Annual Report
30 June 2010

AfroCentric Investment Corporation Limited

Highlights in numbers

Compound annual growth rate in HEPS (2008 – 2010)	64,3%
Growth in 2010 headline earnings	131%
Proposed maiden distribution per ordinary share	7,5 cents

Contents

Chairperson's report

Creating BEE value in a volatile environment

True to our central tenet, AfroCentric has continued to enhance economic participation by historically disadvantaged South Africans. AfroCentric's leadership, as well as the management of our portfolio investment interests, have acted proactively, deliberately and with patience to protect and enhance the Group's earnings streams in a very volatile global economic climate.

The Group has maintained a black ownership percentage in excess of 70%, at the same time satisfactorily improving its earnings as more fully set out in this Annual Report. An analysis of Group headline earnings per share ("HEPS") reflects a compound annual growth of 64,3% since our first headline earnings disclosures in 2008. The Board feels confident that AfroCentric will continue to make progress and have announced the maiden distribution to shareholders of 7,5 cents per share, subject to approval at the AGM.

Robust growth, diversification, investment opportunities

Our Board Investment Committee's strict investment discipline reveals how well-structured investments can continue to deliver value even in difficult times. A more robust economy would likely provide greater advantages to the Group's future results, particularly in the sectors involved in infrastructure development.

While numerous investment propositions were considered during the year, none were approved by the Board Investment Committee. The investment opportunities that were presented were either unaffordable, too high risk or unlikely to have been earnings enhancing to AfroCentric shareholders.

What to expect in 2011

The investments in portfolio companies continue to satisfy the Group's organic growth base. There is an encouraging earnings trend from Lethimvula Investments Limited ("LIL") towards the earnings levels warranted by the vendors in the LIL acquisition agreement. Jasco's infrastructure-dependent divisions are poised for growth with the expected return of government spend on infrastructure and development projects. Should the acquisition by Jasco of Spescom be approved by the shareholders in each case, the transaction is expected to be earnings enhancing at Jasco and accordingly of benefit to AfroCentric. As previously advised, our strategic relationship with Rio Tinto is of a long-term nature, and although potentially promising, we do not expect to see an earnings impact during the ensuing year.

Welcomes and appreciation

I would like to express a very warm welcome to Dr Anna Mokgokong and Mr Joe Madungandaba, who have joined the Board of AfroCentric. Anna and Joe bring a truly unique flavour of BEE entrepreneurship and success to the AfroCentric boardroom and we look to benefit from an association with, and guidance from, such successful business personalities. Another person of experience and skill, Mr Wallace Holmes, has been appointed Financial Director ("FD"). Wallace is also the FD for both Lethimvula and Medscheme.

We say farewell and a sincere thank you to certain previous Board members, Ms Nomhle Canca, Mr Mandla Gantsho and Professor Derek Swartz, who served as directors since being appointed at the time of AfroCentric's constitution.

Thanks to our hard-working, innovative and enthusiastic executives at AfroCentric and at our subsidiaries and associates. Our business is about great people, and your diligence and creativity has seen us through tough times.

Finally, I thank the non-executive members of the Board Investment Committee, Motty, Meyer and Brian, for the application of their experience and expertise in mentoring the Group.

BHBam

Brigalia Bam
Chairperson
29 September 2010

Operations report

Overview of performance

AfroCentric has delivered solid growth in operational performance through the financial year 2010, this predominantly through the consolidation of Lethimvula Investments Limited ("LIL") for the full year under review, including certain improvements in performance of the underlying investments. This has resulted in an enhancement of headline earnings per share of 62% to 29,8 cents per share (2009: 18,4 cents per share), as illustrated in the table below and in Note 33.

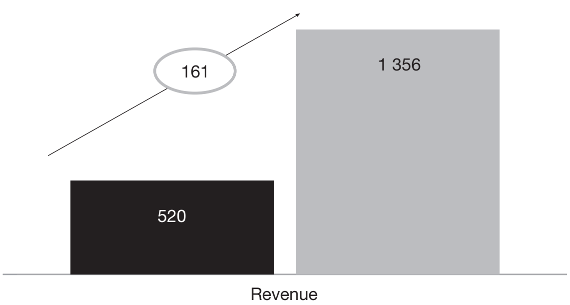
Reconciliation of earnings per share

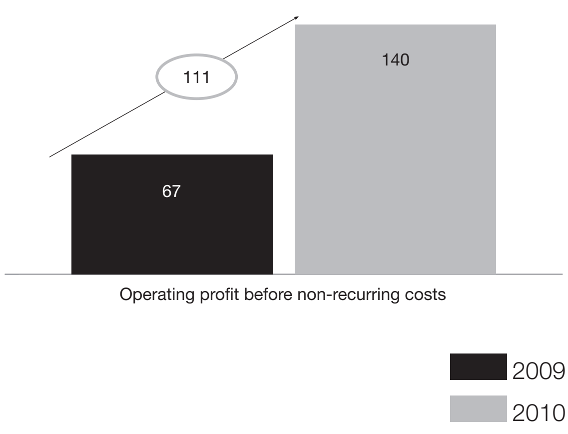
	% growth	Group 2010 R'000	Group 2009 R'000
Headline earnings	131	**77 339**	33 542
Earnings per share (cents)			
Basic		**(2,53)**	19,00
Headline	62	**29,78**	18,37
Diluted earnings per share (cents)			
Basic		**(2,15)**	16,68
Headline		**25,34**	16,12
Weighted average number of shares		**259 670 381**	182 627 122
Adjusted for:			
– dilutionary impact of preference shares		**45 529 323**	25 403 778
Weighted average number of shares for diluted earnings per share		**305 199 704**	208 030 900

Revenue increased 161%, with profit from core operations substantially generated through LIL, growing 120% and associate income improving 53%. The income from associates mainly represents attributable income from Jasco and certain associates in the Medscheme group. The associates continue to deliver double digit growth on a year on year basis. Certain non-recurring impairments, amortisation and restructuring costs amounting to R124,7 million were charged through the statement of comprehensive income and the loss for the year is therefore mainly attributable to these charges. Having regard thereto, the Group has shown a positive cash flow as a result of the strong operational performance in the Healthcare businesses.

The Group's profit before these non-recurring charges increased by 111% from R67 million in 2009 to R140 million.

Key operational metrics
ZAR millions





Disclosures of key operating performance

	% change	Group 2010 R'000	Group 2009 R'000
Revenue	161	**1 356 331**	519 867
Other income		**23 425**	8 325
Administration expenses and other costs		**(1 251 044)**	(478 916)
Net finance (costs)/income		**(2 350)**	8 097
Finance income		**20 251**	17 794
Finance costs		**(22 601)**	(9 697)
Profit of core operations	120	**126 362**	57 373
Share of profit of associates	53	**14 017**	9 151
Profits before charges set out below	111	**140 379**	66 524
Impairments, amortisation and restructuring costs		**(124 719)**	–
Impairment of investment		**(67 313)**	–
Impairment of intangible assets		**(8 405)**	–
Amortisation of intangible assets		**(30 291)**	–
Retrenchment and restructuring costs		**(18 710)**	–
Profit before tax		**15 660**	66 524
Income tax expense		**(18 027)**	(13 607)
(Loss)/profit for the year from continuing operations		**(2 367)**	52 917
Loss for the year from discontinued operations		**(847)**	(2 379)
(Loss)/profit for the year		**(3 214)**	50 538

Lethimvula

In February 2009 AfroCentric acquired a controlling interest in Lethimvula Investments Limited ("LIL"). LIL's wholly-owned subsidiary, Medscheme, is the largest black-owned independent medical aid administrator and health risk solutions provider in South Africa. LIL's full year performance, which included a net growth in membership of 89 223, contributed towards the increase in operating profits in AfroCentric to R126,4 million from R57,4 million in 2009. This performance is consistent with the expectations arising from the due diligence exercise and shareholders are reminded that in terms of the LIL acquisition agreement, the LIL vendors have warranted profits after tax for the years ending 30 June 2011, 2012 and 2013 at an average of R180 million.

In May 2009 the Lethimvula group acquired the Old Mutual Healthcare ("OMH") administration business operationally based in Cape Town. The streamlining and convergence of the OMH client schemes onto Medscheme's Nexus platform entailed significant retrenchment, restructuring and IT costs. The resultant net loss of R43 million pertaining to this acquisition has been fully absorbed in the June 2010 financial year. The unit is therefore well positioned to benefit from the investment in these efficiencies.

In the December 2009 interim report, we reported certain alleged breaches of governance by Medscheme associated with Bonitas Medical Fund. Since that date, a letter has been received from Deloitte which states *inter alia* that any comments which may have been interpreted to suggest a breach of governance is contrary to what was envisaged by Deloitte in the report. Our confidence in Medscheme and its management is further supported by the renewal of Medscheme's accreditation by the Council for Medical Schemes, with the "Bonitas Unit" having achieved an ISO 9001: 2008 certification for quality. Medscheme has also, for the second consecutive year, achieved the highest overall scores across all three of PMR.africa's medical scheme related surveys.

During the year under review, and in line with its stated intention, AfroCentric continued to acquire shares from LIL shareholders who approached AfroCentric to take up their LIL shares. This acquisition of more than 4,3 million LIL shares has to 30 June 2010 enhanced AfroCentric's shareholding in LIL to 87,53% (FY2009: 83,8%).

Jasco

AfroCentric's 34,9% share in Jasco Electronic Holdings Limited ("Jasco") contributed attributable earnings of R8,7 million (FY2009: R7,6 million) and preference dividends from Jasco Cables yielded R8,3 million (FY2009: R11,4 million). Jasco's diversified business units allowed it to remain profitable through the economic downturn. The electrical and domestic products divisions performed well in the past year after an unremarkable performance in 2009. Infrastructure-dependent divisions, in power, telecommunications and security, experienced challenges through the year but are likely to recover in tandem with infrastructure spending cycles. AfroCentric's investment in Jasco Cables preference shares ("JCPS") yielded lower dividend income, owing to the reduced prime rate of interest during the year, to which the JCPS are linked.

IFRS accounting requirements dictate that an investment in a listed share with a prolonged decline in share price must be valued as per the share price on balance sheet date – 30 June 2010. The Jasco share price on 30 June 2010 is lower than the price at acquisition of this investment. Consequently, the investment has been impaired in an amount of R67 million in the consolidated financial statements.

In September 2010, Jasco made an offer to acquire 100% of the shares in Spescom Limited, a telecommunications business listed on the Johannesburg Securities Exchange. Should this transaction be approved by Jasco and Spescom shareholders, AfroCentric would expect an earnings enhancement in Jasco with attributable advantages for AfroCentric. Although AfroCentric's shareholding in Jasco will be diluted, Jasco will remain a majority black-owned business.

The results of Jasco were released on Sens on 15 September 2010 and more information on Jasco's earnings and operations are available under JSE Code: JSC.

Other business

AfroCentric's exploration and prospecting projects in association with Rio Tinto Plc continue to progress in terms of the Reciprocal Strategic Co-Operation Agreement. Most promising is a nickel prospect in the North West Province, which is currently being assessed for strike length and thickness.

AfroCentric continues to explore opportunities alongside Hanwha Corporation of South Korea, an enterprise predominantly in the supply of high quality medical equipment to the South African market.

Conclusion

During the year under review, AfroCentric's core operating units have performed very much in line with the Board's expectations, revealing an encouraging trend towards LIL achieving profits in support of the profit warranty in terms of the LIL acquisition agreement.

Jon Rothbart
Chief Operations Officer
29 September 2010

Wallace Holmes
Financial Director
29 September 2010

Corporate governance report

AfroCentric's corporate governance philosophy

AfroCentric considers commercially sound propositions in compliance with South African law, JSE Listings Requirements, King II and a practice of good business ethics. At the same time, responsibility to affected communities and environments is assumed.

This sound governance philosophy will maximise shareholder value while at the same time ensuring that AfroCentric's commercial vision is realised, and participation of historically disadvantaged people is economically enhanced.

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 Directors also support the King III report and are actively transforming AfroCentric to comply with it. The Board is committed to the principles of discipline, transparency, independence, social responsibility and accountability in all its dealings with stakeholders.

While the Board is of the opinion that the Group complies in all material respects with the principles embodied in King II, it notes the following. The Company does not, as recommended in King II, employ a Chief Executive Officer. The Board of Directors provides strategic guidance and the Chief Operations Officer is responsible for the management of the portfolio and administration of the Company.

The AfroCentric Chief Operations Officer and Company Secretary are at all times aware of the importance of good corporate governance and 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, control and business risk management;
- Investment decisions and portfolio management;
- Sustainability and socio-economic responsibility, including BEE;
- People management and development; and
- Communication protocols.

Board of Directors

The Board currently consists of seven Directors;

- Three of which are Non-Executive Directors;
- Three independent Non-Executive Directors; and
- One Executive Director.

AfroCentric Directors are recognised as having unique expertise and prestigious standing in South African business, and AfroCentric is confident that its Directors have the necessary qualifications to fulfil their duties and responsibilities.

An independence test has been conducted by the Audit Committee on Messrs Bam, Kahn and Joffe. The conclusion of this test is that the aforesaid Directors are able to, and do act independently.

There have been the following changes to the Board and such appointments were approved by the Nomination and Remuneration Committee and thereafter by the Board. These newly appointed Directors will be retired at the next AfroCentric Annual General Meeting, but will offer themselves for re-election.

The Directors were and are as follows:

Name	Non-Executive	Executive	Independent	Resignation date	Appointment date
NB Bam	✓	×	✓		
JM Kahn	✓	×	✓		
DI Swartz	✓	×	✓	19 May 2010	
MV Gantsho	✓	×	✓	31 May 2010	
NMJ Canca	✓	×	✓	2 June 2010	
B Joffe	✓	×	✓		
MI Sacks	✓	×	×		
AT Mokgokong	✓	×	×		10 June 2010
MJ Madungandaba	✓	×	×		10 June 2010
WRC Holmes	×	✓	×		23 June 2010

Mr MI Sacks assists the Chief Operations Officer with the operations and day to day running of AfroCentric. Newly appointed, Dr Mokgokong and Mr Madungandaba will augment this advisory panel in 2011 with their industry knowledge and skills.

As per King II, and as outlined in the JSE Listings Requirements, the positions of the Chairperson and the Chief Operations Officer are separately held, with a clear division of their duties.

The newly appointed Financial Director, Mr WRC Holmes, is an Executive Director.

Dr A Mokgokong is a Non-Executive Director, as is Mr MJ Madungandaba.

The Chairperson, NB Bam is an Independent Non-Executive and 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). Mr Sacks and Mr Kahn disclosed their non-executive directorships on the Netcare Limited Board;
- 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.

Appointments to the Board

AfroCentric conducts a formal and transparent process for appointing Board members according to the policy of the Company.

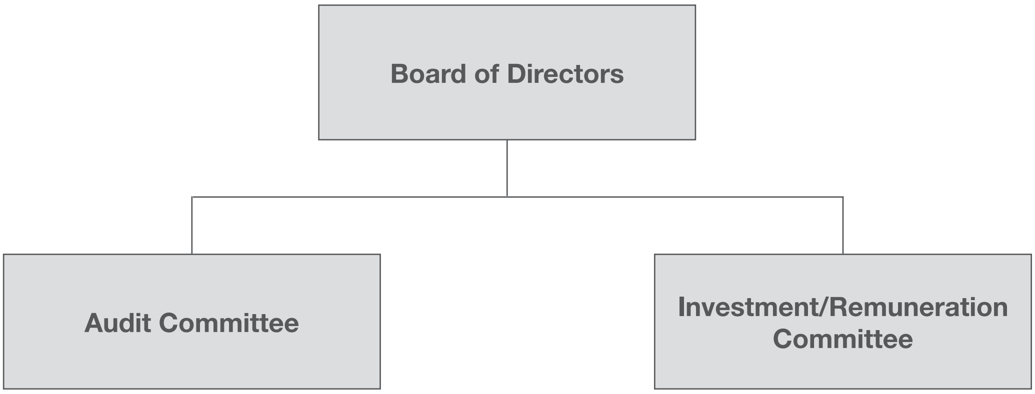
Board/governance committees

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 Independent Non-Executive Directors and Non-Executive Directors. Ad hoc subcommittees are created as and when necessary. With the change in Directorships set out on page 7 hereof, the membership of the committees will be reviewed early in 2011.

The current structure is depicted as follows:



	Audit Committee	Investment/Remuneration Committee
Members:	NB Bam JM Kahn	JM Kahn MI Sacks
Regular invitees:	MI Sacks WRC Holmes J Rothbart	WRC Holmes J Rothbart
FY2010 meetings:	2	None
Attendance:	All	n/a

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
- 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 FD has the necessary expertise and experience; and
  - AfroCentric is represented on the critical subcommittees of the boards of its subsidiaries and associates.

