



AfroCentric
GROUP

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

**GROUP ANNUAL
FINANCIAL
STATEMENTS
2016**



PREPARATION OF THE GROUP ANNUAL FINANCIAL STATEMENTS

The Group Annual Financial Statements of AfroCentric Investment Corporation Limited ("AfroCentric") for the year ended 30 June 2016 were prepared by Shivani Ramdhani CA (SA), General Manager: Group Finance, AfroCentric Investment Corporation Limited and were reviewed by Hannes Boonzaaier CA (SA), Chief Financial Officer of AfroCentric Investment Corporation Limited.

CONTENTS

Company information	1
Directors responsibility statement and declaration by Company Secretary	2
Audit and Risk Committee report	3
Directors' report	4 – 8
Shareholders' analysis	9
Report of the independent auditor	10
Consolidated statement of financial position	12
Consolidated statement of comprehensive income	13
Consolidated statement of changes in equity	14
Consolidated statement of cash flows	15
Notes to the Group Annual Financial Statements	16 – 80



COMPANY INFORMATION

REGISTRATION NUMBER

1988/000570/06

REGISTERED OFFICE

37 Conrad Road
Florida North
Roodepoort
1709

POSTAL ADDRESS

Private Bag X34
Benmore
2010

GROUP INVESTOR RELATIONS

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AUDITOR

PricewaterhouseCoopers Inc.
2 Eglin Road
Sunninghill
2157

COMPANY SECRETARY

Shireen Lutchan

DIRECTORS RESPONSIBILITY STATEMENT

for the year ended 30 June 2016

The Directors are responsible for the preparation, integrity and fair presentation of the Annual Financial Statements of the Group as presented on pages 12 to 80. These annual financial statements have been prepared in accordance with IFRS, the Companies Act and the JSE Limited Listings Requirements; and include amounts based on judgements and estimates made by management.

The Directors are also responsible for the Group's system of internal financial controls. These controls are designed to provide reasonable, but not absolute, assurance as to the reliability of the Group 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 2016 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 Group 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 Group Annual Financial Statements support the viability of the Company and the Group. Furthermore, the Group has secured banking facilities which are in excess of the Groups funding requirements for the foreseeable future.

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

The audit opinion of PricewaterhouseCoopers Inc. appears on page 10.

The Board acknowledges its responsibility to ensure the integrity of the Integrated Annual Report. 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 integrated performance of the Group.

The Group Annual Financial Statements have been approved by the Board of Directors and signed on 14 September 2016.



Hannes Boonzaaier
Group Chief Financial Officer



Antoine Van Buuren
Group Chief Executive Officer

DECLARATION BY COMPANY SECRETARY

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



Shireen Lutchan
Company Secretary

14 September 2016

AUDIT AND RISK COMMITTEE REPORT

for the year ended 30 June 2016

This report is presented by the Audit and Risk Committee (herein referred to as "the Committee") in terms of section 94(7) (f) of the Companies Act No 71 of 2008.

MEMBERSHIP

The Committee consists of three Independent Non-executive Directors and is now fully compliant with the legislative and governance requirements. This was confirmed at the last shareholders meeting held on 5 February 2016.

MEETINGS AND DUTIES

The Audit and Risk Committee held three meetings during the year under review. At these meetings, the Committee received and considered reports from external audit, internal audit, Group finance and the Group legal, governance, risk and compliance departments.

Apart from the statutory duties of the Audit and Risk Committee as set out in the Companies Act and the provisions of the JSE Limited Listings Requirements and King III principles, the Committee has performed its duties and responsibilities according to its charter/terms of reference.

INDEPENDENCE OF THE EXTERNAL AUDITORS

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

EFFECTIVENESS OF INTERNAL CONTROLS

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

GROUP ANNUAL FINANCIAL STATEMENTS

The Committee is satisfied that the Group Annual Financial Statements are based on appropriate accounting policies supported by reasonable and prudent judgments and estimates. The Committee is of the view that, in all material respects, it complies with the relevant provisions of the Companies Act and IFRS and fairly presents the financial position and the results of its operations and cash flows for the year ended 30 June 2016. Having achieved its objective for the financial year, the Audit and Risk Committee recommended the audited Group Annual Financial Statements for the year ended 30 June 2016 for approval to the Board.

GOVERNANCE OF RISK

The Committee oversees the implementation of the policy and plan which ensures that risk is managed by means of risk management systems and processes. The Committee is satisfied that the appropriate and effective risk management are in place.

FINANCE DIRECTOR AND FINANCE FUNCTION

The Committee considered the appropriateness of the experience and expertise of the Group Financial Director and concluded that this was appropriate. The expertise, resources and experience of the Group finance function was considered and it was concluded that these were suitable.

RESPONSIBILITY STATEMENT

The Audit and Risk Committee acknowledges its responsibility on behalf of the Board of Directors to ensure the integrity of this Integrated Annual Report. 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 integrated performance of AfroCentric and its subsidiaries and associates for the year. The Audit and Risk Committee recommends this Integrated Annual Report to the Board of Directors for approval.



Y Masithela
Chairperson

Audit and Risk Committee
14 September 2016

DIRECTORS' REPORT

for the year ended 30 June 2016

The AfroCentric Investment Corporation Limited ("AfroCentric") Board of Directors present their integrated annual report for the year ended 30 June 2016.

NATURE OF BUSINESS

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

BUSINESS ACTIVITIES

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

AFROCENTRIC HEALTH

The majority stake held by AHA in AfroCentric Health as at 30 June 2016 was 100% (2015: 94.1%). AfroCentric has over the past years, developed its business, substantially in the healthcare sector; and our average compound annual earnings growth over the period has been more than impressive.

MEDSCHEME HOLDINGS (PTY) LTD

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

HELIOS IT SOLUTIONS (PTY) LTD

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

AID FOR AIDS MANAGEMENT (PTY) LTD ("AFA")

AFA are specialists in AIDS related treatments for medical aids and corporate clients. In order to capitalise on the expertise within Medscheme and the broader AfroCentric Group, as well as enhance the support to Afa in terms of aligning and integrating the product set with the Active Disease Risk Management products being developed by Medscheme, a decision has been taken to reorganise Afa.

THE WAD ACQUISITION AND SANLAM INVESTMENT

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

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

Pharmacy Direct was established 10 years ago and is a designated service provider to a wide range of South African medical aid schemes. The business supplies chronic medication under prescribed minimum benefits regulation and normal chronic benefits to approximately 110 000 patients nationally. Pharmacy Direct and Curasana are businesses that specialise in the wholesaling, dispensing and delivery of chronic medication for an on behalf of private and public sector clients and patients in South Africa.

The WAD Acquisition will not only add diversification to AfroCentric's investment portfolio, but are complementary to AfroCentric Health's core business through the provision of services and products to the broader healthcare community.

FINANCIAL REVIEW

Group consolidated Revenue increased by 50.03% to R3.148 billion. The increase is mainly attributable to the WAD acquisition.

Group Headline Earnings increased by 1.32% to R182.2 million compared to R179.8 million in the prior year. Diluted Headline Earnings Per Share decreased by 18.16% to 31.45 cents per share (2015: 38.43 cents per share).



GOING CONCERN

The Group Annual Financial Statements have been prepared on the going concern basis. The Board of Directors 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, consider the preparation of the Group Annual Financial Statements on this basis to be appropriate.

DIVIDENDS

The Company declared an interim dividend of 12 cents per ordinary share as at 16 March 2016. The Company further declared a final dividend of 12 cents per ordinary share for the year ended 30 June 2016. This was declared on 19 September 2016. These dividends are subject to the Dividends Withholding Tax in terms of the Income Tax Act (Act No. 58 of 1962 amended) for which shareholders are liable.

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

- the dividends have been declared out of profits available for distribution
- the local Dividends Withholding Tax rate is 15%
- the gross dividend amount for both declarations in 2016 is 24 cents per ordinary share (12 cents in interim and 12 cents in final)
- for purposes of the final distribution 554 377 328 ordinary shares will be deemed to be in issue on the dividend record date

DIRECTORS

The table below illustrates the Director's attendance at meetings for the year ended 30 June 2016.

Directors name	Date of appointment	Designation
ATM Mokgokong (<i>Chairperson</i>)	10 June 2010	Non-executive
MJ Madungandaba	10 June 2010	Non-executive
JM Kahn	20 December 2005	Independent Non-executive
MI Sacks	20 December 2005	Independent Non-executive
JG Appelgryn	17 September 2013	Non-executive
ND Munisi	7 December 2015	Non-executive
A Banderker	15 December 2015	Non-executive
IM Kirk	15 December 2015	Non-executive
WH Britz	1 August 2015	Executive, salaried
JW Boonzaaier	1 August 2015	Executive, salaried
AV Van Buuren	16 March 2016	Executive, salaried
D Dempers (<i>resigned 2 June 2016</i>)	5 September 2012	Executive, salaried
GL Napier	1 September 2011	Lead Independent Non-executive
LL Dhlamini	2 December 2005	Independent Non-executive
NB Bam	20 December 2005	Independent Non-executive
Y Masithela (<i>resigned 15 September 2016</i>)	1 September 2011	Independent Non-executive

- the company has 554 377 328 ordinary shares in issue on declaration date
- the Company's income tax reference number is 9600/148/71/3

SHARE CAPITAL

The Company's share capital remained at 554 377 328 ordinary shares in the financial year under review.

The details of the Company's share capital are set out in Note 15 of these Group Annual Financial Statements.

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

SHARE REPURCHASES

During the year, no share repurchases were made by the Company. AfroCentric Health (Pty) Ltd holds 3 518 605 treasury shares.

AUDIT AND RISK COMMITTEE

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



DIRECTORS' REPORT (continued)

for the year ended 30 June 2016

Directors ordinary shareholdings as at 30 June 2016

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

Directors ordinary shareholdings as at 30 June 2015

Director	Direct beneficial	Indirect beneficial	Held by associate	Total	%
ATM Mokgokong (<i>Chairperson</i>)	1 707 926	41 896 880	7 292 132	50 896 938	10.88
NB Bam	150 000	–	–	150 000	0.03
JM Kahn	18 535 608	–	–	18 535 608	3.96
MI Sacks	17 579 938	–	–	17 579 938	3.76
MJ Madungandaba	–	97 759 388	17 014 979	114 774 367	24.53
Y Masithela	–	–	–	–	–
GL Napier	–	–	–	–	–
D Dempers	7 626 810	–	–	7 626 810	1.63
JG Appelgryn	1 447	–	–	1 447	0.00
	45 601 729	139 656 268	24 307 111	209 565 108	44.79

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

A further detailed analysis of shareholders including majority shareholding is available on page 9.

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

DIRECTORS' REMUNERATION

REMUNERATION OF NON-EXECUTIVE DIRECTORS AND BOARD COMMITTEE MEMBERS

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

Director	Fees R'000
ATM Mokgokong (<i>Chairperson</i>)	833*
MJ Madungandaba (<i>Deputy Chairperson</i>)	861*
JM Kahn	#
MI Sacks	#
JG Appelgryn	195
B Bam	195
Y Masithela	195
GL Napier	195
LL Dhlamini	100
ND Munisi	100
A Banderker	399
IM Kirk	332

* The Board Chairperson and Deputy Chairperson's remuneration highlighted above reflects their total directors fees received across various subsidiaries within the Group.

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

REMUNERATION OF EXECUTIVE AND NON-EXECUTIVE DIRECTORS

Details of the remuneration are set out fully in Note 24 of the Group Annual Financial Statements.

REMUNERATION OF THE FIVE HIGHEST PAID EMPLOYEES WHO ARE NOT DIRECTORS

Employee	Annual cost to company R'000
KM Aron	5 308 449
V Pillay	4 045 498
A Pederson	3 921 235
A Mahmood	3 448 998
T Rametse	3 345 965

COMPANY SECRETARY AND REGISTERED OFFICE

The Board was satisfied that Ms Shireen Lutchan, effective 1 March 2015, is suitably qualified for the position. The Board was satisfied that Ms Lutchan complied with Section 87 of the Companies Act and that she possesses the necessary skills and experience in her capacity as Company Secretary of the Group. The Company Secretary had an arm's length relationship with the Board, as required by the Companies Act.

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

MATERIAL RESOLUTIONS

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

- General approval to repurchase shares.
- Inter-company loans and other financial assistance.
- Fees payable to Non-executive Directors.
- Financial Statements for the Financial Year ended 30 June 2015.
- Audit Report for the Year ended 2015.

The Company's interest in subsidiaries and investments:

Company name	Nature of business	Issued ordinary share capital	June 2016 %	June 2015 %
AfroCentric Resources (Pty) Ltd	Dormant	Less than 1 000 (100 shares)	100	100
AfroCentric Capital (Pty) Ltd	Dormant	Less than 1 000 (100 shares)	100	100
ACT Healthcare Assets (Pty) Ltd	Holding	Less than 1 000	71.30	100
ACT Funding (Pty) Ltd	Financing	Less than 1 000 (100 shares)	100	100
Jasco Electronics Holdings Limited	ICT, Industry and Energy	44 263 793	19.30	19.30

- Re-appointment of Independent Registered Auditors.
- Election and re-election of Directors.
- Appointment of members to the Audit and Risk Committee.
- Approval to issue ordinary shares and to sell Treasury shares, for cash.
- Endorsement of the remuneration policy.
- Authority of Directors.

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

MATERIAL COMMITMENTS, LEASE PAYMENTS

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

LITIGATION STATEMENT

In terms of the JSE Limited Listings Requirements, the Directors note that they are not aware of any legal or arbitration proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 months, a material effect on the Group's financial position, apart from the matters per Note 32 of the Group Annual Financial Statements.

BORROWING POWERS

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

INSURANCE

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

COMPLIANCE

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

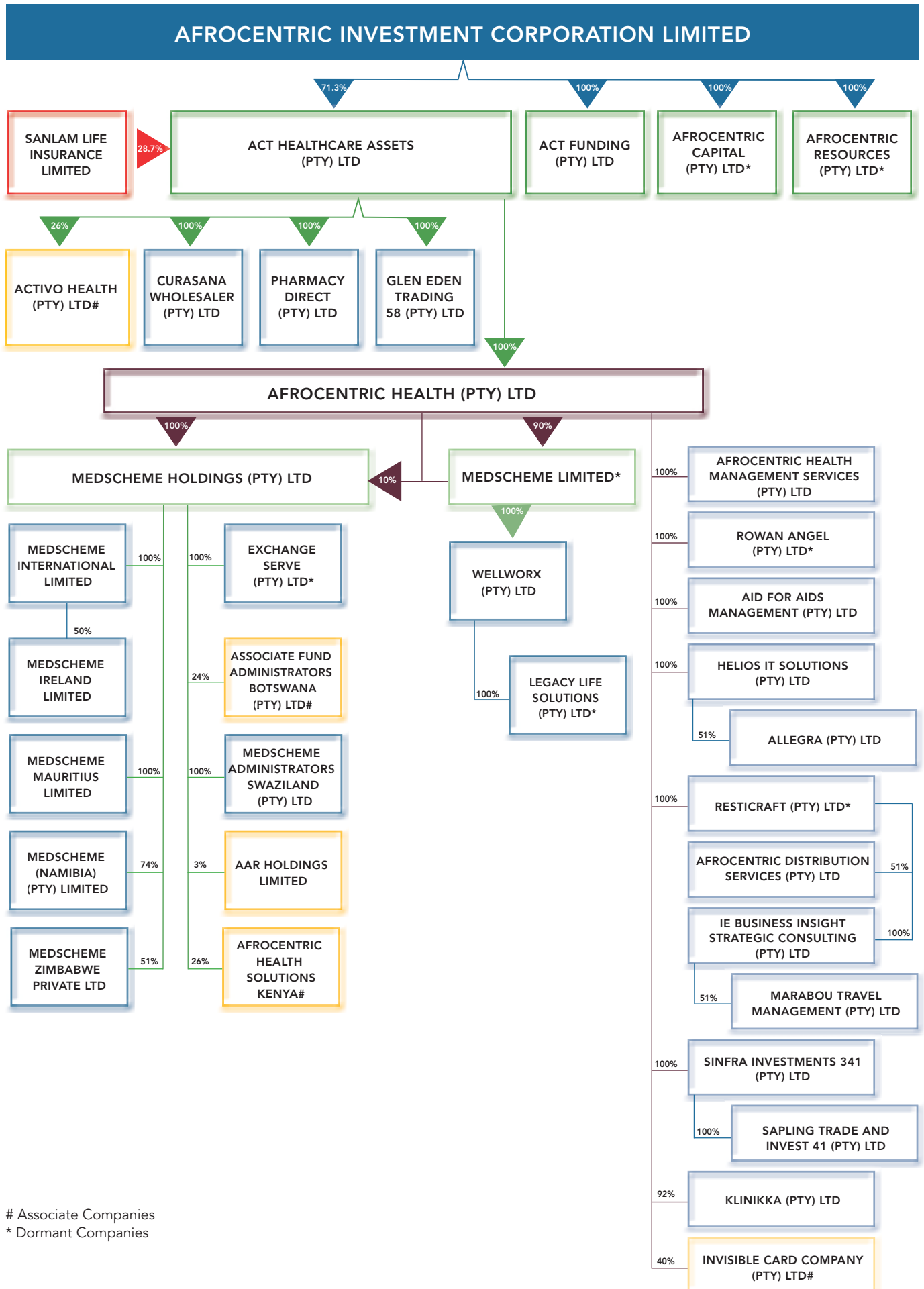
AUDITOR

PricewaterhouseCoopers Inc. serves as auditors of the Company.



