



AfroCentric
GROUP

INTEGRATED REPORT 2017

**ACHIEVING
SUSTAINABLE GROWTH
THROUGH INTEGRATED
HEALTHCARE SOLUTIONS**

OUR STORY

The Group has **grown** significantly since listing on the Johannesburg Stock Exchange (“JSE”) in 2008, and it continues making access to sustainable quality healthcare affordable for everyone.

AfroCentric has diversified and grown in external markets by **transforming** and **integrating** its service offerings and has solidified its position as a major player in the industry, thereby creating a **sustainable** healthcare business.

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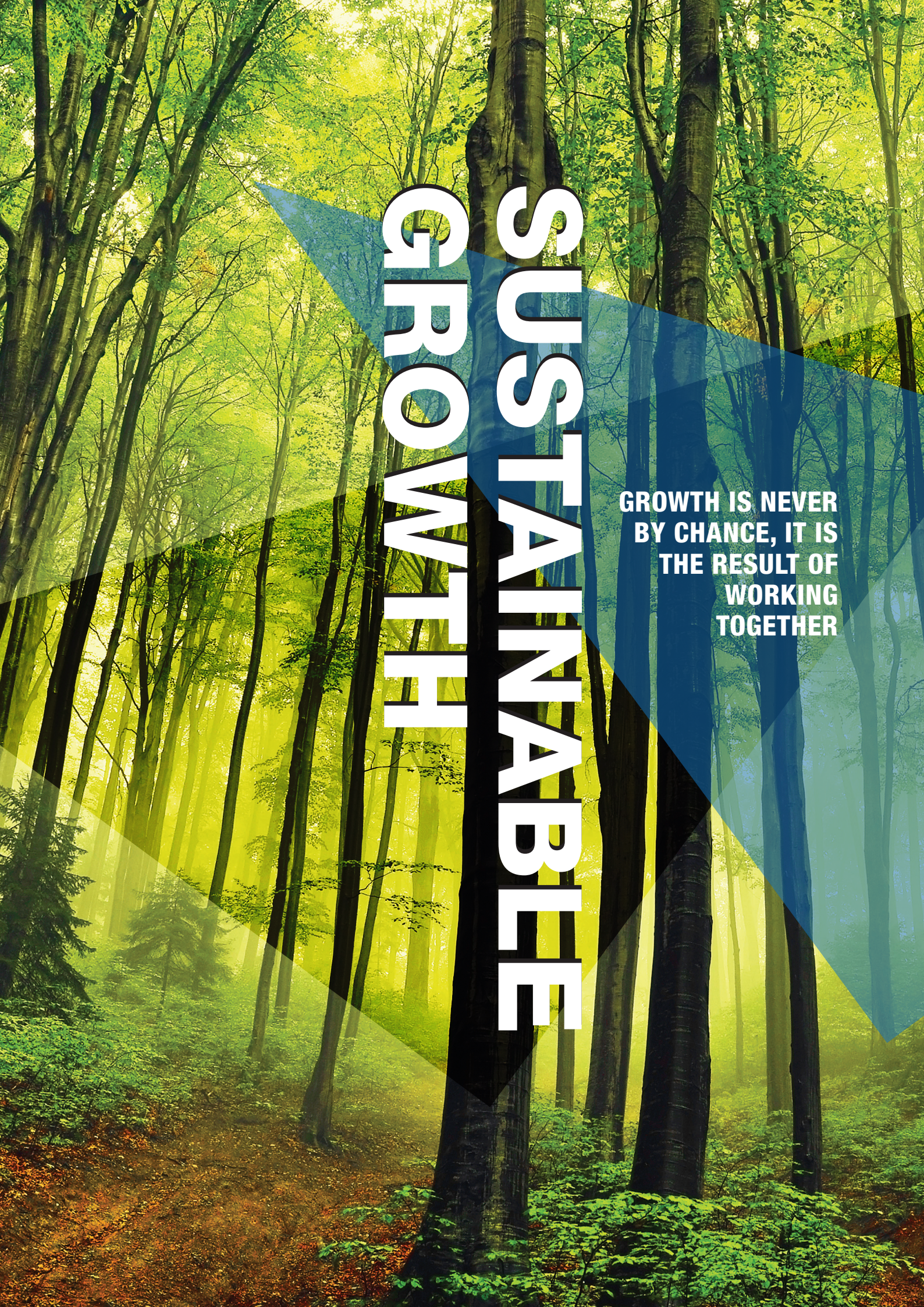
NAVIGATION

The following icons are used for reference purposes:

 Website	 Group Annual Financial Statements
 Page reference	

The following icons illustrate the integration between AfroCentric's strategic objectives and relevant elements:

 Enhance shareholder value	 Promote transformation
 Maximise growth opportunities	 Diversify revenue sources
 Improve efficiencies through cost consciousness	 Deliver exceptional client service
 Reduce the cost of healthcare	 Uplift our people

A lush green forest with tall trees and a blue geometric overlay. The text is centered over the image.

SUSTAINABLE GROWTH

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

PERFORMANCE SUMMARY FOR THE YEAR



DIVIDEND INCREASED BY **16.67%** TO **28 CENTS** PER SHARE FOR THE YEAR

18% INCREASE IN SHARE PRICE



THE HEALTHCARE BUSINESS, AFROCENTRIC HEALTH PROPRIETARY LIMITED ("AHL"), ACHIEVED A **LEVEL 2** B-BBEE STATUS FOR THE FIFTH CONSECUTIVE YEAR

TITANIUM AWARD FOR EXCELLENCE IN CORPORATE SOCIAL INVESTMENT



TOTAL REVENUE INCREASE BY **20.22%**

AMALGAMATION OF BONITAS MEDICAL AID FUND ("BONITAS") AND **LMS MEDICAL FUND** ("LIBERTY") **INCREASED** THE NUMBER OF LIVES UNDER OUR CARE BY APPROXIMATELY **125 000**



WE ACQUIRED **WELLNESS ODYSSEY AND THE CHEESE HAS MOVED** ("TCHM") IN 2017



49.89% INCREASE IN OPERATING PROFIT

R243.2 MILLION FRAUD, WASTE AND ABUSE CASES DETECTED AND CONFIRMED



VOICE OF THE CUSTOMER SURVEY POSITIVE RESPONSE RATE OF **85.31%**



R154.1 MILLION COST SAVINGS BASED ON **INSURANCE FRAUD MANAGER ("IFM")** SOFTWARE



5 236 EMPLOYEE COMPLEMENT

R6.9 MILLION TRAINING SPEND

SAICA ACCREDITED TRAINING PROGRAMME

ABOUT THIS REPORT

AfroCentric Investment Corporation Limited (“AfroCentric”, “the AfroCentric Group”, or “the Group”) is pleased to present its Integrated Report (“report”) for the year ended 30 June 2017. This report is primarily addressed to our current and prospective investors and other relevant stakeholders.

This report aims at transparency, and to provide insight into our governing body’s activities and our business model, material matters, strategy, performance, and future prospects. It also aims to address our key objective of facilitating quality healthcare services to our clients (“schemes”) through a wide range of service offerings.

Value

We define value as the ability to use our resources to sustain financial returns, transform the lives of our key stakeholders, and ensure the preservation of our natural environment.

SCOPE AND BOUNDARY

This report builds on our 2016 Integrated Report and presents the financial and non-financial performance of AfroCentric for the period from 1 July 2016 to 30 June 2017. Any material events between this date and the report’s approval by the Group’s Board of Directors on 14 September 2017 are also included. There have been no significant changes to the scope, boundary or measurement methods applied in this report since the 2016 Integrated Report. Any restatements to comparatives have been highlighted as such in the relevant section.

The Group operates primarily in South Africa, and has established footprints in Namibia, Zimbabwe, Botswana, Kenya, Swaziland and Mauritius.

 Overview of the Group’s companies and subsidiaries page 18.

REPORTING APPROACH

The content of this report is aligned to the principles of the International Integrated Reporting Council’s (“IIRC”) Integrated Reporting <IR> Framework, and other applicable frameworks and regulations for financial and non-financial reporting as listed in the reporting suite.

MATERIALITY

Materiality

AfroCentric’s definition of materiality is derived from the IIRC’s <IR> Framework. The Group’s material matters are those matters that substantively affect our ability to create value over the short, medium and long term.

Group members prepared this report to concisely provide balanced, reliable, transparent and relevant information that management deems material to our current and prospective investors and other relevant stakeholders.

 Group materiality determination process pages 26 and 27.

FEEDBACK

We are committed to communicating effectively with our stakeholders, and we value feedback on the relevance and quality of this report. Any questions or requests for additional information relating to our report can be directed to: Nosipho Phewa on investor-relations@afrocentric.za.com or telephone: 011 671 2475

FORWARD-LOOKING STATEMENTS

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

REPORTING SUITE

The Integrated Report should be read in conjunction with the Group Annual Financial Statements. The content of each is outlined in the table below.

REPORT	INTEGRATED REPORT	GROUP ANNUAL FINANCIAL STATEMENTS
Content	• An overview of the Group's business model, stakeholder engagement, material matters and strategy • Performance and prospects • Operational reviews • A corporate governance report • A Remuneration Committee report • The Notice of Annual General Meeting • A form of proxy	• Full audited Group annual financial statements for the financial year ended 30 June 2017 • Directors' report • Independent auditor's report • Audit and Risk Committee report
Applicable frameworks/guidelines	• IIRC Integrated Reporting <IR> Framework • JSE Listings Requirements • King Report on Governance for South Africa 2009 ("King III") • The Companies Act 71 of 2008, as amended	• International Financial Reporting Standards ("IFRS") • SAICA Financial Reporting Guides as issued by the Accounting Policies Committee • The Financial Pronouncements as issued by the Financial Reporting Standards Council • The Companies Act 71 of 2008, as amended
Assurance	• Management and governance oversight • Board oversight and approval • Broad-based black economic empowerment verification (Empowerdex (Pty) Ltd) • Carbon footprint verification (Promethium Carbon) <i>Note: No independent assurance was obtained on the report as a whole.</i>	• Internal controls • Management and governance oversight • Internal audit • Unmodified external audit opinion (PricewaterhouseCoopers Inc.)
 Reports are available online at www.afrocentric.za.com/cd-ar-reports.php , and physical copies can also be requested from the Group Investor Relations office (Nosipho Phewa on investor-relations@afrocentric.za.com).		

BOARD APPROVAL

The Board recognises its responsibility to ensure the integrity of the Integrated Report. The directors have applied their collective mind to the report's content and believe that it addresses all material matters, and fairly presents the integrated performance of the Group. The directors believe that this report has been prepared in accordance with the IIRC <IR> Framework. The Audit and Risk Committee, which has oversight and responsibility for integrated reporting, recommended the report for approval by the Board of Directors.

This AfroCentric Group 2017 Integrated Report was approved for release on 14 September 2017.

On behalf of the Board:



Dr Anna Mokgokong
Chairperson



Antoine van Buuren
Group Chief Executive Officer



Hannes Boonzaaier
Group Chief Financial Officer

CHAIRPERSON'S REPORT



DR ANNA MOKGOKONG

We have demonstrated resilience in an ever-changing sector as well as the ability to continually provide innovative solutions to improve the healthcare sector which, in turn, improves the quality of members' lives.

THE YEAR UNDER REVIEW: RESILIENCE IS KEY TO ECONOMIC STABILITY

A company's resilience is more than its capacity to respond to and recover from challenges. It includes the ability to predict, prevent and manage a myriad of risks that could affect different critical sustainability components and ultimately threaten its economic stability.

Within a highly competitive and ever-changing environment, AfroCentric has demonstrated resilience and the ability to continually provide innovative solutions to improve the healthcare sector which, in turn, improves the quality of members' lives.

I credit this milestone to our unique ability to provide new and cost-effective products to the industry, our dedicated team of employees and our loyal customers who have made it all possible.

We have maintained a positive financial growth trajectory and have diversified our revenue sources. We continue pursuing opportunities for growth. The amalgamation of Bonitas and LMS Medical Fund ("Liberty") added more lives under our care, prolonging both our track record as a medical scheme administrator and our number one market position in managed care.

We successfully promoted more efficient and effective patient care; and treatment management from the Document Based Care ("DBC") back and neck rehabilitation programme, initiated in 2016, produced positive outcomes. I am confident that the Integrated Chronic Care Model ("ICCM") which was implemented on 1 May 2017 and includes the capitation and alternative reimbursement models, will further aid our efforts to enhance cost containment.

In December 2015, Sanlam Life Insurance Limited ("Sanlam") subscribed a 28.7% equity stake in ACT Healthcare Assets

Proprietary Limited ("AHA"). Consequently, Sanlam and AfroCentric formed a sub-committee in October 2016 to review how both parties can best leverage this strategic alliance.

Regrettably, our long association with Swazimed ended during the year. The contract had run since the scheme's inception 30 years ago, and I am grateful for the relationship we developed with them. We wish them well in their venture to be a self-administrating medical scheme. AfroCentric will remain within the Swaziland market to look for new opportunities.

AfroCentric realises that competing in today's global economy is complex. We not only need advanced technical and vocational skills, but also a flexible workforce that can adjust to rapid shifts in demand. That is why investing in skills is so vital to a country's economic growth and competitiveness.

In 2017, we awarded bursaries to four medical students studying towards a Bachelor of Medicine and Surgery at two Tshwane universities. This programme shall be enrolled annually to support the empowerment of qualifying students.

RESPONDING TO OUR OPERATING ENVIRONMENT NATIONAL HEALTH INSURANCE

Universal access to prevention, treatment, care and support for illness, and respect for human rights are common purposes which we share with the Department of Health. To this end, AfroCentric embraces new opportunities and remains well positioned to support the government in the implementation of the National Health Insurance ("NHI") system and keeping with world trends by contributing towards universal access to healthcare in Africa, as per the priorities outlined by the newly appointed Director-General of the World Health Organization ("WHO"), Tedros Adhanom. We participated in pilot programmes and will continue playing a key role in its second phase of implementation.

The government has progressed towards the next phase in the implementation of the NHI. We welcome and support the proposed introduction of an NHI fund during 2017/2018. The Group is also looking forward to the final NHI White Paper which the National Treasury, the Department of Health and other stakeholders are finalising.

The second phase focuses on improving efficiencies, quality, and controlling costs. This will start to offer improved psychiatric care, services for the elderly and disabled and, through our school health programmes, provide maternal health services, hearing aids and spectacles.

Our retail arm – Pharmacy Direct; medicines wholesaler – Curasana; and drug importer – Activo Health, have partnered with the government to deliver enhanced services with greater efficiency and effectiveness.

CHAIRPERSON'S REPORT CONTINUED

HEALTH MARKET INQUIRY

The outcome of the health market inquiry is important to AfroCentric, as we remain committed to working with medical schemes and making private healthcare more affordable for all scheme members, and young people in particular.

HEALTHCARE SECTOR CONSOLIDATION

We are focused on consolidating the healthcare value chain's services and products so that a larger portion of each healthcare Rand goes toward patient care and improving the effectiveness of the system.

The Group views this consolidation as a key element in combating healthcare inflation, providing better access to healthcare, and to delivering exceptional client service. We are determined to pursue partnerships, acquisitions and mergers in order to drive toward value chain optimisation.

IT SYSTEM AND FRAUD, WASTAGE AND ABUSE

Fraud is a pervasive and boundless problem, regardless of the industry, the size of a company and even a country. The healthcare sector is among the most seriously affected.

The Nexus IT system provides a stable platform for our technological capabilities to be more efficient and consistent. It is supported by our investment in the exclusive licensing of the Insurance Fraud Manager ("IFM") predictive analytics software which counters fraud, waste and abuse, which in turn provides cost savings for our clients.

CORPORATE GOVERNANCE

Corporate governance plays an increasingly important role in the oversight of companies. We restructured our Board to offer a more pragmatic model for the Company with seamless integration in our committees and sub-committees. The Board now functions completely at a Group level, with subsidiary boards operating as Executive Committee boards. The internal Audit and Risk Committee has been instrumental in providing a consolidated Group risk register.

In response to the Group's IT requirements, the Board has appointed a Non-executive Director to oversee technology and the implementation of an IT system for the entire Group.

The Board and Executive Committee's astute oversight and strategic direction led AfroCentric to its positive financial performance. The Executive Committee has been focused on educating all Group subsidiaries on the products and services of each of our operating businesses, which helped us synergise the healthcare value chain. Further to this, we developed an executive manifesto to drive the execution of our strategy. AfroCentric's Executive Committee is committed to realistically lowering healthcare costs, enhancing our leadership accountability and driving the Group's growth opportunities.

I am confident in the dedication and skills of our governing body.

PROMOTE TRANSFORMATION

If we are going to prosper and develop, we need to move into the space of greater value addition and inclusive production.

Our main operating subsidiary, AfroCentric Health (Pty) Ltd ("AHL"), has held a Level 2 B-BBEE rating for five consecutive years. AfroCentric leverages transformation through the diversity of our workforce, various skills development initiatives, developing vendors and suppliers through our Enterprise and

The Group views consolidation as a key element which the healthcare sector can leverage to combat healthcare inflation, provide better access to healthcare, and deliver exceptional client service. We are determined to pursue partnerships, acquisitions and mergers in order to drive towards value chain optimisation.

Supplier Development and Socioeconomic Development programmes – where we actively focus on practitioners and beneficiaries in the healthcare space. This helps us acquire new contracts and retain our current clients.

We are planning to respond positively to the Gender Policy as per the Johannesburg Stock Exchange (“JSE”) requirement in becoming biased towards the appointment of female directors to address gender imbalances.

OUTLOOK

AfroCentric is committed to optimising the healthcare sector and raising the value of each healthcare Rand through consolidation. We support the government in its mission to revitalise the South African healthcare sector. We regard Public Private Partnerships (“PPPs”) as a synergistic arrangement which will augment the public health system and ensure that the private sector also contributes to public health goals.

Our new leadership manifesto will guide the Group as we invest in more healthcare-related businesses which demonstrate the potential to grow and diversify our revenue sources, while contributing to the sustainable health and welfare of South Africa.

ACKNOWLEDGEMENTS

I wish to thank my fellow Directors, shareholders, management team, dedicated employees, clients, partners, service providers and stakeholders for their untiring commitment and enthusiasm to this company.

Looking at the next 12 months, we have a considerable pipeline of exciting activities ahead of us.



Dr Anna Mokgokong

Chairperson



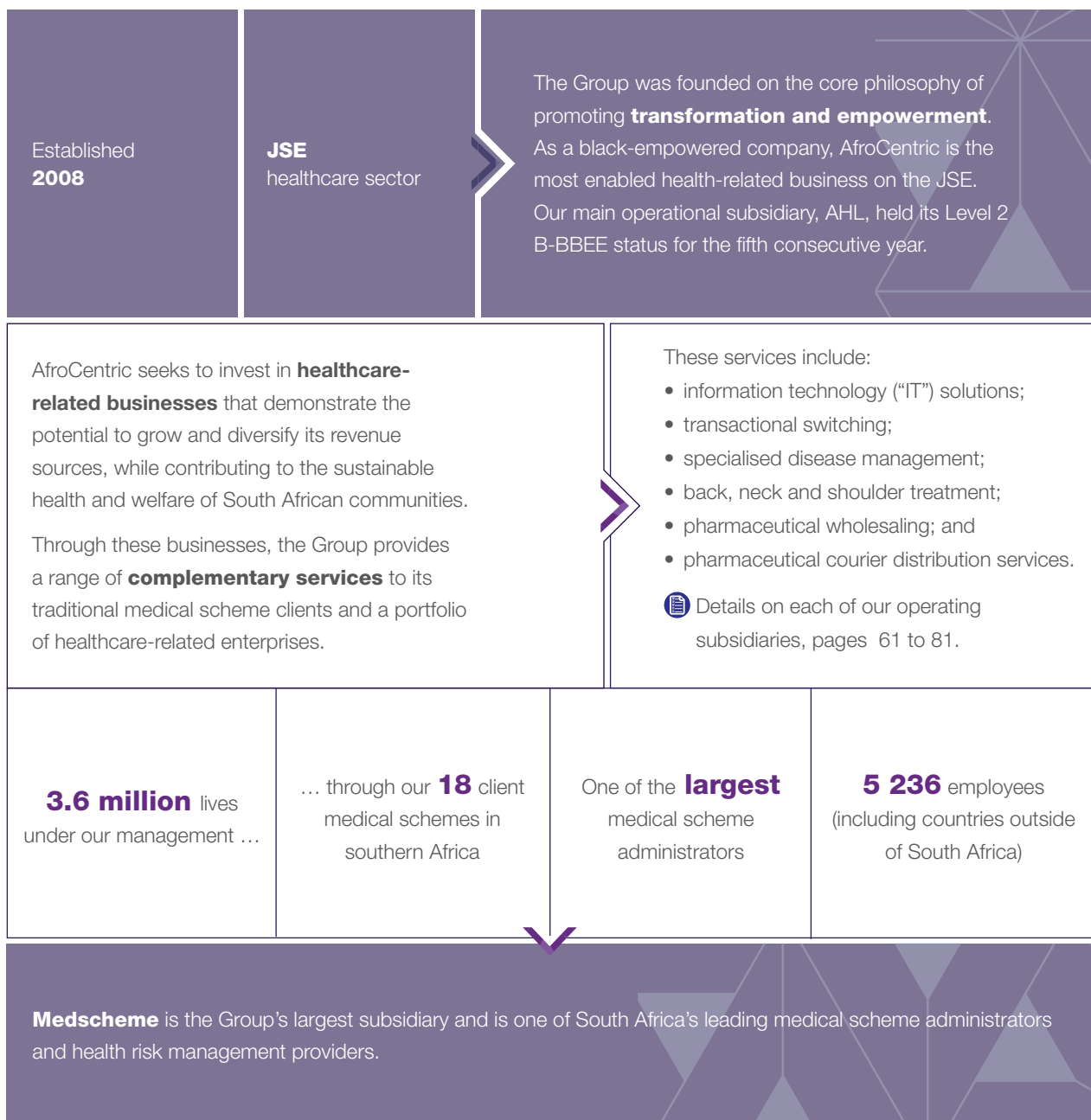
ORGANISATIONAL OVERVIEW

INTEGRATION

THE SUCCESSFUL
INTEGRATION OF ALL
THE ELEMENTS IN A
BUSINESS LEADS TO
VALUE CREATION

PROFILE

AfroCentric is a black-empowered investment holding company with an investment portfolio focused on providing services to the healthcare sector. Through its operating subsidiaries, AfroCentric provides **health administration** and health **risk management solutions**.



VALUE CHAIN OPTIMISATION

Value chain optimisation is the process of analysing and increasing the value of every Rand spent on medical aid. It identifies opportunities for collaboration and negotiating on prices with healthcare providers. The outcomes are to drive value, lower costs and make medical aid affordable again, so that our clients can expand their membership.

We have leveraged our clinical, actuarial, data analytics and health intelligence capabilities to identify irregularities and negotiate affordable prices on unregulated components, such as medical consumables and surgical devices.

Initiatives that improve healthcare while lowering its cost, include the Documentation Based Care (“DBC”) back and neck rehabilitation programme, our pharmaceutical courier distribution services to patients and more recently, the Integrated Chronic Care Model (“ICCM”).

INTEGRATED CHRONIC CARE MODEL

Medscheme’s ICCM was implemented on 1 May 2017, and aims to decrease costs for our client schemes while improving the healthcare for our scheme’s beneficiaries.

Chronic diseases have become more prevalent across the world, the majority being caused by non-communicable diseases (“NCDs”). NCDs now spread faster in developing countries such as South Africa than in high-income countries, and, as chronic illnesses account for over 50% of healthcare costs, it is imperative that we combat them. Over the past five years, the number of Medscheme’s scheme members with three or more chronic diseases has increased by 50%, both as a result of an increased incidence of lifestyle related diseases and more proactive identification of at-risk patients.

Non-communicable diseases

- Asthma/COPD*/Bronchiectasis
- Cardiac failure/cardiomyopathy/dysrhythmias
- Diabetes (type 1 and 2)
- Hyperlipidemia
- Hypertension
- Depression/Bipolar
- Cancer
- Chronic renal failure
- Epilepsy
- Hyperthyroidism
- Musculo-skeletal disorder

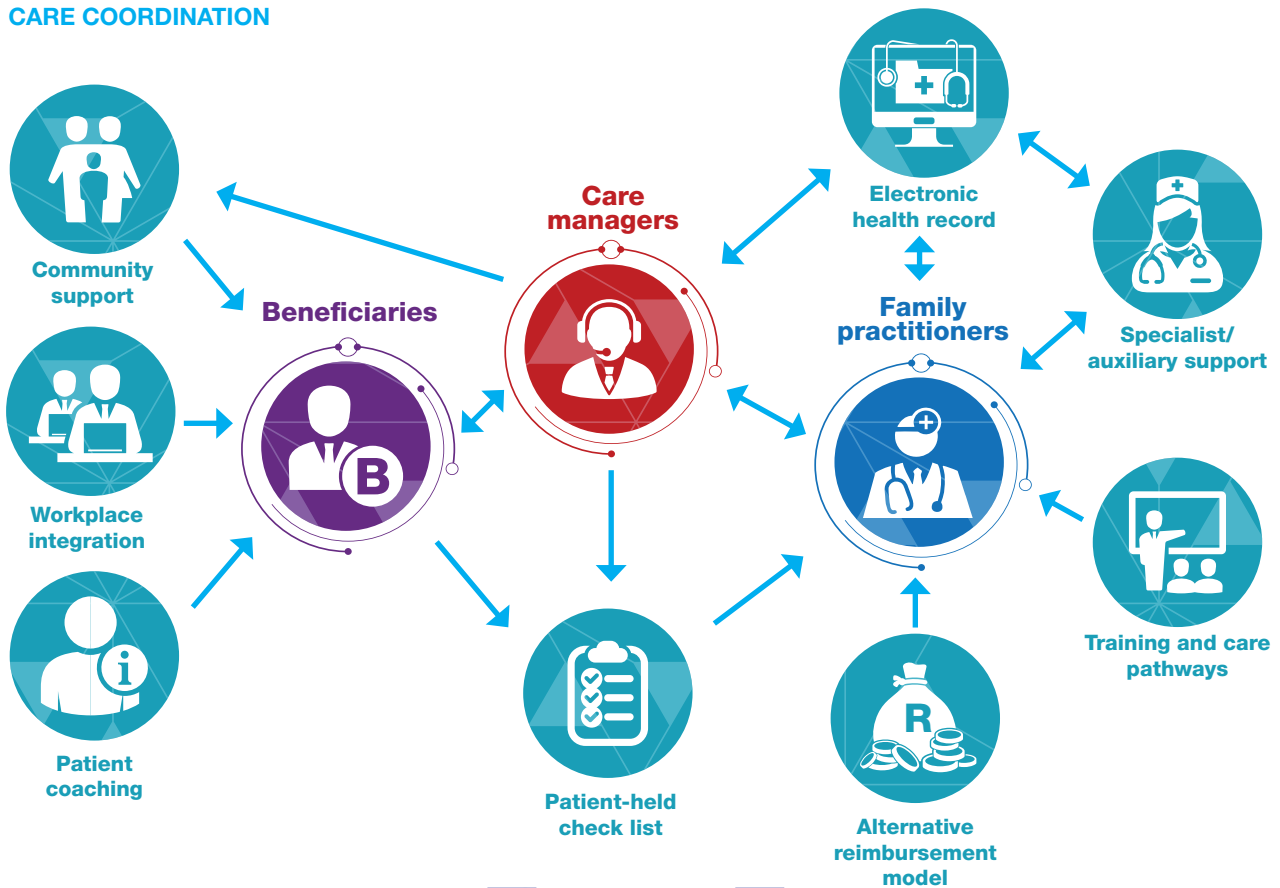
Managing patients with chronic conditions has become especially challenging in recent times, because of, among other things:

- rushed practitioners not following guidelines;
- lack of care coordination;
- lack of follow-up; and
- patients who are inadequately coached for self-management.

* *Chronic obstructive pulmonary disease.*

PROFILE CONTINUED

CARE COORDINATION



Informed and activated beneficiaries

Through Active Disease Risk Management (“ADRM”) services, we provide patients with an understanding of their own risks, their role in managing the risk and motivating behavioural change. ADRM has also enhanced our capabilities of detecting chronic illnesses.

Empowered family practitioners

Through information sharing and appropriate referrals, we are seeking to empower family practitioners to provide quality care and support to patients with chronic conditions.



Active Disease Risk Management

A coordinated system where healthcare interventions are aimed at chronic diseases with the emphasis being placed on the prevention of exacerbation and/or complications utilising evidence-based protocols and formularies.

Medscheme has established a multidisciplinary team which is responsible for coordinating care by:

- assessing patients properly;
- developing and executing personal care plans and empowering self-management;
- identifying participants and defining their roles;
- communicating properly;
- ensuring continuous follow-up; and
- capturing relevant information and evaluating outcomes.

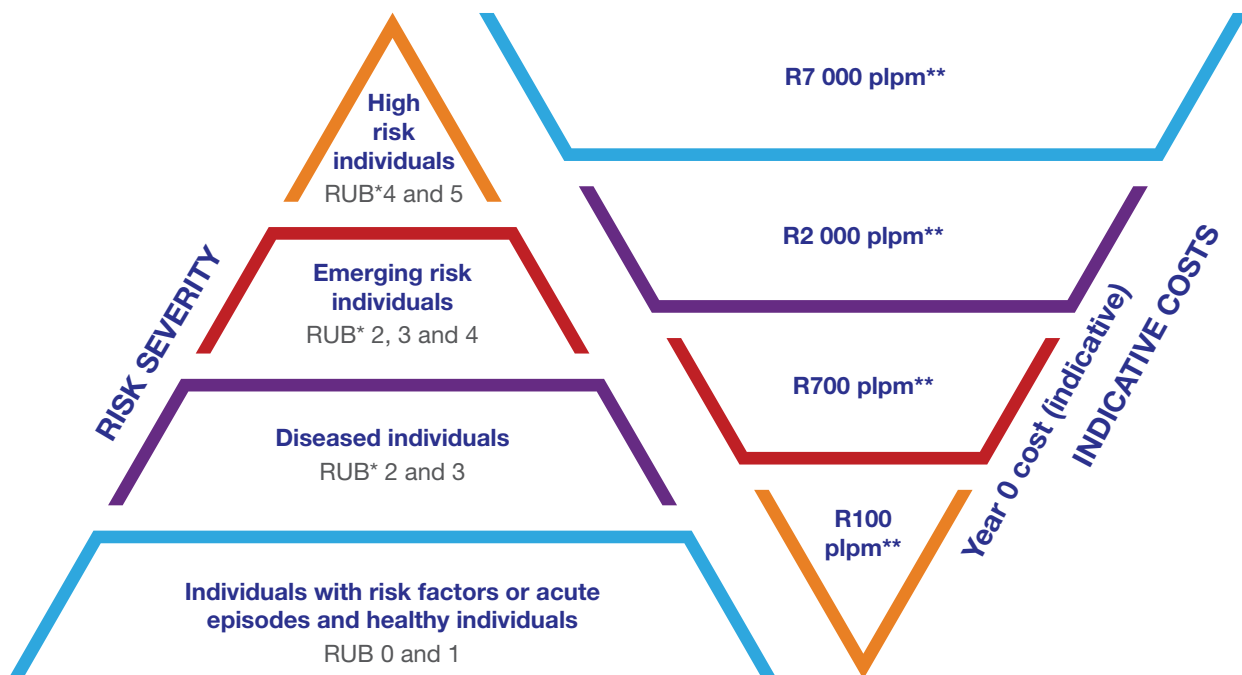
To empower scheme members to become active partners and inform their behaviour, the Group is focusing on improving patient autonomy and easing access to medical records with the assistance of the web-based personal health record (“PHR”) system. The PHR system, introduced in early 2017, enables clients to access their medical records and biometric results with greater ease. We are looking to introduce a mobile application version of the PHR system, which will provide

reminders, in the third quarter of 2017. Predictive analytics has also provided the Group with relevant information to classify patients as: healthy, patients with stable chronic conditions, emerging risks, and high-risk patients.

The majority of NCDs and some communicable diseases can be prevented through early detection, lifestyle changes, adhering to treatment regimens, diligent screening and follow-ups with healthcare practitioners. Together with Sanlam, the Group is looking to incorporate a reward system to encourage scheme members to be active partners.

It is vital that patients with chronic diseases consult healthcare practitioners on the best lifestyle behaviour to manage their conditions. In June 2017, we released an enhanced version of the electronic health record system which offers improved user-experience and interoperability with doctors’ systems. This improved coordination helps us avoid duplicating investigations and treatments, and improves patient outcomes.

Medscheme’s Evolving Managed Healthcare Strategy informed by cost drivers



* A Resource Utilisation Band or RUB is a collection of Johns Hopkins Adjusted Clinical Group® (“ACG®”) System Measures with similar concurrent relative resource use. ACGs are grouped into six RUB classes: 0 – No or Only Invalid Dx, 1 – Healthy Users, 2 – Low, 3 – Moderate, 4 – High, 5 – Very High.

** Per life per month.

INVESTMENT CASE

HISTORY AND PROVEN TRACK RECORD



The Group has **grown** significantly since listing on the JSE in 2008, and it continues making access to sustainable quality healthcare affordable for everyone. AfroCentric has diversified and grown in external markets by **transforming** and **integrating** its service offerings, and has solidified its position as a major player in the industry, thereby creating a **sustainable** healthcare business.



Group history page 16

VISION

MISSION

VALUES



**EMPOWERING GREATER ACCESS TO SUSTAINABLE
QUALITY HEALTHCARE.**

**TO RELENTLESSLY INNOVATE A NEW INTEGRATED MODEL
OF SUSTAINABLE HEALTHCARE THAT MEASURABLY
IMPROVES ACCESS TO QUALITY CARE.**

- **ACT WITH INTEGRITY AND TRUST**
- **GO THE EXTRA MILE**
- **CULTIVATE UNIQUENESS**
- **THRIVE TOGETHER**
- **MAKE A POSITIVE DIFFERENCE**

COMPETENCIES



Our data capabilities are crucial in our bid to disrupt the industry and optimise the value chain. These, in conjunction with our experienced and skilled employees, form the cornerstone of the Group's long-term sustainability.

The experienced professionals across the Group include:

- health actuarials and actuarial analysts;
- statisticians;
- doctors;
- nurses;
- pharmacists and pharmacy assistants;
- optometrists, biokineticists, paramedics;
- physiotherapists, occupational therapists and social workers;
- chartered accountants; and
- safety, health and environmental specialists.

AfroCentric also has clinical, data analytics and health intelligence capabilities.



Intellectual and human capital page 23

GROWTH OPPORTUNITIES



Growing and diversifying beyond South Africa has always been a strategic imperative. We have a presence in Botswana, Namibia, Swaziland, Kenya, Zimbabwe and Mauritius, and are still looking to expand.

Collaborating with Sanlam presents opportunities to enhance the combined product offering of the medical schemes under the Group's management and enter new markets.

DIVERSIFICATION



We are looking to diversify into the non-health administration and health risk management market and optimise the value of the money our clients spend on healthcare.