Members of the Audit Committee

The membership of the Audit Committee consists of two (2) Independent Non-Executive Directors: NB Bam and JM Kahn, with MI Sacks, W Holmes and J Rothbart 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 on 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 required.

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.

Remuneration Committee report

No meetings were held this year as there were no remuneration decisions to be made.

Statement of Directors' responsibilities

for the year ended 30 June 2010

The Directors are responsible for the preparation, integrity and fair presentation of AfroCentric Investment Corporation Limited ("the Company"). The Group and Company financial statements presented on pages 13 to 80 have been prepared in accordance with International Financial Reporting Standards and the South African Companies Act of 1973, and include amounts based on judgements and estimates made by management.

The Directors are also responsible for the Company's and Group's system of internal financial control. These are designed to provide reasonable, but not absolute assurance as to the reliability of the annual financial statements, and to adequately safeguard, verify and maintain accountability of the assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the period under review.

The Directors have reviewed the Group and Company budget and forecast for the year to 30 June 2010. Based on this review and in the light of the current financial position and available cash resources, the Directors are satisfied that the Company and Group have, or have access to, adequate resources to continue in operational existence for the foreseeable future. Furthermore, the Company and Group have secured banking facilities which are in excess of the Company's and Group's funding requirements in the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the Company's and Group's financial statements.

The financial statements have been audited by the independent accounting firm, SizweNtsaluba VSP, which was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the Board of Directors and committees of the Board. The Directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

The unqualified audit opinion of the group auditor SizweNtsaluba VSP is presented on page 12.

The financial statements set out on pages 13 to 80 have been approved by the Board of Directors and were signed on its behalf on 29 September 2010.

MI Sacks
Director
29 September 2010

JM Kahn
Director
29 September 2010

CERTIFICATE OF THE COMPANY SECRETARY

for the year ended 30 June 2010

In my capacity as Company Secretary and in terms of Section 268(G) of the Companies Act No 61 of 1973 (as amended) I hereby certify that the Company has lodged with the Registrar of Companies all such returns, to the best of my knowledge and belief, and these are true, correct and up to date.

MI Sacks
Company Secretary
29 September 2010

Report of the independent auditor

We have audited the annual financial statements of AfroCentric Investment Corporation Limited, which comprise the directors' report, statements of financial position as at 30 June 2010, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 13 to 80.

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

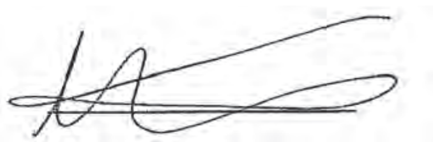
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether 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 management, 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 AfroCentric Investment Corporation Limited as at 30 June 2010, and its financial performance and 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.



SizweNtsaluba VSP
Partner: A Mthimunye
Registered Auditor

Woodmead
29 September 2010

DIRECTORS' REPORT
as at 30 June 2010

The Directors have pleasure in presenting their report for the year ended 30 June 2010, which forms part of the audited Annual Financial Statements of the Group and the Company for the year then ended.

Nature of business
AfroCentric is a black owned investment holding company; its major investments being in private healthcare, electronics, power and the communications industries. AfroCentric also has an agreement of co-operation with Rio Tinto Plc for mineral prospecting and exploration projects, and with Hanwha Corporation of Korea for the supply and distribution of certain capital equipment.

Financial results
AfroCentric's profits from core operations (as disclosed in the Operations report) increased by 120% from R57,4 million in 2009 to R126,4 million in 2010.

Shareholders are referred to the AfroCentric circular distributed to LIL shareholders dated 27 February 2009. Paragraph 19 of that circular, captioned "Material Changes", records reference to the agreements concluded by LIL for the acquisition of Old Mutual Healthcare (Proprietary) Limited ("OMHC") and at the same time, but independently, the disposal by LIL subsidiary, Medscheme Limited, of its interest in Medscheme Life Assurance Limited to Old Mutual South Africa Limited. The regulatory approvals for these transactions were received towards the end of the 2009 financial year and during the 2010 financial year. Accordingly, in terms of IFRS 3, restructuring and retrenchment costs are recognised in the consolidated income statement in the 2010 financial year.

Having regard to the earlier references, in the operations report, on restructuring and retrenchment costs and certain other amortisation and impairment charges in the normal course, including the mark-to-market adjustment on the Jasco investment, the Group's basic reported earnings per share ("EPS") declined from 19,00 cents in 2009 to a loss of 2,53 cents in 2010 and the diluted basic EPS declined from 16,68 cents in 2009 to a loss of 2,15 cents in 2010.

However, headline earnings per share ("HEPS"), which excludes certain impairment and amortisation charges more fully described in the financial disclosures, increased by 62% from 18,37 cents in 2009 to 29,78 cents in 2010. A similar pattern is observed in the diluted HEPS which increased by 57% from 16,12 cents in 2009 to 25,34 cents in 2010.

Changes in share capital
AfroCentric's total issued share capital as of 30 June 2010 is 262 432 568 ordinary shares (2009: 257 999 496). The increase in the issued share capital was *inter alia* as a result of purchasing the Lethimvula share options given to Lethimvula's CEO and as a result of AfroCentric's engagement with Lethimvula shareholders who offer their Lethimvula shares for sale.

Details of the Company's authorised and issued share capital are set out in note 20 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.

Distributions
The Board of Directors has proposed the Group's maiden distribution in the form of a capital reduction out of share premium of 7,5 cents per ordinary share, subject to shareholder approval at the Annual General Meeting. Preference shareholders participate in distributions on the basis that they are entitled to 15% of the aggregate distribution payable to preference and ordinary shareholders. The Board of Directors intend to obtain approval for capital distributions at the Annual General Meeting. Subject to that approval, the Board will convene to declare the proposed distribution.

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 financial year:

Names	Date of appointment	Date of resignation
NB Bam** (Chairman)	20 December 2005	
NMJ Canca**		2 June 2010
MV Gantsho**		31 May 2010
JM Kahn**	20 December 2005	
Prof DI Swartz**		19 May 2010
B Joffe**	25 May 2006	
MJ Madungandaba*	10 June 2010	
AT Mokgokong*	10 June 2010	
WRC Holmes	23 June 2010	
MI Sacks*	20 December 2005	

** Non-Executive*

*** Independent Non-Executive*

Company Secretary

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

Registered address:	Postal address:
10 Muswell Road South	Private Bag X34
Bryanston	Benmore
2191	2010

Company registration number

1988/000570/06

Shareholders' interest

Major shareholders

The major shareholders and the Directors' interests in ordinary shares and preference shares as at 30 June 2010 and 30 June 2009 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 2010

An analysis of holdings extracted from the register of ordinary shareholders as at 30 June 2010 is listed on page 16.

Analysis of ordinary shares for the year ended 30 June*

Director	Direct beneficial	Indirect beneficial	Held by associate	Total	%
2010					
NB Bam	**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**	**1,91**
MI Sacks	**2 259 925**	**–**	**3 760 000**	**6 019 925**	**2,29**
Prof DI Swartz	**150 000**	**–**	**–**	**150 000**	**0,06**
B Joffe	**–**	**–**	**3 600 000**	**3 600 000**	**1,37**
WRC Holmes	**–**	**–**	**–**	**–**	**–**
Dr AT Mokgokong	**1 707 926**	**31 350 331**	**–**	**33 058 257**	**12,60**
MJ Madungandaba	**–**	**73 150 773**	**–**	**73 150 773**	**27,87**
Total	**9 633 101**	**104 501 104**	**7 360 000**	**121 494 205**	**46,30**

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

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

Shareholders holding more than 5% of the issued ordinary share capital

Shareholder	Number of shares	%
2010		
AfroCentric Empowerment Trust	**47 100 000**	**17,95**
Community Investment Holdings	**49 426 916**	**18,83**
Golden Pond Trading 175 (Pty) Limited	**36 571 127**	**13,94**
Community Healthcare Holdings (Pty) Limited	**30 878 043**	**11,78**
Total	**163 976 086**	**62,50**
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
Total	163 976 086	63,56

** Total issued ordinary shares as of 30 June 2010: 262 432 568 (2009: 257 999 496).*

	Spread of ordinary shareholders					
	2010			2009		
	Number of shareholders	**Number of shares**	**%**	Number of shareholders	Number of shares	%
Public shareholders	**3 172**	**57 267 236**	**21,82**	3 107	78 701 235	30,50
Non-public shareholders						
directors	**8**	**114 134 205**	**43,49**	7	7 962 175	3,09
associates	**2**	**7 360 000**	**2,80**	2	7 360 000	2,85
10% or more	**2**	**83 671 127**	**31,88**	4	163 976 086	63,65
Total	**3 184**	**262 432 568**	**100,00**	3 120	257 999 496	100,00
Shareholders owning more than 5% or more						
AfroCentric Empowerment Trust		**47 100 000**	**17,95**		47 100 000	18,26
Community Investment Holdings		**49 426 916**	**18,83**		49 426 916	19,16
Community Healthcare Holdings		**30 878 043**	**11,77**		30 878 043	11,97
Golden Pond Trading 175		**36 571 127**	**13,94**		36 571 127	14,17
Total		**163 976 086**	**62,49**		163 976 086	63,56

Preference shareholders as at 30 June 2010

An analysis of holdings extracted from the register of preference shareholders as at 30 June 2010 is listed below:

Analysis of preference shares for the year ended 30 June*

Director	Direct beneficial	Indirect beneficial	Held by associate	Total	%
2010					
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**
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*

Shareholders holding more than 5% of the issued preference share capital

Shareholder	Number of shares	%
2010		
Eagle Creek Investments 605 (Pty) Limited	**3 636 800**	**21,86**
2009		
Eagle Creek Investments 605 (Pty) Limited	3 636 800	21,86

Spread of preference shareholders

	2010			2009		
	Number of shareholders	**Number of shares**	**%**	Number of shareholder	Number of shares	%
Public shareholders	**164**	**2 883 056**	**17,33**	185	2 883 056	17,33
Non-public shareholders						
Directors	**2**	**7 569 962**	**45,50**	2	7 569 962	45,50
Associate of Directors	**1**	**2 548 182**	**15,32**	1	2 548 182	15,32
Shareholders owning 10% or more of the securities	**1**	**3 636 800**	**21,86**	1	3 636 800	21,86
Total	**168**	**16 638 000**	**100,00**	189	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.

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 Group's operations.

Directors' service contracts

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

AfroCentric has a permanent Operations Officer and during the year under review, Mr Sacks continued to fulfil the roles of acting management in terms of an informal management agreement. Messrs Kahn, Sacks, Joffe and Holmes do not receive any management or Director's fees.

The Group has an Investment Committee which includes Messrs Joffe, Kahn, Sacks and Madungandaba.

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 Group.

AfroCentric Investment Corporation Limited 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 statement of financial position date a total of zero shares or options have 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 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:

Associates	**Subsidiaries**	**Nature of business**	**Issued ordinary share capital R'000**	**June 2010 %**	June 2009 %
	AfroCentric Resources (Pty) Limited	Dormant	*	**100,00**	100,00
	AfroCentric Capital (Pty) Limited	Dormant	*	**100,00**	100,00
	AfroCentric Healthcare Assets Investment (Pty) Limited	Holding	*	**100,00**	100,00
	AfroCentric Funding (Pty) Limited	Financing	*	**100,00**	100,00
Jasco Electronics Holdings Limited		Electronics and communications	114 509	**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 statement of financial position date.

Events after the statement of financial position date

No events, which are relevant under this heading, have occurred after the statement of financial position date.

Material resolutions

No special resolutions and other resolutions of a significant nature were passed by the Company during the year under review.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

as at 30 June 2010

		Group		Company	
			Restated#		
		2010	2009	**2010**	2009
	Note	**R'000**	R'000	**R'000**	R'000
ASSETS					
Non-current assets		**958 794**	1 000 008	**150 634**	202 199
Property, plant and equipment	6	**125 311**	110 639	**–**	–
Investment property	7	**8 543**	–	**–**	–
Intangible assets	8	**576 438**	600 151	**–**	–
Unlisted investment		**280**	280	**280**	280
Investments in associates	10	**69 788**	127 435	**50 354**	101 919
Investments in subsidiaries	12	**–**	–	*****	*
Investment in preference shares	13	**100 000**	100 000	**100 000**	100 000
Deferred income tax assets	14	**78 434**	61 503	**–**	–
Current assets		**216 871**	228 411	**427 588**	404 937
Trade and other receivables	15	**80 123**	156 215	**–**	5 662
Loans to Group companies	16	**–**	–	**417 200**	388 931
Receivables from associates and joint venture	17	**14 224**	6 642	**–**	–
Cash and cash equivalents	18	**122 524**	65 554	**10 388**	10 344
Assets of disposal group held for sale	19	**–**	515 288	**–**	–
Total assets		**1 175 665**	1 743 707	**578 222**	607 136
EQUITY AND LIABILITIES					
Capital and reserves		**620 286**	622 021	**560 969**	594 505
Issued share capital	20	**389 440**	382 528	**389 440**	382 528
Contingent shares to be issued		**188 540**	188 540	**188 540**	188 540
Share-based payment reserve		**–**	624	**–**	–
Treasury shares		**(610)**	–	**–**	–
Retained earnings/(accumulated loss)		**42 916**	50 329	**(17 011)**	23 437
Non-controlling interest		**21 777**	31 939	**–**	–
Total equity		**642 063**	653 960	**560 969**	594 505
Non-current liabilities		**306 575**	349 128	**–**	–
Deferred income tax liabilities	14	**42 443**	66 532	**–**	–
Borrowings	21	**162 072**	160 350	**–**	–
Provisions	24	**66 067**	79 048	**–**	–
Post-employment medical obligations	25	**3 866**	3 930	**–**	–
Accrual for straight-lining of leases	26	**32 127**	39 268	**–**	–
Current liabilities		**227 027**	318 195	**17 253**	12 631
Borrowings	21	**–**	11 176	**–**	1 500
Loans from Group companies	22	**–**	–	**8 812**	–
Provisions	24	**18 347**	71 784	**–**	–
Trade and other payables	27	**108 546**	102 385	**129**	1 195
Current income taxation liability		**3 224**	15 037	**325**	1 077
Bank overdraft	18	**7 987**	53 661	**7 987**	8 859
Employment benefit provisions	28	**88 923**	64 152	**–**	–
Liabilities of disposal group held for sale	19	**–**	422 424	**–**	–
Total liabilities		**533 602**	1 089 747	**17 253**	12 631
Total equity and liabilities		**1 175 665**	1 743 707	**578 222**	607 136

** Amounts less than R1 000*

 # Refer to note 41

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 June 2010

		Group		Company	
		2010	2009	**2010**	2009
	Note	**R'000**	R'000	**R'000**	R'000
Continuing operations					
Gross revenue	29	**1 263 414**	519 867	**–**	–
Other income		**23 425**	8 325	**7 485**	9 658
Administrative expenses		**(1 133 781)**	(467 059)	**(3 428)**	(10 183)
Net finance (costs)/income	31	**(2 350)**	8 097	**8 129**	12 613
– Finance income		**20 251**	17 794	**9 034**	13 437
– Finance costs		**(22 601)**	(9 697)	**(905)**	(824)
Core Healthcare profit		**150 708**	69 230	**12 186**	12 088
Net loss from acquired Healthcare business		**(43 056)**	–	**–**	–
Revenue	29	**92 917**	–	**–**	–
Expenses		**(135 973)**	–	**–**	–
Healthcare profit before associates		**107 652**	69 230	**12 186**	12 088
Share of profit from associates		**14 017**	9 151	**–**	–
Profit before impairment and amortisation		**121 669**	78 381	**12 186**	12 088
Impairment of investment		**(67 313)**	–	**(51 565)**	–
Impairment of intangible assets		**(8 405)**	–	**–**	–
Amortisation of intangible assets		**(30 291)**	(11 857)	**–**	–
Profit/(loss) before income tax	30	**15 660**	66 524	**(39 379)**	12 088
Income tax	32	**(18 027)**	(13 607)	**(1 069)**	(789)
(Loss)/profit for the year from continued operations		**(2 367)**	52 917	**(40 448)**	11 299
Loss from discontinued operations	19	**(847)**	(2 379)	**–**	
(Loss)/profit for the year		**(3 214)**	50 538	**(40 448)**	11 299
Other comprehensive income		**–**	–	**–**	–
Total comprehensive (loss)/income for the year		**(3 214)**	50 538	**(40 448)**	11 299
Attributable to:					
Equity holders of the Parent		**(7 413)**	34 701	**(40 448)**	11 299
Non-controlling interest		**4 199**	15 837	**–**	–
		(3 214)	50 538	**(40 448)**	11 299
(Loss)/earnings per share (cents) attributable to equity holders of the Parent					
– Basic	33	**(2,53)**	19,00	**–**	–
– Diluted	33	**(2,15)**	16,68	**–**	–

