2019 GROUP ANNUAL FINANCIAL STATEMENTS

Enhancing quality of life

AfroCentric GROUP

CONTENTS

Preparation of the Annual Financial Statements

The Group Annual Financial Statements of AfroCentric Investment Corporation Limited (AfroCentric) for the year ended 30 June 2019 were prepared by Bongiwe Ncube CA(SA), General Manager: Group Finance, AfroCentric Investment Corporation Limited and were reviewed by Hannes Boonzaaier CA(SA), Chief Financial Officer of AfroCentric Investment Corporation Limited.

COMPANY INFORMATION

Registration number

1988/000570/06

Registered address

37 Conrad Road
Florida North
Roodepoort
1709

Postal address

Private Bag X34
Benmore
2010

Auditor

PricewaterhouseCoopers Inc.
Johannesburg

Group Company Secretary

Billy Mokale
Tel: +27 11 671 4725

DIRECTORS' RESPONSIBILITY STATEMENT

FOR THE YEAR ENDED 30 JUNE 2019

The directors are responsible for the preparation, integrity and fair presentation of the Annual Financial Statements of the Group as presented on pages 24 to 102. These Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the Companies Act 71 of 2008, as amended (the Companies Act) and the JSE Limited Listings Requirements; and include amounts based on judgements and estimates made by management.

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

Based on results of the reviews of the internal financial controls conducted by the internal audit function during the 2019 financial year and considering the information and explanations provided by management and discussions with the external auditor on the results of the audit, and assessed by the Audit and Risk Committee, nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of the overall system of controls has occurred during the period under review.

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

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

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

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

The Annual Financial Statements have been approved by the Board of Directors and signed on 12 September 2019.

Dr Anna Mokgokong
Chairman

Hannes Boonzaaier
Group Chief Financial Officer

Ahmed Banderker
Group Chief Executive Officer

DECLARATION BY GROUP COMPANY SECRETARY

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

Billy Mokale
Group Company Secretary
12 September 2019

AUDIT AND RISK COMMITTEE REPORT

FOR THE YEAR ENDED 30 JUNE 2019

Audit and Risk Committee report in terms of section 94(7)(f) of the Companies Act

The AfroCentric Investment Corporation Limited Audit and Risk Committee (herein referred to as the committee) is constituted in terms of section 94 of the Companies Act. The committee has documented approved terms of reference under which it operates and execute its oversight responsibilities. This report is presented to shareholders in compliance with the requirements of the Companies Act, the JSE Listings Requirements and the King Report on Corporate Governance™ for South Africa, 2016 (King IV)[1].

Composition

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

- Lindani Lorna Dhlamini
- Hlokammoni Grathel Motau
- Jose' Bruno Fernandes

Meetings and duties

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

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

Roles and responsibilities of the committee

The committee has the following specific responsibilities:

Integrated reporting

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

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

Combined assurance

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

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

[1] *Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.*

Chief Financial Officer and finance function

The committee:

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

External audit

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

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

PwC were appointed as external auditors of the Company and the Group. The committee has satisfied itself that the external auditors are independent of the Group, as set out in the Companies, which includes a consideration of conflicts of interests as prescribed by the Public Audit Act 25 of 2004 (PAA).

Internal audit

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

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

Risk management

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

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

Financial reporting and financial control

The committee has:

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

Effectiveness of internal controls

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

Group Annual Financial Statements

The committee is satisfied that the Group Annual Financial Statements are based on appropriate accounting policies supported by reasonable and prudent judgements and estimates. The committee is of the view that, in all material respects, the Annual Financial Statement complies with the relevant provisions of the Companies Act, JSE Listings Requirements and IFRS, and fairly presents the financial position and the results of its operations and cash flows for the year ended 30 June 2019. Having achieved its objective for the financial year, the Audit and Risk Committee recommended the audited Annual Financial Statements for the year ended 30 June 2019 for approval to the Board.

Independence of external auditors

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

The committee confirmed its satisfaction with the independence and level of service rendered by the external auditor, PwC, for the 2019 financial year.

Key audit matters

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

Responsibility statement

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

Lindani L Dhlamini
Chairman of the Audit and Risk Committee
12 September 2019

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2019

The AfroCentric Board of Directors has pleasure in presenting its report on the activities of AfroCentric Investment Corporation Limited for the year ended 30 June 2019, and can confirm that we continue to create value through our diversified portfolio of services and offerings to all of our stakeholders.

Nature of business

AfroCentric is a black-owned, diversified investment company within the healthcare sector with its head office in Johannesburg, South Africa. We also have operations across a number of selected African markets, which remain invaluable avenues in increasing our brand proposition.

Our integrated service offerings enable us to optimise the healthcare value chain in empowering access to sustainable quality healthcare while at the same time we continue to create shared value for our key stakeholders.

AfroCentric shared value

The Group's operating subsidiaries provide a range of complementary services to its traditional medical scheme clients and a portfolio of healthcare-related enterprises. We have expanded our offerings' value-add services to corporates through our integrated corporate solutions such as occupational health. Through this we can confirm that we continue to preserve shareholder value through the success of our integrated business optimisation strategy. This is also evident in our choice of acquisitions; our clientele retention and the skill force that executes our strategy.

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.

Developments

We are excited to announce that, to further diversify our service offering, we have launched a new division, AfroCentric Integrated Corporate Solutions (AICS) which will cater for the health and wellness needs of corporate and institutional clients. This division comprises a number of business entities which provide the following interfacing components:

- Medical Scheme, GAP Cover and Primary Health Insurance solutions
- Occupational Health services and clinics
- Primary Health Care services and clinics
- Employee Wellbeing programme

To further strengthen our capabilities and service offering for the institutional market, during the year under review, we acquired Private Health Administrators (PHA) and successfully concluded the Sanlam Health transaction, increased our shareholding in AFA Botswana to 49% and fully acquired the outstanding 74% shares of Activo Health to consolidate our pharma chain. Additionally, several key individuals have been recruited for their good experience and sound client relationships within the Occupational Health market.

Our strategy is to optimise our Group's products and services to offer organisations and members a seamless service. The alignment of our strategies, culture and goals aim to deliver solutions to clients, customers and suppliers in a manner that will benefit all parties and communities. Partners stand to benefit from an experienced team with knowledge and know-how in this field. Businesses will benefit from improved employee productivity, reduced absenteeism, healthcare cost savings and greater employee satisfaction.

Financial review

Group consolidated revenue increased by 25.7% to R5 296 billion (2018: R4 213 billion).

Group headline earnings increased by 1.7% to R265.3 million compared to R260.9 million in the prior year. During the 2018 financial year a non-IFRS earnings measure model was adopted given the material non-cash, non-trading and non-recurring deductions which have a significant adverse impact on the earnings. The Group's normalised headline earnings is R275.6 million compared to R264.1 million in the prior year. This represents an increase of 4.4%. Normalised headline earnings are earnings after adjustments are made to remove seasonality, revenue and expenses that are unusual or time influences. Profit before tax decreased by 1.8% for the period under review amounting to R528.5 million (2018: R538.4 million). Profit after tax (PAT) decreased by 0.1% compared to prior financial period.

Going concern

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

Dividends

The Company declared an interim dividend of 17 cents per ordinary share for the six months ended 31 December 2018. The Company further declared a final dividend of 17 cents per ordinary share for the year ended 30 June 2019. This was declared on 12 September 2019. These dividends are subject to the dividends withholding tax in terms of the Income Tax Act 58 of 1962 amended for which shareholders are liable. The solvency and liquidity requirements were satisfied at passing of the resolution in accordance with section 46 of the Companies Act.

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

- The dividends have been declared out of profits available for distribution;
- The local dividends withholding tax rate is 20%;
- The gross dividend amount for both declarations in 2019 is 34 cents per ordinary share (17 cents in interim and 17 cents in final);
- For purposes of the final distribution 574 241 248 ordinary shares will be deemed to be in issue on the dividend record date;
- The Company has 574 241 248 ordinary shares in issue on declaration date; and
- The Company's income tax reference number is 9600/148/71/3.

Share capital

The Company's share capital increased from 554 377 328 to 574 241 248 ordinary shares in the financial year under review due to additional shares awarded to minority shareholders of Activo Health as per the agreed terms and conditions of the acquisition agreement. The details of the Company's share capital are set out in Note 13 of these Annual Financial Statements.

As per the Companies Act, section 38, the Board of Directors may resolve to issue shares of the Company at any time, but only within the classes, and to the extent, that the shares have been authorised by or in terms of the Company's Memorandum of Incorporation.

Share repurchases

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

Audit and Risk Committee

The information relating to the Audit and Risk Committees is set out on pages 2 to 4.

Directors

The table below illustrates the directors of AfroCentric for the year ended 30 June 2019.

Director's name	Date of appointment	Designation
ATM Mokgokong (Chairman)	10 June 2010	Non-executive
MJ Madungandaba	10 June 2010	Non-executive
ND Munisi	7 December 2015	Non-executive
A Banderker	15 December 2015	Executive – salaried
IM Kirk	15 December 2015	Non-executive (resigned)
SE Mmakau	30 November 2016	Executive – salaried
LL Dhlamini	2 December 2015	Lead Independent Non-executive
HG Motau	15 May 2017	Independent Non-executive
AV van Buuren	16 March 2016	Executive, salaried (retired)
JW Boonzaaier	1 August 2015	Executive, salaried
WH Britz	1 August 2015	Executive, salaried
SA Zinn	23 November 2018	Independent Non-executive
JB Fernandes	23 November 2018	Independent Non-executive
T Alsworth-Elvey	1 July 2019	Non-executive

Directors ordinary shareholdings as at 30 June 2018

Director	Direct beneficial	Indirect beneficial	Held by associate	Total	%
ATM Mokgokong (Chairman)	1 707 926	42 172 403	9 326 441	53 206 770	9.60
MJ Madungandaba	–	97 818 886	21 761 697	119 580 583	21.57
JM Kahn	18 535 608	–	–	18 535 608	3.34
MI Sacks	17 579 938	–	–	17 579 938	3.17
AV van Buuren	–	30 664 002	–	30 664 002	5.53
JW Boonzaaier	30 000	–	–	30 000	0.00
WH Britz	–	30 664 002	–	30 664 002	5.53
	37 853 472	201 319 293	31 088 138	270 260 903	48.74

Directors ordinary shareholdings as at 30 June 2019

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

During the year under review, SE Mmakau became an Executive Director from 1 December 2018. AV van Buuren retired on 30 April 2019 and A Banderker was appointed Group CEO from 1 April 2019, henceforth taking up a role as Executive Director in the Board.

Prof SA Zinn and JB Fernandes were appointed Independent Non-executive Directors on 23 November 2018. Their appointment will be ratified at the 2019 AGM. Since the end of the financial year and up to the date of this report, the interests of directors have remained unchanged.

A further detailed analysis of shareholders including majority shareholding is available on pages 11 and 12.

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

Directors' remuneration

Remuneration of Non-executive Directors and Board committee members

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

Director	Fees R'000
ATM Mokgokong (Chairman)	1 463*
MJ Madungandaba	647*
ND Munisi	356*
A Banderker	303*
IM Kirk	265*
JM Kahn	#
SE Mmakau	222*
MI Sacks	#
LL Dhlamini	456*
HG Motau	434*
SA Zinn	213*
JB Fernandes	233*

* *The directors' remuneration highlighted above reflects their total gross directors' fees received across various subsidiaries within the Group.*
\# *Messrs Kahn and Sacks waived their rights to receive any directors' fees.*

Remuneration of Executive and Non-executive Directors

Details of the remuneration are set out fully in Note 20 of the Group Annual Financial Statements.

Remuneration of the four highest paid employees as at 30 June 2019 who are not directors of AfroCentric Investment Corporation Limited

Employee	Annual cost to company and incentives R
ABS Pederson	4 292 250
AA Mahmood	3 587 201
AC Edwards	3 538 493
TTM Rametse	3 358 926

Material resolutions

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

- General approval to repurchase shares
- Inter-Company loans and other financial assistance
- Fees payable to Non-executive Directors
- Group Annual Financial Statements for the financial year ended 30 June 2019
- Audit report for the year ended 2019
- Reappointment of independent registered auditors
- Election and re-election of directors
- Appointment of members to the Audit and Risk Committee
- Approval to issue ordinary shares and to sell Treasury shares, for cash
- Endorsement of the remuneration policy
- Authority of directors

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

Litigation statement

In terms of the JSE Limited Listings Requirements, the directors note that they are not aware of any legal or arbitration proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 months, a material effect on the Group's financial position, apart from the matters per Note 28 of the Annual Financial Statements.

Borrowing powers

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

Insurance

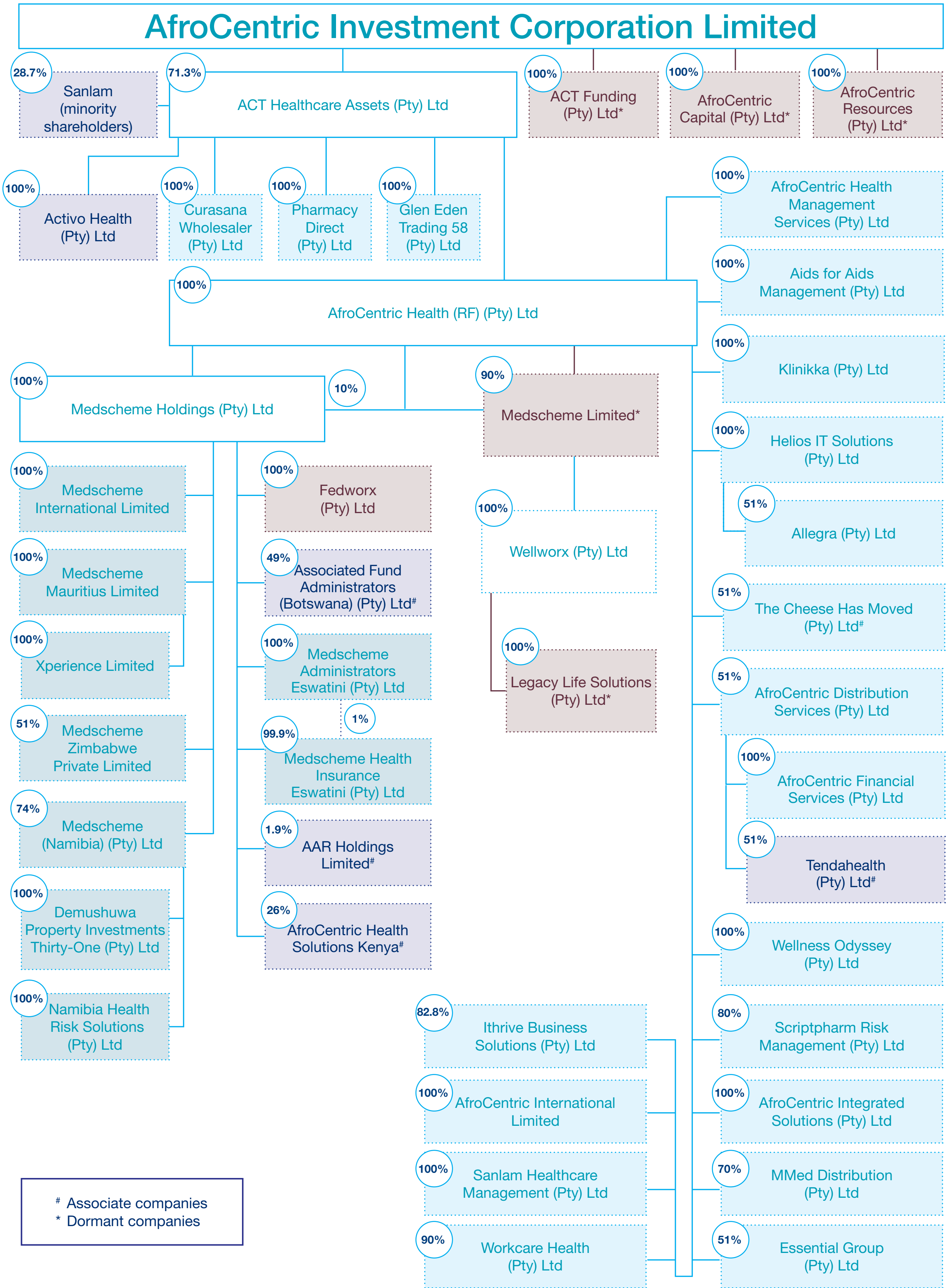
The Group protects itself and the directors against crime and professional indemnity by maintaining a comprehensive insurance programme.

Compliance

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

Auditor

PwC serves as auditor of the Company.


