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Chairperson's report

AfroCentric's philosophy is succeeding

AfroCentric was constituted for Black Economic Empowerment value creation, by selecting the more positive and successful features of past BEE models and combining them with new approaches. These new approaches include the establishment of true broad-based ownership and the commitment of the expertise and experience of a distinctive board of directors.

Pursuant to this objective, the Company has made a number of investments, the details of which are set out in the following reports . Since 1 July 2006 the compound revenue growth in earnings per ordinary share has been 88%. Commencing in 2006 with a BEE ownership of 50,1%, the BEE ownership at 30 June 2009 is over 70%.

Business and BEE successes in a challenging environment

It is important to note that AfroCentric has achieved these successes during the most challenging economic downturn to have occurred in South Africa in the past 25 years.

I would like to thank the Board Investment Committee for applying their expertise and experience in the consideration of investments during the past years.

Despite the global financial crisis, AfroCentric continued to benefit a broad base of beneficiaries through the AfroCentric Empowerment Trust and has swollen the ranks of HDSA shareholders through acquisition. We welcome the investment of Community Investment Holdings into our family. We also welcome the many HDSA members of the South African Medical and Dental Practitioners who have joined us during the past year and those individual shareholders of Lethimvula Investments Limited ("Lethimvula") who have placed their confidence in AfroCentric by accepting the offer of AfroCentric for their Lethimvula shares.

The next steps

AfroCentric continues to seek out strategic acquisitions which create true value for our shareholders. Earnings per share growth is a principal objective of AfroCentric.

We believe that our investment in Jasco is well positioned to benefit from infrastructure investment and the Lethimvula investment has already shown a trend toward fulfiling certain earnings warranties which made the investment so opportune. Our strategic relationship with Rio Tinto is a long-term one, yet it remains active and hopefully will fulfil its promise in years to come. Our new associates, the Hanwha Corporation of Korea, are an exciting addition to our portfolio.

To the team, thank you

Thank you to my fellow Board members. This is a distinguished team to which I am privileged to belong. Thank you also to our Chief Operations Officer and the management and employees of our subsidiary and associate companies for contributing towards our progress in these trying times.

Sincerely

N Brigalia Bam
Chairperson

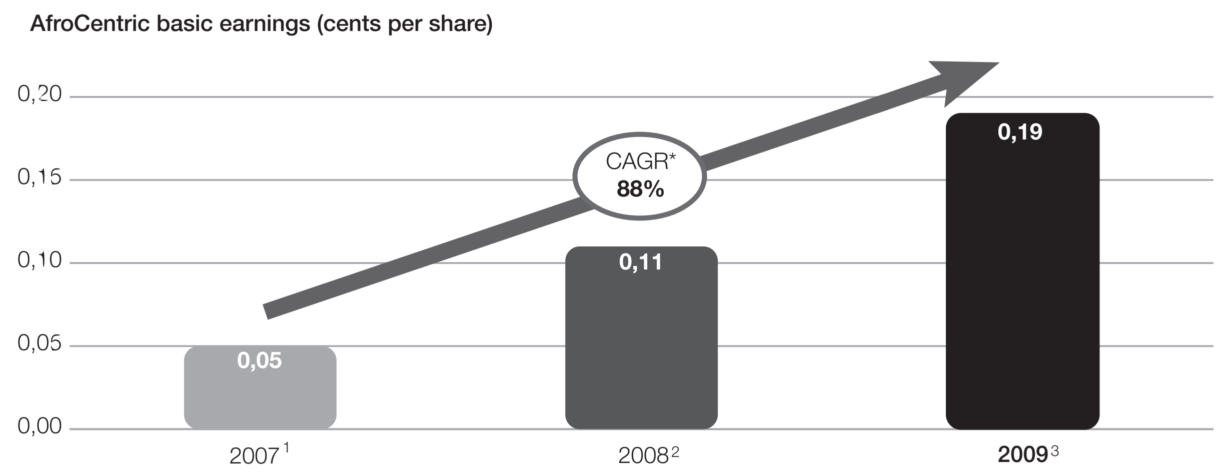
Operations report

Introduction

Save for the revenues earned on the Company's treasury funds, AfroCentric has, for the first time, presented earnings for a full year which includes income from investment operations. The results for the financial year ended 30 June 2008 included only one month's earnings from AfroCentric's investment in Jasco. This year includes a full year of contribution from Jasco and five months of consolidated earnings arising from the investment in Lethimvula. Shareholders can now appreciate the priority of AfroCentric's policy for earnings enhancing investments, hopefully also to include sustainable growth and shareholder value.

Shareholders will be mindful of the conservative policy of the Board Investment Committee in previous years. While AfroCentric has in the past been criticised for its cautious approach to investment during the frenetic years of 2006 and 2007, the caution has served shareholders well given the decline in equity revenues and the deep recession that has affected the economies of most countries of the world.

Against this backdrop, AfroCentric has generated solid results which are reflected in the chart below:



1. *Treasury income only*
2. *Treasury income 1 month of Jasco earnings*
3. *Treasury income 12 months of Jasco earnings and 5 months of Lethimvula earnings*

* *Compound Annual Growth Rate*

Overview

AfroCentric owns a 34,9% interest in Jasco Electronics Holdings Limited and holds R100 million in preference shares in a subsidiary of Jasco which facilitated Jasco's acquisition of shares in Malasela Taihan Electric Company ("M-Tec"). M-Tec is a manufacturer of wire and optic fibre cable owned partly by Jasco and the Korean industrial giant, Taihan Industrial Holdings.

AfroCentric also owns 83,8% of Lethimvula Investments Limited, the holding company of Medscheme Holdings which is one of the largest medical scheme administrators in South Africa.

AfroCentric also continued its relationship with Rio Tinto Plc for the prospecting and exploration of a number of mineral deposits, the rights of which belong to AfroCentric or to projects where AfroCentric has been invited to participate in terms of the Co-operation Agreement between AfroCentric and Rio Tinto.

Subsequent to year-end, AfroCentric signed a co-operation and distribution agreement with Hanwha Corporation. Hanwha is a global conglomerate headquartered in South Korea. This relationship will position AfroCentric as a facilitator for a wide range of consumer and industrial products, skills and services in the South African manufacturing, construction, finance, technology and healthcare sectors. Several of Hanwha's products and services will be introduced to AfroCentric's associates and to enterprises with which AfroCentric has and will develop relationships.

Jasco

AfroCentric's investments in listed Jasco Electronics Holdings Limited ("Jasco") yielded attributable earnings for the year ended 30 June 2009 of R7,6 million (2008: R3,5 million), and preference dividends received of R11,4 million (2008: R1 million), a significant increase compared to last year but substantially due to last year's earnings being reported only for the month of June 2008.

Jasco's various business units were severely affected by the economic downturn experienced during the past year, but given the infrastructural nature of Jasco's operations and investments, the improvement in commodity prices and the group's contractual relationships with Telkom and Eskom, a degree of cautious optimism prevails for the industry sector in general and the company in particular. The results of Jasco were released on Sens on 16 September 2009 and more information on Jasco's earnings and operations are available under JSE Code: JSC.

Lethimvula

Lethimvula is an investment holding company with its principal asset being a 100% interest in Medscheme Holdings, a multi-medical scheme administrator, serving Trustees and members of both open and determinate corporate medical schemes. Medscheme is the largest black owned medical scheme administrator in South Africa covering approximately 2 million lives in the private healthcare administration market. It also has managed care contracts with a number of medical schemes which cover close on 3 million lives.

AfroCentric's investment in Lethimvula yielded earnings of R47,2 million (before tax) for the five month period ended 30 June 2009, these being substantially consistent with the earnings estimates and projections computed during the due diligence exercise. Medscheme is an impressive administration business, professionally and efficiently managed by a highly motivated, competent and experienced team of executives. The Medscheme Life Assurance business was disposed of to Old Mutual during July 2009, and operational management will now focus its attention on its administration client base, including bedding down the Old Mutual Healthcare acquisition.

The Oxygen Medical Scheme Administration contract was recently won on tender and the tender award for the managed healthcare of the Government Employees Medical Scheme ("GEMS") was awarded to Medscheme. In addition, reciprocal co-operation agreements were concluded between Old Mutual and Medscheme, creating a framework for mutual co-operation.

It is too early to judge whether the growth in earnings and profit warranty thresholds in the Lethimvula acquisition will be fulfiled, but given the five month performance of Lethimvula, and the new business growth disclosed herein, the Board is encouraged by the early and positive trend. Absent some unexpected event or regulatory intervention, Lethimvula and its subsidiary, Medscheme, will become a leading enterprise in healthcare administration.

AfroCentric will continue to provide guidance and support for Medscheme's expanding operations including the necessary research and resources for appropriate structures and feasible solutions for the proposed National Health Insurance initiatives.

Partnership with Rio Tinto

AfroCentric's exploration and prospecting relationship with Rio Tinto Plc continues in terms of the reciprocal strategic co-operation agreement. While a number of projects are at various stages of geophysical surveying and research, drilling programmes carried out during the year continue to be evaluated. Additional prospecting rights in the Northwest province were awarded to AfroCentric during the year and these will form part of an existing Rio Tinto project for further exploration.

Conclusion

Despite a difficult economic year for most businesses, AfroCentric delivered on its mandate to enhance the earnings per share for shareholders through strategic, value based acquisitions and strategic guidance to existing subsidiaries and partners. A solid and comprehensible earnings platform for growth has been established.

Jon Rothbart
Chief Operations Officer

Michael I Sacks
Financial Director/Secretary

Corporate governance report

AfroCentric's corporate governance philosophy
AfroCentric is a diversified holding company that recognises the need to adopt a philosophy of good corporate governance and particularly the recommendations of the King II report on corporate governance (appropriate implementation of King III is being planned and will be implemented by 1 March 2010).

AfroCentric's corporate governance philosophy is translated into compliance with JSE legislation, responsibility to the communities and environments where operations take place and ensuring a practice of good business ethics and integrity.

In turn this will maximise shareholder value while at the same time ensuring that AfroCentric's vision and strategy is realised (while remaining accountable to stakeholders).

Introduction
Corporate governance guides the Directors, management and operations of the AfroCentric Group and ensures a culture of responsibility, accountability, integrity, ethics and respect.

The Directors fully endorse the recommendations of the King II report and where there is non-compliance it will be indicated in this report.

The AfroCentric Chief Operating Officer and Company Secretary are currently assessing the King III report and the new Companies Act and will communicate their findings and recommendations to the Board in due course, but it will take into account the correlation between sound corporate governance and profitability, as follows:
- Role and composition of the Board;
- Appointment of directors and senior executive remuneration;
- Audit, accountability and control;
- Talent management;
- Communication protocols;
- Business risk management;
- Sustainability and socio-economic responsibility.

In summary, the Board is committed to the principles of discipline, transparency, independence, social responsibility and accountability in all its dealings with stakeholders.

Board of Directors
The Board currently consists of seven Directors, three of which are Non-executive Directors and four independent Non-executive Directors. Directors are recognised by having unique expertise and prestigious standing in South African business. There have been no changes to the Board since the Company's reconstitution in 2006, but future appointments will be approved through a process of nomination by a Board subcommittee and election by the Board of Directors.

The Directors are as follows:

	Non-Executive	Independent
• NB Bam (Chair)	4	4
• JM Kahn	4	7
• DI Swartz	4	4
• MV Gantsho	4	4
• NMJ Canca	4	4
• B Joffe	4	7
• MI Sacks	4	7

A Chief Operating Officer has been appointed and Messrs Kahn and Sacks (in conjunction with Mr Joffe) assist the Chief Operating Officer in terms of an informal management agreement.

In line with the recommendations of King II, and as outlined in the JSE Listings Requirements, the positions of the Chairperson and the Chief Operating Officer are separately held, with a clear division of duties.

The remaining Non-Executive Directors are independent of management and this ensures that no one individual has unfettered powers of decision-making and authority, ensuring that stakeholder interests are protected.

The Directors of AfroCentric:
- Are required to disclose any conflicts of interest at Board meetings (this is a permanent agenda item). No conflicts of interest were reported during the year under review;
- Aim to act impartially and independently when considering matters of strategy, performance, allocation of resources and ensuring the highest levels of conduct;
- Have unrestricted access to inspect all the documents, information and records of AfroCentric and the Group in order to ensure that the Board is able to discharge its responsibilities;
- Are subject to retirement by rotation and are entitled to re-election by shareholders at the Annual General Meeting;
- Are entitled to seek independent professional advice concerning the affairs of the AfroCentric Group, at the Group's expense, should they believe this to be in the best interest of the Group; and
- Are responsible to the shareholders and other stakeholders for setting the strategic direction of the Company.

Board evaluation and performance
AfroCentric does not undertake annual Board or Board committee evaluations (including individual evaluations of the Chairperson and every Director), as recommended by King II.

It is envisaged that by 1 March 2010 there will be a process in place where the aforementioned evaluations are done through self-assessments and a documented peer review process.

Board/governance committees
AfroCentric has an Investment/Remuneration and Audit Committee.

The committees assist the Board in discharging its responsibilities. This assistance is rendered in the form of recommendations and reports submitted to the Board, ensuring transparency and full disclosure of Board committee activities.

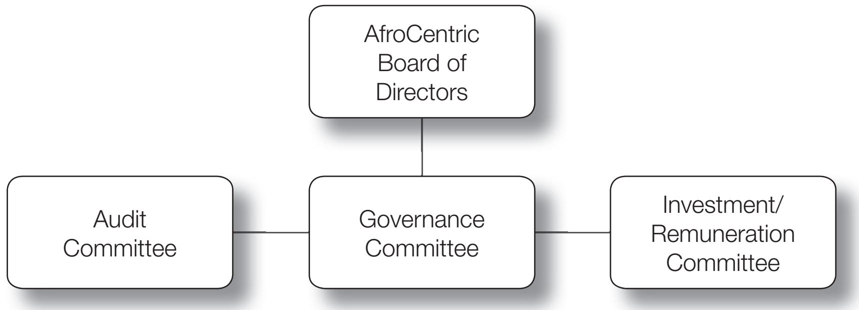
The Board committees consist solely of Non-Executive Directors.

Ad hoc subcommittees are created as and when necessary.

AfroCentric Investment Corporation Limited • Annual Report • 2009

Corporate governance report *(continued)*

The current structure is depicted as follows:



Members	MI Sacks JM Kahn	JM Kahn B Joffe NMJ Canca MI Sacks
Regular invitees	A Norman J Rothbart	J Rothbart
FY 2009 meetings	2	3
Attendance	All	Apologies: Rothbart

Audit Committee report

Functions of the Audit Committee

The functions of the Audit Committee include:

- Review of the interim and year-end financial statements, and a recommendation to the Board regarding such financial statements;
- Review of the external audit reports and supply guidance for the use of external auditors for non-audit services;
- Review of internal audit and risk management functions and reports with recommendations being made to the Board when necessary;
- Review the effectiveness of the Group's systems of internal control, internal audit and risk management;
- Review audit committee reports from its controlled subsidiary Lethimvula Investments Limited and its associate Jasco;
- The committee monitors the following and ensures that:
  - financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS");
  - internal financial controls are in place and that AfroCentric is a going concern and when appropriate makes recommendations;
  - the external auditor is independent, and that the audit fees are fair and reasonable;
  - there is an effective risk management process in place;
  - that the CFO has the necessary expertise and experience; and
  - AfroCentric is represented on the critical subcommittees of the boards of its subsidiaries.

Members of the Audit Committee

The membership of the Audit Committee consists of two (2) Non-executive Directors: MI Sacks and JM Kahn, with J Rothbart (Chief Operations Officer) and A Norman being invitees.

The members of the Audit Committee have at all times acted in an independent manner.

The Audit Committee collectively possesses the knowledge and experience necessary to diligently execute their responsibilities.

Frequency of meetings

The Audit Committee meets at least twice yearly and provision is made for additional meetings to be held, when and if necessary.

Independence of audit

During the year under review the Audit Committee reviewed a report by the external auditor and, after conducting its own review, confirmed the independence of the auditor.

Expertise and experience of Financial Director

As required by JSE Listings Requirements the Audit Committee has satisfied itself that the Financial Director has appropriate expertise and experience.

Recommendation to the Board

The Audit Committee is satisfied that AfroCentric has sufficient internal financial controls in place and that it is a going concern. It therefore recommended to the Board to accept and approve the Annual Financial Statements for the year under review (year ended 30 June 2009).

Attendance at Audit Committee meetings (during the year ended 30 June 2009)

	Date of Audit Committee meetings	
Member	March 2009	September 2009
MI Sacks	4	4
JM Kahn	4	4
A Norman*	4	4
J Rothbart*	4	4

** By invitation*

Statement of Directors' responsibilities

for the year ended 30 June 2009

The Directors are responsible for the preparation, integrity and fair presentation of the financial statements of AfroCentric Investment Corporation Limited and its subsidiaries, in accordance with International Financial Reporting Standards ("IFRS") and the Companies Act of South Africa 1973 ("the Companies Act"). The annual financial statements presented on pages 12 to 87 have been prepared in accordance with the requirements of IFRS and the Companies Act, and include amounts based on judgements and estimates made by management.

The Directors consider that having applied IFRS in preparing the annual financial statements, they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all IFRS that they consider to be applicable have been followed. The Directors are satisfied that the information contained in the annual financial statements fairly presents the results of operations for the year and the financial position of the Group and Company at year-end in accordance with IFRS.

The Directors have the responsibility for ensuring that accounting records are kept. The accounting records should disclose, with reasonable accuracy, the financial position and results of the Group and Company to enable the Directors to ensure that the annual financial statements comply with relevant legislation.

The Company continues to monitor its internal control structures, which incorporate risk management and control procedures which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the business are controlled. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of controls, procedures and systems has occurred during the year 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 and Company will not be a going concern in the year ahead, based on forecasts and available cash resources. These financial statements support the viability of the Group and Company.

The Company's external auditors, SizweNtsaluba VSP, audited the annual financial statements and their audit report is presented on page 11.

The annual financial statements which appear on pages 12 to 87 were approved for issue by the Board of Directors on 28 September 2009 and are signed on its behalf by:

MI Sacks
Director

JM Kahn
Director

Johannesburg
28 September 2009

Certificate by the Company Secretary

for the year ended 30 June 2009

In terms of section 268 G (d) of the Companies Act 61, of 1973, as amended, I certify that, to the best of my knowledge and belief the Company has lodged with the Registrar of Companies for the year ended 30 June 2009, 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.

MI Sacks

Johannesburg
28 September 2009

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20MorrisStreetEast,Woodmead,2191
POBox2939,Saxonwold,2132
Tel.+27861176877,Fax.+27112340933
www.sizwentsaluba.co.za

Independent auditor's report

Independent auditor's report to the members of AfroCentric Investment Corporation Limited

Report on the financial statements

We have audited the annual financial statements and group annual financial statements of AfroCentric Investment Corporation Limited, which comprise the Directors' report, the balance sheet and consolidated balance sheet as at 30 June 2009, the income statement and consolidated income statements, the statement of changes in equity and consolidated statement of changes in equity and cash flow statement and consolidated cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 12 to 87.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company and of the Group as at 30 June 2009, and of the financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Partner: A. Mthimunye
SizweNtsaluba VSP
Registered Auditor

Johannesburg
28 September 2009

Directors' report

for the year ended 30 June 2009

The Directors have pleasure in presenting their report for the year ended 30 June 2009, which forms part of the audited annual financial statements of the Group and the Company for the year then ended.

