GROUP ANNUAL FINANCIAL STATEMENTS 2020

AfroCentric
GROUP

CONTENTS

Preparation of the Annual Financial Statements

The Group Annual Financial Statements of AfroCentric Investment Corporation Limited (AfroCentric) for the year ended 30 June 2020 were prepared by Bongiwe Ncube CA(SA), General Manager: Group Finance, AfroCentric Investment Corporation Limited and were reviewed by Hannes Boonzaaier CA(SA), Group Chief Financial Officer of AfroCentric Investment Corporation Limited.

COMPANY INFORMATION

Registration number

1988/000570/06

Registered address

37 Conrad Road
Florida North
Roodepoort
1709

Postal address

Private Bag
X34 Benmore
2010

Auditor

PricewaterhouseCoopers Inc.
Johannesburg

Group Company Secretary

Billy Mokale
Tel: +27 11 671 4725

DIRECTORS' RESPONSIBILITY STATEMENT

for the year ended 30 JUNE 2020

The directors are responsible for the preparation, integrity and fair presentation of the Annual Financial Statements of the Group as presented on pages 20 to 99. These Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), The Companies Act 71 of 2008, as amended (the Companies Act) and in compliance of the Memorandum of Incorporation of the Company and the JSE Limited Listings Requirements (JSE Listings Requirements); and include amounts based on judgements and estimates made by managment.

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

Based on results of the reviews of the internal financial controls conducted by the internal audit function during the 2020 financial year and considering the information and explanations provided by management and discussions with the external auditor on the results of the audit, and assessed by the Audit and Risk Committee, nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of the overall system of controls has occurred during the period under review.

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

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

The audit opinion of PwC appears on pages 13 to 19.

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

The Annual Financial Statements have been approved by the Board and signed on 10 September 2020.

Dr Anna Mokgokong

Chairman

Hannes Boonzaaier

Group Chief Financial Officer

Ahmed Banderker

Group Chief Executive Officer

DECLARATION BY GROUP COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act, I declare that to the best of my knowledge and belief, the Company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

Billy Mokale

Group Company Secretary

10 September 2020

CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER RESPONSIBILITY STATEMENT

for the year ended 30 JUNE 2020

The directors, whose names are stated below, hereby confirm that –

(a) the Annual Financial Statements of the Group, set out on pages 20 to 99, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of International Financial Reporting Standards;

(b) no facts have been omitted or untrue statements made that would make the Annual Financial Statements of the Group false or misleading;

(c) internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer; and

(d) the internal financial controls are adequate and effective and can be relied upon in compiling the Annual Financial Statements of the Group, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

Ahmed Banderker
Group Chief Executive Officer

Hannes Boonzaaier
Group Chief Financial Officer

AUDIT AND RISK COMMITTEE REPORT

for the year ended 30 JUNE 2020

AUDIT AND RISK COMMITTEE REPORT IN TERMS OF SECTION 94(7)(F) OF THE COMPANIES ACT

The AfroCentric Audit and Risk Committee (herein referred to as the Committee) is constituted in terms of section 94 of the Companies Act. The Committee has documented approved terms of reference under which it operates and executes its oversight responsibilities. This report is presented to shareholders in compliance with the requirements of the Companies Act, JSE Listings Requirements and King IV.

Composition

The Committee consists of three suitably qualified Independent Non-executive Directors. The following Independent Non-executive Directors served on the Committee during the financial year under review:

- Lindani Dhlamini (resigned 31 March 2020)
- Grathel Motau (resigned 20 November 2019)
- Bruno Fernandes (appointed Chairperson on 25 May 2020)
- Alice Marie le Roux (appointed on 25 May 2020)
- Mmaboshadi Chauke (appointed on 01 June 2020)

Meetings and duties

The Committee held five meetings during the year under review which is inclusive of one special meeting to approve the Annual Financial Statements and the Integrated Report. The Executive Directors, external auditor, internal auditor and senior management have a standing invitation to attend meetings of the Committee. At these meetings, the Committee received and considered reports from external audit, internal audit, Group finance and the Group company secretariat, legal, governance, risk and compliance departments.

At each Annual General Meeting (AGM), the Board shall present the shareholders with at least three suitable candidates from among the Independent Non-executive Directors, on recommendations by the Nomination Committee, for election as Committee members. The Board shall have the power at all times to appoint, remove and replace any member from the Committee.

Roles and responsibilities of the Committee

The Committee has the following specific responsibilities:

Integrated reporting

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

- have regard to all factors and risks that may impact the integrity of the Integrated Report;
- ensure that appropriate financial reporting procedures exist and are working;
- review the Annual Financial Statements, interim reports, preliminary or provisional results announcements, summarised integrated information, any other intended release of price-sensitive information and trading statements;
- comment in the Annual Financial Statements on the financial statements, the accounting practices and the effectiveness of the internal financial controls of the Company;
- consider the frequency for issuing interim results and whether the external auditor should perform assurance procedures on the interim results;
- review the disclosure of sustainability issues in the Integrated Report to ensure that it is reliable and does not conflict with the financial information;
- confirm responsibilities to review information obtained from the auditors in terms of paragraph 22.15(h) of the JSE Listings Requirements;
- oversight of information technology (IT) governance;
- recommend to the Board the engagement of an external assurance provider on material sustainability issues; and
- recommend the Integrated Report for approval by the Board.

Combined assurance

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

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

Chief Financial Officer and finance function

The Committee:

- reviews the expertise, resources and experience of the Company's finance function, and discloses the results of the review in the Integrated Report; and
- considers and satisfies itself as to the suitability of the expertise and experience of the Chief Financial Officer (CFO) every year and confirms this in the Integrated Report.

External audit

The Committee is responsible for recommending the appointment of the external auditor and to oversee the external audit process and in this regard:

- nominates the external auditor who in the opinion of the Committee is independent of the Company, for the appointment by the shareholders;
- approves the terms of engagement and remuneration for external audit engagement;
- monitors and reports on the independence of the external auditor in the Annual Financial Statements;
- ensures that the appointment of the auditor complies with the provision of the Companies Act, paragraph 22.15 of the JSE Listings Requirements and any other legislation relating to the appointment of the auditors;
- defines a policy for non-audit services;
- ensures that there is a process for the Committee to be informed of any issues identified and reported by the external auditor; and
- reviews the quality and effectiveness of the external audit process.

PwC was appointed as external auditor of the Company and the Group. The Committee has satisfied itself that the external auditor is independent of the Group, as set out in the Companies Act, which includes a consideration of conflicts of interests as prescribed by the Public Audit Act no 25 of 2004 (PAA).

Internal audit

The Committee is responsible for overseeing the internal audit function, and in particular the Committee:

- is responsible for the appointment, performance assessment and/or dismissal of the Chief Audit Executive;
- annually reviews and approves the internal audit plan and Charter;
- annually reviews and confirms the independence of the internal audit function; and
- ensures that the internal audit function is subject to an independent quality review, as and when the Committee determines it appropriate.

Risk management

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

- Ensuring the establishment of an independent risk and compliance function at a Group level;
- Overseeing the development, annual review of a policy and plan risk management to recommend for approval to the Board;
- Monitoring implementation of the policy and plan for risk management taking place by means of risk management systems and processes;
- Making recommendations to the Board concerning the levels of tolerance and appetite, and monitoring that risks are managed within the levels of tolerance and appetite as approved by the Board;
- Ensuring that risk management assessments are performed on a continuous basis and at least once a year;
- Ensuring that management considers and implements appropriate risk responses;
- Ensuring that continuous risk monitoring by management takes place;
- Expressing the Committee's formal opinion to the Board on the effectiveness of the system and process of risk management; and
- Reviewing reports concerning risk management that are to be included in the Integrated Report, these reports being timely, comprehensive and relevant.

Financial reporting and financial control

The Committee has:

» evaluated the adequacy and effectiveness of the accounting policies adopted by the Company in terms of IFRS, JSE Listings Requirements and other legal requirements;
» considered the adequacy and clarity of disclosures in the financial statements;
» reviewed the basis on which the Company has been determined a going concern and made a recommendation to the Board;
» reviewed the effectiveness of financial management and the quality of internal accounting control systems and reports produced by financial management; and
» reviewed the impact of new financial systems, tax and litigation matters on financial reporting.

Effectiveness of internal controls

After consideration of all of the findings reported by internal audit covering those areas included in their annual work plan and explanations given by management, the Committee concluded that there had been no material breakdown in the Company's overall control system and the internal financial controls form a reasonable basis for the preparation of reliable annual financial statements.

Group Annual Financial Statements

The Committee is satisfied that the Group Annual Financial Statements are based on appropriate accounting policies supported by reasonable and prudent judgements and estimates. The Committee is of the view that, in all material respects, the Annual Financial Statements comply with the relevant provisions of the Companies Act, JSE Listings Requirements and IFRS and fairly present the financial position and the results of the Group's operations and cash flows for the year ended 30 June 2020. Having achieved its objective for the financial year, the Committee recommended the Annual Financial Statements for the year ended 30 June 2020 for approval to the Board.

Independence of external auditor

The Committee appraised the independence, quality and effectiveness of the external audit function. Part of this process was to obtain confirmation from the external auditor that the firm, partner and staff responsible for the audit comply with all legal and professional requirements in regard to independence. The Committee also approved the fees paid to the external auditors. The Committee approved the policy related to the audit and permissible non-audit services that PwC provides. Fees paid to the external auditor for the year were considered reasonable when compared to non-audit service, and PwC was assessed as independent.

The Committee confirmed its satisfaction with the independence and level of service rendered by the external auditor, PwC, for the 2020 financial year.

Key audit matters

The Committee has considered the key audit matters, firstly goodwill impairment assessment and secondly capitalisation and impairment assessment of internally generated software, noted in the independent auditor's report and is satisfied that these have been adequately addressed by the external auditors.

Responsibility statement

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

Jose' Bruno Fernandes

Chairperson of the Audit and Risk Committee

10 September 2020

DIRECTORS' REPORT

for the year ended 30 JUNE 2020

The AfroCentric Board has pleasure in presenting its report on the activities of AfroCentric for the year ended 30 June 2020, and can confirm that we continue to create value through our diversified portfolio of services and offerings to all of our stakeholders.

NATURE OF BUSINESS

AfroCentric is a black-owned JSE-listed investment holding company which operates in and provides specialised services to the public and private healthcare sectors, making quality healthcare more accessible and affordable to members and beneficiaries in both sectors. A principal objective of the Group, is to ensure the delivery of efficient health management services, the distribution of quality products, all at manageable and affordable cost, for the benefit of scheme clients, scheme members and the Group's growing customer base.

AFROCENTRIC SHARED VALUE

The Group's operating subsidiaries continue to provide value-added complementary services to its traditional medical scheme clients as part of the Group's strategy inclusive of consolidated disruptive and innovative offerings. Through this, the Group continues to preserve shareholder value and provide solutions to healthcare client needs. This has further enabled us to understand both our clients and competitor environment and we can confirm that the Group is geared towards sustainability.

Our strategy is to optimise our Group's products and services to offer organisations and members a seamless service. As part of our growth strategy, the Group contributes to South Africa's sustainable health and welfare by investing in healthcare-related businesses that grow its portfolio and diversify its revenue sources.

DEVELOPMENTS

We are excited to announce that, to further strengthen our capabilities and diversify our service offering, we will acquire the DENIS group of companies, effective 1 October 2020. The unconditional approval was received from the Competition Tribunal on 26 August 2020. DENIS provides and manages sustainable dental benefits for medical scheme members. The Group has further increased its shareholding in Scriptpharm Risk Management Proprietary Limited (Scriptpharm) from 80% to 100% shareholding, effective 1 August 2020. Scriptpharm is a national pharmacy network comprising over 2 000 pharmacies operating throughout South Africa, with provider status of either a preferred provider to medical schemes or a designated service provider.

FINANCIAL REVIEW

- Group consolidated revenue increased by 21.6% to R6 440 billion (2019: R5 296 billion).
- Group headline earnings increased by 15.6% to R306.7 million compared to R265.3 million in the prior year.
- During the 2018 financial year a non-IFRS earnings measure model was adopted given the material non-cash, non-trading and non-recurring deductions which have a significant adverse impact on the earnings. The Group's normalised headline earnings are R313.7 million compared to R275.6 million in the prior year, representing an increase of 13.8%. Normalised headline earnings are earnings after adjustments are made to remove seasonality, revenue and expenses that are unusual or time influenced.
- Profit before tax increased by 16.1% for the year under review amounting to R613.6 million (2019: R528.5 million).
- Profit after tax (PAT) increased by 19.1% compared to prior financial year.

GOING CONCERN

The Group Annual Financial Statements have been prepared on the going concern basis. The Board having performed a review of the Group's ability to continue as a going concern in the foreseeable future and therefore, based on this review, considers the preparation of the Annual Financial Statements on this basis to be appropriate. Refer to Note 34 for COVID-19 impact on going concern.

DIVIDENDS

The Company declared an interim dividend of 17 cents per ordinary share for the six months ended 31 December 2019. The Company further declared a final dividend of 17 cents per ordinary share for the year ended 30 June 2020. This was declared on 10 September 2020. These dividends are subject to the Dividends Withholding Tax in terms of the Income Tax Act (Act 58 of 1962 amended) for which shareholders are liable. The solvency and liquidity requirements were satisfied at passing of the resolution in accordance with Section 46 of the Company's Act.

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

- The dividends have been declared out of profits available for distribution;
- The local Dividends Withholding Tax rate is 20%;
- The gross dividend amount for both declarations in 2020 is 34 cents per ordinary share (17 cents in interim and 17 cents in final);
- For purposes of the final distribution 574 241 248 ordinary shares will be deemed to be in issue on the dividend record date;
- The Company has 574 241 248 ordinary shares in issue on declaration date; and
- The Company's income tax reference number is 9600/148/71/3.

SHARE CAPITAL

The Company's share capital remains at 574 241 248 ordinary shares in the year under review. As per the Companies Act, Section 38, the Board may resolve to issue shares of the Company at any time, but only within the classes, and to the extent, that the shares have been authorised by or in terms of the Company's Memorandum of Incorporation.

SHARE REPURCHASES

During the year, no share repurchases were made by the Company. AfroCentric Health Proprietary Limited holds 1 999 999 treasury shares.

AUDIT AND RISK COMMITTEE

The information relating to the Audit and Risk Committee is set out on pages 3 to 5.

DIRECTORS

The table below illustrates the directors of AfroCentric for the year ended 30 June 2020.

Director's name	Date of appointment	Designation
ATM Mokgokong (Chairman)	10 June 2010	Non-executive
MJ Madungandaba	10 June 2010	Non-executive
IM Kirk	15 December 2015	Non-executive
ND Munisi	7 December 2015	Non-executive
A Banderker	15 December 2015	Executive – salaried
T Alsworth-Elvey	1 July 2019	Non-executive
SE Mmakau	30 November 2016	Executive – salaried
LL Dhlamini	2 December 2015	Independent Non-executive
HG Motau	15 May 2017	Independent Non-executive
AM le Roux	25 May 2020	Independent Non-executive
JW Boonzaaier	1 August 2015	Executive – salaried
WH Britz	1 August 2015	Executive – salaried
SA Zinn	23 November 2018	Independent Non-executive
JB Fernandes	23 November 2018	Lead Independent Non-executive
G Allen	12 September 2019	Non-executive
M Chauke	1 June 2020	Independent Non-executive

During the year under review, HG Motau resigned as an Independent Non-executive Director on 20 November 2019 and during her absence, Prof SA Zinn stood in as an independent member of the Audit and Risk Committee until the appointment of AM le Roux on 25 May 2020.

G Allen was appointed on 12 September 2019 to replace I Kirk as a Non-executive Director to the Board.

LL Dhlamini resigned on 31 March 2020 as an Independent Non-executive and Lead Independent Director and replaced by M Chauke on 1 June 2020.

The Board appointed JB Fernandes as a Lead Independent Director from 1 June 2020.

The above director movements will be ratified at the 2020 AGM. We confirm that since the end of the financial year and up to the date of this report, the interests of directors have remained unchanged.

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

Directors' ordinary shareholdings as at 30 June 2020

Director	Direct beneficial	Indirect beneficial	Held by associate	Total	%
ATM Mokgokong (Chairman)	–	140 426 628	–	140 426 628	24.45
MJ Madungandaba	–	570 266	–	570 266	0.10
A Banderker	511 326	–	–	511 326	0.09
JW Boonzaaier	30 000	–	–	30 000	0.01
WH Britz	–	94 013 355	–	94 013 355	16.37
ND Munisi	–	69 564 752	–	69 564 752	12.11
G Allen	46 880	–	–	46 880	0.01
	588 206	304 575 001	–	305 163 207	53.14

There were no changes in the directors' interests between the end of the financial year and date of approval of annual financial statements.

Directors' ordinary shareholdings as at 30 June 2019

Director	Direct beneficial	Indirect beneficial	Held by associate	Total	%
ATM Mokgokong (Chairman)	1 707 926	42 172 403	9 326 441	53 206 770	9.60
MJ Madungandaba	–	97 818 886	21 761 697	119 580 583	21.57
AV Van Buuren	–	45 972 571	–	45 972 571	8.2
JW Boonzaaier	30 000	–	–	30 000	0.00
WH Britz	–	45 972 571	–	45 972 571	8.2
ND Munisi	–	69 084 752	–	69 084 752	12.46
JM Kahn	–	18 535 608	–	18 535 608	3.23
MI Sacks	–	17 729 938	–	17 729 938	3.09
	1 737 926	337 286 729	31 088 138	370 112 793	66.35

DIRECTORS' REMUNERATION

Remuneration of Non-executive Directors and Board Committee members

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

Director	Fees R'000
ATM Mokgokong (Chairman)	1 367
MJ Madungandaba	1 368
ND Munisi	429
IM Kirk	59
LL Dhlamini	326
HG Motau	212
SA Zinn	300
JB Fernandes	500
G Allen	183
AM le Roux	43
M Chauke	21
T Alsworth-Elvey	342

* *The director's remuneration highlighted above reflects their total gross directors' fees received across various subsidiaries within the Group.*

Remuneration of Executive and Non-executive Directors

Details of the remuneration are set out in Note 21 of the Group Financial Statements.

Remuneration of the five highest paid subsidiary executives as at 30 June 2020 who are not directors of AfroCentric

Employee	Annual cost to Company and incentives R
AC Edwards	4 966 525
AA Mahmood	4 650 992
N Nyathi	4 012 907
M Tati	3 137 306
G Erasmus	2 161 235

MATERIAL RESOLUTIONS

In terms of the JSE Listings Requirements the Company noted the following material resolutions passed at the prior AGM and during the financial year under review:

- General approval to repurchase shares;
- Inter-company loans and other financial assistance;
- Fees payable to Non-executive Directors;
- Group Annual Financial Statements for the financial year ended 30 June 2020;
- Audit report for the year ended 2020;
- Re-appointment of independent registered auditor;
- Election and re-election of directors;
- Appointment of members to the Audit and Risk Committee;
- Approval to issue ordinary shares and to sell treasury shares, for cash;
- Endorsement of the remuneration policy; and
- Authority of directors.

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

LITIGATION STATEMENT

In terms of the JSE Listings Requirements, the directors note that they are not aware of any legal or arbitration proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 months, a material effect on the Group's financial position, apart from the matters per Note 29 of the Financial Statements.

BORROWING POWERS

In terms of the Memorandum of Incorporation, the borrowing powers of the Company are unlimited. The Company has no restrictive funding arrangements.

INSURANCE

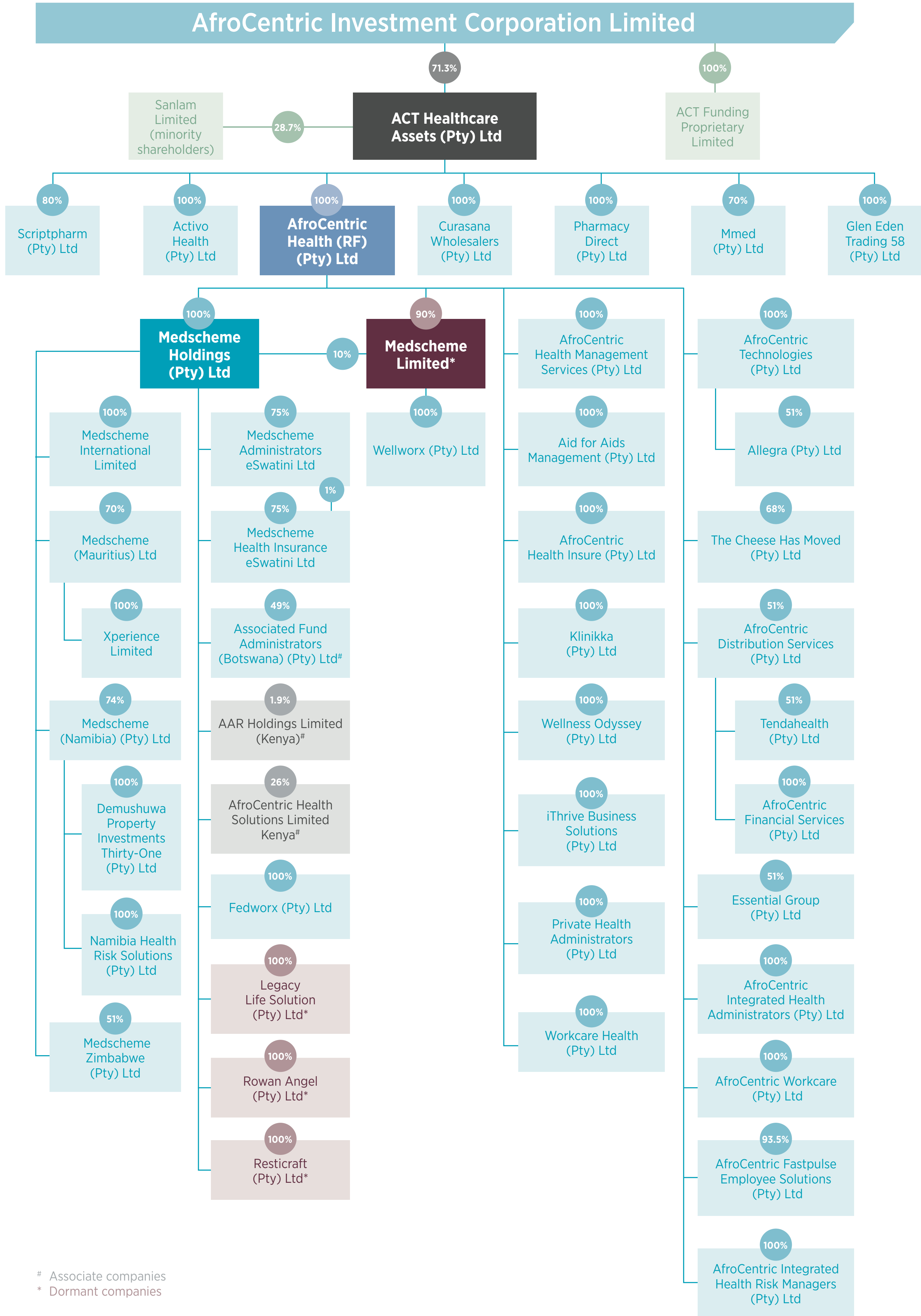
The Group protects itself and the directors against crime and civil liability, and has professional indemnity in place by maintaining a comprehensive insurance policy.