DIRECTORS' REPORT (continued)

for the year ended 30 June 2016



Associate Companies
* Dormant Companies

SHAREHOLDER ANALYSIS

for the year ended 30 June 2016

	Number of shareholders	% of total shareholders	Number of shares	% of shares in issue
ORDINARY SHAREHOLDERS				
SHAREHOLDER SPREAD				
1 – 1 000 shares	981	19.03	386 868	0.07
1 001 – 10 000 shares	2 321	45.01	11 421 322	2.06
10 001 – 100 000 shares	1 634	31.69	47 309 922	8.53
100 001 – 1 000 000 shares	182	3.53	46 118 808	8.32
Over 1 000 000 shares	38	0.74	449 140 408	81.02
Total	5 156	100.00	554 377 328	100.00
DISTRIBUTION OF SHAREHOLDERS				
Individuals	4 578	88.79	118 316 698	21.34
Nominees and trusts	304	5.90	37 510 549	6.77
Other corporate bodies	127	2.46	56 169 899	10.13
Treasury	3	0.06	3 518 605	0.63
Private companies	115	2.23	337 255 250	60.83
Close corporations	29	0.56	1 606 327	0.30
Total	5 156	100.00	554 377 328	100.00
PUBLIC/NON-PUBLIC SHAREHOLDER SPREAD				
2016				
Non-public shareholders	21		289 035 306	52.13
Directors	16		261 209 590	47.12
Treasury	3		3 518 605	0.63
Associates of Directors	2		24 307 111	4.38
Public shareholders	5 135		265 342 022	47.87
Total	5 156		554 377 328	100.00
PUBLIC/NON-PUBLIC SHAREHOLDER SPREAD				
2015				
Non-public shareholders	22		213 083 713	45.54
Directors	17		185 257 997	39.60
Treasury	3		3 518 605	0.74
Associates of Directors	2		24 307 111	5.20
Public shareholders	5 533		254 771 388	54.46
Total	5 555		467 855 101	100.00
MAJOR SHAREHOLDERS HOLDING MORE THAN 5% OF THE ISSUED SHARE CAPITAL				
2016				
Wad Holdings (Pty) Ltd	88 889 689	16.03		
Golden Pond Trading 175 (Pty) Ltd	67 519 752	12.18		
Community Healthcare Holdings (Pty) Ltd	61 826 667	11.15		
Community Investment Holdings (Pty) Ltd	61 283 522	11.05		
Total	279 519 630	50.41		
MAJOR SHAREHOLDERS HOLDING MORE THAN 5% OF THE ISSUED SHARE CAPITAL				
2015				
Golden Pond Trading 175 (Pty) Ltd	67 519 752	14.43		
Community Healthcare Holdings (Pty) Ltd	61 826 667	13.21		
Community Investment Holdings (Pty) Ltd	61 283 522	13.10		
AfroCentric Empowerment Trust	32 427 200	6.93		
Total	223 057 141	47.67		

REPORT OF THE INDEPENDENT AUDITOR

To the members of AfroCentric Investment Corporation Limited for the year ended 30 June 2016

We have audited the consolidated and separate Annual Financial Statements of AfroCentric Investment Corporation Limited, which comprise of the consolidated and separate statements of financial position as at 30 June 2016, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year ended, and a summary of significant accounting policies and other explanatory notes, as set out on page 12 to 80.

DIRECTORS' RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

The Company's Directors are responsible for the preparation and fair presentation of these Group Annual Financial Statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa and for such internal controls as the Directors determine is necessary to enable the preparation of Group Annual Financial Statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these Group Annual Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Group Annual Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Group Annual Financial Statements. The procedures selected depend on the auditor's judgements, including the assessment of the risks of material misstatement of the Group Annual Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the Group Annual Financial Statements 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 entity's internal controls.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Group Annual Financial Statements.

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

OPINION

In our opinion, the Group Annual Financial Statements present fairly, in all material respects, the consolidated and separate financial position of AfroCentric Investment Corporation Limited as at 30 June 2016, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the Group Annual Financial Statements for the year ended 30 June 2016, we have read the Directors' Report, the Audit and Risk Committee's Report and the Declaration by the Company Secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.



Pricewaterhousecoopers Inc.

V Muguto
Registered Auditor

Johannesburg
19 September 2016



. 23

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2016

	Note	Group		Company	
		30 June 2016 R'000	30 June 2015 R'000	30 June 2016 R'000	30 June 2015 R'000
ASSETS					
Non-current assets		2 190 076	991 080	895 005	10 829
Property and equipment	6	189 362	102 639	–	–
Investment property	7	15 000	15 000	–	–
Investment in subsidiaries	11	–	–	428 144	–
Intangible assets	8	1 388 815	744 487	–	–
Available for sale financial instruments	9.5	18 444	18 444	–	–
Financial assets at fair value through profit and loss	9.11	305 355	–	305 355	–
Financial assets at amortised cost	9.12	143 761	–	143 761	–
Investments in associates	10	24 477	14 873	–	–
Deferred income tax assets	13	104 862	95 637	17 745	10 829
Current assets		850 640	569 738	148 357	604 304
Trade and other receivables	9.2	365 004	228 884	815	1 631
Receivables from subsidiary	9.3	–	–	–	567 004
Receivable from associates	9.4	20 437	–	–	–
Cash and cash equivalents	9.6	373 068	334 051	145 884	34 011
Inventory	14	72 310	6 803	–	–
Taxation	29	19 821	–	1 658	1 658
Non-current asset held for sale	12	–	24 788	–	24 788
Total assets		3 040 716	1 585 606	1 043 362	639 921
EQUITY AND LIABILITIES					
Capital and reserves		1 047 979	1 104 149	123 045	552 932
Issued share capital	15	18 686	17 821	18 686	17 821
Treasury shares		(2 324)	(2 324)	–	–
Share premium	16	970 358	525 633	970 358	525 633
Conditional put option reserve	38	(727 960)	–	(727 960)	–
Share-based payment reserve		26 604	20 160	26 604	20 160
Foreign currency translation reserve		7 027	2 204	–	–
Retained earnings/(accumulated loss)		755 588	540 655	(164 643)	(10 682)
Non-controlling interest	17	515 603	62 930	–	–
Total equity		1 563 582	1 167 079	123 045	552 932
Non-current liabilities		977 573	86 252	862 853	–
Deferred income tax liabilities	13	82 390	54 822	–	–
Provisions	18	8 350	8 350	–	–
Contingent consideration	36	134 893	–	134 893	–
Conditional financial obligation	37	727 960	–	727 960	–
Post-employment medical obligations	19	2 691	3 134	–	–
Accrual for straight-lining of leases	20	21 289	19 946	–	–
Current liabilities		499 561	332 275	57 464	86 989
Trade and other payables	9.7	383 029	146 317	7 139	20 221
Borrowings	9.8	–	61 224	–	–
Loans from group companies	9.9	–	–	44 477	60 705
Provisions	18	9 755	9 211	5 848	6 063
Employment benefit liability	21	106 777	111 105	–	–
Taxation	29	–	4 418	–	–
Total liabilities		1 477 134	418 527	920 317	86 989
Total equity and liabilities		3 040 716	1 585 606	1 043 362	639 921

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2016

	Note	Group		Company	
		30 June 2016 R'000	30 June 2015 R'000	30 June 2016 R'000	30 June 2015 R'000
Revenue	22	3 148 146	2 098 312	50	–
Other income		59 471	28 799	112 620	166 857
Dividends received	24	–	–	73 120	160 340
Sundry income		–	–	–	837
Fair value gains	24	27 085	–	27 085	–
Finance income	25	32 386	28 799	12 415	5 680
Depreciation	24	(38 011)	(35 727)	–	–
Cost of sales	23	(588 204)	–	–	–
Amortisation	24	(79 332)	(48 734)	–	–
Impairment provisions against investments and loans	24	(16 611)	(36 697)	(99 917)	–
Fair value loss	10	–	–	–	(17 705)
Impairment provision against intangibles	8	(4 858)	–	–	–
Loss on disposal of property and equipment	24	(245)	(186)	–	–
Share of profits from associates	10	10 118	19 037	–	–
Information technology costs		(106 764)	(100 036)	(184)	(400)
Employee benefit costs	24	(1 480 560)	(1 191 722)	(27 263)	(1 233)
Rent and property costs	24	(134 836)	(115 798)	(359)	(483)
Increase in provision for doubtful debts		–	(167)	–	–
Other expenses	24	(460 595)	(318 260)	(20 733)	(14 237)
Bad debt write-off	24	(581)	(71)	–	–
Finance costs	25	(4 547)	(9 997)	(4 836)	(6 724)
Share-based payment expense	31	(6 444)	(9 395)	1 708	(1 120)
Profit before income tax		296 147	279 358	(38 914)	124 955
Income tax	26	(77 573)	(100 584)	6 916	(421)
Profit for the year		218 574	178 774	(31 998)	124 534
Attributable to:					
Equity holders of the Parent		165 251	154 032	(31 998)	124 534
Non-controlling interest	17	53 323	24 742	–	–
Other comprehensive income:					
<i>Items that may be reclassified to profit and loss</i>					
– Foreign exchange benefit		4 823	867	–	–
<i>Items that may not be reclassified to profit and loss</i>					
– Remeasurements of post-employment benefit obligations		206	(114)	–	–
Other comprehensive income for the year, net of tax		5 029	753	–	–
Total comprehensive income for the year		223 603	179 527	(31 998)	124 534
Attributable to:					
Equity holders of the Parent		170 280	154 785	(31 998)	124 534
Non-controlling interest	17	53 323	24 742	–	–
		223 603	179 527	(31 998)	124 534
Earnings per share(cents) attributable to equity holders of the Parent					
– Basic	27	30.79	33.08		
– Diluted	27	29.40	33.08		



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2016

Group	Ordinary share capital R'000	Share premium R'000	Conditional put option reserve R'000	Share based payment reserve R'000	Foreign currency translation reserve R'000	Treasury shares R'000	Retained earnings R'000	Controlling interest R'000	Non Controlling interest R'000	Total equity R'000
Balance as at 30 June 2014	17 821	525 633	-	10 765	1 337	(2 324)	517 736	52 634	-	1 123 602
Share-based payment expense	-	-	-	9 395	-	-	-	-	-	9 395
Net profit for the year	-	-	-	-	-	-	154 032	24 742	-	178 774
Other comprehensive income	-	-	-	-	867	-	(114)	-	-	753
Dividends paid (note 30)	-	-	-	-	-	-	(130 999)	(14 446)	-	(145 445)
Balance as at 30 June 2015	17 821	525 633	-	20 160	2 204	(2 324)	540 655	62 930	-	1 167 079
Issue of share capital (note 15 and 16)	865	444 725	-	-	-	-	-	-	-	445 590
Share-based payment expense	-	-	-	6 444	-	-	-	-	-	6 444
Net profit for the year	-	-	-	-	-	-	165 251	53 323	-	218 574
Other comprehensive income	-	-	-	-	4 823	-	206	-	-	5 029
Transfer from non-controlling interest as a result of share buy-backs (note 17)	-	-	-	-	-	-	(75 298)	(46 866)	-	(122 164)
Transfer from non-controlling interest as a result of share purchase (note 17)	-	-	-	-	-	-	-	(525)	-	(525)
Conditional put option reserve (Note 38)	-	-	(727 960)	-	-	-	-	-	-	(727 960)
Disposal of interest (note 17)	-	-	-	-	-	-	246 737	456 263	-	703 000
Dividends paid (note 30)	-	-	-	-	-	-	(121 963)	(9 522)	-	(131 485)
Balance as at 30 June 2016	18 686	970 358	(727 960)	26 604	7 027	(2 324)	755 588	515 603	-	1 563 582

Company	Ordinary share capital R'000	Share premium R'000	Conditional put option reserve R'000	Share based payment reserve R'000	Foreign currency translation reserve R'000	Treasury shares R'000	Retained earnings R'000	Controlling interest R'000	Non Controlling interest R'000	Total equity R'000
Balance as at 30 June 2014	17 821	525 633	-	10 765	1 337	(2 324)	517 736	52 634	-	1 123 602
Share-based payment expense	-	-	-	9 395	-	-	-	-	-	9 395
Dividends paid (note 30)	-	-	-	-	-	-	(130 999)	(14 446)	-	(145 445)
Profit for the year	-	-	-	-	-	-	154 032	24 742	-	178 774
Balance as at 30 June 2015	17 821	525 633	-	20 160	2 204	(2 324)	540 655	62 930	-	1 167 079
Issue of share capital (note 15 and 16)	865	444 725	-	-	-	-	-	-	-	445 590
Share-based payment expense	-	-	-	6 444	-	-	-	-	-	6 444
Net profit for the year	-	-	-	-	-	-	165 251	53 323	-	218 574
Other comprehensive income	-	-	-	-	4 823	-	206	-	-	5 029
Transfer from non-controlling interest as a result of share buy-backs (note 17)	-	-	-	-	-	-	(75 298)	(46 866)	-	(122 164)
Transfer from non-controlling interest as a result of share purchase (note 17)	-	-	-	-	-	-	-	(525)	-	(525)
Conditional put option reserve (Note 38)	-	-	(727 960)	-	-	-	-	-	-	(727 960)
Disposal of interest (note 17)	-	-	-	-	-	-	246 737	456 263	-	703 000
Dividends paid (note 30)	-	-	-	-	-	-	(121 963)	(9 522)	-	(131 485)
Balance as at 30 June 2016	18 686	970 358	(727 960)	26 604	7 027	(2 324)	755 588	515 603	-	1 563 582

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2016

	Note	Group		Company	
		30 June 2016 R'000	30 June 2015 R'000	30 June 2016 R'000	30 June 2015 R'000
Cash flows from operating activities					
Cash receipts from customers		3 549 618	2 382 459	873	82
Cash paid to suppliers and employees		(3 155 767)	(1 985 463)	(62 107)	(13 341)
Cash generated from operations	28	393 851	396 996	(61 234)	(13 259)
Finance income	25	32 386	28 799	12 415	5 680
Finance costs	25	(4 547)	(9 997)	(4 836)	(6 724)
Taxation paid	29	(102 584)	(92 958)	–	–
Dividends received		–	–	73 120	160 340
Dividends received from associates	10	4 112	1 841	–	–
Dividends paid	30	(121 963)	(130 999)	(121 963)	(130 999)
Dividends paid to minority shareholders	30	(9 522)	(14 446)	–	–
Net cash inflow from operating activities		191 733	179 236	(102 498)	15 038
Cash flows from investing activities					
Proceeds on disposal of intangible assets		390	–	–	–
Purchase of plant and equipment	6	(113 444)	(45 552)	–	–
Purchase of intangible assets	8	(164 862)	(190 074)	–	–
Proceeds on disposal of tangible assets		11 595	7 205	–	–
Purchase of other investments		–	(715)	–	–
Purchase of Activo Health (associate)	10	(8 957)	–	–	–
Obtaining control of Pharmacy Direct, Curasana and Glen Eden	4	41 747	–	–	–
Purchase of financial assets		(411 934)	–	(411 934)	–
Redemption of Jasco preference shares		–	90 000	–	90 000
Decrease in investment and loans		–	234	–	–
Net cash (outflow)/inflow from investing activities		(645 465)	(138 902)	(411 934)	90 000
Cash flows from financing activities					
Shares issued to Sanlam by subsidiary		703 000	–	703 000	–
Decrease in borrowings		(61 224)	(96 599)	(61 224)	–
AfroCentric Health minority buy-out		(122 164)	–	–	–
Decrease in loans from Group companies		(31 686)	–	(15 471)	(102 618)
Net cash inflow from financing activities		487 926	(96 599)	626 305	(102 618)
Net increase/(decrease) in cash and cash equivalents		34 194	(56 265)	111 873	2 420
Effect of foreign exchange rate changes		4 823	867	–	–
Cash and cash equivalents at the beginning of the period		334 051	389 449	34 011	31 591
Cash and cash equivalents at the end of year	9.6	373 068	334 051	145 884	34 011



NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2016

1. SUMMARY OF ACCOUNTING POLICIES

GENERAL INFORMATION

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

The Company is a limited liability company 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 Group Annual Financial Statements have been approved for issue by the board of Directors on 14 September 2016.

STATEMENT OF COMPLIANCE

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

BASIS OF PRESENTATION

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

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

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

Carried at fair value:

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

The preparation of the Group 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 Group Annual Financial Statements and the reported amounts of revenues and expenses during the reporting years. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

A) INTERNATIONAL FINANCIAL REPORTING STANDARDS AND AMENDMENTS ISSUED BUT NOT EFFECTIVE FOR 30 JUNE 2016 YEAR END.

