AfroCentric GROUP

Healthier Together

GROUP ANNUAL FINANCIAL STATEMENTS '21

HEALTHIER TOGETHER

CONTENTS

Preparation of the Annual Financial Statements

The Group Annual Financial Statements of AfroCentric Investment Corporation Limited (AfroCentric) for the year ended 30 June 2021 were prepared by Bongiwe Ncube CA(SA), General Manager: Group Finance, AfroCentric Investment Corporation Limited and were reviewed by Hannes Boonzaaier CA(SA), Group Chief Financial Officer of AfroCentric Investment Corporation Limited.

COMPANY INFORMATION

Registration number

1988/000570/06

Registered address

37 Conrad Road
Florida North
Roodepoort
1709

Postal address

Private Bag
X34 Benmore
2010

Auditor

PricewaterhouseCoopers Inc.
Johannesburg

Group Company Secretary

Billy Mokale
Tel: +27 11 671 4725

DIRECTORS' RESPONSIBILITIES AND APPROVAL

for the year ended 30 JUNE 2021

The directors are responsible for the preparation, integrity and fair presentation of the Annual Financial Statements of the Group as presented on pages 19 to 87. These Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), The Companies Act 71 of 2008, as amended (the Companies Act) and in compliance of the Memorandum of Incorporation of the Company and the JSE Limited Listings Requirements (JSE Listings Requirements); and include amounts based on judgements and estimates made by management.

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

Based on results of the reviews of the internal financial controls conducted by the internal audit function during the 2021 financial year and considering the information and explanations provided by management and discussions with the external auditor on the results of the audit, and assessed by the Audit and Risk Committee, nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of the overall system of controls has occurred during the period under review.

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

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

The audit opinion of PwC appears on pages 13 to 18.

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

The Annual Financial Statements have been approved by the Board and signed on 13 September 2021.

Dr Anna Mokgokong
Chairman

Hannes Boonzaaier
Group Chief Financial Officer

Ahmed Banderker
Group Chief Executive Officer

DECLARATION BY GROUP COMPANY SECRETARY

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

Billy Mokale
Group Company Secretary

13 September 2021

CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER RESPONSIBILITY STATEMENT

for the year ended 30 JUNE 2021

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

(a) the Annual Financial Statements of the Group, set out on pages 19 to 87 fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of International Financial Reporting Standards;

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

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

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

Ahmed Banderker
Group Chief Executive Officer

Hannes Boonzaaier
Group Chief Financial Officer

AUDIT AND RISK COMMITTEE REPORT

for the year ended 30 JUNE 2021

Audit and risk committee report in terms of section 94(7)(F) of the Companies Act

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

1. Composition

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

» Bruno Fernandes (appointed Chairperson on 25 May 2020)

» Alice Marie le Roux (appointed on 25 May 2020)

» Mmaboshadi Chauke (appointed on 01 June 2020)

2. Meetings and duties

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

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

3. Roles and responsibilities of the Committee

The Committee has the following specific responsibilities:

3.1 Integrated reporting

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

» have regard to all factors and risks that may impact the integrity of the Integrated Report;

» ensure that appropriate financial reporting procedures exist and are working;

» review the Annual Financial Statements, interim reports, preliminary or provisional results announcements, summarised integrated information, any other intended release of price-sensitive information and trading statements;

» comment in the Annual Financial Statements on the financial statements, the accounting practices and the effectiveness of the internal financial controls of the Company;

» consider the frequency for issuing interim results and whether the external auditor should perform assurance procedures on the interim results;

» review the disclosure of sustainability issues in the Integrated Report to ensure that it is reliable and does not conflict with the financial information;

» confirm responsibilities to review information obtained from the auditors in terms of paragraph 22.15(h) of the JSE Listings Requirements;

» oversight of information technology (IT) governance;

» recommend to the Board the engagement of an external assurance provider on material sustainability issues; and

» recommend the Integrated Report for approval by the Board.

Audit and risk committee report continued

for the year ended 30 JUNE 2021

3. Roles and responsibilities of the Committee continued

3.2 Combined assurance

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

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

3.3 Evaluation of the Expertise and experience of the Chief Financial Officer and finance function

The Committee is satisfied with the expertise and experience of the Group's Chief Financial Officer. The Committee further reviewed and satisfied itself of the appropriateness of the expertise, resources and experience of the Group's finance function.

3.4 External audit

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

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

PwC was appointed as external auditor of the Company and the Group. The Committee has satisfied itself that the external auditor is independent of the Group, as set out in the Companies Act, which includes a consideration of conflicts of interests as prescribed by the Public Audit Act no 25 of 2004 (PAA). There is a formal policy in respect of provision of non-audit services by the external auditors. The Committee approves the nature and extend of any non-audit services that the external auditor would provide. During the year under review, the Committee met with the external auditors without management being present. The Chairperson also met with the auditors separately.

3.5 Internal audit (IA)

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

- annually reviews and approves the internal audit plan and Charter;
- ensures that the IA function remains independent and has the necessary resources, standing and authority to discharge its duties;
- The results of the work carried out by IA as per the audit plan including action plans for management were reviewed by the Committee.

3.6 Risk and Compliance management

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

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

Audit and risk committee report continued

for the year ended 30 JUNE 2021

3. Roles and responsibilities of the Committee continued

3.7 Financial reporting and financial control

The Committee has:

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

3.8 Effectiveness of internal controls

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

3.9 Group Annual Financial Statements

The Committee is satisfied that the Group Annual Financial Statements are based on appropriate accounting policies supported by reasonable and prudent judgements and estimates. The Committee is of the view that, in all material respects, the Annual Financial Statements comply with the relevant provisions of the Companies Act, JSE Listings Requirements and IFRS and fairly present the financial position and the results of the Group's operations and cash flows for the year ended 30 June 2021. Having achieved its objective for the financial year, the Committee recommended the Annual Financial Statements for the year ended 30 June 2021 for approval to the Board.

3.10 Independence of external auditor

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

The Committee confirmed its satisfaction with the independence and level of service rendered by the external auditor, PwC, for the 2021 financial year

3.11 Key audit matters

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

4. Responsibility statement

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

José Bruno Fernandes
Chairperson of the Audit and Risk Committee

13 September 2021

DIRECTORS' REPORT

for the year ended 30 JUNE 2021

The AfroCentric Board has pleasure in presenting its report on the activities of AfroCentric for the year ended 30 June 2021, and can confirm that we continue to create value through our diversified portfolio of services and offerings to all of our stakeholders.

NATURE OF BUSINESS

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

The consolidated annual financial statements as at 30 June 2021 and for the year then ended, comprise the Group's and its subsidiaries (referred to as "the Group"), and the Group's investments in associates.

AFROCENTRIC SHARED VALUE

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

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

DEVELOPMENTS

We are excited to announce that, to further strengthen our capabilities and diversify our service offering, during the financial year under review, we acquired the following investments:

» DENIS Group of Companies effective 1 October 2020. DENIS provides and manages sustainable dental benefits for medical scheme members.

» The Group has further increased its shareholding in Scriptpharm Risk Management Proprietary Limited (Scriptpharm) from 80% to a 100% shareholding, effective 1 August 2020. Scriptpharm is a national pharmacy network comprising over 2 000 pharmacies operating throughout South Africa, with provider status of either a preferred provider to medical schemes or a designated service provider.

» Exeltis SA Proprietary Limited, known as Forrester Pharma, effective 1 August 2021. Forrester Pharma is a registered pharmaceutical company focused on providing innovative healthcare, focusing on product launches and swift generic entries.

» The Group invested 20% in the Medgap cell captive from Guardrisk effective 1 April 2021.

» AfroCentric Health (RF) Proprietary Limited, has entered into negotiations with Sanlam Health Solutions Proprietary Limited for the acquisition of a Gap Cover business that is supplementary to its current medical scheme offerings, effective 1 September 2021.

FINANCIAL REVIEW

» Group consolidated revenue increased by 25.8% to R8 074.4 million (2020: R6 418.9 million).

» Group headline earnings increased by 7.2% to R329.1 million compared to R306.8 million in the prior year.

» During the 2019 financial year a non-IFRS earnings measure model was adopted given the material non-cash, non-trading and non-recurring deductions which have a significant adverse impact on the earnings. The Group's normalised headline earnings are R353.8 million compared to R321.8 million in the prior year, representing an increase of 9.9%. Normalised headline earnings are a non-IFRS earnings measure model that has historically been adopted, given the material non-cash, non-trading and non-recurring deductions which have a significant adverse impact on the earnings.

» Profit before tax increased by 12.3% for the year under review amounting to R699.5 million (2020: R622.7 million).

» Profit after tax from continuing operations increased by 5.8% compared to prior financial year.

GOING CONCERN

The Group Annual Financial Statements have been prepared on the going concern basis. The Board having performed a review of the Group's ability to continue as a going concern in the foreseeable future and therefore, based on this review, considers the preparation of the Annual Financial Statements on this basis to be appropriate. Refer to Note 36 for COVID-19 impact on going concern.

DIVIDENDS

The Company declared an interim dividend of 17 cents per ordinary share for the six months ended 31 December 2020. The Company further declared a final dividend of 17 cents per ordinary share for the year ended 30 June 2021. This was declared on 13 September 2021. These dividends are subject to Dividends Tax in terms of the Income Tax Act (Act 58 of 1962 amended) for which shareholders are liable. The solvency and liquidity requirements were satisfied at passing of the resolution in accordance with Section 46 of the Companies Act.

Directors' report continued

for the year ended 30 JUNE 2021

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

- The dividends have been declared out of profits available for distribution;
- The local Dividends Withholding Tax rate is 20%;
- The gross dividend amount for both declarations in 2021 is 34 cents per ordinary share (17 cents in interim and 17 cents in final);
- The Company has 574 964 584 ordinary shares in issue on declaration date; and
- The Company's income tax reference number is 9600/148/71/3.

SHARE CAPITAL

The Company's share capital issued was 574 964 584 ordinary shares in the year under review. As per the Companies Act, Section 38, the Board may resolve to issue shares of the Company at any time, but only within the classes, and to the extent, that the shares have been authorised by or in terms of the Company's Memorandum of Incorporation.

SHARE REPURCHASES

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

AUDIT AND RISK COMMITTEE

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

DIRECTORS

The table below illustrates the directors of AfroCentric for the year ended 30 June 2021

Director's name	Date of appointment	Designation
ATM Mokgokong (Chairman)	10 June 2010	Non-executive
MJ Madungandaba	10 June 2010	Non-executive
A Banderker	15 December 2015	Executive – salaried
JW Boonzaaier	1 August 2015	Executive – salaried
SE Mmakau	30 November 2016	Executive – salaried
WH Britz	1 August 2015	Executive – salaried
JB Fernandes	23 November 2018	Lead Independent Non-executive
AM le Roux	25 May 2020	Independent Non-executive
M Chauke	1 June 2020	Independent Non-executive
SA Zinn	23 November 2018	Independent Non-executive
ND Munisi	7 December 2015	Non-executive
FG Allen	12 September 2019	Non-executive
JJ Strydom	3 August 2020*	Non-executive

* *Mr JJ Strydom was appointed to the board during the year under review*

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

Directors' ordinary shareholdings as at 30 June 2021

Director	Direct beneficial	Indirect beneficial	Held by associate	Total	%
ATM Mokgokong (Chairman)	–	42 470 699*	–	42 470 699	7.39
MJ Madungandaba	–	98 514 964*	–	98 514 964	17.13
A Banderker	511 326	–	–	511 326	0.09
JW Boonzaaier	96 667	–	–	96 667	0.02
WH Britz	–	115 164 537	–	115 164 537	20.03
ND Munisi	7 000	70 000 000	–	70 007 000	12.18
FG Allen	46 880	–	–	46 880	0.01
AM le Roux	39 462	–	–	39 462	0.01
	701 335	326 150 200	–	326 854 535	56.85

* *During the current year, a detailed allocation of the Community Healthcare Holdings shares reflecting a percentage per representative director was done. This does not reflect a transaction for the sale of shares but rather a correction on full representation.*

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

Directors' report continued

for the year ended 30 JUNE 2021

DIRECTORS CONTINUED

Directors' ordinary shareholdings as at 30 June 2020

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

DIRECTORS' REMUNERATION

Remuneration of Non-executive Directors and Board Committee members

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

Director	Fees* R'000
ATM Mokgokong (Chairman)	1 608
MJ Madungandaba	1 553
ND Munisi	408
SA Zinn	588
JJ Strydom	193
JB Fernandes	595
FG Allen	356
AM le Roux	457
M Chauke	387

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

Remuneration of Executive and Non-executive Directors

Details of the remuneration are set out in Note 23 of the Group Financial Statements.

Remuneration of the five highest paid subsidiary executives as at 30 June 2021 who are not directors of AfroCentric

Employee	Annual cost to Company and incentives R'000
J van Rooyen	5 946
AA Mahmood	5 328
N Nyathi	4 733
G Erasmus	4 507
AC Edwards	4 136

Directors' report continued

for the year ended 30 JUNE 2021

MATERIAL RESOLUTIONS

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

- General approval to repurchase shares;
- Inter-company loans and other financial assistance;
- Fees payable to Non-executive Directors;
- Group Annual Financial Statements for the financial year ended 30 June 2021;
- Audit report for the year ended 2021;
- Re-appointment of independent registered auditor;
- Election and re-election of directors;
- Appointment of members to the Audit and Risk Committee;
- Approval to issue ordinary shares and to sell treasury shares, for cash;
- Endorsement of the remuneration policy; and
- Authority of directors.

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

LITIGATION STATEMENT

In terms of the JSE Listings Requirements, the directors note that they are not aware of any legal or arbitration proceedings that are pending or threatened, apart from the matters per Note 31 of the Financial Statements, 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.

BORROWING POWERS

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

INSURANCE

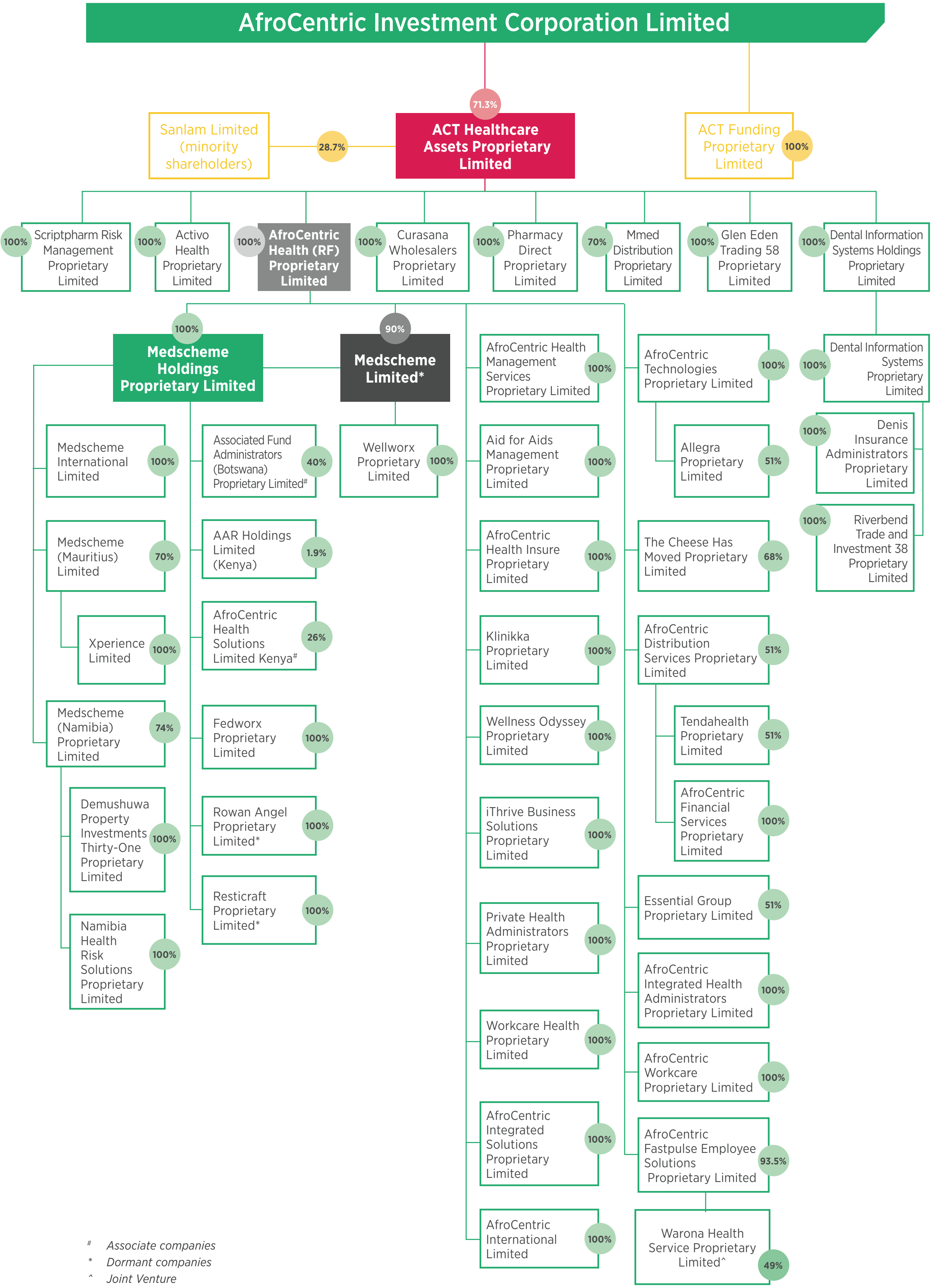
The Group protects itself and the directors against crime and civil liability, and has professional indemnity in place by maintaining a comprehensive insurance policy.

COMPLIANCE

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

EXTERNAL AUDITOR

PwC serves as auditor of the Company.



\# *Associate companies*
* *Dormant companies*
^ *Joint Venture*

SHAREHOLDERS' ANALYSIS

for the year ended 30 JUNE 2021

ORDINARY SHAREHOLDERS

Shareholder spread	Number of shareholders	% of total shareholders	Number of shares	% of shares in issue
1 – 1 000 shares	3 747	54.72	568 796	0.10
1 001 – 10 000 Shares	1 925	28.11	9 080 880	1.58
10 001 – 100 000 shares	1 011	14.76	27 988 717	4.87
100 001 – 1 000 000 shares	133	1.94	41 335 526	7.19
Over 1 000 000 shares	32	0.47	495 990 665	86.26
Total	6 848	100.00	574 964 584	100.00

Distribution of shareholders	Number of shareholders	% of total shareholders	Number of shares	% of shares In issue
Banks/Brokers	24	0.35	22 015 617	3.83
Close Corporations	19	0.28	928 119	0.16
Empowerment	1	0.01	10 522 200	1.83
Endowment Funds	17	0.25	2 484 716	0.43
Individuals	6 424	93.81	106 144 341	18.46
Insurance Companies	11	0.16	296 326	0.05
Investment Company	1	0.01	322 774	0.06
Mutual Funds	17	0.25	12 015 878	2.09
Other Corporations	17	0.25	70 981	0.01
Private Companies	83	1.21	99 376 067	17.28
Public Companies	3	0.04	221 002	0.04
Retirement Funds	63	0.92	22 126 565	3.85
Strategic Investor	8	0.12	286 516 735	49.83
Treasury Shares	2	0.03	927 548	0.16
Trusts	158	2.31	10 995 715	1.91
Total	6 848	100.00	574 964 584	100.00

Public/non-public shareholder spread	Number of shareholders	% of total shareholders	Number of shares In Issue	% of shares In Issue
2021				
Non-public shareholders	**19**	**0.28**	**327 529 083**	**56.97**
Directors and associates of the Company	12	0.18	186 888 438	32.50
Treasury shares	2	0.03	927 548	0.16
Strategic holder (more than 10%)	5	0.07	139 713 097	24.30
Public shareholders	**6 829**	**99.72**	**247 435 501**	**43.03**
Total	6 848	100.00	574 964 584	100.00

Shareholders' analysis continued

for the year ended 30 JUNE 2021

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

Major shareholders holding more than 5% of the issued share capital	Number of shares	% of total shares
2021		
Community Healthcare Holdings Proprietary Limited	139 713 097	24.30
WAD Holdings Proprietary Limited	85 219 923	14.82
Golden Pond Trading 175 Proprietary Limited	70 000 000	12.17
ARC Financial Services Investments Proprietary Limited	48 765 030	8.48
Total	343 698 050	59.77

Major shareholders holding more than 5% of the issued share capital	Number of shares	% of total shares
2020		
Community Healthcare Holdings Proprietary Limited	140 426 628	24.45
WAD Holdings Proprietary Limited	100 219 923	17.45
Golden Pond Trading 175 Proprietary Limited	69 564 752	12.11
ARC Health Proprietary Limited	48 765 030	8.49
Total	358 976 333	62.50

Top 10 institutional shareholders	Number of shares	% of total shares
2021		
Visio Capital Management	39 843 470	6.93
Prescient Investment Management	4 000 000	0.70
Sovereign Asset Management	3 198 111	0.56
Umthombo Wealth	2 261 493	0.39
Metal & Engineering Industries	2 138 377	0.37
Mazi Asset Management	1 133 000	0.20
Boutique Investment Partners	1 054 929	0.18
Pershing Securities	1 000 000	0.17
CACEIS Bank Deutschland GmbH	630 543	0.11
RISE Asset Management	569 907	0.10
Total	55 829 830	9.71

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Afrocentric Investment Corporation Limited

for the year ended 30 JUNE 2021

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of AfroCentric Investment Corporation Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2021, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

AfroCentric Investment Corporation Limited's consolidated and separate financial statements set out on pages 19 to 87 comprise:

» the consolidated and separate statements of financial position as at 30 June 2021;

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

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

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

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

Basis for opinion

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

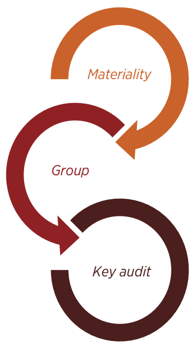
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our audit approach

Overview



Overall group materiality

» Overall group materiality: R34 million, which represents 5% of consolidated profit before tax.