COMPLIANCE

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

AUDITOR

PwC serves as auditor of the Company.



Associate companies
* Dormant companies

SHAREHOLDERS' ANALYSIS

for the year ended 30 JUNE 2020

ORDINARY SHAREHOLDERS

Shareholder spread	Number of shareholders	% of total shareholders	Number of shares	% of shares in issue
1 – 1 000 shares	1 423	32.80	391 250	0.07
1 001 – 10 000 Shares	1 754	40.42	8 553 726	1.49
10 001 – 100 000 shares	989	22.79	27 828 882	4.85
100 001 – 1 000 000 shares	137	3.16	38 927 271	6.78
Over 1 000 000 shares	36	0.83	498 540 119	86.82
Total	4 339	100.00	574 241 248	100.00

Distribution of shareholders	Number of shareholders	% of total shareholders	Number of shares	% of shares In issue
Banks/brokers	21	0.48	18 945 802	3.30
Close corporations	20	0.46	893 328	0.16
Empowerment	1	0.02	10 522 200	1.83
Endowment funds	20	0.46	2 327 541	0.41
Individuals	3920	90.34	106 168 550	18.49
Insurance companies	11	0.25	585 196	0.10
Investment company	1	0.02	423 838	0.07
Mutual funds	19	0.44	12 264 281	2.14
Other corporations	8	0.18	54 204	0.01
Private companies	64	1.47	72 465 976	12.62
Public companies	3	0.07	221 002	0.04
Retirement fund	66	1.52	23 366 612	4.07
Strategic holders	9	0.27	312 672 785	54.45
Treasury shares	2	0.05	927 548	0.16
Trusts	174	4.01	12 402 385	2.16
Total	4 339	100.00	574 241 248	100.00

Public/non-public shareholder spread	Number of shareholders	% of total shareholders	Number of shares In Issue	% of shares In Issue
2020				
Non-public shareholders	**14**	**0.32**	**306 043 875**	**53.30**
Directors and associates of the Company holdings	7	0.16	164 689 699	28.68
Treasury shares	2	0.05	927 548	0.16
Strategic holder (more than 10%)	5	0.12	140 426 628	24.45
Public shareholders	**4 325**	**99.68**	**268 197 373**	**46.70**
Total	4 339	100.00	574 241 248	100.00

ORDINARY SHAREHOLDERS (CONTINUED)

Public/non-public shareholder spread	Number of shareholders	% of total shareholders	Number of shares In Issue	% of shares in Issue
2019				
Non-public shareholders	**14**	**0.35**	**285 270 727**	**49.68**
Directors and associates of the Company holdings	7	0.17	156 822 506	27.31
Treasury shares	2	0.05	927 548	0.16
Strategic holder (more than 10%)	5	0.13	127 520 673	22.21
Public shareholders	**3 933**	**99.65**	**288 970 521**	**50.32**
Total	3 947	100.00	574 241 248	100.00

Major shareholders holding more than 5% of the issued share capital	Number of shares	% of total shares
2020		
Community Healthcare Holdings (Pty) Ltd	**129 228 599**	**22.50**
WAD Holdings (Pty) Ltd	**100 219 923**	**17.45**
Golden Pond Trading 175 (Pty) Ltd	**69 564 752**	**12.11**
ARC Health (Pty) Ltd	**48 765 030**	**8.49**
Total	**347 778 304**	**60.55**

Major shareholders holding more than 5% of the issued share capital	Number of shares	% of total shares
2019		
Community Healthcare Holdings (Pty) Ltd	127 520 673	22.21
WAD Holdings (Pty) Ltd	91 945 142	16.01
Golden Pond Trading 175 (Pty) Ltd	69 084 752	12.03
ARC Health (Pty) Ltd	48 765 030	8.49
Total	337 315 597	58.74

Top 10 institutional shareholders	Number of shares	% of total shares
2020		
Visio Capital Management	**37 043 309**	**6.45**
Metal and Engineering Industries	**5 106 050**	**0.89**
Sovereign Asset Management	**2 784 304**	**0.48**
Nedbank Private Wealth	**2 568 287**	**0.45**
Umthombo Wealth	**2 456 024**	**0.43**
Prescient Investment Management	**2 000 000**	**0.35**
Boutique Investment Partners	**822 800**	**0.14**
Mazi Asset Management	**1 572 800**	**0.27**
RISE Asset Management	**467 553**	**0.08**
STANLIB Asset Management	**247 741**	**0.04**
Total	55 068 868	9.59

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AFROCENTRIC INVESTMENT CORPORATION LIMITED

for the year ended 30 JUNE 2020

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Afrocentric Investment Corporation Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2020, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Afrocentric Investment Corporation Limited's consolidated and separate financial statements set out on pages 20 to 99 comprise:

» the consolidated and separate statements of financial position as at 30 June 2020;

» the consolidated and separate statements of profit or loss and other comprehensive income for the year then ended;

» the consolidated and separate statements of changes in equity for the year then ended;

» the consolidated and separate statements of cash flows for the year then ended; and

» the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

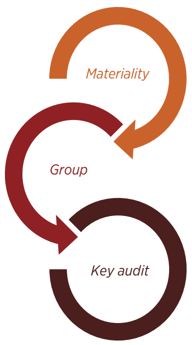
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our audit approach

Overview



Overall group materiality

Overall group materiality: R31 million which represents 5% of consolidated profit before tax.

Group audit scope

Our Group audit scoping included full scope audits for eleven reporting components based on their financial significance, audit risks and statutory audit requirements. Specified procedures were performed on one reporting component.

Key audit matters

» Impairment assessment of goodwill; and

» Capitalisation of development costs relating to internally generated software and impairment assessment of internally generated software.

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

Materiality

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

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

Overall group materiality	*R31 million.*
How we determined it	*5% of consolidated profit before tax.*
Rationale for the materiality benchmark applied	*We chose consolidated profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark.* *We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.*

How we tailored our group audit scope

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

The consolidated financial statements is a consolidation of forty reporting components operating across South Africa, Namibia, Eswatini, Zimbabwe and Mauritius, comprising the Group's operating businesses and centralised functions. Eleven reporting components were selected for full scope audits based on their financial significance, audit risks and statutory audit requirements. Specified audit procedures on certain balances and transactions were performed for one reporting component. The remaining reporting components were considered to be insignificant components for group scoping purposes. Analytical review procedures were performed over these insignificant reporting components.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by us, as the group engagement team, and component auditors from other PwC network firms or other firms operating under our instruction.

Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

Key audit matters

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

We communicate the key audit matters that relate to the audit of the consolidated financial statements of the current period in the table below. We have determined that there are no key audit matters to communicate in our report with regard to the audit of the separate financial statements of the Company for the current period.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>

Impairment assessment of goodwill

(Refer to notes 2(a) (Critical accounting estimates and assumptions, Impairment of goodwill) and 7 (Intangible assets) to the consolidated financial statements)

The Group's goodwill amounting to R1,373 million as at 30 June 2020 arose from a number of business acquisitions by the Group over the years and represents the excess of the cost of acquisitions over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries.

As described in note 7 to the consolidated financial statements, management determined the recoverable amount of cash-generating units ("CGUs") based on value in use. Management determined the value in use of the CGUs by discounting their best estimate of future cash flows attributable to the CGUs. The key assumptions and significant judgements used by management in the calculation of the value in use were as follows:

» The estimated revenues to be earned from the CGUs;
» The weighted average cost of capital (WACC) which is the discount rate that takes into account the yield on government bonds, Beta, risk adjustment factors and a market risk premium;
» Forecast period; and
» An average growth rate, based on past performance and management's expectations of market development, specifically taking into account the impact that the COVID-19 pandemic is expected to have on future earnings.

We considered the impairment assessment of goodwill to be a matter of most significance to the current year audit due to the following:

» Management's calculation of the value in use of the CGUs involved significant judgments as described above; and
» The magnitude of the goodwill balance in relation to consolidated total assets.

</td><td>

Our audit procedures focused on evaluating and challenging the key assumptions used by management in conducting the impairment assessment of goodwill. The procedures performed were as follows:

» We assessed the valuation model applied by management to determine the value in use per CGU against the requirements of International Accounting Standard (IAS) 36, *Impairment of Assets* (IAS 36);
» We held discussions with management and obtained an understanding of management's budgeting process, including the process of approval by the directors in determining the future cash flows;
» We agreed the inputs used in the projected cash flows, to the latest budgets approved by the directors;
» We compared the projected cash flows, including the assumptions relating to revenue growth rates, against historical actual growth rates and actual performance to assess the reasonability of management's budgeting process and projections. We noted no matters requiring further consideration; and
» We assessed the potential impact of COVID-19 on the earnings of each CGU, by analysing the monthly actual cash flows of each CGU during the current year to identify whether or not COVID-19 negatively impacted any of the CGU's earnings. Based on our assessment, we accepted management's conclusion that no adjustments to projected cash flows were necessary in respect of COVID-19.

Utilising our valuation expertise, we assessed the reasonability of key inputs used by management in the value in use calculations as follows:

» For the inputs used in the determination of the discount rates/WACCs::
• we agreed the risk-free rate to the yields on government bonds; and
• we compared the market risk premium and beta used by management to those of similar listed entities.
» Based on the results of our comparison, we accepted the inputs used by management into their determination of the discount rates;
» We assessed the appropriateness of the discount rates used by management in the cash flow forecast, by comparing the discount rates against our own internally developed range of acceptable discount rates, which took into account current and COVID-19 impacted economic and market conditions. Where management's discount rates fell outside of our independently determined range of rates, we recalculated the value in use of those CGUs using a discount rate that was within our independently determined range of discount rates. We noted that the value in use for each CGU was still higher than the CGUs' respective carrying amounts;
» We compared the terminal growth rate applied in the terminal period to the long term consumer price inflation forecast for South Africa. We did not identify material exceptions in the rate used by management;
» Through discussions with management, we obtained an understanding of how risk adjustment factors are determined and compared these to industry valuation data. We noted no material differences in this regard;
» We assessed the reasonability of the forecast period, taking into account renewable revenue contracts and management's estimation of the timeframe during which newly acquired CGUs will gradually improve cash flow generation. Wedid not note any aspect requiring further consideration.

We compared the projected growth rates to the Group's historic growth rates, based on signed agreements with clients for administration fees, managed healthcare fees, corporate wellness fees and capitation fees, in order to assess the reasonability of the projected growth rates. We noted no aspects requiring further consideration.

We calculated a range of value in use for the different CGUs, using an independent range of assumptions arrived at through the procedures performed above, and applied reduced growth rates to the forecasted cash flows. We compared these to the respective CGU's carrying amounts and noted that the value in use for each CGU was higher than the CGU's respective carrying amount.

</td></tr>
</table>

Key audit matter	How our audit addressed the key audit matter
Capitalisation of development costs relating to internally generated software and impairment assessment of internally generated software *(Refer to note 1(f)(iv) (Summary of accounting policies, Internally generated computer software development costs), note 2(h) (Critical accounting estimates and assumptions, impairment of internally generated software) and note 7 (Intangible assets) to the consolidated financial statements)* Included in the Group's intangible assets balance as at 30 June 2020 is capitalised internally generated software ("software") amounting to R203 million. During the current year, the Group capitalised development costs of R203 million relating to software, on the basis that management considers these costs to be clearly associated with an identifiable and unique product which will be controlled by the Group and have a profitable benefit exceeding the cost beyond one year. In capitalising these development costs, management considered the criteria in IAS 38, *Intangible Assets* (IAS 38). Development expenditure that does not meet the above criteria are recognised as an expense in consolidated profit or loss as these are incurred. The Group's policy is to perform an annual impairment assessment using a discounted cash flow forecast on all software, regardless of whether an indication of impairment exists or not. Key assumptions applied by management in the cash flow forecast included the following: » the estimated revenues to be earned from the use of the assets and the period over which those revenues are projected; » the WACC; and » risk adjustment factors used in deriving an appropriate discount rate applied to future estimated cash flows. We considered the capitalisation of development costs relating to software and the impairment assessment of the software to be a matter of most significance to the current year audit due to the following: » Significant judgment that was applied by management in assessing whether direct development costs such as employee expenses and contractor costs of the system development team met the recognition criteria in IAS 38 for capitalisation as an asset; » Recoverability of these assets is based on forecasting and discounting future cash flows which involves a high degree of judgment to be applied by management; and » The magnitude of capitalised development costs during the current year.	We performed the following audit procedures over the capitalisation of development costs relating to software: » Through discussion with management, we obtained an understanding of the methodology applied by management in the capitalisation of development costs relating to software; » On a sample basis, we assessed the development costs capitalised during the year, as well as the Group's accounting policy for capitalisation of development costs relating to software, against the requirements of IAS 38. We noted no exceptions; » By considering the nature of each activity performed by a software developer against the requirements for recognition as 'development' in terms of IAS 38, we assessed the appropriateness of management's rationale for the activities considered to be 'development'. We did not note any aspect requiring further consideration; » On a sample basis, we performed an independent verification of the professional qualifications of employees whose time had been capitalised during the year as development costs in terms of IAS 38, to assess whether those employees had the appropriate professional skills and competencies to develop software. No exceptions were noted; » Through enquiry of management, we obtained an understanding of management's governance processes relating to the recording of time-based expenditure for capitalised development costs; » For a sample of employees, we tested the accuracy of the value of employee costs used in the capitalisation rate per hour with reference to their respective signed employment contracts and increase letters. No exceptions were noted; and » For a sample of employee costs capitalised, we recalculated the costs capitalised to the software by multiplying the capitalisation rate per hour by the time recorded as development hours. For a sample of consultant fees capitalised, we compared the amounts to the relevant invoices. No material differences were noted. We performed the following audit procedures over management's impairment assessment: » We held discussions with management and obtained an understanding of management's budgeting process, including the process of approval by the directors in determining the future cash flows; » We compared the projected cash flows, including the assumptions relating to revenue growth rates, against historical actual growth rates and actual performance, to assess the reasonability of management's budgeting process and projections. We noted no matters requiring further consideration; » We agreed the inputs used in the projected cash flows of revenues to be earned from the use of the software, to the latest budgets approved by the directors; » We assessed the reasonability of the cashflow forecast period, taking into account renewable revenue contracts and management's estimation of the timeframe for the renewal of such contracts. We did not note any aspect requiring further consideration; » Utilising our valuation expertise, we assessed the reasonability of inputs used in the determination of the discount rates/WACCs as described in the key audit matter above; » We assessed the potential impact of COVID-19 on the earnings to be derived from the use of the software, by analysing the monthly actual cash flows derived from the use of the software during the current year, to identify whether or not COVID-19 negatively impacted the earnings from the use of this software. Based on our assessment, we accepted management's conclusion that no adjustments to projected cash flows were necessary in respect of COVID-19; and » We calculated a range of value in use for the software determined from the discounted cash flows, using an independent range of assumptions arrived at through the procedures performed above, and applied reduced growth rates to the forecasted cash flows. We compared these to the carrying amount of the software and noted that the value in use was higher than the carrying amount of the software.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "AfroCentric Group Annual Financial Statements 2020", which includes the Directors' Report, the Audit and Risk Committee Report and the Declaration by Group Company Secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the other sections of the document titled "Afrocentric Integrated Report 2020", which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the consolidated and separate financial statements

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

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

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

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

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

» Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

» Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

» Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

» Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.

» Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

» Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

for the year ended 30 JUNE 2020

Report on other legal and regulatory requirements

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: J Basson
Registered Auditor

Johannesburg
12 September 2020

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

as at 30 JUNE 2020

	Notes	Group 2020 R'000	Group Restated* 2019 R'000	Company 2020 R'000	Company 2019 R'000
ASSETS					
Non-current assets					
Property and equipment	5	471 957	416 558	–	–
Right of use asset	5.1	234 980	290 136	–	–
Investment property	6	15 418	15 418	–	–
Intangible assets	7	2 695 187	2 556 012	–	–
Investments in subsidiaries	10	–	–	428 144	428 144
Investments in associates	9	33 307	29 943	–	–
Deferred tax assets	11	84 607	56 548	12 732	13 419
Other investments	13	3 711	–	–	–
Total non-current assets		3 539 167	3 364 615	440 876	441 563
Current assets					
Inventory	12	297 851	283 732	–	–
Trade and other receivables	8.2	504 335	531 494	209	184
Current tax assets		28 133	37 377	2 677	3 211
Loan to group company	8.7	–	–	–	126 792
Cash and cash equivalents	8.3	177 680	265 296	1 934	10 316
Total current assets		1 007 999	1 117 899	4 820	140 503
Total assets		4 547 166	4 482 514	445 696	582 066
EQUITY AND LIABILITIES					
Equity					
Issued share capital	14.1	18 885	18 885	18 885	18 885
Share premium	14.2	1 080 301	1 080 301	1 080 301	1 080 301
Retained income/(accumulated loss)		1 058 083	934 374	(691 351)	(538 758)
Other reserves	15	3 461	5 848	20 417	11 286
Capital contribution by non-controlling interest		55 874	55 874	–	–
Total equity attributable to owners of the parent		2 216 604	2 095 282	428 252	571 714
Non-controlling interests	16	902 491	787 713	–	–
Total equity		3 119 095	2 882 995	428 252	571 714
LIABILITIES					
Non-current liabilities					
Deferred tax liabilities	11	246 809	230 228	–	–
Other liabilities		10 945	10 961	–	–
Lease liability	8.6	181 427	261 104	–	–
Borrowings	8.5	266 311	371 566	–	–
Deferred payment	32	–	7 335	–	–
Total non-current liabilities		705 492	881 194	–	–
CURRENT LIABILITIES					
Employment benefit liability	18	102 776	88 659	–	1 877
Trade and other payables	8.4	369 862	415 836	7 677	8 475
Current tax liabilities		33 086	32 279	–	–
Lease liability	8.6	96 855	61 551	–	–
Borrowings	8.5	120 000	120 000	–	–
Loan from group company	8.7	–	–	9 767	–
Total current liabilities		722 579	718 325	17 444	10 352
Total liabilities		1 428 071	1 599 519	17 444	10 352
Total equity and liabilities		4 547 166	4 482 514	445 696	582 066

* *Refer to Note 35.1 for the detail of the restatement.*

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 JUNE 2020

	Notes	Group 2020 R'000	Group Restated* 2019 R'000	Company 2020 R'000	Company 2019 R'000
Revenue from contracts with customers	19	**6 440 966**	5 296 792	**–**	–
Dividends received		**–**	–	**56 012**	–
Fair value gain on disposal		**–**	118 715	**–**	–
Fair value gains		**197**	12 867	**183**	10 156
Finance income	22	**26 888**	24 657	**6 555**	5 057
Total income		**6 468 051**	5 453 031	**62 750**	15 213
Cost of pharmaceutical products and finished goods	20	**(1 417 207)**	(1 309 330)	**–**	–
Cost of distribution of pharmaceutical products	20	**(72 561)**	(75 941)	**–**	–
Employee benefit costs	21	**(2 241 345)**	(2 146 121)	**(5 280)**	(3 241)
Other expenses	21	**(1 654 453)**	(861 933)	**(14 126)**	(17 717)
Amortisation	21	**(164 153)**	(110 941)	**–**	–
Rent and property costs	21	**(87 059)**	(97 624)	**–**	–
Right of use asset depreciation	21	**(71 781)**	(82 666)	**–**	–
Depreciation	21	**(62 514)**	(55 909)	**–**	–
IT costs		**(16 717)**	(92 035)	**–**	(2)
Scrapping of intangibles		**–**	(58 515)	**–**	–
Impairment of intangibles		**(2 919)**	–	**–**	–
Share of profits from associates		**7 990**	18 479	**–**	–
Interest on lease liability	17	**(27 886)**	(31 822)	**–**	–
Finance costs	22	**(43 889)**	(20 186)	**(7)**	(61)
Profit/(loss) before tax	21	**613 557**	528 487	**43 337**	(5 808)
Income tax expense	23	**(154 870)**	(143 475)	**(688)**	(472)
Profit/(loss) for the year		**458 687**	385 012	**42 649**	(6 280)
Profit/(loss) for the year attributable to:					
Owners of parent		**303 575**	269 880	**42 649**	(6 280)
Non-controlling interest	16	**155 112**	115 132	**–**	–
		458 687	385 012	**42 649**	(6 280)
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
Remeasurement of post-employment benefit obligations		**16**	(185)	**–**	–
Income tax relating to these items	23	**(4)**	52	**–**	–
Components of other comprehensive income that will be reclassified to profit or loss					
Exchange differences on translation of foreign operations					
Foreign exchange benefit/(loss)		**(380)**	(3 907)	**–**	–
Total other comprehensive income/(loss) net of tax		**(368)**	(4 040)	**–**	–
Total comprehensive income		**458 319**	380 972	**42 649**	(6 280)
Comprehensive income attributable to:					
Comprehensive income/(loss), attributable to owners of parent		**303 207**	265 840	**42 649**	(6 280)
Comprehensive income, attributable to non-controlling interests	16	**155 112**	115 132	**–**	–
		458 319	380 972	**42 649**	(6 280)
Earnings per share (cents) attributable to equity holders of the parent					
Basic earnings per share	24	**52.87**	48.14	**–**	–
Diluted earnings per share	24	**51.79**	47.40	**–**	–