IFRS	Effective Date	Subject of amendment
Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' on sale or contribution of assets	Postponed (initially 1 January 2016)	<p>The postponement applies to changes introduced by the IASB in 2014 through narrow-scope amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures'. Those changes affect how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests. The changes do not affect other aspects of how entities account for their investments in associates and joint ventures.</p> <p>The reason for making the decision to postpone the effective date is that the IASB is planning a broader review that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.</p>

IFRS	Effective Date	Subject of amendment
Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' on applying the consolidation exemption	1 January 2016	The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.
Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation	1 January 2016	This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.
IFRS 14 – Regulatory deferral accounts	1 January 2016	<p>The IASB has issued IFRS 14, 'Regulatory deferral accounts' specific to first time adopters ('IFRS 14'), an interim standard on the accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts').</p> <p>Rate regulation is a framework where the price that an entity charges to its customers for goods and services is subject to oversight and/or approval by an authorised body.</p>
Amendments to IAS 1, 'Presentation of financial statements' disclosure initiative	1 January 2016	In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.
Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation	1 January 2016	In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
Amendments to IAS 16, 'Property, plant and equipment' and IAS 41, 'Agriculture' on bearer plants	1 January 2016	In this amendment to IAS 16 the IASB has scoped in bearer plants, but not the produce on bearer plants and explained that a bearer plant not yet in the location and condition necessary to bear produce is treated as a self-constructed asset. In this amendment to IAS 41, the IASB has adjusted the definition of a bearer plant include examples of non-bearer plants and remove current examples of bearer plants from IAS 41.
Amendments to IAS 27, 'Separate financial statements' on equity accounting	1 January 2016	In this amendment the IASB has restored the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2016

1. SUMMARY OF ACCOUNTING POLICIES continued

IFRS	Effective Date	Subject of amendment
Amendment to IAS 12 – Income taxes	1 January 2017	<p>The amendments were issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets.</p> <p>The amendments clarify the existing guidance under IAS 12. They do not change the underlying principles for the recognition of deferred tax assets.</p>
Amendment to IAS 7 – Cash flow statements	1 January 2017	<p>In January 2016, the International Accounting Standards Board (IASB) issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.</p> <p>The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt. The amendment will affect every entity preparing IFRS financial statements. However, the information required should be readily available. Preparers should consider how best to present the additional information to explain the changes in liabilities arising from financing activities.</p>
IFRS 15 – Revenue from contracts with customers	1 January 2018	<p>The FASB and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer.</p>
IFRS 9 – Financial Instrument (2009 and 2010) <ul style="list-style-type: none"> • Financial liabilities • Derecognition of financial instruments • Financial assets • General hedge accounting 	1 January 2018	<p>This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.</p> <p>The IASB has updated IFRS 9, 'Financial instruments' to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial instruments: Recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or loss.</p>

IFRS	Effective Date	Subject of amendment
Amendment to IFRS 9 – ‘Financial instruments’, on general hedge accounting	1 January 2018	<p>The IASB has amended IFRS 9 to align hedge accounting more closely with an entity’s risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39.</p> <p>Early adoption of the above requirements has specific transitional rules that need to be followed. Entities can elect to apply IFRS 9 for any of the following:</p> <ul style="list-style-type: none"> • The own credit risk requirements for financial liabilities. • Classification and measurement (C&M) requirements for financial assets. • C&M requirements for financial assets and financial liabilities. • The full current version of IFRS 9 (that is, C&M requirements for financial assets and financial liabilities and hedge accounting). <p>The transitional provisions described above are likely to change once the IASB completes all phases of IFRS 9.</p>
IFRS 16 – Leases	1 January 2019	<p>After ten years of joint drafting by the IASB and FASB they decided that lessees should be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. Lessor accounting has not substantially changed in the new standard.</p>
IFRS 16 – Leases	1 January 2019	<p>The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. In response to concerns expressed about the cost and complexity to apply the requirements to large volumes of small assets, the IASB decided not to require a lessee to recognise assets and liabilities for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture).</p> <p>A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets, initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment. This approach will result in a more faithful representation of a lessee’s assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee’s financial leverage and capital employed.</p> <p>One of the implications of the new standard is that there will be a change to key financial ratios derived from a lessee’s assets and liabilities (for example, leverage and performance ratios).</p> <p>IFRS 16 supersedes IAS 17, ‘Leases’, IFRIC 4, ‘Determining whether an Arrangement contains a Lease’, SIC 15, ‘Operating Leases – Incentives’ and SIC 27, ‘Evaluating the Substance of Transactions Involving the Legal Form of a Lease’.</p>

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2016

1. SUMMARY OF ACCOUNTING POLICIES continued

B) ANNUAL IMPROVEMENTS 2014, ISSUED SEPTEMBER 2014

In September 2014, the IASB issued Annual improvements to IFRSs 2012 – 2014 Cycle, which contains five amendments to four standards, excluding consequential amendments. The amendments are effective for annual periods beginning on or after 1 January 2016.

IFRS	Effective Date	Subject of amendment
Amendment to IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'	1 January 2016	<p>This is an amendment to the changes in methods of disposal – Assets (or disposal groups) are generally disposed of either through sale or through distribution to owners. The amendment to IFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5.</p> <p>The amendment also clarifies that changing the disposal method does not change the date of classification.</p>
Amendment to IFRS 7 – 'Financial Instruments: Disclosures'	1 January 2016	<p>Applicability of the offsetting disclosures to condensed interim financial statements.</p> <p>The amendment removes the phrase 'and interim periods within those annual periods' from paragraph 44R, clarifying that these IFRS 7 disclosures are not required in the condensed interim financial report. However, the Board noted that IAS 34 requires an entity to disclose an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period'. Therefore, if the IFRS 7 disclosures provide a significant update to the information reported in the most recent annual report, the Board would expect the disclosures to be included in the entity's condensed interim financial report.</p> <p>Servicing contracts – The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required.</p>
Amendment to IAS 19 – 'Employee Benefits'	1 January 2016	<p>Discount rate: regional market issue – The amendment to IAS 19 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.</p>

The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The Group has assessed the significance of these new standards, amendments and interpretations that are not yet effective in 2016 and concluded that they will have no material financial impact on the Group Annual Financial Statements and therefore the Group has not early adopted them in the current financial year.

BASIS OF CONSOLIDATION

SUBSIDIARIES

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

BUSINESS COMBINATIONS

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

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred 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.

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

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

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

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2016

1. SUMMARY OF ACCOUNTING POLICIES continued

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.

DISPOSAL OF SUBSIDIARIES

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

ASSOCIATES

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

At the company level however Investment in associates are accounted for at fair value through profit and loss.

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

The Group's share of post-acquisition profit or loss is recognised in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding

adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

Dilution gains and losses arising in investments in associates are recognised in the statement of comprehensive income.

FOREIGN CURRENCY TRANSLATION

FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the Group 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 Group Annual Financial Statements are presented in South African Rand, which is the Company's functional and presentation currency.

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, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance

income or costs'. All other foreign exchange gains and losses are presented in the income statement within 'Other (losses)/gains – net Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

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

GROUP COMPANIES

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

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) all resulting exchange differences are recognised in other comprehensive income.

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.

RECOGNITION OF ASSETS

The Group recognises assets when it obtains control of a resource as a result of a past event from which future economic benefits are expected to flow to the enterprise and

- (a) When it is probable that the future economic benefits associated with the assets will flow to the enterprise; and
- (b) The assets have a cost or value that can be measured reliably.

TANGIBLE ASSETS

PROPERTY AND EQUIPMENT

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

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

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

The estimated maximum useful lives are:

- Office equipment and furniture and fittings 6 years
- Motor vehicles 5 years
- Computer equipment 3 to 5 years
- Building infrastructure 10 years
- Buildings 30 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised the statement of comprehensive income. In determining the estimated residual value, expected future cash flows have not been discounted to their net present values.

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 on disposal and the gain or loss arising from the derecognition of an item of plant and equipment is included in profit and loss when the item is derecognised

INVESTMENT PROPERTY

DEFINITION

Investment property is property (land or building – or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both rather than for:

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2016

1. SUMMARY OF ACCOUNTING POLICIES *continued*

- (a) Use in the production or supply of goods or services or for administrative purposes; or
- (b) Sale in the ordinary course of business.

INITIAL RECOGNITION

Investment property is initially recognised at cost.

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 obtained by an independent valuer.

DERECOGNITION

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

INTANGIBLE ASSETS

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

GOODWILL

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

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

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

CONTRACTUAL CUSTOMER RELATIONSHIPS

Acquired contractual customer relationships from business combinations are recognised at fair value at

acquisition date. Contractual customer relationships intangible assets are amortised using the straight line method over their useful lives of five or ten years. Management reviews the carrying value where objective evidence of impairment exists. The carrying value is written down to estimated recoverable amount when a permanent decrease in value occurs. Any impairment is recognised in the statement of comprehensive income when incurred.

TRADEMARKS, BRANDS AND INTELLECTUAL PROPERTY

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

INTERNALLY GENERATED COMPUTER SOFTWARE DEVELOPMENT COSTS

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

However, 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. These criteria are:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- Its intention to complete the intangible asset and use or sell it.
- Its ability to use or sell the intangible asset.
- How the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Expenditure that enhances and extends the benefits of computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software.

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

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

COMPUTER SOFTWARE ACQUIRED

Acquired computer software licences are capitalised on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (two to seven years). The carrying value of these intangible assets is assessed for any impairment if impairment indicators exist and any required adjustment will be expensed in the Statement of Comprehensive Income.

IMPAIRMENT OF ASSETS

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

OPERATING LEASES

THE GROUP IS THE LESSEE

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

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

FINANCIAL INSTRUMENTS

INITIAL RECOGNITION AND MEASUREMENT

Financial instruments include all financial assets and liabilities, typically held for liquidity, investment or trading purposes. All financial instruments are initially recognised at fair value plus directly attributable transaction costs, except those carried at fair value through profit or loss where transaction costs are recognised immediately in profit or loss. Financial instruments are recognised (derecognised) 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, attributable to shareholders or policyholders, as follows:

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

SUBSEQUENT MEASUREMENT

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

HELD-TO-MATURITY

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2016

1. SUMMARY OF ACCOUNTING POLICIES *continued*

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

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

FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

AVAILABLE-FOR-SALE

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

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

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

LOANS AND RECEIVABLES

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

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

FINANCIAL LIABILITIES AT AMORTISED COST

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

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

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

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

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

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

RECEIVABLES FROM SUBSIDIARIES AND GROUP ENTITIES

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

RECOGNITION AND DERECOGNITION

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

TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise loans and receivables. Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 3 months overdue) are considered indicators that the receivable is impaired. The amount of the provision is the difference between the assets carrying amount and the present amount of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement

of comprehensive income within 'bad debt write-off'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to 'bad debts recovered'.

IMPAIRMENT OF ASSETS HELD AT AMORTISED COST

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

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

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

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

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2016

1. SUMMARY OF ACCOUNTING POLICIES continued

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

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

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

PREPAYMENTS AND DEPOSITS

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried at amortised cost. For the purpose of the statement of cash flows, cash includes cash on hand, demand deposits and

other short-term highly liquid investments with original maturities of three months or less, that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

TRADE AND OTHER PAYABLES

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

BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the amortised cost is recognised in the statement of comprehensive income under 'finance costs' over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

CONTINGENT LIABILITIES

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

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

CONTINGENT LIABILITIES ACQUIRED AS PART OF A BUSINESS COMBINATION

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

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

PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of

past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax 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.

EMPLOYEE COSTS

PENSION AND PROVIDENT FUND OBLIGATIONS

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

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

POST-EMPLOYMENT MEDICAL OBLIGATIONS

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

ANNUAL LEAVE

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

TERMINATION BENEFITS

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in

exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either:

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

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

SHORT-TERM BENEFITS

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

The Group recognises a liability and an expense for bonuses based on a formula where there is a contractual obligation or a past practice that created a constructive obligation. The Group has an incentive scheme (refer to note 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.

INVESTMENTS IN SUBSIDIARIES

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

REVENUE AND EXPENSE RECOGNITION

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

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

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

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2016

1. SUMMARY OF ACCOUNTING POLICIES

continued

REVENUE FROM SALE OF GOODS

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

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

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

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

ADMINISTRATION FEES

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

FINANCE INCOME

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

DIVIDEND INCOME

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

OTHER EXPENDITURE

All other expenditure is recognised as and when incurred.

COST OF SALES

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

INVENTORIES

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

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

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

TAXATION

DIRECT TAXATION

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

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

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 Group 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 realized or the deferred tax liability is settled. However, deferred tax is not recognised if:

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

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

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

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

DIVIDENDS TAX

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

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

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

DIVIDENDS

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

SHARE CAPITAL

ORDINARY SHARES

Ordinary shares are classified as equity.

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

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

SHARE-BASED PAYMENTS

The Group had applied the requirements of IFRS 2 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 Executives. The share-based payment expense is accounted for individually in each impacted subsidiary where the Executives are employed. The Group IFRS 2 share-based payment expense is recharged to the aforementioned subsidiaries due to the fact that the AHL executives are employed by those respective subsidiaries and accordingly they should bear the related costs.

CONSOLIDATION PROCEDURES

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2016

1. SUMMARY OF ACCOUNTING POLICIES *continued*

- (i) The carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary are eliminated
- (ii) Non-controlling interests in the profit or loss of consolidated subsidiaries for the reporting period are identified; and
- (iii) Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the parent shareholders' equity in them. Non-controlling interests in the net assets consist of:
 - The amount of those non-controlling interests at the date of the original combination calculated in accordance with IFRS 3; and
 - The non-controlling interest's share of changes in equity since the date of the combination.

OFFSETTING FINANCIAL INSTRUMENTS

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

SEGMENT REPORTING

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

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:

IMPAIRMENT OF GOODWILL

The carrying amount of goodwill is tested annually for impairment in accordance with the stated accounting policy. The recoverable amount of the cash-generating units ("CGU") has been determined based on value-in-use calculation, being the net present value of the discounted cash flows of the CGU less

the tangible net asset value of that CGU. Details of the main assumptions applied in determining the net present value of the CGU are provided in note 8 in these Group Annual Financial Statements.

CARRYING VALUE OF TANGIBLE AND INTANGIBLE ASSETS

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

The carrying amount of tangible and intangible assets at 30 June 2016 was R189 million (June 2015: R103 million) and R1389 million (June 2015: R744 million) respectively

GOODWILL AND CUSTOMER RELATIONSHIPS ON THE PURCHASE OF PHARMACY DIRECT, CURASANA WHOLESALER AND GLEN EDEN TRADING 58

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

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

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

CONTINGENT CONSIDERATION RELATING TO GLEN EDEN TRADING 58

Under the contingent consideration arrangement, AfroCentric Investment Corporation Limited is required to issue Glen Eden Trading 58 (Proprietary) Limited an additional 26 192 902 shares based on management's best estimate as per the Acquisition of shares agreement. R134.9 million is the estimated fair value of this obligation at year-end. For further details and main assumptions please refer to Note 4, 9.10 and 36 in these Group Annual Financial Statements.

DEFERRED TAX ASSETS

The deferred tax assets include an amount of R66.3 million which relates to carried forward tax losses. Some companies have incurred losses over the past financial years but management have concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for these companies. In the previous financial periods, AfroCentric and its related subsidiaries have attained their approved business plans and budget targets.

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

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

Although Helios IT Solutions, another subsidiary of AfroCentric Investment Corporation Limited, have also declared an assessed loss for the 2016 financial year, it is expected that the assessed losses will decrease in future years of assessment due to the reduction of exempt income within the entity.

IMPAIRMENT OF SAPLING TRADE AND INVEST (PROPRIETARY) LIMITED

As part of the purchase price allocation of the Sapling Trade and Invest 41 (Proprietary) Limited transaction in September 2012, the Group identified the following intangible assets:

- Contractual customer relationships
- Goodwill

However, in 2014 the sole income generating contract with the primary client was prematurely terminated resulting in no foreseeable future income.

This has resulted in the full impairment of the contractual customer relationship intangible asset (R17.52 million) and goodwill (R23.1 million) in the 2015 financial year.

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 32.

CONTINGENT LITIGATION LIABILITY

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

	Maximum loss R'000	Probability %	Fair value R'000
2016			
Neil Harvey & Associates	83 500	10%	8 350
	83 500	10%	8 350
2015			
Neil Harvey & Associates	83 500	10%	8 350
	83 500	10%	8 350
	June 2016 R'000	June 2015 R'000	
Carrying amount of contingent litigation liability at the beginning of year	8 350	8 350	
Fair value adjustments	–	–	
Carrying amount of contingent litigation liability at the end of period	8 350	8 350	

The contingent litigation liability is disclosed under 'Provisions', note 18.

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, its policyholder and the Group in every facet. It fully accepts overall responsibility for risk management and internal control and in so doing the Board has deployed effective control mechanisms to prevent and mitigate the impact of risk.

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

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

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

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

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

MARKET RISK

CURRENCY RISK

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

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. 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 currency risk in relation to its foreign operations in Namibia and Swaziland as the currencies of these countries are fixed to the South African Rand.

The most significant exposure is to the Mauritian Rupee, the Euro and US Dollar as a result of translation risk. The impact of currency risk on the statement of comprehensive income amounted to a profit (foreign currency gains) of R4.823 million (June 2015: R0.867 million)

At 30 June 2016, if the currency had weakened/strengthened by 10% against the Mauritian Rupee with all other variables held constant, post-tax profit for the year would have been R331 261 lower/higher, mainly as a result of foreign exchange gains/losses on translation of the Mauritian operations.

At 30 June 2016, if the currency had weakened/strengthened by 10% against the Euro with all other variables held constant, post-tax profit for the year would have been R407 496 lower/higher, mainly as a result of foreign exchange gains/losses on translation of the International operations.

At 30 June 2016, if the currency had weakened/strengthened by 10% against the Dollar with all other variables held constant, post-tax profit for the year would have been R2 114 397 lower/higher, mainly as a result of foreign exchange gains/losses on translation of the Zimbabwean operations.

PRICE RISK

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

To manage the price risk the Group and Company's investment committee reviews its investments regularly to ensure that the downside price risk is mitigated.

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

Change in percentage share price	Increase on post-tax profit	Decrease on post-tax profit
5% increase/(decrease)	1 859 079	(1 859 079)
10% increase/(decrease)	3 718 159	(3 718 159)
15% increase/(decrease)	5 577 238	(5 577 238)

The table below summaries the impact of an increase/decrease of the share price of Collective Schemes on the post-tax profit of the Group and Company.

Change in percentage share price	Increase on post-tax profit	Decrease on post-tax profit
5% increase/(decrease)	13 408 657	(13 408 657)
10% increase/(decrease)	27 375 002	(27 375 002)
15% increase/(decrease)	40 225 971	(40 225 971)

CASH FLOW AND FAIR VALUE INTEREST RATE RISK

The Group's and Company's interest rate risk arises from interest bearing instruments and fixed deposits.