Business activities

AfroCentric is a black owned investment holding company. On 31 March 2008, the Company concluded an agreement, effective from 1 June 2008, for the acquisition of a 34,9% minority interest in JSE-listed Jasco Electronics Holdings Limited ("Jasco"). The purchase price of this investment was satisfied by the issue of AfroCentric ordinary shares. Simultaneously AfroCentric subscribed for R100 million of preference shares in a wholly-owned subsidiary of Jasco to part facilitate the acquisition of Jasco's investment in Malesela Taihan Electric Cables (Pty) Limited ("M-Tec"). Jasco's core focus of operations is in the electronics and communications industry. M-Tec is a leading manufacturer and distributor of fibre optic cable including a wide range of power and telecom cable, serving *inter alia*, the infrastructural development demands in the South African and African continental markets.

During the year under review, AfroCentric acquired an initial 63,2% of the shares in Lethimvula Investments Limited ("Lethimvula"). Being an affected transaction as defined in the SRP Code on Takeovers and Mergers ("SRP Code") AfroCentric made a similar offer to the minority shareholders of Lethimvula in accordance with the SRP Code. At 30 June 2009, AfroCentric owned 83,8% of Lethimvula and AfroCentric continues to engage those Lethimvula shareholders who offer their Lethimvula shares for sale. The vendors of shares in Lethimvula warranted profits after tax for the years ending 30 June 2011, 2012 and 2013 at an average of R180 million. Should such warranty be fulfiled and to the extent that AfroCentric owns 100% of Lethimvula, AfroCentric will implement a further allotment of shares to the vendors not exceeding 138 500 000 AfroCentric shares. The allotment of such shares will be reduced in terms of the formula, should the warranted profits not be attained.

Group results

AfroCentric's group earnings after tax increased 368% to R50,5 million (2008: R10,8 million). This increase arises substantially as a result of attributable earnings from associates and the consolidation of the income and earnings of Lethimvula for the five month period ended 30 June 2009. Earnings per share ("EPS") increased 72% to 19,00 cents (2008: 11,04 cents) and diluted EPS increased 90% to 16,68 cents (2008: 8,76 cents). Headline earnings per share ("HEPS") increased 66% to 18,37 cents (2008: 11,04 cents) and diluted HEPS increased 84% to 16,12 cents (2008: 8,76 cents).

Changes in share capital

Pursuant to the Lethimvula acquisition, the Company issued 114 044 755 ordinary shares. These shares were issued in part consideration of the purchase price of the initial vendor's interest of 63,2% and the shares of the minorities in terms of the circular. Details of the Company's authorised and issued share capital are set out in note 18 of the financial statements.

Control of unissued share capital

The unissued ordinary shares are the subject of a general authority granted to the Directors in terms of section 221 of the Companies Act, 1973 (Act no. 61 of 1973) ("the Companies Act"). As this general authority remains valid only until the next annual general meeting, members will be asked at the forthcoming annual general meeting to consider an ordinary resolution placing the said unissued ordinary shares up to a maximum of 10% of the Company's issued share capital under the control of the Directors until the next annual general meeting.

Dividends

No dividends were declared or paid during the current and prior year.

In terms of the Company's Articles of Association, all unclaimed dividends shall not bear interest and may be invested or otherwise made use of by the Directors of the Company as they deem fit for the benefit of the Company until claimed, provided that dividends unclaimed and retained for a period of three years shall be forfeited and shall revert to the Company and be dealt with by the Directors of the Company as they deem fit.

Directors

The following acted as Directors during the current and prior financial year:

NB Bam* (Chairman)
NMJ Canca*
MV Gantsho*
JM Kahn*
MI Sacks*
Prof DI Swartz*
B Joffe*
**Non-executive*

Company Secretary

The Company Secretary is MI Sacks, whose registered and postal addresses are set out below:

Registered address	Postal address
42 Wierda Road West	Private Bag X34
Wierda Valley	Benmore
Sandton	2010
2196	

Shareholders' interest

Major shareholders

The major shareholders and the Directors' interests in ordinary shares and preference shares as at 30 June 2009 and 30 June 2008 are provided hereafter. Major shareholders are those which own directly or indirectly 5% or more of each class of shares.

Ordinary shareholders as at 30 June 2009

An analysis of holdings extracted from the register of ordinary shareholders as at 30 June 2009 is listed below:

	Analysis of ordinary shares*				
Director	**Direct beneficial**	**Indirect beneficial**	**Held by associate**	**Total**	**%**
2009					
NB Bam (Chairman)	**150 000**	**–**	**–**	**150 000**	**0,06**
NMJ Canca	**113 000**	**–**	**–**	**113 000**	**0,04**
MV Gantsho	**250 000**	**–**	**–**	**250 000**	**0,10**
JM Kahn	**5 002 250**	**–**	**–**	**5 002 250**	**1,94**
MI Sacks	**2 259 925**	**–**	**3 760 000**	**6 019 925**	**2,33**
Prof DI Swartz	**150 000**	**–**	**–**	**150 000**	**0,06**
B Joffe	**–**	**–**	**3 600 000**	**3 600 000**	**1,40**
2008					
NB Bam (Chairman)	150 000	–	–	150 000	0,10
NMJ Canca	150 000	–	–	150 000	0,10
MV Gantsho	250 000	–	–	250 000	0,17
JM Kahn	5 002 250	–	–	5 002 250	3,47
MI Sacks	1 242 250	–	3 760 000	5 002 250	3,47
Prof DI Swartz	150 000	–	–	150 000	0,10
B Joffe	–	–	3 600 000	3 600 000	2,50

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

Shareholder	Shareholders holding more than 5% of the issued share capital: Number of shares	%
2009*		
AfroCentric Empowerment Trust	**47 100 000**	**18,26**
Community Investment Holdings	**49 426 916**	**19,16**
Golden Pond Trading 175 (Pty) Limited	**36 571 127**	**14,17**
Community Healthcare Holdings (Pty) Limited	**30 878 043**	**11,97**
	163 976 086	
2008		
AfroCentric Empowerment Trust	47 100 000	32,72
Community Healthcare Holdings (Pty) Limited	49 426 916	34,34

** Total issued ordinary shares as of 30 June 2009: 257 999 496*

Spread of ordinary shareholders

	2009			2008	
	Number of shareholders	**Number of shares**	**%**	Number of shares	%
Public shareholders		**78 701 235**	**30,50**	33 123 325	23,01
Non-public shareholders					
Directors	**7**	**7 962 175**	**3,09**	6 944 500	4,82
Associates of directors	**2**	**7 360 000**	**2,85**	7 360 000	5,11
Shareholders owning 10% or more of the securities	**4**	**163 976 086**	**63,56**	96 526 916	67,06
Total		**257 999 496**	**100,00**	143 954 741	100,00
Shareholders owning 5% or more					
AfroCentric Empowerment Trust		**47 100 000**	**18,26**	47 100 000	32,72
Community Investment Holdings		**49 426 916**	**19,16**	49 426 916	34,34
Community Healthcare Holdings		**30 878 043**	**11,97**	–	–
Golden Pond Trading 175 (Pty) Limited		**36 571 127**	**14,17**	–	–

Preference shareholders as at 30 June 2009

An analysis of holdings extracted from the register of preference shareholders at 30 June 2009 is listed below:

Director	Analysis of preferential shares*: Direct beneficial	Indirect beneficial	Held by associate	Total	%
2009					
JM Kahn	**3 784 981**	**–**	**–**	**3 784 981**	**22,75**
MI Sacks	**3 784 981**	**–**	**–**	**3 784 981**	**22,75**
B Joffe	**–**	**–**	**2 548 182**	**2 548 182**	**15,32**

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

Director	Analysis of preferential shares: Direct beneficial	Indirect beneficial	Held by associate	Total	%
2008					
JM Kahn	3 784 981	–	–	3 784 981	22,75
MI Sacks	3 784 981	–	–	3 784 981	22,75
B Joffe	–	–	2 548 182	2 548 182	15,31

Shareholder	Shareholders holding more than 5% of the preferential shares: Number of shares	%
2009 and 2008		
JM Kahn	**3 784 981**	**22,75**
MI Sacks	**3 784 981**	**22,75**
Eagle Creek Investments 605 (Pty) Limited	**3 636 800**	**21,86**
JDL Trust	**2 548 182**	**15,32**

Spread of preferential shareholders

	2009			2008	
	Number of shareholders	**Number of shares**	**%**	Number of shares	%
Public shareholders		**2 883 056**	**17,33**	2 883 056	17,33
Non-public shareholders		**13 754 944**	**82,67**	13 754 944	82,67
Directors	**2**	**7 569 962**	**45,50**	7 569 962	45,50
Associates of directors	**1**	**2 548 182**	**15,32**	2 548 182	15,32
Shareholders owning 10% or more of the securities	**1**	**3 636 800**	**21,86**	3 636 800	21,86
Total		**16 638 000**	**100,00**	16 638 000	100,00

Directors' remuneration

A director's fee of R50 000 each was earned by Messrs Bam, Canca, Gantsho and Swartz for services as Directors for the year under review (2008: R40 000 each). There were no other emoluments paid to Directors. The remuneration policy is currently the subject of review by the Directors, and will be assessed in light of the scope and nature of the Company's operations.

Directors' service contracts

At the date hereof, none of the Directors has entered into a service contract with the Company.

The Board has appointed a permanent Operations Officer. During the year under review, Messrs Kahn and Sacks continued to fulfil the roles of acting management (in consultation with Mr Joffe) in terms of an informal management agreement. The Company has an Investment Committee which includes Messrs Canca, Joffe, Kahn and Sacks. All investment opportunities are presented to and reviewed by the Investment Committee. All material investments are presented to, and reviewed by the Board.

Directors' interests in contracts

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

Share incentive scheme

The Company adopted a share incentive scheme for the incentivisation of employees and Directors at a general meeting of shareholders held on 31 March 2007.

At balance sheet date no shares or options had been issued in terms of the scheme.

The salient features of the scheme are detailed below:

- The aggregate number of ordinary shares which may be made available for the purposes of the scheme shall not be more than 20% of the issued ordinary share capital from time to time of the Company;
- The aggregate number of ordinary shares which may be acquired by any one participant under the scheme shall not be more than 3% of the issued ordinary share capital from time to time of the Company;
- The percentages and numbers set out in the preceding paragraphs above shall not be exceeded without prior authority of the shareholders of the Company in general meeting and the approval of the JSE; and
- The price at which shares shall be made available shall be the volume weighted average price at which shares are traded on the JSE on the five business days immediately preceding the date upon which the Board directs that the relevant shares are made available to participants as determined by the sponsors of the Company or such other valuators nominated by the Board for that purpose acting in their discretion.

The salient features of the offer to purchase scheme are set out hereunder:

- The shares issued in terms of the scheme shall rank *pari passu* with the existing issued ordinary shares in the Company;
- Participants in the scheme may be officers or other employees of the Company, including, but not limited to, executive and non-executive directors, selected by the Board. Participants may be offered the opportunity to acquire shares in terms of the so-called "offer to purchase scheme" and the so-called "option scheme";
- Under this scheme, shares ("scheme shares") are sold by the scheme to the participants on the basis that ownership thereof passes to the participants on conclusion of the contract of sale but the purchase price need not be paid immediately. The amount due is hereinafter referred to as the "share debt";
- The amount payable by a participant for his scheme shares shall, in respect of the allocation, be not less than the Volume Weighted Average Price at which shares are traded on the JSE on the five business days immediately preceding the date upon which the Board directs that the relevant shares are made available to participants as determined by the sponsors of the Company or such other valuators nominated by the Board for that purpose acting in their discretion ("share price");
- Scheme shares will be registered in the names of participants and will be pledged in favour of, and retained by, the scheme as security for payment of the share debt;
- Subject to certain limitations, a participant's outstanding balance of the share price will bear interest at such rate (if any), as may from time to time be determined by the Board. Dividends on scheme shares will be paid to the scheme and be applied in payment of such interest and any excess shall be paid towards the reduction of the outstanding balance of the share price of such participant's shares;
- Unless the Board otherwise resolves at any time, notwithstanding that any scheme shares are paid for, in whole or in part, at any time by the participant concerned, no scheme shares shall be released from the scheme or from the pledge until a year specified in the relevant offer to purchase is reached; and
- If any amount in respect of the share price of any scheme shares becomes payable on demand by the trustees in accordance with the provisions of the scheme and such amount is not paid by the due date thereof, the trustees shall be entitled, *inter alia*, to cancel that sale in terms of which those scheme shares were acquired by the participant concerned and, *inter alia*, the participant concerned shall cease to have any interest in the scheme shares in respect of which the balance of the share price was due to be paid, such scheme shares shall be transferred into the name of the trust and the trustees may repay to the participant all or any part of the share price which such participant has paid in respect of such scheme shares.

The salient features of the scheme relating to share options are set out hereunder:

- The trustees may, if the Board so directs, offer participants options ("share options") to purchase scheme shares. Each share option shall confer upon the holder thereof the right to purchase scheme shares upon the terms and conditions summarised below;
- The amount payable by a participant for his scheme shares shall be calculated *mutatis mutandis* in accordance with the provisions above; and
- Share options may be exercised at any time but will only be released to a participant in accordance with the relevant terms and conditions upon which the relevant option is granted.

Borrowing powers

In terms of the Articles of Association of the Company, the borrowing powers of the Company are unlimited.

Subsidiaries and associates

The following information relates to the Company's interests in its subsidiaries and associates

			Percentage holding	
		Issued ordinary share capital	**June 2009**	June 2008
	Nature of business	**R'000**	**%**	%
Subsidiaries				
AfroCentric Resources (Pty) Limited	Dormant	*	**100,00**	100,00
AfroCentric Capital (Pty) Limited	Dormant	*	**100,00**	100,00
AfroCentric Healthcare Assets (Pty) Limited	Investment holding	*	**100,00**	100,00
AfroCentric Funding (Pty) Limited	Financing	*	**100,00**	100,00
Associates				
Jasco Electronics Holdings Limited	Electronics and communications	1 145	**34,90**	34,90

**Less than R1 000*

Property, plant and equipment

The Company did not own any property, plant or equipment during the current or previous financial years.

Auditors

SizweNtsaluba VSP are available to continue in office as auditors in accordance with Section 270(2) of the Companies Act.

Material commitments, lease payments and contingent liabilities

No material capital commitments or lease payments have been contracted for or approved by the Directors of AfroCentric. AfroCentric has no contingent liabilities at balance sheet date, however contingent liabilities of certain subsidiaries are set out in the financial statements.

Events after the balance sheet date

On 31 July 2009 the Financial Services Board approved the disposal of MedScheme Life Assurance to Old Mutual South Africa Limited, being the last of the conditions to be fulfiled.

At 30 June 2009, the MedScheme Life Assurance business is reflected in the balance sheet as assets held-for-sale.

AfroCentric signed a co-operation and distribution agreement with Hanwha Corporation on 1 September 2009. Hanwha is a global conglomerate headquartered in South Korea. This relationship will position AfroCentric as a facilitator for a wide range of consumer and industrial products, skills and services in the South African manufacturing, construction, finance, technology and healthcare sectors. Several of Hanwha's products and services will be introduced to AfroCentric's associates and to enterprises with which AfroCentric has and will develop relationships.

No other events, which are relevant under this heading, have occurred after the balance sheet date.

Material resolutions

Details of special resolutions and other resolutions of a significant nature passed by the Company during the year under review requiring disclosure in terms of the Listings Requirements of the JSE are as follows:

- Acquisition of a 63,2% interest in Lethimvula and subsequent Obligatory Offer;
- Waiver by independent shareholders of Obligatory Offer to AfroCentric shareholders; and
- Approval of creation of the Funding SPV Shares by ordinary and preference shareholders including approval in terms of Section 228 of the Companies Act 61 of 1973, as amended, of the potential disposal by the Company of the whole or greater part of its undertaking or assets.

Balance sheets

as at 30 June 2009

	Note	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
ASSETS					
Non-current assets		**1 000 008**	205 409	**202 199**	201 919
Property, plant and equipment	6	**110 639**	–	**–**	–
Intangible assets	7	**600 151**	–	**–**	–
Unlisted investments		**280**	–	**280**	–
Investment in subsidiaries	9	**–**	–	*	*
Investment in associates	10	**127 435**	105 409	**101 919**	101 919
Investment in preference shares	12	**100 000**	100 000	**100 000**	100 000
Deferred income tax assets	13	**61 503**	–	**–**	–
Current assets		**228 411**	17 294	**404 937**	17 294
Trade and other receivables	14	**156 215**	6 872	**5 662**	6 872
Loans to group companies	15	**–**	–	**388 931**	–
Receivables from associates and joint ventures	16	**6 642**	–	**–**	–
Cash and cash equivalents	17	**65 554**	10 422	**10 344**	10 422
Non-current assets held-for-sale	19	**515 288**	–	**–**	–
Total assets		**1 743 707**	222 703	**607 136**	219 213
EQUITY AND LIABILITIES					
Capital and reserves		**622 021**	212 348	**594 505**	208 858
Issued capital	18	**382 528**	196 720	**382 528**	196 720
Contingent shares to be issued	18	**188 540**	–	**188 540**	–
Share-based payment reserve		**624**	–	**–**	–
Distributable reserve		**50 329**	15 628	**23 437**	12 138
Minority interests		**31 939**	–	**–**	–
Total equity		**653 960**	212 348	**594 505**	208 858
Non-current liabilities		**349 128**	–	**–**	–
Deferred income tax liabilities	13	**66 532**	–	**–**	–
Borrowings	20	**183 523**	–	**–**	–
Provisions	22	**55 875**	–	**–**	–
Post-employment medical obligations	23	**3 930**	–	**–**	–
Accrual for straight lining of leases	24	**39 268**	–	**–**	–
Current liabilities		**318 195**	10 355	**12 631**	10 355
Borrowings	20	**11 176**	–	**1 500**	–
Provisions	22	**71 784**	–	**–**	–
Trade and other payables	25	**102 385**	3 733	**1 196**	3 733
Taxation		**15 037**	1 508	**1 077**	1 508
Bank overdraft	17	**53 661**	5 114	**8 859**	5 114
Employment benefit provisions	26	**64 152**	–	**–**	–
Non-current liabilities held-for-sale	19	**422 424**	–	**–**	–
Total liabilities		**1 089 746**	10 355	**12 631**	10 355
Total equity and liabilities		**1 743 707**	222 703	**607 136**	219 213

** Amount less than R1 000*

Income statements

for the year ended 30 June 2009

	Note	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
Continuing operations					
Gross revenue	27	**519 867**	–	**–**	–
Other income		**8 325**	–	**9 658**	–
Administrative expenses		**(478 916)**	(1 366)	**(10 183)**	(1 366)
Net finance income	28	**8 097**	11 346	**12 613**	11 346
– Finance income		**17 794**	11 406	**13 437**	11 406
– Finance cost		**(9 697)**	(60)	**(824)**	(60)
Share of profit of associate		**9 151**	3 490	**–**	–
Profit before taxation	29	**66 524**	13 470	**12 088**	9 980
Income tax expense	30	**(13 607)**	(2 660)	**(789)**	(2 660)
Profit for the year from continuing operations		**52 917**	10 810	**11 299**	7 320
Loss for the year from discontinued operations	19	**(2 379)**	–	**–**	–
Profit for the year		**50 538**	10 810	**11 299**	7 320
Attributable to:					
Equity holders of the Company		**34 701**	10 810	**11 299**	7 320
Minority interest		**15 837**	–	**–**	–
		50 538	10 810	**11 299**	7 320
Earnings per share (cents) attributable to equity holders of the Company:					
– basic	31	**19,00**	11,04		
– diluted	31	**16,68**	8,76		