AfroCentric Investment Corporation Limited
28.7%
Sanlam (minority shareholders)
71.3%
ACT Healthcare Assets (Pty) Ltd
100%
ACT Funding (Pty) Ltd*
100%
AfroCentric Capital (Pty) Ltd*
100%
AfroCentric Resources (Pty) Ltd*
100%
Activo Health (Pty) Ltd
100%
Curasana Wholesaler (Pty) Ltd
100%
Pharmacy Direct (Pty) Ltd
100%
Glen Eden Trading 58 (Pty) Ltd
100%
AfroCentric Health Management Services (Pty) Ltd
100%
Aids for Aids Management (Pty) Ltd
100%
AfroCentric Health (RF) (Pty) Ltd
100%
Klinikka (Pty) Ltd
100%
Medscheme Holdings (Pty) Ltd
10%
90%
Medscheme Limited*
100%
Helios IT Solutions (Pty) Ltd
51%
Allegra (Pty) Ltd
100%
Medscheme International Limited
100%
Fedworx (Pty) Ltd
100%
Wellworx (Pty) Ltd
100%
Medscheme Mauritius Limited
49%
Associated Fund Administrators (Botswana) (Pty) Ltd#
51%
The Cheese Has Moved (Pty) Ltd#
100%
Xperience Limited
100%
Medscheme Administrators Eswatini (Pty) Ltd
100%
Legacy Life Solutions (Pty) Ltd*
51%
AfroCentric Distribution Services (Pty) Ltd
1%
51%
Medscheme Zimbabwe Private Limited
99.9%
Medscheme Health Insurance Eswatini (Pty) Ltd
100%
AfroCentric Financial Services (Pty) Ltd
74%
Medscheme (Namibia) (Pty) Ltd
1.9%
AAR Holdings Limited#
51%
Tendahealth (Pty) Ltd#
100%
Demushuwa Property Investments Thirty-One (Pty) Ltd
26%
AfroCentric Health Solutions Kenya#
100%
Wellness Odyssey (Pty) Ltd
100%
Namibia Health Risk Solutions (Pty) Ltd
82.8%
Ithrive Business Solutions (Pty) Ltd
80%
Scriptpharm Risk Management (Pty) Ltd
100%
AfroCentric International Limited
100%
AfroCentric Integrated Solutions (Pty) Ltd
100%
Sanlam Healthcare Management (Pty) Ltd
70%
MMed Distribution (Pty) Ltd
90%
Workcare Health (Pty) Ltd
51%
Essential Group (Pty) Ltd
Associate companies
* Dormant companies

SHAREHOLDERS' ANALYSIS

FOR THE YEAR ENDED 30 JUNE 2019

Ordinary shareholders

Shareholder spread	Number of shareholders	% of total shareholders	Number of shares	% of shares in issue
1 – 1 000 shares	971	24.60	331 350	0.06
1 001 – 10 000 Shares	1 736	43.98	8 630 349	1.50
10 001 – 100 000 shares	1 044	26.45	30 018 988	5.23
100 001 – 1 000 000 shares	155	3.93	46 852 058	8.16
Over 1 000 000 shares	41	1.04	488 408 503	85.05
Total	3 947	100	574 241 248	100

Distribution of shareholders	Number of shareholders	% of total shareholders	Number of shares	% of shares in issue
Banks/brokers	21	0.53	25 698 693	4.48
Close corporations	16	0.40	360 862	0.07
Empowerment	1	0.03	10 522 200	1.83
Endowment funds	30	0.76	3 379 848	0.59
Individuals	3 495	88.55	106 490 047	18.54
Insurance companies	18	0.46	4 787 944	0.83
Medical scheme	1	0.03	3 558	0.00
Mutual funds	41	1.04	18 058 458	3.14
Other corporations	8	0.20	2 129 761	0.37
Private companies	68	1.72	79 399 513	13.83
Public companies	2	0.05	220 002	0.04
Retirement fund	45	1.14	25 210 622	4.39
Strategic holders	7	0.18	281 869 053	49.09
Treasury shares	2	0.05	927 548	0.16
Trusts	192	4.86	15 183 139	2.64
Total	3 947	100	574 241 248	100

Public/non-public shareholder spread	Number of shareholders	% of total shareholders	Number of shares	% of shares in issue
2019				
Non-public shareholders	**14**	**0.35**	**285 270 727**	**49.68**
Directors and associates of the Company holdings	7	0.17	156 822 506	27.31
Treasury shares	2	0.05	927 548	0.16
Strategic holders (more than 10%)	5	0.13	127 520 673	22.21
Public shareholders	**3 933**	**99.65**	**288 970 521**	**50.32**
Total	3 947	100	574 241 248	100

Public/non-public shareholder spread	Number of shareholders	Number of shares	% of shares in issue
2018			
Non-public shareholders	**19**	**284 688 102**	**51.35**
Directors and associates of the Company holdings	15	270 260 903	48.75
Treasury and empowerment trusts	4	14 427 199	2.60
Public shareholders	**4 185**	**269 689 226**	**48.65**
Total	4 204	554 377 328	100

Ordinary shareholders continued

Major shareholders holding more than 5% of the issued share capital	Number of shares	% of total shares
2019		
Community Healthcare Holdings Proprietary Limited	127 520 673	22.21
WAD Holdings Proprietary Limited	91 945 142	16.39
Golden Pond Trading 175 Proprietary Limited	69 084 752	12.46
ARC Health Proprietary Limited	48 765 030	8.49
Total	337 315 597	59.55

Major shareholders holding more than 5% of the issued share capital	Number of shares	% of total shares
2018		
Community Healthcare Holdings Proprietary Limited	123 195 189	22.22
WAD Holdings Proprietary Limited	88 889 689	16.03
Golden Pond Trading 175 Proprietary Limited	69 084 752	12.46
ARC Health Proprietary Limited	48 765 030	8.79
Total	329 934 660	59.50

Top 10 institutional shareholders	Number of shares	% of total shares
2019		
Visio Capital Management	35 815 736	6.46
Vele Asset Managers	8 534 435	1.54
Bateleur Capital	5 867 790	1.06
RBC Investor and Treasury Services	3 760 000	0.68
Sovereign Asset Management	3 009 955	0.54
Old Mutual Investment Group	2 650 376	0.48
Metal and Engineering Industries	2 367 346	0.43
Nedbank Private Wealth	1 546 900	0.28
STANLIB Asset Management	1 221 764	0.22
Mazi Capital	1 184 486	0.21
Total	65 958 788	11.90

REPORT OF THE INDEPENDENT AUDITOR

TO THE SHAREHOLDERS OF AFROCENTRIC INVESTMENT CORPORATION LIMITED

FOR THE YEAR ENDED 30 JUNE 2019

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of AfroCentric Investment Corporation Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2019, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act 71 of 2008, as amended (the Companies Act).

What we have audited

AfroCentric Investment Corporation Limited's consolidated and separate financial statements set out on pages 20 to 102 comprise:

- the consolidated and separate statements of financial position as at 30 June 2019;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Our audit approach

Overview

Overall Group materiality

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

Group audit scope

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

Key audit matters

- Impairment assessment of goodwill
- Capitalisation of development costs relating to internally generated software and impairment assessment of internally generated software

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

Materiality

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

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

Overall Group materiality	R31 million
How we determined it	5% of consolidated profit before tax adjusted for the derecognition loss on old Nexus components no longer in use.
Rationale for the materiality benchmark applied	We chose consolidated profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector. The consolidated profit before tax has been adjusted by reversing the impact of the derecognition loss on old Nexus components no longer in use.

How we tailored our Group audit scope

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

The Group financial statements are a consolidation of 40 reporting units operating across South Africa, Namibia, Eswatini, Zimbabwe and Mauritius, comprising the Group's operating businesses and centralised functions. Ten reporting units were selected for full scope audits based on financial significance, audit risks and statutory audit requirements. Specified audit procedures on certain balances and transactions were performed for one reporting component.

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We communicate the key audit matters that relate to the audit of the consolidated financial statements of the current period in the table below. We have determined that there are no key audit matters to communicate in our report with regard to the audit of the separate financial statements of the Company for the current period.

Key audit matter relevant to the consolidated Annual Financial Statements	How our audit addressed the key audit matter
Impairment assessment of goodwill (Refer to Notes 2 and 7 to the financial statements) The Group's goodwill amounting to R1 341 million (2017: R883 million) arises from a number of business acquisitions by the Group over the years and represents the excess of the cost of acquisitions over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries. As described in Note 7, management determined the recoverable amount of cash-generating units (CGUs) using value in use. Management determined the value in use of the CGU by discounting their best estimate of future cash flows attributable to the CGU. The key assumptions used by management in the calculation of the value in use were: • The weighted average cost of capital (WACC) which is the discount rate that takes into account the yield on government bonds and a market risk premium; • A risk adjustment factor; • Forecast period; and • An average growth rate.	Our audit procedures focused on evaluating and challenging the key assumptions used by management in conducting the impairment assessment of goodwill. These procedures included, among others: • Assessing whether the valuation model applied by management to determine the value in use per CGU was consistent with the requirements of IAS 36 Impairment of Assets (IAS 36). The valuation model applied by management was found to be consistent with IAS 36; • Analysing the future cash flows used by management in these calculations to determine whether they are reasonable and can be supported by past performance. We found management's future cash flows to be reasonable; • Understanding management's budgeting process, including the process of approval by the Board in determining the future cash flows; and • Comparing the projected cash flows, including the assumptions relating to revenue growth rates against historical performance to test the reasonability of management's projections and we found management's projections to be reasonable.

Key audit matter relevant to the consolidated Annual Financial Statements	How our audit addressed the key audit matter
We considered the impairment assessment of goodwill to be a matter of most significance to the current year audit due to the following: • The magnitude of the goodwill balance in relation to total assets, 30% (2017: 28%); and • Management's calculation of the value in use of the CGUs involved significant judgement and critical assumptions about the future results of the business and the key assumptions described above.	Working with our valuations experts, we assessed the reasonability of key inputs used by management in the value-in-use calculations as follows: • For the inputs used in the determination of the discount rate/WACC: – the risk-free rate was agreed to the yields on government bonds; and – market risk premium and beta were compared to those of similar listed entities. We found the inputs used in the determination of WACC by management to be reasonable. • Through discussions with management, we obtained an understanding of how risk adjustment factors are determined and compared these to industry valuation data. There were no material differences noted between risk adjustment factors used by management and the industry valuation data. • We assessed the reasonability of the forecast period, taking into account renewable revenue contracts and management's estimation of the time frame during which newly acquired CGUs will gradually improve cash flow generation. We found management's forecast period to be reasonable. • We compared the projected growth rates to historic growth rates based on signed agreements with clients for administration fees in order to assess the reasonability of the projected growth rates. We found the projected growth rates to be reasonable.
Capitalisation of development costs relating to internally generated software and impairment assessment of internally generated software (Refer to Notes 2 and 7 to the Annual Financial Statements) Included in the Group's intangible assets balance is capitalised internally generated software amounting to R541 million (2018: R476 million). During the current year, the Group capitalised development costs of R187 million (2018: R191 million) relating to internally generated software on the basis that management considers these costs to be clearly associated with an identifiable and unique product which will be controlled by the Group and have a profitable benefit exceeding the cost beyond one year. In capitalising these development costs, management considered the criteria in IAS 38 Intangible Assets (IAS 38). Research and development expenditure that did not meet the above criteria was expensed in profit or loss as incurred.	Our audit procedures over the capitalisation of development costs relating to internally generated software included the following: • We obtained an understanding of the methodology applied by management in the capitalisation of development costs relating to internally generated software; • We assessed the development costs capitalised during the year against the requirements of IAS 38 and determined whether these were in line with the Group's accounting policy for capitalisation of development costs relating to internally generated software. We found the development costs that were capitalised by management to be consistent with the requirements of IAS 38 and the Group's accounting policy; and • By considering the nature of each activity performed by a software developer, we challenged management's rationale for the capitalisation of those development costs considered to be directly attributable to development of software such as expenditure relating to employees and consultants. We did not note any exceptions.

Key audit matter relevant to the consolidated Annual Financial Statements	How our audit addressed the key audit matter
The Group's policy is to perform an annual impairment assessment using a discounted cash flow forecast on all internally generated software regardless of whether an indication of impairment exists or not. Key assumptions applied by management in the cash flow forecast included the following: • The estimated profits to be earned from the use of the assets and the period over which those profits are projected; • The weighted average cost of capital; and • Risk adjustment factors used in deriving an appropriate discount rate applied to future estimated cash flows. As a result of the new modules of the new Nexus system now being complete and available for use in the current year, management undertook a process of identifying the old components of Nexus which had to be decommissioned in line with the requirements of IAS 16 Property, Plant and Equipment. Management recorded the effect of this decommissioning in the income statement in the current year. We considered the capitalisation of development costs relating to internally generated software and the impairment assessment of the internally generated software to be a matter of most significance to the audit due to the following: • Magnitude of capitalised development costs during the current year; • Significant judgement that was applied by management in assessing whether direct costs such as employee expenses and overhead costs of the system development team met the recognition criteria in IAS 38 for the capitalisation as an asset; • Recoverability of these assets is based on forecasting and discounting future cash flows which involves a high degree of judgement by management; and • A degree of judgement is applied in determining the components of old Nexus that need to be derecognised and decommissioned due to the completion of new Nexus components.	• Obtained an understanding of management's governance processes relating to the recording of time based expenditure for capitalised development costs and assessed whether the process was applied consistently; • For a sample of employees and consultant's cost capitalised, we assessed the reasonability of time spent on development and agreed these to management's model for capturing time spent on development. No material exceptions were noted; and • For a sample of employee costs capitalised, we performed a recalculation based on employee cost to company. For a sample of consultant fees capitalised, we vouched to invoices. No material exceptions were noted. Our procedures over management's impairment assessment included the following: • We assessed the reasonability of management's discounted cash flow forecast, with particular focus on management's estimate for future revenues to be earned from internally generated software and the forecast period over which these cash flows are projected. We found management's discounted cash flow forecast to be reasonable; • We compared the projected cash flows, including the assumptions relating to revenue growth rates against historical performance to test the reasonability of management's projections. We found management's projected cash flows to be reasonable; and • Working with our valuations experts, we assessed the reasonability of key inputs used in management's impairment assessment including the discount rate applied and we found the key inputs used by management to be reasonable. Our audit procedures over management's assessment of the components of old Nexus that should be derecognised were conducted with the assistance of our IT specialists and included the following: • We obtained an understanding of management's approach and methodology in determining the components of old Nexus that should be decommissioned. We found management's methodology to be reasonable; • Verifying/validating management's assessment of the components or modules that should be derecognised/decommissioned by identifying those modules of old Nexus that have been replaced by new Nexus modules and are therefore redundant. We found management's assessment to be reasonable; and • Assessing the reasonability of management's methodology of allocating costs to specific modules of old Nexus that need to be derecognised/decommissioned with reference to their carrying values. We considered management's method of allocating costs to specific modules to be reasonable.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "AfroCentric Investment Corporation Limited Group Annual Financial Statements for the year ended 30 June 2019", which includes the directors' report, the Audit and Risk Committee report and the declaration by Group Company Secretary as required by the Companies Act, which we obtained prior to the date of this auditor's report, and other sections of the document titled "AfroCentric 2019 Integrated Report", which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the consolidated and separate financial statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of AfroCentric Investment Corporation Limited for 14 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: J Basson
Registered Auditor
Johannesburg
13 September 2019

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2019

		Group		Company	
	Notes	30 June 2019 R'000	30 June 2018 R'000	30 June 2019 R'000	30 June 2018 R'000
ASSETS					
Non-current assets		**3 364 615**	2 306 326	**441 563**	505 395
Property, equipment and investment property	6	**431 976**	391 067	**–**	–
Right of use asset	6.1	**290 136**	–	**–**	–
Intangible assets	7	**2 556 012**	1 739 086	**–**	–
Available for sale financial instruments	8.7	**–**	9 000	**–**	–
Financial assets	8.7	**–**	65 028	**–**	65 028
Investments in associates	9	**29 943**	56 935	**–**	–
Investment in subsidiaries	10	**–**	–	**428 144**	428 144
Deferred income tax assets	11	**56 548**	45 210	**13 419**	12 223
Current assets		**1 085 620**	823 735	**140 503**	174 186
Trade and other receivables	8.2	**531 494**	354 267	**184**	409
Cash and cash equivalents	8.3	**265 296**	212 918	**10 316**	10 990
Financial assets	8.7	**–**	152 250	**–**	152 250
Loans to Group companies		**–**	–	**126 792**	9 519
Inventory	12	**283 732**	83 532	**–**	–
Taxation receivable		**5 098**	20 768	**3 211**	1 018
Total assets		**4 450 235**	3 130 061	**582 066**	679 581
EQUITY AND LIABILITIES					
Capital and reserves		**2 095 282**	1 940 614	**571 714**	675 088
Issued share capital	13.1	**18 885**	18 686	**18 885**	18 686
Share premium	13.2	**1 080 301**	999 058	**1 080 301**	999 058
Other reserves	14	**5 848**	1 970	**11 286**	3 501
Capital contribution by non-controlling interest		**55 874**	55 874	**–**	–
Retained earnings/(accumulated loss)		**934 374**	865 026	**(538 758)**	(346 157)
Non-controlling interest	15	**787 713**	679 277	**–**	–
Total equity		**2 882 995**	2 619 891	**571 714**	675 088
Non-current liabilities		**881 194**	153 860	**–**	–
Deferred income tax liabilities	11	**230 228**	121 667	**–**	–
Accrual for straight-lining of leases	16.1	**–**	15 915	**–**	–
Lease liability	8.6	**261 104**	–	**–**	–
Borrowings	8.5	**371 566**	–	**–**	–
Deferred payment	31	**7 335**	5 263	**–**	–
Other liabilities		**10 961**	11 015	**–**	–
Current liabilities		**686 046**	356 310	**10 352**	4 493
Trade and other payables	8.4	**415 836**	292 626	**8 475**	4 493
Borrowings	8.5	**120 000**	–	**–**	–
Employment benefit liability	17	**88 659**	49 955	**1 877**	–
Lease liability	8.6	**61 551**	–	**–**	–
Taxation payable		**–**	13 729	**–**	–
Total liabilities		**1 567 240**	510 170	**10 352**	4 493
Total equity and liabilities		**4 450 235**	3 130 061	**582 066**	679 581

CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

		Group		Company	
	Notes	30 June 2019 R'000	30 June 2018 R'000	30 June 2019 R'000	30 June 2018 R'000
Revenue from contracts with customers	18	**5 296 792**	4 212 705	**–**	50
Dividends received	20	**–**	–	**–**	119 784
Fair value gain on disposal	23	**118 715**	–	**–**	–
Fair value gains	20	**12 867**	8 612	**10 156**	8 612
Finance income	21	**24 657**	36 731	**5 057**	3 492
Total income		**5 453 031**	4 258 048	**15 213**	131 938
Depreciation	6	**(55 909)**	(51 109)	**–**	–
Cost of pharmaceutical products and finished goods	19	**(1 309 330)**	(924 634)	**–**	–
Amortisation	7	**(110 941)**	(89 603)	**–**	–
Share of profits from associates	9	**18 479**	23 626	**–**	–
IT costs		**(92 035)**	(62 608)	**(2)**	(37)
Scrapping of intangibles	7	**(58 515)**	–	**–**	–
Reimbursive income	31	**–**	–	**–**	55 874
Employee benefit costs	20	**(2 146 121)**	(1 875 264)	**(3 241)**	1 440
Rent and property costs	20	**(97 624)**	(163 299)	**–**	–
Interest on lease liability	16	**(31 822)**	–	**–**	–
Right of use asset depreciation	16	**(82 666)**	–	**–**	–
Other expenses	20	**(937 874)**	(574 849)	**(17 717)**	(19 707)
Finance costs	21	**(20 186)**	(1 862)	**(61)**	(1 490)
Profit before income/(loss) tax		**528 487**	538 446	**(5 808)**	168 018
Income tax	22	**(143 475)**	(153 544)	**(472)**	(8 176)
Profit/(loss) for the year		**385 012**	384 902	**(6 280)**	159 842
Attributable to:		**385 012**	384 902	**(6 280)**	159 842
Equity holders of the parent		**269 880**	256 611	**(6 280)**	159 842
Non-controlling interest	15	**115 132**	128 291	**–**	–
Other comprehensive income:					
Items that may be reclassified to profit and loss					
– Foreign exchange (loss)/benefit		**(3 907)**	(2 661)	**–**	–
Items that may not be reclassified to profit and loss					
– Remeasurement of post-employment benefit obligations		**(185)**	(128)	**–**	–
– Income tax relating to these items	22	**52**	36	**–**	–
Other comprehensive income for the year, net of tax		**(4 040)**	(2 753)	**–**	–
Total comprehensive income/(loss) for the year		**380 972**	382 149	**(6 280)**	159 842
Attributable to:					
Equity holders of the parent		**265 840**	253 858	**(6 280)**	159 842
Non-controlling interest	15	**115 132**	128 291	**–**	–
		380 972	382 149	**(6 280)**	159 842
Earnings per share (cents) attributable to equity holders of the parent					
– Basic	23	**48.14**	46.29		
– Diluted	23	**47.40**	45.93		