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

Instruments exposed	Group Increase in 1% on statement of comprehensive income R'000	Company Increase in 1% on statement of comprehensive income R'000
June 2016		
Bank borrowings	(461)	–
Bank balances and short-term investments	1 052	604
Financial assets at amortised cost	2 996	2 996
Total	3 587	3 600
June 2015		
Bank borrowings	(1 187)	–
Bank balances and short-term investments	3 800	340
Total	2 613	340

Under these assumptions, a 1% increase in market interest rates at 30 June 2016 would increase Group profit before tax by approximately R3 587 000 (June 2015: R2 613 000) and Company profit before tax by approximately R3 600 000 (June 2015: R340 000).

CREDIT RISK

Credit risk arises from 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. The trade and other receivables from the WAD acquisition are receivable from medical schemes in 14 days. For banks and financial institutions only independently rated parties with a minimum rating of 'BBB' are accepted (please refer to 9.6). 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. The "Healthcare business" has under agreement the authority to draw funds due and payable to it directly from the bank accounts of certain medical schemes using a collection module. Revenue from medical schemes is therefore settled in cash.

No credit limits were exceeded during the reporting period and management does not expect any losses from non-performance by these counterparties.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2016

3. FINANCIAL RISK MANAGEMENT continued

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 flexibility in funding by keeping committed credit facilities available.

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

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

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

TIME BUCKETS APPLICABLE TO THE GROUP

Group	Less than 3 months or on demand	More than 3 months but not exceeding 6 months	More than 6 months but not exceeding 9 months	More than 6 months but not exceeding 1 year	Between 1 to 2 years	Between 2 to 3 years	Total
June 2016	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Borrowings	–	–	–	–	–	–	–
Trade and other payables	379 759	1 090	1 090	1 090	–	–	383 029
June 2015							
Borrowings	61 224	–	–	–	–	–	61 224
Trade and other payables	142 468	1 283	1 283	1 283	–	–	146 317

TIME BUCKETS APPLICABLE TO THE COMPANY

Company	Less than 3 months or on demand	More than 3 months but not exceeding 6 months	More than 6 months but not exceeding 9 months	More than 6 months but not exceeding 1 year	Between 1 to 2 years	Between 2 to 3 years	Total
June 2016	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Loans from Group companies	44 477	–	–	–	–	–	44 477
Trade and other payables	1 181	1 986	1 986	1 986	–	–	7 139
June 2015							
Loans from Group companies	60 705	–	–	–	–	–	60 705
Trade and other payables	6 196	4 675	4 675	4 675	–	–	20 221

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

TIME BUCKETS APPLICABLE TO THE GROUP

Group	Less than 3 months or on demand	More than 3 months but not exceeding 6 months	More than 6 months but not exceeding 9 months	More than 6 months but not exceeding 1 year	Between 1 to 2 years	Between 2 to 3 years	Total
June 2016	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Trade and other receivables	325 550	8 942	8 942	21 570	–	–	365 004
Cash and cash equivalents	373 068	–	–	–	–	–	373 068
Financial assets at fair value through profit and loss	–	–	–	–	–	268 173	268 173
Financial assets at amortised cost	–	–	–	–	143 761	–	143 761
June 2015							
Trade and other receivables	195 964	8 327	8 327	16 266	–	–	228 884

* This includes prepayments and deposits. These are not considered past due as no repayment terms are applicable to them.

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

TIME BUCKETS APPLICABLE TO THE COMPANY

Company	Less than 3 months or on demand	More than 3 months but not exceeding 6 months	More than 6 months but not exceeding 9 months	More than 6 months but not exceeding 1 year	Between 1 to 2 years	Between 2 to 3 years	Total
June 2016	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Trade and other receivables	815	–	–	–	–	–	815
Cash and cash equivalents	145 884	–	–	–	–	–	145 884
Financial assets at fair value through profit and loss	–	–	–	–	–	268 173	268 173
Financial assets at amortised cost	–	–	–	–	143 761	–	143 761
June 2015							
Trade and other receivables	1 631	–	–	–	–	–	1 631

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

Description per the Statement of Financial Position	Amortised cost	Group	Group	Company	Company
		June 2016	June 2015	June 2016	June 2015
	Fair value	R'000	R'000	R'000	R'000
		Carrying value		Carrying value	
Loans and receivables					
Trade and other receivables	√	365 004	228 884	815	1 631
Cash and cash equivalents	√	373 068	334 051	145 884	34 011
Financial liabilities measured at amortised cost					
Borrowings (non-current and current)	√	–	61 224	–	–
Trade and other payables	√	383 029	146 317	7 139	20 221

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2016

3. FINANCIAL RISK MANAGEMENT continued

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 Company monitors cash flow on the basis of the gearing ratio. This ratio is calculated as long-term debt divided by total capital employed. Total capital employed is calculated as 'Equity' as shown in the Statement of financial position plus long-term debt.

During 2016, the Group's and Company's strategy, which was unchanged from 2015, was to maintain the gearing ratio within 0% to 15%.

The gearing ratios at 30 June 2016 and 30 June 2015 respectively are as follows:

	Group		Company	
	June 2016 R'000	June 2015 R'000	June 2016 R'000	June 2015 R'000
Total long-term borrowings	–	–	–	–
Total equity	1 563 582	1 167 079	123 045	552 932
Total capital employment	1 563 582	1 167 079	123 045	552 932
Gearing ratio	–	–	–	–
Adjusted to include short-term borrowings:				
Total borrowings (note 9.8)	–	61 224	–	60 705
Total equity	1 563 582	1 167 079	123 045	552 932
Total capital employed	1 563 582	1 228 303	123 045	613 637
Gearing ratio (including short-term borrowings)	–	4.98%	–	9.89%

4. BUSINESS COMBINATIONS

THE WAD ACQUISITION

On 1 August 2015 ("effective date") AfroCentric concluded agreements governing the acquisition of 100% of the WAD Assets, being Pharmacy Direct (Proprietary) Limited, Curasana Wholesaler (Proprietary) Limited and Glen Eden Trading 58 (Proprietary) Limited, from WAD Holdings (Proprietary) Limited, hereafter referred to as the WAD Acquisition. The principal enterprise, being Pharmacy Direct (Proprietary) Limited, is a designated service provider to a wide range of South African medical aid schemes. The business supplies chronic medication under Prescribed Minimum Benefits and normal chronic benefits to approximately 110 000 patients nationally. Pharmacy Direct was awarded a tender in terms of which chronic medication is dispensed on behalf of Government to districts in five of South Africa's nine provinces. The WAD Acquisition has instilled positive synergies to the Group's general value proposition for all stakeholders, adding scale, enhancing marketing and distribution channels and positively positioning the Group for accelerated growth. The purchase consideration for the WAD Acquisition is 86.5 million AfroCentric shares as well as 26.2 million contingent shares being the maximum number of AfroCentric shares that management believe will be issued due to the attainment of certain profit levels in Glen Eden Trading 58 (Proprietary) Limited in the foreseeable future.

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

BUSINESS COMBINATIONS

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

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

Below is the breakdown of the consideration paid for the WAD Acquisition:

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

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

Note 2: Under the contingent consideration arrangement, AfroCentric Investment Corporation Limited is required to issue Glen Eden Trading 58 (Proprietary) Limited an additional 26 192 902 shares based on management's best estimate as per the Acquisition of shares agreement. R134.9 million is the estimated fair value of this obligation at year-end. If an average growth rate of 4% were used the contingent consideration would decrease by R2.596 million in profit and loss. If an average growth rate of 6% were used the contingent consideration would increase by R2.630 million in profit and loss. If expected cash flows were 10% higher or lower, the fair value would increase/decrease by R13.489 million. Refer to Note 9.10 for further details.

Note 3: This is the AfroCentric Investment Corporation Limited share price as at the effective date.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2016

5. SEGMENT INFORMATION

The Group's Chief Executive Officer and Chief Financial Officer have restructured the operating segments due to Jasco Electronics Holdings Limited being classified as a non-current asset held for sale in the prior year (please refer to note 12 for further detail) and on the purchase of the new WAD assets in the current year. The operating segments identified are examined from a service perspective (total healthcare vs information technology) and geographical perspective (SA vs Africa). The geographical segments identified include all businesses outside of South Africa which include Botswana, Mauritius, Namibia, Kenya, Swaziland and Zimbabwe. Individually, each business outside of South Africa is not material hence management has taken the decision to disclose all business outside of South Africa as a separate operating segment. All segments have been disclosed according to what the Chief Operating Decision Maker reviews.

NATURE OF BUSINESS SEGMENTS:

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

	Healthcare SA	Healthcare Retail	Healthcare Africa	Total Healthcare	Information Technology	Elimination	Group
Current year	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Gross revenue	2 066 327	748 477	180 534	2 995 338	499 411	(346 603)	3 148 146
Other income	–	–	–	–	–	–	–
Administration expenses	(1 893 117)	(701 287)	(117 651)	(2 712 055)	(382 940)	306 599	(2 788 396)
Amortisation of intangibles	(1 385)	(8 171)	(336)	(9 892)	(55 629)	(13 811)	(79 332)
Depreciation	(11 935)	(2 531)	(2 242)	(16 708)	(21 302)	(1)	(38 011)
Net finance income	21 348	2 343	3 508	27 199	640	–	27 839
– Finance income	31 109	3 001	3 530	37 640	689	(5 943)	32 386
– Finance cost	(9 761)	(658)	(22)	(10 441)	(49)	5 943	(4 547)
Share-based payment expense	(6 444)	–	–	(6 444)	–	–	(6 444)
Net fair value gain/impairment of assets	20 995	–	–	20 995	–	1 232	22 227
– Fair value gain/ impairment of assets	25 853	–	–	25 853	–	1 232	27 085
– Impairment of intangibles	(4 858)	–	–	(4 858)	–	–	(4 858)
Net share of profit of associate	(713)	7 479	3 352	10 118	–	–	10 118
– Share of profit of associate	(713)	7 479	3 352	10 118	–	–	10 118
Profit/(loss) before taxation	195 076	46 310	67 165	308 551	40 180	(52 584)	296 147
Income tax expense	(35 020)	(14 545)	(13 663)	(63 228)	(11 342)	(3 003)	(77 573)
Profit/(loss) for the year	160 056	31 765	53 502	245 323	28 838	(55 587)	218 574
Net segments assets	3 328 479	238 198	160 739	3 727 416	310 001	(996 701)	3 040 716
Segments assets	3 328 479	238 198	160 739	3 727 416	310 001	(996 701)	3 040 716
Segment liabilities	1 059 074	163 482	26 159	1 248 715	129 339	99 080	1 477 134

ADJUSTED PROFIT (EBITDA) EARNINGS FOR MANAGEMENT EARNINGS

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

Current year	Healthcare SA R'000	Healthcare Retail R'000	Healthcare Africa R'000	Total Healthcare R'000	Information Technology R'000	Elimination R'000	Group R'000
Profit/(loss) before taxation	195 076	46 310	67 165	308 551	40 180	(52 584)	296 147
Depreciation and amortisation	13 320	19 323	2 578	35 221	76 932	5 190	117 343
Reversal of impairment	(20 995)	–	–	(20 995)	–	(1 232)	(22 227)
Share-based payment expense	6 444	–	–	6 444	–	–	6 444
Net finance income	(21 348)	(2 343)	(3 509)	(27 200)	(639)	–	(27 839)
Adjusted profit/(loss) for the year (EBITDA)	172 497	63 290	66 234	302 021	116 473	(48 626)	369 868

Below is the restated operating segments that would have been disclosed if the decision was taken last year to change the operating segments as they are disclosed this year:

2015	Healthcare SA R'000	Healthcare Africa R'000	Total Healthcare R'000	Information Technology R'000	Elimination R'000	Group R'000
Gross revenue	1 913 529	157 818	2 071 347	401 454	(374 489)	2 098 312
Other income	–	17 729	17 729	165	(165)	17 729
Administration expenses	(1 682 750)	(105 860)	(1 788 610)	(311 455)	373 825	(1 726 240)
Amortisation of intangibles	(113)	(267)	(380)	(34 448)	(13 906)	(48 734)
Depreciation	(11 141)	(1 906)	(13 047)	(22 680)	–	(35 727)
Net finance income	15 488	2 680	18 168	627	7	18 802
– Finance income	33 531	2 724	36 255	681	(8 137)	28 799
– Finance cost	(18 043)	(44)	(18 087)	(54)	8 144	(9 997)
Share-based payment expense	(9 395)	–	(9 395)	–	–	(9 395)
Net fair value gain/impairment of assets	2 068	(14 904)	(12 836)	–	(23 861)	(36 697)
Fair value gain/impairment of assets	19 773	(14 904)	4 869	–	(19 774)	(14 905)
Impairment of Jasco	(17 705)	–	(17 705)	–	(4 087)	(21 792)
Net share of profit of associate	(105)	766	661	–	647	1 308
Share of profit of associate	(105)	766	661	–	–	661
Share of profit from Jasco	–	–	–	–	647	647
Profit/(loss) before taxation	227 581	56 056	283 637	33 663	(37 942)	279 358
Income tax expense	(73 024)	(17 718)	(90 742)	(10 406)	564	(100 584)
Profit/(loss) for the year	154 557	38 338	192 895	23 257	(37 378)	178 774
Net segments assets	2 013 236	126 357	2 139 593	465 035	(1 019 022)	1 585 606
Segment assets	1 988 448	126 357	2 114 805	465 035	(1 019 022)	1 560 818
Held for sale asset	24 788	–	24 788	–	–	24 788
Segment liabilities	314 999	24 254	339 253	314 834	(235 560)	418 527

ADJUSTED PROFIT (EBITDA) EARNINGS FOR MANAGEMENT EARNINGS

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

2015	Healthcare SA R'000	Healthcare Africa R'000	Total Healthcare R'000	Information Technology R'000	Elimination R'000	Group R'000
Profit/(loss) before taxation	227 581	56 056	283 637	33 663	(37 942)	279 358
Depreciation and amortisation	11 254	2 173	13 427	57 128	13 906	84 461
Reversal of impairment	(2 068)	14 904	12 836	–	23 861	36 697
Share-based payment expense	9 395	–	9 395	–	–	9 395
Net finance income	(15 488)	(2 680)	(18 168)	(627)	(7)	(18 802)
Adjusted profit/(loss) for the year (EBITDA)	230 674	70 453	301 127	90 164	(182)	391 109

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2016

6. PROPERTY AND EQUIPMENT

	Motor vehicles	Computer equipment	Land and building	Furniture and fittings	Property and equipment	Office equipment	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Group							
Year ended 30 June 2016							
Opening carrying amount	2 224	60 370	84	28 511	–	11 450	102 639
Additions	1 403	38 802	32 014	27 746	2 310	11 169	113 444
Disposals	(411)	(141)	–	(10 383)	–	(660)	(11 595)
Depreciation charge	(1 176)	(23 224)	(162)	(8 560)	(834)	(4 055)	(38 011)
Take on balances	2 048	2 705	–	10 147	7 094	891	22 885
Closing carrying amount	4 088	78 512	31 936	47 461	8 570	18 795	189 362
At 30 June 2016							
Cost	8 392	176 785	32 635	103 447	9 404	44 666	375 329
Accumulated depreciation	(4 304)	(98 273)	(699)	(55 986)	(834)	(25 871)	(185 967)
Closing carrying amount	4 088	78 512	31 936	47 461	8 570	18 795	189 362
Year ended 30 June 2015							
Opening carrying amount	1 542	56 469	191	31 985	–	9 956	100 143
Additions	1 508	30 354	–	8 641	–	5 049	45 552
Disposals	(30)	(2 814)	(2)	(3 812)	–	(676)	(7 334)
Depreciation charge	(796)	(23 635)	(105)	(8 298)	–	(2 893)	(35 727)
Reclassification	–	(4)	–	(5)	–	14	5
Closing carrying amount	2 224	60 370	84	28 511	–	11 450	102 639
At 30 June 2015							
Cost	5 094	138 590	524	75 749	–	33 158	253 115
Accumulated depreciation	(2 870)	(78 220)	(440)	(47 238)	–	(21 708)	(150 476)
Closing carrying amount	2 224	60 370	84	28 511	–	11 450	102 639

7. INVESTMENT PROPERTY

	June 2016	June 2015
	R'000	R'000
Opening fair value	15 000	15 000
Fair value gain	–	–
Closing fair value	15 000	15 000

Investment property consists of Land, portion 108 (a portion of portion 27) of the farm Weltevreden 202 Roodepoort, South Africa.

The Company has elected the fair value model in terms of IAS 40 (Investment Property).

The valuation was obtained by an independent valuer, J van der Hoven, a property practitioner from ARC Properties. J van der Hoven obtained his Post-Graduate Masters Degree in Architecture (recognised by RIBA and ARB) and has more than 9 years' experience as a property practitioner.

An independent valuation of the Group's investment property was performed by valuers to determine the fair value thereof as at 30 June 2016 and 2015. Refer to note 9.10 for further detail on the valuation process of the investment property.

The fair value of investment property was determined based on current prices in an active market for similar property in the same location and condition taking into consideration the current pressures on the property market, the valuers have retained the fair values at R15 000 000 as at 30 June 2016.