Consolidated statements of changes in equity

for the year ended 30 June 2010

	Ordinary share capital R'000	Preference share capital R'000	Share premium R'000	Contingent shares to be issued R'000	Treasury shares R'000	Share-based payment reserve R'000	Retained earnings/ Accumulated loss R'000	Non-controlling interest R'000	Total equity R'000
Group									
Balance as at 1 July 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 liability	–	–	–	–	–	624	–	–	624
Balance as at 1 July 2009	2 580	166	379 782	188 540	–	624	50 329	31 939	653 960
Issue of share capital	44	–	6 868	–	–	–	–	–	6 912
Revaluation of share-based payment liability	–	–	–	–	–	(624)	–	–	(624)
Treasury shares issued	–	–	–	–	(610)	–	–	–	(610)
Share buyback from minorities	–	–	–	–	–	–	–	(14 361)	(14 361)
Net loss for the year	–	–	–	–	–	–	(7 413)	4 199	(3 214)
Balance as at 30 June 2010	**2 624**	**166**	**386 650**	**188 540**	**(610)**	**–**	**42 916**	**21 777**	**642 063**
Company									
Balance as at 1 July 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 as at 30 June 2009	2 580	166	379 782	188 540	–	–	23 437	–	594 505
Issue of share capital	44	–	6 868	–	–	–	–	–	6 912
Net loss for the year	–	–	–	–	–	–	(40 448)	–	(40 448)
Balance as at 30 June 2010	**2 624**	**166**	**386 650**	**188 540**	**–**	**–**	**(17 011)**	**–**	**560 969**

Consolidated statements of cash flows

for the year ended 30 June 2010

	Note	Group 2010 R'000	Group 2009 R'000	Company 2010 R'000	Company 2009 R'000
Cash flows from operating activities					
Cash generated from/(utilised in) operations	34	**174 803**	80 880	**8 653**	(5 846)
Finance income		**28 593**	4 357	**17 376**	–
Finance costs		**(16 703)**	(9 697)	**(905)**	(824)
Dividends received		**–**	402	**–**	3 996
Income tax paid	35	**(70 859)**	(28 720)	**(1 821)**	(1 220)
Net cash generated from/(utilised in) operating activities		**115 834**	47 222	**23 303**	(3 894)
Cash flows from investing activities					
Disposal/(acquisition) of subsidiaries		**87 618**	(138 506)	**–**	–
Disposal of cash portion of discontinued operation		**(64 146)**	–	**–**	–
Purchase of property, plant and equipment		**(59 327)**	(38 368)	**–**	–
Purchase of investment property		**(8 543)**	–	**–**	–
Increase in intangible assets		**(32 049)**	(8 332)	**–**	–
Refund on purchase of subsidiary		**23 817**	–	**–**	–
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	**–**	–
Decrease in receivables from associates and joint venture		**(7 582)**	(2 535)	**–**	–
Investment in unlisted investments		**–**	(280)	**–**	(280)
Decrease in other investments		**–**	18	**–**	–
Finance income		**(8 342)**	13 437	**(8 342)**	13 437
Net cash (outflow)/inflow from investing activities		**(68 554)**	(165 667)	**(8 342)**	13 157
Cash flows from financing activities					
Decrease in share-based payment liability		**–**	(1 065)	**–**	–
(Decrease)/increase in minorities		**(15 108)**	4 371	**–**	–
Increase/(decrease) in borrowings		**6 326**	175 919	**(1 500)**	1 500
Increase in loans to Group companies		**–**	–	**(12 545)**	(14 586)
Net cash (outflow)/inflow from financing activities		**(8 782)**	179 225	**(14 045)**	(13 086)
Net cash flow for continuing operations		**38 498**	60 780	**916**	(3 823)
Net cash flow from discontinued operation		**–**	9 951	**–**	–
Net increase/(decrease) in cash and cash equivalents		**38 498**	70 731	**916**	(3 823)
Cash and cash equivalents at beginning of year		**76 039**	5 308	**1 485**	5 308
Cash and cash equivalents at end of year		**114 537**	76 039	**2 401**	1 485
Disclosed as follows:					
Cash and cash equivalents		**114 537**	11 893	**2 401**	1 485
Assets of disposal group held for sale		**–**	64 146	**–**	–
		114 537	76 039	**2 401**	1 485

Notes to the Group annual financial statements

for the year ended 30 June 2010

1. Summary of accounting policies

General information

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

The Company is a limited liability company incorporated and domiciled in South Africa. The address of its registered office is 10 Muswell Road South, Bryanston, South Africa. The majority of the Company's shares are held by public shareholders.

These consolidated financial statements have been approved for issue by the Board of Directors on 29 September 2010.

Statement of compliance

The Company's and the Group's 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; AC 500 standards issued by the Accounting Practices Board, 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 2010.

Standards, amendments and interpretations effective in 2010:

a) *Amendments to published standards effective in 2010, but not relevant to the Group's operations*

The following amendments to published standards are mandatory for the Group's accounting periods beginning on or after 1 January 2009:

- *IAS 23, 'Borrowing costs'*. The main amendment from the previous version of IAS 23 is the removal of 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.
- *IFRS 2, 'Share based payments'*. 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.

b) *Amendments to published standards effective in 2009, but not relevant to the Group's operations*

- *IAS 27, 'Consolidated and separate financial statements' and IFRS 1, 'First time adoption'.* The amendment allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removed the definition of the cost method from IAS 27 and replaced it with a requirement to present dividends as income in the separate financial statements of the investor.

c) *Amendments to published standards effective in 2009, relevant to the Group's operations*

The following amendments to published standards are mandatory for the Group's accounting periods beginning on or after 1 January 2009:

- *IFRS 7, 'Financial instruments: Disclosure'*. The amendment increases the disclosure requirements about fair value measurement and reinforces existing principles for disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosure and requires some specific quantitative disclosures for financial instruments in the lowest level in the hierarchy. In addition, the amendment clarifies and enhances existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities.

1. **Summary of accounting policies (continued)**

d) *Interpretations effective in 2009 but not relevant to the Group's operations*
- *IFRIC 12, 'Service concession arrangements',* is mandatory for accounting periods effective 30 March 2009.
- *IFRIC 15, 'Agreements for construction of real estates'*, is mandatory for accounting periods effective 1 January 2009.

e) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group*

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 July 2009 or later periods, but the Group has not adopted them early:
- *IFRS 3 (Revised), 'Business combinations'* (effective from 1 July 2009). 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.
- IA*S 27 (Revised), 'Consolidated and separate financial statements'* (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss.

f) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group*
- *IAS 39 (Amendments), 'Financial instruments: Recognition and measurement'* (effective from 1 July 2009). The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges.
- *IFRS 1 (Revised), 'First time adoption'* (effective from 1 July 2009). The revised standard has an improved structure but does not contain any technical changes.
- *IFRIC 17, 'Distributions of non-cash assets to owners'* (effective from 1 July 2009).
- *IFRIC 18, 'Transfer of assets from customers'* (effective from 1 July 2009).

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 financial statements.

Basis of presentation

The 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.

The preparation of the 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 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.

1. Summary of accounting policies (continued)

Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company. It is available at the premises of the Company's offices, being 42 Wierda Road West, Wierda Valley, Sandton, 2196. Control is achieved where the Company 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 period are included in the consolidated statement of comprehensive income 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 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 12 to the Group 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. 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 statement of comprehensive income.

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 result in gains and losses for the Group that are recorded in the statement of comprehensive income. 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.

Associates

An associate is an entity over which the Company 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 financial statements are prepared using uniform accounting policies for like transactions and events in similar circumstances which have occurred within the Group.

1. Summary of accounting policies (continued)

Basis of consolidation (continued)

Investments in associates are accounted for by the equity method of accounting. Under this method the Company's share of the post-acquisition profits and losses of associates is recognised in the statement of comprehensive income 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 Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company 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 Company'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 Company'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 are recorded for the year ended 30 June 2010 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 Company'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 financial statements.

The 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.

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

Foreign currency translation

Functional and presentation currency

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

1. Summary of accounting policies (continued)

Foreign currency translation (continued)

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 statement of comprehensive income.

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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position; and
- Income and expenses for each statement of comprehensive income 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 rate on 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 statement of comprehensive income 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 statement of comprehensive income during the financial period in which they are incurred.

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

The estimated maximum useful lives are:

• Office equipment and furniture and fittings	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.

1. **Summary of accounting policies (continued)**

Tangible assets (continued)

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.

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 statement of comprehensive income.

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

Investment property

Initial recognition

Investment property is initially recognised at fair value.

Subsequent measurement

The entity adopts the fair value model in terms of IAS 40.

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 Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Deferred tax on fair value adjustments is provided for at the capital gains tax rate of 14% due to the fact that the Company intends to recover the value of investment property through sale and not through use.

The carrying amount of the investment property is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Where the residual value of the investment property exceeds its carrying amount, no depreciation is considered necessary.

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 statement of comprehensive income when incurred.

1. Summary of accounting policies (continued)

Intangible assets (continued)

Trademarks and brands

Acquired trademarks and brands are shown 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 statement of comprehensive income.

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.

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 statement of comprehensive income.

Impairment of assets

Impairment of tangible and intangible assets

At each statement of financial position 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.

1. Summary of accounting policies (continued)

Impairment of assets (continued)

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.

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 statement of financial position 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 statement of comprehensive income 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 statement of comprehensive income on a straight-line basis over the term of the relevant lease. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the total lease expense.

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

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.

1. Summary of accounting policies (continued)

Financial assets (continued)

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

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 statement of comprehensive income 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 statement of comprehensive income when the Group’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 Group 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 Group’s key management personnel. Assets that are part of these portfolios are designated upon recognition at fair value through profit or loss.

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets are impaired.

1. **Summary of accounting policies (continued)**

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 statement of comprehensive income. 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 periods, 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 in 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)

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 re-measured at fair value, and the difference between its carrying amount and fair value shall be recognised directly in equity, through the statement of changes in equity until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity shall be recognised in profit or loss.

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 and other receivables

Trade 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 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 statement of comprehensive income within 'bad debt write off'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited 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 statement of comprehensive income. The Group gathers the objective for loans and receivables. The impairment loss is calculated under the same method used for these financial assets. These processes are described in note 15: Trade and other receivables.

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

Financial liabilities

A financial liability is any liability that is:

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

1. Summary of accounting policies (continued)

Financial liabilities (continued)

- A contract that will or may be settled in the entity's own equity instruments and is:
  - 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
  - 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
  - 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.

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 statement of comprehensive income under 'finance costs' over the period of the borrowings using the effective interest method.

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

Financial liabilities under investment contracts

Policyholder contracts that do not transfer significant insurance risk are classified in the financial statements as financial liabilities at fair value through profit and loss. This liability is disclosed on the statement of financial position as 'financial liabilities under investment contracts'. The premium and benefit payments relating to these investment contracts have been excluded from the statement of comprehensive income 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 statement of comprehensive income 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 statement of financial position 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 are 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 4. Contingent liabilities are liabilities for which a reliable estimate can be made, yet the probability of an outflow of economic benefits is remote.

1. Summary of accounting policies (continued)

Financial liabilities (continued)

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

Contingent liabilities acquired as part of a business combination

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

- 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*'.

Provisions

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

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

Employee costs

Pension and provident fund obligations

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

The Group's contributions to the defined contribution pension and provident plans are charged to the statement of comprehensive income in the period 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 statement of comprehensive income under employee benefit costs. Interest costs are charged to the statement of comprehensive income as finance costs.

Share-based payments

Cash settled share-based payments

Share-based payment costs arise from the issue of share appreciation rights to employees. The fair values of these options are determined using a number of assumptions. These assumptions used in determining the fair value cost include expected volatility, expected dividend yield, the discount rate and the expected forfeit or lapse rate. In accordance with the principles of valuing cash settled share-based payments, only a change in the actual experience of forfeits compared to the estimated forfeit rate assumption will impact on the charge in the statement of comprehensive income.

1. Summary of accounting policies (continued)

Employee costs (continued)

The expected volatility assumption is determined based on an estimate of the volatility over the expected life of the options and comparable financial information. The expected dividend yield is determined based on historical dividend yields and management's estimates. The discount rate is based on government bonds and has terms to maturity consistent with the assumed life of the share appreciation right. The expected forfeit rate has been based on historical experience and management estimates. For further details on valuation data refer to note 25 of the financial statements.

The Group has issued share appreciation rights ("SAR") to some employees. In accordance with IFRS 2, the Group has recognised an expense in the statement of comprehensive income, representing the fair value of SAR granted to the Company's employees. A corresponding credit to liabilities has been raised. The Company re-measures the fair value of the recognised liability at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

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.

Termination benefits

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

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

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

Annual leave

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position date. This provision is recognised in the statement of financial position under 'employment benefit 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. Medscheme Holdings (Pty) Limited has a salary restructuring arrangement based on the cost to company. The expense is recognised as 'employee benefit costs' in the statement of comprehensive income. Factors that are taken into account when determining the incentive bonus 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.

1. **Summary of accounting policies (continued)**

Revenue and expense recognition (continued)

Administration fees

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

Premium income

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

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.

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 they become 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 statement of financial position date in the countries where the Group's subsidiaries and associates operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

1. Summary of accounting policies (continued)

Current and deferred income tax (continued)

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 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 statement of financial position 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

Secondary tax on companies ("STC") is provided for at a rate of 10% (2009: 10%) on the amount by which dividends declared by the Group exceed dividends received carrying an STC credit. STC is recognised as part of the current tax charge in the statement of comprehensive income when the related dividend is declared.

Dividends declared during the current financial period were paid to the Group's shareholders. The Group has applied for the Section 64 STC exemption.

Deferred tax on unutilised STC credits is recognised at a rate of 10% (2009: 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 financial statements in the period in which they are approved by the Group's shareholders.

Share capital

Ordinary shares

Ordinary shares are classified as equity.

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

When the Group reacquires its own equity instruments, those instruments ("treasury shares") shall be deducted from equity. In the event that the shares are cancelled upon reacquisition, share capital and share premium are respectively reduced by 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.

1. Summary of accounting policies (continued)

Non-current assets held for sale (continued)

An entity shall 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.

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); and
- 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 costs 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, in the order of allocation set out in note 30 on Impairment of non-financial assets.

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 statement of comprehensive income (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 that the consolidated financial statements 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.

2. Critical accounting estimates and assumptions

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

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

Acquisition of Medscheme Limited via the acquisition of Lethimvula Investments Limited

The assumptions are consistent with the assumptions used by 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.

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 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 Medscheme'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 operational 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 2012. The UMS system therefore has a useful life of two years.
- The Nexus Administration system is used to manage the data of all clients within the Lethimvula group 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.

2. Critical accounting estimates and assumptions (continued)

Acquisition of Medscheme Limited via the acquisition of Lethimvula Investments Limited (continued)

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.

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.

Contractual customer relationships

The administration contract with Spectramed medical scheme resulted in the inflow of economic benefits to the Group and as a result was 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.

Effective 1 January 2010, The Spectramed Medical Aid Fund is no longer administered by the Group. The customer relationship as of 1 January 2010 can no longer be substantiated and has been fully impaired as at 30 June 2010.

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 May 2013, when the lease term on the related property expires. The discount rate used to calculate the provision was based on the prevailing prime interest borrowing rate.

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 considers 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;

2. Critical accounting estimates and assumptions (continued)

Acquisition of Medscheme Limited via the acquisition of Lethimvula Investments Limited (continued)

- 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%.

Carrying values of the Group at 30 June 2010:

- Deferred tax assets: R78,4 million (2009: R61,5 million)
- Deferred tax liabilities: R42,4 million (2009: R66,5 million)
- Taxation liability: R3,2 million (2009: 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.

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 8 in these financial statements.

Carrying value of tangible and intangible assets

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

The carrying amount of tangible and intangible assets at 30 June 2010 was R133,8 million (2009: R110,6 million) and R576,4 million (2009: R600,2 million) respectively.

Share-based payments

Details regarding assumptions relating to share-based payments are detailed in note 23.

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 Healthcare and Administration business activities are exposed to a variety of financial risks:
- Market risk;
- Credit risk; and
- Liquidity risk.

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

The financial risk profile of the Group remains unchanged since the prior period 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 Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

The Group is not exposed to any foreign exchange risk in relation to its foreign operations in Namibia and 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 R4,95 million (2009: R4,2 million) and R5,6 million (2009: R5,1 million) respectively. The impact of foreign exchange risk on profit and loss amounted to a profit of R0,093 million (2009: R0,065 million).

