – Consulting fees paid to Glen Eden Trading 58 (Pty) Ltd	**33 095**	23 802
Pharmacy Direct (Pty) Ltd – Rental costs, electricity and security costs paid to Curasana Wholesalers (Pty) Ltd	**2 784**	953
Medscheme International – Management fees paid to Medscheme Holdings (Pty) Ltd	**28**	26
AfroCentric Distribution Services (Pty) Ltd – On site support fees paid to Helios IT Solutions (Pty) Ltd	**34**	34
Medscheme Mauritius – Management fees paid to Medscheme Holdings (Pty) Ltd	**250**	237
Helios IT Solutions (Pty) Ltd – Management fees paid to Medscheme Holdings (Pty) Ltd	**15 359**	14 559
Medscheme Zimbabwe – Management fees paid to Medscheme Holdings (Pty) Ltd	**223**	211
Medscheme Holdings (Pty) Ltd – TMS and Telkom fees paid to Helios IT Solutions (Pty) Ltd	**17 151**	16 816
Medscheme Holdings (Pty) Ltd – Out of scope and recovery costs paid to Helios IT Solutions (Pty) Ltd	**929**	–
Klinikka (Pty) Ltd – Hosting fees paid to Helios IT Solutions (Pty) Ltd	**188**	–

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

32. RELATED PARTY TRANSACTIONS CONTINUED

32.3 Transactions with entities in the Group continued

	GROUP	
	June 2017 R'000	**June 2016 R'000**
Subsidiaries		
AfroCentric Health Limited – Hosting fees paid to Helios IT Solutions (Pty) Ltd	**51**	205
Medscheme Administrators Swaziland (Pty) Ltd – Management fees paid to Medscheme Holdings (Pty) Ltd	**1 469**	1 393
Klinikka (Pty) Ltd – Corporate service fees paid to Helios IT Solutions (Pty) Ltd	**70**	70
Medscheme Administrators Swaziland (Pty) Ltd – IT support services paid to Helios IT Solutions (Pty) Ltd	**815**	702
Medscheme Administrators Swaziland (Pty) Ltd – Profile fees paid to Helios IT Solutions (Pty) Ltd	**323**	440
Medscheme Administrators Swaziland (Pty) Ltd – Licence and support fees paid to Helios IT Solutions (Pty) Ltd	**3 026**	2 409
AfroCentric Health Limited – Sales to Klinikka (Pty) Ltd	**2 800**	2 800
Medscheme Holdings (Pty) Ltd – Management fees paid to AfroCentric Management Services (Pty) Ltd	**27 540**	32 400
Medscheme Holdings (Pty) Ltd – IT support services paid to Helios IT Solutions (Pty) Ltd	**69**	96
Medscheme Holdings (Pty) Ltd – Management fees paid to AfroCentric Health Limited	**2 089**	2 089
Medscheme Holdings (Pty) Ltd – Switching fees paid to Allegra (Pty) Ltd	**31 787**	28 657
Medscheme Holdings (Pty) Ltd – Management fees paid to AfroCentric Health Limited	**30 000**	10 000
Medscheme Holdings (Pty) Ltd – Management fees paid to AfroCentric Management Services (Pty) Ltd	**7 000**	10 000
Medscheme Holdings (Pty) Ltd – Information technology admin fees paid to Helios IT Solutions (Pty) Ltd	**143 315**	163 454
Helios IT Solutions (Pty) Ltd – Commission payable to Medscheme Holdings (Pty) Ltd for services rendered (CIMAS and First Mutual Life)	**3 715**	5 723
Medscheme Holdings (Pty) Ltd – Profile fees paid to Helios IT Solutions (Pty) Ltd	**92 433**	76 169
Medscheme Holdings (Pty) Ltd – Dividend paid to AfroCentric Health Limited	**–**	77 704
Medscheme Namibia (Pty) Ltd – Licence and support fees paid to Helios IT Solutions (Pty) Ltd	**5 614**	4 623
Medscheme Namibia (Pty) Ltd – Profile fees paid to Helios IT Solutions (Pty) Ltd	**977**	847
Medscheme Namibia (Pty) Ltd – Management fees paid to Medscheme Holdings (Pty) Ltd	**935**	886
Klinikka (Pty) Ltd – Interest charged on loan from AfroCentric Health Limited	**563**	260
Bonitas Marketing Company (Pty) Ltd – Interest charged on loan from Resticraft Health Limited	**–**	134
Allegra (Pty) Ltd – Interest charged on loan from Medscheme Holdings (Pty) Ltd	**–**	48
Pharmacy Direct (Pty) Ltd – Interest charged on loan from Medscheme Holdings (Pty) Ltd	**40**	–
Curasana Wholesalers (Pty) Ltd – Interest charged on loan from Medscheme Holdings (Pty) Ltd	**12**	–

