

# INTEGRATED REPORT 2018

*Continuing to consolidate  
and integrate the healthcare  
value chain*



*Since listing on the Johannesburg Stock Exchange (JSE) in 2008, AfroCentric has pursued opportunities to make healthcare more accessible and affordable. Our transformed and integrated service offerings enable us to optimise the healthcare value chain. Our significant growth has enabled us to become a sustainable and leading player in the healthcare business.*

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## Navigation

The following icons are used for reference purposes:

	Website		Page reference		Group Annual Financial Statements
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The following icons illustrate AfroCentric's strategic objectives and are used throughout the report to illustrate strategic integration across elements:

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

A glossary of key terms and acronyms used in this report is provided in the glossary .

# *Sustainable* **GROWTH**

*Growth is never by chance,  
it is the result of working  
together*



# PERFORMANCE

## summary for the year



### Enhance shareholder value

Dividend increased by 28% to

**32 cents** per share for the year

**7% decrease** in share price



### Promote transformation

Level 2<sup>1</sup> Broad-Based Black Economic Empowerment (B-BBEE) status for the **sixth** consecutive year

2018 BHF Titanium Awards for Service Excellence: Administration and Managed Care



### Maximise growth opportunities

Total revenue increased by **11.3%**

Acquired **24 000** members through Hosmed

**5 500** lives migrated from Community Medical Scheme to Bonitas after the liquidation

Contract volumes increased by approximately **20%** through the award of a new set of provinces in the Central Chronic Medicine Dispensing and Distribution (CCMDD) contract with the Department of Health



### Diversify revenue sources

Acquired MMed Distribution, Scriptpharm Risk Management, Essential Group and Tendahealth



### Deliver exceptional client service

Voice of the Customer survey achieved a positive response of **82.33%**



### Uplift our people

**5 274** employee complement

**7 million** in training spend

Introduction of the **Blue Print** training centre



### Improve efficiencies through cost consciousness

**10.5% increase** in operating profit

**R343 million** fraud, waste and abuse cases detected and confirmed



### Reduce the cost of healthcare

**R408 million** cost savings based on Insurance Fraud Manager (IFM) software

Year-on-year inflation on clients' hospital claims contained to **1%**

<sup>1</sup> AfroCentric Health (RF) Proprietary Limited.



# About **THIS REPORT**

*This Integrated Report (report) covers the holistic performance of AfroCentric Investment Corporation Limited (AfroCentric, the AfroCentric Group, the Company or the Group) for the year ended 30 June 2018.*





*This report is addressed to current and prospective investors, and our other stakeholders. It builds on the 2017 report and includes an overview of the Group, how we create value, and our performance and outlook. The report explains how AfroCentric is governed and the organisation's impact on society.*

### **Scope and boundary**

The AfroCentric Group operates primarily in South Africa and has a footprint in Namibia, Zimbabwe, Botswana, Kenya, Swaziland and Mauritius.

Any material events between the year-end and the report's approval by the Group's Board of Directors (the Board) on 12 September 2018 are also included. The scope, boundary and measurement methods of our reporting approach are materially the same as in 2017. Any restatements to comparatives are highlighted in the relevant section.

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### **Value**


We define value creation as the ability to use our resources to provide access to sustainable quality healthcare, sustain financial returns, transform the lives of all our stakeholders, and provide integrated healthcare solutions to our clients.

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### **Value creation reporting overview**

AfroCentric prepared this report to concisely provide balanced, reliable, transparent and relevant information that management deems material to our primary audience.

Material matters.  43

AfroCentric uses financial, manufactured, intellectual, human, social and relationship and natural capital to create value. Through our business activities and efficiencies in the healthcare value chain, we transform these six capitals into outputs and outcomes. Our interaction with natural capital is minimal, and therefore does not have detailed performance reporting. The business model entails various trade-offs between these six capitals.  28


## About this report (continued)

### Reporting approach

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

### Reporting suite

The Integrated Report should be read in conjunction with the Group Annual Financial Statements.

Report	Integrated Report	Group Annual Financial Statements
<b>Content</b>	<ul style="list-style-type: none"> <li>• An overview of the Group's business model, stakeholder engagement, material matters and strategy</li> <li>• Performance and prospects</li> <li>• Operational reviews</li> <li>• A Corporate Governance report</li> <li>• A Remuneration Committee report</li> <li>• Notice of the Annual General Meeting</li> <li>• A form of proxy</li> </ul>	<ul style="list-style-type: none"> <li>• Full audited Group Annual Financial Statements for the financial year ended 30 June 2018</li> <li>• Directors' report</li> <li>• Independent auditor's report</li> <li>• Audit and Risk Committee report</li> </ul>
<b>Applicable frameworks/guidelines</b>	<ul style="list-style-type: none"> <li>• IIRC Integrated Reporting &lt;IR&gt; Framework</li> <li>• JSE Listings Requirements</li> <li>• King Report on Governance for South Africa 2016 (King IV)</li> <li>• The Companies Act 71 of 2008, as amended (Companies Act)</li> </ul>	<ul style="list-style-type: none"> <li>• International Financial Reporting Standards (IFRS)</li> <li>• SAICA Financial Reporting Guides as issued by the Accounting Practices Committee</li> <li>• The Financial Pronouncements as issued by the Financial Reporting Standards Council</li> <li>• The Companies Act</li> </ul>
<b>Assurance</b>	<ul style="list-style-type: none"> <li>• Management and governance oversight</li> <li>• Board oversight and approval</li> <li>• Broad-Based Black Economic Empowerment verification (Honeycomb BEE Ratings Proprietary Limited)</li> </ul> <p><i>Note: No independent assurance was obtained on the report as a whole.</i></p>	<ul style="list-style-type: none"> <li>• Internal controls</li> <li>• Management and governance oversight</li> <li>• Internal audit</li> <li>• Unmodified external audit opinion (PricewaterhouseCoopers Inc.)</li> </ul>
 <b>Available</b>	Reports are available online at <a href="http://www.afrocentric.za.com/cd-ar-reports.php">www.afrocentric.za.com/cd-ar-reports.php</a> , and physical copies are available on request from the Group Investor Relations office (Nosipho Phewa at <a href="mailto:investor-relations@afrocentric.za.com">investor-relations@afrocentric.za.com</a> ).	



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## ***Feedback***

We are committed to communicating effectively with our stakeholders, and we value feedback on this report. Any questions or requests for additional information relating to our report can be directed to Nosipho Phewa at [investor-relations@afrocentric.za.com](mailto:investor-relations@afrocentric.za.com) or telephonically: 011 671 2475

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## ***Forward-looking statements***

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

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## ***Board approval***


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

This report was approved for release on 12 September 2018.

On behalf of the Board:



**Dr Anna Mokgokong**  
Chairman



**Antoine van Buuren**  
Group Chief Executive Officer



**Hannes Boonzaaier**  
Group Chief Financial Officer

# Chairman's REPORT

*AfroCentric is a proud and meaningful contributor to the South African economy healthcare sector. As the largest scheme administrator in South Africa, we are committed to empowering access to sustainable quality healthcare.*

*Dr Anna  
Mokgokong*



## *Introduction*

As the Board reflects on the past three years, we are confident that we can satisfactorily measure how AfroCentric Group has lived up to its strategic mandate and vision to the benefit of its key stakeholders. AfroCentric is a meaningful contributor to the South African economy healthcare sector. As the largest scheme administrator in South Africa, we are committed to empowering access to sustainable quality healthcare.

Our portfolio is diversified across various products and services covering South Africa, Swaziland, Zimbabwe, Namibia, Botswana, Kenya and Mauritius. We were recently awarded the licence to establish a health insurance business in Swaziland – a milestone for our growth strategy. This proves that AfroCentric is growing as an integrated healthcare company; and we are exploring the prospects of introducing clusters into the Group to improve coordination between our operating subsidiaries.

Our contribution to sustainable, quality and affordable healthcare extends beyond our products and services. As a corporate citizen, we invest in our people, drive transformation and positively impact communities. AfroCentric collaborates with key stakeholders such as our clients, government and regulators to decrease healthcare costs and increase accessibility.

We are gradually winning over investors through the success of our integrated business optimisation strategy; our choice of acquisitions; our clientele retention; our value add services to our existing clients; and the skill force that executes our strategy.

The Board applauds the considerable time and effort that management devotes to ensure that AfroCentric addresses key stakeholders' challenges, issues and concerns in South Africa, as well as our host countries in Africa and abroad.

## *Our operating environment*

It was another challenging year for the South African economy in which we faced weak consumer spending, a volatile currency, high unemployment, and a vast range of other socio-economic issues. Mental health problems, addictions and environmental crises, such as water sanitation, are increasing, and it is imperative that we respond appropriately.

We proactively contributed towards the Western Cape's water crisis by sending bulk litres of water to our Cape Town offices.

The most positive change for the healthcare sector has been government's commitment to universal healthcare, which was reaffirmed in the State of the Nation Address on 16 February 2018. National Treasury subsequently committed an additional R4.2 billion to the National Health Insurance.

The Health Department aims to alleviate congestion at public hospitals and clinics: AfroCentric's courier pharmacy business, Pharmacy Direct, is one of three firms that recently won contracts to supply chronic medicines to collection points at schools, churches and retail pharmacies. AfroCentric has invested R100 million in purchasing and refurbishing a warehouse to distribute medicines to state patients with chronic conditions – a strategy we hope will cement ties with the government as it implements National Health Insurance. The distribution would directly and indirectly create 5 000 jobs as Pharmacy Direct delivers between 700 000 and 800 000 patient packs as per number of scripts per month.

## *Transformation*

Our main operating subsidiary, AfroCentric Health's (AHL's) Level 2 B-BBEE rating underpins the Group's transformation efforts. Our Social and Ethics Committee and Transformation Steering Committee are robust and devoted to the Group's transformation.

The Group recognises the importance of representing women on the Board – the Group Chairman and the Audit and Risk Committee Chairperson are both women. We also ensure that our gender policy (refer to page 73) is fully implemented to guard against any gender discrimination and to bring about pay parity across the Group.

The health market inquiry has highlighted the barriers to entry in the healthcare market, and AfroCentric has undertaken to mentor new entrants.

We spent over R3 million on socio-economic development (SED) initiatives such as bursaries for medical students, hospitals, schools and maternity clinics. We are particularly proud of our four female medical students' progress towards their Bachelor of Medicine and Surgery degrees at two Tshwane universities. We spent close to R10 million on developing black-owned businesses through our enterprise and supplier development (ESD) programme.

## Chairman's report (continued)

### *Stakeholder engagement*

AfroCentric actively participates in public policy discourse and encourages other employer groups to do the same. Employers are significant contributors, directly or indirectly funding private healthcare, and they need to be active voices to ensure the public's healthcare needs are appropriately catered for.

The health market inquiry signalled a positive step towards addressing escalating healthcare costs in the private healthcare sector. We welcomed the Competition Commission's objective to increase market transparency and to engage with various stakeholders around the cost structure. The Commission has found that, although hospital tariffs have not exceeded the consumer price index, admissions have become significantly more expensive.

### *Corporate governance*

The Board's primary role is to steer the organisation ethically and to ensure sustainable value and profitability. We engaged with the Executive Committee to review the Group's strategy and to assess its relevance.

The Board has provided astute supervision, and I am satisfied that it performed all its duties according to its mandate. It is our responsibility to set the tone for the entire Group, and I believe that the outcomes of these good governance processes will filter through to the Group's operations.

As the Group expands, we are developing collaboration and shared thinking across our operations, and we promote a positive overarching culture. An improved Company culture will breed passionate people, attract and retain employees, enhance efficiencies, further integrate the Group, and promote high performance.

We assessed the skills and composition of our Board and adjusted to the changing needs of the business. Having a Non-executive Director who specialises in IT bodes well for the Group's future.

### *Outlook*

We hope that improved business confidence and consumer spending power will drive our performance. The impending NHI presents a range of opportunities and supports our vision as a Group – to empower greater access to sustainable quality healthcare.

As part of our strategy, we pursue consolidation and value chain optimisation, and intend to optimise the value of the healthcare Rand. This supports our strategic objectives, and, by executing the strategy, we create value for all our stakeholders. We aim to forge partnerships, and acquire and merge with businesses which support our mission.

As part of our diversification strategy, we will continue building on our partnership with Sanlam. The association enables us to package an enhanced product range that offers benefits, rewards and incentives to schemes members.

### *Appreciation*

I am honoured to be involved in such a purposeful organisation that plays a significant role in society.

AfroCentric's existence depends on our shareholders, management team, dedicated employees, clients, partners, service providers and other stakeholders who devote their work to the 3.7 million lives under our care. I humbly thank each of you.

My gratitude extends to our Board, whose supervision and guidance drive the Group forward.



**Dr Anna Mokgokong**  
Chairman



# *Organisational* **OVERVIEW**

A member of AfroCentric Group  
**Pharmacy  
Direct**  
Caring, Reliable & Affordable



# PROFILE

*AfroCentric is a black-owned investment holding Company that provides services to the healthcare sector. Through its operating subsidiaries, AfroCentric provides health administration and health risk management solutions.*

Established in  
**2008**

**JSE**  
healthcare  
sector

The Group was founded on the core philosophy of promoting **transformation and empowerment**. Our main operating subsidiary, AHL, held its level 2 B-BBEE status for the sixth consecutive year.

AfroCentric contributes to South Africa's sustainable health and welfare by investing in **healthcare-related businesses** that grow its portfolio and diversify its revenue sources.

The Group's operating subsidiaries provide a range of **complementary services** to its traditional medical scheme clients and a portfolio of healthcare-related enterprises.

#### These services include:

- IT solutions;
- transactional switching;
- specialised disease management;
- back, neck and shoulder treatment;
- pharmaceutical wholesaling; and
- pharmaceutical courier distribution services.

**3.7 million**

lives under our management

**19**

client medical schemes in southern Africa

**Largest**

health risk manager

**5 274**

employees (including countries outside of South Africa)

## Vision

Empowering greater access to sustainable quality healthcare.

## Mission

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

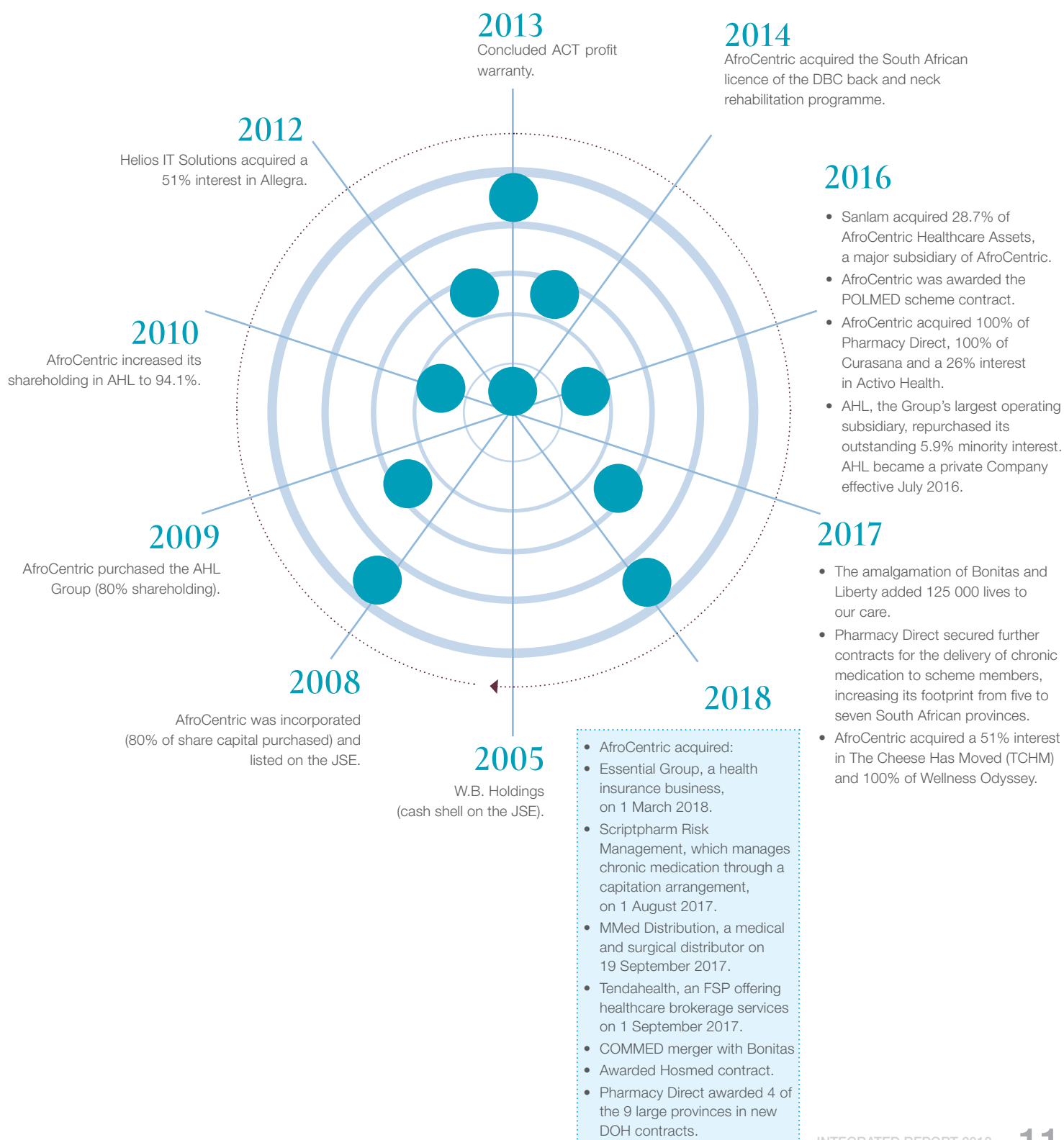
## Values

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

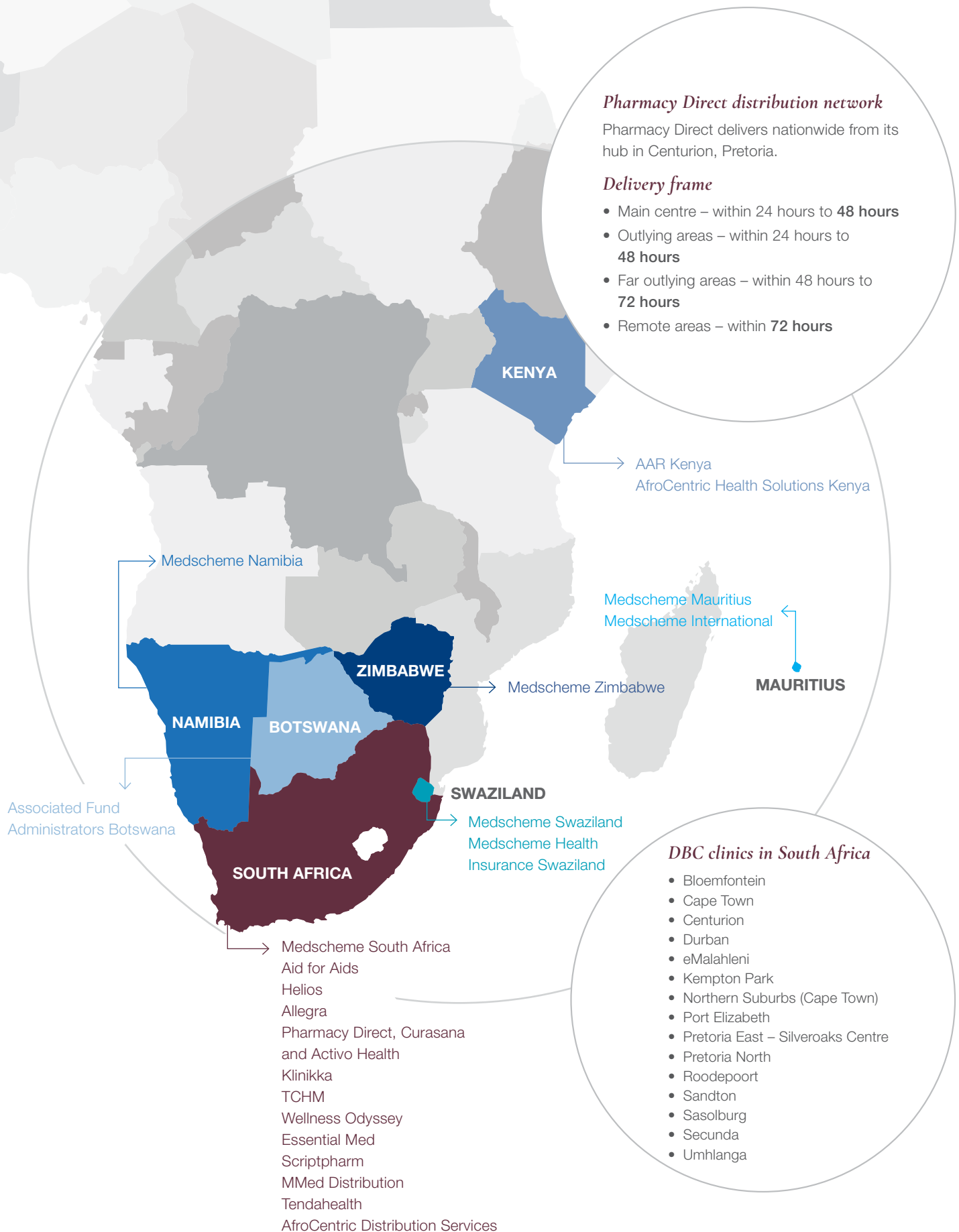
# COMPANY HISTORY

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

Through strategic acquisitions and partnerships, we have expanded across the value chain to enhance our capabilities as an integrated healthcare provider.







# OUR FOOTPRINT



# INVESTMENT CASE

<p><i>Market position</i></p>	<p>AfroCentric is one of two dominant players in the South African healthcare sector. The Group is an integrated healthcare business that holds the number one market position in managed care. We have 3.7 million lives under our care (40% of private healthcare), and a long track record as a medical scheme administrator. The Group is a proud corporate citizen, and our commitment to transformation places us in a favourable position for government contracts and tenders.</p>								
<p><i>Competencies</i></p>	<p>Our competencies include data proficiencies, intellectual capabilities and skilled employees.</p> <p>Our data capabilities are crucial in our bid to disrupt the industry and optimise the value chain.</p> <p>Our experienced and skilled employees form the cornerstone of the Group's long-term sustainability:</p> <ul style="list-style-type: none"> <li>• Health Actuaries and Actuarial Analysts</li> <li>• Information Technology Specialists</li> <li>• Doctors</li> <li>• Nurses</li> <li>• Pharmacists and Pharmacy Assistants</li> <li>• Optometrists, Biokineticists, Paramedics</li> <li>• Physiotherapists, Occupational Therapists and Social Workers</li> <li>• Chartered Accountants</li> <li>• Safety, Health and Environmental Specialists</li> </ul> <p>Our clinical, actuarial, data analytics and health intelligence capabilities ensure market-leading intellectual capital to achieve our mission.</p> <p>Intellectual and human capital </p>								
<p><i>Growth opportunities</i></p>	<p>We seek to grow and diversify our business and have already ventured into Botswana, Namibia, Swaziland, Kenya, Zimbabwe and Mauritius.</p> <p>Our collaboration with Sanlam enables our integrated healthcare service offering to penetrate various markets.</p>								
<p><i>Value chain optimisation</i></p>	<p>Our diversification into the non-health administration and health risk management market optimises our clients' healthcare spend.</p>								
<p><i>Strategy</i></p>	<table> <tr> <td> Enhance shareholder value</td><td> Improve efficiencies through cost consciousness</td></tr> <tr> <td> Promote transformation</td><td> Deliver exceptional client service</td></tr> <tr> <td> Maximise growth opportunities</td><td> Reduce the cost of healthcare</td></tr> <tr> <td> Diversify revenue sources</td><td> Uplift our people</td></tr> </table>	 Enhance shareholder value	 Improve efficiencies through cost consciousness	 Promote transformation	 Deliver exceptional client service	 Maximise growth opportunities	 Reduce the cost of healthcare	 Diversify revenue sources	 Uplift our people
 Enhance shareholder value	 Improve efficiencies through cost consciousness								
 Promote transformation	 Deliver exceptional client service								
 Maximise growth opportunities	 Reduce the cost of healthcare								
 Diversify revenue sources	 Uplift our people								

# OPERATIONS

			
<b>Medscheme South Africa</b> Medscheme provides a full spectrum of health administration and health risk management services, including: <ul style="list-style-type: none"> <li>dedicated client member contact centres;</li> <li>hospital and medicine benefit and disease management programmes;</li> <li>hospital, general practitioner, specialist, optical and dental networks;</li> <li>negotiating and strategically purchasing healthcare services on behalf of clients;</li> <li>evaluating technologies, pharmaceutical and clinical practice and formulating clinical health funding policies; and</li> <li>forensics.</li> </ul>	<b>Aid for Aids</b> <ul style="list-style-type: none"> <li>Industry leader in HIV/Aids management since 1998</li> <li>Care coordinator between the funder, doctors, pathology labs, pharmacies and patients</li> <li>Designs, develops and delivers unique and encompassing programmes that help businesses care for and manage medical schemes for individuals with HIV/Aids</li> <li>Develops programmes that understand patients' needs, and equips them with the treatment and tools to lead normal and fulfilled lives</li> </ul>	<b>AfroCentric Health Solutions</b> AHS is the international cluster for Medscheme Holdings' non-South African businesses and interests, with operations in Namibia, Swaziland, Zimbabwe, Mauritius and Botswana.	<b>Pharmacy Direct, Curasana and Activo Health</b> Pharmacy Direct distributes and delivers medication to urban and rural areas for medical scheme clients and government's CCMDD programme. The company supplies chronic medication under prescribed minimum benefits and normal chronic benefits.
Revenue contribution <b>52.88%</b> (2017: 55.46%)	Revenue contribution <b>1.92%</b> (2017: 1.99%)	Revenue contribution <b>4.41%</b> (2017: 4.88%)	Revenue contribution <b>28.92%</b> (2017: 27.77%)
Operating profit contribution <b>44.66%</b> (2017: 41.91%)	Operating profit contribution <b>5.70%</b> (2017: 5.58%)	Operating profit contribution <b>7.47%</b> (2017: 8.46%)	Operating profit contribution <b>11.46%</b> (2017: 10.74%)
Employees <b>3 907</b> (2017: 3 860)	Employees <b>82</b> (2017: 103)	Employees <b>321</b> (2017: 315)	Employees <b>776</b> (2017: 781)
<ul style="list-style-type: none"> <li>2018 BHF Titanium Awards for Service Excellence: Administration and Managed Care</li> </ul>	87 000 individuals benefiting from the programme: <ul style="list-style-type: none"> <li>96% of members on antiretroviral treatment</li> <li>90% exhibit a suppressed viral load</li> </ul>	<ul style="list-style-type: none"> <li>5% reduction in general practitioner consultations</li> <li>Administrator awards in Zimbabwe and Namibia</li> </ul>	<ul style="list-style-type: none"> <li>The CCMDD programme has decreased the cost of delivering chronic medication from R252 to R35 per life per month.</li> <li>Our schemes have benefited from a 34% reduction in hospitalisation.</li> </ul>





#### MMed Distribution\*

MMed Distribution (MMed) is a specialist wholesaler and distributor of pharmaceutical, surgical and medical products and devices with a national footprint. The company's three divisions (MMed Hospital and Day Clinic, MMed Retail Pharmacy, and MMed Homecare) provide personalised home-based care and procure surgical and pharmaceutical products in bulk at competitive prices.

#### Allegra

Allegra is an IT platform for:

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

#### Helios IT Solutions (Helios)

Helios is a market leader in technology-based products and services. Their systems connect millions of scheme members, schemes, doctors and hospitals internationally. Helios offers:

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

#### Essential Med \*

Provides comprehensive medical insurance cover with private medical facilities

Revenue contribution  
**0.20%**

Revenue contribution  
**1.32%**  
(2017: 1.40%)

Revenue contribution  
**5.72%**  
(2017: 6.31%)

Revenue contribution  
**0.21%**

Operating profit contribution  
**(0.83%)**

Operating profit contribution  
**3.09%**  
(2017: 3.05%)

Operating profit contribution  
**29.22%**  
(2017: 28.76%)

Operating profit contribution  
**0.14%**

Employees  
**9**

Employees  
**32**  
(2017: 36)

Employees  
**339**  
(2017: 305)

Employees  
**45**

- MMed eliminates the need for third-party suppliers, which saves costs for high-volume member usage requirements.
- Pharmaceutical, surgical and medical products are approximately 42% of input costs in the provision of healthcare. MMed reduces these costs by 16%.

- Allegra currently processes transactions and clinical information for 2 837 pharmacies and 6 412 other healthcare providers including 57 different healthcare disciplines.
- Allegra's ultra-low cost non-pharmacy claiming fee reduces healthcare providers' costs by up to 30% and Medscheme's costs by around R12 million annually.

- System uptime 99.8%
- R2 423 640 590 claims payments for one month for five schemes

- 15 000 beneficiaries
- 8 000 policy holders

**Note:** Revenue contribution as a percentage of Group total revenue of R4.2 billion.

Operating profit contribution as a percentage of Group total operating profit of R623 million.

## Operations (continued)

		
<b>Scriptpharm*</b> A national pharmacy network which provides: <ul style="list-style-type: none"> <li>• chronic and acute medicine;</li> <li>• drug utilisation review; and</li> <li>• Scriptpharm medicine formulary.</li> </ul>	<b>Klinikka</b> An individual evidence-based multidisciplinary treatment approach to managing musculo-skeletal disorders: <ul style="list-style-type: none"> <li>• Back treatment</li> <li>• Neck treatment</li> <li>• Shoulder treatment</li> <li>• Hip treatment</li> <li>• Knee treatment</li> </ul>	<b>Wellness Odyssey*</b> Wellness Odyssey's people-centric corporate wellness solutions: <ul style="list-style-type: none"> <li>• identify non-communicable clinical risk;</li> <li>• promote awareness and supply educational material; and</li> <li>• refer identified high-risk members to established disease management programmes.</li> </ul>
<b>Revenue contribution</b> <b>1.49%</b>	<b>Revenue contribution</b> <b>0.16%</b> (2017: 0.08%)	<b>Revenue contribution</b> <b>0.72%</b>
<b>Operating profit contribution</b> <b>(0.21%)</b>	<b>Operating profit contribution</b> <b>0.17%</b> (2017: 0.24%)	<b>Operating profit contribution</b> <b>1.54%</b>
<b>Employees</b> <b>12</b>	<b>Employees</b> <b>3</b> (2017: 3)	<b>Employees</b> <b>23</b>
<ul style="list-style-type: none"> <li>• Over 1 700 pharmacies operating throughout South Africa</li> <li>• Contracted to 4 medical schemes, as either a designated service provider or a preferred provider</li> </ul>	<ul style="list-style-type: none"> <li>• 91 clinical and administration employees, 15 DBC centres, 26 contracted schemes</li> <li>• R45 clinical billing value</li> <li>• Up to 4 800 treatment sessions per month</li> </ul>	<ul style="list-style-type: none"> <li>• 858 wellness days conducted</li> <li>• 8 contracted medical schemes</li> </ul>

\* MMed, Essential Med, Scriptpharm, Wellness Odyssey and Tendahealth were acquired in the period under review. Hence no comparatives are available.



#### The Cheese Has Moved

The Cheese Has Moved (TCHM) provides the full range of digital and traditional advertising, marketing, event management and designs.