Statements of changes in equity

for the year ended 30 June 2009

	Ordinary share capital R'000	Preference share capital R'000	Share premium R'000	Contingent shares to be issued R'000	Share-based payment reserve R'000	Distributable reserve R'000	Minority interests R'000	Total R'000
Group								
Balance at 1 July 2007	940	166	97 203	–	–	4 818	–	103 127
Issue of share capital	500	–	97 911	–	–	–	–	98 411
Net profit for the year	–	–	–	–	–	10 810	–	10 810
Balance at 30 June 2008	1 440	166	195 114	–	–	15 628	–	212 348
Issue of share capital	1 140	–	184 668	–	–	–	–	185 808
Contingent shares to be issued	–	–	–	188 540	–	–	–	188 540
Net profit for the year	–	–	–	–	–	34 701	15 837	50 538
Acquisition of subsidiary	–	–	–	–	–	–	17 953	17 953
Dividends paid	–	–	–	–	–	–	(1 851)	(1 851)
Revaluation of share-based payment – equity settled	–	–	–	–	624	–	–	624
Balance at 30 June 2009	**2 580**	**166**	**379 782**	**188 540**	**624**	**50 329**	**31 939**	**653 960**
Company								
Balance at 1 July 2007	940	166	97 203	–		4 818		103 127
Issue of share capital	500	–	97 911	–		–		98 411
Net profit for the year	–	–	–	–		7 320		7 320
Balance at 30 June 2008	1 440	166	195 114	–		12 138		208 858
Issue of share capital	1 140	–	184 668	–		–		185 808
Contingent shares to be issued	–	–	–	188 540		–		188 540
Net profit for the year	–	–	–	–		11 299		11 299
Balance at 30 June 2009	**2 580**	**166**	**379 782**	**188 540**		**23 437**		**594 505**

Cash flow statements

for the year ended 30 June 2009

	Note	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
Cash flows from operating activities					
Cash generated from/(utilised in) operations	32	**80 880**	(4 891)	**(5 846)**	(4 891)
Finance income		**4 357**	–	**–**	–
Finance costs		**(9 697)**	(60)	**(824)**	(60)
Dividends received		**402**	–	**3 996**	–
Income tax paid	33	**(28 720)**	(3 161)	**(1 220)**	(3 161)
Net cash generated from/(utilised in) operating activities		**47 222**	(8 112)	**(3 894)**	(8 112)
Cash flows from investing activities					
Acquisition of subsidiaries		**(138 506)**	–	*****	–
Purchase of property, plant and equipment		**(38 368)**	–	**–**	–
Purchase of intangible assets		**(8 332)**	–	**–**	–
Proceeds on disposal of property, plant and equipment		**712**	–	**–**	–
Proceeds on disposal of intangible assets		**45**	–	**–**	–
Investment in group companies		**674**	–	**–**	–
Investment in associates		**7 468**	(3 508)	**–**	(3 508)
Decrease in receivables from associates		**(2 535)**	–	**–**	–
Investment in unlisted investments		**(280)**	–	**(280)**	–
Decrease in other investments		**18**	–	**–**	–
Investment in preference shares		**–**	(100 000)	**–**	(100 000)
Finance income		**13 437**	11 406	**13 437**	11 406
– interest received		**1 995**	10 400	**1 995**	10 400
– preference dividends received		**11 442**	1 006	**11 442**	1 006
Net cash (outflow)/inflow from investing activities		**(165 667)**	(92 102)	**13 157**	(92 102)
Cash flows from financing activities					
Decrease in share-based payment liability		**(1 065)**	–	**–**	–
Minorities		**4 371**	–	**–**	–
Increase in borrowings		**175 919**	–	**1 500**	–
Increase in loans to group companies		**–**	–	**(14 586)**	–
Net cash inflow/(outflow) from financing activities		**179 225**	–	**(13 086)**	–
Net cash flow from continuing operations		**60 780**	(100 214)	**(3 823)**	(100 214)
Net cash flow from discontinued operation		**9 951**	–	**–**	–
Net increase/(decrease) in cash and cash equivalents		**70 731**	(100 214)	**(3 823)**	(100 214)
Cash and cash equivalents at beginning of year	17	**5 308**	105 522	**5 308**	105 522
Cash and cash equivalents at end of year	17	**76 039**	5 308	**1 485**	5 308

**Amount less than R1 000*

Principal accounting policies

1. Summary of accounting policies

Statement of compliance

The Group's separate and consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB as well as the guidelines in the relevant Professional Guidance Notes issued by the Actuarial Society of South Africa that are relevant to its operations and effective at the reporting date of 30 June 2009.

Standards, amendments and interpretations effective and adopted in 2009:

The following new and revised accounting standards, amendments to standards and new interpretations were adopted in 2009:

Amendment to IAS 39 – Financial Instruments: Recognition and Measurement and IFRS 7 – Financial Instruments: Disclosures – Reclassification of Financial Assets. The amendment introduces the possibility of reclassifications for certain financial assets previously classified as 'held for trading' or 'available for sale' to another category under limited circumstances.

IFRIC 14 – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2008). IFRIC 14 provides general guidance on how to assess the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected when there is a statutory or contractual minimum funding requirement.

Standards, amendments and interpretations that are not yet effective:

Accounting standards issued, but not effective and have not been adopted in the current financial period:

Amendment to IFRS 2 – Share-Based Payment: Vesting Conditions and Cancellations (effective 1 January 2009). The amendment deals with two matters. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

IFRS 8 – Operating Segments (effective 1 January 2009). IFRS 8 requires an entity to adopt the 'management approach' to reporting on the financial performance of its operating segments. The standard sets out requirements for disclosure of information about the entity's products and services, the geographical area in which it operates, and its major customers.

IAS 1 – Presentation of Financial Statements – Revised (effective 1 January 2009). Information in financial statements is to be aggregated on the basis of shared characteristics and to introduce a statement of comprehensive income. These changes are not mandatory and have not been adopted.

IAS 23 – Borrowing Costs (effective 1 January 2009). The revised statement removes the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale.

IAS 27 – Consolidated and Separate Financial Statements (revised). IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control.

IAS 27 – Consolidated and Separate Financial Statements – (revised) (effective 1 July 2009). IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value and a gain or loss is recognised in profit or loss.

1. Summary of accounting policies (continued)

Statement of compliance (continued)

Accounting standards issued, which are effective but which have not been adopted in the current financial period (continued):

Amendments to IFRS 1 AND IAS 27 (effective 1 January 2009). The amendment allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practices to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendments also remove the definition of the cost method from IAS 27 and replace it with a requirement to present dividends as income in the separate financial statements of the investor.

IAS 39 amendments (effective 1 July 2009). The amendment makes two significant changes. It prohibits designated inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedge risk when designating options as hedges.

Improvements to IFRS (effective 1 January 2009). This is a collection of amendments to IFRSs. These amendments are the result of conclusions the IASB reached on proposals made in its annual improvements project. The annual improvements project provides a vehicle for making non-urgent but necessary amendments to IFRSs. Some amendments involve consequential amendments to other IFRSs.

IFRS 3 – Business Combinations (revised). The new standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently re-measured at fair value through income. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the minority interest. All transaction costs will be expensed.

IFRIC 15 – Agreements for the Construction of Real Estate (effective 1 January 2009). IFRIC 15 addresses diversity in accounting for real estate sales. IFRIC 15 clarifies how to determine whether an agreement is within the scope of IAS 11 – Construction Contracts or IAS 18 – Revenue and when revenue from construction should be recognised.

IFRIC 17 – Distributions of Non-cash Assets to Owners (effective 1 July 2009). IFRIC 17 applies to the accounting for distributions of non-cash assets (dividends in specie) to the owners of the entity. The interpretation clarifies that: a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; an entity should measure the dividend payable at the fair value of the net assets to be distributed; and an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss.

The Group has assessed the significance of these new standards, amendments and interpretations and concluded that they will have no material financial impact on the separate and consolidated financial statements.

Basis of presentation

The separate and consolidated financial statements have been prepared under the historical cost convention except for the following:

Carried at fair value:

- Financial instruments held for trading or designated at fair value through profit or loss;
- Policyholder investment contract liabilities; and
- Share-based payments in terms of cash settled share-based payments and equity settled share-based payments are held at fair value calculated using the Black Scholes pricing model.

Carried at a different measurement basis:

- Policyholder insurance contract liabilities and related re-insurance assets that are measured in terms of the financial soundness valuation ("FSV") basis and financial assets and liabilities classified as held to maturity and loans and receivables are held at amortised cost.

1. Summary of accounting policies (continued)

Basis of presentation (continued)

The preparation of the separate and consolidated 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 separate and consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

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

Basis of consolidation

Subsidiaries

The consolidated separate and consolidated financial statements incorporate the separate and consolidated financial statements of the Company and entities (including special purpose entities) controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights of an entity so as to obtain benefits from its activities.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, adjustments are made to the separate and consolidated financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

A listing of the Company's principal subsidiaries is set out in note 9 to the group separate and consolidated financial statements.

Business combinations

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests resulting in gains and losses for the Group are taken to equity. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

1. Summary of accounting policies (continued)

Basis of consolidation (continued)

Associates

Associates are entities over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies and is generally associated with a shareholding of between 20% to 50% of the voting rights.

The separate and consolidated financial statements are prepared using uniform accounting policies for like transactions and events in similar circumstances which have occurred within the Group.

Investments in associates are accounted for by the equity method of accounting. Under this method the Group's share of the post-acquisition profits and losses of associates is recognised in the income statement and the share of post-acquisition reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the cost 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 obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Profits from associates of Lethimvula are recorded for the five months ended 30 June 2009 based on management accounts provided by the associate.

Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venture has an interest. The entity operates in the same way as other entities, except that a contractual arrangement between the venturers establishes joint control over the economic activities of the entity.

The Group's interest in jointly controlled entities is accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's separate and consolidated financial statements.

The separate and consolidated financial statements are prepared using uniform accounting policies for like transactions and events in similar circumstances which have occurred within the Group.

The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. A loss on the transaction is recognised immediately if it provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

1. Summary of accounting policies (continued)

Basis of consolidation (continued)

A listing of the Group's principal associated and joint venture undertakings is shown in notes 10 and 11 to the Group separate and consolidated financial statements.

Foreign currency translation

Functional and presentation currency

Items included in the separate and consolidated 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 separate and consolidated financial statements are presented in South African Rand, which is the Group's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. 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.

Group companies

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

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet; and
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximate of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).

Exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity on consolidation.

When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

Recognition of assets

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

Tangible assets

Property, plant and equipment

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

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

1. Summary of accounting policies (continued)

Tangible assets (continued)

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

The estimated maximum useful lives are:

• Office equipment and furniture and fittings	2 to 10 years
• Motor vehicles	5 years
• Computer equipment	2 to 7 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. All assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Surpluses and deficits on the disposal of property, plant and equipment are charged to the income statement.

In determining the estimated residual value, expected future cash flows have not been discounted to their net present values.

Intangible assets

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

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of associates is included in the investments in associates and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each business segment in each country in which it operates.

Contractual customer relationships

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

Trademarks and brands

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

Internally generated computer software development costs

Costs associated with developing computer software programs are generally expensed as incurred. However, costs that are clearly associated with an identifiable and unique product, which will be controlled by the Group and have a profitable benefit exceeding the cost beyond one year, are recognised as intangible assets.

1. Summary of accounting policies (continued)

Intangible assets (continued)

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

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

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

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

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

Computer software acquired

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

Impairment of non-financial assets

Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of an asset or a cash-generating unit is the greater of its fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. Fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss under 'impairment provision against tangible and intangible assets'. During the current and previous years, no such impairment occurred.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined, net of amortisation, had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss under 'impairment provision against intangible assets', unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1. Summary of accounting policies (continued)

Finance leases

The Group is the lessee

Leases of assets where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets held under finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation under 'borrowings'. Minimum lease payments are apportioned using the effective interest method between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. The finance charge element of the lease payment is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Tangible and intangible assets acquired under finance leases are depreciated or amortised in accordance with the respective accounting policies. Management assesses the economic useful life in accordance with the accounting policies related to all fixed assets.

If there is no reasonable certainty that the Group will obtain ownership of the asset at the end of its lease term, then the asset is amortised over the shorter of the asset's useful life and the lease term.

Operating leases

The Group is the lessee

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

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

The Group is the lessor

The Group has entered into sub-lease agreements on some of the operating leases that it has entered into as lessee. The rental income is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as an integral part of the total rental income.

Direct costs incurred in concluding an operating sub-lease are amortised over the lease term. As previously discussed, paragraph 52 of IAS 17 is not relevant as the underlying asset is leased in terms of an operating lease and is not reflected on the balance sheet.

Investments and other financial assets

A financial asset is any asset that is:

- Cash;
- An equity instrument of another entity;
- A contractual right: to receive cash or another financial asset from another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- A contract that will or may be settled in the entity's own equity instruments and is: either a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments or a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial assets are initially recognised when the Group becomes a party to the contract.

1. Summary of accounting policies (continued)
Investments and other financial assets (continued)
At initial recognition, management determines the appropriate classification of financial assets, attributable to shareholders or policyholders, as follows:
- Financial assets at fair value through profit and loss comprise financial assets held for short-term profit taking. If elected, financial assets may also be classified as held at fair value through profit and loss when initially recognised. Where this option has been elected, the financial assets are designated as financial instruments at fair value through profit and loss.
- Held to maturity investments are financial assets with fixed or determinable payments and fixed maturity where management has both the intent and ability to hold to maturity.
- Loans and receivables originated by the entity are financial assets that are created by the entity by providing money, goods or services directly to a debtor, other than those that are originated with the intention of sale immediately or in the short term.
- Financial assets that are not classified as any of the above are classified as available for sale.

Financial assets (or a part of a financial asset) are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial assets at fair value through profit and loss
This category has two sub-categories: financial assets held for trading and those designated at fair value through profit and loss at inception.

A financial asset is classified into the 'financial assets at fair value through income' category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit-taking, or if so designated by management.

Financial assets at fair value through profit and loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit and loss' category, are presented in the income statement within 'other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement when the Company's right to receive payment is established. The fair values of quoted instruments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Financial assets designated as at fair value through profit and loss at inception are those that are:
- Held in internal funds to match insurance and investment contracts liabilities that are linked to the changes in fair value of these assets. The designation of these assets to be at fair value through profit and loss eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets and liabilities or recognising gains and losses on them on different bases; or
- Managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the Company's key management personnel. Assets that are part of these portfolios are designated upon recognition at fair value through profit or loss.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets are impaired.

1. Summary of accounting policies (continued)
Investments and other financial assets (continued)
Held to maturity financial assets
These assets are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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

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

If there is objective evidence that an impairment loss has been incurred on held-to-maturity 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 income statement. If a held-to-maturity investment 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.

The Group does not classify any financial assets as held to maturity if the entity has, during the current financial period or during the two preceding financial years, sold or reclassified more than an insignificant amount of held-to-maturity investments before maturity (more than insignificant in relation to the total amount of held-to-maturity investments) other than sales or reclassifications that:
- Are so close to maturity or the financial asset's call date (for example, less than three months before maturity) that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- Occur after the entity has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or
- Are attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably anticipated by the entity.

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

1. Summary of accounting policies (continued)

Investments and other financial assets (continued)

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

Receivables from subsidiaries and group entities

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

When a financial asset or financial liability is recognised initially, an entity shall measure it at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Trade, insurance and other receivables

Trade, insurance and other receivables comprise loans and receivables and receivables arising from insurance contracts. Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables arising from insurance contracts are reviewed for impairment as part of the impairment review of loans and receivables. A provision for impairment of trade, insurance and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's 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 income statement 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 against 'bad debt write off'.

Receivables and payables from insurance contracts and investment contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The Group gathers the objective for loans and receivables. The impairment loss is calculated under the same method used for these financial assets.

Prepayments and deposits

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

Cash and cash equivalents

Cash and cash equivalents are carried at fair value. For the purpose of the cash flow statement, cash includes cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less, that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

1. Summary of accounting policies (continued)

Deferred acquisition costs ("DAC")

Commissions paid and other incremental acquisition costs are incurred when new investment contracts are obtained. These costs, if specifically attributable to an investment contract with an investment management service element, are deferred and amortised over the expected life of the contract on a straight-line basis, as they represent the right to receive future management fees.

An impairment test is conducted annually at reporting date on the DAC balance to ensure that the amount will be recovered from future revenue generated by the applicable remaining investment management contracts.

If the DAC has been impaired at year-end, the impairment is recorded on the face of the income statement as 'impairment to tangible and intangible assets' in accordance with the accounting policy for the impairment of assets.

Reinsurance assets

Reinsurance assets are contracts entered into by the Group with reinsurers under which the Group is compensated for the entire or a portion of losses arising on one or more of the insurance contracts issued by the Group.

The expected benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of longer-term balances due from reinsurers (classified as reinsurance assets) as well as short-term receivables (classified within loans receivable) that are dependent on expected claims and benefits arising under the related reinsurance contracts.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with reinsurance contracts and in accordance with the terms of each reinsurance contract.

Net reinsurance liabilities comprise the net amount due to reinsurance in respect of premiums payable and claims recoverable under reinsurance contracts and are recognised as expenses and recoveries respectively when due.

Derecognition of financial assets and liabilities

A financial asset or liability is derecognised when:

- The contractual right to the cash flows from the financial asset expires; or
- The financial asset is transferred and the transfer qualifies for derecognition.

Financial liabilities

A financial liability is any liability that is:

(a) A contractual obligation:
  - (i) to deliver cash or another financial asset to another entity; or
  - (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or

(b) A contract that will or may be settled in the entity's own equity instruments and is:
  - (i) a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
  - (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments; or
  - (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial liabilities (or a part of a financial liability) are derecognised when, and only when, it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires.

1. Summary of accounting policies (continued)

Financial liabilities (continued)

Trade and other payables

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

Borrowings

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

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

Financial liabilities under investment contracts

Policyholder contracts that do not transfer significant insurance risk are classified in the separate and consolidated financial statements as financial liabilities at fair value through profit and loss. This liability is disclosed on the balance sheet as 'Financial liabilities under investment contracts'. The premium and benefit payments relating to these investment contracts have been excluded from the income statement and accounted for directly as part of the liability.

These financial liabilities are designated at fair value through profit and loss at inception.

Financial instruments are designated on initial recognition as at fair value through profit or loss to the extent that it produces more relevant information because it either:

- Results in the reduction of measurement inconsistency (or accounting mismatch) that would arise as a result of measuring assets and liabilities and the gains and losses on them on a different basis; or
- Is a financial asset and/or financial liability that is managed and its performance is evaluated on a fair value basis.

Gains or losses arising from changes in the fair value of the 'financial liabilities at fair value through profit and loss' category, are presented in the income statement within 'other (losses)/gains' in the period in which they arise. The Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis.

At each balance sheet date liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of assets. In performing these tests, best estimates of future contractual cash flows as well as investment income is used. Any deficiencies are immediately charged to profit and loss.

Contingent liabilities

Contingent liabilities have been recognised as part of business combinations detailed in note 34. 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.

1. Summary of accounting policies (continued)

Financial liabilities (continued)

Contingent liabilities acquired as part of a business combination

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

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

Deferred revenue liability ("DRL")

Service fee income on investment management contracts is recognised on an accrual basis as and when the services are rendered. A DRL is recognised in respect of upfront fees, which are directly attributable to a contract that is charged for securing the investment management service contract. The DRL is then released to revenue when the services are provided, over the expected duration of the contract on a straight-line basis or to the extent required to reflect fair value.

Liabilities under insurance contracts

Policyholder contracts that transfer significant insurance risk are classified as insurance contracts. These contracts are valued in terms of the Financial Soundness Valuation ("FSV") basis contained in PGN 104 issued by the Actuarial Society of South Africa and are reflected as *'Policyholder liabilities under insurance contracts'*.