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	Group						
	Ordinary share capital R'000	Share premium R'000	Other reserves R'000	Retained earnings R'000	Capital contribution by non-controlling interest R'000	Non-controlling interest R'000	Total equity R'000
Balance as at 30 June 2017	18 686	999 058	1 130	774 820	–	585 359	2 379 053
Share-based payment expense	–	–	3 501	–	–	–	3 501
Net profit for the year	–	–	–	256 611	–	128 291	384 902
Other comprehensive income	–	–	(2 661)	(92)	–	–	(2 753)
Non-controlling interest on acquisition of subsidiaries (Note 15)	–	–	–	–	–	17 171	17 171
Capital contribution (Note 31)*	–	–	–	–	55 874	–	55 874
Dividends paid (Note 26)	–	–	–	(166 313)	–	(51 544)	(217 857)
Balance as at 30 June 2018	18 686	999 058	1 970	865 026	55 874	679 277	2 619 891
Opening balance adjustment (Note 1(t))	–	–	–	(14 078)	–	–	(14 078)
Issue of share capital (Note 13.1 and 13.2)	199	81 243	–	–	–	–	81 442
Share-based payment expense	–	–	7 785	–	–	–	7 785
Net profit for the year	–	–	–	269 880	–	115 132	385 012
Other comprehensive income	–	–	(3 907)	(133)	–	–	(4 040)
Non-controlling interest on acquisition of subsidiaries (Note 15)	–	–	–	–	–	3 645	3 645
Dividends paid (Note 26)	–	–	–	(186 321)	–	(10 341)	(196 662)
Balance as at 30 June 2019	18 885	1 080 301	5 848	934 374	55 874	787 713	2 882 995

* *This relates to Sanlam's proportionate contribution for the WAD contingent consideration.*

	Company				
	Ordinary share capital R'000	Share premium R'000	Other reserves R'000	Retained earnings R'000	Total equity R'000
Balance as at 30 June 2017	18 686	999 058	–	(339 686)	678 058
Share-based payment expense	–	–	3 501	–	3 501
Profit for the year	–	–	–	159 842	159 842
Dividends paid (Note 26)	–	–	–	(166 313)	(166 313)
Balance as at 30 June 2018	18 686	999 058	3 501	(346 157)	675 088
Opening balance adjustment (Note 1(t))	–	–	–	–	–
Issue of share capital	199	81 243	–	–	81 442
Share-based payment expense	–	–	7 785	–	7 785
Loss for the year	–	–	–	(6 280)	(6 280)
Dividends paid (Note 26)	–	–	–	(186 321)	(186 321)
Balance as at 30 June 2019	18 885	1 080 301	11 286	(538 758)	571 714

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

		Group		Company	
	Notes	30 June 2019 R'000	30 June 2018 R'000	30 June 2019 R'000	30 June 2018 R'000
Cash flows from operating activities					
Cash receipts from customers		5 895 618	4 771 148	225	(72)
Cash paid to suppliers and employees		(5 232 082)	(4 218 453)	(15 102)	7 052
Cash generated from operations	24	663 536	552 695	(14 877)	6 980
Finance income	21	24 657	36 731	5 057	3 492
Finance costs	21	(52 008)	(1 862)	(61)	(1 490)
Taxation paid	25	(136 924)	(84 397)	(3 861)	(4 109)
Dividends received		4 168	5 209	–	119 784
Dividends paid	26	(196 662)	(217 857)	(186 321)	(166 313)
Net cash inflow/(outflow) from operating activities		306 767	290 519	(200 063)	(41 656)
Cash flows from investing activities					
Proceeds from sale of intangible assets		962	–	–	–
Payment of plant and equipment	6	(98 857)	(213 791)	–	–
Payment of intangible assets	7	(241 697)	(310 845)	–	–
Proceeds from sale of tangible assets		–	1 127	–	–
Payment for acquisition of subsidiaries, net of cash acquired		(572 706)	(22 517)	–	–
Disinvestment of financial assets		227 434	254 974	227 434	254 974
Payment toward deferred payment obligation		(306)	–	–	–
Sale of investment		3 174	32 000	–	32 000
Payment of financial assets		–	(46 291)	–	(46 291)
Settlement of loans by associates		2 600	7 266	–	–
Net cash inflow/(outflow) from investing activities		(679 396)	(298 077)	227 434	240 683
Cash flows from financing activities					
Contingent consideration settlement	31	–	(194 475)	–	(194 475)
Increase/(decrease) in borrowings	8.5	491 566	–	–	–
Proceeds of borrowing		550 000	–	–	–
Capital settlement of borrowings		(58 434)	–	–	–
Capital contribution by non-controlling interest*	31	–	55 874	–	–
Repayments of loans by related parties		–	–	(28 046)	(16 261)
Lease liability capital repayment					
Lease liability interest portion repayment		(62 652)			
Net cash inflow/(outflow) from financing activities		428 914	(138 601)	(28 046)	(210 736)
Net increase/(decrease) in cash and cash equivalents		56 285	(146 159)	(675)	(11 709)
Effect of foreign exchange rate changes		(3 907)	(2 661)	–	–
Cash and cash equivalents at the beginning of the period		212 918	361 738	10 990	22 699
Cash and cash equivalents at the end of the year	8.4	265 296	212 918	10 316	10 990

* *This relates to Sanlam's proportionate contribution for the WAD contingent consideration.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

1. *Summary of accounting policies*

1(a) General information

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

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

These consolidated Annual Financial Statements have been approved for issue by the Board of Directors on 12 September 2019.

(i) Statement of compliance

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

(ii) Basis of presentation

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

The Annual Financial Statements have been prepared under the historical cost convention except for the following:
- Post-employment medical obligations, independently valued using the projected unit credit method

Carried at fair value:
- Financial instruments designated at fair value through profit or loss
- Investment property held at fair value using independent market valuations

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

1. *Summary of accounting policies continued*

1(a) General information continued

(iii) IFRS and amendments effective for the first time for 30 June 2019 year-ends

IFRS	Effective date	Executive summary
IFRS 9 Financial Instruments (2009 and 2010) • Financial liabilities • Derecognition of financial instruments • Financial assets	Annual periods beginning on or after 1 January 2018 (published July 2014)	This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The Group has applied IFRS 9 from 1 July 2018 and elected not to restate comparatives on transition, with the impact of adoption recognised as an adjustment to the opening balance of retained earnings as at 1 July 2018. The most significant impact of adoption was an increase in impairment allowances on trade receivables due to the IFRS 9 requirement to consider forward looking information when determining impairment allowances. The cumulative net impact of adopting IFRS 9 was an increase of R2.1 million in impairment allowances and a corresponding decrease of R2.1 million in retained earnings.
IFRS 15 Revenue from Contracts with Customers	Annual periods beginning on or after 1 January 2018 (published May 2014 and April 2016)	The FASB and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer. The application of IFRS 15 did not have a significant impact on the Group's results of financial position. The IASB has amended IFRS 15 to clarify the guidance, but there were no major changes to the standard itself. The amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of these areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

1. *Summary of accounting policies continued*

1(a) General information continued

(iii) IFRS and amendments effective for the first time for 30 June 2019 year-ends continued

IFRS	Effective date	Executive summary
IFRS 16 Leases	Annual periods beginning on or after 1 January 2019 – earlier application permitted if IFRS 15 is also applied (published January 2016)	This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a right of use asset for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The Group has elected to early adopt IFRS 16 from 1 July 2018 and elected the modified retrospective approach. This resulted in the cumulative impact of applying IFRS 16 being accounted for as an adjustment to right of use of asset amounting to R12.5 million at the start of the current accounting period for the IAS 17 straight-lining treatment. The most significant impact of the adoption was the right of use asset recognised on the balance sheet and the corresponding lease liability.

1. *Summary of accounting policies continued*

1(a) General information continued

(iii) **IFRS and amendments effective for the first time for 30 June 2019 year-ends** continued

IFRS	Effective date	Executive summary
Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions	Annual periods beginning on or after 1 January 2018	The amendments is to clarify that the accounting for the effects of vesting conditions on cash-settled share-based payment transactions follows the approach used for equity-settled share-based payments. Therefore, only market and non-vesting conditions are taken into account in the measurement of the fair value of the liability in a cash-settled share-based payment transaction. Vesting conditions (other than market conditions) are considered when estimating the number of awards expected to vest.
IFRIC 22 Foreign Currency Transactions and Advance Consideration	Annual periods beginning on or after 1 January 2018	IFRIC 22 applies to foreign currency transactions in which an entity recognises a non-monetary asset or liability arising from the payment or receipt of consideration in advance of recognising the related asset, expense or income. The interpretation does not apply if the related asset, expense or income is measured at its fair value or at the fair value of the consideration paid or received if this is measured at a date different from the date of recognition of the non-monetary asset or liability relating to the advance consideration – e.g. financial assets and financial liabilities, goodwill.

The Group had to change its accounting policies and make certain retrospective adjustments following the adoptions of IFRS 9 and IFRS 16. This is disclosed in Note 1(t). Most of the other amendments listed above did not have any impact on the amounts recognised in the prior periods and are not expected to significantly affect the current or future periods. However, had the amendments to IFRS 2 not been adopted in the current period, there would have been a small increase in the share-based payment expense and an associated reduction in tax expenses. Future profits could also be affected through the requirement to remeasure the proportion of the share-based payment that would have had to be accounted for as cash-settled under the old rules.

1. *Summary of accounting policies* continued

1(a) General information continued

(iv) IFRS, interpretations and amendments issued but not effective for 30 June 2019 year-end

IFRS	Effective date	Executive summary
IFRS 3 Business Combinations	Annual periods beginning on or after 1 January 2019	*Annual Improvements 2015 – 2017 Cycle:* Clarification that when an entity obtains control of a business that is a joint operation, it is required to remeasure previously held interests in that business.
	Annual periods beginning on or after 1 January 2020	*Definition of a Business:* The amendments confirmed that a business must include inputs and a process, and clarified that: • the process must be substantive; • the inputs and process must together significantly contribute to creating outputs; • narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and • added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.
IFRS 11 Joint Arrangements	Annual periods beginning on or after 1 January 2019	*Annual Improvements 2015 – 2017 Cycle:* Clarification that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
IFRS 17 Insurance Contracts	Annual periods beginning on or after 1 January 2022	• IFRS 17 creates one accounting model for all insurance contracts in all jurisdictions that apply IFRS. • IFRS 17 requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and take into account any uncertainty relating to insurance contracts. • The financial statements of an entity will reflect the time value of money in estimated payments required to settle incurred claims. • Insurance contracts are required to be measured based only on the obligations created by the contracts. • An entity will be required to recognise profits as an insurance service is delivered, rather than on receipt of premiums. • This standard replaces IFRS 4 Insurance Contracts.
IAS 1 Presentation of Financial Statements	Annual periods beginning on or after 1 January 2020	*Disclosure Initiative:* The amendments clarify and align the definition of "material" and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS.

1. *Summary of accounting policies* *continued*

1(a) General information continued

(iv) **IFRS, interpretations and amendments issued but not effective for 30 June 2019 year-end** continued

IFRS	Effective date	Executive summary
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	Annual periods beginning on or after 1 January 2020	*Disclosure Initiative:* The amendments clarify and align the definition of "material" and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS.
IAS 19 Employee Benefits	Annual periods beginning on or after 1 January 2019	*Plan Amendment, Curtailment or Settlement (Amendments to IAS 19):* The amendments require an entity to use the updated assumptions from a remeasurement net defined benefit liability or asset resulting from a plan amendment, curtailment or settlement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.

1(b) Basis of consolidation

(i) **Subsidiaries**

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

(ii) **Business combinations**

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

1. *Summary of accounting policies continued*

1(b) Basis of consolidation continued

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

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

(iv) Associates

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

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

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

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

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

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

1(c) Foreign currency translation

(i) Functional and presentation currency

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

1. *Summary of accounting policies continued*

1(c) Foreign currency translation continued

(ii) Transactions and balances

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

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

(iii) Group companies

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

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

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

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

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

1(d) Property and equipment

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

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

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

The estimated maximum useful lives are:

• Property and office equipment	5 to 20 years
• Right of use assets (refer to Note 1(h))	2 to 10 years (depending on the lease term)
• Motor vehicles	5 years
• Computer equipment	3 to 7 years
• Buildings	30 years
• Furniture and fittings	5 to 10 years

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

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

Derecognition

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

1. *Summary of accounting policies continued*

1(e) Investment property

(i) Initial recognition

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

(ii) Subsequent measurement

An investment property is subsequently measured at fair value per IAS 40 and gains or losses from the fair value adjustments are recognised in profit or loss. The valuation is prepared annually by an independent valuer. Refer to Note 8.6 for the valuation process.

(iii) Derecognition

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

1(f) Intangible assets and goodwill

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

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

The estimated maximum useful lives are:

• Contractual customer relationships	5 to 10 years
• Trademarks, brands and intellectual property	10 years
• Internally generated computer software development costs	Less than 15 years
• Computer software acquired	4 to 5 years
• Goodwill	Indefinite
• Pharma Dossiers	10 to 20 years

(i) Goodwill

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

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

(ii) Contractual customer relationships

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

(iii) Trademarks, brands and intellectual property

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

1. *Summary of accounting policies* *continued*

1(f) Intangible assets and goodwill continued

(iv) Internally generated computer software development costs

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

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

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

(v) Computer software acquired

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

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

(vi) Pharma Dossiers

Pharma Dossiers relate to generic pharmaceuticals products including over the counter medicine, antiretrovirals (ARVs) and acute and chronic medicines. These were fair valued at acquisition date and subsequently will be amortised over their useful lives.

1(g) Impairment of assets

Impairment of non-financial assets

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

1. *Summary of accounting policies continued*

1(h) Leases

(i) The Group is the lessee

The Group has elected to early adopt IFRS 16 from 1 July 2018 and elected the modified retrospective approach. This resulted in the cumulative impact of applying IFRS 16 being accounted for as an adjustment to right of use asset at the start of the current accounting period. The most significant impact of the adoption was the right of use of asset recognised on the balance sheet and the corresponding lease liability.

The Group leases various properties and other assets. Rental contracts are typically made for fixed periods of 1 to 10 years but may have extension options as described in Note 1(h)(ii) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. All non-cancellable lease terms are taken into account when determining the lease term. All leases on 1 July 2018 that expired within six months were extended by the same period as the lease contract and leases expiring after six months from 1 July 2018 have not been extended. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Leases are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Assets and liabilities arising from a lease are initially measured on a present value basis. The Group elected the short-term practical expedient for leases with lease term that are 12 months and less. The Group also elected the hindsight practical expedient which is an option that allows the Group to use hindsight in determining the lease term and in assessing any impairment of right of use assets during the lookback period. Lease liabilities include the net present value of the following lease payments:
- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- amounts expected to be payable by the lessee under residual value guarantees; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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

Right of use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

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

Prior year leases where the lessor retains substantially all the risks and rewards of ownership were classified as operating leases under IAS 17. Rentals payable under operating leases were charged to the statement of comprehensive income on a straight-line basis over the term of the relevant lease.

(ii) Extension and termination options

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

1. *Summary of accounting policies continued*

1(i) Financial instruments

(i) Initial recognition and measurement

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

For prior years IAS 39 was applied as follows:

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

- Financial instruments at FVPL comprise financial instruments held for short-term profit taking.
- Loans and receivables originated by the entity are non-derivative financial assets that are created by the Group by providing money, goods or services directly to a debtor other than those that are originated with the intention to sell in the short term.
- Investments are classified as fair value through other comprehensive income (FVOCI) if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long term.
- Financial instruments at amortised cost are instruments that are neither held for trading nor designated at fair value.

(a) Business model assessment

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

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

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

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

1. *Summary of accounting policies continued*

1(i) Financial instruments continued

(i) Initial recognition and measurement continued

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

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

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

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

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

(ii) Equity investments previously classified as available for sale

Investments were designated as available for sale financial assets under IAS 39 if they do not have fixed maturities and fixed or determinable payments, and management intended to hold these for the medium to long term. Available for-sale financial assets are subsequently measured at fair value. Unrealised gains or losses on the available for sale assets are recognised directly in the revaluation reserve in other comprehensive income until the financial asset is derecognised or impaired. When the available for sale financial assets are disposed of, the cumulative fair value gains/(losses) adjustments in the revaluation reserve in other comprehensive income are reclassified to profit or loss in the fair value gains/(losses) for the period. These assets have been classified as mandatorily measured at FVTPL under IFRS 9.

(iii) Classification and subsequent measurement

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

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

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

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

- debt investments that do not qualify for measurement at either amortised cost or FVOCI;
- equity investments that are held for trading; and
- equity investments for which the entity has not elected to recognise fair value gains and losses through other comprehensive income (OCI).

(b) Financial assets at amortised cost

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

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

(c) Financial liabilities

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

(d) Impairment of financial assets

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

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

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward looking information. The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

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

(e) Derecognition

Financial asset

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

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

Financial liabilities

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

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

1. *Summary of accounting policies continued*

1(i) Financial instruments continued

(iii) Classification and subsequent measurement continued

(e) Derecognition continued

Prior year subsequent measurement in accordance to IAS 39

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

- *Financial assets and liabilities designated at fair value through profit or loss*

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

- *Available for sale*

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

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

- *Loans and receivables*

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

- *Financial assets and liabilities at amortised cost*

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

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Trade and other receivables

Trade and other receivables comprise loans and receivables. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the assets carrying amount and the present amount of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within "bad debt write-off". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to "bad debts recovered".

1. *Summary of accounting policies continued*

1(i) Financial instruments continued

(iii) Classification and subsequent measurement continued

(e) Derecognition continued

Impairment of assets held at amortised cost

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

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

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

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

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

1(j) Contingent liabilities

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

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

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

(i) the amount that would be recognised in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
(ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IFRS 15 Revenue.

Contingent liabilities not acquired in business combinations are not recognised but disclosed in Note 28.