#### AfroCentric Distribution Services

AfroCentric Distribution Services enhances the Group's health offering to our clients and stimulates:

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

#### Tendahealth\*

Tendahealth is an FSP offering an integrated health and insurance solution.

#### Income contribution\*\*

**R628 859**

#### Revenue contribution

**1.95%**

(2017: 2.10%)

#### Revenue contribution

**0.11%**

#### Operating profit contribution

**N/A**

#### Operating profit contribution

**2.03%**

(2017: 2.85%)

#### Operating profit contribution

**(0.04%)**

#### Employees

**19**

#### Employees

**86**

(2017: 134)

#### Employees

**30**

- R6 631 736 income from Group companies

- Initiated the "Just in case" project at 67 schools
- Sponsored running shoes to 5 athletic clubs for athletes in the mining industry who participated in the 2018 Comrades Marathon

- Provided 7 SETA learners with permanent employment opportunities

\*\* TCHM is an associate to the Group. We are reporting on the income from associate's contribution for the period under review.

**Note:** Due to the increase in the number of subsidiaries within the Group, the percentage contributions of revenue has decreased.

# GROUP STRUCTURE

*AfroCentric is an integrated healthcare Group that comprises various businesses that optimise the healthcare value chain and drive towards our strategic objectives.*







# *Group CEO's* **REPORT**



*AfroCentric delivers  
shareholder value by  
optimising the  
healthcare Rand and  
working towards  
achieving universal  
coverage.*

*Antoine  
van Buuren*

## Introduction

The Group's strategy was well-executed, and we continued to empower greater access to sustainable quality healthcare. We acquired and retained client schemes, optimised the value chain, intensified our diversification streams and introduced disruptive models. Consolidation and integration are key imperatives to the sustainability of the healthcare industry.

The number of consumers who find private healthcare unaffordable is increasing. Although our schemes have been able to attract new members, it has been difficult to retain them due to these cost constraints. These increased costs coupled with the prevalence of chronic illnesses and an ageing population have resulted in medical inflation.

South Africa's new president affirmed his commitment to improving healthcare through the NHI. AfroCentric remains committed, well-positioned and prepared to support the Department of Health in this endeavour. Public private partnerships play a key role in decreasing costs and empowering greater access to healthcare. On 13 August 2018, Pharmacy Direct opened a new warehouse that currently processes 1.2 million scripts and has the capacity to issue seven million scripts per month. This ensures that long queues at government health facilities are reduced and that patients can still receive their medication on time at a place of convenience.

The Group embraces disruptive technologies such as robotics process automation (RPA). By staying abreast of technological innovations, we will remain relevant, work efficiently and maintain our competitive advantage in the long term.

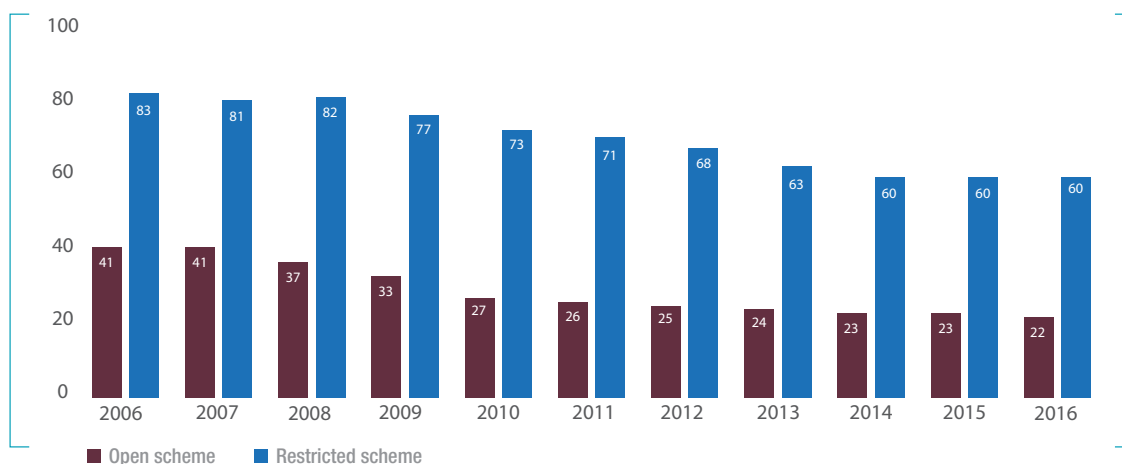
Digitalisation drives us to be leaner and operate at a lower cost. However, our reliance on various IT systems exposes our Group to cyber-related incidents such as data breaches and hacking, which disrupt the business. In response, AfroCentric is strengthening the Group's cybersecurity through increased awareness and technology such as IBM QRadar.

## Reduce the cost of healthcare

We are shifting from a hospital-centric model to a primary care focus. As part of the value chain optimisation process, our ICCM assists us to manage diseases in a coordinated way. This integrated approach has decreased our hospital admission rate by 1.6% and reduced our average scheme contribution increases. This has also improved our clients' solvency.

Medscheme Forensics has performed 943 (2017: 575) forensic interventions, which have resulted in direct savings and recoveries of R408 million for our schemes. We currently have 92 active Health Professions Council of South Africa (HPCSA) complaints and 47 criminal cases we are managing while we continue to raise awareness among all stakeholders in the industry.

Number of schemes 2006 – 2016



## Group CEO's report (continued)

### *Maximise growth opportunities*

The Group acquired Essential Med, Tendahealth, MMed and Scriptpharm. Although these acquisitions have not yet significantly contributed to our performance, AfroCentric is optimistic that they have the potential to play a pivotal role in our ability to optimise the value chain in the future.

AfroCentric holds a 26% stake in Activo Health, and its rapid organic growth has seen a significant rise in its investment value. AfroCentric has sought to exercise the call option to acquire the remaining shareholding earlier than stipulated in the original acquisition agreement.

By consolidating schemes and absorbing smaller medical schemes through mergers and acquisitions, the Group is able to lower the cost of healthcare. Most notably, Hosmed's 24 000 members joined the Group. The Community Medical Scheme was liquidated, which migrated 5 500 lives into Bonitas. Over the years, the number of schemes and administrators has been decreasing due to smaller schemes' limited risk pools being unable to absorb claims cost escalation. Additionally, smaller managed care organisations have been unable to manage their benefits as effectively due to their limited scale.

### *Diversify our revenue sources*

Non-health administration and health risk management products and services provide us with access to a unique dimension of healthcare products. AfroCentric acquired Essential Med to provide medical insurance and primary care products that decrease the cost and widen the range of products available to schemes' members. This assists in retaining members who would otherwise not have been able to afford medical aid.

In collaboration with Sanlam and other providers, ADS through AfroCentric Financial Services (AFS) has started offering financial services products to Bonitas members as part of the member retention strategy. These financial services products range from loans, funeral plans, gap cover and an electronic voucher system. The Group is helping in preventing lifestyle diseases through various rewards and incentives for healthier behaviour.

### *Improve efficiencies through cost consciousness*

We are re-evaluating the amount of resources we deploy on non-value-adding activities and are working to increase the effectiveness of our meetings, reduce service failure and to increase integration in the Group.

### *Deliver exceptional client service*

Enhancing our service level and overall customer experience is key to retain our clients and facilitate their growth. We retained Nedgroup following a re-tender process. Our compelling value proposition that included additional savings from a competitive range of services was a key differentiator.

### *Uplift our people*

In line with our aim to infuse a new culture and values within the Group, we introduced a new leadership competency model for greater leadership accountability. This programme was launched at our senior management forum in Cape Town and Johannesburg.

### *Outlook*

AfroCentric's Investment Committee will continue searching for opportunities to grow and diversify revenue sources, while contributing to the sustainability and welfare of South African communities. We aim to become more competitive and sustainable in the increasingly digitalised environment. Seamlessly integrating new acquisitions in to the Group will be pivotal to our success going forward.

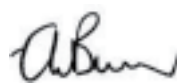
We are rolling out our digital transformation programme, and it should be embedded by 2020. This will increase integration by providing opportunities to cross sell products and services and, enhance our clients' and their members' experience. We also expect the Fusion project to yield great benefits once completed.

We are shifting from rules-based care to outcomes-based care. This approach dictates that the amount paid by schemes will be determined by healthcare providers' outcomes in terms of predetermined clinical protocols, codes and rules. It also aims to reduce possible instances of overcharging and wastage.

### *Appreciation*

I thank all the members of the Board for their valuable contributions, guidance and oversight. The management teams and employees consistently play an enormous role; together we provide sustainable healthcare.

The Group is grateful for the ongoing support from our operating subsidiaries, our schemes, and other stakeholders. We are committed to delivering on their expectations.



**Antoine van Buuren**  
Group Chief Executive Officer





# *Group CFO's* **REPORT**



*The Group continued delivering above-inflationary growth on revenue and operating profit, which is pleasing considering the market conditions and healthcare affordability for scheme's members in South Africa.*

*Hannes  
Boonzaaier*



AfroCentric's financial objective for 2018 was to stabilise the business after its significant operational growth in 2017. This growth followed the various scheme mergers, new scheme take-ons and completion of corporate transactions that impacted the 2017 earnings significantly.

The Group continued delivering above-inflationary growth on revenue and operating profit, which is pleasing considering the market conditions and healthcare affordability for schemes members in South Africa. The Group continued in its objective of enhancing its healthcare service offerings with three smaller acquisitions during 2018.

### *Healthcare service operating profit*

The Medscheme business, which is the core contributor to the healthcare operating profit, heavily depends on the membership growth of its administered schemes. South African consumers are having trouble affording medical aid – they are buying down options, and businesses are retrenching employees resulting in them cancelling or leaving the schemes. The Group has a fairly diversified membership base across all sectors of the economy, and we have been able to offset some of the losses in private sector with marginal growth in the open schemes and GEMS.

The business units have been innovative in driving further efficiencies throughout the Group to address the above-mentioned pressures on the revenue line. These include five robotics processes that were implemented in the managed care and administration units to perform mundane tasks more efficiently and accurately. During the year, the Group implemented an Optical Recognition solution in its assessing unit which allows manual paper claims to be processed more quickly. Although small, the paper claims volume represents 3% of total claims received.

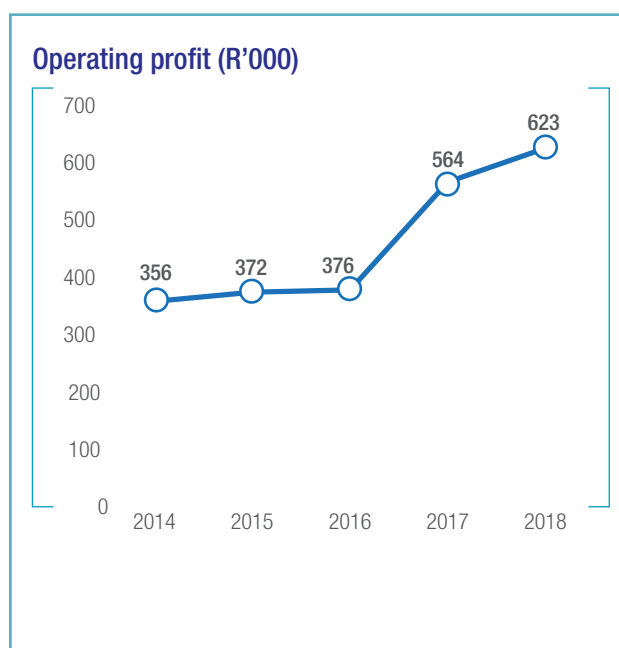
Healthcare operating profit includes the net losses from the new acquisitions in Essentialmed (low-cost health insurance provider), MMed Distribution (surgical wholesaler) and Scriptpharm (chronic and acute medicine capitation manager) amounting to R6 million for the year under review. Each of these new businesses has already demonstrated value to its clients and will start generating profits during the 2019 financial year.

### *Healthcare retail operating profit*

Pharmacy Direct had another year of monumental growth in scripts that had to be dispensed for the government contract relating to the Department of Health (DoH). The Group increased its volumes month on month during the year at its premises in Centurion, which finally necessitated a standalone pharmacy warehouse exclusively for the DOH contract. This new facility became officially operational following the conclusion of the new contract awarded by the DOH, effective 1 April 2018.

The DOH contract previously entailed Pharmacy Direct dispensing chronic medication to seven provinces, excluding KwaZulu-Natal. The new five-year contract includes KwaZulu-Natal, which represents the highest volumes in the country, and another three provinces. The 2019 volumes will therefore grow exponentially on the 2018 base as more scripts are being loaded during the take-on phase.

The Retail unit's profitability grew by double digits, which was pleasing, but it should be known that this includes take-on costs for the new tender as well as increased infrastructure costs for the new facility. We envisage optimal efficiency on the new contract volumes by the second quarter of the 2019 financial year.



## Group CFO's report (continued)

### Financial position and cash flow

The following strategic payments hallmarked 2018 as a significant cash outflow year:

- WAD tranche 2 settlement in cash versus shares R139 million (net after Sanlam contribution)
- Pharmacy Direct Warehouse and related infrastructure R98 million
- Namibia new offices R31 million

- Extension of licence until 2023 for analytical software used in the Fraud, Waste and Abuse unit – R86 million
- Fusion project to enhance the main administration system of the Group amounted to R52 million

The Group is using the above mentioned major capital expenditure items to build capacity for new business, and it continues investing in items that will increase shareholder value over the long term.

Group cash resources as at year-end are represented as follows:

	Audited year ended 30 June 2018 R'000	Audited year ended 30 June 2017 R'000	Audited year ended 30 June 2016 R'000
<b>Total group cash resources</b>			
Cash and cash equivalents	212 918	361 738	373 068
Managed funds and deposits (current)	152 250	347 635	–
Total current cash, managed funds and deposits	365 168	709 373	373 068
Managed funds and deposits (non-current)	65 028	59 976	411 934
	430 196	769 349	785 002

Therefore, the Group continues being ungeared, and we are fortunate to have cash on hand for any opportunity that could enhance our product offering in the short term.

Intangible assets grew by approximately R200 million due to the investment in the IT systems and in developing core administration capabilities. The material items growing the intangible assets are:

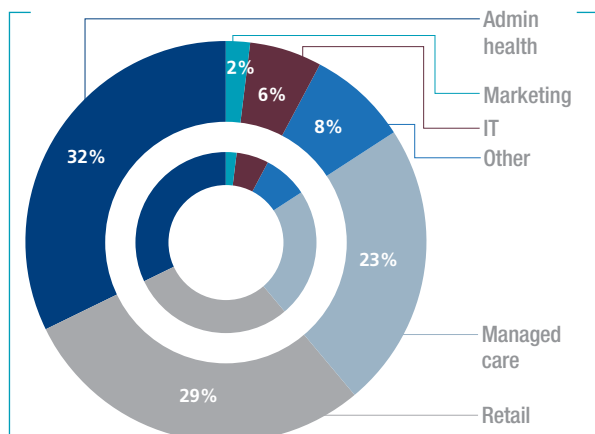
- Fusion development of R52 million;
- Nexus (core administration system) development amounting to R72 million which included the take-on costs of the Hosmed medical schemes in December;

- Fraud, Waste and Abuse software licence of R86 million; and
- general software licences for IT servers and desktops amounting to R65 million (which is an annual occurrence).

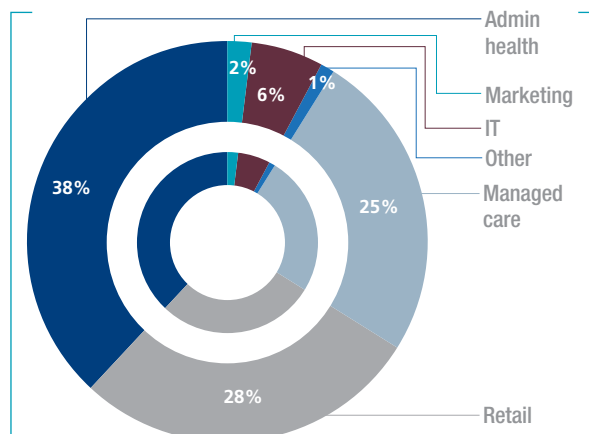
### Diversification of revenue streams

The Group's strategy to diversify its revenue streams across clients and various services has been successful during 2018, but still requires significant work to completely manage our reliance on the per-member per-month fee that our client medical schemes pay us. Revenue diversification between 2018 and 2017 is noted in the graphs below.

2018 Revenue



2017 Revenue



## Normalised earnings and shareholder returns

The 2017 financial year was highly impacted, especially in earnings, by corporate transactions, including activity that contained non-cash flow and non-recurring items. These items are no longer continuing except for a small amount relating to the profit warranty still in existence for the Sanlam transaction, relating to the Fusion IT project that will end in 2019.

In 2017, the Group defined its normalised earnings, which is a non-IFRS measure, as “the earnings excluding the impact of any corporate transactions”. These are listed below.

	Audited year ended 30 June 2018 R'000	Audited year ended 30 June 2017 R'000	% change	Audited year ended 30 June 2016 R'000
<b>Normalised earnings (non-IFRS measure)</b>				
<b>Headline earnings</b>	<b>260 916</b>	123 838		145 567
Adjusted by:	<b>3 150</b>	120 275		24 960
– Conditional put option finance obligation (Note 2)	–	45 906		24 960
– Fair value of second tranche consideration (Note 4)	–	59 582		–
– Sanlam indemnity exposure (Note 5)	<b>3 150</b>	14 787		–
<b>Normalised headline earnings</b>	<b>264 066</b>	244 113	8.2	170 527
<b>Normalised headline earnings per share (cents)</b>				
– Attributable to ordinary shares (cents)	<b>47.63</b>	44.03	8.2	30.84
– Diluted earnings per share (cents)	<b>47.27</b>	44.03	7.4	29.44

It should be noted that the compounded normalised earnings growth since 2016, which marks the starting point of the Group's new acquisitions, amounts to approximately 24%.

Further to our core operations' continued growth, we have had a consistent and growing dividend for the past five years as noted in the “Results at a glance” section. Over the past five years, the annual dividend has more than doubled from the 15 cents that was paid in 2013. The Board has approved a dividend cover ratio of 1.5 to its HEPS which will be implemented in the 2019 financial year. The strong cash generation of the Group has been a testimony to the types of contracts it engages upon with its clients, as well as each division's operational performance.

## Growth prospects

As the Group continues consolidating the medical schemes and administrators in the value chain to reduce our clients' healthcare spend, we believe the growth in 2019 could include the following:

1. Better retention of open scheme members through better service and new complementary products that will be launched in partnership with Sanlam.
2. Improved scheme member growth, as the distribution channel and Sanlam brokers become healthcare accredited, and are able to sell a basket of products to its individual and corporate members.

3. The acquisition of Private Healthcare Administrators (PHA) will ensure that the Group further consolidates at an administrator level.
4. Double-digit growth in the Retail unit, via Pharmacy Direct, through the increased monthly scripts it will be dispensing – these could reach 900 000 per month in the second quarter of 2019.
5. The proposed purchase of the remaining 74% of Activo Health (pharmaceutical supplier) will increase operating profits, but could be slightly offset with any amortisation relating to the acquisition.
6. The continued efficiency projects already undertaken in 2018, which will ensure that our administration platform becomes less expensive and that these initiatives will support the rollout of the Fusion system in the second quarter of 2018.

## Conclusion

I would like to express my gratitude to my colleagues in Group Finance for their diligence in their daily work and in presenting this Integrated Report. Your work underpins our performance, growth and strategy.



**Hannes Boonzaier**  
Group Chief Financial Officer

# BUSINESS MODEL

*Utilising our resources to deliver quality healthcare*

## Capitals and key inputs

### Financial capital

The pool of funds (equity) which the Group relies on:

- Funds reinvested in the Group
- Returns on investments
- Revenue generated from services

### Key inputs

- R2.6 billion net asset value
- R90.2 million in reinvested funds

### Intellectual capital

The knowledge-based intangible assets:

- Systems and processes
- Uniquely tailored information technology systems
- Licences
- Business and industry knowledge

### Key inputs

- IT systems and relevant licences
- IFM software
- Medical administration

### Manufactured capital

Our service platforms:

- Nexus IT system

### Key inputs

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

### Human capital

Our employees' and contractors' skills, wellness and motivation

### Key inputs

- 5 274 employees
- Skilled and motivated workforce
- Training and developing skills

### Social and relationship capital

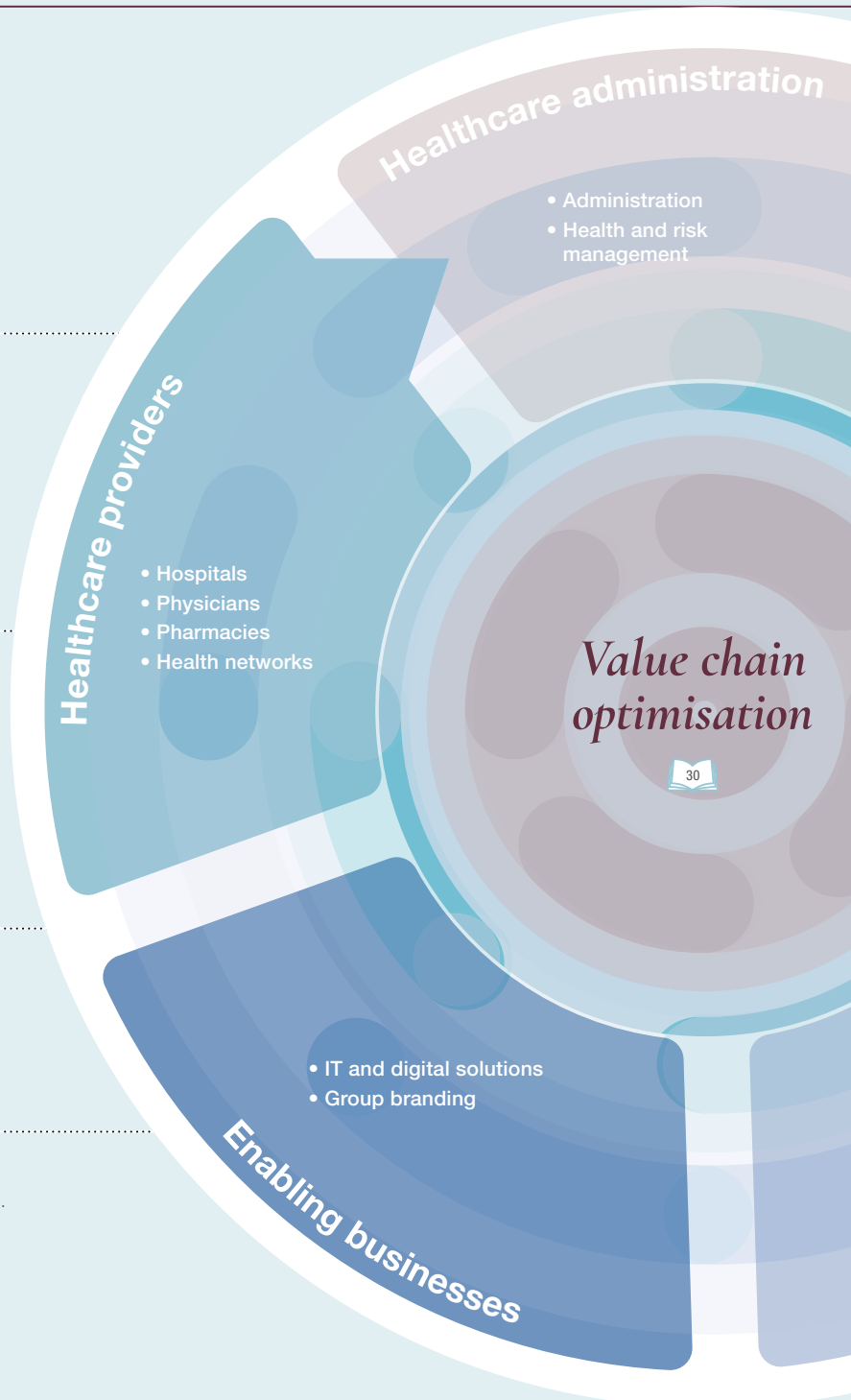
The quality of AfroCentric's relationships with our material stakeholders, particularly the communities in which we operate.

### Key inputs

- Managing stakeholder relations
- Social licence to operate

### Natural capital

We consume energy, water and paper to provide services.  
We proactively monitor our environmental impact to reduce it over time.



## Outcomes and trade offs

### Financial capital

Group Chief Financial Officer's report  24


#### Outcomes

- Normalised headline earnings per share 47.63 cents
- R430 million in cash reserves
- 5.6% dividend yield
- 7% decrease in share price
- Operating profit increased by 10.5%
- Total revenue increased by 11.3%

#### Trade-offs

We increase our financial capital by diversifying our revenue sources, being more cost conscious and efficient. This positively impacts our investment in intellectual, manufactured and human capital.

### Intellectual capital

Group Chief Executive Officer's report  20


#### Outcomes

- Cost savings based on IFM – R408 million

#### Trade-offs

We trade a portion of our financial capital for intellectual capital to drive efficiencies and increase overall value in the long term.

### Manufactured capital

Organisation overview  10


#### Outcomes

- 3.7 million lives under administration
- 19 client medical schemes in southern Africa

#### Trade-offs

We require financial, intellectual and human capital to deliver our products. Our social and relationship capital sustains our ability to render services.

### Human capital

Our social impact  52


#### Outcomes


- R7 million spent on training employees
- R421 thousand bursary spend

#### Trade-offs

We invest financial capital to recruit and develop employees with the competencies for the functions we need.

### Social and relationship capital

Stakeholders  36

Our social impact  52

#### Outcomes

- R3.2 million spend in enterprise development\*
- R6 million spend in supplier development\*
- R3 million spend in SED\*

\* The 2018 spend is a projection which will be verified in November 2018 for B-BBEE

#### Trade-offs

We commit a significant portion of our human and financial capital to enterprise and supplier development (ESD), corporate social investment (CSI) and socio-economic development (SED) in South Africa. We also have a learning academy to empower and train our employees.

### Natural capital

#### Outcomes

- Environmental impact monitoring and management
- Optimised energy, water and paper use
- Enhanced awareness communication Group wide

#### Trade-offs

Although operations require electricity and water to operate, we believe that we have a relatively small environmental impact. We aim to reduce our footprint through optimal use of resources throughout our value chain.

## Outputs

**Sustainable affordable and quality healthcare services.**






# VALUE CHAIN OPTIMISATION

*In value chain optimisation, we identify and eradicate the fragmented elements of healthcare inflation, and consolidate elements in the value chain for greater value.*

The Group negotiates favourable pricing structures on services and products.

By integrating our clinical, actuarial, data analytics and health intelligence capabilities, we more effectively detect irregularities that contribute to healthcare inflation. This integration also synchronises the fragmentation in member journeys and experiences. Each acquisition or inter-subsidary process change is strategically considered against the strategy of optimising the cost of healthcare per Rand and achieving clinical value for the lives we manage.

## How each business integrates into the Group and contributes to value chain optimisation




HEALTHCARE PROVIDERS		<ul style="list-style-type: none"> <li>• Pharmacy Direct collaborates with other companies within the Group to offer a more affordable and accessible wallet-free experience for chronic medication. Activo Health markets and distributes a broad scope of pharmacy products and Curasana provides the procurement functions.</li> <li>• Pharmacy Direct delivers to patients on numerous medical schemes and public sector health programmes, such as the CCMDD programme.</li> <li>• Pharmacy Direct's efficient and effective service delivers the correct medication, to the correct patient at the correct time, and ensures it is paid from the correct benefit.</li> <li>• Pharmacy Direct's competitive professional dispensing fee prolongs members' medical scheme benefits.</li> </ul>
		<ul style="list-style-type: none"> <li>• MMed Distribution (MMed) partners with independent hospitals in the National Hospital Network to efficiently procure medical, surgical and pharmaceutical products.</li> <li>• MMed particularly deals with hospital and specialist segments which are large contributors to healthcare costs and inflation.</li> <li>• MMed proactively manages clinical appropriateness to decrease the potential for fraud or quality concerns as the service and product remains in the Group's hands throughout the supply chain process.</li> <li>• MMed enters into fully outsourced management agreements with hospitals to manage all store-rooms, pharmacies, and procurement to eliminate waste and inefficiencies even further.</li> </ul>
		<ul style="list-style-type: none"> <li>• Klinikka's DBC helps insurance providers and employers make informed choices when they evaluate and address scheme members with musculo-skeletal disorders. It assists hospitals and clinic operators to deliver a multi-perspective solution to patients and clients.</li> </ul>

## How each business integrates into the Group and contributes to value chain optimisation

	<ul style="list-style-type: none"> <li>• Medscheme's established clients and products make it the core of the Group's value chain optimisation. Its ability to collaborate with the other companies and consolidate schemes in the value chain drive its success.</li> <li>• Medscheme reduces clients' financial exposure by reducing the clinical burden of diseases and lowering the costs of managed care by through the contributions of the Group's other businesses.</li> <li>• Medscheme has access to leverage products for affordability such as Sanlam's loyalty programmes and risk products (gap products).</li> <li>• The Group's Fusion project will continue to improve its digital and technological capabilities and enhance its product and service offering.</li> </ul>
	<ul style="list-style-type: none"> <li>• Aid for Aids has a rich history of collaborative relationship with the SA Department of Health, having previously managed public sector patients on HIV care and treatment programmes. We continue to consult on government-led teams and forums at every available opportunity.</li> <li>• Aid for Aids' independent Clinical Advisory Committee is made up of globally renowned clinicians, many of whom serve on the SA HIV Clinicians Society and consult to the National Department of Health.</li> <li>• Aid for Aids' custom IT system has become the leading end-to-end software in HIV management.</li> <li>• There are HIV-positive individuals who have been on the Aid for Aids programme since 1998 and are in good health with a suppressed viral load.</li> </ul>
	<ul style="list-style-type: none"> <li>• Essential Med creates flexible health insurance solutions for individuals and tailors group medical insurance for businesses at an affordable rate.</li> </ul>
	<ul style="list-style-type: none"> <li>• Wellness Odyssey's people-centric corporate wellness solution is fully integrated with the managed care programmes of Medscheme, and assists in reducing the employee dependency on employer-assisted programmes and providing maximum value to employers who have contracted with the relevant medical aid schemes.</li> <li>• Wellness Odyssey coordinates care and ensures that the right person receives the right care at the right time.</li> <li>• Preventative care proactively identifies at-risk employees and provides easy access to additional benefits when required.</li> <li>• Wellness Odyssey has introduced home nursing with the aim of moving people out of hospital to treat them at home, when clinically appropriate.</li> </ul>
	<ul style="list-style-type: none"> <li>• Tendahealth offers value-added services to the Group. The company provides investment, health and insurance solutions to protect and enhance members' health and financial wellness.</li> <li>• Tendahealth forms an integral part in the success of enrolling new members for Bonitas.</li> <li>• Tendahealth has consistently ranked in the top 3 brokerages for new submitted business.</li> </ul>
	<ul style="list-style-type: none"> <li>• AHS provides the Group with geographical diversification. Its medical administration services are tailored to each scheme in their operating counties. Where possible, it exports product elements and features such as IFM and DBC to other countries.</li> <li>• Hospital benefit management, medicine benefit management and beneficiary risk management enable AHS to reduce risk claims.</li> <li>• AHS's innovative mobile app is driving efficiencies in Namibia, and a health insurance offering is being tested in other regions – increasing awareness and wellness in the different countries is also a key priority.</li> </ul>
	<ul style="list-style-type: none"> <li>• Scriptpharm provides chronic medicine management for the Group's existing and external clients. The Group benefits from the extensive provider network currently managed by Scriptpharm.</li> <li>• Scriptpharm has a proven track record in delivering cost-effective solutions to its clients.</li> <li>• Through its extensive network, Scriptpharm is able to provide efficiencies and cost savings relating to chronic medicine.</li> </ul>

## Value chain optimisation (continued)

### How each business integrates into the Group and contributes to value chain optimisation

ENABLING BUSINESSES		<ul style="list-style-type: none"> <li>• Helios's highly scalable and robust IT platform drives the entire Group. It supports all integration and IT capabilities within the Group by building and maintaining distributed healthcare software systems.</li> <li>• Helios is a product-driven organisation that provides sustainable and innovative products and services of the highest quality for healthcare markets (and adjacent markets) within Africa.</li> <li>• Helios's products are particularly effective in streamlining the administrative processes to create efficiencies and sustainability within the healthcare industry.</li> </ul>
		<ul style="list-style-type: none"> <li>• TCHM's senior account executives, creative directors, writers, designers and digital specialists, who all have a proven track record on both local and multinational accounts, assist the businesses in the Group with marketing services.</li> <li>• TCHM's in-depth understanding of the healthcare market enables it to: <ul style="list-style-type: none"> <li>– identify opportunities for cross-selling between different businesses in the Group;</li> <li>– secure agreements for the various businesses;</li> <li>– assist with internal communications, branding, events and presentations; and</li> <li>– conduct supplier compliance checks for businesses within the Group.</li> </ul> </li> </ul>
		<ul style="list-style-type: none"> <li>• Allegra connects communities by inventing and implementing integrated solutions for real-time information and creating measurable individual care outcomes. Features such as real-time clinical data switching, member information and benefit validation, smart procurement and automation assist healthcare providers to reduce costs.</li> <li>• Allegra provides healthcare providers with the total view of an individual's health, built on accurate, up-to-date information, to inform their care decisions. This prevents unnecessary testing and diagnostics, and assists healthcare value contributors in more effective decision-making.</li> <li>• The data enables providers to tailor proven treatment plans and informed interventions, all of which reduce healthcare costs.</li> <li>• Allegra facilitates Pharmacy Direct's smart procurement, Wellness Odyssey's software and Medscheme's transaction switching.</li> </ul>
		<ul style="list-style-type: none"> <li>• AfroCentric Distribution Services (ADS) attracts younger and healthier members to our schemes by identifying target markets (lead generation), and through its advertising and branding strategies.</li> <li>• ADS trains and educates its brokers on the Group's benefits and related processes. Brokers are essential in attracting business for open schemes.</li> <li>• ADS negotiates lower fees and insurance premiums by offering a large membership base to healthcare providers and insurers.</li> <li>• ADS promotes all companies within the Group such as Wellness Odyssey, Pharmacy Direct, Helios and the broader Medscheme services.</li> <li>• Feedback from our broker network and ADS consultants informs product development.</li> </ul>

# MATERIALITY

*AfroCentric's definition of materiality is derived from the International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework. The Group considers matters material if they have the potential to substantively affect our ability to create and sustain value for our stakeholders over the short, medium and long term.*

## Materiality determination process

Determining material matters is an ongoing process – we assess the external environment and key corporate risks and opportunities, linking each to legitimate stakeholder interests and concerns, and aligning these to the strategy as depicted below. Executives are annually interviewed to ensure the identified matters remain material to the Group – this directs the year-on-year movement of previously identified material matters.