Liabilities are valued as the present value of future cash flows discounted at the rate of return based on the risk free rate at year-end. Future cash flows are projected on a best estimate basis with an allowance for compulsory margins as prescribed by PGN 104. Best estimate assumptions are required for future investment returns, expenses, persistency, mortality and other factors that may impact on the financial position of the Group. As per PGN 104, contractual premium increases are allowed for, but future voluntary premium increases are ignored.

In addition certain additional margins are created to allow profits to emerge over the lifetime of the policy to reflect the small number of policies and associated volatility. Where the number of policies is small the compulsory margins alone do not result in an acceptable probability of the total reserve being sufficient to meet all liabilities.

No allowance is made for the deferral of acquisition costs and these are expensed when incurred.

Demographic assumptions including mortality, morbidity and persistency rates are derived from a combination of own experience and industry experience, depending on the credibility of own experience and are adjusted for anticipated future trends. Experience is monitored at least annually and the most recent assessment was performed as at 28 February 2009. Future expenses are projected on a per policy basis where the per policy expense is derived from the expense loadings in the premiums.

For individual policies where benefits are linked to the return on an underlying investment, the liabilities are taken as the market values of the underlying investments, built up from the investment allocations made from the premiums paid, adjusted to allow for the discounted present value of the difference between expected future expenses and expected future charges.

Group insurance contracts

Appropriate reserves for the unexpired risk portion and for claims incurred but not reported are held for group risk premium benefits.

The 'Incurred-but-not-reported' ("IBNR") reserve is based on analysis of notification delays on past claims. The IBNR calculation is performed separately for large group risk schemes but in aggregate across smaller group risk schemes, for each class of business.

1. Summary of accounting policies (continued)

Liabilities under insurance contracts (continued)

Transfers to policyholder liabilities reflected in the income statement represent the increase or decrease in liabilities and net adjustments to margins held within the policyholder liabilities.

Liability adequacy test

At each balance sheet date the adequacy of the insurance liabilities are assessed. If that assessment shows that the carrying amount of its insurance liabilities net of any related intangible present value of acquired in-force business ("PVIF") assets is inadequate in light of future estimated cash flows, the deficiency is recognised in the income statement.

Provisions

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

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

Employee costs

Pension and provident fund obligations

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

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

Post-employment medical obligations

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

Share-based payments

Equity settled share-based payments

Share-based payment costs arise from the issue of equity instruments for the purchase of deferred ordinary shares in Lethimvula Investments Limited. The fair value of the equity instruments received is recognised at fair value at grant date. The fair value of the equity Lethimvula call options has been calculated using the Black Scholes option pricing model. The factors which affect the valuation of the options are share price, exercise price, expected volatility, option life, dividend yield and the risk-free interest rate.

1. Summary of accounting policies (continued)

Employee costs (continued)

Termination benefits

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

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

Benefits falling due more than twelve months after balance sheet date are discounted to present value.

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 balance sheet date. This provision is recognised in the balance sheet under 'employment benefit provisions'.

Bonus plan

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 Company has a 13th cheque salary structuring mechanism and an incentive scheme. The expense is recognised as 'employee benefit costs' in the income statement. Factors that are taken into account when determining the incentive bonus amounts include key performance indicators and length of employment.

Investments in subsidiaries, associates and joint venture

Investments in subsidiaries, associates and joint venture are accounted for at cost less accumulated impairment.

Revenue and expense recognition

Revenue comprises the fair value of the consideration received or receivable for services provided in the ordinary course of business. The Group recognises revenue when the amount can be measured reliably, and it is probable that the future economic benefits will flow to the entity.

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

Administration fees

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

Premium income

The Group reflects premium income relating to insurance business on a gross basis together with the gross amount of any re-insurance premiums. Premiums on investment contracts are excluded from the income statement.

Individual life investment funds, lump sums, annuities and single premiums are accounted for when the collection of the premiums in terms of the policy contract is reasonably assured.

All other premiums are accounted for when they become due and payable.

Fee income on investment contracts (included in Policyholder Liability note)

The Group recognises policy fees on investment contracts on an accrual basis when the service is rendered.

1. Summary of accounting policies (continued)

Revenue and expense recognition (continued)

Claims and policyholder benefits

The Group reflects the gross amount of policyholder benefit payments in respect of insurance contracts together with the gross reinsurance recoveries and accounts for such transactions when claims are intimated.

Finance income

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

Reinsurance profit share

The Group accounts for reinsurance profit share when it becomes due and payable.

Dividend income

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

Acquisition costs

Commission payments and receipts are shown gross. Life insurance business commissions are expensed as incurred. Commission in respect of investment contracts is expensed upfront.

Profit share payable to external parties

Profit share payable to external parties is expensed as incurred.

Other expenditure

All other expenditure is accounted for as and when incurred.

Current and deferred income tax

The current income tax charge is calculated on the tax laws enacted or substantively enacted at the balance sheet 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.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the separate and consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Secondary tax on companies ("STC")

STC is provided for at a rate of 10% on the amount by which dividends declared by the Group exceed dividends received. STC is recognised as part of the current tax charge in the income statement when the related dividend is declared.

1. Summary of accounting policies (continued)

Current and deferred income tax (continued)

Dividends declared during the financial period are paid to the Group's shareholders. The Group has applied for the Section 64 dividends tax exemption.

Deferred tax on unutilised STC credits is recognised at a rate of 10% to the extent that STC payable on future dividend payments is likely to be available for set-off.

Dividends

Dividends are recorded in the Group's separate and consolidated financial statements in the period in which they are approved by the Group's shareholders.

Share capital

Ordinary shares

Ordinary shares are classified as equity.

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

When the Group requires 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.

Non-current assets held-for-sale

The Group classifies a non-current asset (or disposal group) as held-for-sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification (except if the delay is caused by events or circumstances beyond the Group's control and the Group remains committed to its plan to sell the asset (or disposal group)), and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

The Group does not classify as held-for-sale a non-current asset (or disposal group) that is to be abandoned.

Immediately before the initial classification of the asset (or disposal group) as held-for-sale, the carrying amounts of the asset (or all the assets and liabilities in the group) shall be measured in accordance with applicable IFRSs and as reflected in the relevant accounting policies.

1. Summary of accounting policies (continued)

Non-current assets held-for-sale (continued)

The Group measures a non-current asset (or disposal group) classified as held-for-sale at the lower of its carrying amount and fair value less costs to sell except for the following assets which are covered by the accounting policies listed, either as individual assets or as part of a disposal group:

- Deferred tax assets (note 1);
- Assets arising from employee benefits (note 1);
- Financial assets within the scope of IAS 39 – Financial Instruments: Recognition and Measurement (note 1); or
- Contractual rights under insurance contracts as defined in IFRS 4 – Insurance Contracts (note 1).

On subsequent re-measurement of a disposal group, these assets shall be re-measured in accordance with applicable IFRSs before the fair value less costs to sell of the disposal group is re-measured.

To the extent not recognised through the re-measurement of the non-current assets (or disposal group) to fair value less cost to sell the Group recognises an impairment loss for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell.

The impairment loss (or any subsequent gain) recognised for a disposal group shall reduce (or increase) the carrying amount of the non-current assets in the group that are measured at the lower of its carrying amount less cost to sell.

The Group shall recognise a gain for any subsequent increase in fair value less costs to sell of an asset, but not in excess of the cumulative impairment loss that has been recognised.

Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held-for-sale, and

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

The Group presents a single amount on the face of the income statement (include line item description) comprising the total of:

- The post-tax profit or loss of discontinued operations; and
- The post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets (or disposal groups) constituting the discontinued operation.

Consolidation procedures

In order for the consolidated separate and consolidated financial statements to present financial information about the Group as that of a single economic entity, the following steps are then taken:

- The carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary are eliminated (refer to note 4: Business Combinations which describes the treatment of any resultant goodwill);
- Minority interests in the profit or loss of consolidated subsidiaries for the reporting period are identified; and
- Minority interests in the net assets of consolidated subsidiaries are identified separately from the parent shareholders' equity in them. Minority interests in the net assets consist of:
  - the amount of those minority interests at the date of the original combination calculated in accordance with IFRS 3; and
  - the minority's share of changes in equity since the date of the combination.

1. Summary of accounting policies (continued)

Earnings per share

Earnings per share are calculated using the weighted average number of shares in issue during the year and are based on the net profit attributable to shareholders.

Headline earnings per share are calculated using the weighted average number of shares in issue during the year and are based on the earnings attributable to shareholders, after excluding those items as required by Circular 8/2007 issued by the JSE Limited.

Diluted earnings per share and diluted headline earnings per share are based on the covenants applicable to the conversion rights of the AfroCentric preference shares.

Segment reporting

A business segment is a group of assets or operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing, within a particular economic environment, products or services that are subject to risks and returns that are different from those segments operating in other economic environments.

Primary reporting format – business segments

The Group is organised into the following segments:

- Healthcare administration
- Electronics
- Treasury
- Administration

Secondary reporting format – geographical segments

The Group's business segments operate in two geographical areas, local and international.

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 period are discussed below.

Fair value of derivative financial instruments and other unlisted investments

The fair values of financial instruments that are not listed in active markets are determined by using valuation techniques, for example models. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by independent qualified senior personnel. All models are certified before they are used, and models are calibrated and back tested to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates.

Acquisition of Lethimvula Investments Limited

As part of the purchase price allocation of the Lethimvula Investments Limited transaction in January 2009, the Group identified the following intangible assets:

Contractual customer relationships

The administration contracts with the medical schemes will result in the inflow of economic benefits to the Group and as a result are considered to be an intangible asset.

2. Critical accounting estimates and assumptions (continued)

Acquisition of Lethimvula Investments Limited (continued)

The discounted cash flow technique was used to value the customer contracts at the date of acquisition. Operating profits before tax based on income and expenditure forecasts derived from Management's strategic planning forecasts were used as cash flows. A discount rate of 17,02% was used, which was considered to be appropriate for the industry in which Medscheme operates at the date of acquisition. The useful life of this intangible asset has been estimated to either five or ten years.

The future fees to be earned on the investment management contracts of Lethimvula's asset management business are considered to be an intangible asset as they will result in the inflow of future economic benefits. A discount rate of 16,47% was used, which is considered to be appropriate for the industry in which the asset manager operates at the date of acquisition.

Present value of in-force-business ("PVIF")

The PVIF was calculated using the embedded value methodology and basis, without deducting the opportunity cost of required statutory capital. Because PVIF for embedded value purposes is usually calculated assuming emergence of future profits on a statutory liability valuation basis, the PVIF was modified to conform to the emergence of profits on the IFRS basis.

Assumptions for mortality, morbidity and terminations were consistent with the most recent experience investigations, and future renewal expenses were based on the continuation of the Medscheme Life Assurance Company Limited as a going concern combined with Lethimvula Investments Limited.

Economic assumptions (future investment returns and inflation) were based on market rates at the applicable date. The rate of discount used was 16,49% at date of acquisition. The useful life has been assumed to be the full expected future duration of the policies in force, allowing for expected attrition through mortality, morbidity, maturities and terminations.

Computer software

Lethimvula operates the following software systems:

- Medscheme Holdings (Proprietary) Limited uses the UMS system to assist with the management of healthcare cost and risk on behalf of the schemes. The value of the UMS system was determined using the cost approach based on the costs incurred to replace the intellectual property. The UMS system is currently being re-written into the Nexus system. This exercise is estimated to be completed by 28 February 2010. The UMS system therefore has a useful life of one year.
- An external system known as the Neil Harvey system, which is not owned by Medscheme Limited. No technology was therefore acquired relating to the use of this system as part of the business combination; and
- The Nexus Administration system which was not owned by Medscheme Limited. Royalties were paid for the use of the system. No technology was therefore acquired relating to the use of this system as part of the business combination.

An assessment was performed on the Medscheme data warehouse, on revenue earned on sale of the information, based on the results of the assessment and taking cognisance of the intrinsic value of this data in the valuation of the Health Risk Solutions customer relationships, no intangible asset was recognised.

Brand

One of the reasons for the acquisition was to acquire the Medscheme brand and trademark well known in the medical scheme administration industry. The Medscheme brand was valued using the relief from royalty method which assumes the value of the asset to be estimated by reference to the royalty cost saving realised by not having to acquire the licence from a third party. The royalty rate assumed after consideration of the influencing factors is a 1% pre-tax royalty.

2. Critical accounting estimates and assumptions (continued)

Present value of in-force-business ("PVIF") (continued)

Brand (continued)

It has been determined that the brand is intricately linked to the fate of the overall business and therefore the business WACC appropriately reflects the risks and has thus been used for the purpose of valuing the trade name. The determined life of the brand after considering the strength of the brand and the life cycle of customers has been estimated to be ten years.

Acquisition of Lethimvula Healthcare (Proprietary) Limited

Goodwill

The goodwill arising from the acquisition of Old Mutual Healthcare (Pty) Limited is attributable to the increased profitability anticipated as a result of the additional membership injected into the Group which will increase the gross operational profits and improved use of overhead structures. In addition, this balance represents the value in perpetuity of the people skills and utilisation of Group operational synergies.

Contractual customer relationships

The administration contracts with the medical schemes will result in the inflow of economic benefits to the Group and as a result are considered to be an intangible asset.

The discounted cash flow technique was used to value the customer contracts at the date of acquisition. Operating profits before tax based on five year income and expenditure forecasts derived from Management's strategic planning forecasts were used as cash flows. A discount rate of 16,48% was used, which was considered to be appropriate for the industry in which the Company operates at the date of acquisition.

Onerous lease provision

The Group has certain property lease obligations in which the unavoidable costs of meeting the obligations under the lease contract exceed the economic benefits expected to be received under it. The unavoidable cost under a property lease contract is the aggregate value of the future lease payment to fulfil the obligations under the property leases less any potential future sub-lease payments received under sub-lease property contracts. The onerous lease provision is measured at the net present value of the unavoidable costs.

The expected timing of the outflows under the onerous property lease contracts are monthly and are likely to continue until the lease term on the related property lease has expired. The discount rate used to calculate the provision was based on the prevailing prime interest borrowing rate.

During the year the calculation of the onerous leases was amended to include an estimate of vacant space to be let.

The following critical estimates were applied:

- Vacant space sublet assumption R80/square metre; and
- 100% of the vacant space will be let by November 2009.

Sensitivity analysis

	Increase sublet rental by R10	Decrease sublet rental by R10	80% probability of letting
Net profit before tax	797	(797)	(1 275)
Net profit after tax	797	(797)	(1 275)

2. Critical accounting estimates and assumptions (continued)

Contractual customer relationships

The administration contract with Spectramed medical scheme will result in the inflow of economic benefits to the Group and as a result is considered to be an intangible asset.

The discounted cash flow technique was used to value the customer contracts. Operating profits before tax based on five year income and expenditure forecasts derived from Management's strategic planning forecasts were used as cash flows.

A discount rate of 18,35% was used, which is considered to be appropriate for the industry in which the Group operates at date of acquisition. The useful life of this intangible asset has been estimated to be ten years.

Leases

Management assesses the substance of the lease transaction to determine whether the lease should be classified as a finance lease or an operating lease.

In assessing the classification of lease transactions Management consider the following indicators which normally lead to a lease being classified as a finance lease:

- The lease transfers ownership of the asset to the lessee by the end of the lease term;
- The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- The lease term is for the major part of the economic life of the asset even if title is not transferred;
- At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications.

For the most part, lease transactions entered into by the Group relate to fixed property leases.

Based on the above indicators, leases are mostly assessed as being operating leases.

Income taxes

The Group is subject to direct taxation in a number of jurisdictions. There may be transactions and calculations for which the ultimate taxation determination has an element of uncertainty during the ordinary course of business. The Group recognises liabilities based on objective estimates of the amount of taxation that may be due. Where the final taxation determination is different from the amounts that were initially recorded, such difference will impact the income taxation and deferred taxation provisions in the period in which such determination is made. The corporate tax rate applicable in South Africa is 28%. Medscheme Life Assurance Company Limited has four separate tax funds. These funds are the individual policyholders' fund (taxed at 30%), corporate policyholders' fund (taxed at 29%), untaxed policyholders' fund and the corporate fund (taxed at 29%).

Carrying values of the Group at 30 June 2009:

- Deferred tax assets: R62 million;
- Deferred tax liabilities: R67 million; and
- Taxation liability: R15 million.

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. Contingencies are disclosed in note 34.

2. Critical accounting estimates and assumptions (continued)

Impairment of goodwill

The recoverable amount of goodwill is tested annually for impairment in accordance with the stated accounting policy. The recoverable amount of the cash-generating units ("CGU") has been determined based on value-in-use calculation, being the net present value of the discounted cash flows of the CGU less the tangible net asset value of that CGU. Details of the main assumptions applied in determining the net present value of the CGU are provided in note 7 in the separate and consolidated financial statements.

Valuation of policyholder liabilities under insurance contracts

Process used to decide on assumptions

For long-term insurance contracts the estimates are determined as the actuary's best estimate of future experience based on the recent past experience of the business. These estimates are modified by the inclusion of prudent margins as required in terms of the Long Term Insurance Act, 1998. The best estimate assumptions are updated annually to reflect the current expectations of future experience.

The assumptions used for the insurance contracts disclosed in the separate and consolidated financial statements are as follows:

Mortality

An appropriate base table of standard mortality is chosen depending on the type of contract. An investigation into the Group's experience over the most recent year is performed. The estimates of future mortality are based on standard industry and national mortality tables that reflect historical mortality experience, adjusted where appropriate to reflect the Group's own experience.

Morbidity

The rates of disability claims are derived from experience tables provided by reinsurance partners, adjusted where appropriate to reflect the Group's own experience.

Persistency (surrender and lapse rates)

An investigation into the Group's experience over the most recent two years is performed, and an appropriate persistency rate is determined from the investigation. Persistency rates vary by product type, distribution channel and policy duration.

Investment returns

- Risk-free fixed interest securities:
  The risk-free rates are based on the gross yields to redemption of a benchmark government security. For the current valuation, this rate is 8,50 % per annum effective.
- Cash investments:
  The expected long-term return on cash and money market investments is derived by subtracting from the risk-free rate of return a margin of 1,5%.
- Overall investment return:
  A weighted average rate of investment return is derived by combining different proportions of the above financial assets in a model portfolio, which is assumed to back the liabilities. These model portfolios are consistent with the asset allocation strategies as set out by the Group.

Expense assumption

The expense assumptions are based on the original pricing assumptions with an allowance for inflation since the time of pricing to ensure the overall level of expenses assumed is in line with the actual ongoing maintenance expenses.

Renewal expense level and inflation

The current level of expenses is taken as an appropriate expense base. Expense inflation is assumed to be 1,5% below the current return on risk free interest securities.

2. Critical accounting estimates and assumptions (continued)

Valuation of policyholder liabilities under insurance contracts (continued)

Process used to decide on assumptions (continued)

Tax

It has been assumed that current tax legislation and rates continue unaltered.

Discretionary margins

Valuation assumptions are based on the results of experience investigations performed. Due to the Company still being young and expanding, as well as the portfolio still being relatively small, it is difficult to determine assumptions with a high degree of statistical credibility. The following discretionary margins are therefore held:

- Mortality – 12,5%
- Morbidity – 10%
- Health – 5%
- Medical aid increases – 10%

These margins will be released as results of experience investigations become more statistically credible and the business matures.