* *Refer to Note 35.2 for the detail of the restatement.*

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 JUNE 2020

	Notes	Group						
		Ordinary share capital R'000	Share premium R'000	Other reserves R'000	Capital contribution by non-controlling interest R'000	Retained earnings R'000	Non-controlling interests R'000	Total equity R'000
Balance at 1 July 2018		18 686	999 058	1 970	55 874	865 026	679 277	2 619 891
CHANGES IN EQUITY								
Profit for the year		–	–	–	–	269 880	115 132	385 012
Foreign exchange loss		–	–	(3 907)				(3 907)
Remeasurement of post-employment benefit obligations		–	–	–	–	(133)	–	(133)
Issue of equity	14	199	81 243	–	–	–		81 442
Dividend recognised as distributions to shareholder	27	–	–	–	–	(186 321)	(10 341)	(196 662)
Increase through share-based payment transactions	15	–	–	7 785	–	–	–	7 785
Opening balance adjustment		–	–	–	–	(14 078)	–	(14 078)
Non-controlling interest on acquisition of subsidiaries	16	–	–	–	–	–	3 645	3 645
Balance at 30 June 2019		18 885	1 080 301	5 848	55 874	934 374	787 713	2 882 995
Balance at 1 July 2019		**18 885**	**1 080 301**	**5 848**	**55 874**	**934 374**	**787 713**	**2 882 995**
CHANGES IN EQUITY								
Profit for the year		**–**	**–**	**–**	**–**	**303 575**	**155 112**	**458 687**
Remeasurement of post-employment benefit obligations		**–**	**–**	**–**	**–**	**12**	**–**	**12**
Foreign exchange benefit		**–**	**–**	**(380)**	**–**	**–**	**–**	**(380)**
Dividend recognised as distributions to shareholder	27	**–**	**–**	**–**	**–**	**(195 242)**	**(43 900)**	**(239 142)**
Increase through changes in ownership interests in subsidiaries that do not result in loss of control	16	**–**	**–**	**–**	**–**	**2 045**	**3 566**	**5 611**
Reclassification	15	**–**	**–**	**(11 138)**	**–**	**11 138**	**–**	**–**
Increase through share-based payment transactions	15	**–**	**–**	**9 131**	**–**	**–**	**–**	**9 131**
Revaluation reserves		**–**	**–**	**–**	**–**	**–**	**–**	**–**
Measurement period adjustments after acquisition date*		**–**	**–**	**–**	**–**	**2 181**	**–**	**2 181**
Balance at 30 June 2020		**18 885**	**1 080 301**	**3 461**	**55 874**	**1 058 083**	**902 491**	**3 119 095**
Notes		14	14					

* *In relation to the acquisition of Activo Health (Pty) Ltd in March 2019, in terms of the sale of shares agreement, a preacquisition dividend was declared and payment effected in December 2019. In terms of IFRS 3 Business Combination, the provisional accounting applied to the acquisition of Activo Health (Pty) Ltd was finalised in December 2019 (which is within the measurement period), resulting in the adjustments.*

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

for the year ended 30 JUNE 2020

	Notes	Company				
		Ordinary share capital R'000	Share premium R'000	Other reserves R'000	Retained earnings R'000	Total equity R'000
Balance at 1 July 2018		18 686	999 058	3 501	(346 157)	675 088
CHANGES IN EQUITY						
Loss for the year		–	–	–	(6 280)	(6 280)
Issue of equity	14	199	81 243	–	–	81 442
Dividend recognised as distributions to shareholder	27	–	–	–	(186 321)	(186 321)
Increase through share-based payment transactions	15	–	–	7 785	–	7 785
Balance at 30 June 2019		18 885	1 080 301	11 286	(538 758)	571 714
Balance at 1 July 2019		**18 885**	**1 080 301**	**11 286**	**(538 758)**	**571 714**
CHANGES IN EQUITY						
Profit for the year		**–**	**–**	**–**	**42 649**	**42 649**
Dividend recognised as distributions to shareholder	27	**–**	**–**	**–**	**(195 242)**	**(195 242)**
Increase through share-based payment transactions	15	**–**	**–**	**9 131**	**–**	**9 131**
Balance at 30 June 2020		**18 885**	**1 080 301**	**20 417**	**(691 351)**	**428 252**
	Notes	14	14			

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

for the year ended 30 JUNE 2020

		Group		Company	
	Notes	2020 R'000	Restated** 2019 R'000	2020 R'000	2019 R'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from/(payments to) customers		6 460 790	5 895 618	(25)	225
Cash paid to suppliers and employees		(5 521 045)	(5 232 082)	(12 951)	(15 102)
CASH GENERATED FROM/(UTILISED IN) OPERATIONS	25	939 745	663 536	(12 976)	(14 877)
Dividend paid	27	(239 142)	(196 662)	(195 242)	(186 321)
Dividends received		4 626	4 168	56 012	–
Interest paid		(71 775)	(52 008)	(7)	(61)
Interest received	22	26 888	24 657	6 555	5 057
Income taxes (paid)/refunded	26	(158 634)	(136 924)	534	(3 861)
Net cash inflow/(outflow) from operating activities		501 708	306 767	(145 124)	(200 063)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payment for acquisition of subsidiaries, net of cash acquired		–	(572 706)	–	–
Business combinations*		(20 350)	–	–	–
Proceeds from sales of tangible assets		17 115	–	–	–
Purchase of tangible assets		(136 969)	(98 857)	–	–
Proceeds from sales of intangible assets		–	962	–	–
Purchase of intangible assets		(284 210)	(241 697)	–	–
Settlement of loans by associates		–	2 600	–	–
Sale of investment		–	3 174	–	–
Settlement of loans advanced to group companies		–	–	126 792	–
Disinvestment of financial assets		–	227 434	183	227 434
Payment toward deferred payment obligation		(7 335)	(306)	–	–
Net cash (outflow)/inflow from investing activities		(431 749)	(679 396)	126 975	227 434
CASH FLOWS FROM FINANCING ACTIVITIES					
Changes in ownership interests in subsidiaries that do not result in loss of control – Medscheme Mauritius Limited	16	6 303	–	–	–
Lease liability capital repayment**		(58 243)	(62 652)	–	–
Proceeds of borrowings		50 000	550 000	–	–
Capital settlement of borrowings		(155 255)	(58 434)	–	–
Proceeds of loans from group companies		–	–	9 767	–
Repayments of loans by related parties		–	–	–	(28 046)
Net cash (outflow)/inflow from financing activities		(157 195)	428 914	9 767	(28 046)
Net (decrease)/increase in cash and cash equivalents before effect of exchange rate changes		(87 236)	56 285	(8 382)	(675)
Effect of exchange rate changes on cash and cash equivalents		(380)	(3 907)	–	–
Cash and cash equivalents at beginning of the year		265 296	212 918	10 316	10 990
Cash and cash equivalents at end of the year	8.3	177 680	265 296	1 934	10 316

* *This relates to the portion of the preacquisition dividend paid to the former shareholders of Activo Health (Pty) Ltd on the date that the dividend was declared. The dividend was paid in December 2019, post the acquisition of Activo Health (Pty) Ltd in March 2019.*

** *Refer to Note 35.6 for the detail of the restatement.*

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 JUNE 2020

1. SUMMARY OF ACCOUNTING POLICIES

1(a) General information

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

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

These consolidated Annual Financial Statements have been approved for issue by the Board on 10 September 2020.

(i) Statement of compliance

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

(ii) Basis of presentation

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

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

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

Carried at fair value:

» Financial instruments measured at fair value through profit or loss; and

» Investment property held at fair value using independent market valuations.

The preparation of the Annual Financial Statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Annual Financial Statements and the reported amounts of revenues and expenses during the reporting years. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The statement of comprehensive income is presented on a hybrid method of the nature and function method as the Group believes this represents more meaningful and relevant information to the user and is disclosed in this manner.

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(iii) International Financial Reporting Standards and amendments effective for the first time for 30 June 2020 year-ends

IFRS	Effective date	Executive summary
IAS 19 Employee Benefits	Annual periods beginning on or after 1 January 2019	*Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)*: The amendments require an entity to use the updated assumptions from a remeasurement net defined benefit liability or asset resulting from a plan amendment, curtailment or settlement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.

The amendments affect any entity that changes the terms or the membership of a defined benefit plan. AfroCentric Group and its companies have not made any changes to the terms of the defined benefit plan. IAS 19 amendment has had no impact on the Group.

(iv) International Financial Reporting Standards, interpretations and amendments issued but not effective for 30 June 2020 year-ends

IFRS	Effective date	Executive summary
IFRS 3 Business Combinations	Annual periods beginning on or after 1 January 2020	*Definition of a Business:* The amendments: confirmed that a business must include inputs and a process, and clarified that: » the process must be substantive; and » the inputs and process must together significantly contribute to creating outputs. » narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and » added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.
IFRS 17 Insurance Contracts	Annual periods beginning on or after 1 January 2023	» IFRS 17 creates one accounting model for all insurance contracts in all jurisdictions that apply IFRS » IFRS 17 requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and take into account any uncertainty relating to insurance contracts » The financial statements of an entity will reflect the time value of money in estimated payments required to settle incurred claims » Insurance contracts are required to be measured based only on the obligations created by the contracts » An entity will be required to recognise profits as an insurance service is delivered, rather than on receipt of premiums » This standard replaces IFRS 4 Insurance Contracts
IAS 1 Presentation of Financial Statements	Annual periods beginning on or after 1 January 2020	Disclosure Initiative: The amendments clarify and align the definition of "material" and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS.
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	Annual periods beginning on or after 1 January 2020	Disclosure Initiative: The amendments clarify and align the definition of "material" and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS.

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

1(b) Basis of consolidation

(i) Subsidiaries

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

(ii) Business combinations

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

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

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability are recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired are recorded as goodwill.

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

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

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

(iv) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

In the Company financial statements, the investment in associates is recognised at cost.

At Group, the investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss and other comprehensive income of the investee after the date of acquisition. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

1(b) Basis of consolidation (continued)

(iv) Associates (continued)

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

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

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

1(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within finance income or costs. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

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

(iii) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) All resulting exchange differences are recognised in other comprehensive income and accumulated in equity as other reserves.

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

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

1(d) Property and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset when they meet the recognition criteria of property and equipment. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

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

The estimated maximum useful lives are:

» Property and office equipment	five to twenty years
» Right of use assets (refer 1(h))	two to ten years (depending on the lease term)
» Motor vehicles	five to six years
» Computer equipment	three to seven years
» Buildings	thirty to fifty years
» Furniture and fittings	five to ten years

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

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

Derecognition

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

1(e) Investment property

(i) Initial recognition

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

(ii) Subsequent measurement

An investment property is subsequently measured at fair value per IAS 40 and gains or losses from the fair value adjustments are recognised in profit or loss. The valuation is prepared annually by an independent valuer. Refer to 6.3 for the valuation process.

(iii) Derecognition

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

1 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

1(f) Intangible assets and goodwill

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

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

The estimated maximum useful lives are:

» Contractual customer relationships	five to ten years
» Trademarks, brands and intellectual property	ten years
» Internally generated computer software development costs	less than fifteen years
» Computer software acquired	four to five years
» Goodwill	Indefinite
» Pharmaceutical dossiers	ten to twenty years

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of associates is included in the carrying amount of investments in associates and is tested for impairment as part of the overall balance. Goodwill on acquisitions of subsidiaries is included in intangible assets.

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

(ii) Contractual customer relationships

Acquired contractual customer relationships from business combinations are recognised at fair value at acquisition date. As contractual customer relationships have a finite useful life, they are subsequently carried at cost less accumulated amortisation and impairment losses.

(iii) Trademarks, brands and intellectual property

Trademarks, brands and intellectual property have finite useful lives and are initially measured at fair value and subsequently amortised over their useful lives.

(iv) Internally generated computer software development costs

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

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

- It is technically feasible to complete the software so that it will be available for use;
- Management intends to complete the software and use or sell it;
- There is an ability to use or sell the software;
- It can be demonstrated how the software will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- The expenditure attributable to the software during its development can be reliably measured.

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

1 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

1(f) Intangible assets and goodwill (continued)

(v) Computer software acquired

Acquired computer software licences are capitalised on the basis of the cost incurred to acquire and bring to use the specific software.

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

(vi) Pharmaceutical dossiers

Pharmaceutical dossiers relate to generic pharmaceutical products including over-the-counter medicine, antiretrovirals, acute and chronic medicines. These were fair valued at acquisition date and subsequently will be amortised over their useful lives.

1(g) Impairment of assets

(i) Impairment of non-financial assets

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

1(h) Leases

(i) The Group is the lessee

The Group leases various properties and other assets. Rental contracts are typically made for fixed periods of 1 to 10 years but may have extension options as described in 1(h) (ii) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. All non-cancellable lease terms are taken into account when determining the lease term. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the present value of the following lease payments:

» fixed payments (including in-substance fixed payments), less any lease incentives receivable;

» amounts expected to be payable by the lessee under residual value guarantees;

» payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option; and

» the lease payments are discounted using the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

» the amount of the initial measurement of lease liability;

» any lease payments made at or before the commencement date less any lease incentives received;

» any initial direct costs, and

» restoration costs.

Payments associated with short-term leases and leased assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(ii) Extension and termination options

Extension and termination options are included in a number of property and vehicle leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

1(i) Financial instruments

(i) Initial recognition and measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (**FVTPL**), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

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

» Financial instruments at FVTPL comprise financial instruments held for short-term profit taking;

» Loans and receivables originated by the entity are non-derivative financial assets that are created by the Group by providing money, goods or services directly to a debtor other than those that are originated with the intention to sell in the short term;

» Investments are classified as fair value through other comprehensive income (**FVOCI**) if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long term; and

» Financial instruments at amortised cost are instruments that are neither held for trading nor measured at fair value.

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

1(i) Financial instruments (continued)

(i) Initial recognition and measurement (continued)

(a) Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

(b) Financial assets – assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

1(i) Financial instruments (continued)

(ii) Classification and subsequent measurement

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

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(a) Financial assets and liabilities measured at FVTPL

The Group classifies the following financial assets at FVTPL:

» Debt investments that do not qualify for measurement at either amortised cost or FVOCI;

» Equity investments that are held for trading; and

» Equity investments for which the entity has not elected to recognise fair value gains and losses through other comprehensive income (**OCI**).

(b) Financial assets at amortised cost

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

» The asset is held within a business model whose objective is to collect the contractual cash flows; and

» The contractual terms give rise to cash flows that are solely payments of principal and interest.

(c) Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is measured as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(d) Impairment of financial assets

The Group recognises loss allowances for expected credit losses (**ECL**) on financial assets measure at amortised cost.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured at 12-month ECL:

» Debt securities that are determined to have low credit risk at the reporting date; and

» Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward looking information.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument. 12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 30 June 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the gross domestic product and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

1(i) Financial instruments (continued)

(iii) Classification and subsequent measurement (continued)

(e) Derecognition

Financial asset

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group/Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by IFRS9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 8.1 for further details.

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

1(j) Contingent liabilities

Contingent liabilities are liabilities for which a reliable estimate can be made, yet the probability of an outflow of economic benefits is remote.

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

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

(i) the amount that would be recognised in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and

(ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IFRS 15 Revenue.

Contingent liabilities not acquired in business combinations are not recognised but disclosed in Note 29.

1(k) Provisions

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

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

1(l) Employee costs

(i) Pension and provident fund obligations

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

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

(ii) Post-employment medical obligations

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

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

1(l) Employee costs (continued)

(iii) Annual leave

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

(iv) Termination benefits

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

» terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or

» providing termination benefits as a result of an offer made to encourage voluntary redundancy.

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

(v) Short-term benefits

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

The Group recognises a liability and an expense for bonuses based on a formula where there is a contractual obligation or a past practice that created a constructive obligation. The Group has an incentive scheme (refer to Note 21). The expense is recognised as “Employee benefit costs” in the statement of comprehensive income. Factors that are taken into account when determining the incentive bonus amount include key performance indicators and performance of both the individual and the Company.

(vi) Investments in subsidiaries

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

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

1(m) Income and expense recognition

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

The Group recognises revenue once performance obligations have been met.

All revenue excludes value added tax (VAT). All expenditure on which input VAT can be claimed, excludes VAT.

(i) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good and monthly as the services are performed.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of products/ service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Admin health	Administration of the fund/scheme, which could include processing claims, collecting payments, maintaining records, member administration	The customer benefits as AfroCentric provides the service, thus revenue should be recognised as the services are rendered over the contract duration. The fee charged is per member per month – even though some of the contracts have sliding scales applicable depending on member numbers, this does not impact the revenue to be recognised in a given month as that months' services would result in revenue for that month based on the number of members during that month multiplied by the applicable rate. The contracts provide for annual escalation – such amendments are accounted for in the period in which they arise. As the penalties give rise to variable consideration management should estimate the effect of penalties in determining the appropriate amount of revenue to recognise per month. Variable consideration: There are sliding scales applicable depending on member numbers – this does not impact the revenue to be recognised in a given month, as that month's services would result in revenue for that month based on the number of members during that month multiplied by the applicable rate.

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

1(m) Income and expense recognition

(i) Revenue from contracts with customers (continued)

Type of products/ service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Retail/ pharmaceutical	Services provided vary across the agreements, but include the following: maintenance of stock of medicines required to fulfil scripts, contacting members to inform them of script expiry, delivery and dispensing of medicines per scripts	The customer benefits as AfroCentric provides the service, thus revenue should be recognised as the services are rendered, which is as the dispensed medicines are delivered to the member, thus revenue in respect of the sale of the medicines and the services are recognised at the same time. Medicine prices charged are regulated. Fee per medicine per script is indicated in the contract. As the penalties give rise to variable consideration management should estimate the effect of penalties in determining the appropriate amount of revenue to recognise per month.
Managed healthcare	Management services vary per customer contract, and per scheme option. Services within a specific option are indivisible.	The customer benefits as AfroCentric provides the service, thus revenue should be recognised over time. Additional once-off services which are performed would result in revenue recognition as that service is provided. The fee charged is per member per month – even though some of the contracts have sliding scales applicable depending on member numbers, this does not impact the revenue to be recognised in a given month as that months' services would result in revenue for that month based on the number of members during that month multiplied by the applicable rate. The contracts provide for annual escalation – such amendments are accounted for in the period in which they arise. As the penalties give rise to variable consideration management should estimate the effect of penalties in determining the appropriate amount of revenue to recognise per month. Variable consideration: There are sliding scales applicable depending on member numbers – this does not impact the revenue to be recognised in a given month, as that month's services would result in revenue for that month based on the number of members during that month multiplied by the applicable rate.

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

1(m) Income and expense recognition (continued)

(ii) Finance income

Interest income is recognised on a time-proportion basis using the effective interest method. Interest income on impaired loans should continue to be recognised on a time proportion basis using the effective interest method on the impaired balance.

(iii) Dividend income

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

(iv) Other expenditure

All other expenditure is recognised as and when incurred.

(v) Cost of sales

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

1(n) Inventories

Inventories include assets held for sale in the ordinary course of business such as pharmaceutical products as well as highly specialised high-value medical equipment.

Inventories are initially measured at cost and subsequently measured at the lower of cost and net realisable value on a weighted average basis.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

1(o) Taxation

(i) Direct taxation

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

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

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

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

» initial recognition of goodwill;

» initial recognition of assets and liabilities in a transaction that is not a business combination, which affects neither accounting nor taxable profits or losses; and

» investments in subsidiaries and associates where the Group controls the timing of the reversal of temporary differences and it is probable that these differences will not reverse in the foreseeable future.

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

(ii) Dividends tax

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

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

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

1(p) Dividends

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

1(q) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity.

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

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

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

1(q) Share capital (continued)

(ii) Share-based payments

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

1(r) Segment reporting

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

1(s) Structured entities

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

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

The change in fair value of each Collective investment scheme is included in the statement of comprehensive income in "Fair value gains".

1(t) IFRS 9 Financial Instruments

(i) Classification and measurement

IFRS 9 contains three principal classification categories for financial assets:

- Measured at amortised cost;
- Fair value through other comprehensive income; and
- Fair value through profit and loss.

The classification of financial assets within IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

(ii) Impairment of financial assets

The ECL impairment model applies to financial assets that the Group measures at amortised cost as the standard requires assessment of contractual cash flows for financial assets measured at amortised cost and FVTOCI.

The Group's trade and other receivables do not contain a significant financing component and therefore the allowance is measured at initial recognition as expected credit losses that result from all possible defaults events over the expected life of these assets. The Group uses a provision matrix and time value of money approach to estimate ECL for these financial assets.

(iii) Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables.

2. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

2(a) Impairment of goodwill

The carrying amount of goodwill is tested annually for impairment in accordance with the stated accounting policy. The recoverable amount of the CGUs has been determined based on value-in-use calculation, being the net present value of the discounted cash flows of the CGU less the tangible net asset value of that CGU. Details of the main assumptions applied in determining the net present value of the CGU are provided in Note 7 in these Annual Financial Statements.

2(b) Carrying value of tangible and intangible assets

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

The carrying amount of tangible and intangible assets at 30 June 2020 was R487 million (June 2019: R432 million) and R2 695 billion (June 2019: R2 556 billion) respectively.

2(c) Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed annually and if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

2(d) Fair value measurement

For further details and main assumptions please refer to Note 6.3 in these Annual Financial Statements.

2(e) Deferred tax assets

The deferred tax assets include an amount of R23 million which relates to carried forward tax losses. Some companies have incurred losses over the past financial years but management has concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for these companies.

The assessed losses brought forward for these companies are expected to be utilised on an annual basis going forward. This is due to the expectation they will be generating taxable profits in the foreseeable future. The losses can be carried forward indefinitely and have no expiry date.

2(f) Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events as disclosed in Note 29.

(i) Litigation liability

When AfroCentric Investment Corporation Limited acquired AfroCentric Health Limited (AHL), AHL had an at acquisition contingent liability to the value of R83.5 million. The directors estimated the fair value of the contingent liability to be R8.35 million, and recognised an at-acquisition liability in line with IFRS 3 Business Combinations.

The fair value was determined by using the maximum loss and the potential impact of this liability materialising at the date of acquisition.

The litigation liability is included in the Other liabilities amount disclosed in the Non-current liabilities section on the face of the statement of financial position on page 20.

2. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

2(g) Estimation of ECL allowance

The Group has historically had high-quality debtors and an impeccable repayment history. As a result there isn't a general provision model applicable to the Group.

The ECL for trade receivable for segments with a history of provisions of credit losses has been calculated using a Provision Matrix approach and Time Value of Money loss approach for segments with no history of credit losses.

Provision matrix (segments: Funds and Government)

Provision matrix calculates the cash flows and then discounts those cash flows to calculate the real outstanding debtors (the outstanding debtors taking into account time value of money by subtracting the discounted cash flows from the initial outstanding debtors).

The roll rates, loss rates and ultimate loss rate are calculated which will be the percentage of trade debtors as at year-end that are written off.