We have outlined the risks and opportunities that can considerably influence the organisation's ability to create value. The matrix depicts how each of these material matters have been evaluated and prioritised on the basis of their respective impact and likelihood.

Enterprise Risk Management  39, Material matters  43

### External environment

Our operating environment is dynamic and constantly fluctuates.

AfroCentric's sustainability depends on our ability to monitor, assess and respond to the external environment and our material matters.

Chairperson's report  6, External environment  34

### Risks and opportunities

AfroCentric's enterprise risk management process entails a risk assessment which evaluates the external environment and our stakeholders' expectations.

The Group considers the likelihood and the potential impact of the risks and opportunities within our defined quantitative and qualitative parameters. The Group's future materiality assessments will be based on these matters, as management continues to align its strategic approach with the critical factors in its operating environment. All assessments are aligned to our strategic, financial, reporting, IT, compliance, reputational and operational risks.

Enterprise Risk Management  39

### Stakeholder expectations


Quality stakeholder relations are a key component of our ability to create value.

Effective feedback and communication channels enable the Group to identify and address risks and opportunities. Stakeholder engagement also informs our material matters and our strategy.

Our stakeholders  36

### Material matters

The materiality determination process ranks our material matters based on relevance and potential significant impact on our ability to create value for our stakeholders.

Material matters  43

### Strategy

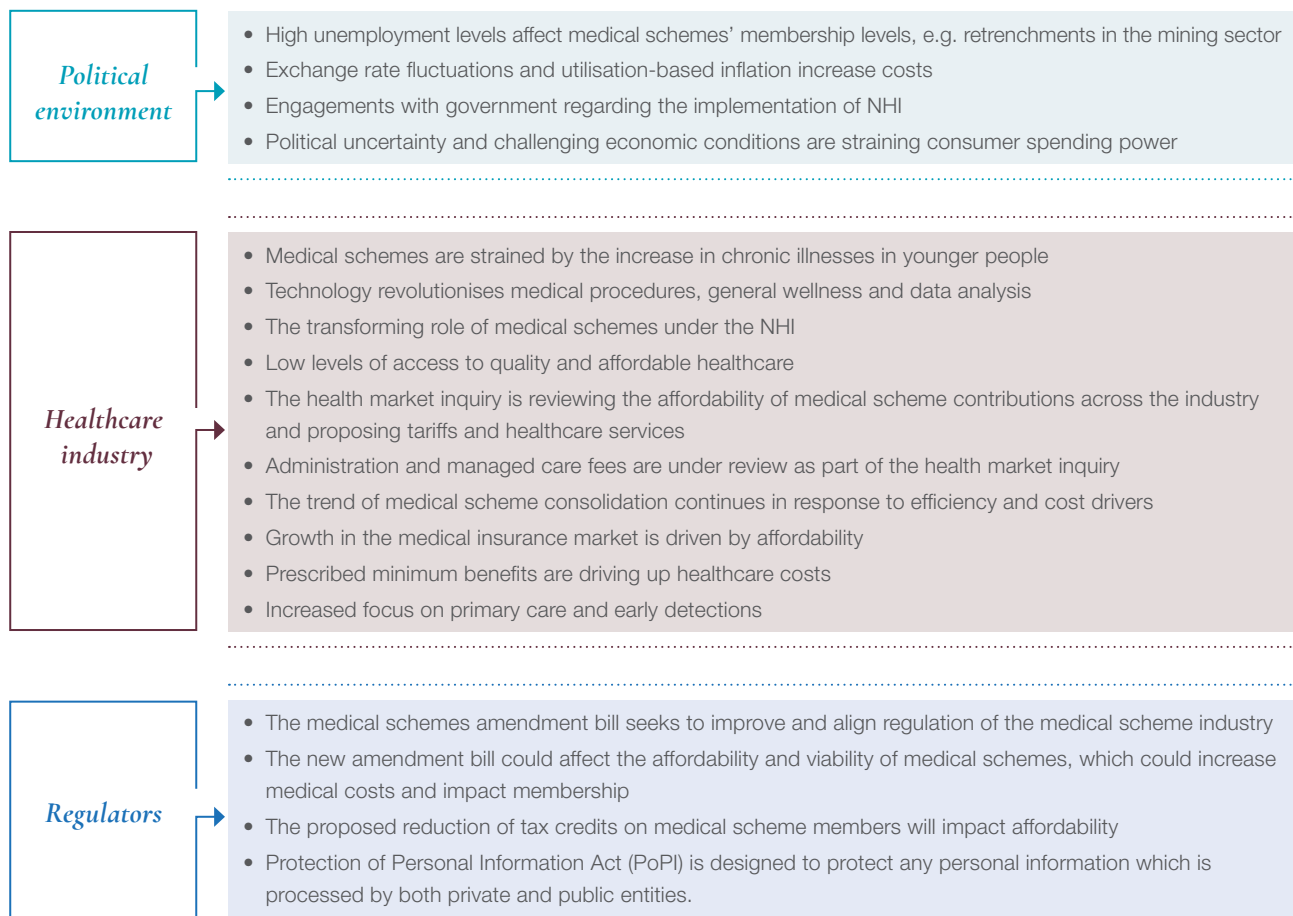
A robust understanding of our material matters keeps our strategy relevant and value adding.

Our strategy  48, Group CEO's report  20

# EXTERNAL ENVIRONMENT

*Our operating environment has a direct impact on our ability to create value.*

*Our market context enables us to determine our material matters, which in turn describe how we address the macro economic conditions below.*



Chairperson's report  Material matters 

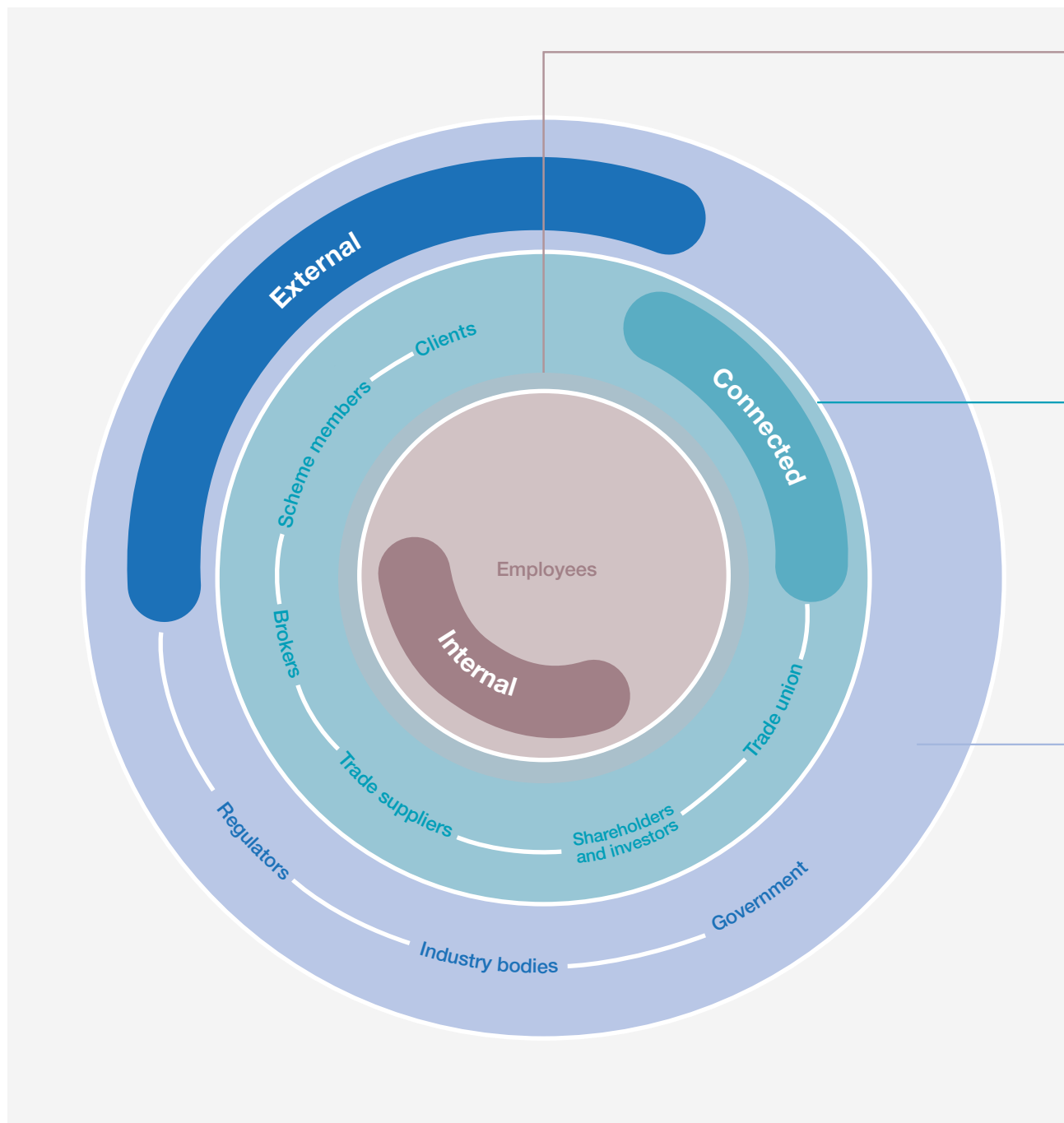




# STAKEHOLDERS

*The Group's success and future prospects depend on our stakeholders' continued support.*

AfroCentric recognises its stakeholders as those individuals and groups who have an interest in, or who are affected by, our activities. Our stakeholders determine the Group's long-term sustainability and value creation prospects. They range from our employees to the external bodies that influence us. They are connected by the groups that we engage with regularly – these 'connected' groups form the bulk of our engagement and business activities.



Our Board and executive management employ an inclusive approach to stakeholders' interests and mutual value. We engage our stakeholders responsively, constructively, collaboratively and transparently to address their material needs, interests and expectations.

## Our stakeholders

<b>AFROCENTRIC EMPLOYEES</b> <i>The Group's employees who perform core functions within the organisation.</i>		
<b>OUR CLIENTS – MEDICAL SCHEMES</b> <b>Open schemes:</b> Bonitas, Fedhealth, Medshield, Hosmed  <b>Closed schemes:</b> AECI, Barloworld, GEMS, Horizon, MBMed, NedGroup, ParMed, OMSMAF, POLMED, SABC, SAMWUMED, Sasolmed  <b>Outside SA schemes:</b> NAMMED, Namibia Health Plan, Sovereign Health	<b>SCHEME MEMBERS</b> <i>The schemes' members.</i>	<b>TRADE SUPPLIERS</b> <i>The vendors who support our business.</i>
	<b>BROKERS</b> <i>Brokers are licensed and regulated agents that assist members to enrol for the appropriate medical cover through our schemes.</i>	<b>SHAREHOLDERS AND INVESTORS</b> <i>Institutional and individual investors.</i>
		<b>TRADE UNION</b> <i>The National Education, Health and Allied Workers Union (NEHAWU) is the union for workers from the education, health, government and social welfare sectors.</i>
<b>REGULATORS</b> <i>The organisations which monitor and regulate our environment</i> <ul style="list-style-type: none"> <li>• Council for Medical Schemes</li> <li>• Medicines Control Council</li> <li>• South African Pharmacy Council</li> <li>• The Johannesburg Stock Exchange</li> <li>• Competition Commission</li> </ul>	<b>INDUSTRY BODIES</b> <i>The bodies which oversee healthcare-related matters</i> <ul style="list-style-type: none"> <li>• Body of Healthcare Funders of Southern Africa</li> <li>• HPCSA</li> <li>• Hospital Association of South Africa</li> <li>• Doctor's Health Council</li> <li>• Public Health Enhancement Forum</li> </ul>	<b>GOVERNMENT</b> <i>Government sets out healthcare policies that create the framework within which we operate.</i>

## Stakeholders (continued)

### Key stakeholder engagement themes

We respect our stakeholders' diverse range of concerns and we aim to respond strategically. Transformation; lowering healthcare costs and enhancing accessibility; value creation and sustainability; and compliance were the key themes of the Group's various stakeholder engagements.

#### Transformation

Areas of interest	Stakeholders impacted	Strategic response
<ul style="list-style-type: none"> <li>• B-BBEE level – maintain a level 2</li> <li>• Procurement opportunities</li> <li>• Transformation at senior level</li> </ul>	<ul style="list-style-type: none"> <li>• Suppliers</li> <li>• Clients</li> <li>• Government</li> <li>• Employees</li> </ul>	<ul style="list-style-type: none"> <li>• Promote transformation</li> <li>• Uplift our people</li> </ul>

#### Lowering healthcare costs and enhancing accessibility

Areas of interest	Stakeholders impacted	Strategic response
<ul style="list-style-type: none"> <li>• Universal access to quality healthcare</li> <li>• Affordability of private healthcare</li> <li>• Fraud, waste and abuse</li> <li>• Our schemes' value proposition: incentives, rewards and benefits</li> <li>• Standardising efficient and quality healthcare services for all individuals</li> <li>• Compliance and adhering to licensing requirements and competition regulations</li> </ul>	<ul style="list-style-type: none"> <li>• Clients</li> <li>• Schemes' members</li> <li>• Brokers</li> <li>• Government</li> <li>• Regulators</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce the cost of healthcare</li> <li>• Improve efficiencies through cost consciousness</li> <li>• Deliver exceptional client service</li> </ul>

#### Profitability and sustainability

Areas of interest	Stakeholders impacted	Strategic response
<ul style="list-style-type: none"> <li>• Improved integration and returns from new acquisitions</li> <li>• Enhance IT capabilities</li> <li>• Good corporate governance</li> <li>• Dividends</li> <li>• Job stability/employee wellness and relations</li> <li>• Growth of the business</li> <li>• Remuneration and rewards</li> <li>• Efficient capital allocation</li> </ul>	<ul style="list-style-type: none"> <li>• Shareholders and investors</li> <li>• Employees</li> </ul>	<ul style="list-style-type: none"> <li>• Enhance shareholder value</li> <li>• Uplift our people</li> <li>• Diversify revenue sources</li> <li>• Maximise growth opportunities</li> </ul>

#### Compliance

Areas of interest	Stakeholders impacted	Strategic response
<ul style="list-style-type: none"> <li>• Compliance and adherence to licensing requirements and competition regulations</li> <li>• Delivering according to the service level agreement</li> </ul>	<ul style="list-style-type: none"> <li>• Regulators</li> <li>• Government</li> <li>• Clients</li> </ul>	<ul style="list-style-type: none"> <li>• Enhance shareholder value</li> <li>• Uplift our people</li> <li>• Diversify revenue sources</li> <li>• Maximise growth opportunities</li> </ul>

# ENTERPRISE RISK MANAGEMENT

*Our robust risk management protects our ability to achieve strategic objectives and identify opportunities.*

The Board and its sub-committees oversee the Group's risk management.

AfroCentric has various governance structures across the Group to manage risk. These structures are chaired by the most senior members of the management team and are accountable to the Board sub-committees. The Group Risk Management function ensures that risk management systems are effectively governed and managed.

We strive to embed robust risk management processes to mitigate risks and identify opportunities.

## *Enterprise Risk Management Framework*

AfroCentric's Enterprise Risk Management (ERM) Framework is aligned to King IV principles, the Committee of Sponsoring Organisations of the Treadway Commission's (COSO) ERM Framework, and the International Organization for Standardization (ISO) 31000:2018 Risk Management Framework. This provides a structured and systematic enterprise-wide approach to risks within the Group.

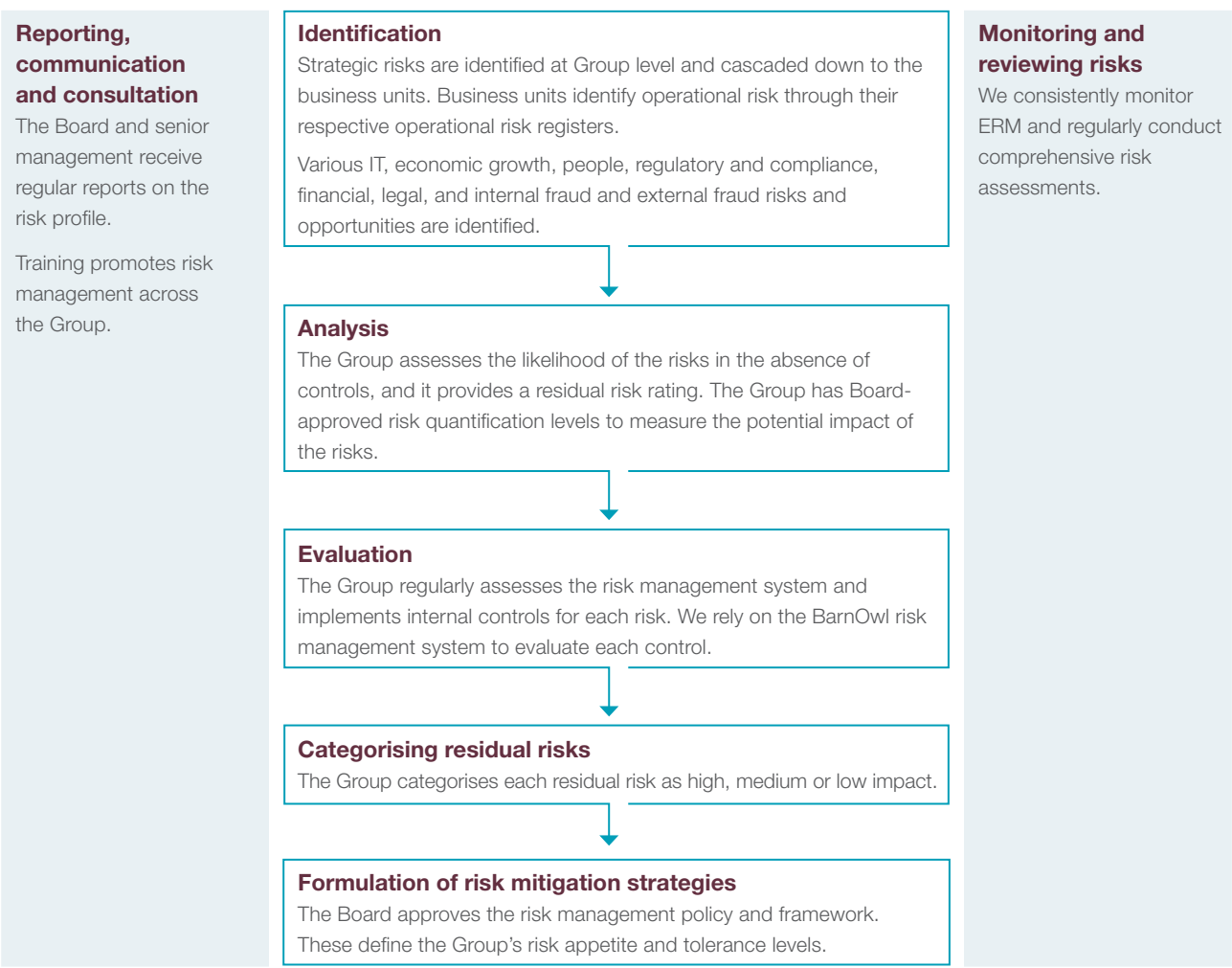
To thoroughly understand our risk landscape, we consider factors in our external and internal environments which could impact the Group's strategic objectives.





## Enterprise risk management (continued)

### *Risk management process*



### **Risk appetite and tolerance**

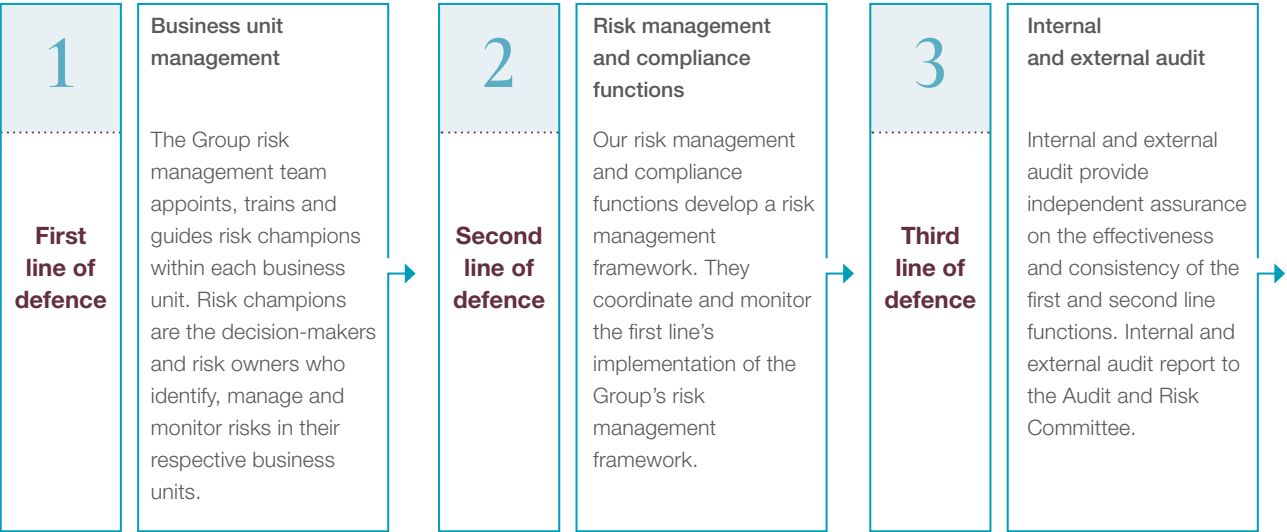
The Group has a detailed Board-approved risk appetite statement for individual risk categories. The statement applies to all entities within the Group.

The Group did not encounter any material breaches, or undue, unexpected or unusual risks outside of risk appetite levels during the year.

Combined Assurance

Our combined assurance framework is underpinned by a three lines of defence model that specifies and delegates accountability for managing, overseeing and independently assuring risks across the Group. The duties of each line of defence are described below:

The combined assurance framework has been developed to provide principles and guidelines that will be utilised in implementing combined assurance across the Group, and will continue to evolve as this process is embedded and matures across the business.



The Board of AfroCentric Group is committed to the maintenance and upholding of sound corporate governance practices as imperative to the success of the Group and its subsidiaries, and to the adherence of sound corporate principles in the management of its business.

# KEY RISKS AND OPPORTUNITIES

The table below illustrates the Group's material risks. Our material matters section provides an overview of the Group's risks and their related opportunities.

	Risk	Related material matter(s)	Impact	Likelihood	Movement	
1	IT	<ul style="list-style-type: none"><li>• System stability/availability</li><li>• Cybersecurity vulnerabilities</li><li>• Technologies</li><li>• Project management</li></ul>	<ul style="list-style-type: none"><li>• Cybercrime and data security</li><li>• IT dependency</li><li>• Project risks</li><li>• Technological innovation</li></ul>	High	<div><div></div></div>	<div><div></div></div>
2	Economic growth	<ul style="list-style-type: none"><li>• Membership growth</li><li>• Loss of clients</li><li>• B-BBEE levels</li></ul>	<ul style="list-style-type: none"><li>• Escalating healthcare costs</li><li>• Member retention for clients</li><li>• Political uncertainty</li><li>• Transformation</li></ul>	High	<div><div></div></div>	<div><div></div></div>
3	People	<ul style="list-style-type: none"><li>• Employee retention</li></ul>	<ul style="list-style-type: none"><li>• Loss of critical skills/employees</li></ul>	Medium	<div><div></div></div>	<div><div></div></div>
4	Regulatory and compliance	<ul style="list-style-type: none"><li>• PoPI</li><li>• NHI</li></ul>	<ul style="list-style-type: none"><li>• Regulatory compliance</li></ul>	Medium	<div><div></div></div>	<div><div></div></div>
5	Financial	<ul style="list-style-type: none"><li>• Budget/growth target</li></ul>	<ul style="list-style-type: none"><li>• Escalating healthcare costs</li><li>• Fraud, waste and abuse</li></ul>	Medium	<div><div></div></div>	<div><div></div></div>
6	Legal	<ul style="list-style-type: none"><li>• Contractual agreements</li></ul>	<ul style="list-style-type: none"><li>• Project risks</li></ul>	Medium	<div><div></div></div>	<div><div></div></div>
7	Internal fraud	<ul style="list-style-type: none"><li>• Internal fraud</li></ul>	<ul style="list-style-type: none"><li>• Fraud, waste and abuse</li></ul>	Medium	<div><div></div></div>	<div><div></div></div>
8	External fraud	<ul style="list-style-type: none"><li>• External fraud</li></ul>	<ul style="list-style-type: none"><li>• Fraud, waste and abuse</li></ul>	High	<div><div></div></div>	<div><div></div></div>

Impact	Likelihood	Trend
High	●	Worsening ↓
Medium	●	Remains unchanged →
Low	●	Improving ↑

## 2018 focus areas

- The PoPI
- Cybersecurity
- Sustainability of the organisation

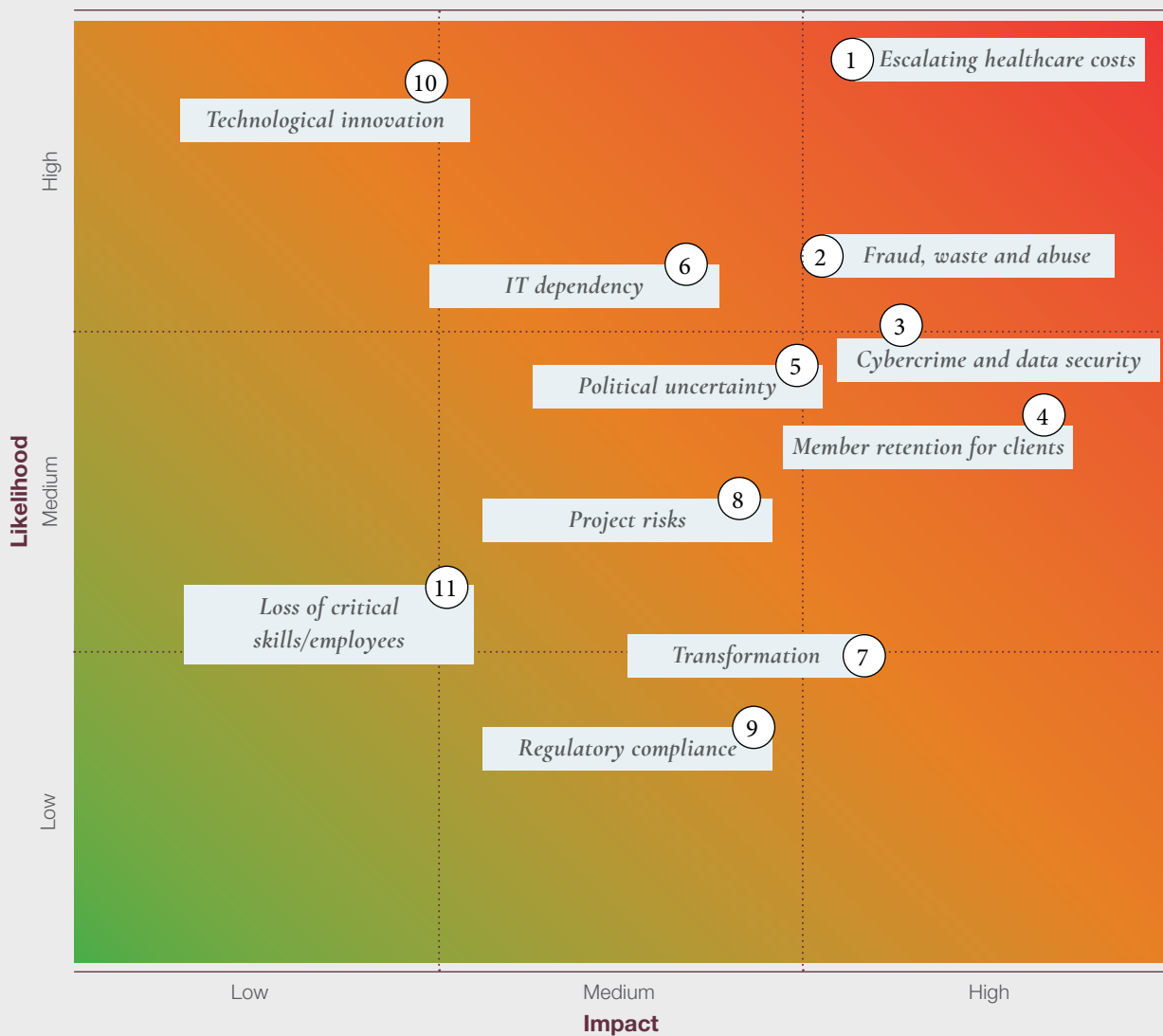
## Outlook

The Group would like to maintain minimum risk exposure in terms of cybersecurity, compliance with PoPI, and business acquisitions related to our growth strategy.

