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.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

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.