Time value of money (segments: Private, Healthcare and Retail)

The debtors whose expected credit losses are calculated using the time value of money are those that have not been previously or historically written off due to the fact that they are slow payers. The expected credit losses are therefore limited to the effects of the time value of money due to slow paying (the opportunity cost of delayed payments). Therefore, this is based on the premise that all debtors will be collected, the time value of money loss is the ultimate IFRS 9 impairment, and there is no credit loss.

Time value of money loss is calculated as (cash flows less discounted cash flows)/cash flows.

2(h) Impairment of internally generated software

The carrying amount of internally generated software is tested annually for impairment. The recoverable amount of the cash-generating units ("CGU") has been determined based on the value-in-use calculation, being the net present value of the discounted cash flows of the CGU. The main assumptions applied in determining the net present value are:

- the estimated revenues to be earned from the use of the assets and the period over which those revenues are projected;
- the weighted average cost of capital; and
- risk adjustment factors used in deriving an appropriate discount rate applied to future estimated cash flows.

3. FINANCIAL RISK MANAGEMENT

General

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

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

Primary responsibility for risk management at an operational level rests with the Executive Committee. Management and various specialist committees are tasked with integrating the management of risk into the day-to-day activities of the Group and Company.

The Retail, Healthcare and Administration business activities are exposed to a variety of financial risks:

- Market risk;
- Credit risk; and
- Liquidity risk.

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

Refer to Note 8 for classes of financial assets and liabilities.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Currency risk

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

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk which are detailed in Note 9 of the Financial Statements. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies. The Group is not exposed to any foreign exchange risk in relation to its foreign operations in Namibia and Eswatini as the currencies of these countries are fixed to the South African Rand.

Cash flows from the Group's other foreign investments (Botswana, Mauritius, Kenya and Zimbabwe) bear foreign exchange risk. The most significant exposure is to the Mauritian Rupee, the Botswana Pula, the Zimbabwean Real Time Gross Settlement (**RTGS**) dollar and the United States Dollar (**US Dollar**). The impact of foreign exchange risk on profit and loss amounted to R380 000 loss in the 2020 financial year (2019: R3.9 million loss).

(ii) Cash flow and fair value interest rate risk

The Group is exposed to downside interest rate risk from external borrowings.

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

The Group's interest expense arises from the Nedbank borrowings facilities.

The Group and Company have used a sensitivity analysis technique that measures the estimated change to the statement of comprehensive income and equity of an instantaneous increase of 2% (200 basis points) in the market interest rates for each class of financial instrument with all other variables remaining constant. The sensitivity analysis excludes the impact of market risks on net post-employment benefit obligations.

The interest rate sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect the interest income or expense of variable interest financial instruments; and
- Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interest rates if these are recognised at their fair value.

	Group		Company	
	Increase in 2% on statement of comprehensive income R'000		Increase in 2% on statement of comprehensive income R'000	
Instruments exposed	2020	2019	2020	2019
Bank balances and short-term investments	6 486	–	144	–
Borrowings	(10 739)	(1 472)	–	–
Total	(4 253)	(1 472)	144	–

	Group		Company	
	Decrease in 2% on statement of comprehensive income R'000		Decrease in 2% on statement of comprehensive income R'000	
Instruments exposed	2020	2019	2020	2019
Bank balances and short-term investments	(6 486)	–	(144)	–
Borrowings	10 739	1 472	–	–
Total	4 253	1 472	(144)	–

Under these assumptions, a 2% increase in market interest rates at 30 June 2020 would decrease Group profit before tax by approximately R4 253 000 (June 2019: R1 472 000) and company profit before tax would increase by approximately R144 000 in June 2020.

A decrease of 2% in market interest rates at 30 June 2020 would increase Group profit before tax by approximately R4 253 000 (June 2019: R1 472 000) and Company profit before tax would decrease by approximately R144 000 in June 2020.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Credit risk

Credit risk arises from borrowings, cash and cash equivalents and other investments, that is, deposits with banks and financial institutions, as well as credit exposures to clients, including outstanding receivables and committed transactions. For banks and financial institutions only independently rated parties with a minimum rating of BBB are accepted (refer to Note 8.3). If clients do not have an independent rating, risk control assesses the credit quality of the client, taking into account its financial position, past experience and other factors. Credit risk is managed at both the Group and Company level.

A significant portion of the Group's and Company's client base comprises high credit quality financial institutions. Refer to Note 8.3 for the rating table.

No credit limits were exceeded during the reporting period. Individual limits are set for each client based on the factors above as assessed by management. These limits are monitored by management and ensured that they are not exceeded.

Expected credit losses assessment for individual customers as at 30 June 2019 and 30 June 2020

The Group uses a simplified approach to measure and recognise ECL on a fulltime basis for trade receivables from individual customers, which comprise a very large number of small balances.

Loss rates are calculated using a "roll rate" method based on the probability of a receivable progressing through successive stages of delinquency to write off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics – geographic region, age of customer relationship and type of product purchased.

The following table provides information about the exposure to credit risk and ECL for trade receivables from individual customers as at 30 June 2020. Trade receivables' exposure to credit risk is calculated by using both the weighted average loss rate and the time value money loss. The trade debtors balance is allocated between the two methods.

30 June 2020	Weighted average loss rate %	Gross carrying amount R'000	Loss allowance R'000	Credit impaired
Current (not past due)	0.89	285 942	2 556	No
30 days past due	0.33	70 606	230	No
60 days past due	3.22	15 436	497	No
90+ days past due	41.59	76 890	31 979	No
Total		448 874	35 262	

30 June 2019	Weighted average loss rate %	Gross carrying amount R'000	Loss allowance R'000	Credit impaired
Current (not past due)	–	298 415	–	No
30 days past due	–	51 389	–	No
60 days past due	–	12 733	–	No
90+ days past due	95.79	31 361	30 041	No
Total		393 898	30 041	

Time value money loss	2020	2019
IFRS 9 provision	35 262	23 444
IFRS 9 provision percentage	7.9%	19.6%
Debtors balance	448 874	119 188

The group used a sensitivity analysis technique that measures the estimated change to the statement of comprehensive income of an instantaneous change of 1% in the loss rates with all other variables remaining constant.

Under these assumptions a 1% increase in loss rate will result in a decrease in group profit before tax of R594 383 and a 1% decrease will result in an increase in group profit before tax of R458 040.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) Liquidity risk

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

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

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

	Group					
	Less than 3 months or on demand R'000	More than 3 months but not exceeding 6 months R'000	More than 6 months but not exceeding 9 months R'000	More than 9 months but not exceeding 1 year R'000	Exceeding 1 year R'000	Total R'000
Year ended 30 June 2020						
Trade and other payables (Note 8.4)	**(342 454)**	**(19 032)**	**–**	**–**	**–**	**(361 486)**
Lease liability (Note 8.6)	**(26 849)**	**(23 710)**	**(23 471)**	**(22 825)**	**(181 427)**	**(278 282)**
Borrowings (Note 8.5)	**(30 000)**	**(30 000)**	**(30 000)**	**(30 000)**	**(266 311)**	**(386 311)**
Year ended 30 June 2019						
Trade and other payables (Note 8.4)	(400 325)	(1 969)	(1 969)	(1 969)		(406 232)
Lease liability (Note 8.6)	(15 388)	(15 388)	(15 388)	(15 388)	(261 104)	(322 656)
Borrowings (Note 8.5)	(30 000)	(30 000)	(30 000)	(30 000)	(371 566)	(491 566)

	Company					
	Less than 3 months or on demand R'000	More than 3 months but not exceeding 6 months R'000	More than 6 months but not exceeding 9 months R'000	More than 9 months but not exceeding 1 year R'000	Exceeding 1 year R'000	Total R'000
Year ended 30 June 2020						
Trade and other payables (Note 8.4)	**6 766**	**–**	**–**	**–**	**–**	**6 766**
Loan from group company (Note 8.7)	**9 767**	**–**	**–**	**–**	**–**	**9 767**
Year ended 30 June 2019						
Trade and other payables (Note 8.4)	2 512	1 025	1 025	3 131	–	7 693

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(v) Capital risk management

The objective of the Group and Company when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group and Company monitor cash flow on the basis of the gearing ratio. This ratio is calculated as long-term debt divided by total capital employed. Total capital employed is calculated as equity as shown in the statement of financial position plus long-term debt.

During 2020, the Group's and Company's strategy, which was unchanged from 2019, was to maintain the gearing ratio within 0% to 15%.

The financial condition to the Nedbank facility is for the Group to ensure that net debt to EBITDA in respect of any relevant period shall not exceed 2.5:1 times and interest cover in respect of any relevant period shall not be less than 4:1.

	2020 R'000	2019 R'000
Net debt	**208 631**	226 270
Total equity	**3 126 245**	2 882 995
EBITDA	**869 267**	778 004
Interest expense	**71 775**	52 008
Net debt to equity ratio	**6.7%**	7.8%
Net debt to EBITDA	**0.24:1**	0.29:1
Interest cover	**12.11:1**	14.9:1

4. SEGMENT INFORMATION

The operating segments identified are examined from a service perspective (total healthcare versus IT) and geographical perspective (South Africa versus Africa). The geographical segments identified include all businesses outside of South Africa which include Botswana, Mauritius, Namibia, Eswatini and Zimbabwe. Individually, each business outside of South Africa is not material hence management has taken the decision to disclose all business outside of South Africa as a separate operating segment. All segments have been disclosed according to what the Chief Operating Decision-Maker reviews.

Nature of business segments

- Healthcare SA – consists of medical scheme administration and health risk management services in South Africa
- Healthcare Retail – consists of pharmaceutical sales/services by Pharmacy Direct, MMed, Scriptpharm Risk Management, Curasana Wholesaler and Activo Health. These services are rendered in South Africa
- Healthcare Africa – consists of all healthcare services outside of South Africa. This includes associate earnings (Botswana, Namibia, Zimbabwe, Eswatini and Mauritius)
- IT – this relates to all IT-related services for the Group predominantly within South Africa

4. SEGMENT INFORMATION (CONTINUED)

	Healthcare SA R'000	Healthcare Africa R'000	Healthcare Retail R'000	Total Healthcare R'000	Information Technology R'000	Inter-Group eliminations R'000	Group R'000
Year ended 30 June 2020							
Gross Revenue	3 130 262	204 140	3 136 059	6 470 461	544 054	(573 549)	6 440 966
Other Income							
Administration expenses	(2 876 343)	(150 197)	(2 883 322)	(5 909 862)	(246 709)	576 686	(5 579 885)
Amortisation of Intangibles	(2 408)	(939)	(2 376)	(5 723)	(121 113)	(37 317)	(164 153)
Depreciation	(20 837)	(3 586)	(9 895)	(34 318)	(28 195)	(1)	(62 514)
Net finance (cost)/ income	(15 757)	1 612	(3 521)	(17 666)	982	(317)	(17 001)
Finance income	41 896	1 745	17 223	60 864	32 627	(66 603)	26 888
Finance cost	(57 653)	(133)	(20 744)	(78 530)	(31 645)	66 286	(43 889)
Share-based payment expense	(8 027)	(317)	(775)	(9 119)	(5)	–	(9 124)
Net fair value (impairment)/gain of assets	(18 454)	15	(341)	(18 780)	–	16 058	(2 722)
Fair value (impairment)/ gain	(2 338)	15		(2 323)	–	2 520	197
Impairment of assets	(16 116)	–	(341)	(16 457)	–	13 538	(2 919)
Share of profit of associate	7 990	–	–	7 990	–	–	7 990
Profit before tax	196 426	50 728	235 829	482 983	149 014	(18 440)	613 557
Income tax expense	(53 713)	(18 507)	(56 905)	(129 125)	(36 197)	10 452	(154 870)
Profit after tax	142 713	32 221	178 924	353 858	112 817	(7 988)	458 687
Total segment assets	3 900 683	139 627	1 066 255	5 106 565	971 460	(1 530 859)	4 547 166
Segment assets	3 867 376	139 627	1 066 255	5 073 258	971 460	(1 530 859)	4 513 859
Investment in associates	33 307	–		33 307			33 307
Total Segment Liabilities	572 618	44 504	647 892	1 265 014	485 445	(322 388)	1 428 071

4. SEGMENT INFORMATION (CONTINUED)

	Healthcare SA R'000	Healthcare Africa R'000	Healthcare Retail R'000	Total Healthcare R'000	Information Technology R'000	Inter-Group eliminations R'000	Group R'000
Year ended 30 June 2019							
Gross revenue	3 002 327	202 842	2 038 135	5 243 304	632 918	(579 430)	5 296 792
Expenses	(2 726 646)	(136 288)	(1 905 807)	(4 768 741)	(375 919)	465 126	(4 679 534)
Amortisation of intangibles	(2 199)	(1 098)	(9 892)	(13 189)	(84 129)	(13 623)	(110 941)
Depreciation	(94 205)	(7 301)	(12 680)	(114 186)	(26 470)	84 747	(55 909)
Net finance (cost)/income	(1 156)	515	(5 143)	(5 784)	(22 653)	32 908	4 471
Finance income	55 280	1 522	6 715	63 517	14 106	(52 966)	24 657
Finance cost	(56 436)	(1 007)	(11 858)	(69 301)	(36 759)	85 874	(20 186)
Share-based payment expense	(5 996)	(562)	(281)	(6 839)	(947)	1	(7 785)
Net fair value (impairment)/gain of assets	(24 481)	–	–	(24 481)	(47 000)	134 802	63 321
Fair value gain	11 267	–	–	11 267	–	120 315	131 582
Impairment of assets	(35 748)	–	–	(35 748)	(47 000)	14 487	(68 261)
Fair value of contingent consideration	–	–	–	–	–	(407)	(407)
Share of profit of associates	–	5 274	13 205	18 479	–	–	18 479
Profit before taxation	147 644	63 382	117 537	328 563	75 800	124 124	528 487
Income tax expense	(58 632)	(15 072)	(34 593)	(108 297)	(43 110)	7 932	(143 475)
Profit for the year	89 012	48 310	82 944	220 266	32 690	132 056	385 012
Total segment assets	3 954 562	145 861	920 469	5 020 892	856 217	(1 426 874)	4 450 235
Segment assets	3 919 179	145 861	920 469	4 985 509	856 492	(1 421 434)	4 420 292
Investment in associate	35 383	–	–	35 383	–	(5 440)	29 943
Segment liabilities	614 847	28 911	558 666	1 202 424	460 565	(95 749)	1 567 240

5. PROPERTY AND EQUIPMENT

	Group					
	Land and building R'000	Equipment R'000	Motor vehicles R'000	Furniture and fittings R'000	Computer equipment R'000	Total R'000
Reconciliation for the year ended 30 June 2020						
Balance at 1 July 2019						
At cost	193 183	99 034	18 869	131 383	267 937	710 406
Accumulated depreciation	(6 461)	(43 849)	(8 683)	(67 004)	(167 851)	(293 848)
Net book value	186 722	55 185	10 186	64 379	100 086	416 558
Movements for the year ended 30 June 2020						
Additions	79 253	4 676	5 311	14 028	33 701	136 969
Depreciation	(4 601)	(8 552)	(3 626)	(14 381)	(31 354)	(62 514)
Disposals		(12 230)	(220)	(1 839)	(4 767)	(19 056)
Property, plant and equipment at the end of the year	261 374	39 079	11 651	62 187	97 666	471 957
Closing balance at 30 June 2020						
At cost	271 603	97 653	22 778	141 818	267 785	801 637
Accumulated depreciation	(10 229)	(58 574)	(11 127)	(79 631)	(170 119)	(329 680)
Net book value	261 374	39 079	11 651	62 187	97 666	471 957
Reconciliation for the year ended 30 June 2019						
Balance at 1 July 2018						
At cost	123 647	69 589	18 656	166 803	234 894	613 589
Accumulated depreciation	(3 075)	(35 959)	(6 295)	(54 947)	(137 664)	(237 940)
Net book value	120 572	33 630	12 361	111 856	97 230	375 649
Movements for the year ended 30 June 2019						
Additions	3 912	20 054	225	42 109	32 557	98 857
Asset acquisitions through business combination	–	868	135	524	1 286	2 813
Depreciation	(3 386)	(7 890)	(2 388)	(12 057)	(30 187)	(55 908)
Reclassification*	65 624	9 203	–	(75 743)	916	–
Reclassification	–	52	22	621	108	803
Disposals	–	(732)	(169)	(2 931)	(1 824)	(5 656)
Property, plant and equipment at the end of the year	186 722	55 185	10 186	64 379	100 086	416 558
Closing balance at 30 June 2019						
At cost	193 183	99 034	18 869	131 383	267 937	710 406
Accumulated depreciation	(6 461)	(43 849)	(8 683)	(67 004)	(167 851)	(293 848)
Net book value	186 722	55 185	10 186	64 379	100 086	416 558

* *Land that was previously incorrectly mapped as furniture and fittings was reclassified to land and buildings. There is no depreciation impact on this reclassification as the land is not depreciated.*

5. PROPERTY AND EQUIPMENT (CONTINUED)

5.1 Right of use asset

	Group R'000
Year ended 30 June 2020	
Opening carrying amount	290 136
Additions	18 182
Disposals	(1 146)
Lease modification	(411)
Depreciation charge	(71 781)
Closing carrying amount	234 980
At 30 June 2020	
At cost	384 264
Accumulated depreciation	(149 284)
Closing carrying amount	234 980
Year ended 30 June 2019	
Additions	372 802
Depreciation charge	(82 666)
Closing carrying amount	290 136
At 30 June 2019	
At cost	372 802
Accumulated depreciation	(82 666)
Closing carrying amount	290 136

6. INVESTMENT PROPERTY

6.1 Balances at year-end and movements for the year

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Reconciliation for the year				
Balance at the beginning of the year at fair value	15 418	15 418	–	–
Balance at the end of the year at fair value	15 418	15 418	–	–

6.2 Fair value measurements

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

The valuation was prepared by an independent valuer, J van der Hoven in July 2020, a property practitioner from De Hoven Proprietary Limited. J van der Hoven obtained his Post-Graduate Master's Degree in Architecture (recognised by Royal Institute of British Architects (RIBA) and Architects Registration Board (ARB) and has more than 10 years' experience as a property practitioner.

The fair value of investment property was determined based on comparable sales method.

6. INVESTMENT PROPERTY (CONTINUED)

6.3 Recognised fair value measurements

Fair value hierarchy

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

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

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices)

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. The significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2020:

	Group Level 3 R'000
Year ended 30 June 2020	
Investment property (Note 6)	**15 418**
Year ended 30 June 2019	
Investment property (Note 6)	15 418

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

» the fair value of the investment property is determined by using the comparable sales method; and
» the fair value of the remaining financial instruments is determined using discounted cash flow analysis and price earnings (PE) ratios.

The assets disclosed above have been classified as a level 3 financial and non-financial instruments, i.e. the inputs are not based on observable market data. The carrying amount of all assets in the table above approximates the fair value of the assets.

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

	Investment property R'000
Opening balance	**15 418**
Impairments	**–**
Closing balance	**15 418**

6. INVESTMENT PROPERTY (CONTINUED)

6.3 Recognised fair value measurements (continued)

Valuation inputs and relationships to fair value

Investment property

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

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

Description	Fair value at 30 June 2020 R'000	Unobservable inputs	Input value used	Sensitivity of unobservable inputs on profit and loss
Investment property	**15 418**	Price per block building rights per square metre	R1 500	If the fair value per square metre increased by 10% then the value of the property would increase by R1 541 790 in profit or loss. If the fair value per square metre decreased by 10% then the value of the property would decrease by R1 541 790 in profit or loss.

Valuation process

The finance department of the Group performs the valuations of the investments for financial reporting purposes, including level 3 fair values (excluding the investment property). The team reports directly to the CFO. Discussions of the valuation processes and results are held between the CFO and Group Finance at year-end to determine the fair value of investments unless there is an indication of impairment which will result in a write off of the investment at that point in time.

7. INTANGIBLE ASSETS

	Group						
	Brands and intellectual property R'000	Pharma-ceutical dossiers* R'000	Internally generated software R'000	Computer software R'000	Goodwill R'000	Customer relationships R'000	Total R'000
Reconciliation for the year ended 30 June 2020							
At 30 June 2019							
At cost	47 873	286 365	754 336	477 803	1 399 808	303 452	3 269 637
Accumulated amortisation and impairment	(39 934)	–	(213 416)	(224 457)	(48 674)	(187 144)	(713 625)
Closing carrying amount 30 June 2019	7 939	286 365	540 920	253 346	1 351 134	116 308	2 556 012
Movements for the year ended 30 June 2020							
Additions**	–	–	203 318	80 713	22 216	–	306 247
Amortisation	(841)	(14 454)	(68 854)	(41 927)	–	(38 077)	(164 153)
Impairment loss recognised in profit or loss	–	–	–	(2 919)	–	–	(2 919)
Carrying value at 30 June 2020	7 098	271 911	675 384	289 213	1 373 350	78 231	2 695 187
At 30 June 2020							
At cost	47 873	286 365	957 654	535 312	1 422 024	303 452	3 552 680
Accumulated amortisation and impairment	(40 775)	(14 454)	(282 270)	(246 099)	(48 674)	(225 221)	(857 493)
Closing carrying amount	7 098	271 911	675 384	289 213	1 373 350	78 231	2 695 187

* *Pharmaceutical dossiers relate to a set of documents that contains all the technical data (administrative, quality, non-clinical and clinical) of a pharmaceutical product in order to promote, market, sell, import and distribute the product in a specific territory.*

** *In relation to the acquisition of Activo Health (Pty) Ltd in March 2019, in terms of the sale of shares agreement, a preacquisition dividend was declared and payment effected in December 2019. In terms of IFRS 3 Business Combination, the provisional accounting applied to the acquisition of Activo Health (Pty) Ltd was finalised in December 2019 (which is within the measurement period), resulting in an increase in Goodwill.*

7. INTANGIBLE ASSETS (CONTINUED)

	Group						
	Brands and intellectual property R'000	Pharma-ceutical dossiers** R'000	Internally generated software R'000	Computer software R'000	Goodwill R'000	Customer relationships R'000	Total R'000
Reconciliation for the year ended 30 June 2019							
At 30 June 2018							
At cost	47 873	–	607 499	431 425	926 900	269 558	2 283 255
Accumulated amortisation and impairment	(37 703)	–	(131 164)	(167 317)	(43 412)	(164 573)	(544 169)
Closing carrying amount 30 June 2018	10 170	–	476 335	264 108	883 488	104 985	1 739 086
Movements for the year ended 30 June 2019							
Take on balance	–	–	–	29 177	–	–	29 177
Business acquisitions*	–	–	–	–	472 908	282 600	755 508
Additions	–	–	186 837	54 860	–	–	241 697
Amortisation	(2 231)	–	(35 252)	(50 887)	–	(22 571)	(110 941)
Scrapping of intangible assets	–	–	(47 000)	(6 253)	(5 262)	–	(58 515)
Reclassification***	–	286 365	–	(37 659)	–	(248 706)	–
Derecognition	–	–	(40 000)	–	–	–	(40 000)
Carrying value at 30 June 2019	7 939	286 365	540 920	253 346	1 351 134	116 308	2 556 012
At 30 June 2019							
At cost	47 873	286 365	754 336	477 803	1 399 808	303 452	3 269 637
Accumulated amortisation and impairment	(39 934)	–	(213 416)	(224 457)	(48 674)	(187 144)	(713 625)
Closing carrying amount 30 June 2019	7 939	286 365	540 920	253 346	1 351 134	116 308	2 556 012

* *The recognition of goodwill (R472 million) and customer relationships (R283 million) is as a result of the business combinations in the prior financial year.*

** *Pharmaceutical dossiers relate to a set of documents that contains all the technical data (administrative, quality, non-clinical and clinical) of a pharmaceutical product in order to promote, market, sell, import and distribute the product in a specific territory.*

*** *Pharmaceutical dossiers that were previously recognised in computer software and customer relationships were reclassified to a separate category, Pharmaceutical dossiers.*

The reclassification has no impact on the depreciation as the Pharmaceutical dossiers continued to be amortised at the same useful life as when they were classified in computer software and customer relationships.