Sensitivity analysis

The sensitivity of the policyholder liabilities (under insurance contracts) to changes in assumptions are set out below:

	As at 30 June 2009 R
Increase in policyholder liabilities under insurance contracts – gross of reinsurance	
Increase lapses by 10%	2 783 137
Increase decrement rates by 10%	6 188 072
Increase renewal expenses by 10%	6 697 405
Reduce investment return by 1%	2 548 068
Increase expense inflation by 1%	6 558 918
Increase in policyholder liabilities under insurance contracts – net of reinsurance	
Increase lapses by 10%	2 755 993
Increase decrement rates by 10%	6 033 340
Increase renewal expenses by 10%	6 697 405
Reduce investment return by 1%	1 822 940
Increase expense inflation by 1%	6 558 918

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 2009 was R111 million and R600 million respectively.

2. Critical accounting estimates and assumptions (continued)

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.

Share-based payments

Details regarding assumptions relating to share-based payments are detailed in note 21.

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 to assess and analyse risk in an integrated fashion, identifying potential areas in advance and then to proactively create processes and measures for compliance.

Fundamentally, the Board's responsibility in managing risk is to protect the Group's employees, its policyholders, 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. Refer to the Corporate Governance statement for more detail regarding the committees involved in risk management.

The Group operates two separately identifiable business activities, namely Healthcare and Administration, and Financial Services activities.

For purposes of managing risk specific to these different business environments, Management treats each segment separately to identify and address risks relative to the environment in which that business operates. Details regarding risk management have therefore been segregated below.

3.1 Healthcare and Administration (Healthcare business)

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

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

The Healthcare business has an overall risk management programme which focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Healthcare business.

The financial risk profile of the Healthcare business remains unchanged since the prior year due to no significant changes in the Healthcare business activities or operating environment.

Market risk

Foreign exchange risk

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

The Healthcare business has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

3. Financial risk management (continued)

3.1 Healthcare and Administration (Healthcare business) (continued)

Market risk (continued)

Foreign exchange risk (continued)

The Healthcare business is not exposed to any foreign exchange risk in relation to its foreign operations in Namibia and Swaziland as the currencies of these countries are fixed to the South African Rand.

Cash flows from other foreign investments (Botswana and Mauritius) bear foreign exchange risk. The most significant exposure is to the Mauritian Rupee and the Botswana Pula of which the value of the investments are R4 million and R6 million respectively.

Price risk

The Healthcare business is not exposed to equity securities price risk as it does not hold any equities as financial assets.

Cash flow and fair value interest rate risk

The interest rates of finance and operating leases to which the Healthcare business is lessor or lessee are varying interest rates fixed to prime at inception of the contract. These leases expose the Healthcare business to fair value interest rate risk. The cash flow interest rate risk arises from instalment sale agreements. These amounts are immaterial and the financial risk of fluctuating prime rates is insignificant to the operations.

Market risk sensitivity analysis

The Healthcare business has used a sensitivity analysis technique that measures the estimated change to the income statement 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 Healthcare business is not materially exposed to price and currency risk, therefore no sensitivity analysis is deemed necessary.

Interest rate risks

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.
- 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.
- Changes in market interest rates affect the fair value of the derivative financial instruments designated as hedging instruments and all interest rate hedges are expected to be highly affected.

Instruments exposed	Increase in 1% on income statement R'000
Group 2009	
Preference dividend	**(1 000)**
Bank borrowings	**1 603**
Onerous lease provision	**1 321**
Bank balances relating to the Healthcare business	**(119)**
Total	**1 805**

Under these assumptions, a 1% increase in market interest rates in which the Healthcare business had borrowings at 30 June 2009 would increase profit before tax by approximately R1,65 million and equity by R1,65 million before tax.

3. Financial risk management (continued)

3.1 Healthcare and Administration (Healthcare business) (continued)

Credit risk

Credit risk arises from cash and cash equivalents and other investments, that is, deposits with banks and financial institutions, as well as credit exposures to clients, including outstanding receivables and committed transactions. For banks and financial institutions only independently rated parties with a minimum rating of 'A' are accepted. 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.

A significant portion of the client base comprises high-credit quality financial institutions. The Healthcare business has under agreement the authority to draw funds due and payable to it directly from the bank accounts of certain medical schemes using a collection module. Revenue from medical schemes is therefore settled in cash.

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

Refer to note 8 for information regarding credit quality of financial assets.

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. Due to the dynamic nature of the underlying businesses, Management maintains flexibility in funding by keeping committed credit facilities available. Management monitors rolling forecasts of the Healthcare business liquidity reserve on the basis of expected cash flow.

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

Time buckets applicable to the Group:

	Less than 3 months or on demand R'000	More than 3 months but not exceeding 6 months R'000	More than 6 months but not exceeding 9 months R'000	More than 9 months but not exceeding 1 year R'000	More than 1 year R'000	Total R'000
Group 2009						
Borrowings	11 176	–	–	–	183 523	**194 699**
Trade payables	102 385	–	–	–	–	**102 385**
Bank overdraft	53 661	–	–	–	–	**53 661**

Capital risk management

The objective of the Healthcare business 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.

In order to maintain or adjust the capital structure, the Healthcare business may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

3. Financial risk management (continued)

3.1 Healthcare and Administration (Healthcare business) (continued)

Capital risk management (continued)

Consistent with others in the industry, the Healthcare business monitors cash flow on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

3.2 Financial services business (FS business)

The risks identified in this business unit are:

- Insurance risk;
- Market risk;
- Credit risk;
- Liquidity risk;
- Capital management risk;
- Litigation and legal risk;
- Operational risk;
- Taxation risk; and
- Expense risk.

Insurance risk

Insurance risk is specific to the operations of Medscheme Life Assurance Company Limited, a subsidiary in the Lethimvula Group of companies, and can be classified into the following categories.

- Underwriting risk;
- Claims risk;
- Policyholder behaviour risk;
- Lapse risk; and
- Capital adequacy risk.

Underwriting risk

The risk under any one insurance contract is the risk that the insured event occurs and the uncertainty of the amount of the resulting claim. This risk is random and therefore unpredictable. For a portfolio of insurance contracts, the principal risk that the FS business faces under its insurance contracts is that the actual claims and benefit payments exceed the allowance made for claims and expenses in the calculation of liabilities.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The risks currently underwritten by the FS business are death, disability and health. Factors that increase the overall frequency of claims and therefore the insurance risk are epidemics (such as AIDS), lifestyle habits (such as eating, smoking and exercising) as well as economic conditions. The FS business manages these risks through its underwriting strategy which entails amongst others the following:

- Ensuring appropriate premium rates are used for the underwritten risk;
- Applications for risk cover are reviewed by underwriters and evaluated against established standards. Retention limits are applied to limit the exposure per individual life;
- The right to re-rate premiums is retained as far as possible;
- Risks profits are determined monthly;
- Adequate reinsurance arrangements to limit exposure per individual and manage concentration of risks;
- Claims handling policy; and
- Adequate pricing and reserving.

3. Financial risk management (continued)

3.2 Financial services business (FS business) (continued)

Underwriting risk (continued)

Assumptions are made at the pricing and reserving stages concerning the expected deaths and disabilities that will occur in each future time period. The risk posed by deviations from the assumptions depends on the type of business. The significant classes of business most affected by underwriting risk are discussed below.

(a) FS business risk

The most significant factors that could increase the frequency of mortality claims are epidemics such as AIDS, or lifestyle changes such as eating, drinking and exercise habits, resulting in earlier or more claims than expected.

FS business scheme pricing is based on past experience, industry class and average income amongst others. The following table provides the split by industry class of annual premium income received on FS business risk, and is shown net of reinsurance.

(b) Individual assurance business

The FS business analyses the progression of claims experience on a monthly basis. Given experience to date, deterioration in mortality and morbidity due to HIV and AIDS is currently considered not be a significant risk. The FS business does however hold special AIDS provisions, based on rates found in the market as a whole. These provisions are held to provide for deterioration in mortality experience as a result of assured lives becoming HIV infected after inception of the contract.

The following table provides a summary of the profile of amounts at risk per life in terms of mortality benefits before and after reinsurance:

As at 30 June 2009:

Retained sum at risk	Before reinsurance Rm	Before reinsurance %	After reinsurance Rm	After reinsurance %
0 – 49 999	613	14,7	825	28,8
50 000 – 99 999	1 917	46,1	1 817	63,5
100 000 – 199 999	997	24,0	208	7,3
200 000 – 499 999	358	8,6	13	0,4
500 000 – 999 999	131	3,2	0	
1 000 000 and above	141	3,4	0	
Total	**4 157**	**100,0**	**2 863**	**100,0**

Claims risk

Claims risk is the risk the FS business may pay claims not intended to be incurred. The following controls are in place to decrease this risk to an acceptable level:

- Appointment of staff with the necessary experience;
- Training of claims handling staff to ensure that fraudulent claims are identified and investigated timeously; and
- Internal, financial and operating controls that are designed to contain and monitor claims risk and verify the legitimacy of claims.

3. Financial risk management (continued)

3.2 Financial services business (FS business) (continued)

Underwriting risk (continued)

Policyholder behaviour risk

Uncertainty in the estimation of claim payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall level of mortality and the variability in contract holder behaviour.

In order to manage these risks, the FS business uses standard mortality tables according to the type of contract being underwritten. Bi-annual actuarial valuations are also performed to assist in the timeous identification of experience variances.

Lapse risk

Lapse risk relates to the risk of financial loss due to negative lapse experience. The design of insurance products excludes material surrender value guarantees, subject to regulatory constraints, to limit financial loss at surrender. Lapse experience is monitored to ensure that negative experience is timeously identified and corrective action taken. The reserving policy is based on actual experience to ensure that adequate provision is made for lapses.

Capital adequacy risk

Capital adequacy risk is the risk that there are insufficient reserves to provide for variations in actual future experience that is worse than assumed in the financial soundness valuation. Medscheme Life Assurance Company Limited must maintain shareholders' funds that will be sufficient to meet obligations in the event of substantial deviations from the main assumptions affecting its business. Capital adequacy requirements were covered 3,4 times at 30 June 2009. This ratio is determined in accordance with the Long Term Insurance Act of 1998 and Professional Guidance Note 104 (PGN104: Valuation of Long Term Insurers) issued by the Actuarial Society of South Africa.

Financial risk

The FS business is exposed to various financial risks such as market risk, credit risk and liquidity risk.

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices or changes in market interest rates. Policyholders' and shareholders' investments are valued at fair value and are therefore susceptible to market fluctuations.

Investments are managed with the aim of maximising policyholder returns while limiting risk to acceptable levels within the framework of statutory requirements. Measures and limits are in place to control the exposure to market risk of the financial instruments. Continuous monitoring takes place to ensure that appropriate assets are held and that a suitable match of assets exists for all non-linked liabilities through the use of an investment committee that meets quarterly.

Credit risk

Credit risk arises from the inability or unwillingness of a counterparty to discharge its contractual obligations to a financial instrument.

The credit risk relates primarily to trade, insurance and other receivables. The amounts presented in the balance sheet are net of allowances for impairment of receivables, estimated by management based on prior experience and the current economic environment. Exposure to any single agent, broker or intermediary is kept to a minimum where possible to ensure exposure stays insignificant.

3. Financial risk management (continued)

3.2 Financial services business (FS business) (continued)

Credit risk (continued)

The credit risk on liquid funds and reinsurance contracts is limited, because the counterparties are banks and insurance companies with high credit ratings assigned by international credit rating agencies and monitored quarterly by the Investment Committee in order to ensure compliance with the investment policy.

Medscheme Financial Services has significant concentrations of credit risk. It has policies in place to ensure that the services are rendered to customers with an appropriate credit history. All accounts receivable in respect of policies sold are considered current as it is FS business policy to cancel any policies that have a record of two successive premium collection failures.

Other than normal receivables relating to premiums from clients, reinsurance receivables are significant to the business depending on the various reinsurance arrangements it has in place with counterparties.

Risk in this area is considered low due to the fact that it is Group policy to only transact with reinsurers with an International Standard & Poor rating of at least an A. The following reinsurers are used, and their respective ratings listed:

Reinsurer	Rating
General Reinsurance Africa (Gen Re)	A++
Munich Reinsurance Co of Africa Limited	A
Swiss Re Life and Health Limited	A+
Arch Re (Catastrophe cover)	A
Hannover Reinsurance Company	A

Liquidity risk

Liquidity risk is the risk that the FS business will not be able to raise sufficient funds to meet the commitments associated with its liabilities. This risk arises when there is mismatching between the maturities of liabilities and assets.

Policyholder funds are invested in appropriate assets, taking into account expected cash flow outputs. Term liabilities are backed by appropriate assets within the same maturity profile. Monitoring of these risks occurs quarterly at the investment forum. The matching of the policyholder liabilities with appropriate assets is also reviewed by the statutory actuary as part of the valuation that is performed every six months.

The FS business is required to hold a minimum amount of capital in order to reduce the policyholders' exposure to the entity's liquidity risk. The Financial Services Board regularly reviews compliance with these minimum capital requirements as the regulatory authority. This is also monitored by management and the Investment Committee. To date the FS business has exceeded the regulatory minimum capital requirements. These figures are reported quarterly and annually to the Financial Services Board.

3. Financial risk management (continued)
3.2 Financial services business (FS business) (continued)
Liquidity risk (continued)

The FS business time buckets are detailed below:

	0 – 1 year R'000	1 – 5 years R'000	5+ years R'000	Open ended R'000	Total R'000
2009					
Net insurance contracts	–	–	(27 293)	–	(27 293)
Total investment contracts	67	35 271	7 455	371 310	414 103
Net policy liabilities	67	35 271	(19 838)	371 310	386 810

	Less than 3 months or on demand R'000	More than 3 months but not exceeding 6 months R'000	More than 6 months but not exceeding 9 months R'000	More than 9 months but not exceeding 1 year R'000	More than 1 year R'000	Total R'000
2009						
Commission creditors	842	–	–	–	–	842
Outstanding claims	7 549	–	–	–	–	7 549
Reinsurance creditors	890	–	–	–	–	890
Trade and other creditors	11 437	–	–	–	–	11 437
Total trade, insurance and other creditors	20 718	–	–	–	–	20 718

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. Due to the dynamic nature of the underlying businesses, Management maintains flexibility in funding by keeping committed credit facilities available. Management monitors rolling forecasts of the liquidity reserve on the basis of expected cash flow.

Capital risk

The objective of the FS business when managing capital are:

- To comply with the insurance capital requirements by the regulators of the insurance markets, the Financial Services Board;
- To safeguard the ability to continue as a going concern so that it can provide returns for shareholders and benefits for the other stakeholders; and
- To provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

The calculated capital for Medscheme Life Assurance Company Limited at 30 June 2009 is R14 million, which is the minimum regulatory requirement.

3. Financial risk management (continued)
3.2 Financial services business (FS business) (continued)
Capital risk (continued)

In order to maintain or adjust the capital structure, FS business may adjust the amount of dividends paid to shareholders, return capital to shareholders, or issue new shares.

The embedded value is used as an appropriate basis to measure its value to shareholders and this is consistent with industry practice.

4. Business combinations
Acquisitions

On 31 January 2009, AfroCentric acquired an initial 63,2% of the shares in Lethimvula Investments Limited ("Lethimvula"). Being an affected transaction as defined in the SRP Code on Takeovers and Mergers, AfroCentric made a similar offer to the minority shareholders of Lethimvula in accordance with the SRP Code. At 30 June 2009, AfroCentric owned 83,8% of Lethimvula.

On 1 May 2009, Lethimvula Investments Limited completed the acquisition of 100% of the shares of Old Mutual Healthcare (Pty) Limited (now called Lethimvula Healthcare (Pty) Limited). The shareholders of Lethimvula Investments Limited have acquired this business in line with its strategy to expand its market share of administration and managed healthcare clients in the Healthcare industry. The Competition Commission approved the sale of Old Mutual Healthcare (Pty) Limited to Lethimvula Investments Limited on 3 April 2009. This was the final condition precedent to be met.

The acquisitions are being accounted for using the purchase price method of accounting, which requires that the assets and liabilities of Lethimvula and Old Mutual Healthcare (Pty) Limited be measured at fair value at 31 January 2009 and 1 May 2009, respectively.

On 1 May 2009, Lethimvula acquired 51% of Blue Falcon 39 Trading (Pty) Limited. Old Mutual (South Africa) Limited acquired the remaining 49%.

The net asset value of Blue Falcon 39 Trading (Pty) Limited after being capitalised by both shareholders was R12,7 million. The related intergroup loans are recorded at fair value. No intangible assets or goodwill was recognised on acquisition.

Intangible assets arising from the purchase of subsidiary companies

At the time of the purchase of Lethimvula and Old Mutual Healthcare (Pty) Limited certain intangible assets were identified and valued using the valuation method deemed most appropriate to the intangible asset and relevant to the underlying business, at the date of acquisition.

Three types of intangible assets were identified in respect of the acquisition of Lethimvula: customer relationships, brands and intellectual property.

Two customer relationship types were identified in respect of Old Mutual Healthcare (Pty); those relating to the Administration business and those relating to the IT licence contract acquired. The expected cash flows using a market related operational model and discounted at the considered weighted average cost of capital did not give rise to material values for the customer relationships.

Deferred tax asset

Old Mutual Healthcare (Pty) Limited has, at the date of acquisition, an assessable loss of R48,9 million. The Company had not raised a deferred tax asset for this loss as it was in a loss making position and could not anticipate the reasonable utilisation of the asset in the foreseeable future. Cash flow projections after taking into consideration the synergies expected subsequent to the acquisition, have determined that during the foreseeable future the revised business is likely to utilise R36,2 million of this loss through generation of profits. Therefore a deferred tax asset has been raised to the extent of this utilisation.

4. Business combinations (continued)

Net asset value on acquisition

The purchase contract for the acquisition of Lethimvula gave effect to the Net Asset Value of the acquired business being equal to R67 million.

The purchase contract for the acquisition of Old Mutual Healthcare (Pty) Limited includes guarantees which give effect to the Net Asset Value of the acquired business being equal to R1.

Intangible assets

Goodwill is not amortised. Other intangible assets have finite lives as defined by the underlying assumptions used to determine the fair value. Customer relations are amortised over a period of 5 to 10 years.

The future cash flows used to determine the value of the intangible assets were discounted using the Weighted Average Cost of Capital ("WACC"), including a premium to accommodate the short-term nature of the relationships, for each cash-generating unit was 16,48%.

Purchase price allocation and goodwill

The purchase price has been allocated based on the valuation of the cash-generating units at the time of the purchase price determination. The computation of the purchase price and the allocation of the purchase price to the net assets acquired based on their respective fair values at 1 May 2009, and the resulting goodwill, are presented below:

	Old Mutual Healthcare R'000	Lethimvula Investments Limited R'000
Total purchase price for 100% of the business acquired (cash and shares)	64 683	536 275
Transaction costs	1 043	7 005
	65 726	543 280
Net assets acquired	–	68 545
Value of customer relationships acquired	7 295	109 260
Value of brands acquired	–	22 938
Value of intellectual property acquired	–	10 387
Deferred taxation on intangible assets	(2 043)	(39 924)
Value of deferred tax asset raised	13 692	–
Fair value of 100% of business acquired	18 944	171 206
Goodwill arising from acquisition	46 782	372 074

A total number of 114 044 755 ordinary shares at a published price of R1,70 (initial transaction) and R1,40 (offer to minorities) was issued in respect of the Lethimvula transaction.

The goodwill arising from the acquisitions are attributable to the increased profitability anticipated as a result of the additional membership injected into the Group which will increase the gross operational profits and improve use of overhead structures. In addition, this balance represents the value in perpetuity of the people skills and utilisation of Group operational synergies.

4. Business combinations (continued)

Allocation of goodwill

The goodwill has been allocated to the cash-generating units using the expected future cash flows from each unit as a basis for allocation.