Group audit scope

» Our Group audit scoping included full scope audits for twelve reporting components based on their financial significance, audit risks and statutory audit requirements.

Key audit matters

» Impairment assessment of goodwill; and

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

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

Materiality

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

Independent auditor's report continued

for the year ended 30 JUNE 2021

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

Overall group materiality	*R34 million*
How we determined it	*5% of consolidated profit before tax.*
Rationale for the materiality benchmark applied	*We chose consolidated profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark.* *We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.*

How we tailored our group audit scope

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

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

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

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

Key audit matters

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

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

Independent auditor's report continued

for the year ended 30 JUNE 2021

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill The Group's goodwill amounting to R1.407 million as at 30 June 2021 arose from a number of business acquisitions by the Group over the years and represents the excess of the cost of acquisitions over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries. (Refer to note 1(f)(i) Summary of accounting policies, Goodwill), note 2(a) (Critical accounting estimates and assumptions, Impairment of goodwill) and Note 8 (Intangible assets) to the consolidated financial statements) As described in note 8 to the consolidated financial statements, management determined the recoverable amount of cash-generating units ("CGUs") based on value in use. The value in use of the CGUs was calculated by management through discounting their best estimate of future cash flows attributable to the CGUs. The key assumptions and significant judgements used by management in the calculation of the value in use were as follows: » The estimated revenues to be earned from the CGUs; » The discount rate that takes into account the yield on government bonds, Beta, risk adjustment factors and a market risk premium; » Forecast period; and » An average growth rate, based on past performance and management's expectations of future earnings. We considered the goodwill impairment assessment to be a matter of most significance to the current year audit due to the following: » Management's calculation of the value in use of the CGUs involved significant judgments as described above; and » The magnitude of the goodwill balance in relation to consolidated total assets.	Our audit procedures focused on evaluating and challenging the key assumptions used by management in conducting the impairment assessment of goodwill. The procedures performed were as follows: » We assessed the valuation model applied by management to determine the value in use per CGU against the requirements of International Accounting Standard (IAS) 36, Impairment of Assets (IAS 36); » We held discussions with management and obtained an understanding of management's budgeting process, including the process of approval by the directors in determining the future cash flows; » We agreed the inputs used in the projected cash flows, to the latest budgets approved by the directors; » We compared the projected cash flows, including the assumptions relating to revenue growth rates, against historical actual growth rates and actual performance to assess the reasonability of management's budgeting process and projections. We utilised our valuation experts to assess the reasonability of key inputs used by management in the value in use calculations as follows: » For the inputs used in the determination of the discount rates: › we agreed the risk-free rate to the yields on government bonds; and › we compared the market risk premium and beta used by management to those of similar listed entities. Based on the results of our comparison, we accepted the inputs used by management into their determination of the discount rates; » We assessed the appropriateness of the discount rates used by management in the cash flow forecast, by comparing the discount rates against our own internally developed range of acceptable discount rates, which took into account current market conditions. Where management's discount rates fell outside of our independently determined range of rates, we recalculated the value in use of those CGUs using a discount rate that was within our independently determined range of discount rates. We noted that the value in use for each CGU was still higher than the CGUs' respective carrying amounts; » We compared the average growth rate applied in the terminal period to the long term consumer price inflation forecast for South Africa. We did not note any aspect requiring further consideration; » Through discussions with management, we obtained an understanding of how risk adjustment factors are determined and compared these to industry valuation data. We did not note any aspects requiring further consideration; » We assessed the reasonability of the forecast period, taking into account renewable revenue contracts and management's estimation of the timeframe during which newly acquired CGUs will gradually improve cash flow generation. We did not note any aspect requiring further consideration. We compared the projected growth rates to the Group's historic growth rates, based on signed agreements with clients for administration fees, managed healthcare fees, corporate wellness fees and capitation fees, in order to assess the reasonability of the projected growth rates. We noted no aspects requiring further consideration. We calculated a range of value in use for the different CGUs, using an independent range of assumptions arrived at through the procedures performed above, and applied reduced growth rates to the forecasted cash flows. We compared these to the respective CGU's carrying amounts and noted that the value in use for each CGU was higher than the CGU's respective carrying amount.

Independent auditor's report continued

for the year ended 30 JUNE 2021

Key audit matter	How our audit addressed the key audit matter
Capitalisation of development costs relating to internally generated software and impairment assessment of internally generated software The Group's intangible assets balance of R2.782 million as at 30 June 2021 includes current year capitalised internally generated software ("software") amounting to R182 million. (Refer to note 1(f)(iv) Summary of accounting policies, Internally generated computer software development costs), note 2(h) (Critical accounting estimates and assumptions, impairment of internally generated software) and note 8 (Intangible assets) to the consolidated financial statements) During the current year, the Group capitalised development costs of R182 million relating to software, on the basis that management considers these costs to be clearly associated with identifiable products which will be controlled by the Group and have a profitable benefit exceeding the cost beyond one year. In capitalising these development costs, management considered that the criteria in IAS 38, Intangible Assets (IAS 38) is met and development expenditure that does not meet the above criteria are recognised as an expense in consolidated profit or loss as these are incurred. The Group's policy is to perform an annual impairment assessment using a discounted cash flow forecast on all software, regardless of whether an indication of impairment exists. Key assumptions applied by management in the cash flow forecast included the following: » the estimated revenues to be earned from the use of the assets and the period over which those revenues are projected; » the discount rate; and » risk adjustment factors used in deriving an appropriate discount rate applied to future estimated cash flows. We considered the capitalisation of development costs relating to software and the impairment assessment of the software to be a matter of most significance to the current year audit due to the following: » Significant judgment that was applied by management in assessing whether direct development costs such as employee expenses and contractor costs of the system development team met the recognition criteria in IAS 38 for capitalisation as an asset; » Recoverability of these assets is based on forecasting and discounting future cash flows which involves a high degree of judgment to be applied by management; and » The magnitude of capitalised development costs during the current year.	We performed the following audit procedures over the capitalisation of development costs relating to software: » Through discussion with management, we obtained an understanding of the methodology applied by management in the capitalisation of development costs relating to software; » On a sample basis, we assessed the development costs capitalised during the year, as well as the Group's accounting policy for capitalisation of development costs relating to software, against the requirements of IAS 38. We noted no exceptions; » By considering the nature of each activity performed by a software developer against the requirements for recognition as 'development' in terms of IAS 38, we assessed the appropriateness of management's rationale for the activities considered to be 'development'. We did not note any aspect requiring further consideration; » On a sample basis, we performed an independent verification of the professional qualifications of employees whose time had been capitalised during the year as development costs in terms of IAS 38, to assess whether those employees had the appropriate professional skills and competencies to develop software. We did not note any aspect requiring further consideration; » Through enquiry of management, we obtained an understanding of management's governance processes relating to the recording of time-based expenditure for capitalised development costs; » For a sample of employees, we tested the accuracy of the value of employee costs used in the capitalisation rate per hour with reference to their respective signed employment contracts and increase letters. We did not note any aspect requiring further consideration; and » For a sample of employee costs capitalised, we recalculated the costs capitalised to the software by multiplying the capitalisation rate per hour by the time recorded as development hours. For a sample of consultant fees capitalised, we compared the amounts to the relevant invoices. No material differences were noted. We performed the following audit procedures over management's impairment assessment: » We held discussions with management and obtained an understanding of management's budgeting process, including the process of approval by the directors in determining the future cash flows; » We compared the projected cash flows, including the assumptions relating to revenue growth rates, against historical actual growth rates and actual performance, to assess the reasonability of management's budgeting process and projections. We noted no matters requiring further consideration; » We agreed the inputs used in the projected cash flows of revenues to be earned from the use of the software, to the latest budgets approved by the directors; » We assessed the reasonability of the cashflow forecast, taking into account renewable revenue contracts and management's estimation of the timeframe for the renewal of such contracts. We did not note any aspect requiring further consideration; » We utilised our valuation expertise to assess the reasonability of inputs used in the determination of the discount rates as described in the key audit matter above. Based on the assessment performed, we accepted the inputs used by management in determining the discount rates; » We assessed the potential impact of market conditions on the earnings to be derived from the use of the software, by analysing the monthly actual cash flows derived from the use of the software during the current year. Based on our assessment, we accepted management's conclusion that no adjustments to projected cash flows were necessary; and » We calculated a range of value in use for the software determined from the discounted cash flows, using an independent range of assumptions arrived at through the procedures performed above, and applied reduced growth rates to the forecasted cash flows. We compared these to the carrying amount of the software and noted that the value in use was higher than the carrying amount of the software.

Independent auditor's report continued

for the year ended 30 JUNE 2021

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "AfroCentric Group Annual Financial Statements 2021", which includes the Directors' Report, the Audit & Risk Committee Report and the Declaration by Group by Company Secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the document titled "AfroCentric Group Integrated Report 2021", which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the consolidated and separate financial statements

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

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

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

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

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

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

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

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

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

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

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

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

Independent auditor's report continued

for the year ended 30 JUNE 2021

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

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

Report on other legal and regulatory requirements

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: J Basson
Registered Auditor

Johannesburg, South Africa
14 September 2021

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

as at 30 JUNE 2021

		Group		Company	
	Notes	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Assets					
Non-current assets					
Property and equipment	6	690 569	471 957	–	–
Right of use asset	6.1	176 924	234 980	–	–
Investment property	7	7 765	15 418	–	–
Intangible assets	8	2 782 866	2 695 187	–	–
Investments in associates and joint ventures	10	31 541	33 307	–	–
Investments in subsidiaries	11	–	–	428 144	428 144
Deferred tax assets	12	89 463	84 607	–	12 732
Other investments	14	29 661	3 711	–	–
Total non-current assets		3 808 789	3 539 167	428 144	440 876
Current assets					
Inventory	13	421 563	297 851	–	–
Trade receivables	9.2	503 270	504 335	91	209
Current tax assets		32 560	28 133	1 075	2 677
Other financial assets	14	149 244	–	–	–
Cash and cash equivalents	9.3	198 940	177 680	3 266	1 934
Total current assets		1 305 577	1 007 999	4 432	4 820
Total assets		5 114 366	4 547 166	432 576	445 696
Equity and liabilities					
Equity					
Issued share capital	16.1	18 892	18 885	18 892	18 885
Share premium	16.2	1 084 696	1 080 301	1 084 696	1 080 301
Retained income/(accumulated loss)		1 149 171	1 058 083	(720 438)	(691 351)
Other reserves	17	18 339	3 461	26 802	20 417
Capital contribution by non-controlling interest		55 874	55 874	–	–
Total equity attributable to owners of the parent		2 326 972	2 216 604	409 952	428 252
Non-controlling interests	18	928 752	902 491	–	–
Total equity		3 255 724	3 119 095	409 952	428 252
Liabilities					
Non-current liabilities					
Deferred tax liabilities	12	250 040	246 809	–	–
Other liabilities		10 487	10 945	–	–
Lease liability	9.6	156 353	181 427	–	–
Borrowings	9.5	655 785	266 311	–	–
Loan from group company	9.7	–	–	14 327	–
Total non-current liabilities		1 072 665	705 492	14 327	–
Current liabilities					
Employment benefit liability	20	130 616	102 776	–	–
Trade and other payables	9.4	447 789	369 862	8 297	7 677
Current tax liabilities		23 808	33 086	–	–
Lease liability	9.6	63 764	96 855	–	–
Borrowings	9.5	120 000	120 000	–	–
Loan from group company	9.7	–	–	–	9 767
Total current liabilities		785 977	722 579	8 297	17 444
Total liabilities		1 858 642	1 428 071	22 624	17 444
Total equity and liabilities		5 114 366	4 547 166	432 576	445 696

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

for the year ended 30 JUNE 2021

	Notes	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Revenue from contracts with customers	21	8 074 418	6 418 912	–	–
Dividends received	23	1 000	–	199 795	56 012
Fair value (losses)/gains	23	(6 307)	183	(17)	183
Finance income	24	19 595	26 503	99	6 555
Other income		3 061	–	1 747	–
Total income		8 091 767	6 445 598	201 624	62 750
Cost of distribution of pharmaceutical products	22	(95 991)	(72 561)	–	–
Cost of pharmaceutical products and finished goods	22	(1 809 606)	(1 417 207)	–	–
Employee benefit costs	23	(2 278 354)	(2 232 445)	(4 992)	(5 280)
Other expenses	23	(2 628 627)	(1 638 163)	(16 476)	(14 126)
Amortisation	8 & 15	(195 027)	(164 091)	–	–
Rent and property costs	23	(90 914)	(85 494)	–	–
Right of use asset depreciation	6.1 & 15	(66 564)	(71 026)	–	–
Depreciation	6 & 15	(78 202)	(62 179)	–	–
IT costs		(62 994)	(13 091)	–	–
Write-off of intangibles	8	(26 793)	–	–	–
Impairment of intangibles	23	(42 349)	(2 919)	–	–
Reversal of impairment of intangibles		39 167	–	–	–
Impairment of loans	23	(7 196)	(11)	–	–
Share of profits from associates and joint ventures	10	8 294	7 990	–	–
Interest on lease liability	19	(21 420)	(27 839)	–	–
Finance costs	24	(35 673)	(43 888)	(1 035)	(7)
Profit before tax	23	699 518	622 674	179 121	43 337
Income tax expense – continuing operations	25	(205 741)	(155 865)	(12 762)	(688)
Profit from continuing operations		493 777	466 809	166 359	42 649
Loss from discontinued operations	15	(14 008)	(8 122)	–	–
Loss on disposal of subsidiaries	15	(10 014)	–	–	–
Profit for the year		469 755	458 687	166 359	42 649
Profit for the year attributable to:					
Owners of parent		302 033	303 575	166 359	42 649
Non-controlling interest	18	167 722	155 112	–	–
		469 755	458 687	166 359	42 649
Profit for the year attributable to equity shareholders arises from:					
Continuing operations		316 041	311 697	166 359	42 649
Discontinued operations	15	(14 008)	(8 122)	–	–
		302 033	303 575	166 359	42 649

Consolidated and separate Statements of profit or loss and other comprehensive income continued

for the year ended 30 JUNE 2021

	Notes	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Profit for the year		469 755	458 687	166 359	42 649
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
Remeasurement of post-employment benefit obligations	23	179	16	–	–
Income tax relating to these items	25	(50)	(4)	–	–
Components of other comprehensive income that will be reclassified to profit or loss					
Exchange differences on translation of foreign operations					
Foreign exchange (loss)/benefit of continuing operations		(5 636)	963	–	–
Foreign exchange benefit/(loss) of discontinued operations		11 658	(1 343)		
Total other comprehensive income that will be reclassified to profit or loss		6 022	(380)	–	–
Total other comprehensive income net of tax		6 151	(368)	–	–
Total comprehensive income		475 906	458 319	166 359	42 649
Comprehensive income attributable to:					
Comprehensive income, attributable to owners of parent		310 655	303 207	166 359	42 649
Comprehensive income, attributable to non-controlling interests	18	165 251	155 112	–	–
		475 906	458 319	166 359	42 649
Earnings per share (cents) attributable to equity holders of the parent					
Basic earnings per share					
Basic earnings per share from continuing operations	26	55.00	54.28	–	–
Basic loss per share from discontinued operations	26	(2.44)	(1.41)	–	–
Total basic earnings per share		52.56	52.87	–	–
Diluted earnings per share					
Diluted earnings per share from continuing operations	26	53.45	53.18	–	–
Diluted loss per share from discontinued operations	26	(2.37)	(1.39)	–	–
Total diluted earnings per share		51.08	51.79	–	–

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 JUNE 2021

		Group						
	Notes	Ordinary share capital R'000	Share premium R'000	Other reserves R'000	Capital contribution by non-controlling interest** R'000	Retained earnings R'000	Non-controlling interests R'000	Total equity R'000
Balance at 1 July 2019		18 885	1 080 301	5 848	55 874	934 374	787 713	2 882 995
Changes in equity								
Profit for the year		–	–	–	–	303 575	155 112	458 687
Other comprehensive income		–	–	(380)	–	12	–	(368)
Dividend recognised as distributions to shareholders	29	–	–	–	–	(195 242)	(43 900)	(239 142)
Increase through share-based payment transactions	17	–	–	9 131	–	–	–	9 131
Reclassification		–	–	(11 138)	–	11 138	–	–
Increase through changes in ownership interests in subsidiaries that do not result in loss of control	18	–	–	–	–	2 045	3 566	5 611
Measurement period adjustments after acquisition date		–	–	–	–	2 181	–	2 181
Balance at 30 June 2020		18 885	1 080 301	3 461	55 874	1 058 083	902 491	3 119 095
Balance at 1 July 2020		18 885	1 080 301	3 461	55 874	1 058 083	902 491	3 119 095
Changes in equity								
Profit for the year		**–**	**–**	**–**	**–**	**302 033**	**167 722**	**469 755**
Other comprehensive income		**–**	**–**	**8 493***	**–**	**129**	**(2 471)**	**6 151**
Issue of equity	16 & 17	**7**	**4 395**	**(4 402)**	**–**	**–**	**–**	**–**
Dividend recognised as distributions to shareholders	29	**–**	**–**	**–**	**–**	**(194 788)**	**(132 923)**	**(327 711)**
Transactions with non-controlling interests	18	**–**	**–**	**–**	**–**	**(15 011)**	**(4 989)**	**(20 000)**
Increase (decrease) through share-based payment transactions	17	**–**	**–**	**10 787**	**–**	**–**	**–**	**10 787**
Disposal of subsidiary	15	**–**	**–**	**–**	**–**	**(1 275)**	**(1 078)**	**(2 353)**
Balance at 30 June 2021		**18 892**	**1 084 696**	**18 339**	**55 874**	**1 149 171**	**928 752**	**3 255 724**
	Notes	16.1	16.2					

* *The foreign currency translation reserve balance of Medscheme Zimbabwe was recycled through other comprehensive income on disposal of the subsidiary during the current financial year.*

** *The capital contribution by non-controlling interest relates to Sanlam's portion of the WAD contingent consideration payment on the acquisition of Glen Eden Trading 58 Proprietary Limited during the 2018 financial year, in order to retain their non-controlling level of ownership in ACT Healthcare Assets Proprietary Limited.*

Consolidated and separate Statements of changes in equity continued

for the year ended 30 JUNE 2021

	Notes	Company				
		Ordinary share capital R'000	Share premium R'000	Other reserves R'000	Retained earnings R'000	Total equity R'000
Balance at 1 July 2019		18 885	1 080 301	11 286	(538 758)	571 714
Changes in equity						
Profit for the year		–	–	–	42 649	42 649
Dividend recognised as distributions to shareholder	29	–	–	–	(195 242)	(195 242)
Increase through share based payment transactions	17	–	–	9 131	–	9 131
Balance at 30 June 2020		18 885	1 080 301	20 417	(691 351)	428 252
Balance at 1 July 2020		18 885	1 080 301	20 417	(691 351)	428 252
Changes in equity						
Profit for the year		–	–	–	166 359	166 359
Issue of equity – share-based payment awards exercised	16 & 17	7	4 395	(4 402)	–	–
Dividend recognised as distributions to shareholder	29	–	–	–	(195 446)	(195 446)
Increase through share-based payment transactions	17	–	–	10 787	–	10 787
Balance at 30 June 2021		18 892	1 084 696	26 802	(720 438)	409 952
	Notes	16	16			

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

for the year ended 30 JUNE 2021

	Notes	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Cash flows from operating activities					
Cash receipts from/(payments to) customers		**8 094 543**	6 460 790	**1 865**	(25)
Cash paid to suppliers and employees		**(7 081 531)**	(5 521 045)	**(10 077)**	(12 951)
Cash generated from/(utilised in) operations	27	**1 013 012**	939 745	**(8 212)**	(12 976)
Dividend paid	29	**(327 711)**	(239 142)	**(195 446)**	(195 242)
Dividends received		**4 292**	4 626	**199 795**	56 012
Interest paid		**(57 093)**	(71 775)	**(1 035)**	(7)
Interest received	24 & 15	**19 595**	26 888	**99**	6 555
Income taxes (paid)/refunded	28	**(266 831)**	(158 634)	**1 572**	534
Deferred tax impact of other comprehensive income			–	**(1)**	–
Net cash inflow/(outflow) from operating activities		**385 264**	501 708	**(3 228)**	(145 124)
Cash flows from investing activities					
Cash flows from disposal of subsidiaries	15	**(2 835)**	–	**–**	–
Business combinations*	4	**(85 209)**	(20 350)	**–**	–
Other cash receipts from sales of interests in associates		**8 083**	–	**–**	–
Proceeds from sales of tangible assets		**68 048**	17 115	**–**	–
Purchase of tangible assets	6	**(284 625)**	(136 969)	**–**	–
Proceeds from sales of intangible assets		**3 659**	–	**–**	–
Purchase of intangible assets	8	**(209 202)**	(284 210)	**–**	–
Purchase of other financial assets	14	**(156 133)**	–	**–**	–
Settlement of loans advanced to group company		**–**	–	**–**	126 792
Disinvestment of financial assets		**–**	–	**–**	183
Payment toward deferred payment obligation		**–**	(7 335)	**–**	–
Net cash (outflow)/inflow from investing activities		**(658 214)**	(431 749)	**–**	126 975
Cash flows from financing activities					
Changes in ownership interests in subsidiaries that do not result in loss of control	18	**(20 000)**	6 303	**–**	–
Lease liability capital repayment		**(70 885)**	(58 243)	**–**	–
Capital settlement of borrowings		**(81 524)**	(155 255)	**–**	–
Proceeds of borrowings		**470 998**	50 000	**–**	–
Proceeds of loans from group companies		**–**	–	**4 560**	9 767
Net cash inflow/(outflow) from financing activities		**298 589**	(157 195)	**4 560**	9 767
Net increase/(decrease) in cash and cash equivalents before effect of exchange rate changes		**25 639**	(87 236)	**1 332**	(8 382)
Effect of exchange rate changes on cash and cash equivalents		**(4 379)**	(380)	**–**	–
Cash and cash equivalents at beginning of the year		**177 680**	265 296	**1 934**	10 316
Cash and cash equivalents at end of the year	9.3	**198 940**	177 680	**3 266**	1 934

* *The prior year value relates to the portion of the pre acquisition dividend paid to the former shareholders of Activo Health Proprietary Limited on the date that the dividend was declared. The dividend was paid in December 2019, post the acquisition of Activo Health Proprietary Limited in March 2019.*

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 JUNE 2021

1. Summary of accounting policies

1(a) General information

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

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

These consolidated Annual Financial Statements have been approved for issue by the Board on 13 September 2021.