# MATERIAL MATTERS

Our material matters are the factors that substantively affect our ability to create and sustain value over the short, medium and long term.

## Material matters matrix



## Material matters (continued)

1

2

### Material matters Escalating healthcare costs

### Fraud, waste and abuse

<i>Why it is material</i>	Fewer people can afford private healthcare due to escalating costs, and it is becoming more difficult for open schemes to attract new members. Open and closed schemes are forced to reduce certain benefits.	Fraud, waste and abuse originate from third parties who defraud our schemes or from unauthorised activity by employees. This costs the Company money and/or escalates healthcare costs.
<i>Risks</i>	The future of open and closed schemes is being challenged by unsustainable and increasing medical costs. This is a substantial risk to the shorter-term sustainability of the private sector. Exchange rate fluctuations drive up the costs of imported medical components	Without the capability to proactively monitor and analyse big data, a large portion of fraudulent and abusive claims go undetected. This impacts the financial sustainability of the medical schemes, resulting in increased member contributions, which could result in membership loss.
<i>Opportunities</i>	<ul style="list-style-type: none"> <li>• Introduce a disruptive strategy to contract hospitals and healthcare professionals</li> <li>• Enhance data capabilities</li> <li>• Efficient IT platform (Nexus)</li> <li>• Successful implementation of the ICCM</li> <li>• Medical insurance cover</li> <li>• Acquiring and integrating new companies for value chain optimisation</li> </ul>	<ul style="list-style-type: none"> <li>• Effectively identifying, analysing, quantifying and recovering irregular claims using predictive analytics</li> <li>• Extending the service to small to medium-sized medical schemes and self-administered schemes who require forensic expertise</li> <li>• Access to data which provides a holistic view of claiming patterns and behaviour assists with contracting, quality and pricing with service providers</li> </ul>
<i>Stakeholders</i>	<ul style="list-style-type: none"> <li>• Shareholders</li> <li>• Regulators</li> <li>• Our clients – medical schemes</li> </ul>	<ul style="list-style-type: none"> <li>• Trade suppliers</li> <li>• Our clients – medical schemes</li> </ul>
<i>Strategic response</i>	<ul style="list-style-type: none"> <li> Reduce the cost of healthcare</li> <li> Enhance shareholder value</li> </ul>	<ul style="list-style-type: none"> <li> Reduce the cost of healthcare</li> </ul>



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**Cybercrime and data security****Member retention for clients****Political uncertainty**

Cybercrime has become more prevalent as technology has advanced. Inadequate investment in cybercrime detection and prevention technologies could leave the Group vulnerable to cyberattacks.

We have adopted a culture of cost containment to decrease the healthcare costs for our clients' schemes while improving the quality of healthcare for our schemes' members.

Political uncertainty and the challenging economic conditions in South Africa are straining our schemes' members spending power. Thus, it is difficult for our client schemes to attract new members, which hampers revenue growth. The recent VAT increase could make healthcare more expensive.

Cybersecurity vulnerabilities expose our intellectual property and client relationships to malicious attacks. These could destroy and/or corrupt of key information and compromise client data.

Low-quality customer service could cost us clients.

The strained economy and the difficulty our clients have in retaining members threaten the future of medical schemes and affect the Group's revenue.

- Implementation of the IBM QRadar technology advanced threat analytics management tool has enhanced the security of our systems
- Reviewing the cybersecurity strategy to ensure it is up to date with further inputs to enhance the system
- Implementing web application firewalls

The Group can build a performance-driven culture among employees.



- Appropriately training team members to establish a culture of client retention
- Providing quality customer service




- Diversify revenue sources
- Diversify health insurance product offerings (targeted at the low-income market)
- Partnership with national and provincial governments to drive the health reform agenda (creates opportunities for the business to earn revenues via the value chain optimisation approach)
- Improved healthcare protocols
- Transforming to achieve favourable ratings for tenders for public and private business
- Growing business in Africa




- Trade suppliers
- Our clients – medical schemes

- Our clients – medical schemes
- AfroCentric employees









- Regulators
- AfroCentric employees
- Government

-  Improve efficiencies through cost consciousness
-  Deliver exceptional client service

-  Deliver exceptional client service
-  Reduce the cost of healthcare
-  Improve efficiencies through cost consciousness

-  Diversify revenue sources
-  Maximise growth opportunities
-  Promote transformation

## Material matters (continued)

	6	7	8
Material matters	IT dependency	Transformation	Project risks
<b>Why it is material</b>	Our IT systems are the core of our operations. They are vital to remain relevant in the face of business change/growth and market consolidation. We aim for high levels of operational quality.	AfroCentric is a proud corporate citizen devoted to South Africa's transformation agenda. Transformation is one of our strategic objectives, and we aim to optimally comply with the B-BBEE codes and relevant legislation.	The Group runs a number of projects; therefore, it is imperative that the Group ensures: <ul style="list-style-type: none"> <li>• an integrated approach to financial and distribution activities; and</li> <li>• good governance.</li> </ul>
<b>Risks</b>	System instability increases our risk of business interruption. Failing to adapt or respond to disruptive technologies could impact our relevance.	The Group's ability to win tenders and contracts could be compromised.	Poor governance and quality of resources due to conflicting business priorities may cause budget over-runs.
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>• Optimising our IT platform, Nexus, will enable us to upgrade to an enhanced system</li> <li>• Implementing the digital strategy</li> <li>• Fostering integration as a key enabler for innovation</li> <li>• Maximising our data assets by enhancing our data platforms and data models</li> </ul>	Our high B-BBEE level places us in a favourable position to win tenders in the public and private sector, and it demonstrates our commitment to contribute to the country's upliftment.	Re-clustering business units in a matrix framework will enhance the alignment of strategic imperatives.
<b>Stakeholders</b>	<ul style="list-style-type: none"> <li>• AfroCentric employees</li> <li>• Trade suppliers</li> <li>• Our clients – medical schemes</li> </ul>	<ul style="list-style-type: none"> <li>• AfroCentric employees</li> <li>• Our clients – medical schemes</li> </ul>	<ul style="list-style-type: none"> <li>• Suppliers</li> <li>• Regulators</li> <li>• Our clients – medical schemes</li> </ul>
<b>Strategic response</b>	<ul style="list-style-type: none"> <li> Improve efficiencies through cost consciousness</li> <li> Diversify revenue sources</li> <li> Maximise growth opportunities</li> </ul>	<ul style="list-style-type: none"> <li> Promote transformation</li> <li> Uplift our people</li> </ul>	<ul style="list-style-type: none"> <li> Improve efficiencies through cost consciousness</li> <li> Diversify revenue sources</li> <li> Maximise growth opportunities</li> </ul>

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**Regulatory compliance****Technological innovation****Loss of critical skills/employees**

Non-compliance to regulatory affairs could impact profits and damage our reputation.

Technological innovation drives cost efficiencies and maintains the Group's competitive nature.

AfroCentric employs experienced and skilled employees, particularly actuarial, IT and medical specialists who are in demand locally and internationally. Retaining our employees and intellectual capital within the Group is vital.

Our accreditation and, subsequently, our ability to do business could be affected by failing to ensure adequate levels of compliance. There are various penalties for contravening these applicable legislations.

We may miss opportunities to diversify our revenue streams and reduce the costs of healthcare for our clients.

There is a shortage of critical skills in the country, and attracting and retaining key employees has become critical.

- We constantly engage with regulatory bodies on proposed regulations and legislation to ensure compliance.
- Improved governance processes
- A culture of ethical conduct within the business operations

AfroCentric's IT platform system, Nexus, could become the leading healthcare software in the market.

Innovative products and services that use our IT capabilities, such as the electronic health record and smaller scale admin systems.

The Group has successfully implemented the leadership competency model, succession planning and short and long-term incentives to attract and retain critical skills. We also develop and train our talent to ensure retention.

- Regulators
- Our clients – medical schemes

- Trade suppliers
- Our clients – medical schemes

- AfroCentric employees



Promote transformation



Improve efficiencies through cost consciousness



Diversify revenue sources



Maximise growth opportunities



Deliver exceptional client service



Diversify revenue sources



Maximise growth opportunities



Promote transformation

# STRATEGY

## Strategy development

*AfroCentric's strategic objectives support our purpose. Together with our stakeholders, we aim to achieve universal access to healthcare.*

The Board oversees and guides the Group's strategic direction. The Board and the Executive Committee attend two workshops annually to review the Group's strategy. The Executive Committee then meets to distil the implementation of the strategy. Our internal stakeholders raise awareness about our strategy through plenaries and dialogues on the strategy at CEO roadshows. The outcome of this process is an annual leadership manifesto that promotes greater leadership accountability.

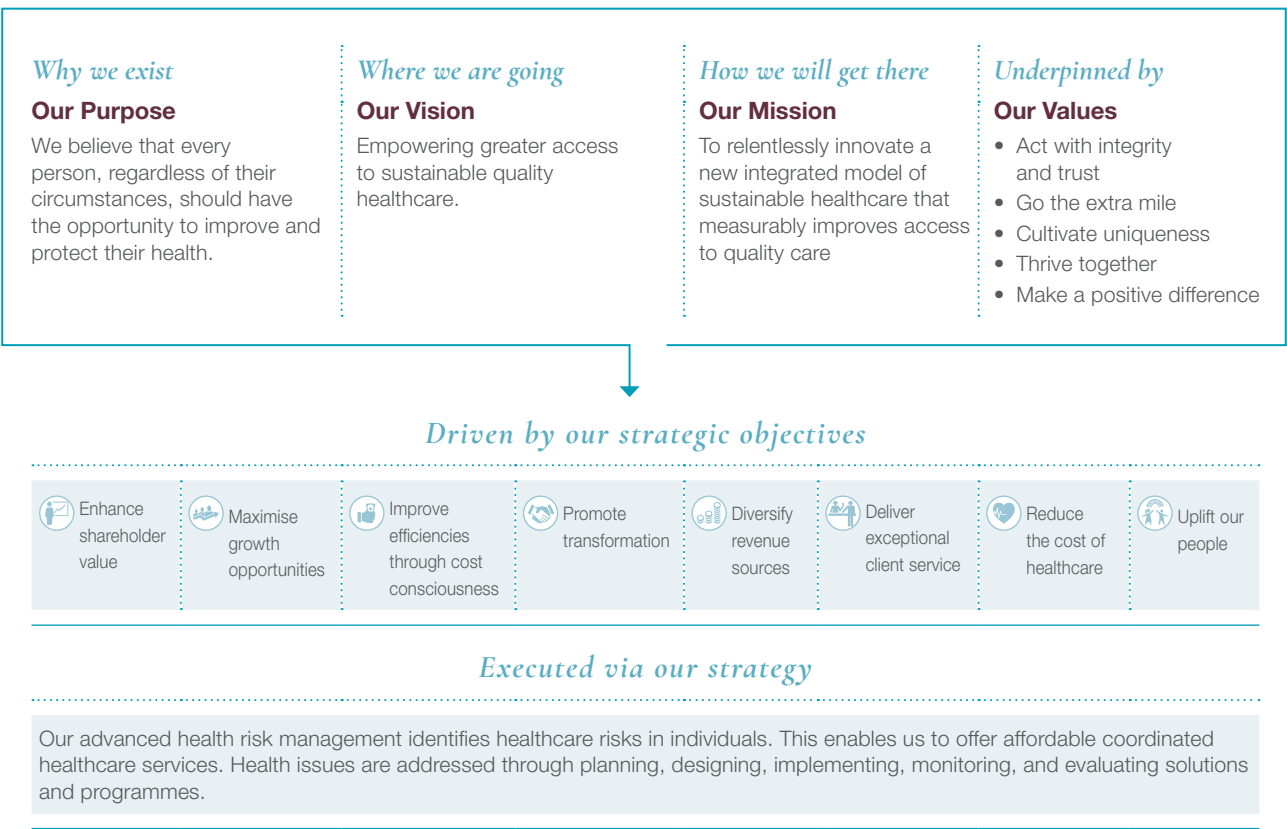
This year we focused on:

- value chain optimisation in terms of acquisitions geared towards client retention strategies and cost reduction, increase on market cap, and becoming a strategic global player in the healthcare space; and
- increasing the healthcare value chain in contributing towards expansion of medical scheme clients.

Our executive management reports to the Board on the Group's material matters. These matters are regularly assessed, and the relevance of the strategy is reviewed against the external environment and our key risks and opportunities.

AfroCentric's business model depicts how the Group's operating subsidiaries are integrated into the healthcare value chain and drive our strategy through various inputs and activities.

[Business model](#) 





## Enhance shareholder value

AfroCentric aims to deliver sustainable returns for our shareholders. Acquisitions, mergers, diversification and further growth of our client base enables us to continue fulfilling our shareholders' expectations. The successful execution of our other strategic objectives also enhances our shareholder value.

Key performance indicators	2019 target	2018	2017	2016
Headline earnings per share (cents)	50	47.06	22.34	22.33
Dividend yield (%)	4 – 5	5.6	4.5	4.6
Share price (cents)	>600	575	620	525
Normalised headline earnings per share (cents)	51	47.63	44.03	30.84
Return on equity (%)	15	14.59	9.09	12.70

Group CFO's report 



## Maximise growth opportunities

AfroCentric seeks opportunities to diversify or acquire new businesses that contribute to our value chain and grow our client base. The Group also pursues inorganic growth and public private partnerships with the Department of Health and in support of the NHI. As we consolidate our schemes, we drive out fragmented role players who are increasing costs.

Key performance indicators	2019 target	2018	2017	2016
Revenue growth (%)	14	11.3	20.22	50.00
Business acquisitions (number)	1	5	1	2

Group CFO's report 



## Improve efficiencies through cost consciousness

All companies within the Group are committed to becoming more efficient. We aim to deploy resources appropriately while optimising our outputs and maintaining high-quality service. Integrating systems and services within the Group and leveraging innovations such as robotics and digitalisation enhance our efficiencies and those of our clients.

Key performance indicators	2019 target	2018	2017	2016
Percentage of operating profit (%)	16	10.5	49.89	1.15

Group CFO's report 



## Strategy (continued)



### Reduce the cost of healthcare

Ensuring universal access to healthcare requires us to ensure affordability. The Group implements initiatives such as value chain optimisation and a shift of focus from managed care to primary care. Our forensic team uses our IFM software to combat fraud, waste and abuse.

Key performance indicators	2019 target	2018	2017	2016
Weighted scheme solvency (%)	≥25	31	32	36
Average scheme contribution increase (%)	CPI +1	6	7.08	6.91
Cost savings based on IFM (R'm)	>500	408	154.1	16.1

Group CFO's report  24



### Promote transformation

We are committed to corporate citizenship, driving transformation and upholding our social licence to operate. Our recruitment is aligned to our transformation policy, and we aim to empower our people.

Key performance indicators	2019 target	2018	2017	2016
B-BBEE level <sup>1</sup>	1	2 <sup>2</sup>	2	2
Enterprise development spend (R'm)	3.6	3.2	3.5	4.0
Socio-economic development spend (R'm)	3.6	3	3.5	2.1
Supplier development spend (R'm)	7.3	6	7	4

Our social impact  52



### Diversify revenue sources

Acquisitions and partnerships of non-health administration and health risk management businesses diversify our revenue sources and contain costs.

We target new businesses that complement and enhance our current service offering by optimising our operations and introducing cost-effective packages.

Key performance indicators	2019 target	2018	2017	2016
Non-health administration and health risk management-related revenue (%)	46	40	36	35
Pharmaceutical revenue (%)	33	29	28	23

Group CFO's report  24

<sup>1</sup> AfroCentric Health (AHL).

<sup>2</sup> The June 2018 B-BBEE level is projected through the Group's quarterly management reviews. The B-BBEE verification will be conducted in November 2018 by Honeycomb BEE Ratings Proprietary Limited.



## → *Deliver exceptional client service*

AfroCentric is committed to excellence in the customer experience and continuously improving its service offering. Our aim is to ensure that our employees are engaged and motivated, which will lead to excellent service delivery and client retention.

We gain insights and identify improvement opportunities from Voice of the Customer surveys, our Customer Experience Management tool and our employee engagements. The Root Cause Analysis also assists in identifying causes and addressing gaps in our customers' experience.

Key performance indicators	2019 target	2018	2017	2016
Voice of the Customer survey (%)	85	<b>82.33</b>	85.31	86.20
Growth of schemes (%)	2% volume growth	<b>(0.2)</b>	10.5	7.8
Retention of clients (%)	100	<b>100</b>	95	100

Group CFO's report 



## → *Uplift our people*

The Group aims to instil a positive culture that empowers the broader community and motivates employees. Empowered communities and motivated employees drive the Group towards its strategic objectives.

Key performance indicators	2019 target	2018	2017	2016
Total employees (number)	5 300	<b>5 274</b>	5 236	4 781
Training spend (R'm)	10.4	<b>7</b>	6.9	7.3
Bursary spend (R'000)	500	<b>421</b>	421	111

Our social impact 

## *Future focus areas*

Our focus will remain on retaining our clients and exceeding our service level agreements.

To drive our growth targets, we will focus on growing our open schemes (Bonitas, Fedhealth and Hosmed), pursuing further consolidation, identifying and leveraging more public private partnerships, and targeting strategic acquisitions. Specific projects include building momentum on Medscheme Swaziland and expanding Pharmacy Direct through the additional volumes to be delivered on the new Department of Health tender awarded.

We will build momentum in our fraud, waste and abuse reduction activities and in enhancing the Group's IT capabilities through the Fusion and digitalisation projects. We will also integrate newly acquired businesses into the Group.

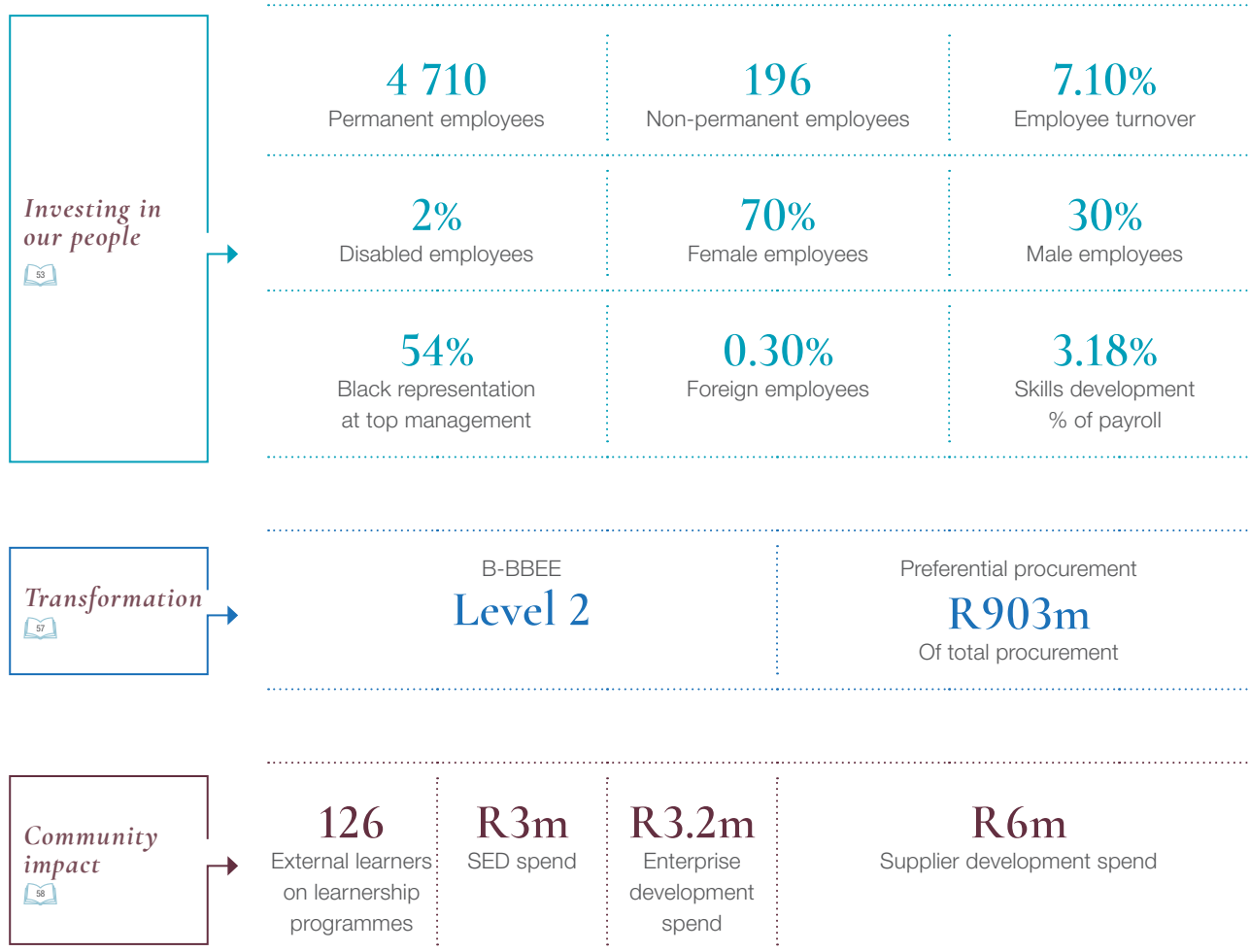
# OUR SOCIAL IMPACT

*AfroCentric is committed to sustainability in South Africa. We are a proud corporate citizen and aim to support and make a difference to society.*

AfroCentric was established with the philosophy of promoting transformation and empowerment. We are a black-owned company and the most transformed health-related business listed in South Africa. The Group invests in healthcare-related businesses and our contribution to healthcare extends beyond our products and services.

We invest in people, support transformation, benefit society, provide health management to our members, and make healthcare more accessible to all South Africans. Our social impact starts within our Group and expands to the suppliers and communities that we directly impact and the broader society that is impacted through our health management initiatives.

AHL is a wholly owned subsidiary of AfroCentric. Therefore, the ownership credentials of AfroCentric are directly attributable to those of AHL through the modified flow-through principle. As a broad-based entity AHL is measured on all of the five elements of the B-BBEE scorecard: ownership, management control, skills development, enterprise and supplier development, and socio-economic development.



## B-BBEE contributor status – historical scorecard comparison

Element	Weighting	2018	2017	2016	2015
Equity ownership	25	24.76	24.76	25	25
Management control	19	13.53	13.10	13.41	13.70
Skills development	20	17.38	15.98	15.75	15.55
Enterprise and supplier development	40	41.65	41	38.21	37.75
Socio-economic development	5	4.90	5	5	3.9
	109 <sup>2</sup>	102.22	99.84	97.37	95.9
<b>Total and B-BBEE level</b>		<b>Level 1<sup>1</sup></b>	Level 2	Level 2	Level 2

<sup>1</sup> The 2018 B-BBEE level is projected through the Group's quarterly reviews. The B-BBEE verification process is conducted in November 2018 by Honeycomb BEE Ratings Proprietary Limited.

<sup>2</sup> Weighting includes bonus points.

## Investing in our people

- Developing our people and promoting a high-performance culture is vital to our strategic objectives.
- Our people are a key differentiator, and we are committed to developing them. The Group has a comprehensive wellness programme and learning and development opportunities, and we seek out other upliftment opportunities.
- AfroCentric strives to embed a culture which enables us to attract and retain a diverse workforce.

## Employment equity and employee profile

<b>54%</b> African employees	<b>21%</b> Coloured employees	<b>8.20%</b> Indian employees	<b>17.20%</b> White employees
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We view transformation as a key driver towards a productive, innovative and sustainable business. Management is committed to diversity and transformation, which is demonstrated through managing employment equity (EE) through a number of divisional EE forums and the National Employment Equity Forum. These forums provide a platform to monitor of our EE progress and to debate various related matters. Our EE policy, EE plan and our transformation strategy drive the implementation of EE within our business.

Our EE plan can be viewed on our website:

<http://afrocentric-online.co.za/reports/afrocentric-ar2018/pdf/employment-equity-plan.pdf> 

Our EE policy can be viewed on our website:

<http://afrocentric-online.co.za/reports/afrocentric-ar2018/pdf/employment-equity-policy.pdf> 

### Total workforce profile (including employees with disabilities) as at 30 June 2018

Occupational levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top management	1	1	2	6	3	0	0	0	13
Senior management	8	2	4	33	9	3	0	24	83
Professionally qualified and experienced specialists and mid-management	83	21	38	75	148	45	56	195	661
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	510	218	107	73	1 238	683	180	404	3 413
Semi-skilled and discretionary decision-making	258	18	5	4	352	34	8	27	706
Unskilled and defined decision-making	7	1	0	1	19	1	1	0	30
<b>Grand total</b>	<b>867</b>	<b>261</b>	<b>156</b>	<b>192</b>	<b>1769</b>	<b>766</b>	<b>245</b>	<b>650</b>	<b>4 906<sup>3</sup></b>

A = African C = Coloured I = Indian W = White

<sup>3</sup> The total employee figure of 4 906 is for SA operations only (excluding outside SA subsidiaries).

## Our social impact (continued)

### Talent and leadership development

#### Online learning

**1 060**  
online courses

The AfroCentric Learning and Performance Academy offers online training. Employees have constant virtual access to legislative courses, Company policies and functional training courses. Over the course of the year, we developed our Introduction to Healthcare and ICD 10 Coding courses which are now readily available to all employees. 1 060 online courses were undertaken by 287 employees in the period under review.

#### Skills development

AfroCentric invests a percentage of the total payroll into training and developing black employees. There is a difference between measuring and recording skills development, and measuring and recording the EE requirements (the latter only measures the number of people that attended training as opposed to the total spend).

**202**  
employees benefited  
from INSETA

The Group has INSETA-accredited internship and learnership programmes which comply with sector requirements and provide accelerated and practical work experience for school leavers, graduates and unemployed people. To date, 87% of these learnership students have become permanently employed within the Group.

#### Leadership development

**247**  
programmes

AfroCentric's leadership competencies assist the business to implement the relevant leadership development programmes. These programmes are tailored for the Group's objectives.

We believe that leadership is not what you do, but how you do it. Our leaders are groomed to display the behaviours and skills that inspire and engage our employees.

### Study Assistance Programme

Various employees are financially unable to pursue further studies. AfroCentric's Study Assistance Programme sponsors selected employees for approved courses. The Study Assistance Programme is aligned to our business strategy and priorities.

### Passion Awards

Recognising employees is vital to their performance which directly impacts the success of the Group. Our recognition programme, known as the Passion Awards, allows managers to recognise employee behaviour that is linked to the organisation's values. The recognition programme offers monetary and non-monetary rewards to employees. All reward and recognition programmes are coordinated as part of the Passion Awards programme.

### Differently Abled Employees

**103**  
Differently Abled  
Employees

The Group has implemented a number of programmes whereby differently abled employees are recruited on six-month fixed-term contracts. These employees gain work experience while being trained to become permanently employable. Employees from diverse demographics are a valued part of our workforce.

The Group promotes employing differently abled people which is evident in the number of differently abled employees we employed in the business. All business units in the Group have demonstrated full support of this initiative.



## Bursaries

**R1 179 795**  
spent on bursaries

AfroCentric's bursaries for medical doctors reduces the skills shortage in the private and public health sector. Bursary recipients were selected based on academic excellence and their financial needs.

We invested R1 179 795 into the studies of four black female scholars. We are proud of their performance and of the contribution we are able to make toward developing talent in South Africa.

## Learnership programmes

The Learning and Performance Academy implemented a number of learnership programmes for AfroCentric employees and unemployed individuals. The programmes help candidates earn qualifications and gain valuable working experience. In 2018, 180 employees and 126 unemployed people participated in the programmes.

## Employee wellness programme

The employee wellness programme (EWP) is comprehensive and employee-centric. The programme trains managers to identify distressed employees. Distressed employees are encouraged to partake in the programme. Healthwise is an easily accessible platform that provides wellness services for employees and their immediate dependants.

The programme is designed along four pillars:



### Physical Wellbeing

This consists of our annual business unit wellness days, DBC wellness days, on-site weight loss programme, boot camp, and charity walks. We also offer the clinic on-site at our Florida offices.

### Emotional Wellbeing

This is our 365 24/7 Employee Assistance Programme (EAP) facilitated by Ask Nelson. It provides counselling services to our employees and their immediate family members.



### Financial Wellbeing

The debt management programme facilitated by our service provider, Interface, offers employees free financial wellbeing services on issues such as budgeting, wills and estates.

### Organisational Wellbeing

This is absence management through our ICAS first day of absence system and disability management through Sanlam Group Life.



## Our social impact (continued)

### Clinic on-site

In line with our vision to empower greater access to sustainable quality healthcare, and to improve employee productivity and wellness, we launched our first on-site employee healthcare facility on 6 March 2018, which provides employees with primary healthcare services ranging from health assessments and consultations, to family planning and disease management.

The facility is managed and operated by an external service provider to ensure confidentiality for employees' health data and records. While the facility is fully sponsored by the Group, dispensed medication is subsidised and comes at a marginal cost to employees.

We intend to continue expanding the facility's service offerings to our employees and, should this pilot initiative be successful, to make available similar services to employees at our regional operations.

### Performance management

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

system. To be a progressive organisation, we continuously research best practice to build a high-performance culture.

When managing individual performance, we aim for a 'win-win' environment where managers and employees share clear expectations and objectives from the outset. Employees participate in all phases of the process and share ownership of the outcomes with the organisation. Performance discussions should cover more than just performance ratings – the focus should be on real-time performance. Leaders should have regular meaningful conversations that are not fear-based, but aimed at improving performance gaps with the aim that individuals understand how their performance and behaviour link to the organisational strategy and how their contributions drive business growth. We emphasise self-management in achieving total quality and customer service, and employees are encouraged to maximise their contribution in their current role, while having access to opportunities to grow and develop their careers within the AfroCentric Group.

### Outlook/future focus areas

Our next phase will include the development of our core and functional competencies across the business that will allow us to embed those competencies that will lead us into a sustainable future.



## Transformation

*Transformation is a strategic enabler for AfroCentric to achieve its vision of creating sustainable healthcare. It enables us to drive sustainability for all of our stakeholders.*

There are a number of societal issues in South Africa such as imbalances in career, educational and economic opportunities. B-BBEE directly addresses economic transformation in South Africa by increasing the number of black people that manage, own and control the country's economy.

AfroCentric's transformation framework supports the national strategic priorities and our own social impact agenda. The Group adheres to the South African Government's B-BBEE policies and other transformation-related legislation such as, but not limited to the:

- National Development Plan 2030;
- National Strategy for Broad Based Black Economic Empowerment;
- Revised Broad Based Black Economic Empowerment Act 53 and related amendments;
- Amended Codes of Good Practice on Broad Based Black Economic Empowerment of 2013;
- Employment Equity Amendment Act of 2014 and related regulations; and
- Skills Development Act and related Skills Development Levies Act.

At AfroCentric, we aim to transcend compliance and go beyond the numbers for transformation, while adhering to the spirit of the B-BBEE Codes. We have several structures that debate, critique and approve the transformation initiatives. The Board and the AfroCentric Health Group Executive Committee support these structures, primarily through the following committees:

- Transformation Steering Committee
- Social and Ethics Committee
- Enterprise and Supplier Development Committee

Our level of compliance with the B-BBEE scorecard demonstrates our commitment to driving transformation within the Group and in the way in we do business.