7. INTANGIBLE ASSETS (CONTINUED)

A summary per CGU of the goodwill allocation is presented below:

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Healthcare administration SA CGU				
Medscheme – healthcare administration	**274 972**	274 972	**–**	–
Medscheme – health risk management	**89 298**	89 298	**–**	–
Aid for AIDS Management Proprietary Limited – healthcare administration	**23 490**	23 490	**–**	–
Allegra Proprietary Limited – healthcare IT support	**1 268**	1 268	**–**	–
AfroCentric Distribution Services Proprietary Limited – healthcare marketing support	**835**	835	**–**	–
Klinikka Proprietary Limited – medical equipment supplier	**2 435**	2 435	**–**	–
Wellness Odyssey – healthcare wellness days	**14 857**	14 857	**–**	–
Tendahealth – healthcare insurance broker	**1 162**	1 162	**–**	–
Scriptpharm – chronic scripts claim	**2 699**	2 699	**–**	–
Essential Group – healthcare insurance	**9 333**	9 333	**–**	–
AfroCentric Integrated Corporate Solutions Group – healthcare administration	**38 096**	38 096	**–**	–
Workcare – healthcare administration	**771**	771	**–**	–
Healthcare Africa CGU				
Medscheme Mauritius Limited – local administration	**4 969**	4 969	**–**	–
Medscheme Mauritius Limited – international administration	**10 566**	10 566	**–**	–
Healthcare Retail SA CGU				
Pharmacy Direct, Curasana and Glen Eden (PD, CS and GE)	**473 954**	473 954	**–**	–
Activo*	**424 645**	402 429	**–**	–
Total	**1 373 350**	1 351 134	**–**	–

* *In relation to the acquisition of Activo Health (Pty) Ltd in March 2019, in terms of the sale of shares agreement, a preacquisition dividend to was declared and payment effected in December 2019. In terms of IFRS 3 Business Combination, the provisional accounting applied to the acquisition of Activo Health (Pty) Ltd was finalised in December 2019 (which is within the measurement period), resulting in an increase in Goodwill.*

Management determines the recoverable amount of Cash Generating Units (CGUs) as being the higher of fair value less costs to sell or value in use. In the absence of an active market, value in use is used to determine the recoverable amount. A traditional method of discounting management's best estimate of future cash flows attributable to the CGU has been applied to determine the value in use. A growth rate has been applied to cash flow streams to take into account the effect of inflation as well as business-specific expectations.

Assumptions used in the determination of the discount rate are as follows:

» The estimated revenues to be earned from the use of the assets;
» The forecast period over which those revenues are projected;
» An average growth rate;
» The weighted average cost of capital (WACC) which is the discount rate that takes into account the yield on government bonds, Beta and a market risk premium;
» Risk adjustment factors used in deriving an appropriate discount rate applied to future estimated cash flows;
» The rate on government bonds (risk-free rate) of 7.32% as at 30 June 2020 (30 June 2019: 8.12%);
» A market risk premium of 7.7% (2019: 6.5%) is justified as the overall risk is to the downside; and
» The Beta (ß) is 0.92 as at 30 June 2020 (30 June 2019: 0.9).

The inputs above were adjusted for geographical and entity specific risk.

7. INTANGIBLE ASSETS (CONTINUED)

The following table sets out the key assumptions for those CGUs that management considers the most significant to the Group.

	Recoverable amount R'000	WACC	Forecast period	Average growth rate
2020				
Medscheme – admin and managed care	**4 746 798**	**13.16**	**5 years**	**6%**
Activo	**941 072**	**13.16**	**5 years**	**7%**
Pharmacy Direct, Curasana and Glen Eden	**1 243 246**	**13.16**	**5 years**	**7%**
2019				
Medscheme – admin and managed care	4 033 937	12.59	5 years	6%
Activo	858 574	12.59	5 years	6%
Pharmacy Direct, Curasana and Glen Eden	433 504	12.59	5 years	6%

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used in determining values
Average growth rate (%)	Average annual growth rate over the five-year forecast period; based on past performance and management's expectations of market development specifically taking into account the impact that the COVID-19 pandemic is expected to have on future earnings noted below: Medscheme – admin and managed care: » Average revenue increases in the forecast period have been muted with 4% growth expected in revenue. » Management has embarked on effective cost savings initiatives through early investment in systems development. This increased IT capacity has now been applied to greater scale and through improved procedural efficiencies. » The group will continue with system renewals and upgrades to explore better and more cost efficient ways in servicing and engaging its customers/members. » These programmes are expected to enable the group to achieve 6% growth. Activo, Pharmacy Direct, Curasana and Glen Eden: The pharmaceutical related component yielded significant growth during the year, particularly during the stressful time under COVID-19. This included the increasing volume of activity in Pharmacy Direct. » The more heedful attention paid by patients reliant on chronic medication during lockdown, not least an obvious desire to stay healthy in general, the convenience of group deliveries during lockdown, at work or home, proved extremely valuable to those dependent on their chronic medications and other requirements. » The trends experienced are expected to continue in the forecast period. This, together with the cost efficiency embarked on, resulted in a growth rate of 7% being applied.
WACC (%)	Rate the Company is expected to pay on average to all its security holders to finance its assets which reflects specific risks to the relevant segment.

7. INTANGIBLE ASSETS (CONTINUED)

Sensitivity analysis: impact of possible changes in key assumptions (growth rate, terminal growth rate and WACC) on the recoverable amount

				Growth rate Worst case R'000 Medscheme: 4.5% PD, CS, GE & Activo: 6%	Growth rate Base case R'000 Medscheme: 5.5% PD, CS, GE & Activo: 7%	Growth rate Best case R'000 Medscheme: 6.5% PD, CS, GE & Activo: 8%
Medscheme	WACC	Worst case	14.68%	3 569 114	3 960 039	4 446 512
		Base case	13.16%	4 196 305	4 746 798	5 462 565
		Best case	13.29%	4 667 372	4 134 079	5 357 702
Pharmacy Direct, Curasana and Glen Eden		Worst case	14.68%	666 139	754 390	869 052
		Base case	13.16%	807 955	941 072	1 125 768
		Best case	13.29%	793 489	921 544	1 097 996
Activo		Worst case	14.68%	901 073	993 833	1 113 273
		Base case	13.16%	1 095 792	1 243 246	1 446 444
		Best case	13.29%	1 075 709	1 216 888	1 410 066

(i) Impairment assessment

During the period under review, management embarked on a process of assessing the internally generated intangible assets for potential impairment. Following from this process, an impairment loss was recognised for the following system:

» R2.9 million in respect of the Solatium system – an impairment has been recognised as there are no expected cash flows from the system, resulting in the recoverable amount not being able to be substantiated.

8. FINANCIAL INSTRUMENTS

Financial instruments by category

Financial assets by category	Group At amortised cost R'000
Year ended 30 June 2020	
Unlisted investments (Note 13)	**3 711**
Trade and other receivables excluding prepayments (Note 8.2)	**464 436**
Cash and cash equivalents (Note 8.3)	**177 680**
	645 827
Year ended 30 June 2019	
Trade and other receivables excluding prepayments (Note 8.2)	400 348
Cash and cash equivalents (Note 8.3)	265 296
	665 644

8. FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments by category (continued)

Financial assets by category	Company At amortised cost R'000
Year ended 30 June 2020	
Trade and other receivables excluding prepayments (Note 8.2)	129
Cash and cash equivalents (Note 8.3)	1 934
	2 063
Year ended 30 June 2019	
Loan to group company* (Note 8.7)	126 792
Trade and other receivables (Note 8.2)	184
Cash and cash equivalents (Note 8.3)	10 316
	137 292

* *The loan is unsecured and has no fixed repayment terms. Interest is charged at prime rate.*

	Group		
Financial liabilities by category	Liabilities at FVTPL R'000	At amortised cost R'000	Total R'000
Year ended 30 June 2020			
Lease liability (Note 8.6)	–	278 282	278 282
Borrowings (Note 8.5)	–	386 311	386 311
Trade and other payables excluding non-financial liabilities (Note 8.4)	–	361 486	361 486
Year ended 30 June 2019			
Lease liability (Note 8.6)	–	322 655	322 655
Borrowings (Note 8.5)	–	491 566	491 566
Trade and other payables excluding non-financial liabilities (Note 8.4)	–	406 230	406 230
Deferred payment	7 335	–	7 335

	Company		
Financial liabilities by category	Liabilities at FVTPL R'000	At amortised cost R'000	Total R'000
Year ended 30 June 2020			
Loan from group company	–	9 767	9 767
Trade and other payables excluding non-financial liabilities (Note 8.4)	–	6 766	6 766
	–	16 533	16 533
Year ended 30 June 2019			
Trade and other payables excluding non-financial liabilities (Note 8.4)	–	7 690	7 690

8. FINANCIAL INSTRUMENTS (CONTINUED)

8.1 Trade receivables

Ageing of trade and other receivables	Group Current R'000	30 days R'000	60 days R'000	90+ days R'000	Total R'000
June 2020					
Gross trade debtors	285 942	70 606	15 436	76 890	448 874
Expected credit losses	(2 556)	(230)	(497)	(31 979)	(35 262)
Net trade debtors	283 386	70 376	14 939	44 911	413 612
Past due but no expected credit loss	–	–	14 939	44 911	59 850
Other receivables	2 837	3 278	–	–	6 115
Sundry debtors	36 872	743	–	–	37 615
Deposits	–	–	–	7 094	7 094
June 2019					
Gross trade debtors	298 415	51 389	12 733	31 361	393 898
Expected credit losses	–	–	–	(30 041)	(30 041)
Net trade debtors	298 415	51 389	12 733	1 320	363 857
Past due but no expected credit loss	–	51 389	12 733	2 348	66 470
Other receivables	618	52	1 187	222	2 079

Disclosure of trade debtors

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Gross trade debtors	448 874	393 898	–	–
Loss allowance for trade receivables as below	(35 262)	(30 041)	–	–
Net trade debtors	413 612	363 857	–	–

Movement in the loss allowance for trade and other receivables are as follows:

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
At the beginning of the year	30 041	24 800	–	–
Increase in loss allowance recognised in profit or loss during the year	5 221	2 423	–	–
Amounts restated through opening retained earnings	–	2 818	–	–
At the end of the year	35 262	30 041	–	–

The Group applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all the trade receivables.

To measure the ECL, trade receivables have been grouped based on the shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 30 June 2020 and the corresponding historical credit losses experienced within this period. The historical loss rate has been adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP rate, inflation rate and average prime lending rate to be the most relevant forward looking factors.

The Group has assessed the impact of the COVID-19 on expected further payments and deemed the impact to be immaterial for the following reasons:

» The Group's debtors have been historically good payers with minimal provisions and write-offs experienced;
» The Group entities' largest customers are medical aid schemes and payment is made within agreed payment period; and
» The Group entities have continued operating under the respective lockdown regulation, contracts with customers have not been affected and contractual conditions have been met with no impact.

8. FINANCIAL INSTRUMENTS (CONTINUED)

8.2 Trade and other receivables

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Trade debtors	413 612	363 857	–	–
Sundry debtors	37 615	30 488	129	184
Prepayments*	39 899	131 146	80	–
Deposits	7 094	3 925	–	–
Other receivables	6 115	2 079	–	–
Total trade and other receivables	504 335	531 494	209	184

* *Prepayments are not financial instruments but are included in trade and other receivables.*

All receivables are current. The carrying amounts of all trade and other receivables approximate fair value due to the short- term nature of the receivables, hence the impact of discounting is immaterial.

8.3 Cash and cash equivalents

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Cash at bank and short-term deposits				
Ba1 – FNB Limited	16 330	20 083	–	–
AA – Bank Windhoek Limited	18 691	20 837	–	–
Ba1 – Nedbank Limited*	138 624	217 729	1 934	10 181
Baa3 – Standard Bank Limited**	1 800	4 228	–	–
BBB+ – Sasfin Limited*	93	223	–	135
zaA+ – Sanlam Limited	2 142	2 196	–	–
Total cash at bank and short-term bank deposits	177 680	265 296	1 934	10 316

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

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

The ratings for Nedbank Limited, FNB Limited and Standard Bank Limited were obtained from Moody's.

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

The rating for Sanlam Limited was obtained from Standard & Poor's.

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

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

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

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

Ba1 Obligations rated Ba1 signify higher degrees of default risk.

8. FINANCIAL INSTRUMENTS (CONTINUED)

8.3 Cash and cash equivalents (continued)

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Cash	127 944	193 852	1 934	10 181
Short term deposits*	49 736	71 444	–	135
	177 680	265 296	1 934	10 316

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

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

8.4 Trade and other payables

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Trade payables*	234 237	278 163	69	22
Payroll creditors	19 726	34 786	–	–
Accruals	57 322	57 897	27	(20)
Shareholders for dividends	6 153	5 483	4 089	3 359
Other payables*	44 048	29 901	2 581	4 329
Provisions	8 376	9 606	911	785
Total trade and other payables	369 862	415 836	7 677	8 475

* *All trade and other payables are current and are expected to be settled within the next 12 months. The carrying values at the year-end approximate their fair values due to the short-term nature of the payables, hence the impact of discounting is immaterial.*

8.5 Borrowings

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Nedbank facility (1 year +)	266 311	371 566	–	–
Nedbank facility (0 - 1 year)	120 000	120 000	–	–
	386 311	491 566	–	–

8. FINANCIAL INSTRUMENTS (CONTINUED)

8.5 Borrowings (continued)

Movement in borrowings are as follows:

	Group	
	June 2020 R'000	June 2019 R'000
At the beginning of the period	**491 566**	–
Borrowings acquired during the period	**50 000**	550 000
Interest accrued	**41 319**	12 813
Borrowings repaid	**(196 574)**	(71 247)
Balance at the end of the year	**386 311**	491 566

Compliance with loan covenants

During the prior period, Nedbank issued a revolving loan facility totalling R900 million (of which R386 million has been utilised) to the Group of which amounts shall be applied to funding the working capital and general corporate requirements of the Group. The rate of interest on the loan for each interest period is the percentage rate per annum which is the aggregate of the applicable margin and Johannesburg Inter-bank Average Rate (JIBAR).

The financial condition to the Nedbank facility is for the Group to ensure that net debt to EBITDA in respect of any relevant period shall not exceed 2.5:1 times and interest cover in respect of any relevant period shall not be less than 4:1 (refer to Note 3 (v)).

8.6 Lease liability

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Non-current liabilities	**181 427**	261 104	**–**	–
Current liabilities	**96 855**	61 551	**–**	–
	278 282	322 655	**–**	–

Movement in lease liability are as follows:

	Group	
	June 2020 R'000	June 2019 R'000
At the beginning of the period	**322 655**	–
Lease liability recognised per IFRS 16	**13 870**	385 307
Interest accrued	**27 886**	31 822
Lease payments made	**(86 129)**	(94 474)
Balance at the end of the year	**278 282**	322 655

8.7 Loans to/(from) group company

Loans to/(from) group company comprise the following balances:

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
AfroCentric Health Proprietary Limited	**–**	–	**(9 767)**	126 792
The loan is unsecured, bears interest and has no fixed terms of repayment.				
Current assets	**–**	–	**–**	126 792
Current liabilities	**–**	–	**(9 767)**	–
	–	–	**(9 767)**	126 792

8. FINANCIAL INSTRUMENTS (CONTINUED)

8.8 Financial assets

Financial assets at FVTPL

In the current year the Company and Group disinvested, resulting in no investments being held at year-end.

In the prior financial year the Company and Group had funds in the following investments, namely:

- STANLIB Extra Income Fund;
- NedGroup Core Income Fund;
- Coronation Strategic Income fund; and
- Prescient Income Property Fund.

(i) Classification to FVTPL

Investment in AAR Insurance Kenya was reclassified from available for sale to financial assets at FVTPL upon adoption of IFRS 9 on 1 July 2018.

On adoption of IFRS 9 on 1 July 2018, there were no related fair value gains to transfer from the available-for-sale financial assets reserve to retained earnings.

	Group and Company			
	Opening fair value R'000	Fair value gains and losses R'000	Disposals/ transfer to short term R'000	Closing fair value R'000
2020				
Investment in AAR Insurance Kenya	–	–	–	–
2019				
Non-current assets				
Collective investment scheme	65 028	–	(65 028)	–
Investment in AAR Insurance Kenya	9 000	(9 000)	–	–
	74 028	(9 000)	(65 028)	–
Current assets				
Collective investment scheme	152 250	–	152 250	–
	152 250	–	152 250	–

9. INVESTMENTS IN ASSOCIATES

The Associated Fund Administrators Botswana Proprietary Limited is incorporated in Botswana. During the prior year an additional 25% was purchased to increase the Group's shareholding from 24% to 49%. At the end of the prior and current year the only investment in associates was Associated Fund Administrators Botswana Proprietary Limited.

Due to the Group's non-controlling interest in Associated Fund Administrators Botswana Proprietary Limited, it has no influence in aligning its reporting dates with the Group's. Management accounts were used to equity account this investment.

	Group		Company	
	June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
Carrying value of investment in associate	33 307	29 943	–	–

9. INVESTMENTS IN ASSOCIATES (CONTINUED)

				01 July 2019			30 June 2020
	Reporting date	Number of shares held	Percentage holdings	Opening carrying amount R'000	Share of after tax profit R'000	Dividends received/ (paid) R'000	Closing carrying amount R'000
Associated Fund Administrators Botswana Proprietary Limited	30 September	24 000	49	29 943	7 990	(4 626)	33 307

				01 July 2018				30 June 2019
	Reporting date	Number of shares held	Percentage holdings	Opening carrying amount R'000	Share of after tax profit R'000	Dividends received/ (paid) R'000	Additions/ (disposals)	Closing carrying amount R'000
Unlisted								
Activo Health Proprietary Limited	30 June	100	100	43 950	13 205	–	(57 155)	–
Associated Fund Administrators Botswana Proprietary Limited	30 September	24 000	49	8 337	5 274	(4 168)	20 500	29 943
Invisible Card Company Proprietary Limited	30 June	30	40	–	–	–	–	–
The Cheese Has Moved Proprietary Limited	30 June	51	51	4 648	–	–	(4 648)	–
AfroCentric Health Solutions Limited (Kenya Investments)	31 December	26	26	–	–	–	–	–
				56 935	18 479	(4 168)	(41 303)	29 943

Summarised financial information of Associated Fund Administrators Botswana Proprietary Limited

	Group	
	June 2020 R'000	June 2019 R'000
At 30 June 2020		
Non-current assets (excluding intangible assets)	2 781	13 362
Intangible assets	520	–
Current assets	51 600	27 495
Total assets	54 901	40 857
Non-current liabilities	–	–
Current liabilities	11 443	7 988
Total liabilities	11 443	7 988
Net assets	43 458	32 869
Revenue	100 582	66 093
Total comprehensive income attributable to ordinary shareholders	16 305	10 970
Net profit for the year	16 305	10 970

10. INVESTMENTS IN SUBSIDIARIES

	Company	
	June 2020 R'000	June 2019 R'000
Unlisted investments at cost	**428 144**	428 144

Name of subsidiary	Main business	Country of incorporation	Interest held (voting rights) %	Non-controlling interest (voting rights) %
2020				
Directly held				
ACT Healthcare Assets Proprietary Limited	**Investment holding**	**South Africa**	**71.3**	**28.7**
ACT Funding Proprietary Limited	**Dormant**	**South Africa**	**100**	**–**
Indirectly held				
AfroCentric Health Proprietary Limited	**Healthcare administration**	**South Africa**	**71.3**	**28.7**
2019				
Directly held				
AfroCentric Resources Proprietary Limited*	Dormant	South Africa	100	–
AfroCentric Capital Proprietary Limited*	Dormant	South Africa	100	–
ACT Healthcare Assets Proprietary Limited	Investment holding	South Africa	71.3	28.7
ACT Funding Proprietary Limited	Dormant	South Africa	100	–
Indirectly held				
AfroCentric Health Proprietary Limited	Healthcare administration	South Africa	71.3	28.7

* *During the current financial year, the company disposed of its investments in AfroCentric Resources Proprietary Limited and AfroCentric Capital Proprietary Limited.*

11. DEFERRED TAX

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Deferred tax assets	**84 607**	56 548	**12 732**	13 419
Deferred tax liabilities	**(246 809)**	(230 228)	**–**	–
Net Group Deferred tax (liabilities)/assets	**(162 202)**	(173 680)	**12 732**	13 419

Categorised Gross deferred tax assets and liabilities, before offset of balances within companies, are as follows:

GROUP	Capital allowances R'000	Investment R'000	Provisions R'000	Prepayments R'000	Assessed loss* R'000	Business combinations R'000	Other R'000	Total R'000
Deferred tax assets								
Opening balance at 1 July 2019	–	12 261	38 327	–	12 916	–	100 970	164 474
(Charged)/credited to profit or loss	–	556	9 040	–	10 139		(20 047)	(312)
Closing balance at 30 June 2020	–	12 817	47 367	–	23 055		80 923	164 162
Deferred tax liabilities								
Opening balance at 1 July 2019	(130 194)	–	–	(3 802)	–	(107 985)	(96 175)	(338 156)
(Charged)/credited to profit or loss	(28 747)	–	–	551		–	39 988	11 792
Closing balance at 30 June 2020	(158 941)	–	–	(3 251)	–	(107 985)	(56 187)	(326 364)
Deferred tax assets								
Opening balance at 1 July 2018	–	12 223	26 947	–	17 169	–	340	56 679
(Charged)/credited to profit or loss	–	38	11 380	–	(4 253)		100 630	107 795
Closing balance at 30 June 2019	–	12 261	38 327	–	12 916	–	100 970	164 474
Deferred tax liabilities								
Opening balance at 1 July 2018	(96 701)			(3 293)		(31 602)	(1 540)	(133 136)
(Charged)/credited to profit or loss	(33 493)			(509)		(76 383)	(94 635)	(205 020)
Closing balance at 30 June 2019	(130 194)	–	–	(3 802)	–	(107 985)	(96 175)	(338 156)

COMPANY	Capital allowances R'000	Investment R'000	Provisions R'000	Prepayments R'000	Assessed loss* R'000	Business combinations R'000	Other R'000	Total R'000
Deferred tax assets								
Opening balance at 1 July 2019	–	12 817	526	–	76	–		13 419
(Charged)/credited to profit or loss	–	–	(589)	–	(76)	–		(665)
Closing balance at 30 June 2020	–	12 817	(63)	–	–	–	–	12 754
Deferred tax liabilities								
Opening balance at 1 July 2019				–				–
(Charged)/credited to profit or loss				(22)	–	–		(22)
Closing balance at 30 June 2020	–	–	–	(22)	–	–	–	(22)
Deferred tax assets								
Opening balance at 1 July 2018	–	12 223	–	–	–	–	–	12 223
(Charged)/credited to profit or loss	–	594	526	–	76	–	–	1 196
Closing balance at 30 June 2019	–	12 817	526	–	76	–	–	13 419

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

12. INVENTORY

	Group		Company	
	2020 R'000	Restated** 2019 R'000	2020 R'000	2019 R'000
Finished goods*	200 261	185 384	–	–
Merchandise	99 590	98 348	–	–
Merchandise provision	(2 000)	–	–	–
Inventory on hand at year-end	297 851	283 732	–	–

* *The finished goods balance consists of the inventory at hand net of the unearned fees relating to Single Exit Price (**SEP**) applied.*

** *Refer to Note 35.5 for the details of the restatement.*

Merchandise refers to pharmaceutical products that are on hand at year-end.