Price risk

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

3. Financial risk management (continued)

The Group is not materially exposed to price and currency risk, therefore no sensitivity analysis is deemed necessary.

Interest rate risk

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 of 1% on statement of comprehensive income R'000
June 2010	
Preference dividend income	**(1 000)**
Bank borrowings	**1 818**
Onerous lease provision	**717**
Bank balances and short-term investments	**(115)**
Total	**629**
June 2009	
Preference dividend income	(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 2010 would decrease profit before tax by approximately R0,629 million (2009: R1,88 million).

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.

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.

3. Financial risk management (continued)

Liquidity risk (continued)

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:

	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
Time buckets applicable to the Group						
June 2010						
Borrowings	–	**–**	**–**	**–**	**162 072**	**162 072**
Trade payables	**85 097**	**10 781**	**6 334**	**6 334**	**–**	**108 546**
Bank overdraft	**7 987**	**–**	**–**	**–**	**–**	**7 987**
June 2009						
Borrowings	11 176	–	–	–	160 350	171 526
Trade payables	102 385	–	–	–	–	102 385
Bank overdraft	53 661	–	–	–	–	53 661
Time buckets applicable to the Company						
June 2010						
Loans from Group companies	**8 812**	**–**	**–**	**–**	**–**	**8 812**
Trade payables	**129**	**–**	**–**	**–**	**–**	**129**
Bank overdraft	**7 987**	**–**	**–**	**–**	**–**	**7 987**
June 2009						
Borrowings	1 500	–	–	–	–	1 500
Trade payables	1 195	–	–	–	–	1 195
Bank overdraft	8 859	–	–	–	–	8 859

4. Business combinations

AfroCentric Investment Corporation Limited acquired Lethimvula Investments Limited ("LIL") on 31 January 2009. IFRS 3 requires the acquirer to allocate the cost of a business combination at the effective date by recognising the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria. The goodwill arising from the acquisition of Lethimvula Investments Limited is attributable to the increased profitability anticipated as a result of the strong market position that the Group will hold in future as the largest black owned medical aid scheme administrator in South Africa. In addition, it is the intention of the Group to expand the range of financial services currently offered, particularly those in the financial services business units.

IFRS contingent liabilities

The contingent liabilities which remain after the purchase price of LIL acquisition was settled, have been determined by the directors using the maximum loss and the probability of these contingencies materialising at date of acquisition as indicated below:

	Maximum loss R'000	Probability %	Fair value R'000
2010			
Asset finance transaction	**63 122**	**50**	**31 561**
Neil Harvey & Associates	**83 500**	**10**	**8 350**
	146 622		**39 911**
2009			
Asset finance transaction	94 682	50	47 341
Neil Harvey & Associates	83 500	10	8 350
	178 182		55 691

	2010 R'000	2009 R'000
Carrying amount of IFRS 3 contingent liabilities at beginning of year	**55 691**	69 345
Fair value adjustments	**(15 780)**	(13 654)
Carrying amount of IFRS 3 contingent liabilities at end of year	**39 911**	55 691

Asset finance transaction

The contingent liability has been decreased in accordance with the wind down profile of the transaction and has been reversed to the income statement as 'Reversal of IFRS 3 contingency'.

The IFRS 3 contingent liabilities are disclosed under note 24: Provisions.

Acquisitions

On 1 May 2009, LIL completed the acquisition of 100% of the shares of Old Mutual Healthcare (Pty) Limited (now called Lethimvula Healthcare (Pty) Limited). The shareholders of LIL 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 LIL on 3 April 2009. This was the final condition precedent to be met.

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

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

4. Business combinations (continued)

Acquisitions (continued)

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 were recognised on acquisition.

LIL acquired a 25% interest in Agility Broker Services (Pty) Limited for R4,125 million.

Intangible assets arising from the purchase of subsidiary companies

At the time of the purchase of 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.

Two customer relationship types were identified; 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 had, 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 this loss. Thus a deferred tax asset of R13,6 million has been raised in the Company's books.

Net asset value on acquisition

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 as follows:

Old Mutual Healthcare (Pty) Limited	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.

		1 May 2009 R'000
4. Business combinations (continued)		
Old Mutual Healthcare (Proprietary) Limited		
Total purchase price for 100% of the business acquired		64 683
Transaction costs		1 043
		65 726
100% of net assets acquired	–	
Value of customer relationships acquired – Healthcare administration	7 209	
Value of customer relationships acquired – Licence agreements	87	
Deferred taxation on intangible assets	(2 043)	
Value of deferred tax asset raised	13 692	
Fair value of 100% of business acquired		18 945
Goodwill arising from acquisition		46 781

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.

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.

Subsequent adjustment to purchase price

Subsequent to acquisition date, certain conditions and targets set out in the purchase agreement were not achieved by Lethimvula Healthcare (Pty) Limited resulting in the reassessment of the purchase price determined at acquisition date. An adjustment of R23,81 million was accounted for to this effect and credited to goodwill as a reduction of the purchase price:

	R'000
Administration business	45 471
Licence business	1 310
Total goodwill on acquisition	46 781
Subsequent adjustment of purchase price	(23 816)
Carrying value of goodwill at 30 June 2010	22 965
Purchase price	
Purchase consideration settled in cash	64 683
Transaction costs	1 043
Total cash purchase price	65 726
Purchase consideration settled in cash	65 726
Cash and cash equivalents in subsidiaries acquired	–
Cash outflow on acquisition	65 726
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	Admin-istration R'000	Elimination R'000	Group R'000
2010						
Continuing operations						
Gross revenue	1 356 331	–	–	–	–	1 356 331
Other income	23 240	–	–	7 485	(7 300)	23 425
Administration expenses	(1 376 826)	–	–	(3 428)	110 500	(1 269 754)
Amortisation of intangibles	–	–	–	–	(30 291)	(30 291)
Impairment of intangibles	–	–	–	–	(8 405)	(8 405)
Impairment of investment	–	–	–	(51 565)	(15 748)	(67 313)
Net finance income	9 038	–	9 034	(20 422)	–	(2 350)
– Finance income	11 217	–	9 034	–	–	20 251
– Finance cost	(2 179)	–	–	(20 422)	–	(22 601)
Share of profit of associate	5 360	8 657	–	–	–	14 017
Profit/(loss) before taxation	17 144	8 657	9 034	(67 930)	48 755	15 660
Income tax expense	(6 536)	–	–	(2 901)	(8 590)	(18 027)
Profit/(loss) from continuing operations	10 608	8 657	9 034	(68 999)	40 165	(2 367)
Loss from discontinued operation	(847)	–	–	–	–	(847)
Profit/(loss) for the year	9 761	8 657	9 034	(68 999)	40 165	(3 214)
Segment assets	836 519	–	110 388	1 116 571	(887 813)	1 175 665
Segment liabilities	316 878	–	–	743 903	(527 179)	533 602
Capital expenditure	67 870	–	–	–	–	67 870
Depreciation and amortisation expense	73 286	–	–	–	–	73 286
Impairment of investment	–	–	–	51 565	15 748	67 313
Impairment provision against intangible assets	–	–	–	–	8 405	8 405

5. Segment information (continued)

	Healthcare administration R'000	Electronics R'000	Treasury R'000	Admin-istration 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
Administration expenses	(484 060)	–	–	(10 181)	27 182	(467 059)
Amortisation of intangible assets	–	–	–	–	(11 857)	(11 857)
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 from discontinued operation	(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
Impairment provision against investments	(705)	–	–	–	–	(705)

Nature of business segments

- Healthcare administration – consists of medical scheme administration and managed healthcare services via Lethimvula Investments Limited
- Electronics – consists of the investment in Jasco Electronics Holdings Limited
- Treasury – consists of the investment in 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					
Year ended 30 June 2010					
Opening carrying amount	**335**	**73 148**	**28 119**	**9 037**	**110 639**
Additions	**200**	**38 880**	**14 200**	**6 047**	**59 327**
Disposals	**–**	**(69)**	**(855)**	**–**	**(924)**
Depreciation charge	**(65)**	**(31 312)**	**(9 200)**	**(2 418)**	**(42 995)**
Impairments	**–**	**(612)**	**–**	**(124)**	**(736)**
Closing carrying amount	**470**	**80 035**	**32 264**	**12 542**	**125 311**
At 30 June 2010					
Cost	**900**	**149 109**	**62 245**	**20 853**	**233 107**
Accumulated depreciation	**(430)**	**(69 074)**	**(29 981)**	**(8 311)**	**(107 796)**
Closing carrying amount	**470**	**80 035**	**32 264**	**12 542**	**125 311**
Year ended 30 June 2009					
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

7. Investment property

	Group	
	June 2010 R'000	June 2009 R'000
Land at cost	**8 543**	–

During the financial year Lethimvula Investments Limited purchased PTN 108 (PTN OF PTN 27) of the farm Weltevreden 202 for the value of R8 500 000. Transaction costs to the value of R42 849 were capitalised as part of the original acquisition cost.

LIL has elected the fair value model in terms of IAS 40, *'Investment property'*. No valuation was performed at year-end due to the fact that the property was purchased during the reporting year and the directors are of the opinion that the any difference between cost and fair value is negligible.

8. Intangible assets

	Goodwill R'000	Licences 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 at 1 July 2009	**418 856**	**80**	**34 929**	**4 227**	**110 556**	**21 982**	**9 521**	**600 151**
Additions	**6 912**	**–**	**32 050**	**–**	**–**	**–**	**–**	**38 961**
Refunds on purchase of subsidiary	**(23 817)**	**–**	**–**	**–**	**–**	**–**	**–**	**(23 817)**
Transfers between asset categories	**–**	**–**	**4 227**	**(4 227)**	**–**	**–**	**–**	**–**
Disposals	**–**	**–**	**(162)**		**–**	**–**	**–**	**(162)**
Amortisation charge for the year	**–**	**(9)**	**(11 784)**	**–**	**(14 287)**	**(2 134)**	**(2 077)**	**(30 291)**
Impairment charge	**–**	**–**	**–**	**–**	**(5 205)**	**(3 200)**	**–**	**(8 405)**
Carrying value at 30 June 2010	**401 951**	**71**	**59 260**	**–**	**91 064**	**16 648**	**7 444**	**576 438**
Carrying value at 30 June 2010								
Cost (Including additions)	**401 951**	**81**	**114 658**	**–**	**116 919**	**22 938**	**10 387**	**666 934**
Accumulated impairment	**–**	**–**	**(3 360)**	**–**	**(5 205)**	**(3 200)**	**–**	**(11 765)**
Accumulated amortisation	**–**	**(10)**	**(52 038)**	**–**	**(20 650)**	**(3 090)**	**(2 943)**	**(78 731)**
Carrying value at 30 June 2010	**401 951**	**71**	**59 260**	**–**	**91 064**	**16 648**	**7 444**	**576 438**
Opening carrying amount at 1 July 2008	–	–	–	–	–	–	–	–
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	38 524	4 303	116 919	22 938	10 387	612 008
Accumulated amortisation	–	(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

8. Intangible assets (continued)

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

	Group		Company	
	2010 R'000	2009 R'000	**2010 R'000**	2009 R'000
Lethimvula Investments Limited – healthcare administration	**289 688**	282 776	**–**	–
Lethimvula Investments Limited – health risk management	**89 298**	89 298	**–**	–
Old Mutual Healthcare (Pty) Limited – healthcare administration	**21 654**	45 471	**–**	–
Old Mutual Healthcare (Pty) Limited – licences	**1 311**	1 311	**–**	–
	401 951	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.

Effective 1 January 2010, The Spectramed Medical Aid Fund is no longer administered by the Group. The goodwill and customer relationships as of 1 January 2010 can no longer be substantiated and have been fully impaired.

9. Financial instruments

9.1 Financial instruments by category

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

			Group Carrying value		Company Carrying value	
	Fair value	Amortised cost	**2010 R'000**	2009 R'000	**2010 R'000**	2009 R'000
Description per the statement of financial position						
Loans and receivables						
Loans receivable:						
preference shares		✓	**100 000**	100 000	**100 000**	100 000
Trade and other receivables		✓	**80 123**	156 215	**–**	5 662
Cash and cash equivalents		✓	**122 524**	65 554	**10 388**	10 344
Loans to Group companies		✓	**–**	–	**417 200**	388 931

	Fair value	Amortised cost	Group Carrying value 2010 R'000	Group Carrying value 2009 R'000	Company Carrying value 2010 R'000	Company Carrying value 2009 R'000
9. Financial instruments (continued)						
9.1 Financial instruments by category (continued)						
Financial liabilities measured at amortised cost						
Borrowings (non-current and current)		✓	**162 072**	171 526	**–**	1 500
Loans from Group companies		✓	**–**	–	**8 812**	–
Bank overdraft		✓	**7 987**	53 661	**7 987**	8 859
Trade and other payables		✓	**108 546**	102 385	**129**	1 195

9.2 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. None of the items included in the tables below are past due or impaired.

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:

	Less than 3 months 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 R'000	Total R'000
Group					
June 2010					
Investment in preference shares	**–**	**–**	**–**	**100 000**	**100 000**
Trade and other receivables	**57 460**	**9 807**	**5 990**	**6 866**	**80 123**
Cash and cash equivalent	**122 524**	**–**	**–**	**–**	**122 524**
June 2009					
Investment in preference shares	–	–	–	100 000	100 000
Trade and other receivables	156 215	–	–	–	156 215
Cash and cash equivalents	65 554	–	–	–	65 554
Company					
June 2010					
Investment in preference shares	**–**	**–**	**–**	**100 000**	**100 000**
Loans to Group companies	**417 200**	**–**	**–**	**–**	**417 200**
Cash and cash equivalents	**10 388**	**–**	**–**	**–**	**10 388**
June 2009					
Investment in preference shares	–	–	–	100 000	100 000
Trade and other receivables	5 662	–	–	–	5 662
Loans to Group companies	388 931	–	–	–	388 931
Cash and cash equivalents	10 344	–	–	–	10 344

9. Financial instruments (continued)

9.2 Credit quality of financial assets (continued)

9.2.1 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 2010, trade receivables of R4,1 million (June 2009: 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.

Movements on the Healthcare business provision for impairment of trade receivables are as follows:

	Group	
	June 2010 R'000	June 2009 R'000
At 1 July	**4 341**	1 697
Provision for doubtful debts	**2 791**	4 283
Bad debts written off	**(56)**	(1 639)
	7 076	4 341

There were no movements in the Group's provision for impairment of trade receivables during the prior 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 statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables detailed in note 15 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.

9.2.2 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.

9. Financial instruments (continued)

9.2 Credit quality of financial assets (continued)

9.2.3 Cash and cash equivalents

	Group		Company	
	2010	2009	**2010**	2009
	R'000	R'000	**R'000**	R'000
Cash at bank and short-term bank deposits				
AAA – ABSA Bank Limited	**39 912**	9 455	**–**	–
AA – Nedbank Limited	**82 612**	55 860	**10 388**	10 344
AA – Investec Bank Limited	**–**	239	**–**	–
Bank overdraft				
AAA – ABSA Bank Limited	**(7 987)**	(8 860)	**(7 987)**	(8 859)
AA – Nedbank Limited	**–**	(44 801)	**–**	–
Total cash at bank and short-term bank deposits	**114 537**	11 893	**2 401**	1 485

10. Investments in associates

	Group		Company	
	2010	2009	**2010**	2009
	R'000	R'000	**R'000**	R'000
Balance at beginning of year	**127 435**	105 409	**101 919**	101 919
Acquisition of associate in terms of IFRS 3	**–**	12 681	**–**	–
Share of profit after tax	**11 425**	9 151	**–**	–
Foreign exchange gain	**(93)**	65	**–**	–
Acquisition of associate	**–**	4 125	**–**	–
Dividends received	**(1 666)**	(3 996)	**–**	–
Impairment of investment in associate	**(67 313)**	–	**(51 565)**	–
Balance at end of year	**69 788**	127 435	**50 354**	101 919
Directors' valuation	**70 000**	130 000	**50 500**	102 000

Jasco Electronics Holdings Limited is a listed entity with publicly traded shares. The share price on 30 June 2010 determined the significant impairment.