1. *Summary of accounting policies continued*

1(k) Provisions

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

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

1(l) Employee costs

(i) Pension and provident fund obligations

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

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

(ii) Post-employment medical obligations

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

(iii) Annual leave

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

(iv) Termination benefits

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

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

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

(v) Short-term benefits

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

The Group recognises a liability and an expense for bonuses based on a formula where there is a contractual obligation or a past practice that created a constructive obligation. The Group has an incentive scheme (refer to Note 17). The expense is recognised as "employee benefit costs" in the statement of comprehensive income. Factors that are taken into account when determining the incentive bonus amount include key performance indicators and performance of both the individual and the Company.

1. *Summary of accounting policies continued*

1(l) Employee costs continued

(vi) Investments in subsidiaries

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

1(m) Income and expense recognition

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

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

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

(i) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

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

Type of products/ service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15 (applicable from 1 July 2018)	Revenue recognition under IAS 18 (applicable before 1 July 2018)
Admin health	Administration of the fund/ scheme, which could include processing claims, collecting payments, maintaining records, member administration.	The customer benefits as AfroCentric provides the service, thus revenue should be recognised as the services are rendered over the contract duration. The fee charged is per member per month – even though some of the contracts have sliding scales applicable depending on member numbers, this does not impact the revenue to be recognised in a given month as that month's services would result in revenue for that month based on the number of members during that month multiplied by the applicable rate. The contracts provide for annual escalation – such amendments are accounted for in the period in which they arise. As the penalties give rise to variable consideration management should estimate the effect of penalties in determining the appropriate amount of revenue to recognise per month.	Recognised monthly over the contract term. For contracts with a sliding scale, the scale is used for each month to determine the appropriate fee per member per month (fee x number of members). For contracts with no sliding scale, the fee stated in the contract is utilised per member per month (fee x number of members). For contracts which contain penalties, penalties are only adjusted for in the month in which management determines a non-compliance (no provision methodology is applied). Contracts provide for escalation at CPI, or as agreed for between the parties. The rates are updated from the month the increase is effective per the contract.

1. *Summary of accounting policies* *continued*

1(m) Income and expense recognition continued

(i) Revenue from contracts with customers continued

Type of products/ service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15 (applicable from 1 July 2018)	Revenue recognition under IAS 18 (applicable before 1 July 2018)
Retail/ Pharma	Services provided differ across the agreements, but include the following: Maintenance of stock of medicines required to fulfil scripts, contacting members to inform them of script expiry, delivery and dispensing of medicines per scripts.	The customer benefits as AfroCentric provides the service, thus revenue should be recognised as the services are rendered, which is as the dispensed medicines are delivered to the member, thus revenue in respect of the sale of the medicines and the services are recognised at the same time. Medicines prices charged are regulated. Fee per medicine per script is indicated in the contract. As the penalties give rise to variable consideration management should estimate the effect of penalties in determining the appropriate amount of revenue to recognise per month.	Revenue is recognised per service (per dispense (and delivery) of medicine per script). Dispensing fee is charged per medicine dispensed per script (the fee is a % of the price for medicines with a price below R100, and then a fixed fee if the price is over R100).
Managed healthcare	Management services differ per customer contract, and per scheme option. Services within a specific option are indivisible.	The customer benefits as AfroCentric provides the service, thus revenue should be recognised over time. Additional "once off" services which are performed would result in revenue recognition as that service is provided. The fee charged is per member per month – even though some of the contracts have sliding scales applicable depending on member numbers, this does not impact the revenue to be recognised in a given month as that months' services would result in revenue for that month based on the number of members during that month multiplied by the applicable rate. The contracts provide for annual escalation – such amendments are accounted for in the period in which they arise. As the penalties give rise to variable consideration management should estimate the effect of penalties in determining the appropriate amount of revenue to recognise per month.	Revenue is recognised monthly over the contract term. For contracts with a sliding scale, the scale is used for each month to determine the appropriate fee per member per month (fee x number of members). For contracts with no sliding scale, the fee stated in the contract is utilised per member per month (fee x number of members). For contracts which contain penalties, penalties are only adjusted for in the month in which management determines a non-compliance (no provision methodology is applied).

IFRS 15 did not have any impact on the amounts recognised in the prior periods and does not affect the current period in terms of revenue recognition.

1. *Summary of accounting policies continued*

1(m) Income and expense recognition continued

(ii) Finance income

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

(iii) Dividend income

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

(iv) Other expenditure

All other expenditure is recognised as and when incurred.

(v) Cost of sales

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

1(n) Inventories

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

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

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

1(o) Taxation

(i) Direct taxation

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

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

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

Deferred tax is recognised in full, using the balance sheet liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the Annual Financial Statements. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. However, deferred tax is not recognised on:
- initial recognition of goodwill;
- initial recognition of assets and liabilities in a transaction that is not a business combination, which affects neither accounting nor taxable profits or losses; and
- investments in subsidiaries and associates where the Group controls the timing of the reversal of temporary differences and it is probable that these differences will not reverse in the foreseeable future.

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

1. *Summary of accounting policies continued*

1(o) Taxation continued

(ii) Dividends tax

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

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

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

1(p) Dividends

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

1(q) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity.

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

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

(ii) Share-based payments

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

1(r) Segment reporting

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

1. *Summary of accounting policies continued*

1(s) Structured entities

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

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

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

1(t) Changes in accounting policies

The Group has initially applied IFRS 9 (see A) and IFRS 16 (see B) from 1 July 2018. A number of other new standards are also effective from 1 July 2018 but they do not have a material effect on the Group's financial statements.

The adoption of IFRS 16 and IFRS 9 in reclassifications and adjustments arising from the new impairment rules are recognised in the opening balance sheet on 1 July 2018.

IFRS 15 did not have any impact on the amounts recognised in the prior periods and does not affect the current period in terms of revenue recognition.

	Notes	30 June 2018 as previously presented R'000	1 July 2018 IFRS 9 R'000	1 July 2018 IFRS 16 R'000	1 July 2018 Restated R'000
ASSETS					
Non-current assets					
Right of use asset		–	–	361 026	361 026
Deferred income tax assets	11	45 210	788	–	45 998
Current assets		823 735			
Trade and other receivables	8.2	354 267	(2 818)	–	351 449
EQUITY AND LIABILITIES					
Capital and reserves					
Retained earnings/(accumulated loss)		865 026	(2 030)		862 996
Non-current liabilities					
Accrual for straight-lining of leases		15 915	–	(15 915)	–
Lease liability		–	–	316 665	316 665
Current liabilities		356 310			
Trade and other payables	8.5	292 626	–	3 158	295 784
Lease liabilities		–	–	57 119	57 119

1. *Summary of accounting policies continued*

(A) IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 1(i). In accordance with the transitional provisions in IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

The total impact on the Group's retained earnings as at 1 July 2018 and 1 July 2017 is as follows:

	R'000
Closing retained earnings 30 June 2018	865 026
Increase in provision for trade receivables	(2 818)
Increase in deferred tax assets relating to impairment provisions	788
Adjustment to retained earnings from adoption of IFRS 9 on 1 July 2018	(2 030)
Opening retained earnings 1 July — IFRS 9 (before restatement for IFRS 16)	862 996
IAS 39 Provision on 30 June 2018	24 800
ECL adjustments to provision	2 818
IFRS 9 Provision on 1 July 2018	27 618

(i) Classification and measurement

IFRS 9 contains three principal classification categories for financial assets:

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

The classification of financial assets within IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

(ii) Equity investments previously classified as available for sale

Investments were designated as available for sale financial assets under IAS 39 if they do not have fixed maturities and fixed or determinable payments, and management intended to hold these for the medium to long term. Available for sale financial assets are subsequently measured at fair value. Unrealised gains or losses on the available for sale assets are recognised directly in the revaluation reserve in other comprehensive income until the financial asset is derecognised or impaired. When the available for sale financial assets are disposed of, the cumulative fair value gain/(losses) adjustments in the revaluation reserve in other comprehensive income are reclassified to profit or loss in the fair value gains/(losses) for the period. These assets have been classified as mandatorily measured at FVTPL under IFRS 9.

1. *Summary of accounting policies continued*

(A) IFRS 9 Financial Instruments continued

(ii) Equity investments previously classified as available for sale continued

On the date of initial application, 1 July 2018, the financial instruments of the Group were as follows with any reclassifications noted:

	Measurement category		Carrying amount		
	Original (IAS 39)	New (IFRS 9)	Original R'000	New R'000	Difference R'000
Non-current financial assets					
Available for sale financial instruments	Available for sale	FVTPL	9 000	9 000	–
Financial assets	FVTPL	FVTPL	65 028	65 028	–
Current financial assets					
Trade and other receivables	Amortised cost	Amortised cost	354 267	354 267	–
Cash and cash equivalents	Amortised cost	Amortised cost	212 918	212 918	–
Financial assets	FVTPL	FVTPL	152 250	152 250	–
Non-current financial liabilities					
Deferred payment	FVTPL	FVTPL	5 263	5 263	–
Current financial liabilities					
Trade and other payables	Amortised cost	Amortised cost	292 626	292 626	–
Employment benefit liability	Amortised cost	Amortised cost	49 955	49 955	–

(iii) Impairment of financial assets

With the adoption of IFRS 9 in the current financial year, the 'incurred loss' model in IAS 39 has been replaced with an ECL model. The new impairment model applies to financial assets that the Group measures at amortised cost as the standard requires assessment of contractual cash flows for financial assets measured at amortised cost and fair value through other comprehensive income (FVTOCI). This has resulted in the losses being recognised earlier than under IAS 39.

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

The Group was required to revise its impairment methodology under IFRS 9 for trade and other receivables. The impact of the change in the impairment methodology on the Group's retained earnings and equity is disclosed in the table in Note 1(t) above.

(iv) Trade receivables

The Group applies the IFRS 9 simplified approach to measuring ECLs which uses a lifetime expected loss allowance for all trade and other receivables. This resulted in an increase of the loss allowance on 1 July 2018 for trade receivables. Note 3(b)(ii) provides for details about the calculation of the allowance.

1. *Summary of accounting policies continued*

(A) IFRS 9 Financial Instruments continued

(v) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 July 2018. Accordingly, the information presented for 2018 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:
  - The determination of the business model within which a financial asset is held;
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
  - If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

(B) IFRS 16 Leases

The Group has elected to adopt IFRS 16 leases from 1 July 2018, but has not restated comparatives for 2018 reporting period as permitted under the specific transition provisions.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2018. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2018 was 9.3%.

	R'000
Operating lease commitments disclosed as at 30 June 2018	527 172
Discounted using the Group's incremental borrowing rate of 9.3%	394 475
(Less): short-term leases recognised on a straight-line basis as expense	(20 692)
Lease liability recognised as at 1 July 2018	373 783

The associated right of use assets for the property leases were measured on a modified retrospective basis, with the new rules applied effective 1 July 2018. The right of use assets were measured at the amount equal to the lease liability on adoption date. The right of use asset was decreased by R12.7 million on 1 July 2018, trade and other payables increased by R3 million and accrual for straight-lining was decreased by R15.9 million.

In applying IFRS 16 for the first time, the Group used/applied the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonable similar characteristics;
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 July as short-term leases;
- The exclusion of initial direct costs for the measurement of the right of use assets at the date of initial application; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

	June 2018 R'000
Right of use asset 1 July 2018 as equal to lease liability	373 783
IFRS 16 modified approached adjustment/accrual for straight-lining	(12 757)
Right of use assets 1 July 2018	361 026

2. *Critical accounting estimates and assumptions*

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

2(a) Impairment of goodwill

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

2(b) Carrying value of tangible and intangible assets

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

The carrying amount of tangible and intangible assets at 30 June 2019 was R432 million (June 2018: R391 million) and R2 556 million (June 2018: R1 739 million) respectively.

2(c) Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Leases that will be expiring within six months from beginning of year, have been extended with the same contract terms as management is aware that six months will be too short to enter into a new contract within that short space of time. Leases that will be expiring six months after beginning of year, have not been extended.

The assessment is reviewed annually and if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial year, no lease terms have been revised.

2(d) Fair value measurement

For further details and main assumptions please refer to Note 8.6 in these Annual Financial Statements.

2(e) Deferred tax assets

The deferred tax assets include an amount of R12.9 million which relates to carried forward tax losses. Some companies have incurred losses over the past financial years but management has concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for these companies. In the previous financial periods, AfroCentric and its related subsidiaries have attained their approved business plans and budget targets.

The main contributors to the assessed losses within the Group relate to losses brought forward relating to AfroCentric Health Proprietary Limited.

The assessed losses brought forward AfroCentric Health Proprietary Limited are expected to be utilised on an annual basis going forward. This is due to the expectation that AfroCentric Health Proprietary Limited will be generating taxable profits in the foreseeable future.

2. *Critical accounting estimates and assumptions continued*

2(f) Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events as disclosed in Note 28.

(i) Litigation liability

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

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

	Fair value R'000
2019	
Neil Harvey & Associates	8 350
2018	
Neil Harvey & Associates	8 350

	June 2019 R'000	June 2018 R'000
Carrying amount of litigation liability at the beginning of the year	8 350	8 350
Fair value adjustments	–	–
Carrying amount of litigation liability at the end of the period	8 350	8 350

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

2(g) Estimation of ECL allowance

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

The ECL for trade receivable for segments with a history of provisions of credit losses has been calculated using a provision matrix approach and time value of money loss approach for segments with no history of credit losses.

Provision matrix (segments: funds and government)

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

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

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

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

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

3. *Financial risk management*

General

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

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

Primary responsibility for risk management at an operational level rests with the Executive Committee. Management and various specialist committees are tasked with integrating the management of risk into the day-to-day activities of the Group and Company. Refer to the corporate governance review in the Integrated Report for more detail regarding the committee's involved in risk management.

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

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

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

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

(i) Currency risk

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

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk which are detailed in Note 8 of the Annual Financial Statements. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies. The Group is not exposed to any foreign exchange risk in relation to its foreign operations in Namibia and Eswatini as the currencies of these countries are fixed to the South African Rand.

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

(ii) Cash flow and fair value interest rate risk

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

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

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

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

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

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

3. *Financial risk management* *continued*

General continued

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

	Group	Company
Instruments exposed	Increase in 1% on statement of comprehensive income R'000	Increase in 1% on statement of comprehensive income R'000
June 2019		
Bank balances and short-term investments	–	–
Borrowings	1 472	–
Total	1 472	–
June 2018		
Bank balances and short-term investments	2 219	110
Financial assets at amortised cost	–	–
Total	2 219	110

Under these assumptions, a 1% increase in market interest rates at 30 June 2019 would increase Group profit before tax by approximately R1 472 000 (June 2018: R2 129 000) and Company profit before tax by approximately R110 000 in June 2018.

(iii) Credit risk

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

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

Revenue from medical schemes is settled in cash.

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

ECL assessment for individual customers as at 1 July 2018 and 30 June 2019

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances.

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

3. *Financial risk management* *continued*

General continued

(iii) Credit risk continued

ECL assessment for individual customers as at 1 July 2018 and 30 June 2019 continued

The following table provides information about the exposure to credit risk and ECLs for trade receivables from individual customers as at 30 June 2019. Trade receivables' exposure to credit risk is calculated by using both the weighted average loss rate and the time value money loss. The trade debtors balance is allocated between the two methods.

1 July 2018	Weighted average loss rate %	Gross carrying amount R'000	Loss allowance R'000	Credit impaired
Current (not past due)	3.17	112 764	3 577	No
30 days past due	2.44	62 328	1 522	No
60 days past due	11.97	12 525	1 499	No
90+ days past due	5.65	28 432	1 606	No
Total		216 049	8 204	

30 June 2019	Weighted average loss rate %	Gross carrying amount R'000	Loss allowance R'000	Credit impaired
Current (not past due)	**0.70**	**219 380**	**1 526**	**No**
30 days past due	**5.16**	**11 193**	**578**	**No**
60 days past due	**11.77**	**9 765**	**1 150**	**No**
90+ days past due	**9.73**	**34 373**	**3 343**	**No**
Total		**274 711**	**6 597**	

Time value money loss	2019	2018
IAS 39/IFRS 9 provision	**R23 444**	R19 473
IAS 39/IFRS 9 provision percentage	**19.6%**	28%
Debtors balance	**R119 188**	R68 749

(iv) Liquidity risk

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

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

3. *Financial risk management continued*

General continued

(iv) Liquidity risk continued

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

Time buckets applicable to the Group

	Group				
	Less than 3 months or on demand R'000	More than 3 months but not exceeding 6 months R'000	More than 6 months but not exceeding 9 months R'000	More than 9 months but not exceeding 1 year R'000	Total R'000
June 2019					
Trade and other payables	(400 325)	(1 969)	(1 969)	(1 969)	(406 232)
Lease liabilities	(15 388)	(15 388)	(15 388)	(15 388)	(61 551)
Cash and cash equivalents	265 296	–	–	–	265 296
Borrowings	(30 000)	(30 000)	(30 000)	(30 000)	(120 000)
Trade and other receivables	529 146	2 348	–	–	531 494
June 2018					
Trade and other payables	249 028	–	–	–	249 028

Time buckets applicable to the Company

	Company				
	Less than 3 months or on demand R'000	More than 3 months but not exceeding 6 months R'000	More than 6 months but not exceeding 9 months R'000	More than 9 months but not exceeding 1 year R'000	Total R'000
June 2019					
Trade and other payables	2 512	1 025	1 025	3 131	7 693
Cash and cash equivalents	10 316	–	–	–	10 316
Trade and other receivables	184	–	–	–	184
June 2018					
Trade and other payables	3 418	–	–	–	3 418

3. *Financial risk management* *continued*

General continued

(v) Capital risk management

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

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

During 2019, the Group's and Company's strategy, which was unchanged from 2018, was to maintain the gearing ratio within 0% to 15%.

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

	2019 R'000	2018 R'000
Net debt	226 270	–
Total equity	2 882 995	2 619 891
EBITDA	778 004	679 158
Interest expense	52 008	1 862
Net debt to equity ratio	7.8%	0%
Net debt to EBITDA	0.29:1	0.63:1
Interest cover	14.9:1	364:1

4. *Business combinations*

The below represents all the material business combinations concluded during the year:

4(a) The iThrive Business Solutions Group acquisition

On 1 October 2018 (effective date and acquisition date) AfroCentric concluded agreements governing the acquisition of 82.8% of the iThrive Business Solutions Group of companies. The Group is determined to pursue partnerships, acquisitions and mergers in order to drive toward value chain optimisation and this acquisition bears testament to this. The purchase consideration for iThrive Business Solutions Group is R38 million in cash consideration.