STRATEGIC OBJECTIVES



Enhance shareholder value



Promote transformation



Maximise growth opportunities



Diversify revenue sources



Improve efficiencies through cost consciousness



Deliver exceptional client service



Reduce the cost of healthcare



Uplift our people

MARKET POSITION



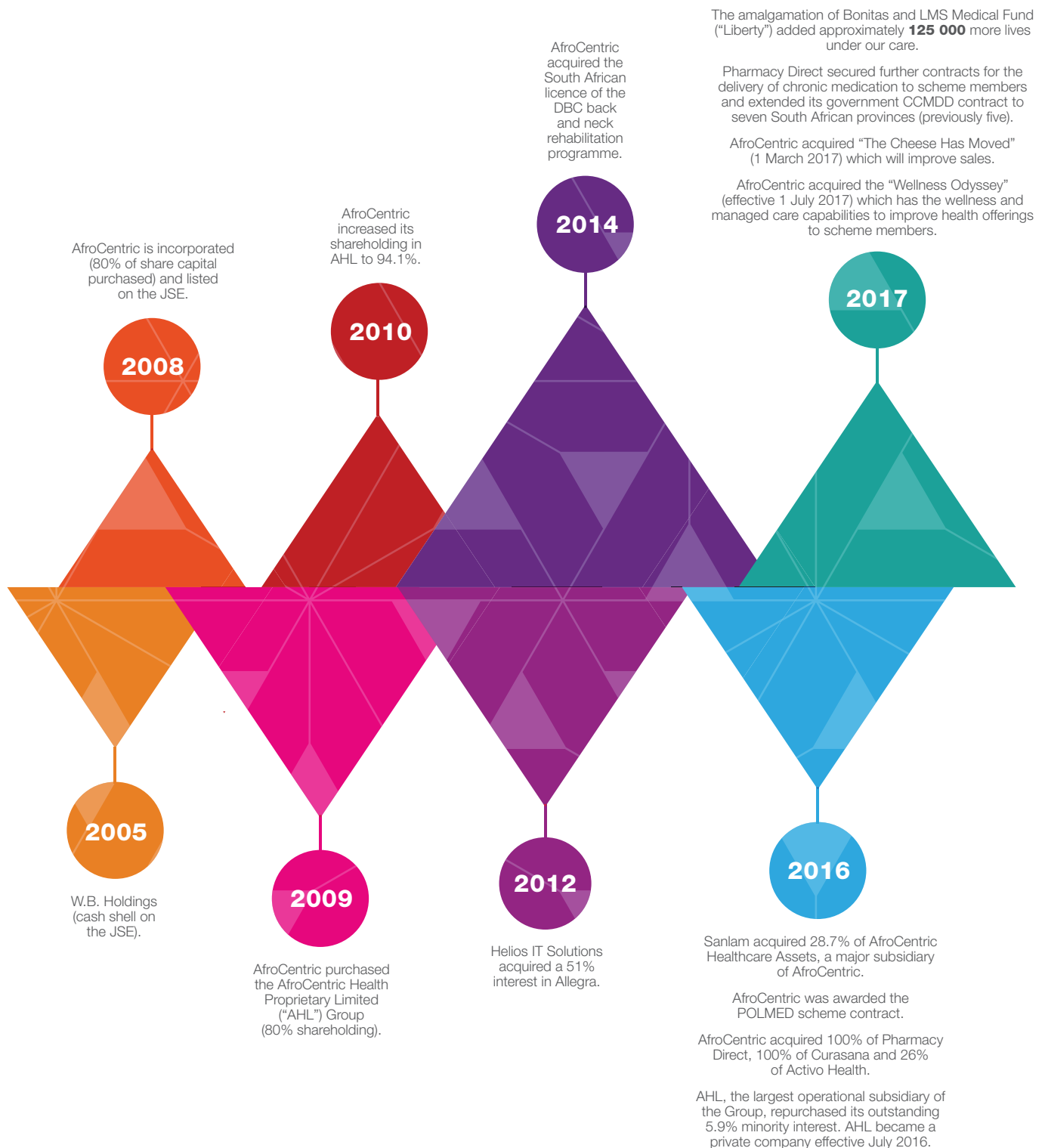
AfroCentric is one of two dominant players in the healthcare sector with 3.6 million lives under our care. We operate exclusively in the healthcare sector, across its value chain, and are sustainably growing through integrated healthcare solutions. During 2016, we added 10% of the healthcare market onto our IT systems due to big schemes that joined the Group.

We hold the number one market position in managed care and are proud of our industry-leading expertise and our long track record as a medical scheme administrator.

We are a proud corporate citizen, and our commitment to transformation places us in a favourable position for government contracts and tenders.

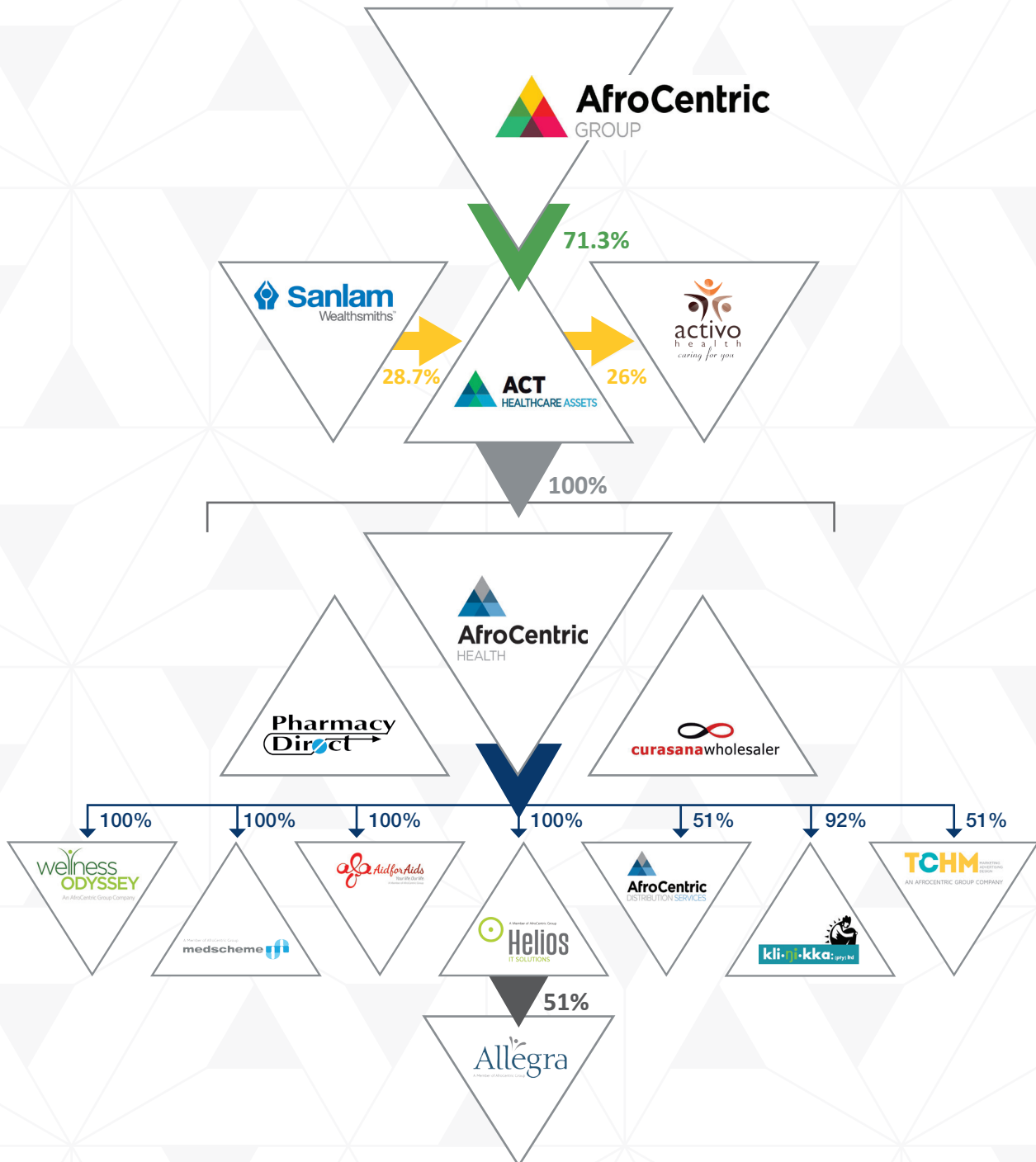
COMPANY HISTORY

A **journey** of **growth** and **integration** in the healthcare value chain.

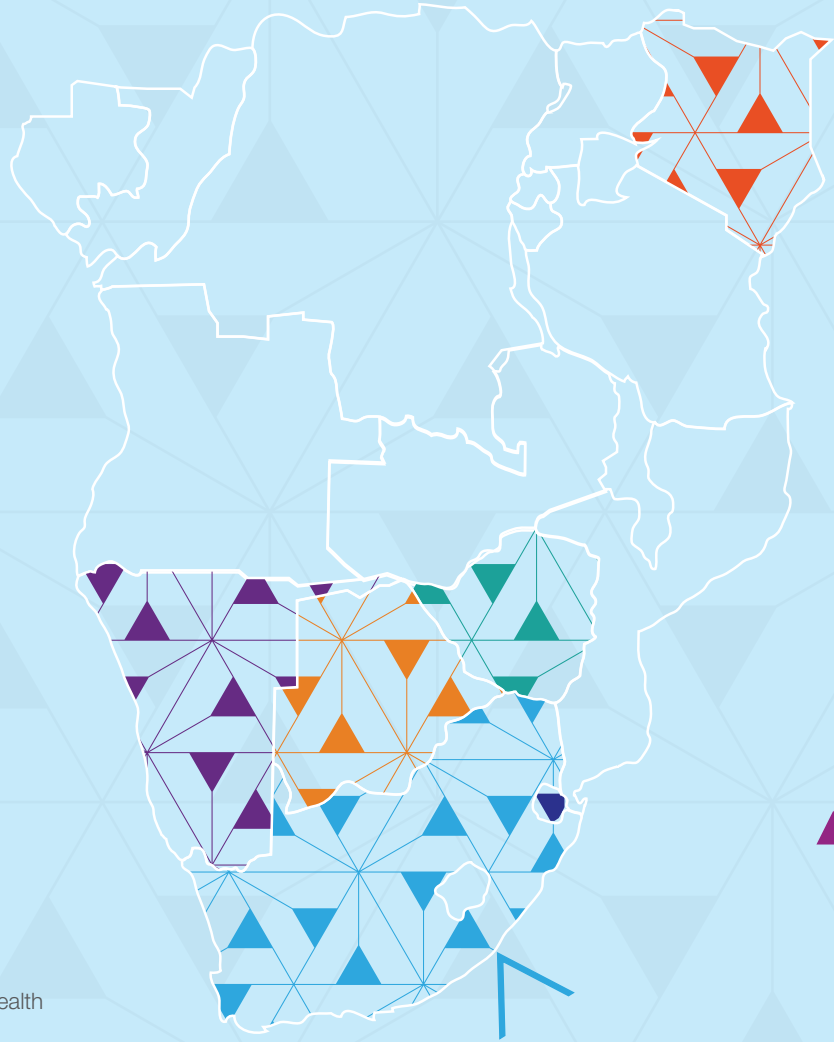




GROUP STRUCTURE



OUR FOOTPRINT



OUR OFFICES

NAMIBIA

Medscheme Namibia

SOUTH AFRICA

Medscheme South Africa

Aid for Aids

Helios

Allegra

Pharmacy Direct, Curasana and Activo Health

Klinikka

The Cheese Has Moved

Wellness Odyssey

BOTSWANA

Associated Fund Administrators Botswana

ZIMBABWE

Medscheme Zimbabwe

MAURITIUS

Medscheme Mauritius

Medscheme International

KENYA

AAR Kenya

AfroCentric Health Solutions Kenya

SWAZILAND

Medscheme Swaziland*

* Our contract with Swazimed came to an end on 31 March 2017.

DBC CLINICS IN SOUTH AFRICA

1. Durban
2. Pietermaritzburg
3. Centurion
4. eMalaheni
5. Pretoria East – Silveroaks Centre
6. Pretoria North
7. Secunda
8. Cape Town
9. Northern Suburbs (Cape Town)
10. Kempton Park
11. Roodepoort
12. Rosebank

PHARMACY DIRECT DISTRIBUTION NETWORK

Pharmacy Direct delivers nationwide from its hub in Centurion, Pretoria.

DELIVERY FRAME

Main centre – within 24 hours

Outlying areas – within 24 hours to **48 hours**

Remote areas – within **72 hours**



HOW WE CREATE VALUE

VALUE CREATION

EVERY PART PLAYS A
UNIQUE AND VALUABLE
ROLE IN DRIVING THE
DIRECTION OF THE
ORGANISATION AS A
VALUE-ADDING WHOLE

BUSINESS MODEL

We **create value** for our stakeholders by pursuing **sustainable growth**.

The Group's business model depicts how our integrated business activities, products and services drive efficiencies in the healthcare value chain, and how these aid the delivery of sustainable healthcare services and easier access to affordable, quality healthcare for scheme members.

Our objective of providing health administration and ensuring effective health risk management is influenced by our external environment, risks and opportunities, and stakeholder expectations.

HEALTHCARE VALUE CHAIN

Michael Porter describes the term *value chain* as a collection of processes, inputs and outputs that take place to produce a product or service.

The healthcare value chain, like most other industries, includes manufacturers, wholesalers, distributors, providers, professionals (nurses, midwives, etc.), and consumers (patients); with the added complexity of different levels of government, their policies, and secondary industries such as private providers and insurance companies. As a result, the healthcare value chain is complex, and highly interdependent – sometimes making it difficult to see the real value of the care being delivered, and its actual cost.



AfroCentric has grown its footprint across the healthcare industry through strategic acquisitions and partnerships. Our Group structure consists of operating companies that provide products and services in the healthcare sector, positioning us to be able to provide integrated healthcare solutions.

For our desired output to be achieved and for value to be created, one or more of six distinct capital inputs are increased, decreased or transformed into outcomes, and some trade-offs between them are incurred through our business activities. These six capitals are outlined alongside and have been linked to relevant strategic objectives. Furthermore, the business model is illustrated on pages 24 and 25.

OUR CAPITALS

Financial capital

AfroCentric is equity funded, and the pool of funds that enables the Group's strategy consists of funds reinvested in the Group, returns on investments and revenue generated from services. Financial capital is increased through diversifying our revenue sources, cost consciousness and being more efficient, which requires intellectual, manufactured and human capital, and greater sources of income. AfroCentric is committed to developing our human capital skills base and the performance of our systems, both of which require financial investment.



Intellectual capital

The Group's intellectual capital comprises knowledge-based intangible assets such as our systems and processes, uniquely tailored IT systems, licences (such as the DBC licence for back and neck treatment in South Africa and the fraud software) including business and industry knowledge. Intellectual capital is critical to our ability to sustain and grow the business. AfroCentric constantly seeks to increase its intellectual capital by investing in improvements in efficiencies and streamlining operations. Although these investments will reduce financial capital, they will drive efficiencies and continue to increase overall value in the long term.



Manufactured capital

Our manufactured capital comprises the platforms that we use to provide services. The Nexus IT system, which is used to enhance security and the efficiency of data management, is one example. This drives overall efficiencies leading to financial benefits, as well as improved client service as we manage patients' data to the benefit of their overall health.



Human capital

AfroCentric relies on our human capital, being the skills, wellbeing and motivation of our employees, contractors and service providers to generate value. Our employees are skilled across a range of industry-related competencies to provide exceptional client services and functions such as call centre support, operations, administration and actuarial analysis. We are committed to improving our recruitment practices, skills and talent programmes and diversity. The Group has its own learning academy dedicated to the empowerment and training of our employees.



Social and relationship capital

Social and relationship capital refers to the quality of AfroCentric's relationships with our material stakeholders, particularly the communities we operate in. We are invested in South Africa with the purpose of promoting a healthcare delivery system that prioritises quality while improving the cost of healthcare and people's lives. In order to achieve this purpose, the Group has developed a positive reputation and trusted relationship with its stakeholders. AfroCentric is committed to transformation, community upliftment and the sustainability of South Africa.

The Group actively participates and invests in enterprise development ("ED"), corporate social investment ("CSI") and socioeconomic development ("SED") in South Africa.



Natural capital

The AfroCentric Group requires natural capital such as land, water and energy to provide its services. Despite our low carbon footprint, we are a sound corporate citizen, and are committed to monitoring and measuring our greenhouse gas ("GHG") footprint. We are aware that carbon tax legislation may have a financial implication.



BUSINESS MODEL CONTINUED

CORE BUSINESS ACTIVITIES AND PROCESSES

KEY INPUTS

Financial capital

- R19 million in reinvested funds
- R2.4 billion net asset value



Intellectual capital

- Information technology ("IT") systems and relevant licences
- Insurance Fraud Manager ("IFM")
- Medical administration



Manufactured capital

- IT solutions
- Transactional switching
- Specialised disease management
- Back, neck and shoulder treatment
- Pharmaceutical wholesaling
- Pharmaceutical courier distribution services



Human capital

- 5 236 employees
- Skilled and motivated workforce
- Training and developing skills



Social and relationship capital

- Managing stakeholder relations
- Social licence to operate



Natural capital

- Scope 1 emissions – 87 tCO₂e
- Energy consumption (scope 2) – 7 776 tCO₂e
- Indirect emissions (scope 3) 15 220 tCO₂e



Carbon emissions were verified for FY 2015/16 by Promethium Carbon. The carbon footprint for FY 2016/17 will be verified in October 2017.

HEALTHCARE
VALUE CHAIN

Healthcare providers

Hospitals

Physicians

Pharmacies

Health networks

Value chain optimisation

AFROCENTRIC
BUSINESS
ACTIVITIESPharmacy
Direct

- Pharmacy Direct distributes and delivers medication to both urban and rural areas for medical scheme clients as well as for government's Central Chronic Medicine Dispensing and Distribution ("CCMDD") programme
- Supplier of chronic medication under prescribed minimum benefits and normal chronic benefits

kli·ni·kka
:iprtyltd

An individual evidence-based multidisciplinary treatment approach to managing musculo-skeletal disorders:

- Back treatment
- Neck treatment
- Shoulder treatment
- Hip treatment
- Knee treatment

Allegra
A Member of AfroCentric Group

- IT platform for:
- clinical information management;
 - pharmaceutical care;
 - a single system that integrates dispensing, primary healthcare, and practice management as well as wellness management modules; and
 - integration between healthcare stakeholders and healthcare providers.

A Member of AfroCentric Group
Helios
IT SOLUTIONS

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



Support services provided by AfroCentric group:

- Group Finance
- Human Capital
- Group Marketing and Corporate Affairs
- Group Business Development
- Group Legal, Governance, Risk Management and Compliance

OUTPUTS The delivery of sustainable healthcare services

MATERIAL
MATTERS

pages 32 to 35

Fraud, waste and abuse

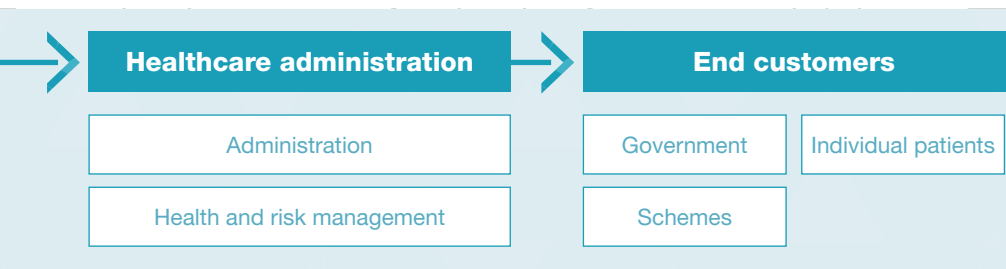
Cybercrime and data security

Escalating healthcare costs

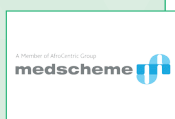
Political uncertainty

IT dependency

CORE BUSINESS ACTIVITIES AND PROCESSES



Driving efficiencies in the healthcare value chain through the following business activities: page 61



Medscheme provides a full spectrum of health administration and health risk management services including:

- claims processing;
- dedicated client member contact centres;
- scheme finance management;
- hospital and medicine benefit management programmes;
- disease management programmes;
- hospital, general practitioner, specialist, optical and dental networks;
- negotiations and strategic purchasing of healthcare services on behalf of clients;
- actuarial and health informatics and analysts;
- evaluation of technologies, pharmaceutical and clinical practice and the formulation of clinical health funding policies; and
- forensic services.



Wellness Odyssey's person-centric corporate wellness solutions:

- Identify non-communicable clinical risk
- Promote awareness and supply educational material
- Refer identified high-risk members to established disease management programmes



Optimising the distribution capability of the Group to enhance our health offering to our clients and stimulate:

- broker management;
- distribution of client products; and
- optimised growth through organic growth and mergers.



- In-house advertising, design, digital, marketing and social media specialist agency
- Creates marketing strategies, executions and marketing campaigns that encompass all channels and audiences – above, through and below the line
- Specialises in digital and social media training and implementation

and enhancing the access to affordable, quality healthcare.

OUTCOMES

Financial capital

- Normalised headline earnings per share – 44.03 cents
- R769 million in cash reserves
- 4.5% dividend yield
- 18% increase in share price
- Operating profit increased by 49.89%
- Total revenue increased by 20.22%

Group Chief Financial Officer's report page 54

Intellectual capital

- Cost savings based on IFM – R154.1 million

Manufactured capital

- 3.6 million lives under administration
- 18 client medical schemes in southern Africa

Organisation overview page 10

Human capital

- R6.9 million spent on training employees
- R421 136 bursary spend

Strategy page 45

Social and relationship capital

- R3.5 million spend in ED*
- R7 million spend in SD*
- R3.5 million spend in SED*
- Titanium Award for Excellence in Corporate Social Investment

Our social impact page 104

* The 2017 spend is a projection which will be verified in November 2017 for B-BBEE

Natural capital

- Environmental impact monitoring and management

Transformation

Technological innovation

Loss of critical skills/employees

Member retention for clients

Regulatory compliance

Project risks

MATERIAL MATTERS

pages 32 to 35

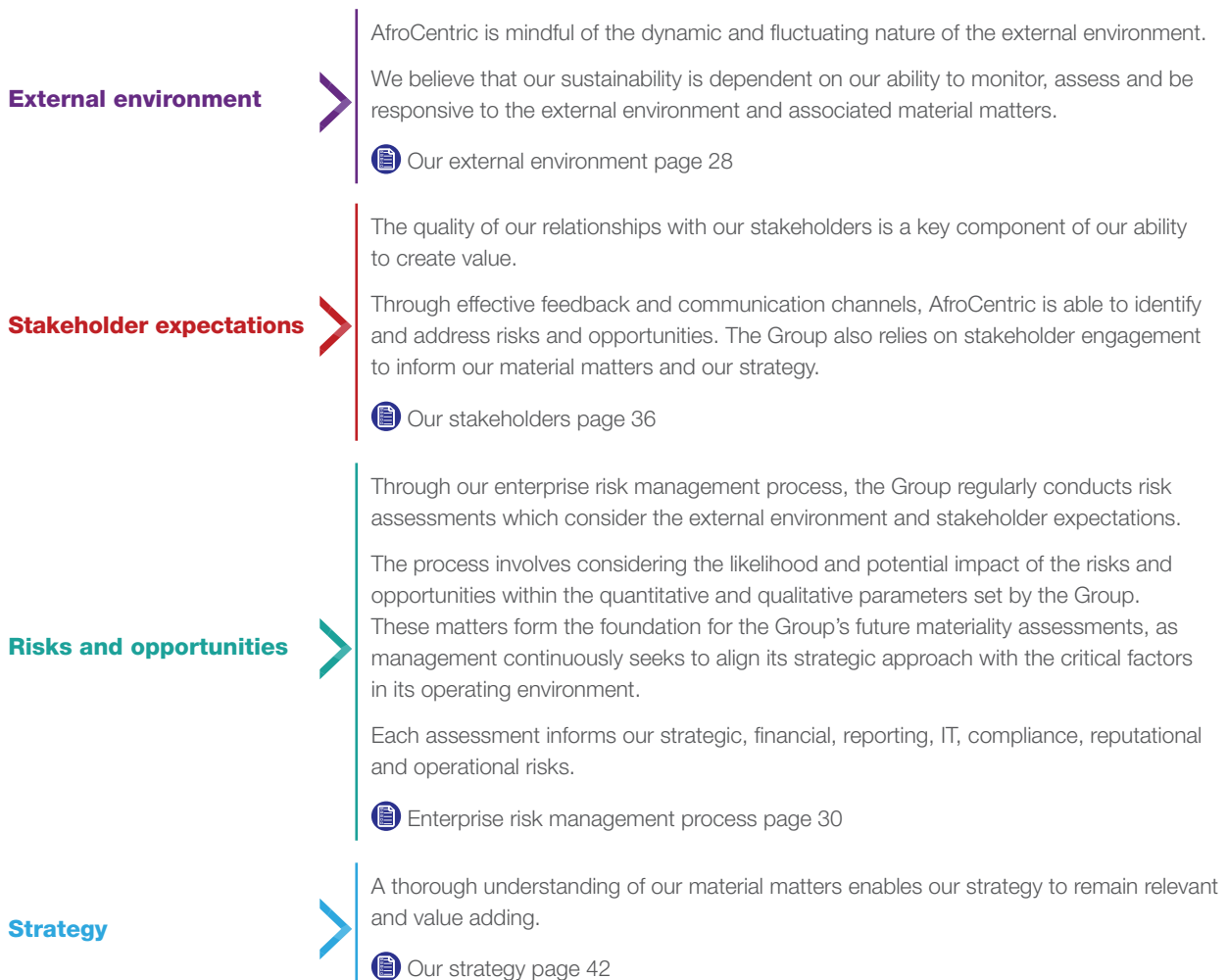
MATERIALITY

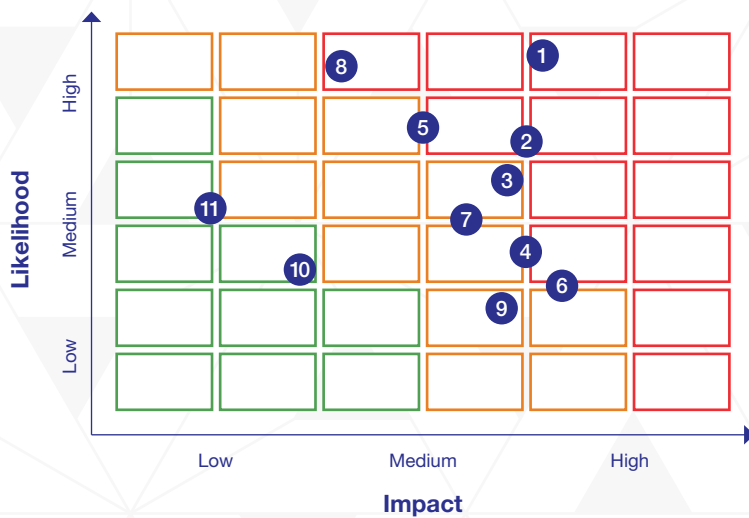
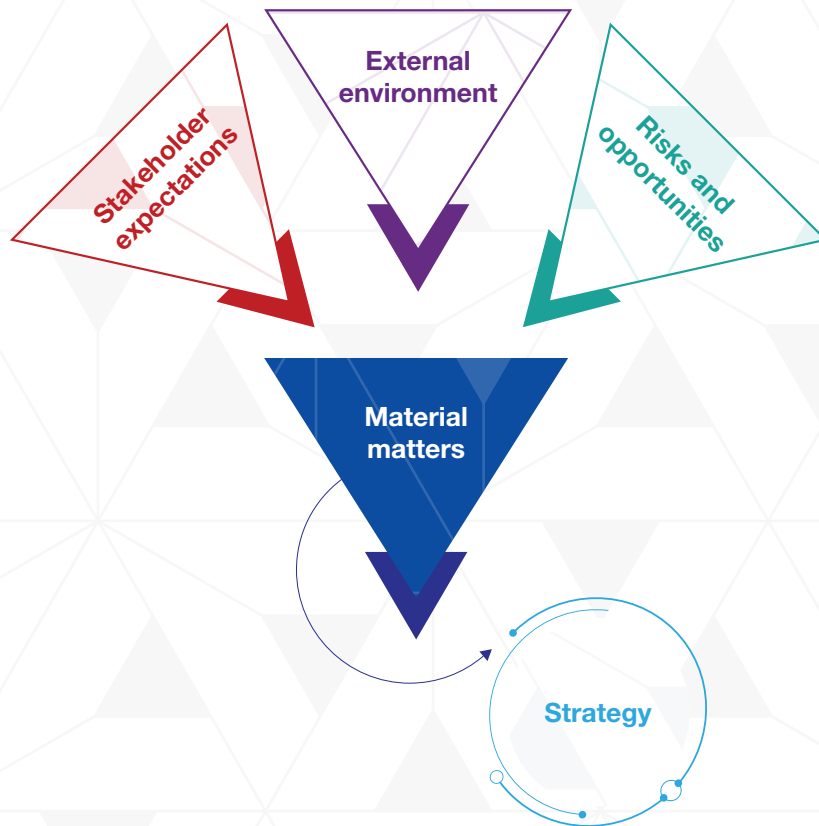
The AfroCentric Group defines materiality as those matters that substantively affect our ability to **create and sustain value** over the short, medium and long term.

MATERIALITY DETERMINATION PROCESS

Our Group CEO and other internal stakeholders initially undertook the materiality determination process in 2015. As outlined below, the process involved considering the external environment and key corporate risks and opportunities, linking each to legitimate stakeholder interests and concerns and aligning these to the strategy. This process is reviewed and updated annually and comprises a reflection of the progress made on previously identified material matters.

AfroCentric has outlined the risks and opportunities that may considerably influence the organisation's ability to create value. The matrix on page 27 depicts how each of these material matters have been evaluated and prioritised on the basis of their respective impact and likelihood. In 2017, three additional matters have been identified and the prioritisation of the matters has altered.





Legend

- 1 Escalating healthcare costs
- 2 Fraud, waste and abuse
- 3 Political uncertainty
- 4 Cybercrime and data security
- 5 IT dependency
- 6 Transformation
- 7 Member retention for clients
- 8 Technological innovation
- 9 Regulatory compliance
- 10 Loss of critical skills/employees
- 11 Project risks

MATERIALITY CONTINUED

EXTERNAL ENVIRONMENT

Despite the Rand gaining some ground against international currencies towards the end of 2016, political uncertainties continued, and fiscal policy has remained under pressure following the recent ratings downgrade and consequent technical recession.

Rising costs of living in South Africa have constrained the middle-class consumers who would normally invest in our medical schemes.

IMPACT ON SOUTH AFRICAN HEALTHCARE SECTOR

The volatile Rand has impacted the price of medical imports from countries with stronger currencies. Although the weakened Rand has strained the healthcare sector, it has also presented an opportunity to enter different markets. Inflation and the

declining economy have reduced consumers' disposable income. Many consumers have selected cheaper medical scheme options and, in some cases, have chosen not to pay for private healthcare insurance.

The younger and healthier consumers are increasingly relying on public sector facilities for specialised care, and are resorting to low-cost insurance alternatives as opposed to medical aid schemes. The reduction in younger scheme members has put some medical schemes in an "actuarial death spiral". As modern healthcare has advanced, it has increased the life expectancy of the population. However, with an increase in older scheme members, there is typically a related increase in healthcare utilisation, evidenced in increased claims. An increase in claims necessitates an increase in member contributions or premiums.

NATIONAL HEALTH INSURANCE

Collaborations between the private and public sector are vital to the National Health Insurance ("NHI"). AfroCentric is well positioned and committed to supporting the government in facilitating universal health coverage.

NHI NEEDS	HOW AFROCENTRIC IS POSITIONED TO SUPPORT NHI
Health information management, monitoring and evaluation: develop and maintain a national health information system which commissions and coordinates research, implements disease notification surveillance programmes, and monitors and evaluates strategic health programmes.	AfroCentric, through its IT subsidiary, Helios IT Solutions ("Helios"), manages a range of IT solutions specialising in healthcare and its technical support. Medscheme also has a highly experienced team that has expert understanding and capability in performing various analyses on a population to identify health needs, structure required interventions and monitor outcomes.
Improve access to quality health services by developing and implementing policies for universal health coverage, health financing reform, integrated health systems planning, monitoring and evaluation, and research.	Through Medscheme , AfroCentric possesses the necessary skills and experience in health risk management as well as health administration and is willing to share this expertise with the architects of the NHI. These tools could provide government with the means to implement its plans for a reimbursement strategy that rewards evidence-based healthcare and effective use of resources. Medscheme also has the models that benchmark and monitor general practitioners ("GPs"), specialists and hospitals on cost, quality and health outcome metrics.
Improve access to chronic medicines , and alleviate pressure on primary healthcare facilities by ensuring that 1.5 million patients receive chronic medicine through a centralised chronic medicine dispensing and distribution system by 2019/20.	Pharmacy Direct distributes and delivers medication to both urban and rural areas for medical scheme clients as well as for government's Central Chronic Medicine Dispensing and Distribution ("CCMDD") programme. Deliveries to patients' homes, local post offices or community centres have reduced the number of patients' visits to the healthcare facility. Through Curasana, we provide medicine at wholesale prices to government entities, and, through Activo Health, we produce medication generics at a lower price to ensure easier and affordable access.

NHI NEEDS

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

HOW AFROCENTRIC IS POSITIONED TO SUPPORT NHI

AfroCentric's exclusive licensing in **Insurance Fraud Manager ("IFM")** predictive analytics software is providing material savings for its client medical schemes. IFM is licensed through FICO, the world's leading software provider of credit scoring analytics. By continuously scoring healthcare claims and providers using advanced analytics, AfroCentric is able to proactively monitor and detect irregular claiming behaviours far earlier than conventional retrospective methods.

On 22 June 2017, Cabinet approved the latest form of the NHI White Paper, and, on 29 June 2017 held a public briefing.

THE NEXT PHASE OF NHI

With the release of the Cabinet-approved White Paper, the second phase of the NHI commences. The building blocks of the NHI Fund, and its ability to effectively purchase services, will be put in place during this phase. Accreditation of providers by Office of Health Standards Compliance ("OHSC"); information systems (including patient registration and information exchanges); payment strategies; and technology assessment/rationing/prioritisation will be the core purchasing building blocks. The private sector has this as its core expertise, and the Department of Health has repeatedly stated that it intends to leverage this capital.

Work on costing and setup of the Fund is set to continue.

Secondly, the following services will be prioritised over the next two years: maternal health, integrated school health, healthcare for the elderly and mental health. Solutions for the scaling of care delivery to these vulnerable populations will be a key focus area for the private and public sector alike.

To enable the work to be done in this next phase, the interim structures in the graphic below will be constituted. They will be the structures within which debate, solutions and planning will take place across sectors. AfroCentric intends to play a pivotal role in the work produced by these Committees.

IMPLEMENTATION STRUCTURES



MATERIALITY CONTINUED

HEALTH MARKET INQUIRY

At the end of 2013, the Competition Commission launched a health market inquiry into the private healthcare sector to investigate “the state, nature and form of competition in the market”. Medscheme submitted a detailed response, and still participates in the consulting process. We await the postponed release of the report and recommendations.

RESPONDING TO THE EXTERNAL ENVIRONMENT

AfroCentric is looking to disrupt the industry through optimising its service offering. Improving the value that every healthcare Rand purchases is the thrust of this strategy. The mergers and acquisitions in the Group improve this value and unlock further growth opportunities.

AfroCentric's IT systems provide an integrated, effective, customised business process solution that enables healthcare providers to adapt to current and future customer care challenges. Medscheme currently manages 3.6 million lives, and our IT systems and data management capabilities afford us the flexibility to administer benefits in the manner required by clients and the changing legislative environment.

Medscheme administers several government schemes including GEMS, POLMED and ParMed. Our experience in managing government schemes puts us in a pre-eminent position to bid for the NHI and other state contracts.

The Group holds the proprietary sub-licence for IFM which has saved client schemes money on losses from fraudulent claims from suppliers and customers. AfroCentric believes IFM is able to assist government with risk management, and may limit fraud, waste and abuse.

OUTLOOK

The AfroCentric Group, through subsidiaries such as Medscheme, Aid for Aids, Pharmacy Direct, Helios IT Solutions and AfroCentric Distribution Services, is dedicated to healthcare reform in South Africa. AfroCentric has expertise to assist not only in the core functions of the NHI when it is fully developed, but also has skills and investment appetite for creating solutions for funding and healthcare delivery that would increase access for more people to private insurance in the transition phases. Only 16% of the population has access to private healthcare while the remaining 84% depend on the chronically underfunded public healthcare system. Being in the private sector, our duty to South Africans is to achieve universal healthcare and accelerate the implementation of the NHI. We are optimistic about Public

Private Partnerships potential in delivering improved services at affordable rates. We are encouraged by the ongoing inclusion of the private sector in the NHI discussions and are planning for the next phases. AfroCentric foresees opportunities both in the private and public sector.

The health market inquiry will have a significant impact on the cost of private healthcare, which rises above inflation each year. We are looking to prevent significant losses through IFM.

ENTERPRISE RISK MANAGEMENT

The AfroCentric Group defines risk as “uncertainties about an enterprise that must be understood and managed to achieve its objectives and add value”. AfroCentric sees risk management as a formal response to corporate risks. It is a structured and systematic process that is interwoven into existing management responsibilities, enabling management to deal effectively with uncertainty and the associated risks and opportunities.

The Group Risk Management function is an independent function which ensures that risk management systems within the Group are operating effectively. It is responsible for ensuring the operational effectiveness of all risk management processes.

The function coordinates and challenges information on risk management, and ensures appropriate risk reporting structures, and feedback to the Board.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

The Group has developed a comprehensive Enterprise Risk Management Framework (“ERMF”) that ensures adequate processes and procedures are in place to manage risk and to support effective communication and implementation of the enterprise risk management processes.

Our ERMF is aligned to the principles of the King report on Governance for South Africa 2016 (“King IV”) and provides a structured and systematic enterprise-wide approach to address the risks within the Group, enabling it to achieve its strategic objectives.