The finished goods on hand at year-end relate to specialised equipment that will be sold in the next financial period.

13. OTHER INVESTMENTS

Other investments comprise the following balances

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Unlisted investment	3 711	–	–	–

The unlisted equity investment relates to an investment in a venture capital fund and is measured at FVTPL. The investment vehicle has the mandate of reinvesting capital funds. The objective is to generate returns for the holder of shares in the form of dividends.

The total shareholding percentage is less than 20% and as such, no significant influence is exercised over the venture capital fund.

The investment is classified as a financial asset and is measured at FVTPL due to it being an equity investment.

Fair value hierarchy

Details of the fair value hierarchy used by the Group to classify financial and non-financial instruments for fair value measurement purposes is set out in Note 6.3.

	Level 3 R'000
Year ended 30 June 2020 – Group	
Unlisted investment	3 711
Year ended 30 June 2019 – Group	
Unlisted investment	–

14. ISSUED CAPITAL

14.1 Issued share capital

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Authorised				
1 billion ordinary shares at no par value	**10 000**	10 000	**10 000**	10 000
60 million redeemable preference shares of 1 cent each	**600**	600	**600**	600
Issued				
574 241 248 ordinary shares of 1 cent each	**18 885**	18 885	**18 885**	18 885
– Opening balance	**18 885**	18 686	**18 885**	18 686
– Issue of share capital	**–**	199	**–**	199
	18 885	18 885	**18 885**	18 885
Share premium (Note 14.2)	**1 080 301**	1 080 301	**1 080 301**	1 080 301
	1 099 186	1 099 186	**1 099 186**	1 099 186

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

14.2 Share premium

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Opening balance	**1 080 301**	999 058	**1 080 301**	999 058
Reversal of share-based payment reserve	**–**	81 243	**–**	81 243
Closing balance	**1 080 301**	1 080 301	**1 080 301**	1 080 301

15. OTHER RESERVES

	Group			
	Share-based payment reserve R'000	Foreign currency translation reserve R'000	Treasury shares R'000	Total reserves R'000
Balance as at 30 June 2018	3 501	793	(2 324)	1 970
Share-based payment expense	7 785			7 785
Other comprehensive income		(3 907)		(3 907)
Balance as at 30 June 2019	11 286	(3 114)	(2 324)	5 848
Share-based payment expense	**9 131**			**9 131**
Other comprehensive income		**(380)**		**(380)**
Reclassification between reserves*		**(11 138)**		**(11 138)**
Balance as at 30 June 2020	**20 417**	**(14 632)**	**(2 324)**	**3 461**

* *The foreign currency translation reserve relating to Medscheme Mauritius Limited was reclassified from retained earnings to the foreign currency translation reserve.*

	Company	
	Share-based payment reserve R'000	Total reserves R'000
Balance as at 30 June 2018	3 501	3 501
Share-based payment expense	7 785	7 785
Balance as at 30 June 2019	11 286	11 286
Share-based payment expense	**9 131**	**9 131**
Balance as at 30 June 2020	**20 417**	**20 417**

16. NON-CONTROLLING INTEREST

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Balance at the beginning of the year	**787 713**	679 277	**–**	–
Dividend distributions (Note 27)	**(43 900)**	(10 341)	**–**	–
Non-controlling interest on acquisition of subsidiaries		3 645	**–**	–
Non-controlling interest on change of ownership without loss of control	**3 566**	–		
Share of net profit of subsidiaries	**155 112**	115 132	**–**	–
	902 491	787 713	**–**	–

Set out below is summarised financial information for ACT Healthcare Assets Proprietary Limited, a subsidiary with non-controlling interest that is material to the Group. The amounts disclosed are before inter-company eliminations.

	Group	
	June 2020 R'000	June 2019 R'000
Summarised statement of financial position of ACT Healthcare Assets Proprietary Limited		
Current assets	**922 086**	1 070 842
Current liabilities	**677 811**	808 217
Current net assets	**244 275**	262 625
Non-current assets	**3 468 137**	3 469 578
Non-current liabilities	**563 838**	973 990
Non-current net assets	**2 904 299**	2 495 588
Net assets	**3 148 574**	2 758 213
ACT Healthcare Assets Proprietary Limited contribution towards group accumulated non-controlling interest	**902 491**	787 713
Summarised statement of comprehensive income		
Revenue	**6 477 671**	5 299 681
Profit for the period	**483 022**	387 945
Other comprehensive income	**–**	(4 041)
Total comprehensive income	**483 022**	383 904
ACT Healthcare Assets Proprietary Limited contribution towards group profit allocated to non-controlling interest	**155 112**	115 132
ACT Healthcare Assets Proprietary Limited contribution towards group dividends paid to non-controlling interest	**43 900**	10 341
Summarised cash flows		
Cash flows from operating activities	**646 628**	354 642
Cash flows from investing activities	**(558 724)**	(906 524)
Cash flows from financing activities	**(166 758)**	608 839
Net (decrease)/increase in cash and cash equivalents	**(78 854)**	56 957

16. NON-CONTROLLING INTEREST (CONTINUED)

Transactions with non-controlling interests

During the current period, Medscheme Mauritius Limited (**MTIUS**) and Medscheme Holdings Proprietary Limited (Medscheme) entered into transaction with Eagle Insurance Limited (**MEI**) for the acquisition of shares by MEI in MTUIS.

Prior to the transaction, Medscheme held 100% of the shares in MTIUS. On transaction date, MTIUS issued new shares for 15 million Mauritian Rupees, resulting in 30% of its shares being held by MEI.

Medscheme retained control of MTIUS after the transaction, holding 70% of the issued shares.

On transaction date, the group recognised an increase in non-controlling interests of R 3.7 million and a profit resulting from the dilution amounting to R1.9 million.

On 1 October 2019 the group acquired the remaining 17.2% in iThrive Business Solutions Group for R9.6 million.

The group recognised a decrease in non-controlling interests of R143 167 with a corresponding increase in equity attributable to owners of the parent.

The transactions listed above did not result in a loss of control and were therefore accounted for as equity transactions, with the resultant adjustments being recognised directly in equity.

The effect on total equity during the year is summarised as follows:

	iThrive Business Solutions R'000	Medscheme Mauritius Limited R'000	Total R'000
Retained earnings	143	1 902	2 045
Non-controlling interest	(143)	3 709	3 566
Total equity	–	5 611	5 611

17. LEASES

	Group		Company	
	June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
Amounts recognised in the statement of financial position				
The statement of financial position shows the following amounts relating to leases:				
Non-current assets				
Right of use asset	234 980	290 136	–	–
Non-current liabilities				
Lease liabilities	181 427	261 104	–	–
Current liabilities				
Lease liabilities	96 855	61 551	–	–
Amounts recognised in statement of profit or loss				
Depreciation	71 781	82 666	–	–
Interest expense	27 886	31 822	–	–
Expense relating to short-term leases	12 332	10 544	–	–

18. EMPLOYMENT BENEFIT LIABILITY

	Group		
	Leave pay R'000	Bonuses R'000	Total R'000
Balance as at 30 June 2018	43 819	6 136	49 955
Charged/(credited) to the statement of comprehensive income:			
– additional provisions	4 706	111 786	116 492
Utilised during the year	(2 229)	(75 559)	(77 788)
Balance as at 30 June 2019	46 296	42 363	88 659
Charged/(credited) to the statement of comprehensive income:			
– additional provisions	**108 150**	**104 284**	**212 434**
– amounts reversed		**(4 101)**	**(4 101)**
Utilised during the year	**(109 127)**	**(85 089)**	**(194 216)**
Balance as at 30 June 2020	**45 319**	**57 457**	**102 776**

	Company		
	Leave pay R'000	Bonuses R'000	Total R'000
Balance as at 30 June 2018	–	–	–
Charged/(credited) to the statement of comprehensive income:			
– additional provisions	–	1 877	1 877
Balance as at 30 June 2019	–	1 877	1 877
Charged/(credited) to the statement of comprehensive income:			
– amounts reversed	**–**	**(1 877)**	**(1 877)**
Balance as at 30 June 2020	**–**	**–**	**–**

The leave pay provisions are primarily in respect of leave pay to be settled in the next financial year.

19. REVENUE

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Revenue from sale of goods	**1 884 589**	1 722 521	**–**	–
Administration fees	**1 558 786**	1 507 340	**–**	–
Health risk management fees – medical aid schemes	**1 218 151**	1 192 380	**–**	–
Health risk management fees – Capitation funds*	**1 011 817**	317 257	**–**	–
Management fees	**17 914**	33 740	**–**	–
IT revenue and other	**503 320**	398 355	**–**	–
Marketing fees*	**209 757**	96 280	**–**	–
Healthcare insurance	**36 632**	28 919	**–**	–
Revenue from performance of services	**4 556 377**	3 574 271	**–**	–
Total revenue from contracts with customers	**6 440 966**	5 296 792	**–**	–

* *Due to the significant increase in revenue from the prior year, it was deemed appropriate to disaggregate this revenue stream in the current year.*

19. REVENUE (CONTINUED)

(A) Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group/Company's reportable segments (see Note 4).

	Group								
	Administration fees R'000	Health risk management fees – medical aid schemes R'000	Management fees R'000	Healthcare insurance R'000	IT revenue and other R'000	Retail R'000	Health risk management fees – Capitation funds R'000	Marketing fees R'000	Group total R'000
Revenue for the year ended 30 June 2020 disaggregated by type of goods or services – Group									
Primary geographical markets									
South Africa	1 392 593	1 202 094	16 320	28 023	503 320	1 884 589	1 011 817	209 757	6 248 513
Africa	166 193	16 057	1 594	8 609	–	–	–	–	192 453
	1 558 786	1 218 151	17 914	36 632	503 320	1 884 589	1 011 817	209 757	6 440 966
Major product/ service line									
Admin health	1 558 786	–	–	–	503 320	–	1 011 817	209 757	3 283 680
Retail (Pharma)	–	–	–	–	–	1 884 589	–	–	1 884 589
Managed healthcare	–	1 218 151	17 914	36 632	–	–	–	–	1 272 697
	1 558 786	1 218 151	17 914	36 632	503 320	1 884 589	1 011 817	209 757	6 440 966
Timing of revenue recognition									
Products transferred at a point in time	–	–	–	–	–	1 884 589	–	–	1 884 589
Products and services transferred over time	1 558 786	1 218 151	17 914	36 632	503 320	–	1 011 817	209 757	4 556 377
	1 558 786	1 218 151	17 914	36 632	503 320	1 884 589	1 011 817	209 757	6 440 966

19. REVENUE (CONTINUED)

(A) Disaggregation of revenue from contracts with customers (continued)

	Group								
	Administration fees R'000	Health risk management fees – medical aid schemes R'000	Management fees R'000	Healthcare insurance R'000	IT revenue and other R'000	Retail R'000	Health risk management fees – Capitation funds R'000	Marketing fees R'000	Group total R'000
Revenue for the year ended 30 June 2019 disaggregated by type of goods or services – Group									
Primary geographical markets									
South Africa	1 507 340	1 192 380	33 740	–	398 355	1 722 521	317 257	96 280	5 267 873
Africa	–	–	–	28 919	–	–	–	–	28 919
	1 507 340	1 192 380	33 740	28 919	398 355	1 722 521	317 257	96 280	5 296 792
Major product/ service line									
Admin health	1 507 340	–	–	–	398 355	–	–	96 280	2 001 975
Retail (Pharma)	–	–	–	–	–	1 722 521	–	–	1 722 521
Managed healthcare	–	1 192 380	33 740	28 919	–	–	317 257	–	1 572 296
	1 507 340	1 192 380	33 740	28 919	398 355	1 722 521	317 257	96 280	5 296 792
Timing of revenue recognition									
Products transferred at a point in time	–	–	–	–	–	1 722 521	–	–	1 722 521
Products and services transferred over time	1 507 340	1 192 380	33 740	28 919	398 355	–	317 257	96 280	3 574 271
	1 507 340	1 192 380	33 740	28 919	398 355	1 722 521	317 257	96 280	5 296 792

(B) Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Current contract receivables				
Trade receivables	**448 874**	391 912	**–**	–
Contract assets	**–**	282	**–**	–
Trade receivables impairment	**(35 262)**	(30 041)	**–**	–

19. REVENUE (CONTINUED)

(B) Contract balances (continued)

Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer.

The Group recognises revenue when it transfers control over a good or for services rendered, once the performance obligation of the service is satisfied.

The table in Note 1(m)(i) provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

All contracts within the Group have a single performance obligation hence the allocation of transaction price is not required.

20. COST OF PHARMACEUTICAL PRODUCTS AND FINISHED GOODS

	Group		Company	
	2020 R'000	Restated 2019 R'000	2020 R'000	Restated 2019 R'000
Opening inventory	283 732	83 532	–	–
Purchases	1 431 326	1 509 530	–	–
Closing inventory	(297 851)	(283 732)	–	–
	1 417 207	1 309 330	–	–
Cost of distribution of pharmaceutical products	72 561	75 941	–	–
	1 489 768	1 385 271	–	–

21. PROFIT BEFORE TAXATION

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

	Group		Company	
	2020 R'000	Restated[1] 2019 R'000	2020 R'000	2019 R'000
Auditors' remuneration (included in other expenses)	16 675	11 119	2 301	1 685
Audit fees	15 736	11 119	1 583	1 685
Prior period under provision	939	–	718	–
Depreciation of property, plant and equipment	62 514	55 909	–	–
Motor vehicles	3 626	2 388	–	–
Computer equipment	31 354	30 187	–	–
Buildings	4 601	3 386	–	–
Furniture and fittings	14 381	12 058	–	–
Property and equipment	8 552	7 890	–	–
Amortisation of development costs and other intangible assets	164 153	110 941	–	–
Share-based payment expense	9 124	7 785	226	–
Fair value of contingent consideration	–	407	–	–
Right of use asset depreciation	71 781	82 666	–	–
Bad debt write-off	2 453	3 602	–	–
Expected credit loss allowance	3 686	326	–	–
Lease rentals (included in rent and property costs)	87 059	97 624	–	–
Buildings	74 727	11 372	–	–
Motor vehicles	319	273	–	–
Office equipment and furniture	12 013	85 979	–	–
Repairs and maintenance (included in rent and property costs)	6 234	6 048	–	–

[1] *Refer to Note 35.2 for the details of the restatement.*

21. PROFIT BEFORE TAXATION (CONTINUED)

Directors' emoluments and fees

(included in employee benefit costs)

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Executive				
JW Boonzaaier	5 094	3 204	-	-
– Basic salary	3 156	2 970	-	-
– Bonus	1 756	-	-	-
– Company contributions	182	234	-	-
WH Britz	4 370	4 190	-	-
– Basic salary	4 156	3 829	-	-
– Bonus		-	-	-
– Company contributions	214	361	-	-
AV van Buuren***	-	3 143	-	-
– Basic salary	-	2 964	-	-
– Bonus	-	-	-	-
– Company contributions	-	179	-	-
A Banderker**	8 459	2 450	-	-
– Basic salary	4 903	1 149	-	-
– Bonus	3 242	1 200	-	-
– Company contributions	314	101	-	-
SE Mmakau	5 151	3 903	-	-
– Basic salary	3 456	2 107	-	-
– Bonus	1 479	1 600	-	-
– Company contributions	216	196	-	-
Non-executive				
For services as directors (basic salary)*	5 150	4 698	5 150	4 698
ATM Mokgokong	1 367	1 272	1 367	1 272
MJ Mandungandaba	1 368	1 163	1 368	1 163
Dr ND Munisi	429	356	429	356
A Banderker		263		263
IM Kirk	59	230	59	230
SE Mmakau		222		222
LL Dhlamini	326	397	326	397
HG Motau	212	377	212	377
SA Zinn	300	185	300	185
JB Fernandes	500	233	500	233
G Allen	183		183	
T Alsworth-Elvey	342		342	
A Le Roux	43		43	
M Chauke	21		21	

* *The directors' remuneration highlighted above reflects their total directors' fees received across various subsidiaries within the Group.*
** *Mr A Banderker was appointed as CEO in April 2019.*
*** *Mr AV van Buuren resigned in April 2019.*

21. PROFIT BEFORE TAXATION (CONTINUED)

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Employee benefit costs	2 241 345	2 146 121	5 280	3 241
Salaries and wages	1 950 203	1 844 049	5 233	3 175
Termination benefits	5 891	7 778	-	-
Incentive, production and performance bonus	155 515	112 289	-	-
Staff welfare	50 883	53 785	44	66
Movement in post-employment medical obligation	(16)	(53)	-	-
Other employee benefit cost	78 869	128 273	3	-

	Group		Company	
	2020	2019	2020	2019
Average number of persons employed by the group during the period:				
South Africa	5 351	5 923	2	–
Full time	4 836	5 168	2	–
Part time	515	755	–	–
Outside of South Africa	342	358	–	–
Full time	342	326	–	–
Part time	–	32	–	–

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Dividends received	–	–	(56 012)	–
Loss on disposal of tangible assets	1 940	44 694	–	–
Fair value gains on financial assets	197	12 867	183	10 156
Impairments	2 930	68 261	–	–
Impairment of goodwill	–	5 262	–	–
Impairment of software	2 919	6 253	–	–
Impairment of internally generated software	–	47 000	–	–
Impairment of investments	–	9 000	–	–
Impairment of loans	11	746	–	–
Included in "other expenses" are the following:				
Donations	1 154	1 243	–	–
Consulting fees	294 833	181 508	430	
Legal fees	18 277	16 935	–	–
Operating expenditure***	227 695	223 681	10 492	–
Marketing and recruitment	82 271	65 504	2 976	–
VAT expenses	3 111	3 947	–	3 845
Capitation costs****	988 029	302 655	–	–

*** *This relates mainly to motor vehicle, telephone, travel, postage and subscription costs.*
**** *This relates to pharmacy claims paid by Scriptpharm.*

22. NET FINANCE COSTS

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Finance costs	**(43 889)**	(20 186)	**(7)**	(61)
Other	**(2 570)**	(6 488)	**–**	(1)
Inter-company loans	**–**	–	**(7)**	(60)
Borrowings	**(41 319)**	(13 698)	**–**	–
Finance income	**26 888**	24 657	**6 555**	5 057
Cash and cash equivalents	**20 633**	20 068	**459**	631
Other	**6 255**	4 589	**6 096**	4 426

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

23. INCOME TAX EXPENSE

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Current taxation				
Current year	171 176	115 811	–	10
Prior year	(2 515)	4 361	–	1 658
Securities transfer tax	24	1 824	–	–
Deferred taxation				
Current year	(5 378)	22 136	688	(355)
Prior year	(8 433)	(709)	–	(841)
Income tax on remeasurement of post-employment benefit obligations	(4)	52	–	–
	154 870	143 475	688	472
Reconciliation of the tax rate				
South African normal tax rate	28.00%	28.00%	28.00%	28.00%
Adjusted for:				
Disallowable expenses	3.53%	6.71%	9.75%	(27.17%)
Donations not subject to Section 18A	0.04%	0.01%	–	–
Share transaction costs	–	0.05%	–	(4.32%)
Dividends	–	0.13%	–	–
Dual nature expenses	0.54%	0.27%	9.75%	(1.56%)
Non-allowable legal fees	0.32%	0.03%	–	–
Non-allowable consulting fees	0.14%	0.26%	0.03%	(2.76%)
Foreign exchange gain/loss	0.07%	–	–	–
Loss on sale of assets	(0.01%)	2.26%	–	–
Impairment of loans	1.24%	0.05%	–	–
Impairment of investments	0.61%	0.48%	–	–
Impairment of intangible assets	–	2.69%	–	–
Second tranche Glen Eden expense	–	0.02%	–	–
Actuarial gains	–	0.01%	–	–
VAT expenses	–	0.20%	–	(18.53%)
Penalties and interest	(0.01%)	0.25%	(0.03%)	–
Non-trading expenses	0.59%	–	–	–
Non-taxable income	(0.37%)	(7.51%)	(0.12%)	8.20%
Share of profits from associates	(0.36%)	(0.98%)	–	–
Fair value gain on investments	0.11%	(6.48%)	(0.12%)	3.96%
Unit trusts income taxed in prior year	–	(0.05%)	–	4.24%
Employment Tax Incentive	(0.12%)	–	–	–
Exempt income	(1.49%)	(0.67%)	(36.07%)	1.34%
Foreign income exempt in terms of Double Taxation Agreement	(1.49%)	(0.67%)	–	–
Dividends received	–	–	(36.07%)	1.34%
Other taxable income	–	0.66%	–	(28.97%)
Securities transfer tax	–	0.34%	–	–
Utilised capital loss	–	0.32%	–	(28.97%)
Other deductible expenses	(0.69%)	(0.54%)	0.00%	0.00%
Learnership allowance	(0.69%)	(0.54%)	0.00%	0.00%
Realised fair value gains and losses	–	(0.27%)	–	24.71%
Rate differences	(0.85%)	(0.25%)	–	–
Prior year adjustment				
– current tax	(0.68%)	(0.02%)	–	(14.24%)
– deferred tax	(1.28%)	–	–	–
Withholding tax	(0.62%)	0.31%	–	–
Unrecognised assessed loss	(0.30%)	–	(0.18%)	–
Utilisation of assessed losses	–	0.70%	–	–
Effective tax rate	25.25%	27.12%	1.38%	(8.13%)

24. EARNINGS PER SHARE

The calculation of basic earnings per share for the Group is based on profit and loss attributable to the parent for the year of R304 million (June 2019: net profit of R270 million), and a weighted average number of shares of 574.2 million (June 2019: 560.8 million) shares in issue. The calculation of headline earnings per share for the Group is calculated on adjusted headline earnings of R306.7 million (June 2019: R265.3 million), and a weighted average number of shares of 574.2 million (June 2019: 560.8 million) shares in issue.