4. *Business combinations continued*

4(a) The iThrive Business Solutions Group acquisition continued

The iThrive Business Solutions Group has been accounted for using the acquisition method of accounting, which requires that the identifiable assets and liabilities of iThrive Business Solutions Group be measured at fair value as at 1 October 2018.

iThrive Business Solutions Group acquisition

Business combinations

		Total October 2019 R'000
Fair value of 100% net asset value at acquisition (assets)		**(6 198)**
Property and equipment	664	
Loans to shareholders	2 984	
Other financial assets	961	
Deferred tax asset	416	
Trade and other receivables	3 101	
Cash and cash equivalents	6 000	
Loans from shareholders	(13 215)	
Trade and other payables	(6 805)	
Current tax	(304)	
Customer relationships	31 716	
Deferred tax	(8 881)	
Value of iThrive Group		**16 637**
Consideration for the iThrive Group		**37 647**
Dividends paid		**2 993**
Non-controlling interest		**(1 581)**
Non-controlling interest on customer relationships		**3 928**
Fair value of 82.8% net asset value at acquisition (assets)		**42 987**
Goodwill arising from acquisition*		**26 350**

* *The goodwill arises from integrated synergies that are established through the acquisition of iThrive Group which has been allocated to the Medscheme cash generating business unit.*

4. *Business combinations continued*

4(b) The Cheese Has Moved

On 1 March 2017 AfroCentric acquired 51% of The Cheese Has Moved Proprietary Limited (TCHM). The purchase consideration was R5.051 million made up of cash consideration of R1 and contingent payment of R5.051 million which is forfeited future dividends. The shareholders agreement between the parties included a key clause which establishes a threshold of 75% voting rights for key decisions affecting the strategy of the business. As a result, AfroCentric did not have control over TCHM but only significant influence. As a result, TCHM has been treated as an associate. Effective 1 July 2018, the shareholders' agreement was amended for the voting rights that were changed to align the shareholding. This resulted in AfroCentric Health having 51% voting rights exercising control over TCHM.

TCHM is accounted for using the acquisition method of accounting, which requires that the assets and liabilities of TCHM to be measured at fair value as at 1 July 2018.

TCHM acquisition

Business combinations

		Total June 2018 R'000
Fair value of 100% net asset value at acquisition (assets)		348
Property and equipment	489	
Prepayment	289	
Deferred tax asset	52	
Trade and other receivables	5 058	
Cash and cash equivalents	649	
Loans from shareholders	(3 140)	
Trade and other payables	(3 049)	
Consideration paid for TCHM		5 440
Non-controlling interest		170
Fair value of 51% net asset value at acquisition (assets)		5 610
Goodwill arising from acquisition		5 262

The acquired business contributed net loss after tax of R6.3 million to the Group for the period from 1 July 2018 to 30 June 2019. At year-end the goodwill was assessed for impairment which resulted in the goodwill being fully impaired.

4. *Business combinations continued*

4(c) Activo acquisition

On 1 March 2019 (effective date and acquisition date) AfroCentric concluded agreements governing the acquisition of 74% of Activo as well as the shareholders' loan. Activo is wholesale pharmaceutical distributor to South African-based customers. The first part of the acquisition by AfroCentric was concluded in August 2015 when the Group purchased 26% of Activo for R10 million and also provided a loan to the value of R11 million to ensure equal debt participation by all parties.

The purchase consideration for Activo was R588 million in cash and equity.

Activo has been accounted for using the acquisition method of accounting, which requires that the assets and liabilities of Activo be measured at fair value as at 1 March 2019.

Activo Health acquisition

Business combinations

		Total June 2019 R'000
Fair value of 100% net asset value at acquisition (assets)		**355 680**
Property and equipment	446	
Intangibles	288 072	
Deferred tax asset	281	
Trade and other receivables	69 589	
Inventory	113 841	
Derivatives	666	
Cash and cash equivalents	15 068	
Deferred tax	(73 822)	
Accrual for straight-lining of leases	(310)	
Trade and other payables	(50 551)	
Current tax	(7 600)	
Consideration paid for 74% of Activo		**582 239**
Fair value of 26% net asset value at acquisition (assets)		**175 869**
Consideration for the purchase of 100% of net asset value		**758 108**
Goodwill arising from acquisition*		**402 428**

* *The goodwill arises from integrated synergies, customer relationships and pharmaceutical dossiers that are established through the acquisition of Activo.*

The acquired business contributed revenues of R192 million and net profit after tax of R27 million to the Group for the period from 1 March 2019 to 30 June 2019.The profit after tax would be R78 million if Activo had been acquired from beginning of the year.

4(d) Sanlam Healthcare Management Proprietary Limited acquisition

On 1 March 2019 (effective date and acquisition date) AfroCentric concluded agreements governing the acquisition of 100% of Sanlam Healthcare Management Proprietary Limited.

The purchase consideration for Sanlam Health is R53 million in cash consideration.

4. *Business combinations continued*

4(d) Sanlam Healthcare Management Proprietary Limited acquisition continued

Sanlam Healthcare Management Proprietary Limited has been accounted for using the acquisition method of accounting, which requires that the assets and liabilities of Sanlam Health be measured at fair value as at 1 March 2019.

Sanlam Health acquisition

Business combinations

		Total June 2019 R'000
Fair value of 100% net asset value at acquisition (assets)		**13 378**
Property and equipment	197	
Intangibles	8 237	
Loan – Sanlam Share Trust	2 879	
Loan to Group companies	7 181	
Deferred tax asset	4 376	
Trade and other receivables	4 926	
Cash and cash equivalents	20 938	
Deferred tax	(1 429)	
Loans from Group companies	(7 182)	
Provision for impairment of Group loans	(11 332)	
Trade and other payables	(6 448)	
Current tax	(8 965)	
Customer relationships		**1 526**
Fair value of 100% net asset value at acquisition (assets)		**14 904**
Consideration for the purchase of 100% of net asset value		**53 000**
Goodwill arising from acquisition*		**38 096**

* *The goodwill arises from integrated synergies that are established through the acquisition of Sanlam Health as well as the ownership of an additional administration system that can be deployed in the Group for new and existing medical schemes.*

The acquired business contributed revenues of R10.3 million and net loss after tax of R0.6 million to the Group for the period from 1 March 2019 to 30 June 2019.

5. *Segment information*

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

Nature of business segments

- Healthcare SA – consists of medical scheme administration and health risk management services in South Africa. Please refer to Note 10 which indicates Medscheme Holdings Proprietary Limited's summarised financial information.
- Healthcare Retail – consists of pharmaceutical sales/services by Pharmacy Direct, MMed, Scriptpharm Risk Management, Curasana Wholesaler and Activo Health. These services are rendered in South Africa.
- Healthcare Africa – consists of all healthcare services outside of South Africa. This includes associate earnings (Botswana, Namibia, Zimbabwe, Eswatini and Mauritius).
- IT – this relates to all IT-related services for the Group predominantly within South Africa.

5. *Segment information continued*

Nature of business segments continued

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

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

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

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

5. *Segment information continued*

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

2018	Healthcare SA R'000	Healthcare Retail R'000	Healthcare Africa R'000	Total Healthcare R'000	IT R'000	Inter-Group elimina-tion R'000	Group R'000
Gross revenue	2 788 428	184 910	1 230 421	4 203 759	580 845	(571 899)	4 212 705
Administration expenses	(2 575 058)	(130 843)	(1 147 617)	(3 853 518)	(312 381)	573 563	(3 592 336)
Amortisation of intangibles	(1 290)	(292)	(9 035)	(10 617)	(73 994)	(4 992)	(89 603)
Depreciation	(14 892)	(2 784)	(5 664)	(23 340)	(27 769)	–	(51 109)
Net finance income	28 325	1 232	2 845	32 402	2 467	–	34 869
– Finance income	31 052	1 816	3 201	36 069	2 467	(1 805)	36 731
– Finance cost	(2 727)	(584)	(356)	(3 667)	–	1 805	(1 862)
Share-based payment expense	(3 051)	(63)	–	(3 114)	(387)	–	(3 501)
Net fair value gain/ impairment of assets	6 045	–	–	6 045	–	900	6 945
– Fair value gain/ impairment of assets	7 712	–	–	7 712	–	900	8 612
– Impairment of intangibles	(1 667)	–	–	(1 667)	–	–	(1 667)
– Profit warranty expense	(3 150)	–	–	(3 150)	–	–	(3 150)
– Share of profit of associate	629	5 140	17 857	23 626	–	–	23 626
Profit/(loss) before taxation	225 986	57 300	88 807	372 093	168 781	(2 428)	538 446
Income tax expense	(68 979)	(15 776)	(23 148)	(107 903)	(49 508)	3 867	(153 544)
Profit/(loss) for the year	157 007	41 524	65 659	264 190	119 273	1 439	384 902
Net segments assets	3 376 318	144 233	437 951	3 958 502	511 217	(1 339 658)	3 130 061
Segments assets	3 370 598	135 896	394 002	3 900 496	511 217	(1 338 587)	3 073 126
Investment in associates	5 720	8 337	43 949	58 006	–	(1 071)	56 935
Segment liabilities	247 212	22 521	297 141	566 874	145 516	(202 220)	510 170

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

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

2018	Healthcare SA R'000	Healthcare Retail R'000	Healthcare Africa R'000	Total Healthcare R'000	IT R'000	Inter-Group elimina-tion R'000	Group R'000
Profit/(loss) before taxation	225 986	57 300	88 807	372 093	168 781	(2 428)	538 446
Depreciation and amortisation	16 182	3 076	14 699	33 957	101 763	4 992	140 712
Reversal of impairment	1 667	–	–	1 667	–	–	1 667
Share-based payment expense	3 051	63	–	3 114	387	–	3 501
Net finance income	(28 325)	(1 232)	(2845)	(32 402)	(2 467)	–	(34 869)
Adjusted profit/(loss) for the year (EBITDA)	218 561	59 207	100 661	378 429	268 464	2 564	649 457

6. *Property, equipment and investment property*

	Group						
	Motor vehicles R'000	Computer equipment R'000	Land and building R'000	Furniture and fittings R'000	Property and equipment R'000	Investment property R'000	Total R'000
Year ended 30 June 2019							
Opening carrying amount/ fair value	12 361	97 230	120 572	111 856	33 630	15 418	391 066
Additions	225	32 557	3 912	42 109	20 054	–	98 858
Disposals	(169)	(1 824)	–	(2 931)	(732)	–	(5 656)
Depreciation charge	(2 388)	(30 187)	(3 386)	(12 057)	(7 890)	–	(55 908)
Assets acquired through business combination	135	1 286	–	524	868	–	2 813
Reclassification	22	108	–	621	52	–	803
Closing carrying amount/ fair value	10 186	99 170	121 098	140 122	45 982	15 418	431 976
At 30 June 2019							
Cost/fair value	18 993	267 021	127 559	207 007	89 831	15 418	725 829
Accumulated depreciation	(8 807)	(167 851)	(6 461)	(66 885)	(43 849)	–	(293 853)
Closing carrying amount/ fair value	10 186	99 170	121 098	140 122	45 982	15 418	431 976
Year ended 30 June 2018							
Opening carrying amount/ fair value	9 816	74 730	31 972	63 763	31 423	15 418	227 122
Additions/fair value gain	4 955	51 000	90 215	59 248	8 372	–	213 790
Disposals	(518)	(663)	–	(526)	(132)	–	(1 839)
Depreciation charge	(1 942)	(30 140)	(1 701)	(10 857)	(6 469)	–	(51 109)
Assets acquired through business combination	50	164	86	474	190	–	964
Reclassification	–	2 139	–	(246)	246	–	2 139
Closing carrying amount/ fair value	12 361	97 230	120 572	111 856	33 630	15 418	391 067
At 30 June 2018							
Cost/fair value	18 656	234 894	123 647	166 803	69 589	15 418	629 007
Accumulated depreciation	(6 295)	(137 664)	(3 075)	(54 947)	(35 959)	–	(237 940)
Closing carrying amount/ fair value 30 June 2018	12 361	97 230	120 572	111 856	33 630	15 418	391 067

6. *Property, equipment and investment property continued*

(i) Revaluation

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

The valuation was prepared by an independent valuer, J van der Hoven in May 2019, a property practitioner from Ruim Proprietary Limited. J van der Hoven obtained his Post-Graduate Master's Degree in Architecture (recognised by Royal Institute of British Architects (RIBA) and Architects Registration Board (ARB) and has more than 10 years' experience as a property practitioner.

Refer to Note 8.6 for further detail on the valuation process of the investment property.

The fair value of investment property was determined based on comparable sales method. The valuers have measured the fair values at R15.4 million as at 30 June 2019.

6.1 Right of use asset

	Group R'000
Year ended 30 June 2019	
Additions	372 802
Depreciation charge	(82 666)
Closing carrying amount/fair value	290 136
At 30 June 2019	
Cost/fair value	372 802
Accumulated depreciation	(82 666)
Closing carrying amount/fair value	290 136

7. *Intangible assets*

	Goodwill R'000	Brands and intellectual property R'000	Computer software R'000	Internally developed computer software R'000	Customer relation-ships R'000	Total R'000
Opening carrying amount at 1 July 2018	883 488	10 170	264 108	476 335	104 985	1 739 086
Take on balance	–	–	29 177	–	–	29 177
Additions	–	–	54 860	186 837	–	241 697
Amortisation charge for the year	–	(2 231)	(50 887)	(35 252)	(22 571)	(110 941)
Impairment	(5 262)	–	(6 253)	(47 000)	–	(58 515)
Business acquisitions*	472 908	–	–	–	282 600	755 508
Derecognition				(40 000)		(40 000)
Carrying value at 30 June 2019	1 351 134	7 939	291 005	540 920	365 014	2 556 012
At 30 June 2019						
Cost	1 399 808	47 873	515 462	754 336	552 158	3 269 637
Accumulated amortisation, impairment and adjustments	(48 674)	(39 934)	(224 457)	(213 416)	(187 144)	(713 625)
Closing carrying amount	1 351 134	7 939	291 005	540 920	365 014	2 556 012
Opening carrying amount at 1 July 2017	855 437	12 913	195 208	309 443	90 745	1 463 746
Take on balance	–	–	6	–	–	6
Additions	–	–	119 594	191 251	–	310 845
Amortisation charge for the year	–	(2 743)	(48 561)	(24 359)	(13 940)	(89 603)
Business acquisitions*	28 051	–	–	–	28 180	56 231
Reclassification	–	–	(2 139)	–	–	(2 139)
Carrying value at 30 June 2018	883 488	10 170	264 108	476 335	104 985	1 739 086
At 30 June 2018						
Cost	926 900	47 873	431 425	607 499	269 558	2 283 255
Accumulated amortisation, impairment and adjustments	(43 412)	(37 703)	(167 317)	(131 164)	(164 573)	(544 169)
Closing carrying amount 30 June 2018	883 488	10 170	264 108	476 335	104 985	1 739 086

* *The recognition of goodwill (R462 million) and customer relationships (R289 million) is as a result of the business combinations in the current financial year (refer to Note 4 for further details).*

7. *Intangible assets continued*

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

	Group		Company	
	June 2019 R'000	June 2018 R'000	June 2019 R'000	June 2018 R'000
Healthcare administration SA CGU				
Medscheme – healthcare administration	274 972	248 622	–	–
Medscheme – health risk management	89 298	89 298	–	–
Aid for AIDS Management Proprietary Limited – healthcare administration	23 490	23 490	–	–
Allegra Proprietary Limited – healthcare IT support	1 268	1 268	–	–
AfroCentric Distribution Services Proprietary Limited – healthcare marketing support	835	835	–	–
Klinikka Proprietary Limited – medical equipment supplier	2 435	2 435	–	–
Wellness Odyssey – healthcare wellness days	14 857	14 857	–	–
Tendahealth – healthcare insurance broker	1 162	1 162	–	–
Scriptpharm – chronic scripts claim	2 699	2 699	–	–
Essential Group – healthcare insurance	9 333	9 333	–	–
Sanlam Group – healthcare administration	38 096	–	–	–
Workcare – healthcare administration	771	–	–	–
Healthcare Africa CGU				
Medscheme Mauritius Limited – local administration	4 969	4 969	–	–
Medscheme Mauritius Limited – international administration	10 566	10 566	–	–
Healthcare Retail SA CGU				
Pharmacy Direct, Curasana and Glen Eden	473 954	473 954	–	–
Activo	402 429	–	–	–
	1 351 134	883 488		

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

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

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

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

7. *Intangible assets continued*

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

	Recoverable amount R'000	WACC	Forecast period	Average growth rate
2019				
Medscheme – admin and managed care	4 033 937	12.59	5 years	6%
Pharmacy Direct, Curasana and Glen Eden	433 504	12.59	5 years	6%
Activo	858 574	12.59	5 years	6%
2018				
Medscheme – admin and managed care	5 973 902	13.97	5 years	6%
Pharmacy Direct, Curasana and Glen Eden	1 280 086	13.97	5 years	7%

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

Assumption	Approach used to determining values
Average growth rate (%)	Average annual growth rate over the five-year forecast period; based on past performance and management's expectations of market development.
WACC (%)	Rate the Company is expected to pay on average to all its security holders to finance its assets which reflects specific risks to the relevant segment.

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

				Growth rate		
				Worst case R'000	Base case R'000	Best case R'000
				5%	6%	7%
Medscheme	**WACC**	Worst case	13.59%	2 977 525	3 433 472	4 027 728
		Base case	12.59%	3 438 992	4 033 937	4 841 623
		Best case	11.59%	4 040 417	4 849 080	6 009 861
PD and CS		Worst case	13.59%	188 309	278 413	395 705
		Base case	12.59%	311 907	433 504	598 405
		Best case	11.59%	472 977	643 985	889 228
Activo		Worst case	13.59%	519 602	666 471	857 914
		Base case	12.59%	667 059	858 574	1 118 611
		Best case	11.59%	859 264	1 119 405	1 492 897

(i) Impairment loss and compensation

During the period under review, management embarked on a process of assessing the internally generated intangible assets for potential impairment. Following from this process, impairment losses were recognised for the following systems:

- R47 million in respect of the Gexus system – an impairment loss has been recognised as a result of the recoverable amount being lower than the carrying amount.
- R3.7 million in respect of the Solatium system – an impairment has been recognised as the expected cash flows from the system have significantly reduced, resulting in the recoverable amount being lower than the carrying amount.
- R2.5 million in respect of the 2Cana system utilised by PHA (iThrive) – the impairment loss has been recognised as the recoverable amount is lower than the carrying amount.