## Equity ownership

AHL ownership profile (30 June 2018)	2018 <sup>1</sup>	2017	2016
Exercisable voting rights by black people that flow through to AHL	80.22%	80.22%	34.51%
Exercisable voting rights by black women	9.42%	9.42%	13.46%
Entitlement to economic interest by black people that flows through to AHL	80.22%	80.22%	34.51%
Entitlement to economic interest by black women	9.42%	9.42%	13.46%
Economic interest that flows through to black designated groups	14.00%	14.00%	13.79%
Involvement of ownership of the enterprise of new black entrants	11.03%	11.03%	13.57%

<sup>1</sup> The 2018 figures are projected through the Group's quarterly management reviews. The verification process will be conducted in November 2018 by an external provider, Honeycomb BEE Ratings Proprietary Limited.

## Management control

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

AfroCentric's EE plan outlines our own targets for EE. These add to the universal targets for EE compliance under the B-BBEE Codes by including a measure for the representation of black disabled employees among the Group's total employees. The Company uses these targets to measure its EE performance for the EE element under the B-BBEE Codes.

## Outlook/future focus areas

To ensure that the EE plan, promotion, retention and succession are in line with Economic Active Population (EAP) and that diversity and representation increases.

## Our social impact (continued)

### Community impact

*AfroCentric is involved in sustained, collaborative, strategic efforts to uplift the wider communities. The Group is dedicated to improving community life, people's experience and continuous community learning.*

### Enterprise supplier development

The Group considers the preferential spending amount on black-empowered companies who provide services and products to our business. We particularly focus on black-owned small, medium and micro enterprises (SMMEs), who also have black female and designated group ownership.

<b>R443m</b>	<b>R146m</b>	<b>R143m</b>	<b>R10m</b>	<b>R98m</b>
Spend on black-owned suppliers	Spend on black women-owned suppliers	Spend on exempt micro enterprises (EMEs)	Spend on developing suppliers and enterprises	Spend on qualifying small enterprises (QSEs)

Our enterprise development pillar uplifts the South African economy by developing smaller businesses and growing, among others, the small business sector. The Group has various initiatives to develop SMMEs. We invest in sustainable projects that are aligned with the Group's business objectives with a reasonable expectation of providing a direct or indirect financial return.

AHL aims to invest 2% of NPAT on developing suppliers and enterprises as it has done for the past three years. The Group has invested over R10 million in SMMEs and deserving initiatives.

Our ESD beneficiaries include:

#### Enterprise supplier development initiatives 2017/18

Entity	Description
<b>Belinda Ogundipe Associates Inc.</b>	Dr Ogundipe is a general practitioner with an existing practice, consulting at DBC Sandton and DBC Roodepoort. Allocated ED funding will expand the national footprint of the DBC network and provide functional rehabilitation services to underserved areas such as Soweto.
<b>Classic Health Consulting</b>	Classic Health Consulting develops innovative and practical healthcare delivery solutions for underserved areas in Africa and other developing countries. It finalised the i-Health Clinic which offers a turn-key community primary facility and contributes to socio-economic development in South Africa's rural and under-served areas.
<b>Eluthandweni Maternity Clinic</b>	Eluthandweni Maternity is a maternity clinic in the East Rand township, offering affordable primary healthcare services to residents. AfroCentric has assisted the Maternity Clinic to acquire an ambulance and upgrade its medical equipment, including the security aspects.
<b>Maps at Toms 24 Hour Delivery</b>	Maps at Toms 24 Hour Delivery provides courier services for medication and parcels. It has successfully graduated from being an enterprise to form part of the Group's supply chain. AHL has assisted Maps at Toms 24 Hour Delivery to acquire its fleet.
<b>Travel Nation</b>	Travel Nation provides comprehensive flight and package deals to individuals and corporates. AHL has invested in their unique travel system and licensing.
<b>Medtech AfriCorp</b>	Medtech offers specialised services which include ensuring: <ul style="list-style-type: none"> <li>patients attend rehabilitation sessions after being discharged from hospital;</li> <li>employers make alternative work arrangements in the workplace, should the injuries sustained not allow the patient to continue the same duties; and</li> <li>patients' home environments are reorganised to complement the patients' new physical state and for the building to be disability friendly</li> </ul>
<b>MBEESWAX</b>	MBEESWAX is an online digital marketing company that is currently our preferred supplier. It assists the Group with digital strategies including presence.

## Socio-economic development

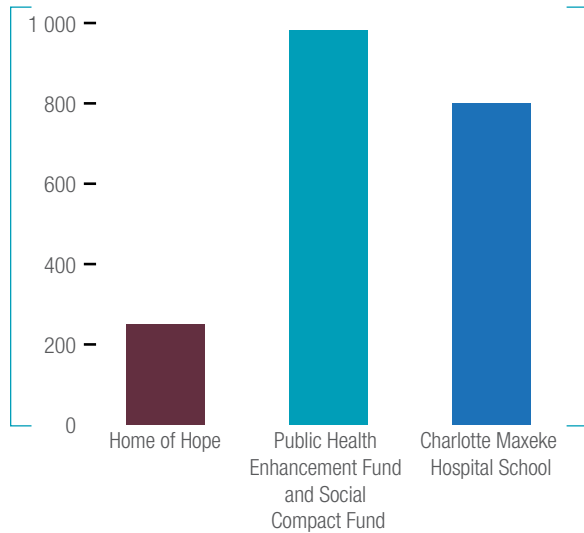
The Group has a broad approach to socio-economic development initiatives. AfroCentric focuses on uplifting historically disadvantaged communities and our initiatives that qualify for recognition under the socio-economic development element as stipulated in the B-BBEE Codes of Good Practice.

The Group has invested over R3 million towards SED initiatives, which is 1% of NPAT.

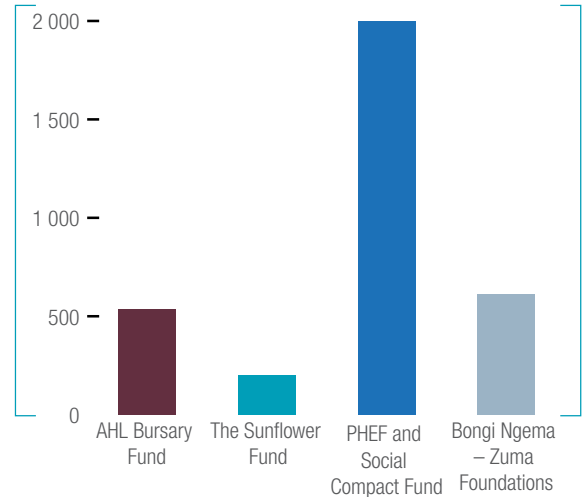
### Current socio-economic development projects

We have allocated 1% of NPAT to a few flagship projects that we plan to channel a significant portion of our budget to over three to five years.

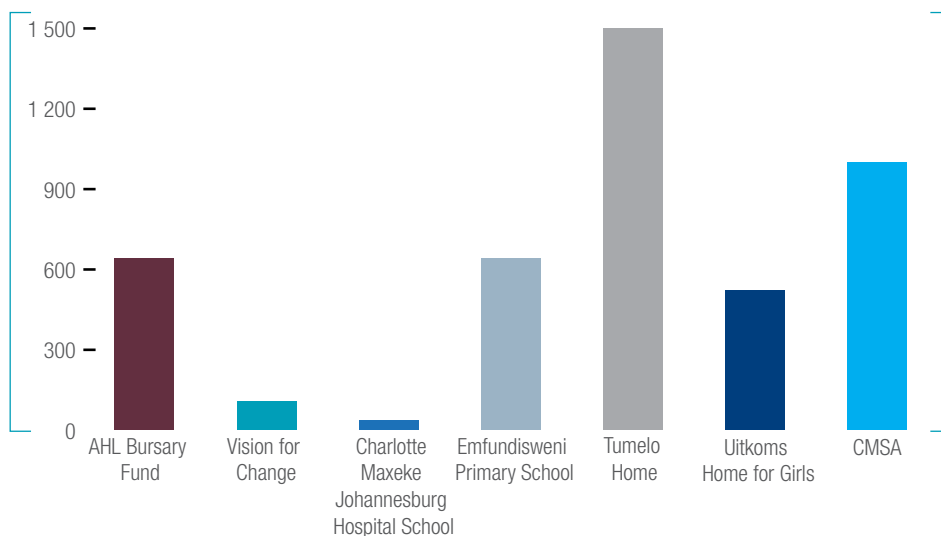
**SED SPEND (R'000) – 2015/16**



**SED SPEND (R'000) – 2016/17**



**SED SPEND (R'000) – 2017/18**





## Our social impact (continued)

The key projects in the 2018 financial year included:

<b><i>Vision for Change</i></b>	<p>AfroCentric and Vision for Change are committed to changing the lives of South African children, mainly in rural and disadvantaged communities. In collaboration with the Department of Health, we identified Emfundisweni Primary School located in the Alexandra area for conducting eye screenings for learners. Learners with visual impairments were further tested, and those in need of prescription glasses were fitted with spectacles on 14 November 2017.</p> <ul style="list-style-type: none"> <li>• 1 003 learners received eye screening and testing</li> <li>• 40 children were identified as having visual impairment and fitted with prescription glasses by qualified optometrists.</li> </ul>
<b><i>AHL Bursary</i></b>	<p>In 2017, four historically disadvantaged black females in the Faculty of Health Sciences at the University of Pretoria and Sefako Makgatho Health Sciences University were identified as candidates for the AHL Bursary. We are in year two of the bursary, and candidates have produced exceptional academic results. We will monitor the students further and develop a programme for their educational needs and personal wellbeing.</p>
<b><i>Charlotte Maxeke Johannesburg Hospital School</i></b>	<p>AfroCentric supports the Charlotte Maxeke Hospital's school with their annual needs and maintains a good relationship with the hospital for the wellbeing of the learners.</p>
<b><i>Emfundisweni Primary School Project</i></b>	<p>We are funding infrastructure, classroom and office equipment upgrades at Emfundisweni Primary School.</p>
<b><i>Tumelo Home: For the Mentally Handicapped (Tumelo Home)</i></b>	<p>AfroCentric is assisting Tumelo Home to build or acquire a secondary property which will accommodate its growing waiting list and older residents who have special stimulation needs. Tumelo Home currently houses 32 stay-in and 13 day care children and youth with severe mental and physical disabilities. The home also has a waiting list of over 300 children.</p>
<b><i>Uitkoms Home for Girls (Uitkoms)</i></b>	<p>AfroCentric purchased a 27-seater bus to address the logistical issues at Uitkoms, a community-based organisation (CBO) and non-profit organisation (NPO). Uitkoms provides residential facility for girls aged 12 to 18 years. The girls are sent for rehabilitation after exposure to abuse, exploitation, and neglect of a physical, sexual, or emotional nature.</p>
<b><i>Council of Medicines South Africa (CMSA)</i></b>	<p>At the beginning of 2018, AfroCentric committed to support CMSA with R1 million every year for the next five years. CMSA approached AfroCentric to sponsor the role of an educationist. The purpose is to strengthen the quality of (biannual) examinations, as CMSA is an independent organisation that examines medical doctors and dentists undergoing postgraduate training. The work done includes assessing doctors that undergo specialist training (there are currently 28 different colleges, each representing a different specialty).</p>



Charlotte Maxeke Johannesburg Hospital School



Eluthandweni maternity clinic



Uitkoms Home for Girls



Emfundisweni Primary School



AHL Bursary

## Our social impact (continued)

### Health management and improving clinical outcomes

While AfroCentric relentlessly seeks to reduce the cost of healthcare, improving clinical outcomes and delivering **clinical value** is equally important to the Group. We focus on reducing the prices/tariffs for specific services; standardising and reporting on quality metrics; and tackling diseases, procedures and services that are either high-cost or have poor clinical outcomes

The fourth industrial revolution is upon us, and **digital platforms** have become central to Medscheme's health management strategy to achieve and deliver clinical value. As a Group, we are investing significantly in the digital space as a means of communication between us and members, enabling information exchange between the Group, providers and members. We also use digital platforms to find alternative ways of caring for and supporting members through prevention, wellness and managing their chronic diseases. This has been most successful in the ICCM, notably with diabetes. It is vital that alternative ways of providing care or health care support be explored and facilitated, to optimise care and reduce costs of and inefficiencies in care.

The increase in the cost of healthcare (medical inflation) is higher than the CPI. For the 2018 benefit year, Medscheme successfully negotiated **tariffs** at or below CPI for hospital facility, pathology and renal dialysis tariffs. Below are the pathology tariff increases achieved by Medscheme.

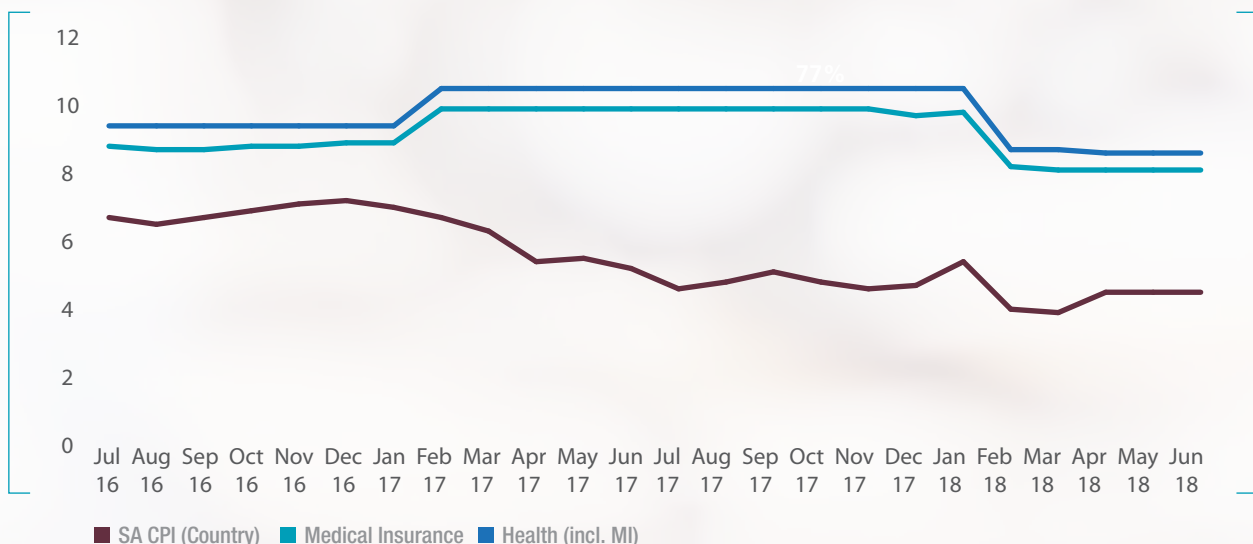
Medscheme has been tracking and studying the renal dialysis industry. Chronic **renal failure** is on the rise as a side effect for several chronic diseases such as HIV and diabetes. The focus followed the worrisome rise in chronic disease, difficulty tracking renal dialysis outcomes, and increasing cost and

decreasing accessibility of dialysis. In 2018, Medscheme implemented the first renal dialysis provider networks. These networks incorporate an agreed tariff; quality and clinical measures to be reported on; and tracked and basic standards for a dialysis centre. This fits in with the strategy of **re-engineering** the supply side of healthcare, which is core to the health management strategy over the next three years.

Diabetes was tackled in 2017 and, in 2018, Medscheme launched a **mental health programme**. Mental health is consistently one of the top 10 admission categories for most of the schemes by frequency. The challenges with mental health include stigma, poor identification of illness, poor collaboration between the various healthcare and social care providers, and poor medication adherence. The mental health programme addresses all of these by empowering members and healthcare providers, leveraging digital platforms and behaviour change principles. In order to achieve the required changes in the healthcare sector, the behaviour of members, providers, administrators, funders and regulators must change. Behavioural science seeks to understand the underlying factors that influence judgements and decision-making. These can relate to the individual or to the environment/context. The Group is incorporating behavioural science in the way we perform all managed care, including chronic disease management, data analysis, inputs into public policy and the provider strategy.

The Group's managed care strategy is being built with the express intention of providing these services at a larger scale, broader than the Group and to influence the public policy trajectory.

### CPI vs health inflation





## Increasing access to healthcare through value chain optimisation

Value chain optimisation creates value, not only by diversifying revenue streams, but also through increasing the value for every Rand spent on healthcare for patients and employers.

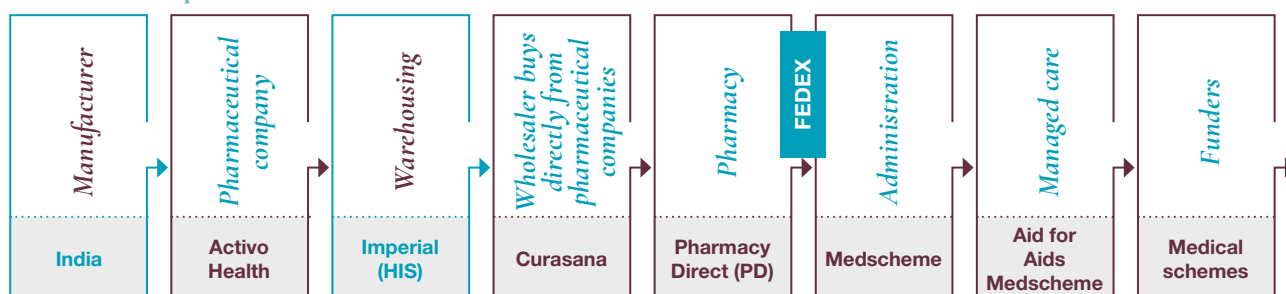
### Pharmaceutical value chain

Activo Health's distinctive business model is informed by its central philosophy of managing risk through a spread of products and distribution channels, as well as skilful

management of registrations, acquisition of dossiers and a conservative approach to stock control. Activo Health is the second-largest privately owned pharmaceutical company and in the top 25 pharmaceutical manufacturers and suppliers in South Africa. It has achieved this position by developing one of the best channel marketing pipelines in its sector and it has built strong associations with bulk purchasers and the rest of dispensers.

Through this acquisition, AfroCentric can more effectively improve access to affordable, quality generic medicines.

### Value chain optimisation – Pharmaceuticals



### Integrated Chronic Care Model

ICCM is an important component in healthcare management and funding.

Medscheme's ICCM was implemented on 1 May 2017. It coordinates the various aspects of chronic patient care by sharing information between funders, healthcare professionals, hospitals and members. It also involves the members' family care and support structures. This decreases costs for our clients while improving the healthcare for our members.

Non-communicable diseases (NCDs) have become more prevalent in developing countries than in high-income countries. This is due to genetic factors and lifestyle issues such as lack of exercise, poor diet and stress. NCDs such as hypertension and diabetes account for over 50% of healthcare costs and it is imperative for us to implement a sufficient preventative strategy.

Over the past five years, the number of Medscheme's scheme members with three or more chronic diseases has increased by 50%, both as a result of an increased incidence of lifestyle-related diseases and more proactive identification of at-risk patients.

### Outlook/future focus areas

Our future focus areas will include:

- home-based care;
- more alternative reimbursement models for surgical procedures;
- multidisciplinary teams for specific health needs;
- accurately identifying illnesses and treating them appropriately;
- palliative care and optimal outpatient care;
- using genomics, artificial intelligence and analytics to assist healthcare providers and managed care employees in focusing on the correct cases; and
- reviewing of the traditional utilisation management programmes.



# PERFORMANCE





# RESULTS AT A GLANCE

Key features		Audited year ended 30 June 2018 R'000	Audited year ended 30 June 2017 R'000	Audited year ended 30 June 2016 R'000	Audited year ended 30 June 2015 R'000	Audited year ended 30 June 2014	% change		
							2018/17	2017/16	2016/15
Healthcare service revenue	(R'000)	2 982 284	2 715 266	2 399 669	2 098 312	1 958 260	9.8%	13.2%	14.4%
Healthcare service operating profit	(R'000)	548 702	495 974	344 155	372 072	356 357	10.6%	44.1%	(7.5%)
Healthcare retail revenue	(R'000)	1 230 421	1 069 435	748 477	–	–	15.1%	42.9%	
Healthcare retail gross profit	(R'000)	316 116	232 701	160 273	–	–	35.8%	45.2%	
Headline earnings	(R'000)	260 916	123 838	145 567	179 021	183 862	110.7%	(14.9%)	(18.7%)
Normalised headline earnings	(R'000)	264 066	244 113	170 527	–	–	8.2%	43.2%	
Cash generated from operations	(R'000)	552 695	450 887	393 851	396 996	321 044	22.6%	14.5%	(0.8%)
<b>Statutory earnings per shares</b>									
– Basic	(cents)	46.29	21.23	25.38	32.92	39.98	118.0%	(16.4%)	(22.9%)
<b>Statutory headline earnings per shares</b>									
– Basic	(cents)	47.06	22.34	26.33	38.26	47.81	110.7%	(15.2%)	(31.2%)
<b>Normalised headline earnings per share</b>									
– Basic	(cents)	47.63	44.03	30.84	–	–	8.2%	42.8%	
Dividends paid per ordinary share	(cents)	32.00	28.00	24.00	20.00	18.00			
Share price as at 30 June	(rand)	5.75	6.20	5.25	5.15	4.45			
<b>Return on assets</b>									
Return on assets (excl Goodwill)		12.21%	7.05%	6.53%	11.32%	10.94%			
Return on Equity		17.01%	9.77%	9.16%	15.12%	14.69%			
Capital expenditure	(R'000)	498 450	243 000	244 000	234 000	111 402			
Number of lives managed	('000)	3 700	3 600	3 700	3 200	3 000			
<b>Group membership</b>									
Open schemes		426 795	408 305	365 606	366 998	368 411			
Closed and Corporate schemes		281 491	279 433	287 156	111 328	112 990			
GEMS		693 467	692 266	682 225	665 303	683 712			
SADEC and other		286 229	297 451	290 209	252 700	252 857			
<b>Number of scripts</b>									
NHI		4 897 824	2 799 919	901 682					
Pharmacy Direct		1 530 389	1 386 643	1 132 660					

Summarised consolidated statement of financial position	Audited year ended 30 June 2018 R'000	Audited year ended 30 June 2017 R'000	Audited year ended 30 June 2016 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>2 306 326</b>	<b>1 927 272</b>	<b>2 190 076</b>
Property and equipment	375 649	211 704	189 362
Investment property	15 418	15 418	15 000
Intangible assets	1 739 086	1 463 746	1 388 815
Available-for-sale investment	9 000	18 444	18 444
Listed investments	–	36 296	37 182
Managed funds and deposits	65 028	59 976	411 934
Investment in associates	56 935	38 823	24 477
Deferred income tax assets	45 210	82 865	104 862
<b>Current assets</b>	<b>823 735</b>	<b>1 141 608</b>	<b>850 640</b>
Trade and other receivables	348 527	320 236	365 004
Inventory	83 532	73 376	72 310
Current tax asset	20 768	25 235	19 821
Receivables from associates and joint venture	5 740	13 388	20 437
Cash, managed funds and deposits	365 168	709 373	373 068
<b>Total assets</b>	<b>3 130 061</b>	<b>3 068 880</b>	<b>3 040 716</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>	<b>1 940 614</b>	<b>1 793 694</b>	<b>1 047 979</b>
Issued ordinary share capital	18 686	18 686	18 686
Share premium	999 058	999 058	970 358
Share-based payment reserve	3 501	–	26 604
Treasury shares	(2 324)	(2 324)	(2 324)
Conditional put option reserve	–	–	(727 960)
Foreign currency translation reserve	793	3 454	7 027
Capital contribution by Non-controlling interest	55 874	–	–
Distributable reserve	865 026	774 820	755 588
Non-controlling interest	679 277	585 359	515 603
<b>Total equity</b>	<b>2 619 891</b>	<b>2 379 053</b>	<b>1 563 582</b>
<b>Non-current liabilities</b>	<b>153 860</b>	<b>135 778</b>	<b>977 573</b>
Deferred income tax liabilities	121 667	100 627	82 390
Non-current provisions	8 350	8 350	8 350
Post-employment medical obligations	2 665	2 771	2 691
Second tranche payment	–	–	134 893
Conditional put option obligation	–	–	727 960
Deferred payment	5 263	5 051	–
Accrual for straight lining of leases	15 915	18 979	21 289
<b>Current liabilities</b>	<b>356 310</b>	<b>554 049</b>	<b>499 561</b>
Provisions	8 597	8 947	9 755
Borrowings	–	–	–
Second tranche payment	–	194 475	–
Trade and other payables	284 029	264 394	383 029
Taxation	13 729	–	–
Employment benefit provisions	49 955	86 233	106 777
<b>Total liabilities</b>	<b>510 170</b>	<b>689 827</b>	<b>1 477 134</b>
<b>Total equity and liabilities</b>	<b>3 130 061</b>	<b>3 068 880</b>	<b>3 040 716</b>

## Results at a glance (continued)

Summarised consolidated statement of comprehensive income	Audited year ended 30 June 2018 R'000	Audited year ended 30 June 2017 R'000	Audited year ended 30 June 2016 R'000	Audited year ended 30 June 2015 R'000	Audited year ended 30 June 2014 R'000	% change		
						2018/17	2017/16	2016/15
Healthcare service revenue	2 982 284	2 715 266	2 399 669	2 098 312	1 958 260	9.8	13.2	14.4
Healthcare service operating costs	(2 433 582)	(2 219 292)	(2 055 514)	(1 726 240)	(1 601 903)			
<b>Healthcare service operating profit</b>	<b>548 702</b>	<b>495 974</b>	<b>344 155</b>	<b>372 072</b>	<b>356 357</b>	<b>10.6</b>	<b>44.1</b>	<b>(7.5)</b>
Healthcare retail revenue	1 230 421	1 069 435	748 477	–	–	15.1	42.9	
Healthcare retail cost of sales	(914 305)	(836 734)	(588 204)	–	–			
<b>Healthcare retail gross profit</b>	<b>316 116</b>	<b>232 701</b>	<b>160 273</b>	<b>–</b>	<b>–</b>	<b>35.8</b>	<b>45.2</b>	
Healthcare retail operating costs	(241 732)	(164 566)	(128 067)	–	–			
<b>Total healthcare operating profit</b>	<b>623 086</b>	<b>564 109</b>	<b>376 361</b>	<b>372 072</b>	<b>356 357</b>	<b>10.5</b>	<b>49.9</b>	<b>1.2</b>
Loss on sale of investments	(2 717)	–						
Impairment of assets	(1 667)	(19 851)	(21 469)	(36 697)	(36 900)			
Net finance and investment income	43 481	16 106	29 964	18 802	17 699			
– Finance and investment income	45 343	62 773	59 471	28 799	34 246			
– Finance cost: Conditional put option	–	(45 906)	(24 960)	–	–			
– Finance cost	(1 862)	(761)	(4 547)	(9 997)	(16 547)			
Share-based payment expense	(3 501)	(2 096)	(6 444)	(9 395)	(10 765)			
Fair value of second tranche consideration	–	(59 582)	–	–	–			
Indemnity expense	(3 150)	(14 787)	–	–	–			
Share of associate profits	23 626	14 306	10 118	19 037	4 343			
<b>Profit before depreciation and amortisation</b>	<b>679 158</b>	<b>498 205</b>	<b>388 530</b>	<b>363 819</b>	<b>330 734</b>	<b>36.3</b>	<b>28.2</b>	<b>6.8</b>
Depreciation	(51 109)	(45 098)	(38 011)	(35 727)	(40 475)			
Amortisation of intangible assets	(89 603)	(86 450)	(79 332)	(48 734)	(43 907)			
<b>Profit before income taxation</b>	<b>538 446</b>	<b>366 657</b>	<b>271 187</b>	<b>279 358</b>	<b>246 352</b>	<b>46.9</b>	<b>35.2</b>	<b>(2.9)</b>

# GOVERNANCE





# BOARD OF DIRECTORS

## Non-executive Directors



### DR ANNA MOKGOKONG

(BSC, MBCHB, DCOM (HC)) (61)  
Chairman

**Appointed:** 10 June 2010

**Expertise:** Business development, governance, health, investor relations, leadership

**Committee:**

Nomination Committee



### JOE MADUNGANDABA

(CPA(SA), MDP) (60)

Deputy Chairman

**Appointed:** 10 June 2010

**Expertise:** Business development, finance, human resources, investor relations, strategy

**Committees:**

- Remuneration Committee
- Nomination Committee
- Investment Committee



### SELLO MMAKAU

(BCOM, MBL, BA) (43)

**Appointed:** 30 November 2016

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

**Committees:**

- Audit and Risk Committee
- ICT Steering Committee



### GRATHEL MOTAU

(CA(SA), MPhil) (44)

**Appointed:** 15 May 2017

**Expertise:** Accounting, business development, finance

**Committee:**

- Audit and Risk Committee

## Executive Directors



### ANTOINE VAN BUUREN

(BCOM, MBA) (55)

Group Chief Executive Officer

**Appointed:** 16 March 2016

**Expertise:** Accounting, business development, finance, leadership



### HANNES BOONZAAIER

(CA(SA)) (45)

Group Chief Financial Officer

**Appointed:** 1 August 2015

**Expertise:** Finance, investment banking



### WILLEM BRITZ

(BCOM, BPROC) (54)

Executive Director

**Appointed:** 1 August 2015

**Expertise:** Business development, governance and compliance, legal, project management



**DR NKATEKO MUNISI**

(MBCHB) (52)

**Appointed:** 7 December 2015

**Expertise:** Business development, health and safety management

**Committees:**

- Investment Committee
- Social and Ethics Committee



**AHMED BANDERKER**

(CA(SA)) (42)

**Appointed:** 15 December 2015

**Expertise:** Auditing, business development, finance

**Committees:**

- Investment Committee
- Nomination Committee
- Remuneration Committee



**IAN KIRK**

(CA(SA)) (60)

**Appointed:** 15 December 2015

**Expertise:** Auditing, business development, finance, investor relations



**MEYER KAHN**

(BA (LAW), MBA, DCOM (HC)) (79)

Founder/Lead Independent Director

**Appointed:** 20 December 2005

**Expertise:** Business development, governance and compliance, Investor relations, legal

**Committees:**

- Investment Committee
- Nomination Committee
- Remuneration Committee



**MICHAEL (MOTTY) SACKS**

(CA(SA)) (75)

Founder

**Appointed:** 20 December 2005

**Expertise:** Finance, investor relations, strategy

**Committees:**

- Investment Committee
- Remuneration Committee



**LINDANI DHLAMINI**

(BSC, CA(SA)) (45)

**Appointed:** 2 December 2015

**Expertise:** Accounting, advisory-related services, finance, risk management, tax

**Committee:**

- Audit and Risk Committee

Independent  
Non-executive  
Directors

**Combined key skills of the Board of Directors**

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



# EXECUTIVE COMMITTEE

*The Executive Committee manages the day-to-day running of the business in line with the tone of institutional good governance established by the Board. Executive members are from time to time invitees of the Board sub-committees' meetings on matters relevant to their Directorates.*

Executive  
committee



**HANNES BOONZAAIER**  
(CA(SA)) (45)  
Group Chief Financial Officer



**GRACE KHOZA**  
(BA (HONS), MASTERS IN MEDIA  
POLICY AND ECONOMICS) (44)  
Executive Director: Group Marketing  
and Corporate Affairs



**AKLAAQ MAHMOOD**  
(BACCSCI, MBA) (53)  
Executive Director: Business  
Development



**DR NOMALUNGELO NYATHI**  
(MBCHB) (37)  
Executive Director: Health  
Management



**ANTHONY PEDERSEN**  
(CA(SA)) (45)  
Chief Executive Officer: Medscheme  
Holdings



**VIJAY PILLAY**  
(BCOM, MBA) (53)  
Executive Director: Group  
Technology



**TIM RAMETSE**  
(LABOUR RELATIONS)  
(48)  
Executive Director:  
Managing Director –  
AfroCentric Health  
Solutions



**MODJADJI TATI**  
(BCUR, BCOM (HONS),  
MBL) (56)  
Executive Director:  
Human Capital and  
Transformation



**ANTOINE VAN BUUREN**  
(BCOM, MBA) (55)  
Group Chief Executive  
Officer

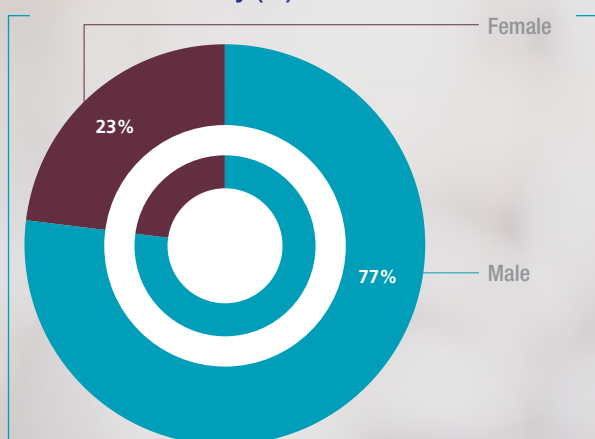
## Board gender diversity

To ensure that AfroCentric's Board reflects South Africa's demographics and that it practices better governance, we employ highly qualified directors from diverse backgrounds. The diversity criteria include gender, age, ethnicity and geographic background, in addition to meeting the Board's requirements for skills and qualifications. AfroCentric recognises that a diverse board makes better decisions by reducing 'groupthink', paying more attention to managing and controlling risks, and having a better understanding of the Group's clients. There is an approved gender policy which outlines the Board's position on gender diversity in line with the requirements of King IV.