ENTERPRISE RISK MANAGEMENT GOVERNANCE STRUCTURES

The Board of Directors and its sub-committees are ultimately responsible and accountable for the Group's governance, risk management and compliance.

We have established various governance structures across the Group to manage risk. These are chaired by the most senior members of the management team and are accountable to the sub-committees of the Board.

THE THREE LINES OF DEFENCE

In order to strengthen the control environment and governance, the Group has adopted a “three lines of defence” governance model. The model is designed to promote risk ownership, transparency, accountability and consistency across the Group, through the clear identification and segregation of duties as described below:



THE GROUP RISK MANAGEMENT TEAM

- Assists the Board, the various Board committees and senior management in carrying out their respective responsibilities by coordinating risk management activities
- Assists the business in managing identified risks
- Regularly reports on the risk profile to senior management and the Board
- Conducts training on risk management across the Group
- Regularly assesses the risk management system and ensures that all identified mitigations are implemented
- Reports material risk and issues to the Board on an ongoing basis

RISK MANAGEMENT CHAMPIONS

Risk Champions are appointed by the Business Unit Head. They are trained by the Group Risk Management team and work under their guidance. Risk Champions are critical for risk management, as they ensure effective implementation of risk management processes in their respective business units.

KEY RISKS AND OPPORTUNITIES

The Group is dedicated to being risk intelligent with a robust risk management structure that focuses on long-term value creation.

Our risk management contributes towards our strategic objectives by anticipating challenges and projecting how to best manage them. This enables the business to remain resilient through challenging periods.

The Board, through the Group Chief Executive Officer, executive and senior management teams, is ultimately responsible for risk management. Their responsibilities include, amongst others:

- approval of the risk management policy and framework;
- defining the Group’s risk appetite;
- monitoring enterprise risk management;
- establishing the necessary risk structures;
- reviewing risk reports; and
- ensuring comprehensive risk assessments on a regular basis.

MATERIALITY CONTINUED

1

2

MATERIAL MATTERS	ESCALATING HEALTHCARE COSTS	FRAUD, WASTE AND ABUSE	
Why material?	Escalating healthcare costs reduce the number of people that are able to afford healthcare.	AfroCentric recognises fraud, waste and abuse as significant issues that need to be addressed by all players in the industry.	
Risks	The unsustainable and increasing rate of medical costs will compromise the future of certain medical schemes.	Fraud, waste and abuse inflict significant losses on the health insurers in their highly automated, rules-based claims payment environments.	
Opportunities	- Enhanced IT platform ("Nexus") will ensure efficiencies and lower healthcare costs - Successful implementation of the Integrated Chronic Care Model ("ICCM") - Optimising the healthcare service offerings through strategic acquisitions and partnerships	Technology (such as IFM) may combat fraud by identifying irregularities, anomalies and trends, which, in turn, will grow the schemes under our administration.	
Stakeholders	- Shareholders - Regulators - Our clients – medical schemes	- Suppliers - Our clients – medical schemes	
Strategic response	 Reduce the cost of healthcare  Enhance shareholder value	 Reduce the cost of healthcare	

3

4

5

POLITICAL UNCERTAINTY**CYBERCRIME AND
DATA SECURITY****IT DEPENDENCY**

Scheme members face tough conditions due to political uncertainty and economic downturn in the country.

Modern technology has made cybercrime more dangerous.

AfroCentric's operations rely on its IT systems. Constantly keeping abreast of technological advancements is crucial for the business to achieve greater cost efficiencies and remain innovative.

The loss of scheme members due to expensive contributions, coupled with the economic downturn, is threatening the future of medical schemes and lowering revenue and profitability.

Our intellectual property and client relationships are threatened by data interception which may lead to the loss and/or corruption of key information.

Failure to ensure system stability will put our business at risk and result in severe disruptions.

- Diversifying revenue sources
- Improved healthcare protocols
- Driving transformation to favourable ratings for tenders for both public and private business
- Expanding our operations in Africa

Recently acquired IT systems and regular maintenance on current systems enhance shareholder value and ensure high standards of client service.

The success of the enhanced IT platform, Nexus, provides us with an opportunity to upgrade to an enhanced system and implement improved levels of technology.

- Regulators
- AfroCentric employees
- Government

- Suppliers
- Our clients – medical schemes

- AfroCentric employees
- Suppliers
- Our clients – medical schemes

-  Diversify revenue sources
-  Maximise growth opportunities
-  Promote transformation

-  Improve efficiencies through cost consciousness
-  Deliver exceptional client service

-  Improve efficiencies through cost consciousness
-  Diversify revenue sources
-  Maximise growth opportunities

MATERIALITY CONTINUED

6

7

8

MATERIAL MATTERS	TRANSFORMATION	MEMBER RETENTION FOR CLIENTS	TECHNOLOGICAL INNOVATION	
Why material?	We are committed to South Africa's transformation agenda. It is a strategic objective in our company, and we seek to achieve high levels of compliance with B-BBEE codes and legislation.	We have adopted a culture of cost containment in order to decrease the healthcare costs for our client schemes while improving the quality of healthcare for our schemes' beneficiaries.	Technological innovation is critically important; it allows for cost efficiencies and keeps us competitive.	
Risks	Failure to achieve our transformation credentials could compromise the Group's ability to win tenders and contracts.	Our inability to provide extraordinary customer service will place us at risk of losing revenue. Dissatisfied schemes will move to one of our competing administrators.	We may miss opportunities to diversify our revenue sources and reduce the costs of healthcare for our clients.	
Opportunities	Strong B-BBEE credentials will ensure favourable ratings for tenders for public and private sector business, demonstrating leadership as a South African group.	The Group is able to build a performance-driven culture among employees to deliver exceptional client service.	Our IT platform, Nexus, has the potential to become the leading healthcare software in the market.	
Stakeholders	- AfroCentric employees - Our clients – medical schemes	- Our clients – medical schemes - AfroCentric employees - Brokers	- Suppliers - Our clients – medical schemes	
Strategic response	 Promote transformation  Uplift our people	 Deliver exceptional client service  Reduce the cost of healthcare  Improve efficiencies through cost consciousness	 Improve efficiencies through cost consciousness  Diversify revenue sources  Maximise growth opportunities  Deliver exceptional client service	

9

10

11

REGULATORY COMPLIANCE**LOSS OF CRITICAL
SKILLS/EMPLOYEES****PROJECT RISKS**

Compliance affects our right to do business.

The experienced and skilled employees that AfroCentric depends on, particularly in the actuarial, IT and specialist medical fields, are highly sought after locally and internationally.

We aim to retain our employees and the intellectual capital vested in the business.

The Group is running a number of projects such as the AfroCentric and Sanlam partnership. It is imperative that the Group ensures:

- an integrated approach on financial and distribution activities;
- the appointment of vendors with domain knowledge as well as adequate project management resources and skills; and
- good governance.

Regulatory non-compliance will lead to loss of our accreditation, impeding our ability to do business. This will negatively impact on revenue and profitability.

Skills shortages make hiring and retaining the right employees more expensive.

Poor governance and quality of resources may cause budget overruns and erosion of the contract value.

Ongoing engagement with regulatory bodies on proposed regulation and legislation.

The Group's increased investment in human capital, and its empowerment credentials makes it increasingly attractive to black professionals.

Integrated service offerings within Africa.

- Regulators
- Our clients – medical schemes

- AfroCentric employees

- Suppliers
- Regulators
- Our clients – medical schemes



Maximise growth opportunities



Promote transformation



Deliver exceptional client service



Uplift our people



Improve efficiencies through cost consciousness



Diversify revenue sources



Maximise growth opportunities

STAKEHOLDER ENGAGEMENT

Stakeholders are the individuals and groups who have an interest in, or who are affected by, Group business operations and the manner in which business objectives are achieved.

AfroCentric's long-term sustainability depends on strong stakeholder relationships, which are maintained through transparent and effective communication. We engage with key stakeholders in a responsive, constructive and collaborative manner to achieve mutual value.

The AfroCentric Board and executive management are responsible for sustainably managing the Group to create value for shareholders and stakeholders in the long term. This sustainable shareholder value depends on the value the Group identifies and creates for all the other stakeholder groups that may materially influence the Group's ability to create value.





STAKEHOLDER ENGAGEMENT CONTINUED

STAKEHOLDER GROUP	OVERVIEW	IMPACT AND ENGAGEMENT	
Our clients – medical schemes	SA schemes: Open schemes: Bonitas, Fedhealth, Medshield Closed schemes: AECI, Barloworld, GEMS, Horizon, MBMed, NedGroup, ParMed, POLMED, SABC, SAMWUMED, Sasolmed Outside SA schemes: NAMMED, Namibia Health Plan, Swazimed	Medical schemes choose their administrator and health risk provider. The quality of the end-to-end service delivered to our clients has a direct impact on their ability to retain their customers, i.e. the scheme members who, in turn, impact their satisfaction levels with all Group companies. To manage these relationships, the Group regularly engages clients at formal meetings and through the annual report and website. Additionally, the CEOs of the Group and Medscheme engage regularly with these key clients.	
Shareholders, investors	Institutional and individual investors	Shareholders affect AfroCentric by voting at Annual General Meetings (“AGMs”) and accordingly, AfroCentric has a duty to maximise shareholder returns. Engagement takes place through the annual report, the website, trading statements and SENS announcements.	
Regulators	Council for Medical Schemes The Council for Medical Schemes (“CMS”) is a statutory body established by the Medical Schemes Act 131 of 1998 to provide regulatory supervision of private health financing through medical schemes.	The Group’s major subsidiary, Medscheme, depends on the CMS for the accreditation to conduct healthcare administration and health risk management. Any proposed amendments to benefit options must be approved by the CMS. Medscheme is required to provide electronic submissions of the financial overview of each scheme, a process managed by Group Compliance. Engagement takes place via Group Compliance, as required, and via annual reports and other interactions.	
	Medicines Control Council The Medicines Control Council (“MCC”) applies standards laid down by the Medicines and Related Substances Act, 101 of 1965, which governs the manufacture, distribution, sale and marketing of medicines.	The MCC regulates pharmaceutical manufacturers and distributors. Pharmacy Direct, Curasana and Activo Health are impacted by amendments to regulations and must also comply with MCC licensing requirements. Engagement takes place through the annual report and other interactions.	
	South African Pharmacy Council The South African Pharmacy Council (“SAPC”) is mandated to protect, promote and maintain the health, safety and wellbeing of patients and the public, ensuring quality pharmaceutical service for all South Africans.	The SAPC regulates pharmacists, pharmacy support personnel and pharmacy premises in South Africa. Pharmacy Direct, Curasana and Activo Health have to implement Good Pharmacy Practice and comply with the Pharmacy Act 53 of 1974. Engagement takes place through the annual report and other interactions.	

EXPECTATIONS/CONCERNS	RELATED MATERIAL MATTERS AND OUR STRATEGIC RESPONSE
• Quality of administration and health risk management • Rates (costs of services) • Reputation-related matters • Level of transformation • Outcomes (service level agreements)	Material matters 1, 2, 3, 6, 7, 8, 9, 11  Improve efficiencies through cost consciousness  Deliver exceptional client service  Promote transformation  Reduce the cost of healthcare  Maximise growth opportunities
• Long-term value creation • Improved market share • Demonstrate industry leadership • Dividends	Material matters 1, 3, 6, 7, 9  Enhance shareholder value  Maximise growth opportunities  Improve efficiencies through cost consciousness  Diversify revenue sources
• Ensure Medscheme is a leading administrator and health risk management provider • Approval of changes to benefit options • Regulatory oversight	Material matters 1, 9  Uplift our people  Deliver exceptional client service
• Implement and promote Good Pharmacy Practice	Material matters 1, 9  Deliver exceptional client service
• Implement and promote Good Pharmacy Practice • Adhering to the Pharmacy Act	Material matters 1, 9  Deliver exceptional client service

STAKEHOLDER ENGAGEMENT CONTINUED

STAKEHOLDER GROUP	OVERVIEW	IMPACT AND ENGAGEMENT	
Regulators <i>continued</i>	The Johannesburg Stock Exchange The Johannesburg Stock Exchange ("JSE") offers secure, efficient primary and secondary capital markets across a diverse range of securities, supported by its post-trade and regulatory services.	The JSE is the presiding authority over AfroCentric's public listing. It creates a healthy exchange for trade and engagement and the relationship is managed by Group Finance with the Group's corporate sponsors, Sasfin Capital.	
	Competition Commission The stated purpose of the Competition Act 89 of 1998 is to promote and maintain competition in South Africa.	The Competition Commission ensures that AfroCentric does not act anti-competitively, and, more broadly, controls restrictive practices and ensures fair competition in the industry.	
Suppliers	Contractors and suppliers.	Direct supplier engagements, the annual report and our website.	
AfroCentric employees	The Group's employees who perform core functions within the organisation.	AfroCentric employees operationalise our value proposition. We rely on their skills, wellbeing and motivation. The Group has a responsibility to clients to ensure all core employees are in place for the smooth running of the organisation. The Group values the contribution of every employee. We engage them regularly through internal communication channels such as the Company intranet, newsletters, CEO roadshows and manager/team dialogues.	
Trade unions	National Education, Health and Allied Workers Union ("NEHAWU") is the union for workers from the Education, Health, Government and Social Welfare sectors.	Trade unions have the ability to impede business operations through industrial action. Engagement is conducted as required through established channels, primarily if there are any matters regarding terms of employment. The relationship is managed by the Group's Human Capital function.	
Government	Government has proposed National Health Insurance ("NHI") to create universal access to appropriate, efficient and quality health services.	Government is a key stakeholder, particularly with the advent of a unified NHI, due to be phased in over a 14-year period. Therefore, it is important that government has a full understanding of our business and service offering. Group revenue may be negatively impacted in the longer term if there is a significant move away from private healthcare funding. However, revenue may be positively impacted if tenders are issued to the private sector for service delivery. The Group continuously engages government (predominantly the Department of Health) to ensure there are adequate procedures in place for the NHI to run smoothly and for AfroCentric to benefit from any available opportunities.	

EXPECTATIONS/CONCERNS		RELATED MATERIAL MATTERS AND OUR STRATEGIC RESPONSE
	- Adherence to JSE Listings Requirements - IFRS compliance	Material matter 9
		 Enhance shareholder value
	Compliance	Material matters 1, 9
		 Enhance shareholder value  Deliver exceptional client service
	- Procurement opportunities - Contract terms	Material matters 6, 11
		 Promote transformation
	- Job stability and employee wellness - Growth of the business	Material matters 3, 6, 7, 10
		 Promote transformation  Uplift our people
	- Fair and equitable standards of employment - Benchmarking of remuneration	Material matter 10
		 Promote transformation  Uplift our people
	Standardisation of efficient and quality health services for all individuals	Material matters 1, 3, 6, 9
		 Promote transformation  Diversify revenue sources  Deliver exceptional client service  Maximise growth opportunities  Reduce the cost of healthcare

STRATEGY

STRATEGY DEVELOPMENT

AfroCentric's strategy and initiatives are developed to support our purpose.

Our executive management reports to the Board on matters that may materially impact on the execution of our strategy. These matters are regularly assessed, and the relevance of the strategy is reviewed against the external environment and key corporate risks and opportunities.

Through a series of leadership workshops between August 2016 and February 2017, the Group strategy was reviewed and refined. It was formulated to drive the Group in its aim to make a difference in healthcare and achieve its objectives in a subdued economic environment. In order to steer and ensure the effective implementation of the strategy, the Board compiled a leadership manifesto with a specific focus on:

- lowering healthcare costs within our influence;

- promoting greater leadership accountability; and
- driving Group growth opportunities.

Our business model illustrates how each of our operating subsidiaries fits into the healthcare value chain and drives our strategy through various inputs and activities. Through our portfolio of integrated healthcare services, we are well positioned to drive optimisation in the healthcare sector and achieve our vision of empowering greater access to sustainable quality healthcare.

 Business model page 22

 Operational reviews pages 61 to 81

AfroCentric is committed to facilitating the most efficient and effective healthcare through value chain optimisation

WHY WE EXIST [OUR PURPOSE]

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

WHERE WE ARE GOING [OUR VISION]

Empowering greater access to sustainable quality healthcare.

HOW WE WILL GET THERE [OUR MISSION]

To relentlessly innovate a new integrated model of sustainable healthcare that measurably improves access to quality care.

UNDERPINNED BY OUR VALUES

- Act with integrity and trust
- Go the extra mile
- Cultivate uniqueness
- Thrive together
- Make a positive difference

DRIVEN BY OUR STRATEGIC OBJECTIVES

-  Enhance shareholder value
-  Maximise growth opportunities
-  Improve efficiencies through cost consciousness
-  Promote transformation
-  Diversify revenue sources
-  Deliver exceptional client service
-  Reduce the cost of healthcare
-  Uplift our people

EXECUTED VIA OUR STRATEGY

To strive for affordable, quality healthcare for everyone in our country is essential to our nation and its economic future. We use advanced and professional modes of health risk management to identify healthcare risks and procure effective care and healthcare services. We identify and prioritise health-related issues, and confront them through planning, designing, implementing, monitoring and evaluating solutions and programmes.

ENHANCE SHAREHOLDER VALUE

AfroCentric aims to create sustainable value for shareholders. By having significant medical schemes under our administration, we have benefited from scheme amalgamations and won major new clients. Our administration, with all its service offerings, will make these clients more competitive. Therefore, we have strategically positioned ourselves to expand our client base through acquisitions and business development within the healthcare value chain. We aim to enhance value by actively improving efficiency across all our operating companies and maximising our capacity – we have revised our fixed cost components such as the Group's health risk management specialists and IT systems. We are also confident that growth through acquisitions and partnerships will ensure enhanced shareholder value over the long term.

Key performance indicators	2017	2016
Headline earnings per share (cents)	22.34	26.33
Dividend yield (%)	4.5	4.6
Share price (cents)	620	525
Normalised headline earnings per share (cents)	44.03	30.84

IMPROVE EFFICIENCIES THROUGH COST CONSCIOUSNESS

As a group, we recognise the need to deploy our resources effectively and efficiently in order to extract optimal value. Our main focus is to reduce unnecessary spend by eliminating non-value adding activities.

Key performance indicators	2017	2016
Percentage of operating profit (%)	49.89	1.15

MAXIMISE GROWTH OPPORTUNITIES

AfroCentric's focus for the foreseeable future is on inorganic growth and public sector involvement. The Group plans to extract value from revenue-source diversification, acquisitions, strategic transactions, and client base growth. We are actively seeking to support the government in the development of the National Health Insurance ("NHI"), and we are negotiating a number of acquisitions. We have also cited our technological capabilities as an enabler for growth.

Healthcare inflation has made it difficult for smaller schemes to be independently viable due to limited membership numbers. The consolidation of schemes has become a growing reality in South Africa, and we are well positioned to capitalise on these opportunities and increase the number of lives under our care.

Sanlam's presence in the rest of Africa and other emerging markets has presented the Group with an opportunity to gain a deeper understanding of these markets, and enter them alongside a partner with a well-established brand equity and distribution network. The prospects for complementary insurance products and the Sanlam Reality loyalty programme have boosted the attractiveness of medical schemes, member retention and membership growth.

Key performance indicators	2017	2016
Revenue growth (%)	20.22	50
Business acquisitions (number)	1	2

STRATEGY CONTINUED

PROMOTE TRANSFORMATION

AfroCentric was founded on the philosophy of transformation and empowerment. The Group's reputation and brand are premised on empowerment, and we have been awarded numerous tenders based on our transformation credentials. With a Level 2 B-BBEE status at our main operating subsidiary, we remain committed to driving transformation as a key initiative. Empowerment attracts and enables us to retain human capital that is aligned with the Group's vision.

Key performance indicators	2017	2016
B-BBEE level achieved	2*	2
Enterprise development spend (R'm)	3.5	3.4
Socioeconomic development spend (R'm)	3.5	2.1
Supplier development spend (R'm)	7	4

* Our projected B-BBEE Level 2 will be verified in November 2017 by Empowerdex Proprietary Limited. The level is projected through the Group's quarterly reviews.

DIVERSIFY REVENUE SOURCES

The Group is constantly exploring opportunities to diversify its revenue sources, particularly in the non-health administration and health risk management market. This is achieved through acquisitions and partnerships within the healthcare industry, and it supports our ability to drive down the cost of healthcare through identifying areas to optimise between operations and create cost-effective packages.

Key performance indicators	2017	2016
Non-health administration and health risk management-related revenue (%)	39	35
Pharmaceutical revenue (%)	28	23

DELIVER EXCEPTIONAL CLIENT SERVICE

There has been a definite shift in consumer behaviour, with a bigger focus on customer experience. Without the feedback from customers, which is obtained through Voice of the Customer surveys, it would be very difficult to know early on how one could improve and keep your customers. Voice of the Customer is also a fundamental foundation of the International Organisation for Standardisation ("ISO") process. It is a requirement to determine the health of your QMS (Quality Management System). Feedback also feeds into improvement opportunities.

With Customer Experience Management ("CEM"), we use the customer feedback to align our processes to ensure an improved experience for our customers, and employee feedback to improve employee engagement. If the employees who serve the customers are happy, they will keep our customers happy. Continuous improvement is key in this process and we use RCA (Root Cause Analysis) to determine causes and address gaps that affect our customers' experience.

Key performance indicators	2017	2016
Voice of the customer survey (%)	85.31	86.20

REDUCE THE COST OF HEALTHCARE

One of our key objectives is to provide access to quality affordable healthcare. We are reducing the costs of healthcare for our clients and their beneficiaries through value chain optimisation. This is supported by better use of technology and data to reduce inefficiencies. AfroCentric has adopted a culture of cost containment for medical schemes and is pursuing an ideology of “fit for purpose” in support of this drive.

Through the Integrated Chronic Care Model (“ICCM”), we have introduced the alternative reimbursement model which aims to lower the costs of healthcare by creating a shared responsibility between AfroCentric and the healthcare providers. The model provides funding for longer consultations, reviewing of the patient’s care plan, Electronic Health Record (“EHR”) and the ongoing coordination of the patient’s care.

Since implementing the FICO-powered predictive analytics scoring engine known as IFM, the identification and successful recovery of fraudulent or abusive claims has increased substantially. Medscheme’s Healthcare Forensic team has demonstrated direct savings of over R182 million, either through physical recovery of funds or through changing the claiming behaviour of the impacted service providers who required intervention. The significant downstream reduction in unnecessary healthcare expenditure incurred by our client schemes, is making a material difference to their ongoing financial sustainability.

Key performance indicators	2017	2016
Weighted scheme solvency (%)	32	36
Average scheme contribution increase (%)	7.08	6.91
Cost savings based on IFM (R'm)	154.1	16.1

UPLIFT OUR PEOPLE

AfroCentric is an organisation driven by its values. The Group’s objective is to instil a positive culture in order to grow, inspire and motivate our employees. This is to ensure people-centricity and the empowerment of our employees. AfroCentric celebrates diversity and recognises that our employees belong to different religious affiliations. Therefore, we include the opportunity for our employees to receive a day of Religious Observance Leave once per year.

We strive to empower our employees through our Learning and Performance Academy (“LPA”). The LPA offers NQF 4 and 5 qualifications on generic management and call centre management. These qualifications are recognised by the South African Qualifications Authority (“SAQA”).

Our primary aim is to realise our strategic objectives, and we know that the way to achieve success here is to manage our people effectively. Therefore, we have linked their daily work requirements with opportunities for personal development and professional advancement. People are managed by defining the work that needs to happen, this is done through Levels of Work and Generic Jobs. By considering what AfroCentric needs to be the best in the business, we strive to find the point where the individual and the organisation meet. This is where the individual’s skills and competencies, as valued by AfroCentric, meet the opportunities that the individual values.

Key performance indicators	2017	2016
Total employees (number)	5 236	4 781
Voice of the employees survey (%)	81.34	82.74
Training spend (R'm)	6.9	7.3
Bursary spend (R'000)	421 136	111 108

LOOKING FORWARD

Our strategy’s success depends on our ability to optimise the value chain, grow the number of lives under our care and successfully disrupt the industry. We aim to reduce the isolated fragments of the value chain that have increased the costs of healthcare. Our culture of cost consciousness and cost containment will enhance profitability for us as a group as well as our clients.

AfroCentric is also looking to extract value from the Sanlam partnership, and increase our service offerings to our clients. We are constantly looking to diversify our revenue sources; opportunities in the rest of Africa provide lucrative prospects for growth in the medium and long term. The Group remains supportive of the government in its commitment to transform the healthcare sector in South Africa, and we are prepared to play a pivotal role in servicing the requirements of the NHL.



GROUP CEO'S REPORT

GROWTH

**WITHOUT CONTINUAL
GROWTH AND PROGRESS,
SUCH WORDS AS
IMPROVEMENT,
ACHIEVEMENT, AND SUCCESS
HAVE NO MEANING
– BENJAMIN FRANKLIN**



GROUP CEO'S REPORT



ANTOINE VAN BUUREN

We continue to explore opportunities to enhance shareholder value by improving the Group's efficiency, pursuing growth through acquisitions and consolidation to ensure shareholder value over the long term.

INTRODUCTION

In the past year, the Group's direction has become more defined. We are committed to ensuring the overall sustainability of the healthcare industry through optimising the value of every customer's healthcare Rand.

Subdued economic circumstances and medical inflation have made private healthcare unaffordable for consumers. This has affected schemes' ability to grow organically. Despite population growth over the years, medical inflation has drawn consumers to insurance products, rather than medical schemes, and the healthcare sector has experienced slow growth.

AfroCentric is well positioned to capitalise on scheme consolidation and make private healthcare affordable again, by uplifting our people, reducing the cost of healthcare, delivering exceptional client service, diversifying our revenue streams and optimising the healthcare value chain.

The amalgamation of Bonitas and LMS Medical Fund ("Liberty") was concluded in October 2016, increasing Bonitas' client base to 349 220. The Group had positive outcomes from the POLMED scheme tender, and the integration between Fedhealth and Sanlam is starting to gain traction. These mergers and acquisitions support our growth strategy, position us to optimise the healthcare value chain and illustrate the consolidation opportunities of the industry.

In January 2017, our contract with the Road Accident Fund came to an end, and we welcome any future contracts that might become available.

We are exploring and investigating methods to integrate our IT systems onto one platform across the Group. This will increase the efficiency of our service and decrease the cost of healthcare across the value chain.

IMPROVE EFFICIENCIES THROUGH COST CONSCIOUSNESS

Managing our resources effectively remains a high priority. Management and employees share a responsibility to consider possible efficiencies to optimise the use of company assets.

DELIVER EXCEPTIONAL CLIENT SERVICE

We recognise that cost efficiency alone is not sufficient for client retention. AfroCentric has adopted a client-centric value proposition and we are dedicated to delivering operational efficiency and exceptional service. Our structure was revised to improve our service efficiency. We constantly engage with our clients to establish unique solutions tailored to each of our clients' respective needs.

AfroCentric is actively pursuing integration opportunities within the Group to provide wellness, preventive care and health promotion initiatives to our members and beneficiaries.

AfroCentric is also committed to retaining the highest levels of skills within the Group. The Group has implemented a long-term incentive plan to attract and retain the best skills.

DIVERSIFY OUR REVENUE SOURCES

The Group has the capacity to grow, but doing so organically, through growing scheme membership, is proving difficult. We will focus on niche markets, differentiation through innovation and the development of alternative offerings to medical administration particularly, in the non-health administration and health risk management market.

The Sanlam investment into AfroCentric Healthcare Assets is gaining traction and we remain confident of the value that we can realise from the partnership.

Our collaboration with Sanlam has been helpful in providing key insights into emerging markets. We are in advanced negotiations to finalise collaborative entry strategies into Africa and other emerging markets.

MAXIMISE GROWTH OPPORTUNITIES

Following the amalgamation of Bonitas and LMS Medical Fund ("Liberty"), including winning the POLMED admin and managed care contract, we now have 3.6 million lives across all Living Standards Measure groups that are associated with the Group. The middle class is currently our main focus, and we are planning more acquisitions and initiatives to support value chain optimisation.

To diversify and find alternative income sources, AfroCentric is exploring the potential of new ventures outside South Africa. The economic growth rate in some parts of Africa is far more positive than in South Africa but affordability and access

GROUP CEO'S REPORT CONTINUED

continue to be major challenges in these markets. Hence, partnerships and joint ventures will bring down the cost of care and have a positive effect on membership volumes.

AfroCentric is awaiting the recommendations of the health market inquiry and seeking an outcome which balances the competition in the industry and enhances accessibility for scheme members. Increased affordability will enable us to ensure the diversification of the risk pool between younger and older members.

To further improve our service offering to our members, we acquired Wellness Odyssey and The Cheese Has Moved ("TCHM") in 2017.

With more than 50 years of collective experience in the health and wellness industry and a national footprint throughout South Africa, Wellness Odyssey has the wellness and managed care capabilities to improve health offerings to scheme members.

TCHM is AfroCentric's in-house advertising, design, digital, marketing and social media specialist agency, and is well versed in creating marketing strategies that stretch the imagination and open new horizons.

REDUCING THE COST OF HEALTHCARE

Through value chain optimisation and an ideology of "fit for purpose", we are cultivating a culture of cost consciousness across the Group.

The Group, through Medscheme, recognises that combating the increasing effect of chronic illnesses requires a coordinated response between empowered primary care providers and activated patients. A small network of doctors associated with a high volume of high-risk beneficiaries has been contracted for phase 1 of the ICCM project. These doctors are contracted specifically to manage high-risk chronically diseased beneficiaries.

Through consolidation, AfroCentric is able to remove the isolated, cost-adding fragments of the healthcare value chain, and, in doing so, disrupt the industry. Our alternative reimbursement model aims to increase the sustainability of the schemes and make healthcare more affordable. It incentivises general practitioners to be the primary caregivers, and decreases the number of specialist consultations required. The Bonitas Capitation Fee Agreement has also played a role in cutting costs in the healthcare value chain by paying the healthcare providers on our network a predetermined amount for the number of people assigned to them.

Our data capabilities enable us to optimise the value chain and disrupt the industry. AfroCentric is preparing to be fully participative in the digital economy through technological innovations in the fields of patient engagement, profile management and data exchange.

AfroCentric is assured that predictive analytics provided by IFM will enhance the Group's competitiveness by saving clients costs. The software eliminates a significant portion of irregular billing patterns and trends across many medical schemes, and enables preventive measures to be taken against wayward providers and facilities.

UPLIFT OUR PEOPLE

AfroCentric believes that our people are our greatest asset. We are committed to our employees, their well-being and development. We value them as integral to our success, and have developed our Employee Value Proposition ("EVP") to attract, develop and retain only the top talent. We believe in the potential of our people and as a result, our EVP occurs at every stage of our employee life cycle – from recruitment to learning and development, from performance management to rewards and recognition.

Human Capital in AfroCentric has recently won the future of HR awards for our integrated wellness strategy. Together with

Kaelo, we have a wellness programme that focuses on our personal emotional wellbeing, financial coaching, guidance to lifestyle changes and other services such as legal advice.

At the AfroCentric Group, we believe that each person is unique and special. Every employee is valued for their distinct qualities and their exceptional contributions that make this organisation great. We believe in our people and therefore make purposeful efforts to improve their value, enhance their leadership competence and holistically meet their diverse needs. Our vision covers empowerment and quality, and we believe that through alignment to our values, we are making every effort to create a high performance and nurturing culture.

CONCLUSION

Despite the unfavourable economic environment, we are exploring opportunities to enhance shareholder value by improving the Group's efficiency, pursuing growth through acquisitions and consolidation.

AfroCentric is committed to achieving universal healthcare. We face the future with a relentless appetite for growth, and we are collaborating with the government to find solutions to our social challenges. Public Private Partnerships and joint ventures have become more relevant to the success of our efforts to reduce the cost of care and enable access to healthcare. To this end, we are leveraging on the strength of the Group's subsidiaries and the support of our shareholders to make this possible.

ACKNOWLEDGEMENTS

My appreciation goes to the Board for their unremitting oversight and guidance, our management teams and employees who are working towards our goal of providing sustainable healthcare.

I extend my gratitude to the schemes, our operating subsidiaries and other stakeholders who are also working to achieve this common purpose.



Antoine Van Buuren

Group Chief Executive Officer



PERFORMANCE

ACHIEVEMENT

**GREAT THINGS IN
BUSINESS ARE NEVER
DONE BY ONE PERSON,
THEY ARE DONE BY A
TEAM OF PEOPLE.
– STEVE JOBS**

GROUP CFO'S REPORT



HANNES BOONZAAIER

The Group's size and expertise set the foundation for it to be the most influential health risk manager for medical schemes, and the most effective driver of more affordable healthcare.

The 2017 financial year will reflect the Group's South African consolidation strategy, and the conclusion of the transactions it entered into during 2015. The Group's size and expertise, which are both shown by its operating profit growth, set the foundation for it to be the most influential health risk manager for medical schemes, and the most effective driver of more affordable healthcare.

However, the WAD acquisition and Sanlam's subscription impacted earnings per share, due to the non-cash flow and once off costs that the accounting standards require in our financial statements. The impact of these transactions is further explained in the analysis below.

HEALTHCARE OPERATING PROFIT GROWTH

The 20.22% growth in revenue was mainly because POLMED medical scheme was included for 12 months, compared to six months in 2016. Between October 2015 and May 2016, the Group incurred significant costs in taking on 500 000 lives from POLMED. The Group obtained the cost efficiencies for administering the scheme during the 2017 financial year.

On 1 October 2016, Liberty Medical Fund merged with Bonitas Medical Fund, increasing our revenue, by growing our biggest open scheme client in excess of 17%. In order to smoothly transition the members of Liberty Medical Fund, the Group and the previous administrator entered into an agreement to continue using the administration system up to June 2017. The transition cost R35 million, and it will reduce the employee complement from 180 to 90, which will yield efficiencies and financial returns for the Group in the 2018 financial year.

The healthcare retail business predominantly grew through the increased scripts that Pharmacy Direct processed for the NHI contract. Pharmacy Direct more than doubled its NHI-related business because state patients took up chronic medication distribution in conjunction with the efficient registration platform it created together with the Department of Health ("DOH"). However, it should be noted that this contract has very small margins – the medication is supplied by the DOH, and Pharmacy Direct only receives a distribution fee without any gross profit margin on medication.

Overall, this was a pleasing result from trading entities that have contributed to the approximate 50% growth in operating profit.

NON-RECURRING CORPORATE TRANSACTIONAL COSTS

The Sanlam transaction included onerous resolute conditions whereby the Group had to account for the subscription price received from Sanlam on a liability basis, until the earnings warranty period ended on 30 June 2017 (as per IAS 32). Consequently, the Group recorded a non-cash flow and non-recurring deemed interest charge on the total liability amounting to R45.9 million. However, upon concluding the earnings warranty, this expense does not recycle back to the statement of comprehensive income.

The Group satisfactorily measured and achieved the earnings warranty, but also indemnified Sanlam from any pre-subscription expenses up to 30 June 2017. These indemnification expenses amount to R14.8 million which concludes all funds and expenses of the Sanlam transaction.

The WAD transaction, concluded in 2015, also entailed a second tranche payment in 2017 which required fair value measurement at 30 June 2017. The second tranche was payable in cash to the WAD vendors and, due to the increase in the AfroCentric share price and the improved performance of the WAD assets, the Group incurred a R59.6 million non-recurring fair value expense.

NORMALISED EARNINGS

Due to the significance of the above corporate transactions and the Group considering various future investments, it has become pertinent to highlight the real trading performance of the Group, excluding the impact of corporate transactions. The Group has therefore defined a criterion in its financial statements relating to normalised headline earnings and will continue reporting on it in future.

GROUP CFO'S REPORT CONTINUED

Please find below the calculation of normalised headline earnings:

NORMALISED EARNINGS (NON IFRS MEASURE)

	% change	2017	2016
Headline earnings (R'000)		123 838	145 567
Adjusted by (R'000):		120 275	24 960
– Conditional put option finance obligation (R'000)		45 906	24 960
– Fair value on second tranche consideration (R'000)		59 582	–
– Sanlam indemnity provision (R'000)		14 787	–
Normalised headline earnings (R'000)	43.15%	244 113	177 185
Normalised headline earnings per share (cents)			
– Attributable to ordinary shares (cents)	38.30%	44.03	30.84
– Diluted earnings per share (cents)		44.03	29.44

CASH FLOW AND CAPITAL EXPENDITURE

The Group invested in improving its IT capabilities by improving its main administration system, Nexus, to become more flexible and capable of administering more lives (Fusion project). The total budget for the project is R200 million up to 2019, of which R99 million has been incurred by the end of the 2017 financial year.