(i) Statement of compliance

The Company and the Group Annual Financial Statements were prepared in accordance with the requirements of the International Financial Reporting Standards (IFRS), interpretations issued in accordance to the IFRS Interpretations Committee (IFRS IC). These Annual Financial Statements have been issued in accordance with the requirements of the International Accounting Standards Board (IASB), the Companies Act, the JSE Limited Listings Requirements, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. The accounting policies applied in the Annual Financial Statements are the same as those applied in the Group's Audited Consolidated and Separate Annual Financial Statements for the year ended 30 June 2020.

(ii) Basis of presentation

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

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

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

Carried at fair value:

» Financial instruments measured at fair value through profit or loss; and
» Investment property held at fair value using independent market valuations.

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

Notes to the financial statements continued

for the year ended 30 JUNE 2021

1. Summary of accounting policies continued

1(a) General information continued

(iii) International Financial Reporting Standards and amendments effective for the first time for 30 June 2021 year-ends

IFRS	Effective date	Executive summary
IFRS 3 Business Combinations	Annual periods beginning on or after 1 January 2020	Definition of Business: The amendments: » confirm that a business must include inputs and a process, and clarify that: › the process must be substantive; and › the inputs and process must together significantly contribute to creating outputs. » narrow the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and » add a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. The standard is not expected to have a material impact on the Group.
IFRS 7 Financial Instruments: Disclosures	Annual periods beginning on or after 1 January 2020	Interest Rate Benchmark Reform: The amendments to IFRS 9, IAS 39 and IFRS 7 amend requirements for hedge accounting to support the provision of useful financial information during the period of uncertainty caused by the phasing out of interest-rate benchmarks such as inter bank offered rates (IBORs) on hedge accounting. » The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. » In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The Financial Stability Board has initiated a fundamental review and reform of the major interest rate benchmarks used globally by financial market participants. This review seeks to replace existing interbank offered rates (IBORs) with alternative risk-free rates (ARRs) to improve market efficiency and mitigate systemic risk across financial markets. The South African Reserve Bank (SARB) has indicated their intention to move away from JIBAR and to create an alternative reference rate for South Africa. This reform is at various stages globally, a suitable alternative for South Africa is only expected to be announced in a few years' time. Accordingly, there is uncertainty surrounding the timing and manner in which the transition would occur and how this would affect various financial instruments held by the Group.
IFRS 9 Financial Instruments	Annual periods beginning on or after 1 January 2020	Interest Rate Benchmark Reform: The amendments to IFRS 9, IAS 39 and IFRS 7 amend requirements for hedge accounting to support the provision of useful financial information during the period of uncertainty caused by the phasing out of interest- rate benchmarks such as inter bank offered rates (IBORs) on hedge accounting. » The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. » In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The standard is not expected to have a material impact on the Group.
IFRS 16 Leases	Annual periods beginning 1 June 2020 (The exemption was extended by one year with effect from 1 April 2021)	COVID-19-Related Rent Concessions: Amendment providing lessees with an exemption from assessing whether a COVID- 19-related rent concession (a rent concession that reduces lease payments due on or before 30 June 2022) is a lease modification. The standard is not expected to have a material impact on the Group.
IAS 1 Presentation of Financial Statements	Annual periods beginning on or after 1 January 2020	Definition of Material: The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. The standard is not expected to have a material impact on the Group.

Notes to the financial statements continued

for the year ended 30 JUNE 2021

1. Summary of accounting policies continued

1(a) General information continued

(iv) International Financial Reporting Standards, interpretations and amendments issued but not effective for 30 June 2021 year-ends

IFRS	Effective date	Executive summary
IFRS 1 First-time Adoption of International Financial Reporting Standards IFRS 3 Business Combinations	Annual periods beginning on or after 1 January 2022 Annual periods beginning on or after 1 January 2022	Annual Improvements to IFRS Standards 2018 – 2020: Extension of an optional exemption permitting a subsidiary that becomes a first-time adopter after its parent to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs. A similar election is available to an associate or joint venture. Reference to the Conceptual Framework: The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business. The standard is not expected to have a material impact on the Group.
IFRS 4 Insurance Contracts	Annual periods beginning on or after 1 January 2021	Interest Rate Benchmark Reform Phase 2: The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 amend requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities, hedge accounting and disclosures. » The amendment to IFRS 4 enables an insurer applying the temporary exemption from IFRS 9 to apply a practical expedient to account for a change in the contractual cash flows that are required by IBOR reform by updating the effective interest rate to reflect any change arising from the reform. The standard is not expected to have a material impact on the Group.
IFRS 7 Financial Instruments: Disclosures	Annual periods beginning on or after 1 January 2021	Interest Rate Benchmark Reform Phase 2: The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 amend requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities, hedge accounting and disclosures. » The amendment to IFRS 7 requires a company to make additional disclosures in its financial statements so that investors can better understand the effects of IBOR reform on that company. The standard is not expected to have a material impact on the Group.
IFRS 9 Financial Instruments	Annual periods beginning on or after 1 January 2021 Annual periods beginning on or after 1 January 2022	Interest Rate Benchmark Reform Phase 2: The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 amend requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities, hedge accounting and disclosures. » The amendments to IFRS 9 enable a company to apply a practical expedient to account for a change in the contractual cash flows that are required by IBOR reform by updating the effective interest rate to reflect any change arising from the reform. » The amendments to IFRS 9 enable (and require) companies to continue hedge accounting in circumstances when changes to hedged items and hedging instruments arise as a result of changes required by the IBOR reform, by requiring companies to amend their hedging relationships to reflect: › designating an alternative benchmark rate as the hedged risk; or › changing the description of the hedged item, including the designated portion, or of the hedging instrument. Annual Improvements to IFRS Standards 2018–2020: The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability. The standard is not expected to have a material impact on the Group.
IFRS 16 Leases	Annual periods beginning on or after 1 January 2021	Interest Rate Benchmark Reform Phase 2: The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 amend requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities, hedge accounting and disclosures. » The amendment to IFRS 16 enables a company to apply a practical expedient to account for a lease modification required by the IBOR reform. The standard is not expected to have a material impact on the Group.

Notes to the financial statements continued
for the year ended 30 JUNE 2021

1. Summary of accounting policies continued

1(a) General information continued

(iv) International Financial Reporting Standards, interpretations and amendments issued but not effective for 30 June 2021 year-ends continued

IFRS	Effective date	Executive summary
IFRS 17 Insurance Contracts	Annual periods beginning on or after 1 January 2023	IFRS 17 creates one accounting model for all insurance contracts in all jurisdictions that apply IFRS » IFRS 17 requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and take into account any uncertainty relating to insurance contracts » The financial statements of an entity will reflect the time value of money in estimated payments required to settle incurred claims » Insurance contracts are required to be measured based only on the obligations created by the contracts » An entity will be required to recognise profits as an insurance service is delivered, rather than on receipt of premiums » This standard replaces IFRS 4 Insurance Contracts The standard is not expected to have a material impact on the Group.
IAS 1 Presentation of Financial Statements	Annual periods beginning on or after 1 January 2023	Classification of Liabilities as Current or Non-current: Narrow scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current. Disclosure of Accounting Policies: The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the Standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material. The standard is not expected to have a material impact on the Group.
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	Annual periods beginning on or after 1 January 2023	Disclosure Initiative: The amendments clarify and align the Definition of Accounting Estimates: The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The requirements for recognising the effect of change in accounting prospectively remain unchanged. The standard is not expected to have a material impact on the Group.
IAS 12 Income Taxes	Annual periods beginning on or after 1 January 2023	Deferred Tax related to Assets and Liabilities arising from a Single Transaction: The amendment clarifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future. In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations, by clarifying when the exemption from recognising deferred tax would apply to the initial recognition of such items. The standard is not expected to have a material impact on the Group.
IAS 16 Property, Plant and Equipment	Annual periods beginning on or after 1 January 2022	Property, Plant and Equipment: Proceeds before Intended Use: The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. The standard is not expected to have a material impact on the Group.
IAS 37 Provisions, Contingent Liabilities and Contingent Assets	Annual periods beginning on or after 1 January 2022	Onerous Contracts—Cost of Fulfilling a Contract: The amendments specify which costs should be included in an entity’s assessment whether a contract will be loss-making. The standard is not expected to have a material impact on the Group.

Notes to the financial statements continued

for the year ended 30 JUNE 2021

1. Summary of accounting policies continued

1(b) Basis of consolidation

(i) Subsidiaries

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

(ii) Business combinations

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

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

(iv) Associates

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

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

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

Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount separately in the statements of profit or loss and other comprehensive income.

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

Notes to the financial statements continued

for the year ended 30 JUNE 2021

1. Summary of accounting policies continued

1(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the Annual Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated Annual Financial Statements are presented in South African Rand, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within "finance income or costs". Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

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

(iii) Group companies

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

(a) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;

(b) Income and expenses for each statements of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the exchange rates prevailing at the dates of the transactions, in which case income and expense items are translated at the exchange rates at the dates of the transactions); and

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

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

1(d) Property and equipment

Property, office equipment, motor vehicles, furniture and fittings, computer equipment and building infrastructure are initially recorded at cost. Subsequently these are measured at cost less accumulated depreciation and impairment.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

The estimated maximum useful lives are:

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

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

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

Derecognition

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

Notes to the financial statements continued

for the year ended 30 JUNE 2021

1. Summary of accounting policies continued

1(e) Investment property

(i) Initial recognition

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

(ii) Subsequent measurement

An investment property is subsequently measured at fair value per IAS 40 and gains or losses from the fair value adjustments are recognised in profit or loss. The valuation is prepared annually by an independent valuer. Refer to Note 7.3 for the valuation process.

(iii) Derecognition

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

1(f) Intangible assets and goodwill

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

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

The estimated maximum useful lives are:

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

(i) Goodwill

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

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs), or groups of CGUs, that 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.

(ii) Contractual customer relationships

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

(iii) Trademarks, brands and intellectual property

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

(iv) Internally generated computer software development costs

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

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

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

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

Notes to the financial statements continued

for the year ended 30 JUNE 2021

1. Summary of accounting policies continued

1(f) Intangible assets and goodwill continued

(v) Computer software acquired

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

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

(vi) Pharmaceutical dossiers

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

1(g) Impairment of assets

(i) Impairment of non-financial assets

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

1(h) Leases

(i) The Group is the lessee

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

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- amounts expected to be payable by the lessee under residual value guarantees;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option; and
- the lease payments are discounted using the Group's incremental borrowing rate or the rate implicit in the lease.

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

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

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

(ii) Extension and termination options

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

1(i) Financial instruments

(i) Classification

Classification of a financial instrument, or its component parts takes place on initial recognition. Each instrument is classified as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument.

Financial assets classification

The Group classifies financial assets into the following categories:

- Financial assets subsequently measured at fair value through profit or loss;
- Financial assets subsequently measured at fair value through other comprehensive income (OCI); and
- Financial assets subsequently measured at amortised cost.

Notes to the financial statements continued

for the year ended 30 JUNE 2021

1. Summary of accounting policies continued

1(i) Financial instruments continued

(i) Classification continued

Financial assets classification continued

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses are either recorded in profit or loss or in OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Financial liabilities classification

The Group classifies financial liabilities into the following categories:

» Financial liabilities subsequently measured at amortised cost

» Financial liabilities subsequently measured at fair value through profit or loss

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

(ii) Initial recognition and measurement

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

(a) Business model assessment

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

» the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

» how the performance of the portfolio is evaluated and reported to the Group's management;

» the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

» how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

» the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

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

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

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

» contingent events that would change the amount or timing of cash flows;

» terms that may adjust the contractual coupon rate, including variable rate features;

» prepayment and extension features; and

» terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

Notes to the financial statements continued

for the year ended 30 JUNE 2021

1. Summary of accounting policies continued

1(i) Financial instruments continued

(ii) Initial recognition and measurement continued

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

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

(iii) Classification and subsequent measurement

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

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

(a) Financial assets at amortised cost

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

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

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

(b) Financial assets at fair value through other comprehensive income

The Group classifies its financial assets as at fair value through other comprehensive income (FVOCI) only if both of the following criteria are met:

» the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

» the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(c) Financial assets and liabilities designated at fair value through profit or loss

The Group classifies the following financial assets at fair value through profit or loss (FVPL):

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

» Equity investments that are held for trading; and

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

(d) Financial liabilities

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

(e) Impairment of financial assets

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

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

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

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

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

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

Notes to the financial statements continued

for the year ended 30 JUNE 2021

1. Summary of accounting policies continued

1(i) Financial instruments continued

(iii) Classification and subsequent measurement continued

(e) Impairment of financial assets continued

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

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

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 30 June 2021 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the gross domestic product and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

(f) Derecognition

Financial asset

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

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

Financial liabilities

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

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

Impairment of financial assets

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

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 9.1 for further details.

1(j) Contingent liabilities

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

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

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

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

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

Contingent liabilities not acquired in business combinations are not recognised but disclosed in Note 31.

1(k) Provisions

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

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

Notes to the financial statements continued

for the year ended 30 JUNE 2021

1(l) Employee costs

(i) Pension and provident fund obligations

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

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

(ii) Post-employment medical obligations

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

Interest costs are charged to the statement of comprehensive income as finance costs.

(iii) Annual leave

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

(iv) Termination benefits

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

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

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

(v) Short-term benefits

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

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

1(m) Investments in subsidiaries

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

1(n) Income and expense recognition

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

The Group recognises revenue once performance obligations have been met.

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

(i) Revenue from contracts with customers

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

The revenue recognised is typically due within 30 days of rendering the service. There is therefore no significant financing component.

Notes to the financial statements continued

for the year ended 30 JUNE 2021

1. Summary of accounting policies continued

1(n) Income and expense recognition continued

(i) Revenue from contracts with customers continued

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

Type of products/ service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Admin health and healthcare insurance	Administration of the fund/scheme and insurance underwriting contracts, which could include processing claims, collecting payments, maintaining records, member administration	The customer benefits as AfroCentric provides the service, thus revenue should be recognised as the services are rendered over the contract duration. The fee charged is per member per month – even though some of the contracts have sliding scales applicable depending on member numbers, this does not impact the revenue to be recognised in a given month as that months' services would result in revenue for that month based on the number of members during that month multiplied by the applicable rate. The contracts provide for annual escalation – such amendments are accounted for in the period in which they arise. As the penalties give rise to variable consideration management should estimate the effect of penalties in determining the appropriate amount of revenue to recognise per month. Variable consideration: There are sliding scales applicable depending on member numbers – the revenue recognised for each month is dependent on the member numbers in each month multiplied by the rate per member for that category of member numbers included in the sliding scale.
Retail/ pharmaceutical	Services provided vary across the agreements, but include the following: maintenance of stock of medicines required to fulfil scripts, contacting members to inform them of script expiry, delivery and dispensing of medicines per scripts Goods sold comprise various branded and generic pharmaceutical goods. Standard trade agreements are in place setting out the timing of payments to which the Company is entitled to.	Services provided: The customer benefits as AfroCentric provides the service, thus revenue should be recognised as the services are rendered, which is as the dispensed medicines are delivered to the member, thus revenue in respect of the sale of the medicines and the services are recognised at the same time. Medicine prices charged are regulated. Fee per medicine per script is indicated in the contract. As the penalties give rise to variable consideration management should estimate the effect of penalties in determining the appropriate amount of revenue to recognise per month. Goods sold: Revenue from sale of goods is recognised when the Company transfers control of the goods. Control of goods transfers upon shipment of the goods to the customer or when the goods is available for use to the customer, provided transfer of title to the customer occurs and the Company has not retained any significant risks of ownership or future obligations with respect to the product shipped. Revenue should therefore be recognised at a point in time.

Notes to the financial statements continued

for the year ended 30 JUNE 2021

1. Summary of accounting policies continued

1(n) Income and expense recognition continued

(i) Revenue from contracts with customers continued

Type of products/ service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Managed healthcare	Management services vary per customer contract, and per scheme option. Services within a specific option are indivisible.	The customer benefits as AfroCentric provides the service, thus revenue should be recognised over time. Additional once-off services which are performed would result in revenue recognition as that service is provided. The fee charged is per member per month – even though some of the contracts have sliding scales applicable depending on member numbers, this does not impact the revenue to be recognised in a given month as that months' services would result in revenue for that month based on the number of members during that month multiplied by the applicable rate. The contracts provide for annual escalation – such amendments are accounted for in the period in which they arise. As the penalties give rise to variable consideration management should estimate the effect of penalties in determining the appropriate amount of revenue to recognise per month. Variable consideration: There are sliding scales applicable depending on member numbers – this does not impact the revenue to be recognised in a given month, as that month's services would result in revenue for that month based on the number of members during that month multiplied by the applicable rate.
Marketing services	Sales and marketing initiatives that support and promote the brand of our various clients.	The customer benefits as and when the Group entities render the services in terms of the signed contract. Marketing fees are paid by the customer monthly, which is in line with the frequency and timing of satisfying performance obligations under the contract.
IT revenue	Administration of the fund/scheme, which include processing claims, collecting payments, maintaining records, member administration and IT services which includes hosting and switching fees.	The customer benefits as AfroCentric group of entities provide the service, thus revenue is recognised as the services are rendered over the contract duration. The fee charged is per claim per month. The contracts provide for annual escalations. Such amendments are accounted for in the period in which they arise. The rates are updated from the month the increase is effective per the contract. Payments are made on a monthly basis.
Capitation funds	Fees are paid upfront i.e. it is a bona fide transfer to the risk which means the capitation fees/monies paid to the Group are utilised to pay the service providers for authorised medicine dispensed which is related to the costs included in the capitation fee complication.	Capitation fees are recognised as the services are rendered over the contract duration. The capitation fees are paid by the customers monthly, which is in line with the Company satisfying its performance obligations under the contract.
Management fees	Management fees are charged for successful third-party recoveries which may be due back to the Scheme(s). These recoveries relate to past medical expenses previously paid by Medical Schemes and subsequently settled by the Road accident fund and paid back to the relevant Scheme(s). Recovery success fees are charged in line with rates agreed and set out in the relevant contracts with Schemes/ third-parties.	The customer benefits as AfroCentric provides the service, thus revenue should be recognised over time. Additional once-off services which are performed would result in revenue recognition as that service is provided. The fee charged is per member per month – even though some of the contracts have sliding scales applicable depending on member numbers, this does not impact the revenue to be recognised in a given month as that months' services would result in revenue for that month based on the number of members during that month multiplied by the applicable rate. The contracts provide for annual escalation – such amendments are accounted for in the period in which they arise. Payments occur 30 days from statement date.