	Old Mutual Healthcare R'000	Lethimvula Investments Limited R'000
Administration business	45 471	282 776
Risk management	–	89 298
Licence business	1 311	–
Total goodwill	46 782	372 074
Purchase price		
Purchase consideration settled in cash and shares	64 683	536 275
Transaction costs	1 043	7 005
Total cash purchase price	65 726	543 280
Purchase consideration settled in cash	65 727	168 514
Cash and cash equivalents in subsidiaries acquired	–	95 735
Cash outflow on acquisition	65 727	72 779
Deferred income tax asset		
Deferred taxation has been raised as follows:		
Profit expected to be utilised in the next three years	48 900	–
Taxation at 28%	13 692	–

5. Segment information

	Healthcare administration R'000	Electronics R'000	Treasury R'000	Administration R'000	Elimination R'000	Group R'000
2009						
Continuing operations						
Gross revenue	519 867	–	–	–	–	519 867
Other income	8 325	–	–	9 658	(9 658)	8 325
Administrative expenses	(484 060)	–	–	(10 181)	15 325	(478 916)
Net finance income	1 486	–	13 437	(6 826)	–	8 097
– Finance income	4 357	–	13 437	–	–	17 794
– Finance cost	(2 871)	–	–	(6 826)	–	(9 697)
Share of profit of associate	1 554	7 597	–	–	–	9 151
Profit before taxation	47 172	7 597	13 437	(7 349)	5 667	66 524
Income tax expense	(11 424)	–	–	(1 389)	(794)	(13 607)
Profit for the year from continuing operations	35 748	7 597	13 437	(8 738)	4 873	52 917
Loss for the year from discontinued operations	(2 379)	–	–	–	–	(2 379)
Profit for the year	33 369	7 597	13 437	(8 738)	4 873	50 538
Segment assets	898 433	–	110 344	1 143 471	(923 829)	1 228 419
Non-current assets held-for-sale	515 288	–	–	–	–	515 288
Total assets	1 413 721	–	110 344	1 143 471	(923 829)	1 743 707
Segment liabilities	465 740	–	–	722 863	(521 281)	667 322
Non-current liabilities held-for-sale	422 424	–	–	–	–	422 424
Total liabilities	888 164	–	–	722 863	(521 281)	1 089 746
Capital expenditure	62 548	–	–	–	–	62 548
Depreciation and amortisation expense	28 122	–	–	–	–	28 122
Reversal of impairment provisions against investments	(705)	–	–	–	–	(705)

No comparative figures are provided, as the Group had mainly administration activities in the prior year.

Nature of business segments

- *Healthcare administration* – consists of medical scheme administration and managed healthcare services
- *Electronics* – consists of the investment in Jasco Electronics Holdings Limited
- *Treasury* – consists of the investment in the preference shares
- *Administration* – consists of the administration activities of the holding company

Geographical segments

The revenue, capital expenditure and assets of the separate geographical locations are less than 10% of the total Group revenue, capital expenditure and assets, respectively, therefore no additional disclosure is required.

6. Property, plant and equipment

	Motor vehicles R'000	Computer equipment R'000	Furniture and fittings R'000	Office equipment R'000	Total R'000
Group					
Opening carrying amount	–	–	–	–	–
Acquisition of subsidiary	369	53 764	29 495	5 478	89 106
Additions	–	31 095	2 247	5 026	38 368
Disposals	–	(66)	(390)	(114)	(570)
Depreciation – continuing operations	(34)	(11 645)	(3 233)	(1 353)	(16 265)
Closing carrying amount	335	73 148	28 119	9 037	110 639
At 30 June 2009					
Cost	1 097	185 842	77 715	28 171	292 825
Accumulated depreciation	(762)	(112 694)	(49 596)	(19 134)	(182 186)
Closing carrying amount	335	73 148	28 119	9 037	110 639

** Assets acquired under finance leases include: motor vehicles with a carrying amount of R84 814.*

7. Intangible assets

	Goodwill R'000	Licence R'000	Computer software R'000	Development costs R'000	Customer relationships R'000	Brands R'000	Intellectual property R'000	Total R'000
Group								
Opening carrying amount	–	–	–	–	–	–	–	–
Acquisition of subsidiary	–	–	23 844	336	–	–	–	24 180
Additions	418 856	81	14 680	4 011	116 919	22 938	10 387	587 872
Disposals	–	–	–	(44)	–	–	–	(44)
Amortisation charge for the year	–	(1)	(3 595)	(76)	(6 363)	(956)	(866)	(11 857)
Carrying value at 30 June 2009	418 856	80	34 929	4 227	110 556	21 982	9 521	600 151
Carrying value at 30 June 2009 comprises:								
Cost (including additions)	418 856	81	117 844	26 890	116 919	22 938	10 387	713 915
Accumulated impairment	–	–	(3 367)	–	–	–	–	(3 367)
Accumulated amortisation	–	(1)	(79 548)	(22 663)	(6 363)	(956)	(866)	(110 397)
Carrying value at 30 June 2009	418 856	80	34 929	4 227	110 556	21 982	9 521	600 151

7. Intangible assets (continued)

A summary per cash-generating unit of the goodwill allocation is presented below:

	30 June 2009 R'000
Lethimvula Investments Limited – healthcare administration	282 776
Lethimvula Investments Limited – health risk management	89 298
Old Mutual Healthcare (Proprietary) Limited – healthcare administration	45 471
Old Mutual Healthcare (Proprietary) Limited – licences	1 311
	418 856

Management determines the recoverable amount of cash-generating units as being the higher of net selling price or value in use. In the absence of an active market, value in use is used to determine the recoverable amount. A traditional method of discounting Management's best estimate of future cash flows attributable to the cash-generating unit has been applied to determine the value in use. A growth rate has been applied to cash flow streams to take into account the effect of inflation.

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

- R157 (maturing in 2015) is yielding 7,93% as at 20 April 2009;
- A market risk premium of 7 – 8% is justified as the overall risk is to the downside. CPI and GDP growth for 2009 is forecast to be 6,9% and 0,2%. Current account deficit is forecast to be –6,9% of GDP for 2009; and
- Beta of 1,1 is appropriate.

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

8. Financial instruments

8.1 Financial instruments by category

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

	Amortised cost	Carrying value 2009 R'000	Carrying value 2008 R'000
Group			
Loans and receivables			
Loans receivable: preference shares	3	100 000	100 000
Trade and other receivables	3	156 215	6 872
Cash and cash equivalents	3	65 554	10 422
Financial liabilities measured at amortised cost			
Borrowings (non-current and current)	3	194 699	–
Trade and other payables	3	102 385	3 733
Bank overdraft	3	53 661	5 114

8. Financial instruments (continued)

8.1 Financial instruments by category (continued)

	Amortised cost	Carrying value 2009 R'000	Carrying value 2008 R'000
Company			
Loans and receivables			
Loans receivable: preference shares	3	100 000	100 000
Trade and other receivables	3	5 662	6 872
Loans to group companies	3	388 931	–
Cash and cash equivalents	3	10 344	10 422
Financial liabilities measured at amortised cost			
Borrowings (non-current and current)	3	1 500	–
Trade and other payables	3	1 196	3 733
Bank overdraft	3	8 859	5 114

8.2 Credit quality of financial assets

The table below analyses all undiscounted cash flows from financial assets into the time buckets that they are contractually due to be received. Some of the items included in the table below are past due but not impaired. Refer to 8.2.1.

Due to the fact that the nature of the business of the "financial service business" is significantly different from the rest of the Group, the time buckets relating to its financial assets have been presented separately.

Healthcare, investment and administration business:

	Carrying amount R'000	Total cash flows R'000	Less than 3 months R'000	4 to 12 months R'000	1 to 5 years R'000
Group					
2009					
Non-current assets					
Investments in preference shares	100 000	100 000	–	–	100 000
Current assets					
Trade and other receivables	156 215	156 215	156 215	–	–
Cash and cash equivalents	65 554	65 554	65 554	–	–
Non-current liabilities					
Borrowings	(183 523)	(183 523)	–	–	(183 523)
Current liabilities					
Borrowings	(11 176)	(11 176)	(11 176)	–	–
Trade and other payables	(102 385)	(102 385)	(102 385)	–	–
Bank overdraft	(64 152)	(64 152)	(64 152)	–	–
	(39 467)	(39 467)	44 056	–	(83 523)

8. Financial instruments (continued)

8.2 Credit quality of financial assets (continued)

	Carrying amount R'000	Total cash flows R'000	Less than 3 months R'000	4 to 12 months R'000	1 to 5 years R'000
Group					
2008					
Non-current assets					
Investments in preference shares	100 000	100 000	–	–	100 000
Current assets					
Trade and other receivables	6 872	6 872	1 006	5 866	–
Cash and cash equivalents	10 422	10 422	10 422	–	–
Current liabilities					
Trade and other payables	(3 733)	(3 733)	(3 733)	–	–
Bank overdraft	(5 114)	(5 114)	(3 018)	(2 096)	–
	108 477	108 447	4 677	3 770	100 000
Company					
2009					
Non-current assets					
Investments in preference shares	**100 000**	**100 000**	**–**	**–**	**100 000**
Current assets					
Trade and other receivables	**5 662**	**5 662**	**5 662**	**–**	**–**
Loans to group companies	**388 931**	**388 931**	**388 931**	**–**	**–**
Cash and cash equivalents	**10 344**	**10 344**	**10 344**	**–**	**–**
Current liabilities					
Borrowings	**(1 500)**	**(1 500)**	**(1 500)**	**–**	**–**
Trade and other payables	**(1 196)**	**(1 196)**	**(1 196)**	**–**	**–**
Bank overdraft	**(8 859)**	**(8 859)**	**(8 859)**	**–**	**–**
	493 382	**493 382**	**393 382**	**–**	**100 000**

8. Financial instruments (continued)

8.2 Credit quality of financial assets (continued)

	Carrying amount R'000	Total cash flows R'000	Less than 3 months R'000	4 to 12 months R'000	1 to 5 years R'000
2008					
Non-current assets					
Investments in preference shares 100 000	100 000	100 000	–	–	100 000
Current assets					
Other receivables	6 872	6 872	1 006	5 866	–
Cash and cash equivalents	10 422	10 422	10 422	–	–
Current liabilities					
Other payables	(3 733)	(3 733)	(3 733)	–	–
Bank overdraft	(5 114)	(5 114)	(3 018)	(2 096)	–
	108 477	108 447	4 677	3 770	100 000
Financial Service business analysis is detailed below: Medscheme Life Assurance Company Limited is considered a discontinued operation at year-end for the analysis of the financial services business.					
2009					
Outstanding premiums		**1 780**	**1 780**	**1 780**	**–**
Commission creditors		**5 260**	**5 260**	**5 260**	**–**
Due by reinsurers		**5 761**	**5 761**	**5 761**	**–**
Prepayments		**1 642**	**1 642**	**1 642**	**–**
Sundry debtors		**1 618**	**1 618**	**1 618**	**–**
		16 061	**16 061**	**16 061**	**–**

Reinsurance assets have been included into time buckets with policyholder liabilities (see note 3).

8. Financial instruments (continued)

8.2 Credit quality of financial assets (continued)

8.2.1 Trade receivables relating to the Healthcare business

Healthcare and administration business

Trade receivables that are less than three months past due are not considered impaired. As of 30 June 2009, trade receivables of R1,8 million were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

There were no movements in the Group's provision for impairment of trade receivables during the financial period.

Clients are contractually bound to the Healthcare business for medium- to long-term repayment periods. The majority of its client base comprises large medical healthcare providers for open schemes and listed blue chip companies with regard to closed medical schemes. Amounts invoiced to these clients are banked in advance before invoice date and therefore the risk of non-recovery is very low.

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

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

The other classes within trade and other receivables detailed in note 14 do not contain impaired assets.

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

8.2.2 Receivables from associates and joint venture

Management has assessed the likelihood of non-recovery of outstanding amounts due from its associates and joint venture and determined that no impairment is necessary due to the fact that all associates are profitable and the joint venture has recently indicated an ability to repay outstanding amounts due.

	Group		Company	
	2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
8.2.3 Cash and cash equivalents				
Cash at bank and short-term bank deposits				
AAA – ABSA Bank Limited	**9 455**	–	**–**	–
AA – Nedbank Limited	**55 860**	10 422	**10 344**	10 422
AA – Investec Bank Limited	**239**	–	**–**	–
Bank overdraft				
AAA – ABSA Bank Limited	**(8 860)**	(5 114)	**(8 859)**	(5 114)
AA – Nedbank Limited	**(44 801)**	–	**–**	–
Total cash at bank and short-term bank deposits	**11 893**	5 308	**1 485**	5 308

	Group		Company	
	2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
9. Investment in subsidiaries				
Unlisted investments at cost			*****	*
Carrying value/Directors' valuation			**543 280**	*
Aggregate attributable after tax profits of subsidiary companies	**30 001**	–		
Aggregate attributable after tax losses of subsidiary companies	**(6 601)**	–		

Name	Main business	Country of incorporation	Issued share capital	Interest held
2009				
Directly held				
Afrocentric Resources (Pty) Limited	**Dormant**	**South Africa**	*****	**100,0%**
Afrocentric Capital (Pty) Limited	**Dormant**	**South Africa**	*****	**100,0%**
AfroCentric Healthcare Assets (Pty) Limited	**Investment holding**	**South Africa**	*****	**100,0%**
AfroCentric Funding (Pty) Limited	**Financing**	**South Africa**	*****	**100,0%**
Indirectly held				
Lethimvula Investments Limited	**Healthcare administration**	**South Africa**	**470 000 000**	**83,8%**
2008				
Directly held				
Afrocentric Resources (Pty) Limited	Dormant	South Africa	*	100,0%
Afrocentric Capital (Pty) Limited	Dormant	South Africa	*	100,0%

** Amount less than R1 000*

	Group		Company	
	2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
10. Investment in associates				
Balance at beginning of the year	**105 409**	–	**101 919**	–
Acquisition of associate in terms of IFRS 3	**12 681**	–	**–**	–
Acquisition of investment	**–**	98 411	**–**	98 411
Expenses capitalised	**–**	3 508	**–**	3 508
Share of profit after tax	**9 151**	3 490	**–**	–
Foreign exchange gain	**65**	–	**–**	–
Acquisition of associate	**4 125**	–	**–**	–
Dividends received	**(3 996)**	–	**–**	–
Balance at end of the year	**127 435**	105 409	**101 919**	101 919
Directors' valuation	**130 000**	100 709	**102 000**	100 709

Investments in the Company are accounted for at cost, while the share of profits since acquisition are accounted for in the Group.

10. Investment in associates (continued)

The directly held associate operates in the electronics industry and all indirectly held associates operate in the healthcare industry. The total aggregate assets, liabilities and results of operations of associates are summarised as follows:

	2009 R'000	2008 R'000
Total assets	635 228	464 693
Total liabilities	305 589	220 105
Net profit attributable to ordinary shareholders	29 421	9 262

The following information relates to the Group's financial interest in associates:

	Reporting date	Number of shares held	Group Percentage holdings 2009	Group Net investment 2009 R'000	Company Percentage holdings 2009	Company Net investment 2009 R'000
2009						
Directly held – listed						
Jasco Electronics Holdings Limited	30 June		34,9	109 010	34,9	101 919
Indirectly held – unlisted						
Administrators and Consultants Limited	30 June	33 000	30	4 424	–	–
Associated Fund Administrators Botswana (Proprietary) Limited	30 September	25 000	25	5 808	–	–
Healthbridge (Proprietary) Limited	30 September	3 000 000	30	–	–	–
Medscheme EDI (Proprietary) Limited*	28 February	50	50	–	–	–
Sigma Health Fund Managers (Proprietary) Limited	31 December	35 000	35	4 068	–	–
Blue Falcon Trading (Pty) Limited	28 February	49	49	4 125	–	–
				127 435		101 919
2008						
Directly held – listed						
Jasco Electronics Holdings Limited	30 June		34,9	105 409	34,9	101 919

** Pending deregistration*

All the associates above are incorporated in South Africa except for Administrators and Consultants Limited and Associated Fund Administrators Botswana (Proprietary) Limited which are incorporated in Mauritius and Botswana respectively.

11. Investments in joint ventures

The following information relates to the Group's financial interest in joint ventures:

	Number of shares held	Percentage holdings	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
Unlisted						
Exclusive Health (Proprietary) Limited	50	50%	–	–	–	–

The total aggregate assets, liabilities and results of operations of the joint venture is summarised as follows:

	2009 R'000	2008 R'000
Current assets	162	–
Total assets	162	–
Current liabilities	1 922	–
Total liabilities	1 922	–
Net loss attributable to ordinary shareholders	(6)	–

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
12. Investment in preference shares				
40 000 redeemable preference shares	100 000	100 000	100 000	100 000

- A monthly dividend is paid to AfroCentric calculated at 80% of the ruling prime interest rate on the issue price per preference share.
- The preference shares will be redeemable at the discretion of Jasco Electronics Holdings Limited after three years, but no later than five years, from the date of issue.
- AfroCentric has entered into a Put Option Agreement with Jasco. The Put Option Agreement grants AfroCentric the right to sell the preference shares to Jasco for a consideration under certain circumstances.

13. Deferred income tax

	Capital allowances R'000	Provisions R'000	Pre-payments R'000	Assessed loss R'000	Fair value adjust-ments R'000	Total R'000
Deferred income tax assets						
Balance at beginning of year	–	–	–	–	–	–
Acquisition of subsidiary	237	34 995	–	–	11 527	46 759
Credit to profit for the period	138	6 190	–	59	(3 406)	2 981
Business combination	–	–	–	–	11 763	11 763
Balance as at 30 June 2009	375	41 185	–	59	19 884	61 503
Deferred income tax liabilities						
Balance at beginning of year	–	–	–	–	–	–
Acquisition of subsidiary	(12 959)	–	(636)	–	(50 582)	(64 177)
Charge to profit for the period	(1 705)	–	(650)	–	–	(2 355)
Discontinued operation	–	–	–	–	–	–
Balance as at 30 June 2009	(14 664)	–	(1 286)	–	(50 582)	(66 532)

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
14. Trade and other receivables				
Trade debtors	**33 928**	–	**–**	–
Deposits	**4 137**	–	**–**	–
Prepayments	**14 609**	–	**–**	–
Sundry debtors	**29 761**	–	**–**	–
Rental provisions	**60 348**	–	**–**	–
Other debtors	**13 432**	–	**5 662**	–
Loans receivable	**–**	5 866	**–**	5 866
Preference dividend receivable	**–**	1 006	**–**	1 006
	156 215	6 872	**5 662**	6 872
15. Loan to group companies				
AfroCentric Healthcare Assets (Pty) Limited	**–**	–	**382 930**	–
AfroCentric Funding (Pty) Limited	**–**	–	**6 001**	–
	–	–	**388 931**	–

These loans, are unsecured, interest free and with no fixed repayment terms.

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
16. Receivables from associates and joint ventures				
Receivables from joint ventures				
Exclusive Health (Pty) Limited	**615**	–	**–**	–
Receivables from associates				
Healthbridge (Pty) Limited*	**6 027**	–	**–**	–
	6 642			

** Interest is charged on the loan to Healthbridge (Proprietary) Limited.*

These receivables are due and payable within 12 months from balance sheet date and have been carried at cost less required impairment. The effect of restating to amortised cost over a period of one year is negligible and considered immaterial.

The Directors believe that the fair value approximates the carrying value of the loans and receivables.

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
17. Cash and cash equivalents				
Cash at bank and on hand	**65 554**	10 422	**10 344**	10 422
Bank overdraft	**53 661**	5 114	**8 859**	5 114

AfroCentric has pledged a R10 million interest bearing term deposit invested with Nedbank for as long as a facility extended to a strategic target for acquisition remains utilised. This pledge has been secured by a notarial bond over the assets of the strategic target.