	COMPANY	
	June 2017 R'000	**June 2016 R'000**
AfroCentric Health (Pty) Ltd loan account	**(10 242)**	(43 116)
ACT Funding (Pty) Ltd loan account	**–**	(1 361)

32. RELATED PARTY TRANSACTIONS CONTINUED

32.4 Key management personnel compensation

	GROUP		COMPANY	
	June 2017 R'000	**June 2016 R'000**	**June 2017 R'000**	**June 2016 R'000**
Short-term employee benefits	**7 904**	5 533	**–**	–
Share-based payments (Note 30)	**2 096**	6 444	**–**	(1 708)

Key management personnel comprises Executive Directors within the AfroCentric Health Proprietary Limited Group.

32.5 Inter-Group guarantees

The following Group companies have provided cross guarantees to the AfroCentric Health Proprietary Limited bankers for facilities offered to that Company:

- Medscheme Holdings Proprietary Limited
- Aids for Aids Management Proprietary Limited
- Helios IT Solutions Proprietary Limited
- Klinikka Proprietary Limited

33. PENSIONS AND OTHER RETIREMENT OBLIGATIONS

The Group has made provision for pension and provident schemes covering substantially all employees. All eligible employees are members of defined contribution schemes administered by third parties. The assets of the schemes are held in administered trust funds separated from the Group's assets. Scheme assets primarily consist of listed shares, bonds and cash. The South African funds are governed by the Pension Funds Act of 1956.

Medscheme Provident Fund and Medscheme Employees Provident Fund

These funds are defined contribution plans. Contributions are fully expensed during the year in which they are funded.

Contributions of 7.6% of retirement funding remuneration are paid by the employer and contributions paid by the employee range between 0% and 12% of retirement funding remuneration. In the interest of the employee members of these funds, the trustees are encouraged to obtain an independent actuarial assessment of the performance of the funds.

34. CONTINGENT CONSIDERATION

	GROUP		COMPANY	
	June 2017 R'000	**June 2016 R'000**	**June 2017 R'000**	**June 2016 R'000**
Non-current liability				
Contingent consideration on Glen Eden Trading 58 (Pty) Ltd	**–**	134 893	**–**	134 893
	–	134 893	**–**	134 893
Current liability				
Contingent consideration on Glen Eden Trading 58 (Pty) Ltd	**194 475**	–	**194 475**	–
	194 475	–	**194 475**	–

This is the estimated fair value of the contingent consideration relating to the acquisition of Glen Eden Trading 58 Proprietary Limited (refer to Notes 4 and 9.8). The fair value has been assessed at year-end. The contingent consideration will be settled in the 2018 financial year.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

35. CONDITIONAL FINANCIAL OBLIGATION

	GROUP		COMPANY	
	June 2017 R'000	June 2016 R'000	June 2017 R'000	June 2016 Restated* R'000
Conditional financial obligation	–	727 960	–	–

Sanlam acquired an effective 28.7% interest in ACT Healthcare Assets Proprietary Limited for R703 million in the 2016 financial year. The acquisition agreement provided for a profit warranty in AfroCentric Health Proprietary Limited, any breach of which entitles Sanlam to claim a maximum additional 4.3% interest in the shares of ACT Healthcare Assets Proprietary Limited in satisfaction of such claim. AfroCentric has provided a profit warranty based on AfroCentric Health Group's full year headline earnings (excluding certain items set out in the Subscription Agreement) which for the period ended 30 June 2017 shall be no less than R330 million.