Notes to the financial statements continued

for the year ended 30 JUNE 2021

1. Summary of accounting policies continued

1(n) Income and expense recognition continued

(ii) Finance income

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

(iii) Dividend income

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

(iv) Other expenditure

All other expenditure is recognised as and when incurred.

(v) Cost of sales

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

1(o) Inventories

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

Inventories are initially measured at cost and subsequently measured at the lower of cost and net realisable value on a weighted average basis. Net realisable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling costs necessarily incurred to make the sale.

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

1(p) Taxation

(i) Direct taxation

Direct taxation includes all domestic and foreign taxes based on taxable profits and capital gains tax. Current tax is determined for current period transactions and events and deferred tax is determined for future tax consequences.

Current and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity.

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

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

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

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

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

Notes to the financial statements continued

for the year ended 30 JUNE 2021

1. Summary of accounting policies continued

1(p) Taxation continued

(ii) Dividends tax

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

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

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

1(q) Dividends

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

1(r) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity.

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

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

(ii) Share-based payments

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

1(s) Segment reporting

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

1(t) Incurred But Not Reported (IBNR) and seasonality reserves policy

Dental Information Systems Proprietary Limited has a financial year-end of 30 June with a Scheme's benefit year from 1 January to 31 December each year. Revenue is earned monthly but claims cost is not incurred evenly due to seasonality changes.

The claims budget prepared for each financial year is management's best estimate of the claims experience taking the seasonality into account. A seasonality reserve is usually held at each financial year-end (where applicable) for the difference between the actual and budgeted claims where the budgeted claims is higher than the actual claims, a seasonality reserve will be recognised.

As the claims are not incurred evenly in the year, the seasonality reserve highlights the claims at year-end pertaining to the calendar period January to June that will come through in the period July to December.

IBNR relates to claims incurred but not received at financial year-end. This pertains to claims with a service date of on/before 30 June that would be received for payment on/after 1 July.

Notes to the financial statements continued

for the year ended 30 JUNE 2021

2. Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed as follows:

2(a) Impairment of goodwill

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

2(b) Carrying value of tangible and intangible assets

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

The carrying amount of tangible and intangible assets at 30 June 2021 was R698 million (June 2020: R487 million) and R2 783 million (June 2020: R2695 million) respectively.

2(c) Critical judgements in determining the lease term

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

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

2(d) Fair value measurement

For further details and main assumptions please refer to Note 7.3 in these Annual Financial Statements.

2(e) Deferred tax assets

The deferred tax assets include an amount of R10.7 million which relates to carried forward tax losses. Some companies have incurred losses over the past financial years but management has concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for these companies.

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

2(f) Contingencies

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

(i) Litigation liability

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

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

The litigation liability is included in the Other liabilities amount disclosed in the Non-current liabilities section on the face of the statement of financial position on page 19.

Notes to the financial statements continued

for the year ended 30 JUNE 2021

2. Critical accounting estimates and assumptions continued

2(g) Estimation of ECL allowance

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

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

Provision matrix

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

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

Time value of money

The debtors whose expected credit losses are calculated using the time value of money are those that have not been previously or historically written off due to the fact that they are slow payers. The expected credit losses are therefore limited to the effects of the time value of money due to slow paying (the opportunity cost of delayed payments).

Therefore, this is based on the premise that all debtors will be collected, the time value of money loss is the ultimate IFRS 9 impairment, and there is no credit loss.

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

2(h) Impairment of internally generated software

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

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

2(i) Principal versus agent considerations

Activo Health Proprietary Limited, Pharmacy Direct Proprietary Limited and Curasana Wholesaler Proprietary Limited individually controls its respective inventory before it is sold to a customer.

2(j) IBNR and seasonality reserve

The main assumptions used in determining the reserve are:

» The run-off of claims is determined by using the same period in the prior year as a basis for calculating the run-off percentage.
» Utilising the same period in the prior year as a basis of calculation is deemed appropriate as the prior year would already be fully run-off.
» At year-end, management investigates the claims trend and re-performs the forecast. The amended forecast is used to compare to the actuals to determine a more accurate seasonality reserve.

3. Financial risk management

General

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

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

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

Notes to the financial statements continued

for the year ended 30 JUNE 2021

3. Financial risk management continued

General continued

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

» Market risk;
» Credit risk; and
» Liquidity risk

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

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

(i) Currency risk

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

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

Cash flows from the Group's other foreign investments (Botswana, Mauritius, Kenya and Zimbabwe) bear foreign exchange risk. The most significant exposure is to the Mauritian Rupee, the Botswana Pula, the Zimbabwean Real Time Gross Settlement (RTGS) dollar and the United States Dollar (US Dollar). The impact of foreign exchange risk on profit and loss amounted to R4 379 000 loss in the 2021 financial year (2020: R380 000 loss). The Group exited the Zimbabwean operation during the current financial year. Refer to Note 15 for the details of the disposal.

The Group manages its currency risk by minimising foreign exposure.

The table below presents the average and spot rates of the foreign currencies to which the Group has significant exposure:

	Group			
	2021		2020	
	Spot rate	Average rate	Spot rate	Average rate
Mauritian Rupee	**0.333**	**0.385**	0.422	0.417
Botswana Pula	**1.319**	**1.383**	1.484	1.401
RTGS	**0.180**	**0.206**	0.303	0.707
US Dollar	**14.310**	**15.315**	17.129	15.678

(ii) Cash flow and fair value interest rate risk

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

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

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

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

The Group further manages the risk through negotiating low interest rates, meeting debt obligations as they fall due, maintaining a good credit record, opting for fixed interest rate instruments where available and also through opting for sourcing funds within the Group rather than incurring external loans.

The Financial Stability Board has initiated a fundamental review and reform of the major interest rate benchmarks used globally by financial market participants. This review seeks to replace existing interbank offered rates (IBORs) with alternative risk-free rates (ARRs) to improve market efficiency and mitigate systemic risk across financial markets. The South African Reserve Bank (SARB) has indicated their intention to move away from Johannesburg Interbank Average Rate (JIBAR) and to create an alternative reference rate for South Africa. This reform is at various stages globally, a suitable alternative for South Africa is only expected to be announced in a few years' time. Accordingly, there is uncertainty surrounding the timing and manner in which the transition would occur and how this would affect various financial instruments held by the Group.

Notes to the financial statements continued

for the year ended 30 JUNE 2021

3. Financial risk management continued

General continued

(ii) Cash flow and fair value interest rate risk continued

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

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

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

	Group		Company	
	Increase in 2% on statement of comprehensive income R'000		Increase in 2% on statement of comprehensive income R'000	
Instruments exposed	**2021**	**2020**	**2021**	**2020**
Bank balances and short-term investments	**6 429**	6 486	**48**	144
Borrowings	**(11 279)**	(10 739)	**–**	–
Total	**(4 850)**	(4 253)	**48**	144

	Group		Company	
	Decrease in 2% on statement of comprehensive income R'000		Decrease in 2% on statement of comprehensive income R'000	
Instruments exposed	**2021**	**2020**	**2021**	**2020**
Bank balances and short-term investments	**(6 429)**	(6 486)	**(48)**	(144)
Borrowings	**11 279**	10 739	**–**	–
Total	**4 850**	4 253	**(48)**	(144)

Under these assumptions, a 2% increase in market interest rates at 30 June 2021 would decrease Group profit before tax by approximately R4 850 000 (June 2020: R4 253 000) and company profit before tax would increase by approximately R48 000 in June 2021 (June 2020: R144 000).

A decrease of 2% in market interest rates at 30 June 2021 would increase Group profit before tax by approximately R4 850 000 (June 2020: R4 253 000) and Company profit before tax would decrease by approximately R48 000 in June 2021 (June 2020: R144 000).

(iii) Credit risk

Credit risk arises from borrowings, cash and cash equivalents and other investments, that is, deposits with banks and financial institutions, as well as credit exposures to clients, including outstanding receivables and committed transactions. For banks and financial institutions only independently rated parties are accepted (refer to Note 9.3). If clients do not have an independent rating, risk control assesses the credit quality of the client, taking into account its financial position, past experience and other factors. Credit risk is managed at both the Group and Company level.

A significant portion of the Group's and Company's client base comprises high credit quality financial institutions. Refer to Note 9 for the rating table.

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

Expected credit losses (ECL) assessment for individual customers as at 30 June 2021 and 30 June 2020

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

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

The loss rate incorporates the impact of forward-looking information. The following macro-economic factors were considered:

- Gross Domestic Product annual growth rate;
- Prime lending interest rate;
- Inflation rate; and
- Unemployment rate

Notes to the financial statements continued

for the year ended 30 JUNE 2021

3. Financial risk management continued

General continued

(iii) Credit risk continued

Expected credit losses (ECL) assessment for individual customers as at 30 June 2021 and 30 June 2020 continued

A regression analysis was performed to identify reasonable and supportable forward-looking information using the above macro-economic factors. The conditions for such an adjustment are statistical and economic significance, and the adjustment will only be made when both conditions are met.

Results from the regression analysis indicated that the relationship between the macro-economic factors considered and historical loss rates was not statistically significant, hence no forward-looking information adjustment was applied to the determination of the ECL making the ECL before a forward-looking adjustment equal to the final ECL.

A debtor is considered to be credit impaired if the following events are present:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- 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.

Trade receivables are written off after all collection steps have been exhausted, including the issue of letters of demand, and there is no reasonable expectation of recovery.

The following table provides information about the exposure to credit risk and ECL for trade receivables from individual customers as at 30 June 2021. Trade receivables' expected credit loss is calculated by using a combination of the weighted average loss rate and the time value money loss.

30 June 2021	Weighted average loss rate %	Gross carrying amount R'000	Loss allowance R'000	Credit impaired
Current (not past due)	0.31	272 971	840	No
30 days past due*	3.66	78 484	2 869	No
60 days past due*	23.67	15 859	3 754	No
90+ days past due	29.41	38 603	11 355	No
Total		405 917	18 818	

* *The increase was largely due to the expected credit loss for amounts receivable from government. The estimated loss rate increased from 1.4% in the prior year to 24% of the total amount receivable as at reporting date. The increase was as a result of the delayed payments which occurred during the financial year.*

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

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

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

Expected credit losses (ECL) assessment for borrowings to related parties

There are no fixed terms of repayment of the intercompany loans. The loans are either paid when the lender calls on the payment or when a review has been undertaken of the outstanding balances.

On a monthly basis, the intercompany loans are reviewed to determine the quantum of what is owed and on a quarterly basis, the intercompany loans are settled where practical.

Notes to the financial statements continued

for the year ended 30 JUNE 2021

3. Financial risk management continued

General continued

(iv) Liquidity risk

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

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

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

	Group							
	Less than 3 months or on demand R'000	More than 3 months but not exceeding 6 months R'000	More than 6 months but not exceeding 9 months R'000	More than 9 months but not exceeding 1 year R'000	More than 1 year but not exceeding 2 years R'000	More than 2 year but not exceeding 5 years R'000	Exceeding 5 years R'000	Total R'000
Year ended 30 June 2021								
Trade and other payables (Note 9.4)	(404 844)	(11 884)	–	–	–	–	–	(416 728)
Lease liability (Note 9.6)	(14 610)	(15 137)	(16 637)	(17 380)	(49 185)	(107 168)	–	(220 117)
– Contractual undiscounted payments	(20 276)	(20 178)	(21 044)	(21 142)	(61 316)	(119 828)	–	
– Interest	5 666	5 041	4 407	3 762	12 131	12 660	–	
Borrowings (Note 9.5)	(30 000)	(30 000)	(30 000)	(30 000)	(120 000)	(535 785)	–	(775 785)
– Contractual undiscounted payments	(41 327)	(41 141)	(40 975)	(41 232)	(163 814)	(571 939)	–	
– Interest	11 327	11 141	10 975	11 232	43 814	36 154	–	
Year ended 30 June 2020								
Trade and other payables (Note 9.4)	(342 454)	(19 032)	–	–	–			(361 486)
Lease liability (Note 9.6)*	(26 849)	(23 710)	(23 471)	(22 825)	(41 381)	(49 184)	(90 862)	(278 282)
– Contractual undiscounted payments	(34 603)	(30 743)	(29 966)	(29 091)	(60 256)	(61 316)	(103 458)	
– Interest	7 754	7 033	6 495	6 266	18 875	12 132	12 596	
Borrowings (Note 9.5)*	(30 000)	(30 000)	(30 000)	(30 000)	(90 000)	(176 311)	–	(386 311)
– Contractual undiscounted payments	(35 699)	(35 695)	(35 640)	(38 599)	(111 608)	(216 161)	–	
– Interest	5 699	5 695	5 640	8 599	21 608	39 850	–	

* *The line item has been disaggregated to present the contractual cash flows and the discounting impact. The cash flows have also been further disaggregated into 1 – 2 years, 2 – 5 years and 5 years+.*

Notes to the financial statements continued

for the year ended 30 JUNE 2021

3. Financial risk management continued

General continued

(iv) Liquidity risk continued

	Company							
	Less than 3 months or on demand R'000	More than 3 months but not exceeding 6 months R'000	More than 6 months but not exceeding 9 months R'000	More than 9 months but not exceeding 1 year R'000	More than 1 year but not exceeding 2 years R'000	More than 2 year but not exceeding 5 years R'000	Exceeding 5 years R'000	Total R'000
Year ended 30 June 2021								
Trade and other payables (Note 9.4)	(7 457)	–	–	–	–	–	–	(7 457)
Loan from group company	–	–	–	–	–	–	(14 327)	(14 327)
Year ended 30 June 2020								
Trade and other payables (Note 9.9)	(6 766)	–	–	–	–	–	–	(6 766)
Loan from group company	(9 767)	–	–	–	–	–	–	(9 767)

(v) Capital risk management

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

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

During 2021, the Group's and Company's strategy, which was unchanged from 2020, was to maintain the gearing ratio within 0% to 15%.

It is further noted that the Group breached this range due to key investment made in the current financial period, namely DENIS Group in October (R170 million) and the Exeltis (Forrester) acquisition effective 1 August 2021 which entailed a R150 million loan advance in May 2021 to the sellers of Forrester, that was subsequently applied against the purchase price for the Forrester acquisition once the conditions for the acquisition were fulfilled. Refer to note 14 and note 34 for further information. The overall financial position of the Group is sound and debt covenants to Nedbank have not been breached, with sufficient headroom. The Group will continue to use available cash resources to reduce the loan balances, with R120 million capital repayments expected in the 2022 financial period. The capital repayments and equity growth the acquisitions are expected to bring to Group will contribute to restoring the gearing ratio to within target in the medium term.

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

	2021 R'000	2020 R'000
Net debt	576 845	208 631
Total equity	3 255 724	3 119 095
EBITDA	1 009 897	869 268
Interest expense	57 093	71 727
Net debt to equity ratio	18%	7%
Net debt to EBITDA	0.57:1	0.24:1
Interest cover	17.69:1	12.12:1

Notes to the financial statements continued

for the year ended 30 JUNE 2021

4. Business Combination

(a) Summary of acquisition

AfroCentric Investment Corporation Limited through its subsidiary AfroCentric Health (RF) Proprietary Limited ("AHL") has acquired 100% stake in the Dental Information Systems ("DENIS") Group of companies for the purchase price of R170 million.

The purchase consideration for DENIS was R170 million in cash. The acquisition date is 1 October 2020.

Details of the purchase considerations, net assets acquired and goodwill are as follows:

	R'000
Purchase consideration:	
Cash	170 000
Total purchase consideration	170 000

DENIS has been accounted for using the acquisition method of accounting, which requires that the assets and liabilities of DENIS be measured at fair value as at 1 October 2020.

		Total October 2020 R'000
Fair value of 100% net asset value at acquisition (assets)		88 270
Property, plant and equipment	71 017	
Intangible assets	17	
Investment in cell captive	17 669	
Other financial assets	205	
Deferred tax asset	25 076	
Trade and other receivables	14 893	
Cash and cash equivalents	84 791	
Trade and other payables	(31 088)	
Provisions	(66 555)	
Current tax	(27 755)	
Customer relationships		65 017
Deferred tax		(18 205)
Fair value of 100% net asset value at acquisition (including intangible assets)		135 082
Consideration for Denis Group		170 000
Goodwill arising from acquisition*		34 918

* *The goodwill arises from integrated synergies that are established through the acquisition of DENIS Group which has been allocated to the Medscheme cash generating business unit. It will not be deductible for tax purposes.*

There were no acquisitions in the year ended 30 June 2020.

Revenue and profit contribution

The acquired business contributed revenue of R410 million and net profit of R21 million to the Group for the period 1 October 2020 to 30 June 2021.

If the acquisition had occurred on 1 July 2020, consolidated pro-forma revenue and profit for the year ended 30 June 2021 would have been R546 million and R28 million respectively.

These amounts have been calculated using the subsidiary's results and adjusting them for:

» the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to intangible assets had applied from 1 July 2020, together with the consequential tax effects.

(b) Purchase Considerations-cash outflow

Outflow of cash to acquire subsidiary, net of cash acquired	2021 R'000
Cash consideration	170 000
Less: Cash balances acquired	(84 791)
Net outflow of cash-investing activities	85 209

Acquisition-related costs:

Acquisition-related costs of R0.6 million are included in other expenses in the statement of profit and loss and in operating cash flows in the statement of cash flows.

Notes to the financial statements continued

for the year ended 30 JUNE 2021

5. Segment information

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

Nature of business segments

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

(a) Segment revenues

A number of subsidiaries in the Healthcare Africa segment and a subsidiary in the Healthcare SA segment was sold during the financial year. Information about these discontinued operations is provided in Note 15.