Continuous enhancements and projects through Nexus amounted to R60 million over and above computer software, and licensing costs amounting to R49 million.

The Group opted to purchase a warehouse, rather than leasing, because higher volumes in the healthcare retail business required more scripts, and the required equipment is highly specialised.

Therefore, the Group is set to have an annual capital expenditure of approximately R200 million for 2018 and 2019 – until the Fusion project is complete.

The Group has no financing liabilities and, therefore, is not geared at all, which presents a comfortable platform for expansion by way of acquisition. All liabilities and receivables are short term, due to the payment cycles of the medical scheme clients. Therefore, the Group preserved cash generation at the same level despite paying shareholders higher dividends.

GROWTH PROSPECTS

The 2018 financial year will yield significant growth for the Group due to the following:

1. The 110 000 lives added onto the Bonitas Medical Fund will generate profits for 12 months compared to a previous nine months, but, more significantly, the take-on costs for employees and IT will not be incurred again.

2. Pharmacy Direct will be more efficient with the stabilisation of script volumes at 500 000 per month which did require some investment expenditure in 2017.
3. The Group recently won the Hosmed Medical Scheme tender for healthcare administration services for approximately 50 000 lives. This will assist the Group to grow, given the take-on costs that will initially reduce operating profit on this contract.
4. The addition of Wellness Odyssey in our basket of services to medical schemes will generate revenue that was not previously part of our diversification pool.
5. The Group is considering acquiring, by December 2017, several small companies that will reduce the cost of healthcare for our medical schemes. They will present enhanced services that the Group offers outside of the traditional administration and managed care income streams.

Our clients are fully supporting and partnering with us in our relentless drive to bring down the cost of healthcare. As shown by the new clients, the Group is clearly demonstrating its current and future capabilities in people and systems which required investment over the past few years.

I would like to record my thanks to my colleagues in Group Finance for their commitment to their responsibilities, the timely completion of the work required to present this Integrated Report and, generally, for driving excellence in expenditure control and strategic business initiatives.



Hannes Boonzaaier
Chief Financial Officer

RESULTS AT A GLANCE

Key features		Audited year ended 30 June					% change	
		2017	2016	2015	2014	2013	2017/16	2016/15 2015/14
Healthcare service revenue	(R'000)	2 715 266	2 399 669	2 098 312	1 958 260	1 770 330	13.2	14.4 7.2
Healthcare service operating profit	(R'000)	495 974	344 155	372 072	356 357	333 657	44.1	(7.5) 4.4
Healthcare retail revenue	(R'000)	1 069 435	748 477	–	–	–	42.9	
Healthcare retail gross profit	(R'000)	232 701	160 273	–	–	–	45.2	
Headline earnings	(R'000)	123 838	145 567	179 021	183 862	127 737	(14.9)	(18.7) (2.6)
Normalised headline earnings	(R'000)	244 113	170 527	–	–	–	43.2	
Cash generated from operations	(R'000)	450 887	393 851	396 996	321 044	340 413	14.5	(0.8) 23.7
Statutory earnings per shares								
– Basic	(cents)	21.23	25.38	32.92	39.98	60.04	(16.4)	(22.9) (17.7)
Statutory headline earnings per shares								
– Basic	(cents)	22.34	26.33	38.26	47.81	47.44	(15.2)	(31.2) (20.0)
Normalised headline earnings per share								
– Basic	(cents)	44.03	30.84	–	–	–	42.8	
Dividends paid per ordinary share	(cents)	28.00	24.00	20.00	18.00	15.00		
Share price as at 30 June	(rand)	6,20	5,25	5,15	4,45	3,90		
Group membership								
Open schemes	(R'000)	408 305	365 606	366 998	368 411	368 832		
Closed and Corporate schemes	(R'000)	279 433	287 156	111 328	112 990	119 854		
GEMS	(R'000)	692 266	682 225	665 303	683 712	673 966		
SADEC and other	(R'000)	297 451	290 209	252 700	252 857	242 581		
Number of scripts								
		4 186 562	2 034 342					
NHI		2 799 919	901 682					
Pharmacy Direct		1 386 643	1 132 660					

RESULTS AT A GLANCE CONTINUED

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited year ended 30 June 2017 R'000	Audited year ended 30 June 2016 R'000	Audited year ended 30 June 2015 R'000
ASSETS			
Non-current assets	1 927 272	2 190 076	991 080
Property and equipment	211 704	189 362	102 639
Investment property	15 418	15 000	15 000
Intangible assets	1 463 746	1 388 815	744 487
Available-for-sale investment	18 444	18 444	18 444
Listed investments	36 296	37 182	–
Managed funds and deposits	59 976	411 934	–
Investment in associates	38 823	24 477	14 873
Deferred income tax assets	82 865	104 862	95 637
Current assets	1 141 608	850 640	569 738
Trade and other receivables	320 236	365 004	228 884
Inventory	73 376	72 310	6 803
Current tax asset	25 235	19 821	–
Receivables from associates and joint venture	13 388	20 437	–
Cash, managed funds and deposits	709 373	373 068	334 051
Non-current asset held for sale	–	–	24 788
Total assets	3 068 880	3 040 716	1 585 606
EQUITY AND LIABILITIES			
Capital and reserves	1 793 694	1 047 979	1 104 149
Issued ordinary share capital	18 686	18 686	17 821
Share premium	999 058	970 358	525 633
Share-based payment reserve	–	26 604	20 160
Treasury shares	(2 324)	(2 324)	(2 324)
Conditional put option reserve	0	(727 960)	–
Foreign currency translation reserve	3 454	7 027	2 204
Distributable reserve	774 820	755 588	540 655
Non-controlling interest	585 359	515 603	62 930
Total equity	2 379 053	1 563 582	1 167 079
Non-current liabilities	135 778	977 573	86 252
Deferred income tax liabilities	100 627	82 390	54 822
Non-current provisions	8 350	8 350	8 350
Post-employment medical obligations	2 771	2 691	3 134
Second tranche payment	–	134 893	–
Conditional put option obligation	–	727 960	–
Deferred payment	5 051	–	–
Accrual for straight lining of leases	18 979	21 289	19 946
Current liabilities	554 049	499 561	332 275
Provisions	8 947	9 755	9 211
Borrowings	–	–	61 224
Second tranche payment	194 475	–	–
Trade and other payables	264 394	383 029	146 317
Taxation	–	–	4 418
Employment benefit provisions	86 233	106 777	111 105
Total liabilities	689 827	1 477 134	418 527
Total equity and liabilities	3 068 880	3 040 716	1 585 606

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Audited year ended 30 June 2017 R'000	Restated Audited year ended 30 June 2016 R'000	Audited year ended 30 June 2015	Audited year ended 30 June 2014 R'000	Audited year ended 30 June 2013 R'000	% change 2017/16	2016/15	2015/14
Healthcare service revenue	2 715 266	2 399 669	2 098 312	1 958 260	1 770 330	13.2	14.4	7.2
Healthcare service operating costs	(2 219 292)	(2 055 514)	(1 726 240)	(1 601 903)	(1 436 673)			
Healthcare service operating profit	495 974	344 155	372 072	356 357	333 657	44.1	(7.5)	4.4
Healthcare retail revenue	1 069 435	748 477	–	–	–	42.9		
Healthcare retail cost of sales	(836 734)	(588 204)	–	–	–			
Healthcare retail gross profit	232 701	160 273	–	–	–	45.2		
Healthcare retail operating costs	(164 566)	(128 067)	–	–	–			
Total healthcare operating profit	564 109	376 361	372 072	356 357	333 657	49.9	1.2	4.4
Other income	–	–	–	–	2 307			
Impairment of assets	(19 851)	(21 469)	(36 697)	(36 900)	7 253			
Net finance and investment income	16 106	29 964	18 802	17 699	13 420			
– Finance and investment income	62 773	59 471	28 799					
– Finance cost: Conditional put option	(45 906)	(24 960)	–					
– Finance cost	(761)	(4 547)	(9 997)					
Share-based payment expense	(2 096)	(6 444)	(9 395)	(10 765)	(39 868)			
Fair value of second tranche consideration	(59 582)	–	–	–	–			
Indemnity expense	(14 787)	–	–	–	–			
Profit on sale of investment	–	–	–	–	51 014			
Share of associate profits	14 306	10 118	19 037	4 343	(21 477)			
Profit before depreciation and amortisation	498 205	388 530	363 819	330 734	346 306	28.2	6.8	10.0
Depreciation	(45 098)	(38 011)	(35 727)	(40 475)	(37 251)			
Amortisation of intangible assets	(86 450)	(79 332)	(48 734)	(43 907)	(40 098)			
Profit before income taxation	366 657	271 187	279 358	246 352	268 957	35.2	(2.9)	13.4



OPERATIONAL REVIEWS

INTEGRATED HEALTHCARE

WE'RE ALWAYS LOOKING
AT ACQUISITIONS.
THE NEED FOR INTEGRATION
IS AN ENDLESS OPPORTUNITY
— STEVE MILLS

MEDSCHEME SOUTH AFRICA

Medscheme focuses on **enhancing** its operational systems to **coordinate care** and **build partnerships** between patients and healthcare providers.

OVERVIEW

Medscheme is the largest manager of medical schemes in South Africa, managing approximately 3.6 million lives. It now offers the most advanced and comprehensive fraud, waste and abuse management service available to medical schemes in South Africa.

20 OFFICES AND **3 251** EMPLOYEES RESPONSIBLE
FOR **15** LEADING MEDICAL SCHEMES IN
SOUTH AFRICA

OUR **NETWORK**
CONSISTS OF
MORE THAN:

7 000 FAMILY PRACTITIONERS;
4 500 SPECIALISTS;
2 500 PHARMACIES; AND
2 000 DENTISTS AND **70** ORTHOPAEDIC SURGEONS.

Medscheme is a specialised, integrated health administration and managed healthcare organisation. It addresses unsustainable health costs through innovative technology and managed care solutions in a complex operational and regulatory environment. Our dedicated and resilient team secures new contracts and finds new solutions in the procurement and funding of healthcare. Our awards are a testimony to their hard work.

Through our Integrated Chronic Care Mode ("ICCM"), we deliver the highest standards of care to our clients' members. We view client relationships as partnerships that provide beneficiaries with the most cost-efficient and high-quality clinical care. The healthcare value chain is a continuum, and each contact point along the chain is an opportunity to improve health outcomes.

Regular liaisons with family practitioners encourage coordinated care that treats patients, not diseases. Medscheme ensures ongoing consultation with hospitals and healthcare providers to gather clinical data that improves results monitoring. In this way, we are able to measure the cost-efficiency of interventions and the quality of healthcare funding.

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

We are thought leaders who pioneer new technologies and better ways of doing business. Through these, we make a measurable difference in the healthcare industry, and offer our customers more flexibility and efficiency.

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

PERFORMANCE SUMMARY

- Successful amalgamation of the Bonitas Medical Fund and LMS Medical Fund in October 2016 and the integration of the two medical schemes' benefits in January 2017
- Expanding the emerging risk, mental health and spinal programmes to existing scheme clients
- Opened new branches in Klerksdorp and Bellville, Cape Town
- Achieved ISO 9001 accreditation in 2012

CONTRACTS WON

Nedgroup Medical Aid Scheme	Administration and managed care contracts were retained after a rigorous tender process, with additional services secured from competitors including actuarial services, networks and medicine management. Effective January 2018.
SAMWUMED	Managed care contract for managing chronic medicine and HIV disease management with effect from January 2017. Forensics contract effective from June 2017.
South African Police Service Medical Scheme ("POLMED")	GP and specialist profiling, and hospital efficiency profiling secured from a competitor, effective 2017. Forensics contract effective from May 2017.
Bonitas Medical	Diabetes disease management contract with effect from May 2017.
Road Accident Fund	Road Accident Fund recovery contracts (in partnership with GMI), Fedhealth Medical Scheme and Sasolmed Medical Scheme from April and June 2017 respectively.
Other	The HIV Disease Management contract for SA Breweries Medical Scheme was retained even though the scheme's administration moved from MMI to Discovery.

AWARDS

Titanium Awards Recognising Excellence in Healthcare in:

- Service Excellence – Administrators – Medscheme; and
- Service to membership (closed medical schemes) – Nedgroup Medical Aid Scheme.

MEDSCHEME SOUTH AFRICA CONTINUED

STRATEGY

We deliver an Integrated Chronic Care Model that brings together the pillars of effective active disease management.

Medscheme's strategy is to facilitate the most efficient and effective healthcare that will achieve the best possible outcomes including the best medical care at an affordable cost. We integrate a variety of services that are applied across the healthcare value chain to optimise cost efficiency, rate effectiveness and service delivery to our clients.

AFROCENTRIC STRATEGIC OBJECTIVES		MEDSCHEME'S ALIGNMENT TO THESE
 Enhance shareholder value		The strategic composition of our client base has enabled us to grow our earnings. We have an established market share in the private medical scheme industry, which we are well equipped to sustain with human and intellectual capital.
 Maximise growth opportunities		Medscheme is exploring innovation through thought leadership. We are looking to design and implement new healthcare procurement solutions which will grow our business and the Group.
 Improve efficiencies through cost consciousness		Through re-engineered business processes, automation and other integration tools such as decision modelling and integrated data management, we are containing and driving down non-healthcare costs. We are measuring the quality of our services through regular member surveys, ensuring that clients receive an efficient service.
 Promote transformation		Medscheme is prioritising employment equity at all levels; we aid transformation by mentoring and up-skilling through our recently established training academy.
 Diversify revenue sources		Medscheme is looking to provide new services into new markets and international countries. Our partnership with Sanlam creates opportunities to enter the financial services market, and to cross-sell core products to a broader customer database. We are well positioned to strategically procure healthcare services, and Medscheme is working towards implementing risk sharing models with funders. We are leveraging our existing capabilities and technical solutions to support and enable the management of NHI.
 Deliver exceptional client service		Our key focus is to deliver exceptional service, retain our clients, and constantly monitor and evaluate their perception of our services. We also continually evaluate the value of our managed care services in order to respond to the constant rise in healthcare costs by redesigning managed care solutions and managing the health risks within our schemes.
 Reduce the cost of healthcare		We have redesigned managed care solutions to manage health risks; examples include the ICCM, the redesign of hospital benefit management, and the focus on strategically procuring healthcare services. The expansion of the emerging risk, mental health and spinal programmes has focused on areas of disproportionate scheme cost escalation by increasing focus on quality of care, as well as further empowering patients to manage their own conditions. In the year under review, Medscheme intensified its fraud, wastage and abuse detection activities, increasing recoveries of scheme funds.
 Uplift our people		Medscheme is passionately employee-centric as it is through our committed employees that we exceed the needs and requirements of our customers and members. Our committed and passionate employees have the knowledge and skills to play a crucial role in streamlining processes and product innovation. Medscheme further focuses on cultivating the intangible leadership qualities that enable greater competitiveness.

OPPORTUNITIES AND CHALLENGES

Medscheme has the ability to influence behaviour and make structural changes to the system that smaller administrators are not able to emulate.

The weakness of the Rand is driving the cost of medicines and equipment upwards and medical fraud impedes the sustainability of private healthcare, as fraudulent claims lead to healthcare cost increases across the industry. Medscheme is vigorously addressing fraud, waste and abuse. We have expanded the Medscheme Forensic Medical Scheme Department and further rolled out IFM fraud modules.

The amalgamation of Bonitas and LMS Medical Fund ("Liberty") added approximately 125 000 lives under our care. The growth of the scheme allows this volume to be more effectively leveraged in terms of negotiating rates from healthcare professionals and, in particular, hospitals.

The challenging environment requires us to integrate the healthcare value chain and find innovative solutions to address the rising costs without compromising quality. Consolidation has placed us in a perfect position to expand our market share, and we have introduced innovative solutions such as the ICCM and Hospital Benefit Management Model (Acute Care Model) which have been instrumental in addressing the costs.

We are engaging Sanlam to re-engineer the Sanlam Reality loyalty programme to be more competitive for Medscheme members. Our partnership with Sanlam is pivotal, both to a

cohesive and integrated financial services offering that integrates with medical scheme products, and to exploring solutions for the low-income market.

The NHI poses a risk to our member retention within our current funder base. Through our expertise, we are exploring methods of facilitating the design of solutions for both the providers of healthcare and the government.

Skilled resources are highly sought after in the industry. It is vital for us to continue attracting and retaining critical and scarce skills.

OUTLOOK

Medscheme will continue focusing on quality, innovation, fraud management and operational efficiency. We aim to implement the IFM Facilities and Pharmaceutical forensic modules which will enable us to recover at least R100 million by December 2017.

The business is also optimistic about the implementation of:

- the ICCM for Bonitas as part of the diabetes management roll-out;
- the Nexus IT Programme system enhancements;
- a new hospital benefit utilisation model to address the high incidence of unnecessary admissions due to provider fraud, waste and abuse; and
- at least two Robotic Process Automation models into the operational business.

 Visit the Medscheme website,
<http://www.medscheme.com/>

PHARMACY DIRECT, CURASANA AND ACTIVO HEALTH

Pharmacy Direct is a **patient-centred business**, with a **strategic focus** on making **healthcare accessible to all**.

OVERVIEW

Pharmacy Direct is the retail arm of AfroCentric's pharmaceutical operations. These include Curasana, a medicines wholesaler; and Activo Health, a drug importer and rights-holder for the South African market, in which AfroCentric has a 26% shareholding.

Pharmacy Direct is a premier courier pharmacy in South Africa, supplying chronic medication to patients nationally and internationally, including patients in remote rural areas in South Africa.

Medicines' accessibility is often the single biggest factor in a patient's compliance with and response to treatment. This is particularly true in rural areas, where 75% of Pharmacy Direct's patients reside, and where the nearest pharmacy may be out of reach.

Medical aid schemes recognise the value that a courier pharmacy adds, both from a patient perspective, where convenient accessibility improves adherence to treatment regimes, and a funder perspective, in terms of cost savings and zero fraud. Pharmacy Direct is currently a designated or preferred service provider to most medical aid schemes in the private market.

Pharmacy Direct is also a service provider to the National Department of Health ("DOH") in the distribution of medication to patients on the Central Chronic Medication Dispensing and Distribution ("CCMDD") programme.

This internationally funded project aims to:

- improve the patient's experience, access to chronic medicines and service delivery;

- develop a business model for private sector involvement in the provision for NHI implementation; and
- pilot the project for NHI implementation.

Pharmacy Direct delivers medication to seven provinces: Gauteng, Limpopo, North West, Free State, Mpumalanga, Eastern Cape and Northern Cape.

PERFORMANCE SUMMARY

Pharmacy Direct has expanded its patient base to more than 500 000 (2016: 220 000) prescriptions per month through organic growth and new contracts. This exponential growth is attributed to:

- exceptional customer care – meeting or exceeding client expectations in terms of service delivery and our culture of customer-centricity;
- cost savings to both funders and patients due to preferential pricing and generic conversions – medication costs are effectively managed through formulary compliance to agreed reference pricing;
- being able to deliver parcels anywhere in South Africa, making healthcare accessible to even the most remote patients – to date no patient has been denied a delivery due to an inaccessible address;
- zero fraud due to luxury and other auxiliary items not stocked; and
- compliance due to the monthly, automated dispensing and 99.9% on-time delivery of medication, in addition to collectively managing adherence of patients in partnership with Medscheme's managed care, which results in stability of chronic patients, reducing hospital admissions and thereby reducing the cost of healthcare.

AREAS OF PERFORMANCE

Central Chronic Medication Dispensing and Distribution (“CCMDD”)	Pharmacy Direct is a strategic partner to government through its contract with the DOH’s CCMDD programme in seven provinces. Pharmacy Direct expanded its contract with the DOH for dispensing and distributing chronic medication by taking over Limpopo and North West from Dis-Chem as part of our contract.
DSP contract with Medshield Medical Scheme	In January 2017, Pharmacy Direct was appointed as designated service provider to Medshield patients on the HIV programme

STRATEGY

Pharmacy Direct is a patient-centred business with a strategic focus on making healthcare accessible to all. Accessibility directly links to affordability and convenience. Pharmacy Direct operationalises this commitment by ensuring value to both patients and funders through service excellence in the due care of patients and cost savings through our extensive service offering.

The following strategic objectives reflect this strategy:

AFROCENTRIC STRATEGIC OBJECTIVES	PHARMACY DIRECT’S ALIGNMENT TO THESE
 Enhance shareholder value	As the primary provider of chronic medication in the value chain, we are a sustainable business, and we remain confident in our ability to deliver.
 Maximise growth opportunities	We complete the value proposition to AfroCentric clients by offering an integrated solution that includes cost-effective chronic medication and lowers the overall cost of healthcare.
 Improve efficiencies through cost consciousness	We are lowering the cost of medicine through an operationally efficient model that ensures that processes are designed to create cost-effective outcomes through high volumes.
 Promote transformation	Pharmacy Direct is proud to be a Level 1 B-BBEE contributor, and is registered as a learning institution that enrolls learners on the pharmacist assistant training programme biannually. The programme has 75 registered learners.
 Diversify revenue sources	Pharmacy Direct is responsible for 10% of Group revenue and continuously seeks opportunities to generate more.
 Deliver exceptional client service	Our customer-centric culture and strong adherence to our Service Level Agreements have been pivotal factors in our ability to retain our clients and grow our client base.
 Reduce the cost of healthcare	Pharmacy Direct’s preferential dispensing fees and generic conversion rate generate savings for our funders. Savings to members are also affected as chronic medicine benefits last longer and a wallet-free approach is being pursued through conversions.
 Uplift our people	Pharmacy Direct has a philosophy of growing existing employees into Pharmacy Direct’s future leaders.

PHARMACY DIRECT, CURASANA AND ACTIVO HEALTH CONTINUED

OPPORTUNITIES AND CHALLENGES

Pharmacy Direct has been in the forefront of a private partnership with NHI – it has the contract to dispense and deliver medicines to public sector patients in seven provinces.

Flexibility in pricing strategies allows Pharmacy Direct to attract business through our sustained levels of customer service and compliance management to patients. The company's patient-centred ethos means that value is added through appropriate pricing and a personalised approach to service delivery.

Pharmacy Direct depends on service providers such as the Post Office and long-distance haulage companies to adhere to distribution schedules. Disruption in these industries hampers the Company's effectiveness. The business has engaged and partnered with a number of trusted suppliers such as Fedex to reduce the risk of catastrophic interruption to operations. The Post Office, which delivered 25% of Pharmacy Direct's monthly parcels, now delivers 4%.

OUTLOOK

We are focused on capitalising on value chain optimisation within the Group and collaborating with other partners in the Group to pursue efficiencies and best practice.

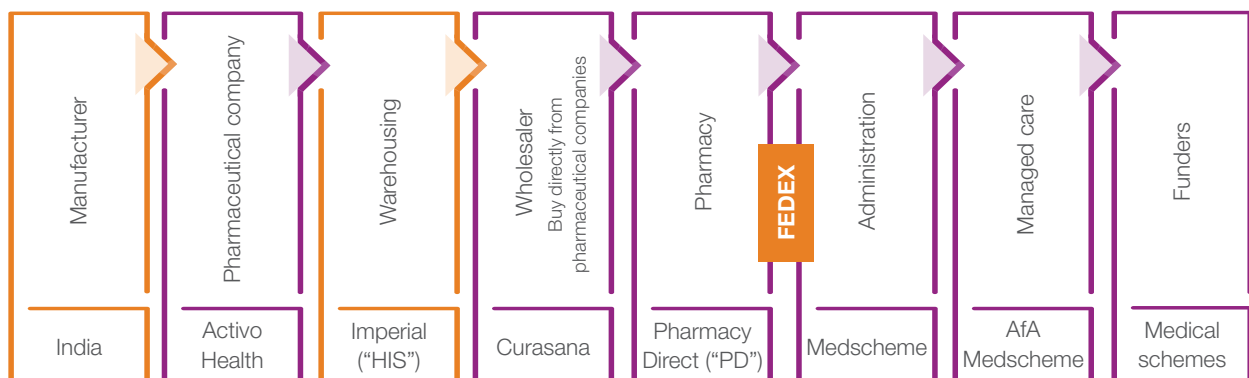
Pharmacy Direct believes in its ability to drive increasing value in the support of the growing expectations and requirements of both patients and funders.

Visit the Pharmacy Direct website,
<http://www.pharmacydirect.co.za/>

Read about Curasana and Activo Health on AfroCentric's website,
<http://www.afrocentric.za.com/bus-act-direct.php>

PHARMACY VALUE CHAIN

Value chain optimisation – Pharmaceuticals



AID FOR AIDS



Aid for Aids is the **leading HIV disease management programme** in the private sector.

OVERVIEW

Aid for Aids (“AfA”) was the first HIV disease management programme introduced into South Africa and still leads in the private sector (both medical schemes and corporates). It also plays a role in collaborating with government-led task teams and forums to challenge the epidemic. AfA continues pursuing opportunities to collaborate with other companies in the Group, including Pharmacy Direct as well as the public sector.

Integration with all wellness, preventative and health promotion initiatives within the Group will be leveraged to ensure that members and beneficiaries include HIV screening as part of their regular health assessments.

To enrol more potentially HIV-positive lives, AfA will leverage the Medscheme network strategy to integrate the management of non-communicable diseases (“NCDs”) and HIV. Medscheme runs face-to-face workshops for family practitioners to integrate into the continuous professional learning of doctors. While AfA already offers online training through its website, AfA will be adding some HIV-specific slots into the training programme, especially regarding the early registration of HIV-positive patients.

UNAIDS has a 90-90-90 campaign to combat HIV/Aids. The third 90 refers to having a suppressed viral load for 90% of those on antiretroviral treatment (“ART”). Viral load suppression is the ultimate goal of treating ART, allowing HIV-infected lives to enjoy a life as full and as close as possible to normal as one without HIV. By 2007, we knew that ART could add approximately 39 years to the life expectancy of a HIV-positive 25-year-old; therefore, ensuring that our registered patients remain on ART is a major goal for AfA.

PERFORMANCE SUMMARY

- AfA has 80 000 lives under our care.
- 89% of the lives on ART in AfA have their viral loads suppressed.
- AfA has a large number of registered lives that have been on treatment for well over 10 years. Understanding this population fits in with worldwide research focus areas. AfA equally intends to publish research of this group of individuals.
- AfA has been involved with the South African National Aids Council (“SANAC”) to ensure that the country’s reports on the epidemic cover private sector’s role in managing HIV/Aids.

STRATEGY

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

- Continuous improvement of the service offering with a specific focus on the UNAIDS ambitious treatment targets (90-90-90) which aim to assist with the Aids epidemic
- Growth by targeting new clients, expanding services to existing clients and expanding into new markets in the NGO space and the public sector – AfA is exploring the potential of Public Private Partnerships to penetrate these new markets
- Streamlining the existing service delivery model in order to decrease the cost of running the programme without compromising on its quality; this includes greater process automation

AID FOR AIDS CONTINUED

AFROCENTRIC STRATEGIC OBJECTIVES		AfA'S ALIGNMENT TO THESE
	Enhance shareholder value	AfA has performed very well financially in 2016/17, contributing significantly to the AfroCentric results.
	Deliver exceptional client service	AfA client service continues to be exceptional, with the lowest rates of complaints and queries received regarding service in the Group.

OPPORTUNITIES AND CHALLENGES

With the expansion of the Group, AfA is capable of integrating services with other Group companies. Our collaboration with Pharmacy Direct will ensure improved adherence to medication, resulting in better clinical outcomes such as viral load suppression. AfA intends to continue pursuing value chain optimisation.

Our integration with Medscheme's Active Disease Risk Management ("ADRM") programme has been further enhanced – our operational processes follow the same template, taking into account the best of all the managed care products. HIV is now perceived as a manageable chronic condition rather than a life-threatening disease. With consistent ART, the lifespan of an HIV-positive young adult is now almost the same as that of a non-infected adult.

Global disease management systems advocate moving away from single disease management to comprehensive management for all of an individual's chronic diseases, and the interplay between them – whether communicable or non-communicable. Therefore, AfA offers a client scheme or corporate more holistic patient management, leveraging all the technology developments such as the Electronic Health Record ("EHR") and wellness activities within the Group.

NCDs are a new pandemic facing South Africa. The greatest risk to AfA is the affordability challenge for South Africans. As medical schemes lose scheme members due to affordability constraints, so too does AfA lose registered patients. The company is committed to find a model that allows for its

registered patients to retain their access to treatment and disease support, even if they are compelled to reduce their spend on health insurance. Further, with schemes striving to keep their contributions low, reduction on all expenditure becomes a focus. Therefore, AfA needs to demonstrate its value, while finding service models that ensure the cost of delivering the AfA product is as low as possible.

OUTLOOK

As the country moves towards integration between the public and private sector to serve all South Africans equitably, AfA is poised to offer its services to a larger population of HIV-infected South Africans so that they enjoy the clinical and life expectancy outcomes that the current AfA population have enjoyed for over 10 years.

We aim to provide a valuable service by improving the clinical outcomes of people living with HIV, which in turn reduces the financial risk to employers and medical schemes. AfA is progressing towards achieving the UNAIDS treatment targets, whereby 90% of our patients will have viral loads suppressed.

We were pleased to welcome Bonitas option plan ("BonCap") and Liberty members into the AfA universe and are looking forward to receiving and assessing their pathology results and then consistently improving their viral load results.

While the outlook for AfA remains favourable, expansion into new markets and significant client growth is challenging in the current environment.

 Visit the Aid for Aids website, <http://www.aidforaids.co.za/>

AFROCENTRIC HEALTH SOLUTIONS

Improving operational efficiency while still pursuing opportunities for **organic growth** and **geographical expansion**.

OVERVIEW

AfroCentric Health Solutions (“AHS”) is the international cluster for Medscheme Holdings’ non-South African businesses and interests, with operations in Namibia, Swaziland, Zimbabwe and Mauritius. Our association with Swazimed unfortunately came to an end. However, we are in the process of establishing new business in Swaziland. The business also has presence in Botswana and Kenya through partnerships with local businesses, and is pursuing further growth and diversification opportunities in the East Africa and West Africa regions. The business thrust is coordinated healthcare delivery through an integrated value chain, with the ultimate goal of increasing the quality of care in these countries.

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

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

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

The expertise in health insurance administration that resides within AHS and the partnership with Sanlam position the business for growth outside South Africa.

PERFORMANCE SUMMARY

- Anchor client in Namibia, Namibia Health Plan (“NHP”), reached a record 30 000 principal members (“lives”)
- Signed up a new IT client in Malawi – Met Health. This is the third IT client outside Medscheme-administered schemes following Cimas Medical Aid Society and First Mutual Life (“FML”) in Zimbabwe

STRATEGY

AHS focuses on membership growth in all territories, and consistently exceeds targets in the majority of businesses. This strategy has been successful, delivering revenue and earnings growth of nearly 60% over the last six years. Attention is now focused on improving operational efficiency, while still pursuing opportunities for organic growth and geographical expansion.

Our clients’ success depends on innovation and automation to reduce input costs and provide seamless service. We have lined up several solutions, improving the way in which members, service providers and intermediaries are able to transact and share information. Our next focus area is partnering with organisations at the cutting edge of healthcare with the objective of eliminating wastage, fraud and abuse.

AFROCENTRIC HEALTH SOLUTIONS CONTINUED

AFROCENTRIC STRATEGIC OBJECTIVES		AFROCENTRIC HEALTH SOLUTIONS' ALIGNMENT TO THESE
 Enhance shareholder value		The renewal of our core administration contracts provides certainty and stability in the business for planning purposes.
 Maximise growth opportunities		The client uptake on our new services from our managed care entity and associate subsidiaries has been pleasing. Clients recognise the value of our suite of services and our expert providers.
 Improve efficiencies through cost consciousness		The business emphasises prudence – every employee embraces cost consciousness in their daily activities. We empower and reward our employees for innovative solutions.
 Diversify revenue sources		The introduction of Allegra, IFM, DBC, Pharmacy Direct and Helios is intended to achieve this goal. Decision-making is comparatively slow in our markets, but we are optimistic this will improve in the next 12 to 18 months.
 Deliver exceptional client service		NHP has won the Professional Medical Review (“PMR”) Africa award for the best service in Namibia for 2016.

OPPORTUNITIES AND CHALLENGES

To realise opportunities across the continent, it is critical that AHS is culture conscious. South African healthcare funding and practice is unique on the continent. The business model for South Africa must be adapted to local regulatory, industrial and social customs. The business is sensitive to the socio-cultural barriers that must be overcome during multinational trading to smoothly integrate new acquisitions and partnerships into the core business.

Sanlam's presence in Africa and other emerging markets presents an opportunity to enter into new territories with a partner who has an established brand equity, a distribution network and deeper understanding of the markets.

OUTLOOK

Partnerships have become more relevant to the success of our efforts to counter healthcare inflation and enable access to quality care. Thus, we have begun to enter the service provision space, due to the critical importance of this pillar in healthcare. We are looking to collaborate with Sanlam in the rest of Africa.

We are engaging with the Namibia Funders Association to roll out IFM to the industry; and with the Zimbabwean Healthcare Funders Association to roll out Allegra Switching Solutions.

 Visit the AfroCentric Health Solutions page on the AfroCentric website, <http://www.afrocentric.za.com/bus-hea-solutions.php>

ALLEGRA

Pursuing a strategy of **driving value** while **lowering healthcare costs**.

OVERVIEW

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

The Allegra platform integrates healthcare stakeholders such as medical aids, insurance companies and healthcare providers. This allows for members of the Allegra Healthcare community to

share a single patient health record for each patient, across the southern African healthcare network. Allegra solutions reduce risk, both in patient management, by enabling the patient to share their profile with relevant care providers; and actuarial risk, through providing biometric data exchanges to funders.

Value creation complements cost and risk reduction. Other systems in the Allegra stable include tools for practice management, dispensing and nurse practice management.

In the 2017 financial year, Allegra adopted “mutualism” as one of its corporate values.

PERFORMANCE SUMMARY

• Alpha Pharm network implementation

Allegra signed an agreement with the Alpha Pharm network in 2015 to roll out its Allegra Clinic Management System across more than 800 Alpha Pharm branded pharmacies. 59 Alpha Pharm clinics have started to use Allegra.

• Biokineticists network onboarding

Allegra signed an agreement with SmartHealth to connect the biokineticists in the Biokineticist Association of South Africa (“BASA”). Allegra developed a new digital contracting and onboarding platform, which has been used by 306 biokineticists to register online, while 193 biokineticist practices have subscribed to provide the Allegra wellness screening service to Medscheme and MMI Group members.

• Passage to India

Through its interaction with BASA, Allegra was invited to partner with MMI to bring wellness screening to their new health insurance partner in India, Aditya Birla. This made the digital contracting and onboarding platform very valuable; 226 fitness trainers in India have now subscribed to the Allegra wellness screening service for new health insurance members in that country.

• Retail dispensing system

Allegra has been working on developing a new dispensing system for pharmacies since 2013; Pharmacy Direct is successfully using the system. In addition, Allegra has worked with a retail chain to test the system in a multibranch environment. This pilot has emphasised the need for improved user-onboarding strategies, which will inform future implementation approaches. The brand-new Allegra Retail Dispensing System is now ready for introduction to a range of new clients, and efforts are underway to introduce this system, which supports Allegra’s vision of “total patient care”, to the rest of the market.

• Digital subscriptions

Allegra has streamlined its acquisition process by developing an online contracting system, as well as integrating this with an easy-to-use online onboarding solution. This digital sales process is being optimised to further reduce costs and improve user adoption of Allegra technology. This has been developed in order to achieve two of Allegra’s strategic objectives, namely to offer lower cost-to-value ratio to our clients and to achieve high asset utilisation by selling the same product to many clients as quickly as possible. The successful implementation of this new digital system is a significant highlight for the 2017 financial year.

ALLEGRA CONTINUED

STRATEGY

Allegra's strategic focus directly supports AfroCentric's strategy of reducing healthcare costs, and its activities align with this strategic objective. Allegra is diversifying revenue streams and continues to identify new opportunities for growth by entering new, non-pharmacy market segments, such as biokinetics, and dietician and GP practices. Allegra's systems are capable of servicing those sectors and require only the development of interfaces to link with sectoral platforms. Allegra became active in these markets in 2017 and continues exploring additional markets.

We strive to enhance the customer experience of scheme members at the point of care by providing biometric data that will allow an interactive encounter with healthcare workers.

Allegra is further working to empower patients to take ownership of their own health and lifestyle decisions. The intention is to enable individuals to "own" their own relevant data, while seeking assistance from the various healthcare service providers through an integrated health systems approach. The company is pursuing an innovative patient activation solution in order to achieve this.