Should a shortfall exist Sanlam has the option to elect cash or shares that are calculated per the acquisition agreement. In the event that the claim calculates at an amount of a 15% or more increase in the shareholding in AHA, Sanlam has a right to require AfroCentric Investment Corporation Limited 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. In the 2016 financial year the conditional financial obligation was accounted for in terms of IAS 32.23 in the Group results, which required the conditional financial obligation to be recognised at the redemption amount and did not take into account the probability of the conditional put option vesting (and, if so, the likelihood of it being exercised) and its fair value in the 2016 financial year.

In the current financial year the profit warranty has been exceeded and the conditional financial obligation has expired and was therefore reversed. In the prior year there was uncertainty regarding whether the warranties would be met and the non-current classification indicated the possibility of having to settle the obligation which was expected to take place in the 2018 financial year.

Other Sanlam warranties and indemnities

In terms of the Sanlam agreement, ACT must unconditionally and irrevocably agree to indemnify Sanlam and meet certain warranties per the subscription agreement.

All indemnities and warranties based on the subscription agreement have been reaffirmed excluding the below, which has been accounted for accordingly in the financial statements:

- AfroCentric has calculated the total spend on the Fusion IT project and confirms that the warranties have been exceeded. This will result in an additional cash settlement calculated as per below:

	R'000
Total Fusion spend	201 803
Spend limit per warranties	(150 000)
Excess spend	**51 803**
Amount net of tax (72%)	**37 298**
Sanlam shareholding	28.7%
Cash settlement	**10 705**

- Sanlam is claiming a reimbursement regarding the Swaziland VAT and tax issues raised in the current year as a result of taxes that were payable in respect of the period before the subscription date.

	R'000
Total amount paid to Swaziland Revenue Authorities	16 755
Portion relating to post 1 January 2016	(2 532)
Balance relating to pre 1 January 2016	14 223
Sanlam shareholding	28.7%
Amount payable to Sanlam	**4 082**
Therefore, the total liability raised is as follows:	
Liability based on excess Fusion spend	10 705
Liability based on tax issues pre-subscription date	4 082
Total amount payable (indemnity expense)	**14 787**

36. CONDITIONAL PUT OPTION RESERVE

	GROUP		COMPANY	
	June 2017 R'000	June 2016 R'000	June 2017 R'000	June 2016 Restated* R'000
Conditional put option reserve	–	(727 960)	–	–

* *Refer to Note 39 for details regarding the restatement of the June 2016 results.*

Refer to Note 35 for details relating to the conditional put option reserve.

37. DEFERRED PAYMENT

	GROUP		COMPANY	
	June 2017 R'000	June 2016 R'000	June 2017 R'000	June 2016 R'000
Deferred payment	**5 051**	–	–	–

On 1 March 2017 ("effective date") AfroCentric concluded agreements governing the acquisition of 51% of The Cheese Has Moved Proprietary Limited. The Cheese Has Moved Proprietary Limited is an integrated marketing business which specialises in TV, print, radio, social media, relationship and direct marketing, graphic design, direct response advertising, to name a few. The purchase consideration was R5.051 million broken into R1 cash consideration as well as R5.051 million as deferred payment liability (forfeited dividends in the future).

38. SUBSEQUENT EVENTS

Subsequent to the financial year-end, the following material events occurred, brief details of which are as follows:

Purchase of Wellness Odyssey

On 1 July 2017 ("effective date") AfroCentric concluded agreements governing the acquisition of 100% of Wellness Odyssey Proprietary Limited. Wellness Odyssey is a service provider for corporate wellness days – raising awareness and enhancing preventative care to the advantage of the medical scheme, employer groups and participating members (refer to Note 4 for further information).

39. RESTATEMENT OF JUNE 2016 RESULTS

a) Correction of error in accounting for the conditional financial obligation and interest on conditional financial obligation

The comparative June 2016 Group audited results have been adjusted and restated to comply with IAS 39, where interest accrued on the Sanlam conditional put option obligation of R24.96 million, was accounted for in 2016 as an adjustment to equity, instead of being provided for through the statement of comprehensive income.