	Healthcare SA R'000	Healthcare Africa R'000	Healthcare Retail R'000	Total Healthcare R'000	Information Technology R'000	Intergroup eliminations R'000	Group R'000
Year ended 30 June 2021							
Gross Revenue	3 741 436	197 368	4 240 162	**8 178 966**	**685 491**	*(790 039)*	**8 074 418**
Expenses	(3 401 090)	(123 603)	(3 929 257)	**(7 453 950)**	**(414 851)**	*802 293*	**(7 066 508)**
Amortisation of intangibles	(1 910)	(824)	(17 984)	**(20 718)**	**(143 350)**	*(30 959)*	**(195 027)**
Depreciation	(23 778)	(3 713)	(11 181)	**(38 672)**	**(37 995)**	*(1 535)*	**(78 202)**
Net finance (cost)/income	(9 074)	1 057	(2 672)	**(10 689)**	**(4 261)**	*(1 128)*	**(16 078)**
Finance income	(2 518)	1 112	5 919	**4 513**	**16 210**	*(1 128)*	**19 595**
Finance cost	(6 556)	(55)	(8 591)	**(15 202)**	**(20 471)**	–	**(35 673)**
Share-based payment expense	(7 991)	(181)	(323)	**(8 495)**	**(403)**	*(1 796)*	**(10 694)**
Net fair value (impairment)/gain of assets	(31 317)	–	(1 458)	**(32 775)**	**(6 617)**	*22 707*	**(16 685)**
Fair value (loss)/gain	(4 091)	–	(756)	**(4 847)**	–	*(1 460)*	**(6 307)**
Impairment of assets	(27 226)	–	(702)	**(27 928)**	**(6 617)**	*24 167*	**(10 378)**
Share of profit of associate	8 294	–	–	**8 294**	–	–	**8 294**
Profit before taxation	274 570	70 104	277 287	**621 961**	**78 014**	*(457)*	**699 518**
Income tax expense	(107 889)	(21 897)	(85 070)	**(214 856)**	**(1 001)**	*10 116*	**(205 741)**
Profit for the year	166 681	48 207	192 217	**407 105**	**77 013**	*9 659*	**493 777**
Net segments assets	1 689 412	150 486	1 912 809	**3 752 707**	**1 936 464**	*(574 805)*	**5 114 366**
Segment assets	1 689 357	119 000	1 912 809	**3 721 166**	**1 936 464**	*(574 805)*	**5 082 825**
Investment in associates	55	31 486	–	**31 541**	–	–	**31 541**
Segment liabilities	1 455 086	32 236	971 156	**2 458 478**	**1 362 327**	*(1 962 163)*	**1 858 642**
Year ended 30 June 2020							
Gross Revenue	3 123 984	188 364	3 136 059	**6 448 407**	**532 834**	*(562 329)*	**6 418 912**
Expenses	(2 871 825)	(123 777)	(2 883 323)	**(5 878 925)**	**(246 709)**	*576 684*	**(5 548 950)**
Amortisation of Intangibles	(2 409)	(877)	(2 376)	**(5 662)**	**(121 113)**	*(37 316)*	**(164 091)**
Depreciation	(20 839)	(3 250)	(9 895)	**(33 984)**	**(28 195)**	–	**(62 179)**
Net finance (cost)/income	(15 936)	1 408	(3 522)	**(18 050)**	**982**	*(317)*	**(17 385)**
Finance income	41 715	1 541	17 223	**60 479**	**32 627**	*(66 603)*	**26 503**
Finance cost	(57 651)	(133)	(20 745)	**(78 529)**	**(31 645)**	*66 286*	**(43 888)**
Share-based payment expense	(8 027)	(69)	(775)	**(8 871)**	**(5)**	–	**(8 876)**
Net fair value impairment of assets	(18 465)	–	(341)	**(18 806)**	–	*16 059*	**(2 747)**
Fair value (loss)/gain	(2 338)	–	–	**(2 338)**	–	*2 521*	**183**
Impairment of assets	(16 127)	–	(341)	**(16 468)**	–	*13 538*	**(2 930)**
Share of profit of associate	7 990	–	–	**7 990**	–	–	**7 990**
Profit before taxation	194 473	61 799	235 827	**492 099**	**137 794**	*(7 219)*	**622 674**
Income tax expense	(53 177)	(20 040)	(56 903)	**(130 120)**	**(36 197)**	*10 452*	**(155 865)**
Profit for the year	141 296	41 759	178 924	**361 979**	**101 597**	*3 233*	**466 809**
Net segments assets	1 637 655	179 100	1 194 073	**3 010 828**	**1 307 117**	*229 221*	**4 547 166**
Segment assets	1 637 655	145 793	1 194 073	**2 977 521**	**1 307 117**	*229 221*	**4 513 859**
Investment in associates	–	33 307	–	**33 307**	–	–	**33 307**
Segment liabilities	572 618	44 504	647 892	**1 265 014**	**485 445**	*(322 388)*	**1 428 071**

Notes to the financial statements continued

for the year ended 30 JUNE 2021

6. Property and equipment

	Group					
	Land and building R'000	Equipment R'000	Motor vehicles R'000	Furniture and fittings R'000	Computer equipment R'000	Total R'000
Reconciliation for the year ended 30 June 2021						
Balance at 1 July 2020						
At cost	271 603	97 653	22 778	141 818	267 785	801 637
Accumulated depreciation	(10 229)	(58 574)	(11 127)	(79 631)	(170 119)	(329 680)
Net book value	261 374	39 079	11 651	62 187	97 666	471 957
Movements for the year ended 30 June 2021						
Additions	2 000	93 796	7 215	22 152	159 462	284 625
Acquisitions through business combinations	63 717	1 909	–	2 649	16 044	84 319
Depreciation	(5 587)	(10 092)	(4 545)	(15 609)	(42 504)	(78 337)
Reclassification	–	(470)	–	1 342	(872)	–
Disposals	–	(67 497)	(463)	(1 181)	(2 854)	(71 995)
Property, plant and equipment at the end of the year	321 504	56 725	13 858	71 540	226 942	690 569
Closing balance at 30 June 2021						
At cost	337 824	114 521	28 536	153 786	413 750	1 048 417
Accumulated depreciation	(16 320)	(57 796)	(14 678)	(82 246)	(186 808)	(357 848)
Net book value	321 504	56 725	13 858	71 540	226 942	690 569
Reconciliation for the year ended 30 June 2020						
Balance at 1 July 2019						
At cost	193 183	99 034	18 869	131 383	267 937	710 406
Accumulated depreciation	(6 461)	(43 849)	(8 683)	(67 004)	(167 851)	(293 848)
Net book value	186 722	55 185	10 186	64 379	100 086	416 558
Movements for the year ended 30 June 2020						
Additions	79 253	4 676	5 311	14 028	33 701	136 969
Depreciation	(4 601)	(8 552)	(3 626)	(14 381)	(31 354)	(62 514)
Disposals	–	(12 230)	(220)	(1 839)	(4 767)	(19 056)
Property, plant and equipment at the end of the year	261 374	39 079	11 651	62 187	97 666	471 957
Closing balance at 30 June 2020						
At cost	271 603	97 653	22 778	141 818	267 785	801 637
Accumulated depreciation	(10 229)	(58 574)	(11 127)	(79 631)	(170 119)	(329 680)
Net book value	261 374	39 079	11 651	62 187	97 666	471 957

Notes to the financial statements continued

for the year ended 30 JUNE 2021

6. Property and equipment continued

6.1 Right of use asset

The Company has not entered into any leases. The right of use asset arose from leases entered into by the subsidiaries within the Group.

	Group R'000
Year ended 30 June 2021	
Opening carrying amount	**234 980**
Additions	**21 250**
Modifications/Disposals	**(12 723)**
Depreciation charge	**(66 583)**
Closing carrying amount	**176 924**
At 30 June 2021	
At cost	**381 710**
Accumulated depreciation	**(204 786)**
Closing carrying amount	**176 924**
Year ended 30 June 2020	
Opening carrying amount	290 136
Additions	18 182
Disposals	(1 146)
Lease modification	(411)
Depreciation charge	(71 781)
Closing carrying amount	234 980
At 30 June 2020	
At cost	384 264
Accumulated depreciation	(149 284)
Closing carrying amount	234 980

7. Investment property

7.1 Balances at year-end and movements for the year

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Balance at the beginning of the year at fair value	**15 418**	15 418	**–**	–
Fair value adjustment	**(7 653)**	–	**–**	–
Balance at the end of the year at fair value	**7 765**	15 418	**–**	–

7.2 Fair value measurements

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

The valuation was prepared by an independent valuer, J van der Hoven in May 2021, a property practitioner from De Hoven Proprietary Limited. J van der Hoven obtained his Post-Graduate Master's Degree in Architecture (recognised by Royal Institute of British Architects (RIBA) and Architects Registration Board (ARB) and has more than 10 years' experience as a property practitioner.

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

Pursuant to the expiry of the current zoning rights (Business 4 and Residential 3 rights) effective 24 May 2021, an application has been submitted to reduce the current approved zoning rights to Parking and a private Sport Recreation facility. Based on the 2021 property valuation report, the fair value of the land based on the de-zoning and a reduction in land use rights is R7.8 million. A fair value loss has thus been incurred.

Notes to the financial statements continued

for the year ended 30 JUNE 2021

7. Investment property continued

7.3 Recognised fair value measurements

Fair value hierarchy

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

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices)
Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

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

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

» the fair value of the investment property is determined by using the comparable sales method;

The investment property has been classified as a level 3 non-financial instrument, i.e. the inputs are not based on observable market data. The carrying amount of the investment property approximates the fair value.

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

	Investment property R'000
Opening balance	**15 418**
Acquisitions through business combinations	–
Additions	–
Fair value gains/(losses)	**(7 653)**
Closing balance	**7 765**

Valuation inputs and relationships to fair value

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

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

Description	Fair value at 30 June 2021 R'000	Unobservable inputs	Input value used	Sensitivity of unobservable inputs on profit and loss
Investment property	**7 765**	Price per block building rights per square metre	R453	If the fair value per square metre increased by 10% then the value of the property would increase by R776 500 in profit or loss. If the fair value per square metre decreased by 10% then the value of the property would decrease by R776 500 in profit or loss.

Notes to the financial statements continued

for the year ended 30 JUNE 2021

8. Intangible assets

	Group						
	Brands and intellectual property R'000	Pharma-ceutical dossiers** R'000	Internally generated software R'000	Computer software R'000	Goodwill R'000	Customer relationships R'000	Total R'000
Reconciliation for the year ended 30 June 2021							
At 30 June 2020							
At cost	47 873	286 365	957 654	535 312	1 422 024	303 452	3 552 680
Accumulated amortisation****	(40 775)	(14 454)	(235 270)	(216 903)	–	(225 221)	(732 623)
Accumulated impairment****	–	–	(47 000)	(29 196)	(48 674)	–	(124 870)
Closing carrying amount 30 June 2020	7 098	271 911	675 384	289 213	1 373 350	78 231	2 695 187
Movements for the year ended 30 June 2021							
Acquisitions through business combinations*	–	–	7 230	–	34 918	65 017	107 165
Additions	–	12 379	181 916	14 907	–	–	209 202
Amortisation	(806)	(16 800)	(86 818)	(60 477)	–	(30 153)	(195 054)
Impairment loss recognised in profit or loss***	–	–	(6 093)	(35 485)	(771)	–	(42 349)
Reversal of impairment loss recognised in profit or loss	–	–	39 167	–	–	–	39 167
Disposals	–	(1 177)	–	(2 482)	–	–	(3 659)
Write-off	–	–	(26 793)	–	–	–	(26 793)
Carrying value at 30 June 2021	6 292	266 313	783 993	205 676	1 407 497	113 095	2 782 866
At 30 June 2021							
At cost	47 873	297 566	1 114 938	547 743	1 456 942	368 469	3 833 531
Accumulated amortisation	(41 581)	(31 253)	(317 019)	(277 386)	–	(255 374)	(922 613)
Accumulated impairment	–	–	(13 926)	(64 681)	(49 445)	–	(128 052)
Closing carrying amount	6 292	266 313	783 993	205 676	1 407 497	113 095	2 782 866

* *The recognition of goodwill (R34.9 million) and customer relationships (R65 million) is as a result of the business combinations in the current financial year.*

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

*** *During the current year an impairment loss was recognised for Schema6 (R6.1 million) due to no clients using the system, as well as IFM system (R35.5 million) due to a reduction in expected future cash flows. An impairment loss in respect of previously recognised goodwill on the acquisition of Workcare Health to the value of R771 000 was incurred, as the company is incurring losses and the recoverability of the goodwill cannot be substantiated.*

**** *The prior year accumulated amortisation and impairment has been disaggregated to separately disclose the accumulated amortisation from the accumulated impairment.*

Notes to the financial statements continued

for the year ended 30 JUNE 2021

8. Intangible assets continued

	Group						
	Brands and intellectual property R'000	Pharma-ceutical dossiers* R'000	Internally generated software R'000	Computer software R'000	Goodwill R'000	Customer relationships R'000	Total R'000
Reconciliation for the year ended 30 June 2020							
At 30 June 2019							
At cost	47 873	286 365	754 336	477 803	1 399 808	303 452	3 269 637
Accumulated amortisation***	(39 934)	–	(166 416)	(198 180)	–	(187 144)	(591 674)
Accumulated impairment***	–	–	(47 000)	(26 277)	(48 674)	–	(121 951)
Closing carrying amount 30 June 2019	7 939	286 365	540 920	253 346	1 351 134	116 308	2 556 012
Movements for the year ended 30 June 2020							
Additions	–	–	203 318	80 713	22 216	–	306 247
Amortisation	(841)	(14 454)	(68 854)	(41 927)	–	(38 077)	(164 153)
Impairment loss recognised in profit or loss**	–	–	–	(2 919)	–	–	(2 919)
Carrying value at 30 June 2020	7 098	271 911	675 384	289 213	1 373 350	78 231	2 695 187
At 30 June 2020							
At cost	47 873	286 365	957 654	535 312	1 422 024	303 452	3 552 680
Accumulated amortisation***	(40 775)	(14 454)	(235 270)	(216 903)	–	(225 221)	(732 623)
Accumulated impairment***	–	–	(47 000)	(29 196)	(48 674)	–	(124 870)
Closing carrying amount 30 June 2020	7 098	271 911	675 384	289 213	1 373 350	78 231	2 695 187

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

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

*** *The prior year accumulated amortisation and impairment has been disaggregated to separately disclose the accumulated amortisation from the accumulated impairment.*

Notes to the financial statements continued

for the year ended 30 JUNE 2021

8. Intangible assets continued

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

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Healthcare administration SA CGU	493 363	459 216	–	–
Medscheme – healthcare administration	274 972	274 972	–	–
Medscheme – health risk management	89 298	89 298	–	–
Aid for AIDS Management Proprietary Limited – healthcare administration	23 490	23 490	–	–
Allegra Proprietary Limited – healthcare IT support	1 268	1 268	–	–
AfroCentric Distribution Services Proprietary Limited – healthcare marketing support	835	835	–	–
Klinikka Proprietary Limited – medical equipment supplier	2 435	2 435	–	–
Wellness Odyssey – healthcare wellness days	14 857	14 857	–	–
Tendahealth – healthcare insurance broker	1 162	1 162	–	–
Scriptpharm – chronic scripts claim	2 699	2 699	–	–
Essential Group – healthcare insurance	9 333	9 333	–	–
AfroCentric Integrated Corporate Solutions Group – healthcare administration	38 096	38 096	–	–
Workcare – healthcare administration	–	771	–	–
Denis Group	34 918	–	–	–
Healthcare Africa CGU	15 535	15 535	–	–
Medscheme Mauritius Limited – local administration	4 969	4 969	–	–
Medscheme Mauritius Limited – international administration	10 566	10 566	–	–
Healthcare Retail SA CGU	898 599	898 599	–	–
Pharmacy Direct, Curasana and Glen Eden (PD, CS and GE)	473 954	473 954	–	–
Activo	424 645	424 645	–	–
Total	1 407 497	1 373 350	–	–

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

Assumptions used in the determination of the recoverable amount are as follows:

- The estimated revenues to be earned from the use of the assets;
- The forecast period over which those revenues are projected;
- An average growth rate;
- The pre-tax discount rate that takes into account the yield on government bonds, Beta and a market risk premium;
- Risk adjustment factors used in deriving an appropriate discount rate applied to future estimated cash flows;
- The rate on government bonds (risk-free rate) of 7.25% as at 30 June 2021 (30 June 2020: 7.32%);
- A market risk premium of 7.8% (2020: 7.7%) is justified as the overall risk is to the downside; and
- The Beta (ß) is 0.91 as at 30 June 2021 (30 June 2020: 0.92).

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

Notes to the financial statements continued

for the year ended 30 JUNE 2021

8. Intangible assets continued

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

	Recoverable amount R'000	Discount rate %	Forecast period	Average growth rate %
2021				
Medscheme – admin and managed care	**5 010 916**	**12.67**	**5 years**	**5**
Activo	**1 488 160**	**12.67**	**5 years**	**7**
Pharmacy Direct, Curasana and Glen Eden	**1 237 827**	**12.67**	**5 years**	**7**
2020				
Medscheme – admin and managed care	4 746 798	13.16	5 years	6
Activo	941 072	13.16	5 years	7
Pharmacy Direct, Curasana and Glen Eden	1 243 246	13.16	5 years	7

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

Assumption	Approach used in determining values
Average growth rate (%)	Average annual growth rate over the five-year forecast period; based on past performance and management's expectations of market development specifically taking into account the impact that the COVID-19 pandemic is expected to have on future earnings noted below: Medscheme – admin and managed care: » Average revenue increases in the forecast period have been muted with 4% growth expected in revenue. » Management has embarked on effective cost savings initiatives through early investment in systems development. This increased IT capacity has now been applied to greater scale and through improved procedural efficiencies. » The Group will continue with system renewals and upgrades to explore better and more cost efficient ways in servicing and engaging its customers/members. » These programmes are expected to enable the Group to achieve 5% growth. Activo, Pharmacy Direct, Curasana and Glen Eden: » Average revenue increases in the forecast period is 7%. » The pharmaceutical related component yielded significant growth during the year, particularly during the stressful time under COVID-19. This included the increasing volume of activity in Pharmacy Direct. » The more heedful attention paid by patients reliant on chronic medication during lockdown, not least an obvious desire to stay healthy in general, the convenience of group deliveries during lockdown, at work or home, proved extremely valuable to those dependent on their chronic medications and other requirements. » The trends experienced are expected to continue in the forecast period. This, together with the cost efficiency embarked on, resulted in a growth rate of 7% being applied.
Discount rate (%)	Discount rate the company is expected to pay on average to all its security holders to finance its assets which reflects specific risks to the relevant CGU.

Notes to the financial statements continued

for the year ended 30 JUNE 2021

8. Intangible assets continued

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

				Growth rate Worst case R'000 Medscheme: 4% PD, CS, GE & Activo: 6%	Base case R'000 Medscheme: 5% PD, CS, GE & Activo: 7%	Best case R'000 Medscheme: 6% PD, CS, GE & Activo: 8%
Medscheme	Discount rate	Worst case	14.17%	3 776 026	4 190 091	4 705 489
		Base case	12.67%	4 430 384	5 010 916	5 765 509
		Best case	11.80%	4 927 599	5 656 064	6 635 900
Pharmacy Direct, Curasana and Glen Eden		Worst case	14.05%	870 337	995 689	1 162 501
		Base case	12.67%	1 050 255	1 237 827	1 505 721
		Best case	11.80%	1 208 985	1 463 909	1 853 148
Activo		Worst case	14.17%	1 052 689	1 170 616	1 325 470
		Base case	12.67%	1 295 781	1 488 160	1 761 238
		Best case	11.80%	1 499 380	1 769 765	2 180 565

(i) Impairment assessment

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

» R6.1 million in respect of the Schema6 system – an impairment has been recognised as there are no expected cash flows from the system, resulting in the recoverable amount not being able to be substantiated.

» R35.5 million in respect of the IFM system due to a reduction in expected future cash flows. AfroCentric has been notified by FICO that the support on the IFM system will come to an end at the end of March 2022, resulting in the system not being available for continued use. As a result of this, it is expected that cash flows generated from the schemes for use of the Fraud Management Software (IFM system) will cease from January 2022.

» In the 2019 financial period, an impairment loss of R47 million was recognised as a result of the recoverable amount of the Gexus system being lower than the carrying value. This internally generated software is used to administer a portion of our managed care business and forms part of the Groups' IT segment assets. In the 2021 financial period, key managed care contracts were procured by AfroCentric resulting in the recoverable amount (calculated based on value in use) in excess of R195 million. An impairment reversal of R39 million has been recognised in the current financial period, to restore its carrying value to what it would have been, had there been no impairment raised in 2019, in line with IAS 36. The value in use has been calculated using a discount rate of 12.75% (12.59% in 2019).

9. Financial instruments

Financial instruments by category

Financial assets by category	Group At fair value through profit or loss R'000	At amortised cost R'000
Year ended 30 June 2021		
Financial assets (Note 14)	178 905	–
Trade and other receivables excluding prepayments (Note 9.2)	–	462 093
Cash and cash equivalents (Note 9.3)	–	198 940
	178 905	661 033
Year ended 30 June 2020		
Financial assets (Note 14)	3 711	–
Trade and other receivables excluding prepayments (Note 9.2)	–	464 436
Cash and cash equivalents (Note 9.3)	–	177 680
	3 711	642 116

Notes to the financial statements continued

for the year ended 30 JUNE 2021

9. Financial instruments continued

Financial assets by category	Company At amortised cost R'000
Year ended 30 June 2021	
Trade and other receivables excluding prepayments (Note 9.2)	7
Cash and cash equivalents (Note 9.3)	3 266
	3 273
Year ended 30 June 2020	
Trade and other receivables excluding prepayments (Note 9.2)	129
Cash and cash equivalents (Note 9.3)	1 934
	2 063

Financial liabilities by category	Group At amortised cost R'000
Year ended 30 June 2021	
Lease liability (Note 9.6)	220 117
Borrowings (Note 9.5)	775 785
Trade and other payables excluding non-financial liabilities (Note 9.4)	416 728
	1 412 630
Year ended 30 June 2020	
Lease liability (Note 9.6)	278 282
Borrowings (Note 9.5)	386 311
Trade and other payables excluding non-financial liabilities (Note 9.4)	361 486
	1 026 079

Financial liabilities by category	Company At amortised cost R'000
Year ended 30 June 2021	
Loan from group company (Note 9.7)	14 327
Trade and other payables excluding non-financial liabilities (Note 9.4)	7 457
	21 784
Year ended 30 June 2020	
Loan from group company (Note 9.7)	9 767
Trade and other payables excluding non-financial liabilities (Note 9.4)	6 766
	16 533

Notes to the financial statements continued

for the year ended 30 JUNE 2021

9. Financial instruments continued

9.1 Trade receivables

Ageing of trade and other receivables	Group Current R'000	30 days R'000	60 days R'000	90+ days R'000	Total R'000
June 2021					
Net trade debtors	272 131	75 615	12 105	27 248	387 099
Gross trade debtors	272 971	78 484	15 859	38 603	405 917
Expected credit losses	(840)	(2 869)	(3 754)	(11 355)	(18 818)
Other receivables	7 053	2 187	1 186	5 674	16 100
Net sundry debtors	21 846	2 330	1 790	25 238	51 204
Gross sundry debtors	21 846	2 330	1 790	44 332	70 298
Expected credit losses	–	–	–	(19 094)	(19 094)
Deposits	–	–	–	7 690	7 690
Past due trade receivables*	–	–	12 105	27 248	39 353
June 2020					
Net trade debtors	283 386	70 376	14 939	44 911	413 612
Gross trade debtors	285 942	70 606	15 436	76 890	448 874
Expected credit losses	(2 556)	(230)	(497)	(31 979)	(35 262)
Other receivables	2 837	3 278	–	–	6 115
Sundry debtors	36 872	743	–	–	37 615
Deposits	–	–	–	7 094	7 094
Past due trade receivables*	–	–	14 939	44 911	59 850

* *This balance is included within Net trade debtors and reflects balances identified by AfroCentric that are past due.*

Disclosure of trade debtors	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Gross trade debtors	405 917	448 874	7	–
Loss allowance for trade receivables as below	(18 818)	(35 262)	–	–
Net trade debtors	387 099	413 612	7	–

Movement in the loss allowance for trade and other receivables are as follows:	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
At the beginning of the year	35 262	30 041	–	–
Increase in loss allowance recognised in profit or loss during the year	2 009	5 221	–	–
Written off during the year	(18 453)	–	–	–
At the end of the year	18 818	35 262	–	–

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

To measure the ECL, trade receivables have been grouped based on the shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 months before 30 June 2021 and the corresponding historical credit losses experienced within this period. The historical loss rate has been adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the annual gross domestic product (GDP) rate and average prime lending rate to be the most relevant factors and accordingly, adjusts the historical loss rates based on expected changes in these factors.