8. INTANGIBLE ASSETS

Note	Goodwill R'000	Intellectual property R'000	Computer software R'000	Internally developed	Customer relationships R'000	Brands R'000	Total R'000
				computer software R'000			
Opening carrying amount at 1 July 2015	398 123	11 303	151 359	145 961	30 645	7 096	744 487
Take on balance	–	–	607	–	–	–	607
Purchase Price Allocation	4 473 954	–	–	–	89 485	–	563 439*
Additions	–	–	66 823	98 039	–	–	164 862
Disposals	–	–	(390)	–	–	–	(390)
Amortisation charge for the year	–	(841)	(28 339)	(28 979)	(19 271)	(1 902)	(79 332)
Impairment	–	–	(4 858)	–	–	–	(4 858)
Carrying value at 30 June 2016	872 077	10 462	185 202	215 021	100 859	5 194	1 388 815
Opening carrying amount at 1 July 2014	398 123	12 144	38 513	101 704	43 670	8 998	603 152
Additions	–	–	130 993	59 081	–	–	190 074
Amortisation charge for the year	–	(841)	(18 142)	(14 824)	(13 025)	(1 902)	(48 734)
Reclassification	–	–	(5)	–	–	–	(5)
Carrying value at 30 June 2015	398 123	11 303	151 359	145 961	30 645	7 096	744 487
Carrying value at 30 June 2016 comprises:							
Cost	898 849	24 935	264 361	287 830	241 378	22 938	1 740 291
Accumulated impairment	(23 100)	(14 473)	(4 858)	–	(23 980)	(3 200)	(69 611)
Accumulated amortisation	–	–	(74 301)	(72 809)	(116 539)	(14 544)	(278 193)
Adjustment to goodwill**	(3 672)	–	–	–	–	–	(3 672)
Carrying value at 30 June 2016	872 077	10 462	185 202	215 021	100 859	5 194	1 388 815

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

** The adjustment to goodwill relates the change in estimates on the initial purchase acquisition of Sapling Trade and Invest (Pty) Ltd.

	Group		Company	
	June 2016 R'000	June 2015 R'000	June 2016 R'000	June 2015 R'000
Goodwill	872 077	398 123	–	–
Computer software	96 581	59 610	–	–
FICO (computer software)	88 620	91 749	–	–
Nexus (internally developed computer software)	118 297	83 816	–	–
Gexus (internally developed computer software)	41 313	34 545	–	–
Development costs (internally developed computer software)	55 412	27 600	–	–
Intellectual Property	10 462	11 303	–	–
Customer relationships	100 859	30 645	–	–
Brand	5 194	7 096	–	–
	1 388 815	744 487	–	–

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2016

8. INTANGIBLE ASSETS continued

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

	Group		Company	
	June	June	June	June
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
Healthcare Administration SA CGU				
Medscheme – healthcare administration	265 262	265 262	–	–
Medscheme – health risk management	89 298	89 298	–	–
Aid for Aids Management (Pty) Limited – healthcare administration	23 490	23 490	–	–
Allegra (Pty) Limited – healthcare IT support	1 268	1 268	–	–
Bonitas Marketing – healthcare marketing support	835	835	–	–
Klinikka (Pty) Ltd – medical equipment supplier	2 435	2 435	–	–
Healthcare Africa CGU				
Medscheme Mauritius Limited – local administration	4 969	4 969	–	–
Medscheme Mauritius Limited – International administration	10 566	10 566	–	–
Healthcare Retail SA CGU				
Pharmacy Direct, Curasana and Glen Eden	473 954	–	–	–
	872 077	398 123	–	–

Management determines the recoverable amount of cash generating units as being the higher of net selling price 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 cash generating unit has been applied to determine the value in use. A growth rate has been applied to cash flow streams to take into account the effect of inflation.

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

- Prime rate (risk free rate) 10.5% as at 30 June 2016.
- A market risk premium of 5.8% is justified as the overall risk is to the downside.

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

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

	Risk adjustment factor	WACC ¹	Forecast Period ²	Average Growth Rate ³
Medscheme – healthcare administration	1.0	13.2	10 years	6.00%
Medscheme – health risk management	1.0	13.2	10 years	6.00%
Aid for Aids Management (Pty) Limited – healthcare administration	1.1	14.52	10 years	7.00%
Allegra (Pty) Limited – healthcare IT support	1.2	15.84	10 years	6.00%
Bonitas Marketing – healthcare marketing support	1.1	14.52	10 years	6.00%
Klinikka (Pty) Ltd – medical equipment supplier	0.6	14.38	10 years	6.00%
Medscheme Mauritius Limited – local administration	1.11	15.18	10 years	7.00%
Medscheme Mauritius Limited – International administration	1.11	15.18	10 years	7.00%
Pharmacy Direct, Curasana and Glen Eden	0.6	14.38	10 years	5.00%

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

Note 2: Based on the long tenure of current contracts with our clients which span more than 20 years with the Group. A forecast period of 10 years is considered reasonable.

Note 3: Growth rates are based on current consumer price indicators and membership growth.

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

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

2016	Opening	Addition	Disposal	Impairment	Closing
Medscheme – healthcare administration	265 262	–	–	–	265 262
Medscheme – health risk management	89 298	–	–	–	89 298
Aid for Aids Management (Pty) Limited – healthcare administration	23 490	–	–	–	23 490
Medscheme Mauritius Limited - local administration	4 969	–	–	–	4 969
Medscheme Mauritius Limited - International administration	10 566	–	–	–	10 566
Allegra (Pty) Limited – healthcare IT support	1 268	–	–	–	1 268
Bonitas Marketing – healthcare marketing support	835	–	–	–	835
Pharmacy Direct, Curasana and Glen Eden	–	473 954	–	–	473 954
Klinikka (Pty) Ltd – medical equipment supplier	2 435	–	–	–	2 435
	398 123	473 954	–	–	872 077
2015					
Medscheme – healthcare administration	265 262	–	–	–	265 262
Medscheme – health risk management	89 298	–	–	–	89 298
Aid for Aids Management (Pty) Limited – healthcare administration	23 490	–	–	–	23 490
Medscheme Mauritius Limited – local administration	4 969	–	–	–	4 969
Medscheme Mauritius Limited – International administration	10 566	–	–	–	10 566
Allegra (Pty) Limited – healthcare IT support	1 268	–	–	–	1 268
Bonitas Marketing – healthcare marketing support	835	–	–	–	835
Klinikka (Pty) Ltd – medical equipment supplier	2 435	–	–	–	2 435
	398 123	–	–	–	398 123

9. FINANCIAL INSTRUMENTS

FINANCIAL INSTRUMENTS BY CATEGORY

Group financial assets	Financial assets at amortised cost	Financial assets at fair value through profit and loss	Available for sale financial assets*	Total
June 2016				
Trade and other receivables	365 004	–	–	365 004
Financial assets at fair value	–	305 355	18 444	323 799
Cash and cash equivalent	373 068	–	–	373 068
June 2015				
Trade and other receivables	228 884	–	–	228 884
Financial assets at fair value	–	–	18 444	18 444
Cash and cash equivalent	334 051	–	–	334 051

* In the prior year Afrocentric Health Solutions Limited (the Kenya Investment), an associate, transferred its insurance book to AAR Insurance Holdings (Pty) Ltd ("AAR"). In return, AAR issued 3% of its shares to Afrocentric Health Solutions Limited which was subsequently declared as a dividend in specie to Medscheme Holdings (Pty) Ltd. This investment was subsequently classified as an available for sale financial asset (refer to note 9.5).

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2016

9. FINANCIAL INSTRUMENTS continued

During the year funds were invested into share investment schemes and Jasco Electronics Holdings was reclassified as fair value through profit and loss (Previously held as non-current asset held for sale).

Company financial assets	Financial assets at amortised cost	Financial assets at fair value through profit and loss	Available for sale financial assets	Total
June 2016				
Trade and other receivables	815	–	–	815
Financial assets at fair value	–	305 355	–	305 355
Cash and cash equivalent	145 884	–	–	145 884
June 2015				
Trade and other receivables	1 631	–	–	1 631
Cash and cash equivalent	34 011	–	–	34 011
Receivables for subsidiaries	567 004	–	–	567 004

During the year funds were invested into share investment schemes and Jasco Electronics Holdings was reclassified as fair value through profit and loss (Previously held as non-current asset held for sale).

FINANCIAL INSTRUMENTS BY CATEGORY

Group financial liabilities	Liabilities at fair value through profit and loss	Amortised cost	Total
June 2016			
Trade and other payables	–	383 029	383 029
June 2015			
Trade and other payables	–	146 317	146 317
Borrowings	–	61 224	61 224
Company financial liabilities			
June 2016			
Trade and other payables	–	7 139	7 139
Loans from Group companies	–	44 477	44 477
June 2015			
Trade and other payables	–	20 221	20 221
Loans from Group companies	–	60 705	60 705

9.1 TRADE RECEIVABLES

Trade receivables that are less than three months past due are not considered for impairment. As at 30 June 2016, trade receivables of R58.3 million (2015: R16.2 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default and are expected to be recoverable.

Ageing of trade and other receivables (R'000):

Group	Current	30 days	60 days	90+ days	Total
June 2016					
Gross trade debtors	200 810	7 470	7 959	46 786	263 025
Net trade debtors	200 810	7 470	7 959	42 905	259 144
Past due but not impaired	–	7 470	7 959	42 905	58 334
Other receivables	5 949	5 076	80	6 803	17 908
June 2015					
Gross trade debtors	107 629	6 484	4 933	5 634	124 680
Net trade debtors	107 629	6 484	4 933	4 750	123 796
Past due but not impaired	–	6 484	4 933	4 750	16 167
Other receivables	5 934	5 149	82	6 900	18 065

Disclosure of trade debtors:

	June 2016 R'000	June 2015 R'000
Gross trade debtors	263 025	124 680
Provision for impairment of trade receivables as above	(3 881)	(884)
Net trade debtors (note 9.2)	259 144	123 796
Movement in the provision for impairment of trade receivables are as follows:		
At beginning of the period	884	418
Reversal of provision for doubtful debts	–	–
Other adjustments (including the effect of foreign exchange rates)	2 997	466
	3 881	884

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

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

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

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

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

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2016

9. FINANCIAL INSTRUMENTS continued

9.2 TRADE AND OTHER RECEIVABLES

	Group		Company	
	June	June	June	June
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
Trade debtors*	259 144	123 796	–	–
Deposits	12 629	7 941	–	–
Prepayments	35 767	33 306	45	–
Sundry debtors	39 556	45 776	770	1 631
Other receivables	17 908	18 065	–	–
	365 004	228 884	815	1 631

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

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

* The increase in trade debtors is due to the trade balances relating to Pharmacy Direct (Pty) Ltd.

9.3 RECEIVABLES FROM SUBSIDIARY

	Effective % Holding	Group		Company	
		June	June	June	June
		2016	2015	2016	2015
		R'000	R'000	R'000	R'000
ACT Healthcare Assets (Pty) Ltd	100%	–	–	–	567 004
		–	–	–	567 004

The receivable from the subsidiary has been accounted for at amortised cost. The fair value of the loan approximates the carrying value of the receivable. This loan has been partially settled and written off at year-end.

9.4 RECEIVABLES FROM ASSOCIATES

	Effective % Holding	Group		Company	
		June	June	June	June
		2016	2015	2016	2015
		R'000	R'000	R'000	R'000
Activo Health (Pty) Ltd	26%	20 437	–	–	–
		20 437	–	–	–

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

9.5 AVAILABLE FOR SALE FINANCIAL INSTRUMENTS

	Group		Company	
	June	June	June	June
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
Non-current assets				
AAR Insurance Holdings Kenya	18 444	18 444	–	–
	18 444	18 444	–	–

CLASSIFICATION OF INVESTMENT AS AVAILABLE FOR SALE

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

	Opening Carrying Amount	Dividend in specie	Transaction costs	Gains and losses recognised in other comprehensive income	Closing Carrying Amount
Non-current assets					
AAR Insurance Holdings Kenya	18 444	–	–	–	18 444
	18 444	–	–	–	18 444

IMPAIRMENT INDICATORS FOR THE AVAILABLE FOR SALE INVESTMENT

The investment is considered to be impaired if there has been a significant or prolonged decline in the fair value below its cost. The Group evaluates the duration and the extent to which the fair value of the investment is less than its cost, and the financial health of and short term business outlook for the investee (including factors such as industry and sector performance, changes in technology and operational and financing cash flows). Due to the factors listed above, the Group has determined that an impairment is not required in the 2016 financial year.

SIGNIFICANT ESTIMATES

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

9.6 CASH AND CASH EQUIVALENTS

	Group		Company	
	June 2016	June 2015	June 2016	June 2015
	R'000	R'000	R'000	R'000
Cash at bank and short-term bank deposits				
AA – ABSA Bank Limited	56 702	50 127	6 174	8 389
BBB- – Nedbank Limited	104 882	279 653	19 792	25 622
AA – Standard Bank Limited	93 070	–	57 324	–
AA – Investec Limited	62 525	–	62 525	–
BBB+ – Sasfin Limited	55 889	4 271	69	–
Total Cash at bank and short-term bank deposits	373 068	334 051	145 884	34 011

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

- AA – The financial instrument is judged to be of high quality, is subject to very low credit risk and indicates quality issuers.
- BBB+ – Obligations are medium-grade and subject to moderate credit risk with a positive outlook. Obligations may possess certain speculative characteristics.
- BBB- – Obligations are medium-grade and subject to moderate credit risk with a negative outlook. Obligations may possess certain speculative characteristics.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2016

9. FINANCIAL INSTRUMENTS *continued*

9.6 CASH AND CASH EQUIVALENTS *continued*

	Group		Company	
	June	June	June	June
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
Cash	161 584	127 986	25 966	34 011
Short-term deposits*	211 484	206 065	119 918	–
	373 068	334 051	145 884	34 011

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

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

	Group		Company	
	June	June	June	June
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
Cash and bank balances	373 068	334 051	145 884	34 011

Included in the cash balance is an amount of R10 million deposited at Nedbank Limited as a good-faith deposit on behalf of a strategic target for acquisition. This is a loan receivable and not cash in the bank. The effective interest rate applicable to cash at bank is 5.25% (June 2015: 5.46%).

9.7 TRADE AND OTHER PAYABLES

	Group		Company	
	June	June	June	June
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
Trade payables*	216 081	37 060	532	697
Accruals	29 577	25 761	119	826
Payroll creditors	39 764	34 355	–	–
Shareholders for dividends	9 919	13 120	4 604	7 063
Other payables**	87 688	36 021	1 884	11 635
	383 029	146 317	7 139	20 221

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

* The increase in trade payables is due to the WAD acquisition.

** The increase in other payables is due to the amounts owing from the AfroCentric Health minority buy-out.

9.8 BORROWINGS

	Group		Company	
	June 2016 R'000	June 2015 R'000	June 2016 R'000	June 2015 R'000
Bank borrowings	–	61 224	–	–
Maturity analysis				
Non-current	–	–	–	–
Current	–	61 224	–	–
	–	61 224	–	–

The interest bearing borrowings above bear interest at 87% of the Prime rate.

ABSA Bank has provided AfroCentric Investment Corporation Limited a primary lending facility of R10 million. (June 2015: R10 million). This facility ranks "pari-passu" with the preference share facility in the name of ACT Funding (Pty) Ltd and shares in the security provided for this facility. There has been no drawn down of this facility at year end.

ABSA Bank has provided ACT Funding (Pty) Ltd with a preference share facility of R200 million, guaranteed by AfroCentric Investment Corporation Limited and ACT Healthcare Assets (Pty) Ltd. This facility was initially due for redemption in March 2014, but agreement was reached with the lenders to extend the redemption over a period of 3 years to 11 February 2017. This loan was settled in December 2015.

9.9 LOANS FROM GROUP COMPANIES

	Group		Company	
	June 2016 R'000	June 2015 R'000	June 2016 R'000	June 2015 R'000
AfroCentric Health (Pty) Ltd	–	–	43 116	60 705
ACT Funding (Pty) Ltd	–	–	1 361	–
	–	–	44 477	60 705

The loan with ACT Funding (Pty) Ltd is unsecured and interest free.

The loan with AfroCentric Health (Pty) Ltd is unsecured and bears interest at the prime interest rate calculated monthly.

These loans has not fixed terms of repayment but payable on demand.

9.10 RECOGNISED FAIR VALUE MEASUREMENTS

FAIR VALUE HIERARCHY

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

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

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

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

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2016

9. FINANCIAL INSTRUMENTS *continued*

9.10 RECOGNISED FAIR VALUE MEASUREMENTS *continued*

The following table presents the groups assets and liabilities that are measured at fair value at 30 June 2016:

2016	Group			Company		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Investment in Jasco (note 9.11)	37 182	–	–	37 182	–	–
Investment in collective schemes	268 173	–	–	268 173	–	–
Investment in AAR (note 9.5)	–	–	18 444	–	–	–
Contingent consideration (note 36)	–	–	134 893	–	–	134 893
Investment Property (note 7)	–	–	15 000	–	–	–
	305 355	–	168 337	305 355	–	134 893
2015						
Investment in Jasco (note 9.11)	24 788	–	–	24 788	–	–
Investment in AAR (note 9.5)	–	–	18 444	–	–	–
Investment Property (note 7)	–	–	15 000	–	–	–
	24 788	–	33 444	24 788	–	–

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

- the use of quoted market prices or dealer quotes for similar instruments. The Jasco Electronics Holdings Limited and the collective investment schemes share price was obtained from the Johannesburg Stock Exchange (JSE)
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis and PE ratios.
- The fair value of the investment property is determined using current prices in an active market for similar property

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 except for the investment in, Jasco Electronics Holdings Limited, which is classified as a Level 1 financial instrument (non-current asset held for sale). The carrying amount of all assets in the table above approximates the fair value of the assets.

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

	Contingent consideration	Investment in AAR	Investment Property
	R'000	R'000	R'000
Opening balance	–	18 444	15 000
Additions	134 893	–	–
Transaction costs	–	–	–
Closing balance	134 893	18 444	15 000

VALUATION INPUTS AND RELATIONSHIPS TO FAIR VALUE

INVESTMENT IN AAR

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

INVESTMENT PROPERTY

The fair value of the investment property is derived by an external property valuer using current prices in an active market for similar property in the same location and condition. In applying this approach the valuer has selected other properties that have similar risk, growth and cash-generating profiles. Management reviews the valuation performed by the external valuer and is satisfied that the inputs used by the external property valuer are reasonable.