The accounting treatment for the conditional financial obligation for the comparative June 2016 Company results has also been restated as a derivative on the subsidiaries shares measured at fair value. As per IAS 39, and based on probability, the liability of R703 million should have not been raised.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

39. RESTATEMENT OF JUNE 2016 RESULTS CONTINUED

a) Correction of error in accounting for the conditional financial obligation and interest on conditional financial obligation continued

This has been corrected by restating the 2016 financial statement line items as follows:

	GROUP		
	2016 As previously reported R'000	Profit increase/ (decrease) R'000	2016 Restated R'000
Statement of profit or loss (extract)			
Finance costs – Conditional obligation	–	(24 960)	(24 960)
Income tax	(77 573)	58	(77 515)
Profit for the year	218 574	(24 902)	193 672
Attributable to:			
Equity holders of the parent	165 251	(24 902)	140 349
Non-controlling interest	53 323	–	53 323
	218 574	(24 902)	193 672
Statement of comprehensive income (extract)			
Profit for the year	218 574	(24 902)	193 672
Other comprehensive income for the year	5 029	(58)	4 971
Total comprehensive income for the year	223 603	(24 960)	198 643
Attributable to:			
Equity holders of the parent	170 280	(24 960)	145 320
Non-controlling interest	53 323	–	53 323
	223 603	(24 960)	198 643

Basic and diluted earnings per share for the prior year have also been restated. The amount of the correction for basic earnings was a decrease of 5.41 cents per share and diluted earnings per share was a decrease of 5.17 cents per share.

	COMPANY		
	2016 As previously reported R'000	Increase/ (decrease) R'000	2016 Restated R'000
Statement of financial position (extract)			
Conditional put option reserve	(727 960)	727 960	–
Total equity	123 045	727 960	851 005
Conditional financial obligation	727 960	(727 960)	–
Total liabilities	920 317	(727 960)	192 357

The correction further affected some of the amounts disclosed in Notes 5, 24, 26, 27, 35 and 36.

39. RESTATEMENT OF JUNE 2016 RESULTS CONTINUED

b) Reclassification in cash flow statement

In the prior financial year, loans to Group/associate companies were reclassified from financing activities to investing activities as this is more appropriate.

This has been corrected by restating the 2016 financial statement line items as follows:

	GROUP		
	2016 As previously reported R'000	Increase/ (decrease) R'000	2016 Restated R'000
Statement of cash flows (extract)			
Cash flows from financing activities			
Decrease in loans to Group/associate companies	(31 686)	31 686	–
Net cash flow from financing activities	487 926	31 686	519 612
Cash flows from investing activities			
Decrease in loans to Group/associate companies	–	(31 686)	(31 686)
Net cash flow from investing activities	(645 465)	(31 686)	(677 151)

c) Restatement in earnings per share

In the prior financial years, AfroCentric calculated the earnings per share and headline earnings per share using total comprehensive income attributable to the parent instead of profit and loss attributable to the parent and added back impairment of loans for headline earnings per share. From management's analysis, the change in earnings per share is immaterial, but in compliance with IAS 33.

This has been corrected by restating the 2016 financial statement line items as follows:

	GROUP		
	2016 As previously reported R'000	Increase/ (decrease) R'000	2016 Restated R'000
Earnings per share (extract)			
Reconciliation of headline earnings			
Basic earnings (incorporating Note 39(a))	145 320	(4 971)	140 349
Impairment of assets	21 469	(11 252)	10 217
Total non-controlling interest effect of adjustments	(8 409)	4 594	(3 815)
Headline earnings (incorporating Note 39(a))	157 196	(11 629)	145 567
Earnings per share (cents)			
Basic (incorporating Note 39(a))	26.28	(0.9)	25.38
Diluted (incorporating Note 39(a))	25.09	(0.86)	24.23
Headline earnings per share (cents)			
Basic (incorporating Note 39(a))	28.43	(2.1)	26.33
Diluted (incorporating Note 39(a))	27.14	(2.01)	25.13

NOTES

COMPANY INFORMATION

REGISTRATION NUMBER

1988/000570/06

REGISTERED OFFICE

37 Conrad Street
Florida North
Roodepoort
1709

POSTAL ADDRESS

Private Bag X34
Benmore
2010

AUDITOR

PricewaterhouseCoopers Inc.
2 Eglin Road
Sunninghill
2157

GROUP INVESTOR RELATIONS

Nosipho Phewa
Tel: +27 11 671 2475
investorrelations@afrocentric.za.com

SPONSOR

Sasfin Capital (A member of the Sasfin Group)

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank
2196
Tel: +27 861 100933

POSTAL ADDRESS

PO Box 61051
Marshalltown
2107

COMPANY SECRETARY

Billy Mokale