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

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

Notes to the financial statements continued

for the year ended 30 JUNE 2021

9. Financial instruments continued

9.2 Trade and other receivables

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Trade debtors	387 099	413 612	7	–
Sundry debtors	51 204	37 615	–	129
Prepayments*	41 177	39 899	84	80
Deposits	7 690	7 094	–	–
Other receivables	16 100	6 115	–	–
Total trade and other receivables	503 270	504 335	91	209

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

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

9.3 Cash and cash equivalents

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Cash at bank and short-term deposits				
Ba2 – FNB Limited**	7 270	16 330	–	–
AA – Bank Windhoek Limited	22 681	18 691	–	–
Ba2 – Nedbank Limited**	164 361	138 624	3 266	1 934
Ba2 – Standard Bank Limited**	2 248	1 800	–	–
BBB+ – Sasfin Limited*	–	93	–	–
zaA+ – Sanlam Limited*	–	2 142	–	–
Ba2 - Absa Bank Limited**	1 362	–	–	–
A3 - CitiBank Limited**	1 018	–	–	–
Total cash at bank and short-term bank deposits	198 940	177 680	3 266	1 934

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

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

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

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

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

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

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

A Obligations rated A are considered upper-medium grade and are subject to low credit risk.

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

Ba2 Obligations rated Ba2 are judged to have speculative elements and are subject to substantial credit risk.

Notes to the financial statements continued

for the year ended 30 JUNE 2021

9. Financial instruments continued

9.3 Cash and cash equivalents continued

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Cash	155 597	127 944	3 266	1 934
Short term deposits*	43 343	49 736	–	–
	198 940	177 680	3 266	1 934

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

9.4 Trade and other payables

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Trade payables*	259 290	234 237	–	69
Payroll creditors	48 174	19 726	–	–
Accruals	60 423	57 322	169	27
Shareholders for dividends	6 902	6 153	4 846	4 089
Other payables*	41 939	44 048	2 442	2 581
Provisions	11 269	8 376	840	911
IBNR Provision**	19 792	–	–	–
Total trade and other payables	447 789	369 862	8 297	7 677

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

** *The IBNR provision originated as a result of the acquisition of Denis Group, which carries a provision for dental claims incurred but not received.*

9.5 Borrowings

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Nedbank facility (1 year +)	655 785	266 311	–	–
Nedbank facility (0 – 1 year)	120 000	120 000	–	–
	775 785	386 311	–	–

Movement in borrowings are as follows:

	Group	
	June 2021 R'000	June 2020 R'000
At the beginning of the period	386 311	491 566
Borrowings acquired during the period	470 998	50 000
Interest accrued	30 699	41 319
Interest repaid	(30 699)	(41 319)
Capital repaid	(81 524)	(155 255)
Balance at the end of the year	775 785	386 311

The Nedbank facility's interest rate is linked to JIBAR. The full capital repayment is due at the end of the 5-year term. The R120 million current liability is based on management's expectation of the quarterly interest obligation and voluntary capital repayment.

Notes to the financial statements continued

for the year ended 30 JUNE 2021

9. Financial instruments continued

9.5 Borrowings continued

Compliance with loan covenants

During the prior period, Nedbank issued a revolving loan facility to the extent of R900 million (of which R776 million has been utilised) to the Group of which amounts shall be applied to funding the working capital and general corporate requirements of the Group. The rate of interest on the loan for each interest period is the percentage rate per annum which is the aggregate of the applicable Margin and JIBAR.

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

9.6 Lease liability

	Group		Company	
	2021 R'000	**2020 R'000**	**2021 R'000**	**2020 R'000**
Non-current liabilities	**156 353**	181 427	**–**	–
Current liabilities	**63 764**	96 855	**–**	–
	220 117	278 282	**–**	–

Movement in lease liability are as follows:

	Group	
	June 2021 R'000	**June 2020 R'000**
At the beginning of the period	**278 282**	322 655
Lease liability recognised per IFRS 16	**–**	13 870
Acquired through business combinations	**17 707**	–
Modifications	**(4 987)**	–
Interest accrued	**21 292**	27 886
Rental payments made	**(92 177)**	(86 129)
Balance at the end of the year	**220 117**	278 282

9.7 Loans from group company

Loans from group company comprise the following balances:

	Group		Company	
	2021 R'000	**2020 R'000**	**2021 R'000**	**2020 R'000**
AfroCentric Health (RF) Proprietary Limited	**–**	–	**(14 327)**	(9 767)
Current liabilities	**–**	–	**–**	(9 767)
Non-current liabilities	**–**	–	**(14 327)**	–

The loan is unsecured, bears interest and is repayable after 5 years.

Notes to the financial statements continued

for the year ended 30 JUNE 2021

10. Investments in associates and joint ventures

The Associated Fund Administrators Botswana Proprietary Limited is incorporated in Botswana. During the current year 9% was sold to decrease the Group's shareholding from 49% to 40%. At the end of the prior and current year the only investment in associates was Associated Fund Administrators Botswana Proprietary Limited.

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

During the current financial year, the company acquired 49% shareholding in Warona Health Services Proprietary Limited in terms of a joint venture agreement.

	Group		Company	
	June 2021 R'000	June 2020 R'000	June 2021 R'000	June 2020 R'000
Carrying value of investment in associate	31 486	33 307	–	–
Carrying value of investment in joint venture	55	–	–	–
	31 541	33 307	–	–

	Reporting date	Number of shares held	Nature of relationship	Percentage holdings %	Opening carrying amount R'000	Share of after tax profit R'000	Dividends paid R'000	Disposals R'000	30 June 2021 Closing carrying amount R'000
Associated Fund Administrators Botswana Proprietary Limited	30 September	3 408 218	Associate	40	33 307	8 239	(3 292)	(6 768)	31 486
Warona Health Services Proprietary Limited	30 June	49	Joint Venture	49	–	55	–	–	55
					33 307	8 294	(3 292)	(6 768)	31 541

	Reporting date	Number of shares held	Nature of relationship	Percentage holdings %	Opening carrying amount R'000	Share of after tax profit R'000	Dividends paid R'000	Additions/ (disposals) R'000	30 June 2020 Closing carrying amount R'000
Associated Fund Administrators Botswana Proprietary Limited	30 September	4 175 067*	Associate	49	29 943	7 990	(4 626)	–	33 307

* *The prior year number of shares has been aligned with the number of shares as disclosed on the sale of shares agreement for the disposal of the 9% shareholding in the current year.*

Notes to the financial statements continued

for the year ended 30 JUNE 2021

10. Investments in associates and joint ventures continued

Summarised financial information of Associated Fund Administrators Botswana Proprietary Limited

	Group	
	June 2021 R'000	June 2020 R'000
At 30 June 2021		
Non-current assets (excluding intangible assets)	11 996	2 781
Intangible assets	320	520
Current assets	59 356	51 600
Total assets	71 672	54 901
Non-current liabilities	9 603	–
Current liabilities	15 869	11 443
Total liabilities	25 472	11 443
Net assets	46 200	43 458
Revenue	105 760	100 582
Profit or loss from continuing operations	18 970	16 305
Total comprehensive income attributable to ordinary shareholders	18 970	16 305
Net profit for the year	18 970	16 305

11. Investments in subsidiaries

	Company	
	June 2021 R'000	June 2020 R'000
Unlisted investments at cost	428 144	428 144

Name of subsidiary	Main business	Country of incorporation	Interest held (voting rights) %	Non-controlling interest (voting rights) %
2021				
Directly held				
ACT Healthcare Assets Proprietary Limited	Investment holding	South Africa	71.3	28.7
ACT Funding Proprietary Limited	Dormant	South Africa	100	–
Indirectly held				
AfroCentric Health (RF) Proprietary Limited	Healthcare administration	South Africa	71.3	28.7
2020				
Directly held				
ACT Healthcare Assets Proprietary Limited	Investment holding	South Africa	71.3	28.7
ACT Funding Proprietary Limited	Dormant	South Africa	100	–
Indirectly held				
AfroCentric Health (RF) Proprietary Limited	Healthcare administration	South Africa	71.3	28.7

The Company has assessed its investments in subsidiaries for impairment by comparing the carrying amount of the investments to the net asset value of the underlying entities. No indication of impairment was noted for the financial year.

Notes to the financial statements continued

for the year ended 30 JUNE 2021

12. Deferred tax

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Deferred tax assets	89 463	84 607	–	12 732
Deferred tax liabilities	(250 040)	(246 809)	–	–
Net Group Deferred tax (liabilities)/assets	(160 577)	(162 202)	–	12 732

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

Group	Capital allowances R'000	Investment R'000	Provisions R'000	Prepayments R'000	Assessed loss* R'000	Business combinations R'000	Other** R'000	Total R'000
Deferred tax assets								
Opening balance at 1 July 2020	–	12 817	47 367	–	23 055	–	80 923	164 162
Charged to profit or loss	–	(12 817)	(6 872)	–	(1 793)	–	(8 325)	(29 807)
Acquisition of subsidiary	–	–	23 547	–	401	–	220	24 168
Disposal of subsidiary	–	–	(765)	–	(10 963)	–	–	(11 728)
Closing balance at 30 June 2021	–	–	(63 277)	–	10 700	–	72 818	146 795
Deferred tax liabilities								
Opening balance at 1 July 2020	(158 941)	–	–	(3 251)	–	(107 985)	(56 187)	(326 364)
Credited/(charged) to profit or loss	14 113	–	–	(2 014)	–	23 532	657	36 288
Acquisition of subsidiary	(312)	–	–	1 404	–	(18 205)	(186)	(17 299)
Disposal of subsidiary	–	–	–	3	–	–	–	3
Closing balance at 30 June 2021	(145 140)	–	–	(3 858)	–	(102 658)	(55 716)	(307 372)
Net deferred tax liabilities	(145 140)	–	63 277	(3 858)	10 700	(102 658)	17 102	(160 577)
Deferred tax assets								
Opening balance at 1 July 2019	–	12 261	38 327	–	12 916	–	100 970	164 474
Credited/(charged) to profit or loss	–	556	9 040	–	10 139	–	(20 047)	(312)
Closing balance at 30 June 2020	–	12 817	47 367	–	23 055	–	80 923	164 162
Deferred tax liabilities								
Opening balance at 1 July 2019	(130 194)	–	–	(3 802)	–	(107 985)	(96 175)	(338 156)
(Charged)/credited to profit or loss	(28 747)	–	–	551	–	–	39 988	11 792
Closing balance at 30 June 2020	(158 941)	–	–	(3 251)	–	(107 985)	(56 187)	(326 364)
Net deferred tax liabilities	(158 941)	12 817	47 367	(3 251)	23 055	(107 985)	24 736	(162 202)

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

** *Other deferred tax assets and liabilities consists of deferred tax relating to the lease liability, right of use asset, capital losses and income received in advance.*

Notes to the financial statements continued

for the year ended 30 JUNE 2021

12. Deferred tax continued

Company

	Capital allowances R'000	Investment R'000	Provisions R'000	Prepayments R'000	Assessed loss* R'000	Business combinations R'000	Other** R'000	Total R'000
Deferred tax assets								
Opening balance at 1 July 2020	–	12 817	–	–	–	–	–	12 817
Charged to profit or loss	–	(12 817)	–	–	–	–	–	(12 817)
Closing balance at 30 June 2021	–	–	–	–	–	–	–	–
Deferred tax liabilities								
Opening balance at 1 July 2020	–	–	(63)	(22)	–	–	–	(85)
Credited to profit or loss	–	–	63	22	–	–	–	85
Closing balance at 30 June 2021	–	–	–	–	–	–	–	–
Net deferred tax assets	–	–	–	–	–	–	–	–
Deferred tax assets								
Opening balance at 1 July 2019	–	12 817	526	–	76	–	–	13 419
Charged to profit or loss	–	–	(589)	–	(76)	–	–	(665)
Closing balance at 30 June 2020	–	12 817	(63)	–	–	–	–	12 754
Deferred tax liabilities								
Opening balance at 1 July 2019	–	–	–	–	–	–	–	–
Charged to profit or loss	–	–	–	(22)	–	–	–	(22)
Closing balance at 30 June 2020	–	–	–	(22)	–	–	–	(22)
Net deferred tax assets	–	–	(63)	(22)	–	–	–	12 732

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

** *Other deferred tax assets and liabilities consists of deferred tax relating to the lease liability, right of use asset and income received in advance.*

The Group has assessed losses of R1.95 million (2020: Rnil) that has not been recognised as a deferred tax asset.

13. Inventory

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Finished goods*	291 326	200 261	–	–
Merchandise – pharmaceutical	133 190	99 590	–	–
Merchandise provision	(2 953)	(2 000)	–	–
Inventory on hand at year-end	421 563	297 851	–	–

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

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

Notes to the financial statements continued

for the year ended 30 JUNE 2021

14. Other financial assets

Other investments comprise the following balances:

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Other financial assets comprise the following balances				
Investments in Venture Capital Funds	8 394	3 711	–	–
Investments in Cell Captive	21 267	–	–	–
Short-term loan	149 244	–	–	–
	178 905	3 711	–	–
Non-current assets	29 661	3 711	–	–
Current assets	149 244	–	–	–
	178 905	3 711	–	–

The investment vehicle for the venture capital funds have the mandate of re-investing capital funds. The objective is to generate returns for the holder of shares in the form of dividends.

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

The investments in cell captives relate to investments held in the Guardrisk cell captive.

These investments are classified as financial assets and are measured at fair value through profit and loss due to it being equity investments.

The short-term loan relates to an interest free loan granted to Shelsley Proprietary Limited and is measured at fair value through profit and loss.

14.1 Fair value hierarchy

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

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices)
Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

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

Specific valuation techniques used to value financial instruments include:

» the fair value of the equity investments measured at fair value through profit and loss are determined based on a valuation of the net asset value attributable to the investments;
» the fair value of the short-term loan receivable is determined with reference to the market-related borrowing rate; and
» the fair value of the remaining financial instruments is determined using discounted cash flow analysis and price earnings (PE) ratios.

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

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

	Level 3 R'000
Year ended 30 June 2021 – Group	
Unlisted investment	29 661
Short-term loan	149 244
Year ended 30 June 2020 – Group	
Unlisted investment	3 711

Notes to the financial statements continued

for the year ended 30 JUNE 2021

14. Other financial assets continued

14.1 Fair value hierarchy continued

The table below presents the movements for the year:

	Group			
	Investments in Venture Capital Funds R'000	Investments in Cell Captive R'000	Short-term loan R'000	Total R'000
Balance at the beginning of the year	3 711	–	–	3 711
Acquisitions through business combinations	–	17 669	–	17 669
Additions	4 683	1 450	148 310	154 443
Fair value gains	–	2 148	934	3 082
Balance at the end of the year	8 394	21 267	149 244	178 905

Valuation inputs and relationships to fair value

Investments in Venture Capital Funds and Investments in Cell Captive

The fair value of the equity investments measured at fair value through profit and loss are determined based on a valuation of the net asset value attributable to the investments, as management has deemed it representative of fair value.

Short-term loan receivable

The fair value of the short-term loan receivable is derived from the amortised cost, calculated using the borrowing rate for a similar instrument in an arms-length transaction.

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 2021 R'000	Unobservable inputs	Input value used	Sensitivity of unobservable inputs on profit and loss
Investments in Cell Captive	21 267	Net asset value attributable to the investments	R21 267 000	As the input is based on the net asset value of the cell captive (which is representative of fair value), no sensitivity analysis is deemed necessary.
Short-term loan receivable	149 244	Borrowing rate for a similar instrument at arms-length	5.75%	If the borrowing rate decreased by 1 percent, the fair value will increase by R128 258. If the borrowing rate increases by 1 percent, the fair value will decrease by R126 942.

Valuation process

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

Notes to the financial statements continued

for the year ended 30 JUNE 2021

15. Discontinued operations

The Group disposed of the following subsidiaries in the current financial year:

Subsidiary	Effective date of sale
» Medscheme Administrators Eswatini Proprietary Limited*	31-May-21
» Medscheme Health Insurance Eswatini Limited	31-May-21
» Medscheme Zimbabwe Private Limited*	30-Apr-21
» AfroCentric Integrated Health Risk Managers Proprietary Limited	2-Jul-20

* *These operations were disposed.*

Financial information relating to the discontinued operations for the period to the date of disposal are set out below:

15.1 Loss from discontinued operations excluding gains and losses from measurement or disposal are as follows:

	Group	
	2021 R'000	2020 R'000
Revenue	**20 627**	22 054
Other income	**99**	386
Depreciation	**(135)**	(335)
Right of use asset depreciation	**(19)**	(755)
Amortisation	**(27)**	(62)
Expected credit loss allowance	**–**	(467)
Interest on lease liability	**(2)**	(47)
Other expenses	**(24 013)**	(29 643)
Reclassification of foreign currency translation reserve	**(10 401)**	–
Share based payment expense	**–**	(248)
Loss before tax	**(13 871)**	(9 117)
Income tax	**(137)**	995
Loss for the year	**(14 008)**	(8 122)
Exchange differences on translation of discontinued operations	**11 658**	(1 343)
Other comprehensive income from discontinued operations	**11 658**	(1 343)

15.2 Cash flows from discontinued operations

	2021 R'000	2020 R'000
Net cash flows generated from/(utilised in) operating activities	**2 553**	(6 168)
Net cash flows generated from/(utilised in) investing activities	**(3 862)**	5 220
Net cash flows generated from/(utilised in) financing activities	**(768)**	5
	(2 077)	(943)
Proceeds on sale of subsidiaries	**–**	–
Less cash balances disposed	**(2 835)**	–
Net cash outflow on disposal of subsidiaries	**(2 835)**	–

15.3 Details of the sale of the subsidiaries

	2021 R'000	2020 R'000
Consideration received or receivable:		
Cash	**–**	–
Fair value of contingent consideration	**–**	–
Total disposal consideration	**–**	–
Carrying amount of net assets sold	**10 014**	–
Loss on sale	**(10 014)**	–

Notes to the financial statements continued

for the year ended 30 JUNE 2021

15. Discontinued operations continued

15.3 Details of the sale of the subsidiaries continued

The carrying amounts of assets and liabilities as at the date of sale were:

	AfroCentric Integrated Health Risk Managers R'000	Medscheme Zimbabwe R'000	Medscheme Administrators Eswatini R'000	Medscheme Health Insurance Eswatini R'000
Property, plant and equipment	–	–	235	–
Intangible assets	–	–	3	–
Deferred tax asset	77	149	10 854	722
Trade and other receivables	601	1 641	49	–
Current tax asset	130	–	330	–
Cash and cash equivalents	11	140	39	2 645
Loans to group companies	–	–	–	4 883
Total assets	819	1 930	11 510	8 250
Loans from group companies	–	–	4 883	–
Trade and other payables	188	904	–	3 109
Current tax liability	–	306	–	29
Provisions	274	–	–	–
Total liabilities	462	1 210	4 883	3 138
Net assets	357	720	6 627	5 112
Non-distributable reserves	–	–	(1 675)	–
Non-controlling interest	–	(3 775)	3 597	(949)
Carrying amount of net assets sold	357	(3 055)	8 549	4 163