CONTINGENT CONSIDERATION

Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Company arising from the contingent consideration. Under the contingent consideration arrangement, AfroCentric Investment Corporation Limited is required to issue Glen Eden Trading 58 (Proprietary) Limited an additional 26 192 902 shares based on management's best estimate as per the Acquisition of shares agreement. R134.9 million is the estimated fair value of this obligation at year-end.

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

Description	Fair value at 30 June 2016	Unobservable inputs	Input Value used	Sensitivity of unobservable inputs on profit and loss
Investment in AAR (unlisted investment)	18 444	Price earnings ratio	11.32	If a P/E ratio of 10.32 were used the investment in AAR would increase by R1.762 million in other comprehensive income. If a P/E ratio of 12.32 were used the investment in AAR would increase by R1.748 million in other comprehensive income.
Investment Property	15 000	Price per square meter	R1 500 per square meter	The higher the price per square meter the higher the fair value.
Contingent consideration	134 893	Average growth rate	5%	If an average growth rate of 4% were used the contingent consideration would decrease by R2.596 million in profit and loss. If an average growth rate of 6% were used the contingent consideration would increase by R2.630 million in profit and loss.
		Expected cash inflows	R21.8m – R24.2m	If expected cash flows were 10% higher or lower, the fair value would increase/decrease by R13.489m.

VALUATION PROCESS

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

The following table reflects the impact on the statement of comprehensive income and other comprehensive income should the fair value increase or decrease by 10%.

	Impact of change in volatility of the fair value adjustment on profit or loss	
	Increase +10% R'000	Decrease -10% R'000
Investment in Jasco	1 239	(1 239)
Contingent consideration	13 489	(13 489)
Investment in AAR Insurance Holdings	1 844	(1 844)
Investment Property	1 500	(1 500)
	18 072	(18 072)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2016

9. FINANCIAL INSTRUMENTS continued

9.11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	Group		Company	
	June	June	June	June
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
Non-current assets				
Collective share investment Scheme	268 173	–	268 173	–
Jasco Electronics Holdings Limited	37 182	–	37 182	–
	305 355	–	305 355	–

As disclosed in Note 10, in 2016 Jasco Electronics Holdings Limited no longer met the classification of non-current asset held for sale. The reason for no longer meeting the classification as a non-current asset held for sale is due to the fact the Group is currently not actively searching for a buyer but is still committed to sell the investment in the near future.

During the year AfroCentric Investment Corporation Limited invested funds into four different investments, namely:

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

CLASSIFICATION FINANCIAL ASSETS THROUGH PROFIT AND LOSS

As a result of holding these assets for the medium term these have been designated at fair value through profit and loss.

	Opening carrying amount	Additions	Fair value gains and losses	Disposals	Closing carrying amount
Non-current assets					
Collective share investment Scheme	–	253 481	14 692	–	268 173
Jasco Electronics Holdings Limited	–	24 788	12 394	–	37 182
	–	278 269	27 086	–	305 355

IMPAIRMENT INDICATORS FOR FAIR VALUE THROUGH PROFIT AND LOSS INVESTMENT

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

9.12 FINANCIAL ASSETS AT AMORTISED COST

	Group		Company	
	June	June	June	June
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
Non-current assets				
AA – Standard Bank	70 496	–	70 496	–
AA – Investec Bank	73 265	–	73 265	–
	143 761	–	143 761	–

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

During the year AfroCentric Investment Corporation Limited invested funds into the following investments, namely:

- Standard Bank Notice Deposit
- Investec Wholesale Structured Deposit

CLASSIFICATION FINANCIAL ASSETS AT AMORTISED COST

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

The following tables represent the fair value hierarchical disclosure if the Investments at amortised costs were to be classified at fair value:

	Impact of change in volatility of the fair value adjustment on profit or loss	
	Increase +10%	Decrease -10%
	R'000	R'000
Investment at amortised cost	367	(367)

The following table presents the investments that are measured at fair value at 30 June 2016:

2016	Group			Company		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Investment at amortised cost	143 761	–	–	143 761	–	–

10. INVESTMENT IN ASSOCIATES

	Group		Company	
	June	June	June	June
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
Carrying value	24 477	14 873	–	–

During the year a 26% interest was purchased in Activo Health (Pty) Ltd. The Group has significant influence over this entity.

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

During the 2015 financial year, AfroCentric Investment Corporation Limited's shareholding decreased from 20.27% to 19.30%. Subsequently, management has made the decision to sell the Jasco Electronics Holdings Limited investment and was accordingly reclassified this investment to a non-current asset held for sale (refer to note 12). In the current financial year the sale has not materialised and the 19.30% investment in Jasco Electronics Holdings was reclassified to Financial assets at fair value through profit and loss (refer to note 9.11).

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2016

10. INVESTMENT IN ASSOCIATES continued

In the prior year, the total aggregate assets, liabilities and results of operation of all associates were included.

	Group	
	June	June
	2016	2015
	R'000	R'000
Non-current assets (excluding intangible assets)	20 832	25 601
Intangible assets	–	10 359
Current assets	110 015	17 802
Total assets	130 847	53 762
Non-current liabilities	74 918	27 732
Current liabilities	36 957	10 808
Total liabilities	111 875	38 540
Total comprehensive income attributable to ordinary shareholders	7 479	14 540
Net profit for the year	7 479	14 540
Other comprehensive income	–	–

	Group		Company	
	June	June	June	June
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
Balance at the beginning of period	14 873	77 183	–	42 493
Share of after taxation profit	10 118	19 037	–	–
Dividends received	(4 112)	(19 570)	–	–
Impairment of Invisible Card Company ²	(5 359)	–	–	–
Fair value of investment in associates ¹	–	–	–	(17 705)
Impairment of Jasco ¹	–	(21 792)	–	–
Purchase of Activo Health ³	8 957	–	–	–
Sale of 1% of AFA Botswana (Pty) Ltd	–	(292)	–	–
Reclassification of Jasco Electronics Holdings Limited to non-current assets held for sale ¹	–	(24 788)	–	(24 788)
Impairment of Afrocentric Health Solutions Limited	–	(14 905)	–	–
Balance at the end of period	24 477	14 873	–	–

Note 1: The investment in Jasco Electronics Holdings Limited was reclassified to a non-current asset held for sale in the prior year. Immediately before the reclassification to a non-current asset held for sale Jasco was impaired/ fair valued to its recoverable amount being the fair value as at 30 June 2015. In the current year it was reclassified from non-current asset held for sale to fair value through profit and loss as it no longer met some of the criteria as a non-current asset held for sale as disclosed in Note 9.10.

Note 2: At year end, Invisible Card Company (Pty) Ltd was fully impaired.

Note 3: Activo Health (Pty) Ltd was acquired during the year as part of the WAD acquisition to strategically align with the Groups integrated healthcare offering.

	Reporting date	Number of shares held	Percentage Holdings		Group carrying amount		Company carrying amount	
			June 2016	June 2015	June 2016	June 2015	June 2016	June 2015
			%	%	R'000	R'000	R'000	R'000
Directly held – listed								
Jasco Electronics Holdings Limited	30 June	44 263 793	19.3	19.3	–	–	–	–
Unlisted								
Activo Health (Proprietary) Limited	28 February	26	26	–	16 436	–	–	–
Associated Fund Administrators (Proprietary) Limited	30 September	24 000	24	24	8 041	8 800	–	–
Invisible Card Company (Pty) Ltd *	30 June	30	40	40	–	6 073	–	–
Afrocentric Health Solutions Limited (Kenya Investments)	31 December	26	26	26	–	–	–	–
					24 477	14 873	–	–

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

Due to the Group's non-controlling interest in Associated Fund Administrators Botswana (Proprietary) Limited and Activo Health (Proprietary) Limited, it has no influence in aligning their reporting dates with the Group's.

* At year end, Invisible Card Company (Proprietary) Limited was fully impaired.

	1 July 2015					30 June 2016
	R '000					R '000
	Opening carrying amount	Share of after tax profit/ (losses)	Fair value/ impairment	Reclassification/ disposals/ acquisitions	Dividends received	Closing carrying amount
Unlisted						
Activo Health (Proprietary) Limited	–	7 479	–	8 957	–	16 436
Associated Fund Administrators (Proprietary) Limited	8 800	3 353	–	–	(4 112)	8 041
Invisible Card Company (Pty) Ltd	6 073	(714)	(5 359)	–	–	–
	14 873	10 118	(5 359)	8 957	(4 112)	24 477

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2016

10. INVESTMENT IN ASSOCIATES continued

	Shares at cost		Equity profits		Carrying amount of investment	
	June 2016	June 2015	June 2016	June 2015	June 2016	June 2015
	R '000	R '000	R '000	R '000	R '000	R '000
Unlisted						
Activo Health (Proprietary) Limited	8 957	–	7 479	–	16 436	–
Associated Fund Administrators (Proprietary) Limited	523	523	7 518	8 277	8 041	8 800
Invisible Card Company (Pty) Ltd**	6 346	6 346	(6 346)	(273)	–	6 073
Afrocentric Health Solutions Limited (Kenya Investments)*	18 211	18 211	(18 211)	(18 211)	–	–
	34 037	25 080	(9 560)	(10 207)	24 477	14 873

* In 2015 AfroCentric Health Solutions Kenya Limited declared a dividend in specie to Medscheme Holdings (Pty) Ltd which represents the entire value of the investments in AfroCentric Health Solutions Kenya Limited, being the shares AAR Insurance holdings. In 2015, AfroCentric Health Solutions Limited was fully impaired.

** Invisible Card Company (Pty) Ltd was fully impaired at year-end.

11. INVESTMENT IN SUBSIDIARIES

	Group		Company	
	2016	2015	2016	2015
Unlisted investments at cost	–	–	428 144	–*

* Amounts less than R1 000.

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

The indirectly held subsidiary, Medscheme Holdings (Proprietary) Limited, operates in the healthcare administration and health risk management industry. The total aggregate assets, liabilities and results of Medscheme Holdings (Proprietary) Limited operations are summarised as follows:

Summarised statement of financial position of Medscheme Holdings (Proprietary) Limited:

	Group	
	June 2016	June 2015
	R'000	R'000
Non-current assets (excluding intangible assets)	149 183	139 832
Intangible assets	15 079	3 483
Current assets	725 973	679 539
Total assets	890 235	822 854
Non-current liabilities	22 764	24 185
Current liabilities	219 484	211 070
Total liabilities	242 248	235 255

	Group	
	June	June
	2016	2015
	R'000	R'000
Summarised statement of comprehensive income of Medscheme Holdings (Proprietary) Limited:		
Revenue	1 860 722	1 715 516
Profit for the period	137 889	189 871
Other comprehensive income	206	(114)
Total comprehensive income	138 095	189 757

Summarised statement of comprehensive income of Medscheme Holdings (Proprietary) Limited:

	Group	
	June	June
	2016	2015
	R'000	R'000
Net cash inflow from operating activities	66 108	228 051
Net cash outflow from investing activities	(222 380)	(315 609)
Net cash outflow from financing activities	36 468	6 553
Net decrease in cash and cash equivalents	(119 804)	(81 005)

** During the year, the Company's shareholding in ACT Healthcare Assets (Pty) Ltd was diluted to 71.3% as a result of a share issue to Sanlam. The proceeds on disposal of R703 million were received in cash. An amount of R456.3 million (being the proportionate share of the carrying amount of the net assets of ACT Healthcare Assets (Pty) Ltd has been transferred to non-controlling interest (note 17). The difference of R246.6 million between the increase in the non-controlling interest and the consideration received has been credited directly to equity.

12. NON-CURRENT ASSET HELD FOR SALE

	Group		Company	
	June	June	June	June
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
Jasco Electronics Holdings Limited	–	24 788	–	24 788
	–	24 788	–	24 788

AfroCentric Investment Corporation Limited owns 19.3% of Jasco Electronics Holdings Limited, a black-owned South African listed company, that delivers integrated and converged technology solutions across South Africa.

During the 2015 financial year, the directors of AfroCentric Investment Corporation Limited decided to sell its investment in Jasco Electronics Holdings Limited as a result of its average financial performance over the past few years. There were several interested parties and the sale was expected to be completed before the end of June 2016.

The investment in Jasco Electronic Holdings no longer met the criteria as a non-current asset held for sale in the current financial year and was reclassified to Financial asset at fair value through profit and loss. Refer to note 9.11.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2016

13. DEFERRED INCOME TAX

Group	Capital allowances R'000	Provisions R'000	Prepayments R'000	Assessed loss* R'000	Business combinations R'000	STC credits R'000	Total R'000
Deferred income tax assets							
Balance as at 30 June 2014	–	29 984	–	55 795	–	–	85 779
(Charge)/credit to profit for the year	–	6 087	–	3 771	–	–	9 858
Balance as at 30 June 2015	–	36 071	–	59 566	–	–	95 637
(Charge)/credit to profit for the year	–	2 519	–	6 706	–	–	9 225
Balance as at 30 June 2016	–	38 590	–	66 272	–	–	104 862
Deferred income tax liabilities							
Balance as at 30 June 2014	(25 749)	–	(1 716)	–	(15 724)	–	(43 189)
(Charge)/credit to profit for the year	(8 660)	–	(763)	–	(2 210)	–	(11 633)
Balance as at 30 June 2015	(34 409)	–	(2 479)	–	(17 934)	–	(54 822)
(Charge)/credit to profit for the year	(14 610)	–	328	–	(13 286)	–	(27 568)
Balance as at 30 June 2016	(49 019)	–	(2 151)	–	(31 220)	–	(82 390)
Company							
Balance as at 1 July 2014	–	1 400	–	9 850	–	–	11 250
Credit to profit for the year	–	–	–	(421)	–	–	(421)
Balance as at 30 June 2015	–	1 400	–	9 429	–	–	10 829
(Charge)/credit to profit for the year	–	–	–	6 916	–	–	6 916
Balance as at 30 June 2016	–	1 400	–	16 345	–	–	17 745

* As a result of the increase in investments in financial instruments following the Sanlam transaction, the Group has sufficient interest income which will be utilised against the assessed loss going forward.

14. INVENTORY

	Group		Company	
	June 2016 R'000	June 2015 R'000	June 2016 R'000	June 2015 R'000
Merchandise*	62 782	–	–	–
Finished goods	9 528	6 803	–	–
Inventory on hand at year-end	72 310	6 803	–	–

* Merchandise is as a result of the WAD acquisition, effective 1 August 2015.

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

15. ISSUED SHARE CAPITAL

	Group		Company	
	June	June	June	June
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
Authorised				
1 billion ordinary shares at no par value	10 000	10 000	10 000	10 000
60 million redeemable preference shares of 1 cent each	600	600	600	600
Issued				
Issued ordinary shares at 30 June 2016: 554 377 328 made up as follows:				
Issued ordinary share capital				
554 377 328 (June 2015: 467 855 101) ordinary shares of 1 cent each	18 686	17 821	18 686	17 821
– Opening balance	17 821	17 821	17 821	17 821
– Issue of share capital*	865	–	865	–
Share premium (note 16)	970 358	525 633	970 358	525 633
	989 044	543 454	989 044	543 454

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

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

16. SHARE PREMIUM

	Group		Company	
	June	June	June	June
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
Opening Balance	525 633	525 633	525 633	525 633
Issue of share capital	444 725	–	444 725	–
Closing Balance	970 358	525 633	970 358	525 633

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2016

17. NON-CONTROLLING INTEREST

	Group		Company	
	June 2016 R'000	June 2015 R'000	June 2016 R'000	June 2015 R'000
Balance at the beginning of the year	62 930	52 634	–	–
Dividend distributions (Note 30)	(9 522)	(14 446)	–	–
Share buy back from non-controlling interests ¹	(46 866)	–	–	–
Purchase of shares ²	(525)	–	–	–
Additional non-controlling interest arising on disposal of interest in ACT Healthcare Assets ³	456 263	–	–	–
Share of net profit of subsidiaries	53 323	24 742	–	–
	515 603	62 930	–	–

Note 1: During the year, AfroCentric Health (Pty) Ltd (a subsidiary of AfroCentric Incorporation Limited), bought back the remaining minority shareholding for R3.7 per share. The total amount paid for the minority buyout amounted to R122 million of which R46.8 million relates to the minority interest and R75.2 million which was recognised directly in equity.

Note 2: During the year AfroCentric Health (Pty) Limited had purchased an additional 22% shareholding in Klinikka (Pty) Limited, increasing its shareholding from 70% to 92%.

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

18. PROVISIONS

	Contingent			Total R'000
	Audit Fees R'000	litigation liability R'000	Loss on guarantees R'000	
Group				
Balance as at 30 June 2014	4 105	8 350	5 000	17 455
Charged/(credited) to the statement of comprehensive income:				
– additional provisions	5 983	–	–	5 983
– prior period under provision	(703)	–	–	(703)
Utilised during the year	(5 174)	–	–	(5 174)
Balance as at 30 June 2015	4 211	8 350	5 000	17 561
Charged/(credited) to the statement of comprehensive income:				
– additional provisions	9 659	–	–	9 659
– prior period under provision	(34)	–	–	(34)
Utilised during the year	(9 081)	–	–	(9 081)
Balance as at 30 June 2016	4 755	8 350	5 000	18 105

	Audit fees R'000	Loss on guarantees R'000	Total R'000
Company			
Balance as at 30 June 2014	740	5 000	5 740
Charged/(credited) to the statement of comprehensive income:			
– additional provisions	1 063	–	1 063
– prior period under provision	(35)	–	(35)
Utilised during the year	(705)	–	(705)
Balance as at 30 June 2015	1 063	5 000	6 063
Charged/(credited) to the statement of comprehensive income:			
– additional provisions	1 060	–	1 060
– prior period under provision	(34)	–	(34)
Utilised during the year	(1 241)	–	(1 241)
Balance as at 30 June 2016	848	5 000	5 848

ANALYSIS OF PROVISIONS:

	Group		Company	
	June 2016 R'000	June 2015 R'000	June 2016 R'000	June 2015 R'000
Non-current portion	8 350	8 350	–	–
Current portion	9 755	9 211	5 848	6 063
	18 105	17 561	5 848	6 063

AUDIT FEES

The provision for audit fees relates services provided by the external auditors for the 2016 financial year. The fees will be settled within the 2016 financial year.