During 2017, Allegra adopted a philosophy of on-selling other software, instead of developing everything in-house. It is now sourcing development partners and reselling their software under the Allegra brand, using the newly established digital subscription model. This enables future expansion into other industry segments.

AFROCENTRIC STRATEGIC OBJECTIVES	MEDSCHEME'S ALIGNMENT TO THESE
 Enhance shareholder value	Allegra strives to enhance shareholder value by reducing costs through mutually beneficial partnerships, and streamlining client acquisitions through a digital subscription system. This simplifies onboarding and lowers the financial barriers to entry to a larger market segment. It also increases the volume of users and turns the Allegra income model towards mass subscription at lower cost.
 Maximise growth opportunities	Allegra is generating income beyond South Africa through new clients in Namibia and India, and is exploring other prospects in Africa. Allegra has entered the global market by establishing itself in India. We are positioning ourselves to reach further into Africa by partnering with clients who have the same objective and with existing service providers in those countries; and are working to sign additional contracts with providers in neighbouring countries.
 Improve efficiencies through cost consciousness	Allegra has successfully implemented a digital subscription and onboarding process, which not only improves efficiencies, but also reduces cost-of-sales and training expenses across the entire Group.
 Promote transformation	Allegra is committed to transformation and has invested in enterprise development to assist black female clinic nurses to grow their own private primary healthcare clinics through the use of our software. We have secured the services of two more female developers and worked proactively to increase the number of black technical support agents. The company has designed an employment equity plan, and we are collaborating with various partners to promote supplier development and enterprise development among previously disadvantaged groups.
 Diversify revenue sources	We are committed to diversifying our revenue sources through on-selling other products under our own brand, and engaging in mergers and acquisitions to grow the company's revenue streams.

AFROCENTRIC STRATEGIC OBJECTIVES

MEDSCHEME'S ALIGNMENT TO THESE

 Deliver exceptional client service	We have established an account management team, and our call centre has been expanded to provide access and ongoing support services to all users. Allegra continually strives to transform its clients into enthusiastic supporters of the company through exceptional client service which focuses on caring to help the client grow their healthcare practice or business.
 Reduce the cost of healthcare	Allegra's EHRs and clinical data switch enabled the sharing of relevant patient information. This prevents unnecessary healthcare spending. Healthcare practitioners have no need to perform unnecessary diagnostics tests because this information is already available. By transferring clinical data to the relevant stakeholder, Allegra enables a preventative care model which results in patient lifestyle interventions, lower hospitalisation rates and fewer severe health incidents.
 Uplift our people	Employees form part of self-managed teams within the different business systems. Team Leaders facilitate the decision-making process and decisions are taken when sufficient consensus is reached. These decisions are guided by the principles as established by the leadership team. The development of leadership skills is a continuous process using a 360-degree assessment whereby areas of development are identified. These development areas are then addressed through personal development plans.

OPPORTUNITIES AND CHALLENGES

Allegra has an integration team who proactively facilitate integration with other technology providers in the market. These efforts are driven through Allegra's commitment to mutualism.

We are planning to expand and improve our portal to provide access to a digital sales channel. This will open doors for both improved innovation through integration with other software industry players, and an increased footprint in established markets.

We have expanded Allegra's wellness screenings into Namibia and India. The company will continue pursuing this expansion across borders and industries through building strategic partnerships.

The impending NHI presents an opportunity for Allegra's software solutions to create an EHR that links the public sector to primary health clinics. Patients will be able to easily access care on the move. The uncertainty surrounding NHI represents a risk and a challenge. However, Allegra is confident that we have the expertise and resources to be a key service provider to this critical initiative.

As an innovative front-runner, we are the first to market, but carry the burden of paving the way for client adoption through extensive investment in market education. By developing

intuitive applications and improving the quality of software, Allegra is making technology adoption easy for end-users. Training our call centre support employees is cost-intensive, but it is critical. Allegra has also implemented processes to facilitate pilot software and enable volume testing (load, stress and endurance testing) prior to deployment, in order to identify and address issues before the client is billed.

OUTLOOK

Allegra continues working towards bringing the philosophy of "total patient care" to life by developing and providing strategic information technology. In the 2017 financial year, Allegra adopted "mutualism" as one of its corporate values. The mutualistic partnership collaborates with clients to better address their needs and those of other stakeholders in the software industry. Going forward, we are incorporating four core agile values:

- Value individuals and interactions over processes and tools
- Provide working software instead of comprehensive documentation
- Focus on customer collaboration as opposed to contract negotiation
- Respond to change, rather than to follow a fixed plan

 Visit the Allegra website, <http://www.allegra.co.za/>



KLINIKKA

Quality and **outcomes** is the foundation of a **sustainable future** for Klinikka and DBC.

OVERVIEW

Klinikka Proprietary Limited (“Klinikka”) was incorporated in 2013, and is the distributor and manager of the Documentation Based Care (“DBC”) musculo-skeletal rehabilitation system in southern Africa. In the past 17 years, Klinikka teams have implemented DBC protocols, evidence-based protocols, interdisciplinary treatment teams and, most recently, a functional rehabilitation programme.

Our definitive goal is to provide better results, more efficiently, with a greater cost benefit, to continuously innovate. We offer services to patients and provide managed care services. Klinikka has also successfully implemented contracting models such as Sasolmed Capitation Agreement and the Bonitas Capped Fee Agreement.

The DBC service has been funded from the “risk benefit” based on a global fee since 2008. This combination of continuous development in the clinical capability and contracting has enabled the Klinikka Network to hold 3 000 treatment sessions per month in South Africa in the 2016/17 financial period.

PERFORMANCE SUMMARY

- Implementation of the Bonitas Capped Fee model
- 3 000 treatment sessions per month in South Africa in 2016/17
- 12 DBC centres and two Workability centres
- Implementation of a cloud-based Centre Management Tool
- DBC clinical information system (“CIS”) has enabled the effective information management throughout treatment
- During the 2016/17 financial period, 23 medical schemes saved between R103 million and R170 million, through the conservative treatment of chronic back and neck pain with the help of DBC.

STRATEGY

Klinikka is currently managing a network of 12 DBC centres and two Workability centres.

The DBC treatment is designed as part of an integrated managed care programme to reduce the overall cost of care for spinal conditions supporting the Group’s healthcare service offering.

The aim is to increase this network with an additional five centres in 2018, and to investigate a new equipment rental option to increase the number of commercially viable DBC centres in South Africa.

AFROCENTRIC STRATEGIC OBJECTIVES

KLINIKKA'S ALIGNMENT TO THESE

 Enhance shareholder value	The new contracting model introduced in 2017 increases the profitability of Klinikka, thus enhancing shareholder value for the Group.
 Maximise growth opportunities	By partnering with Workability, Klinikka is able to grow its network and contracting potential faster, resulting in more lives under the Group's care.
 Improve efficiencies through cost consciousness	The CIS is used throughout the treatment process to document, design, analyse and report. The CIS manages information and facilitates individual or group reporting between customers, organisations and treatments. The Bonitas Capped Fee Agreement also helped reduce the cost of treatment per member.
 Promote transformation	All new DBC centres will preferably be black-owned and operated in historically disadvantaged areas.
 Diversify revenue sources	The new contracting model enables us to generate income from managed care contracts.
 Deliver exceptional client service	The annual Clinical Outcomes report for 2016 confirmed that we achieved more improved levels of client satisfaction in South Africa than the global average for the DBC network (as measured by the CIS system).
 Reduce the cost of healthcare	The DBC programme has proven to reduce the cost of musculo-skeletal care with a sustained return on investment ("ROI") of 128% to 480% for every Rand spent on the DBC programme for medical schemes.
 Uplift our people	We are partnering with operators to bring the DBC programme to areas that were historically underserved, and our ownership will reflect AHL's transformation targets.

OPPORTUNITIES AND CHALLENGES

The implementation of the NHI will accelerate Klinikka's growth.

Klinikka will ensure that the healthcare network implements and maintains clinical standards in the DBC centre network, which is owned by independent interdisciplinary medical teams who work together in providing evidence-based care to patients. This will assist large medical schemes and insurers that require national service providers to provide specialist treatments. Klinikka aims to ensure that clinical standards and systems are reviewed to ensure that we maintain the required standard in all centres.

OUTLOOK

Clinical performance will be a priority for our long-term profitability. Klinikka is confident that the growing centre network will maintain its clinical standards and that training with our Finnish document-based care solutions ("DBCS") partners will be productive.

We will implement the Bonitas Capped Fee Agreement, entered into on 1 April 2017 and are focused on its inherent operational challenges. We are working to establish a contract with Workability centres in Bloemfontein and Port Elizabeth and to develop a reporting system and operational support.

We are working with Medscheme Namibia to open our first Namibian DBC centre which will be operated under a unique business model to ensure the best possible care at a sustainable price in this new market. The strategy is to follow Medscheme into southern Africa.

We are actively engaging with DBCS partners in Finland to reduce the cost of the DBC programme. We have indicated that we are willing to assist in the support and manufacturing for global distribution from South Africa. This would increase Klinikka's revenue and reduce the cost of the parts and devices globally for our DBCS partners.

 Read about Klinikka on AfroCentric's website, <http://www.afrocentric.za.com/bus-hea-klinikka.php>

WELLNESS ODYSSEY

OVERVIEW

Wellness Odyssey was founded in July 2012 and incorporated into AfroCentric on 1 July 2017. Our team has more than 50 years of collective experience in the health and wellness industry. Together with Medscheme and our approved service provider network of more than 3 000 nurses and 40 registered biokineticists, we apply innovative industry knowledge and have a national footprint throughout South Africa.

We offer person-centric personal health risk assessment services, delivered at corporate wellness days – raising awareness and enhancing preventative care to the advantage of the medical scheme, employer groups and participating members.

Wellness Odyssey's person-centric corporate wellness solution is fully integrated with the managed care programmes of Bonitas, POLMED and Medshield, and assists in reducing the employee dependency on employer-assisted programmes and providing maximum value to employers who have contracted with the relevant medical aid schemes.

Our solutions aim to:

- identify non-communicable clinical risk through real time personal health risk assessments and other preventative assessments at wellness days;
- promote awareness and supply educational material regarding the prevention of non-communicable diseases; and
- refer identified high-risk members to established disease management programmes.

STRATEGY

Wellness Odyssey's strategy, products and solutions are aligned with – and supported by – Medscheme.

We aim to provide coordinated care by ensuring that the right person receives the right care at the right time. Our health risk assessments are aligned with the eligibility criteria for managed care products, including disease risk management, the diabetes programme and the mental health programme. Our preventative care allows for early identification of risk for employees and easy access to additional benefits when required.

OPPORTUNITIES AND CHALLENGES

Alongside Medscheme, we are exploring opportunities to offer more affordable products and services that help to bridge the gap between the uninsured and comprehensively insured.

Offering more affordable products and services will enable us to increase our exposure and coverage to corporate clients and enhance the affordability of our services. Improved affordability will attract more participants in our wellness offerings.

OUTLOOK

The wellness industry is growing at a rapid pace, and we forecast that it will continue doing so. Rising healthcare costs, sedentary lifestyle of corporate employees and growing interest of people in their health are some of the key factors driving the demand for wellness services. We are focusing on factors like implementation of incentive programmes, launch of mobile-based platforms and expansion into untapped markets. We believe that this will help to develop our market in the near future. The market is still faced with some challenges like stringent regulations in intervention, effective rollout of affordable services at scale and failure to engage high-risk individuals.

 Visit the Wellness Odyssey website,
<http://www.wellnessodyssey.co.za/>

HELIOS IT SOLUTIONS

Helios is an **enabler** for the **success and growth** of the Group and our clients through technology solutions.

OVERVIEW

Helios IT Solutions (“Helios”) was established in 2011 and is driven by a quest for innovation. We are an independent information technology (“IT”) service provider that facilitates efficient management of healthcare services, particularly in the administration of medical schemes and health risk management within the Group and to external clients. In 2017, we upgraded our core systems by acquiring modern architectures and technologies to support the ongoing growth and diversification of the Group.

Our software assets are the backbone of the Group and a key enabler of value chain optimisation. They also ensure that the client experience is seamless and convenient.

Helios’ team plays an integral role in ensuring that our systems are enhanced to the highest levels and maintained on an ongoing basis to enable the sustainable growth of our clients.

We are continually analysing the market and investing in research and development to identify improved technologies that may increase efficiencies.

Through strong IT governance principles and effective risk management solutions, which are regularly independently reviewed, we maintain and secure client data. Collectively, our stringent governance structures, effective risk management, compliance with all legislative and best practice security measures enable us to ensure safety on our platforms.

PERFORMANCE SUMMARY

- System stability improved in 2017, with 94 (2016: 351) system-related incidents reported (73% reduction)
- Fusion Project – advancing the rewrite of the identified modules within our core systems
- Improved our operating model to ensure more efficient delivery of IT solutions to clients

CONTRACTS WON

- Medshield’s system licence tender was renewed

SUCCESSFUL TAKE-ONS

- LMS Medical Fund (“Liberty”), and migration of data onto Nexus
- SAMWUMED medicine management and HIV management contracts
- Integrated Chronic Care Model

HELIOS IT SOLUTIONS CONTINUED

STRATEGY

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

AFROCENTRIC STRATEGIC OBJECTIVES	HELIOS ALIGNMENT TO THESE
 Enhance shareholder value	The systems developed and maintained by Helios are key enablers for the Group's growth. We facilitate the integration of new businesses/schemes which are acquired through mergers or acquisitions. Successful integrations increase the Group's profitability and shareholder value.
 Maximise growth opportunities	Helios is well positioned to support the Group's growth activities by leveraging systems and infrastructure. In addition, we are pursuing opportunities both in South Africa and Africa to license our core systems to third parties.
 Improve efficiencies through cost consciousness	To keep abreast of technological advances, Helios continues to identify and implement more efficient solutions which enable process automation and cost-effective ways of doing business.
 Promote transformation	Transformation is a key imperative of the Group. Helios has implemented structures (such as the Helios B-BBEE Steering Committee) to promote and monitor transformation within the business. Recruitment and development of skills are a key part of the transformation initiatives within Helios.
 Diversify revenue sources	Helios has implemented a business development strategy to identify adjacent markets where our systems and solutions are able to add value. These opportunities are actively pursued.
 Deliver exceptional client service	Technology is a key enabler for clients to obtain service. Helios is investing in the prerequisite digital technologies and omni-channel client engagement methods to benefit clients across the Group.
 Reduce the cost of healthcare	Helios has adopted an aggressive digital strategy that will realise relevant self-service functionality by offering more services and products to our members, brokers and providers. This will introduce efficiencies and additional growth opportunities. Our fraud, waste and abuse solutions are designed to return significant cost savings for our business.
 Uplift our people	Reporting structures have been reviewed to reduce unnecessary red tape and bureaucracy and thereby empower our employees in decision-making. Coupled to this, we are looking into investing in significant development opportunities across all our employee functions.

OPPORTUNITIES AND CHALLENGES

Helios operates at the intersection of healthcare and information communication technology ("ICT"), and the Group is well positioned to take advantage of the opportunities that arise, responding to challenges without undue disruption to the business.

KEY OPPORTUNITIES

- **Digital technologies** – new digital technologies create opportunities to grow the product and service offerings which may be offered both within the Group and to third parties.
- **Fusion** – The core IT platform, Fusion, is expected to be upgraded in 2018 and 2019, and will provide the Group with scalability across large membership bases and the stability to provide solutions to an evolving healthcare market.
- **Licensing** – offers IT solutions to external domestic and international clients, and currently has a pan-African customer base for its platforms.
- **Infrastructure support** – as the developers of the Fusion platform, Helios offers an ongoing maintenance and support package to licensees. There are added opportunities to sell other platforms and continue providing a maintenance service to those customers.
- **Integration platforms and skills** – Helios purchased an established integration solution that, combined with strong technical skills capability, provides quick and flexible integration solutions to the market. AfroCentric's partnership with Sanlam, and the acquisition of 100% of Pharmacy Direct, 100% of Curasana and 26% of Activo Health, create opportunities to realise synergies and efficiencies across the Group, using technology as an enabler.
- **Switching services** – Helios' 51% holding in Allegra allows the company to sell switching capabilities and pharmacy management software to multiple providers, particularly within the pharmacy sector.

Digital technologies are transforming the way healthcare is delivered. The coordination of care and management of high-risk beneficiaries is dependent on technology. Helios has embraced these requirements and is implementing technologies such as EHRs as part of this transition, and we are building competencies in the digital space to ensure that we respond proactively.

Multiple channels such as social media, mobile devices and portals are now the preferred platform for customer engagement. Helios has been proactive in ensuring that our solutions support these channels.

Helios awaits the impending introduction of the NHI and remains in a strong position to provide a competitively priced and technologically superior offering to the industry. As such, we are working with key role players to provide tailored solutions in order to secure successful tenders for ICT services.

RESPONDING TO CHALLENGES

- **Employee retention** – Helios recognises the skills shortage in the market, and is vigilant in its efforts to retain skilled employees through above-average levels of remuneration. The company aims to create a compelling and engaging environment where employees feel valued and have career progression.
- **Cybersecurity** – Cybercrime is one of the greatest areas of concern for all businesses globally, particularly for the IT sector. Cyber penetration and malicious intent ("hacking") as well as data theft are material risks. KPMG performed a cybersecurity audit which highlighted areas for improvement; Helios will focus on these going forward. To mitigate this risk, the company regularly updates software and has improved physical and logical security measures.
- **Stability of platforms** – Helios has a dedicated team of professionals to overcome issues as they arise, to ensure prompt query resolution and to achieve the strategic objective of 100% systems uptime.

OUTLOOK

Helios is well positioned to continue supporting the growth initiatives of the Group.

The roll-out of the Fusion project is expected to provide significant efficiency and process enhancement to the Group over the next two years.

 Visit the Helios IT Solutions website, <http://www.heliosits.com/2010/Templates/Content/Template.aspx?PageID=9263-1712>



GOVERNANCE

VISION

LEADERSHIP IS
THE CAPACITY TO
TRANSLATE VISION
INTO REALITY



BOARD OF DIRECTORS



NON-EXECUTIVE DIRECTORS

1. DR ANNA MOKGOKONG (BSC, MBCHB, DCOM (HC)) (60)

Chairperson

Appointed: 10 June 2010

Expertise: Health, investor relations, governance, leadership, business development

Committees:

- Nomination Committee

2. JOE MADUNGANDABA (CPA(SA), MDP) (59)

Deputy Chairperson

Appointed: 10 June 2010

Expertise: Finance, strategy, investor relations, business development, human resources

Committees:

- Remuneration Committee
- Nomination Committee
- Investment Committee

3. DR NKATEKO MUNISI (MBCHB) (51)

Appointed: 7 December 2015

Expertise: Health and safety management, business development

Committees:

- Social and Ethics Committee

4. AHMED BANDERKER (CA(SA)) (41)

Appointed: 15 December 2015

Expertise: Finance, auditing, business development

Committees:

- Remuneration Committee
- Nomination Committee
- Investment Committee

5. IAN KIRK (CA(SA)) (59)

Appointed: 15 December 2015

Expertise: Finance, auditing, investor relations, business development

Committees:

- N/A

EXECUTIVE DIRECTORS

6. ANTOINE VAN BUUREN (BCOM, MBA) (54)

Group Chief Executive Officer

Appointed: 16 March 2016

Expertise: Finance, accounting, leadership, business development

Committees:

- Investment Committee

7. HANNES BOONZAAIER (CA(SA)) (44)

Group Chief Financial Officer

Appointed: 1 August 2015

Expertise: Finance, investment banking

Committees:

- N/A

8. WILLEM BRITZ (BCOM, BPROC) (53)

Executive Director

Appointed: 1 August 2015

Expertise: Legal, governance and compliance, business development, project management

Committees:

- N/A

INDEPENDENT NON-EXECUTIVE DIRECTORS

9. MEYER KAHN (BA (LAW), MBA, DCOM (HC)) (78)

Founder/Lead Independent Director

Appointed: 20 December 2005

Expertise: Legal, governance and compliance, investor relations and business development

Committees:

- Remuneration Committee
- Nomination Committee
- Investment Committee

10. MICHAEL (MOTTY) SACKS (CA(SA)) (74)

Founder

Appointed: 20 December 2005

Expertise: Finance, investor relations, strategy

Committees:

- Remuneration Committee
- Investment Committee

11. LINDANI DHLAMINI (CA(SA)), MPHIL) (44)

Appointed: 2 December 2015

Expertise: Finance, accounting, risk management, tax, advisory-related services

Committees:

- Audit and Risk Committee

12. SELLO MMAKAU (BCOM, MBL, BA) (42)

Appointed: 30 November 2016

Expertise: ICT governance and compliance, IT strategy, IT security

Committees:

- Audit and Risk Committee
- ICT Steering Committee

13. GRATHEL MOTAU (CA(SA)), MPHIL) (43)

Appointed: 15 May 2017

Expertise: Finance, accounting, business development

Committees:

- Audit and Risk Committee

Combined key skills of the Board of Directors

Accounting	Advisory-related services
Auditing	Business development
Community relations	Finance
Investment banking	Health
Health and safety management	Human resources
ICT governance and compliance	Investor relations
IT Security	IT Strategy
Leadership	Legal, governance and compliance
Risk management	Strategy

BOARD OF DIRECTORS CONTINUED

EXECUTIVE COMMITTEE



The Executive Committee manages the day-to-day running of the business in line with the tone of institutional good governance established by the Board.

1. KEVIN ARON (CA(SA)) MBA (50)

Medscheme Holdings Chief Executive Officer

2. HANNES BOONZAAIER (CA(SA)) (44)

Group Chief Financial Officer

3. GRACE KHOZA (MASTERS IN MEDIA POLICY AND ECONOMICS), BA (HONS) (JOURNALISM) (43)

Executive Director: Group Marketing and Corporate Affairs

4. AKLAAQ MAHMOOD (BACCSCI, MBA) (52)

Executive Director: Business Development

5. DR NOMALUNGELO NYATHI (MBCHB) (36)

Executive Director: Health Management

6. ANTHONY PEDERSEN (CA(SA)) (44)

Executive Director: Managing Director – Helios IT Solutions

7. VIJAY PILLAY (BCOM, MBA) (52)

Executive Director: Group Technology

8. TIM RAMETSE (LABOUR RELATIONS) (47)

Executive Director: Managing Director – AfroCentric Health Solutions

9. MODJADJI TATI (QUALIFIED PROFESSIONAL NURSE, BCUR, BCOM (HONS) (FINANCE), MASTERS IN LEADERSHIP) (55)

Executive Director: Human Capital and Transformation

10. ANTOINE VAN BUUREN (BCOM, MBA) (54)

Group Chief Executive Officer

BOARD GENDER DIVERSITY

The AfroCentric Board believes that a board made up of highly qualified directors from diverse backgrounds, reflective of the changing demographics of the economy, practices better governance. The diversity criteria include gender, age, ethnicity and geographic background in addition to meeting the Board's requirements for skills and qualifications. At AfroCentric, 54% of the Directors are from previously disadvantaged groups and 23% are women. AfroCentric recognises that a diverse board is able to make decisions more effectively by reducing the risk of "groupthink", paying more attention to managing and controlling risks, and having a better understanding of the Group's clients. We are planning to respond positively to the Gender Policy as per the Johannesburg Stock Exchange ("JSE") requirement in becoming biased towards the appointment of female directors to address gender imbalances.

COMPARATIVE BOARD GENDER DIVERSITY (NUMBER)

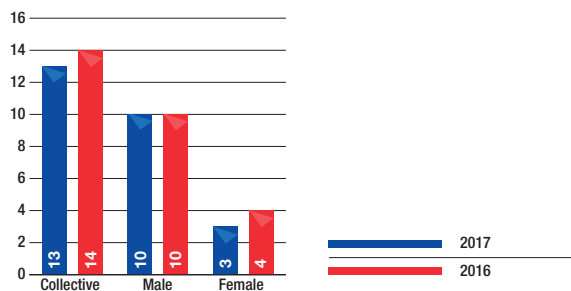


Figure 1. The graph above shows the Board gender diversity comparative between FY 2016 and FY 2017

2017 BOARD DIVERSITY (%)

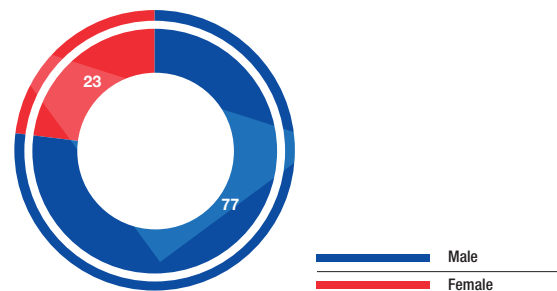


Figure 2. The graph above reflects the Board diversity for the 2017 financial period

CORPORATE GOVERNANCE REPORT

BOARD AND BOARD SUB-COMMITTEES

AUDIT AND RISK COMMITTEE

Meets five times per year

Chairperson: Lindani Dhlamini

- Appoints the independent auditor and oversees the auditing process
- Ensures legal and regulatory compliance including the effective implementation of the Code of Conduct
- Ensures the integrity, accuracy and adequacy of accounting records
- Evaluates risk assessments and ensures effective risk management policies are in place
- Reviews insurance and other risk transfer arrangements, ensuring appropriate coverage is in place
- Reviews the business contingency planning process within the Group

NOMINATION COMMITTEE

Meets three times per year

Chairperson: Dr Anna Mokgokong

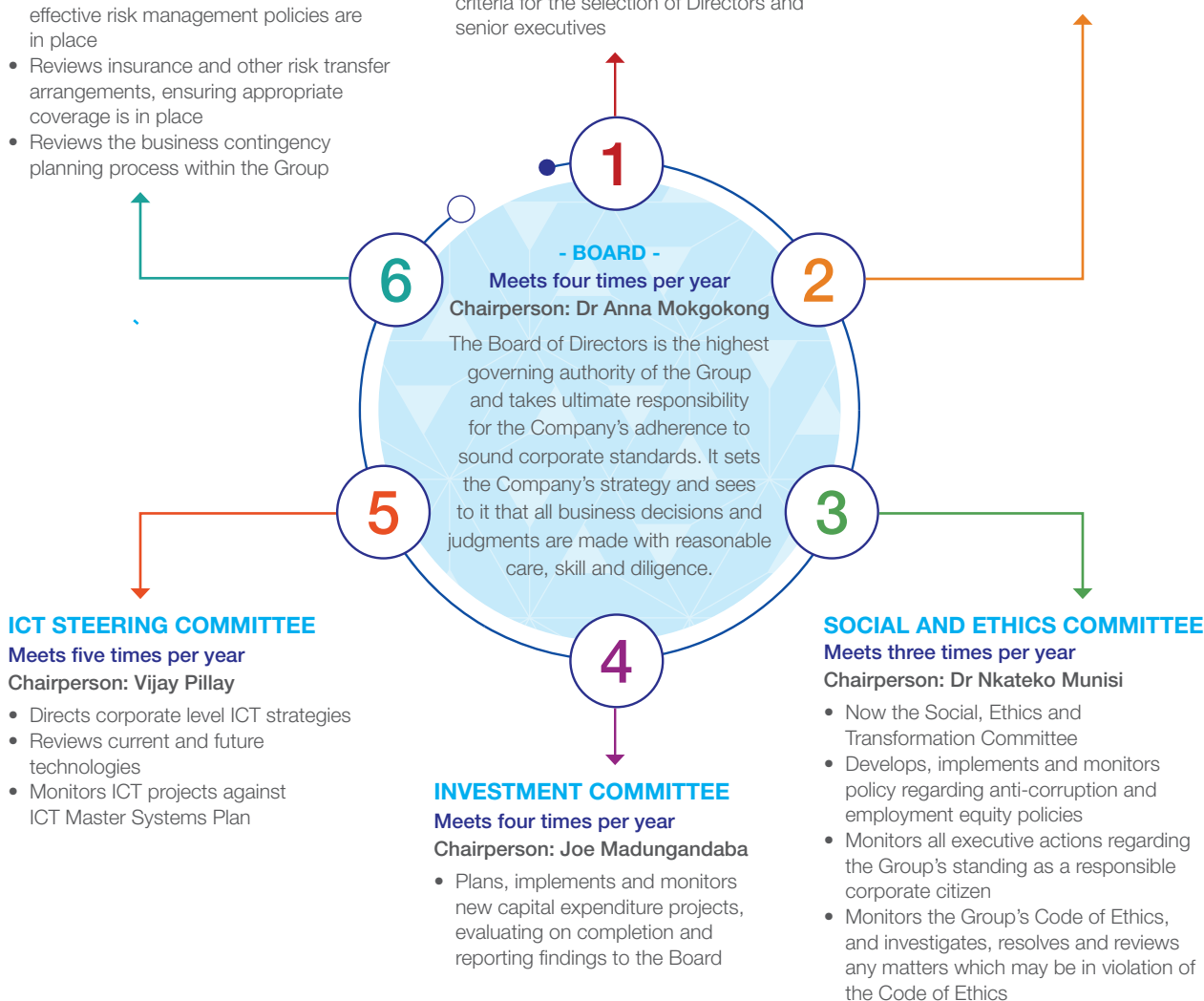
- Prepares and recommends governance principles applicable to the Group.
- Keeps abreast of best corporate governance practices
- Evaluates the effectiveness and qualifications of the Board and its committees
- Responsible for Directors' succession planning
- Develops and recommends to the Board criteria for the selection of Directors and senior executives

REMUNERATION COMMITTEE

Meets four times per year

Chairperson: Joe Madungandaba

- Determines and monitors the remuneration and contractual terms of the Executive, Directors and Group Executive Committee members
- Evaluates their individual performances to ensure fair remuneration



CORPORATE GOVERNANCE OVERVIEW

Our vision of global leadership in sustainable healthcare and our ability to fulfil our stakeholder promises requires the highest standards of corporate governance.

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

The Board of Directors is the highest governing authority of the Group, and the Board's charter articulates its objectives and responsibilities. AfroCentric recognises that strategy, performance, sustainability and risk are inseparable. In all activities, at all levels, the Group is committed to the highest standards of governance, while embedding a culture that values and rewards ethical standards, integrity and mutual respect.

As the stewards of public trust, the Board acts for the good of the organisation, exercising reasonable care in all decision-making without placing the organisation under undue risk. Corporate governance provides the Board with a framework that supports transparency, sustainability, fairness and ethical conduct.

The Board promotes and supports high standards of corporate governance and, in so doing, endorses the principles espoused in the Companies Act, King III, King IV and the JSE Listings Requirements. The Board remains committed to the full implementation of these governance frameworks throughout the Group. All internal controls, policies and procedures governing corporate conduct within the Group are aligned to the spirit and principles of these governance frameworks.

We apply good corporate governance through the following:

- We improve standards of independence by instilling Directors' values in line with their fiduciary requirements to ensure effective control as well as an ethical consciousness that drives a culture of integrity and transparent stakeholder

communication. The Board believes that this will build trust, strengthen our reputation and ultimately drive value creation.

- We strengthen our ICT governance to ensure that IT risks are appropriately mitigated. In light of recent security breaches globally, the security of our ICT environment is a priority for the Board.
- Internal Audit assesses that risk controls in place are working appropriately. External audit ensures legal regulatory compliance and the integrity, accuracy and adequacy of accounting records.
- Risk assessments on business risks facing our business and the Group are conducted quarterly.

APPLICATION OF AND APPROACH OF THE KING III AND IV PRINCIPLES

As previously reported, the Directors confirmed that the Group, in all material respects, applied the recommendations of King III. The Board was satisfied with the way in which the Group applied the recommendations of King III, and that it had put alternative measures in place where necessary. The Board is also monitoring developments regarding the migration to the broader, bolder governance envisioned in the King IV Report – in particular, the emphasis on being less prescriptive, yet more transparent, through the consolidation of the number of principles and clear disclosures. All JSE-listed companies will be expected to report on the application of King IV principles as from the third quarter of 2017 financial year, thus 1 October 2017. We have already commenced with processes towards full application of King IV principles.

COMPANY SECRETARY

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

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

CORPORATE GOVERNANCE REPORT CONTINUED

As stipulated in the JSE Listings Requirements, a detailed assessment was conducted by the Board Chairperson, who is satisfied with the competence, qualifications and experience of the Company Secretary. During the reporting period, Ms Shireen Lutchan resigned as the Group Company Secretary and was replaced with Mr Billy Mokale as an interim Company Secretary until such time that the Board has pronounced on the permanent appointment of a Company Secretary. Ms Shireen Lutchan did not serve as a Director of the Board and the assessment confirmed her arm's-length relationship.

BOARD OF DIRECTORS FUNCTIONING OF THE BOARD

The Board of Directors, guided by the mission statement, formulates strategies and policies which focus on optimising value for stakeholders, including consumers, shareholders and the society at large.

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

In demonstrating ethical leadership and promoting the Company's vision, values, purpose, culture and behaviour, Directors act in a way they believe promotes the success of the Company for the benefit of the stakeholders. The charter defines the roles and responsibilities of the Board. The Board adheres to the fiduciary duties and duty of skill and care codified in the Companies Act. This is reflected in the conflicts of interest policy, which also applies to Directors. Declarations of interest are confirmed at each Board and Committee meeting and are recorded in the minutes.

Board meetings

During the year under review, the Board had four scheduled meetings in addition to the Annual General Meeting ("AGM") and Board strategy session. Non-executive Directors have unfettered access to Senior Executives in seeking explanation and clarification on matters prior to or following a Board meeting. This facilitates the Board's discussions and assists in reaching prompt and informed decisions.

Operational responsibility for the Group's subsidiary companies has been delegated to the individual Boards, which are accountable to the main Board for the ongoing management of

the businesses. Operational reports are presented to the Board, prompting interactive engagements at meetings.

BOARD COMPOSITION

AfroCentric has a unitary Board structure with three Executive Directors, five Non-executive Directors and five Independent Non-executive Directors.

The following changes were made to the Board:

- Ms Yasmin Masithela resigned as an Independent Non-executive Director, Chairperson of the Audit and Risk Committee and member of the Social and Ethics Committee, effective 15 September 2016.
- Mr Joe Appelgryn was not re-elected as a Non-executive Director at the AGM on 1 November 2016, and, therefore, no longer serves on the Board as a Director.
- Mr Garth Napier resigned as an Independent Non-executive Director, Chairperson of the Social and Ethics Committee and member of the Audit and Risk Committee, effective 1 November 2016.
- Ms Brigalia Bam resigned as an Independent Non-executive Director and member of the Social and Ethics Committee, effective 1 November 2016.
- Ms Nomfundo Qangule was appointed as an Independent Non-executive Director and a member of the Audit and Risk Committee, effective 30 November 2016. Ms Nomfundo Qangule resigned from both these positions, effective 14 March 2017.
- Mr Sello Mmakau was appointed as an Independent Non-executive Director, a member of the Audit and Risk Committee and a member of the ICT Steering Committee, effective 30 November 2016. This will be included for shareholder approval at the upcoming AGM on 8 November 2017.
- Ms Grathel Motau was appointed as a Non-executive Director and a member of the Audit and Risk Committee effective 15 May 2017 to replace Ms Nomfundo Qangule. This will be included for shareholder approval at the upcoming AGM on 8 November 2017.

The Non-executive Directors bring with them the experience, knowledge and practices followed in other companies, giving AfroCentric the best practices in the industry. The Board induction is a process to onboard new Directors in line with the Companies Act and King III. The induction is carried out by the Company Secretary and exposes the new Directors to many facets of the Group, equipping Board members to be effective and fulfil their fiduciary duties. Director training and development is an ongoing exercise that requires their participation in various programmes designed to strengthen the shortfalls observed in the Board evaluation process. A development plan is being carried out by the Company Secretary wherein Directors are

provided with necessary training identified in the induction process.

The roles of the Board Chairperson, Dr Anna Mokgokong, and the Group CEO, Mr Antoine van Buuren, are separate and clearly defined. The Board charter details the division of responsibilities between the Chairperson and the Group CEO. This helps to ensure a balance of power and authority and to guarantee that no Director has unfettered powers. As the Board Chairperson is not classified as independent, the Board has an appointed Lead Independent Non-executive Director, Mr Meyer Kahn. The Lead Independent Director serves as a liaison among Board members to ensure open and transparent Board relations.

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

The table on page 92 illustrates the Directors' attendance at meetings for the year ended 30 June 2017.

APPOINTMENT AND RETIREMENT OF DIRECTORS

One-third of the Directors is required to retire by rotation at the AGM of shareholders and may offer themselves for re-election. Being eligible for re-election, Directors offer themselves for reappointment by the Board. Directors appointed during the year are required to have their appointments ratified at the following AGM.