	Group	
	2020 R'000	Restated 2019 R'000
Reconciliation of headline earnings per share		
Total profit and loss attributable to the parent	**303 575**	269 880
Adjusted for:		
Impairment/(reversal of impairment)*	**2 919**	67 515
Reversal of fair value gains	**–**	(118 715)
Loss on disposal of assets	**2 130**	44 694
Total non-controlling interest effect of adjustments	**(1 278)**	1 867
Total tax effects of adjustments	**(596)**	–
Headline earnings	**306 750**	265 241
Earnings per share (cents)		
Basic	**52.87**	48.14
Diluted	**51.79**	47.40
Headline earnings per share (cents)		
Basic	**53.42**	47.29
Diluted	**52.33**	46.58
Cash earnings per share (cents)**		
Basic	**163.65**	118.31
Diluted	**160.33**	116.53
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**574 241 248**	560 826 280
Adjusted for		
– dilutionary impact of contingent shares	**11 900 000**	8 570 000
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**586 141 248**	569 396 280

* *This relates to impairment of the Solatium system (prior year: impairment of the investment in AAR Kenya as well as the impairment of the Gexus system).*

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

25. CASH FLOWS FROM OPERATING ACTIVITIES

	Group		Company	
	2020 R'000	Restated 2019 R'000	2020 R'000	Restated 2019 R'000
Profit/(loss) before tax	613 557	528 487	43 337	(5 808)
Adjustments for:				
Dividends received	–	–	(56 012)	–
Fair value gain on disposal	–	(118 715)	–	–
Right of use assets depreciation	71 781	82 666	–	–
Interest on lease	27 886	31 822	–	–
Finance income	(26 888)	(24 657)	(6 555)	(5 057)
Finance costs	43 889	20 186	7	61
Bad debts written off	2 453	3 602	–	–
Increase/(decrease) in loss allowance	3 686	326	–	–
Net actuarial (gains)/losses	(16)	(53)	–	–
Depreciation	62 514	55 909	–	–
Fair value gains and losses	(197)	(12 867)	(183)	(10 156)
Fair value of contingent consideration	–	407	–	–
Amortisation of intangible assets	164 153	110 941	–	–
Impairment of intangibles	2 919	58 515	–	–
Deferred payment reduction	–	(5 263)	–	–
Impairment provision on investments and loans	11	9 746	–	–
(Profit)/loss on disposal of tangible assets	1 940	4 694	–	–
Loss on disposal of intangible assets	–	40 000	–	–
Interest relating to deferred payment balance	–	1 697	–	–
Share-based payment expense	9 124	7 785	9 124	–
Share of profit from associates	(7 990)	(18 479)	–	–
Other adjustments for non-cash items	(10 270)	–	6	–
Foreign exchange loss	–	–	–	–
Cash flow before working capital changes	958 552	776 749	(10 276)	(20 960)
Working capital changes				
Inventory	(14 119)	(86 359)	–	–
Trade and other receivables	27 159	(104 274)	(25)	221
Trade and other payables	(45 964)	49 040	(798)	4 275
Provisions	14 117	28 380	(1 877)	1 587
Cash generated from/(utilised in) operations	939 745	663 536	(12 976)	(14 877)

26. INCOME TAX PAID

	Group 2020 R'000	Group Restated 2019 R'000	Company 2020 R'000	Company Restated 2019 R'000
Balance at the beginning of the year asset	5 098	7 039	3 211	1 018
Balance at the end of the year liability/(asset)	4 953	(5 098)	(2 677)	(3 211)
(Charge)/credit to the statement of comprehensive income	(154 870)	(120 172)	(688)	1 186
Less deferred tax included in taxation expense	(13 815)	–	688	(1 196)
Securities transfer tax	–	(1 824)	–	–
Take on balance*	–	(16 869)	–	–
	(158 634)	(136 924)	534	(2 203)

* *The take on balance relates to the current tax balances at acquisition of iThrive Business Solutions Group, The Cheese Has Moved, Activo Health and Sanlam Healthcare Management during the prior financial year.*

27. DIVIDENDS

AfroCentric Investment Corporation Limited passed two resolutions whereby dividends were declared in the 2020 financial year. The first dividend was declared in September 2019 of 17 cents per share and the second dividend was declared in March 2020 of 17 cents per share, being the interim dividend. The Rand value of R97.6 million was paid in November 2019 for the first dividend and R97.6 million was paid in May 2020 for the second dividend. These dividends were debited to retained earnings in 2020.

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Dividend declared by AfroCentric Investment Corporation Limited in September 2019	97 621	88 700	97 621	88 700
Dividend declared by AfroCentric Investment Corporation Limited in March 2020	97 621	97 621	97 621	97 621
	195 242	186 321	195 242	186 321
Dividends declared and paid to non-controlling interests	43 900	10 341	–	–
Dividend declared and paid by Medscheme (Namibia) Proprietary Limited to non-controlling interests	9 230	7 891	–	–
Dividend declared and paid by Allegra Proprietary Limited to non-controlling interests	10 780	2 450	–	–
Dividend declared and paid by Scriptpharm Risk Management Proprietary Limited to non-controlling interests	1 344	–	–	–
Dividend declared and paid by ACT Healthcare Assets Proprietary Limited to non-controlling interests	22 546	–	–	–
	239 142	196 662	195 242	186 321

28. SHARE-BASED PAYMENTS

In the 2018 financial year a new share award plan was implemented. 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 Group's shareholders.

Share awards will be issued to identified participants by the Remuneration Committee and Board. 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. The number of share awards will be recommended by the Remuneration Committee at the time that share awards are granted per an award letter.

Eligibility for participation to the plan will be considered on an annual basis. Share awards will constitute conditional shares in AfroCentric Investment Corporation Limited and on vesting date this will be issued to the identified participant in equity shares at no cost. The maximum annual allocation is 5 543 773 share awards (1% of the Company's issued shares as at the date of approval of the AfroCentric Group Management Long Term Incentive Plan by the Board and shareholders of the Company) and the maximum dilution limit is 27 718 866 (5% of the Company's issued shares as at the date of approval of the AfroCentric Group Management Long-Term Incentive Plan by the Board and shareholders of the Company).

AfroCentric expects that 90% of awards will vest to participants at the end of the plan. The share awards are subject to staggered vesting, i.e. vesting of the share awards following the three-year retention period in three equal tranches. The charge for the year is R10.2 million.

The share price on the respective grant dates on 30 November 2019 of R3.30 (2018: R5.20) and (2017: R6.30), was used to determine the IFRS 2 charge for 2020.

30 June 2020	Group					
Offer date	Issue share price R	Balance at 30 June 2019 '000	Offered '000	Forfeited '000	Balance as at 30 June 2020 '000	Fair Value as at 30 June 2020 R'000
– 8 December 2017	6.2	4 440		(1 760)	2 680	989
– 1 November 2018	5.5	4 430		(900)	3 530	1 302
– 30 November 2019	3.3		5 690		5 690	2 100
Total		8 870	5 690	(2 660)	11 900	4 391

Fair value based on closing share price as at 30 June 2020 of R3.69.

30 June 2019	Group					
Offer date	Issue share price R	Balance at 30 June 2018 '000	Offered '000	Forfeited '000	Balance as at 30 June 2019 '000	Fair Value as at 30 June 2019 R'000
– 8 December 2017	6.2	4 440	–		4 440	2 198
– 1 November 2018	5.5		4 430		4 430	2 193
Total		4 440	4 430	–	8 870	4 391

Fair value based on closing share price as at 30 June 2019 of R4.95.

	Group		Company	
	Number of shares 2020	Number of shares 2019	Number of shares 2020	Number of shares 2019
Movements in number of instruments:				
Outstanding at the beginning of the period	1 130	565	–	–
Vested				
Active employees	306	565	–	–
Outstanding at the end of the period	1 436	1 130	–	–

This represents the shares vested but not yet exercised. Exercise price will be the share price as at grant date.

29. CONTINGENCIES, COMMITMENTS AND GUARANTEES

29.1 Contingencies

Exposure to errors and omissions in ordinary course of business

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

Neil Harvey & Associates Proprietary Limited

Neil Harvey & Associates has instituted a claim against Medscheme Holdings Proprietary Limited and three of its employees in 2007. The allegations concern alleged copyright infringement and a breach of the Medware licence agreement. The maximum capital amount of the claim as presently pleaded is R390.4 million. An amendment sought by the plaintiff was the cause of this. The increased sum has no impact on the merits of the claim which remain the same as before.

Following years of the prolonged pending arbitration, the oral hearing for the first part of the claim on the Electronic Membership Interface ("**EMI**") and Broker Application Software issue commenced on 18 May 2020 and ran for a period of 29 days. The first part of the hearing addressed the matters centred on the authorship of a computer programme, the parameters of which are relatively unsettled in South African law, with little case authority to assist. On conclusion of the evidence, the arbitrator directed the extensive heads of argument to be exchanged and delivered to him on 17 August 2020, for oral argument on 27 and 28 August 2020.

As at year-end, the matter had not been finalised as the parties are still engaged in private arbitration. Medscheme Holdings Proprietary Limited will continue to vigorously defend the claim and is confident that there will still be no liability in this matter. We constantly monitor the merits of the case with our legal team, and we are still awaiting the outcome of the oral arguments held on 27 and 28 August 2020. We remain confident that there will be no liability.

Legal claim against Allegra Proprietary Limited

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

Allegra, Shoprite and Medirite pursued an arbitration: final terms of the arbitration agreement were agreed in March 2020. Due to delays with the signing of the arbitration agreement, the parties pursued the abandonment and settlement of this claim by all parties relinquishing their rights to the current claims and future claims.

A settlement agreement has subsequently been entered into effective 24 July 2020, where each party has agreed to withdraw and abandon their respective claims for damages against each other. Parties have further agreed that there shall be no future further recourse against each other, arising from the termination of the master service agreement between Shoprite and Allegra for the Medirite development models. The arbitration has thus been abandoned as the matter has been settled.

29. CONTINGENCIES, COMMITMENTS AND GUARANTEES (CONTINUED)

29.2 Guarantees

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Guarantees issued in respect of office rental for premises occupied by the Group	**5 503**	5 503	**–**	–
Medical aid schemes	**1 000**	1 000	**–**	–
South African Post Office	**3 800**	3 800	**–**	–
City Power Johannesburg	**500**	500	**–**	–
MMed guarantees to suppliers	**850**	850	**–**	–
	11 653	11 653	**–**	–

30. RELATED PARTY TRANSACTIONS

30.1 Directors

Details relating to directors' emoluments are disclosed in Note 21. There are no loans to directors.

The directors' shareholdings are disclosed on pages 7 and 8 of the Annual Financial Statements. Transactions within the Group are listed below.

Relationships with directors in the Group

WAD Holdings Proprietary Limited – Mr AV van Buuren (previous Group CEO – resigned during the prior year) and WH Britz (Executive Director) each hold 50% of WAD Holdings Proprietary Limited.

WAD Holdings Proprietary Limited is the 100% shareholder of Northern Lights Trading 172 Proprietary Limited.

30. RELATED PARTY TRANSACTIONS (CONTINUED)

30.2 Transactions with entities in the Group

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

	Group	
	June 2020 R'000	June 2019 R'000
Directors		
Medical aid contributions paid by directors – to schemes administered by Medscheme Holdings Proprietary Limited	301	507
Mr MJ Madungandaba (70%) and Dr ATM Mokgokong (30%) control Namane Financial Services – consulting and marketing fees paid to Namane Financial Services	156	334
Mr SM Rothbart has a controlling interest in Rothbart Inc. – consulting fees paid by Medscheme Holdings Proprietary Limited	–	1 207
Mr MJ Madungandaba (42%) and Dr ATM Mokgokong (30%) control Mesure Facilities Management Proprietary Limited – management fees and other expenses paid to Mesure Facilities Management Proprietary Limited. The fees represent outsourced facilities management for the AfroCentric Group that represent the following categories:	67 996	74 338
– Salaries	12 501	13 458
– Cleaning and security	19 842	24 273
– Refurbishments, projects and capex	6 635	8 747
– Utilities	27 052	25 730
– Other	1 966	2 130
Mr MJ Madungandaba (41.91%) and Dr ATM Mokgokong (17.96%) collectively control Skynet South Africa Proprietary Limited – courier fees paid to Skynet South Africa	4	417
Mr MJ Madungandaba (8.29%) and Dr ATM Mokgokong (3.55%) have an interest in Jasco Electronics Holdings Limited – IT service fees paid to Jasco Electronics Holdings Limited	21 810	20 975
Mr MJ Madungandaba, Dr ATM Mokgokong and Dr ND Munisi are directors of Community Medical Proprietary Limited – purchases from Community Medical Proprietary Limited	1 619	–
Activo Health Proprietary Limited – rental costs paid to Northern Lights Trading 172 Proprietary Limited	563	–
AfroCentric Distribution Services Proprietary Limited – rental costs paid to Northern Lights Trading 172 Proprietary Limited	4 039	–
Pharmacy Direct Proprietary Limited – rental costs paid to Northern Lights Trading 172 Proprietary Limited	1 884	–
Subsidiaries		
Interest charged		
The Cheese Has Moved Proprietary Limited – interest charged on loan from AfroCentric Health Proprietary Limited	1 086	735
MMed Distribution Proprietary Limited – interest charged on loan from AfroCentric Health Proprietary Limited	10 943	–
AfroCentric Technologies Proprietary Limited – interest charged on loan from AfroCentric Health Proprietary Limited	–	–
Private Health Administrators Proprietary – interest charged on loan from AfroCentric Health Proprietary Limited	146	–
Fastpulse Employee Solutions Proprietary – interest charged on loan from AfroCentric Health Proprietary Limited	418	–

30. RELATED PARTY TRANSACTIONS (CONTINUED)

30.2 Transactions with entities in the group (continued)

	Group	
	June 2020 R'000	June 2019 R'000
Subsidiaries (continued)		
Interest charged (continued)		
AfroCentric Investment Corporation Limited – interest charged on loan from AfroCentric Health Proprietary Limited	7	–
AfroCentric Health Proprietary Limited – interest charged on loan from AfroCentric Investment Corporation Limited	6 049	–
AfroCentric Health Proprietary Limited – interest charged on loan from Activo Health Proprietary Limited	374	–
AfroCentric Health Proprietary Limited – interest charged on loan from AfroCentric Technologies Proprietary Limited	31 296	–
AfroCentric Health Proprietary Limited – interest charged on loan from Curasana Wholesaler Proprietary Limited	3 419	–
AfroCentric Health Proprietary Limited – interest charged on loan from Scriptpharm Risk Management Proprietary Limited	5 288	–
AfroCentric Health Proprietary Limited – interest charged on loan from Wellness Odyssey Proprietary Limited	814	–
Management fees		
Aid for AIDS Management Proprietary Limited – management fees paid to AfroCentric Health Proprietary Limited	8 714	8 259
Medscheme International – management fees paid to AfroCentric Health Proprietary Limited	33	30
Medscheme Mauritius – management fees paid to AfroCentric Health Proprietary Limited	298	282
Medscheme Zimbabwe – management fees paid to AfroCentric Health Proprietary Limited	265	251
AfroCentric Technologies Proprietary Limited – management fees paid to AfroCentric Health Proprietary Limited	18 293	17 340
Medscheme Administrators Swaziland Proprietary Limited – management fees paid to AfroCentric Health Proprietary Limited	870	1 658
Medscheme Holdings Proprietary Limited – management fees paid to AfroCentric Management Services Proprietary Limited	–	21 726
Medscheme Holdings Proprietary Limited – management fees paid to AfroCentric Health Proprietary Limited	150 872	142 836
Curasana Wholesaler Proprietary Limited – management fees paid to AfroCentric Management Services Proprietary Limited	–	2 020
Medscheme Namibia Proprietary Limited – management fees paid to Medscheme Holdings Proprietary Limited	–	1 071
AfroCentric Distribution Services Proprietary Limited – management fees paid to AfroCentric Health Proprietary Limited	1 980	1 873
Activo Health Proprietary Limited – management fees paid to AfroCentric Health Proprietary Limited	1 725	–
AfroCentric Financial Services Proprietary Limited – management fees paid to AfroCentric Health Proprietary Limited	60	–
Curasana Wholesaler Proprietary Limited – management fees paid to AfroCentric Health Proprietary Limited	2 160	–
Medscheme Namibia Proprietary Limited – management fees paid to AfroCentric Health Proprietary Limited	1 130	–
MMed Distribution Proprietary Limited – management fees paid to AfroCentric Health Proprietary Limited	600	–
Scriptpharm Risk Management Proprietary Limited – management fees paid to AfroCentric Health Proprietary Limited	3 624	–

30. RELATED PARTY TRANSACTIONS (CONTINUED)

30.2 Transactions with entities in the group (continued)

	Group	
	June 2020 R'000	June 2019 R'000
Management fees (continued)		
TendaHealth Proprietary Limited – management fees paid to AfroCentric Health Proprietary Limited	150	–
The Cheese Has Moved Proprietary Limited – management fees paid to AfroCentric Health Proprietary Limited	300	–
Wellness Odyssey Proprietary Limited – management fees paid to AfroCentric Health Proprietary Limited	300	–
Wellness Odyssey Proprietary Limited – management fees paid to The Cheese Has Moved Proprietary Limited	15	
Profile fees		
AfroCentric Management Services Proprietary Limited – profile fees paid to AfroCentric Technologies Proprietary Limited	–	59
Aid for AIDS Management Proprietary Limited – profile fees paid to AfroCentric Technologies Proprietary Limited	2 248	2 193
AfroCentric Health Proprietary Limited – profile fees paid to AfroCentric Technologies Proprietary Limited	7 184	6 771
Medscheme Administrators Swaziland Proprietary Limited – profile fees paid to AfroCentric Technologies Proprietary Limited	126	132
Medscheme Holdings Proprietary Limited – profile fees paid to AfroCentric Technologies Proprietary Limited	104 028	103 992
Medscheme Namibia Proprietary Limited – profile fees paid to AfroCentric Technologies Proprietary Limited	1 401	1 332
AICS group – profile fees paid to AfroCentric Technologies Proprietary Limited	465	–
Private Health Administrators Proprietary Limited – profile fees paid to AfroCentric Technologies Proprietary Limited	236	–
Scriptpharm Risk Management Proprietary Limited – profile fees paid to AfroCentric Technologies Proprietary Limited	36	–
AfroCentric Distribution Services Proprietary Limited – profile fees paid to AfroCentric Technologies Proprietary Limited	693	–
IT support fees		
AfroCentric Management Services Proprietary Limited – IT support services paid to AfroCentric Technologies Proprietary Limited	–	4
AfroCentric Health Proprietary Limited – IT support services paid to AfroCentric Technologies Proprietary Limited	–	493
AfroCentric Distribution Services Proprietary Limited – on site support fees paid to AfroCentric Technologies Proprietary Limited	–	468
Medscheme Administrators Swaziland Proprietary Limited – IT support services paid to AfroCentric Technologies Proprietary Limited	572	653
MMed Distribution Proprietary Limited – IT Support service fees paid to AfroCentric Technologies Proprietary Limited	–	5

30. RELATED PARTY TRANSACTIONS (CONTINUED)

30.2 Transactions with entities in the group (continued)

	Group	
	June 2020 R'000	June 2019 R'000
Telephone and printing costs		
AfroCentric Management Services Proprietary Limited – Telkom, TMS and printer fees paid to AfroCentric Technologies Proprietary Limited	2	13
Aid for AIDS Management Proprietary Limited – Telkom, TMS and printer fees paid to AfroCentric Technologies Proprietary Limited	260	330
Allegra Proprietary Limited – TMS and Telkom fees paid to AfroCentric Technologies Proprietary Limited	7	11
AfroCentric Health Proprietary Limited – Telkom, TMS and printer fees paid to AfroCentric Technologies Proprietary Limited	509	157
Medscheme Holdings Proprietary Limited – TMS and Telkom fees paid to AfroCentric Technologies Proprietary Limited	9 166	14 441
Wellness Odyssey Proprietary Limited – printer fees paid to AfroCentric Technologies Proprietary Limited	1	–
Mobile costs		
AfroCentric Health Proprietary Limited – Mobile costs paid to AfroCentric Technologies Proprietary Limited	341	–
AfroCentric Management Services Proprietary Limited – Mobile costs paid to AfroCentric Technologies Proprietary Limited	4	–
Aid for AIDS Management Proprietary Limited – Mobile costs paid to AfroCentric Technologies Proprietary Limited	48	–
Medscheme Holdings Proprietary Limited – Mobile costs paid to AfroCentric Technologies Proprietary Limited	3 949	–
AfroCentric Distribution Services Proprietary Limited – Mobile costs paid to AfroCentric Technologies Proprietary Limited	105	–
Private Health Administrators Proprietary Limited – Mobile costs paid to AfroCentric Technologies Proprietary Limited	12	–
Wellness Odyssey Proprietary Limited – Mobile costs paid to AfroCentric Technologies Proprietary Limited	1	–
Other IT-related fees		
Allegra Proprietary Limited – switching fees paid to AfroCentric Technologies Proprietary Limited	–	6 221
Allegra Proprietary Limited – licence and support fee paid to AfroCentric Technologies Proprietary Limited	1 701	1 701
AfroCentric Distribution Services Proprietary Limited – out of scope fees paid to AfroCentric Technologies Proprietary Limited	68	78
Medscheme Holdings Proprietary Limited – out of scope and recovery costs paid to AfroCentric Technologies Proprietary Limited	–	964
Klinikka Proprietary Limited – corporate service fees paid to AfroCentric Technologies Proprietary Limited	89	89
Medscheme Holdings Proprietary Limited – switching fees paid to Allegra Proprietary Limited	–	44 352
Medscheme Holdings Proprietary Limited – IT admin fees paid to AfroCentric Technologies Proprietary Limited	–	158 861
Medscheme Namibia Proprietary Limited – licence and support fees paid to AfroCentric Technologies Proprietary Limited	5 484	5 884
Medscheme Holdings Proprietary Limited – special IT system fee paid to AfroCentric Technologies Proprietary Limited	126 600	–