7. *Intangible assets continued*

(i) Impairment loss and compensation continued

The impairment loss on goodwill of R5.2 million relates to the impairment of goodwill previously recognised on the business acquisition of TCHM.

In addition to the impairment losses that have been recognised, a loss on disposal to the value of R40 million has been recognised in profit or loss. This relates to the derecognition of certain components of the Nexus system pursuant to the completion of the Fusion project which replaces certain modules of Nexus.

8. *Financial instruments*

Financial instruments by category

	Group			
Financial assets	Financial assets at amortised cost R'000	Financial assets at fair value through profit and loss R'000	Available for sale financial assets R'000	Total R'000
June 2019				
Trade and other receivables (excluding prepayments)	**400 348**	**–**	**–**	**400 348**
Cash and cash equivalent	**265 296**	**–**	**–**	**265 296**
June 2018				
Trade and other receivables (excluding prepayments)	308 917	–	–	308 917
Financial assets at fair value	–	217 278	9 000	226 278
Cash and cash equivalent	212 918	–	–	212 918

	Company			
Financial assets	Financial assets at amortised cost R'000	Financial assets at fair value through profit and loss R'000	Available for sale financial assets R'000	Total R'000
June 2019				
Trade and other receivables	**184**	**–**	**–**	**184**
Cash and cash equivalent	**10 316**	**–**	**–**	**10 316**
Loan to Group company	**126 792**	**–**	**–**	**126 792**
June 2018				
Trade and other receivables	409	–	–	409
Financial assets at fair value	–	217 278	–	217 278
Cash and cash equivalent	10 990	–	–	10 990
Loan to Group company	9 519	–	–	9 519

8. *Financial instruments continued*

Financial instruments by category continued

	Group		
Financial liabilities	Liabilities at fair value through profit and loss R'000	Amortised cost R'000	Total R'000
June 2019			
Trade and other payables	–	406 230	406 230
Lease liability	–	322 655	322 655
Deferred payment	7 335	–	7 335
June 2018			
Trade and other payables	–	284 028	284 028
Deferred payment	5 263	–	5 263

	Company		
Financial liabilities	Liabilities at fair value through profit and loss R'000	Amortised cost R'000	Total R'000
June 2019			
Trade and other payables	–	7 690	7 690
June 2018			
Trade and other payables	–	3 418	3 418

8.1 Trade receivables

Ageing of trade and other receivables

	Group				
	Current R'000	30 days R'000	60 days R'000	90+ days R'000	Total R'000
June 2019					
Gross trade debtors	298 415	51 389	12 733	31 361	393 898
Net trade debtors	298 415	51 389	12 733	1 320	363 857
Past due but not impaired	–	51 389	12 733	2 348	66 470
Other receivables	618	52	1 187	222	2 079
June 2018					
Gross trade debtors	149 634	64 059	14 378	56 727	284 798
Net trade debtors	149 634	64 059	14 378	31 927	259 998
Past due but not impaired	–	64 059	14 378	31 927	110 364
Other receivables	2 042	1 742	27	2 333	6 144

8. *Financial instruments continued*

8.1 Trade receivables continued

Disclosure of trade debtors

	June 2019 R'000	June 2018 R'000
Gross trade debtors	393 898	284 798
Provision for impairment of trade receivables as above	(30 041)	(24 800)
Net trade debtors (Note 8.2)	363 857	259 998

Movement in the provision for impairment of trade receivables are as follows:

	June 2019 R'000	June 2018 R'000
At the beginning of the period	24 800	13 341
Amounts restated through opening retained earnings	2 818	
Opening loss allowance as at 1 July 2018 calculated under IFRS 9		
Provisions raised/(utilised)	2 423	11 459
	30 041	24 800

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

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

The expected loss rates are based on the payment profiles of sales over a period of 24 months before 30 June 2018 and the corresponding historical credit losses experienced within this period. The historical loss rate has been adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the annual gross domestic product (GDP) rate and average prime lending rate to be the most relevant factors and accordingly, adjusts the historical loss rates based on expected changes in these factors.

8.2 Trade and other receivables

	Group		Company	
	June 2019 R'000	June 2018 R'000	June 2019 R'000	June 2018 R'000
Trade debtors	363 856	259 998	–	–
Deposits	3 925	7 185	–	–
Prepayments*	131 146	39 612	–	–
Sundry debtors	30 488	35 588	184	409
Other receivables	2 079	6 144	–	–
Associates	–	5 740	–	–
	531 494	354 267	184	409

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

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

Refer to Note 8.2 for ageing of trade and other receivables.

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

8. *Financial instruments continued*

8.3 Cash and cash equivalents

	Group		Company	
	June 2019 R'000	June 2018 R'000	**June 2019 R'000**	June 2018 R'000
Cash at bank and short-term bank deposits				
Baa_3 – ABSA Bank Limited	**–**	3 497	**–**	3 497
Baa_3 – FNB Limited	**20 083**	–	**–**	–
AA – Bank Windhoek Limited	**20 837**	9 265	**–**	–
Baa_3 – Nedbank Limited*	**217 729**	178 597	**10 181**	6 389
Baa_3 – Standard Bank Limited**	**4 228**	4 789	**–**	–
BBB+ – Sasfin Limited*	**223**	14 770	**135**	1 104
zaAA- – Sanlam Limited	**2 196**	2 000	**–**	–
Total cash at bank and short-term bank deposits	**265 296**	212 918	**10 316**	10 990

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

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

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

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

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

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

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

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

8. *Financial instruments continued*

8.3 Cash and cash equivalents continued

	Group		Company	
	June 2019 R'000	June 2018 R'000	June 2019 R'000	June 2018 R'000
Cash	**193 852**	157 855	**10 181**	9 886
Short-term deposits*	**71 444**	55 063	**135**	1 104
	265 296	212 918	**10 316**	10 990

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

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

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

	Group		Company	
	June 2019 R'000	June 2018 R'000	June 2019 R'000	June 2018 R'000
Cash and bank balances	**265 296**	212 918	**10 316**	10 990

8.4 Trade and other payables

	Group		Company	
	June 2019 R'000	June 2018 R'000	June 2019 R'000	June 2018 R'000
Trade payables*	**278 163**	139 207	**22**	711
Accruals	**57 897**	57 474	**(20)**	337
Payroll creditors	**34 786**	41 422	**–**	–
Shareholders for dividends	**5 483**	5 466	**3 359**	3 445
Other payables*	**29 901**	49 057	**4 329**	–
Provisions	**9 606**	–	**785**	–
	415 836	292 626	**8 475**	4 493

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

8. Financial instruments continued

8.5 Borrowings

	Group		Company	
	June 2019 R'000	June 2018 R'000	June 2019 R'000	June 2018 R'000
Nedbank facility (0 – 1 year)	120 000			
Nedbank facility (1 year +)	371 566	–	–	–

Movement in borrowings are as follows:

	June 2019 R'000
At the beginning of the period	–
Borrowings acquired during the period	550 000
Interest accrued	12 813
Borrowings payments made	(71 247)
Balance at the end of the year	491 566

Compliance with loan covenants

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

The financial condition to the Nedbank facility is for the Group to ensure that net debt to EBITDA in respect of any relevant period shall not exceed 2.5:1 times and interest cover in respect of any relevant period shall not be less than 4:19 (refer to Note 3(v)).

8.6 Lease liability

	Group		Company	
	June 2019 R'000	June 2018 R'000	June 2019 R'000	June 2018 R'000
Non-current lease liability	261 104	–	–	–
Current lease liability	61 551	–	–	–

Movement in lease liability are as follows:

	June 2019 R'000
At the beginning of the period	–
Lease liability recognised per IFRS 16	385 307
Interest accrued	31 822
Rental payments made	(94 474)
Balance at the end of the year	322 655

8. *Financial instruments continued*

8.7 Recognised fair value measurements

Fair value hierarchy

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

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

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

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

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

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2019:

	Group			Company		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
2019						
Investment property (Note 6)	–	–	15 418	–	–	–
	–	–	15 418	–	–	–
2018						
Collective investment schemes (Note 8.7)	–	217 278	–	–	217 278	–
Investment in AAR (Note 8.3)	–	–	9 000	–	–	–
Investment property (Note 6)	–	–	15 418	–	–	–
	–	217 278	24 418	–	217 278	–

8. Financial instruments continued

8.7 Recognised fair value measurements continued

Fair value hierarchy continued

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

- The fair value of the collective investment schemes is determined using the current unit price of underlying unitised asset, multiplied by the number of units held;
- The fair value of the remaining financial instruments is determined using discounted cash flow analysis and PE ratios; and
- The fair value of the investment property is determined by using the comparable sales method.

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

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

	Investment in AAR R'000	Investment property R'000
Opening balance	9 000	15 418
Impairments	(9 000)	–
Closing balance	–	15 418

Valuation inputs and relationships to fair value

Investment in AAR

The fair value of the investment in AAR Insurance Holdings is derived by price earnings ratio using the most recent financial information available to AfroCentric Investment Corporation Limited. During the year the AAR investment was fully impaired as management believes future cash inflows will not be probable. Management is satisfied that valuation of the investment in the AAR represents an amount equal to the fair value.

Investment property

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

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

Description	Fair value at 30 June 2019	Unobservable inputs	Input value used	Sensitivity of unobservable inputs on profit and loss
Investment Property	15 418	Price per square meter	R1 500	If the fair value per square metre increased by 1% then the value of the property would increase by R154 179 in profit or loss. If the fair value per square metre decreased by 1% then the value of the property would decrease by R154 719 in profit or loss.

8. *Financial instruments continued*

8.7 Recognised fair value measurements continued

Valuation inputs and relationships to fair value continued

Valuation process

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

8.8 Financial assets

Financial assets at fair value through profit and loss

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

- STANLIB Extra Income Fund
- NedGroup Core Income Fund
- Coronation Strategic Income fund
- Prescient Income Proper Fund

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

- STANLIB Extra Income Fund
- NedGroup Core Income Fund
- Coronation Strategic Income fund
- Prescient Income Proper Fund
- Sanlam Sim Inflation plus fund B4
- Sanlam Sim inflation plus fund B5

(i) Classification to FVTPL

Investment in AAR was reclassified from available for sale to financial assets at fair value through profit and loss. No related fair value gains to transfer from the available for sale financial assets reserve to retained earnings on 1 July 2018.

	Group and Company				
	Opening fair value R'000	Additions R'000	Fair value gains and losses R'000	Disposals/ transfer to short term R'000	Closing fair value R'000
2019					
Non-current assets					
Collective investment scheme	65 028	–	–	(65 028)	–
Investment in AAR	9 000	–	(9 000)	–	–
	74 028	–	(9 000)	(65 028)	–
Current assets					
Collective investment scheme	152 250	–	–	(152 250)	
	152 250	–	–	(152 250)	–
2018					
Non-current assets					
Collective investment scheme	59 976	–	5 052	–	65 028
Jasco Electronic Holdings Limited	36 296	–	(9 738)	(26 558)	–
	96 272	–	(4 686)	(26 558)	65 028
Current assets					
Collective investment scheme	267 743	46 291	13 298	(175 082)	152 250
	267 743	46 291	13 298	(175 082)	152 250

9. *Investment in associates*

The Associated Fund Administrators Botswana Proprietary Limited is incorporated in Botswana. During the year an additional 25% was purchased to increase the Group's shareholding from 24% to 49%. At the end of the year the only investment in associates was Associated Fund Administrators Botswana Proprietary Limited as Activo Health Proprietary Limited and The Cheese Has Moved Proprietary Limited are now subsidiaries (refer to Note 4).

Due to the Group's non-controlling interest in Associated Fund Administrators Botswana Proprietary Limited, it has no influence in aligning their reporting dates with the Group's. Management accounts were used to equity account this investment. In the current financial year, Activo Health Proprietary Limited has aligned its reporting date with the Group, 30 June 2019.

	Group		Company	
	June 2019 R'000	June 2018 R'000	June 2019 R'000	June 2018 R'000
Carrying value of investment in associates	**29 943**	56 935	**–**	–

	Group	
	June 2019 R'000	June 2018* R'000
Non-current assets (excluding intangible assets)	**13 362**	835
Intangible assets	**–**	22 750
Current assets	**27 495**	161 156
Total assets	**40 857**	184 741
Non-current liabilities	**–**	10 163
Current liabilities	**7 988**	60 003
Total liabilities	**7 988**	70 166
Net assets	**32 869**	114 575
Revenue	**66 093**	590 920
Total comprehensive income attributable to ordinary shareholders	**10 970**	68 679
Net profit for the year	**10 970**	68 679

* *In the prior year Activo Health Proprietary Limited was the most material associate and in the current due to the change in shareholding of Activo Health Proprietary Limited (Note 4), the 2019 column represents the only associate being Associated Fund Administrators Botswana Proprietary Limited.*

9. *Investment in associates continued*

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

10. *Investment in subsidiaries*

	Company	
	2019 R'000	2018 R'000
Unlisted investments at cost	**428 144**	428 144

Name	Main business	Country of incorporation	Interest held (voting rights) %	Non-controlling interest (voting rights) %
2019 and 2018				
Directly held				
AfroCentric Resources Proprietary Limited	Dormant	South Africa	100	–
AfroCentric Capital Proprietary Limited	Dormant	South Africa	100	–
ACT Healthcare Assets Proprietary Limited	Investment holding	South Africa	71.3	28.7
ACT Funding Proprietary Limited	Dormant	South Africa	100	–
Indirectly held				
AfroCentric Health Proprietary Limited	Healthcare administration	South Africa	71.3	28.7

10. *Investment in subsidiaries continued*

The indirectly held subsidiary, Medscheme Holdings Proprietary Limited owned by AfroCentric Health Proprietary Limited, operates in the healthcare administration industry and is a subsidiary that has non-controlling interests that are material to the Group. The total aggregate assets, liabilities and results of Medscheme Holdings Proprietary Limited operations are summarised as follows:

Summarised statement of financial position of Medscheme Holdings Proprietary Limited

	Group	
	June 2019 R'000	June 2018 R'000
Non-current assets (excluding intangible assets)	540 718	152 017
Intangible assets	–	4 952
Current assets	375 732	913 469
Total assets	916 450	1 070 438
Non-current liabilities	448 087	25 644
Current liabilities	291 832	205 896
Total liabilities	739 919	231 540

Summarised statement of comprehensive income of Medscheme Holdings Proprietary Limited

	Group	
	June 2019 R'000	June 2018 R'000
Revenue	2 208 648	2 159 120
Profit for the period	103 791	143 130
Other comprehensive income/(loss)	(185)	(128)
Total comprehensive income	103 606	143 002

Summarised statement of cash flows of Medscheme Holdings Proprietary Limited

	Group	
	June 2019 R'000	June 2018 R'000
Net cash outflow from operating activities	(736 467)	(2 835)
Net cash outflow from investing activities	(54 460)	(2 013)
Net cash inflow from financing activities	788 009	(157 453)
Net increase/(decrease) in cash and cash equivalents	(2 918)	(162 301)

11. *Deferred income tax*

Analysed in the statement of financial position, after offset of balances within companies, as follows:

	Group	
	June 2019 R'000	June 2018 R'000
Deferred tax assets	**56 548**	45 210
Deferred tax liabilities	**(230 228)**	(121 667)
	(173 680)	(76 457)

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

	Group							
	Capital allowances R'000	Invest-ment R'000	Provisions R'000	Prepay-ments R'000	Assessed loss* R'000	Business combina-tions R'000	Other R'000	Total R'000
Deferred income tax assets								
Balance as at 30 June 2017	–	12 815	33 682	–	36 368	–	–	82 865
(Charge)/credit to profit for the year	–	(592)	(6 735)	–	(19 199)	–	340	(26 186)
Balance as at 30 June 2018	–	12 223	26 947	–	17 169	–	340	56 679
(Charge)/credit to profit for the year	–	38	11 380	–	(4 253)	–	100 630	107 795
Balance as at 30 June 2019	**–**	**12 261**	**38 327**	**–**	**12 916**	**–**	**100 970**	**164 474**
Deferred income tax liabilities								
Balance as at 30 June 2017	(69 072)	(1 540)	(444)	(1 955)	–	(27 616)	–	(100 627)
(Charge)/credit to profit for the year	(27 629)	1 540	444	(1 338)	–	(3 986)	(1 540)	(32 509)
Balance as at 30 June 2018	(96 701)	–	–	(3 293)	–	(31 602)	(1 540)	(133 136)
(Charge)/credit to profit for the year	(33 493)	–	–	(509)	–	(76 383)	(94 635)	(205 020)
Balance as at 30 June 2019	**(130 194)**	**–**	**–**	**(3 802)**	**–**	**(107 985)**	**(96 175)**	**(338 156)**

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

11. *Deferred income tax continued*

	Company							
	Capital allowances R'000	Investment R'000	Provisions R'000	Prepay-ments R'000	Assessed loss* R'000	Business combina-tions R'000	Other R'000	Total R'000
Deferred income tax assets								
Balance as at 1 July 2017	–	12 815	2 660	–	–	–	–	15 475
(Charge)/credit to profit for the year	–	(592)	(2 660)	–	–	–	–	(3 252)
Balance as at 30 June 2018	–	12 223	–	–	–	–	–	12 223
(Charge)/credit to profit for the year	–	594	526	–	76	–	–	1 196
Balance as at 30 June 2019	**–**	**12 817**	**526**	**–**	**76**	**–**	**–**	**13 419**

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

12. *Inventory*

	Group		Company	
	June 2019 R'000	June 2018 R'000	**June 2019 R'000**	June 2018 R'000
Merchandise	**98 348**	74 366	**–**	–
Merchandise provision	**(48 849)**	–	**–**	–
Finished goods	**234 233**	9 166	**–**	–
Inventory on hand at year-end	**283 732**	83 532	**–**	–

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

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

13.1 *Issued share capital*

	Group		Company	
	June 2019 R'000	June 2018 R'000	June 2019 R'000	June 2018 R'000
Authorised:				
1 billion ordinary shares at no par value	**10 000**	10 000	**10 000**	10 000
60 million redeemable preference shares of 1 cent each	**600**	600	**600**	600
Issued:				
Issued ordinary shares at 30 June 2018: **554 377 328** made up as follows:				
Issued ordinary share capital				
574 241 248 (June 2018: 554 377 328) ordinary shares of 1 cent each	**18 885**	18 686	**18 885**	18 686
– Opening balance	**18 686**	18 686	**18 686**	18 686
– Issue of share capital	**199**	–	**199**	–
Share premium (Note 13.2)	**1 080 301**	999 058	**1 080 301**	999 058
	1 099 186	1 017 744	**1 099 186**	1 017 744