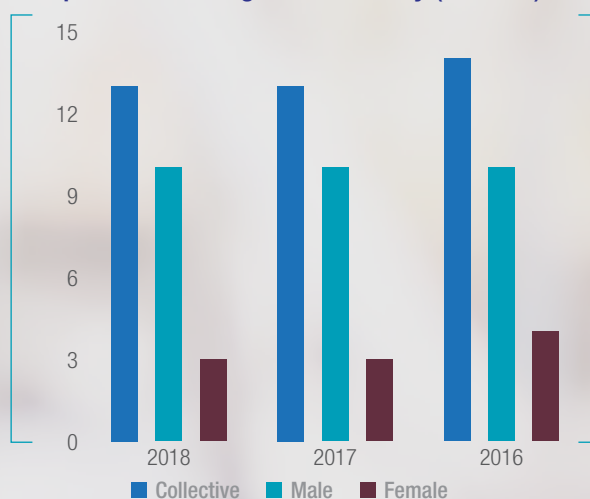
Our Gender Diversity Policy can be viewed on our website:

<http://afrocentric-online.co.za/reports/afrocentric-ar2018/pdf/gender-diversity-policy.pdf> 

2018 Board diversity (%)



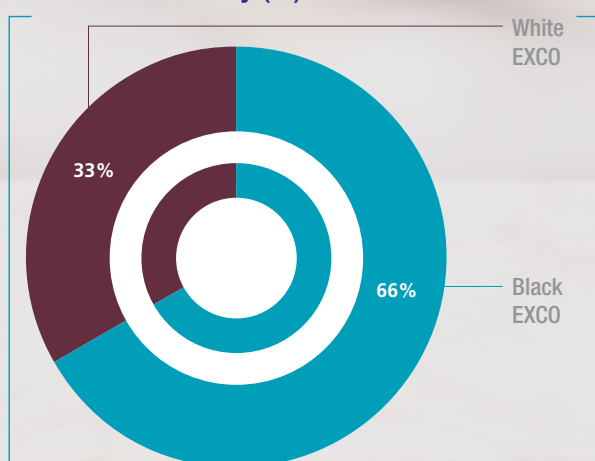
Comparative Board gender diversity (Number)




## EXCO gender diversity

In support and maintenance of our current B-BBEE level scoring, our EXCO gender diversity is as follows:

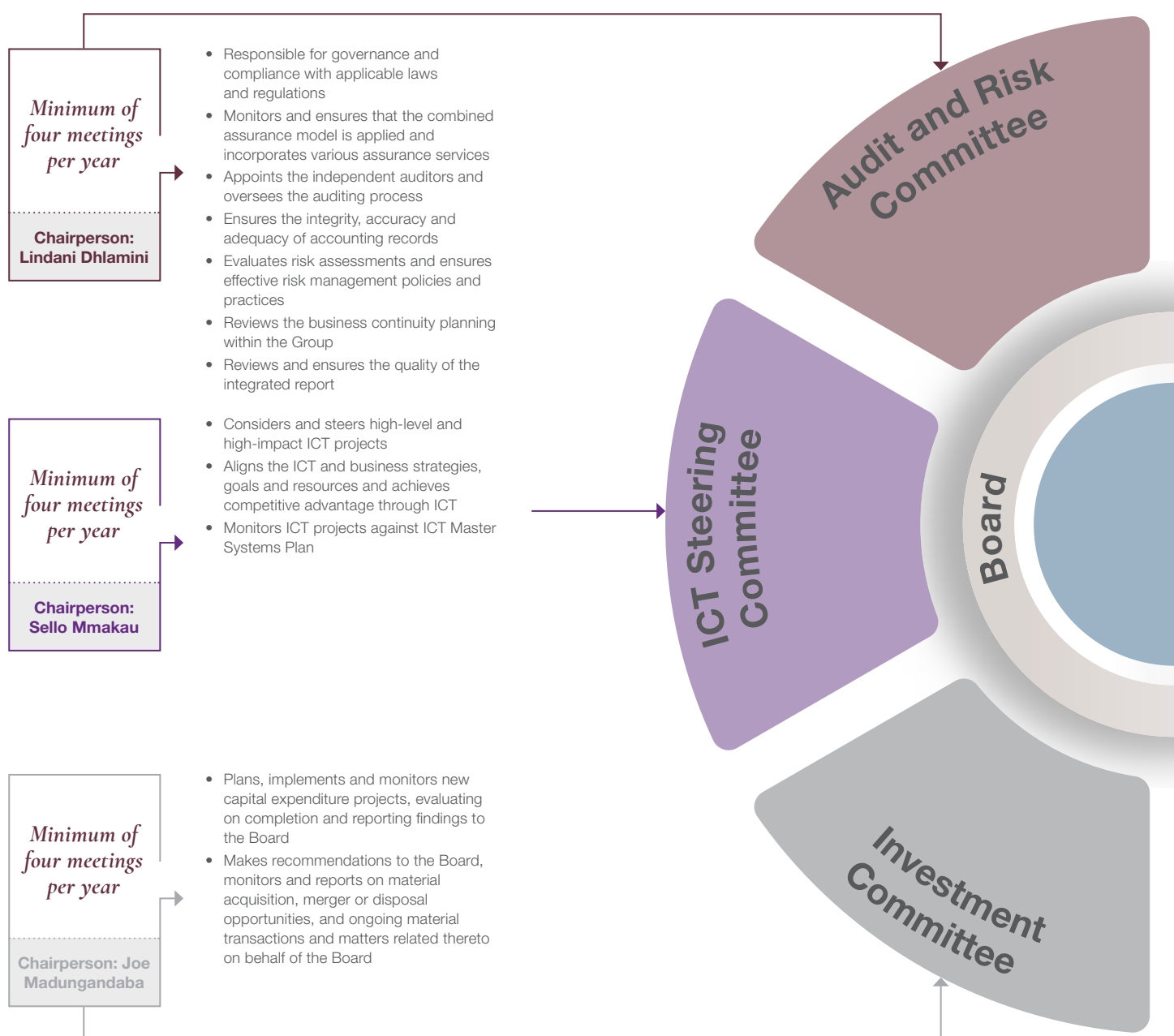
2018 EXCO diversity (%)

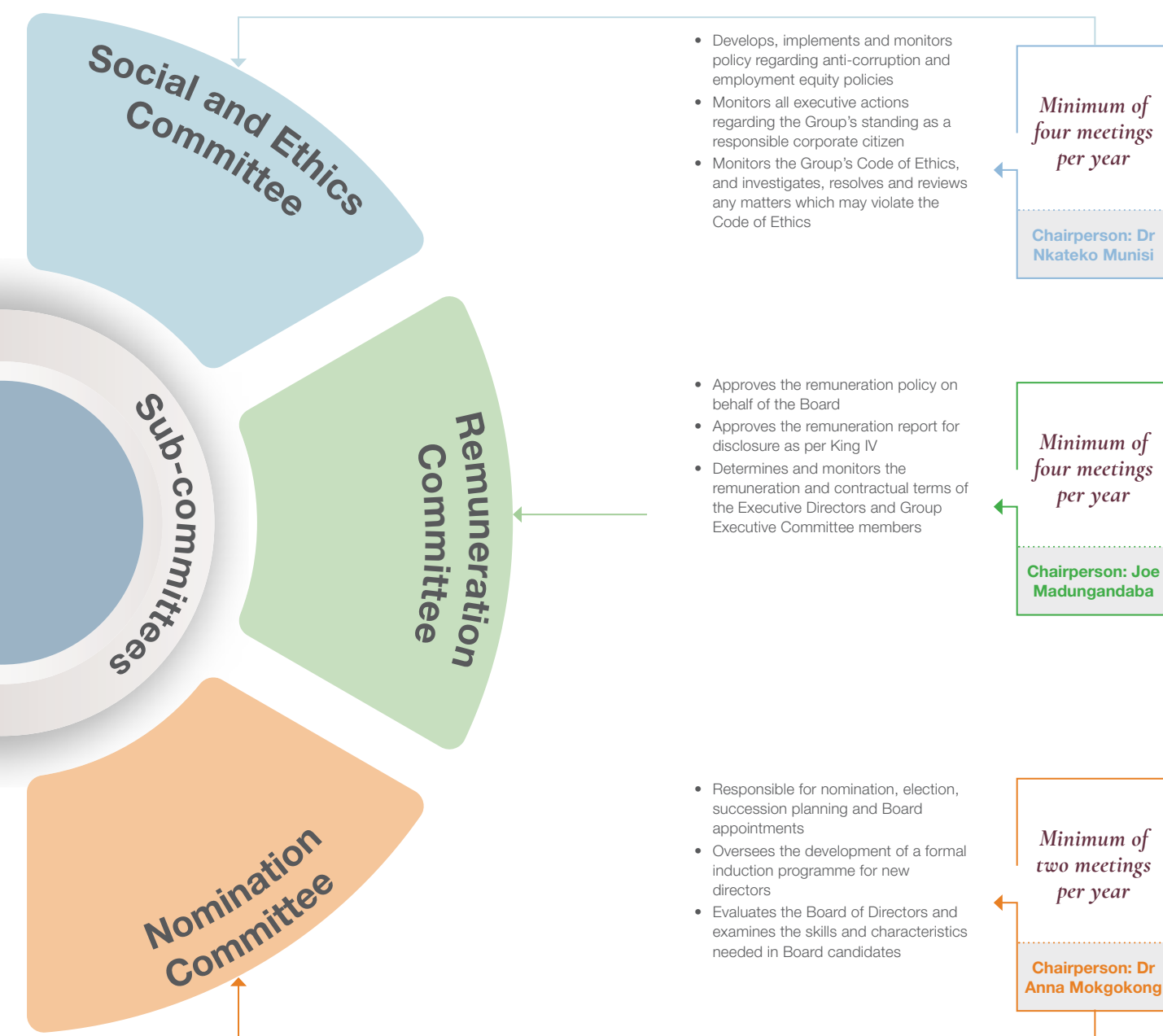


 Detailed biographies of our Executive Committee can be found on <http://www.afrocentric.za.com/au-exec.php>

# CORPORATE GOVERNANCE REPORT

*The Board of Directors is the highest governing authority of the Group and is responsible for its corporate governance. The Board formulates the Group's strategy and ensures all business decisions and judgments are made with reasonable care, skill and diligence. The Board meets four times a year and is chaired by Dr Anna Mokgokong.*





## Corporate governance report (continued)


### Corporate governance overview

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

AfroCentric's mission is to become a leading global black-owned, responsible and diversified healthcare investment company, while ensuring that our clients and other stakeholders benefit from our growth. AfroCentric's Board of Directors (the Board) adopts an integrated approach to managing the Group to ensure that the governance structure actively identifies, responds to and communicates those material issues that impact its ability to create value. Corporate governance provides the Board with a framework that supports transparency, sustainability, fairness and ethical conduct.

Corporate governance is integral to our efficiency, growth and investor relations.

The Board of Directors is of the opinion that we have adhered to our Board Charter and that the Group has complied with the JSE Listings Requirements, Companies Act and King IV. The Board believes that it has ethically executed its responsibilities and has reported on the outcomes of its direction in line with King IV.

The Board's application of King IV can be viewed on our website: <http://afrocentric-online.co.za/reports/afrocentric-ar2018/pdf/King-IV-application-register.pdf> 

As the stewards of public trust, the Board acts for the good of the organisation, exercising reasonable care in all decision-making without placing the organisation under undue risk. The Board applies and leverages sound corporate governance towards improving performance by:

- enhancing accountability at all levels;
- determining how governance requirements, particularly King IV, can be implemented to add organisational value;
- guiding decision-making, reinforcing material disclosures and refining risk processes;
- implementing integrated reporting of all business aspects;
- embedding risk controls in day-to-day processes and decision-making; and
- effectively identifying, understanding and managing stakeholders and their expectations to improve our ability to reduce risks.

### Company Secretary

Billy Mokale was appointed as the Group Company Secretary in March 2018. The Board is satisfied that he has the requisite qualifications and experience to perform his duties.


The Company Secretary is independent from the Board and is not a director of the Group.

All directors have access to Company Secretary. The Company Secretary provides dedicated support to the Board, in particular the Non-executive Directors, and always remains a point of reference for all directors. The Company Secretary regularly consults with the directors to provide them with any necessary information. Along with the Board Chairperson, the Company Secretary regularly reviews the Board's and AfroCentric's governance processes to ensure they are fit for purpose. He also recommends or develops initiatives to strengthen the governance of AfroCentric.

The Company Secretary is the focal point of the Directors' and employees' share trading, JSE Listings Requirements, and notification of open and closed periods.

### The Board of Directors

The Board's powers and responsibilities are defined in the Board Charter, which is annually reviewed and approved. This charter is aligned with the JSE Listings Requirements, the Companies Act and King IV.

The Board's Charter can be viewed on our website: <http://afrocentric-online.co.za/reports/afrocentric-ar2018/pdf/board-charter.pdf> 

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

The Board adheres to the Companies Act's stipulations on skill, care and fiduciary duties. This is reflected in the conflicts of interest policy, which also applies to Directors. Declarations of interest are confirmed at each Board and committee meeting and are recorded in the minutes.

### Board meetings

During the year, the Board had four scheduled meetings in addition to the Annual General Meeting (AGM) and Board strategy session. Prior to or following a Board meeting, Non-executive Directors have the unrestricted right to request any senior executive to clarify or explain any matter. This facilitates the Board's discussions and assists in reaching prompt and informed decisions.

Operational responsibility for the Group's subsidiary companies has been delegated to the individual boards, which are accountable to the main Board for managing the businesses. Operational reports are presented to the Board, prompting interactive engagements at meetings.



Member	Number of meetings	Activities undertaken in the 2018 financial year
<b>Anna Mokgokong</b> Chairman and Non-executive Director	3/3*	<ul style="list-style-type: none"> <li>• Approving recommendations from the sub-committees</li> <li>• Retaining full and effective control over the Company</li> <li>• Monitoring management's implementation of Board resolutions and strategies</li> <li>• Defining levels of materiality and delegating other matters with the necessary written authority to management</li> <li>• Addressing all matters concerning the shareholders</li> </ul>
<b>Joe Madungandaba</b> Deputy Chairman and Non-executive Director	3/3	
<b>Nkateko Munisi</b> Non-executive Director	3/3	
<b>Ahmed Banderker</b> Non-executive Director	3/3	
<b>Ian Kirk</b> Non-executive Director	3/3	
<b>Antoine van Buuren</b> Group CEO and Executive Director	3/3	
<b>Hannes Boonzaaier</b> Group CFO and Executive Director	3/3	
<b>Willem Britz</b> Executive Director	3/3	
<b>Meyer Kahn</b> Lead Independent Non-executive Director	3/3	
<b>Motty Sacks</b> Independent Non-executive Director	0/3	
<b>Lindani Dhlamini</b> Independent Non-executive Director	3/3	
<b>Sello Mmakau</b> Independent Non-executive Director	3/3	
<b>Grathel Motau</b> Independent Non-executive Director	2/3	

\* The Board is scheduled to have a minimum of four meetings in a financial year. During the year under review, the fourth meeting was postponed to early July of the new financial year.

## Board composition

AfroCentric has a unitary Board structure with three Executive Directors, five Non-executive Directors and five Independent Non-executive Directors. The Board's members have appropriate industry knowledge and qualifications, and sufficiently diverse experience to effectively discharge their duties.

The Non-executive Chairperson of the Board is Dr Anna Mokgokong. The Chairperson is not classified as independent and, to strengthen good corporate governance and as recommended by King IV, Mr Meyer Kahn is the appointed Lead Independent Director. The roles and responsibilities of the Chairperson and the CEO are separated.

## Appointment and retirement of directors

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

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

## Board effectiveness

In line with King IV, the Board and sub-committees' performance was assessed and reported to the Board. The Company Secretary and the CFO, in consultation with the Chairperson, were responsible for implementing any actions emanating from this evaluation to improve the effectiveness of the Board. In addition, the Remuneration Committee evaluates executive management.

## Directors' remuneration

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

They receive a fee for membership of the Board and sub-committees. The fee structure is based on a retainer and is determined by the Remuneration Committee.

Executive Directors' remuneration is determined by the Remuneration Committee according to AfroCentric's policy. The policy is further recommended to the Board for approval in line with good corporate governance.

Further information on Directors' remuneration appears on page 91 and on page 72 of the Group Annual Financial Statements (supplementary information).



# BOARD COMMITTEES AND ATTENDANCE

The Board established and delegated specific roles and responsibilities to sub-committees. Each committee's roles, responsibilities and membership follow their Board-approved charter. The directors have delegated specific responsibilities to committees to assist the boards of AfroCentric Investment Corporation Limited and the major subsidiary, AfroCentric Health (RF) Proprietary Limited (AHL), in meeting their oversight responsibilities. However, the delegation of authority does not absolve the Board and its directors of their fiduciary responsibilities. The directors confirm that the committees have functioned within their charters during the financial year.

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

## Audit and Risk Committee

The Audit and Risk Committee has adopted formal terms of reference that have been approved by the Board of Directors and are reviewed annually. The Audit and Risk Committee has executed its duties during the past financial year in accordance with these terms of reference.

Member	Number of meetings	Activities in the 2018 financial year
<b>Lindani Dhlamini</b> Chairperson and Independent Non-executive Director	6/6	<ul style="list-style-type: none"> <li>Reviewed and approved year-end results and announcement (recommended for Board approval)</li> </ul>
<b>Sello Mmakau</b> Independent Non-executive Director	6/6	<ul style="list-style-type: none"> <li>Reviewed profit announcements and made recommendations to the Board</li> </ul>
<b>Grathel Motau</b> Independent Non-executive Director	5/6	<ul style="list-style-type: none"> <li>Reviewed and approved all major accounting policy decisions affecting year-end results</li> <li>Reviewed the risk and opportunities register</li> <li>Reviewed the Group's position on contingent liabilities and other claims at financial year-end</li> <li>Reviewed and confirmed the updated authority levels</li> <li>Reviewed non-audit services fees paid to the external auditors</li> </ul>

## Investment Committee

The Investment Committee oversees the approval processes for investments. These ensure alignment with the Group's agreed strategies and values.

Member	Number of meetings	Activities in the 2018 financial year
<b>Joe Madungandaba</b> Chairperson and Non-executive Director	7/7	<ul style="list-style-type: none"> <li>Considered the acquisitions or disposals and first time investments in the Group</li> </ul>
<b>Ahmed Banderker</b> Non-executive Director	7/7	<ul style="list-style-type: none"> <li>Considered the viability of the capital project and/or acquisition and/or disposal and their potential effect on the Group's cash flow, as well as whether it will fit the Group's overall strategy</li> </ul>
<b>Meyer Kahn</b> Lead Independent Non-executive Director	7/7	<ul style="list-style-type: none"> <li>Managed capital allocation within the Group</li> </ul>
<b>Michael (Motty) Sacks</b> Independent Non-executive Director	4/7	<ul style="list-style-type: none"> <li>Ensured due diligence procedures when acquiring or disposing of assets</li> </ul>
<b>Antoine van Buuren</b> Group CEO and Executive Director	7/7	<ul style="list-style-type: none"> <li>Reviewed and recommended the dividend policy of the Group for Board approval.</li> </ul>
<b>Willem Britz</b> Executive Director	7/7	
<b>Nkateko Munisi</b> Non-executive Director	1/7	

### ICT Steering Committee

The ICT Steering Committee manages the progress of all information and communication technology initiatives associated with goals from the Group's ICT strategy.

Member	Number of meetings	Activities in the 2018 financial year
<b>Sello Mmakau</b> Chairperson and Independent Non-executive Director	4/4	<ul style="list-style-type: none"> <li>Reviewed all ICT policies including the business continuity plan</li> </ul>
<b>Anthony Pedersen</b> Medscheme CEO and Executive Director	3/4	<ul style="list-style-type: none"> <li>Reviewed and recommended the digital ICT strategy</li> </ul>
<b>Vijay Pillay</b> Executive Director	4/4	<ul style="list-style-type: none"> <li>Monitored the progress in the Fusion project</li> </ul>
<b>Antoine van Buuren</b> Group CEO and Executive Director	4/4	<ul style="list-style-type: none"> <li>Ensured the alignment of the business and technical project management functions</li> </ul>
<b>Hannes Boonzaaier</b> Group CFO and Executive Director	4/4	
<b>Rudzani Nemaangani</b> Chief Audit Executive	3/4	

### Nomination Committee

The Nomination Committee provides recommendations to the Board on all new Board and committee appointments.

Member	Number of meetings	Activities in the 2018 financial year
<b>Anna Mokgokong</b> Chairperson and Non-executive Director	1/1	<ul style="list-style-type: none"> <li>Reviewed the structure, size and composition (including the skills, knowledge and experience) required of the Board compared to its current position and made recommendations to the Board with regard to any changes</li> </ul>
<b>Joe Madungandaba</b> Non-executive Director	0/1	
<b>Ahmed Banderker</b> Non-executive Director	1/1	
<b>Meyer Kahn</b> Lead Independent Non-executive Director	1/1	<ul style="list-style-type: none"> <li>Reviewed the organisational corporate structure which includes the growth plan, the holding company and its subsidiaries</li> </ul>

### Remuneration Committee

The Remuneration Committee's mandate is to ensure that remuneration supports the strategic aims of the business and that packages are sufficient to recruit, motivate and retain senior executives while complying with regulatory and governance principles.

Member	Number of meetings	Activities in the 2018 financial year
<b>Joe Madungandaba</b> Chairperson and Non-executive Director	6/6	<ul style="list-style-type: none"> <li>Reviewed the structure, size and composition (including the skills, knowledge and experience) required of the Board compared to its current position and made recommendations to the Board with regard to any changes</li> </ul>
<b>Ahmed Banderker</b> Non-executive Director	5/6	
<b>Meyer Kahn</b> Lead Independent Non-executive Director	6/6	<ul style="list-style-type: none"> <li>Reviewed the organisational corporate structure which includes the growth plan of the Group and its subsidiaries</li> </ul>
<b>Michael (Motty) Sacks</b> Independent Non-executive Director	3/6	
<b>Ronnie Wa-Mundalamo</b> Independent member	4/6	

## Board committees and attendance (continued)

### Social and Ethics Committee

The Social and Ethics Committee assists the Board with responsible business practices within the Group and monitors Group activities in line with section 72 of the Companies Act, terms of reference and other legal requirements.

Member	Number of meetings	Activities in the 2018 financial year
<b>Nkateko Munisi</b> Chairperson and Non-executive Director	3/3	<ul style="list-style-type: none"> <li>Ensured Group compliance to the Broad-Based Black Economic Empowerment Act</li> </ul>
<b>Grace Khoza</b> Executive Director	1/3	<ul style="list-style-type: none"> <li>Reviewed the Company's environment, health and public safety performance, including the impact of the Group's activities and of its products and services</li> </ul>
<b>Modjadji Tati</b> Executive Director	2/3	<ul style="list-style-type: none"> <li>Reviewed results of Employee Climate Survey</li> <li>Reviewed the Company's standing in terms of the International Labour Organisation protocol on decent work and working conditions, its employment relationships (inter alia, treatment of unions and labour disputes), skills development, the promotion of equality and prevention of unfair discrimination (inter alia, policies and interventions)</li> </ul>

### Governance policies, procedures and processes

#### Compliance

During the year, we focused on the following material regulatory developments that impact on our business.

- Group Compliance Universe: The legislative compliance universe was reviewed, monitored and reported. A key framework that facilitates a compliance environment is our approved Compliance Universe that contains all relevant applicable legislation. The legislation is categorised according to significance; namely: core/primary, secondary and topical.
- Implementation of the Insurance Fraud Manager System (IFM): This system helped recover millions in healthcare fraud, waste and abuse, including reducing claims that fell outside the average patterns through forensic interventions.
- Protection of Personal Information Act (PoPI): With the impending effective date on application of PoPI, we complied with readiness on legislative requirements of PoPI as well as the General Data Protection Regulation (GDPR). To effectively manage this project, AfroCentric Group adopted a three-step approach to track progress. Firstly, discover as much information as possible; secondly, conduct workshops or interviews to assess the AfroCentric Group's compliance with PoPI; and thirdly, document findings by drafting and delivering a gap analysis report, including actions that need to be taken to ensure compliance. The project is in the final stage of the three steps, as a gap analysis report was provided on 4 April 2018. The project team is defining the scope of work for the project, which will feed into a project schedule, and finally the full implementation of the gap analysis report will commence.

#### Conflicts of interest

##### Declaration of interest

The Group has policies to manage potential conflicts of interest. Directors sign a declaration stating that they are not aware of any undeclared conflicts of interest due to their interest in, or association with, any other company. In addition, directors disclose interests in contracts and related party transactions for the Board to assess whether such transactions are done on arm's-length commercial terms.

In such instances, the directors in question will recuse themselves from deliberations.

All information acquired by directors while performing their duties, which is not disclosed publicly, is treated as confidential. Directors may not use, or appear to use, such information for personal advantage or for the advantage of third parties.

#### Dealings in securities

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

dealing policy and updates the policy to improve processes. This was carried out during the year under review.

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

## Internal controls

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

Standards of disclosure increased significantly, and internal governance structures and roles were reviewed and improved, where necessary, to reflect best practices. This occurred at Board and management levels. The Internal Audit function is governed by an Internal Audit Charter, which is annually reviewed and approved by the Audit and Risk Committee.

## Internal Audit

AfroCentric Internal Audit is an independent function governed by an Internal Audit Charter which is approved by the Audit and Risk Committee and is reviewed annually. The Internal Audit Charter defines the role, organisational status authority, responsibilities and scope of the Internal Audit Activity (IAA). It also includes the principles underlying the realisation of the objectives of the IAA and the translation thereof into operational activities. The Chief Audit Executive reports at each Audit and Risk Committee meeting and has a direct reporting line to its Chairperson. Internal Audit operates independently of executive management and is not authorised to perform any operational duties in the Group. For administrative purposes, the Chief Audit Executive reports to the Group Chief Executive Officer. The Internal Audit team is fully capacitated with 21 professionals who collectively possesses the knowledge, skills, experience, tenure and other competencies to fulfil its mandate effectively and competently. Specific specialist skills and additional resources are obtained from third parties.

The vision of Internal Audit is to add proactive, objective and independent value and assist with the Group's business strategy and objectives while upholding the core values of mutual respect, accountability, empowerment, integrity, innovation, accessibility, commitment, efficiency, proactivity

and professionalism. According to its core values, AfroCentric's Internal Audit endeavours to comply with the highest professional standards of integrity, sound practice and transparency to build trust and maintain the interests of client schemes and shareholders at the forefront of our corporate agenda.

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

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

## Information and security governance

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

The AfroCentric Group applies the principles of King IV in its governance frameworks, as far as it is appropriate, and has regard to the requirements of Cobit, ISO 27001, ITIL and ISO 38500:2015 in the governance of IT. The Group adopted a formal IT Governance Framework to standardise IT practices across the organisation and formalise the good governance requirements stipulated in King IV.

In addition to applying due governance across our IT areas, within our Governance Framework, we have an extensive review of our ICT controls, (ISAE3402) which is done by external auditors; the report of which is shared with our clients as further assurance. The protection of our data is our highest priority.

# REMUNERATION COMMITTEE REPORT

## Overview and background

The Board mandates the Group's Remuneration Committee (the Committee) to assist in exercising its responsibilities by overseeing all aspects of remuneration presenting feedback on all Committee decisions to the Board. These duties are carried out in accordance with the approved terms of reference that are reviewed and approved annually.

As in previous years, the Committee aligns pay to performance, while ensuring that we attract and retain the employees critical to our strategy. The Committee believes that our pay outcomes for 2018 reflect overall Group performance and significant achievements such as maintaining a Level 2 B-BBEE rating, membership and Group growth through the Hosmed take-on, COMMED amalgamation including lowering healthcare costs within our control, e.g. claim containment projects on behalf of clients which resulted in positive financial returns for clients.

### Focus areas

During the 2018 financial year, the Committee focused on a number of issues, and, where required, amended the remuneration and related policies as disclosed in the table below.

As a focus for 2019 financial year, the Committee will continue to ensure that our reward and remuneration strategies supports the Group's strategic efforts of going the extra mile for our clients, reducing healthcare spend, promoting leadership accountability while supporting talent and succession strategies.

In summary, the Committee:

- Approved the Long-Term Incentive Plan for implementation in the 2018 financial year
- Completed peer survey for Non-executive Directors' remuneration with particular focus on the Chairman and Deputy Chairman roles
- Reviewed and finalised Executive Directors' and Company Secretary remuneration for 2018
- Set strategic incentive targets for 2018 and approved incentive payments in respect of the 2017 financial year
- Approved long-term incentives to eligible management-level employees
- Approved Executive Directors' and Company Secretary appointments
- Adopted King IV remuneration principles
- Approved the Remuneration Charter for 2017

## Changes to the remuneration and related policies for the 2018 financial year

The Committee reviewed the Group remuneration policy as well as other related policies for the 2018 financial year. The following changes were effected and implemented during the 2018 financial year.