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:

	Group	
	2010	2009
	R'000	R'000
Total assets	**812 679**	635 228
Total liabilities	**392 205**	305 589
Net profit/(loss) attributable to ordinary shareholders	**59 443**	29 421

10. Investments in associates (continued)

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

	Reporting date	Number of shares held	Percentage holdings (2009 and 2010)	Group 2010 R'000	Group 2009 R'000	Company 2010 R'000	Company 2009 R'000
Directly held – listed							
Jasco Electronics Holdings Limited	30 June	39 963 793	34,9	**50 354**	109 010	**50 354**	101 919
Unlisted							
Administrators and Consultants Limited	30 June	33 000	30	**5 592**	4 424	**–**	–
Associated Fund Administrators Botswana (Proprietary) Limited	30 September	25 000	25	**5 696**	5 808	**–**	–
Tradebridge (Proprietary) Limited^	30 September	3 000 000	30	**2 355**	–	**–**	–
Medscheme EDI (Proprietary) Limited*	28 February	50	50	**–**	–	**–**	–
Sigma Health Fund Managers (Proprietary) Limited	31 December	35 000	35	**1 477**	4 068	**–**	–
Agility Broker Service (Pty) Limited	31 December	12 500	25	**4 314**	4 125	**–**	–
				69 788	127 435	**50 354**	101 919

** Pending deregistration*

^ Healthbridge (Pty) Limited changed its name to Tradebridge (Pty) Limited

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

Due to the Group's minority shareholding in the following associates, it has no influence in aligning their reporting dates with the Group's:

- Administrators and Consultants Limited
- Associated Fund Administrators Botswana (Proprietary) Limited
- Tradebridge (Proprietary) Limited
- Agility Broker Service (Pty) Limited

11. Investments in joint venture

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

	Number of shares held	Percentage holdings	2010 R'000	2009 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:

	2010 R'000	2009 R'000
Current assets	**205**	162
Total assets	**205**	162
Current liabilities	**738**	1 922
Total liabilities	**738**	1 922
Net loss attributable to ordinary shareholders	**(2)**	(6)

12. Investment in subsidiaries

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
Unlisted investments at cost	**–**	–	*****	*
Directors' valuation	**–**	–	**537 222**	543 280
Aggregate attributable after tax profits of subsidiary companies	**21 021**	30 001	**–**	–
Aggregate attributable after tax losses of subsidiary companies	**(21 349)**	(6 601)	**–**	–

Name	Main business	Country of incorporation	Issued share capital	Interest held
2009 and 2010				
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	455 268 000	87,53%

** Amount less than R1 000*

13. Investment in preference shares

	Group		Company	
	2010	2009	**2010**	2009
	R'000	R'000	**R'000**	R'000
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.

14. 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
Group						
Deferred income tax assets						
Balance as at 1 July 2008	–	–	–	–	–	–
Acquisition of subsidiary	237	34 995	–	–	11 527	46 759
(Charge)/credit to profit for the year	138	6 190	–	59	(3 406)	2 981
Business combination	–	–	–	–	11 763	11 763
Balance as at 1 July 2009	**375**	**41 185**	**–**	**59**	**19 884**	**61 503**
(Charge)/credit to profit for the year	**(375)**	**3 309**	**–**	**33 881**	**(19 884)**	**16 931**
Balance as at 30 June 2010	**–**	**44 494**	**–**	**33 940**	**–**	**78 434**
Deferred income tax liabilities						
Balance as at 1 June 2008	–	–	–	–	–	–
Acquisition of subsidiary	(12 959)	–	(636)	–	(50 582)	(64 177)
Credit to profit for the year	(1 705)	–	(650)	–	–	(2 355)
Balance as at 1 July 2009	**(14 664)**	**–**	**(1 286)**	**–**	**(50 582)**	**(66 532)**
Credit/(charge)to profit for the year	**5 799**	**(79)**	**51**	**–**	**18 318**	**24 089**
Balance as at 30 June 2010	**(8 865)**	**(79)**	**(1 235)**	**–**	**(32 264)**	**(42 443)**

	Group		Company	
	2010	2009	**2010**	2009
	R'000	R'000	**R'000**	R'000
15. Trade and other receivables				
Trade debtors	**33 298**	33 928	**–**	–
Deposits	**876**	4 137	**–**	–
Prepayments	**23 962**	14 609	**–**	–
Sundry debtors	**7 633**	29 761	**–**	5 662
Sub-lease debtors and other	**14 354**	73 780	**–**	–
	80 123	156 215	**–**	5 662

	Effective % holding	Group 2010 R'000	Group 2009 R'000	Company 2010 R'000	Company 2009 R'000
16. Loans to group companies					
AfroCentric Healthcare Assets (Pty) Limited	100	**–**	–	**400 600**	382 930
AfroCentric Funding (Pty) Limited	100	**–**	–	**16 600**	6 001
		–	–	**417 200**	388 931

These receivables are due and payable within 12 months from the date of the statement of financial position 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 receivables are payable within 12 months and no interest is charged. The Directors believe that the fair value approximates the carrying value of the loans and receivables.

17. Receivables from associate and joint venture

	Effective holding %	Group 2010 R'000	Group 2009 R'000	Company 2010 R'000	Company 2009 R'000
Receivable from joint venture					
Exclusive Health (Pty) Limited#	50%	**610**	615	**–**	–
Receivables from associate					
Tradebridge (Pty) Limited*	30%	**13 614**	6 027	**–**	–
Total receivables from subsidiaries and group entities		**14 224**	6 642	**–**	–

 # no interest is charged
** Interest is charged*

These receivables are due and payable within 12 months from the date of the statement of financial position 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 2010 R'000	Group 2009 R'000	Company 2010 R'000	Company 2009 R'000
18. Cash and cash equivalents				
Cash at bank and on hand	**122 524**	65 554	**10 388**	10 344
Bank overdraft	**(7 987)**	(53 661)	**(7 987)**	(8 859)
	114 537	11 893	**2 401**	1 485

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

	Group 2010 R'000	Group 2009 R'000	Company 2010 R'000	Company 2009 R'000
Cash at bank and on hand	**122 524**	65 554	**10 388**	10 344
Bank overdraft	**(7 987)**	(53 661)	**(7 987)**	(8 859)
Assets held for sale	**–**	64 146	**–**	–
	114 537	76 039	**2 401**	1 485

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

Medscheme Life Assurance Company Limited was sold as part of the Old Mutual Exchange transaction on 31 July 2010.

Details regarding the sale of the disposal group are disclosed below:

	Group July 2010 R'000
Assets and liabilities of disposal group classified as held for sale on disposal	
Property, plant and equipment (note 6)	**3**
Investments including policyholder assets	**109 958**
Other current assets	**104 553**
Policyholder assets under insurance contracts	**8 627**
Financial liabilities under investment contracts	**(111 136)**
Other current liabilities	**(21 483)**
Net carrying value of disposal group	**90 522**
Proceeds on disposal of sale	**87 618**
Loss on disposal	**(2 904)**

The results of the business, assets and liabilities relating to Medscheme Life Assurance Company Limited for the year are disclosed below:

	Group	
	2010 R'000	2009 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 insurance 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
Analysis of the result of the discontinued operation, and the result recognised on the re-measurement of the disposal group, is as follows:		
Loss for the year from discontinued operations	**(847)**	(2 379)

	Group		Company	
	2010	2009	**2010**	2009
	R'000	R'000	**R'000**	R'000
20. Issued 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:				
262 432 568 (2009: 257 999 496) ordinary shares of 1 cent each	**2 624**	2 580	**2 624**	2 580
– Opening balance	**2 580**	1 440	**2 580**	1 440
– Issue of share capital	**44**	1 140	**44**	1 140
16 638 000 (2009: 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	**386 650**	379 782	**386 650**	379 782
	389 440	382 528	**389 440**	382 528

The Directors are authorised, by resolution of the members and until the forthcoming annual general meeting, to issue the unissued shares in accordance with the limitation set by members.

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 fulfilled 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.

Share re-purchase – Offer to minorities

In terms of the Securities Regulation Code on Take-Overs and Mergers ("SRP Code") AfroCentric was obliged to make an offer to all shareholders of Lethimvula to acquire all of their Lethimvula shares on the same terms and conditions as those on which the Lethimvula shares were purchased by AfroCentric from the sellers as detailed above. The offer opened in January 2009 and remains open. At the date of issuing the annual financial statements AfroCentric held 87,53% in Lethimvula.

	Group		Company	
	2010	2009	**2010**	2009
	R'000	R'000	**R'000**	R'000
21. Borrowings				
Bank borrowings	**162 072**	160 350	**–**	–
Amounts due to shareholder and related companies	**–**	11 064	**–**	1 500
Finance leases	**–**	112	**–**	–
	162 072	171 526	**–**	1 500
Maturity analysis				
Non-current	**162 072**	160 350	**–**	–
Current	**–**	11 176	**–**	1 500
	162 072	171 526	**–**	1 500
	%	%	**%**	%
All interest bearing borrowings are at floating rates. The loans from the shareholder and related companies are unsecured, bear 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:				
Finance leases	**10**	13,5	**–**	–

The tables below indicate the present value of future lease commitments:

June 2010

Finance lease settled by June 2010

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

The present value at June 2009 is calculated using cash flows discounted at a rate of 13,5%, as opposed to the individual interest rates implicit in the leases, which is used to calculate the capital outstanding.

21. Borrowings (continued)

As at 30 June 2010, no breaches or defaults in payments have taken place.

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

	Group		Company	
	2010	2009	**2010**	2009
	R'000	R'000	**R'000**	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 R60,05 million (June 2009: 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
- 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 Health Management Services (Proprietary) Limited
- Medscheme Health Risk Management (Proprietary) Limited
- Medscheme Holdings (Proprietary) Limited (a pledge and cession of its call account)
- Helios IT Solutions (Proprietary) Limited
- Medscheme Asset Management (Proprietary) Limited
- Medscheme Financial Services (Proprietary) Limited
- National Health Administrators (Proprietary) Limited (Namibia)

Borrowing powers

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

22. Loans from group companies

	Group		Company	
	2010	2009	**2010**	2009
	R'000	R'000	**R'000**	R'000
Lethimvula Investments Limited	**–**	–	**8 812**	–
	–	–	**8 812**	–

The loan is interest free, unsecured and has no fixed terms of repayment.

23. 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.

An agreement between AVC and AfroCentric Investment Corporation Limited was reached. In terms of this agreement the AVC options were ceded to AfroCentric Investment Corporation Limited for a total purchase price of R7 166 542. The purchase price was settled by the issue of 2 149 962 ordinary shares with a par value of one cent in the share capital of AfroCentric Investment Corporation at an issue price of R2,60 and a cash payment of R1 576 640,80.

	Number of shares	Weighted average exercise price per share R
2010		
Group		
Outstanding at 1 July 2009	**122 714 763**	**0,0035**
Forfeited	**(122 714 763)**	**–**
Outstanding at 30 June 2010	**–**	**–**
Available to be implemented at 30 June 2010	**–**	**–**

	2010 R'000	2009 R'000
Grants made during the year		
Weighted average fair value at measurement date	**442**	442

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

	2010	2009
Weighted average share price (R)	**0,550**	0,550
Weighted average share exercise price (R)	**1,269**	1,269
Weighted average expected volatility (%)*	**20**	20
Weighted average option life (years)	**5,50**	5,50
Weighted average dividend yield (%)	**4,29**	4,29
Weighted average risk-free interest rate (%)**	**9,07**	9,07

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

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

The Lethimvula Investments Limited 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.

23. Share-based payment (continued)

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.

An agreement between Mr Dempers and AfroCentric Investment Corporation Limited was reached. In terms of this agreement Mr Dempers' options were acquired by AfroCentric Investment Corporation Limited for a total purchase price of R3 405 600. The purchase price was settled by the issue of 1 021 680 ordinary shares with a par value of one cent in the share capital of AfroCentric Investment Corporation at an issue price of R2,60 and a cash payment of R749 232.

	2010		2009	
	Number of shares	**Weighted average fair value R**	Number of shares	Weighted average fair value R
Group				
Outstanding at 1 July	**12 000 000**	**0,0209**	–	–
Granted	**–**		12 000 000	0,11
Forfeited	**(12 000 000)**		–	–
Outstanding at 30 June 2010	**–**		12 000 000	0,11
Available to be implemented at end of year	**–**		12 000 000	0,11

	2010 R'000	2009 R'000
Grants made during the year		
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:

	2010	2009
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 statement of comprehensive income under 'employee benefit costs'. See note 30.

Share appreciation right ("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 five 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 the 100% of the shares granted at 71 cents payable after year-end including interest at prime interest rate.

	2010 Number of shares	2009 Number of shares	2009 Weighted average fair value per share R
23. Share-based payment (continued)			
Group			
Outstanding at 1 July	**–**	1 500 000	0,408
Settled	**–**	(1 500 000)	0,408
Outstanding at 30 June 2010	**–**	–	0,408
Available to be implemented at end of year	**–**	–	0,408

	2010 R'000	2009 R'000
Acquisition of subsidiary	**–**	553
Adjustment to reflect agreed settlement value	**–**	512
Full and final settlement agreed	**–**	(1 065)
Balance at the end of the year	**–**	–

	Audit fees R'000	Medical scheme refunds R'000	Onerous contract R'000	Rental provisions R'000	West-wing litigation R'000	IFRS 3 contingency R'000	Total R'000
24. Provisions							
Group							
Balance as at 1 July 2008	–	–	–	–	–	–	–
Acquisition of subsidiary	2 827	–	25 401	–	–	69 345	97 573
Charged/(credited) to the statement of comprehensive income:							
– 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 year	(2 561)	–	–	–	–	–	(2 561)
Reversal of IFRS 3 contingency	–	–	–	–	–	(30 000)	(30 000)
Reclassification from borrowings	–	–	–	–	–	23 173	23 173
Balance as at 30 June 2009	**1 492**	**–**	**33 303**	**15 467**	**44 879**	**55 691**	**150 832**
Charged/(credited) to the statement of comprehensive income:							
– additional provisions	**2 403**	**2 883**	**–**	**–**	**–**	**–**	**5 286**
– debited to income statement	**–**	**–**	**(1 824)**	**(15 467)***	**(44 879)***	**(15 780)**	**(77 950)**
– transfer from straight-lining accrual – office move	**–**	**–**	**6 808**	**–**	**–**	**–**	**6 808**
– utilised during the year	**(562)**	**–**	**–**	**–**	**–**	**–**	**(562)**
Balance as at 30 June 2010	**3 333**	**2 883**	**38 287**	**–**	**–**	**39 911**	**84 414**

	Group	
	2010	2009
	R'000	R'000
24. Provisions (continued)		
Analysis of provisions:		
Non-current portion	**66 067**	79 048
Current portion	**18 347**	71 784
	84 414	150 832

** Lethimvula Healthcare (Pty) Limited has written back the rental provisions and Westwing litigation during the year as they will no longer be due.*

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.

Medical scheme refunds

The provision for refunds to medical schemes arose in the current financial year due to the incorporation of Lethimvula Healthcare (Pty) Limited into the Lethimvula Investments Limited group. The history of the provision is as follows in Lethimvula Healthcare (Pty) Limited:

The provision for refunds to medical schemes for 2008 originated from amounts that were expected to be refunded to medical schemes that arose out of past business practices. The provision was originally R112,5 million in 2007. An amount of R90,6 million was settled during 2007. A further R6,6 million was settled during 2008. The un-utilised balance of R15,3 million was reversed during 2008.

The provision for refunds to medical schemes for 2009 originates from amounts that are expected to be refunded to medical schemes arising from errors detected in invoicing of HIV related admin fees and an error in the loading of savings benefits.

25. Post-employment medical obligations

The Group operates a post-employment medical benefit scheme. The accumulated post-employment medical aid obligation was determined by independent actuaries in June 2010 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	
	2010	2009
	R'000	R'000
Balance at the end of the year	**3 866**	3 930
The amounts recognised in the statement of comprehensive income are as follows:		
Current service cost	**–**	–
Interest cost	**450**	–
Expected benefit payments	**(736)**	–
Net actuarial gains recognised in the current year	**222**	–
Net movement for the year	**(64)**	–

25. Post-employment medical obligations (continued)

The amount recognised in the statement of financial position is determined as follows:

	Group 2010 R'000	Group 2009 R'000
Present value of funded obligations	**3 930**	3 930
Interest cost	**450**	–
Expected employer benefit payments	**(736)**	–
Actuarial loss	**222**	–
Accrued liability in excess of plan assets	**3 866**	3 930

The principal actuarial assumptions used were as follows:

	2010	2009
Discount rate	**9% p.a.**	9% p.a.
Health care cost inflation	**7,5% p.a.**	7,25% p.a.
Post-retirement mortality	**PA(90) ultimate table***	PA(90) ultimate table*

* *Rated down two years with a 1% improvement p.a. from 2006*

No explicit assumption was made about additional mortality or healthcare 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 healthcare cost inflation;
- A five or ten percentage point increase in the rate of healthcare cost inflation for the next five years, thereafter returning to a healthcare cost inflation of 7,5% p.a; and
- A one percentage point decrease or increase in the discount rate.