16. Issued capital

16.1 Issued share capital

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Authorised				
1 billion ordinary shares at no par value	10 000	10 000	10 000	10 000
60 million redeemable preference shares of 1 cent each	600	600	600	600
Issued				
574 964 584 ordinary shares of 1 cent each	18 892	18 885	18 892	18 885
– Opening balance	18 885	18 885	18 885	18 885
– Issue of share capital*	7	–	7	–
Share premium (Note 16.2)	1 084 696	1 080 301	1 084 696	1 080 301
	1 103 588	1 099 186	1 103 588	1 099 186

* *During the current financial year, the first tranche of the share-based awards vested. Refer to Note 30 for further details.*

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

Major shareholders holding more than 5% of the issued share capital	Number of shares	% of total shares
2021		
Community Healthcare Holdings Proprietary Limited	139 713 097	24.30
WAD Holdings Proprietary Limited	85 219 923	14.82
Golden Pond Trading 175 Proprietary Limited	70 000 000	12.17
ARC Financial Services Investments Proprietary Limited	48 765 030	8.48
Total	343 698 050	59.77

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16. Issued capital continued

16.2 Share premium

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Opening balance	1 080 301	1 080 301	1 080 301	1 080 301
Issue of share-based payment awards	4 395	–	4 395	–
Closing balance	1 084 696	1 080 301	1 084 696	1 080 301

17. Other reserves

	Group			
	Share-based payment reserve R'000	Foreign currency translation reserve R'000	Treasury shares R'000	Total reserves R'000
Balance as at 30 June 2019	11 286	(3 114)	(2 324)	5 848
Share-based payment expense	9 131	–	–	9 131
Other comprehensive income	–	(380)	–	(380)
Reclassification between reserves*	–	(11 138)	–	(11 138)
Balance as at 30 June 2020	20 417	(14 632)	(2 324)	3 461
Share-based payment expense	10 787	–	–	10 787
Share-based payment awards exercised	(4 402)	–	–	(4 402)
Other comprehensive income	–	8 493	–	8 493
Balance as at 30 June 2021	26 802	(6 139)	(2 324)	18 339

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

	Company
	Share-based payment reserve R'000
Balance as at 30 June 2019	11 286
Share-based payment expense	9 131
Balance as at 30 June 2020	20 417
Share-based payment expense	10 787
Share-based payment awards exercised	(4 402)
Balance as at 30 June 2021	26 802

18. Non-controlling interest

	Group	
	June 2021 R'000	June 2020 R'000
Balance at the beginning of the year	902 491	787 713
Dividend distributions (Note 29)	(132 923)	(43 900)
Non-controlling interest on acquisition of subsidiaries	–	3 566
Non-controlling interest on disposal of subsidiaries	(1 078)	–
Non-controlling interest on change of ownership without loss of control	(4 989)	–
Share of net profit of subsidiaries	167 722	155 112
Share of other comprehensive income of subsidiaries	(2 471)	–
	928 752	902 491

Notes to the financial statements continued

for the year ended 30 JUNE 2021

18. Non-controlling interest continued

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

	Group	
	June 2021 R'000	June 2020 R'000
Summarised statement of financial position of ACT Healthcare Assets Proprietary Limited		
Current assets	1 254 114	922 086
Current liabilities	744 027	677 811
Current net assets	510 087	244 275
Non-current assets	3 724 057	3 468 137
Non-current liabilities	938 501	563 838
Non-current net assets	2 785 556	2 904 299
Net assets	3 295 643	3 148 574
ACT Healthcare Assets Proprietary Limited contribution towards group accumulated non-controlling interest	928 752	902 491
Summarised statement of comprehensive income		
Revenue	8 106 840	6 477 671
Profit for the period	507 245	483 022
Other comprehensive income	–	–
Total comprehensive income	507 245	483 022
ACT Healthcare Assets Proprietary Limited contribution towards group total comprehensive income allocated to non-controlling interest	165 251	155 112
ACT Healthcare Assets Proprietary Limited contribution towards group dividends paid to non-controlling interest	132 923	43 900
Summarised cash flows		
Cash flows from operating activities	241 464	646 628
Cash flows from investing activities	(543 127)	(558 724)
Cash flows from financing/(utilised in) activities	342 239	(166 758)
Net increase/(decrease) in cash and cash equivalents	40 576	(78 854)

Transactions with non-controlling interests

On 1 August 2020 the Group acquired the remaining 20% in Scriptpharm Risk Managers Proprietary Limited for R20.0 million. The Group recognised a decrease in non-controlling interests of R4.9 million with a corresponding increase in equity attributable to owners of the parent.

The transaction did not result in a loss of control and was therefore accounted as an equity transaction, with the resultant adjustments being recognised directly in equity.

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

	Scriptpharm Risk Managers R'000	Total R'000
Retained earnings	(15 011)	(15 011)
Non-controlling interest	(4 989)	(4 989)
Total equity	(20 000)	(20 000)

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19. Leases

	Group		Company	
	June 2021 R'000	June 2020 R'000	June 2021 R'000	June 2020 R'000
Amounts recognised in the statement of financial position				
The statement of financial position shows the following amounts relating to leases:				
Non-current assets				
Right of use asset	**176 924**	234 980	**–**	–
Non-current liabilities				
Lease liabilities	**156 353**	181 427	**–**	–
Current liabilities				
Lease liabilities	**63 764**	96 855	**–**	–
Amounts recognised in statement of profit or loss				
Depreciation	**66 564**	71 026	**–**	–
Interest expense	**21 420**	27 839	**–**	–
Expense relating to short-term leases	**1 528**	5 888	**–**	–

The total cash outflow for leases in 2021 was R93.7 million (2020: R92.0 million).

The lease payments are discounted using the incremental borrowing rate, being the Group's credit facility interest rate.

20. Employment benefit liability

	Group		
	Leave pay R'000	Bonuses R'000	Total R'000
Balance as at 30 June 2019	46 296	42 363	88 659
Charged to the statement of comprehensive income:			
– additional provisions	108 150	104 284	212 434
Utilised during the year	(109 127)	(89 190)	(198 317)
Balance as at 30 June 2020	45 319	57 457	102 776
Acquisitions through business combinations	**2 386**	**9 421**	**11 807**
Charged to the statement of comprehensive income:			
– additional provisions	**70 250**	**124 565**	**194 815**
– amounts reversed	**–**	**(698)**	**(698)**
Utilised during the year	**(68 827)**	**(109 257)**	**(178 084)**
Balance as at 30 June 2021	**49 128**	**81 488**	**130 616**

	Company		
	Leave pay R'000	Bonuses R'000	Total R'000
Balance as at 30 June 2019	–	1 877	1 877
Credited to the statement of comprehensive income:			
– amounts reversed	–	(1 877)	(1 877)
Balance as at 30 June 2020	–	–	–

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

Notes to the financial statements continued

for the year ended 30 JUNE 2021

21. Revenue

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
21.1 Revenue from sale of goods	2 437 065	1 884 589	–	–
Revenue from services	5 637 353	4 534 323	–	–
Administration fees	1 553 456	1 552 055	–	–
Health risk management fees – Medical aid schemes	1 427 354	1 218 151	–	–
Health risk management fees – Capitation funds	1 877 580	1 011 817	–	–
Management fees	4 053	17 914	–	–
IT revenue and other	541 974	496 606	–	–
Marketing fees	194 840	209 757	–	–
Healthcare insurance	38 096	28 023	–	–
Total revenue from contracts with customers	8 074 418	6 418 912	–	–

21.2 Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the group/company's reportable segments (see Note 5).

	Group								
	Administration fees R'000	Health risk management fees – medical aid schemes R'000	Management fees R'000	Healthcare insurance R'000	IT revenue and other R'000	Retail R'000	Health risk management fees – Capitation funds R'000	Marketing fees R'000	Group total R'000
Revenue for the year ended 30 June 2021 disaggregated by type of goods or services – Group									
Primary geographical markets									
South Africa	1 387 629	1 411 066	2 474	38 096	528 300	2 437 065	1 877 580	194 840	7 877 050
Africa	165 827	16 288	1 579	–	13 674	–	–	–	197 368
	1 553 456	1 427 354	4 053	38 096	541 974	2 437 065	1 877 580	194 840	8 074 418
Major product/ service line									
Admin health	1 553 456	–	–	–	541 974	–	–	194 840	2 290 270
Retail (Pharma)	–	–	–	–	–	2 437 065	–	–	2 437 065
Managed healthcare	–	1 427 354	4 053	38 096	–	–	1 877 580	–	3 347 083
	1 553 456	1 427 354	4 053	38 096	541 974	2 437 065	1 877 580	194 840	8 074 418
Timing of revenue recognition									
Products transferred at a point in time	–	–	–	–	–	2 437 065	–	–	2 437 065
Products and services transferred over time	1 553 456	1 427 354	4 053	38 096	541 974	–	1 877 580	194 840	5 637 353
	1 553 456	1 427 354	4 053	38 096	541 974	2 437 065	1 877 580	194 840	8 074 418

Notes to the financial statements continued

for the year ended 30 JUNE 2021

21. Revenue continued

21.2 Disaggregation of revenue from contracts with customers continued

	Group								
	Administration fees R'000	Health risk management fees – medical aid schemes R'000	Management fees R'000	Healthcare insurance R'000	IT revenue and other R'000	Retail R'000	Health risk management fees – Capitation funds R'000	Marketing fees R'000	Group total R'000
Revenue for the year ended 30 June 2020 disaggregated by type of goods or services – Group									
Primary geographical markets									
South Africa	1 392 593	1 202 093	16 320	28 023	485 356	1 884 589	1 011 817	209 757	6 230 548
Africa	159 462	16 058	1 594	–	11 250	–	–	–	188 364
	1 552 055	1 218 151	17 914	28 023	496 606	1 884 589	1 011 817	209 757	6 418 912
Major product/ service line									
Admin health	1 552 055	–	–	–	496 606	–	1 011 817	209 757	3 270 235
Retail (Pharma)	–	–	–	–	–	1 884 589	–	–	1 884 589
Managed healthcare	–	1 218 151	17 914	28 023	–	–	–	–	1 264 088
	1 552 055	1 218 151	17 914	28 023	496 606	1 884 589	1 011 817	209 757	6 418 912
Timing of revenue recognition									
Products transferred at a point in time	–	–	–	–	–	1 884 589	–	–	1 884 589
Products and services transferred over time	1 552 055	1 218 151	17 914	28 023	496 606	–	1 011 817	209 757	4 534 323
	1 552 055	1 218 151	17 914	28 023	496 606	1 884 589	1 011 817	209 757	6 418 912

21.3 Contract balances

The following table provides information about receivables from contracts with customers.

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Current contract receivables				
Trade receivables	405 917	448 874	7	–
Contract assets	(18 818)	(35 262)	–	–
Trade receivables impairment	387 099	413 612	7	–

Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or for services rendered, once the performance obligation of the service is satisfied.

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

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

Notes to the financial statements continued

for the year ended 30 JUNE 2021

22. Cost of pharmaceutical products and finished goods

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Opening inventory	**297 851**	283 732	**–**	–
Purchases	**1 933 318**	1 431 326	**–**	–
Closing inventory	**(421 563)**	(297 851)	**–**	–
	1 809 606	1 417 207	**–**	–
Cost of distribution of pharmaceutical products	**95 991**	72 561	**–**	–
	1 905 597	1 489 768	**–**	–

23. Profit before taxation

Profit before taxation is stated after charging the following items:

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Auditors' remuneration (included in other expenses)	**18 817**	15 967	**2 365**	2 301
Audit fees	**18 062**	15 028	**2 045**	1 583
Prior period under provision	**755**	939	**320**	718
Depreciation of property, plant and equipment	**78 202**	62 179	**–**	–
Motor vehicles	**4 534**	3 615	**–**	–
Computer equipment	**42 446**	31 177	**–**	–
Buildings	**5 587**	4 601	**–**	–
Furniture and fittings	**15 560**	14 258	**–**	–
Property and equipment	**10 075**	8 528	**–**	–
Amortisation of development costs and other intangible assets	**195 027**	164 091	**–**	–
Right of use asset depreciation	**66 564**	71 026	**–**	–
Share-based payment expense	**10 694**	8 876	**2 028**	226
Bad debt write-off	**8 705**	2 453	**–**	–
Expected credit loss allowance	**2 009**	3 219	**–**	–
Rent and property costs	**77 857**	79 481	**–**	–
Property costs	**76 329**	73 593	**–**	–
Motor vehicles	**200**	319	**–**	–
Office equipment and furniture	**1 328**	5 569	**–**	–
Repairs and maintenance (included in rent and property costs)	**13 057**	6 013	**–**	–

Notes to the financial statements continued

for the year ended 30 JUNE 2021

23. Profit before taxation continued

Directors' emoluments and fees

(included in employee benefit costs)

	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Executive				
JW Boonzaaier	6 016	5 094	–	–
– Basic salary	3 431	3 156	–	–
– Bonus	2 083	1 756	–	–
– Other allowance	66	–	–	–
– Profit on vesting of share-based payments	226	–	–	–
– Company contributions[1]	210	182	–	–
WH Britz	4 513	4 370	–	–
– Basic salary	4 292	4 156	–	–
– Bonus	–	–	–	–
– Company contributions[1]	221	214	–	–
A Banderker	9 388	8 459	–	–
– Basic salary	5 063	4 903	–	–
– Bonus	4 000	3 242	–	–
– Company contributions[1]	325	314	–	–
SE Mmakau	5 238	5 151	–	–
– Basic salary	3 451	3 456	–	–
– Bonus	1 450	1 479	–	–
– Other allowance	114	–	–	–
– Company contributions[1]	223	216	–	–
Non-executive				
For services as directors*	6 145	5 150	6 145	5 150
ATM Mokgokong	1 608	1 367	1 608	1 367
MJ Mandungandaba	1 553	1 368	1 553	1 368
Dr ND Munisi	408	429	408	429
IM Kirk	–	59	–	59
JJ Strydom	193	–	193	–
LL Dhlamini	–	326	–	326
HG Motau	–	212	–	212
SA Zinn	588	300	588	300
JB Fernandes	595	500	595	500
FG Allen	356	183	356	183
T Alsworth-Elvey	–	342	–	342
AM le Roux	457	43	457	43
M Chauke	387	21	387	21

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

1 *The company contributions relate to contributions made by the employer towards pension funds.*

	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Employee benefit costs	2 278 354	2 232 445	4 992	5 280
Salaries and wages	1 987 551	1 941 864	4 992	5 233
Termination benefits	5 701	5 892	–	–
Incentive, production and performance bonus	149 457	155 141	–	–
Staff welfare	39 551	50 777	–	44
Movement in post-employment medical obligation	(179)	(16)	–	–
Other employee benefit cost	96 273	78 787	–	3

Notes to the financial statements continued

for the year ended 30 JUNE 2021

23. Profit before taxation continued

	Group		Company	
	2021	2020	2021	2020
Average number of persons employed by the group during the period:				
South Africa	5 653	5 351	1	2
Full time	4 894	4 836	1	2
Part time	759	515	–	–
Outside of South Africa	304	342	–	–
Full time	277	342	–	–
Part time	27	–	–	–

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Dividends received	(1 000)	–	(199 795)	(56 012)
Loss on disposal of tangible assets	3 947	1 940	–	–
Write-off of intangible assets	26 793	–	–	–
Fair value losses/(gains)	6 307	(183)	17	(183)
Impairments	10 378	2 930	–	–
Impairment of goodwill	771	–	–	–
Impairment of software	35 485	2 919	–	–
Reversal of impairment of internally generated software	(39 167)	–	–	–
Impairment of internally generated software	6 093	–	–	–
Impairment of loans	7 196	11	–	–
Other expenses				
Included in other expenses are the following:				
Donations	3 255	1 133	–	–
Consulting fees	392 571	293 863	370	430
Legal fees	31 026	18 277	–	–
Operating expenditure*	257 881	213 846	11 095	10 492
Marketing and recruitment	80 267	81 547	2 983	2 976
VAT expenses	2 087	3 111	–	–
Capitation costs**	1 804 412	988 029	–	–

* *This relates mainly to motor vehicle, telephone, travel, postage and subscription costs.*

** *This relates to pharmacy claims paid by Scriptpharm and dental claims paid by the DENIS Group. The significant increase from prior year is due to the acquisition of DENIS Group.*

24. Net finance costs

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Finance costs	(35 673)	(43 888)	(1 035)	(7)
Other	(2 027)	(2 569)	–	–
Inter-company loans	–	–	(1 035)	(7)
Borrowings	(33 646)	(41 319)	–	–
Finance income	19 595	26 503	99	6 555
Cash and cash equivalents	13 043	20 248	99	459
Other	6 552	6 255	–	6 096

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

Notes to the financial statements continued

for the year ended 30 JUNE 2021

25. Income tax expense – continuing operations

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
25.1 Current taxation	223 604	167 353	30	–
Current year	220 571	170 066	30	–
Prior year	2 608	(2 737)	–	–
Securities transfer tax	425	24	–	–
Deferred taxation	(17 863)	(11 488)	12 732	688
Current year	(23 819)	(2 766)	41	688
Prior year	6 006	(8 718)	12 691	–
Income tax on remeasurement of post-employment benefit obligations	(50)	(4)	–	–
	205 741	155 865	12 762	688
25.2 Reconciliation of the tax rate				
South African normal tax rate	28.00%	28.00%	28.00%	28.00%
Adjusted for:				
Disallowable expenses	2.45%	3.31%	3.53%	9.75%
Donations not subject to Section 18A	0.04%	0.04%	–	–
Share transaction cost	0.03%	–	0.11%	–
Dual nature expenses	0.43%	0.54%	–	9.75%
Non-allowable legal fees	0.13%	0.32%	–	–
Non-allowable consulting fees	0.04%	0.14%	–	0.03%
Foreign exchange gain	–	0.07%	–	–
Loss on sale of assets	–	(0.01%)	–	–
Impairment of loans	0.13%	1.24%	–	–
Impairment of investments	0.76%	0.61%	–	–
Impairment of intangible assets	0.45%	–	–	–
Fair value loss on investments	0.16%	–	–	–
Waiver of debt	0.01%	–	–	–
Depreciation on buildings	0.03%	–	–	–
Penalties and interest	0.04%	(0.01%)	–	(0.03%)
Non-trading expenses	0.20%	0.37%	3.42%	–
Non-taxable income	(2.45%)	(0.37%)	(0.27%)	(0.12%)
Share of profits from associates	(0.33%)	(0.36%)	–	–
Fair value gain on investments	–	0.11%	–	(0.12%)
Investment capital received	–	–	(0.27%)	–
Employment Tax Incentive	(0.15%)	(0.12%)	–	–
Reversal of impairment of intangible assets	(1.91%)	–	–	–
Foreign exchange gain	(0.06%)	0.00%	–	–
Exempt income	(0.54%)	(1.49%)	(31.23%)	(36.07%)
Foreign income exempt in terms of Double Taxation Agreement	(0.54%)	(1.49%)	–	–
Dividends received	–	–	(31.23%)	(36.07%)
Other deductible expenses	(0.50%)	(0.69%)	–	–
Learnership allowance	(0.30%)	(0.69%)	–	–
Venture capital allowance	(0.20%)	–	–	–
Rate differences	0.31%	(0.85%)	–	–
Prior year adjustment				
– current tax	0.61%	(0.68%)	–	–
– deferred tax	0.87%	(1.28%)	–	–
Withholding tax	0.18%	(0.62%)	7.09%	–
Security transfer tax	0.06%	–	–	–
Unutilised capital loss	(0.30%)	–	–	–
Unrecognised assessed loss	0.76%	(0.30%)	–	(0.18%)
Effective tax rate	29.45%	25.03%	7.12%	1.38%

Notes to the financial statements continued

for the year ended 30 JUNE 2021

26. Earnings per share

The calculation of basic earnings per share for the Group is based on profit and loss attributable to the parent for the year of R302.0 million (June 2020: net profit of R303.5 million), and a weighted average number of shares of 574.6 million (June 2020: 574.2 million) shares in issue. The calculation of headline earnings per share for the Group is calculated on adjusted headline earnings of R329.1 million (June 2020: R306.7 million), and a weighted average number of shares of 574.6 million (June 2020: 574.2 million) shares in issue.