Remuneration element	Change	Reason or need for change
<i>Differentiated pay models</i>	Pay percentile in respect of IT employees was amended	Attracting and retaining IT skills within the organisation is challenging Greater need for IT skills in line with the Group's IT and digital strategy
<i>Long-Term Incentive (LTI) Plan</i>	Committee review of the Group's remuneration mix during the 2017 financial year identified the need for an LTI scheme The scheme was designed and rules approved by means of a majority shareholder vote	The Group's remuneration mix was not aligned to market benchmark and best practices Challenges in respect of attracting and retaining skills
<i>Retention bonuses</i>	Policy guideline implemented in respect of retention bonuses	Need for retention bonuses to be paid to scarce, critical and key employees within the Group not eligible for participation in other LTI schemes
<i>Succession planning and talent management</i>	Succession management process developed and implemented	Necessary to ensure business continuity and sustainability Drive employee engagement and retention and targeted employee development and learning with particular focus on designated groups

Remuneration element	Change	Reason or need for change
<i>Annual increases for general managers and senior managers</i>	Annual increases in respect of general and senior managers will be subject to the financial year-end review and will be reviewed by the Committee	General and senior managers have a direct impact on the financial performance of the Group. Therefore, individual performance scores in relation to financial targets directly link to the Group's achievement against those financial targets and budget practices
<i>Management strategic incentive</i>	Amended the on-target STI percentage in respect of divisional CEO	Closer alignment to similar roles in comparator peers
<i>Revised management performance bonus scheme</i>	Designed and implemented a more sustainable management performance bonus scheme	The previous scheme was not sustainable in the long-term, and an alternative scheme that achieves similar objectives had to be developed
<i>Non-pensionable allowances</i>	The principle with regards to an event when an employee will receive a non-pensionable allowance was amended	The principle differs between members of bargaining unit and management teams to drive internal parity objectives

## Independent external advice

As in previous years, the Committee actively sought independent external advice on remuneration trends and market benchmarks. This year, PricewaterhouseCoopers (PwC) provided market practice advisory in terms of Board Chairman and Executive Director roles in stakeholder engagements, governance considerations, remuneration structuring and bench-marking on fees, while Synntech designed and developed the LTI model and plan. The Committee is satisfied that these advisors are independent and objective.

## King IV application

The Committee has applied Principle 14 of King IV and is committed to fair, responsible and transparent remuneration. As a result, the remuneration and related policies are reviewed regularly to make them more transparent and comprehensive. We have considered the recommended practices under Principle 14 by mindfully contemplating how each practice could enhance the quality of our disclosures, considering each recommended practice in light of what is appropriate for the Group, and in light of other required and voluntary governance standards with which we comply.

The recommended practices which have been applied in this remuneration report are listed below. We have:

- Restructured our remuneration report according to the three parts recommended in King IV. The remuneration policy overview and implementation report focus on executive management as defined within King IV. In addition, within the section on the remuneration policy, the remuneration elements and design principles informing the remuneration arrangements for other employees are included at a high level
- Focused on fair and responsible remuneration, especially how our policy addresses remuneration for executive management in the context of overall employee remuneration
- Provided details of any obligations in executive employment contracts which could give rise to payments on termination of employment or office

- Adopted the single, total figure reporting within our remuneration disclosures
- Implemented the new voting regime and have requested advisory endorsement of our remuneration policy and the implementation report

## Fair and responsible pay agenda

The Group is committed to fair pay, ensuring that all our employees are appropriately and fairly rewarded for their contributions. This concept touches on many areas of our work, including fair pay for the lowest-paid people in our organisation, as well as the alignment of executive reward outcomes with business performance.

Additionally, the Board is committed to individuals being able to progress through the organisation based on capability and performance, irrespective of any other difference such as gender, race, age, ethnicity, religion or sexual orientation. We consider employees' views throughout our deliberations and review potential approaches. We have embarked on extensive training with managers to entrench our remuneration philosophy, principles and policy.

Synntech previously conducted a comprehensive analysis of our annual basic pay to assess equal pay for work of equal value. This analysis showed that there are no unjustifiable variances in annual basic pay across management and bargaining unit populations, as well as across gender and race groups. The Group continues this analysis on an annual basis, and the positive impact of the remuneration policy and governance is evident in the year-on-year progress.

## Shareholder engagement and voting

The revised remuneration policy was presented for voting at the AGM and the policy was accepted by majority vote of 99.44%.

No material issues were raised for consideration.



# OVERVIEW OF REMUNERATION POLICY

## Overview of remuneration policy

Employees are at the core of our business as we require highly skilled, competent and experienced employees to drive our business growth. Therefore, we need to reward them for their performance and contribution towards wealth maximisation for our shareholders.

While we apply a common remuneration structure across the Group, we differentiate its implementation according to the size of various companies within the Group.

Key principles, consistent with the previous financial year, that govern Group-wide remuneration at all levels are:

- Pay for performance methodology, linking executive reward to business performance. This allows for differentiated increases based on the individual's contribution and performance
- Ensure (i) that external parity is maintained, (ii) market relevance, and (iii) internal equitability is balanced and that pay adjustments are affordable to the organisation

- Ensure a remuneration mix that will attract the best talent in the market and retain top talent in the organisation
- Align executives to shareholder interest by linking STI and LTI to performance indicators not limited to financial indicators

## Pay for performance

Executives' remuneration is based on level of accountability, complexity and nature of the role which is sized relative to the organisation's turnover, number of employees (including wage bill), market cap, assets and net after tax profitability benchmarked to the external market.

The below table shows the relationship between the Group's strategy, its pay for performance philosophy and requirements set out in the King IV:

Strategic objective: Maximise shareholder value and return sustainably	
Strategic aspiration: 15% return on investment year on year	
Annual target: R554 million EBIT	
Strategic goals	
Enhance shareholder value	Achieve objectives
Maximise growth opportunities	
Diversity revenue sources	
Transformation and skills development	Spend resources wisely
Reduced cost of healthcare	Do it sustainably

Our deliverables, contained in our Balanced Scorecards (BSCs), are derived from and directly support the Group strategy. The Group BSC cascades to the various business units and the individual performance scorecards. Each BSC's items support the BSC above it, ultimately supporting the Group strategy.

## Remuneration structure and relation to remuneration policy

The key components of our remuneration policy, structure and incentive targets are set out in the table below.

<i>Guaranteed pay</i>			<i>Variable pay</i>	
Remuneration element	Base pay	Benefits and allowances	Short-Term Incentive (STI)	Long-Term Incentive (LTI) Plan
	Monthly salary	<ul style="list-style-type: none"> <li>Medical aid</li> <li>Retirement fund<sup>1</sup></li> <li>Death benefit</li> <li>Disability benefit</li> </ul>	<ul style="list-style-type: none"> <li>Management performance bonus scheme</li> <li>Management strategic incentive scheme</li> </ul>	Vesting share scheme
<i>Policy principles</i>	<ul style="list-style-type: none"> <li>Broad bands are set with reference to industries.</li> <li>For executives, benchmarks are derived from similar comparator groups.</li> <li>Cost of annual increases are approved by the Remuneration Committee and set in accordance with expected market movements, affordability and forecast inflation.</li> <li>Increases granted to bargaining and non-bargaining unit employees are linked to individual performance with effective date of 1 July.</li> </ul>	<ul style="list-style-type: none"> <li>Allowances are paid in terms of statutory requirements or policy.</li> <li>Contributions to all benefits are made by both the employer and employee.</li> </ul>	<ul style="list-style-type: none"> <li>A dual STI structure applies to all employees, managers and senior managers at Patterson grades D1 and above; however, participation is limited to only one scheme.</li> <li>The STI consists of Group and individual performance targets.</li> <li>Bi-annual and annual payments are approved by the Committee.</li> <li>Payment is made in April and September respectively.</li> <li>Production incentives are paid out quarterly whereas commissions are paid monthly.</li> </ul>	<ul style="list-style-type: none"> <li>The LTIP consists of conditional shares subject to vesting conditions.</li> <li>Governing resides with the Committee which considers annual awards for eligible employees and discretionary or bonus awards for purposes of retention.</li> <li>Annual awards are linked directly to the role as well as long-term individual performance and potential. Vesting period is three years.</li> <li>Share value is determined by volume-weighted average price measured 30 days prior to award date.</li> </ul>
<i>Policy application</i>	<ul style="list-style-type: none"> <li>Salaries are paid monthly, including in countries other than South Africa.</li> <li>Employees are eligible for adjustments when promoted to other positions; however, specific conditions apply.</li> </ul>	<ul style="list-style-type: none"> <li>In addition to the standard basket of benefits, employees have the option to buy additional benefits at Group rates.</li> <li>Beneficiaries of employees who pass away while in service receive additional benefits such as education.</li> </ul>	<ul style="list-style-type: none"> <li>Group targets in terms of a BSC basis are set each year and cascaded. Business unit targets are also set in line with the approved business plans.</li> <li>Individual targets are recorded in the performance contract with reference to the requirements of the role.</li> </ul>	<ul style="list-style-type: none"> <li>Group performance targets include EBIT (40%), risk and audit management (10%) and strategic impact (50%).</li> </ul>
<i>Objective of the element</i>	Attraction and retention	<ul style="list-style-type: none"> <li>Comprehensive remuneration offering inclusive of cash and benefits</li> <li>Retention</li> </ul>	<ul style="list-style-type: none"> <li>Rewards Company and individual performance</li> <li>Recognition, motivation, attraction and retention</li> </ul>	<ul style="list-style-type: none"> <li>Rewards Company and individual performance</li> <li>Rewards contribution to the Group's success</li> <li>Attraction and retention</li> </ul>

<sup>1</sup> Employees elect participation in either a pension fund or the NEHAWU Provident Fund, the latter being available to NEHAWU members only.

## Overview of remuneration policy (continued)

Guaranteed pay			Variable pay	
Remuneration element	Base pay	Benefits and allowances	Short-Term Incentive (STI)	Long-Term Incentive (LTI) Plan
Eligibility	All employees		<ul style="list-style-type: none"> <li>Executive Committee members</li> <li>General management<sup>1</sup>, Senior management<sup>2</sup> and management<sup>3</sup> at corporate and business unit level</li> </ul>	<ul style="list-style-type: none"> <li>Executive Committee members</li> <li>General management at Group and business unit level</li> <li>Senior managers and managers at Group and business unit level</li> </ul>
Pay level is set through	Market benchmarking according to job family grouping, job grade and individual long-term performance.		<ul style="list-style-type: none"> <li>Hurdle rate for payment is the achievement of EBIT targets</li> <li>Hurdle for individuals is individual performance targets (below target performance not reawarded)</li> </ul>	<ul style="list-style-type: none"> <li>Participation subject to approval by Remuneration Committee</li> <li>Allocation based on job grade with Remuneration Committee discretion</li> </ul>
Number of participants			402	54

<sup>1</sup> General management is defined as positions at grade levels E1 to E3 on the Patterson grading scale.

<sup>2</sup> Senior management is defined as positions at grade levels D4 and D5 on the Patterson grading scale.

<sup>3</sup> Management is defined as positions at grade levels D1 to D3 on the Patterson grading scale.

### Guaranteed pay

AfroCentric's policy is to reward its employees fairly and consistently according to their role and their individual contribution to the Group and its performance.

### STIs

The strategic management incentive scheme is focused on the executive team as well as tier two managers, being those that report directly to the executive as well as employees selected for value contribution and scarce and critical skills.

#### Strategic management STI

STI	=	GP	X	On-target %	X	Business multiplier			X	Personal performance multiplier	
						Based on below threshold – 0%, on-target – 100%, stretch – 150%				Performance rating	Range
Level						Measure 1	Measure 2	Measure 3		5	150%
Group CEO				60%	EBIT (40%)	Risk (10%)	Strategic impact (50%)		4	125%	
Executive Director				60%				3	100%		
Group CFO				45%				2	50%		
Executive Committee				40 to 50%				1	0%		

Earning potential between on-target and stretch performance is interpolated on a linear basis. Also, using the eligibility percentages, organisational and personal performance regulate actual bonus outcomes for the Group. The Group CEO's, CFO's and executives' performance are 100% based on the Group performance and relates to the 'business multiplier' component shown on the previous page.

Performance below threshold results in a zero score, and the individual will not be eligible for consideration for an STI award. This principle is central to all variants of incentive schemes.

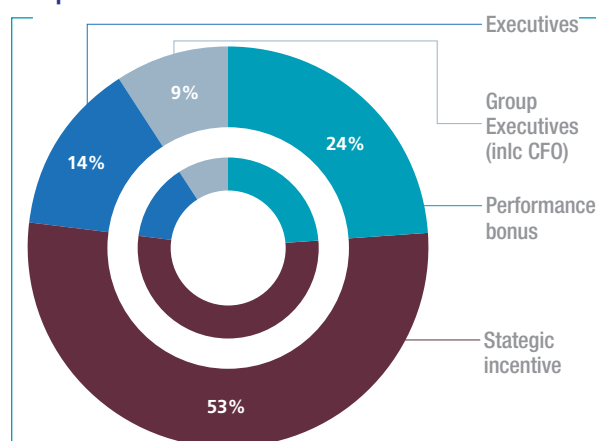
During the 2017 financial year, an alternative STI or management performance bonus targeted at 100% of guaranteed monthly package was introduced at the request of the Remuneration Committee. Exceptional performance was rewarded with additional bonus payments as provided for in the rules. Due to the close relationship to financial targets, payment of any incentives in terms of the strategic management incentive scheme is done on the back of the audited financial results.

Unlike in the 2017 financial year, the gate-keeper target (EBIT) was met in the 2018 financial year, and the Committee approved STI payments at a 100% of the allowable bonus pool. The below graph shows the distribution of payments in respect of the various incentive schemes.

A total STI pool approved for distribution by the Committee in respect of the 2018 financial year was R79 157 million (2017: R60 568 million<sup>1</sup>).

All payments in relation to the strategic management incentive scheme, as well as the performance bonus scheme, were approved by the Committee. In addition, the Remuneration Committee approved the Group's performance areas for the 2018 financial year as well as long-term objectives over a three to five-year period, thus ensuring long-term business sustainability.

### STI pool distribution



### LTI Plan

2018 saw the LTI Plan approved by the Board and shareholders at the Annual General Meeting held on 8 November 2017 with a majority vote.

The LTI Plan is aimed at retaining, motivating and rewarding executives and senior management who influence the long-term sustainability, value creation and strategic objectives of the Group on a basis which aligns their interests with those of the Group's shareholders. It also, provides necessary market related remuneration, particularly at executive level.

<sup>1</sup> Represents the 75% bonus as result of a penalty applied by the Remuneration Committee.

## Overview of remuneration policy (continued)

The mechanism of the LTI Plan is shown below:

### Share appreciation rights

<b>Award mechanism</b>	Linked to job grade and allocated by the Committee. The Committee has discretion within a range per job grade with a maximum number of shares set per grade.
<b>Bonus shares</b>	Discretionary allocation by Committee taking into account scarce skills, personal performance ratings, leadership and potential.
<b>Vesting</b>	Five-year vesting based on anniversary of allocation: Year 3 – 1/3, year 4 – 1/3 and year 5 – 1/3.
<b>Participation</b>	Individual participation is reviewed annually by the Committee to ensure alignment to the strategic objectives of the Group and consideration is given to: <ul style="list-style-type: none"> <li>• Individual long-term performance (over a three-year period)</li> <li>• Scarce and critical skills, particularly at other levels</li> <li>• Strategic importance of the role</li> <li>• Potential or talent of the employee (in particular ability, attitude, aspiration)</li> </ul>
<b>Eligibility</b>	Executives, general managers, senior managers and specialists
<b>Conditions</b>	Share award is conditional to the retention period provided employee is eligible

The first award has been made in terms of the registered rules and a total of 4 440 000 shares were awarded to participants. The allocations for all participants were approved by the Remuneration Committee. The Group CEO and Executive Directors do not participate in the LTI Plan.

### Service contracts and notice periods

AfroCentric can terminate executive employment summarily for any reason recognised by law in the respective jurisdiction.

It is the policy that the Executive Directors and executives have employment agreements with the Group which may be terminated with notice periods of three months. Executive

Directors may be required to work during the notice period but, if not, the full notice period may be provided with pay in lieu of notice (subject to mitigation where relevant).

### STIs on termination of employment

There is no automatic entitlement to annual STIs on termination, but it may be considered at the Committee's discretion taking into account performance measures during the period. Any such payment will be pro-rated to service. The governing rules require active employment on the date of payment.

No bonus will be payable in the case of misconduct or resignation, unless done under extenuating circumstances.



## Unvested share awards

Outstanding unvested bonus awards would lapse if the Executive Director or prescribed officer leaves by reason of resignation or termination for gross misconduct. However, in the case of death, the Executive Director (through his/her estate) will continue to be eligible to be considered for unvested portions or deferred awards, subject to the rules of the plan. In instances of termination on the basis of injury, disability, ill-health, retirement or redundancy, unvested shares will be managed in accordance with the rules of the plan.

Any unvested shares in the case of misconduct will lapse with immediate effect.

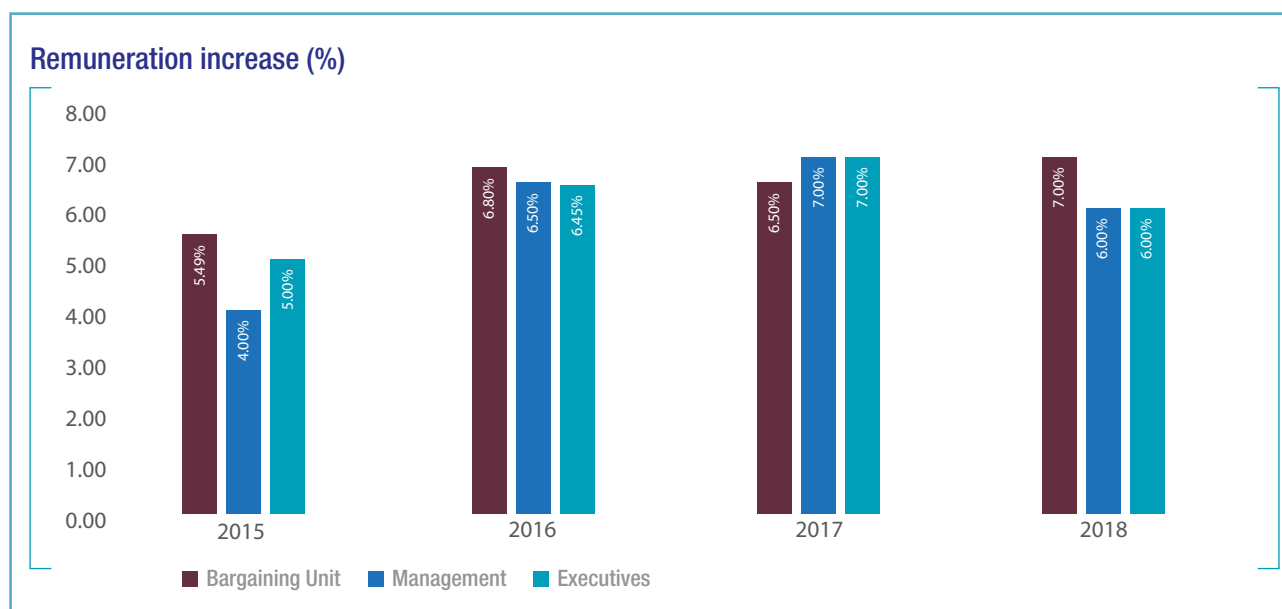
## *Implementation of the remuneration report and remuneration policy*

The implementation report details the principles implemented in 2018.

## Fixed remuneration increases

Recognising the need to remunerate executive management fairly and responsibly in the context of overall remuneration, we award higher increases to bargaining unit employees than to executive levels as shown. Increases in respect of the bargaining unit are negotiated annually with NEHAWU, the recognised labour union, taking into account a variety of internal and external factors such as affordability, market conditions, benchmark information, to name but a few.

The remuneration policy and implementation report set out above are proposed to shareholders in separate non-binding advisory notes in terms of the notice of annual general meeting. In the event that either the remuneration policy or the implementation report, or both, are voted against by 25% or more of the votes excised at the annual general meeting, the Board of Directors will engage with such shareholders in order to clarify the nature of and evaluate the validity of such objections and will, where possible and prudent, given the objectives of the remuneration policy, take objections into consideration when formulating any amendments to the company's remuneration policy and implementation report in the following financial year.



## Overview of remuneration policy (continued)

### *Executive and Non-executive Directors' remuneration*

#### Non-executive Directors

The table below sets out the remuneration principles applied by the Group for the 2018 financial year for Non-executive Directors. These policies also apply for the 2019 financial year and form the underlying basis for the fees tabled for approval at the AGM held on 8 November 2017.

	Chairman	Deputy Chairman	Directors and Lead Directors	Committee
<i>Objective</i>	A market-related fee to attract and retain experienced and diverse Non-executive Directors.			Fees to reflect the additional responsibilities undertaken through membership of committees. Committee chairmen receive an additional amount.
<i>Fee principles</i>	<p>Fees are reviewed annually, and fees in respect of the Chairman and Deputy Chairman were adjusted during the reporting period following the benchmark done by PwC.</p> <p>Fees reflect the time commitments in respect of meetings but also additional stakeholder relations as well as other standard duties associated with each role.</p> <p>Fees are fully inclusive.</p> <p>The Remuneration Committee recommends the fees to the Board for final approval.</p>			
<i>Payable</i>	Main Board – quarterly Subsidiary Board – monthly		Per meeting fee payable monthly	

The below table sets out the fees for the period 1 January 2018 to 31 December 2018 approved by means of majority vote during the Annual General Meeting.

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

#### Payments made to Non-executive Directors

The below fees were paid in respect of the ACT Board

Name of Director	Board fees (R)	Audit Committee (R)	Remun- eration Committee (R)	SEC (R)	ICT Steerco (R)	Nominations (R)	Investment Committee (R)	Total current year 2017 – 2018 (R)	Total previous year 2016 – 2017 (R)
AT Mokgokong	714 250	–	–	–	–	20 400	–	734 650	261 060
MJ Madungandaba	693 919	–	61 200	–	–	–	61 200	816 319	323 461
A Banderker	216 200	–	58 094	–	–	15 000	87 141	376 435	260 888
I Kirk	216 200	–	–	–	–	–	–	216 200	204 700
SE Mmakau	216 200	154 296	–	–	63 202	–	–	433 698	174 469
ND Munisi	216 200	–	–	59 955	–	–	15 000	291 155	223 855
LL Dhlamini	216 200	210 956	–	–	–	–	–	427 156	281 317
GH Motau	200 998	97 148	–	–	–	–	–	298 146	34 900
R Mundalamo	–	–	59 047	–	–	–	–	59 047	–
<b>Total</b>	<b>2 690 167</b>	<b>462 400</b>	<b>178 341</b>	<b>59 955</b>	<b>63 202</b>	<b>35 400</b>	<b>163 341</b>	<b>3 652 806</b>	<b>1 764 650</b>

Mr Michael (Motty) Sacks and Meyer Kahn waived all fees.

## Overview of remuneration policy (continued)

### Fees paid in respect of AHL Board

The AHL Board was incorporate into the ACT Board effective 1 January 2018 and hence fees received are for the period 1 July 2017 to 31 December 2017.

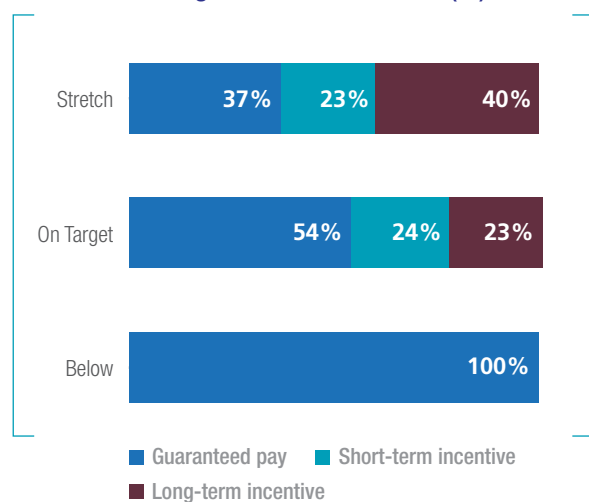
Name of Director	Status	Board fees (R)	Audit and Risk Committee (R)	Remuneration Committee (R)	Other committees (R)	Total current year 2017 – 2018 (R)	Total previous year 2016 – 2017 (R)
AT Mokgokong	Active	324 929				324 929	649 858
MJ Madungandaba	Active	207 338				207 338	504 375
A Banderker	Active	207 338				207 338	441 508
<b>Total</b>		<b>739 605</b>				<b>739 605</b>	<b>1 595 741</b>

### Executive management remuneration

To maintain a high-performance culture and an alignment with shareholders through value creation, the total reward mix for the Group CEO, Executive Directors, executives and senior management is geared towards a higher percentage of variable pay 'at risk' for achieving stretch goals.

The chart below represents the potential mix of guaranteed pay (GP), STI and LTI for the Group CFO<sup>1</sup> at below, on-target and stretch levels. The below target assumes no STI payments.

#### Executive management remuneration (%)



### Payments made to Executive Directors

#### Antoine van Buuren – Group CEO

The Group CEO does not participate in the LTI scheme.

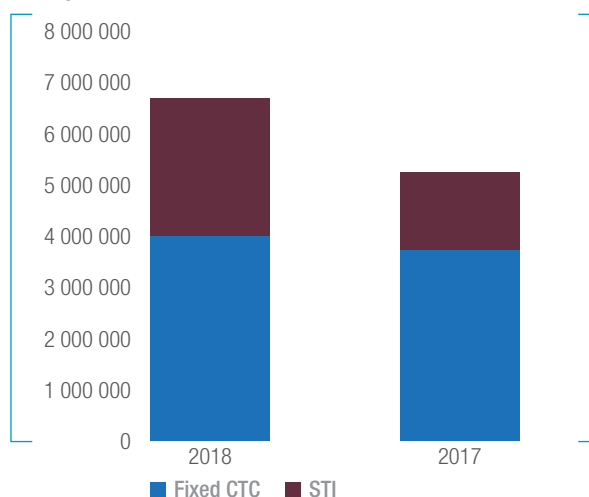
	2017 (R)	2018 (R)
Salary	3 488 792	3 740 377
Medical aid	27 758	17 755
Retirement benefits	191 991	209 918
Other employee benefits		20 377
<b>Total fixed remuneration</b>	<b>3 708 541</b>	<b>3 988 428</b>
Increase in guaranteed pay	6.5%	7%
STI	1 533 000 <sup>2</sup>	2 689 391 <sup>3</sup>
<b>Total variable remuneration</b>	<b>1 533 000</b>	<b>2 689 391</b>
<b>Total remuneration</b>	<b>5 241 541</b>	<b>6 677 819</b>

<sup>1</sup> Group CEO and Executive Directors participate only in the STI and not the LTI Plan.

<sup>2</sup> Incentive pay-out calculated at 75% of the allowable bonus.

<sup>3</sup> Relates to the FY2017.

#### Group CEO

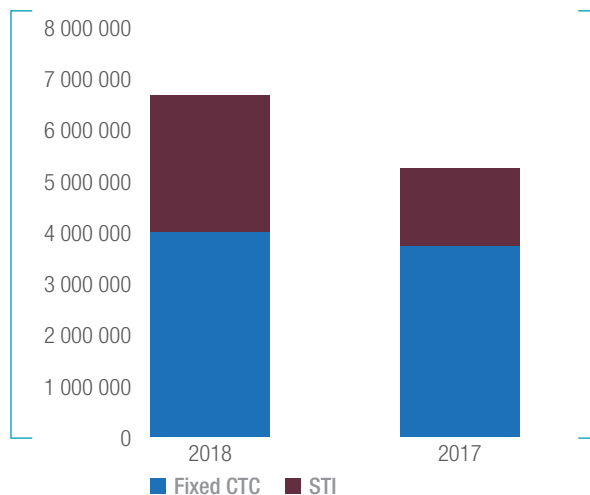


### Willem Britz – Executive Director

Executive Directors do not participate in the LTI scheme with the exception of the Group CFO.

	2017 (R)	2018 (R)
Salary	3 376 407	3 646 973
Medical aid	140 143	103 672
Retirement benefits	191 991	197 028
Other employee benefits		40 753
<b>Total fixed remuneration</b>	<b>3 708 541</b>	<b>3 988 428</b>
Increase in guaranteed pay	6.5%	7%
STI	1 533 000	2 689 391
<b>Total variable remuneration</b>	<b>1 533 000</b>	<b>2 689 391</b>
<b>Total remuneration</b>	<b>5 241 541</b>	<b>6 677 819</b>

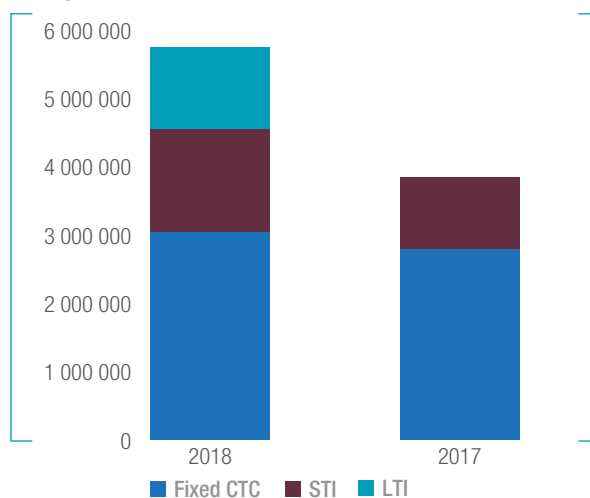
### Executive Director



### Hannes Boonzaaier – Group CFO

	2017 (R)	2018 (R)
Salary	2 593 947	2 824 019
Medical aid	65 594	42 152
Retirement benefits	135 204	150 565
Other employee benefits		31 143
<b>Total fixed remuneration</b>	<b>2 794 745</b>	<b>3 030 644</b>
Increase in guaranteed pay	13.3%	7%
STI	1 043 544	1 509 468
Number of shares awarded <sup>1</sup>		200 000
Value of awarded Shares		1 208 000
<b>Total variable remuneration</b>	<b>1 043 544</b>	<b>2 717 468</b>
<b>Total remuneration</b>	<b>3 838 290</b>	<b>5 748 112</b>

### Group CFO



### Termination of office payments

No payments were made on termination of employment or office of any members of the executive management.

### Statement regarding compliance with remuneration policy

The Committee has satisfied itself that the remuneration policy as detailed in the report was complied with, and there were no substantial deviations from the policy during the year.

### Advisory vote on the implementation report

The implementation report as it appears above is subject to an advisory vote by shareholders at the 2018 Annual General Meeting. Accordingly, shareholders are requested to cast an advisory vote on the implementation of the remuneration policy for 2018.

### Approval of the remuneration report by the Board of Directors

The remuneration report was approved by the Board of Directors on 12 September 2018.

<sup>1</sup> One-third of the awarded shares will vest in 2020.





CENTRE

*Shareholder*

# INFORMATION



# FINANCIAL CALENDAR

The salient dates relating to the dividend are as follows:

Last day to trade cum dividend	Tuesday, <b>6 November 2018</b>
Shares commence trading ex dividend	Wednesday, <b>7 November 2018</b>
Dividend record date	Friday, <b>9 November 2018</b>
Dividend payment date	Monday, <b>12 November 2018</b>



# NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF THE 12th ANNUAL GENERAL MEETING OF SHAREHOLDERS  
TO BE HELD ON THURSDAY, 8 NOVEMBER 2018, AT 10H00 AT THE AFROCENTRIC  
DISTRIBUTION SERVICES OFFICES, THE GREENS OFFICE PARK, BUILDING L,  
26 CHARLES DE GAULLE CRESCENT, HIGHVELD EXT 12, CENTURION

**AfroCentric Investment Corporation Limited**

(Incorporated in the Republic of South Africa)

(Registration number: 1988/000570/06)

JSE Share code: ACT

ISIN: ZAE000078416

("AfroCentric" or "the Company")

37 Conrad Street, Florida North, Roodepoort, 1709

PO Box 1101, Florida Glen 1708

Telephone: +27 (11) 671 2000

Website: [www.afrocentric.za.com](http://www.afrocentric.za.com)

## IMPORTANT NOTICE TO SHAREHOLDERS

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

1. If you have disposed of all your AfroCentric shares, this document should be handed to the purchaser of such shares or to the Stockbroker, Banker or other agent through whom such disposal was effected.
2. Members attending the Annual General Meeting of the Company on Thursday, 8 November 2018, at 10h00 are requested to ensure registration of attendance upon arrival.