CONTINGENT LITIGATION LIABILITY

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

LOSS ON GUARANTEES

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2016

19. POST-EMPLOYMENT MEDICAL OBLIGATIONS

The Medscheme Group operates a post-employment medical benefit scheme. Eligible members are entitled to a fixed rand amount subsidy based on their medical scheme contributions. This post-employment medical benefit scheme is the present value of the employer's share of the expected medical scheme contributions to be paid in respect of current and future continuation members. IAS19 requires that companies should have provided for the liability by the time that the employee and/or their dependants become entitled to receive the post-employment benefits, which is usually the date of retirement or death in service. Although the post-employment liability usually only vests at retirement or death in service and is generally not dependent on the length of service that an employee has had with the employer, the liability accrues uniformly whilst in service.

The accumulated post-employment medical aid obligation was determined by independent actuaries in June 2016 using the projected unit credit method prescribed by IAS 19. Future benefits valued are projected using specific actuarial assumptions and the liability for in-service members is accrued over expected working lifetime.

	June	
	2016	2015
	R'000	R'000
Balance at the end of the year	2 691	3 134
The amounts recognised in the Statement of comprehensive income are as follows:		
Interest cost	231	239
Expected benefit payment	(468)	(466)
Net actuarial loss/(gain) recognised in the current year	(206)	158
Net movement for the year	(443)	(69)
The amount recognised in the Statement of financial position is determined as follows:		
Present value of funded obligations	3 134	3 202
Interest cost	231	240
Expected employer benefit payments	(468)	(466)
Actuarial loss/(gain)	(206)	158
Accrued liability in excess of plan assets	2 691	3 134
Assets and liabilities recognised in the Statement of financial position is as follows:		
Present Value of Funded Obligations		
Fair Value of Plan Assets	–	–
Present Value of Unfunded Obligations	2 691	3 134
Accrued liability in excess of plan assets	2 691	3 134

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

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

The principal actuarial assumptions used were as follows:

	June 2016	June 2015
Discount rate	9.30% p.a.	8.00 % p.a.
Health care cost inflation	9.10% p.a.	8.00 % p.a.
Post-retirement mortality	PA(90) ultimate table*	PA(90) ultimate table*

* Rated down 2 years with a 1% improvement p.a from a base year of 2006

No explicit assumption was made about additional mortality or health care costs due to AIDS.

The liability was recalculated to show the effect of:

- A one percentage point decrease or increase in the rate of health care cost inflation;
- A five or ten percentage point increase in the rate of health care cost inflation for the next five years, thereafter returning to a health care cost inflation of 9.10% p.a; and
- A one percentage point decrease or increase in the discount rate.

	Health Care Cost Inflation		
	Central Assumption 9.10%	(1%)	1%
Accrued Liability 30 June 2016 (R'Million)	2.690	2.669	2.713
% Change	–	(0.8%)	0.9%
Interest Cost 2016/17	0.229	0.227	0.231
% Change	–	(0.9%)	0.9%

	Health Care Cost Inflation		
	Central Assumption 9.10%	(1%)	1%
Interest Cost 2015/16	0.231	0.229	0.232
% Change	–	(0.9%)	0.0%

	Health Care Cost Inflation		
	Central Assumption 9.10%	5% for 5 years	10% for 10 years
Accrued Liability 30 June 2016 (R'Million)	2.690	2.755	2.830
% Change	–	2.4%	5.2%

	Discount Rate		
	Central Assumption 9.30%	(1%)	1%
Accrued Liability 30 June 2016 (R'Million)	2.690	2.829	2.564
% Change	–	5.2%	(4.7%)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2016

20. ACCRUAL FOR STRAIGHT-LINING OF LEASES

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

Property Location	Start date	End date	Rental per month	Escalation rate
The Boulevard, Woodstock Cape Town	1 October 2014	30 September 2019	2.6 million	8%
Florida North, Roodepoort	1 December 2014	30 November 2019	1.7 million	7.5%

	Group R'000
Balance as at 30 June 2014	5 907
Credited to the statement of comprehensive income:	
– movements in provision	6 049
Balance as at 30 June 2015	11 956
Credited to the statement of comprehensive income:	
– movements in provision	3 686
Balance as at 30 June 2016	15 642

	Group	
	June 2016 R'000	June 2015 R'000
Non-current portion	21 289	19 946
Current portion	(5 647)	(7 990)
	15 642	11 956

21. EMPLOYMENT BENEFIT LIABILITY

	Bonuses R'000	Leave Pay R'000	Total R'000
Group			
Balance as at 30 June 2014	51 749	38 370	90 119
Charged/(credited) to the statement of comprehensive income:			
– additional provisions	71 295	13 537	84 832
Utilised during the year	(52 166)	(11 680)	(63 846)
Balance as at 30 June 2015	70 878	40 227	111 105
Charged/(credited) to the statement of comprehensive income:			
– additional provisions	93 081	14 108	107 189
– amounts reversed	–	(8 528)	(8 528)
Utilised during the year	(102 842)	(147)	(102 989)
Balance as at 30 June 2016	61 117	45 660	106 777

The provision for management incentive bonuses is payable at the end of October 2016, whilst the remaining provision for staff is payable at the end of December 2016 to staff as part of a salary restructuring arrangement based on their cost to Company. The provisions are primarily in respect of leave pay to be settled in the next financial year.

Analysis of employee benefit liabilities:

	Group		Company	
	June 2016 R'000	June 2015 R'000	June 2016 R'000	June 2015 R'000
Current portion	106 777	111 105	–	–

22. REVENUE

	Group		Company	
	June 2016 R'000	June 2015 R'000	June 2016 R'000	June 2015 R'000
Revenue from sale of goods*	748 477	–	–	–
Administration fees	1 230 288	1 163 579	–	–
Health risk management fees	805 104	703 370	–	–
Management fees	1 222	4 350	–	–
IT revenue and other	363 055	227 013	50	–
Revenue from performance of services	2 399 669	2 098 312	50	
Total revenue	3 148 146	2 098 312	50	–

* This relates to sale of pharmaceutical products which resulted from the WAD acquisition effective 1 August 2015.

23. COST OF SALES

Sale of goods	(588 204)	–	–	–
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* This relates to sale of pharmaceutical products which resulted from the WAD acquisition effective 1 August 2015.

24. PROFIT BEFORE TAXATION

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

Auditors' remuneration (included in 'other expenses')	9 625	5 280	1 077	160
Audit fees	9 591	5 983	1 060	160
Prior period (over)/under provision	34	(703)	17	–
Amortisation of development costs and other intangible assets	79 332	48 734	–	–
Depreciation of property and equipment	38 011	35 727	–	–
Motor vehicles	1 176	779	–	–
Building Infrastructure and leasehold improvements	95	102	–	–
Computer equipment	23 224	23 681	–	–
Plant and machinery	834	–	–	–
Buildings	67	–	–	–
Furniture and fittings	8 560	8 293	–	–
Office equipment	4 055	2 872	–	–
Bad debt write-off	581	71	–	–
Operating lease rentals (included in 'rentals and property costs')	134 836	115 798	359	483
Buildings	127 151	113 890	359	483
Motor vehicles	597	794	–	–
Office equipment and furniture	7 088	1 114	–	–
Repairs and maintenance (included in 'rentals and property costs')	3 762	3 319	–	–

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2016

24. PROFIT BEFORE TAXATION continued

	Group		Company	
	June	June	June	June
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
Directors' emoluments (included in 'employee benefit costs')				
Executive				
WRC Holmes	1 262	3 914	–	95
– Basic salary	212	2 063	–	–
– Bonus	1 050	649	–	–
– Company contributions	–	249	–	–
– Share based payment (Note 31)	–	953	–	95
D Dempers	27 727	6 554	–	1 025
– Basic salary	3 859	4 459	–	–
– Bonus	23 822	–	–	–
– Company contributions	46	45	–	–
– Share based payment (Note 31)	–	2 050	–	1 025
Profit before taxation is stated after charging/(crediting) the following items:				
JW Boonzaaier	3 408	–	–	–
– Basic salary	2 332	–	–	–
– Bonus	894	–	–	–
– Company contributions	182	–	–	–
WH Britz	3 235	–	–	–
– Basic salary	2 949	–	–	–
– Bonus	–	–	–	–
– Company contributions	286	–	–	–
AV Van Buuren	2 989	–	–	–
– Basic salary	2 788	–	–	–
– Bonus	–	–	–	–
– Company contributions	201	–	–	–
Non-executive				
For Services as Directors (Basic Salary)	3 405	2 218	–	–
ATM Mokgokong	833	821	–	–
MJ Madungandaba	861	649	–	–
JG Appelgryn	195	187	–	–
NB Bam	195	187	–	–
GL Napier	195	187	–	–
LL Dhlamini	100	–	–	–
ND Munisi	100	–	–	–
A Banderker	399	–	–	–
IM Kirk	332	–	–	–
Y Masithela	195	187	–	–
Employee benefit costs	1 480 560	1 191 722	27 263	1 233
Salaries and wages	1 269 160	1 027 886	9 389	1 233
Termination benefits	8 390	3 914	–	–
Incentive bonus	107 646	83 053	17 765	–
Staff welfare	36 378	22 474	109	–
Movement in post-employment medical obligation	(443)	(226)	–	–
Pension costs-defined contribution plans	59 429	54 621	–	–

	Group		Company	
	June 2016 R'000	June 2015 R'000	June 2016 R'000	June 2015 R'000
Average number of persons employed by the Group during the period:				
South Africa	4 267	3 384	–	–
Full Time	3 722	2 826	–	–
Part Time	545	558	–	–
Outside of Africa	604	317	–	–
Full Time	501	310	–	–
Part Time	103	7	–	–
Dividends received				
Other	–	–	73 120	160 340
Loss on disposal of tangible assets	(245)	(129)	–	–
Loss on disposal of investments	–	(57)	–	–
Loss on disposal of AFA Botswana (1%)	–	(57)	–	–
Fair value adjustments	27 085	–	27 085	(17 705)
Fair value gains on financial assets	27 085	–	27 085	–
Fair value loss on Listed investment	–	–	–	(17 705)
Impairments	(21 469)	(36 697)	(99 917)	–
Impairment of intangible asset	(4 858)	–	–	–
Impairment of loans	(11 252)	–	(99 917)	–
Impairment of investment in associate	(5 359)	(36 697)	–	–
Other Expenses				
Included in 'other expenses' are the following:				
Donations	634	727	–	–
Legal and consulting fees	173 744	158 154	13 653	7 375
Management costs	166 873	105 748	5 938	7 757
Marketing and recruitment	21 334	18 813	1 107	–
Straight-lining of leases	3 686	6 466	–	–
25. NET FINANCE COSTS				
Finance costs	(4 547)	(9 997)	(4 836)	(6 724)
Intercompany loans	–	–	(4 836)	(6 724)
Preference dividend paid	(2 998)	(9 551)	–	–
Other	(1 549)	(446)	–	–
Finance income	32 386	28 799	12 415	5 680
Cash and cash equivalents	28 327	20 747	12 415	1 200
Preference dividend received	–	4 480	–	4 480
Other	4 059	3 572	–	–

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2016

26. INCOME TAX EXPENSE

	Group		Company	
	June	June	June	June
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
Current taxation				
Current year charge	81 059	101 983	–	–
Prior year adjustment	(90)	–	–	–
Deferred taxation				
Current year charge/(credit)	(3 396)	(1 399)	(6 916)	421
	77 573	100 584	(6 916)	421

	Group		Company	
	June	June	June	June
	2016	2015	2016	2015
	%	%	%	%
Reconciliation of the tax rate				
South African normal tax rate	28.00	28.00	28.00	28.00
Adjusted for:				
Disallowable expenses	5.44*	9.57*	(99.81)**	9.28
Exempt income	(6.63)	(5.60)	73.33	(36.93)
Prior year adjustment				
– current tax	0.32	0.55	0.00	–
– deferred tax	0.34	(0.49)	0.00	–
Withholding tax	(1.89)	1.51	0.00	–
Utilisation of assessed losses	0.61	2.46	1.76	–
Effective rate of tax (%)	26.19	36.00	3.28	0.35

* The non-deductible expenditure reflected on the tax rate reconciliation relates to expenses that are attributable to exempt income (Zimbabwean sourced exempt income). A prudent approach has been adopted in the prior year by applying the turnover-based method of apportionment, separating exempt and taxable income. The disallowed expenses also relate to the impairment in intangible asset and in the investment in Invisible Card Company (Pty) Ltd (refer to note 8 and 10).

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

27. EARNINGS PER SHARE

The calculation of basic earnings per share for the Group is based on total comprehensive income attributable to the parent for the year of R170 280 000 (June 2015: net profit of R154 785 000), and a weighted average number of shares of 552.9 million (June 2015: 467.8million) shares in issue. The calculation of headline earnings per share for the Group is calculated on headline earnings of R182 156 000 (June 2015: R179 774 000), and a weighted average number of shares of 552.9 million (June 2015: 467.8 million) shares in issue.

Under the contingent consideration arrangement, AfroCentric Investment Corporation Limited is required to issue Glen Eden Trading 58 (Proprietary) Limited an additional 26 192 902 shares based on management's best estimate as per the Acquisition of shares agreement. This has an impact on the weighted average number of shares for diluted earnings per share.

	Group	
	June 2016	June 2015
	R'000	R'000
Reconciliation of headline earnings		
Total comprehensive income attributable to the parent	170 280	154 785
Basic earnings	170 280	154 785
Adjusted for:		
Impairment of assets	21 469*	36 697
Loss on disposal of assets	245	186
Total tax effects of adjustments	(1 429)	(10 327)
Total non-controlling interest effect of adjustments	(8 409)	(1 567)
Headline earnings	182 156	179 774
Earnings per share (cents)		
Basic	30.79	33.08
Diluted	29.40	33.08
Headline earnings per share (cents)		
Basic	32.94	38.43
Diluted	31.45	38.43
Cash earnings per share (cents)*		
Basic	71.23	84.85
Diluted	68.00	84.85
Weighted average number of shares	552 958 931	467 855 101
Adjusted for:		
– dilutionary impact of contingent shares	26 192 902	–
Weighted average number of shares for diluted earnings per share	579 151 833	467 855 101

* This relates to impairment of investments (R5.4 million), intangible assets (R4.8 million) and loans (R11.2 million).

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2016

28. CASH GENERATED FROM OPERATIONS

	Group		Company	
	June 2016 R'000	June 2015 R'000	June 2016 R'000	June 2015 R'000
Profit/(loss) before tax	296 147	279 358	(38 914)	124 955
Adjustments for:				
Dividends received	–	–	(73 120)	(160 340)
Finance income	(32 386)	(28 799)	(12 415)	(5 680)
Finance cost	4 547	9 997	4 836	6 724
Bad debts written off	581	71	–	–
Increase/(decrease) in provision for bad debts	–	167	–	–
Net actuarial gains	(443)	(226)	–	–
Depreciation	38 011	35 727	–	–
Fair value gains	(27 085)	–	(27 085)	–
Amortisation of intangible assets	79 332	48 734	–	–
Impairment provision on investments and loans	16 611	36 697	99 917	17 705
Straight-lining of leases	3 686	6 466	–	–
Loss on disposal of investment	245	186	–	–
Non-cash expenses	–	2 989	–	–
Share-based payment expense	6 444	9 395	(1 708)	1 120
Impairment of intangible assets	5 616	–	–	–
Share of profit from associates	(10 118)	(19 037)	–	–
Cash flow before working capital changes	381 188	381 725	(48 489)	(15 516)
Working capital changes	12 663	15 271	(12 745)	2 257
Trade and other receivables	(38 317)	(9 145)	816	(755)
Provisions	(2 441)	21 092	(215)	324
Inventory	(4 592)	(2 193)	–	–
Trade and other payables	58 013	5 517	(13 346)	2 688
Cash generated from operations	393 851	396 996	(61 234)	(13 259)
29. TAXATION PAID				
Balance at the beginning of the year asset/(liability)	(4 418)	4 563	1 658	1 658
Take on balance	2 624	–	–	–
(Charge)/credit to the statement of comprehensive income	(77 573)	(100 584)	6 916	(421)
(Charge)/credit to other comprehensive income	–	44	–	–
Deferred tax charge/(credit)	(3 396)	(1 399)	(6 916)	421
Balance at the end of the year (asset)/liability	(19 821)	4 418	(1 658)	(1 658)
	(102 584)	(92 958)	–	–

30. DIVIDENDS

AfroCentric Investment Corporation Limited passed two resolutions whereby dividends were declared in the 2016 financial year. The first dividend was declared in September 2015 of 10 cents per share and the second dividend was declared in March 2016 of 12 cents per share, being the interim dividend. The Rand value of R55.4 million was paid in October 2015 for the first dividend and R66.5 million was paid in May 2016 for the second dividend. These dividends were debited to retained earnings in 2016.

	Group		Company	
	June 2016 R'000	June 2015 R'000	June 2016 R'000	June 2015 R'000
Dividend declared by AfroCentric Investment Corporation Limited in September 2015	55 438	84 214	55 438	84 214
Dividend declared by AfroCentric Investment Corporation Limited in March 2016	66 525	46 785	66 525	46 785
Other dividends in the Group:	–	–	–	–
Dividend declared by AfroCentric Health (Pty) Ltd in October 2015	4 536	5 670	–	–
Dividend declared by AfroCentric Health (Pty) Ltd in March 2015	–	4 383	–	–
Dividend declared and paid by Medscheme (Namibia) (Proprietary) Limited to non-controlling interests	4 408	3 544	–	–
Dividend declared and paid by Allegra (Proprietary) Limited to non-controlling interests	578	849	–	–

31. SHARE-BASED PAYMENTS

The 2008 Acquisition Agreement also contemplated an award of a minimum of 20 million AfroCentric shares to certain executives of AHL, to be awarded at the end of the warranty period 30 June 2013. During the course of that period, those executive shares already allocated, have been categorised as share-based payments in terms of IFRS 2 and the actuarially-determined “non-cash” costs were provided for in each of the company’s relevant reporting periods. The Boards of AfroCentric and AHL have approved an allocation of 27 million shares, representing 7 million more shares than that which was originally stipulated in the 2008 Acquisition Agreement.