30. RELATED PARTY TRANSACTIONS (CONTINUED)

30.2 Transactions with entities in the group (continued)

	Group	
	June 2020 R'000	June 2019 R'000
Other IT-related fees (continued)		
AfroCentric Distribution Services Proprietary Limited – hosting fees paid to AfroCentric Technologies Proprietary Limited	373	–
Medscheme Holdings Proprietary Limited – work from home fee paid to AfroCentric Technologies Proprietary Limited	2 193	–
AfroCentric Health Proprietary Limited – work from home fee paid to AfroCentric Technologies Proprietary Limited	57	–
Aid for AIDS Management Proprietary Limited – work from home fee paid to AfroCentric Technologies Proprietary Limited	53	–
Dividends paid		
Medscheme Namibia Proprietary Limited – dividends paid to Medscheme Holdings Proprietary Limited	26 270	22 459
Medscheme Holdings Proprietary Limited – dividends paid to AfroCentric Health Proprietary Limited	247 559	–
Medscheme International Limited – dividends paid to Medscheme Holdings Proprietary Limited	28 679	–
Allegra Proprietary Limited – dividends paid to AfroCentric Technologies Proprietary Limited	22 000	–
AfroCentric Health Proprietary Limited – dividends paid to ACT Healthcare Assets Proprietary Limited	259 559	–
Wellness Odyssey Proprietary Limited – dividends paid to AfroCentric Health Proprietary Limited	12 000	–
ACT Healthcare Assets Proprietary Limited – dividends paid to AfroCentric Investment Corporation Limited	56 012	–
Activo Health Proprietary Limited – dividends paid to ACT Healthcare Assets Proprietary Limited	7 150	–
Scriptpharm Risk Management Proprietary Limited - dividends paid to ACT Healthcare Assets Proprietary Limited	5 376	–
Consulting fees		
Medscheme Holdings Proprietary Limited – consulting fees paid to Glen Eden Trading 58 Proprietary Limited	–	33 384
Commission paid		
AfroCentric Technologies Proprietary Limited – commission payable to Medscheme Holdings Proprietary Limited for services rendered (CIMAS and First Mutual Life)	–	2 857
AfroCentric Technologies Proprietary Limited – commission payable to Medscheme Holdings Proprietary Limited for services rendered (Premier Service Medical Aid)	–	1 386

30. RELATED PARTY TRANSACTIONS (CONTINUED)

30.2 Transactions with entities in the group (continued)

	Group	
	June 2020 R'000	June 2019 R'000
Sales		
Pharmacy Direct Proprietary Limited – inventory purchases from Curasana Wholesalers Proprietary Limited	970 393	816 690
Curasana Wholesalers Proprietary Limited – logistic sales from Activo Health Proprietary Limited	25 236	30 185
MMed Distribution Proprietary Limited – inventory purchases from Curasana Wholesalers Proprietary Limited	58 697	–
Pharmacy Direct Proprietary Limited – inventory purchases from MMed Distribution Proprietary Limited	506	–
Wellness Odyssey Proprietary Limited – inventory purchases from Curasana Wholesalers Proprietary Limited	611	–
Curasana Wholesalers Proprietary Limited – inventory purchases from Activo Health Proprietary Limited	277 064	–
Activo Health Proprietary Limited – inventory purchases from Curasana Wholesalers Limited	9 052	–
Curasana Wholesalers Proprietary Limited – inventory purchases from Pharmacy Direct Proprietary Limited	53 517	–
Wellness Odyssey Proprietary Limited – inventory purchases from Pharmacy Direct Proprietary Limited	67	–
Rent and property costs		
Pharmacy Direct Proprietary Limited – rental costs, electricity and security costs paid to Curasana Wholesalers Proprietary Limited	5 076	4 393
Fastpulse Employee Solutions Proprietary Limited – rental costs paid to Curasana Wholesalers Proprietary Limited	68	–
AfroCentric Technologies Proprietary Limited – rental costs paid to Curasana Wholesalers Proprietary Limited	480	–
Medscheme Holdings Proprietary Limited – rental costs paid to Curasana Wholesalers Proprietary Limited	1 200	–
Wellness Odyssey Proprietary Limited – rental costs paid to Curasana Wholesalers Proprietary Limited	221	–
Scriptpharm Risk Management Proprietary Limited – rental costs paid to Curasana Wholesalers Proprietary Limited	635	–

30. RELATED PARTY TRANSACTIONS (CONTINUED)

30.2 Transactions with entities in the group (continued)

	Group	
	June 2020 R'000	June 2019 R'000
Other		
Activo Health Proprietary Limited – service fees paid to Pharmacy Direct Proprietary Limited	26 616	–
Activo Health Proprietary Limited – service fees paid to Curasana Wholesalers Proprietary Limited	24 776	–
Activo Health Proprietary Limited – other costs paid to Pharmacy Direct Proprietary Limited	206	–
Pharmacy Direct Proprietary Limited – other costs paid to Wellness Odyssey Proprietary Limited	11	–
Curasana Wholesalers Proprietary Limited – other costs paid to Pharmacy Direct Proprietary Limited	12	–
MMed Distribution Proprietary Limited – advertising and marketing fees paid to The Cheese Has Moved Proprietary Limited	18	–
Wellness Odyssey Proprietary Limited – advertising and marketing fees paid to The Cheese Has Moved Proprietary Limited	457	–
Activo Health Proprietary Limited – distribution costs paid to Curasana Wholesalers Proprietary Limited	5 369	–
Activo Health Proprietary Limited – socio-economic development costs paid to Curasana Wholesalers Proprietary Limited	128	–
Pharmacy Direct Proprietary Limited – administration fees paid to Wellness Odyssey Proprietary Limited	339	–
Pharmacy Direct Proprietary Limited – staff training costs paid to Wellness Odyssey Proprietary Limited	2	–

	Company	
	June 2020 R'000	June 2019 R'000
Balances		
AfroCentric Health Proprietary Limited loan account	(9 767)	126 792
Interest charged		
Interest paid to AfroCentric Health Proprietary Limited	(7)	–
Interest received from AfroCentric Health Proprietary Limited	6 049	–
Dividends received		
Dividends received from ACT Healthcare Assets Proprietary Limited	56 012	–
30.3 Key management personnel compensation		
Share-based payments	5 014	13 456

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

30. RELATED PARTY TRANSACTIONS (CONTINUED)

30.4 Inter-Group guarantees

The following group companies have provided cross guarantees to the AfroCentric Health Proprietary Limited bankers, for facilities offered to that company:

» Medscheme Holdings Proprietary Limited;

» Aids for AIDS Management Proprietary Limited;

» AfroCentric Technologies Proprietary Limited; and

» Klinikka Proprietary Limited.

31. PENSIONS AND OTHER RETIREMENT OBLIGATIONS

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

Medscheme Provident Fund and Medscheme Employee Provident Fund

These funds are defined contribution plans. Contributions are fully expensed during the year in which they are funded. Contributions of 7.6% of retirement funding remuneration are paid by the employer and contributions paid by the employee range between 0% and 12% of retirement funding remuneration. In the interest of the employee members of these funds, the trustees are encouraged to obtain an independent actuarial assessment of the performance of the funds.

32. DEFERRED PAYMENT

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Deferred payment	–	7 335	–	–

On 1 October 2018 (effective date and acquisition date) AfroCentric concluded agreements governing the acquisition of 82.8% of the iThrive Business Solutions Group of companies. The Group is determined to pursue partnerships, acquisitions and mergers in order to drive toward value chain optimisation and this acquisition bears testament to this.

The purchase consideration for iThrive Business Solutions Group was R38 million in cash consideration.

The remaining shares in iThrive Business Solutions were acquired on 1 October 2019 for R9.6 million. The deferred payment was thus settled.

33. SUBSEQUENT EVENTS

33.1 Acquisition of Dental Information Systems Holdings Proprietary Limited

AfroCentric Group will be acquiring 100% of the dental benefit management company, Dental Information Systems Holdings Proprietary Limited (DENIS Group), effective 1 October 2020.

The acquisition of DENIS Group enables the Group to focus specifically on cost reduction and innovation in the dental treatment offerings to medical scheme members.

The financial effects of this transaction have not been recognised at 30 June 2020. The operating results and assets and liabilities of the acquired company will be consolidated from 1 October 2020.

Purchase consideration and fair value of net assets acquired

Details of the consideration transferred are:

	R'000
Purchase consideration	
– Cash paid	170 000
– Contingent consideration	–
Total purchase consideration	170 000

The provisionally determined fair value of the assets and liabilities of the DENIS Group as at the date of acquisition are as follows:

	Fair value R'000
Cash and cash equivalents	139 655
Property, plant and equipment	71 635
Intangible assets	17
Intangible assets – customer contracts	108 616
Incurred but not reported (IBNR) and claims provision	(45 459)
Receivables	5 391
Payables	(24 820)
Equity investments	15 540
Other financial assets	174
Other financial liabilities	(1 336)
Net deferred tax assets	(25 843)
Taxation	3 855
Dividend payable	(80 000)
Net identifiable assets acquired	167 425
Add: Goodwill	2 575
Net assets acquired	170 000

The goodwill is attributable to DENIS Group's strong position and profitability in dental risk management services. None of the goodwill is expected to be deductible for tax purposes.

In particular, the fair values of the assets and liabilities disclosed above have only been determined provisionally as the independent valuations have not been finalised.

It is also not yet possible to provide detailed information about each class of acquired receivable and any contingent liabilities of the acquired entity.

33. SUBSEQUENT EVENTS (CONTINUED)

33.2 Acquisition of additional shares in Scriptpharm Risk Management Proprietary Limited

AfroCentric acquired an 80% interest in Scriptpharm in 2017. Effective 1 August 2020, AfroCentric Group has acquired the additional 20% from the minority shareholder for the value of R20 million.

The terms of the call option are substantially dictated by the valuation formulae and payment options provided for in the master sale agreement.

33.3 Director changes

Mr T Alswoth-Elvey resigned as a Non-executive Director effective 31 July 2020, and was replaced by Mr J Strydom effective 1 August 2020.

34. IMPACT OF COVID-19 AND GOING CONCERN

The COVID-19 outbreak has significantly affected lives, entities and economic activity around the world. In 2020, many countries around the world have, among other radical actions, implemented national lockdowns as part of attempts to contain the spread of the virus.

Responding to the COVID-19 outbreak world-wide, the South African President declared a national state of disaster on 15 March 2020 with a partial travel ban, closing of schools and prohibiting of large gatherings of people. Following this action, on 23 March 2020, the South African President declared a national lockdown, with only certain core essential services (and their related employees) allowed to continue working as normal, in the interest of maintaining the availability of such essential services (one of which included healthcare services) to the citizens of South Africa. The lockdown was then further extended by the President on 9 April 2020, with a tentative, unconfirmed end date planned for the end of September 2020.

The COVID-19 pandemic and related nation-wide lockdown have not interfered with the Group and its subsidiary entities' ability to continue in operation and the usual levels of operations of the business have continued as normal even during all the levels of the lockdown periods.

The impact of the COVID-19 pandemic and the related lockdown is immaterial, as the Group has since been able to continue in operation during the pandemic in an unaffected manner. The following factors were considered in the going concern assessment:

» Revenue – The Group's core business of administration of medical aid and provision of medication is considered to be a healthcare-related essential service and has remained unaffected by the COVID-19 lockdown. The Group revenue has therefore remained unaffected.

» Inventory – The Group and its subsidiary entities have experienced no disruption in the supply chain during the year and this is expected to continue in the 2021 financial year.

» Financial instrument risk disclosures – Due to the rapidly changing economic environment, the Group and its subsidiary entities have been subject to an increasing market risk and fair value risk. To this effect, the Group's sensitivity analysis has been performed using a larger range for the risk affected variables (Notes 7 and 8). This range is based on management's expectation of COVID-19.

» Borrowings repayment and classification – The outstanding balance of the Group's borrowings as at 30 June 2020 is R386 million. The Group is not in breach of the covenants. The Group is anticipating to make R120 million payments in the next 12 months as and when they become due. No deferral of capital repayments is expected.

The consolidated and separate financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The AfroCentric Group and its subsidiary companies will still continue to operate as going concerns as there are sufficient financial resources to continue operating into the future.

The COVID-19 pandemic and related nation-wide lockdown have not interfered with the Group's ability to continue its operations as the entities have continued as normal even during the lockdown period, seeing as the following were deemed to be a healthcare-related essential service:

» Administration of medical aids;

» Provision of chronic medication;

» Supply and distribution of medicine;

» Primary and occupational healthcare services;

» Information technology solutions; and

» Health insurance.

34. IMPACT OF COVID-19 AND GOING CONCERN (CONTINUED)

The current contracts in place with the various medical aid schemes, private and public practitioners are not under threat as services were performed throughout all the respective levels of lockdown.

Furthermore, there has not been any regulatory changes announced by the President of South Africa that will threaten the Company's ability to continue as a going concern.

35. RESTATEMENT OF JUNE 2019 RESULTS

35.1 Statement of financial position

In the 2019 financial period, the Group had presented the taxation receivable net of its taxation payable obligations. The restatement has been performed to reflect the gross taxation view as this is deemed to be more appropriate.

The table below illustrates the impact of the statement of financial position restatement:

	2019 As previously reported R'000	Adjustment increase/ (decrease) R'000	2019 Restated R'000
Consolidated statement of financial position			
Current asset	1 085 620	32 279	1 117 899
Trade and other receivables	531 494	–	531 494
Cash and cash equivalents	265 296	–	265 296
Inventory	283 732	–	283 732
Current tax asset	5 098	32 279	37 377
Current liabilities	686 046	32 279	718 325
Trade and other payables	415 836	–	415 836
Borrowings	120 000	–	120 000
Employment benefit liability	88 659	–	88 659
Lease liability	61 551	–	61 551
Taxation	–	32 279	32 279

35.2 Statement of comprehensive income

In the 2019 financial period, the Group had presented the courier costs associated with the delivery of medication by Pharmacy Direct to its clients as other expenses.

Due to the nature of these expenses, presenting these costs as cost of distribution of pharmaceutical products is deemed to be more appropriate. This reclassification did not have an impact on the Group's profit nor any income statement ratios.

This has been corrected as follows:

	2019 As previously reported R'000	Adjustment increase/ (decrease) R'000	2019 Restated R'000
Statement of comprehensive income			
Cost of distribution of pharmaceutical products	–	(75 941)	(75 941)
Other expenses	(937 874)	75 941	(861 933)

35. RESTATEMENT OF JUNE 2019 RESULTS (CONTINUED)

35.3 Reclassification in cash generated from operations note

In 2019 financial period, the Group had erroneously included "ROU Lease adjustments on profits" in the cash generated from operations note. This correction has resulted in an increase on the cash earnings per share as the calculation was based on the cash generated from operations per the note.

This has been corrected by restating as follows:

	2019 As previously reported R'000	Adjustment increase/ (decrease) R'000	2019 Restated R'000
Profit/(loss) before tax	528 487		528 487
Adjustments for:			
Fair value gain on disposal	(118 715)		(118 715)
Right of use lease adjustments on profits	(94 474)	94 474	–
Right of use assets depreciation	82 666		82 666
Interest on lease	31 822		31 822
Finance income	(24 657)		(24 657)
Finance cost	20 186		20 186
Bad debts written off	3 602		3 602
Increase/(decrease) in provision for bad debts	326		326
Net actuarial (gains)/losses	(53)		(53)
Depreciation	55 909		55 909
Fair value gains	(12 867)		(12 867)
Fair value of contingent consideration	407		407
Amortisation of intangible assets	110 941		110 941
Impairment of intangibles	58 515		58 515
Deferred payment reduction	(5 263)		(5 263)
Impairment provision on investments and loans	9 746		9 746
(Profit)/loss on disposal of investment	4 694		4 694
Loss on disposal of intangible assets	40 000		40 000
Interest relating to deferred payment balance	1 697		1 697
Share-based payment expense	7 785		7 785
Share of profit from associates	(18 479)		(18 479)
Cash flow before working capital changes	682 275		776 749
Working capital changes	(113 213)		(113 213)
Trade and other receivables	(104 274)		(104 274)
Provisions	28 380		28 380
Inventory	(86 359)		(86 359)
Trade and other payables	49 040		49 040
Cash generated from operations	569 062	94 474	663 536

35. RESTATEMENT OF JUNE 2019 RESULTS (CONTINUED)

35.4 Restatement of cash earnings per share

The cash earnings per share are calculated based on the cash generated from operations. In the prior year, the cash earnings per share were calculated based on an incorrectly disclosed cash generated from operations amount per the note (see Note 35.3). On the restatement of the cash generated from operations note, the cash earnings per share was recalculated resulting in an increase in the previously disclosed value.

This has been corrected by restating as follows:

	2019 As previously reported	Adjustment increase	2019 Restated
Cash earnings per share (cents)			
Basic	101.47	16.84	118.31
Diluted	99.94	16.59	116.53

35.5 Restatement of Inventory

In the prior year the unearned fees relating to the single exit price (SEP) pricing of the inventory at hand as at year end, were separately disclosed as merchandise provision in the inventory note, consisting of rebate agreements with vendors relating to the purchase of the Group's inventory . However these are not provisions in nature, as these rebates represent a reduction in the cost of Finished goods inventory. For improved disclosure, the prior year inventory note has been restated to reduce the cost of finished goods inventory by the unearned fees provision.

This has been corrected by restating as follow:

	2019 As previously reported	Adjustment increase	2019 Restated
Finished goods	234 233	(48 849)	185 384
Merchandise	98 348		98 348
Merchandise provision	(48 849)	48 849	–
	283 732	–	283 732

35.6 Line description correction on the cash flow from financing activities disclosed on the statement of cash flows

In the 2019 financial statements, the lease liability capital repayment was incorrectly described as the lease liability interest repayment on the cash flow from financing activities. The 2019 financial statements have been restated to reflect the correct line description.

Herewith is the effect of the restatement on the financial statements:

Extract of the statement of cash flows

Financial Statement Lime	2019 As previously reported	Adjustment (Increase)/ Decrease R'000	2019 Restated R'000
Lease liability capital repayment	–	(62 652)	(62 652)
Lease liability interest repayment	(62 652)	62 652	–

This correction did not have any impact on the cash generated from financing activities, and subsequently did not have an impact on the cash and cash equivalents for the year. This correction did not have any impact on the net profit position.

SUPPLEMENTARY INFORMATION

The supplementary information relates to non-IFRS information and does not form part of the audited financial statements.

1 ADJUSTED PROFIT (EBITDA) EARNINGS FOR MANAGEMENT EARNINGS (NON-IFRS INFORMATION)

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

	Healthcare SA R'000	Healthcare Africa R'000	Healthcare Retail R'000	Total Healthcare R'000	Information Technology R'000	Inter-Group eliminations R'000	Group R'000
Year ended 30 June 2020							
Profit before taxation	196 426	50 728	235 829	482 983	149 014	(18 440)	613 557
Depreciation and amortisation	23 245	4 525	12 271	40 041	149 308	37 317	226 666
Reversal of impairment	16 116	–	341	16 457	–	(13 538)	2 919
Share-based payment expense	8 026	317	775	9 118	5	(2)	9 121
Net finance income/(cost)	15 757	(1 612)	3 521	17 666	(982)	317	17 001
Adjusted Profit for the year (EBITDA)	259 570	53 958	252 737	566 265	297 345	5 654	869 264

	Healthcare SA R'000	Healthcare Africa R'000	Healthcare Retail R'000	Total Healthcare R'000	Information Technology R'000	Inter-Group eliminations R'000	Group R'000
Year ended 30 June 2019							
Profit before taxation	147 644	63 382	117 537	328 563	75 800	124 124	528 487
Depreciation and amortisation	96 404	8 399	22 572	127 375	110 599	(71 124)	166 850
Add back impairment of assets	35 748	–	–	35 748	47 000	(14 487)	68 261
Share-based payment expense	5 996	562	281	6 839	947	(1)	7 785
Net finance income/(cost)	1 156	(515)	5 143	5 784	22 653	(32 908)	(4 471)
Adjusted profit for the year (EBITDA)	286 948	71 828	145 533	504 309	256 999	5 604	766 912

2 NORMALISED EARNINGS PER SHARE

	Group	
	2020 R'000	Restated 2019 R'000
Normalised earnings (non-IFRS information)[1]		
Headline earnings	306 750	265 241
Adjusted by:		
Less: Lease reversal	(86 129)	(94 418)
Add: Depreciation on right of use assets	71 781	82 666
Add: Interest on lease liability	27 886	31 822
Total tax effect of adjustments	(3 791)	(5 620)
Total NCI effects of adjustments	(2 797)	(4 147)
Normalised headline earnings	313 700	275 544
Normalised headline earnings per share (cents)		
Basic	54.63	49.13
Diluted	53.52	48.39

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

COMPANY INFORMATION

REGISTRATION NUMBER

1988/000570/06

REGISTERED ADDRESS

37 Conrad Road
Florida North
Roodepoort
1709

POSTAL ADDRESS

PO Box 1101
Florida Glen
Roodepoort
1708

AUDITOR

PricewaterhouseCoopers Inc.
Johannesburg

GROUP INVESTOR RELATIONS

Nosipho Phewa
Tel: +27 11 671 2475
investor-relations@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
2169
Tel: +27 861 100933

POSTAL ADDRESS

PO Box 61051
Marshalltown
2107

GROUP COMPANY SECRETARY

Billy Mokale
Tel: +27 11 671 4725

GREYMATTERFINCH # 14430

AfroCentric GROUP

WWW.AFROCENTRIC.ZA.COM