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

3. The record date of the Annual General Meeting for shareholders to participate in and vote at the Annual General Meeting is on Friday, 2 November 2018 ("**the voting record date**").
4. The last date to trade in order to be eligible to participate in and vote at the Annual General Meeting is on Tuesday, 30 October 2018.

## RECORD DATES:

Please take note of the following important dates

Record date for the purposes of determining which shareholders of the Company are entitled

to receive notice of the Annual General Meeting ("**the notice record date**")

Friday, 5 October 2018

Integrated Report and notice of Annual General Meeting to be posted on

Tuesday, 9 October 2018

The last date to trade in order to be eligible to participate in and vote at

the Annual General Meeting on

Tuesday, 30 October 2018

Record date for the purposes of determining which shareholders of the Company are entitled to

participate in and vote at the Annual General Meeting ("**the voting record date**") on

Friday, 2 November 2018

Last day for lodging forms of proxy by 10h00 on

Tuesday, 6 November 2018

Date of the Annual General Meeting at 10h00 on

Thursday, 8 November 2018

Results of the Annual General Meeting published on SENS on

Thursday, 8 November 2018

## Notice of Annual General Meeting (continued)

### VOTING AND PROXIES

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

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

**Computershare Investor Services Proprietary Limited**

(Registration Number 2004/003647/07)

Rosebank Towers

15 Biermann Avenue

Rosebank, 2196

PO Box 61051

Marshalltown, 2107

Fax: +27 (11) 688 5238

Email: [proxy@computershare.co.za](mailto:proxy@computershare.co.za)

**By no later than 10h00 on 6 November 2018**

## **AfroCentric Investment Corporation Limited**

(Incorporated in the Republic of South Africa)

Registration Number: 1988/000570/06

JSE Share Code: ACT

ISIN: ZAE000078416

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

*All terms defined in the 2018 Integrated Report, to which this Notice of Annual General Meeting is attached, shall bear the same meanings when used in this Notice of Annual General Meeting.*

Notice is hereby given that the twelfth Annual General Meeting of shareholders for the year ended 30 June 2018 will be held at the AfroCentric Distribution Services Offices, the Greens Office Park, Building L, 26 Charles De Gaulle Crescent, Highveld Ext 12, Centurion on **Thursday, 8 November 2018** at **10h00** to conduct such business as may lawfully be dealt with at the Annual General Meeting and to consider, and if deemed fit, to pass with or without modification, the special and ordinary resolutions set out hereunder in the manner required by the Act, as read with the JSE's Listings Requirements, as amended from time to time ("**Listings Requirements**").


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

- which shareholders are entitled to receive notice of the Annual General Meeting being the notice record date as Friday, 5 October 2018;
- the last date to trade in order to be eligible to participate in and vote at the Annual General Meeting as Tuesday, 30 October 2018; and
- the record date in order to participate in and vote at the Annual General Meeting being the voting record date as Friday, 2 November 2018.

## **AGENDA**

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

## **PRESENTATION OF AUDITED ANNUAL FINANCIAL STATEMENTS**

The audited consolidated Annual Financial Statements of the Company and the Group, including the reports of the directors, Group Audit and Risk Committee and the independent auditors, for the year ended 30 June 2018, will be presented to shareholders as required in terms of section 30(3)(d) of the Act. The complete set of audited consolidated Annual Financial Statements, together with the report of the directors and the independent auditors' report are set out on pages 5 to 85 of the 2018 Annual Financial Statements. The Audit and Risk Committee report is set out on page 2 to 4 of the 2018 Annual Financial Statements. The Integrated Annual Report is also available on the Company's website: [www.afrocentric.za.com/cd-ar-reports.php](http://www.afrocentric.za.com/cd-ar-reports.php). 

## **Retirement of our Founding Directors**

Shareholders are hereby informed that our Founding Directors, members and mentors, Meyer Kahn (79) and Motty Sacks (75), having concluded that their objectives on behalf of AfroCentric have been achieved, have decided to retire from the Board. Their retirement has resulted in them not being available for re-election as Directors and will be effective immediately after AfroCentric's Annual General Meeting, scheduled to take place on 8 November 2018. The Board would like to thank them both for their invaluable contribution to the Group. Their experience, guidance and wisdom will certainly be missed at Board and Committee meetings and generally within the Group. We wish them well on their retirement.

There were no changes to the Board during the period under review.



## Notice of Annual General Meeting (continued)

### RESOLUTIONS

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

#### ORDINARY RESOLUTIONS

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

#### ORDINARY RESOLUTION NUMBER 1

##### Re-election of directors

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

- Ms LL Dhlamini
- Mr SE Mmakau
- Ms HG Motau

##### Ordinary Resolution Number 1.1

##### Re-election of Ms LL Dhlamini as an independent non-executive director

**"RESOLVED** that Ms LL Dhlamini, who retires by rotation in terms of the MOI of the Company, being eligible and offering herself for re-election, be and is hereby re-elected as an independent non-executive director of the Company."

##### Ordinary Resolution Number 1.2

##### Re-election of Mr SE Mmakau as an independent non-executive director

**"RESOLVED** that Mr SE Mmakau, who retires by rotation in terms of the MOI of the Company, being eligible and offering himself for re-election, be and is hereby re-elected as an independent non-executive director of the Company."

##### Ordinary Resolution Number 1.3

##### Re-election of Ms HG Motau as an Independent non-executive director

**"RESOLVED** that Ms HG Motau, who retires by rotation in terms of the MOI of the Company, being eligible and offering herself for re-election, be and is hereby re-elected as an independent non-executive director of the Company."

Brief résumés for these directors appear on pages 70 and 71 of the 2018 Integrated Report.

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

#### ORDINARY RESOLUTION NUMBER 2

##### Appointment of Group Audit and Risk Committee members

**"RESOLVED** that an Audit and Risk Committee comprising independent non-executive directors, as provided in section 94(4) of the Act, set out below be and is hereby appointed in terms of section 94(2) of the Act to hold office until the next Annual General Meeting and to perform the duties and responsibilities stipulated in section 94(7) of the Act and King Code on Corporate Governance for South Africa, 2016.

The Board has assessed the performance of the Group Audit and Risk Committee members standing for election and has found them suitable for appointment. Brief résumés for these directors appear on pages 70 and 71 of the 2018 Integrated Report."

##### Ordinary Resolution Number 2.1

**"RESOLVED** that, subject to the passing of Ordinary Resolution Number 1.1, Ms LL Dhlamini, is elected as a member and chairman of the Audit and Risk Committee."

##### Ordinary Resolution Number 2.2

**"RESOLVED** that, subject to the passing of Ordinary Resolution Number 1.2, Mr SE Mmakau, is elected as a member of the Audit and Risk Committee."

##### Ordinary Resolution Number 2.3

**"RESOLVED** that, subject to the passing of Ordinary Resolution Number 1.3, Ms HG Motau, is elected as a member of the Audit and Risk Committee."

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

### ORDINARY RESOLUTION NUMBER 3

#### **Re-appointment of independent auditor and designated audit partner**

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

**"RESOLVED** that PricewaterhouseCoopers Incorporated, with the designated audit partner being Ms Julianie Basson, be and is hereby re-appointed as the independent auditor of the Group for the ensuing year."

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

### ORDINARY RESOLUTION NUMBER 4

#### **General authority to issue shares for cash**

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

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

#### **Reason for and effect**

*The reason and effect of this Ordinary Resolution Number 4 is to seek a general authority and approval for the directors to allot and issue ordinary shares in the authorised but unissued share capital of the Company (excluding shares issued pursuant to the Company's share incentive scheme), up to 15% (8 315 599 shares) of the number of ordinary shares of the Company in issue at the date of passing of this resolution, in order to enable the Company to take advantage of business opportunities which might arise in the future.*

## Notice of Annual General Meeting (continued)

*For this resolution to be passed, votes in favour must represent at least 75% (seventy-five percent) of all votes cast and/or exercised at the meeting.*

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

### ORDINARY RESOLUTION NUMBER 5

#### **Approval of the remuneration policy**

**“RESOLVED** that by a non-binding advisory vote, the Company’s remuneration policy as set out in the remuneration report on pages 82 to 93 of the Integrated Report for 2018 be and is hereby endorsed.”

#### **Reason for and effect**

*The King Code on Corporate Governance for South Africa, 2016 recommends that the remuneration policy of a company be tabled for a non-binding advisory vote by shareholders at each AGM.*

*This enables shareholders to express their views on the remuneration policies adopted. Ordinary Resolution Number 5 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing remuneration arrangements.*

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

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

### ORDINARY RESOLUTION NUMBER 6

#### **Approval of the remuneration implementation policy**

**“RESOLVED** that by a non-binding advisory vote, the Company’s remuneration implementation report as set out on pages 82 to 93 of the Integrated Report for 2018 be and is hereby endorsed.”

#### **Reason for and effect**

*The King Code on Corporate Governance for South Africa, 2016 recommends that the implementation of a Company’s remuneration policy be tabled for a non-binding advisory vote by shareholders at each AGM.*

*This enables shareholders to express their views on the implementation of the Company’s remuneration policy. Ordinary Resolution Number 6 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing remuneration arrangements.*

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

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

### ORDINARY RESOLUTION NUMBER 7

#### **Authorise Directors and/or Company Secretary**

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

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

## SPECIAL RESOLUTIONS

### SPECIAL RESOLUTION NUMBER 1

#### Approval of Non-executive Directors' fees

Approval in terms of section 66 of the Act is required to authorise the Company to remunerate for their services as directors. Furthermore, in terms of King Code on Corporate Governance for South Africa, 2016 and as read with the Listings Requirements, remuneration payable to Non-executive Directors should be approved by shareholders in advance or within the previous two years.

**"RESOLVED** as a special resolution in terms of the Act that the remuneration of Non-executive Directors for the period 1 January 2019 until 31 December 2019 be and is hereby approved as follows:

	Position	Current (2018) (R)	Recommended increase (%)	Proposed (2019) (R)
Main Board (annualised fee)	Chairman	1 200 000	6%	1 272 000
	Deputy	900 700	6%	954 750
	Member	223 000	6.5%	237 500
Subsidiary Board (Per meeting fee)	Chairman	20 400	6%	21 600
	Member	15 000	6%	15 900
Audit and Risk Committee (Per meeting fee)	Chairman	27 200	6%	28 800
	Member	20 000	6%	21 200
Remuneration Committee (Per meeting fee)	Chairman	20 400	6%	21 600
	Member	15 000	6%	15 900
Nomination Committee (Per meeting fee)	Chairman	20 400	6%	21 600
	Member	15 000	6%	15 900
Social and Ethics Committee (Per meeting fee)	Chairman	20 400	6%	21 600
	Member	15 000	6%	15 900
Investment Committee (Per meeting fee)	Chairman	20 400	6%	21 600
	Member	15 000	6%	15 900
ICT Steering Committee (Per meeting fee)	Chairman			21 600
	Member	15 000	6%	15 900"

#### Reason for and effect

The reason and effect of this Special Resolution Number 1 is to approve the remuneration of Non-executive Directors for the next 12 months, (payable quarterly in arrears), with effect from 1 January 2019 until 31 December 2019.

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

## Notice of Annual General Meeting (continued)

### SPECIAL RESOLUTION NUMBER 2

#### General authority to repurchase shares

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

1. any repurchase of shares must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty;
2. at any point in time, the Company may only appoint one agent to effect any repurchases on its behalf;
3. the number of shares which may be repurchased pursuant to this authority in any financial year may not in the aggregate exceed 5% (five percent) of the Company’s issued share capital as at the date of passing of this general resolution or 10% (ten percent) of the Company’s issued share capital in the case of an acquisition of shares in the Company by a wholly-owned subsidiary of the Company;
4. repurchases of shares may not be made at a price greater than 10% (ten percent) above the weighted average of the market value of the shares for the 5 (five) business days immediately preceding the date on which the transaction was effected;
5. the Company or a wholly-owned subsidiary of the Company may not effect a repurchase during any prohibited period as defined in terms of the Listings Requirements unless there is a repurchase programme in place, which programme has been submitted to the JSE in writing and executed by an independent third party, as contemplated in terms of paragraph 5.72(h) of the Listings Requirements;
6. after the Company or a wholly-owned subsidiary of the Company has acquired shares which constitute, on a cumulative basis, 3% (three percent) of the initial number of shares in issue (at the time that authority from shareholders for the repurchase is granted) of the relevant class of shares and for each 3% in aggregate of the initial number of that class acquired thereafter, the Company shall publish an announcement on SENS containing full details of such repurchase; and
7. the Board has passed a resolution authorising the repurchase and that the Company has passed the solvency and liquidity test contained in section 4 of the Act, and that since the test was done, there have been no material changes to the financial position of the Company.

#### Reason for and effect

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

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

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

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

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

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

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

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

Major shareholders – page 12 of the 2018 Annual Financial Statements

Company's share capital – page 67 of the 2018 Annual Financial Statements

**Directors' responsibility statement**

The directors, whose names are given on page 1 of the 2018 Annual Financial Statements, collectively and individually accept full responsibility for the accuracy of the information pertaining to the special resolution no. 2, and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that the aforementioned special resolution contains all the information required by the JSE.

**Material change**

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

**SPECIAL RESOLUTION NUMBER 3****Financial assistance to a related or inter-related company or companies**

**"RESOLVED** that, in terms of section 45(3)(a)(ii) of the Companies Act, as a general approval, the Board of the Company be and is hereby authorised to approve that the Company provides any direct or indirect financial assistance ("**financial assistance**" will herein have the meaning attributed to it in section 45(1) of the Act) that the Board of the Company may deem fit to any company or corporation that is related or inter-related ("**related**" or "**inter-related**" will herein have the meaning attributed to it in section 2 of the Act) to the Company, on the terms and conditions and for amounts that the Board of the Company may determine, provided that the aforementioned approval shall be valid until the date of the next Annual General Meeting of the Company."

**Reason for and effect**

*The reason and effect of this special resolution number 3 is to grant the Board the authority to authorise the Company to provide financial assistance as contemplated in section 45 of the Act to a related or inter-related company or corporation.*

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



## Notice of Annual General Meeting (continued)

### SPECIAL RESOLUTION NUMBER 4

#### Financial assistance for subscription of shares to related or inter-related companies

**“RESOLVED** that, in terms of section 44(3)(a)(ii) of the Act, as a general approval, the Board of the Company be and is hereby authorised to approve that the Company provides any direct or indirect financial assistance (“**financial assistance**” will herein have the meaning attributed to it in sections 44(1) and 44(2) of the Act) that the Board of the Company may deem fit to any company or corporation that is related or inter-related to the Company (“**related**” or “**inter-related**” will herein have the meaning attributed to it in section 2 of the Act) and/or to any financier who provides funding by subscribing for preference shares or other securities in the Company or any company or corporation that is related or inter-related to the Company, on the terms and conditions and for amounts that the Board of the Company may determine for the purpose of, or in connection with, the subscription of any option, or any shares or other securities, issued or to be issued by the Company or a related or inter-related company or corporation, or for the purchase of any shares or securities of the Company or a related or inter-related company or corporation, provided that the aforementioned approval shall be valid for two years or until the date of the next Annual General Meeting of the Company.”

#### Reason for and effect

*The reason and effect of Special Resolution Number 4 is to grant the directors the authority, in terms of section 44(3)(a)(ii) of the Act, authority, to provide financial assistance to any company or corporation which is related or inter-related to the Company and/or to any financier for the purpose of or in connection with the subscription or purchase of options, shares or other securities in the Company or any related or inter-related company or corporation.*

*This means that the Company is authorised, inter alia, to grant loans to its subsidiaries and to guarantee and furnish security for the debt of its subsidiaries where any such financial assistance is directly or indirectly related to a party subscribing for options, shares or securities in the Company or its subsidiaries.*

*A typical example of where the Company may rely on this authority is where a subsidiary raised funds by way of issuing preference shares and the third-party funder requires the Company to furnish security, by way of a guarantee or otherwise, for the obligations of its subsidiary to the third-party funder arising from the issue of the preference shares. The Company has no immediate plans to use this authority and is simply obtaining same in the interests of prudence and good corporate governance should the unforeseen need arise to use the authority*

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

In terms of and pursuant to the provisions of sections 44 and 45 of the Act, the directors of the Company confirm that the Board will satisfy itself, after considering all reasonably foreseeable financial circumstances of the Company, that immediately after providing any financial assistance as contemplated in Special Resolution Numbers 3 and 4 above:

- the assets of the Company (fairly valued) will equal or exceed the liabilities of the Company (fairly valued) (taking into consideration the reasonably foreseeable contingent assets and liabilities of the Company);
- the Company will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months;
- the terms under which any financial assistance is proposed to be provided, will be fair and reasonable to the Company; and
- all relevant conditions and restrictions (if any) relating to the granting of financial assistance by the Company as contained in the Company’s MOI have been met.

### To transact such other business as may be transacted at an Annual General Meeting

#### Identification, voting and proxies

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

The votes of shares held by share trusts classified as Schedule 14 trusts in terms of the Listings Requirements will not be taken into account at the Annual General Meeting for approval of any resolution proposed in terms of the Listings Requirements.

A form of proxy is attached for the convenience of any certificated or dematerialised AfroCentric shareholders with own-name registrations who cannot attend the Annual General Meeting, but who wish to be represented thereat.

Forms of proxy and/or letters of representation may be presented at any time prior to the Annual General Meeting and also at the Annual General Meeting, but to enable the company to ensure prior to the Annual General Meeting that a quorum will be present at the Annual General Meeting, it would be helpful if proxy forms and/or letters of representation could be delivered to the Company or the Company's transfer secretaries 48 hours prior to the Annual General Meeting, being 10h00 on Thursday, 6 November 2018.

All beneficial owners of AfroCentric shares who have dematerialised their shares through a CSDP or broker, other than those with own-name registration, and all beneficial owners of shares who hold certificated shares through a nominee, must provide their CSDP, broker or nominee with their voting instructions, in accordance with the agreement between the beneficial owner and the CSDP, broker or nominee as the case may be. Should such beneficial owners wish to attend the meeting in person they must request their CSDP, broker or nominee to issue them with the appropriate letter of authority. If shareholders who have not dematerialised their shares or who have dematerialised their shares with own-name registration and who are entitled to attend and vote at the Annual General Meeting do not deliver proxy forms to the transfer secretaries timeously, such shareholders will nevertheless at any time prior to the commencement of the voting on the resolutions at the Annual General Meeting be entitled to lodge the form of proxy in respect of the Annual General Meeting, in accordance with the instructions therein with the Chairman of the Annual General Meeting.

Each shareholder is entitled to appoint one or more proxies (who need not be shareholders of AfroCentric) to attend, speak and vote in his/her stead. On a show of hands every shareholder who is present in person or by proxy shall have one vote, and, on a poll, every shareholder present in person or by proxy shall have one vote for each share held by him/her.

AfroCentric does not accept responsibility and will not be held liable for any failure on the part of a CSDP or broker to notify such AfroCentric shareholder of the Annual General Meeting.

By order of the Board



**B Mokale**

Group Company Secretary  
Roodepoort  
9 October 2018

# GLOSSARY

The following key terms are provided to assist readers in understanding the terminology used within this report.

<b>Client</b>	Refers to the medical schemes that are AfroCentric's clients.
<b>Members</b>	Refers to the end customer. The members of the various schemes that are AfroCentric's clients.
<b>ACT</b>	AfroCentric Investment Corporation Limited
<b>AfroCentric, the AfroCentric Group, the Company or the Group</b>	AfroCentric Investment Corporation Limited – the Group holding company
<b>AGM</b>	Annual General Meeting
<b>AHA</b>	ACT Healthcare Assets Proprietary Limited
<b>AHL or AfroCentric Health</b>	AfroCentric Health (RF) Proprietary Limited
<b>AHS or AfroCentric Health Solutions</b>	AfroCentric Health Solutions Proprietary Limited
<b>B-BBEE</b>	Broad-based Black Economic Empowerment
<b>CEO</b>	Chief Executive Officer
<b>CFO</b>	Chief Financial Officer
<b>CIS</b>	Clinical Information System
<b>CMS</b>	Council of Medical Schemes
<b>COID</b>	Compensation of Occupational Injuries and Disease
<b>CSI</b>	Corporate Social Investment
<b>DBC</b>	Documentation based care
<b>ED</b>	Enterprise Development
<b>ERM Framework</b>	Enterprise Risk Management Framework
<b>ICCM</b>	Integrated Chronic Care Model
<b>ICT</b>	Information and Communications Technology
<b>IFM</b>	Insurance Fraud Manager from FICO
<b>IFRS</b>	International Financial Reporting Standards
<b>IIRC</b>	International Integrated Reporting Council
<b>JSE</b>	JSE Limited
<b>King IV</b>	King Report of Corporate Governance of South Africa 2016
<b>LGRC</b>	Legal, Governance, Risk and Compliance
<b>MCC</b>	Medicines Control Council
<b>MD</b>	Managing Director
<b>MOI</b>	Memorandum of Incorporation which comprises the Company's existing memorandum of association and its articles of association
<b>NEHAWU</b>	National Education Health and Allied Workers Union
<b>NHI</b>	National Health Insurance
<b>PoPI</b>	Protection of Personal Information Act
<b>RPA</b>	Robotics process automation
<b>SADC</b>	Southern African Development Community
<b>Sanlam</b>	Sanlam Life Insurance Limited
<b>SED</b>	Socio-economic development
<b>the Board</b>	The Board of Directors of AfroCentric Investment Corporation Limited
<b>the Companies Act</b>	The Companies Act 71 of 2008, as amended
<b>the current period</b>	The year ended 30 June 2018
<b>the current year</b>	The year ended 30 June 2018
<b>the Group</b>	AfroCentric Investment Corporation Limited, its subsidiaries and associates
<b>the previous year or the prior year</b>	The year ended 30 June 2017
<b>the year or the year under review</b>	The year ended 30 June 2017
<b>WAD Acquisition</b>	Pharmacy Direct Proprietary Limited, Curasana Wholesaler Proprietary Limited, 26 % interest in Activo Health Proprietary Limited
<b>WAD</b>	WAD Holdings Proprietary Limited

# FORM OF PROXY

## RELATING TO THE 12TH ANNUAL GENERAL MEETING OF THE COMPANY

For use by the holders of certificated shares and/or dematerialised shares held through a broker or Central Securities Depository Participant ("CSDP") who have selected own-name registration, registered as such at the close of business on the voting record date, at the Annual General Meeting to be held at 10h00 at the AfroCentric Distribution Services Offices, The Greens Office Park, Building L, 26 Charles De Gaulle Crescent, Highveld Ext 12, Centurion, on Thursday, 8 November 2018 or any postponement or adjournment thereof.

The form of proxy may also be handed to the chairman of the Annual General Meeting or adjourned or postponed Annual General Meeting before the Annual General Meeting is due to commence or recommence.

Dematerialised shareholders who have not selected own-name registration must not complete this form.

They must inform their broker or CSDP timeously of their intention to attend and vote at the Annual General Meeting or be represented by proxy thereat in order for the broker or CSDP to issue them with the necessary letter of representation to do so or provide the broker or CSDP timeously with their voting instructions should they not wish to attend the Annual General Meeting in order for the broker or CSDP to vote in accordance with their instructions at the Annual General Meeting.

I/We (FULL NAMES IN BLOCK LETTERS PLEASE)

of (address) (BLOCK LETTERS PLEASE)

Telephone no: (WORK) (area code)

Cell phone no:

Telephone no: (HOME) (area code)

Email address:

being the holder/s of \_\_\_\_\_ shares, hereby appoint

1. \_\_\_\_\_ or failing him/her

2. \_\_\_\_\_ or failing him/her

3. the Chairman of the Annual General Meeting

as my/our proxy to act for me/us on my/our behalf at the Annual General Meeting of in accordance with the following instructions (see note 2):

		FOR	AGAINST	ABSTAIN
<b>Ordinary Resolutions</b>				
<b>1.</b>	<b>Re-election of directors</b>			
1.1	Ms LL Dhlamini			
1.2	Mr SE Mmakau			
1.3	Ms HG Motau			
<b>2.</b>	<b>Appointment of Group Audit and Risk Committee members</b>			
2.1	Ms LL Dhlamini (Chairman)			
2.2	Mr SE Mmakau			
2.3	Ms HG Motau			
<b>3.</b>	<b>Re-appointment of independent external auditor</b>			
<b>4.</b>	<b>General authority to issue shares for cash</b>			
<b>5.</b>	<b>Approval of the remuneration policy</b>			
<b>6.</b>	<b>Approval of the remuneration implementation policy</b>			
<b>7.</b>	<b>Authorise directors and/or Company Secretary</b>			
<b>Special Resolutions</b>				
1.	Approval of Non-executive Directors' remuneration			
2.	General authority to repurchase shares			
3.	Financial assistance to a related or Inter-related company or companies			
4.	Financial assistance for subscription of shares to related or inter-related companies			

One vote per share held by shareholders on the voting record date.

## Notes to the form of proxy

**Please read the following notes and instructions carefully – AfroCentric Investment Corporation Limited (incorporated in the Republic of South Africa) (Registration number: 1988/000570/06) JSE Share code: ACT ISIN: ZAE000078416 (“AfroCentric” or “the Company”)**

**Notes:**

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided. The person whose name appears first on this form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A proxy appointed by a shareholder in terms hereof may not delegate his authority to act on behalf of the shareholder to any other person.
3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the Annual General Meeting as he deems fit in respect of the entire shareholder's votes exercisable thereat.
4. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so. In addition to the foregoing, a shareholder may revoke the proxy appointment by:
  - (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and
  - (ii) delivering a copy of the revocation instrument to the proxy, and to AfroCentric. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as at the later of the date stated in the revocation instrument, if any; or the date on which the revocation instrument was delivered in the required manner.
5. The Chairman of the Annual General Meeting may reject or accept any form of proxy which is completed and/or received, otherwise than in accordance with these notes, provided that, in respect of acceptances, the Chairman is satisfied as to the manner in which the shareholder/s concerned wishes to vote.
6. Each shareholder is entitled to appoint one or more proxies (none of whom need be a shareholder) to attend, speak and vote in place of that shareholder at the Annual General Meeting.
7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by AfroCentric or the transfer secretaries or waived by the Chairman of the Annual General Meeting.
8. Any alteration or correction made to this form of proxy must be initialled by the signatory(ies).
9. Where there are joint holders of shares:
  - 9.1 any one holder may sign this form of proxy; and
  - 9.2 the vote of the senior (for that purpose seniority will be determined by the order in which the names of shareholders appear in the Register) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint holder(s) of shares.
10. The form of proxy may be used at any adjournment or postponement of the Annual General Meeting, including any postponement due to a lack of quorum, unless withdrawn by the shareholder.
11. An extract from the Act reflecting the provisions of section 58 of the Act is attached as an appendix to this form of proxy.
12. Unlisted securities (if applicable) and shares held as treasury shares may not vote.

# EXTRACT FROM

## SECTION 58 OF THE COMPANIES ACT

### APPENDIX – EXTRACT FROM SECTION 58 OF THE COMPANIES ACT

#### **“58. Shareholder right to be represented by proxy**

1. At any time, a shareholder of a company may appoint any individual, including an individual who is not a shareholder of that company, as a proxy to—
  - (a) participate in, and speak and vote at, a shareholders meeting on behalf of the shareholder; or
  - (b) give or withhold written consent on behalf of the shareholder to a decision contemplated in section 60, provided that the shareholder may appoint more than one proxy to exercise voting rights attached to different shares held by the shareholder.
2. A proxy appointment—
  - (a) *must be in writing, dated and signed by the shareholder; and*
  - (b) *remains valid for—*
    - (i) one year after the date on which it was signed; or
    - (ii) any longer or shorter period expressly set out in the appointment, unless it is revoked in a manner contemplated in subsection (4)(c), or expires earlier as contemplated in subsection (8)(d).
3. Except to the extent that the Memorandum of Incorporation of a company provides otherwise—
  - (a) *a shareholder of that company may appoint two or more persons concurrently as proxies;*
  - (b) *a proxy may delegate the proxy's authority to act on behalf of the shareholder to another person, subject to any restriction set out in the instrument appointing the proxy; and*
  - (c) *a copy of the instrument appointing a proxy must be delivered to the company, or to any other person on behalf of the company, before the proxy exercises any rights of the shareholder at a shareholders meeting.*
4. Irrespective of the form of instrument used to appoint a proxy—
  - (a) *the appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder;*
  - (b) *the appointment is revocable unless the proxy appointment expressly states otherwise; and*
  - (c) *if the appointment is revocable, a shareholder may revoke the proxy appointment by—*
    - (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and
    - (ii) delivering a copy of the revocation instrument to the proxy, and to the company.
5. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of—
  - (a) *the date stated in the revocation instrument, if any; or*
  - (b) *the date on which the revocation instrument was delivered as required in subsection (4)(c)(ii).*
6. If the instrument appointing a proxy or proxies has been delivered to a company, as long as that appointment remains in effect, any notice that is required by this Act or the company's Memorandum of Incorporation to be delivered by the company to the shareholder must be delivered by the company to—
  - (a) *the shareholder; or*
  - (b) *the proxy or proxies, if the shareholder has—*
    - (i) directed the company to do so, in writing; and
    - (ii) paid any reasonable fee charged by the company for doing so.
7. A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction, except to the extent that the Memorandum of Incorporation, or the instrument appointing the proxy, provides otherwise.
8. If a company issues an invitation to shareholders to appoint one or more persons named by the company as a proxy, or supplies a form of instrument for appointing a proxy—
  - (a) *the invitation must be sent to every shareholder who is entitled to notice of the meeting at which the proxy is intended to be exercised;*
  - (b) *the invitation, or form of instrument supplied by the company for the purpose of appointing a proxy, must—*
    - (i) bear a reasonably prominent summary of the rights established by this section;
    - (ii) contain adequate blank space, immediately preceding the name or names of any person or persons named in it, to enable a shareholder to write in the name and, if so desired, an alternative name of a proxy chosen by the shareholder; and
    - (iii) provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution or resolutions to be put at the meeting, or is to abstain from voting;
  - (c) *the company must not require that the proxy appointment be made irrevocable; and*
  - (d) *the proxy appointment remains valid only until the end of the meeting at which it was intended to be used, subject to subsection (5).*
9. Subsection (8)(b) and (d) do not apply if the company merely supplies a generally available standard form of proxy appointment on request by a shareholder.”



# ADMINISTRATION AND CONTACT INFORMATION

**Registration number**

1988/000570/06

**Registered office**

37 Conrad Road  
Florida North  
Roodepoort  
1709

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**Group investor relations**

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investor-relations@afrocentric.za.com

**Sponsor**

Sasfin Capital (A division of Sasfin Bank Limited)

**Transfer secretaries**

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**Postal address**

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**Company secretary**

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