Mr Sello Mmakau and Ms Grathel Motau were appointed as Independent Non-executive Directors, effective 30 November 2016 and 15 May 2017 respectively. These appointments went through a formal process via the Nomination Committee and the Board. SENS announcements dated 29 November 2016 and 16 May 2017 were released notifying shareholders of these appointments. In line with AfroCentric's Memorandum of Incorporation ("MOI"), any Board appointments made during a year under review must be confirmed by shareholders at the next AGM of shareholders, following such an appointment. Accordingly, Mr Sello Mmakau and Ms Grathel Motau shall be included in the notice.

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

BOARD EVALUATION AND PERFORMANCE

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

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

DIRECTORS' REMUNERATION

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

They receive a fee for membership of the Board and of Sub-committees on which they serve. The fee structure is based on a retainer structure and is determined by the Group Remuneration Committee.

The remuneration of Executive Directors is determined by the Group Remuneration Committee according to AfroCentric's policy.

Further information on Directors' remuneration appears on page 102 and in the Group Annual Financial Statements.

BOARD COMMITTEES AND ATTENDANCE

The Board established and delegated specific roles and responsibilities to Sub-committees. Each Committee's roles, responsibilities and membership are according to their Board-approved charter. The Directors have delegated specific responsibilities to Committees to assist the Boards of AfroCentric Investment Corporation Limited and the major subsidiary, AfroCentric Health Proprietary Limited ("AHL"), in meeting their oversight responsibilities. The delegation of authority does not absolve the Board and its Directors of their

fiduciary duties and responsibilities. The Directors confirm that the Committees have functioned within their charters during the financial year.

The AHL Executive Enterprise Risk Committee and Transformation Committee do not operate at Group level. The Board relies on the Sub-committees of AHL and entrusts them to function and operate as intended while updating the Board as to any material matters.

AFROCENTRIC INVESTMENT CORPORATION LIMITED							
Role/ classification	Board (4 Scheduled)	Audit and Risk Committee (5)	Remuneration Committee (4)	Nomination Committee (3) Special (1)	Social and Ethics Committee (3)	Investment Committee (4)	ICT Steering Committee (5)
Director							
Non-executive Directors							
Dr ATM Mokgokong <i>Chairperson</i>	4/4			3/3 1/1			
MJ Madungandaba <i>Deputy Chairperson</i>	4/4		4/4	3/3 1/1		4/4	
ND Munisi	4/4				2/3		
A Banderker	4/4		3/4	3/3		4/4	
IM Kirk	2/4						
JG Appelgryn**	1/1						
Executive Directors							
A van Buuren <i>Group Chief Executive Officer</i>	4/4					4/4	
H Boonzaaier <i>Group Chief Financial Officer</i>	4/4						
WH Britz	3/4						
Independent Non-executive Directors							
JM Kahn	4/4		4/4	2/3		3/4	
MI Sacks	1/4		2/4			2/4	
LL Dhlamini	4/4	5/5					
NB Bam**	1/1				1/1		
HG Motau*	1/1	1/1					
Y Masithela**	1/1				1/1		
GL Napier**	1/1	1/1			1/1		
SE Mmakau*	2/2	3/5					1/1
NV Qangule***		3/3					

* Appointments were as follows:

SE Mmakau was appointed 30 November 2016, HG Motau was appointed 15 May 2017.

** Resignations were as follows:

NB Bam (1 November 2016), Y Masithela (15 September 2016), GL Napier (1 November 2016) and JG Appelgryn (1 November 2016).

*** NV Qangule was appointed 30 November 2016 and resigned 14 March 2017.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee is appointed by the Board, and is responsible for directing and overseeing enterprise risk management as well as the statutory obligation.

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

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

Ms Nomfundo Qangule resigned on 14 March 2017, and the Board appointed Ms Grathel Motau to replace her within the period allowed by the Companies Act and JSE Listings Requirements.

The full report of the Audit and Risk Committee is outlined in the 2017 Group Annual Financial Statements.

Five meetings were held in the year under review. Apart from the statutory duties of the Audit and Risk Committee as set out in the Companies Act, provisions of the JSE Listings Requirements and King IV principles, the duties of the Committee incorporated in the charter also include the following:

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

- During the year under review, the Committee satisfied itself that the Finance Director possesses the appropriate level of expertise and experience to fulfil his responsibilities as Group Chief Financial Officer to the Board and the Company.
- The Committee and the Board are satisfied that there is adequate segregation between the External and Internal Audit functions, and that the independence of the internal and external auditors is not in any way impaired or compromised.

REMUNERATION COMMITTEE

The Committee's mandate is to ensure that remuneration arrangements support the strategic aims of the business and enable the recruitment, motivation and retention of senior executives while complying with regulatory and governance principles. It has oversight regarding new Board appointments. There are five members in the Committee, three of whom are Independent and two Non-executive Directors.

Four meetings were held in the year under review.

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

- Agree and develop the Group's general policy on executive and senior management and employee remuneration. This general policy will be referred to shareholders in order for such shareholders to pass a non-binding advisory vote on AfroCentric's annual remuneration policy.
- Determine the specific remuneration packages for Executive Directors of the Company.
- Identify the criteria necessary to measure the performance of Executive Directors in discharging their functions and responsibilities.
- Review at least annually the terms and conditions of Executive Directors' service agreements, taking into consideration information from comparable companies, where relevant.

NOMINATION COMMITTEE

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

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

Three meetings were held in the year under review.

The Chairperson of the Committee is the Chairperson of the Board and reports to the AfroCentric Board on the activities

BOARD COMMITTEES AND ATTENDANCE CONTINUED

and recommendations made by the Committee. The duties and responsibilities as contained in the terms of reference include the following:

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

SOCIAL AND ETHICS COMMITTEE

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

The Committee comprises one Independent Non-executive Director, two prescribed officers who are Executive Directors at the major subsidiary level. The Chairperson of the Committee submits a report to the Board on its initiatives and mandate.

Three meetings were held in the year under review.

The Committee plays an oversight role on the implementation of Group policies that relate to ethics, whistle-blowing, anti-corruption and procurement. Further, it monitors assurance provided by management on implementation of ethical standards and conduct within the Group.

INVESTMENT COMMITTEE

During the year under review, the Investment Committee comprised five members, two Independent Non-executive Directors, two Non-executive Directors and one Executive Director. The constitution of this Committee is under review to align to best practice. The Investment Committee meets at least twice a year, and additional meetings are held when required. During the year under review, the Committee held four meetings. The Committee oversees the approval processes for investments. These are designed to ensure alignment with the Group's agreed strategies and values. Risks are identified and evaluated, investments are fully optimised to produce the maximum shareholder value within an acceptable risk framework and appropriate risk management strategies are pursued. The duties of the Investment Committee include:

- considering commitments, acquisitions or disposals by the Group;

- considering initial investments in the Group;
- performing such investment-related functions as may be delegated by the Board from time to time;
- considering the viability of the capital project and/or acquisition and/or disposal and the effect it may have on the Group's cash flow and balance sheet, and whether it will align with the Group's overall strategy; and
- ensuring due diligence procedures are adhered to when acquiring or disposing of assets.

ICT STEERING COMMITTEE

The role of the ICT Steering Committee is as follows:

- Direct corporate level ICT strategies (Group and Helios IT Solutions) and plans that ensure the cost-effective application and management of ICT systems and resources throughout the organisation.
- Review current and future technologies including tools, to identify opportunities that may increase the efficiency of ICT and business resources.
- Monitor and evaluate ICT projects and achievements against the ICT Master Systems Plan ("MSP") and in accordance with the ICT Strategic Plan.

CONFLICTS OF INTEREST

Directors are required to declare their personal financial interests, and those of related persons, annually, in terms of the Companies Act and the MOI. Declaration of interests is a standing agenda item on all Board and Committees (including those of subsidiary Boards). During the year under review, a policy was developed to address any potential conflicts of interest. Based on these declarations, Directors with material interests in any transactions with the Group during the financial period are disclosed in note 32 of the Group Annual Financial Statements and shareholding as per the Shareholder Analysis on page 11 of the Group Annual Financial Statements.

DEALINGS IN SECURITIES

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

During the year under review, there were no compliance concerns in respect of Directors' dealings. This follows the commitment made to the JSE to strengthen its internal controls and processes relating to trading in AfroCentric's securities. An information and share dealings policy is in place. Controls are in place and the Board was inducted on the JSE rules in respect of share dealings. Constant updates are provided to the Board via the Company Secretary.

INTERNAL CONTROLS

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

Standards of disclosure increased significantly and internal governance structures and roles were reviewed and improved, where necessary, to reflect best practices. This occurred at Board and management levels.

INTERNAL AUDIT

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

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

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

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

INFORMATION AND SECURITY GOVERNANCE

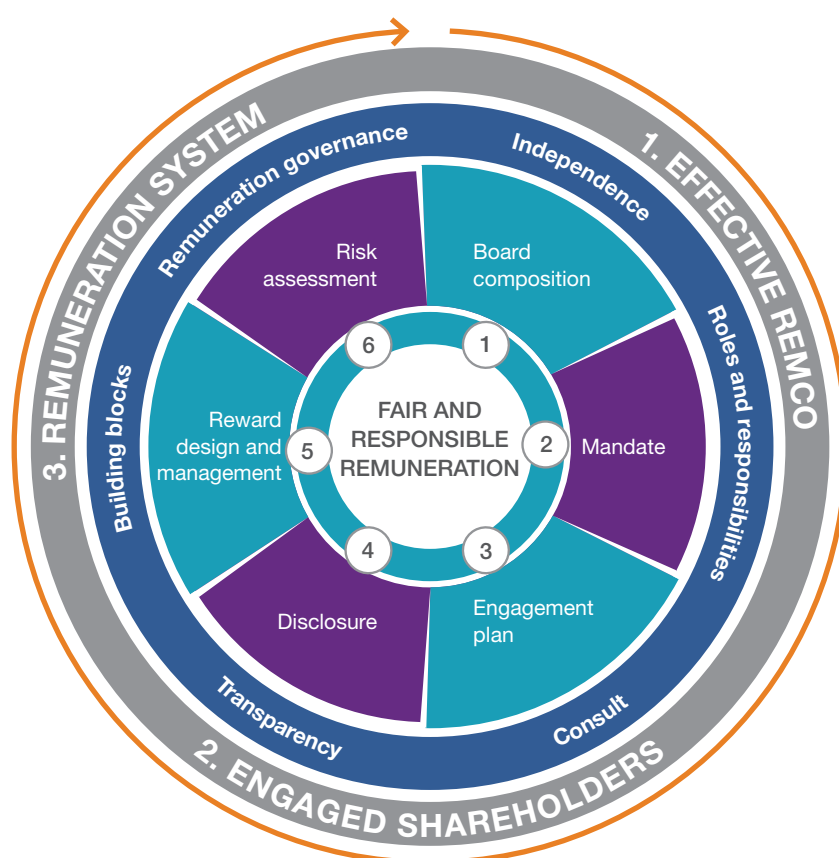
IT governance is defined in King III as the "effective and efficient management of IT resources to facilitate the achievement of corporate objectives". It exists to inform and align decision-making for IT strategy, planning, policy and operations to meet business objectives and to ensure that risks are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

The AfroCentric Group applies the principles of King III and is working towards full compliance with King IV in its governance frameworks, as far as it is appropriate, and also incorporates the requirements of Cobit, ISO 27001, ITIL, ISO 38500:2015 and ISAE 3402 in the governance of IT. The Group adopted a formal IT Governance Framework, which aims to provide standardisation of IT practices across the organisation and formalise the good governance requirements stipulated in Chapter 5 of King III. Security and prevention of data loss or leakage, remains a core focus.

REMUNERATION COMMITTEE REPORT

INTRODUCTION

Fair and responsible remuneration practices in the Group are a shared responsibility between management, the Board and shareholders as depicted below. The roles and responsibilities of the various stakeholders have been defined and encapsulated in, for example, the terms of reference of the Group Remuneration Committee.



This Remuneration Committee Report primarily deals with the remuneration of the Group's Executive Directors, Non-executive Directors and other executives, whilst high level reference is made in relation to other employees.

REMUNERATION PHILOSOPHY, STRATEGY AND POLICY

The Group's remuneration philosophy is reviewed annually to ensure alignment with developments in remuneration practice and applicable legislation. It was revised after a number of key considerations, including:

- the requirements as contained in the King IV Report on Corporate Governance for South Africa 2016;

- consultations with specialist advisors in this field regarding best practice;
- feedback from various stakeholders including shareholders;
- the need for strategic alignment across the Group;
- market research;
- various socioeconomic drivers;
- greater need for compliance with regards to remuneration practices; and
- Group Strategy

Our Remuneration Policy provides a framework for managing total remuneration within the Group, and also supports the Group's employee value proposition. The policy is Board approved.

To ensure that we protect value we use the following guiding principles with regard to AfroCentric's remuneration philosophy, which is centred on the following key considerations:

- Resolute commitment to best practice in areas of remuneration and reward, underpinned by statute, regulations and related guidelines
- Attracting, rewarding, motivating and retaining exceptional people with the right mix of experience, skills and knowledge who deliver against strategic imperatives and achieve sustainable growth
- Ensuring that sustainable high levels of performance and value creation standards are aligned to the objectives of shareholders, where senior management share an appropriate level of personal risk
- To support and reinforce our desired culture and encourage behaviour consistent with our values, thereby stimulating employee engagement
- To drive a high-performance culture and incentivise employees for excellent execution of our strategic priorities
- To enable appropriate transparency in the development of remuneration programmes and the allocation of individual remuneration to ensure equity and fairness based on valid and appropriate external and internal benchmarks
- To align with the principles of good corporate and remuneration governance, ensuring an appropriate share of value for the relevant stakeholders in our business
- Regular evaluations, peer-group reviews and related surveys to ensure comparative and contextual pay-for-performance

SCOPE OF THE POLICY

The remuneration policy applies to all entities in the Group, including wholly owned subsidiaries and those in which we have a majority interest, but excludes companies where we have a minority share. The policy applies uniformly in all such jurisdictions, except where it is in conflict with either local statutes or regulations, in which case such statutes and regulations will apply.

AfroCentric Health's remuneration strategy is positioned to attract, retain and motivate outstanding talent and thereby achieve business sustainability and the key strategic objectives of the Group.

The remuneration strategy is underpinned by the following two inter-dependent dimensions:

- **Guaranteed remuneration** is a Total Guaranteed Package ("TGP"), which holistically comprises salary ("base pay"), medical aid, pension, allowances, and the like. The TGP is

the minimum remuneration receivable by an executive or employee in the absence of any other incentives.

Annual benchmarking assesses the appropriateness of TGP against comparable firms and industries. The combination of distribution of guaranteed remuneration within the earnings ranges and the market relativity of our guaranteed remuneration is a primary input into the annual salary review process, but in all instances subject to affordability and appropriate consideration of the sustainability of our remuneration practices.

Whilst it is the Group's policy to benchmark remuneration at the market median, certain roles are remunerated in excess of the median – the health and information technology industries require highly specialised skills, and the current remuneration mix does not allow for long-term incentive ("LTI") schemes, or above-average STI schemes in comparison to market. The Group Remuneration Committee, in consultation with the Board and stakeholders, agreed to review and appropriately revise the guaranteed and variable remuneration elements, including but not limited to, STIs and LTIs, in the next financial year.

Robust job profiling aids remuneration benchmarking. This enables consistency in the sizing of roles, and the associated benchmarking of guaranteed remuneration levels.

Furthermore, individual performance determines the extent of an individual's progression within an earnings range. Thus, performance and individual market position are used concurrently when remuneration increases are determined.

Guaranteed remuneration is only adjusted outside the annual review process in exceptional circumstances, such as changes in responsibility or with the intention of retaining specific talent. These are subject to appropriate approval based on the relevant delegations of authority.

- **A Management Short-term incentive** is focused on the executive team as well as tier two managers, being those that report directly to the executive, as well as employees selected based on value contribution and scarce and critical skill criteria.

REMUNERATION COMMITTEE REPORT CONTINUED

The scheme is targeted at between 15% and 60% of TGP depending on the executive and employee's level within the organisation, subject to the achievement of pre-determined performance thresholds – the first condition being the achievement of Group EBIT as determined by the Board. Individual performance below threshold will result in zero STI awarded (the STI metrics and ranges are described below), where exceptional individual performance will accelerate the employee's bonus.

An alternative STI or management performance bonus, targeted at 100% of monthly TGP, was introduced at the request of the Group Remuneration Committee (see details below). Exceptional individual performance will be rewarded with additional bonus payments as provided for in the rules of the bonus scheme, approved by the Group Remuneration Committee and adopted by the Board.

REMUNERATION GOVERNANCE

We comply with all relevant remuneration governance codes that apply in our various operating jurisdictions. In South Africa, we comply with the King III provisions.

Our Group Remuneration Committee is mandated by the Board to oversee and govern all aspects of remuneration and associated employee benefits, and all outcomes are reported to the Board.

In addition, the Committee also conducts an annual self-assessment of its effectiveness and has independent, specialist advisors who provide strategic input on remuneration best practices and benchmarking on the various elements within the remuneration mix.

PERFORMANCE MANAGEMENT

The aim of our performance management process is to ensure alignment between the various business units, our client needs and the Group's strategy.

The core principles of our performance management process are:

- Performance management is a process of ongoing dialogue and continuous feedback between stakeholders throughout the period to ensure cooperation and consensus.
- Performance objectives include both financial (where appropriate) and non-financial indicators.
- Performance management is a primary input into remuneration management with the aim of ensuring adequate differentiation based on individual contribution.

GROUP REMUNERATION COMMITTEE

The Group Remuneration Committee ("the Remuneration Committee") is a Sub-committee of the Board and oversees the approach to and governance of remuneration matters. It also determines the remuneration of Executive Directors, other executives as well as the remuneration of Non-executive Directors, which is ultimately approved by shareholders.

The Remuneration Committee consists of five members, including an Independent Chairperson. The majority of members are Independent Non-executive Directors. The Human Capital Executive is a permanent invitee to the Committee, who, along with the Group CEO, Mr Antoine van Buuren and Mr Willem Britz are recused from meetings where Executive remuneration (guaranteed or variable) is discussed.

Name	Role/classification	Number of meetings held/attended
MJ Madungandaba	Non-executive Director and Chairperson of Remuneration Committee ¹	4/4
MI Sacks	Independent Non-executive Director	2/4
JM Kahn	Lead Independent Non-executive Director	4/4
A Banderker	Non-executive Director	3/4 ²
R Wa-Mundalamo	Independent member	1/2 ³

¹ Mr Joe Madungandaba was the Remuneration Committee Chairperson for ACT and with the consolidation of ACT and AHL on the 9th of September 2016, the Remuneration Committees were also amalgamated, and Mr Madungandaba remained on as Chairperson of the Remuneration Committee.

² Mr Ahmed Banderker was only appointed to the Remuneration Committee effective November 2016.

³ Mr Ronald Wa-Mundalamo, previously the Remuneration Committee Chairperson for AHL, was appointed as a member to the Remuneration Committee effective November 2016.

REMUNERATION COMMITTEE FEES

Committee fees are reviewed annually by the Board taking into account market surveys of similar sized firms as well as recommendations made by the Group Remuneration Committee. A 4.7% fee increase for the Chairperson and Non-executive Directors ("members") for the 2016/2017 period was approved. Fees are paid on a per-meeting basis.

Committee member fees	Fee per meeting
Chairperson	R19 155
Member	R14 047

Prior to November 2016 and the consolidation of the AHL (AfroCentric Health Proprietary Limited) and ACT (AfroCentric Investment Corporation Limited) Boards, Committee members, in particular Mr Joe Madungandaba and Mr Ahmed Banderker were retained by means of a quarterly retainer and as such did not receive additional fees in respect of meeting attendance.

Mr Meyer Kahn and Mr Michael Sacks opted to waive committee fees.

There were no material issues identified in the Committee's self-assessment in 2017, which was undertaken to evaluate its effectiveness against the objectives of its charter.

The Group Remuneration Committee is governed by a terms of reference with a synopsis set out below:

- Assist the Board in developing the Group's general policy on remuneration for executive and senior management, taking into account Group strategy and individual performance whilst encouraging enhanced performance in a fair and responsible manner, and rewarding them for their individual contributions to the success of the Company. Such a policy is presented to the shareholders to pass a non-binding advisory vote on.
- Review the ongoing appropriateness and relevance of the Group's remuneration policy.
- Administer such policy, by determining specific remuneration packages for Executive Directors, the Company Secretary and other senior executives of the Company, including but not limited to basic salary, benefits in kind, any annual bonuses, performance-based incentives, share incentive, pensions and other benefits.
- Approve the design of, and determine targets for, any performance related pay schemes operated by the Company and approve the total annual payments made under such schemes.

- Review the design of all share incentive plans for approval by the Board and shareholders.
- Determine the policy for, and scope of, retirement arrangements for each Executive Director and other Senior Executives.
- Ensure that contractual terms on termination, and any payments made, are fair to the individual and to the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised.
- Review and note annually the remuneration trends across the AfroCentric Group.
- Oversee any major changes in employee benefits structures throughout the AfroCentric Group.
- Agree the policy for authorising the claims for expenses from the Group Chief Executive Officer and the Chairperson.
- Ensure that all provisions regarding disclosure of remuneration, including pensions, are fulfilled.
- Be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.
- Obtain reliable, current information about remuneration in other similar size or industry-related companies. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help fulfil its obligations.
- Advise the Board on any retrenchment programme affecting the entire Group, as may become necessary from time to time.

The Remuneration Committee applies the guiding principles enunciated in the Remuneration policies and scheme rules, but retains the right to apply discretion to deviate from these in exceptional circumstances.

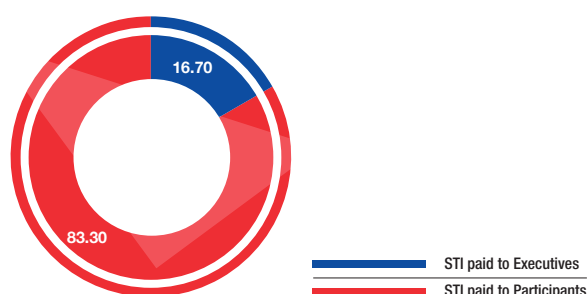
During 2016, the Remuneration Committee was required to apply discretion in respect of the management short-term incentive pay-out as the gatekeeper target (EBIT) was not achieved. The incentive scheme rules allow, in such instances, a penalty, left up to the discretion of the Remuneration Committee, on condition that the threshold target is achieved.

The Committee, taking into account some exceptional items, declared an incentive pay-out calculated at 75% of the allowable bonus incentive pool. The incentive pool was distributed to participants according to the rules, role and performance contribution.

REMUNERATION COMMITTEE REPORT CONTINUED

In respect of the 2016 financial year, the Remuneration Committee approved a total STI pool of R60.568 million for distribution (2015: R71.86 million). Executive STIs represented 16.70% of the total STIs paid to participants during the reporting period. Participants had to be in the employ of the Company at the time of the STI payment.

2016 STI distribution (%)



KEY REMUNERATION DECISIONS TAKEN DURING THE PERIOD OF REVIEW

In line with the Group's strategic direction and its responsibility to employ fair and sustainable remuneration practices, the Remuneration Committee took a number of key decisions during the reporting period:

- Review of the remuneration policy to ensure alignment to the Group's strategic imperatives
- Review of the short-term incentive scheme
- Approval for the development and implementation of an LTI scheme
- Review and approval of executive remuneration increases
- Evaluated executive performance as input into the determination of executive short-term incentives
- Review and recommendation of Board Fees for the reporting period
- Executive performance scorecard was reviewed to ensure that the interests of Directors were aligned to the interests of shareholders and creating value, with focus on drivers such as financial growth, risk management and strategic impact
- Review of the remuneration and reward structures to include LTIs, with the view to attract, engage, motivate and retain key employees
- Review of remuneration in respect of Non-executive Director's fees
- Appointments of Executive Directors – remuneration as well as terms and conditions of employment

REMUNERATION ELEMENTS

GUARANTEED REMUNERATION INCREASES

At 30 June 2017, a total of approximately 1 514 of our employees were covered under collective bargaining agreements with NEHAWU. In June 2016, 6.8% of the guaranteed remuneration for employees in the bargaining unit was made available for annual increases, compared with 6.5% and 6.45% for the non-bargaining unit and executives respectively. This resulted in an overall increase in the Group's salary bill of 7.08% (excluding executives).

Accordingly, we continue remunerating our employees in the bargaining unit appropriately relative to the industry and continue to seek measures to reduce any pay differentials.

VARIABLE REMUNERATION

Short-term incentive (STI)

STIs are delivered through our discretionary STI arrangements. The aim of STIs is to drive sustainable results within an agreed risk appetite framework and to encourage behaviours that are consistent with our values and aligned with the best interests of our stakeholders.

As a general rule, all STI plans are funded from our overall STI pool, subject to sustainability and affordability. With these principles in mind, the STI scheme introduced in 2015 was reviewed at the behest of the Remuneration Committee and the Board. The revised schemes saw a review of participation and award linked to the amount of risk taken by the role and a bonus was introduced in respect of employees where risk taking is limited. STI payments, typically made in cash, are subject to achievement of individual performance and minimum Group performance standards in respect of EBIT ("Earnings Before Interest and Tax") as well as non-financial indicators set by the Remuneration Committee.

STI participation is discretionary and therefore there is no right to a performance incentive award in any given year. At an individual level, STIs are determined primarily on the basis of performance, employees performing below a minimum acceptable level are not eligible for consideration for an STI award. This principle is central to all variants of STI schemes.

STI metrics and performance ranges will be set each year by the Remuneration Committee of the Board for application in the coming financial year.

A combination of financial and non-financial metrics is used to determine incentive amounts to reduce the risk of unintended

outcomes. The following key drivers will apply to the short-term incentive scheme for executives:

- Financial (Earnings Before Interest and Tax ("EBIT"))
- Risk management as measured by the Audit and Risk Committee
- Strategic impact
- Business unit specific objectives

Note that performance below threshold on any metric results in a zero score for that proportion. Non-executive Directors are not allowed to participate in any incentive scheme.

LONG-TERM INCENTIVES

The original long-term share-based scheme, created as part of the warranty conditions set out in the Sale of Share Agreement between the vendor consortium and AfroCentric during 2013, has run its course. No further shares have been issued under this particular scheme and all vesting conditions have been met.

However, in terms of the rules of the scheme and for selective executives employed at the time of the introduction of the AfroCentric Share Warranty scheme, the available pool of forfeited shares would be distributed on a percentage of remaining shares held by participants. The total number of shares available amounted to 1 518 605 shares which were allotted to Mr Kevin Aron, Mr Tim Rametse, Mr Lee Callakoppen and Mr Vijay Pillay.

NEW LONG-TERM INCENTIVES

Further to comparative peer group reviews, benchmarking and best practice, our shareholders approved the implementation of an employee share scheme and the Group's remuneration strategy will be further revised in consultation with shareholders to make provision for an LTI scheme which will be launched during the 2018 financial year.

The LTI is aimed at retaining, motivating and rewarding those executives and senior managers who influence the long-term sustainability, value creation and strategic objectives of the Group on a basis which aligns their interests with those of the Group's shareholders. The objective is to share ownership of the Group's wealth with executives and selected employees

that contribute to the growth and wealth generated by the Company and, hence, place a value instrument in the hands of employees.

The scheme will be governed by the rules of the AfroCentric Management Long Term Incentive Plan 2018.

EXECUTIVE AND NON-EXECUTIVE DIRECTORS' REMUNERATION

INCREASE IN GUARANTEED PAY

The annual revised guaranteed pay for the Group CEO and other Executive Directors was recommended to the Board by the Remuneration Committee for final approval. Such recommendations took into account individual performance as well as benchmarking of similar sized firms to ensure that guaranteed pay is suitably positioned.

Adjustments as set out below were approved for implementation 1 August 2016, with the exception of Mr Hannes Boonzaaier, whose annual adjustment was effective 1 July 2016.

Name	Guaranteed package ("GP") (R)		Increase (%) 2016
	2016	2015	
A van Buuren	3 727 500 ⁴	3 500 000	6.5
WH Britz	3 727 500 ⁵	3 500 000	6.5
H Boonzaaier	2 848 488 ⁶	2 513 808	13.3

⁴ Effective 1 August 2016 only.

⁵ Effective 1 August 2016 only.

⁶ Following market benchmark review of CFO remuneration in similar industries and market caps, a further adjustment of 6% was made effective 1 November 2016.

REMUNERATION COMMITTEE REPORT CONTINUED

NON-EXECUTIVE DIRECTOR INCREASES

The Non-executive Director Remuneration fee proposal was approved by the shareholders at the Annual General Meeting. Increases to the Chairperson's fees and Committee fees ranged between 5.3% and 4.7%. The fee structure set out below is for the period 1 January 2017 to 31 December 2017 and is applicable to AfroCentric. The period is aligned to the Annual General Meeting where these fees are presented to the shareholders for approval and not necessarily aligned to the Group's financial year.

	Approved 2017 (R)	Current 2016 (R)	Increase (%)
Main Board (retainer fee paid quarterly)			
Chairperson	228 500	217 000	5.3
Member	209 400	200 000	4.7
Subsidiary Board (per meeting fee basis)			
Chairperson	19 200	18 295	4.7
Member	14 000	13 416	
Audit and Risk Committee (per meeting fee basis)			
Chairperson	25 500	24 393	4.7
Member	18 600	17 740	4.7
Remuneration Committee (per meeting fee basis)			
Chairperson	19 200	18 295	4.7
Member	14 000	13 416	4.7
Nomination Committee (per meeting fee basis)			
Chairperson	19 200	18 295	4.7
Member	14 000	13 416	4.7
Social and Ethics Committee (per meeting fee basis)			
Chairperson	19 200	18 295	4.7
Member	14 000	13 416	4.7
Investment Committee (per meeting fee basis)			
Chairperson	19 200	18 295	4.7
Member	14 000	13 416	4.7

In respect of AHL, a retainer based fee, which is payable monthly is set out below.

	Approved 2017 (R)	Current 2016 (R)	Increase (%)
AHL Fees			
Chairperson	649 857	649 857	–
Member	414 675	414 675	–

PAYMENTS MADE TO EXECUTIVE DIRECTORS

Name	Base pay (normal earnings) (R)	Benefit (M/A + Group Life) (R)	Retirement fund (R)	STI (R)	Total (current year) (R)	Total (previous year) (R)
WH Britz	3 376 407	140 143	191 991	1 533 000	5 241 541	3 208 828
A van Buuren	3 488 792	27 758	191 991	1 533 000	5 241 541	3 208 828
H Boonzaaier	2 593 947	65 593	135 204	1 043 544	3 838 290	3 408 824

PAYMENTS TO NON-EXECUTIVE DIRECTORS

In addition to payments received at Group level, Dr Anna Mokgokong, Mr Joe Madungandaba and Mr Ahmed Banderker also received payments at an AHL operational level. The split in fees for Dr Anna Mokgokong are R228 500 and R649 857 for services rendered at the Group and AHL levels respectively. The rationalisation of the two companies is now completed. Work performed at these subsidiary levels is continuing; hence, a fully inclusive fee is being proposed for the 2018 AGM for services rendered at the listed entity and operational entities. It must be noted that AHL fees were not increased from the previous year and were accepted by and agreed to the Board on the 10th of March 2017.

Mr Michael Sacks and Mr Meyer Kahn waived all fees.

Fees paid in respect of ACT Board

Name	Status of Director	Board fee/ Directors fee (R)	Audit and Risk Committee fees (R)	Remuneration Committee fees (R)	Other Meeting fees (R)	Total current year 2016 – 2017 (R)	Total previous year 2015 – 2016 (R)
ATM Mokgokong	Active	222 750			38 310	261 060	833 078
MJ Madungandaba	Active	204 700		38 310	80 451	323 461	861 128
A Banderker	Active	204 700		14 047	42 141	260 888	
IM Kirk	Active	204 700				204 700	
SE Mmakau	Active	104 700	55 722		14 047	174 469	
ND Munisi	Active	204 700			19 155	223 855	100 000
LL Dhlamini	Active	204 700	76 617			281 317	100 000
HG Motau	Active	34 900				34 900	
NB Bam	Resigned	66 666				66 666	195 400
Y Masithela	Resigned	50 000				50 000	195 400
JG Appelgryn	Resigned	66 666				66 666	195 400
GL Napier	Resigned	66 666				66 666	195 400
NV Qangule	Resigned	204 700	55 722			260 422	615 108
Grand total		1 840 548	188 061	52 357	194 104	2 275 070	4 824 512

Fees paid in respect of the AHL Board

Name	Status of Director	Board fee/ Directors' fee (R)	Audit and Risk Committee fees (R)	Remuneration Committee fees (R)	Other Committee fees (R)	Total current year 2016 – 2017 (R)
ATM Mokgokong	Active	649 858				649 858
MJ Madungandaba	Active	414 676	17 740	26 832	45 127	504 375
A Banderker	Active	414 676			26 832	441 508
Grand total		1 479 210	17 740	26 832	71 959	1 595 741

OUR SOCIAL IMPACT

TRANSFORMATION

The Group views transformation as a strategic objective that enables the Group to drive towards achieving sustainable healthcare. The Transformation Committee is responsible for driving transformation and BEE compliance across the Group.

Transformation Committee's key objectives:

- Track and report performance against the Broad-Based Black Economic Empowerment ("B-BBEE") scorecard
- Identify any risk, its cause, and then agree on an action plan to remedy the out-of-line situation
- Measure performance against key competitors and industry
- Report back on implemented initiatives and projects, progress and whether the initiatives assist us in achieving our transformation objectives
- Monitor compliance and effectiveness of projects aimed at driving transformation
- Monitor transformation and empowerment requirements as specified by current and prospective clients
- Drive transformation and empowerment sector-specific initiatives
- Ensure policies and procedures with regards to the five B-BBEE elements, described on pages 107 to 109, are documented and adhered to
- Ensure Preferential Procurement practices are consistently aligned to B-BBEE imperatives
- Ensuring a coordinated framework within which the Group will support small, medium and micro-sized enterprise ("SMME") development, with particular focus on the empowering status of its suppliers in relation to its own procurement activities
- Focus on the promotion of partnerships within the Group in order to achieve B-BBEE priority objectives, with emphasis on skills development, employment equity, enterprise and supplier development and ownership

TRANSFORMATION COMMITTEE MEMBERS

The Transformation Committee comprises senior individuals across all disciplines of business, tasked with driving the different pillars of the B-BBEE scorecard.

THE NATIONAL EMPLOYMENT EQUITY FORUM

The National Employment Equity Forum ("NEEF") is responsible for driving employment equity compliance in the Company. The forum is represented by employees, management and union representatives and discusses the Company's statistics,

performance towards the employment equity ("EE") targets, the effects of attrition, promotions and recruitment on the targets.

The forum is further supported by sub-committees which represent the different business units. Information discussed and presented at the NEEF is used as input into the transformation committee.

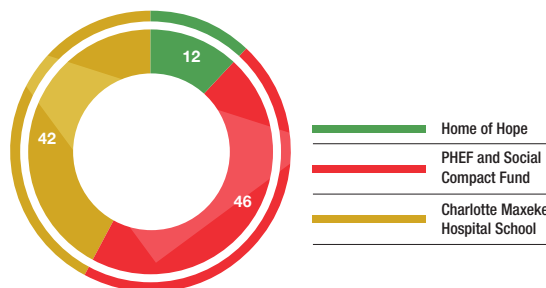
SOCIOECONOMIC DEVELOPMENT

THE SED TEAM ARE RESPONSIBLE FOR:

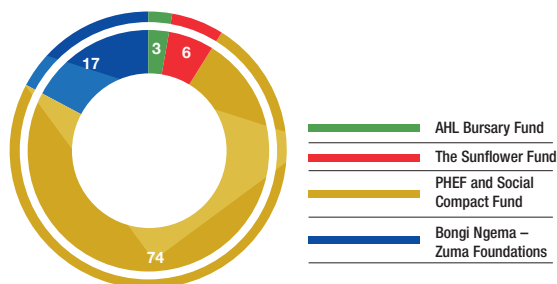
Vetting proposals in order to determine whether the proposed projects:

- will enable the Group to reach the objectives of transformation strategy, B-BBEE and 10-point plan on Health;
- fall into the priority areas of health, youth development, HIV/ Aids, as specified in the SED policy;
- are in line with the Group's brand integrity and can be used to strengthen AfroCentric's brand; and
- have initiatives that focus on the upliftment of the communities in which we operate, and partnering with existing NGOs in the healthcare sector to assist with the betterment of the quality of life and supporting their needs on an ongoing basis.