	Central assumption 7,5%	Healthcare cost inflation -1%	Healthcare cost inflation +1%
Disclosure requirement			
Paragraph 120A(o) of IAS 19 (AC116)			
Accrued liability 30 June 2010 (R'million)	3,866	3,848	3,886
% change	–	-0,5%	+0,5%
Interest cost 2009/2010 (R'million)	0,322	0,320	0,323
% change	–	-0,6%	+0,3%
Sensitivity results from previous valuation	**Central assumptions 7,25%**		
Interest cost 2009/2010 (R'million)	0,342	0,341	0,343
% change	–	-0,3%	+0,3%

	Central assumption 7,5%	Healthcare cost inflation +5% for 5 years	Healthcare cost inflation +10% for 5 years
Accrued liability 30 June 2010 (R'million)	3,866	3,917	3,977
% change	–	+1,3%	+2,9%

	Central assumption 9%	Healthcare cost inflation -1%	Healthcare cost inflation +1%
Accrued liability 30 June 2010 (R'million)	3,866	4,092	3,663
% change	–	+5,8%	-5,3%

	Group R'000
26. Accrual for straight-lining of leases	
Balance as at 1 July 2008	
Acquisition of subsidiary	**51 325**
Charged to the statement of comprehensive income:	
– additional provisions	**275**
Used during the year	**(8 158)**
Balance as at 1 July 2009	**43 442**
Charged to the statement of comprehensive income:	
– additional provisions	**874**
Used during the year	**(6 808)**
Balance as at 30 June 2010	**37 508**

	Group	
	2010 R'000	2009 R'000
Non-current portion (onerous contracts)	**32 127**	39 268
Current portion (note 27)	**5 381**	4 174
	37 508	43 442

	Group		Company	
	2010 R'000	2009 R'000	**2010 R'000**	2009 R'000
27. Trade and other payables				
Trade payables	**37 575**	26 054	**–**	–
Accruals	**7 897**	26 157	**–**	–
Payroll creditors	**27 874**	26 564	**–**	92
Value Added Tax	**4 404**	10 911	**–**	–
Shareholders for dividends and share re-purchase	**16 596**	4 937	**–**	–
Short-term portion of straight-lining lease accrual	**5 381**	4 174	**–**	–
Inseta funding	**3 359**	2 403	**–**	–
Other payables	**5 460**	1 185	**129**	1 103
	108 546	102 385	**129**	1 195

	Bonuses R'000	Leave pay R'000	Total R'000
28. Employment benefit provisions			
Group			
Balance as at 1 July 2008	–	–	–
Acquisition of subsidiary	28 411	18 972	47 383
Charged/(credited) to the statement of comprehensive income:			
– additional provisions	30 602	13 208	43 810
– amounts reversed	(8 178)	(139)	(8 317)
Used during the year	(18 018)	(706)	(18 724)
Balance as at 30 June 2009	**32 817**	**31 335**	**64 152**
Charged/(credited) to the statement of comprehensive income:			
– additional provisions	**45 835**	**29 661**	**75 496**
– amounts reversed	**(1 727)**	**–**	**(1 727)**
Used during the year	**(17 327)**	**(31 671)**	**(48 998)**
Balance as at 30 June 2010	**59 598**	**29 325**	**88 923**

Analysis of employee benefit provisions:

	Group		Company	
	2010 R'000	2009 R'000	**2010 R'000**	2009 R'000
Current portion	**88 923**	64 152	**–**	–

Bonuses

The provision for management incentive bonuses of R44 million for the Lethimvula Group is payable at the end of October 2010, whilst the remaining provision for staff is payable to staff at the end of December 2010 as part of a salary restructuring arrangement based on their cost to company.

Leave pay

The provisions are primarily in respect of leave which will be settled through leave taken in the next financial year.

	Group		Company	
	2010 R'000	2009 R'000	**2010 R'000**	2009 R'000
29. Revenue				
Administration fees	**659 006**	338 658	**–**	–
Health risk management fees	**535 403**	160 078	**–**	–
Management fees	**–**	85	**–**	–
IT revenue and other	**69 005**	21 046	**–**	–
Revenue from healthcare administration and managed healthcare	**1 263 414**	519 867	**–**	–
Acquired healthcare business	**92 917**	–	**–**	–
	1 356 331	519 867	**–**	–

30. Profit/(loss) before taxation

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

	Group		Company	
	2010	2009	**2010**	2009
	R'000	R'000	**R'000**	R'000
Auditors' remuneration (included in 'other expenses')	**9 559**	2 569	**369**	251
– Audit fees	**6 163**	2 569	**369**	251
– Fees for consulting and other services	**3 027**	–	**–**	–
– Prior year under provision	**369**	–	**–**	–
Amortisation of development costs and other intangibles	**30 291**	11 857	**–**	–
Impairment of intangible assets	**8 405**	–	**–**	–
Impairment of investment	**67 313**	–	**51 565**	–
Bad debt write off	**525**	1 639	**–**	
Depreciation of property, plant and equipment	**54 280**	16 265	**–**	–
– Motor vehicles	**89**	34	**–**	–
– Computer equipment	**39 137**	11 645	**–**	–
– Furniture and fittings	**11 809**	3 233	**–**	–
– Office equipment	**3 245**	1 353	**–**	–
Directors' emoluments (included in 'employee benefit costs')				
Executive				
Salaries, bonuses and allowances	**12 087**	17 946	**–**	–
Non-executive				
For services as directors	**200**	784	**–**	200
Operating lease rentals (included in 'rentals and property costs')	**186 793**	50 558	**–**	–
– Buildings	**166 032**	42 988	**–**	–
– Computer equipment	**66**	7	**–**	–
– Motor vehicles	**853**	370	**–**	–
– Office equipment and furniture	**19 842**	7 193	**–**	–
Reversal of IFRS 3 contingent liability*	**15 780**	30 000	**–**	–

** Reversal of IFRS 3 contingent liability related to an asset finance transaction raised on acquisition of Medscheme Limited in 2006. The contingent liability has been reversed in accordance with the wind down profile of the transaction*

	Group 2010 R'000	Group 2009 R'000	Company 2010 R'000	Company 2009 R'000
30. Profit before taxation (continued)				
Employee benefit costs	**673 061**	255 541	**1 526**	1 491
– Salaries and wages	**540 338**	232 899	**1 526**	1 441
– Termination benefits	**19 913**	898	**–**	–
– Incentive bonus	**56 748**	14 266	**–**	50
– Share-based payment	**–**	423	**–**	–
– Staff welfare	**18 644**	7 044	**–**	–
– Movement in post-employment medical obligation	**221**	(1)	**–**	–
– Pension costs – defined contribution plans	**37 197**	12	**–**	–
Average number of persons employed by the Group during the year:				
South Africa	**2 140**	2 003	**1**	1
Full time	**2 066**	1 891	**1**	1
Part time	**74**	112	**–**	–
Outside of South Africa	**93**	74	**–**	–
Full time	**93**	74	**–**	–
Part time	**–**	–	**–**	–
Profit on disposal of property, plant and equipment	**1 380**	–	**–**	–
Impairment of property, plant and equipment	**736**	–	**–**	–
Computer equipment	**612**	–	**–**	–
Office equipment	**124**	–	**–**	–
Reversal of impairment provisions against loans and investments	**(3 109)**	(705)	**–**	–
31. Net finance (costs)/income				
Finance costs	**(22 601)**	(9 697)	**(905)**	(824)
Cash and cash equivalents	**(2 993)**	(3 676)	**(813)**	(824)
Finance leases	**–**	(20)	**–**	–
Preference dividend paid	**(19 516)**	(6 001)	**–**	–
Other	**(92)**	–	**(92)**	–
Finance income	**20 251**	17 794	**9 034**	13 437
Cash and cash equivalents	**10 361**	5 384	**692**	1 995
Preference dividend received	**8 342**	11 442	**8 342**	11 442
Other	**1 548**	968	**–**	–
	(2 350)	8 097	**8 129**	12 613

	Group		Company	
	2010	2009	**2010**	2009
	R'000	R'000	**R'000**	R'000
32. Income tax expense				
Current taxation				
Current year charge	**59 353**	14 279	**1 025**	789
Prior year adjustment	**(2 737)**	(1 054)	**44**	–
Deferred taxation				
Current year credit	**(41 021)**	(977)	**–**	–
Secondary tax on companies	**2 432**	1 359	**–**	–
	18 027	13 607	**1 069**	789

	%	%	%	%
Reconciliation of the tax rate				
South African normal tax rate	**28,0**	28,0	**28,0**	28,0
Adjust for:				
Expenses not deductible	**98,9**	1,6	**(24,5)**	15,9
Dividends not taxable	**(11,4)**	(8,7)	**(6,1)**	(37,4)
Share of profit from associates	**(0,5)**	(0,4)	**–**	–
Effective rate of tax (%)	**115,0**	20,5	**(2,6)**	6,5

33. Earnings per share

The calculation of basic earnings per share for the Group is based on a net loss for the year of R7 413 000 (2009: net income of R34 701 000), and a weighted average number of shares of 259,7 million (2009: 182,6 million) shares in issue.

The calculation of headline earnings per share for the Group is calculated on adjusted headline earnings of R77 339 000 (2009: R33 542 000), and a weighted average number of shares of 259,7 million (2009: 182,6 million) shares in issue.

	Group	
	2010	2009
Reconciliation of headline earnings	**R'000**	R'000
(Loss)/profit attributable to equity holders of the Company	**(7 413)**	34 701
Loss from discontinued operation	**847**	–
Basic earnings	**(6 566)**	34 701
Adjusted for:		
Shareholders for dividends written off	**(185)**	–
Impairment of property, plant and equipment	**5 020**	–
Impairment of intangible assets	**8 405**	–
Impairment of goodwill	**–**	287
Impairment of investment in associate	**67 313**	–
Minority interest	**4 199**	–
Loss on disposal of property, plant and equipment	**–**	154
Share of loss from discontinued operation	**(847)**	(1 600)
Headline earnings	**77 339**	33 542
Earnings per share (cents)		
Basic	**(2,53)**	19,00
Headline	**29,78**	18,37
Diluted earnings per share (cents)		
Basic	**(2,15)**	16,68
Headline	**25,34**	16,12
Weighted average number of shares	**259 670 381**	182 627 122
Adjusted for:		
– dilutionary impact of preference shares	**45 529 323**	25 403 778
Weighted average number of shares for diluted earnings per share	**305 199 704**	208 030 900

34. Net cash inflow/(outflow) from operating activities

	Group		Company	
	2010	2009	**2010**	2009
	R'000	R'000	**R'000**	R'000
Continuing operations				
Profit/(loss) before tax	**15 660**	66 524	**(39 379)**	12 088
Adjustments for:				
Reversal of treasury share fees	**–**	144	**–**	–
Dividends received	**–**	(402)	**–**	(3 996)
Finance income	**(20 251)**	(4 357)	**(9 034)**	(13 437)
Finance cost	**22 601**	9 697	**906**	824
Share-based payment expense	**624**	423	**–**	–
Bad debts written off	**(525)**	1 639	**–**	–
Foreign exchange gain	**(93)**	(65)	**–**	–
Loss on sale of discontinued operation	**–**	–	**–**	–
Increase in provision for bad debts	**2 791**	–	**–**	–
Net actuarial losses recognised during the year	**222**	–	**–**	–
Depreciation	**42 995**	16 265	**–**	–
Disposal of property, plant and equipment	**1 380**	–	**–**	–
Reversal of IFRS 3 contingency	**(15 780)**	–	**–**	–
Amortisation of intangible assets	**30 291**	11 857	**–**	–
Impairment provision on intangibles	**8 405**	427	**–**	–
Impairment of property, plant and equipment	**736**	–	**–**	–
Impairment provision on investments	**67 313**	(705)	**51 565**	–
Straight-lining of leases	**(5 934)**	(7 884)	**–**	–
Loss on disposal of assets	**–**	(144)	**–**	–
Onerous lease provisions	**4 986**	7 902	**–**	–
Share of profit of associates	**(14 017)**	(9 151)	**–**	–
Cash flow before working capital changes	**141 404**	92 170	**4 056**	(4 521)
Working capital changes	**33 400**	(11 290)	**4 597**	(1 325)
Trade and other receivables	**76 091**	(81 498)	**5 662**	1 210
Provisions	**(48 853)**	35 491	**–**	–
Trade and other payables	**6 162**	34 717	**(1 065)**	(2 535)
Cash generated/(utilised) from operations	**174 803**	80 880	**8 653**	(5 846)

35. Tax paid

Balance at the beginning of the year	**(20 066)**	(1 508)	**(1 077)**	(1 508)
Acquisition of subsidiary	**–**	(27 665)	**–**	–
Charged to the statement of comprehensive income	**(18 027)**	(14 584)	**(1 069)**	(789)
Balance at the end of the year	**(32 767)**	15 037	**325**	1 077
	(70 859)	(28 720)	**(1 821)**	(1 220)

36. Contingencies, commitments and guarantees

36.1 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.

	Group 2010 R'000	Group 2009 R'000
36.2 Commitments		
Building rentals		
Rental obligations with respect to land and buildings		
Not later than 1 year	**92 545**	80 561
Later than 1 year but not later than 5 years	**227 255**	257 325
Later than 5 years	**–**	6 870
	319 800	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	Later than 1 year but not later than 5 years	Later than 5 years	Total
June 2010					
Bryanston phase 1 – 10 Muswell Road	Samsung	**4 610**	**10 009**	**–**	**14 619**
Bryanston phase 2 – 10 Muswell Road	SecureData, Thebe Reward and various others	**8 096**	**17 713**	**–**	**25 809**
Bryanston phase 3 – 10 Muswell Road	Habitaz	**1 500**	**3 248**	**–**	**4 748**
Bryanston phase 4 – 10 Muswell Road	NHRBC	**4 558**	**9 912**	**–**	**14 470**
		18 764	**40 882**	**–**	**59 646**
June 2009					
Bryanston phase 1 – 10 Muswell Road	Samsung	4 229	14 619	–	18 848
Bryanston phase 2 – 10 Muswell Road	SecureData, 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

36. Contingencies, commitments and guarantees (continued)

	Group 2010 R'000	Group 2009 R'000	Company 2010 R'000	Company 2009 R'000
36.3 Guarantees				
Guarantees issued in respect of office rental for premises occupied by the Group	**9 931**	2 716	**–**	–
Medical aid schemes	**2 500**	2 500	**–**	–
South African Post Office	**3 923**	3 923	**–**	–
Kenmore Properties	**23**	23	**–**	–
Paramount Property Funds	**25**	25	**–**	–
	16 402	9 187	**–**	–

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

37. Related party transactions

37.1 Directors

Details relating to directors' emoluments are disclosed in note 30. There are no loans to directors.

The directors' shareholding in the Company is disclosed in the directors' report.

An amount of R1,824 million (including VAT) (2009: R0,342 million) was paid to Namane Financial Services (Pty) Limited by Lethimvula Investments Limited for consulting and marketing fees. Mr MJ Madungandaba has a controlling interest in the above-mentioned company.

37.2 Directors' shareholding in Netcare Limited

As part of arm's-length business operations, Medscheme Holdings (Proprietary) Limited, on behalf of its managed medical funds, enters into contracts with certain subsidiaries of the Netcare Limited Group.

87,53% of the issued share capital in Lethimvula Investments Limited is owned by AfroCentric, and certain of the AfroCentric Directors are Directors and/or shareholders within Netcare Limited.