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

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
Cash at bank and on hand	**65 554**	10 422	**10 344**	10 422
Bank overdraft	**(53 661)**	(5 114)	**(8 859)**	(5 114)
Assets held-for-sale	**64 146**	–	**–**	–
	76 039	5 308	**1 485**	5 308
18. Share capital				
Authorised				
1 billion ordinary shares of 1 cent each	**10 000**	10 000	**10 000**	10 000
60 million redeemable preference shares of 1 cent each	**600**	600	**600**	600
Issued				
257 999 496 (2008: 143 954 741) ordinary shares of 1 cent each	**2 580**	1 440	**2 580**	1 440
– Opening balance	**1 440**	940	**1 440**	940
– Issue of share capital	**1 140**	500	**1 140**	500
16 638 000 (2008: 16 638 000) preference shares of 1 cent each	**166**	166	**166**	166
– Opening balance	**166**	166	**166**	166
– Issue of share capital	**–**	–	**–**	–
Share premium net of expenses capitalised	**379 782**	195 114	**379 782**	195 114
	382 528	196 720	**382 528**	196 720

18. Share capital (continued)

Authorised (continued)

Preference shareholders will be entitled to 15% of the aggregate dividend declared payable to preference and ordinary shareholders in proportion to the number of preference shares in issue.

Each preference shareholder has an option to convert their preference shares to ordinary shares subject to the following terms and conditions:

- Options may be exercised by giving written notice in respect of each of the periods ending 30 November 2010, 2011, 2012 and 2013.
- The number of ordinary shares to which the preference shareholders will be entitled and the price of the option shall be calculated by pre-defined formulae.
- All options may be exercised in whole or in part and any options not exercised by 31 December 2013 shall lapse.

Contingent shares to be issued

In terms of the Lethimvula acquisition agreement, the vendors of shares in Lethimvula warranted profits after tax for the years ending 30 June 2011, 2012 and 2013 at an average of R180 million. Should such warranty be fulfiled and to the extent that AfroCentric owns 100% of Lethimvula, AfroCentric will implement the allotment to the vendors of "Contingent shares to be issued", the number not exceeding 138,5 million shares. The allotment of such shares will be reduced in terms of the formula, should the warranted profits not be attained.

19. Disposal group classified as held-for-sale and discontinued operation

The results of the business, assets and liabilities related to Medscheme Life Assurance Company have been presented as held-for-sale following the approval of the Group's management and shareholders on 28 October 2008 to sell the company. The sale will form part of the two Old Mutual exchange transactions.

	Group	
	2009 R'000	2008 R'000
Cash flows of disposal group classified as held-for-sale		
Operating cash flows	7 215	–
Investing cash flows	2 736	–
Total cash flows	**9 951**	–
Assets of disposal group classified as held-for-sale		
Property, plant and equipment	4	–
Investments including policyholder assets	17 263	–
Other current assets	42 031	–
Policyholder assets under investment contracts	391 844	–
Cash and cash equivalents	64 146	–
	515 288	–
Liabilities of disposal group classified as held-for-sale		
Financial liabilities under investment contracts	405 990	–
Policyholder liabilities under insurance contracts	1 107	–
Other current liabilities	15 327	–
Total	**422 424**	–

19. Disposal group classified as held-for-sale and discontinued operation (continued)

	Group	
	2009 R'000	2008 R'000
Analysis of the result of the discontinued operation, and the result recognised on the re-measurement of the disposal group, is as follows:		
Revenue	89 069	–
Expenses	(92 355)	–
Loss before tax of discontinued operation	(3 286)	–
Income tax	907	–
Loss for the year from discontinued operations	(2 379)	–

	Group		Company	
	2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
20. Borrowings				
Bank borrowings	160 350	–	–	–
Other borrowings	23 173	–	–	
Amounts due to shareholder and related companies	11 064	–	1 500	–
Finance leases	112	–	–	–
	194 699	–	1 500	–
Maturity analysis				
Non-current	183 523	–	–	–
Current	11 176	–	1 500	–
	194 699	–	1 500	–
All interest bearing borrowings are at floating rates. The loans from the shareholder and related companies are unsecured, bears no interest and have no fixed terms of payment.				
The fair value of current borrowings approximates their carrying amounts as the impact of discounting is not significant.				
Weighted average effective interest rates:				
Bank borrowings	85% of prime	–	–	–
Finance leases (%)	13,5	–	–	–

20. Borrowings (continued)

The table below indicates the present value of future lease commitments for the Group:

	Within 1 year R'000	>1 year but <5 years R'000	Total R'000
2009			
Minimum lease payments	165	–	165
Finance costs	(53)	–	(53)
Present value	112	–	112

The present value is calculated using cash flows discounted at a rate based on the borrowings rate of 13,5%, as opposed to the individual interest rates implicit in the leases, which is used to calculate the capital outstanding.

As at 30 June 2009, no breaches or defaults in payments have taken place.

The net carrying amounts of these capitalised assets are as follows:

Group	2009 R'000
Finance lease – Motor vehicle	
Gross carrying amount	262
Accumulated depreciation	(178)
Net carrying amount	84

Bank borrowings – Nedbank

The bank has provided the Group an aggregate amount of facilities of R70,39 million, which includes overdraft and other loan facilities.

All liability suretyships incorporate cession of loans funds on the bank's standard terms and conditions by the following companies:

- Aid for Aids (Proprietary) Limited
- GP Connect (Proprietary) Limited
- Hanyani Health Management (Proprietary) Limited
- Interpharm Data Systems (Proprietary) Limited
- Medicaid Administrators (Proprietary) Limited
- Medscheme (Namibia) (Proprietary) Limited
- Medscheme (Proprietary) Limited
- Medscheme Administrators (Swaziland) (Proprietary) Limited
- Medscheme Computer Services (Proprietary) Limited
- Medscheme Diversified Holdings (Proprietary) Limited
- Medscheme Health Management Services (Proprietary) Limited
- Medscheme Health Risk Management (Proprietary) Limited
- Medscheme Holdings (Proprietary) Limited (a pledge and cession of its call account)
- Medscheme International Holdings (Proprietary) Limited
- Medscheme Relode (Proprietary) Limited
- Medscheme Asset Management (Proprietary) Limited
- Medscheme Financial Services (Proprietary) Limited
- National Health Administrators (Proprietary) Limited (Namibia)
- Pharmaceutical Benefit Management (Proprietary) Limited

Borrowing powers

The Group's Articles of Association are not restrictive in respect of maximum borrowing powers.

21. Share-based payment

African Vanguard Consortium ("AVC") share options – equity settled

Medscheme announced a BEE transaction in May 2005. The use of fully voting deferred ordinary shares was the mechanism used to undertake a fully vendor finance transaction in the AVC transaction.

A transaction was agreed with effect from 1 March 2006 between the parties whereby AVC would swap its deferred ordinary Medscheme shares for call options in Lethimvula at any date but no later than 28 February 2010. The call options have no voting rights and the terms of these newly issued call options are set out below.

On 27 February 2009, AfroCentric Investment Corporation Limited made a binding offer to AVC in respect of the potential acquisition of the option to acquire 122 714 763 ordinary shares with a par value of one cent each in the share capital of Lethimvula Investments Limited, at a price of R1,269 per ordinary share capital of Lethimvula. The offer to the option holder was accepted on 4 June 2009.

	2009 Number of shares	2009 Weighted average exercise price per share R	2008 Number of shares	2008 Weighted average exercise price per share R
Group				
Outstanding at 1 February 2009	122 714 763	0,0035	–	–
Granted	–	–	–	–
Exercised	–	–	–	–
Forfeited	–	–	–	–
Outstanding at 30 June 2009	122 714 763	0,0035	–	–
Available to be implemented at 30 June 2009	122 714 763	0,0035	–	–

No share options expired or were cancelled during the period ended 30 June 2009 and there have been no changes to the terms and conditions during the year.

Grants made during the year

	2009 R'000	2008 R'000
Weighted average fair value at measurement date	442	–

This weighted average fair value has been calculated using the Black Scholes option pricing model, using the following inputs and assumptions:

		2009	2008
Weighted average share price	(R)	0,550	–
Weighted average share exercise price	(R)	1,269	–
Weighted average expected volatility	(%)*	20	–
Weighted average option life	(years)	5,50	–
Weighted average dividend yield	(%)	4,29	–
Weighted average risk-free interest rate	(%)**	9,07	–

* *The weighted average expected volatility is determined using historical daily share prices*

** *Based on zero rate swap yield at perfect fit*

21. Share-based payment (continued)

The Chief Executive Officer (D Dempers) share options – equity settled

In terms of his employment contract concluded on 21 June 2008, Dewald Dempers as Chief Executive Officer of Lethimvula does not receive a review on his salary during the three-year term of his appointment. He has been incentivised with an entitlement to participate in a share option scheme in respect of 12 million shares in Lethimvula at a strike price of 83,5 cents per share on the earlier of the achievement of a public listing of Lethimvula on the JSE or on the attainment within his term of a status akin to such a listing whether by way of a reverse listing or acquisition of the entire share capital of Lethimvula by a listed entity.

The purchase of 63,2% of Lethimvula Investments Limited by AfroCentric Investment Corporation Limited effective on 30 January 2009 has achieved the conditional requirement for the options to vest.

	2009 Number of shares	2009 Weighted average fair value R
Group		
Outstanding at 1 March	–	–
Granted	12 000 000	0,11
Exercised	–	–
Settled	–	–
Outstanding at 30 June 2009	12 000 000	0,11
Available to be implemented at year-end	12 000 000	0,11

Grants made during the year

	2009 R'000	2008 R'000
Weighted average fair value at measurement date	876	–

This weighted average fair value has been calculated using the Black Scholes option pricing model, using the following inputs and assumptions:

		2009	2008
Weighted average share price	(R)	0,771	–
Weighted average share exercise price	(R)	0,835	–
Weighted average expected volatility	(%)*	30	–
Weighted average option life	(years)	3,5	–
Weighted average dividend yield	(%)	9,73	–
Weighted average risk-free interest rate	(%)**	10,35	–

* *The weighted average expected volatility is determined using historical daily share prices*
** *Based on zero rate swap yield at perfect fit*

Increases or decreases in the calculated liability have been recognised in the income statement under 'employee benefit costs' (see note 29).

21. Share-based payment (continued)

Share appreciation rights ("SAR") share options (cash settled)

On 1 September 2006 certain Medscheme Holdings (Pty) Limited employees/directors were granted SAR. The shares have been granted over 5 tranches vesting at 20% per annum between 1 September 2007 and 1 September 2011. In July 2008 Medscheme Holdings (Pty) Limited reached an agreement with all the employees/directors to settle the SAR in full. The terms of this final settlement were 40% of the total shares granted settled at a price of 64 cents (which was the average of the Lethimvula share price during that period) except for one director whose terms were agreed at 71% of the shares granted at 64 cents payable in March 2009. All SAR were settled in full as per the terms of the agreement mentioned above.

	2009 Number of shares	2009 Weighted average fair value R
Outstanding at 1 February 2009	1 500 000	0,408
Exercised	(1 500 000)	0,408
Outstanding at 30 June 2009	–	–

	2009 R'000	2008 R'000
Acquisition of subsidiary	553	–
Adjustment to reflect agreed settlement value	512	–
Full and final settlement agreed	(1 065)	–
Balance at 30 June 2009	–	–

22. Provisions

	Audit fees R'000	Onerous contracts R'000	Rental provisions R'000	Westwing litigation R'000	IFRS 3 contingency R'000	Total R'000
Group						
Acquisition of subsidiary	2 827	25 401	–	–	69 345	97 573
Charged/(credited) to the income statement:						
– additional provisions	1 795	8 808	15 467	44 879	–	70 949
– debit to income statement	(569)	(906)	–	–	(6 827)	(8 302)
– utilised during the period	(2 561)	–	–	–	–	(2 561)
Reversal of IFRS 3 contingency	–	–	–	–	(30 000)	(30 000)
Balance as at 30 June 2009	1 492	33 303	15 467	44 879	32 518	127 659

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
Analysis of provisions:				
Non-current portion	55 875	–	–	–
Current portion	71 784	–	–	–
	127 659	–	–	–

22. Provisions (continued)

Claims instituted by Westwing Holdings (Pty) Limited and MMC Holdings (Pty) Limited following the termination of talks in respect of establishing a joint venture and service arrangement are subject to arbitration. An amount has been provided in respect of these claims which is less than the total amount claimed and is limited to R44,6 million.

Refunds due to medical schemes limited to R21,9 million.

This warranty, limited to R66,5 million, will lapse upon the sale of the majority shares in the Company by its holding company, Old Mutual (South Africa) Limited. A non-distributable reserve of an equal amount to the reimbursive asset has been created as per note 25 of the annual financial statements.

Refunds to medical schemes and Westwing litigation

The provision of R112,5 million originated from amounts that were expected to be refunded to medical schemes that arose out of past business practices. An amount of R90,6 million was settled during 2007. Negotiations are continuing with certain medical schemes in order to reach settlement. In 2008 the remaining amounts were paid by OMSA and the remaining provision was reversed.

Claims instituted by Westwing Holdings (Pty) Limited and MMC Holdings (Pty) Limited following the termination of talks in respect of establishing a joint venture and service arrangement are subject to arbitration.

Old Mutual (South Africa) Limited in its capacity as sole shareholder has extended a warranty to the Company for its potential obligations, in so far as they relate to the above provisions.

Onerous contracts

The onerous contracts relate to property leases sublet by third parties where the unavoidable costs of meeting the rental obligations under the contracts exceed the economic benefits expected to be received under it.

The provision is expected to be settled over the remaining period of the property leases.

23. Post-employment medical obligations

Some companies within the Group operate a post-employment medical benefit scheme. The accumulated post-employment medical aid obligation was determined by independent actuaries in February 2009 using the projected unit credit method prescribed by IAS 19. Future benefits valued are projected using specific actuarial assumptions and the liability for in-service members is accrued over expected working lifetime.

	Group		Company	
	2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
Balance at the end of the year	**3 930**	–	**–**	–
The amounts recognised in the income statement are as follows:				
Current service cost	**–**	–	**–**	–
Interest cost	**–**	–	**–**	–
Expected benefit payments	**–**	–	**–**	–
Miscellaneous	**–**	–	**–**	–
Net actuarial gains recognised in the current year	**–**	–	**–**	–
Net movement for the year	**–**	–	**–**	–

23. Post-employment medical obligations (continued)

The amount recognised in the balance sheet is determined as follows:

		Group		Company	
		2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
Present value of funded obligations		**3 930**	–	**–**	–
Interest cost		**–**	–	**–**	–
Expected employer benefit payments		**–**	–	**–**	–
Actuarial (gain)/loss		**–**	–	**–**	–
Accrued liability in excess of plan assets		**3 930**	–	**–**	–
The principal actuarial assumptions used were as follows:					
Discount rate	per annum (%)	**9,00**			
Health care cost inflation	per annum (%)	**7,25**			
Post-retirement mortality		**PA(90) ultimate table**			

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

The following liability was recalculated to show the effect of:

- A one percentage point decrease or increase in the rate of health care cost inflation;
- A five or ten percentage point increase in the rate of health care cost inflation for the next five years, thereafter returning to a health care cost inflation of 7,25% p.a;
- A one percentage point decrease or increase in the discount rate; and
- The fixed Rand amounts increasing in line with health care cost inflation of 7,25% p.a.

	Healthcare cost inflation		
	Central assumption 7,5%	**–1%**	**+1%**
Accrued liability 30 June 2009 (R'million)	**3,930**	**3,916**	**3.945**
% change	**–**	**–0,3%**	**+0,4%**
Interest cost 2009/2010 (R'million)	**0,318**	**0,317**	**0,319**
% change	**–**	**–0,3%**	**+0,3%**

	Central assumption 7,5%	**–1%**	**+1%**
Sensitivity results from previous valuation			
Interest cost 2008/2009 (R'million)	**0,352**	**0,351**	**0,354**
% change	**–**	**–0,3%**	**+0,6%**

	Healthcare cost inflation		
	Central assumption 7,3%	**+5% for 5 years**	**+10% for 5 years**
Accrued liability 30 June 2009 (R'million)	**3,930**	**3,969**	**4,015**
% change	**–**	**+1%**	**+2,2%**

	Discount rate Central assumption 9%	–1%	+1%
23. Post-employment medical obligations (continued)			
Accrued Liability 30 June 2009 (R'million)	3,930	4,169	3,716
% change	–	+6,1%	–5,1%

	Fixed Rand amount Central assumption (Fixed Rand amount, no future increase)	Rand amounts to increase each year with health care cost inflation
Accrued liability 30 June 2009 (R'million)	3,930	6,312
% change	–	+60,6%

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
24. Accrual for straight-lining of leases				
Acquisition of subsidiary	51 325	–	–	–
Charged/(credited) to the income statement:				
– additional provisions	275	–	–	–
Used during the period	(8 158)	–	–	–
Balance as at 30 June 2009	43 442	–	–	–
Non-current portion (onerous contracts)	39 268	–	–	–
Current portion (note 25)	4 174	–	–	–
	43 442	–	–	–
25. Trade, insurance and other payables				
Trade payables	26 054	–	–	–
Accruals	26 157	–	–	–
Payroll creditors	26 564	–	92	–
Value Added Tax	10 911	–	–	–
Shareholders for dividends	4 937	–	–	–
Accrual for straight-lining leases	4 174	–	–	–
Inseta funding	2 403	–	–	–
Other payables	1 185	3 733	1 104	3 733
	102 385	3 733	1 196	3 733

	Bonuses R'000	Leave pay R'000	Total R'000
26. Employment benefit obligations			
Group			
Acquisition of subsidiary	28 411	18 972	47 383
Charged/(credited) to the income statement:			
– additional provisions	30 602	13 208	43 810
– amounts reversed	(8 178)	(139)	(8 317)
Used during the period	(18 018)	(706)	(18 724)
Disclosed as liabilities held-for-sale			
Balance as at 30 June 2009	32 817	31 335	64 152

Analysis of employee benefit provisions:

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
Current portion	64 152	–	–	–
27. Gross revenue				
Administration fees	338 658	–	–	–
Health risk management fees	160 078	–	–	–
Management fees	85	–	–	–
Other fees	21 046	–	–	–
	519 867	–	–	–
28. Net finance income				
Finance income	17 794	11 406	13 437	11 406
– Interest received from cash and cash equivalents	5 384	10 400	1 995	10 400
– Preference dividend received	11 442	1 006	11 442	1 006
– Other	968			
Finance costs	(9 697)	(60)	(824)	(60)
– Interest paid – bank overdraft	(3 676)	(60)	(824)	(60)
– Preference dividend paid	(6 001)	–	–	–
– Finance leases	(20)	–	–	–
	8 097	11 346	12 613	11 346

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
29. Profit before taxation				
The following items have been included in arriving at profit before tax:				
Auditors' remuneration	2 569	122	251	122
– Audit fees	2 569	122	251	122
– Fees for other services		–	–	–
Amortisation of intangible assets	11 857	–	–	–
Bad debt write-off	1 639	–	–	–
Depreciation of property, plant and equipment	16 265	–	–	–
– Motor vehicles	34	–	–	–
– Computer equipment	11 645	–	–	–
– Furniture and fittings	3 233	–	–	–
– Office equipment	1 353	–	–	–
Directors' emoluments				
Executive				
– Salaries, bonuses and allowances	17 946	–	–	–
Non-executive				
– Fees for services as director	784	160	200	160
Operating lease rentals	50 558	–	–	–
– Buildings	42 988	–	–	–
– Computer equipment	7	–	–	–
– Motor vehicles	370	–	–	–
– Office equipment and furniture	7 193	–	–	–
Repairs and maintenance	6 090	–	–	–
Employee benefit costs	255 541	–	1 491	–
– Salaries and wages	232 899	–	1 441	–
– Termination benefits	898	–	–	–
– Incentive bonus	14 266	–	50	–
– Share-based payment	423	–	–	–
– Staff welfare	7 044	–	–	–
– Movement in post-employment medical obligation	(1)	–	–	–
– Pension costs – defined contribution plans	12	–	–	–
Average number of persons employed by the Group during the year:				
South Africa	2 003	–	1	–
Full time	1 891	–	1	–
Part time	112	–	–	–
Outside of South Africa	74	–	–	–
Full time	74	–	–	–
Part time	–	–	–	–
Profit on disposal of property, plant and equipment	144	–	–	–
Reversal of impairment provisions against investments	(705)	–	–	–

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
30. Income tax expense				
Current tax				
Current year	14 279	2 660	789	2 660
Prior year over provision	(1 054)	–	–	–
Deferred tax				
Current year	(977)	–	–	–
Secondary tax on companies	1 359	–	–	–
Normal tax	13 607	2 660	789	2 660
Reconciliation of effective tax rate				
Tax at standard rate	28,0	29,0	28,0	29,0
Dividends received not taxable	(8,7)	(2,0)	(37,4)	(3,0)
Share of profit of associate	(0,4)	(8,0)	–	
Expenses not deductible for tax purposes	1,6	1,0	15,9	1,0
Tax at effective rate	20,5	20,0	6,5	27,0

31. Earnings per share

The calculation of *basic* earnings per share for the Group is based on net income for the year of R34 701 000 (2008: R10 810 000), and a weighted average number of shares of 182,6 million (2008: 97,9 million) shares in issue.