SED SPEND (Rs) – FY 2015/16



SED SPEND (Rs) – FY 2016/17



CURRENT SOCIOECONOMIC DEVELOPMENT PROJECTS

The projects are set in line with the allocated budget, the target being the equivalent to 1% of net profit after tax ("NPAT"). A "hit and run" approach is inappropriate for achieving long lasting impact. In line with our belief towards the beneficiaries, we select a few flagship projects that we channel a significant portion of our budget to over a period of three to five years.

The key projects in the 2017 reporting period include:

- **The Social Compact Fund** – In November 2012, we became signatories to the fund, thereby committing to contribute a significant portion of our SED budget to the fund. The Social compact has been set up by Minister of Health, to pool resources from companies working in the health sector, and use these resources to give momentum to some of the key objectives of the 10-point plan on Health. The fund is expected to provide financial support to Government to take in more medical students; support postgraduate students pursuing health-related studies; build additional capacity in the management of Tuberculosis ("TB"); and provide support to the newly established Leadership and Management academy for health.
- **Charlotte Maxeke Johannesburg Hospital School** – The school educates hospitalised children and teenagers in grades R to 12. Although many of the children are undergoing long-term treatment for terminal, chronic and life-threatening illnesses, they are able to learn in a stimulating, cheerful environment, giving them a welcome break from their medical treatment and their confinement in hospital wards. AfroCentric

Health funded the complete refurbishment and equipping of the hospital school and computer centre, and sponsored the installation of a custom-designed playground, which provides a safe environment for children with impaired immune systems.

- **Home of Hope for Girls** – The home provides real care for exploited, trafficked and abused girls in Johannesburg. It is more than just a residential shelter; it is a home where dignity is restored, the past is healed and the girls are given the tools to take control of their futures. Home of Hope for Girls also reaches out to the community offering the most vulnerable members support, practical help and a lifeline. AfroCentric has funded towards the children's educational needs.

ENTERPRISE AND SUPPLIER DEVELOPMENT COMMITTEE

This committee is responsible for the identification of suitably qualifying projects that meet the requirement for enterprise and supplier development recognition. The projects are identified, approved, implemented and driven to completion by the committee members. The committee further provides any additional support, e.g. Business skills, business and/or training equipment, cash investments, etc.

The Enterprise and Supplier Development ("ESD") Committee adopts the approach that a long-standing partnership between the company and the beneficiary leads to a long-lasting impact on the beneficiaries. This approach enables the measurement of progress and growth of the beneficiary organisation.

OUR SOCIAL IMPACT CONTINUED

ENTERPRISE SUPPLIER DEVELOPMENT INITIATIVES 2016/17

Our ESD beneficiaries include:

ENTERPRISE SUPPLIER DEVELOPMENT INITIATIVES 2016/17	Entity	Description
	Behaviour Change Agency (PTY) LTD	A specialist agency that incorporates behavioural science, predictive analysis and creative communication expertise to design change strategies and marketing solutions.
	Econocare (PTY) LTD	A business management service provider established to assist black entrepreneurs in the healthcare sector i.e clinics, diagnostic centres, laboratories and medical centres to start or grow their businesses.
	Eluthandweni Maternity Services	Eluthandweni Maternity Services is a community healthcare centre based in the Ekurhuleni. The clinic aims to provide accessible holistic maternal healthcare services to its rapidly increasing patients.
	Maps at Toms 25 Hour Delivery cc	Maps at Toms is a door-to-door courier company that was started as a Pharmacy Direct small business development initiative in 2006. Maps at Toms currently delivers parcels for Pharmacy Direct on a daily basis in the Gauteng province.
	Travel Nation	Travel Nation was established in 2013 and with over 100 years of cumulative experience held within their team, Travel Nation offers both the business and pleasure travellers personalised and professional services.
	MBEESWAX Hosting (PTY) LTD	MBeeswax is a small digital marketing solutions and consulting company owned by David Mashilo, a young black businessman. He is a supplier to Allegra (Pty) Ltd. They provide digital marketing solutions to businesses with unrivalled insights in the market to enable them to adapt to the changing customer trends and continue in their dynamic growth. MBEESWAX will be offering marketing services to EconoCare – one of our beneficiaries.

AHL aims to invest 3% of NPAT on developing suppliers and enterprises and has done so for the past three years.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

B-BBEE is an integrated and coherent socioeconomic process that directly contributes to the economic transformation of South Africa, and reduces inequality by significantly increasing the number of black people that manage, own and control the country's economy. Since the inception of the B-BBEE Codes of Good Practice, in 2007, AfroCentric has been actively aiming to adjust and adapt to the ever-changing landscape of B-BBEE, devising compliance strategies and implementing the strategies to support business growth in terms of our mission while concurrently improving compliance with the requirements of the BEE codes.

Our sustained improvement on the Broad Based Black Economic Empowerment scorecard demonstrates our commitment to driving transformation in our Company and in the way in which we do business.

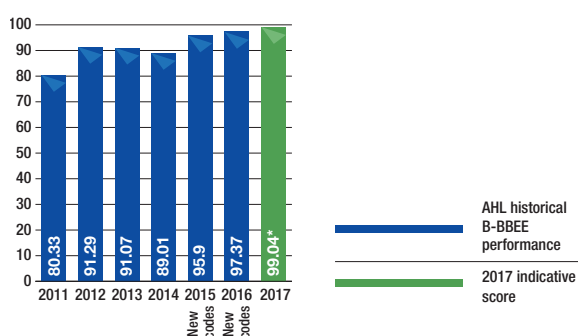
In 2016, AHL commissioned Honeycomb to conduct a B-BBEE verification of the organisation. Honeycomb's mandate was to assess, verify and validate both disclosed and undisclosed B-BBEE-related information of AHL. The B-BBEE rating was based on the Codes of Good Practice on Black Economic Empowerment released by the dti in October 2013. The Group performs quarterly calculations to project its possible B-BBEE accreditation level ahead of the official verification, which is scheduled for November 2017. The 2017 figures in the accompanying graphs are based on these projections.

AHL is a broad-based entity and was therefore measured on all of the five elements of B-BBEE –Ownership, Management Control, Skills Development, Enterprise and Supplier Development, and Socio-Economic and Sector Specific Contributions.

Honeycomb followed a rigorous verification process that is aligned to best practice verification standards, the dti Codes of Good Practice and the South African National Accreditation System. Honeycomb obtained data and information relating to the elements of the B-BBEE Scorecard, interviewed senior management and personnel of AHL, and verified supporting documents.

All the information used for the verification was obtained from AHL and the conclusions are based on this information. Based on the information provided and subject to the terms of the verification, AHL maintained its level 2 B-BBEE status, whilst improving on the score achieved in FY 2015/2016. The Certificate is valid until December 2017

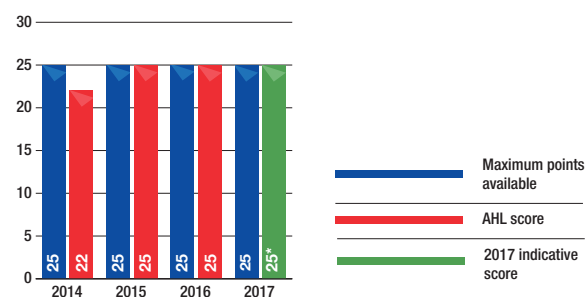
HISTORICAL B-BBEE PERFORMANCE (POINTS)



OWNERSHIP

AfroCentric Health proprietary limited, is a wholly owned subsidiary of AfroCentric Investment Corporation Limited. The ownership credentials of AfroCentric Investment Corporation Limited are therefore directly attributable to those of AfroCentric Health.

OWNERSHIP (POINTS)



OUR SOCIAL IMPACT CONTINUED

The Ownership profile of AHL (as at July 2017)

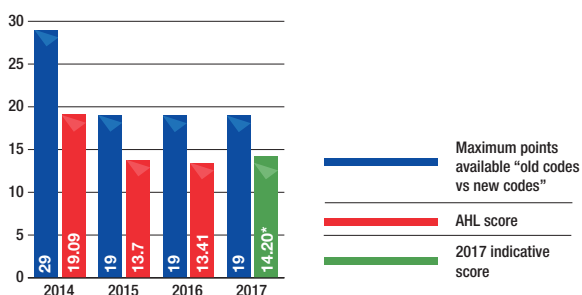
Black exercisable voting rights that flow through to Afrocentric Health Ltd	34.51%
Black exercisable voting rights by black women	13.46%
Black entitlement to economic interest that flows through to Afrocentric Health Ltd	34.51%
Entitlement to economic interest by black women	13.46%
Economic interest that flows through to black designated groups	13.79%
Involvement of ownership of the Enterprise of black new entrant.	13.57%

The 40% sub-minimum for equity value has been met.

MANAGEMENT CONTROL

- Our Board of Directors has more than 63.64% black representation.
- Voting rights in the hands of black people stands at 63.64%, of which 27.27% are black females.
- The senior management reporting to the Board, comprises 50% black people, with 16.67% being female.
- Black Executive Directors are 57.14%.
- Black women Executive Directors are 28.57%.

MANAGEMENT CONTROL (POINTS)



* Group-projected FY 2017 indicative score.

A total of 13.41 out of the available 19 points (including the bonus point) were achieved for this element.

EE is driven as part of compliance with the EE Act and this involves compiling a five-year plan, setting quantifiable targets for each race, gender and employment category. Progress is measured and reported annually to the Department of Labour.

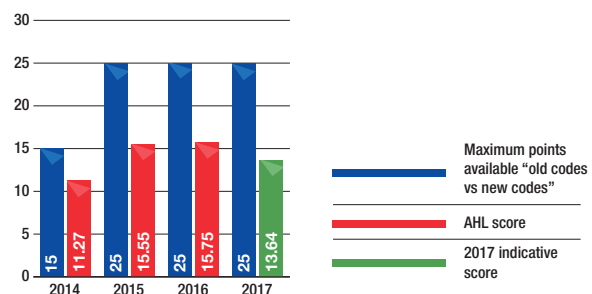
A universal target is set for compliance with the EE target under the B-BBEE Codes, which is different from the targets the Company has for set itself under the EE Plan. The Company uses these targets to measure its EE performance for the EE element under the BEE Codes.

This element further measures the representation of black disabled in the Company's total employee population.

SKILLS DEVELOPMENT

Skills development measures the investment in training and development of black employees as a percentage of the company's total payroll. This is different to how the training is measured and recorded for the Employment Equity requirements (the latter only measuring the number of people that attended training vs. how much was spent).

SKILLS DEVELOPMENT (POINTS)



We have implemented internship and trainee programmes with accredited INSETA providers, which are designed to comply with the requirements of our sector, and provide accelerated

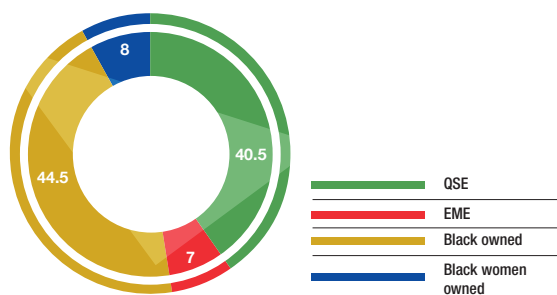
and practical work experience for school leavers, graduates and the unemployed. The Group provides permanent employment to 87 % of all learnerships.

ENTERPRISE AND SUPPLIER DEVELOPMENT

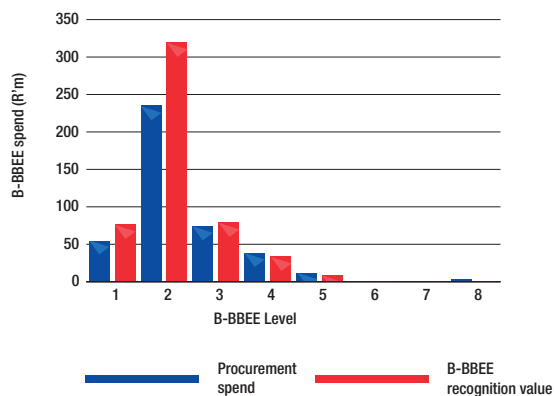
Preferential Procurement

We consider preferential spending on black-empowered companies who provide services and products to our business, with particular focus on black-owned SMMEs, who also have black female and designated group ownership.

SPEND BY SUPPLIER TYPE (%)



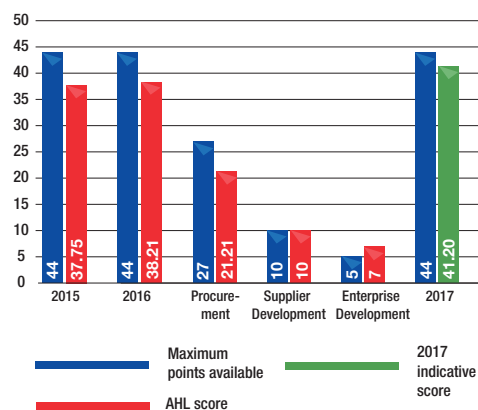
PROCUREMENT SPEND FOR FY 2017 PER B-BBEE LEVEL



Enterprise Development

This element is an opportunity to support up and coming SMMEs through loans, or grants or professional services to ensure that they grow and become self-sustaining in the future. The total contributions are measured as a percentage of NPAT. We select beneficiaries in terms of their compliance with the enterprise and supplier development requirements, and give preference to companies operating in the health sector that will help us achieve the outcomes set out for the 10-point plan on health and NHI.

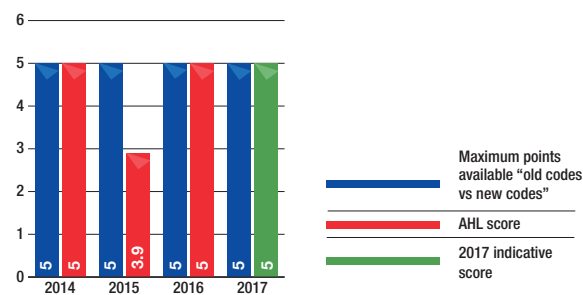
ENTERPRISE AND SUPPLIER DEVELOPMENT (POINTS)



Socioeconomic Development

Contrary to normal corporate social responsibility, SED requirements are very specific. Beneficiaries must be at least 75% black and the initiative must be aimed at including the previously disadvantaged black people in the economy. These include job creation, skills transfer and training, entrepreneurial skills which will enable the individual to either secure employment or to establish their own business.

SOCIO-ECONOMIC DEVELOPMENT



OUR SOCIAL IMPACT CONTINUED

EMPLOYMENT EQUITY AND EMPLOYEE DEVELOPMENT

EMPLOYMENT EQUITY AND EMPLOYEE PROFILE

AfroCentric believes that a transformation contributes towards a productive, innovative and sustainable business. It is therefore important for us to foster a culture that understands and embraces diversity. As such, Transformation has been and will continue to be a strategic objective for the Group.

During our 2017 financial year, AfroCentric purchased a tool to assist managers to reach their EE targets. The tool allows managers to identify where they are under and over represented

in comparison to the economically active population ("EAP") statistics of South Africa. Our goal is to align our workforce as closely as possible to the EAP, to ensure that we fairly represent all race and gender groups within the business.

Our new tool, the Divisional and National Employment Equity Forums, our EE Policy, the B-BBEE Steering Committee as well as our Transformation strategy contribute towards creating an enabling environment for the successful implementation of Employment Equity within our business.

The table below illustrates the composition of the AfroCentric workforce by race, gender and occupational level.

AFROCENTRIC

Total workforce profile (including employees with disabilities) as at 30 June 2017

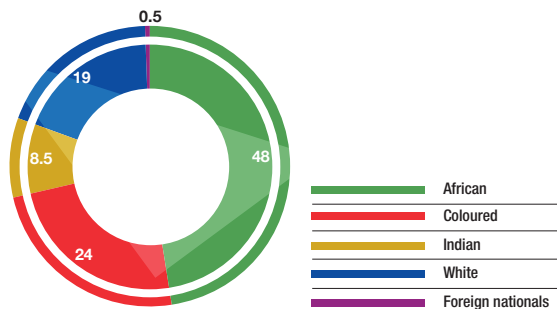
Occupational levels	A	Male			A	Female			Foreign nationals		Total*
		C	I	W		C	I	W	Male	Female	
Top management	1	–	2	8	3	–	–	1	–	–	15
Senior management	8	2	5	20	7	1	1	17	1	–	62
Professionally qualified and experienced specialists and mid-management	64	20	32	72	105	45	52	191	1	2	584
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	416	245	101	81	1 101	724	179	424	2	3	3 276
Semi-skilled and discretionary decision-making	197	6	3	5	236	28	4	24	–	–	503
Unskilled and defined decision-making	5	2	–	–	23	8	1	–	–	–	39
Grand total	691	275	143	186	1 475	806	237	657	4	5	4 479

At the end of our financial year, our workforce comprised 2 166 (48%) African employees, 1 081 (24%) coloured employees, 380 (8.5%) Indian employees and 843 (19%) white employees. The Group as a whole has a 71% female and 29% male composition. The Group had a total of 0.1% foreign nationals. As at 30 June 2017, the Group had a total of 40% black representation and a 26% representation at top management.

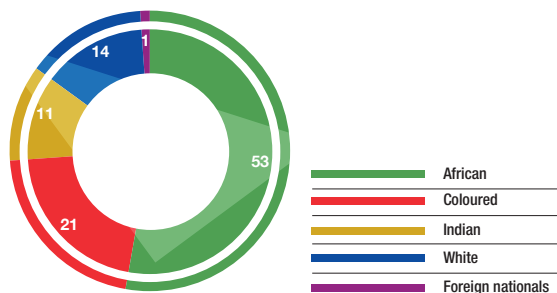
* The total workforce figure is SA only (excluding outside SA subsidiaries)

Total workforce (including employees with disabilities)

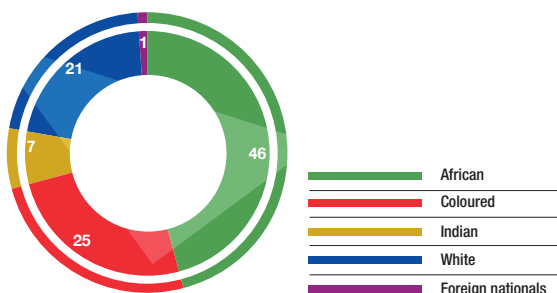
% OF TOTAL EMPLOYEES – 4 479



% OF MALE EMPLOYEES – 1 299



% OF FEMALE EMPLOYEES – 3 180



Employees with disabilities

One of our main focus areas in creating a diverse workforce is employees with disabilities. Several interventions over the financial year encouraged managers to employ people with disabilities, as well as to better support employees with disabilities already in the business.

Some of these interventions included manager sensitisation sessions which were run across the business for all managers, to better understand disability and its importance in the workplace, and to better support disabled employees.

Employee sessions were run to create a better understanding of what a disability is, how to interact with the disabled as well as how to disclose a disability. It is our intention to run frequent manager and employee sessions to build a culture of openness and trust.

The business further made a commitment to develop people with disabilities by employing four people on a contract to be trained and potentially employed in the future. These employees are being up-skilled in various learning paths, creating a skilled recruitment pool to draw from for potential future vacancies.

This focus has made great strides, and has increased our headcount of employees with disabilities by 28 from the previous financial year. The headcount of our employees with disabilities, as at the end of our financial year, is depicted in the table below.

OUR SOCIAL IMPACT CONTINUED

Profile of employees with disabilities as at 30 June 2017

Occupational levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top management	0	0	0	0	0	0	0	0	0
Senior management	0	0	0	0	0	0	0	1	1
Professionally qualified and experienced specialists and mid-management	0	1	1	1	0	0	1	4	8
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	12	8	1	1	12	13	4	15	66
Semi-skilled and discretionary decision-making	3	0	1	0	3	0	1	2	10
Unskilled and defined decision-making	0	0	0	0	8	2	0	0	10
Grand total	15	9	3	2	23	15	6	22	95*

* The total figure reflected is for SA operations only (excluding outside SA subsidiaries).

TALENT AND LEADERSHIP DEVELOPMENT

AfroCentric employs a number of internal facilitators who provide functional and behavioural courses that equip new and existing employees to perform their jobs. These courses, and courses offered by external providers, are managed and implemented through our Learning and Performance Academy. In addition to short training courses, our Academy runs several curricula that take new employees through several weeks of training to ensure they are fit to perform their jobs once they "hit the ground".

The Academy also offers several accredited courses, allowing employees to earn credits towards formal qualifications. During the 2016/17 financial year, another round of our NQF 4 and NQF 5 manager qualifications were rolled out by the Academy. These 12-month qualifications involve classroom sessions, workplace exercises, as well as submission of Portfolios of Evidence. The qualifications are intensive learning experiences; however, the skill and knowledge gained by our employees is invaluable.

ONLINE LEARNING

Our Learning and Performance Academy offers online training through our Online Academy. Company policies, legislative courses, behavioural skill courses as well as functional training

courses are available to employees on an ongoing basis at any time and in any place. We continue developing our online offering, providing a wide selection of courses to our employees to support them in their current roles and future aspirations.

Study Assistance Programme

Formal studies can be financially taxing. This often results in employees not being able to pursue their study aspirations. We offer a Study Assistance Programme, which sponsors selected employees for their approved studies. The Study Assistance Programme is available to the relevant employees according to the business strategy and priorities. The Group funded 10 employees' studies over the financial year, and will continue to do so until completion of their qualification.

Over and above this, the Learning and Performance Academy has partnered with Inseta to fund the studies of additional employees. In total, 25 employees received funding for their studies via Inseta over the financial year.

Our contribution towards eradicating the skills shortage

As part of the AfroCentric Group's contribution towards reducing the skills shortage in the both the private and public health sector, we spent almost a million Rand towards the bursaries of four students studying to become medical doctors.

Each student received R154 272 to cover expenses such as accommodation, tuition and a living allowance. The students also received laptops to assist them in their studies. The criteria applied to select the bursary recipients were based on academic excellence and the financial need of the students.

LEARNERSHIP PROGRAMMES

The Learning and Performance Academy has a number of learnership programmes for both our employees and to unemployed people over the financial year. Our programmes give them the opportunity to gain a qualification as well as valuable working experience. A total of 130 external learners were hosted in the business over the 2016/17 financial year. It is our intention, as a company, to place these learners, wherever possible, within our business after the successful completion of their learnerships.

LEADERSHIP DEVELOPMENT

During the 2016/17 financial year, our leadership competencies were reviewed to ensure alignment with our business strategy. New leadership competencies allow for leadership development programmes where employees are trained to achieve our business goals under a unified leadership brand.

As a business, we understand that being a leader is not so much what you do, but rather how you do it. For this reason, it is important that our leaders are developed and display those behaviours and skills that inspire and engage our employees.

PERFORMANCE MANAGEMENT

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

When managing individual performance, the aim is to create a "win-win" environment where managers and employees share clear expectations and objectives from the outset. Employees participate in all phases of the process and share ownership of the outcomes with the organisation. Individuals understand how their performance and behaviour links to the organisational strategy. We emphasise self-management in achieving total quality and customer service, and employees are encouraged to maximise their contribution in their current role, while having access to opportunities to grow and develop their careers within the AfroCentric Group.

EMPLOYEE WELLNESS PROGRAMME

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

The EWP is based on four pillars: physical wellbeing, emotional wellbeing, financial wellbeing and organisational wellbeing. It provides independent, confidential, professional counselling and advisory services to permanent and non-permanent employees and their direct household dependants.



SHAREHOLDER INFORMATION

ENGAGEMENT

BUSINESS IS BUILT ON
SOLID RELATIONSHIPS
WITH STAKEHOLDERS



FINANCIAL CALENDAR

Last day to trade cum dividend	7 November 2017
Shares commence trading ex dividend	8 November 2017
Dividend record date	10 November 2017
Dividend payment date	13 November 2017
Annual General Meeting	8 November 2017

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF THE 11TH ANNUAL GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON WEDNESDAY, 8 NOVEMBER 2017, AT 10H00 AT THE AFROCENTRIC DISTRIBUTION SERVICES OFFICES, THE GREENS OFFICE PARK, BUILDING L, 26 CHARLES DE GAULLE CRESCENT, HIGHVELD EXT 12, CENTURION

AfroCentric Investment Corporation Limited

(Incorporated in the Republic of South Africa)

(Registration number: 1988/000570/06)

JSE Share code: ACT

ISIN: ZAE 000078416

("AfroCentric" or "the Company")

37 Conrad Street, Florida North, Roodepoort, 1709

PO Box 1101, Florida Glen 1708

Telephone: +27 (11) 671 2000

Website: www.afrocentric.za.com

IMPORTANT NOTICE TO SHAREHOLDERS

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

1. If you have disposed of all your AfroCentric shares, this document should be handed to the purchaser of such shares or to the Stockbroker, Banker or other agent through whom such disposal was effected.
2. Members attending the Annual General Meeting of the Company on Wednesday, 8 November 2017, at 10h00 are requested to ensure registration of attendance upon arrival.

Kindly note that, in terms of section 63(1) of the Companies Act 71 of 2008, as amended, from time to time ("the Act"), any person attending or participating in the Annual General Meeting must present reasonable satisfactory identification, and the person presiding at the Annual General Meeting must be reasonably satisfied that the right of any person to participate in and vote (whether as a shareholder or as a proxy for a shareholder) has been reasonably verified. Suitable forms of identification will include the presentation of valid identity documents, driver's licences and passports.

3. The record date of the Annual General Meeting for shareholders to participate in and vote at the Annual General Meeting is Friday, 3 November 2017 ("**the voting record date**").
4. The last date to trade in order to be eligible to participate in and vote at the Annual General Meeting is Tuesday, 31 October 2017.

RECORD DATES:

Please take note of the following important dates.

Record date for the purposes of determining which shareholders of the Company are entitled to receive notice of the Annual General Meeting (" the notice record date ")	Friday, 29 September
The last date to trade in order to be eligible to participate in and vote at the Annual General Meeting	Tuesday, 31 October
Record date for the purposes of determining which shareholders of the Company are entitled to participate in and vote at the Annual General Meeting (" the voting record date ")	Friday, 3 November
Last day for lodging forms of proxy by 10h00	Monday, 6 November
Date of the Annual General Meeting at 10h00	Wednesday, 8 November

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

VOTING AND PROXIES

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

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

Computershare Investor Services Proprietary Limited

Rosebank Towers
15 Biermann Avenue
Rosebank, 2196

PO Box 61051
Marshalltown, 2107
Fax: +27 (11) 688 5238
Email: proxy@computershare.co.za

By no later than 10h00 on Monday, 6 November 2017

AfroCentric Investment Corporation Limited

(Incorporated in the Republic of South Africa)

Registration Number: 1988/000570/06

JSE Share Code: ACT

ISIN: ZAE000078416

("AfroCentric" or "the Company" or "the Group")

All terms defined in the 2017 Annual Financial Statements, to which this Notice of Annual General Meeting is attached, shall bear the same meanings when used in this Notice of Annual General Meeting.

Notice is hereby given that the 11th Annual General Meeting of shareholders for the year ended 30 June 2017 will be held at the AfroCentric Distribution Services Offices, the Greens Office Park, Building L, 26 Charles De Gaulle Crescent, Highveld Ext 12, Centurion on **Wednesday, 8 November 2017 at 10h00** to conduct such business as may lawfully be dealt with at the Annual General Meeting and to consider, and if deemed fit, to pass with or without modification, the special and ordinary resolutions set out hereunder in the manner required by the Act, as read with the JSE Limited ("JSE") Listings Requirements, as amended from time to time ("**Listings Requirements**").

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

- receive notice of the Annual General Meeting being the notice record date as Friday, 29 September 2017;
- trade in order to be eligible to participate in and vote at the Annual General Meeting as Tuesday, 31 October 2017; and
- participate in and vote at the Annual General Meeting being the voting record date as Friday, 3 November 2017.

AGENDA

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

PRESENTATION OF AUDITED ANNUAL FINANCIAL STATEMENTS

The audited consolidated annual financial statements of the Company and the Group, including the reports of the directors, Group Audit and Risk Committee and the independent auditors, for the year ended 30 June 2017, will be presented to shareholders as required in terms of section 30(3)(d) of the Act. The complete set of audited consolidated annual financial statements, together with the report of the directors and the independent auditors' report are set out on pages 4 to 10 and pages 13 to 17 of the 2017 Annual Financial Statements. The Audit and Risk Committee report is set out on pages 2 and 3 of the 2017 Annual Financial Statements. The Integrated Annual Report is also available on the Company's website: www.afrocentric.za.com

RESOLUTIONS

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

ORDINARY RESOLUTIONS

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

ORDINARY RESOLUTION NUMBER 1

Election of directors appointed during the year under review

In terms of the Company's Memorandum of Incorporation ("**MOI**"), any Board appointments made by the Board during a year under review must be confirmed by shareholders at the next Annual General Meeting of the Company, following such an appointment. Accordingly, Mr SE Mmakau and Ms HG Motau were appointed by the Board during the year under review, and shareholders are hereby requested to confirm such appointments:

Accordingly, shareholders are requested to consider and, if deemed fit, to elect the directors named above by way of passing the separate ordinary resolution numbers 1.1 and 1.2. set out below as required under section 68(2) of the Act.

Ordinary Resolution Number 1.1

Election of Mr SE Mmakau as an Independent Non-executive Director

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

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

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

Ordinary Resolution Number 1.2

Election of Ms HG Motau as an Independent Non-executive Director

“RESOLVED that Ms HG Motau, being a new appointment to the Board, be and is hereby elected as an Independent Non-executive Director of the Company.”

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

Brief résumés for these directors appear on page 85 of the 2017 Integrated Annual Report.

ORDINARY RESOLUTION NUMBER 2

Retirement and re-election of directors

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

- Dr ND Munisi
- Mr MI Sacks
- Mr JM Kahn

Ordinary Resolution Number 2.1

Re-election of Dr ND Munisi as a Non-executive Director

“RESOLVED that Dr ND Munisi, who retires by rotation in terms of the MOI of the Company, being eligible and offering himself for re-election, be and is hereby re-elected as a Non-executive Director of the Company.”

Ordinary Resolution Number 2.2

Re-election of Mr MI Sacks as an Independent Non-executive Director

“RESOLVED that Mr MI Sacks, who retires by rotation in terms of the MOI of the Company, being eligible and offering himself for re-election, be and is hereby re-elected as an Independent Non-executive Director of the Company.”

Ordinary Resolution Number 2.3

Re-election of Mr JM Kahn as an Independent Non-executive Director

“RESOLVED that Mr JM Kahn, who retires by rotation in terms of the MOI of the Company, being eligible and offering himself for re-election, be and is hereby re-elected as an Independent Non-executive Director of the Company.”

Brief résumés for these directors appear on page 85 of the 2017 Annual Financial Statements.

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

ORDINARY RESOLUTION NUMBER 3

Appointment of Group Audit and Risk Committee members

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

The Board has assessed the performance of the Group Audit and Risk Committee members standing for election and has found them suitable for appointment. Brief résumés for these directors appear on page 85 of the 2017 Annual Financial Statements.”

Ordinary Resolution 3.1

“RESOLVED that, Ms LL Dhlamini, is elected as a member and chairman of the Audit and Risk Committee.”

Ordinary Resolution 3.2

“RESOLVED that, subject to the passing of Ordinary Resolution Number 1.1, Mr SE Mmakau, is elected as a member of the Audit and Risk Committee.”

Ordinary Resolution 3.3

“RESOLVED that, subject to the passing of Ordinary Resolution Number 1.2, Ms HG Motau, is elected as a member of the Audit and Risk Committee”

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

ORDINARY RESOLUTION NUMBER 4

Re-appointment of independent auditor and designated audit partner

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

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

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

ORDINARY RESOLUTION NUMBER 5

General authority to issue shares for cash

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

1. the general authority shall be valid until the Company’s next Annual General Meeting, provided that it shall not extend beyond 15th months from the date of the passing of this ordinary resolution (whichever period is shorter);
2. the allotment and issue of the shares must be made to public shareholders as defined in the Listings Requirements and not to related parties;
3. the shares which are the subject of the issue for cash must be of a class already in issue, or, where this is not the case, must be limited to such shares or rights that are convertible into a class already in issue;
4. the number of shares issued for cash in aggregate under this authority shall not exceed 82 628 808 shares, being 15% (fifteen per cent) of the Company’s listed equity securities as at the date of this notice of Annual General Meeting, excluding treasury shares;
5. any shares issued under this authority during the period contemplated in paragraph 1 above, must be deducted from the number in paragraph 4 above;
6. in the event of a sub-division or consolidation of issued shares during the period contemplated in paragraph 1 above, the existing authority must be adjusted accordingly to represent the same allocation ratio;
7. the maximum discount at which ordinary shares may be issued is 10% (ten percent) of the weighted average traded price of those shares measured over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the Company and the party subscribing for the securities. The JSE must be consulted for a ruling if the Company’s securities have not traded in such 30-business day period; and
8. after the Company has issued shares for cash which represent, on a cumulative basis within a financial year, 5% (five per cent) or more of the number of shares in issue prior to that issue, the Company shall publish an announcement containing details of inter alia the number of shares issued, the average discount to the weighted average traded price of the shares over the 30 (thirty) business days prior to the date that the price of the issue was agreed in writing between the issuer and the party subscribing for the shares and in respect of options and convertible securities, the effects of the issue on the statement of financial position, net asset value per share, net tangible asset value per share, the statement of profit or loss and other comprehensive income, earnings per share and headline earnings per share and, if applicable, diluted earnings and headline earnings per share, or in respect of an issue of shares, an explanation, including supporting documents (if any), of the intended use of the funds shall be published when the Company has issued securities, or any other announcements that may be required in such regard in terms of the Listings Requirements which may be applicable from time to time.”

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

Reason for and effect

The reason and effect of this ordinary resolution number 5 is to seek a general authority and approval for the directors to allot and issue ordinary shares in the authorised but unissued share capital of the Company (excluding shares issued pursuant to the Company's share incentive scheme), up to 15% (82 628 808 shares) of the number of ordinary shares of the Company in issue at the date of passing of this resolution, in order to enable the Company to take advantage of business opportunities which might arise in the future.

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

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

ORDINARY RESOLUTION NUMBER 6

Approval of the remuneration policy

"RESOLVED that by a non-binding advisory vote, the Company's remuneration policy as set out in the remuneration report on pages 96 to 103 of the 2017 Integrated Annual Report be and is hereby endorsed."

Reason for and effect

The King Code on Governance for South Africa recommends that the remuneration policy of a company be tabled for a non-binding advisory vote by shareholders at each AGM.

This enables shareholders to express their views on the remuneration policies adopted. Ordinary Resolution 6 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing remuneration arrangements.

However, the Board will take the outcome of the vote into consideration when considering amendments to the Company's remuneration policy.

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

ORDINARY RESOLUTION NUMBER 7

Approval of the remuneration implementation report

"RESOLVED that by a non-binding advisory vote, the Company's remuneration implementation report as set out on pages 96 to 103 of the 2017 Integrated Annual Report be and is hereby endorsed."

Reason for and effect

The King Code on Governance for South Africa recommends that the implementation of a company's remuneration policy be tabled for a non-binding advisory vote by shareholders at each AGM.

This enables shareholders to express their views on the implementation of the Company's remuneration policies. Ordinary Resolution 7 is of an advisory nature only, and failure to pass this resolution will therefore not have any legal consequences relating to existing remuneration arrangements.

However, the Board will take the outcome of the vote into consideration when considering amendments to the Company's remuneration policy.

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

ORDINARY RESOLUTION NUMBER 8

Adoption of the AfroCentric Group Long-Term Incentive Plan

"Resolved as an ordinary resolution, that the adoption by the Company of the AfroCentric Group Long-Term Incentive Plan ("Plan") in terms of Schedule 14 of the JSE Listings Requirements, the salient terms ("Salient Features") of which are included in Annexure A of this Integrated Annual Report ("Report") and the complete document recording the terms of the Plan having been made available for inspection by shareholders at least 14 days prior to the date of this meeting and having been initialled by the chairman of this meeting for identification purposes, and tabled at this meeting, be and is hereby ratified and approved.

Ordinary resolution number 8 in terms of the JSE Listings Requirements must be approved by 75% of the votes cast by shareholders present in person or represented by proxy at this Annual General Meeting.

The Plan has been approved by the JSE in terms of Schedule 14.

The reason for and the effect of this ordinary resolution number 8 will be to adopt the Plan in order to provide eligible employees of the Company or any of its subsidiaries (Group) with the opportunity to acquire equity in the Company, thereby providing such employees with a further incentive to advance the Company's interests and promoting an identity of interests between such employees and the shareholders of the Company.

Copies of the Plan are available for inspection from the date of this notice of annual general meeting until the conclusion of the annual general meeting convened in terms thereof at the registered office of the Company and at the offices of Sasfin Capital at 29 Scott Street, Waverley, Gauteng.