As at 30 June 2010 the shareholding of AfroCentric Directors in Netcare Limited was as follows:

AfroCentric Director	Ordinary shares held in Netcare Limited (Direct)	Ordinary shares held in Netcare Limited (Indirect)	% of total issued ordinary share capital in Netcare Limited (Direct and Indirect)
MI Sacks	**6 038 750**	**23 719 214**	**2,08**
JM Kahn	**–**	**–**	**–**
NB Bam	**–**	**–**	**–**
DI Swartz	**–**	**–**	**–**
MV Gantsho	**–**	**–**	**–**
NMJ Canca	**–**	**–**	**–**
B Joffe	**70 919**	**–**	**0,004**
WRC Holmes	**–**	**–**	**–**
MJ Madungandaba	**–**	**422 731**	**0,03**
AT Mokgokong	**–**	**181 170**	**0,01**

37. Related party transactions (continued)

37.3 Transactions with entities in the Group

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

	Group 2010 R'000	Group 2009 R'000
Directors		
Medical aid contributions paid by directors – to schemes administered by Medscheme Holdings (Proprietary) Limited and Rowan Angel (Pty) Limited	**624**	–
D Dempers is a director of both Lethimvula Investments Limited and Marabou Travel Company (Pty) Limited – Management fees paid to Marabou Travel Company (Pty) Limited	**2 040**	–
D Dempers is a director of both Lethimvula Investments Limited and Marabou Travel Company (Pty) Limited – Subscription fees paid to Marabou Travel Company (Pty) Limited	**116**	–
Related entities		
Lethimvula Investments Limited – management fee paid to AfroCentric Investment Corporation Limited	**7 300**	5 662
AfroCentric Investment Corporation Limited – preference dividend received from entity controlled by Jasco Electronics Holdings Limited	**7 593**	11 442
Medscheme Administrators (Swaziland) (Proprietary) Limited – management fee paid to Medscheme Holdings (Proprietary) Limited	**949**	1 064
Asset management fee paid to Medscheme Asset Management by Medscheme Life Assurance Company Limited	**–**	202
Medscheme Holdings (Proprietary) Limited – management fee paid to Lethimvula Management Services (Proprietary) Limited	**7 007**	–
Medscheme Asset Management (Proprietary) Limited – management fee paid to Medscheme Holdings (Proprietary) Limited Medscheme Asset Management (Proprietary) Limited is a wholly owned subsidiary of Medscheme Limited, the holding company of Medscheme Holdings (Proprietary) Limited	**1 095**	456
Lethimvula Investments Limited – management fee paid to Medscheme Holdings (Proprietary) Limited	**914**	896
Medscheme Holdings (Proprietary) Limited – management fee paid to Lethimvula Investments Limited	**2 089**	1 048
Medscheme (Namibia) (Proprietary) Limited – management fees paid to Medscheme Holdings (Proprietary) Limited	**254**	98
Medscheme (Namibia) (Proprietary) Limited – processing fee paid to Medscheme Holdings (Proprietary) Limited	**1 040**	122
Medscheme (Namibia) (Proprietary) Limited – Nexus fee paid to Medscheme Holdings (Proprietary) Limited	**2 136**	–
Lethimvula Healthcare (Proprietary) Limited – processing fee paid to Medscheme Holdings (Proprietary) Limited	**967**	–
Rowan Angel (Proprietary) Limited – fixed assets purchased by Medscheme Holdings (Proprietary) Limited	**201**	–

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

37. Related party transactions (continued)

37.4 Key management personnel compensation

	Group		Company	
	2010	2009	**2010**	2009
	R'000	R'000	**R'000**	R'000
Short-term employee benefits	**43 220**	14 201	**1 526**	1 491

Key management personnel comprise employees on a General Manager's level and Directors of the various subsidiaries of AfroCentric.

37.5 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

38. 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.

39. 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.

40. Subsequent events

The directors of AfroCentric and subsidiaries are investigating various local and international opportunities, but no further decisions or commitments have been made.

41. Reclassification of comparative figures

The changes below all relate to the reclassification of borrowings to provisions. No changes were made regarding measurement of amounts.

		Group 2009	
	Previously reported R'000	Adjustment R'000	Restated R'000
Borrowings	194 699	(23 173)	171 526
Provisions	127 659	23 173	150 832
Total	322 358	–	322 358

The 30 June 2008 statement of financial position was not restated due to these balances not existing at that date.

Notice of annual general meeting of Shareholders: 15 December 2010

NOTICE IS HEREBY GIVEN of an Annual General Meeting of Ordinary Shareholders of AfroCentric Investments Limited ("the Company"), to be held on **Monday, 15 December 2010**, at **10:00** in the **IMVULA BOARDROOM, MEDSCHEME OFFICE PARK, 10 MUSWELL ROAD SOUTH, BRYANSTON, JOHANNESBURG** for the following purposes:

A) Considering, and if deemed fit, passing, with or without modification, of the following Special Resolution, the reason for and effect of the Special Resolution being stated below the Special Resolution:

Special resolution number 1

"Resolved that the Company hereby approves, as a general approval contemplated in sections 85(2), 85(3) and 89 of the Companies Act, 1973 (Act 61 of 1973), as amended ("the Act"), and in terms of the Company's articles of association the acquisition of the Company or any of its subsidiaries from time to time of the issued ordinary shares of the Company, upon such terms and conditions and in such amounts as the Directors of the Company may from time to time determine, but, subject to the articles of association of the Company, the provisions of the Act and the JSE Listings Requirements, as presently constituted and which may be amended from time to time, and provided:

- that any such acquisition of ordinary shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company or any of its subsidiaries and the counter party (reported trades are prohibited);
- that this general authority shall only be valid until the Company's next annual general meeting provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this Special Resolution;
- that a paid press announcement will be published as soon as the Company or its subsidiaries has/have acquired ordinary shares constituting, on a cumulative basis, 3% (three percent) of the number of ordinary shares in issue, prior to the acquisition pursuant to which the 3% (three percent) threshold is reached, and in respect of every 3% (three percent) thereafter, which announcement shall contain full details of such acquisitions;
- that acquisitions by the Company and its subsidiaries of ordinary shares in any one financial year may not exceed 20% (twenty percent) of the Company's issued ordinary share capital from the date of the grant of this general authority;
- that no subsidiary of the Company will acquire more than 10% of the Company's issued ordinary share capital at any one time;
- that in determining the price at which the Company's ordinary shares are acquired by the Company or any of its subsidiaries in terms of this general authority, the maximum price at which such ordinary shares may be acquired will be at a premium of no more than 10% (ten percent) of the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date of repurchase of such ordinary shares by the Company or any of its subsidiaries;
- that the Company may at any point in time only appoint one agent to effect any repurchase(s) on its behalf;
- that the Company or any of its subsidiaries may not repurchase securities during a prohibited period, as defined in the JSE Listings Requirements unless they have in place a repurchase programme where the dates and quantities of securities traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period."

Reason for and effect of special resolution number 1

The reason and effect for and of special resolution number 1 is to authorise the Company and/or its subsidiary companies by way of a general authority to acquire its own issued shares on such terms, conditions and such amounts determined from time to time by the Directors of the Company subject to the limitations set out above.

The Directors of the Company have no specific intention to effect the provisions of special resolution number 1 but will, however, continually review the Company's position, having regard to prevailing circumstances and market conditions, in considering whether to effect the provisions of special resolution number 1.

NOTE: Special resolution numbers 1 requires the approval of a 75% majority of the votes cast by members present or represented by proxy at the annual general meeting.

Additional Information required in terms of the JSE Listings Requirements with regard to this general authority for the Company or any of its subsidiaries to repurchase the Company's securities and for the payment of capital distributions to shareholders, appears in the annual financial statements, to which this notice of annual general meeting is annexed as indicated below:

- Directors and senior management of the Company: pages 87 – 89
- Major shareholders: page 15
- Directors' interest in securities: page 15
- Share capital of the Company: page 63

Responsibility statement

The directors, whose names are given on pages 87 – 89 of the annual report, collectively and individually, accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made in the annual report and that the annual report and notice of annual general meeting contains all information required by law and the JSE Listings Requirements.

Material changes

There has been no material change in the financial or trading position of the Company or any of its subsidiaries that has occurred since 30 June 2010 and the date of this report.

Litigation

There are no legal or arbitration proceedings, either pending or threatened against the Company, of which the Directors are aware, which may have, or have had in the last 12 months, a material effect on the financial position of the Company and its subsidiaries.

Pursuant to and in terms of the JSE Listings Requirements, the Directors of the Company hereby state:

I. That the intention of the Company and or any of its subsidiaries is to utilise the authorities if at some future date the cash resources of the Company are in excess of its requirements. In this regard the Directors will take account, *inter alia*, an appropriate capitalisation structure for the Company, the long-term cash needs of the Company, and will ensure that any such utilisation is in the interest of shareholders;

II. That the method by which the Company and or any of its subsidiaries intends to re-purchase its securities and the date on which such repurchase will take place, has not yet been determined; and

III. That after considering the effect of a maximum permitted re-purchase of securities and the payment of capital distributions to shareholders, the Company and its subsidiaries are, as at the date of this notice convening the annual general meeting of the Company, able to fully comply with the JSE Listings Requirements. Nevertheless, at the time that the contemplated re-purchase and capital distribution to shareholders are to take place, the Directors of the Company will ensure that:

    - The Company and the Group will be able in the ordinary course of business to pay its debts for a period of 12 months after the date of the repurchase and or the capital distribution;
    - The assets of the Company and the Group will be in excess of the liabilities of the Company and the Group for a period of 12 months after the date of the repurchase and or the capital distribution. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in these audited annual Group financial statements;
    - The share capital and reserves of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of the repurchase and or capital distribution;
    - The working capital of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of the repurchase and or capital distribution; and
    - The Company will provide its sponsor and the JSE with all documentation as required in Schedule 25 of the JSE Listings Requirements, and will not commence any repurchase programme until the sponsor has signed off on the adequacy of its working capital, advised the JSE accordingly and the JSE has approved this documentation.

B) Consideration, and if deemed fit, passing, with or without modification, of the following Ordinary Resolutions:

1. Ordinary resolution number 1: Financial statements for the financial year ended 30 June 2010

RESOLVED THAT the Financial Statements of the Company for the financial year ended 30 June 2010, together with the report of the Directors and Auditors contained therein, as distributed together with the Notice of an Annual General Meeting of the Company, and as approved by the Board of Directors of the Company, be adopted and that all matters undertaken by the Directors during the period covered by such Financial Statements be and are approved and confirmed.

2. **Ordinary resolution number 2: Appointment of auditors**

   2.1 RESOLVED THAT SizweNtsaluba be re-appointed as Auditors of the Company for the ensuing year, and A Mthimunye as the designated auditor of the Company for the ensuing year, and

   2.2 RESOLVED THAT the Board of Directors of the Company be authorised to determine the remuneration of the Auditors.

3. **Ordinary resolution number 3: Directors' fees**

   To ratify and approve, as required by the Company's Articles of Association, the remuneration of the Directors of AfroCentric for the financial year ended 30 June 2010, as reflected in the Directors' report of the Annual Financial Statements.

4. **Ordinary resolution number 4: Election/Re-election of Directors**

   A brief *curriculum vitae* in respect of each retiring Director that offered him/herself for re-election, is:

Mr WRC Holmes (Wallace) (Executive Director)
Business address: Medscheme Office Park, 37 Conrad Road, Florida North
Qualifications: CA (SA)
Occupation: Group Chief Financial Officer – AfroCentric Group

Wallace currently serves as the Chief Financial Officer or Financial Director for the following Companies:

1. AfroCentric Investment Corporation Limited;
2. Lethimvula Investments Limited;
3. Medscheme Holdings (Proprietary) Limited.

Prior to accepting the post of Chief Financial Officer of the aforementioned entities, Wallace was the Chief Financial Officer of Airports Company of South Africa Limited and prior to that, Chief Financial Officer of Tiger Brands Limited.

Mr MJ Madungandaba (Joe) (Non-Executive Director)
Business address: First Floor, Block 1, Atterbury Estate, 19 Frikkie de Beer Street, Menlyn, 0181, Pretoria
Qualifications: Certified Financial Advisor (CFA)
Occupation: CEO – Community Investment Holdings (Pty) Limited

Born and raised in Atteridgeville, **Joe Madungandaba** is an accountant by profession, and an astute business figure in the commercial world in South Africa. He sits on a number of boards of companies, both listed and unlisted, locally and internationally.

He is the Group Chief Executive Officer and his keen eye for lucrative business opportunities has enabled the Company to flourish and prosper.

He is the recipient of the prestigious Black Management Forum (BMF) Manager of the Year Award and has helped shape government policy on taxation, reconstruction and development. He has also chaired the Northern chapter of the Association for the Advancement of Black Accountants of Southern Africa (ABASA).

He has studied Commerce at the University of the North, Cranfield School of Management (UK) and Wharton Business School (USA). He is a fellow of the Institute of Commercial and Financial Accountants of Southern Africa.

Dr ATM Mokgokong (Anna) (Non-Executive Director)
Business address: First Floor, Block 1, Atterbury Estate, 19 Frikkie de Beer Street, Menlyn, 0181, Pretoria
Qualifications: MBChB
Occupation: Executive Chairman – Community Investment Holdings (Pty) Limited

Born in Soweto and raised in Swaziland, **Dr Anna Mokgokong** is a South African businesswoman, who has received international acclaim for her entrepreneurial ability.

As President of the South African Women Entrepreneurs Network (SAWEN), and the International Women's Forum of South Africa (IWFSA), she is a much sought-after public speaker with a keen interest in community development and women empowerment. She has been inducted into the Leading Women Entrepreneurs of the World, an independent, international club of the world's powerful and successful female entrepreneurs in 1998. In addition she is also the recipient of the prestigious SA Businesswoman of the Year Award 1999.

She used her medical training as a springboard into business, however her scope of influence spans different industries. She sits on numerous boards of listed and unlisted companies locally and internationally.

Dr Mokgokong has also served in academia and the public sector – having chaired the Council of the University of South Africa, and been appointed by President Thabo Mbeki to serve on the Commission for the Remuneration of Public Office Bearers, where she is the Deputy Chairperson.

She holds degrees in Bachelor of Science (University of Botswana) and MBChB (Medunsa).

MI Sacks (Motty) (Non-Executive Director and Company Secretary)
Business address: 76 Maude Street, Sandton
Qualifications: CTA, CA(SA), AICPA (ISR)
Occupation: Mr Sacks served as a non-executive director on the boards of several listed institutions and continues to serve in that capacity as well as being the chairman/member of several board committees. In addition to his corporate involvement, Mr Sacks serves on several charity committees, community trusts and consults in an honorary capacity as a mentor and adviser to several black empowerment entities. Mr Sacks is also an Officer of the International Association of Political Consultants and has served as a Director and Officer of that Association for the past 20 years.

He is the former Chairman of Netcare, having co-founded the Group with Dr Jack Shevel in 1996. He is also the former Chairman of Advtech Limited, one of South Africa's leading education institutions.

In 2006 he co-founded AfroCentric and has served as a non-executive director and company secretary since inception.

JM Kahn (Meyer) (Independent Non-Executive Director)
Business address: 2 Jan Smuts, Braamfontein, Johannesburg
Qualifications: BA (Law), MBA, DComm(hc), SOE
Occupation: Meyer Kahn joined South African Breweries in 1966 and occupied executive positions in a number of the group's former retail interests before being appointed to the board of SAB Limited in 1981. He was appointed Group Managing Director in 1983 and Executive Chairman in 1990. In 1997, he was seconded full-time to the South African Police Service as its Chief Executive, serving for two and a half years. He was appointed Chairman of South African Breweries plc upon its listing on the London Stock Exchange in 1999. In 2006 he co-founded AfroCentric Investment Corporation and has remained on the board as a non-executive director.

Among other awards, he holds an honorary doctorate in commerce from the University of Pretoria and was awarded The South African Police Star for Outstanding Service (SOE) in 2000.

To re-elect, by way of separate resolutions, Directors in the place of those retiring, in accordance with the Company's Articles of Association.

5. **Ordinary resolution number 5: Control of authorised, but unissued shares**
RESOLVED THAT the authorised but unissued shares in the capital of the Company be and are hereby placed under the control and authority of the Directors of the Company, subject to the provisions of the Companies Act (and the Articles of Association of the Company).

6. **Ordinary resolution number 6: General authority to issue shares**

RESOLVED THAT, subject to not less than 75% of those shareholders of the Company present in person or represented by proxy and entitled to vote at the Annual General Meeting at which this resolution is proposed, voting in favour of this resolution, the Directors of the Company be and are hereby authorised and empowered, by way of a general authority, to allot and issue for cash without restriction, all or any of the authorised but unissued shares in the share capital of the Company placed under their control as they in their discretion may deem fit, subject to the provisions of the Listings Requirements of the JSE Limited ("JSE"):

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

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

(c) the general issues of shares for cash in the aggregate in any one financial year may not exceed 15% of the applicant's issued share capital of that class. The securities of a particular class will be aggregated with the securities that are compulsory convertible into securities of that class which may be issued shall be based on the number of securities of that class in issue at the date of such application less any securities of the class issued during the current financial year, provided that any securities of that class to be issued pursuant to a rights issue (announced and irrevocable and underwritten) or acquisition (concluded up to the date of application) may be included as though they were securities in issue at the date of the application;

(d) in determining the price at which the issue will be made in terms of this authority the maximum discount permitted will be 10% of the weighted average traded price of such shares, as determined over the 30-day trading days prior to the date that the price of the issue is determined or agreed between the issuer and the party subscribing for the shares. The JSE will be consulted for a ruling if the applicant's securities have not traded in such 30-business-day period;

(e) any issue will only be made to "public shareholders" as defined by the JSE Listings Requirements, and not related parties; and

(f) any such issue will only be securities of a class already in issue.