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

13.2 *Share premium*

	Group		Company	
	June 2019 R'000	June 2018 R'000	June 2019 R'000	June 2018 R'000
Opening balance	**999 058**	999 058	**999 058**	999 058
Reversal of share-based payment reserve	**81 243**	–	**81 243**	–
Closing balance	**1 080 301**	999 058	**1 080 301**	999 058

14. *Other reserves*

	Group			
	Share-based payment reserve R'000	Foreign currency translation reserve R'000	Treasury shares R'000	Total reserves R'000
Balance as at 30 June 2017	–	3 454	(2 324)	1 130
Share-based payment expense	3 501		–	3 501
Other comprehensive income	–	(2 661)	–	(2 661)
Balance as at 30 June 2018	3 501	793	(2 324)	1 970
Share-based payment expense	**7 785**	**–**	**–**	**7 785**
Other comprehensive income	**–**	**(3 907)**	**–**	**(3 907)**
Balance as at 30 June 2019	**11 286**	**(3 114)**	**(2 324)**	**5 848**

	Company	
	Share-based payment reserve R'000	Total reserves R'000
Balance as at 30 June 2017	–	–
Share-based payment expense	3 501	3 501
Balance as at 30 June 2018	3 501	3 501
Share-based payment expense	**7 785**	**7 785**
Balance as at 30 June 2019	**11 286**	**11 286**

15. *Non-controlling interest*

	Group		Company	
	June 2019 R'000	June 2018 R'000	June 2019 R'000	June 2018 R'000
Balance at the beginning of the year	**679 277**	585 359	**–**	–
Dividend distributions (Note 26)	**(10 341)**	(51 544)	**–**	–
Non-controlling interest on acquisition of subsidiaries	**3 645**	17 171	**–**	
Share of net profit of subsidiaries	**115 132**	128 291	**–**	–
	787 713	679 277	**–**	–

16. *Leases*

		Group		Company	
		June 2019 R'000	June 2018 R'000	June 2019 R'000	June 2018 R'000
(i)	**Amounts recognised in the balance sheet**				
	The balance sheet shows the following amounts relating to leases:				
	Non-current asset				
	Right of use asset	290 136	–	–	–
	Non-current liabilities				
	Lease liabilities	261 104	–	–	–
	Current liabilities				
	Lease liabilities	61 551	–	–	–
(ii)	**Amounts recognised in statement of profit or loss**				
	Depreciation	82 666	–	–	–
	Interest expense		–	–	
	Expense relating to short-term leases	10 544	–	–	–
	Building rentals (payments)	94 474			

16.1 Accrual for straight-lining of leases

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

Property location	Start date	End date	Rental per month	Escalation rate
The Boulevard, Woodstock, Cape Town	1 December 2018	31 November 2024	R3.0 million	8.0%
Florida North, Roodepoort	1 June 2019	31 May 2026	R1.8 million	7.0%

	Group
	R'000
Balance as at 30 June 2017	15 872
Credited to the statement of comprehensive income:	
– movements in provision	(2 486)
Balance as at 30 June 2018	13 386
Credited to the statement of comprehensive income:	(15 915)
– movements in provision	2 529
Balance as at 30 June 2019	–

	Group	
	June 2019 R'000	June 2018 R'000
Non-current portion	–	15 915
Current portion	–	(2 529)
	–	13 386

17. *Employment benefit liability*

	Group		
	Bonuses R'000	Leave pay R'000	Total R'000
Balance as at 30 June 2017	46 499	39 734	86 233
– additional provisions	69 695	8 812	78 507
Utilised during the year	(110 058)	(4 727)	(114 785)
Balance as at 30 June 2018	6 136	43 819	49 955
Charged/(credited) to the statement of comprehensive income:	**111 786**	**4 706**	**116 492**
– additional provisions			
Utilised during the year	**(75 559)**	**(2 229)**	**(77 788)**
Balance as at 30 June 2019	**42 363**	**46 296**	**88 659**

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

The provision for management incentive bonuses is payable at the end of October 2019 and May 2020. The leave pay provisions are primarily in respect of leave pay to be settled in the next financial year.

18. *Revenue*

	Group		Company	
	June 2019 R'000	June 2018 R'000	June 2019 R'000	June 2018 R'000
Revenue from sale of goods	**1 722 521**	1 241 769	**–**	–
Administration fees	**1 507 340**	1 411 297	**–**	–
Health risk management fees	**1 509 637**	1 117 970	**–**	–
Management fees	**33 740**	2 550	**–**	–
IT revenue and other	**494 635**	428 921	**–**	50
Healthcare insurance	**28 919**	10 198	**–**	–
Revenue from performance of services	**3 574 271**	2 970 936	**–**	50
Total revenue from contracts with customers	**5 296 792**	4 212 705	**–**	50

18. *Revenue continued*

(A) Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers (including revenue related to a discontinued operation) is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition.

The table also includes a reconciliation of the disaggregated revenue with the Group/Company's reportable segments (see Note 5).

2019	Admin fees R'000	Health risk management fees R'000	Management fees R'000	Healthcare insurance R'000	IT R'000	Retail R'000	Group total R'000
Primary geographical markets							
SA	1 507 340	1 509 637	33 740	–	494 635	1 722 521	5 267 873
Africa	–	–	–	28 919	–	–	28 919
	1 507 340	1 509 637	33 740	28 919	494 635	1 722 521	5 296 792
Major product/service line							
Admin health	1 507 340	–	–	–	494 635	–	2 001 975
Retail (Pharma)	–	–	–	–	–	1 722 521	1 722 521
Managed healthcare	–	1 509 637	33 740	28 919	–	–	1 572 296
	1 507 340	1 509 637	33 740	28 919	494 635	1 722 521	5 296 792
Timing of revenue recognition							
Products transferred at a point in time	–	–	–	–	–	1 722 521	1 722 521
Products and services transferred over time	1 507 340	1 509 637	33 740	28 919	494 635	–	3 574 271
	1 507 340	1 509 637	33 740	28 919	494 635	1 722 521	5 296 792
Other revenue							
External revenue as reported	1 507 340	1 509 637	33 740	28 919	494 635	1 722 521	5 296 792

18. *Revenue continued*

(B) Contract balances

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

	30 June 2019 R'000	1 July 2018 R'000
Receivables, which are included in "trade and other receivables"	391 912	284 799
Contract assets	282	–

Variable consideration: There are sliding scales applicable depending on member numbers – this does not impact the revenue to be recognised in a given month, as that month's services would result in revenue for that month based on the number of members during that month multiplied by the applicable rate.

(C) Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

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

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

19. *Cost of pharmaceutical products and finished goods*

	Group		Company	
	June 2019 R'000	June 2018 R'000	June 2019 R'000	June 2018 R'000
Opening inventory	83 532	73 376	–	–
Purchases	1 494 080	934 790	–	–
Closing inventory	(268 282)	(83 532)	–	–
	1 309 330	924 634	–	–

20. *Profit before taxation*

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

	Group		Company	
	June 2019 R'000	June 2018 R'000	June 2019 R'000	June 2018 R'000
Auditors' remuneration (included in "other expenses")	11 119	12 661	1 685	1 363
Audit fees	11 119	11 204	1 685	1 358
Prior period (over)/under provision	–	1 457	–	5
Amortisation of development costs and other intangible assets	110 941	89 603	–	–
Depreciation of property, plant and equipment	55 909	51 109	–	–
Motor vehicles	2 388	1 942	–	–
Computer equipment	30 187	30 140	–	–
Buildings	3 386	1 701	–	–
Furniture and fittings	12 058	10 857	–	–
Property and equipment	7 890	6 469	–	–
Share-based payment expense	(7 785)	(3 501)	–	–
Fair value of contingent consideration	(407)	–	–	–
Right of use asset depreciation	82 666	–	–	–
Bad debt write-off	3 602	3 673	–	–
Provision for doubtful debts*	(326)	11 690	–	–
Operating lease rentals (included in "rentals and property costs")	97 624	163 299	–	–
Buildings	11 372	151 453	–	–
Motor vehicles	273	194	–	–
Office equipment and furniture	85 979	11 652	–	–
Repairs and maintenance (included in "rentals and property costs")	6 048	4 668	–	–

* *This relates to doubtful debts in Medscheme Administrator Eswatini.*

20. *Profit before taxation continued*

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

	Group		Company	
	June 2019 R'000	June 2018 R'000	June 2019 R'000	June 2018 R'000
Directors' emoluments				
(included in "employee benefit costs")				
Executive				
JW Boonzaaier	3 204	4 557	–	–
– Basic salary	2 970	2 824	–	–
– Bonus	–	1 509	–	–
– Company contributions	234	224	–	–
WH Britz	4 190	6 677	–	–
– Basic salary	3 829	3 647	–	–
– Bonus	–	2 689	–	–
– Company contributions	361	341	–	–
AV van Buuren	3 143	6 677	–	–
– Basic salary	2 964	3 740	–	–
– Bonus	–	2 689	–	–
– Company contributions	179	248	–	–
A Banderker	2 450	–	–	–
– Basic salary	1 149	–	–	–
– Bonus	1 200	–	–	–
– Company contributions	101	–	–	–
SE Mmakau	3 903	–	–	–
– Basic salary	2 107	–	–	–
– Bonus	1 600	–	–	–
– Company contributions	196	–	–	–
Non-executive				
For services as directors (basic salary)	5 282	4 333	5 282	3 592
ATM Mokgokong	1 463*	1 060*	1 463*	735
MJ Mandungandaba	1 337*	1 024*	1 337*	816
Dr ND Munisi	356*	291	356*	291
A Banderker	303*	584*	303*	376
IM Kirk	265*	216	265*	216
SE Mmakau	222*	433	222*	433
LL Dhlamini	456*	427	456*	427
HG Motau	434*	298	434*	298
SA Zinn	213*	–	213*	–
JB Fernandes	233*	–	233*	–
Employee benefit costs	2 146 121	1 875 264	3 241	(1 440)
Salaries and wages	1 844 049	1 651 381	3 175	2 983
Termination benefits	7 778	12 372	–	–
Incentive bonus	112 289	69 825	–	(4 500)
Staff welfare	53 785	47 700	66	77
Movement in post-employment medical obligation	(53)	(107)	–	–
Other employee benefit cost	128 273	94 093	–	–

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

20. *Profit before taxation continued*

Average number of persons employed by the Group during the period:

	Group		Company	
	June 2019 R'000	June 2018 R'000	June 2019 R'000	June 2018 R'000
South Africa	5 923	5 281	–	–
Full time	5 168	4 808	–	–
Part time	755	473	–	–
Outside of South Africa	358	321	–	–
Full time	326	289	–	–
Part time	32	32	–	–
Dividends received				
Other	–	–		119 784
Loss on disposal of tangible assets	(44 694)	(711)	–	–
Profit/(loss) on disposal of investments	–	(2 717)	–	5 442
Fair value adjustments	12 867	8 612	10 156	8 612
Fair value gains on financial assets	12 867	8 612	10 156	8 612
Research and development costs	–	30 107		–
Impairments	(68 261)	(1 667)	–	–
Impairment of goodwill	(5 262)	–	–	–
Impairment of software	(6 253)	–	–	–
Impairment of internally generated software	(47 000)	–	–	–
Impairment of investments	(9 000)	(1 285)	–	–
Impairment of loans	(746)	(382)	–	–
Other expenses				
Included in "other expenses" are the following:				
Donations	1 243	350	–	10
Legal and consulting fees	198 443	159 819	612	1 627
Management costs*	299 622	235 647	–	8 618
Marketing and recruitment	65 504	52 471	–	3 909
VAT expenses	3 947	–	3 845	–
Straight-lining of leases	–	(2 780)	–	–
Capitation costs#	302 655	57 121	–	–

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

\# *This relates to pharmacy claims paid by Scriptpharm.*

21. *Net finance costs*

	Group		Company	
	June 2019 R'000	June 2018 R'000	June 2019 R'000	June 2018 R'000
Finance costs	**(52 008)**	(1 862)	**(61)**	(1 490)
Borrowings	**(13 698)**	(595)		–
Inter-Company loans	**–**	–	**(60)**	(1 490)
Lease liability	**(31 822)**	–		–
Other	**(6 488)**	(1 267)	**(1)**	–
Finance income	**24 657**	36 731	**5 057**	3 492
Cash and cash equivalents	**20 068**	32 963	**631**	3 395
Other	**4 589**	3 768	**4 426**	97

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

22. *Income tax expense*

	Group		Company	
	June 2019 R'000	June 2018 R'000	June 2019 R'000	June 2018 R'000
Current taxation				
Current year	**115 811**	105 189	**10**	4 924
Prior year	**4 361**	(2 565)	**1 658**	–
Deferred taxation				
Current year	**22 136**	49 484	**(355)**	1 852
Prior year	**(709)**	1 400	**(841)**	1 400
Securities transfer tax	**1 824**	–	**–**	–
	143 423	153 508	**472**	8 176

22. Income tax expense *continued*

	Group		Company	
	June 2019 %	June 2018 %	June 2019 %	June 2018 %
Reconciliation of the tax rate				
South African normal tax rate	**28.0**	28.0	**28.0**	28.0
Adjusted for:				
Disallowable expenses*	**6.71**	1.84	**(27.17)**	6.43
Non-taxable income**	**(7.51)**	–	**8.20**	–
Exempt income	**(0.67)**	(1.97)	**1.34**	(32.52)
Other taxable income	**0.66**	0.36	**(28.97)**	1.71
Other deductible expenses	**(0.54)**	(0.29)	**–**	–
Realised fair value gain and losses	**(0.27)**	–	**24.71**	–
Rate differences	**(0.25)**	–	**–**	–
Prior year adjustment				
– current tax	**(0.02)**	(0.48)	**(14.24)**	–
– deferred tax	**–**	0.26	**–**	1.25
Withholding tax	**0.31**	0.79	**–**	–
Utilisation of assessed losses	**0.70**	0.01	**–**	–
Effective rate of tax (%)	**27.15**	28.52	**(8.13)**	4.87

* *The non-deductible expenditure reflected on the tax rate reconciliation relates to expenses relating to the remeasurement of contingent consideration and indemnity expense.*

* *The disallowable expenses reflected on the tax rate reconciliation mainly relates to impairment of intangible assets, derecognition loss and impairment of investment.*

** *The non-taxable income reflected on the tax rate reconciliation mainly relates to share of profit of associates and the fair value gain on investments.*

23. Earnings per share

The calculation of basic earnings per share for the Group is based on profit and loss attributable to the parent for the year of R270 million (June 2018: net profit of R256.6 million), and a weighted average number of shares of 574.2 million (June 2018: 554.4 million) shares in issue. The calculation of headline earnings per share for the Group is calculated on adjusted headline earnings of R265.3 million (June 2018: R260.9 million), and a weighted average number of shares of 560.8 million (June 2018: 554.4 million) shares in issue.

23. *Earnings per share continued*

	Group	
	June 2019 R'000	June 2018 R'000
Reconciliation of headline earnings		
Total profit and loss attributable to the parent	269 880	256 611
Basic earnings	269 880	256 611
Adjusted for:		
Impairment/(reversal of impairment)*	67 515	1 285
Reversal of fair value gains	(118 715)	–
Loss on disposal of assets	44 694	3 428
Tax effect of loss on disposal of asset	–	1 325
Total non-controlling interest effect of adjustments	1 867	(1 733)
Headline earnings	265 241	260 916
Earnings per share (cents)		
Basic	48.14	46.29
Diluted	47.40	45.93
Headline earnings per share (cents)		
Basic	47.29	47.06
Diluted	46.58	46.70
Cash earnings per share (cents)**		
Basic	101.47	99.70
Diluted	99.94	98.93
Weighted average number of shares	560 826 280	554 377 328
Adjusted for:		
– dilutionary impact of contingent shares	8 570 000	4 290 000
Weighted average number of shares for diluted earnings per share	569 396 280	558 667 328
Normalised earnings (non-IFRS information)[1]		
Headline earnings	265 241	260 916
Adjusted by:	10 303	3 150
Less: Rental reversal (IFRS 16 early adoption)	(94 418)	–
Add: Depreciation (IFRS 16 early adoption)	82 666	–
Add: Interest (IFRS 16 early adoption)	31 822	–
Total tax effects of adjustments (IFRS 16 early adoption)	(5 620)	–
Total NCI effects of adjustments (IFRS 16 early adoption)	(4 147)	–
– Sanlam indemnity expense	–	3 150
Normalised headline earnings	275 544	264 066
Normalised headline earnings per share (cents)		
Basic	49.13	47.63
Diluted	48.39	47.27

* *This relates to impairment of goodwill relating to IE Business which is currently dormant as it ceased operations.*
** *The cash generated from operations was used to arrive at this figure.*
[1] *Given the material non-cash, non-trading and non-recurring deductions which have a significant adverse impact on the earnings, management has adopted a non-IFRS earnings measure model.*

24. *Cash generated from operations*

	Group		Company	
	June 2019 R'000	June 2018 R'000	June 2019 R'000	June 2018 R'000
Profit/(loss) before tax	**528 487**	538 446	**(5 808)**	168 018
Adjustments for:				
Dividends received	**–**	–	**–**	(119 784)
Fair value gain on disposal	**(118 715)**	–	**–**	–
ROU lease adjustments on profits	**(94 474)**	–	**–**	–
Right of use assets depreciation	**82 666**	–	**–**	–
Interest on lease	**31 822**	–	**–**	–
Finance income	**(24 657)**	(36 731)	**(5 057)**	(3 492)
Finance cost	**20 186**	1 862	**61**	1 490
Bad debts written off	**3 602**	3 673	**–**	–
Increase/(decrease) in provision for bad debts	**326**	11 690	**–**	–
Net actuarial (gains)/losses	**(53)**	(107)	**–**	–
Depreciation	**55 909**	51 109	**–**	–
Fair value gains	**(12 867)**	(8 612)	**(10 156)**	(8 612)
Fair value of contingent consideration	**407**	–	**–**	–
Amortisation of intangible assets	**110 941**	89 603	**–**	–
Impairment of intangibles	**58 515**	–	**–**	–
Deferred payment reduction	**(5 263)**	–	**–**	–
Impairment provision on investments and loans	**9 746**	1 667	**–**	–
Straight-lining of leases	**–**	(3 069)	**–**	–
(Profit)/loss on disposal of investment	**4 694**	3 428	**–**	(5 442)
Loss on disposal of intangible assets	**40 000**	–	**–**	–
Interest relating to deferred payment balance	**1 697**	518	**–**	–
Share-based payment expense	**7 785**	3 501	**–**	–
Share of profit from associates	**(18 479)**	(23 626)	**–**	–
Cash flow before working capital changes	**682 275**	633 352	**(20 960)**	32 178
Working capital changes	**(113 213)**	(80 657)	**6 083**	(25 198)
Trade and other receivables	**(104 274)**	(40 105)	**221**	(129)
Provisions	**28 380**	(38 695)	**1 587**	(9 314)
Inventory	**(86 359)**	(10 156)	**–**	–
Trade and other payables	**49 040**	8 299	**4 275**	(15 755)
Cash generated from operations	**569 062**	552 695	**(14 877)**	6 980

25. *Taxation paid*

	Group		Company	
	June 2019 R'000	June 2018 R'000	**June 2019 R'000**	June 2018 R'000
Balance at the beginning of the year asset	**7 039**	25 235	**1 018**	1 833
(Charge)/credit to the statement of comprehensive income	**(120 172)**	(153 508)	**1 186**	(8 176)
Deferred tax charge/(credit)	**–**	50 884	**(1 196)**	3 252
Securities transfer tax	**(1 824)**	–	**–**	–
Take on balance	**(16 869)**	31	**–**	–
Balance at the end of the year (asset)/liability	**(5 098)**	(7 039)	**(3 211)**	(1 018)
	(136 924)	(84 397)	**(2 203)**	(4 109)

26. *Dividends*

AfroCentric Investment Corporation Limited passed two resolutions whereby dividends were declared in the 2019 financial year. The first dividend was declared in September 2018 of 16 cents per share and the second dividend was declared in March 2019 of 17 cents per share, being the interim dividend. The Rand value of R88.7 million was paid in November 2018 for the first dividend and R94.2 million was paid in May 2019 for the second dividend. These dividends were debited to retained earnings in 2019.