The calculation of headline earnings per share for the Group is calculated on adjusted headline earnings of R33 543 000 (2008: R10 810 000), and a weighted average number of shares of 182,6 million (2008: 97,9 million) shares in issue.

Reconciliation of headline earnings	Group 2009 R'000	Group 2008 R'000
Net profit attributable to ordinary shareholders	34 701	10 810
Adjusted for:		
Share of loss from discontinued operation	(1 600)	–
Loss on disposal of property, plant and equipment	25	–
Impairment of goodwill	417	–
Headline earnings	33 543	10 810
Earnings per share (cents)		
Basic	19,00	11,04
Headline	18,37	11,04
Diluted earnings per share (cents)		
Basic	16,68	8,76
Headline	16,12	8,76
Weighted average number of shares	182 627 122	97 958 163
Adjusted for:		
– dilutionary impact of preference shares	208 030 900	25 403 778
Weighted average number of shares for diluted earnings per share	390 658 022	123 361 941

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
32. Cash generated from/(utilised in) operations				
Profit before tax	66 524	13 470	12 088	9 980
Adjustments for:				
Reversal of treasury share fees	144	–	–	–
Dividends received	(402)	–	(3 996)	–
Interest received	(4 357)	(11 406)	(13 437)	(11 406)
Interest paid – bank overdraft	9 697	60	824	60
Share-based payment expense	423	–	–	–
Bad debts written off	1 639	–	–	–
Foreign exchange gain	(65)	–	–	–
Depreciation	16 265	–	–	–
Amortisation of intangible assets	11 857	–	–	–
Impairment provision on intangibles	427	–	–	–
Impairment provision on investments	(705)	–	–	–
Straight-lining of leases	(7 884)	–	–	–
Loss on disposal of assets	(144)	–	–	–
Onerous lease provisions	7 902	–	–	–
Share of profit of associates	(9 151)	(3 490)	–	–
	92 170	(1 366)	(4 521)	(1 366)
Changes in working capital	(11 290)	(3 525)	(1 325)	(3 525)
(Increase)/decrease in other receivables	(81 498)	(6 872)	1 210	(6 872)
Increase in provisions	35 491	–	–	–
Increase/(decrease) in other payables	34 717	3 347	(2 535)	3 347
	80 880	(4 891)	(5 846)	(4 891)

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
33. Income tax paid				
Opening balance	(1 508)	(2 009)	(1 508)	(2 009)
Acquisition of subsidiary	(27 665)	–	–	–
Amounts charged to income statement	(14 584)	(2 660)	(789)	(2 660)
Closing balance	15 037	1 508	1 077	1 508
	(28 720)	(3 161)	(1 220)	(3 161)

34. Contingencies, commitments and guarantees

34.1 Contingencies

The Group has considered all potential and instituted legal actions and it is the Directors' view that all potential claims are within the insured values.

Neil Harvey & Associates

Neil Harvey & Associates has instituted action against Medscheme Holdings (Proprietary) Limited and three of its employees in 2007. The allegations concern copyright infringement and a breach of the Medware licence agreement. The maximum capital amount of the claim is R83,5 million. The parties have agreed to private arbitration, however it is unlikely that the matter will be finalised during the current year. Medscheme Holdings (Proprietary) Limited will vigorously defend the action and is confident that there is no liability in this matter.

Lethimvula Healthcare (Pty) Limited

A medical scheme administered by Lethimvula Healthcare (Pty) Limited has indicated an intention to lay a claim of R11,5 million against Lethimvula Healthcare (Pty) Limited for losses incurred by the scheme as a result of certain processes, which Lethimvula Healthcare (Pty) Limited performed. The existence and amount of liability is uncertain. This amount is considered contingent and has not been provided for. Old Mutual (South Africa) Limited in its capacity as the sole shareholder to the effective date, has extended a warranty to the Company for any potential loss flowing from this claim.

Employees of the Old Mutual Group of companies may apply for various types of loans through the Motor and Computer Finance Division of Old Mutual Life Assurance Company (South Africa). Lethimvula Healthcare (Pty) Limited has signed surety for these loans and in the event of the employees defaulting, will be held liable for the balance.

Old Mutual (South Africa) Limited, in its capacity as sole shareholder of the Company, has issued a warranty to the Company for its potential obligations. The warranty is limited to R44,81 million.

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
34. Contingencies, commitments and guarantees (continued)				
34.2 Commitments				
Building rentals				
Rental obligations with respect to land and buildings				
Not later than 1 year	80 561	–	–	–
Later than 1 year but not later than 5 years	257 325	–	–	–
Later than 5 years	6 870	–	–	–
	344 756	–	–	–

Medscheme Holdings (Pty) Limited sublets portions of its leased buildings to a number of third parties. Details and amounts thereof are provided in the table below:

Sublet property	Lessee	Not later than 1 year R'000	Later than 1 year but not later than 5 years R'000	Later than 5 years R'000	Total R'000
2009					
Bryanston phase 1 10 Muswell Road	Samsung	4 229	14 619	–	18 848
Bryanston phase 2 10 Muswell Road	Secure Data, Thebe Reward and various others	5 189	18 576	–	23 765
Bryanston phase 3 10 Muswell Road	Habitaz	1 510	5 169	–	6 679
Bryanston phase 4 10 Muswell Road	NHRBC	3 914	13 646	–	17 560
		14 842	52 010	–	66 852

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
34.3 Guarantees				
Guarantees issued in respect of office rental for premises occupied by the Group	2 764	–	–	–
Medical aid schemes	2 500	–	–	–
South African Post Office	3 923	–	–	–
	9 187	–	–	–

The Group has assessed the potential of any of the guarantees being realised as totally unlikely and accordingly no liability has been raised.

35. Related party transactions

35.1 Directors

Details relating to Directors' emoluments are disclosed in note 29. There are no loans to Directors.

Refer to pages 13 and 14 of the Directors' report for the details of Directors' shareholding in the Company.

An amount of R0,342 million (including VAT) was paid to Namane Financial Services by Lethimvula Investments Limited for consulting and marketing fees. Mr MJ Madungadaba has a controlling interest in the above-mentioned company.

35.2 Transactions with entities in the Group

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

	2009 R'000	2008 R'000
Related entities		
Medscheme Administrators (Swaziland) (Proprietary) Limited – management fee paid to Medscheme Holdings (Proprietary) Limited	1 064	–
Lethimvula Investments Limited – management fee paid and owing at year end to AfroCentric Investment Corporation Limited	5 662	–
Asset management fees paid to Medscheme Asset Management (Pty) Limitedby Medscheme Life Assurance Company Limited	202	–
Medscheme Asset Management (Proprietary) Limited – management fee paid to Medscheme Holdings (Proprietary) Limited	456	–
Lethimvula Investments Limited – Management fee paid to Medscheme Holdings (Proprietary) Limited	896	–
Medscheme Holdings (Proprietary) Limited – management fee paid to Lethimvula Investments Limited	1 048	–
Medscheme (Namibia) (Proprietary) Limited – management fees paid to Medscheme Holdings (Proprietary) Limited	98	–
Medscheme (Namibia) (Proprietary) Limited – processing fee paid to Medscheme Holdings (Proprietary) Limited	122	–
AfroCentric Investment Corporation Limited – preference dividend received from entity controlled by Jasco Electronics Holdings Limited	11 442	1 006
AfroCentric Investment Corporation Limited – amounts owing at year end as a result of preference dividend receivable	–	1 006

With the exception of interest free loans provided to subsidiaries and group entities, these transactions were based on commercial terms and conditions.

	Group		Company	
	2009	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000
35. Related party transactions (continued)				
35.3 Key management personnel compensation				
Short-term employee benefits	**14 201**	–	**1 491**	–

Key management personnel comprise employees on a General Manager's level.

35.4 Cross Group guarantees

The following Group companies have cross guaranteed the Group's bankers for facilities offered to other Group companies:

- Aid for Aids (Proprietary) Limited
- Hanyani Health Management (Proprietary) Limited
- Medicaid Administrators (Proprietary) Limited
- Medscheme (Namibia) (Proprietary) Limited
- Medscheme (Proprietary) Limited
- Medscheme Administrators (Swaziland) (Proprietary) Limited
- Medscheme Computer Services (Proprietary) Limited
- Medscheme Asset Management(Proprietary) Limited
- Pharmaceutical Benefit Management (Proprietary) Limited

36. 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.

37. 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 range between 7,6% and 19,6% 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.

38. Events after the balance sheet date

Co-operation and distribution agreement with Hanwha Corporation

AfroCentric signed a co-operatioon and distribution agreement with Hanwha Corporation on 1 September 2009. Hanwha is a global conglomerate headquartered in South Korea. The relationship will position AfroCentric as a facilitator for a wide range of consumer and industrial products, skills and services in the South African manufacturing, construction, finance, technology and healthcare sectors.

Administration of Oxygen Medical Scheme

Medscheme Holdings (Pty) Limited has been awarded the administration contract of Oxygen Medical Scheme. The administration moved to Medscheme Holdings (Pty) Limited on 1 August 2009.

Sale of Medscheme Life Assurance Company Limited

The effective date of sale of Medscheme Life Assurance Company to Old Mutual (South Africa) Limited was 31 July 2009, after the last condition precedent was fulfiled. The selling price of R90 million was calculated based on the embedded value adjusted for technology costs and intangible assets. The selling price may be adjusted after all actuarial valuations have been completed.

Notice of annual general meeting

for the year ended 30 June 2009

AFROCENTRIC INVESTMENT CORPORATION LIMITED
(formerly WB Holdings Limited)
Registration number: 1988/000570/06
JSE share codes: ACT/ACTP
ISIN: ZAE000078416, ZAE000082269
("AfroCentric" or "the Company")

Notice is hereby given that the third Annual General Meeting of shareholders of AfroCentric Investment Corporation Limited will be held in the Executive boardroom, MedScheme, 10 Muswell Road South, Bryanston on Monday, 18 January 2010 at 10:00 for the following purposes:

1. Ordinary Resolution Number 1
To receive and adopt the Annual Financial Statements of the Company for the year ended 30 June 2009.

2. Ordinary Resolution Number 2
To elect, by separate ordinary resolutions, directors in place of those retiring in accordance with the provisions of paragraph 52 of the Company's Articles of Association.

NB Bam, B Joffe and DI Swartz retire and being eligible, offer themselves for re-election. Their abridged CVs are available on page 91.

3. Ordinary Resolution Number 3
To ratify and approve, as required by the Company's Articles of Association, the remuneration of the Directors of AfroCentric Investment Corporation Limited, for the financial year ended 30 June 2009, as reflected in the Directors' Report of the Annual Financial Statements.

4. Ordinary Resolution Number 4
To authorise the Directors to determine the remuneration of the auditors.

5. Ordinary Resolution Number 5
To confirm that SizweNtsaluba VSP (A Mthimunye as the audit partner) be re-appointed auditors for the ensuing financial year.

6. Ordinary Resolution Number 6
To consider and, if deemed fit, to pass, with or without modification, the following resolution as an ordinary resolution:

"RESOLVED that the unissued ordinary shares of 1,0 cent each in the capital of the Company be placed under the control of the Directors."

7. Ordinary Resolution Number 7
To consider and, if deemed fit to pass with or without modification, the following ordinary resolution:

"RESOLVED that, subject to the passing of ordinary resolution number 6, and in terms of the Listings Requirements of the JSE Limited ("JSE") as presently constituted and which may be amended from time to time, the Directors are hereby authorised to issue ordinary shares and/or any options/convertible securities that are convertible into ordinary shares for cash, without restricting to whom the ordinary shares will be issued, but subject to 6(f) below, as and when suitable opportunities arise, subject to the following conditions:

(a) that this authority shall be valid only until the next Annual General Meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of this resolution;

7. Ordinary Resolution Number 7 (continued)

(b) that a paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within one financial year, 5% or more of the number of ordinary shares in issue prior to the issue/s;

(c) that issues in the aggregate in any one financial year shall not exceed 15% of the number of ordinary shares of the Company's issued ordinary share capital (including the number to be issued in the future as a result of the exercise of options or conversion of convertible securities issued in the same financial year);

(d) that, in determining the price at which an issue of ordinary shares will be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price of the ordinary shares in question, as determined over the 30 business days prior to the date of the price of the issue being determined or agreed by the issuer and the party subscribing for the securities;

(e) that the equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue; and

(f) that any issue will only be made to public shareholders as defined in the Listings Requirements of the JSE, and not to any related parties."

In respect of options and convertible securities granted/issued for cash, if the discount to the market price at the time of exercise of the option or conversion of the convertible security is not known at the time of the grant/issue of the option or convertible security, or if it is known that the discount will exceed 10% of the 30-day weighted average traded price of the security at the date of exercise, then the grant/issue will be subject to the issuer providing its holders of securities with a fairness opinion complying with Schedule 5 of the JSE Listings Requirements from an independent professional expert acceptable to the JSE, indicating whether or not the issue is fair and reasonable to the Company's holders of securities.

The approval of a 75% majority of the votes cast by shareholders present or represented by proxy at the Annual General Meeting, is required for this ordinary resolution to become effective.

8. Ordinary Resolution Number 8
To consider and, if deemed fit, to pass, with or without modification, the following resolution as an ordinary resolution:

"RESOLVED that any two Directors of AfroCentric Investment Corporation Limited, be and they are hereby authorised to sign all such documents and do all such things as may be necessary for or incidental to the implementation of the resolutions to be proposed at the Annual General Meeting convened to consider this resolution and, insofar as any of the aforegoing may have occurred prior to such Annual General Meeting, same be and is hereby confirmed, ratified and approved."

Notice of annual general meeting *(continued)*

for the year ended 30 June 2009

9. To transact any other business that may be transacted at an annual general meeting.

Voting

Each ordinary shareholder entitled to attend and vote at the above Annual General Meeting is entitled to appoint a proxy (who need not be member of the Company) to attend, speak and vote in his or her stead.

Proxies

All beneficial owners of ordinary shares who have dematerialised their ordinary shares through a Central Securities Depository Participant ("CSDP") or broker, other than those shareholders who have elected to dematerialise their ordinary shares in "own name" registration, and all beneficial owners of ordinary shares who hold certificated ordinary shares through a nominee, must provide their CSDP, broker or nominee with their voting instructions. Voting instructions must reach the CSDP, broker or nominee in sufficient time to allow the CSDP, broker or nominee to advise the Company or its Transfer Secretaries of this instruction not less than 24 hours before the time appointed for the holding of the Annual General Meeting.

Should you as the beneficial owner, however, wish to attend the Annual General Meeting in person, you may do so by requesting your CSDP, broker or nominee to issue you with a Letter of Representation in terms of the custody agreement entered into with your CSDP, broker or nominee. Letters of Representation must be lodged with the Company's Transfer Secretaries or at the registered office of the Company not less than 24 hours before the time appointed for the holding of the Annual General Meeting.

Shareholders who hold certificated ordinary shares in their own name and shareholders who have dematerialised their ordinary shares in "own name" registrations must lodge their completed forms of proxy with the Company's Transfer Secretaries or at the registered office of the Company not less than 24 hours before the time appointed for the holding of the Annual General Meeting.

By order of the Board

MI Sacks
Company Secretary

Sandton

A copy of the existing Memorandum and Articles of the Company may be inspected at the registered office of the Company during normal business hours on any weekday (Saturdays, Sundays and official South African public holidays excluded).

Abridged CVs of Directors offering themselves for re-election

Ms N Brigalia Bam *(Chair)*

Ntombemhlophe Brigalia Bam chairs the Independent Electoral Commission. She gained prominence through her work as general secretary of the SA Council of Churches and has served on numerous boards in South Africa and abroad, including the SABC, Murray & Roberts, Absa and the Institute for Global Dialogue. She has also served on the boards of the SA Human Rights Commission, the Open Society Foundation, The Society for International Development, the All Africa Council of Churches and Unisa. Bam is the founder president of the Women's Development foundation and outgoing Chancellor of the University of Port Elizabeth.

In 2004, Bam received the National Order of the Baobab for her role in the upliftment of women and her contribution to bringing about democracy in South Africa. A qualified social worker, Bam holds a masters degree in communication from the University of Chicago. She has received numerous honorary doctorates and awards in recognition of her commitment to democracy and human rights, especially the rights of women.

Mr Brian Joffe

Non-executive director of Enviroserv Holdings Limited, AfroCentric Investment Corporation Limited, Tiger Automotive Limited and CEO of Bidvest Limited and a director of numerous Bidvest subsidiaries. Since founding Bid Corporation in 1988, Brian served as executive chairman until his appointment as chief executive in 2004. He has over thirty years of local and international commercial experience. He was one of the *Sunday Times'* top five businessmen in 1992 and is a past recipient of the Jewish Business Achiever of the Year award. Brian was voted South Africa's Top Manager of the Year in 2002 in the Corporate Research Foundation's publication *South Africa's Leading Managers* and represented South Africa at the coveted "Ernst & Young World Entrepreneur of the Year" award in 2003. Awarded an honorary doctorate by Unisa in May 2008.

Professor Derrick I Swartz

Derrick Ian Swartz is Vice-Chancellor of the Nelson Mandela Metropolitan University. He joined the University of Fort Hare on his return from exile, first as Director of the Institute of Government and then as Vice-Chancellor in 1999. He assumed the helm when the university was on the brink of collapse. His bold and visionary rescue initiative, Strategic Plan 2000, resulted in a dramatic turn of fortune for UFH.

Swartz has served three successive terms as Deputy Chairman of the SA Vice-Chancellors' Association and sits on various boards: the SABC, the Liliesleaf (Rivonia) Trust, the Freedom Park Trust and the Dora Tamana Trust. He was a member of the Presidential Review Commission established by former president Nelson Mandela.

He has a BA from UWC and MA and PhD from Essex University (UK). He has been awarded one of South Africa's highest honours, the Supreme Order of the Baobab (Gold Class).

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