7. **Ordinary resolution number 7: Authority to make general payment to shareholders**

RESOLVED THAT the directors, subject to Section 90 of the Companies Act (Act 61 of 1973), as amended, and the Listings Requirements of the JSE Limited ("JSE") and to any other restrictions set out in the mandate, be and are hereby authorised to make payments to shareholders, subject to the following limitations:

- That this authority shall not extend beyond 15 months from the date of the Annual General Meeting or the date of the next Annual General Meeting, whichever is the earlier date;
- That any general payment(s) may not exceed 20% of the Company's issued share capital, including reserves but excluding minority interests and revaluations of assets and intangible assets that are not supported by a valuation by an independent professional expert acceptable to the JSE prepared within the last six months, in any one financial year, measured as at the beginning of each financial year;
- That any general payment be made *pro rata* to all shareholders; and

Pursuant to and in terms of the JSE Listings Requirements, the Directors of the Company hereby state:

That the intention of the Company and or any of its subsidiaries is to utilise the authorities if at some future date the cash resources of the Company are in excess of its requirements. In this regard the Directors will take account, *inter alia*, an appropriate capitalisation structure for the Company, the long-term cash needs of the Company, and will ensure that any such utilisation is in the interest of shareholders.

That the method by which the Company intends to make capital distributions to shareholders in terms of the authority and the date on which such payments will take place, will be announced following the decision by the Board to make such payments.

Further relevant disclosure as required for ordinary resolution number 7 in terms of the JSE Listings Requirements, is contained in the special resolution number 1.

The capital distribution is subject to the South African Exchange Control Regulations of the South African Reserve Bank. The following is a summary of certain of the South African Exchange Control Regulations insofar as they are applicable to shareholders in relation to this document. Shareholders should consult their professional advisors in this regard.

Exchange control
In terms of the South African Exchange Control regulations, the following will apply in the case of shareholders whose registered addresses are outside the common monetary area:

Emigrants
The Rand consideration due to shareholders who are emigrants from South Africa, and whose records/documents of title have been restrictively endorsed under the Exchange Control Regulations of South Africa and who are entitled to receive a *pro rata* portion of the capital distribution, will be deposited in a blocked Rand account with the authorised dealer in foreign exchange controlling such emigrant's remaining blocked assets. The authorised dealer releasing the documents of title must countersign the relevant form of acceptance, thereby indicating that the Rand consideration will be placed directly under its control. This relates to shares that were acquired with blocked funds after the shareholders' migration or those that formed part of the emigrant's blocked assets at the time of emigration.

The consideration is not freely transferable from South Africa and may only be dealt with in terms of the Exchange Control Regulations of South Africa. Where applicable, a "non-resident" endorsement will be stamped on every new share certificate or share statement issued to a shareholder who is an emigrant from the common monetary area. The new share certificate or share statement will be forwarded to the authorised dealer in foreign exchange in South Africa controlling the shareholder's blocked assets. If emigrant AfroCentric Investments Limited shareholders do not provide the name of an authorised bank, the amount concerned will be held on deposit in a non-interest bearing account under the control of the transfer secretaries, who will complete the transaction on behalf of the shareholders concerned.

All Central Securities Depository Participants ("CSDP") or brokers with whom shares have been dematerialised should note that they are required to comply with the South African Exchange Control Regulations set out above.

Other non-residents
The Rand consideration due to shareholders, who are non-residents of South Africa, who have never resided in South Africa, whose registered addresses are outside the common monetary area, whose records/documents of title have been restrictively endorsed under the Exchange Control Regulations of South Africa and who are entitled to receive a *pro rata* portion of the capital distribution, will be freely transferable to such shareholders, provided that the Rand consideration due to such shareholders may only be paid to the credit of a non-resident account with an authorised bank in South Africa.

Where applicable, a non-resident endorsement will be stamped on every new share certificate or share statement issued to a shareholder who is a non-resident from the common monetary area. The new share certificate or share statement will be forwarded to the authorised dealer in foreign exchange in South Africa. Where the shareholder does not have an authorised dealer in South Africa, the share certificate or statement and, where applicable, a cheque will be posted, at the risk of such shareholder, to the address of such shareholder in the share register at the record date.

8. **Ordinary resolution number 8: Authority of Directors**
RESOLVED THAT any two Directors of the Company be and are hereby authorised to do all such things, sign all such documents and procure the doing of all such things and the signature of all such documents as may be necessary for or incidental to the implementation of the resolutions passed at the Annual General Meeting of shareholders of the Company held on 31 May 2010.

By order of the Board

MI Sacks
Company Secretary

Bryanston

Directors and senior management

Directors

Dr Anna Mokgokong

Born in Soweto and raised in Swaziland, Dr Anna Mokgokong is a South African businesswoman, who has received international acclaim for her entrepreneurial ability.

As President of the South African Women Entrepreneurs Network (SAWEN), and the International Women's Forum of South Africa (IWFSA), she is a much sought-after public speaker with a keen interest in community development and women empowerment. She has been inducted into the Leading Women Entrepreneurs of the World, an independent, international club of the world's powerful and successful female entrepreneurs in 1998. In addition she is also the recipient of the prestigious SA Businesswoman of the Year Award 1999.

She used her medical training as a springboard into business, however her scope of influence spans different industries. She sits on numerous boards of listed and unlisted companies locally and internationally.

Dr Mokgokong has also served in academia and the public sector – having chaired the Council of the University of South Africa, and been appointed by President Thabo Mbeki to serve on the Commission for the Remuneration of Public Office Bearers, where she is the Deputy Chairperson.

She holds degrees in Bachelor of Science (University of Botswana) and MBChB (Medunsa).

Mr Joe Madungandaba

Born and raised in Atteridgeville, Joe Madungandaba is an accountant by profession, and an astute business figure in the commercial world in South Africa. He sits on a number of boards of companies, both listed and unlisted, locally and internationally.

He is the Group Chief Executive Officer and his keen eye for lucrative business opportunities has enabled the Company to flourish and prosper.

He is the recipient of the prestigious Black Management Forum (BMF) Manager of the Year Award and has helped shape government policy on taxation, reconstruction and development. He has also chaired the Northern chapter of the Association for the Advancement of Black Accountants of Southern Africa (ABASA).

He has studied Commerce at the University of the North, Cranfield School of Management (UK) and Wharton Business School (USA). He is a fellow of the Institute of Commercial and Financial Accountants of Southern Africa.

Dr 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 bring 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.

Directors and senior management *(continued)*

Mr Brian Joffe

Brian Joffe graduated from the University of the Witwatersrand in 1971 as a Chartered Accountant. He served Articles with a firm of accountants – Levitt Kirson Gross. After graduating he worked in Israel for three years before returning to South Africa where he bought a half-share in a pet food business, acquiring the full shareholding a year later. The business was sold profitably in the following year to Tongaat, a major food group within the Anglo American stable.

After some time in the USA he returned to South Africa to join Standard Merchant Bank as a consultant in their corporate finance division where he met Mannie Simchowitz who was establishing W & A. Mr Joffe joined W & A as chief executive of E W Tarry plc which was listed on the London Stock Exchange in August 1983. In 1987 he became managing director of W & A. He initiated the sale of W & A later that year after which he left the group in May 1988.

In November 1988 he gained control of a JSE-listed cash shell. The name was changed to Bid Corporation Limited with Brian as executive chairman. The Bidvest Group Limited ("Bidvest") was floated. In 1995 he was elected by the Sunday Times as one of South Africa's top five businessmen of the year. He was elected as one of the top South African Jewish Business Achievers for 1995. In 2003 an international research organisation Marakon Associates rated Bidvest first in conglomerate performance world-wide, delivering a 36% annual compound growth in total shareholder returns, in US dollars over 10 years, beating Jack Welsh's GE and Warren Buffett's Berkshire Hathaway. In the same year Bidvest was listed as one of only three South African companies as an index component in the Dow Jones Sustainability World Index.

In 2004 Bidvest initiated a R2,1 billion transaction to introduce Dinatla as a 15% shareholder in Bidvest in a groundbreaking Black Economic Empowerment initiative. In that year Bidvest was also listed as a founding constituent of the Socially Responsible Investment index launched by the JSE. In 2005 Bidvest was included in the Forbes Global Roster of the world's most attractive big companies for investors. The 400 companies listed represent less than 1% of the world's publicly quoted companies. Bidvest operates in Southern Africa, the United Kingdom, continental Europe, Australia and New Zealand.

Mr J Meyer Kahn

After obtaining his BA Degree (Law) and MBA at the University of Pretoria, Meyer Kahn entered the business world in Pretoria as junior manager with the OK Bazaars retail chain. After rapid progress, he later occupied executive positions in both Afcol and Amrel. In 1977 he returned to the OK Group as Chief Executive Officer. In 1981 he was appointed a director of SA Breweries Group, Group Managing Director in 1983 and Executive Chairman in 1990. Mr Kahn served on the boards of 16 listed companies and as a trustee of numerous organisations and is also a past-president of The South Africa Foundation.

He has received a number of notable awards, among others: one of the country's five Top Businessmen in 1983; Marketing Man of the Year in 1987; and Business Manager of the Year in 1990. During 1991 he received the Award for Business Excellence from the University of the Witwatersrand. He was also honoured by the University of Pretoria as Professor Extraordinaire (1989) and by way of an honorary doctorate in Commerce (1990). He was also awarded SOE in recognition of outstanding service rendered in SAPS in 2000. On 1 August 1997, Mr Kahn commenced his two and-a-half year secondment to the South African Police Service as its Chief Executive.

On 1 January 2000, he returned to the Braamfontein offices of South African Breweries plc to reassume his position as Chairman. In July 2002, on completion of the transaction with the Miller Brewing Company of the USA, he became Chairman of SABMiller plc.

Mr Michael (Motty) Sacks
Motty Sacks graduated from the University of the Witwatersrand in 1967 and was admitted as a Public Accountant and Auditor in 1968. He was admitted as an Accountant and Auditor in the United Kingdom and Israel in 1974 and 1978, respectively.

In 1968, he entered private practice as a Public Accountant and Auditor but retired in 1972 to form a specialised consultancy practice dealing more specifically in mergers, acquisitions, corporate rescue and insolvency matters.

During his 25 years as a Financial Consultant, Mr Sacks served as a non-executive director on the boards of several listed institutions and continues to serve in that capacity as well as being the chairman/member of several board committees. In addition to his corporate involvement, Mr Sacks serves on several charity committees, community trusts and consults in an honorary capacity as a mentor and adviser to several black empowerment entities. Mr Sacks is also an Officer of the International Association of Political Consultants and has served as a Director and Officer of that Association for the past 20 years.

He is the former Chairman of Netcare, having co-founded the Group with Dr Jack Shevel in 1996. He is also the former Chairman of Advtech Limited, one of South Africa's leading education institutions.

Mr WRC Holmes (Wallace) (Executive Director)
Wallace is a CA(SA) who currently serves as the Chief Financial Officer for the following companies:
1. AfroCentric Investment Corporation Limited;
2. Lethimvula Investments Limited; and
3. Medscheme Holdings (Proprietary) Limited.

Prior to accepting the post of Chief Financial Officer of the aforementioned entities, Wallace was the Chief Financial Officer of Airports Company of South Africa Limited and prior to that, Chief Financial Officer of Tiger Brands Limited.

Senior Management
Dr Jon Rothbart
Dr Rothbart is the Chief Operating Officer of AfroCentric Investment Corporation. Prior to this he worked at McKinsey & Company Sub-Saharan Africa office out of Johannesburg. He served clients in the financial services, energy, parastatal and resource industries. He sits on the boards of AfroCentric's portfolio companies.

Dr Rothbart has an MBA from Rotterdam School of Management (Netherlands) and a BVSc from the University of Pretoria.

Mr Dewald Dempers
As CEO of Lethimvula Investments Limited, Mr Dempers's primary mandate is to ensure Lethimvula's continued growth, while safeguarding its interests and creating sustained value. To achieve these objectives, he works closely with the Medscheme Executive as well as JSE-listed AfroCentric Investment Corporation which acquired a majority shareholding in Lethimvula in 2008.

Mr Dempers achieved his BComm degree at the University of Johannesburg and has dedicated his career to many aspects of the private and public healthcare industry. Following a successful career at Air Liquide, he founded Executive Active Management Practice, a company which provided a range of strategic and operational services to medical institutions.

In 1997 Mr Dempers teamed up with Dr Anna Mokgokong and Joe Madungandaba and was instrumental in enabling Malesela Group to acquire a number of hospitals. Invited to participate in a new venture, Community Healthcare Group (CHG) in 2001, he was successful in growing the value of the company from R200 000 to R450 million within five years. In 2006, having joined forces with other BBBEE players to form Lethimvula Investments Limited, the company acquired Medscheme and Rowan Angel. Old Mutual Healthcare was added to the Lethimvula stable in 2009.

NOTES

Form of proxy

AFROCENTRIC INVESTMENT CORPORATION LIMITED
Registration number: 2006/005087/06
JSE share codes: ACT/ACTP
ISIN: ZAE000078416, ZAE000082269
("AfroCentric" or "the Company")

FORM OF PROXY RELATING TO THE ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD ON 15 DECEMBER 2010 AT BRYANSTON.

I / We (block letters) ____________________

of (address) ____________________

____

being a Shareholder/Shareholders of the Company, entitled to ____________________ votes,

do hereby appoint ____________________ or failing him/her

____________________ or failing him/her,

the Chairman of the AGM as my/our Proxy to vote for me/us, and on my/our behalf at the AGM and at any adjournment thereof as follows :

			Number of votes		
			For	Against	Abstain
A) Special Resolutions					
1.	General approval to repurchase shares.				
B) Ordinary Resolutions					
1.	Financial Statements for the financial year ended 30 June 2010				
2.	Auditors.				
	2.1	Reappointment of SizweNtsaluba			
	2.2	Authority to determine remuneration			
3.	Directors' fees				
4.	Election/re-election of Directors				
	4.1	WRC Holmes			
	4.2	MJ Madungandaba			
	4.3	ATM Mokgokong			
	4.4	MI Sacks			
	4.5	JM Kahn			
5.	Control of authorised, but unissued shares				
6.	General authority to issue shares				
7.	Authority to make general payment to shareholders				
8.	Authority of Directors				

Signed on this ____________ day of ____________ 2010

Signature ____________________

Assisted by (if applicable) ____________________

NOTES TO THE FORM OF PROXY

1. A Member may insert the names(s) of one or more proxies (none of whom needs to be a Member of the Company) in the space provided, with or without deleting the words "Chairman of the Meeting". The person whose name stands first on the Form of Proxy and has not been deleted and who is present at the meeting will be entitled to act as Proxy to the exclusion of those whose names follow. In the event that no names are indicated, the Proxy shall be exercised by the Chairman of the Annual General Meeting.

2. A Member's instructions to the Proxy must be indicated by the insertion of the relevant number of votes exercisable by that Member in the appropriate box/boxes provided. Failure to comply with the above will be deemed to authorise the Chairman to vote in favour of the resolutions in respect of all of the Members' votes exercisable thereat.

3. The completion and lodging of this form of Proxy shall in no way preclude the Member from attending, speaking and voting in person at the Annual General Meeting to the exclusion of any Proxy appointed in terms hereof.

4. Should this form of Proxy not be completed and or received in accordance with these notes, the Chairman may accept or reject it, provided that in respect of this acceptance, the Chairman is satisfied as to the manner in which the Member wishes to vote.

5. Documentary evidence establishing the authority of the person signing the form of Proxy in a representative capacity must be attached to this form of Proxy unless previously recorded by the Company's Transfer Secretaries or waived by the Chairman of the Annual General Meeting.

6. Where this form of Proxy is signed under power of attorney, such power of attorney must accompany this form unless it has previously been registered with the Company.

7. Where shares are held jointly, all joint holders are required to sign.

8. A minor must be assisted by his / her parent or guardian unless the relevant documents establishing his / her legal capacity have been produced or have been registered by the Transfer Secretaries of the Company.

9. Any alteration or correction made to this form of Proxy must be signed in full and not initialled by the signatories.

10. Every person present and entitled to vote at the Annual General Meeting as a Member or as a Representative of a body corporate shall, on a show of hands, have one vote only, irrespective of the number of shares such person holds or represents, but in the event of a poll, every share shall have one vote. Indicate instructions to proxy by way of a cross in space provided above.

11. **This Proxy must be lodged with the registered office of the Transfer Secretaries of the Company, Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107, Fax No : +27 (11) 688 5238) not later than Monday, 13 December 2010.**

ince.motiv

AfroCentric
Investment Corporation Limited