	Group		Company	
	June 2019 R'000	June 2018 R'000	**June 2019 R'000**	June 2018 R'000
Dividend declared by AfroCentric Investment Corporation Limited in September 2017	**88 700**	77 613	**88 700**	77 613
Dividend declared by AfroCentric Investment Corporation Limited in March 2019	**97 621**	88 700	**97 621**	88 700
Other dividends in the Group:				
Dividend declared and paid by ACT Healthcare Assets Proprietary Limited to non-controlling interests	**–**	48 216	**–**	–
Dividend declared and paid by Medscheme (Namibia) Proprietary Limited to non-controlling interests	**7 891**	3 328	**–**	–
Dividend declared and paid by Allegra Proprietary Limited to non-controlling interests	**2 450**	–	**–**	–

27. *Share-based payments*

New scheme

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

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

Eligibility for participation to the plan will be considered on an annual basis. Share awards will constitute conditional shares in AfroCentric Investment Corporation Limited and on vesting date this will be issued to the identified participant in equity shares at no cost. The maximum annual allocation is 5 543 773 share awards (1% of current issued share capital of 554 377 328) and the maximum dilution limit is 27 718 866 (5% of current issued share capital of 554 377 328).

The share price on 18 December 2018 of R5.20 which is grant date, was used to determine the IFRS 2 charge for 2019. AfroCentric expects that 90% of awards will vest to participants at the end of the plan. The share awards are subject to staggered vesting, i.e. vesting of the share awards following the three-year retention period in three equal tranches. The charge for the year is R7 million.

	Group		Company	
	June 2019 R'000	June 2018 R'000	June 2019 R'000	June 2018 R'000
Executive awards	8 870	4 440		–
Movements in number of instruments:				
Outstanding at the beginning of the year	565	–	–	–
Vested	565	565	–	–
Active employees	565	565	–	–
Outstanding at the end of the year	1 130	565	–	–

Old scheme

In the prior financial years, the Boards of AfroCentric and AfroCentric Health had approved an allocation of 7 million additional shares that was not originally stipulated in the 2008 Acquisition Agreement. The AfroCentric Investment Corporation Limited Group, of which the AHL Group is a subsidiary, had allocated share-based awards to certain Executive Directors of the AHL Group as part of their remuneration package. The share awards are at an AfroCentric Investment Corporation Limited Group level. The Group measured the fair value of the share awards or equity instruments granted, in line with the Group's accounting policy. The share price on 1 November 2013, which was grant date, was used to determine the IFRS 2 charge for 2017. AfroCentric had fully settled its obligation of the 7 million additional shares and the share-based payment reserve has been released in the June 2017 financial year.

28. Contingencies, commitments and guarantees

28.1 Contingencies

Exposure to errors and omissions in ordinary course of business

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

Neil Harvey & Associates Proprietary Limited

Neil Harvey & Associates has instituted a claim against Medscheme Holdings Proprietary Limited and three of its employees in 2007. The allegations concern alleged copyright infringement and a breach of the Medware licence agreement. The maximum capital amount of the claim as presently pleaded is R390.4 million. An amendment sought by the plaintiff was the cause of this. The increased sum has no impact on the merits of the claim which remain the same as before. The parties are still engaged in private arbitration; however, it is unlikely that the matter will be finalised during the current financial year. Medscheme Holdings Proprietary Limited will continue to vigorously defend the claim and is confident that there will still be no liability in this matter and; the arbitration hearing has been scheduled for October 2019. We constantly monitor the merits of the case with our legal team. We remain confident that there will be no liability.

Legal claim against Allegra Proprietary Limited

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

Management is confident that the claims against Allegra are not seen to be valid and no proof exists to claim the fees paid to date of R18.2 million.

As at year-end, no legal summons have issued yet regarding this matter; there has however been an exchange of letters between the parties.

28.2 Commitments

	Group	
	June 2019 R'000	June 2018 R'000
Building rentals		
Rental obligations with respect to land and buildings		
Not later than 1 year	72 001	84 453
Later than 1 year but not later than 5 years	185 065	46 494
	257 066	130 947

28. *Contingencies, commitments and guarantees continued*

28.3 Guarantees

	Group		Company	
	June 2019 R'000	June 2018 R'000	June 2019 R'000	June 2018 R'000
Guarantees issued in respect of office rental for premises occupied by the Group	**5 503**	5 503	**–**	–
Medical aid schemes	**1 000**	1 000	**–**	–
South African Post Office	**3 800**	3 800	**–**	–
City Power Johannesburg	**500**	500	**–**	–
MMed guarantees to suppliers	**850**	850	**–**	–
	11 653	11 653	**–**	–

29. *Related party transactions*

29.1 Directors

Details relating to directors' emoluments are disclosed in Note 20. There are no loans to directors.

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

Relationships with directors in the Group

WAD Holdings Proprietary Limited – Mr AV van Buuren (Group Chief Executive Officer) and WH Britz (Executive Director) each hold 50% of WAD Holdings Proprietary Limited.

WAD Holdings Proprietary Limited holds A class shares in the Glen Eden Trading 58 Proprietary Limited. The Glen Eden A class shares will be entitled to 10% of the votes at any meeting attended by WAD Holdings Proprietary Limited or its proxy. The Glen Eden A class shares will not be entitled to any dividends or profit before 1 January 2017 and will rank pari passu with ordinary shares in terms of voting rights and distribution rights from 1 January 2017. AfroCentric purchased the A class shares in the current financial year for an amount of R194.5 million.

WAD Holdings Proprietary Limited holds A class shares in Pharmacy Direct Proprietary Limited and Curasana Wholesaler Proprietary Limited. The A class shares shall have no voting rights but shall have right to 100% of the distribution of the after tax profits attributable to the Department of Health contract from 1 July 2018. In the 2019 financial year, AfroCentric has a right to purchase the A class shares by 1 September 2018. The minimum threshold per the stipulated formula was not achieved for the purchase of the shares. The shares will now be transferred to ACT Healthcare Assets Proprietary Limited.

WAD Holdings Proprietary Limited is the 100% shareholder of Northern Lights Trading 172 Proprietary Limited. Curasana Wholesaler entered into an agreement with Northern Lights Trading 172 Proprietary Limited on 29 February 2016 whereby Curasana Wholesaler has purchased Portion 3 of Erf 1903, Zwartkop X15, which is the premises of the main business operations and was leased from Northern Lights Trading 172 Proprietary Limited, for the amount of R32 000 000. This was completed in the 2017 financial year.

WAD Holdings Proprietary Limited was the 51% shareholder of Activo Health Proprietary Limited. ACT Healthcare Assets Proprietary Limited concluded the commercial terms of agreement to acquire the remaining 74% on 1 March 2019. Shareholders will be aware that AfroCentric acquired a 26% interest in Activo Health and a call option for a further 74% interest in Activo Health as a component of the acquisition of the WAD assets in 2015.

29. Related party transactions continued

29.2 Transactions with entities in the Group

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

	Group	
	June 2019 R'000	June 2018 R'000
Directors		
Medical aid contributions paid by directors – to schemes administered by Medscheme Holdings Proprietary Limited	507	164
Mr MJ Madungandaba (70%) and Dr ATM Mokgokong (30%) control Namane Financial Services – consulting and marketing fees paid to Namane Financial Services	334	–
Mr SM Rothbart has a controlling interest in Rothbart Inc. – consulting fees paid by Medscheme Holdings Proprietary Limited	1 207	–
Mr MJ Madungandaba (42%) and Dr ATM Mokgokong (30%) control Mesure Facilities Management Proprietary Limited – management fees and other expenses paid to Mesure Facilities Management Proprietary Limited. The fees represent outsourced facilities management for the AfroCentric Group that represent the following categories:	74 338	71 526
– Salaries	13 458	14 414
– Cleaning and security	24 273	23 117
– Refurbishments, projects and capex	8 747	10 785
– Utilities	25 730	20 541
– Other	2 130	2 669
Mr MJ Madungandaba (41.91%) and Dr ATM Mokgokong (17.96%) collectively control Skynet South Africa Proprietary Limited – courier fees paid to Skynet South Africa	417	1 552
Mr MJ Madungandaba (8.29%) and Dr ATM Mokgokong (3.55%) have an interest in Jasco Electronics Holdings Limited – IT service fees paid to Jasco Electronics Holdings Limited	20 975	17 921

29. Related party transactions continued

29.2 Transactions with entities in the Group continued

	Group	
	June 2019 R'000	June 2018 R'000
Subsidiaries		
The Cheese Has Moved Proprietary Limited – interest charged on loan from AfroCentric Health Proprietary Limited	**735**	289
AfroCentric Health Proprietary Limited – management fees paid to Medscheme Holdings Proprietary Limited	**–**	13 051
AfroCentric Management Services Proprietary Limited – profile fees paid to Helios IT Solutions Proprietary Limited	**59**	62
AfroCentric Management Services Proprietary Limited – Telkom, TMS and printer fees paid to Helios IT Solutions Proprietary Limited	**13**	36
AfroCentric Management Services Proprietary Limited – IT support services paid to Helios IT Solutions Proprietary Limited	**4**	2
Aid for AIDS Management Proprietary Limited – management fees paid to AfroCentric Health Proprietary Limited	**8 259**	7 792
Aid for AIDS Management Proprietary Limited – Telkom, TMS and printer fees paid to Helios IT Solutions Proprietary Limited	**330**	596
Aid for AIDS Management Proprietary Limited – profile fees paid to Helios IT Solutions Proprietary Limited	**2 193**	2 348
Allegra Proprietary Limited – switching fees paid to Helios IT Solutions Proprietary Limited	**6 221**	5 201
Allegra Proprietary Limited – TMS and Telkom fees paid to Helios IT Solutions Proprietary Limited	**11**	17
Allegra Proprietary Limited – licence and support fee paid to Helios IT Solutions Proprietary Limited	**1 701**	1 434
ACT Healthcare Assets Proprietary Limited – dividends paid to AfroCentric Investment Corporation Limited	**–**	119 784
Medscheme Namibia Proprietary Limited – dividends paid to Medscheme Holdings Proprietary Limited	**22 459**	9 473
Pharmacy Direct Proprietary Limited – inventory purchases from Curasana Wholesalers Proprietary Limited	**816 690**	867 827
Curasana Wholesalers Proprietary Limited – logistic sales from Activo Health Proprietary Limited	**30 185**	–
Helios IT Solutions Proprietary Limited – consulting fees paid to Glen Eden Trading 58 Proprietary Limited	**–**	36 843
Medscheme Holdings Proprietary Limited – consulting fees paid to Glen Eden Trading 58 Proprietary Limited	**33 384**	–
Pharmacy Direct Proprietary Limited – rental costs, electricity and security costs paid to Curasana Wholesalers Proprietary Limited	**4 393**	3 571
Medscheme International – management fees paid to AfroCentric Health Proprietary Limited	**30**	30
Medscheme Mauritius – management fees paid to AfroCentric Health Proprietary Limited	**282**	267
Medscheme Zimbabwe – management fees paid to AfroCentric Health Proprietary Limited	**251**	238
AfroCentric Health Proprietary Limited – IT support services paid to Helios IT Solutions Proprietary Limited	**493**	595

29. *Related party transactions continued*

29.2 Transactions with entities in the Group continued

	Group	
	June 2019 R'000	June 2018 R'000
Subsidiaries continued		
AfroCentric Health Proprietary Limited – TMS and Telkom fees paid to Helios IT Solutions Proprietary Limited	**157**	119
AfroCentric Health Proprietary Limited – profile fees paid to Helios IT Solutions Proprietary Limited	**6 771**	4 884
Aid for AIDS Management Proprietary Limited – dividends paid to AfroCentric Health Proprietary Limited	**–**	70 400
AfroCentric Health Proprietary Limited – dividends paid to ACT Healthcare Assets Proprietary Limited	**–**	168 000
Glen Eden Proprietary Limited – dividends paid to ACT Healthcare Assets Proprietary Limited	**–**	57 234
Medscheme Limited – dividends paid to AfroCentric Health Proprietary Limited	**–**	43 999
AfroCentric Distribution Services Proprietary Limited – on site support fees paid to Helios IT Solutions Proprietary Limited	**468**	161
AfroCentric Distribution Services Proprietary Limited – out of scope fees paid to Helios IT Solutions Proprietary Limited	**78**	223
Helios IT Solutions Proprietary Limited – management fees paid to AfroCentric Health Proprietary Limited	**17 340**	16 358
Medscheme Holdings Proprietary Limited – TMS and Telkom fees paid to Helios IT Solutions Proprietary Limited	**14 441**	15 647
Medscheme Holdings Proprietary Limited – out of scope and recovery costs paid to Helios IT Solutions Proprietary Limited	**964**	1 101
Medscheme Administrators Swaziland Proprietary Limited – management fees paid to AfroCentric Health Proprietary Limited	**1 658**	1 565
Klinikka Proprietary Limited – corporate service fees paid to Helios IT Solutions Proprietary Limited	**89**	74
Medscheme Administrators Swaziland Proprietary Limited – IT support services paid to Helios IT Solutions Proprietary Limited	**653**	463
Medscheme Administrators Swaziland Proprietary Limited – profile fees paid to Helios IT Solutions Proprietary Limited	**132**	125
Medscheme Holdings Proprietary Limited – management fees paid to AfroCentric Management Services Proprietary Limited	**21 726**	20 400
MMed Proprietary Limited – IT Support service fees paid to Helios IT Solutions Proprietary Limited	**5**	8
Medscheme Holdings Proprietary Limited – IT support services paid to Helios IT Solutions Proprietary Limited	**–**	69
Medscheme Holdings Proprietary Limited – management fees paid to AfroCentric Health Proprietary Limited	**142 836**	147 836
Medscheme Holdings Proprietary Limited – switching fees paid to Allegra Proprietary Limited	**44 352**	33 439
Curasana Wholesaler Proprietary Limited – management fees paid to AfroCentric Management Services Proprietary Limited	**2 020**	2 372

29. *Related party transactions continued*

29.2 Transactions with entities in the Group continued

	Group	
	June 2019 R'000	**June 2018 R'000**
Subsidiaries continued		
Medscheme Holdings Proprietary Limited – IT admin fees paid to Helios IT Solutions Proprietary Limited	**158 861**	148 271
Helios IT Solutions Proprietary Limited – commission payable to Medscheme Holdings Proprietary Limited for services rendered (CIMAS and First Mutual Life)	**2 857**	2 395
Helios IT Solutions Proprietary Limited – commission payable to Medscheme Holdings Proprietar) Limited for services rendered (Premier Service Medical Aid)	**1 386**	–
Medscheme Holdings Proprietary Limited – profile fees paid to Helios IT Solutions Proprietary Limited	**103 992**	95 535
Medscheme Holdings Proprietary Limited – dividend paid to AfroCentric Health Proprietary Limited	**–**	168 000
Medscheme Namibia Proprietary Limited – licence and support fees paid to Helios IT Solutions Proprietary Limited	**5 884**	5 869
Medscheme Namibia Proprietary Limited – profile fees paid to Helios IT Solutions Proprietary Limited	**1 332**	1 188
Medscheme Namibia Proprietary Limited – management fees paid to Medscheme Holdings Proprietary Limited	**1 071**	1 011
Klinikka Proprietary Limited – interest charged on loan from AfroCentric Health Proprietary Limited	**–**	211
AfroCentric Distribution Services Proprietary Limited – management fees paid to AfroCentric Health Proprietary Limited	**1 873**	–

	Company	
	June 2019 R'000	**June 2018 R'000**
AfroCentric Health Proprietary Limited loan account	**126 754**	9 519

29. *Related party transactions continued*

29.3 Key management personnel compensation

	Group		Company	
	June 2019 R'000	June 2018 R'000	June 2019 R'000	June 2018 R'000
Short-term employee benefits	–	7 687	–	–
Share-based payments (Note 27)	13 456	3 501	–	–

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

29.4 Inter-Group guarantees

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

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

30. *Pensions and other retirement obligations*

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

Medscheme Provident Fund and Medscheme Employees Provident Fund

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

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

31. *Deferred payment*

	Group		Company	
	June 2019 R'000	June 2018 R'000	June 2019 R'000	June 2018 R'000
Deferred payment	7 335	5 263	–	–

On 1 October 2018 (effective date and acquisition date) AfroCentric concluded agreements governing the acquisition of 82.8% of the iThrive Business Solutions Group of companies. The Group is determined to pursue partnerships, acquisitions and mergers in order to drive toward value chain optimisation and this acquisition bears testament to this. The purchase consideration for iThrive Business Solutions Group is R38 million in cash consideration.

32. *Subsequent events*

No subsequent events have been identified after the financial year-end.

NOTES

NOTES

COMPANY INFORMATION

Registration number
1988/000570/06

Registered address
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1709

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