The issue of the 27 million share executive awards had no effect on the Statement of Cash Flows.

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

The granting of the share awards was based on job level, merit and performance and was entirely at the discretion of executive management acting on the recommendations of the shareholders. Grants were made in November 2013 and additional allocations are made annually, as deemed necessary to both existing and new employees.

Shares will be held by AfroCentric Health Management Services (Pty) Ltd until such time that the pre-determined conditions have been achieved over the period commencing 1 November 2013 and ending 1 November 2016.

These shares awarded are additional shares allocated to the Executive directors of AHL Group depending on the rules as set out in the share awards agreement. The share price on 1 November 2013, which is grant date, was used to determine the IFRS 2 charge for 2016. The number of shares awarded i.e. 1 571 795 multiplied by the share price of R4.10 on grant date resulted in a R6.44 million charge to the Statement of Comprehensive Income. The remaining shares will be awarded up to the period 1 November 2016.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2016

31. SHARE-BASED PAYMENTS continued

	Group		Company	
	June	June	June	June
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
Executive awards	27 000	27 000	805	805
Movements in number of instruments:				
Outstanding at the beginning of the year	4 916	2 625	471	198
Exercised	–	–	–	–
Vested	1 572	2 291	(417)	273
Active employees	1 572	2 291	(417)	273
Outstanding at the end of the year	6 488	4 916	54	471

In 2016 there are 1 571 795 outstanding options (2015: 2 291 453 options). In 2016, no options (2015: nil) were exercised. The options exercised in 2015 resulted in 20 000 000 shares (2016: 0 shares) being issued at a weighted average price of R4.10 each. The related weighted average share price at the time of exercise was R4.10 per share.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant date	Vesting date	Exercise price in Rands per share option	Share Options 2016
1 November 2013	1 November 2016	4.1	7 000 000

	Group		Company	
	June	June	June	June
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
Economic assumptions				
Total number of instruments granted	7 000	7 000	–	–
Weighted average share price	4.10	4.10	–	–
Weighted average vesting period	3	3	–	–

32. CONTINGENCIES, COMMITMENTS AND GUARANTEES

32.1 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 (PTY) LTD

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

32.2 COMMITMENTS

	Group	
	June	June
	2016	2015
	R'000	R'000
Building rentals		
Rental obligations with respect to land and buildings		
Not later than 1 year	79 123	68 828
Later than 1 year but not later than 5 years	182 584	235 008
	261 707	303 836

32.3 GUARANTEES

	Group		Company	
	June	June	June	June
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
Guarantees issued in respect of office rental for premises occupied by the Group	6 072	5 461	–	–
Medical aid schemes	–	500	–	–
South African Post Office	3 800	3 803	–	–
City Power Johannesburg	500	500	–	–
Rand Merchant bank	–	497	–	–
	10 372	10 761	–	–

33. RELATED PARTY TRANSACTIONS

33.1 DIRECTORS

Details relating to Directors' emoluments are disclosed in note 24. There are no loans to Directors.

The Directors' shareholdings are disclosed on page 9 of the Group Annual Financial Statements. Transactions within the Group are listed below.

33.2 RELATIONSHIPS WITH DIRECTORS IN THE GROUP

WAD Holdings (Pty) Ltd – Mr AV Van Buuren (Group Chief Executive Officer) and Mr W Britz (Executive Director) each hold 33.3% of WAD Holdings (Pty) Ltd.

WAD Holdings (Pty) Ltd holds A class shares in the Glen Eden Trading 58 (Pty) Ltd. The Glen Eden A class shares will be entitled to 10% of the votes at any meeting attended by WAD Holdings (Pty) Ltd or its proxy. The Glen Eden A class shares will not be entitled to any dividends or profit before 1 January 2017 and will rank *pari passu* with ordinary shares in terms of voting rights and distribution rights from 1 January 2017.

WAD Holdings (Pty) Ltd holds A class shares in Pharmacy Direct (Pty) Ltd. The Pharmacy Direct A class shares shall have no voting rights but shall have right to 100% of the distribution of the after tax profits attributable to the Department of Health contract from 1 July 2018.

WAD Holdings (Pty) Ltd holds A class shares in Curasana Wholesaler (Pty) Ltd. The Curasana Wholesaler (Pty) Ltd A class shares shall have no voting rights but shall have right to 100% of the distribution of the after tax profits available to the Department of Health contract from 1 July 2018.

WAD Holdings (Pty) Ltd is the 100% shareholder of Northern Lights Trading 172 (Pty) Ltd. Curasana Wholesaler (Pty) Ltd entered into an agreement with Northern Lights Trading 172 (Pty) Ltd on 29 February 2016 whereby Curasana Wholesaler (Pty) Ltd has purchased Portion 3 of Erf 1903, Zwartkop X15, which is the premises of the main business operations and was leased from Northern Lights Trading 172 (Pty) Ltd, for the amount of R32 000 000. The outstanding balance will bear interest at 9.25% per annum and is repayable in monthly instalments of R2 100 000 per month with a final payment of R446 312 over a period of 17 months.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2016

33. RELATED PARTY TRANSACTIONS

33.2 TRANSACTIONS WITH ENTITIES IN THE GROUP

During the period the Group entered into the following arms-length related party transactions:

	Group	
	June 2016 R'000	June 2015 R'000
Directors		
Medical aid contributions paid by directors – to schemes administered by Medscheme Holdings (Pty) Ltd	356	361
Mr MJ Madungandaba (70%) and Dr ATM Mokgokong (30%) control Namane Financial Services – Consulting and marketing fees paid to Namane Financial Services	2 215	2 052
Mr SM Rothbart has a controlling interest in Rothbart Inc. – Consulting fees paid by Medscheme Holdings (Pty) Ltd	1 955	1 800
Mr MJ Madungandaba (42%) and Dr ATM Mokgokong (18%) control Mesure Facilities Management (Pty) Ltd – Management fees and other expenses paid to Mesure Facilities Management (Pty) Ltd	176 563	126 466
Mr SM Rothbart has a controlling interest in Rothbart Inc. – legal fees and disbursements paid to Rothbart Inc.	–	4 000
Mr J Rothbart (son of SM Rothbart) is paid via Eyecom Outdoor Advertising (Pty) Ltd. – remuneration for services as the previous Group CEO	300	1 119
Mr JG Appelgryn has a joint interest (50%) in Sinergi Corporate Advisors (Pty) Ltd – Consulting fees paid by AfroCentric Investment Corporation Limited	8 350	2 627
Expenses paid on behalf of Mr D Dempers for the 2016 financial year.	–	443
Mr MJ Madungandaba (41.91%) and Dr ATM Mokgokong (17.96%) collectively control Skynet South Africa (Pty) Ltd – Courier fees to Skynet South Africa	1 099	803
Mr MJ Madungandaba (8.29%) and Dr ATM Mokgokong (3.55%) have an interest in Jasco Electronics Holdings Limited – IT service fees to Jasco Electronics Holdings Limited	20 639	9 530
Associates		
Invisible card company (Proprietary) Limited – loan advanced by Afrocentric Health (Pty) Limited	5 700	6 057
Afrocentric Health (Pty) Limited – interest charged on loan to Invisible card company (Proprietary) Limited	757	625
Jasco Electronics Holdings Limited – finance income received	–	4 480
Subsidiaries		
Afrocentric Health (Pty) Limited – management fees paid to Medscheme Holdings (Proprietary) Limited	914	914
Afrocentric Health Management Services (Proprietary) Limited – profile fees paid to Helios IT Solutions (Proprietary) Limited	371	255
Afrocentric Health Management Services (Proprietary) Limited – Telkom, TMS and printer fees paid to Helios IT Solutions (Proprietary) Limited	18	27
Afrocentric Health Management Services (Proprietary) Limited – IT support services paid to Helios IT Solutions (Proprietary) Limited	97	36
Aid for Aids Management (Proprietary) Limited – management fees paid to Medscheme Holdings (Proprietary) Limited	4 431	4 200
Aid for Aids Management (Proprietary) Limited – Telkom, TMS and printer fees paid to Helios IT Solutions (Proprietary) Limited	569	788
Aid for Aids Management (Proprietary) Limited – profile fees paid to Helios IT Solutions (Proprietary) Limited	2 174	1 927
Klinikka (Proprietary) Limited – management fees paid to Afrocentric Health (Pty) Limited	1 774	662
Allegra (Proprietary) Limited – switching fees paid to Helios IT Solutions (Proprietary) Limited	3 654	4 909
Allegra (Proprietary) Limited – TMS and Telkom fees paid to Helios IT Solutions (Proprietary) Limited	48	39

	Group	
	June 2016 R'000	June 2015 R'000
Allegra (Proprietary) Limited – License and support fee paid to Helios IT Solutions (Proprietary) Limited	1 342	1 342
Allegra (Proprietary) Limited – Dividend paid to Helios IT Solutions (Proprietary) Limited	602	883
Pharmacy Direct (Proprietary) Limited – inventory purchases from Curasana Wholesaler (Proprietary) Limited	597 525	–
Glen Eden Trading 58 (Proprietary) Limited – development costs in Glen Eden arising from Helios IT Solutions	13 850	–
Aid for Aids Management (Proprietary) Limited – NAPWA fees paid to Glen Eden Trading 58 (Proprietary) Limited	528	–
Helios IT Solutions (Proprietary) Limited – consulting fees paid to Glen Eden Trading 58 (Proprietary) Limited	23 802	–
Pharmacy Direct (Proprietary) Limited – rental costs, electricity and security costs paid to Curasana Wholesaler (Proprietary) Limited	953	–
Medscheme International – management fees paid to Medscheme Holdings (Proprietary) Limited	26	25
AfroCentric Distribution Services (Pty) Limited – on site support fees paid to Helios IT Solutions (Proprietary) Limited	34	51
Medscheme Mauritius – management fees paid to Medscheme Holdings (Proprietary) Limited	237	225
Helios IT Solutions (Proprietary) Limited – management fees paid to Medscheme Holdings (Proprietary) Limited	14 559	13 800
Medscheme Zimbabwe – management fees paid to Medscheme Holdings (Proprietary) Limited	211	200
Medscheme Holdings (Proprietary) Limited – TMS and Telkom fees paid to Helios IT Solutions (Proprietary) Limited	16 816	16 980
Klinikka (Proprietary) Limited – hosting fees paid to Helios IT Solutions (Proprietary) Limited	–	103
Afrocentric Health (Pty) Limited – hosting fees paid to Helios IT Solutions (Proprietary) Limited	205	103
Medscheme Administrators Swaziland (Proprietary) Limited – management fees paid to Medscheme Holdings (Proprietary) Limited	1 393	1 320
Klinikka (Proprietary) Limited – corporate service fees paid to Helios IT Solutions (Proprietary) Limited	70	70
Medscheme Administrators Swaziland (Proprietary) Limited – IT support services paid to Helios IT Solutions (Proprietary) Limited	702	727
Medscheme Administrators Swaziland (Proprietary) Limited – profile fees paid to Helios IT Solutions (Proprietary) Limited	440	383
Medscheme Administrators Swaziland (Proprietary) Limited – license and support fees paid to Helios IT Solutions (Proprietary) Limited	2 409	2 787
AfroCentric Health (Pty) Limited – sales to Klinikka (Proprietary) Limited	2 800	–
Medscheme Asset Management (Proprietary) Limited – Telkom, TMS and printer fees paid to Helios IT Solutions (Proprietary) Limited	–	10
Medscheme Holdings (Proprietary) Limited – management fees paid to Afrocentric Health Management Services (Proprietary) Limited	32 400	30 961
Medscheme Holdings (Proprietary) Limited – IT support services paid to Helios IT Solutions (Proprietary) Limited	96	80
Medscheme Holdings (Proprietary) Limited – management fees paid to Afrocentric Health (Pty) Limited	2 089	2 089
Medscheme Holdings (Proprietary) Limited – Switching fees paid to Allegra (Proprietary) Limited	28 657	23 902

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2016

33. RELATED PARTY TRANSACTIONS *continued*

	Group	
	June	June
	2016	2015
	R'000	R'000
Medscheme Holdings (Proprietary) Limited – management fees paid to Afrocentric Health (Pty) Limited	10 000	–
Medscheme Holdings (Proprietary) Limited – management fees paid to Afrocentric Health Management Services (Proprietary) Limited	10 000	–
Medscheme Holdings (Proprietary) Limited – information technology admin fees paid to Helios IT Solutions (Proprietary) Limited	163 454	185 838
Helios IT Solutions (Proprietary) Limited – Commission payable to Medscheme Holdings (Proprietary) Ltd for services rendered (Cimas and First Mutual Life)	5 723	–
Medscheme Holdings (Proprietary) Limited – profile fees paid to Helios IT Solutions (Proprietary) Limited	76 169	62 729
Medscheme Holdings (Proprietary) Limited – Dividend paid to Afrocentric Health (Pty) Limited	77 704	212 646
Medscheme Namibia (Proprietary) Limited – license and support fees paid to Helios IT Solutions (Proprietary) Limited	4 623	4 078
Medscheme Namibia (Proprietary) Limited – management fees paid to Medscheme Holdings (Proprietary) Limited	886	840
Klinikka (Proprietary) Limited – interest charged on loan from Afrocentric Health (Pty) Limited	260	113
AfroCentric Distribution Services (Pty) Limited – interest charged on loan from Resticraft Health Limited	134	1 250
Allegra (Proprietary) Limited – interest charged on loan from Medscheme Holdings (Proprietary) Limited	48	54

	Company	
	June	June
	2016	2015
	R'000	R'000
AfroCentric Health (Pty) Ltd loan	(43 116)	(60 705)
ACT Funding (Proprietary) Limited	(1 361)	–
ACT Healthcare Assets loan	–	567 004

33.3 KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	June	June	June	June
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
Short-term employee benefits	5 533	4 203	–	–
Share-based payments (note 31)	6 444	9 395	(1 708)	1 120

Key management personnel comprise executive Directors within the AfroCentric Health (Pty) Ltd Group.

33.4 INTER-GROUP GUARANTEES

The following Group companies have provided cross guarantees to the AfroCentric Health (Pty) Ltd bankers, for facilities offered to that Company:

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

34. 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.

35. MEDSCHEME PROVIDENT FUND AND MEDSCHEME EMPLOYEES PROVIDENT FUND

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

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

36. CONTINGENT CONSIDERATION

	Group		Company	
	June 2016 R'000	June 2015 R'000	June 2016 R'000	June 2015 R'000
Contingent consideration on Glen Eden Trading 58 (Pty) Ltd	134 893	–	134 893	–

This is the estimated fair value of the contingent consideration relating to the acquisition of Glen Eden Trading 58 (Proprietary) Limited (refer to note 4 and 9.10). The fair value has been assessed at year-end. The contingent consideration is highly probable in the 2017 financial year, based on IAS 32.

37. CONDITIONAL FINANCIAL OBLIGATION

	Group		Company	
	June 2016 R'000	June 2015 R'000	June 2016 R'000	June 2015 R'000
Conditional financial obligation	727 960	–	727 960	–

Sanlam acquired an effective 28.7% interest in ACT Healthcare Assets (Proprietary) Limited, for R703 million. The acquisition agreement provides for a performance warranty in AfroCentric Health (Pty) Ltd, any breach of which, entitles Sanlam to claim a maximum additional 4.3% interest in the shares of ACT Healthcare Assets (Proprietary) Limited in satisfaction of such claim. AfroCentric has provided a performance warranty based on AfroCentric Health Group's full year headline earnings (excluding certain items set out in the Subscription Agreement) for the period ended 30 June 2017 shall be no less than R330 million. Should a shortfall exist Sanlam has the option to elect cash or shares that is calculated per the acquisition agreement. In the event that the claim calculates at an amount in excess of 4.3%, Sanlam has a right to require AfroCentric Investment Corporation Limited to repurchase the shares owned by Sanlam at Sanlam's initial cost plus interest at the 90 day deposit rate from the date of investment to the date of redemption. The Board do not expect such conditions to arise, but International Accounting Standards (IAS 32) dictates the disclosure of such circumstances under Non-current liabilities, rather than Capital and reserves. The contra entry has been included in a Conditional put option reserve. The conditional financial obligation is accounted for in terms of IAS 32.23, which requires the conditional financial obligation to be recognised at the redemption amount and does not take into account the probability of the conditional put option vesting (and, if so, the likelihood of it being exercised) and its fair value.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2016

38. CONDITIONAL PUT OPTION RESERVE

	Group		Company	
	June	June	June	June
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
Conditional put option reserve	(727 960)	–	(727 960)	–

Refer to Note 37 for details relating to the Conditional financial obligation.

39. SUBSEQUENT EVENTS

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

LIBERTY MEDICAL FUND HEALTH ADMINISTRATION AND HEALTH RISK MANAGEMENT CONTRACT

Medscheme Holdings (Pty) Ltd has secured the health administration and health risk management contracts for the Liberty Medical Fund (previously Liberty Medical Scheme) effective 1 August 2016. Liberty Medical Fund represents approximately 110 000 lives and has applied for an amalgamation with Bonitas Medical Fund. Should the merger be successful, it will represent a significant milestone in the consolidation process of the South African Medical Scheme market.