	Group	
	2021 R'000	2020 R'000
Reconciliation of headline earnings per share		
Total profit and loss attributable to the parent	316 041	311 697
From discontinued operation	(14 008)	(8 122)
Basic Earnings	302 033	303 575
Adjusted for:		
Reversal of impairments of intangible assets*	2 411	2 919
Reversal of goodwill impairment reversal	771	
Reversal of loss on disposal of subsidiaries	10 014	–
Loss on disposal of tangible assets	3 947	2 130
Scrapping of intangible assets	26 793	–
Reversal of profit on disposal of investments	(1 314)	–
Reversal of fair value losses	7 653	–
Reversal of foreign currency translation reserve reclassification	10 401	
Total non-controlling interest effect of adjustments	(10 882)	(1 278)
Total tax effects of adjustments	(22 759)	(596)
Headline earnings	329 068	306 750
Earnings per share (cents)		
Basic from continued operations	55.00	54.28
Basic from discontinued operations	(2.44)	(1.41)
Basic	52.56	52.87
Diluted from continued operations	53.45	53.18
Diluted from discontinued operations	(2.37)	(1.39)
Diluted	51.08	51.79
Headline earnings per share (cents)		
Basic	57.26	53.42
Diluted	55.66	52.33
Cash earnings per share (cents)**		
Basic	176.28	163.65
Diluted	171.33	160.33
Weighted average number of ordinary shares used in the calculation of basic earnings per share	574 655 416	574 241 248
– dilutionary impact of contingent shares***	16 590 000	11 900 000
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	591 245 416	586 141 248

* *This relates to impairment of the Schema6, IFM systems and the reversal of the Gexus impairment (prior year: impairment of the Solatium system).*

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

*** *The contingent shares relate to the share based payment awards. Refer to Note 30 for details.*

Notes to the financial statements continued

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27. Cash flows from operating activities

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Profit before tax from operating activities	699 518	622 674	–	–
Loss before tax from discontinued operations	(13 871)	(9 117)	–	–
Profit before tax	685 647	613 557	179 121	43 337
Adjustments for:				
Dividends received	(1 000)	–	(199 795)	(56 012)
Profit on sale of investment	(1 314)	–	–	–
Right of use assets depreciation	66 583	71 781	–	–
Interest on lease	21 422	27 886	–	–
Finance income	(19 595)	(26 888)	(99)	(6 555)
Finance costs	35 673	43 889	1 035	7
Bad debts written off	8 705	2 453	–	–
Increase in expected credit loss allowance	2 009	3 686	–	–
Net actuarial gains	–	(16)	–	–
Depreciation	78 337	62 514	–	–
Fair value gains/(losses)	6 307	(197)	17	(183)
Amortisation of intangible assets	195 054	164 153	–	–
Impairment of intangibles	3 182	2 919	–	–
Write-off of inventory	2 723	–	–	–
Impairment provision on investments and loans	7 196	11	–	–
Loss on disposal of tangible assets	3 947	1 940	–	–
Write-off of intangible assets	26 793	–	–	–
Share-based payment expense	10 694	9 124	10 694	9 124
Reclassification of foreign currency translation reserve	10 401	–	–	–
Share of profit from associates and joint ventures	(8 294)	(7 990)	–	–
Other adjustments for non-cash items	(4 139)	(10 270)	77	6
Cash flow before working capital changes	1 130 331	958 552	(8 950)	(10 276)
Working capital changes				
Inventory	(126 435)	(14 119)	–	–
Trade and other receivables	(3 662)	27 159	118	(25)
Trade and other payables	51 219	(45 964)	620	(798)
Provisions	(38 441)	14 117	–	(1 877)
Cash generated from/(utilised in) operations	1 013 012	939 745	(8 212)	(12 976)

28. Income tax paid

	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Balance at the beginning of the year (liability)/asset	(4 953)	5 098	2 677	3 211
Balance at the end of the year (asset)/liability	(8 752)	4 953	(1 075)	(2 677)
Charge to the statement of comprehensive income	(205 741)	(155 865)	(12 762)	(688)
Less deferred tax included in taxation expense	(17 863)	(11 488)	12 732	688
Securities transfer tax	–	–	–	–
Take on balance*	(27 755)	–	–	–
Taxation (credit)/expense related to discontinued operations	(137)	995	–	–
Deferred tax included in discontinued operations	(1 630)	(2 327)	–	–
	(266 831)	(158 634)	1 572	534

* *The take on balance relates to the current tax balances at acquisition of DENIS Group during the financial year.*

Notes to the financial statements continued

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29. Dividends

AfroCentric Investment Corporation Limited passed two resolutions whereby dividends were declared in the 2021 financial year. The first dividend was declared in September 2020 of 17 cents per share and the second dividend was declared in March 2021 of 17 cents per share, being the interim dividend. The Rand value of R97.5 million was paid in November 2020 for the first dividend and R97.6 million was paid in May 2021 for the second dividend. These dividends were debited to retained earnings in 2021.

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Dividend declared by AfroCentric Investment Corporation Limited in September 2020	**97 517**	97 621	**97 702**	97 621
Dividend declared by AfroCentric Investment Corporation Limited in March 2021	**97 271**	97 621	**97 744**	97 621
	194 788	195 242	**195 446**	195 242
Dividends declared and paid to non-controlling interests in the Group	**132 923**	43 900	**–**	–
Dividend declared and paid by Medscheme (Namibia) Proprietary Limited	**4 940**	9 230	**–**	–
Dividend declared and paid by Allegra Proprietary Limited	**8 330**	10 780	**–**	–
Dividend declared and paid by Scriptpharm Risk Management Proprietary Limited	**–**	1 344	**–**	–
Dividend declared and paid by ACT Healthcare Assets Proprietary Limited	**80 423**	22 546	**–**	–
Dividend declared and paid by AfroCentric Distribution Services Proprietary Limited	**19 600**	–	**–**	–
Dividend declared and paid by Essential Group Services Proprietary Limited	**19 630**	–	**–**	–
	327 711	239 142	**195 446**	195 242

30. Share-based payments

In the 2018 financial year a new share award plan was implemented. The purpose of the plan is to retain, motivate and reward eligible employees who are able to influence the performance and growth strategies of the company, on a basis which aligns their interests with those of the Group's shareholders.

Share awards will be issued to identified participants by the Remuneration Committee and Board. The number of share awards to be allocated to an eligible employee will primarily be based on the identified employee's annual salary, grade, performance, retention and attraction requirements and market benchmarks. The number of share awards will be recommended by the Remuneration Committee at the time that share awards are granted per an award letter.

Eligibility for participation to the plan will be considered on an annual basis. Share awards will constitute conditional shares in AfroCentric Investment Corporation Limited and on vesting date this will be issued to the identified participant in equity shares at no cost. The maximum annual allocation is 5 742 411 share awards (1% of current issued share capital of 574 241 248) and the maximum dilution limit is 28 712 062 (5% of current issued share capital of 574 241 248).

AfroCentric expects that 90% of awards will vest to participants at the end of the plan. The share awards are subject to staggered vesting, i.e. vesting of the share awards following the three-year retention period in three equal tranches. The charge for the year is R10 million (2020: R9 million).

30 June 2021	Group					
Offer date	Issue share price R	Balance at 30 June 2020 '000	Offered '000	Forfeited '000	Balance as at 30 June 2021 '000	Fair Value as at 30 June 2021 R'000
– 8 December 2017	6.20	2 680	–	(500)	2 180	**9 636**
– 1 November 2018	5.50	3 530	–	(310)	3 220	**14 232**
– 30 November 2019	3.30	5 690	–	(200)	5 490	**24 266**
– 07 December 2020	3.50	–	6 240	(540)	5 700	**25 194**
Total		11 900	6 240	(1 550)	16 590	**73 328**

Fair value based on closing share price as at 30 June 2021 of R4.42. Weighted average remaining years of 3.3 years.

Notes to the financial statements continued

for the year ended 30 JUNE 2021

30. Share-based payments continued

30 June 2020			Group			
Offer date	Issue share price R	Balance at 30 June 2019 '000	Offered '000	Forfeited '000	Balance as at 30 June 2020 '000	**Fair Value as at 30 June 2020 R'000**
– 8 December 2017	6.20	4 440	–	(1 760)	2 680	9 889
– 1 November 2018	5.50	4 430	–	(900)	3 530	13 026
– 30 November 2019	3.30	–	5 690	–	5 690	20 996
Total		8 870	5 690	(2 660)	11 900	43 911

Fair value based on closing share price as at 30 June 2020 of R3.69. Weighted average remaining years of 2.75.

	Group		Company	
	Number of shares 2021	Number of shares 2020	Number of shares 2021	Number of shares 2020
Movements in number of instruments:				
Outstanding at the beginning of the period	**1 436**	1 130	**–**	–
Vested				
Active employees	**1 236**	306	**–**	–
Outstanding at the end of the period	**2 672**	1 436	**–**	–

This represents the shares vested but not yet exercised.

31. Contingencies, commitments and guarantees

31.1 Contingencies

Exposure to errors and omissions in ordinary course of business

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

Neil Harvey & Associates Proprietary Limited

The first issue determined in the arbitration case was Neil Harvey and Associates' ("NHA") claim relating to Medscheme's use, during 2005 to 2007, of a copy of an offline and online broker software module known as the EMI Broker software. The EMI Broker software module was rendered redundant by about 2008 as a result of developments in technology and Medscheme had in any event discontinued the use thereof by that time.

This portion of NHA's arbitration claims amounted to a claim for approximately R24 million (as a royalty) plus interest which NHA sought to claim from about 2005. The interest claim could have resulted in a substantial addition to the above capital amount of the claim.

The dispute over this issue was heard in July and August 2020 and an award was given during October 2020.

The Board is pleased to notify shareholders that the arbitrator ruled that NHA was entitled to a total of only R2.7 million, with interest only from October 2020 to date of payment, and costs. Medscheme had provided the specifications and also assisted in the development of this software and therefore considered it was entitled to use it during the above period. The Arbitrator however found that Medscheme's contribution fell short of the contribution required for joint authorship and ownership of the software, but as indicated limited NHA's claim to R2.7 million, and costs. The Arbitrator further dismissed NHA's claims against three of Medscheme's former executives, with costs and also awarded Medscheme the costs of a previous postponement of the arbitration.

Thus both NHA and Medscheme were ordered to pay costs.

The calculation of the costs relating to the aspect of the arbitration that was heard and resolved in 2020 is now being determined by both parties to assess what the net amount payable by either party will be.

R2.7 million has been expensed and a possible accrual raised for the legal costs. The next part of the case relating to the extension of the licensing agreement of the NHA administration system will commence in February 2022.

	Group		Company	
Guarantees	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Guarantees issued in respect of office rental for premises occupied by the Group	**5 503**	5 503	**–**	–
Medical aid schemes	**1 000**	1 000	**–**	–
South African Post Office	**3 800**	3 800	**–**	–
City Power Johannesburg	**500**	500	**–**	–
MMed guarantees to suppliers	**850**	850	**–**	–
	11 653	11 653	**–**	–

Notes to the financial statements continued

for the year ended 30 JUNE 2021

32. Related party transactions

32.1 Directors

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

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

Relationships with directors in the Group

WAD Holdings Proprietary Limited – Mr WH Britz (Executive Director) holds 50% of WAD Holdings Proprietary Limited.

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

32.2 Transactions with related parties

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

	Group	
	June 2021 R'000	June 2020 R'000
Directors		
Medical aid contributions paid by directors – to schemes administered by Medscheme Holdings Proprietary Limited	486	301
Mr MJ Madungandaba (70%) and Dr ATM Mokgokong (30%) control Namane Financial Services – consulting and marketing fees paid to Namane Financial Services	14	156
Mr MJ Madungandaba (42%) and Dr ATM Mokgokong (30%) control Mesure Facilities Management Proprietary Limited – management fees and other expenses paid to Mesure Facilities Management Proprietary Limited. The fees represent outsourced facilities management for the AfroCentric Group that represent the following categories:	62 784	67 996
– Salaries	11 087	12 501
– Cleaning and security	21 042	19 842
– Refurbishments, projects and capex	5 787	6 635
– Utilities	23 593	27 052
– Other	1 275	1 966
Mr MJ Madungandaba (41.91%) and Dr ATM Mokgokong (17.96%) collectively control Skynet South Africa Proprietary Limited – courier fees paid to Skynet South Africa	–	4
Mr MJ Madungandaba (8.29%) and Dr ATM Mokgokong (3.55%) have an interest in Jasco Electronics Holdings Limited – IT service fees paid to Jasco Electronics Holdings Limited	2 464	21 810
Mr MJ Madungandaba, Dr ATM Mokgokong and Dr ND Munisi are directors of Community Medical Proprietary Limited – purchases from Community Medical Proprietary Limited	–	1 619
Activo Health Proprietary Limited – rental costs paid to Northern Lights Trading 172 Proprietary Limited	1 158	563
AfroCentric Distribution Services Proprietary Limited – rental costs paid to Northern Lights Trading 172 Proprietary Limited	4 321	4 039
Pharmacy Direct Proprietary Limited – rental costs paid to Northern Lights Trading 172 Proprietary Limited	1 926	1 884
Fastpulse Employee Solutions Proprietary Limited – rental costs paid to Northern Lights Trading 172 Proprietary Limited	129	–
Related entities		
Intercompany recovery costs		
Sanlam Limited – intercompany recovery expenses paid to AfroCentric Distribution Services Proprietary Limited	(12)	–

Notes to the financial statements continued

for the year ended 30 JUNE 2021

32. Related party transactions continued

32.3 Transactions with entities in the group

	Company	
	June 2021 R'000	June 2020 R'000
Balances		
AfroCentric Health Proprietary Limited loan account	**(14 327)**	(9 767)
Interest charged		
Interest paid to AfroCentric Health Proprietary Limited	**(1 035)**	(7)
Interest received from AfroCentric Health Proprietary Limited	**–**	6 049
Dividends received		
Dividends received from ACT Healthcare Assets Proprietary Limited	**199 795**	56 012

32.4 Key management personnel compensation

Short-term employee benefits	**24 650**	18 929
Share-based payments	**9 824**	5 014

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

32.5 Intergroup guarantees

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

» Medscheme Holdings Proprietary Limited
» Aids for AIDS Management Proprietary Limited
» AfroCentric Technologies Proprietary Limited
» Klinikka Proprietary Limited

33. Pensions and other retirement obligations

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

Medscheme Provident Fund and Medscheme Employee Provident Fund

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

Notes to the financial statements continued

for the year ended 30 JUNE 2021

34. Subsequent events

Acquisition of Exeltis South Africa Proprietary Limited

AfroCentric via its subsidiary, Activo Health Proprietary Limited, entered into a sales of share agreement with Shelsley Chemicals Proprietary Limited to acquire all of the shares in Exeltis South Africa Proprietary Limited, effective 1st August 2021.

The name of Exeltis South Africa Proprietary Limited has subsequently been changed to Activo Health Care Assets Proprietary Limited.

Exeltis South Africa is the holding company of Forrester Pharma Proprietary Limited, involved in the marketing, selling and distribution of pharmaceutical products in South Africa, Namibia and Botswana. The company owns a number of registered legal rights to manufacture and distribute a specific medicine molecule/brand and have the right to a substantial pipeline of Dossiers in the process of being registered with the South African Health Products Regulatory Authority ("SAHPRA").

The financial aspects of this transaction have not been recognised at 30 June 2021. The operating results and assets and liabilities of the acquired company will be consolidated 1st August 2021.

(i) Purchase consideration and fair value of net assets acquired

Details of the consideration transferred are:

	R'000
Purchase consideration	
Cash paid*	189 244
Contingent consideration	101 120
Total purchase consideration	290 364

* *Included in the cash paid is the R150 million loan advance made to the owners of Exeltis in May 2021 as referred to in Note 3. This loan advance has been applied against the purchase price.*

AfroCentric Group has provided a guarantee to Shelsley Chemicals Proprietary Limited that Activo Health Proprietary Limited will be able to meet its financial obligations as set out in the terms and conditions of sale.

The provisionally determined fair value of the assets and liabilities of the Exeltis South Africa Proprietary Limited as the date of acquisition are as follows:

	Fair value R'000
Cash and cash equivalents	1 171
Property, plant and equipment	151
Intangible assets	27 537
Intangible assets – new dossier registration	83 139
Receivables	178
Payables	(760)
Net deferred tax assets	6 638
Net identifiable assets acquired	118 054
Add: Goodwill	172 310
Net assets acquired	290 364

The goodwill is attributable to Exeltis Group substantial pipeline of first to market generic molecules, none of the goodwill is expected to be deductible for tax purposes.

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

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

Acquisition of Sanlam Gap Cover

AfroCentric Health (RF) Proprietary Limited, has entered into negotiations with Sanlam Health Solutions Proprietary Limited for the acquisition of a Gap Cover business that is supplementary to its current medical scheme offerings.

35. Going Concern

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

Notes to the financial statements continued

for the year ended 30 JUNE 2021

36. Impact of COVID-19 on the Going concern

The wide-spread international outbreak of the COVID-19 (Coronavirus) has significantly affected lives, and entities and economic activity around the world.

The COVID-19 pandemic has continued to effect economic activities across the globe and South Africa has not been spared. In an effort to stem the growth in cases, South Africa has been placed on various levels of lockdown's throughout 2021 financial period. AfroCentric Group on entities have been deemed essential services as defined and we have continued to operate unaffected during all the various levels of lockdown.

Therefore the impact of the COVID-19 pandemic and the related lockdown is immaterial. The following are potential future financial effects on the company:

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

» Inventory – The Group and its subsidiary entities have experienced no disruption in the supply chain during the year and this is expected to continue in financial 2022 period.

» Financial instrument risk disclosures – Due to the rapidly changing economic environment, the Group and its subsidiary entities have been subject to an increasing market risk and fair value risk. To this effect, the Group's sensitivity analysis has been performed using a larger range for the risk effected variables (Notes 3 and 8). This range is based on management expectation of COVID-19.

» Borrowings repayment and classification – The Group has borrowings as at 30 June 2021 the outstanding balance is R776 million, the Group is not in breach of the covenants. The entity is anticipating to make R120 million payments in the next 12 months as and when they become due, no deferral of capital repayments is expected.

With the occurrence of the COVID-19 (Coronavirus) pandemic, AfroCentric Group and its subsidiary companies will still continue to operate as going concerns as there are sufficient financial resources to continue operating into the near future.

The COVID-19 pandemic and related, nation-wide lockdown (as outlined in note above) have not interfered with the Group's ability to continue its operations the entities have continued as normal even during the lockdown period, seeing as the following:

» Administration of medical aids;

» Provision of chronic medication;

» Supply and distribution of medication;

» Primary and occupational healthcare services;

» Information technology solutions; and

» Health insurance.

were deemed to be a healthcare-related essential service.

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

While the fierce headwinds of COVID-19 have put our most deeply held values to the test, our people have, time and time again, proven their resilience and commitment to delivering on our ambition of improving the quality of life of our stakeholders. Through the various alert levels and restrictions, our people have collaborated and supported one another to achieve broader aims. This was aptly demonstrated post-year-end as we navigated the unrest in areas of the country. The Group remained insulated and the unrest did not impact our operations.

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

SUPPLEMENTARY INFORMATION

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

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

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

	Healthcare SA R'000	Healthcare Africa R'000	Healthcare Retail R'000	Total Healthcare R'000	Information Technology R'000	Intergroup eliminations R'000	Group R'000
Year ended 30 June 2021							
Profit before taxation	274 570	70 104	277 287	**621 961**	**78 014**	*(457)*	**699 518**
Depreciation and amortisation	25 688	4 537	29 165	**59 390**	**181 345**	*32 494*	**273 229**
Reversal of impairment	27 226	–	702	**27 928**	**6 617**	*(24 167)*	**10 378**
Share-based payment expense	7 991	181	323	**8 495**	**403**	*1 796*	**10 694**
Net finance income/(cost)	9 074	(1 057)	2 672	**10 689**	**4 261**	*1 128*	**16 078**
Adjusted profit for the year (EBITDA)	344 549	73 765	310 149	**728 463**	**270 640**	*10 794*	**1 009 897**
Year ended 30 June 2020							
Profit before taxation	194 473	61 799	235 827	**492 099**	**137 794**	*(7 219)*	**622 674**
Depreciation and amortisation	23 248	4 127	12 271	**39 646**	**149 308**	*37 316*	**226 270**
Reversal of impairment	16 127	–	341	**16 468**	**–**	*(13 538)*	**2 930**
Share-based payment expense	8 027	69	775	**8 871**	**5**	–	**8 876**
Net finance income/(cost)	15 935	(1 407)	3 522	**18 050**	**(982)**	*317*	**17 385**
Adjusted Profit for the year (EBITDA)	257 810	64 588	252 736	**575 134**	**286 125**	*16 876*	**878 135**

2 Normalised earnings per share

	Group	
	2021 R'000	2020 R'000
Normalised earnings (non-IFRS information)[1]		
Headline earnings	**329 068**	306 750
Adjusted by:		
Less: Lease reversal	**(86 628)**	(86 129)
Add: Depreciation on right of use assets	**66 564**	71 781
Add: Interest on lease liability	**21 420**	27 886
Add: Discontinued operations reversal	**24 022**	8 122
Total tax effects of adjustments	**(380)**	(3 791)
Total NCI effects of adjustments	**(280)**	(2 797)
Normalised headline earnings	**353 786**	321 822
Normalised headline earnings per share (cents)		
Basic	**61.56**	56.04
Diluted	**59.84**	54.91

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

COMPANY INFORMATION

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