The Salient Features of the Plan do not purport to be exhaustive of the provisions of the Plan. For a full appreciation of the provisions thereof, shareholders should refer to the full text thereof which is available for inspection as mentioned above.

The directors, whose names are given on page 85 of this Report collectively and individually accept full responsibility for the accuracy of the information given in this resolution and the Salient Features and certify that to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts had been made and that the above mentioned resolution contains all information required by law and the JSE Listings Requirements."

Reason for and effect

The reason and effect of this ordinary resolution number 8 will be to adopt the Plan in order to provide eligible employees of the Company or any of its subsidiaries ("Group") with the opportunity to acquire equity in the Company, thereby providing such employees with a further incentive to advance the Company's interests and promoting an identity of interests between such employees and the shareholders of the Company.

For the above resolutions to be passed, votes in favour must represent at least 75% +1 of all votes cast and/or exercised at the meeting.

ORDINARY RESOLUTION NUMBER 9

Authorise directors and/or secretary

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

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

SPECIAL RESOLUTIONS

SPECIAL RESOLUTION NUMBER 1

Approval of Non-executive Directors' fees

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

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

“RESOLVED as a special resolution in terms of the Act that the remuneration of Non-executive Directors for the period 1 January 2018 until 31 December 2018 be and is hereby approved as follows:

	Position	Current (2017) (R)	Recommended Increase (%)	Proposed (2018) (R)
Main Board (annualised fee)	Chairman	833 000	Benchmarked	1 200 000
	Deputy	861 000	Benchmarked	900 700
	Member	209 400	6.5	223 000
Subsidiary Board (Per meeting fee)	Chairman	19 155	6.5	20 400
	Member	14 047	6.5	15 000
Audit and Risk Committee (Per meeting fee)	Chairman	25 539	6.5	27 200
	Member	18 574	6.5	20 000
Remuneration Committee (Per meeting fee)	Chairman	19 155	6.5	20 400
	Member	14 047	6.5	15 000
Nomination Committee (Per meeting fee)	Chairman	19 155	6.5	20 400
	Member	14 047	6.5	15 000
Social and Ethics Committee (Per meeting fee)	Chairman	19 155	6.5	20 400
	Member	14 047	6.5	15 000
Investment Committee (Per meeting fee)	Chairman	19 155	6.5	20 400
	Member	14 047	6.5	15 000
ICT Steering Committee (Per meeting fee)	Member	14 047	6.5	15 000

Reason for and effect

The reason and effect of this special resolution number 1 is to approve the remuneration of Non-executive Directors for the next 12 months, [payable quarterly in arrears], with effect from 1 January 2018 until 31 December 2018.

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

The decision to include subsidiary Board and Committee meeting fees had been introduced at the Group level resulting from a change in the Company's internal structures, primarily relating to AfroCentric Health. Therefore as a result of rationalisation and amalgamation requirements between the two companies, this resulted in the fees reflected in the table above.

SPECIAL RESOLUTION NUMBER 2

General authority to repurchase shares

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

- 1 any repurchase of shares must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty;
- 2 at any point in time, the Company may only appoint one agent to effect any repurchases on its behalf;
- 3 the number of shares which may be repurchased pursuant to this authority in any financial year may not in the aggregate exceed 5% (five per cent) of the Company's issued share capital as at the date of passing of this general resolution or 10% (ten per cent) of the Company's issued share capital in the case of an acquisition of shares in the Company by a wholly owned subsidiary of the Company;
- 4 repurchases of shares may not be made at a price greater than 10% (ten per cent) above the weighted average of the market value of the shares for the 5 (five) business days immediately preceding the date on which the transaction was effected;

- 5 the Company or a wholly owned subsidiary of the Company may not effect a repurchase during any prohibited period as defined in terms of the Listings Requirements unless there is a repurchase programme in place, which programme has been submitted to the JSE in writing and executed by an independent third party, as contemplated in terms of paragraph 5.72(h) of the Listings Requirements;
- 6 after the Company or a wholly owned subsidiary of the Company has acquired shares which constitute, on a cumulative basis, 3% (three per cent) of the initial number of shares in issue (at the time that authority from shareholders for the repurchase is granted) of the relevant class of shares and for each 3% in aggregate of the initial number of that class acquired thereafter, the Company shall publish an announcement on SENS containing full details of such repurchase; and
- 7 the Board has passed a resolution authorising the repurchase and that the Company has passed the solvency and liquidity test contained in Section 4 of the Act, and that since the test was done, there have been no material changes to the financial position of the Company.

Reason for and effect

The reason for and effect of this special resolution number 2 is to grant the directors a general authority in terms of the MOI of the Company and the Listings Requirements for the acquisition by the Company or by a wholly owned subsidiary of the Company of shares issued by the Company on the basis reflected in special resolution number 2. In terms of section 48(2)(b)(i) of the Act, subsidiaries may not hold more than 10%, in aggregate, of the number of the issued shares of a company. For the avoidance of doubt, a pro rata repurchase by the Company from all its shareholders will not require shareholder approval, save to the extent as may be required by the Act.

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

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

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

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

- the Company and the Group will be able to pay their debts in the ordinary course of business;
- the consolidated assets of the Company and of the Group will be in excess of the liabilities of the Company and the Group; the assets and liabilities being recognised and measured in accordance with the accounting policies used in the latest audited Group annual financial statements;
- the share capital and reserves of the Company and of the Group are adequate for ordinary purposes; and
- the working capital of the Company and the Group will be adequate for ordinary business."

Disclosures required in terms of paragraph 11.26 of the Listings Requirements:

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

- Major shareholders – page 12 of the 2017 Annual Financial Statements
- Company's share capital – page 69 of the 2017 Annual Financial Statements

Directors' responsibility statement

The directors, whose names are given on page 1 of the 2017 Annual Financial Statements, collectively and individually accept full responsibility for the accuracy of the information pertaining to the special resolution no. 2, and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that the aforementioned special resolution contains all the information required by the JSE.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

Material change

Other than the facts and developments reported on in the 2017 Annual Financial Statements, there has been no material changes in the financial or trading position of the Company or its subsidiaries since the Company's financial year end and the signature date of this Integrated Annual Report.

SPECIAL RESOLUTION NUMBER 3

Financial assistance to a related or inter-related company or companies

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

Reason for and effect

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

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

SPECIAL RESOLUTION NUMBER 4

Financial assistance for subscription of shares to related or inter-related companies

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

Reason for and effect

The reason and effect of special resolution number 4 is to grant the directors the authority, in terms of section 44(3)(a)(ii) of the Act, authority, to provide financial assistance to any company or corporation which is related or inter-related to the Company and/or to any financier for the purpose of or in connection with the subscription or purchase of options, shares or other securities in the Company or any related or inter-related company or corporation.

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

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

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

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

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

TO TRANSACT SUCH OTHER BUSINESS AS MAY BE TRANSACTED AT AN ANNUAL GENERAL MEETING IDENTIFICATION, VOTING AND PROXIES

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

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

A form of proxy is attached for the convenience of any certificated or dematerialised AfroCentric shareholders with own-name registrations who cannot attend the Annual General Meeting, but who wish to be represented thereat.

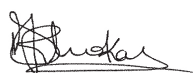
Forms of proxy and/or letters of representation may be presented at any time prior to the annual general meeting and also at the annual general meeting, but to enable the Company to ensure prior to the Annual General Meeting that a quorum will be present at the Annual General Meeting, it would be helpful if proxy forms and/or letters of representation could be delivered to the Company or the Company's transfer secretaries 48 hours prior to the Annual General Meeting, being Wednesday, 8 November. 2017.

All beneficial owners of AfroCentric shares who have dematerialised their shares through a CSDP or broker, other than those with own-name registration, and all beneficial owners of shares who hold certificated shares through a nominee, must provide their CSDP, broker or nominee with their voting instructions, in accordance with the agreement between the beneficial owner and the CSDP, broker or nominee as the case may be. Should such beneficial owners wish to attend the meeting in person they must request their CSDP, broker or nominee to issue them with the appropriate letter of authority. If shareholders who have not dematerialised their shares or who have dematerialised their shares with own-name registration and who are entitled to attend and vote at the Annual General Meeting do not deliver proxy forms to the transfer secretaries timeously, such shareholders will nevertheless at any time prior to the commencement of the voting on the resolutions at the Annual General Meeting be entitled to lodge the form of proxy in respect of the Annual General Meeting in accordance with the instructions therein with the Chairman of the Annual General Meeting.

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

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

By order of the Board



B Mokale

Group Company Secretary
Roodepoort

10 October 2017

ANNEXURE A –

SALIENT FEATURES OF THE AFROCENTRIC GROUP LONG-TERM INCENTIVE PLAN

The salient features of the proposed Plan are set out below. The Plan will be available for inspection at the office of AfroCentric, whose address is set out in the corporate information section of the integrated report, during normal business hours from the date of this notice of annual general meeting until the conclusion of the annual general meeting convened in terms hereof, at the registered office of the Company and at the offices of Sasfin Capital at 29 Scott Street, Waverley, Johannesburg, 2090.

1. OBJECTIVE AND PURPOSE OF THE PLAN

The purpose of the Plan is to retain, motivate and reward eligible employees who are able to influence the performance and growth strategies of the Company, on a basis which aligns their interests with those of the Company's shareholders.

The objective is to share ownership of the Company's wealth with employees that contribute to the growth and wealth generated by the Company, and hence to place a value instrument in the employees' hands.

The Plan will provide selected employees within the Group the opportunity of receiving shares in the Company through a Share Award, subject to the Board and Remuneration Committee's approval.

2. SHARES AVAILABLE FOR THE PLAN

- 2.1 The maximum number of shares that can be issued under the Plan is 27 718 866 (twenty-seven million, seven hundred and eighteen thousand and eight hundred and sixty-six) shares constituting a total of 5% (five percent) of the Company's issued ordinary shares as of the date of approval of the Plan by the Board and shareholders of the Company ("maximum dilution limit").
- 2.2 The maximum number of shares that may be allocated in relation to the Company's issued share capital, a maximum annual allocation of 5 543 773 (five million, five hundred and forty-three thousand and seven hundred and seventy-three) shares in the form of Share Awards under the Plan ("maximum annual allocation"), subject to the maximum dilution limit.
- 2.3 The maximum number of shares that may be allocated to any one participant is 500 000 (five hundred thousand) shares in the form of Share Awards under the Plan subject to the maximum dilution limit and maximum annual allocation.
- 2.4 Subject to prior approval from the JSE, if required, the prior authority of the shareholders of the Company in general meeting shall be required if the aggregate number of shares which may be allocated to participants under the Plan is to exceed 27 718 866 (twenty-seven million, seven hundred and eighteen thousand, eight hundred and sixty-six) shares.
- 2.5 Subject to prior approval from the JSE, if required, the prior authority of the shareholders of the Company in general meeting shall be required if the aggregate number of shares that may be allocated to any one participant in terms of the Plan is to exceed 500 000 (five hundred thousand) shares.

3. PLAN DESCRIPTION

3.1 ELIGIBILITY AND PARTICIPATION

- 3.1.1 Eligibility for participation in the Plan will be considered on an annual basis.
- 3.1.2 Participants will be identified from employees employed in the following levels of employment within the Group:
 - 3.1.2.1 Senior executive levels – employees at B1M2 and B1M1 (as nominated and selected by the Board and Remuneration Committee) that participate at an Executive Committee level as the highest governing body where decisions are made in the Company
 - 3.1.2.2 Governance Committee levels and managers (as nominated and selected by the Executive Committee) – employees that have the responsibility and accountability to manage large operating units or divisions in the Company and that would have a significant strategic impact or operational impact on the Company's growth strategies and results on an annual basis as well as future outcomes

- 3.1.2.3 Any other employment level in the Company deemed of strategic importance by the Board and Remuneration Committee
- 3.1.3 Shares are only to be awarded to employees that are working towards the Group's overall goals and allocation and participation in the scheme will only be permitted to those employees who have no shareholding in any of the Company's subsidiaries.
- 3.1.4 The Remuneration Committee may, in its discretion, call upon any company as part of the Group to make recommendations as to which of its respective employees it wishes to incentivise, retain the services of or attract the services of, by making a Share Award to such employee. Non-executive directors are not eligible for participation.
- 3.1.5 To identify eligible participants from the employment category levels mentioned above, the Board and Remuneration Committee will consider a range of criteria aligned to achieve a combination of the following outcomes to attract, motivate, engage and retain a group of participants that will fall within the ambit of the following sub-categories (which is solely subject to the Board and Remuneration Committee's discretion):
 - 3.1.5.1 talented employees;
 - 3.1.5.2 performing employees;
 - 3.1.5.3 professionals with critical, core and scarce skills;
 - 3.1.5.4 professionals identified as succession candidates for leadership roles; and
 - 3.1.5.5 designated groups in the context of employment equity standards.

3.2 AWARDS

- 3.2.1 Shares will be awarded in the form of Share Awards (which may include bonus shares solely within the Board and Remuneration Committee's discretion).
- 3.2.2 Share Awards are subject to continued employment over the retention period.

3.3 SHARE AWARDS

- 3.3.1 The number of Share Awards to be allocated to an eligible employee will primarily be based on the identified employee's annual salary, grade, performance, retention and attraction requirements and market benchmarks.
- 3.3.2 The number of Share Awards will be recommended by the Remuneration Committee at the time that Share Awards are granted per an award letter. The Remuneration Committee will take into account the particular circumstances at that time. Annual Share Awards will be benchmarked and set to a market-related level of remuneration, while considering the overall affordability thereof to the Company.
- 3.3.3 Once selected and approved by the Board, eligible employees will be notified in writing (per award letter) of their selection to the Plan. Continued participation is, however, not guaranteed.
- 3.3.4 An award letter will be remitted by the Board to the identified eligible employees.
- 3.3.5 The Share Awards for different eligible categories of employees will be aligned to the respective reward strategy per category of employment and as determined by the Board and recommended by Remuneration Committee from time to time. However, for purpose of nominating and selecting eligible employees and determining his/her performance and leadership skills, it should be noted that the approaches, criteria, assessments, performance data and key performance indicators considered will be within the Remuneration Committee's and Board's discretion and are therefore not elaborated on, as different strategies and approaches would be followed for the different categories of employees.
- 3.3.6 The Company recognises the importance of potential as a core essential to identify talent of individual employees, and should be seen in the context of the individual employee's ability to:
 - 3.3.6.1 operate at a higher or complex level;
 - 3.3.6.2 have the right attitude; and
 - 3.3.6.3 aspire to achieve at a higher level.

ANNEXURE A – SALIENT FEATURES OF THE AFROCENTRIC GROUP LONG-TERM INCENTIVE PLAN CONTINUED

3. PLAN DESCRIPTION continued

3.1 ELIGIBILITY AND PARTICIPATION continued

- 3.3.7 Eligible employees will be evaluated and categorised into different levels of potential:
 - 3.3.7.1 high potentials;
 - 3.3.7.2 medium potential; and
 - 3.3.7.3 low potential.
- 3.3.8 Following the application of the various approaches, criteria, assessments, performance data and key performance indicators of employees and other information, subject and as per the Board's and Remuneration Committee's discretion, the final number of eligible employees will be identified by the Board and Remuneration Committee.
- 3.3.9 The percentage and ratio of employees identified from the various employment levels and elected to participate in the Plan will determine the number of Share Awards to be earmarked for the Plan on an annual basis, and the quantum of Share Awards to be awarded to a specific participant.
- 3.3.10 The Board and Remuneration Committee may provide recommendations on the maximum number of participants to be elected from different employment levels in the Group.

3.4 PROCESS OF ELECTING PARTICIPANTS

- 3.4.1 The process for identifying and electing eligible employees on an annual basis to participate in the Plan will be as follows:
 - 3.4.1.1 Eligible employees are to be nominated by the Board, Remuneration Committee and the Chief Executive Officer of the Company as and when decided by the Board (and which employees within the Group may be elected upon recommendation from the boards of other entities in the Group).
 - 3.4.1.2 The Remuneration Committee and Board will shortlist the nominated employees and recommend a number of the identified employees as participants to the Plan, subject to and following the application of the election criteria and the approaches, criteria, assessments, performance data and targets of employees and other information within the Board's and Remuneration Committee's discretion and by way of majority vote.
 - 3.4.1.3 The Remuneration Committee will issue award letters (i.e. the award date).
- 3.4.2 Share Awards will always be subject to the review of Remuneration Committee and the final approval by the Board.
- 3.4.3 On an annual basis, the total Share Awards will not exceed the maximum annual allocation. Should the total annual Share Awards exceed the maximum annual allocation, a proportional reduction will be applied (subject to Board's approval) to ensure that the maximum annual allocation is not exceeded.
- 3.4.4 Election and participation by a participant, following his/her acceptance of an award letter in 1 (one) year will not necessarily imply or guarantee participation in Share Awards in any of the subsequent years of the Plan's duration. Also, for avoidance of doubt, the granting of a certain quantum of Share Awards or at a specific level of employment in a specific 1 (one) year, will not necessarily imply any Share Awards at the same level of employment or quantum of Share Awards in succeeding years for the duration of the Plan.

3.5 RIGHTS OF PARTICIPANTS

In terms of the Plan, the conditional shares (awarded as Share Awards) will only vest in the participant's name on the vesting date. Hence, the participant cannot dispose, pledge, cede and/or assign or in any way encumber its rights to take ownership of the Share Awards prior to the vesting date and will be subject to restrictions until the vesting date.

3. PLAN DESCRIPTION continued

3.6 AWARD LETTERS

- 3.6.1 Following an award date, the Remuneration Committee shall, as soon reasonably practicable, inform elected eligible employees of their election to participate in the Plan via written award letters.
- 3.6.2 The award letter shall be in the form as prescribed by Remuneration Committee, from time to time, and shall at least specify:
 - 3.6.2.1 the maximum number of Share Awards conditionally awarded to the eligible employee or the formula by which such maximum number of Share Awards was determined;
 - 3.6.2.2 a description of the type of shares and rights inherent to the Share Awards;
 - 3.6.2.3 the award date;
 - 3.6.2.4 the vesting date;
 - 3.6.2.5 a description and explanation of employment conditions to be fulfilled by the eligible employee prior to the vesting date;
 - 3.6.2.6 the provision 6 [Reacquisition] and 4.1.6 and 4.1.7 [Tax Liabilities];
 - 3.6.2.7 a stipulation that the Share Award is subject to the provisions of this Plan;
 - 3.6.2.8 an indication on where a copy of the Plan can be obtained for perusal by the eligible employee; and
 - 3.6.2.9 information relating to the Company, including its latest annual financial statements, the general nature of its business and its profit history over the last three years.
- 3.6.3 The award letter should make provision for signed acceptance by the eligible employee.
- 3.6.4 Participants must accept Share Awards in writing and confirm acceptance of the award letter and terms and conditions pertaining to participation in the Plan within 7 (seven) business days following receipt of the award letter.
- 3.6.5 An Award Letter which is not accepted by an eligible employee as aforesaid, shall automatically be deemed to revert back to the Plan for utilisation.

4. TERMS AND PROVISIONS OF SHARE AWARDS

4.1 GENERAL

- 4.1.1 A Share Award (and participant shares) is personal to a participant and shall not be capable of being ceded, assigned, transferred or otherwise disposed of or encumbered by a participant in any way or manner.
- 4.1.2 There shall be no consideration payable for a Share Award upon written acceptance by the participant.
- 4.1.3 Upon acceptance, the participant will not become entitled to any rights or benefits (any dividends, or other distributions made, or right to vote in shareholders' meetings) associated with the Share Awards prior to the expiry of the retention period and subject to fulfilment of predetermined employment conditions.
- 4.1.4 Shares awarded in terms of the Plan and which are not subsequently issued to the identified participants, following the retention period, will remain available within the Plan to be awarded to other identified employees.

4.2 VESTING AND EXERCISE

- 4.2.1 The vesting of Share Awards following the retention period will occur by means of staggered vesting. As example:
 - 4.2.1.1 Staggered vesting will result in the vesting of the Share Awards following the retention period in 3 (three) equal tranches released at a predetermined pattern, spanning over a 3 (three) year period (alternatively the tranches and percentages may be altered subject to the Board's approval) i.e:
 - 4.2.1.1.1 One third of Share Awards after the expiry of retention period (i.e. in year 3 (three) after award date); and
 - 4.2.1.1.2 One third of Share Awards after 2 (two) years from the expiry date of the retention period (i.e. in year 4 (four) after award date); and
 - 4.2.1.1.3 One third of Share Awards after 3 (three) years from the expiry date of the retention period (i.e. in year 5 (five) after award date).

ANNEXURE A – SALIENT FEATURES OF THE AFROCENTRIC GROUP LONG-TERM INCENTIVE PLAN CONTINUED

4. TERMS AND PROVISIONS OF SHARE AWARDS continued

4.2 VESTING AND EXERCISE continued

- 4.2.1.2 Refer attached hereto as Appendix a simulated example to test the impact and advantages and disadvantages of staggered vesting at the individual employee levels, pending various scenarios.
- 4.2.1.3 The vesting of Share Awards will occur at the vesting date or such a later period as determined by the Remuneration Committee and the Board at award date.
- 4.2.1.4 For the sake of clarity and the avoidance of any doubt, it is recorded that until the vesting date, the participant shall not have any ownership interest in; or receive any dividends and/or exercise any voting rights at shareholder's meetings attached to any Share Awards.
- 4.2.1.5 Should the Company decide on a sub-division or consolidation of its securities, the Board and Remuneration Committee will make an adjustment to the number of shares (subject to the Listings Requirements, and JSE and shareholders' approval, where necessary) utilised for purposes of the Plan. Such adjustment must entitle a participant to the same proportion of the equity capital as that to which he/she was previously entitled.
- 4.2.2 Valuation methodologies and value of Share Award guidelines:
 - 4.2.2.1 It is solely within the Board's and Remuneration Committee's discretion to decide on the number of Grants allocated per annum, per participant, and the basis for the value of a Share. The following guidelines may be followed, but is not obligatory for the Board and Remuneration Committee to take into consideration any other criteria as the Board and Remuneration Committee deems fit, may be applied:
 - 4.2.2.1.1 A 30 (thirty) day VWAP as per the Johannesburg Stock Exchange index prior to the award date may be used to determine the number of Share Awards per annum.
 - 4.2.2.1.2 The value of Share Awards may be calculated using the cost to Company (CTC) per category of employee level, multiplied by the individual eligible employee's CTC. Thereafter the number of Share Awards to be awarded to an individual eligible employee may be calculated by dividing the value of Share Awards by the 30 (thirty) day VWAP (as at award date).

5. GENERAL

- 5.1 The rights and obligations of any participant under the terms of his/her office or employment with the Company shall not be affected by his/her participation in the Plan or any right which he/she may have to participate in it.
- 5.2 The Plan shall not entitle a participant to any right to continued employment or any additional right to compensation consequential to the termination of his/her employment.
- 5.3 If the Company is placed in final liquidation, all Share Awards which have not been allocated, shall immediately lapse.
- 5.4 Notwithstanding anything to the contrary contained herein but subject to 5.4, if the Company makes a special distribution and/or if the Company restructures its capital in that it:
 - 5.4.1 undertakes a rights offer; or
 - 5.4.2 is placed in liquidation for purposes of reorganisation; or
 - 5.4.3 is party to a scheme of arrangement affecting the structuring of its share capital;
 - 5.4.4 undertakes a conversion, redemption, subdivision or consolidation of its ordinary share capital; or
 - 5.4.5 undertakes a bonus or capitalisation issue; and

such adjustments shall be made to the rights of participants as may be determined to be fair and reasonable by the Board, provided that any adjustments pursuant to this paragraph 5.4 shall be confirmed by the auditors to the JSE, in writing, and must provide a participant the entitlement to the same proportion of the equity capital as he/she was previously entitled. The written confirmation to the JSE must be provided once such adjustment is finalised.

5. GENERAL continued

- 5.5 Should any participant be aggrieved, he/she is entitled to exploit the dispute resolution procedures set out in clause 12.2 of the Plan.
- 5.6 No adjustments shall be required in terms of this paragraph 5.4 if the provisions of paragraph 5.7 are applicable or in the event of an issue by the Company of any securities or securities convertible into shares as consideration for an acquisition.
- 5.7 For the purposes of paragraph 5.4, the Company shall be deemed to make a special distribution if it distributes shares or any other asset (including cash) to its shareholders:
 - 5.7.1 in the course of, and as part of any unbundling, reorganisation, rationalisation, compromise, arrangement or reconstruction (including the amalgamation of two or more companies or entities);
 - 5.7.2 in the course of, or as part of, a reduction of capital (including a share repurchase);
 - 5.7.3 as a special dividend or other payment in terms of section 90 of the Act; and/or
 - 5.7.4 in the course or in anticipation of the deregistration or liquidation of the Company for any of the above purposes;provided that, this paragraph 5.7 shall not apply to normal annual interim and final cash or scrip dividends declared by the Company.
- 5.8. No adjustments shall be required in terms of paragraph 5.4 in the event of the issue of equity securities as consideration for an acquisition in terms of paragraph 5.7, the issue of securities for cash and the issue of equity securities for a vendor consideration placing.
- 5.9. Any adjustment made in accordance with paragraph 5.4 above must be reported in the Company's annual financial statements in the year during which the adjustment is made.
- 5.10. If the Company undergoes a change of control after awarding a Share Award, but prior to the exercise thereof, then the rights of participants under the Plan will, to the extent necessary, be accommodated on a basis which shall be determined by the Board to be fair and reasonable.

6. AMENDMENT OF THE PLAN

These rules of the Plan shall be approved in accordance with paragraphs 14.1, 14.6 and 14.7 of Schedule 14 of the JSE Listings Requirements. Subject to approval by shareholders in general meeting to the extent (if any) required in terms of any statute, regulation, rules or JSE Listings Requirements from time to time, and/or compliance with any applicable statute, regulation, rules or the JSE Listings Requirements from time to time, these rules may be amended in writing by the Board from time to time.

GLOSSARY

“ACT”	AfroCentric Investment Corporation Limited
“AfroCentric” or “the Company”	AfroCentric Investment Corporation Limited – the Group holding company
“AGM”	Annual General Meeting
“AHA”	ACT Healthcare Assets Proprietary Limited
“AHL” or “AfroCentric Health”	AfroCentric Health Proprietary Limited
“AHS” or “AfroCentric Health Solutions”	AfroCentric Health Solutions Proprietary Limited
“B-BBEE”	Broad-based Black Economic Empowerment
“CEO”	Chief Executive Officer
“CFO”	Chief Financial Officer
“CIS”	Clinical Information System
“CMS”	Council of Medical Schemes
“COID”	Compensation for Occupational Injuries and Diseases
“CSI”	Corporate Social Investment
“DBC”	Documentation-based care
“ED”	Enterprise Development
“ERMF”	Enterprise Risk Management Framework
“ICT”	Information and Communications Technology
“IFM”	Insurance Fraud Manager from FICO
“IFRS”	International Financial Reporting Standards
“IIRC”	International Integrated Reporting Council
“JSE”	JSE Limited
“King III”	King Report of Corporate Governance of South Africa 2009
“LGRC”	Legal, Governance, Risk and Compliance
“MCC”	Medicines Control Council
“MD”	Managing Director
“MOI”	Memorandum of Incorporation which comprises the Company’s existing memorandum of association and its articles of association
“NEHAWU”	National Education and Health Allied Workers Union
“NHI”	National Health Insurance
“SADC”	Southern African Development Community
“Sanlam”	Sanlam Life Insurance Limited
“SED”	Socio-economic development
“the Board”	The Board of Directors of AfroCentric Investment Corporation Limited
“the Companies Act”	The Companies Act 71 of 2008
“the current period”	The year ended 30 June 2017
“the current year”	The year ended 30 June 2017
“the Group”	AfroCentric Investment Corporation Limited, its subsidiaries and associates
“the previous year” or “the prior year”	The year ended 30 June 2016
“the year” or “the year under review”	The year ended 30 June 2017
“WAD Acquisition”	Pharmacy Direct Proprietary Limited, Curasana Wholesaler Proprietary Limited, 26% interest in Activo Health Proprietary Limited
“WAD”	WAD Holdings Proprietary Limited

FORM OF PROXY

RELATING TO THE 11TH ANNUAL GENERAL MEETING OF THE COMPANY

For use by the holders of certificated shares and/or dematerialised shares held through a broker or Central Securities. Depository Participant ("CSDP") who have selected "own name" registration, registered as such at the close of business on the voting record Date, at the Annual General Meeting to be held at 10h00 at the AfroCentric Distribution Services Offices, The Greens Office Park, Building L, 26 Charles De Gaulle Crescent, Highveld Ext 12, Centurion, on Wednesday, 8 November 2017 or any postponement or adjournment thereof.

The form of proxy may also be handed to the chairman of the Annual General Meeting or adjourned or postponed Annual General Meeting before the Annual General Meeting is due to commence or recommence.

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

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

I/We (FULL NAMES IN BLOCK LETTERS PLEASE)

of (address) (BLOCK LETTERS PLEASE)

Telephone no: (WORK) (area code)

Cell phone no:

Telephone no: (HOME) (area code)

Email address:

being the holder/s of

shares hereby appoint

1. or failing him/her

2. or failing him/her

3. the chairman of the Annual General Meeting

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

		For	Against	Abstain
Ordinary Resolutions				
1.	Election of directors			
1.1	Mr SE Mmakau			
1.2	Ms HG Motau			
2.	Retirement and re-election of directors			
2.1	Dr ND Munisi			
2.2	Mr MI Sacks			
2.3	Mr JM Kahn			
3.	Appointment of Chairman and Members to the Audit Committee			
3.1	Ms LL Dhlamini (Chairman)			
3.2	Mr SE Mmakau			
3.3	Ms HG Motau			
4.	Re-appointment of independent External Auditor			
5.	General authority to issue shares for cash			
6.	Approval of the remuneration policy			
7.	Approval of the remuneration implementation report			
8.	Adoption of the Group Long-Term Incentive Plan			
9.	Authorise directors and/or company secretary			
Special Resolutions				
1.	Approval of Non-Executive Directors remuneration			
2.	General authority to repurchase shares			
3.	Financial assistance to a related or Inter-related company or companies			
4.	Financial assistance for subscription of shares to related or Inter-related companies			

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

Please read the following notes and instructions carefully – AfroCentric Investment Corporation Limited (incorporated in the Republic of South Africa) (Registration number: 1988/000570/06) JSE Share code: ACT ISIN: ZAE000078416 ("AfroCentric" or "the Company") 116 AfroCentric INTEGRATED ANNUAL REPORT 2017 Notes:

NOTES TO THE FORM OF PROXY

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided. The person whose name appears first on this form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A proxy appointed by a shareholder in terms hereof may not delegate his authority to act on behalf of the shareholder to any other person.
3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the Annual General Meeting as he deems fit in respect of the entire shareholder's votes exercisable thereat.
4. Forms of proxy must be lodged at or posted to Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107) to be received by not later than 10h00 on Monday, 6 November 2017 or not less than 48 hours before the recommencement of any adjourned or postponed meeting, or 10 minutes before the Annual General Meeting is due to commence or recommence.
5. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so. In addition to the foregoing, a shareholder may revoke the proxy appointment by:
 - (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and
 - (ii) delivering a copy of the revocation instrument to the proxy, and to AfroCentric. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as at the later of the date stated in the revocation instrument, if any; or the date on which the revocation instrument was delivered in the required manner.
6. The chairman of the Annual General Meeting may reject or accept any form of proxy which is completed and/or received, otherwise than in accordance with these notes, provided that, in respect of acceptances, the chairman is satisfied as to the manner in which the shareholder (s) concerned wish (es) to vote.
7. Each shareholder is entitled to appoint one or more proxies (none of whom need be a shareholder) to attend, speak and vote in place of that shareholder at the Annual General Meeting.
8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by AfroCentric or the transfer secretaries or waived by the chairman of the Annual General Meeting.
9. Any alteration or correction made to this form of proxy must be initialled by the signatory(ies).
10. Where there are joint holders of shares:
 - 10.1 any one holder may sign this form of proxy; and
 - 10.2 the vote of the senior (for that purpose seniority will be determined by the order in which the names of shareholders appear in the Register) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint holder(s) of shares.
11. The form of proxy may be used at any adjournment or postponement of the Annual General Meeting, including any postponement due to a lack of quorum, unless withdrawn by the shareholder.
12. An extract from the Act reflecting the provisions of section 58 of the Act is attached as an appendix to this form of proxy.
13. Unlisted securities (If applicable) and shares held as treasury shares may not vote.

APPENDIX – EXTRACT FROM

SECTION 58 OF THE COMPANIES ACT

“58. Shareholder right to be represented by proxy

1. At any time, a shareholder of a company may appoint any individual, including an individual who is not a shareholder of that company, as a proxy to –
 - (a) participate in, and speak and vote at, a shareholders meeting on behalf of the shareholder; or
 - (b) give or withhold written consent on behalf of the shareholder to a decision contemplated in section 60, provided that the shareholder may appoint more than one proxy to exercise voting rights attached to different shares held by the shareholder.
2. A proxy appointment –
 - (a) *must be in writing, dated and signed by the shareholder; and*
 - (b) *remains valid for –*
 - (i) one year after the date on which it was signed; or
 - (ii) any longer or shorter period expressly set out in the appointment, unless it is revoked in a manner contemplated in subsection (4)(c), or expires earlier as contemplated in subsection (8)(d).
3. Except to the extent that the Memorandum of Incorporation of a company provides otherwise –
 - (a) *a shareholder of that company may appoint two or more persons concurrently as proxies;*
 - (b) *a proxy may delegate the proxy's authority to act on behalf of the shareholder to another person, subject to any restriction set out in the instrument appointing the proxy; and*
 - (c) *a copy of the instrument appointing a proxy must be delivered to the company, or to any other person on behalf of the company, before the proxy exercises any rights of the shareholder at a shareholders meeting.*
4. Irrespective of the form of instrument used to appoint a proxy –
 - (a) *the appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder;*
 - (b) *the appointment is revocable unless the proxy appointment expressly states otherwise; and*
 - (c) *if the appointment is revocable, a shareholder may revoke the proxy appointment by –*
 - (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and
 - (ii) delivering a copy of the revocation instrument to the proxy, and to the company.
5. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of –
 - (a) *the date stated in the revocation instrument, if any; or*
 - (b) *the date on which the revocation instrument was delivered as required in subsection (4)(c)(ii).*
6. If the instrument appointing a proxy or proxies has been delivered to a company, as long as that appointment remains in effect, any notice that is required by this Act or the company's Memorandum of Incorporation to be delivered by the company to the shareholder must be delivered by the company to –
 - (a) *the shareholder; or*
 - (b) *the proxy or proxies, if the shareholder has –*
 - (i) directed the company to do so, in writing; and
 - (ii) paid any reasonable fee charged by the company for doing so.
7. A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction, except to the extent that the Memorandum of Incorporation, or the instrument appointing the proxy, provides otherwise.

EXTRACT FROM SECTION 58 OF THE COMPANIES ACT CONTINUED

8. If a company issues an invitation to shareholders to appoint one or more persons named by the company as a proxy, or supplies a form of instrument for appointing a proxy –
- (a) the invitation must be sent to every shareholder who is entitled to notice of the meeting at which the proxy is intended to be exercised;*
 - (b) the invitation, or form of instrument supplied by the company for the purpose of appointing a proxy, must –*
 - (i) bear a reasonably prominent summary of the rights established by this section;*
 - (ii) contain adequate blank space, immediately preceding the name or names of any person or persons named in it, to enable a shareholder to write in the name and, if so desired, an alternative name of a proxy chosen by the shareholder; and*
 - (iii) provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution or resolutions to be put at the meeting, or is to abstain from voting;*
 - (c) the company must not require that the proxy appointment be made irrevocable; and*
 - (d) the proxy appointment remains valid only until the end of the meeting at which it was intended to be used, subject to subsection (5).*
9. Subsection (8)(b) and (d) do not apply if the company merely supplies a generally available standard form of proxy appointment on request by a shareholder.”

ADMINISTRATION AND CONTACT INFORMATION

REGISTRATION NUMBER

1988/000570/06

REGISTERED OFFICE

37 Conrad Road
Florida North
Roodepoort
1709

POSTAL ADDRESS

Private Bag X34
Benmore
2010

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
Tel: +27 11 671 2328

NOTES

This image shows a full page of blank, lined paper. It features approximately 20 horizontal blue lines spaced evenly across the page, typical of notebook or primary writing paper. The lines are light blue and extend from the left margin to the right edge. There are no margins, text, or other markings on the page.

